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TRANSLATION

Independent Auditor's Report

To the Shareholders of Eurobank Direktna a.d., Beograd

Opinion

We have audited the financial statements of Eurobank Direktna a.d., Beograd (the "Bank"), which comprise:

- the statement of financial position as at 31 December 2022;

and, for the period from 1 January to 31 December 2022:

- the statement of profit or loss;
- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows;

and

- notes, comprising a summary of significant accounting policies and other explanatory information;

(the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with the Law on Auditing and the Law on Accounting of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia. Our responsibilities under those regulations are further described in the Auditor's Responsibility for the audit of the financial statements section of our report. We are independent of the Bank in accordance with International Ethics Standards Board for Accountants 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

Management is responsible for the other information. The other information comprises the Annual Business Report for the year ended 31 December 2022.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report we do not express any form of assurance conclusion thereon.

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.

With respect to the Annual Business Report, we are also required by the Law on Accounting of the Republic of Serbia to express an opinion on whether the Annual Business Report:

- is consistent with the financial statements; and
- has been prepared in accordance with the applicable legal requirements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion, the information given in the Annual Business Report for the financial year for which the financial statements are prepared, in all material respects:

- is consistent with the financial statements; and
- has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Bank and its environment obtained in the course of our audit, we are required to report if we identify material misstatements in the Annual Business Report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' 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 the Law on Auditing of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the 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.

As part of an audit in accordance with the Law on Auditing of the Republic of Serbia, the Decision on External Audit of Banks and applicable auditing standards in the Republic of Serbia, we exercise professional judgment and maintain professional scepticism 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 those charged with governance regarding, among other matters, the plannedscope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG d.o.o. Beograd

Signed on the Serbian original

Nikola Đenić
Licensed Certified Auditor

Belgrade, 26 April 2023

This is a translation of the original Independent Auditor's Report issued in the Serbian language.All due care has been taken to produce a translation that is as faithful as possible to the original.
However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.
We assume no responsibility for the correctness of the translation of the Bank's financial statements.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

Contents

Statement of profit or loss for the year ended 31 December

All amounts are expressed in 000 RSD unless stated otherwise

In RSD thousands	Note	2022	2021
Interest income	2.2, 6	11,732,969	7,094,212
Interest expenses	2.2, 6	(3,155,300)	(1,031,424)
Net interest income		8,577,669	**6,062,788**
Fee and commission income	2.2, 7	3,756,929	2,714,894
Fee and commission expenses	2.2, 7	(1,273,067)	(839,552)
Net fee and commission income		**2,483,862**	**1,875,342**
Net (losses) / gains arising from change in fair value of financial instruments		(152,626)	6,452
Net gains arising from derecognition of financial instruments measured at fair value		102	5,149
Net foreign exchange rate losses		(19,207)	(4,739)
Net (losses) / gains arising from impairment of financial instruments	2.2, 8	(1,130,725)	(832,298)
Net (losses) / gains arising from derecognition of financial assets measured at amortized cost		(4,304)	81,547
Other operating income		182,519	31,138
Total operating income		**9,937,290**	**7,225,379**
Salaries, benefits and other personnel expenses	2.4, 9	(2,880,886)	(2,161,803)
Depreciation and amortization	10	(2,050,555)	(874,995)
Other income		434,529	195,963
Other expenses	11	(5,109,952)	(3,901,280)
Profit before tax		**330,426**	**483,264**
Deferred income tax losses	2.3, 12	(3,881)	(69,695)
Profit for the period		**326,545**	**413,569**

Belgrade, 26 April 2023

On behalf of the Bank:

Slavica Pavlovic, President of the Executive Board

Vladimir Tofoski, Chief Financial Officer

Statement of comprehensive income for the year ended 31 December 2022

All amounts are expressed in 000 RSD unless stated otherwise

In RSD thousands	2022	2021
Profit for the period	**326,545**	**413,569**
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit pensions plans	(4,981)	7,180
Income/(expense) tax relating to items that will not be reclassified to profit or loss	747	(1,077)
Items that may be reclassified subsequently to profit or loss		
Gains/(losses) on value changes of financial assets measured at FVOCI	(555,537)	(131,944)
Income/(expense) tax relating to items that may be reclassified subsequently to profit or loss	-	21,680
Other comprehensive income, net of tax	(559,771)	(104,161)
Total comprehensive income	**(233,226)**	**309,408**

Belgrade, 26 April 2023

On behalf of the Bank:

Slavica Pavlovic, President of the Executive Board

Vladimir Tofoski, Chief Financial Officer

All amounts are expressed in 000 RSD unless stated otherwise

In RSD thousands	Note	31 December 2022	31 December 2021
Assets			
Cash and assets held with the central bank	2.9, 13	66,647,631	58,385,373
Receivables from derivatives	2.6, 14	85,801	83,006
Securities	2.5, 15	15,013,006	17,316,588
Loans and receivables to banks and other financial institutions	2.5, 16	21,074,056	24,317,021
Loans and receivables to customers	2.5, 17	188,555,513	178,114,877
Investments in associates		12,362	14,009
Intangible assets	2.13, 18	3,182,652	3,235,838
Property, plant and equipment	2.12, 19	6,506,969	7,116,088
Investment property		322,322	230,549
Current tax assets	2.3, 12	437,268	437,268
Deferred tax assets	2.3, 20	184,045	237,815
Other assets	21	1,048,765	821,805
Total assets		**303,070,390**	**290,310,237**
Liabilities and equity			
Liabilities from derivatives	2.6, 22	79,010	87,705
Deposits and other financial liabilities due to banks, other financial institutions and central bank	2.18, 24	64,771,276	45,870,347
Deposits and other financial liabilities due to customers	2.18, 25	188,402,116	178,408,904
Subordinated loans	5.5, 26	7,802,887	7,820,158
Provisions	2.19, 27	750,550	800,071
Deferred tax liabilities	2.3, 20	145,911	191,272
Other liabilities	2.20, 28	3,783,954	19,558,592
Total liabilities		**265,735,704**	**252,737,049**
Share capital and share premium	2.17, 29	18,033,585	18,033,585
Retained earnings	29	750,024	428,755
Reserves	29	18,551,077	19,110,848
Total equity		**37,334,686**	**37,573,188**
Total liabilities and equity		**303,070,390**	**290,310,237**

Belgrade, 26 April 2023

On behalf of the Bank:

Slavica Pavlovic, President of the Executive Board

Vladimir Tofoski, Chief Financial Officer

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The accompanying notes form an integral part of these financial statements.

All amounts are expressed in 000 RSD unless stated otherwise

In RSD thousands	Share capital	Share premium	Revaluation reserves	Other reserves	Retained earnings	Total equity
Opening balance as of 1 January 2021	**25,426,700**	**6,051,999**	**123,234**	**9,561,062**	**12,513,047**	**53,676,042**
Profit for the year ended 31 December 2021	-	-	-	-	413,569	413,569
Share capital decrease	(15,361,600)	-	-	-	-	(15,361,600)
Dividends distribution	-	-	-	-	(12,502,494)	(12,502,494)
Effects of the merger	1,916,400	86	-	9,530,713	-	11,447,199
Accumulated profit from previous years	-	-	-	-	9,909	9,909
Other comprehensive income for the year, net of tax	-	-	(104,161)	-	-	(104,161)
Deferred tax effects on initial application of IFRS 9	-	-	-	-	(5,276)	(5,276)
Balance as of 31 December 2021	**11,981,500**	**6,052,085**	**19,073**	**19,091,775**	**428,755**	**37,573,188**
Opening balance as of 1 January 2022	**11,981,500**	**6,052,085**	**19,073**	**19,091,775**	**428,755**	**37,573,188**
Profit for the year ended 31 December 2022	-	-	-	-	326,545	326,545
Other comprehensive income for the year, net of tax	-	-	(559,771)	-	-	(559,771)
Deferred tax effects on initial application of IFRS 9	-	-	-	-	(5,276)	(5,276)
Balance as at 31 December 2022	**11,981,500**	**6,052,085**	**(540,698)**	**19,091,775**	**750,024**	**37,334,686**

Belgrade, 26 April 2023

On behalf of the Bank:

Slavica Pavlovic, President of the Executive Board

Vladimir Tofoski, Chief Financial Officer

All amounts are expressed in 000 RSD unless stated otherwise

In RSD thousands	2022	2021
Cash inflow from operating activities	**15,844,972**	**10,653,311**
Inflow from interest	11,167,201	7,302,714
Inflow from fees and commissions	3,674,006	2,707,264
Inflow from other operating income	1,002,659	642,691
Inflow from dividends	1,106	642
Cash outflow from operating activities	**(10,764,199)**	**(8,249,208)**
Outflow from interest	(2,665,960)	(1,036,451)
Outflow from fees and commissions	(1,244,475)	(877,339)
Outflow from gross salaries, benefits and other personal expenses	(2,856,158)	(2,159,965)
Outflow from taxes, contributions and other duties charged to income	(972,645)	(1,317,755)
Outflow from other operating expenses	(3,024,961)	(2,857,698)
Net cash inflow from operating activities before increase or decrease in loans investments and deposits	**5,080,773**	**2,404,103**
Net inflow from securities and other financial assets not intended for investments	365	3,121
Net inflow from deposits and other liabilities to banks, other financial institutions, central bank and customers	21,784,626	24,098,669
	21,784,991	**24,101,790**
Net cash outflow from loans and investments		
Net outflow from loans and receivables to banks, other financial institutions, central banks and clients	(20,418,374)	(25,852,146)
	(20,418,374)	**(25,852,146)**
Net cash inflow/(outflow) for operating activities before profit tax	**6,447,390**	**653,747**
Income tax paid	-	-
Dividends paid	-	(11,850,153)
Net cash outflow for operating activities	**6,447,390**	**(11,196,406)**
Cash flow from investing activities	**7,589,867**	**19,541,598**
Inflow from investment in investment securities	7,293,769	6,899,238
Inflow from selling of intangible assets, property, plant and equipment	296,098	2,607
Other inflows from investing activities	-	12,639,753
Cash outflow from investing activities	**(6,859,829)**	**(10,486,042)**
Outflow for investment in investment securities	(5,214,535)	(9,655,330)
Outflow for purchase of intangible assets, property, plant and equipment	(1,645,294)	(830,712)
Net cash flow from investing activities	**730,038**	**9,055,556**
Cash inflow from financing activities	**32,299,765**	**39,061,250**
Inflow from subordinated liabilities	-	7,053,960
Inflow from borrowings	32,299,765	32,007,290
Cash outflow from financing activities	**(41,524,572)**	**(28,614,651)**
Outflows from borrowings	(25,743,459)	(28,350,102)
Other outflows from financial activities	(15,781,113)	(264,549)
Net cash inflow/(outflow) from financing activities	**(9,224,807)**	**10,446,599**

All amounts are expressed in 000 RSD unless stated otherwise

In RSD thousands	2022	2021
Cash inflow	**77,519,595**	**93,357,949**
Cash outflow	**(79,566,974)**	**(85,052,200)**
Net cash inflow/(outflow)	**(2,047,379)**	**8,305,749**
Cash and cash equivalent at the beginning of the year	**26,348,895**	**17,942,745**
Effect of exchange rate fluctuations on cash and cash equivalents held	55,253	100,401
Cash and cash equivalent at the end of the reporting period (Note 14)	**24,356,769**	**26,348,895**

Belgrade, 26 April 2023

On behalf of the Bank:

Slavica Pavlovic, President of the Executive Board

Vladimir Tofoski, Chief Financial Officer

1. General information

Eurobank A.D. has been established by the merger of Eurobank EFG a.d. Beograd and Nacionalna Štedionica Banka a.d. that was completed on 20 October 2006.

The General Assembly of Eurobank A.D. at its session from 19 November 2021, has adopted the Decision on accepting the merger by which Direktna Banka a.d. Kragujevac (hereinafter ''Direktna Banka"), registration number: 07654812, as a transferring bank, is merged with the Eurobank A.D. , as a result of which Direktna Banka will cease to exist without conducting the liquidation procedure.

The Eurobank A.D, based on the Decision of the Assembly on accepting the merger and by the consent of the National Bank of Serbia from 26 November 2021, is the legal successor of all rights and obligations of Direktna Banka that is merged with it in terms of Article 133 of the Law on Banks (RS Official Gazette, No. 107/2005 and its amendments and supplements published in the RS Official Gazette, No. 91/2010 and 14/2015).

By Decision no. BD 102331/2021 from the 10 December the merger was registered within Business Register Agency and the Bank changed its business name to Eurobank Direktna a.d. Beograd (hereinafter ''The Bank").

The Bank is a subsidiary of Eurobank Ergasias Services and Holdings S.A. ('Eurobank Group') which is listed on the Athens Stock Exchange.

The Bank is registered in Serbia for carrying out payment, credit and deposit operations in the country and abroad. The Bank operates in accordance with Law on Banks based on principles of liquidity, safety and profitability.

The registered office of the Bank is Vuka Karadžića 10, Belgrade.

As at 31 December 2022 the Bank had 1,645 employees (31 December 2021: 1,938 employees). The Bank's network comprises of 95 branches and 4 business centers (31 December 2021: 126 branches and 5 business centers).

The Bank's Registration number is 17171178. The Bank's Tax identification number is 100002532.

2. Summary of significant accounting policies

The principal accounting policies and estimates applied in the preparation of these interim financial statements are set out below. The policies set out below have been consistently applied to all periods presented in these interim financial statements.

2.1. Basis of preparation

The Bank prepares its financial statements in accordance with the International Financial Reporting Standards (IFRSs). Pursuant to the Law on Accounting (Official Gazette of the Republic of Serbia no. 73/2019 and 44/201), banks are required to maintain their books of account and to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) while, by the Law on Banks (article 50.2), it has been designated that, when compiling Annual Financial Statements, a bank should apply the IFRSs as of date which the competed authority has designed as the date of the application of these standards.

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

These financial statements have been prepared under the historical cost basis except for the financial assets measured at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss while assets and liabilities from the merged Direktna Banka were initially recognized at their fair values from the performed valuation.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements are individual financial statements of the Bank since the Bank doesn't have subsidiaries.

The Bank's presentation currency is the RSD being the functional currency of the Bank. All financial information is presented in RSD rounded to the nearest thousand, unless stated otherwise.

The Bank's financial statements have been prepared on a going concern basis, which assumes that the Bank will continue in operational existence for the foreseeable future. In making this judgment management considered the Eurobank Group's financial position, current intentions, profitability of operations and access to financial resources.

a) New and amended Standards and interpretations

The following amendments to standards, as issued by the International Accounting Standards Board (IASB) apply from 1 January 2022:

IFRS 3, Amendments, Reference to the Conceptual Framework

The amendments to IFRS 3 "Business Combinations" updated a reference to the current version of Conceptual Framework while added a requirement that, for obligations within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. In addition, for a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy exists at the acquisition date.

Moreover, the issued amendments added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition in a business combination at the acquisition date.

The adoption of the amendments had no impact on the Bank's financial statements.

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

Annual improvement to IFRSs 2018-2020 cycle: IFRS1, IFRS9 and IFRS 16

The improvements introduce changes to several standards. The amendments that are relevant to the Bank's activities are set out below:

The amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result, the amendment allows entities that have elected to measure their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported in the parent's consolidated financial statements. This amendment also applies to associates and joint ventures that have taken the same IFRS 1 exemption.

The amendment to IFRS 9 "Financial Instruments" clarifies which fees should be included in the 10% test for derecognition of financial liabilities. The fees to be included in the assessment are only those paid or received between the borrower (entity) and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment to IFRS 16 "Leases" removes the illustration of the reimbursement of leasehold improvements, in order to avoid any potential confusion about the treatment of lease incentives.

The adoption of the amendments had no impact on the Bank's financial statements.

IAS 37, Amendments, Onerous Contracts – Costs of Fulfilling a Contract

The amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' clarify which costs to include in determining the cost of fulfilling a contract when assessing whether a contract is onerous. In particular, the direct costs of fulfilling a contract include both the incremental costs and an allocation of other costs directly related to fulfilling contracts' activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The adoption of the amendments had no impact on the Bank's financial statements

b) New and amended standards not yet adopted by the Bank

A number of new standards and amendments to existing standards are effective after 2022, as they have not been early applied by the Bank. Those that may be relevant to the Bank are set out below:

IFRS 17, Insurance Contracts (effective 1 January 2023)

IFRS 17, which supersedes IFRS 4 "Insurance Contracts" provides a comprehensive and consistent accounting model for insurance contracts. It applies to all types of insurance contracts as well as certain guarantees and financial insurance with discretionary participating features. Financial guarantee contracts are allowed to be within the scope of IFRS 17, if the entity has previously asserted that it regarded them as insurance contracts.

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

According to IFRS 17 core general model, groups of insurance contracts which are managed together and are subject to similar risks, are measured based on building blocks of discounted, probability-weighted estimates of future cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contracts. Under the model, estimates are remeasured at each reporting period. A simplified measurement approach may be used if it is expected that doing so a reasonable approximation of the general model is produced, or if the contracts are of short duration.

Revenue is allocated to periods in proportion to the value of expected coverage and other services that the insurer provides during the period, claims are presented when incurred and any investment components i.e. amounts repaid to policyholders even if the insured event does not occur, are not included in revenue and claims. Insurance services results are presented separately from the insurance finance income or expense.

In June 2020, the IASB issued Amendments to IFRS 17 to assist entities in its implementation. The amendments aim to assist entities to transition in order to implement the standard more easily, while they deferred the effective date, so that entities would be required to apply IFRS 17 for annual periods beginning on or after 1 January 2023.

In December 2021, the IASB issued a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.

The Bank has not issued contracts within the scope of IFRS 17; therefore, the standard is not expected to impact the Bank's financial statements.

IAS 8, Amendments, Definition of Accounting Estimates (effective 1 January 2023)

The amendments in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" introduced the definition of accounting estimates and include other amendments to IAS 8 which are intended to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments clarify (a) how accounting policies and accounting estimates relate to each other by (i) explaining that accounting estimates are used in applying accounting policies and (ii) making the definition of accounting policies clearer and concise and, (b) that selecting an estimation or valuation technique and choosing the inputs to be used constitutes making an accounting estimate.

The adoption of the amendments is not expected to impact the Bank's financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023)

IASB issued amendments to IAS 1 "Presentation of Financial Statements" that require entities to disclose their material accounting policies rather than their significant accounting policies.

According to IASB, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Furthermore, the amendments clarify how an entity can identify material accounting policy information, while provide examples of when accounting policy information is likely to be material. The amendments to IAS 1 also clarify that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

To support these amendments the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2 Making Materiality Judgements to accounting policy disclosures, in order to support the amendments to IAS 1.

The adoption of the amendments is not expected to impact the Bank's financial statements.

IAS 1, Amendments, Classification of Liabilities as Current or Non-Current (effective 1 January 2024)

The amendments, published in January 2020, affect only the presentation of liabilities in the Statement of financial position (hereinafter ''Balance sheet") and provide clarifications over the definition of the right to defer the settlement of a liability, while they make clear that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, it is clarified that the assessment for liabilities classification made at the end of the reporting period is not affected by the expectations about whether an entity will exercise its right to defer settlement of a liability. The Board also clarified that when classifying liabilities as current or non-current, an entity can ignore only those conversion options that are recognised as equity.

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1) with respect to the classification (as current or non-current), presentation and disclosures of liabilities for which an entity's right to defer settlement for at least 12 months is subject to the entity complying with conditions after the reporting period. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

The adoption of the amendments is not expected to impact the financial statements.

IAS 12, Amendments, Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023)

The amendments clarify that the exemption on initial recognition set out in IAS 12 'Income Taxes' does not apply for transactions such as leases and decommissioning obligations that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Accordingly, for such transactions an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented.

The adoption of the amendments is not expected to impact the financial statements.

IFRS 16, Amendment, Lease Liability in a Sale and Leaseback (effective 1 January 2024, not yet endorsed by EU)

The amendment requires a seller-lessee to subsequently measure lease liabilities arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

The adoption of the amendment is not expected to impact the financial statements.

2. Summary of significant accounting policies (continued)

2.1. Basis of preparation (continued)

c) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of profit or loss (hereinafter ''Income statement").

Assets and liabilities denominated in foreign currencies have been translated into the functional currency at the market rates of exchange ruling at the balance sheet date and exchange differences are accounted for in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at each reporting date and exchange differences are recognized in the income statement.

Non-monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at initial recognition, except for non-monetary items denominated in foreign currencies that are measured at fair value which are translated at the rate of exchange at the date the fair value is determined. The exchange differences relating to these items are treated as part of the change in fair value and are recognized in the income statement or recorded directly in equity depending on the classification of the non-monetary item.

2.2. Income statement

a) Interest income and expense

Interest income and expense is recognized in the income statement on an accrual basis, using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or to the amortized cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. For purchased or originated credit impaired (POCI) financial assets, the Bank calculates the credit adjusted EIR, which is the interest rate that upon the original recognition of the POCI financial asset discounts the estimated future cash flows (including expected credit losses) to the fair value of the POCI asset. The amortized cost of a financial asset or liability is the amount at which it is measured upon initial recognition minus principal repayments, plus or minus cumulative amortization using the EIR (as described above) and for financial assets, adjusted for the expected credit loss allowance. The gross carrying amount of a financial asset is its amortized cost before adjusting for ECL allowance. The EIR calculation includes nominal interest rate and disbursement fees.

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of non-impaired financial assets (exposures in Stage 1 and 2) and to the amortized cost of financial liabilities respectively. For financial assets that have become credit-impaired subsequent to initial recognition (exposures in Stage 3), the Bank calculates interest income by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the EIR is applied again to the gross carrying amount with the exception of POCI assets for which interest income does not revert to gross basis calculation.

Interest income and expense is presented separately in the income statement for all interest-bearing financial instruments within net interest income.

2. Summary of significant accounting policies (continued)

2.2. Income statement (continued)

b) Fee and commission income

Fee and commission received or paid that are integral to the effective interest rate on a financial asset or financial liability which are in the scope of IFRS 9 are included in the effective interest rate.

Other fee and commission income such as account servicing and loan servicing/monitoring is recognised over time as the related services are being provided to the customer, to the extent that it is highly probable that a significant reversal of the revenue amount recognized will not occur. Transaction-based fees such as foreign exchange transactions, imports-exports, remittances, bank charges and brokerage activities are recognised at the point in time when the transaction takes place.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

c) Net trading income

Net trading income comprises gains and losses related to trading assets and liabilities and includes all realised and unrealised fair value changes and foreign exchange differences.

All net gains and losses are presented under net gains arising from change in fair value of financial instruments, net gains arising from derecognition of financial instruments measured at fair value and net foreign exchange gains.

2.3. Income tax expense

Income tax expense comprises current and deferred tax. Current income tax presents the amount calculated and paid to the tax authorities based on legislations of Republic of Serbia. Estimated monthly instalments are calculated by the Bank and paid in advance on a monthly basis.

Income tax at the rate of 15% (2021: 15%) is payable based on the profit calculated as per the tax return. In order to arrive at the taxable profit, the accounting profit is adjusted for certain differences and reduced for certain investments made during the year. Tax return is to be submitted to tax authorities until the 30 June of the following year, bearing in mind that deadline for submission to the tax authorities is 180 days from the date on which tax is determined. Bank has not yet finished transfer pricing study, however, the management believes that there will not be material effects on 2022, since so far there were no or minimal corrections based on related parties transactions, and there were no significant changes on services types in 2022, compared to the previous year.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized where it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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 profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available. The Bank recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Summary of significant accounting policies (continued)

2.3. Income tax expense (continued)

The deferred tax asset on income tax losses carried forward is recognized as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.4. Employee benefits

a) Short term benefits

Short term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and are expensed as these services are provided.

The Bank and its employees are obliged to make payments to the pension fund of Republic of Serbia in accordance with the defined contribution plan. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when they are due.

b) Standard legal staff retirement indemnity obligations (SLSRI) and termination benefits

In accordance with the local labor legislation, the Bank provides for staff retirement indemnity obligation for employees which are entitled to a lump sum payment based on the number of years of service and the level of remuneration at the date of retirement, if they remain in the employment of the Bank until normal retirement age. Provision has been made for the actuarial value of the lump sum payable on retirement (SLSRI) using the projected unit credit method. Under this method the cost of providing retirement indemnities is charged to the income statement so as to spread the cost over the period of service of the employees, in accordance with the actuarial valuations which are performed every year.

The SLSRI obligation is calculated as the present value of the estimated future cash outflows using interest rates of high-quality corporate bonds. In countries where there is no deep market in such bonds, the yields on government bonds are used. The currency and term to maturity of the bonds used are consistent with the currency and estimated term of the retirement benefit obligations.

Actuarial gains and losses that arise in calculating the Bank's SLSRI obligations are recognized directly in other comprehensive income in the period in which they occur and are not reclassified to the income statement in subsequent periods.

Interest on the staff retirement indemnity obligations and service cost, consisting of current service cost, past service cost and gains or losses on settlement are recognized in the income statement. In calculating the SLSRI obligation, the Bank also considers potential separations before normal retirement based on the terms of previous voluntary exit schemes.

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

2. Summary of significant accounting policies (continued)

2.4. Employee benefits (continued)

The Bank recognizes termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the Bank recognizes costs for a restructuring that involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Termination benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

The present value of benefit obligations is determined by discounting the expected future cash payments by reference to the interest rates of the high-quality bonds expressed in the same currency, which mature approximately at the same period when retirement obligations are due.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

During the preparation of these interim financial statements and bearing in mind that the actuarial gains and losses are not materialy significant, the Bank did not performed actuarial calculation nor his projection.

2.5. Financial assets

Financial assets - Classification and measurement

The Bank classifies financial assets based on the business model for managing those assets and their contractual cash flow characteristics. Accordingly, financial assets are classified into one of the following measurement categories: amortized cost ("AC"), fair value through other comprehensive income or fair value through profit or loss.

Purchases and sales of financial assets are recognized on trade date, which is the date the Bank commits to purchase or sell the assets. Loans originated by the Bank are recognized when cash is advanced to the borrowers.

Financial Assets measured at Amortized Cost ('AC')

The Bank classifies and measures a financial asset at AC only if both of the following conditions are met:

a) The financial asset is held within a business model whose objective is to collect contractual cash flows (hold-to-collect business model) and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

2. Summary of significant accounting policies (continued)

2.5. Financial assets (continued)

These financial assets are recognized initially at fair value plus direct and incremental transaction costs, and are subsequently measured at amortized cost, using the effective interest rate (EIR) method. Interest income and changes in expected credit losses from assets classified at AC, are included in the income statement.

Financial Assets measured at Fair Value through Other Comprehensive Income ('FVOCI')

The Bank classifies and measures a financial asset at FVOCI only if both of the following conditions are met:

a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold-to-collect-and-sell business model); and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets that meet these criteria are debt instruments and are measured initially at fair value, plus direct and incremental transaction costs. Subsequent to initial recognition, FVOCI debt instruments are re-measured at fair value through OCI, except for interest income, related foreign exchange gains or losses and expected credit losses, which are recognized in the income statement. Cumulative gains and losses previously recognized in OCI are transferred from OCI to the income statement when the debt instrument is de-recognized.

Equity Instruments designated at FVOCI

The Bank may make an irrevocable election to designate an equity instrument at FVOCI. This designation, if elected, is made at initial recognition and on an instrument-by-instrument basis. Gains and losses on these instruments, including when de-recognized, are recorded in OCI and are not subsequently reclassified to the income statement. Dividends received are recorded in the income statement.

Financial Assets measured at Fair Value through Profit and Loss ("FVTPL")

The Bank classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL. Accordingly, this measurement category includes debt instruments such as loans and debt securities that are held within the hold–to-collect (HTC) or hold-to-collect-and-sell models (HTCS), but fail the SPPI assessment, equities that are not designated at FVOCI and financial assets held for trading. Receivables from derivatives are measured at FVTPL, unless they are designated and effective hedging instruments, in which case hedge accounting requirements under IAS 39 continue to apply. Furthermore, a financial asset that meets the above conditions to be classified at AC or FVOCI, may be irrevocably designated by the Bank at FVTPL at initial recognition, if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at FVTPL are initially recorded at fair value and any unrealized gains or losses arising due to changes in fair value are included in the income statement.

Business model and contractual characteristics assessment

The business model assessment determines how the Bank manages a group of assets to generate cash flows. That is, whether the Bank's objective is solely to collect contractual cash flows from the asset, to realize cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. In addition, the business model is determined after aggregating the financial assets into groups (business lines) which are managed similarly rather than at an individual instrument's level.

2. Summary of significant accounting policies (continued)

2.5. Financial assets (continued)

The business model is determined by the Bank's key management personnel consistently with the operating model, considering how financial assets are managed in order to generate cash flows, the objectives and how performance of each portfolio is monitored and reported and any available information on past sales and on future sales' strategy, where applicable. Accordingly, in making the above assessment, the Bank will consider a number of factors including the risks associated with the performance of the business model and how those risks are evaluated and managed, the related personnel compensation, and the frequency, volume and reasons of past sales, as well as expectations about future sales activity.

Business model assessment

The Bank's business models fall into three categories, which are indicative of the key strategies used to generate returns.

The hold-to-collect (HTC) business model has the objective to hold the financial assets in order to collect contractual cash flows. Sales within this model are monitored and may be performed for reasons which are not inconsistent with this business model. More specifically, sales of financial assets due to credit deterioration, as well as sales close to the maturity are considered consistent with the objective of hold-to-collect contractual cash flows regardless of value and frequency. Sales for other reasons may be consistent with the HTC model such as liquidity needs in any stress case scenario or sales made to manage high concentration level of credit risk. Such sales are monitored and assessed depending on frequency and value to conclude whether they are consistent with the HTC model. Debt instruments classified within this business model include bonds, due from banks and Loans and receivables to customers which are measured at amortized cost, subject to meeting the SPPI assessment criteria.

The hold-to-collect-and-sell business model (HTC&S) has the objective both to collect contractual cash flows and sell the assets. Activities such as liquidity management, interest yield and duration are consistent with this business model, while sales of assets are integral to achieving the objectives of this business model. Debt instruments classified within this business model would include investment securities which are measured at FVOCI, subject to meeting the SPPI assessment criteria.

Other business models include financial assets which are managed and evaluated on a fair value basis as well as portfolios that are held for trading. This is a residual category for financial assets not meeting the criteria of the business models of HTC or HTC&S, while the collection of contractual cash flows may be incidental to achieving the business models' objective.

The Bank's business models are reassessed at least annually or earlier, if there is a sales' assessment trigger or if there are any changes in the Bank's strategy and main activities, as evidenced by the Bank's business plan, budget and non-performing exposures (NPE) strategy.

Cash flow characteristics assessment

For a financial instrument to be measured at AC or FVOCI, its contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

2. Summary of significant accounting policies (continued)

2.5. Financial assets (continued)

In assessing whether the contractual cash flows are SPPI, the Bank will consider whether the contractual terms of the instrument are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin. On the initial recognition of a financial asset, an assessment is performed of whether the asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with the above condition. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is considered to have failed the SPPI assessment and will be measured at FVTPL.

For the purpose of the SPPI assessment, the Bank considers the existence of various features, including among others, contractually linked terms, prepayment terms, deferred interest-free payments, extension and equity conversion options and terms that introduce leverage including index linked payments. In case of special lending arrangements such as non-recourse loans, in its assessment of the SPPI criterion, the Bank considers various factors such as the nature of the borrower and its business, the pricing of the loans, whether it participates in the economic performance of the underlying asset and the extent to which the collateral represents all or a substantial portion of the borrower's assets. Moreover, for special purpose entities, the Bank takes into consideration the borrower's adequacy of loss absorbing capital by assessing jointly the criteria of equity sufficiency, Loan to Value ratio (LTV), the Average Debt Service Coverage ratio (ADSCR) as well as the existence of corporate and personal guarantees.

In addition, for the purposes of the SPPI assessment, if a contractual feature could have an effect that is de-minimis on the contractual cash flows of the financial asset, it does not affect its classification. Moreover, a contractual feature is considered as not genuine by the Bank, if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur. In such a case, it does not affect the instrument's classification.

The Bank performs the SPPI assessment for its lending exposures on a product basis for the retail and part of the wholesale portfolio where contracts are of standardized form, whereas for the remaining wholesale portfolio and debt securities, the assessment is performed on an individual basis.

Derecognition and modification of financial assets

The Bank derecognizes a financial asset when its contractual cash flows expire, or the rights to receive those cash flows are transferred in an outright sale in which substantially all risks and rewards of ownership have been transferred. In addition, a financial asset is derecognized even if rights to receive cash flows are retained but at the same time the Bank assumes an obligation to pay the received cash flows without a material delay (pass through agreement) or when substantially all the risks and rewards are neither transferred nor retained but the Bank has transferred control of the asset. Control is transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to unrelated third party.

The Bank may modify the contractual terms of a financial asset either as a concession granted to a client facing or that is about to face financial difficulties or due to other commercial reasons such as changes in market conditions, competition or customer retention. In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial, the original financial asset is then derecognized.

The Bank records the modified asset as a 'new' financial asset at fair value and the difference with the net carrying amount of the existing one is recorded in the income statement as de-recognition gain or loss.

2. Summary of significant accounting policies (continued)

2.5. Financial assets (continued)

Modifications that may result in de-recognition include:

- change in borrower,
- change in the currency that the lending exposure is denominated,
- debt consolidation features where two or more consumer unsecured lending contracts are consolidated into a single new secured lending agreement,
- the removal or addition of conversion features and/or profit-sharing mechanisms and similar terms which are relevant to the SPPI assessment.

Reclassifications of financial assets

The Bank reclassifies a financial asset only when it changes its business model for managing financial assets. Generally, a change in the business model is expected to be rare and occurs when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when a business line is acquired, disposed of or terminated. In the rare event when there is a change to the existing business models, the updated assessment is approved by the Bank's Executive Board and the amendment is reflected appropriately in the Bank's budget and business plan.

The reclassification is applied prospectively from the reclassification date, therefore previously recognized gains, losses (including impairment losses) or interest are not restated.

2.6. Derivatives

Receivables from derivatives, including foreign exchange contracts, currency swaps, and other receivables from derivatives, are initially recognized in the balance sheet at fair value on the date on which a derivative contract is entered into and subsequently are re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The changes in the fair value of derivatives are included in the income statement. The Bank does not apply hedge accounting.

Fair values of derivatives are determined based on quoted market prices, including recent market transactions, or by using other valuation techniques, as appropriate. The principles for the fair value measurement of financial instruments, including receivables from derivatives, are described in note 15.

In order to efficiently manage liquidity in different currencies, the Bank uses excess of liquidity in one currency to overcome the lack of liquidity in other currency through the currency swap transaction (FX Swap) and the cross-currency interest rate swap transaction (CIRS). Also, in order to protect against the interest rate risk exposure, to which it is exposed by concluding interest swap deals with corporate clients, the Bank simultaneously close its position with the Group with the interest rate swap transactions of the same characteristics. All of the transactions with derivatives are concluded by the Bank for economic reasons and it can be considered as economic hedge.

Offsetting derivative financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

2.7. Fair value measurement of financial instruments

Fair value of financial instruments 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 under current market conditions in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses other valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. The Bank has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received unless the Bank determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., Level 1 input) or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognized in the income statement. On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price (day one gain or loss).

Subsequently the deferred gain or loss is amortized on an appropriate basis over the life of the instrument or released earlier if a quoted price in an active market or observable market data become available or the financial instrument is closed out. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement (note 6).

2.8. Impairment of financial assets

The Bank recognizes allowance for expected credit losses (ECL) that reflect changes in credit quality since initial recognition to financial assets that are measured at AC and FVOCI, including loans, debt securities, financial guarantee contracts and loan commitments. ECL is a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment methodology, the Bank records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognized, arising from default events that are possible over the expected life of the instrument.

Accordingly, ECL are recognized using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-months ECL is recorded. The 12 – month ECL represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months. Not credit-impaired financial assets that are either newly originated or purchased are classified initially in Stage 1.

2. Summary of significant accounting policies (continued)

2.8. Impairment of financial assets (continued)

- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Purchased or Originated Credit Impaired (hereinafter "POCI") lending exposures are not subject to stage allocation as these exposures are credit impaired at the date of initial recognition by the Bank. The Bank defines a lending exposure as POCI when at the date of initial recognition one or more objective indicators for credit impairment exist. ECL for POCI loans is always measured based on lifetime expected credit losses. For non-performing POCI loans ECL is calculated as for Stage 3 loans. For performing POCI loans ECL is calculated as for Stage 2 loans.

Definition of Default

To determine the risk of default, the Bank applies a default definition for accounting purposes, which is consistent with the one used for internal credit risk management purposes.

The definition of default is applied at the client level to both the retail and non-retail portfolio. The application of the definition at the borrower level implies that, where the borrower meets the conditions for default status, the Bank treats all exposures to that borrower as defaulted.

A default is considered to have occurred with regard to a particular client when either or both of the following have taken place:

- The obligor is past due continuously by more than 90 days on any material credit obligation to the Bank, the Eurobank Group or any of the Bank's related parties.
- Bank considers that the client is unlikely to pay its credit obligations to the Bank, the holding or any of the Bank's related parties in full, without recourse by the Bank to actions such as realising collateral.

A client is considered to have defaulted if the total amount of all past due exposures of the Bank to the client exceeds the absolute and relative materiality thresholds for more than 90 days. The absolute materiality threshold is 1.000 dinars for a client from the class of retail exposures (in accordance with Decision on Capital Adequacy of Banks) and 10.000 dinars for other clients. The relative materiality threshold is 1% of total balance sheet exposures of the Bank to a client, excluding equity exposures. Counter counts days past due every day until debt overdue becomes smaller than relative or absolute materiality threshold, when it is reset to zero.

The main events that are considered by the Bank as indications of unlikeliness to pay are:
- Non-accrued status
- Specific credit risk adjustments
- Distressed restructuring
- Procedures similar to bankruptcy
- Sale of the credit obligation
- Deterioration of financial position
- Other indicators of unlikeliness to pay

There are two types of UTP indicators differentiated by the process of activating default event upon their identification. The Hard indicators will cause the default of the client automatically upon their identification. The Soft indicators are indicators of potential deterioration of the debtor's financial position or ability to fully repay its obligation, which require additional analysis by competent employee in order to decide whether default event should take place.

2. Summary of significant accounting policies (continued)

2.8. Impairment of financial assets (continued)

Namely, through the additional analysis it might be assessed that although one of the soft indicators has been activated, there are other aspects of the client's financial position and creditworthiness that do not indicate unlikeliness to pay.

SBB clients with total exposures above 150.000 EUR and Corporate clients exit default status when following criteria are met:
- during a 6-month probation period the days past due have been lower than 90
- no other UTP indicators are triggered
- individual assessment of the client proved that financial position and its creditworthiness have improved.

Clients other than Corporate and SBB with individual exposure above 150.000 EUR exits default status when following criteria are met:
- during a 6-month probation period the days past due have been lower than 90
- no other UTP indicators are triggered.

If the Client's days past due are above 90 while the probation period is active, then the probation period of 6 months resets.

For debt securities, the Bank determines the risk of default using an internal credit rating scale. The Bank considers debt securities as credit impaired if the internal rating of the issuer/counterparty corresponds to a rating equivalent to "C" (Moody's rating scale) or external rating of the issuer/counterparty at the reporting date is equivalent to "C" (Moody's rating scale) and the internal rating is not available.

Significant increase in credit risk (SICR) and staging allocation

Determining whether a loss allowance should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk (SICR) of the financial assets, issued loan commitments and financial guarantee contracts, since initial recognition. The assessment for SICR is performed using both qualitative and quantitative criteria based on reasonable and supportable information that is available without undue cost or effort.

The Bank classifies in Stage 2 a financial asset which has experienced a significant increase in credit risk since initial recognition (SICR). In assessing SICR, the Bank uses following criteria:

- Absolute thresholds on the 12-month probability of default – 5% for corporate clients, 20% for Mortgage and Consumer clients (in accordance with IFRS 9 behavioral PD models segmentation), 8% for other Retail clients;
- Watch list status;
- Forbearance;
- 30 days past due (current and historical in the last 12 months);
- specific unfavourable situations that may have a material negative impact on portfolio or group of exposures/clients (e.g., industries), the Bank may transfer an exposure to Stage 2 based on a specific assessment of the exposure/client or group of exposures/clients.

2. Summary of significant accounting policies (continued)

2.8. Impairment of financial assets (continued)

Forbearance measures as monitored by the Bank are considered as a SICR indicator and thus the exposures are allocated into Stage 2 upon forbearance unless they are considered credit-impaired in which case they are classified as stage 3. Furthermore, regardless of the outcome of the SICR assessment based on the above indicators, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

Acquired loans from Direktna Banka which were not impaired on the acquisition date are classified to Stage 1 as of the acquisition date. SICR for these loans and new loans originated in system of ex Direktna banka, is to be assessed based on the following criteria:

- Increase in current days past due by more than 30 days,
- Increase in historical days past due by more than 30 days,
- Newly granted forbearance,
- New additions to the watchlist,
- change in credit rating by more than a five rating notches.

The Bank considers all non-performing exposures in accordance with NBS asset quality regulation as credit-impaired and classifies such exposures as stage 3. Therefore, besides objective criterion of 90 days past due, the Bank uses the existence of unlikeness to pay (UTP) criteria and criteria for non-performing forborne status (prescribed in NBS regulation) as Stage 3 criteria.

Acquired loans from Direktna Banka which were impaired on the acquisition date are classified as POCI. POCI loans are not subject to stage allocation.

Assessment of SICR for debt securities is performed on an individual basis based on the number of notches downgrade in the internal credit rating scale since the origination date.

Transfers from Stage 2 to Stage 1

A financial asset, which is classified to Stage 2 due to Significant Increase in Credit Risk (SICR), is reclassified to Stage 1, as long as it does not meet anymore any of the Stage 2 Criteria.

Where forbearance measures have been applied, the Bank uses a probation period of two years, in order to fulfill the requirements for a transfer back to Stage 1. If at the end of that period the borrowers have made regular payments of a significant aggregate amount during at least half of the probation period, there are no past due amounts over 30 days and the loans are neither credit impaired, nor any other SICR criteria are met, they exit forborne status and are classified as stage 1.

Transfers from Stage 3 to Stage 2

A financial asset is transferred from Stage 3 to Stage 2, when the criteria based on which the financial asset was characterized as credit impaired, are no longer valid.

2. Summary of significant accounting policies (continued)

2.8. Impairment of financial assets (continued)

Criteria for grouping of exposures based on shared credit risk characteristics

The assessment of loss allowance is performed either on an individual basis or on a collective basis for groups of similar items with homogeneous credit risk characteristics.

The Bank segments its lending exposures on the basis of shared credit risk characteristics for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in credit risk parameters.

The shared credit risk characteristics used for the segmentation of exposures include several elements such as: client segment, instrument type, portfolio type, product type, IFRS 9 rating model, credit risk rating, collaterals and days in arrears. For purpose of staging segments are based on portfolio type and IFRS9 rating model. Segmentations for ECL parameters are different: segmentation for PD is based on client segment, IFRS9 rating model and credit risk rating; segmentation for LGD is based on client segment, collateral, days in arreas and product type; segmentation for PR is based on client segment, product type and currency.

The Bank performs individual assessment for:

- Stage 3 corporate clients who are under responsibility of NPL Department,
- Individually significant Stage 3 retail clients (with exposure above EUR 750 thousand), and
- Individually significant specialized lending exposures (with exposure above EUR 750 thousand).

Individual assessment is performed at the financial instrument level. The Bank takes into consideration borrower's specific information, both qualitative and quantitative factors, in order to calculate the final impairment amount.

Individual assessment for non-Stage 3 specialized lending exposures includes individual assessment of PD and LGD parameters and it is performed at least once in a year. Individual assessment for all other clients is performed at least quarterly. The level of impairment of loans is determined based on the projection of expected cash flows which shall be collected pursuant to contracts with clients, taking into consideration the assessment of financial position and creditworthiness of the client, the realizable value of collateral, as well as the timing of the expected cash flows from realization of collaterals, etc.

For all other instruments the Bank calculates ECLs on collective basis. This incorporates borrower specific information, collective historical experience of losses and forward-looking information.

Measurement of expected credit losses

The measurement of ECL is an unbiased probability-weighted average estimate of credit losses that reflects the time value of money, determined by evaluating a range of possible outcomes. A credit loss is the difference between the cash flows that are due to the Bank in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive (i.e., cash shortfalls) discounted at the original effective interest rate (EIR) of the same instrument. In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions are considered. For undrawn commitments, and financial guarantees, credit conversion factors are used in the calculation of ECL.

The Bank estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources, including collateral and other credit enhancements that are part of the contractual terms and are not recognized separately.

2. Summary of significant accounting policies (continued)

2.8. Impairment of financial assets (continued)

In case of a collateralized financial instrument, the estimated expected cash flows related to the collateral reflect the amount and timing of cash flows that are expected from liquidation less the discounted costs of obtaining and selling the collateral, irrespective of whether liquidation is probable.

ECL are calculated over the maximum contractual period over which the Bank is exposed to credit risk, which is determined based on the substantive terms of the instrument.

ECL Key Inputs

The ECL calculations are based on the probability of default (PD), the loss given default (LGD), the exposure at default (EAD) and other input parameters such as the credit conversion factor (CCF) and prepayment rate (PR).

The PD represents the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon. The Bank uses Point in Time (PiT) PDs in order to remove any bias towards historical data thus aiming to reflect management's view of the future as at the reporting date, incorporating relevant forward-looking information including macroeconomic scenarios.

Two types of PD are used for calculating ECL:
- 12-month PD, which is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial asset if this is less than 12 months). It is used to calculate 12-month ECL for Stage 1 exposures.
- Lifetime PD, which is the estimated probability of a default occurring over the remaining life of the financial asset. It is used to calculate lifetime ECL for Stage 2 exposures.

For debt securities, PDs are obtained by an international rating agency using risk methodologies that maximize the use of objective non-judgmental variables and market data. The Bank assigns internal credit ratings to each issuer/counterparty based on these PDs.

The Exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The EAD includes both on and off-balance sheet exposures. The on-balance sheet exposure corresponds to the total amount that has been withdrawn and is due to be paid, which includes the outstanding principal, accrued interest and any past due amounts. The off-balance sheet exposure represents the credit that is available to be withdrawn, in excess of the on-balance sheet exposure. Furthermore, the CCF factor is used to convert the amount of a credit facility and other off-balance sheet amounts to an EAD amount. With exception of credit cards originated in ex Eurobank system (before and after legal merger), CCF is based on the regulatory credit conversion factors with the difference that minimal possible credit conversion factor is 20%. For credit cards with active limit originated in ex Eurobank system (befor and after legal merger) EAD for each period (until the limit expiry date) is calculated using the internally modelled CCF which is applied on the approved limit. CCF for credit cards represents utilisation at default.

PR represents an estimate of early prepayments on loan exposure in excess of the contractual repayment according to the repayment schedule and is expressed as a percentage of a loan pool's principal that is assumed to be paid off ahead of time in each period. PR varies by type of counterparty, type of product and currency.

2. Summary of significant accounting policies (continued)

2.8. Impairment of financial assets (continued)

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure and is the difference between the contractual cash flows due and those that the Bank expects to receive including any amounts from collateral liquidation. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, and is usually expressed as a percentage of EAD. In the calculation of the LGD, the Bank separately observes collections and costs from real estate collateral sales and collections from other sources.

Forward looking information

The measurement of expected credit losses for each stage considers information about reasonable and supportable forecasts of future events, which are driven by both recent and projected macroeconomic scenarios. This is included in PD model calibration through two macroeconomic indicators (quarterly GDP growth and inflation rate), which proved to be relevant. Forward looking information is thus derived from quarterly published NBS Inflation Report, which provides a range of GDP growth and inflation rate scenarios (fan charts), where equal weight is assigned to each scenario. Starting from the first quarter of 2021, the update is carried out quarterly, ie in accordance with the dynamics of updating macroeconomic projections by the NBS.

Presentation of impairment allowance

For financial assets measured at amortized cost, impairment allowance is recognized as a loss allowance reducing the gross carrying amount of the financial assets in the balance sheet. For debt instruments measured at FVOCI, impairment allowance is recognized in other comprehensive income and does not reduce the carrying amount of the debt instruments in the balance sheet. For off-balance sheet financial items arising from lending activities, impairment allowance is presented in Other Liabilities. The respective ECL for the above financial items is recognised within impairment losses.

Uncollectable receivables write-off

When a loan is uncollectible, it is written-off. Such loans are written-off after all the necessary procedures have been completed and after the Bank recognises loss allowance in the amount of 100% of its gross carrying amount. The Bank recognises loss allowance in the amount of 100% of its gross carrying amount after 9 years of delay for secured and after 3 years of delay for unsecured exposures in retail portfolio (mortgage, small business, and consumer). Upon recent improvement of the Consumer LGD model, in some cases loss allowance reaches 100% before 3 years of delay. Such exposures are subject of write-off as well.

2.9. Cash and assets held with the central bank

Cash and assets held with the central bank comprise of cash on Giro and current accounts in dinars, cash in hand and other cash and cash equivalents in dinars, foreign currency account, cash in hand and other cash and cash equivalents. Cash and assets held with the central bank are carried at amortised cost in the balance sheet.

All amounts are expressed in 000 RSD unless stated otherwise

2. Summary of significant accounting policies (continued)

2.10. Sale and repurchase agreements

Securities sold subject to repurchase agreements (‘repos’) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the securities; the corresponding liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to purchase and sell (“repos”) are recorded as due from other banks or Loans and receivables to customers, as appropriate. The difference between purchase and sale price is recognized as interest and accrued over the life of the agreements using the effective interest rate method.

2.11. Investments in associates

Investments in associates are accounted for using the equity method of accounting in the financial statements in accordance with IAS 28 Investments in Associates and Joint Ventures. These are undertakings over which the Bank exercises significant influence, but which are not controlled.

Equity accounting involves recognizing in the income statement the Bank's share of the associate's profit or loss for the year. The Bank's interest in the associate is carried on the balance sheet at an amount that reflects its share of the net assets of the associate and any goodwill identified on acquisition net of any accumulated impairment losses. If the Bank's share of losses of an associate equal or exceeds its interest in the associate, the Bank discontinues recognizing its share of further losses, unless it has incurred obligations or made payments on behalf of the associate. Where necessary the accounting policies used by the associates have been changed to ensure consistency with the policies of the Bank.

When the Bank obtains or ceases to have significant influence, any previously held or retained interest in the entity is remeasured to its fair value, with any change in the carrying amount recognized in the income statement, except in cases where an investment in associate becomes an investment in a joint venture where no remeasurement of the interest retained is performed and use of the equity method continues to apply.

2.12. Property, equipment and Investment property

(i) Property and equipment

All property and equipment are carried at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to income statement of the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	2022 in years	2021 in years
Buildings	77	77
Leasehold improvements	up to 18	up to 18
Computer equipment	5-7	5-7
Furniture and other equipment	7-25	7-25
Motor vehicles	5	5
RoU assets	up to 34	up to 34

The assets' residual value represents the estimated amount that the Bank might obtain at present through the sale of the asset, decreased by the estimated cost of sale. If the Bank expects to utilize the asset until the expiration of its useful life, the residual value amounts to zero. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income/other expenses in the income statement.

(ii) Investment property

Property held for rental yields and/or capital appreciation that is not occupied by the Bank is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. Under fair value model of IAS 40 "Investment property" after initial recognition, investment property is carried at fair value as determined by independent certified valuers, with any change therein recognized in income statement. Investment property under construction is measured at fair value only if it can be measured reliably.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized to the income statement during the financial period in which they are incurred.

Investment property is derecognised when disposed or when it is permanently withdrawn from use and there is no future economic benefit expected from its disposal. Any arising gain or loss (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognized in income statement.

If an investment property becomes owner-occupied, it is reclassified as property and equipment and its fair value at the date of reclassification becomes its deemed cost. If an item of property and equipment becomes an investment property because its use has changed, any resulting decrease between the carrying amount and the fair value of this item at the date of transfer is recognized in income statement while any resulting increase, to the extent that the increase reverses previous impairment loss for that property, is recognized in income statement while any remaining part of the increase is recognized in other comprehensive income and increases the revaluation surplus within equity.

If a repossessed asset becomes investment property, any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognized in income statement.
Reclassifications among own used, repossessed assets and investment properties may occur when there is a change in the use of such properties.

2. Summary of significant accounting policies (continued)

2.13. Intangible assets

Licenses

Licenses are initially recognized at cost. They have limited useful life and are stated at cost less accumulated amortization. Amortization is calculated using the straight-line method over their estimated useful lives (from 1 to 15 years).

Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Bank and will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of employees involved in software development. Computer software development costs recognized as assets are amortized over their estimated useful lives from 3 to 15 years.

Other intangible assets

Other intangible assets are assets that are separable or arise from contractual or other legal rights and are amortized over their estimated useful lives. These include intangible assets acquired in business combinations. Brand recognized as assets is amortized over its estimated useful lives from 5 to 10 years. Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

2.14. Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.15. Repossessed assets

Land and buildings repossessed through an auction process to recover impaired loans are, except where otherwise stated, included in "Other Assets". Assets acquired from an auction process are held temporarily for liquidation and are valued at the lower of cost and net realizable value, which is the estimated selling price, in the ordinary course of business, less costs necessary to make the sale. In cases where the Bank makes use of repossessed properties as part of its operations, they may be reclassified to own occupied or investment properties, as appropriate. Any gains or losses on liquidation are included in "Other income".

2. Summary of significant accounting policies (continued)

2.16. Leases

(i) Accounting for leases as lessee

When the Bank becomes the lessee in a lease arrangement, it recognizes a lease liability and a corresponding right-of-use (RoU) asset at the commencement of the lease term when the Bank acquires control of the physical use of the asset.

Lease liabilities are presented within Other liabilities and RoU assets within Property, plant and equipment. Lease liabilities are measured based on the present value of the future lease payments over the lease term, discounted using an incremental borrowing rate. The interest expense on lease liabilities is presented within Interest expenses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The RoU asset is initially recorded at an amount equal to the lease liability and is adjusted for rent prepayments, initial direct costs, or lease incentives received. Subsequently, the RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within Other expenses.

When a lease contains extension or termination options that the Bank considers reasonably certain to be exercised, the expected future lease payments or costs of early termination are included within the lease payments used to calculate the lease liability.

With respect to the rent concessions that are a direct consequence of the COVID-19 pandemic, the Bank has applied COVID-19-Related Rent Concessions - Amendment to IFRS 16, which provides a practical expedient allowing the Bank not to assess whether eligible rent concessions are lease modifications.

(ii) Accounting for leases as lessor

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

The Bank is leasing the assets under the lease. The asset under the lease is included in the balance sheet of the Bank based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis on the income statement.

2. Summary of significant accounting policies (continued)

2.17. Share capital

a) Ordinary shares and share issue costs

Ordinary shares are classified as equity. Share issue costs directly attributable to the issue of new shares are shown in equity as a deduction. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

b) Dividends on ordinary shares

Dividends are recognized as liabilities for the period in which the decision of their payment has been reached. Dividends approved for the year after the balance sheet date are dealt with in the subsequent events note.

c) Earnings per share

The Bank voluntary presents earnings per share which are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

2.18. Financial liabilities

The Bank is measuring financial liabilities at amortized cost except derivatives that are measured at fair-value-through-profit-or-loss.

a) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

b) Due to banks

Amounts due to banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost.

c) Customer accounts

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Bank is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability and any difference arising is recognized in the income statement.

2. Summary of significant accounting policies (continued)

2.19. Provisions

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

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the amount of such expenditure.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.20. Other liabilities

Other liabilities are recognized initially at fair value net of transaction costs incurred. Other liabilities are subsequently measured at amortized cost.

2.21. Related party transactions

Related parties of the Bank include:

a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members,
b) members of key management personnel of the Group, their close family members and entities controlled or jointly controlled by the abovementioned persons,
c) associates and joint ventures of the Bank and
d) fellow subsidiaries.

Transactions of similar nature are disclosed on an aggregate basis.

2.22. Financial guarantees and commitments to extend credit

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are granted to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognized at fair value. Subsequent to initial recognition, such guarantees are measured at the higher of the amount of the loss allowance, and the amount initially recognised less any cumulative amortization of the fee earned, where appropriate.

Commitments to extend credit

Commitments represent off-balance sheet items where the Bank commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. Such contractual commitments represent commitments to extend credit and standby letters and they are part of the normal lending activities of the Bank, for which an impairment allowance is recognised under IFRS 9 (Note 3a).

3. Critical accounting estimates and judgments

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

a) Impairment losses on loans and advances and off-balance exposures

ECL measurement

The ECL measurement requires management to apply significant judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors which can result in significant changes to the timing and amount of allowance for credit loss to be recognized.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. In addition, temporary adjustments may be required to capture new developments and information available, which are not reflected yet in the ECL calculation through the risk models.

In 2022, the geopolitical and economic upheaval caused by the Russian-Ukrainian crisis, along with the persistent - albeit decelerating - inflationary pressures, high energy prices and rising borrowing costs affected negatively the global economic environment, worsened the macroeconomic outlook of the European economies, which are now confronted with a slowdown in growth and, accordingly, exacerbated economic uncertainty. In this context, in the fourth quarter of 2022, the Bank reviewed the key macroeconomic variables incorporated in the IFRS 9 expected credit losses' models, in order to reflect, to the extent possible, the uncertainties surrounding the economic growth. The most recent macroeconomic projections from an independent source (NBS) are included in the ECL measurement. ECL is impacted by the realized inflation and GDP as well. In that way, potential unfavorable impact of the global situation is captured in ECL measurement. Ratings of borrowers from Corporate segment are updated at least once a year. Ratings of Retail borrowers are determined based on behavioral PD models. Retail PDs are updated monthly, to take into account the most recent behavioral data. Part of the decrease in impairment amount in Corporate segment can be explained by the abolition of the approach according to which clients from industries affected by the Covid situation were classified in S2 on 31.12.2021, while on 31.12.2022 they are classified in S1.

Elements of the ECL models that are considered accounting judgments and estimates include:

Determination of a significant increase of credit risk

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument. The Bank assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable information that includes significant management judgment.

Criteria for classification of an exposure to stage 2 due to significant increase of credit risk are presented in detail in the part 2.8 Impairment of financial assets.

Management continuously monitors the consequences of macroeconomic and geopolitical situation to all sectors of the economy, in contemplation with the potential remedy effect of the government actions, in order to assess whether there is a significant increase in credit risk.

3. Critical accounting estimates and judgments (continued)

Development of ECL models including the various formulas, choice of inputs and interdependencies

For the purposes of ECL measurement the Bank performs the necessary model parameterization based on observed point-in-time data. The ECL calculations are based on input parameters, i.e. EAD, PDs (incorporating management's view of the future), LGDs, CCFs, PRs, etc.

Furthermore, the PDs are unbiased rather than conservative and incorporate relevant forward-looking information including macroeconomic scenarios. The forecasting risk parameters models incorporate a number of explanatory variables with adequate predictive capability. The models are developed using advanced methodology and validated in order to ensure independent review of the model's characteristics and predictivity. These models were developed based on macroeconomic data published by the NBS and the Bank's own historical default experience.

As part of ongoing review and improvement of ECL models, the following improvements were made as during 2022:
- review and improvement of the Retail behavioural PD models
- review and improvement of all macro models and PD curves
- update of the PD curves with the most recent macroeconomic data and projections (GDP, inflation)
- review and improvement of Consumer LGD model for stage 3 (NPE) exposures
- review and update of the Prepayment Rate models
- review and update of the haircuts and liquidation periods for collaterals

Segmentation of financial assets when their ECL is assessed on a collective basis

The Bank segments its exposures on the basis of shared credit risk characteristics upon initial recognition for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default. Segmentation for PD is based on client segment, IFRS9 rating model and credit risk rating.

b) Fair value of financial assets and liabilities

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value of financial instruments that are not quoted in an active market are determined by using other valuation techniques that include the use of valuation models. In addition, for financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using other valuation techniques.

The valuation models used include present value methods and other models based mainly on observable inputs and to a lesser extent to non-observable inputs, in order to maintain the reliability of the fair value measurement. Valuation models are used mainly to value over-the-counter derivatives and securities measured at fair value.

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them.

3. Critical accounting estimates and judgments (continued)

All models are certified before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. The main assumptions and estimates, considered by management when applying a valuation model include:

- the likelihood and expected timing of future cash flows;
- the selection of the appropriate discount rate, which is based on an assessment of what a market participant would regard as an appropriate spread of the rate over the risk-free rate; and
- judgment to determine what model to use in order to calculate fair value.

To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available. However, in most cases there will be some historical data on which to base a fair value.

As at the balance sheet date, management has reviewed its models to ensure they appropriately reflect current market conditions, including the relative liquidity of the market and credit spreads.

Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 6.

4. Risk management policies

Due to its activities, the Bank is exposed to a number of financial risks, such as credit risk, market risk (including currency and interest rate risk), liquidity and operational risks. The Bank's overall risk management strategy seeks to minimize any potential adverse effects on its financial performance, financial position and cash flows.

The Bank acknowledges that taking risks is an integral part of its operations in order to achieve its business objectives. Therefore, the Bank's management sets adequate mechanisms to identify those risks at an early stage and assesses their potential impact on the achievement of these objectives.

Since economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms are set in a manner that enables the Bank to identify and deal with the risks associated with those changes. The Bank's structure, internal processes and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision.

The Bank's Management considers effective risk management as a top priority, as well as a major competitive advantage, for the organization. As such, the Bank has allocated significant resources for upgrading its policies, methods and infrastructure, in order to ensure compliance with the requirements of the National Bank of Serbia (NBS), the guidelines of the Basel Committee for Banking Supervision and the best international banking practices. The Bank implements a well-structured credit approval process, independent credit reviews and effective risk management policies for credit, market, liquidity and operational risk. The risk management policies implemented by the Bank are reviewed annually.

The Bank's risk and capital management strategies, which have been formally documented, outline the Bank's overall direction regarding risk and capital management issues, the risk management mission and objectives, risk definitions, risk management principles, risk appetite framework, risk governance framework, strategic objectives and key management initiatives for the improvement of the risk management framework in place.

The maximum amount of risk which the Bank is willing to assume in the pursuit of its strategic objectives is articulated via Risk Appetite Policy, which includes specific tolerance levels. The objectives are to support the Bank's business growth, balance a strong capital position with higher returns on equity and to ensure the Bank's adherence to regulatory requirements.

Risk appetite that is clearly communicated throughout the Bank, determines risk culture and forms the basis on which risk policies and risk limits are established.

Risk Committee (RC)

The Risk Committee (RC) is a committee of the BoD and its task is to assist the BoD to ensure that the Bank has a well-defined risk and capital strategy in line with its business plan and an adequate and robust risk appetite. The RC assesses the Bank's risk profile, monitors compliance with the approved risk appetite and risk tolerance levels and ensures that the Bank has developed an appropriate risk management framework with appropriate methodologies, modeling tools, data sources and sufficient and competent staff to identify, assess, monitor and mitigate risks.

The RC consists of four members, meets at least on a quarterly basis and reports to the BoD on a quarterly basis and on ad hoc instances if it is needed.

4. Risk management policies (continued)

Risk Management Division

The Bank's Risk Management Division which is headed by the Chief Risk Officer (CRO), operates independently from the business units and is responsible for the monitoring, measurement and management of credit, market, operational and liquidity risks of the Bank. It comprises of the Credit Risk Department, the Credit Control Department, the Market Risk Department, the Operational Risk Department, the Predictive Analytics Department, the Collateral Management Department, the Integrated Risk Management Department, the Model Validation Department and the Projects and Internal Regulatory Documents Unit.

Troubled Assets Committee (TAC) and Troubled Assets Sector (TAS)

The Troubled Assets Committee (TAC) has been established in order to provide strategic guidance and monitoring of the troubled assets of Eurobank ensuring independence from business and compliance with the requirements of the National Bank of Serbia. In particular, the main competencies that have been delegated to TAC relate to the monitoring of loans in arrears and the management of non-performing loans, the determination and implementation of the troubled assets' policy, as well as approving and assessing the sustainability of the forbearance and closure procedure measure.

The Troubled Assets Sector (TAS) is responsible for the management of the Bank's troubled assets portfolio, for the whole process, from the pre-delinquency status in case of high exposures with increased credit risk, up to legal workout. It ensures close monitoring, tight control and course adjustment taking into account the continuous developments in the macro environment, the regulatory and legal requirements, the international best practices and new or evolved internal requirements.

TAS comprises the Retail Collection Division, the NPL Department and the Strategy and Policies Department. TAS structure is completely segregated from the Bank's business units both in terms of account management, as well as credit approval process, which ensures transparency, flexibility, better prioritization and management accountability.

4. Risk management policies (continued)

TAS cooperates with Risk Management Division to reach a mutual understanding of the implemented practices and to develop appropriate methodologies for the assessment of risks that may be inherent in any type of forbearance and, generally, troubled assets strategy deployment for all portfolios managed.

4.1. Credit risk

Credit risk is the risk of negative impact on the financial result and capital of the Bank if a debtor fails to meet its contractual obligations. For the risk management reporting purposes, the Bank considers all relevant elements of credit risk exposure (such as individual obligor default risk, concentration risk in terms of groups of related parties, sector concentration risk).

4.1.1. Management of credit risk

The Bank approves loans in accordance with its credit policies. Maturity dates of loans approved, and interest rates are aligned with the purpose of loans, type of the loan or client and creditworthiness of its clients.

The Board of Directors has delegated responsibility for the approval of credit exposures to several different levels in accordance with the limits set forth by the Board. The underlying foundation of the credit processes is the application of the "four-eye principle", which assumes involvement of the business units („front office") and Risk Management.

Business Units, under the Corporate Banking Division, incorporate the following:

- Large Corporate (LC) Department and
- Small & Medium Enterprises (SME) Department.

Business Divisions, responsible for retail lending operations, incorporate the following:

- Household Lending Division and
- Small Business Lending Division.

The Risk Management Division (RMD) incorporates the following units handling credit risk:

- Credit Risk Department (CRD),
- Credit Control Department (CCD),
- Predictive Analytics Department,
- Integrated Risk Management Department,
- Collateral Management Department and
- Model Validation Department.

Troubled Asset Sector is also involved in credit risk management, by handling Non-Performing Loans (NPL Department) and collection in Retail segment (Retail Collection Division).

4. Risk management policies (continued)

Credit Control Department and Credit Risk Department are responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements. This task is performed by Credit Control Department and Credit Risk Department.
- Credit Risk Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the relevant business unit and provides independent credit opinion. Renewals and reviews of facilities are subject to the same assessment process.
- Limiting concentrations of exposure to counterparties, countries and industries.
- Developing and maintaining the Bank's risk grading (rating/scoring) policy. Ratings and scores are used to provide an objective and consistent assessment of client's financial standing and creditworthiness and to support credit decision. Ratings are used in the calculation of the expected credit loss (credit risk loss allowance). A model which incorporates financial and qualitative variables is implemented for corporate clients while behavioural models are implemented for retail clients. Corporate ratings are subject to regular reviews and retail ratings are updated monthly. In addition, an application scorecard is in place, as one of the key elements of loan approval process in Consumer segment.

Reviewing compliance of business units with defined exposure limits, including those for selected industries and product types is the responsibility of Credit Control Department. Reporting about the indicators of the quality of the portfolios and information are regularly provided to various Bank's bodies, based on which appropriate corrective actions are considered.

Each business unit is required to implement Bank's credit policies and procedures, with credit approval authorities delegated from the Board of Directors. Each business unit is responsible for the quality and performance of its credit portfolio.

The Bank has developed and adopted a credit policy for each lending business unit. Each credit policy of the Bank defines basic concepts, guidelines and rules that ensure the proper management of the process of approving, disbursing, monitoring and collecting of loans and other exposures.

The Credit Policy includes:

- the goals of the credit policy,
- the basic concepts of credit policy,
- lending principles,
- the organization of credit operations,
- responsibilities and decision making,
- the procedure for granting loans and other placements,
- guidelines on credit risk analysis,
- acceptable collateral instruments and
- procedures for collecting outstanding amounts.

For the purposes of implementing the Credit Policies, relevant guidelines and procedures have been defined.

When assuming credit risk, the Bank applies a number of important fundamental rules.

A prerequisite for every financing transaction is the understanding of the economic background of the transaction.

A loan is granted only when the Bank has sufficient information on the borrower's creditworthiness. The Bank will not grant a loan (or increase an existing one) to a borrower who is unwilling or unable to provide sufficient information.

4. Risk management policies (continued)

Collateral is accepted only to support an exposure, it cannot serve as a substitute for the borrower's ability to meet obligations (exception: Lombard loans, cash collateralized loans, etc.).

The large exposures towards any borrower (or group of connected borrowers), exposures towards related parties as well as the total exposure of the Bank (both on and off-balance sheet), is kept within limits prescribed by the Law on Banks, relevant decisions of the National bank of Serbia and internal regulatory documents,

The Bank approves new loans or decides to extend or not to extend the existing ones based on creditworthiness of the client, as well as details and characteristics of the transaction.

All Bank credit facilities are based on relevant approvals, which lay down the terms and other conditions for their implementation. The approval levels and limits are defined by the relevant Board of Directors Decision on approval levels.

For wholesale placements, appropriate approval authority levels depending on exposures are defined, with the highest one being Board of Directors (or other nominated authority) in case of large exposures and exposures to related parties.

For retail placements, there are also different approval levels depending on the type of business (consumer lending, mortgage lending or SBB lending), with the highest authority being specific Credit Committee for each business type.

In each committee/commission, risk management has the right of vote. All decisions must be unanimous.

In addition to the client's creditworthiness, risk limits are also determined taking into account various collateral instruments. Risk exposure to individual borrower, including banks, is limited and includes both balance and off-balance sheet risk exposures. The total risk exposure per individual client (or group of related parties) with regards to the limits, is considered and analysed prior to completion of the transaction.

In order to ensure the safety of the business operations, and based on the estimated risks of potential losses, the Bank calculates loss allowances, which arise from loans and off-balance sheet exposures. The levels of the loss allowance are related to the rating of the client.

Rating system for wholesale (corporate) clients

The rating of the borrower (and not the credit facility) is based on the following parameters:

- Financials,
- Sector,
- Management and
- Operations.

In addition, other factors such as debt servicing, change in the borrower's ownership, etc. may affect the final rating of a customer.

The credit rating is based on a profound analysis of qualitative and quantitative factors. Qualitative factors are those that deal with the borrower's management, industry, operating conditions, etc. Quantitative factors are those that refer to a set of various ratios (main ratios: profitability, leverage, liquidity) emerging from the borrower's financial statements (balance sheet, income statement, notes to financial statements etc.).

4. Risk management policies (continued)

Credit related commitments

The primary purpose of undrawn credit commitments is to ensure that funds are available to a customer in accordance with the agreement.

Guarantees and letter of credits expose the Bank to the credit risk as well. Credit conversion factors are applied in the process of loss allowance calculation.

4.1.2. Collaterals

Collaterals are the most commonly used credit risk mitigation technique. Most often the collateral consists of one or more of the following collateral instruments:

- residential real estate and commercial real estate;
- deposits;
- guarantees and letters of support;
- pledge over movable property (e.g. equipment, vehicles);
- pledge over securities (bonds, shares or ownership stakes);
- assignment of receivables; and
- assignment of insurance policies.

For exposures, other than loans to customers (i.e. reverse repos, derivatives), the Bank accepts as collateral only cash or liquid bonds.

Valuation principles of collaterals

In defining the maximum collateral ratio for loans, the Bank considers all relevant information available, including the collaterals' specific characteristics, if market participants would take those into account when pricing the relevant assets. The valuation and hence eligibility are based on the following factors:

- the collateral's market value, as defined in the national and international standards;
- a reduction in the collateral's value is considered if the type, location or condition (such as deterioration and obsolescence) of the asset indicate so; and
- no collateral value is assigned if a pledge is not legally enforceable.

The Bank performs collaterals' valuation in accordance with its processes and policies. All appraisals take into account factors such as the region, age and marketability of the property, and are further reviewed and countersigned by experienced staff. The valuation methodology employed is based on national valuation standards, RICS and International Valuation Standards (IVS), while quality controls are in place, such as reviewing mechanisms, independent sample reviews by independent well-established valuation companies.

In order to re-evaluate and monitor the valuation of property held as collateral, the Bank uses the Residential Property Index, physical inspection and desktop valuation, depending on the performance status and the balance of the loan.

Collateral policy and documentation

Regarding collaterals, Bank's policy emphasizes the need that collaterals and relevant processes are timely and prudently executed, in order to ensure that collaterals and relevant documentation are legally enforceable at any time. The Bank holds the right to liquidate collateral in the event of the obligor's financial distress and can claim and control cash proceeds from the liquidation process.

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.1.3. Credit risk monitoring

The Bank constantly monitors the state of the borrower's business and any change in its creditworthiness. Besides the regular evaluation of financial statements, the responsible business units carry out regular checks of the borrower's business operations. In addition, special monitoring mechanism is defined by the Credit Risk Management Policy, on individual client level for Corporate and materially significant Retail exposures, focusing on clients with early indicators of increased credit risk.

The monitoring of the borrower is institutionalized through regular credit reviews. Credit reviews are prepared by the relevant business unit and approved by the relevant approval authority in accordance with Approval levels and Credit policies. In case of corporate customers, the review frequency depends on their rating.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the Balance sheet. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment.

Overview of balance sheet items exposed to credit risk

Balance sheet items and their respective credit risk exposures as at 31 December 2022 and as at 31 December 2021 are presented in the below table:

	31 December 2022		**31 December 2021**	
	Total, of which	Credit risk exposure	Total, of which	Credit risk exposure
Cash and assets held with the central bank	66,649,883	61,129,310	58,386,221	52,007,054
Less: Impairment allowance	(2,252)	(2,252)	(848)	(848)
	66,647,631	**61,127,058**	**58,385,373**	**52,006,206**
Receivables from derivatives	85,801	85,801	83,006	83,006
	85,801	**85,801**	**83,006**	**83,006**
Securities	15,013,006	15,013,006	17,316,588	17,298,624
Loans and receivables to banks and other financial institutions	21,077,234	21,077,234	24,321,292	24,321,292
Less: Impairment allowance	(3,178)	(3,178)	(4,271)	(4,271)
	21,074,056	**21,074,056**	**24,317,021**	**24,317,021**
Loans and receivables to customers at amortised cost	194,663,438	194,663,438	183,584,473	183,584,473
Loans and receivables to customers at fair value	4,942	4,942	3,899	3,899
Less: Impairment allowance	(6,112,867)	(6,112,867)	(5,473,495)	(5,473,495)
	188,555,513	**188,555,513**	**178,114,877**	**178,114,877**
Investments in associates	58,500	-	58,500	-
Less: Impairment allowance	(46,138)	-	*(44,491)*	-
	12,362	**-**	**14,009**	**-**
Intangible assets	7,409,704	-	6,156,355	-
Less: Impairment allowance	(4,227,052)	-	*(2,920,517)*	-
	3,182,652	**-**	**3,235,838**	**-**

All amounts are expressed in 000 RSD unless stated otherwise

	31 December 2022		31 December 2021	
	Total, of which	Credit risk exposure	Total, of which	Credit risk exposure
Property, plant and equipment	10,079,885	-	10,301,481	-
Less: Impairment allowance	(3,572,916)	-	*(3,185,393)*	-
	6,506,969	**-**	**7,116,088**	**-**
Investment property	322,322	-	230,549	-
Current tax assets	437,268	-	437,268	-
Deferred tax assets	184,045	-	237,815	-
	621,313	**-**	**675,083**	**-**
Other assets	1,169,703	199,272	992,979	181,509
Less: Impairment allowance	(120,938)	(120,938)	(171,174)	(119,418)
	1,048,765	**78,334**	**821,805**	**62,091**
Total assets	**303,070,390**	**285,933,768**	**290,310,237**	**271,881,825**
Off-balance sheet items exposed to credit risk	61,885,996	61,885,996	52,735,846	52,735,846
Less: Provisions for off-balance sheet items exposed to credit risk	(193,364)	(193,364)	(174,691)	(174,691)
Total off-balance sheet exposed to credit risk	**61,692,632**	**61,692,632**	**52,561,155**	**52,561,155**
Total balance sheet and off-balance sheet exposed to credit risk	**364,763,022**	**347,626,400**	**342,871,392**	**324,442,980**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Financial assets exposed to credit risk

The table below represents the Bank's maximum credit risk exposure as at 31 December 2022 and 31 December 2021 respectively, without taking account of any collateral.

	31-Dec-2022	31-Dec-2021
Credit risk exposure relating to on balance sheet assets		
Cash and assets held with the central bank	61,129,310	52,007,054
Less: Impairment allowance	(2,252)	(848)
	61,127,058	**52,006,206**
Receivables from derivatives	85,801	83,006
Loans and receivables to banks and other financial institutions	21,077,234	24,321,292
Less: Impairment allowance	(3,178)	(4,271)
	21,074,056	**24,317,021**
Financial instruments at fair value through OCI		
Bonds	15,013,006	17,298,624
	15,013,006	**17,298,624**
Loans and receivables to customers at amortised cost	**194,663,438**	**183,584,473**
- Corporate	90,287,027	79,335,819
- SBB	14,234,048	13,781,375
- Mortgage	19,418,689	19,770,373
- Consumer	70,723,674	70,696,906
Loans and receivables to customers measured at fair value	**4,942**	**3,899**
Corporate	4,942	3,899
Less: Impairment allowance	(6,112,867)	(5,473,495)
	188,555,513	**178,114,877**
Other assets	199,272	181,509
Less: Impairment allowance	(120,938)	(119,418)
	78,334	**62,091**
Total on balance sheet items	**285,933,768**	**271,881,825**
Credit risk exposures relating to off-balance sheet items		
Guarantees and other commitments	61,885,996	52,735,846
Less: Provisions	(193,364)	(174,691)
Total off-balance sheet items	**61,692,632**	**52,561,155**
Total balance sheet and off-balance sheet	**347,626,400**	**324,442,980**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Regarding securities and exposures presented under loans and receivables to banks and other financial institutions and cash and assets held with the central bank, the Bank calculates impairment for the following instruments:

- Nostro accounts held with NBS and other banks,
- Mandatory reserve (RSD and FCY) the Bank keeps with NBS,
- Interbank placements, including collaterals (e.g. independent amount for IRS), as well as placements with NBS,
- Repo with NBS and other banks,
- Debt securities measured at fair value through other comprehensive income (FVOCI) under IFRS 9, and
- Fee and other claims from banks and other financial institutions.

Exposure toward National bank of Serbia (e.g. cash, repo, mandatory reserve) is considered as an exposure toward the Republic of Serbia, as well as all debt securities measured at amortized cost and at fair value through other comprehensive income. Probability of default is determined based on expected default frequency (EDF) model. All above mentioned exposures are classified in Stage 1 as of 31 December 2022 and 31 December 2021.

Stock and movement in the exposure and loss allowance from 01.01. to 31.12.2022

Overview of the balance and movement in the exposure for credit risk from 01.01. to 31.12.2022 in total is presented in tables below:

Loans and receivables to customers at amortized cost

	31 December 2022				
In RSD thousands	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	**Total**
Loans and receivables to customers at amortised cost					
Balance at 1 January	156,354,699	16,286,023	9,848,926	1,094,825	**183,584,473**
New originated financial assets	73,867,578	7,876,516	950,491	-	**82,694,584**
Transfer to Stage 1	5,786,929	(5,348,678)	(438,251)	-	**-**
Transfer to Stage 2	(8,392,541)	9,345,266	(952,725)	-	**-**
Transfer to Stage 3	(2,401,778)	(1,488,438)	3,890,216	-	**-**
Remeasurement impact of transfers between 12M/Lifetime ECLs during the period	(1,182,526)	(2,165,158)	(479,959)	-	**(3,827,643)**
Repayment	(59,786,834)	(3,866,469)	(2,241,981)	(320,802)	**(66,216,086)**
Amounts written-off	(9,353)	(26)	(1,088,333)	(86,181)	**(1,183,893)**
Foreign exchange and other movements*	(451,301)	(4,157)	33,620	33,840	**(387,998)**
Balance at 31 December 2022	**163,784,873**	**20,634,879**	**9,522,004**	**721,682**	**194,663,438**

* *Besides foreign exchanges, position includes other changes for instruments classified in the same stage at the beginning and end of period.*

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

					31 December 2021
In RSD thousands	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	**Total**
Loans and receivables to customers at amortised cost					
Balance at 1 January	108,081,922	20,740,054	8,505,014	-	**137,326,990**
New originated financial assets*	54,431,203	3,068,671	552,877	-	**58,052,751**
New purchased financial assets*	35,538,642	157,643	80,303	1,094,825	**36,871,413**
Transfer to Stage 1	5,222,137	(4,899,835)	(322,302)	-	**-**
Transfer to Stage 2	(4,707,952)	5,193,614	(485,662)	-	**-**
Transfer to Stage 3	(1,655,406)	(2,693,791)	4,349,197	-	**-**
Remeasurement impact of transfers between 12M/Lifetime ECLs during the period	(1,125,971)	(736,605)	(508,974)	-	**(2,371,550)**
Repayment	(39,433,370)	(4,544,281)	(1,303,262)	-	**(45,280,913)**
Amounts written-off	(2,262)	(1,161)	(1,088,710)	-	**(1,092,133)**
Foreign exchange and other movements**	5,756	1,714	70,445	-	**77,915**
Balance at 31 December 2021	**156,354,699**	**16,286,023**	**9,848,926**	**1,094,825**	**183,584,473**

* *New originated or purchased financial assets are classified at the stage as of 31 December 2021, and not during the initial approval ie purchase.*

** *Besides foreign exchanges, position includes other changes for instruments classified in the same stage at the beginning and end of period.*

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

The overview of the balance and movement in the loss allowance for credit risk for the 31 December 2022 and 2021 in total and by client type is presented in tables below:

Loans and receivables to banks and other financial institutions – loss allowance

	31 December 2022				31 December 2021
In RSD thousands	Stage 1	Stage 2	Stage 3	**Total**	**Total**
Loans and advances to banks and other financial institutions at amortised cost					
Balance at 1 January	**4,271**	**-**	**-**	**4,271**	**2,946**
Transfer to Stage 1	-	-	-	**-**	**-**
Transfer to Stage 2	-	-	-	**-**	**-**
Transfer to Stage 3	-	-	-	**-**	**-**
Net remeasurement of loss allowance	(1,845)	-	-	**(1,845)**	**(932)**
New financial assets originated or purchased*	5,681	99	288	**6,068**	**7,322**
Financial assets that have been derecognized	(5,314)	-	-	**(5,314)**	**(5,079)**
Write-offs	-	-	-	**-**	**-**
Effects from merger	-	-	-	**-**	**1**
Foreign exchange and other movements**	-	(2)	-	**(2)**	**13**
Balance at 31 December	**2,793**	**97**	**288**	**3,178**	**4,271**

* *New originated or purchased financial assets are classified at the stage as of 31 December 2022, and not during the initial approval ie purchase.*

** *Besides foreign exchanges, position includes other changes, such as repayments of instruments classified in the same stage at the beginning and end of period.*

Loans and receivables to customers at amortized cost – loss allowance

	31 December 2022					31 December 2021
In RSD thousands	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	**Total**	**Total**
Loans and receivables to customers at amortised cost						
Balance at 1 January	**974,711**	**757,479**	**3,726,752**	**14,553**	**5,473,495**	**5,430,370,**
Transfer to Stage 1	1,946,740	(1,813,299)	(133,441)	**-**	**-**	**-**
Transfer to Stage 2	(435,543)	833,806	(398,263)	**-**	**-**	**-**
Transfer to Stage 3	(38,755)	(406,666)	445,421	**-**	**-**	**-**
Net remeasurement of loss allowance	(2,075,453)	1,611,101	1,486,293	134,803	**1,156,744**	**894,586**
New loss allowance	857,039	267,033	112,139	-	**1,236,211**	**1,206,625**
Financial assets that have been derecognized	(177,234)	(163,932)	(35,873)	**-**	**(377,039)**	**(743,512)**
Write-offs	(18)	(1)	(1,315,769)	**-**	**(1,315,788)**	**(1,234,501)**
Interest income on impaired loans	-	-	(78,735)	**-**	**(78,735)**	**(87,687)**
Foreign exchange and other movements	(114,324)	18,083	114,220	**-**	**17,979**	**7,614**
Balance at 31 December	**937,163**	**1,103,604**	**3,922,744**	**149,356**	**6,112,867**	**5,473,495**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Loans and receivables to customers at amortized cost – loss allowance (continued)

					31 December 2021
In RSD thousands	Stage 1	Stage 2	Stage 3	Purchased credit-impaired	**Total**
Loans and receivables to customers at amortised cost					
Balance at 1 January	**533,804**	**1,010,142**	**3,886,424**	**-**	**5,430,370**
Transfer to Stage 1	1,181,831	(1,136,564)	(45,267)	-	**-**
Transfer to Stage 2	(137,187)	382,915	(245,728)	-	**-**
Transfer to Stage 3	(8,939)	(377,769)	386,708	-	**-**
Net remeasurement of loss allowance	(1,195,775)	778,729	1,311,632	-	**894,586**
New loss allowance	773,748	277,821	140,503	14,553	**1,206,625**
Financial assets that have been derecognized	(172,888)	(177,845)	(392,779)	-	**(743,512)**
Write-offs	-	-	(1,234,501)	-	**(1,234,501)**
Interest income on impaired loans	-	-	(87,687)	-	**(87,687)**
Foreign exchange and other movements	117	50	7,447	-	**7,614**
Balance at 31 December	**974,711**	**757,479**	**3,726,752**	**14,553**	**5,473,495**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

In RSD thousands	31 December 2022	31 December 2021
Debt investment securities at FVTOCI cost		
Balance at 1 January	17,262	5,066
New financial assets originated or purchased	23,344	12,196
Balance at 31 December	**40,606**	**17,262**
Cash and assets held with the central bank		
Balance at 1 January	**848**	**417**
Net remeasurement of loss allowance	1,405	431
Balance at 31 December	**2,253**	**848**
Other assets		
Balance at 1 January	**119,418**	**130,141**
Net remeasurement of loss allowance	2,187	1,123
Write-offs	(747)	(11,802)
Foreign exchange and other movements	80	(44)
Balance at 31 December	**120,938**	**119,418**
Loan commitments and financial guarantee contracts		
Balance at 1 January	**174,691**	**118,714**
Net remeasurement of loss allowance	187,662	(84,752)
New loan commitments and financial guarantees issued	-	96,777
Derecognized financial assets	(168,879)	-
Effect of merger	-	43,954
Foreign exchange and other movements	(110)	(2)
Balance at 31 December	**193,364**	**174,691**

4.1.4. Loans and receivables

Loans and receivables to customers are presented in the following table, per segment:

	31 December 2022	31 December 2021
Loans and receivables to customers measured at amortized cost	**194,663,438**	**183,584,473**
Corporate	90,287,027	79,335,819
SBB	14,234,048	13,781,375
Mortgage	19,418,689	19,770,373
Consumer	70,723,674	70,696,906
Loans and receivables to customers measured at fair value	**4,942**	**3,899**
Corporate	4,942	3,899
Total	**194,668,380**	**183,588,372**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Loans and advances to customers measured at fair value include accrued interest from derivative contracts with clients from corporate segment. All further tables related to credit risk exposure and portfolio quality are prepared without including this amount.

Overview of loans and advances to customers who used the moratorium (all three moratoriums applied in line with NBS regulations are included) as at 31 December 2022

Loans and receivables to customers subject to moratoria	Gross carrying amount						
		Performing			Non-performing		
			Of which: forbearance exposures	Of which: instruments with SICR since initial recognition (Stage 2)		Of which: forbearance exposures	Of which: unlikely to pay that are not past-due or past-due <= 90 days
Loans and receivables to customers:	**43,096,633**	**37,598,846**	**462,494**	**6,882,310**	**5,497,787**	**1,441,679**	**1,399,597**
Wholesale	**10,183,996**	**9,753,912**	**177,760**	**2,454,017**	**430,084**	**260,396**	**3,778**
of which: LC	4,199,936	4,199,936	0	206,032	0	0	0
of which: SME	5,984,060	5,553,976	177,760	2,247,985	430,084	260,396	3,778
Retail	**32,912,637**	**27,844,934**	**284,734**	**4,428,293**	**5,067,703**	**1,181,283**	**1,395,819**
of which: Mortgage	10,330,428	9,321,062	210,937	878,062	1,009,366	203,675	404,323
of which: Consumer	20,455,883	17,232,772	60,470	3,240,066	3,223,111	600,771	828,095
of which: SBB	2,126,326	1,291,100	13,327	310,165	835,226	376,837	163,401

Loans and receivables to customers subject to moratoria	Loss allowance						
		Performing			Non-performing		
			Of which: forbearance exposures	Of which: instruments with SICR since initial recognition (Stage 2)		Of which: forbearance exposures	Of which: unlikely to pay and past-due <= 90 days
Loans and receivables to customers:	**2,758,783**	**467,320**	**4,615**	**331,344**	**2,291,463**	**626,202**	**200,316**
Wholesale	**333,362**	**120,216**	**727**	**109,220**	**213,146**	**179,718**	**862**
of which: LC	1,055	1,055	0	0	0	0	0
of which: SME	332,307	119,161	727	109,220	213,146	179,718	862
Retail	**2,425,421**	**347,104**	**3,888**	**222,124**	**2,078,317**	**446,484**	**199,454**
of which: Mortgage	82,351	5,671	625	2,044	76,680	34,538	10,730
of which: Consumer	1,942,134	330,691	3,211	213,246	1,611,443	231,926	165,445
of which: SBB	400,936	10,742	52	6,834	390,194	180,020	23,279

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

State guarantee scheme

The Ministry of finance offered Guarantee Scheme I and II for the loans to Medium, Small, Micro and entrepreneurs as a response on COVID-19.
The purpose of the Guarantee Scheme I loans is for liquidity and working capital with grace period of 9 months and 3-year tenor. The guarantee covers credit losses of the banks up to 80% on individual loan basis and up to 24% of total secured loan portfolio of the bank.
The purpose of the Guarantee Scheme II loans is also for liquidity and working capital with grace period of 18-24 months and 5-year tenor. The guarantee covers credit losses of the banks up to 80% on individual loan basis and up to 25.6% of total secured portfolio of the bank.

Overview of loans and advances subject to public guarantee schemes as at 31 December 2022

Newly originated loans and advances subject to public guarantee schemes	**Gross carrying amount**	**Accumulated impairment, accumulated negative changes in fair value due to credit risk**	**Net carrying amount**	**Maximum amount of the guarantee that can be considered**
Loans and receivables to customers:	**10,477,506**	**46,117**	**10,431,389**	**2,509,125**
Wholesale	**5,675,890**	**14,717**	**5,661,173**	**1,360,624**
of which: LC	77,810	60	77,750	18,646
of which: SME	5,598,080	14,657	5,583,423	1,341,978
Retail	**4,801,616**	**31,400**	**4,770,216**	**1,148,501**
of which: SBB	4,801,616	31,400	4,770,216	1,148,501

Sensitivity analysis

Sensitivity analysis is performed by applying adverse and optimistic scenario for projections of macroeconomic variables that are included in ECL calculation.

Sensitivity of PDs to the stress of macroeconomic conditions can be presented as:

	Stage 1		Stage 2	
	Optimistic	Adverse	Optimistic	Adverse
Cash	-3%	3%	-4%	4%
CashandCard	3%	3%	-4%	4%
Overdraft	-4%	4%	-5%	5%
Card	-7%	7%	-9%	10%
Mortgage	-4%	4%	-4%	4%
Card	-7%	7%	-9%	10%
SBB	-10%	11%	-10%	12%
Corporate	-2%	2%	-2%	3%

To forecast default rates, the Bank uses macroeconomic projections that are published quarterly by National Bank of Serbia. GDP growth rate (https://www.nbs.rs/export/sites/NBS_site/documents/publikacije/ioi/2022/2022_11_5_projekcija_bdp.xlsx) and inflation rate (https://www.nbs.rs/export/sites/NBS_site/documents/publikacije/ioi/2022/2022_11_5_projekcija_inflacije.xlsx) are projected for the next eight quarters, and they both follow a (split) normal distribution.

4. Risk management policies (continued)

The Bank uses this as a starting point to run a number of Monte Carlo simulations (10,000 different macroeconomic scenarios), whereas from the ninth quarter onward, the Bank uses historical (2009 Q4—2021 Q2) mean and standard deviation: μ=2.2% and σ=3.2% for GDP growth rate, and μ=4.5% and σ=3.8% for inflation rate.

The above table shows sensitivity of default rate forecasts to macroeconomic projections. "Optimistic" corresponds to a relative difference between the lower bound of 95% confidence interval for forecasted default rate and the mean forecasted default rate; similarly, "Adverse" corresponds to a relative difference between the upper bound of 95% confidence interval for forecasted default rate and the mean forecasted default rate.

Impact of the changes on ECL per segments and in total is provided in the following table:

in 000 RSD

Corporate	Impact on ECL		
	S1	**S2**	**Total**
Optimistic	(8,190)	(4,174)	(12,364)
Adverse	9,470	4,390	13,860

SBB	Impact on ECL		
	S1	**S2**	**Total**
Optimistic	(9,069)	(17,692)	(26,761)
Adverse	10,477	20,469	30,946

Mortgage	Impact on ECL		
	S1	**S2**	**Total**
Optimistic	(519)	(240)	(759)
Adverse	541	258	799

Consumer	Impact on ECL		
	S1	**S2**	**Total**
Optimistic	(11,270)	(37,384)	(48,654)
Adverse	16,290	39,920	56,210

Total	Impact on ECL		
	S1	**S2**	**Total**
Optimistic	(29,048)	(59,490)	(88,538)
Adverse	36,778	65,037	101,815

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Credit portfolio quality

The following tables present the quality of the portfolio i.e. credit risk bearing balance sheet assets and off-balance exposures per types of exposure based on the Bank's classification system as at 31 December 2022:

Loans and receivables to customers are presented in the following table:

				Stage 3		POCI		**Total**
Lending	Internal credit rating	Stage 1	Stage 2	Individual	Collective	Individual	Collective	**2022**
Retail Lending								
Mortgage	Strong	4,020,610	-	-	-	-	-	**4,020,610**
	Satisfactory	12,973,352	-	-	-	-	-	**12,973,352**
	Watch list	-	1,150,823	-	-	-	-	**1,150,823**
	Impaired (Defaulted)	-	-	-	954,947	63,542	255,415	**1,273,904**
	Loss allowance	(13,352)	(6,464)	-	(80,778)	(3,177)	(3,404)	**(107,175)**
Consumer	Strong	7,420,270	-	-	-	-	-	**7,420,270**
	Satisfactory	45,931,365	-	-	-	-	-	**45,931,365**
	Watch list	-	10,627,556	-	-	-	-	**10,627,556**
	Impaired (Defaulted)	-	-	-	6,474,707	-	269,776	**6,744,483**
	Loss allowance	(412,104)	(779,274)	-	(2,915,872)	-	(135,458)	**(4,242,708)**
Small business	Strong	1,187,615	-	-	-	-	-	**1,187,615**
	Satisfactory	9,286,905	-	-	-	-	-	**9,286,905**
	Watch list	-	2,632,887	-	-	-	-	**2,632,887**
	Impaired (Defaulted)	-	-	120,103	894,399	6,254	105,885	**1,126,641**
	Loss allowance	(67,965)	(160,235)	(85,034)	(446,085)	-	(5,331)	**(764,650)**
								-
Corporate Lending								**-**
					-	-	-	**-**
Large corporate	Strong	20,112,091	-	-	-	-	-	**20,112,091**
	Satisfactory	28,699,286	-	-	-	-	-	**28,699,286**
	Watch list	-	1,514,950	-	-	-	-	**1,514,950**
	Impaired (Defaulted)	-	-	149,306	41	-	140	**149,487**
	Loss allowance	(250,013)	(17,168)	-	(41)	-	(70)	**(267,292)**
SMEs	Strong	5,154,240	-	-	-	-	-	**5,154,240**
	Satisfactory	28,999,000	-	-	-	-	-	**28,999,000**
	Watch list	-	4,708,661	-	-	-	-	**4,708,661**
	Impaired (Defaulted)	-	-	914,577	13,925	20,810	-	**949,312**
	Loss allowance	(186,695)	(140,726)	(389,888)	(11,747)	(1,986)	-	**(731,042)**
Total loans		**163,784,734**	**20,634,877**	**1,183,986**	**8,338,019**	**90,606**	**631,216**	**194,663,438**
Total loss allowance		**(930,129)**	**(1,103,867)**	**(474,922)**	**(3,454,523)**	**(5,163)**	**(144,263)**	**(6,112,867)**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

The following tables present the quality of the portfolio i.e. credit risk bearing balance sheet assets and off-balance exposures per types of exposure based on the Bank's classification system as at 31 December 2021:

Loans and receivables to customers are presented in the following table:

				Stage 3		POCI		**Total**
Lending	Internal credit rating	Stage 1	Stage 2	Individual	Collective	Individual	Collective	**2021**
Retail Lending								
Mortgage	Strong	3,718,870	-	-	-	-	-	**3,718,870**
	Satisfactory	13,608,445	-	-	-	-	-	**13,608,445**
	Watch list	-	1,088,704	-	-	-	-	**1,088,704**
	Impaired (Defaulted)	-	-	-	1,006,791	63,683	283,879	**1,354,353**
	Loss allowance	(10,441)	(8,260)	-	(99,804)	-	(1,066)	**(119,571)**
Consumer	Strong	1,389,302	-	-	-	-	-	**1,389,302**
	Satisfactory	55,313,427	-	-	-	-	-	**55,313,427**
	Watch list	-	7,283,038	-	-	-	-	**7,283,038**
	Impaired (Defaulted)	-	-	-	6,341,838	-	369,302	**6,711,140**
	Loss allowance	(517,268)	(559,280)	-	(2,428,807)	-	(12,578)	**(3,517,933)**
Small business	Strong	995,418	-	-	-	-	-	**995,418**
	Satisfactory	9,877,824	-	-	-	-	-	**9,877,824**
	Watch list	-	1,571,731	-	-	-	-	**1,571,731**
	Impaired (Defaulted)	-	-	119,503	1,061,831	107,075	47,993	**1,336,402**
	Loss allowance	(57,518)	(51,555)	(85,087)	(521,842)	-	(838)	**(716,840)**
								-
Corporate Lending								**-**
					-	-	-	**-**
Large corporate	Strong	5,546,581	-	-	-	-	-	**5,546,581**
	Satisfactory	37,310,609	-	-	-	-	-	**37,310,609**
	Watch list	-	1,068,682	-	-	-	-	**1,068,682**
	Impaired (Defaulted)	-	-	805,419	3,313	-	-	**808,732**
	Loss allowance	(255,086)	-	(359,520)	(1,652)	-	-	**(616,258)**
SMEs	Strong	3,143,653	-	-	-	-	-	**3,143,653**
	Satisfactory	25,454,468	-	-	-	-	-	**25,454,468**
	Watch list	-	5,273,868	-	-	-	-	**5,273,868**
	Impaired (Defaulted)	-	-	492,406	17,825	222,894	-	**733,125**
	Loss allowance	(127,387)	(140,513)	(229,294)	(5,628)	(71)	-	**(502,893)**
Total loans		**156,358,597**	**16,286,023**	**1,417,328**	**8,431,598**	**393,652**	**701,174**	**183,588,372**
Total loss allowance		**(967,700)**	**(759,608)**	**(673,901)**	**(3,057,733)**	**(71)**	**(14,482)**	**(5,473,495)**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Off-balance sheet items exposed to credit risk as at 31 December 2022 are presented in the following table:

Credit Related Commitments	Internal credit rating	Stage 1	Stage 2	Stage 3 Individual	Stage 3 Collective	**Total gross amount 2022**
Commitments	Strong	13,968,950	-	-	-	**13,968,950**
	Satisfactory	22,528,831	-	-	-	**22,528,831**
	Watch list	-	1,228,403	-	-	**1,228,403**
	Impaired (Defaulted)	-	-	-	66,166	**66,166**
	Provisions	(50,345)	(27,942)	-	(8,334)	**(86,621)**
Guarantees	Strong	3,956,613	-	-	-	**3,956,613**
	Satisfactory	16,774,445	-	-	-	**16,774,445**
	Watch list	-	1,370,769	-	-	**1,370,769**
	Impaired (Defaulted)	-	-	1,989,123	2,696	**1,991,819**
	Provisions	(85,328)	(21,150)	-	(265)	**(106,743)**
Total off balance		**57,228,839**	**2,599,172**	**1,989,123**	**68,862**	**61,885,996**
Total loss allowance		**(135,673)**	**(49,092)**	**-**	**(8,599)**	**(193,364)**

Off-balance sheet items exposed to credit risk as at 31 December 2021 are presented in the following table:

Credit Related Commitments	Internal credit rating	Stage 1	Stage 2	Stage 3 Individual	Stage 3 Collective	**Total gross amount 2021**
Commitments	Strong	5,050,865	-	-	-	**5,050,865**
	Satisfactory	26,026,893	-	-	-	**26,026,893**
	Watch list	-	686,861	-	-	**686,861**
	Impaired (Defaulted)	-	-	60,812	154,068	**214,880**
	Provisions	(48,100)	(11,005)	(6,319)	(32,044)	**(97,468)**
Guarantees	Strong	2,547,483	-	-	-	**2,547,483**
	Satisfactory	15,719,781	-	-	-	**15,719,781**
	Watch list	-	504,568	-	-	**504,568**
	Impaired (Defaulted)	-	-	1,954,066	30,449	**1,984,515**
	Provisions	(63,852)	(4,148)	(5,260)	(3,963)	**(77,223)**
Total off balance		**49,345,022**	**1,191,429**	**2,014,878**	**184,517**	**52,735,846**
Total loss allowance		**(111,952)**	**(15,153)**	**(11,579)**	**(36,007)**	**(174,691)**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Overview of other assets per stages as at 31 December 2022 and as at 31 December 2021

In RSD thousands	Stage 1	Stage 2	Stage 3	POCI	**Total as at 31-Dec-2022**
Other assets gross	77,928	472	120,600	272	**199,272**
Less: Impairment allowance	(911)	(30)	(119,997)	-	**(120,938)**
Total	**77,017**	**442**	**603**	**272**	**78,334**

In RSD thousands	Stage 1	Stage 2	Stage 3	POCI	**Total as at 31-Dec-2021**
Other assets gross	60,486	266	120,231	526	**181,509**
Less: Impairment allowance	(595)	(4)	(118,819)	-	**(119,418)**
Total	**59,891**	**262**	**1,412**	**526**	**62,091**

Portfolio quality classification is based on the following criteria:

Segment	Strong	Satisfactory	Watch list	Impaired (Defaulted)
Corporate	Stage 1 Internal rating (BB+ and better)	Stage 1 Internal rating (worse than BB+)	Stage 2	Stage 3
Retail	Stage 1 Internal rating (BBB and better)	Stage 1 Internal rating (worse than BBB)	Stage 2	Stage 3

The table below provides data regarding 12-month weighted average PD per portfolio segments.

	Internal credit rating	**31-Dec-22** 12-month weighted average PD	**31-Dec-21** 12-month weighted average PD
Retail Lending			
Mortgage	Strong	0.62%	0.81%
	Satisfactory	3.70%	3.32%
	Watch list	16.52%	7.00%
Consumer	Strong	0.79%	0.62%
	Satisfactory	5.41%	5.15%
	Watch list	23,20%	13.09%
Small business	Strong	0.97%	0.59%
	Satisfactory	11.14%	5.26%
	Watch list	34.46%	14.01%
Corporate Lending	Strong	0.74%	0.66%
	Satisfactory	2.48%	2.46%
	Watch list	4.80%	2.63%

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Overdue analysis of total loans and placements per segment as at 31 December 2022:

	Retail lending				Wholesale lending				
31 December 2022	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	**Total**
Current	79,424,805	10,729,261	2,014,145	278,544	81,580,208	5,250,862	257,309	140	**179,535,274**
1 to 30 days	1,381,911	2,588,630	703,940	22,592	1,384,409	856,633	658	-	**6,938,773**
31 to 90 days	13,402	1,093,040	1,274,738	36,538	-	116,116	43,537	-	**2,577,371**
91 to 180 days	-	335	1,059,149	43,138	-	-	121,100	-	**1,223,722**
181 to 360 days	-	-	752,148	45,740	-	-	329,540	-	**1,127,428**
More than 360 days	-	-	2,640,036	274,319	-	-	325,705	20,810	**3,260,870**
Total Gross Carrying Amount	**80,820,118**	**14,411,266**	**8,444,156**	**700,871**	**82,964,617**	**6,223,611**	**1,077,849**	**20,950**	**194,663,438**
Loss Allowance	(493,421)	(945,973)	(3,527,770)	(147,370)	(436,708)	(157,894)	(401,675)	(2,056)	**(6,112,867)**
Net Carrying amount at 31 December 2022	**80,326,697**	**13,465,293**	**4,916,386**	**553,501**	**82,527,909**	**6,065,717**	**676,174**	**18,894**	**188,550,571**
Guarantees and other commitments	19,229,933	1,044,755	119,523	-	37,995,339	1,556,407	1,940,039	-	**61,885,996**
Less: Provisions	(39,174)	(35,889)	(8,601)	-	(96,489)	(13,211)	-	-	**(193,364)**
Total off-balance sheet items	**19,190,759**	**1,008,866**	**110,922**	**-**	**37,898,850**	**1,543,196**	**1,940,039**	**-**	**61,692,632**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

31 December 2022	Mortgage				Consumer				Small business				
Retail lending	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	**Total**
Current	16,989,710	1,101,416	371,051	121,841	52,032,969	7,172,654	1,508,777	80,665	10,402,126	2,455,191	134,317	76,038	**92,446,755**
1 to 30 days	488	13,801	37,297		1,309,117	2,450,079	638,154	21,671	72,306	124,750	28,489	921	**4,697,073**
31 to 90 days	3,765	35,606	141,859	14,890	9,549	1,004,488	1,096,521	21,188	88	52,946	36,358	460	**2,417,718**
91 to 180 days	-	-	149,181	16,654	-	335	771,117	9,785	-	-	138,851	16,699	**1,102,622**
181 to 360 days	-	-	18,238	7,281	-	-	639,310	35,291	-	-	94,600	3,168	**797,888**
More than 360 days	-	-	237,321	158,291	-	-	1,820,828	101,176	-	-	581,887	14,852	**2,914,355**
Total Gross Carrying Amount	**16,993,963**	**1,150,823**	**954,947**	**318,957**	**53,351,635**	**10,627,556**	**6,474,707**	**269,776**	**10,474,520**	**2,632,887**	**1,014,502**	**112,138**	**104,376,411**
Cumulative Loss Allowance	(13,352)	(6,464)	(80,778)	(6,581)	(412,104)	(779,274)	(2,915,872)	(135,458)	(67,965)	(160,235)	(531,120)	(5,331)	**(5,114,534)**
Net Carrying amount at 31 December 2022	**16,980,611**	**1,144,359**	**874,169**	**312,376**	**52,939,531**	**9,848,282**	**3,558,835**	**134,318**	**10,406,555**	**2,472,652**	**483,382**	**106,807**	**99,261,877**

31 December 2022	Large Corporate				SMEs				
Wholesale lending	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	**Total**
Current	48,103,356	983,390	149,347	140	33,476,852	4,267,472	107,962	-	**87,088,519**
1 to 30 days	708,021	531,560	-	-	676,388	325,073	658	-	**2,241,700**
31 to 90 days	-	-	-	-	-	116,116	43,537	-	**159,653**
91 to 180 days	-	-	-	-	-	-	121,100	-	**121,100**
181 to 360 days	-	-	-	-	-	-	329,540	-	**329,540**
More than 360 days	-	-	-	-	-	-	325,705	20,810	**346,515**
Total Gross Carrying Amount	**48,811,377**	**1,514,950**	**149,347**	**140**	**34,153,240**	**4,708,661**	**928,502**	**20,810**	**90,287,027**
Cumulative Loss Allowance	(250,013)	(17,168)	(41)	(70)	(186,695)	(140,726)	(401,634)	(1,986)	**(998,333)**
Net Carrying amount at 31 December 2022	**48,561,364**	**1,497,782**	**149,306**	**70**	**33,966,545**	**4,567,935**	**526,868**	**18,824**	**89,288,694**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Overdue analysis of total loans and placements per segment as at 31 December 2021:

	Retail lending				Wholesale lending				
31 December 2021	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	**Total**
Current	83,106,206	7,526,933	2,595,074	310,474	70,832,963	6,085,310	505,376	33,811	**170,996,147**
1 to 30 days	1,696,384	1,758,007	723,114	43,319	622,348	257,174	4,498	-	**5,104,844**
31 to 90 days	100,206	658,533	1,133,095	174,750	-	66	295	-	**2,066,945**
91 to 180 days	490	-	706,591	89,227	-	-	2,932	3,511	**802,751**
181 to 360 days	-	-	595,705	38,906	-	-	69,651	-	**704,262**
More than 360 days	-	-	2,776,384	215,256	-	-	736,211	185,572	**3,913,423**
Total Gross Carrying Amount	**84,903,286**	**9,943,473**	**8,529,963**	**871,932**	**71,455,311**	**6,342,550**	**1,318,963**	**222,894**	**183,588,372**
Loss Allowance	(585,227)	(619,095)	(3,135,541)	(14,482)	(382,473)	(140,513)	(596,093)	(71)	**(5,473,495)**
Net Carrying amount at 31 December 2021	**84,318,059**	**9,324,378**	**5,394,422**	**857,450**	**71,072,838**	**6,202,037**	**722,870**	**222,823**	**178,114,877**
Guarantees and other commitments	21,551,794	579,687	184,517	-	27,793,229	611,742	2,014,877	-	**52,735,846**
Less: Provisions	(51,737)	(13,683)	(36,008)	-	(60,215)	(1,470)	(11,578)	-	**(174,691)**
Total off-balance sheet items	**21,500,057**	**566,004**	**148,509**	**-**	**27,733,014**	**610,272**	**2,003,299**	**-**	**52,561,155**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

31 December 2021	Mortgage				Consumer				Small business				
Retail lending	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	**Total**
Current	17,312,155	1,021,177	410,058	113,957	55,105,564	5,008,377	1,964,092	142,270	10,688,487	1,497,378	220,923	54,246	**93,538,684**
1 to 30 days	3,713	27,205	33,451	-	1,519,659	1,681,138	644,133	38,000	173,012	49,665	45,530	5,320	**4,220,826**
31 to 90 days	11,447	40,322	124,004	41,073	77,016	593,523	983,772	67,869	11,743	24,688	25,319	65,808	**2,066,584**
91 to 180 days	-	-	130,047	27,112	490	-	500,859	56,563	-	-	75,685	5,553	**796,309**
181 to 360 days	-	-	32,207	3,949	-	-	536,945	31,416	-	-	26,553	3,540	**634,610**
More than 360 days	-	-	277,024	161,471	-	-	1,712,037	33,184	-	-	787,324	20,601	**2,991,641**
Total Gross Carrying Amount	**17,327,315**	**1,088,704**	**1,006,791**	**347,562**	**56,702,729**	**7,283,038**	**6,341,838**	**369,302**	**10,873,242**	**1,571,731**	**1,181,334**	**155,068**	**104,248,654**
Cumulative Loss Allowance	(10,441)	(8,260)	(99,804)	(1,066)	(517,268)	(559,280)	(2,428,807)	(12,578)	(57,518)	(51,555)	(606,929)	(838)	**(4,354,344)**
Net Carrying amount at 31 December 2021	**17,316,874**	**1,080,444**	**906,987**	**346,496**	**56,185,461**	**6,723,758**	**3,913,031**	**356,724**	**10,815,724**	**1,520,176**	**574,405**	**154,230**	**99,894,310**

31 December 2021	Large Corporate				SMEs				
Wholesale lending	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	**Total**
Current	42,857,024	1,068,682	165,066	-	27,975,938	5,016,628	340,310	33,811	**77,457,459**
1 to 30 days	166	-	-	-	622,183	257,174	4,498	-	**884,021**
31 to 90 days	-	-	-	-	-	66	295	-	**361**
91 to 180 days	-	-	-	-	-	-	2,932	3,511	**6,443**
181 to 360 days	-	-	-	-	-	-	69,651	-	**69,651**
More than 360 days	-	-	643,666	-	-	-	92,545	185,572	**921,783**
Total Gross Carrying Amount	**42,857,190**	**1,068,682**	**808,732**	**-**	**28,598,121**	**5,273,868**	**510,231**	**222,894**	**79,339,718**
Cumulative Loss Allowance	(255,086)	-	(361,172)	-	(127,387)	(140,513)	(234,922)	(71)	**(1,119,151)**
Net Carrying amount at 31 December 2021	**42,602,104**	**1,068,682**	**447,560**	**-**	**28,470,734**	**5,133,355**	**275,309**	**222,823**	**78,220,567**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Restructured loans

In order to protect from the risk of borrower default or to minimize losses arising from default, the Bank undertakes the following measures in managing receivables: restructuring, repossession of assets in collection of receivables, initiation of court proceedings and other measures. The Bank approves restructuring of receivables to the borrowers who experience certain setbacks in their business operations. Such loans are classified as forborne in accordance with the NBS regulation.

The following table shows performing and non-performing forborne loans per portfolio:

	31-Dec-2022		31-Dec-2021	
	Gross Carrying Amount	ECL Loss allowance	Gross Carrying Amount	Impairment allowance
Retail Lending	**3,394,869**	**(928,591)**	**3,842,394**	**(990,360)**
Mortgage	482,595	(36,586)	614,848	(32,291)
Consumer	2,473,003	(694,898)	2,422,770	(628,475)
Small business	439,271	(197,107)	804,776	(329,594)
Corporate Lending	**1,801,717**	**(197,594)**	**1,151,457**	**(179,073)**
Total	**5,196,586**	**(1,126,185)**	**4,993,851**	**(1,169,433)**

Forbearance is a modification of contract terms and conditions, which is considered as concession due to financial difficulties of the obligor. Acording to internal definition, the Bank distinguishes between performing and non-performing category of forborne loans as follows:

a) *Exposures are considered as Forborne Performing in the following cases (it is assumed that the exposure fulfils conditions not to be classified as Non-performing)*

- Modified contract with more favorable terms than other debtors with similar risk profile;
- Total or partial refinancing of a troubled debt contract due to financial difficulties;
- Modified contract which has been more than 30 days past due even if the clause was included in the original contract;
- Forborne Non-Performing exposures for which conditions to be treated as cured have been met, after at least one year from the date of modification.

b) *The following cases are considered as Forborne Non-Performing exposure*

- Modification of contract terms and conditions or refinancing, when the client was under Non-Performing status and for at least one year after the last concession;
- A Forborne Performing exposure, which during the Forborne Performing probation period met the criteria for Non-Performing status;
- Modifications of exposures which were Non-Performing and after one year under Forborne Non-Performing probation period met the criteria for entering the Forborne Performing („cured") status, but during the Forborne Performing probation period, the exposure was either re-modified or more than 30 days past due;
- Renewals of forbearance coming from Forborne Performing exposure (less than 90 days past due and not unlikely to pay/defaulted/impaired), will be classified as Forborne Non-Performing if there has been more than one additional concession during probation period.

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

A forborne contract is considered under probation either from the moment of forbearance, if at the time of forbearance, it was not classified as non-performing and forbearance did not lead to its being classified as non-performing, or from the moment it was classified as performing.

The forbearance classification shall be discontinued when all the following conditions are met:

- a minimum 2-year probation period has passed from the date the forborne exposure was considered as performing;
- regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period;
- none of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

c) Segmentation of Forbearance measures (indicative)

1. **Short-term forbearance measures (duration up to 2 years):** Arrears Capitalization, Arrears Repayment Plan, Reduced Payment above interest only, Interest only, Reduced Payment below interest only and Grace Period.
2. **Long-term forbearance measures (duration > 2 years):** Interest Rate Reduction, Loan term extension, Split balance, Partial Debt Forgiveness/Write Down, Operational Restructuring and Debt/Equity Swap.

The following table presents a summary of the types of the Bank's forborne activities as at 31 December 2022:

Forbearance measures	**31-Dec-22**	**31-Dec-21**
Loan term extension	4,700,431	4,125,575
Arrears capitalization	-	15,553
Reduced payment	2,790	78,829
Interest rate reduction	4,376	10,272
Interest only	5,837	109,003
Grace period	94,974	100,987
Other	388,178	553,632
Total gross carrying amount	**5,196,586**	**4,993,851**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

The distribution of forborne loans per stage is presented below, as at 31 December 2022:

31 December 2022	Total loans & receivables	Forborne loans & receivables	% of Forborne loans & receivables
Gross carrying amounts			
Stage 1	163,784,734	289,288	0%
Stage 2	20,634,878	1,704,483	8%
Stage 3	9,522,005	3,126,229	33%
POCI	721,821	76,586	11%
Total Gross Amount	**194,663,438**	**5,196,586**	**3%**
Cumulative ECL Loss allowance			
Stage 1	(930,130)	(991)	0%
Stage 2	(1,103,867)	(45,775)	4%
Stage 3	**(3,929,446)**	**(1,077,403)**	**27%**
Individually assessed	(474,922)	(271,202)	57%
Collectively assessed	(3,454,524)	(806,201)	23%
POCI	**(149,424)**	**(2,016)**	**1%**
Individually assessed	(5,164)	-	0%
Collectively assessed	(144,260)	(2,016)	1%
Total ECL Loss allowance	**(6,112,867)**	**(1,126,185)**	**18%**
Total Net carrying amount	**188,550,571**	**4,070,401**	**2%**

The distribution of forborne loans per stage is presented below, as at 31 December 2021:

31 December 2021	Total loans & receivables	Forborne loans & receivables	% of Forborne loans & receivables
Gross carrying amounts			
Stage 1	156,354,698	381,631	0%
Stage 2	16,286,023	1,140,869	7%
Stage 3	9,848,926	3,154,808	32%
POCI	1,094,826	316,543	29%
Total Gross Amount	**183,584,473**	**4,993,851**	**3%**
Cumulative ECL Loss allowance			
Stage 1	(967,700)	(3,153)	0%
Stage 2	(759,608)	(34,735)	5%
Stage 3	**(3,731,634)**	**(1,131,132)**	**30%**
Individually assessed	(673,678)	(259,086)	38%
Collectively assessed	(3,057,956)	(872,046)	29%
POCI	**(14,553)**	**(413)**	**3%**
Individually assessed	(71)	-	0%
Collectively assessed	(14,482)	(413)	3%
Total ECL Loss allowance	**(5,473,495)**	**(1,169,433)**	**21%**
Total Net carrying amount	**178,110,978**	**3,824,418**	**2%**

4. Risk management policies (continued)

Credit risk mitigation (collaterals)

The amount and type of the requested collateral depends on estimated credit risk of a borrower or transaction, Conditions for all collaterals are determined by the analysis of the client's solvency, type of credit risk exposure, loan maturity, as well as the exposure amount.

Through its internal methodology, the Bank determined acceptable types of collateral and the parameters of their valuations.

Valuations of collaterals are performed at the time of loan origination, and generally are updated periodically in accordance with the relevant internal regulations.

The Bank monitors the movements in the collateral market value and demands additional collateral in accordance with the loan agreements (where it is applicable).

Collateral overview

Collaterals per portfolio quality types (total portfolio) and caped at the level of exposure are presented in the following table:

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

	Gross carrying amount					Impairment allowance					*Collateral value capped to exposure**
31 December 2022	Stage 1	Stage 2	Stage 3	POCI	Total gross amount	Stage 1	Stage 2	Stage 3	POCI	Total net amount	
Retail Lending	**80,820,118**	**14,411,266**	**8,444,156**	**700,871**	**104,376,411**	**(493,421)**	**(945,973)**	**(3,527,770)**	**(147,370)**	**99,261,877**	**21,442,045**
Mortgage	16,993,963	1,150,823	954,947	318,957	**19,418,690**	(13,352)	(6,464)	(80,778)	(6,581)	**19,311,515**	-
Collateral held for financial assets	16,716,393	1,146,657	916,001	317,940	**-**	-	-	-	-	**-**	19,096,991
Consumer	53,351,635	10,627,556	6,474,707	269,776	**70,723,674**	(412,104)	(779,274)	(2,915,872)	(135,458)	**66,480,966**	-
Collateral held for financial assets	32,648	10,868	2,317	-	**-**	-	-	-	-	**-**	45,833
Small business	10,474,520	2,632,887	1,014,502	112,138	**14,234,047**	(67,965)	(160,235)	(531,120)	(5,331)	**13,469,396**	-
Collateral held for financial assets	1,351,320	396,465	467,505	83,931	**-**	-	-	-	-	**-**	2,299,221
Wholesale Lending	**82,964,617**	**6,223,611**	**1,077,849**	**20,950**	**90,287,027**	**(436,708)**	**(157,894)**	**(401,675)**	**(2,056)**	**89,288,694**	**32,671,271**
Large corporate	48,811,377	1,514,950	149,347	140	**50,475,814**	(250,013)	(17,168)	(41)	(70)	**50,208,522**	-
Collateral held for financial assets	18,506,486	985,055	149,306	-	**-**	-	-	-	-	**-**	19,640,847
SMEs	34,153,240	4,708,661	928,502	20,810	**39,811,213**	(186,695)	(140,726)	(401,634)	(1,986)	**39,080,172**	-
Collateral held for financial assets	9,972,167	2,502,806	534,640	20,810	**-**	-	-	-	-	**-**	13,030,423
Total Lending	**163,784,735**	**20,634,877**	**9,522,005**	**721,821**	**194,663,438**	**(930,129)**	**(1,103,867)**	**(3,929,445)**	**(149,426)**	**188,550,571**	**54,113,316**
Credit Related Commitments											
Guarantees	20,731,058	1,370,769	1,991,819	-	24,093,646	(85,328)	(21,150)	(265)	-	23,986,903	
Commitments	36,497,781	1,228,403	66,166	-	37,792,350	(50,345)	(27,942)	(8,334)	-	37,705,729	
Collateral held for financial assets	4,456,060	219,754	1,955,091	-	-	-	-	-	-	-	6,630,905
Total Credit Related Commitments	**57,228,839**	**2,599,172**	**2,057,985**	**-**	**61,885,996**	**(135,673)**	**(49,092)**	**(8,599)**	**-**	**61,692,632**	**6,630,905**
Total	**221,013,574**	**23,234,049**	**11,579,990**	**721,821**	**256,549,434**	**(1,065,802)**	**(1,152,959)**	**(3,938,044)**	**(149,426)**	**250,243,203**	**60,744,221**

* *Collateral value capped to exposure relates to market value of collateral capped to exposure,*

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

31 December 2021	Gross carrying amount Stage 1	Stage 2	Stage 3	POCI	Total gross amount	Impairment allowance Stage 1	Stage 2	Stage 3	POCI	Total net amount	Collateral value capped to exposure*
Retail Lending	**84,903,286**	**9,943,473**	**8,529,963**	**871,932**	**104,248,654**	**(585,227)**	**(619,095)**	**(3,135,540)**	**(14,482)**	**99,894,310**	**22,098,180**
Mortgage	17,327,315	1,088,704	1,006,791	347,562	19,770,372	(10,441)	(8,260)	(99,804)	(1,066)	19,650,801	-
Collateral held for financial assets	17,054,900	1,078,427	953,759	347,562	-	-	-	-	-	-	19,434,648
Consumer	56,702,729	7,283,038	6,341,838	369,302	70,696,907	(517,268)	(559,280)	(2,428,807)	(12,578)	67,178,974	-
Collateral held for financial assets	69,452	2,065	-	24	-	-	-	-	-	-	71,541
Small business	10,873,242	1,571,731	1,181,334	155,068	13,781,375	(57,518)	(51,555)	(606,929)	(838)	13,064,535	-
Collateral held for financial assets	1,511,615	304,699	657,150	118,527	-	-	-	-	-	-	2,591,991
Wholesale Lending	**71,455,311**	**6,342,550**	**1,318,963**	**222,894**	**79,339,718**	**(382,473)**	**(140,513)**	**(596,094)**	**(71)**	**78,220,567**	**28,058,053**
Large corporate	42,857,190	1,068,682	808,732	-	44,734,604	(255,086)	-	(361,172)	-	44,118,346	-
Collateral held for financial assets	14,999,077	1,068,682	791,313	-	-	-	-	-	-	-	16,859,072
SMEs	28,598,121	5,273,868	510,231	222,894	34,605,114	(127,387)	(140,513)	(234,922)	(71)	34,102,221	-
Collateral held for financial assets	7,704,908	3,018,076	422,158	53,839	-	-	-	-	-	-	11,198,981
Total Lending	**156,358,597**	**16,286,023**	**9,848,926**	**1,094,826**	**183,588,372**	**(967,700)**	**(759,608)**	**(3,731,634)**	**(14,553)**	**178,114,877**	**50,156,233**
Credit Related Commitments											
Guarantees	18,267,264	504,568	1,984,515	-	20,756,347	-63,852	-4,148	-9,223	-	20,679,124	
Commitments	31,077,758	686,861	214,880	-	31,979,499	-48,100	-11,005	-38,363	-	31,882,031	
Collateral held for financial assets	*4,213,786*	*138,050*	*1,978,492*	-	-	-	-	-	-	-	*6,330,328*
Total Credit Related Commitments	**49,345,022**	**1,191,429**	**2,199,395**	**-**	**52,735,846**	**(111,952)**	**(15,153)**	**(47,586)**	**-**	**52,561,155**	**6,330,328**
Total	**205,703,619**	**17,477,452**	**12,048,321**	**1,094,826**	**236,324,218**	**(1,079,652)**	**(774,761)**	**(3,779,220)**	**(14,553)**	**230,676,032**	**56,486,561**

* *Collateral value capped to exposure relates to market value of collateral capped to exposure,*

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

Residential mortgage lending

The following tables stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio, LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

Mortgage loans **LTV**	**31-Dec-22** **Gross amount**	**31-Dec-21** **Gross amount**
Less than 50%	11,804,266	9,861,742
50%-70%	4,774,860	5,781,528
71%-80%	1,752,992	2,805,306
81%-90%	292,915	510,251
91%-100%	167,345	173,266
101%-120%	144,731	158,805
121%-150%	61,469	96,039
Greater than 150%	289,122	204,517
Total exposure	**19,287,700**	**19,591,454**

The following table shows comparative view of collateral received as at 31 December 2022:

	Value of collateral received			Guarantees
31 December 2022	Real Estate	Financial	Total	received
Retail Lending	**67,324,489**	**2,698,793**	**70,023,282**	**3,870,529**
Mortgage	*61,451,876*	*52,220*	*61,504,096*	-
Consumer	-	*80,529*	*80,529*	-
SBB	*5,872,613*	*2,566,044*	*8,438,657*	*3,870,529*
Wholesale Lending	**62,091,346**	**2,100,487**	**64,191,833**	**5,907,925**
Total	**129,415,835**	**4,799,280**	**134,215,115**	**9,778,454**

** Collateral value is not capped to exposure*

The following table shows comparative view of collateral received as at 31 December 2021:

	Value of collateral received			Guarantees
31 December 2021	Real Estate	Financial	Total	received
Retail Lending	**61,262,680**	**1,884,370**	**63,147,050**	**6,237,041**
Mortgage	*54,240,768*	*63,658*	*54,304,426*	-
Consumer	-	*106,003*	*106,003*	-
SBB	*7,021,912*	*1,714,709*	*8,736,621*	*6,237,041*
Wholesale Lending	**55,162,311**	**2,262,524**	**57,424,835**	**9,152,074**
Total	**116,424,991**	**4,146,894**	**120,571,885**	**15,389,115**

4. Risk management policies (continued)

4.1.5. Securities, treasury bills and other eligible bills

As of 31 December 2022, the Bank has dinar bonds of Republic of Serbia Ministry of Finance in the total amount of RSD 11,663,294 thousand (31 December 2021: RSD 14,135,588 thousand) and shares in the total amount of RSD 127 thousand (31 December 2021: RSD 393 thousand) as well as shares inherited from ex Direktna Banka in the total amount of RSD 705 thousand (31 December 2021: RSD 705 thousand), The Bank also has foreign currency bonds of Republic of Serbia Ministry of Finance in the amount of RSD 3,298,950 thousand (31 December 2021: RSD 3,131,022 thousand) and shares in the amount of RSD 49,930 thousand (31 December 2021: RSD 48,882 thousand) – (Note 16), The above-mentioned bonds and trading securities are not rated, The rating of country is BB+ with stable outlook based on Standard and Poor's rating,

4.1.6. Repossessed collateral

As of 31 December 2022 the Bank had assets that were obtained by taking possession of collateral in the amount of RSD 227,121 thousand (31 December 2021: 256,062),

4.1.7. Concentration of risks of financial assets with credit risk exposure

Geographical and industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by the product line, industry sectors and geographical region of counterparties:

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

	Gross amount: Serbia				Gross amount: Greece				Gross amount: Other Countries					
31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**31,dec,2022**	**31,dec,2021**
Exposure toward financial institutions	61,073,197				17,274,131				1,929,594				**80,276,922**	**100,234,368**
Financial assets at fair through other comprehensive income	14,962,245												**14,962,245**	**17,266,610**
Retail Lending	**80,796,789**	**14,405,680**	**8,433,049**	**700,801**	**16,832**	**-**	**618**	**-**	**6,551**	**5,587**	**10,489**	**15**	**104,376,411**	**104,248,654**
Mortgage	16,974,004	1,147,231	945,669	318,957	15,525	-	-	-	4,434	3,592	9,278	-	**19,418,690**	**19,770,373**
Consumer	53,348,265	10,625,562	6,472,878	269,706	1,307	-	618	-	2,117	1,995	1,211	15	**70,723,674**	**70,696,907**
Small business	10,474,520	2,632,887	1,014,502	112,138	-	-	-	-	-	-	-	-	**14,234,047**	**13,781,374**
Wholesale Lending	**82,969,698**	**6,223,611**	**1,077,849**	**20,811**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**90,291,969**	**79,339,718**
Commerce and services	43,240,052	4,417,469	227,347	-	-	-	-	-	-	-	-	-	**47,884,868**	**52,705,794**
Manufacturing	36,828,314	1,237,729	26,484	-	-	-	-	-	-	-	-	-	**38,092,527**	**20,531,453**
Construction	1,706,115	362,381	581,657	-	-	-	-	-	-	-	-	-	**2,650,153**	**3,524,625**
Private individuals	419,340	-	22,384	-	-	-	-	-	-	-	-	-	**441,724**	**577,076**
Other	775,877	206,032	219,977	20,811	-	-	-	-	-	-	-	-	**1,222,697**	**2,000,770**
Total Loans and receivables to customers	**163,766,487**	**20,629,291**	**9,510,898**	**721,612**	**16,832**	**-**	**618**		**6,551**	**5,587**	**10,489**	**15**	**194,668,380**	**183,588,372**
Impairment allowance	*(930,101)*	*(1,103,650)*	*(3,928,840)*	*(149,409)*	*(6)*	-	*(332)*	-	*(23)*	*(217)*	*(274)*	*(15)*	***(6,112,867)***	**(5,473,495)**
Credit Related Commitments	**57,227,415**	**2,599,172**	**2,057,475**	**-**	**854**	**-**	**-**	**-**	**571**	**-**	**509**	**-**	**61,885,996**	**52,735,846**
Impairment allowance	***(135,670)***	***(49,092)***	***(8,483)***	**-**	***(2)***	**-**	**-**	**-**	***(1)***	**-**	***(116)***	**-**	**(193,364)**	**(174,691)**
Total Gross Carrying Amount	**297,029,344**	**23,228,463**	**11,568,373**	**721,612**	**17,291,817**	**-**	**618**	**-**	**1,936,716**	**5,587**	**10,998**	**15**	**351,793,543**	**353,825,196**
Loss Allowance	***(1,065,771)***	***(1,152,742)***	***(3,937,323)***	***(149,409)***	***(8)***	**-**	***(332)***	**-**	***(24)***	***(217)***	***(390)***	***(15)***	**(6,306,231)**	**(5,648,186)**
Net Carrying amount	**295,963,573**	**22,075,721**	**7,631,050**	**572,203**	**17,291,809**	**-**	**286**	**-**	**1,936,692**	**5,370**	**10,608**	**-**	**345,487,312**	**348,177,010**

* *Mostly exposures toward Switzerland and USA,*

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.2. Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific movements and changes in the level of volatility of market rates or prices such as interest rates, foreign exchange rates and equity prices.

4.2.1. Foreign exchange risk

The Bank is necessarily exposed to foreign exchange risk, i,e, to the risk of changes in FX rates since it has been working with different foreign currencies. Daily FX transactions cause the possible loss to the Bank due to uncertainty of the FX rate at which an open FX position can be closed, as well as in terms of negative effects of the revaluation of net open FX positions in individual currencies in the event of adverse movements in foreign exchange rates.

In order to protect Bank’s equity and financial result the Bank identifies, measures, monitors and manages exposure to foreign exchange risk on daily basis.

The Bank manages the exposure to foreign exchange risk in a manner that ensures compliance of currency structure of its assets and liabilities with the risk ratios prescribed by the National Bank of Serbia, as well as with the limits prescribed in the internal acts enacted by the Bank’s management and Risk Committee. Bank is using scenario analysis for measurement of FX risk.

The concentration risk based on open currency position may occur if the total open currency position limit is utilized in only one currency. In order to avoid this risk concentration, the Bank's management and the Risk Committee have defined the maximum allowed open currency position by individual currencies, and the utilization of this limit is monitored by the Bank's management through a weekly report on the Open currency position by currencies prepared and submitted by the Market Risk Department.

The table below summarises the Bank’s exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2022				At 31 December 2021			
	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
EUR	158,624,409	162,137,710	2,004,671	(1,508,630)	153,271,892	159,538,160	5,875,824	(390,444)
CHF	958,649	4,902,290	3,867,310	(76,331)	5,106,670	4,998,776	(165,512)	(57,618)
USD	2,801,785	2,858,446		(56,661)	2,173,180	2,100,485	-	72,695
Other	822,238	611,763		210,475	546,073	440,899	-	105,174
Total	**163,207,081**	**170,510,209**	**5,871,981**	**(1,431,147)**	**161,097,815**	**167,078,320**	**5,710,312**	**(270,193)**

* *Including foreign currency clause*

4. Risk management policies (continued)

4.2.2. Interest rate risk

Interest rate risk is defined as Bank's exposure to adverse movements in interest rates which can cause negative effects on Bank's earning and economic value of capital. Interest rate risk could come in the variety of forms, including reprising risk, yield curve risk, basis and optionality risk.

In order to protect Bank's equity and financial result the Bank identifies, measures, monitors and manages exposure to interest rate risk on monthly basis, in total and per all major currencies.

In measuring and assessing interest rate risk the Bank applies the following techniques:

- Gap analysis of interest rate risk,
- Scenario analysis,
- Stress testing, and
- Analysis of embedded options.

The Bank manages the exposure to interest rate risk by applying the following techniques, which are executed on open interest rate positions recognized in the gap analysis:

- The natural hedge – is achieved by adjusting dates and re-pricing tenor of new products, which should influence decrease of an open gap in specific time bucket,
- Hedging an open interest rate position with OTC derivatives such as: interest rate swaps and options on interest rates.

According to internal methodology for interest rate gap, the Bank projects future cash flows (including future interest) of assets/liabilities with fixed interest rate and off-balance items and allocates them into time buckets according to contractual maturity dates. For items with floating interest rate, principal and future interest (only the part maturing until the next repricing date) is allocated according to repricing date. The Bank calculates early repayment/withdrawal rates taking into account statistical analysis based on historical experience. For all items without contractual repayment schedule, the Bank allocates cash flows into time buckets according to statistical analysis, trend, seasonality and unpredictability factor. Assessment of the deposits stability is based on both statistical analysis and Basel committee guidelines. Future cash flows for loans are reduced by the expected cost of risk (CoR) for each individual segment of the portfolio.

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.2.2. Interest rate risk (continued)

Table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities and off-balance items at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates, according to the above-mentioned methodology:

31 December 2022	Exposure to IRR	Less than 3 months	3-6 months	6-12 months	1-5 year	More than 5 years
Total financial assets exposed to IRR	**303,534,117**	**236,446,009**	**9,068,997**	**16,193,407**	**33,736,366**	**8,089,338**
Cash and assets held with central bank	40,622,005	20,200,751	4,002,202	9,242,878	7,036,885	139,289
Loans and receivables to banks and other financial institutions	46,988,946	46,605,727	-	383,219	-	-
Loans and receivables to customers	199,147,260	167,148,255	5,037,295	2,979,109	17,242,077	6,740,524
Securities	16,310,766	2,491,276	29,500	3,588,201	9,457,404	744,385
Other asset	465,140	-	-	-	-	465,140
Total financial liabilities exposed to IRR	**(267,130,316)**	**(136,045,885)**	**(28,962,559)**	**(55,671,948)**	**(38,536,754)**	**(7,913,170)**
Deposits and other financial liabilities due to banks, other financial institutions and central bank	(61,814,393)	(46,095,559)	(7,980,620)	(6,751,037)	(804,754)	(182,423)
Deposits and other financial liabilities due to customers	(193,323,449)	(85,125,433)	(20,981,939)	(48,920,911)	(37,732,000)	(563,166)
Subordinated debt	(7,930,177)	(762,596)	-	-	-	(7,167,581)
Other liabilities	(4,062,297)	(4,062,297)	-	-	-	-
Net interest rate gap	**36,403,801**	**100,400,124**	**(19,893,562)**	**(39,478,541)**	**(4,800,388)**	**176,168**
Effect of derivatives held for risk management exposed to IRR	(18,484)	(47,211)	32,012	-	(3,285)	-
Other off-balance asset exposed to IRR	(6,850,757)	(5,554,585)	(137,059)	(213,766)	(848,178)	(97,169)
Other off-balance liability exposed to IRR	(2,196,606)	(2,196,606)	-	-	-	-
Total interest rate gap	**27,337,954**	**92,601,722**	**(19,998,609)**	**(39,692,307)**	**(5,651,851)**	**78,999**

31 December 2021	Exposure to IRR	Less than 3 months	3-6 months	6-12 months	1-5 year	More than 5 years
Total financial assets exposed to IRR	**288,427,757**	**220,425,125**	**9,632,976**	**8,898,657**	**34,157,038**	**15,313,961**
Cash and assets held with central bank	46,383,823	29,246,878	2,056,825	3,261,955	6,358,052	5,460,113
Loans and receivables to banks and other financial institutions	36,235,903	35,876,615	-	359,288	-	-
Loans and receivables to customers	185,543,951	151,899,501	5,472,852	4,610,987	16,594,163	6,966,448
Securities	18,279,302	3,402,131	2,103,299	666,427	11,204,823	902,622
Other asset	1,984,778	-	-	-	-	1,984,778
Total financial liabilities exposed to IRR	**(252,574,902)**	**(114,397,419)**	**(31,820,531)**	**(24,881,464)**	**(39,651,596)**	**(41,823,892)**
Deposits and other financial liabilities due to banks, other financial institutions and central bank	(43,743,633)	(17,485,714)	(19,114,882)	(6,004,417)	(765,135)	(373,485)
Deposits and other financial liabilities due to customers	(182,108,433)	(77,372,316)	(12,705,649)	(18,877,047)	(38,886,461)	(34,266,960)
Subordinated debt	(7,947,731)	(764,284)				(7,183,447)
Other liabilities	(18,775,105)	(18,775,105)	-	-	-	-
Net interest rate gap	**35,852,855**	**106,027,706**	**(22,187,555)**	**(15,982,807)**	**(5,494,558)**	**(26,509,931)**
Effect of derivatives held for risk management exposed to IRR	(11,908)	(9,474)	-	-	-	(2,434)
Other off-balance asset exposed to IRR	(9,377,935)	(8,420,845)	(104,889)	(158,961)	(515,997)	(177,243)
Other off-balance liability exposed to IRR	(705,502)	(705,502)	-	-	-	-
Total interest rate gap	**25,757,510**	**96,891,885**	**(22,292,444)**	**(16,141,768)**	**(6,010,555)**	**(26,689,608)**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.2.2. Interest rate risk (continued)

For purpose of measurement of interest rate risk, the Bank is using sensitivity analysis by applying duration-based sensitivity weights, followed with stress tests incorporating various changes in interest rate variables. The Bank is managing interest rate risk through set of interest rate exposure limits.

4.2.3. Sensitivity analysis

The management of interest rate risk and currency risk against gap limits is supplemented by monitoring the sensitivity of the Bank's income statements to various interest rate and foreign currency rate scenarios. The sensitivity of the income statement is the effect of the assumed changes in interest rates for 100 basis points on the net interest income and economic value of equity, as well as of the assumed RSD FX rate depreciation for 10%.

Analysis of the Bank's sensitivity to an increase or decrease in market interest rates and FX rates (assuming no asymmetrical movements in yield curves and constant balance sheet position) is presented in the following table:

	Sensitivity of income statement 2022				
Interest rate sensitivity	RSD	EUR	CHF	Other	Loss
+100 bps parallel shift					
NII effect	(241,270)	(354,401)	(21,416)	(14,988)	(632,075)
EVE effect	478,278	(672,234)	(16,779)	(20,432)	(231,167)
Foreign exchange sensitivity					
10% depreciation of RSD		109,093	7,633	(20,543)	96,182

	Sensitivity of income statement 2021				
Interest rate sensitivity	RSD	EUR	CHF	Other	Loss
+100 bps parallel shift					
NII effect	(211,403)	(434,674)	(29,399)	(13,585)	(689,061)
EVE effect	224,736	(2,381,728)	(180,875)	(72,414)	(2,410,281)
Foreign exchange sensitivity					
10% depreciation of RSD		(7,988)	5,762	(17,787)	(20,014)

4.3. Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations when they come due, which can have a negative result on the Bank's financial results and equity. Liquidity risk is imminent in the banking business which arises from the nature of the basic activity of the Bank and maturity transformation necessary performed by the Bank.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity management of the Bank represents a continuous process of perceiving liquidity needs and maintaining a satisfactory liquidity level in a variety of business scenarios, as well as contingency planning.

4. Risk management policies (continued)

4.3. Liquidity risk (continued)

In order to perform these activities, attention is mainly directed to analyse stability and level of deposits concentration and other sources of funding of the Bank that include:

- customer's deposits with different maturities,
- deposits from the money market and available lines with financial institutions,
- available lines form the majority shareholder, and
- share capital.

Sources of liquidity are regularly reviewed so as to maintain a wide diversification by currency, geography, provider, product and term.

Diversity and stability of core deposit base involves an analysis allowing the Bank to more effectively controls and measures deposit-based liquidity and more accurately measures liquidity risk by defining deposit inputs.

Liquidity risk measurement includes assessment of the risk under normal market conditions and under stress scenarios. Scenarios, which are defined based on historical data and case studies, should allow the bank to evaluate the potential adverse impact these factors can have on its liquidity position. Liquidity risk is monitored through a set of short-term limits, Following the NBS methodology, the Bank has defined minimum level of liquidity expressed in terms of short-term liquidity ratio. For internal methodology purposes, limit framework includes ratios as limit definition of acceptable levels of short-term liquidity mismatches.

According to internal methodology for liquidity gap, the Bank projects future cash flows (including future interest) of assets/liabilities and off-balance items and allocates them into time buckets according to contractual maturity dates. The Bank calculates early repayment/withdrawal rates taking into account statistical analysis based on historical experience. For all items without contractual repayment schedule, the Bank allocates cash flows into time buckets according to statistical analysis, trend, seasonality and unpredictability factor. Assessment of the deposits stability is based on both statistical analysis and Basel committee guidelines. Future cash flows for loans are reduced by the expected cost of risk (CoR) for each individual segment of the portfolio.

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.3. Liquidity risk (continued)

The table below summarizes the Bank's exposure to liquidity rate risks, The table presents the aggregated amounts of the Bank's financial assets/liabilities and off-balance items, according to the above-mentioned methodology:

31 December 2022	Gross nominal inflow/ (outflow)	Less than 3 months	3-6 months	6-12 months	1-5 year	More than 5 years
Total financial assets exposed to liquidity risk	**334,415,580**	**90,030,652**	**27,708,735**	**46,281,284**	**130,633,491**	**39,761,418**
Cash and assets held with central bank	40,622,265	19,043,058	2,860,015	6,962,710	6,163,398	5,593,084
Loans and receivables to banks and other financial institutions	46,988,947	46,561,145	-	383,219	-	44,583
Loans and receivables to customers	230,028,462	21,935,173	24,819,220	35,347,154	115,012,689	32,914,226
Securities	16,310,766	2,491,276	29,500	3,588,201	9,457,404	744,385
Other asset	465,140	-	-	-	-	465,140
Total financial liabilities exposed to liquidity risk	**(267,735,288)**	**(117,462,858)**	**(21,878,374)**	**(44,491,683)**	**(46,125,034)**	**(37,777,339)**
Deposits and other financial liabilities due to banks, other financial institutions and central bank	(62,270,942)	(34,826,993)	(7,148,628)	(7,991,346)	(12,196,362)	(107,613)
Deposits and other financial liabilities due to customers	(193,340,795)	(78,573,568)	(14,729,746)	(36,500,337)	(33,166,076)	(30,371,068)
Subordinated debt	(8,061,254)	-	-	-	(762,596)	(7,298,658)
Other liabilities	(4,062,297)	(4,062,297)	-	-	-	-
Net liquidity gap	**66,680,292**	**(27,432,206)**	**5,830,361**	**1,789,601**	**84,508,457**	**1,984,079**
Cumulative net liquidity gap		**(27,432,206)**	**(21,601,845)**	**(19,812,244)**	**64,696,213**	**66,680,292**
Effect of derivatives held for risk management exposed to liquidity risk	(18,484)	(18,484)	-	-	-	-
Other off-balance asset exposed to liquidity risk	(6,850,757)	(5,554,585)	(137,059)	(213,766)	(848,178)	(97,169)
Other off-balance liability exposed to liquidity risk	(2,196,606)	(2,196,606)	-	-	-	-
Total liquidity gap	**57,614,445**	**(35,201,881)**	**5,693,302**	**1,575,835**	**83,660,279**	**1,886,910**
Cumulative total liquidity gap		**(35,201,881)**	**(29,508,579)**	**(27,932,744)**	**55,727,535**	**57,614,445**

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.3. Liquidity risk (continued)

The table below presents additional analysis of maturity of financial liabilities and derivatives based on the contractual maturities, according to the IFRS 7.39 disclosure requirement.

31 December 2022	Gross nominal inflow/ (outflow)	Less than 3 months	3-6 months	6-12 months	1-5 year	More than 5 years
Total financial assets exposed to liquidity risk	**334,415,580**	**90,030,652**	**27,708,735**	**46,281,284**	**130,633,491**	**39,761,418**
Cash and assets held with central bank	40,622,265	19,043,058	2,860,015	6,962,710	6,163,398	5,593,084
Loans and receivables to banks and other financial institutions	46,988,947	46,561,145	-	383,219	-	44,583
Loans and receivables to customers	230,028,462	21,935,173	24,819,220	35,347,154	115,012,689	32,914,226
Securities	16,310,766	2,491,276	29,500	3,588,201	9,457,404	744,385
Other asset	465,140	-	-	-	-	465,140
Total financial liabilities exposed to liquidity risk	**(267,735,288)**	**(180,208,787)**	**(20,151,094)**	**(41,037,929)**	**(18,526,802)**	**(7,810,676)**
Deposits and other financial liabilities due to banks, other financial institutions and central bank	(62,270,942)	(34,826,993)	(7,148,628)	(7,991,346)	(12,196,362)	(107,613)
Deposits and other financial liabilities due to customers	(193,340,795)	(141,319,497)	(13,002,466)	(33,046,583)	(5,567,844)	(404,405)
Subordinated debt	(8,061,254)	-	-	-	(762,596)	(7,298,658)
Other liabilities	(4,062,297)	(4,062,297)	-	-	-	-
Net liquidity gap	**66,680,292**	**(90,178,135)**	**7,557,641**	**5,243,355**	**112,106,689**	**31,950,742**
Cumulative net liquidity gap		**(90,178,135)**	**(82,620,494)**	**(77,377,139)**	**34,729,550**	**66,680,292**
Effect of derivatives held for risk management exposed to liquidity risk	(18,484)	(18,484)	-	-	-	-
Other off-balance asset exposed to liquidity risk	(6,850,757)	(5,554,585)	(137,059)	(213,766)	(848,178)	(97,169)
Other off-balance liability exposed to liquidity risk	(2,196,606)	(2,196,606)	-	-	-	-
Total liquidity gap	**57,614,445**	**(97,947,810)**	**7,420,582**	**5,029,589**	**111,258,511**	**31,853,573**
Cumulative total liquidity gap		**(97,947,810)**	**(90,527,228)**	**(85,497,639)**	**25,760,872**	**57,614,445**

Liquidity gap of up to 1 year is considered appropriate since the Bank usually renews the largest part of the short-term liabilities.

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.3. Liquidity risk (continued)

31 December 2021	Gross nominal inflow/ (outflow)	Less than 3 months	3-6 months	6-12 months	1-5 year	More than 5 years
Total financial assets exposed to liquidity risk	**307,967,912**	**85,829,186**	**19,846,961**	**36,663,109**	**124,690,798**	**40,937,858**
Cash and assets held with central bank	46,384,057	29,209,532	2,089,372	3,267,195	6,357,922	5,460,036
Loans and receivables to banks and other financial institutions	36,235,902	35,826,054	-	359,288	-	50,560
Loans and receivables to customers	205,083,169	17,391,469	15,654,290	32,370,199	107,128,053	32,539,158
Securities	18,280,006	3,402,131	2,103,299	666,427	11,204,823	903,326
Other asset	1,984,778	-	-	-	-	1,984,778
Total financial liabilities exposed to liquidity risk	**(252,871,444)**	**(103,398,290)**	**(30,513,457)**	**(26,256,843)**	**(50,016,619)**	**(42,686,235)**
Deposits and other financial liabilities due to banks, other financial institutions and central bank	(44,026,021)	(7,855,915)	(17,273,710)	(7,294,694)	(11,130,158)	(471,544)
Deposits and other financial liabilities due to customers	(182,122,587)	(76,767,270)	(13,239,747)	(18,962,149)	(38,886,461)	(34,266,960)
Subordinated debt	(7,947,731)					(7,947,731)
Other liabilities	(18,775,105)	(18,775,105)	-	-	-	-
Net liquidity gap	**55,096,468**	**(17,569,104)**	**(10,666,496)**	**10,406,266**	**74,674,179**	**(1,748,377)**
Cumulative net liquidity gap		**(17,569,104)**	**(28,235,600)**	**(17,829,334)**	**56,844,845**	**55,096,468**
Effect of derivatives held for risk management exposed to liquidity risk	(11,908)	(11,908)	-	-	-	-
Other off-balance asset exposed to liquidity risk	(9,377,935)	(8,420,845)	(104,889)	(158,961)	(515,997)	(177,243)
Other off-balance liability exposed to liquidity risk	(705,502)	(705,502)	-	-	-	-
Total liquidity gap	**45,001,123**	**(26,707,359)**	**(10,771,385)**	**10,247,305**	**74,158,182**	**(1,925,620)**
Cumulative total liquidity gap		**(26,707,359)**	**(37,478,744)**	**(27,231,439)**	**46,926,743**	**45,001,123**

The table below summarizes the availability of the Bank`s financial assets to support future funding (liquidity reserve):

31 December 2022	Gross carrying amount	Impairment	Net carrying amount	Fair value
Cash	**7,426,230**	**-**	**7,426,230**	**7,426,230**
Nosto accounts	**1,656,831**	**(144)**	**1,656,687**	**1,656,831**
Money market placements to banks	**44,878,128**	**(2,031)**	**44,876,097**	**44,878,128**
Securities	**14,963,126**	**(40,652)**	**14,922,474**	**14,963,126**
FVOCI	14,962,245	(40,602)	14,921,643	14,962,245
Shares	881	(50)	831	881
Total	**68,924,315**	**(42,827)**	**68,881,488**	**68,924,315**

Bonds classified as fair value through other comprehensive income are included in the liquidity reserves, considering that they represent high quality liquid assets, according to regulatory requirements[1]. Consequently, aforesaid assets are also recognized in the calculation of the regulatory liquidity coverage ratio. It is also taken into account that, according to IFRS 9, occasional (rare, or in small amounts) sales under unfavourable scenarios are permitted without the impact on business model

[1] *Methodology for Reports Concerning Regulations Implementing Basel III Standards*

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.3. Liquidity risk (continued)

31 December 2021	Gross carrying amount	Impairment	Net carrying amount	Fair value
Cash	**6,379,168**	**-**	**6,379,168**	**6,379,168**
Nosto accounts	**6,983,857**	**(749)**	**6,983,108**	**6,983,857**
Money market placements to banks	**28,821,853**	**(1,349)**	**28,820,504**	**28,821,853**
Securities	**17,267,730**	**(17,284)**	**17,250,446**	**17,267,730**
FVOCI	17,266,610	(17,262)	17,249,348	17,266,610
Shares	1,120	(22)	1,098	1,120
		-		
Total	**59,452,608**	**(19,382)**	**59,433,226**	**59,452,608**

4.4. Operational risk

Operational risk is the risk of possible negative effects on the financial result and capital of the bank caused by human error, inadequate internal procedures and processes, inadequate management of the information management of the information system and other systems in the bank, as well as by unforeseeable external events and includes legal risk. Legal risk is the risk of adverse effects on the bank's financial result and capital arising from court or out-of-court proceedings relating to the bank's operation (contracts and torts, labor relations, etc,).
Operational risk processes consist of risk identification, exposure assessment (including measurement and valuation), control management and risk mitigation, operational risk reporting and performance improvement applying following operational risk methods: Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRI), Operational Risk Events Management, Operational Risk Reporting, Operational Risk Capital Charge Calculation and Allocation and Operational Risk Stress Testing.

The Bank includes in its risk management system all risks that arise from outsourcing activities and from launching of new products and services.

4.5. Climate risk

Climate-related and environmental risks are commonly understood to comprise two main risk drivers:

- Physical risk refers to the financial impact of a changing climate, resulting mainly from more frequent extreme weather events and gradual changes in climate.
- Transition risk refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy.

In relation to climate risk management, the Bank aims to follow instructions and approach of the Group, accommodated to any potential local regulatory requirements (currently not in place). The Group is adopting a strategic approach towards sustainability and climate change risk identification and risk management, signifying the great importance that is given in the risks and opportunities arising from the transitioning to a low-carbon and more circular economy.

4. Risk management policies (continued)

4.6. Capital management

The Bank actively manages capital base to cover risk inherent to the business, The Bank's objectives, when managing capital, which is a broader concept than "equity" on the face of the balance sheet, are:

- To comply with the capital requirements set by the National Bank of Serbia,
- To provide an adequate level of capital to enable the Bank to continue its operations as a going concern, and
- To maintain a strong capital base to support the development of its business.

Capital adequacy, as well as the use of the Bank's capital is monitored on a monthly basis by the Bank's management.

The National Bank of Serbia has defined the following capital limits:

- The minimum amount of the capital of EUR 10 million,
- Capital adequacy ratio of 8%,
- Tier I CAD – minimum prescribed 6%, and
- Core Tier I CAD – minimum prescribed 4,5%.

Additional capital buffers are:

- Capital conservation buffer – 2,5% of total RWA,
- Countercyclical capital buffer – Rates of this buffer are determined quarterly by NBS for exposures in Serbia they are 0%,
- 1% buffer for systemically important financial institutions (SIFI) introduced in June 2022 and
- System risk buffer - The systemic risk buffer rate is equal to 3% of total foreign currency and foreign currency-indexed placements of a bank approved to corporates and households in the Republic of Serbia, All banks whose share of foreign currency and foreign currency-indexed placements approved to corporates and households in the Republic of Serbia in total placements of that bank approved to corporates and households in the Republic of Serbia exceeds 10% are obliged to maintain the systemic risk buffer.

The Bank's total capital comprises of tier 1 and tier 2 capital with corresponding deductible items.

Tier 1 capital: The share capital is the basic share capital and additional share capital. Basic Bank's share capital is the sum of share capital from ordinary shares, corresponding share premium, and reserves from profit and other reserves. Tier 1 deductible items comprise intangible assets, deferred tax assets that are dependent on future profitability other than those arising from temporary differences, net of related deferred tax liabilities, new consumer loans with DTI over 60%, and a new consumer loans with regulatory prescribed maximal tenor and regulatory adjustments i,e,, required reserve for estimated losses as prescribed by relevant NBS regulations.

Tier 2 capital: Subordinated loans, Tier 2 capital: share capital from preference shares, share premium from preference shares, and acquired own preference shares as Tier 2 capital deductible items.

The risk weighted balance and off-balance assets are determined in accordance with the prescribed risk weights for all types of assets. When calculating the capital adequacy ratio, and in accordance with the regulations of the National Bank of Serbia, the overall credit risk-weighted balance and off-balance assets are increased for the calculated foreign currency, price risk and operational risk capital requirements divided by 8%.

All amounts are expressed in 000 RSD unless stated otherwise

4. Risk management policies (continued)

4.6. Capital management (continued)

The table below summarizes the structure of the Bank’s capital as at 31 December 2022 and 31 December 2021, as well as the capital adequacy ratio:

	31 December 2022*	**31 December 2021***
Shareholders' equity	11,981,500	11,981,500
Share premium	6,052,085	6,052,085
Reserves	19,089,048	18,373,932
Intangible assets	(3,182,652)	(3,235,838)
CET 1 deductible items	(3,585,752)	(2,837,454)
CET 1	**30,354,229**	**30,334,225**
TIER I capital	**30,354,229**	**30,334,225**
Preference shares	-	-
TIER II capital	**7,763,325****	**7,819,210****
Total regulatory capital	**38,117,554**	**38,153,435**
Capital adequacy	**18,72%**	**20,23%**

* *Figures and percentages are unaudited*
** *Subordinated Loan overview which is included in the calculation of supplementary capital is disclosed in the note 27.*

5. Classification and fair value of financial assets and liabilities

a) Fair value of financial assets and liabilities

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 in the principal (or most advantageous) market at the measurement date under current market conditions (i,e,, an exit price). When a quoted price for an identical asset or liability is not observable, fair value is measured using another valuation technique that is appropriate in the circumstances and maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Observable inputs are developed using market data, such as publicly available information about actual events or transactions and reflect assumptions that market participants would use when pricing financial instruments, such as quoted prices in active markets for similar instruments, interest rates and yield curves, implied volatilities and credit spreads.

Fair value of some financial instruments presented at nominal value is approximately equal to their carrying value. This includes Cash and assets held with the central bank, Loans and receivables to banks and other financial institutions and other assets. For loans and receivables, the expected future cash flow is discounted up to their present value by means of the credit risk-adjusted discount rate. Credit Risk Adjusted Discount Rate is built up of the following components:

- Risk-free interest rate;
- Funding costs;
- Minimum Equity Requirements costs;
- Loans' servicing costs;
- Loans' fees and commissions; and
- Cost of risk.

5. Classification and fair value of financial assets and liabilities (continued)

Investment securities carried at amortized cost: the fair values of financial investments are determined using prices quoted in an active market when these are available. In other cases, fair values are determined using quoted market prices for securities with similar credit risk, maturity and yield, quoted market prices in non-active markets for identical or similar financial instruments, or by using the discounted cash flows method.

Fair value of deposits, irrevocable loan obligations and potential obligations is the same as their carrying values. Management of the Bank is of the opinion that, giving ordinary business activities of the Bank and its general policies, as well as dominantly short-term structure of deposits there are no significant differences between carrying amount of assets and liabilities and their fair values. Furthermore, Management of the Bank is of opinion that fair value of borrowings is same as carrying value either due to short-term maturity of liabilities or due to EURIBOR related variable interest rates with low fixed margins.

There is not enough market experience in the Republic of Serbia neither the stability nor liquidity in the trade of receivables and other financial assets and liabilities, since official market information is not always available. Therefore, fair value cannot be reliably determined in the absence of active market.

Assessment of financial instruments

The Bank's financial instruments carried at fair value or at amortized cost for which fair value is disclosed are categorized into the three levels of the fair value hierarchy based on whether the inputs to the fair values are observable or unobservable, as follows:

(a) Level 1-Financial instruments measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Bank can access at the measurement date. A market is considered active when quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. Level 1 financial instruments include actively quoted debt instruments, held or issued by the Bank, equity and derivative instruments traded on exchanges, as well as mutual funds that have regularly and frequently published quotes.

(b) Level 2-Financial instruments measured using valuation techniques with inputs, other than level 1 quoted prices, that are observable either directly or indirectly, such as: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognized market data providers and iv) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include over-the-counter (OTC) derivatives, less liquid debt instruments held or issued by the Bank and equity instruments.

(c) Level 3-Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e,g, assumptions about risk). Level 3 financial instruments include unquoted equities or equities traded in markets that are not considered active, certain OTC derivatives and Loans and receivables to customers.

All amounts are expressed in 000 RSD unless stated otherwise

5. Classification and fair value of financial assets and liabilities (continued)

Tables below analyse financial instruments measured at fair value at the end of the reporting period according to the fair value hierarchy within which the fair value measurement takes place:

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Shares (Note 5,1,5; 15)	50,762	-	-	50,762
Receivables from derivatives (Note 14)	-	85,801	-	85,801
Financial assets at fair value through other comprehensive income				
Bonds (Note 15)h	-	14,962,244	-	14,962,244
Total assets	**50,762**	**15,048,045**	**-**	**15,098,807**
Liabilities from derivatives (Note 22)	-	79,010	-	79,010
Total liabilities	**-**	**79,010**	**-**	**79,010**

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss				
Shares (Note 5,1,5; 15)	49,980	-	-	49,980
Receivables from derivatives (Note 14)	-	83,006	-	83,006
Financial assets at fair value through other comprehensive income				
Bonds	-	17,266,608	-	17,266,608
Total assets	**49,980**	**17,349,614**	**-**	**17,399,594**
Liabilities from derivatives (Note 22)	-	87,705	-	87,705
Total liabilities	**-**	**87,705**	**-**	**87,705**

All amounts are expressed in 000 RSD unless stated otherwise

5. Fair value of financial assets and liabilities (continued)

The following tables present the fair value of financial instruments not measured at fair value and analyse them according to the fair value hierarchy within which the fair value measurement takes place:

	31 December 2022		31 December 2021	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and assets held with the central bank	66,647,631	66,647,631	58,385,373	58,385,373
Loans and receivables to banks and other financial institutions	21,074,056	21,074,056	24,317,021	24,317,021
Loans and receivables to customers	188,555,513	187,271,145	178,114,877	178,009,048
Securities (measured at amortized cost)	-	-	-	-
Total	**276,277,200**	**274,992,832**	**260,817,271**	**260,711,442**
Financial liabilities				
Deposits and other financial liabilities due to banks, other financial institutions and central bank	64,771,276	64,771,276	45,870,347	45,870,347
Deposits and other financial liabilities due to customers	188,402,116	188,402,116	178,408,904	178,408,904
Subordinated loans	7,802,887	7,802,887	7,820,158	7,820,158
Total	**260,976,279**	**260,976,279**	**232,099,409**	**232,099,409**

	Fair value			
31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and assets held with the central bank	-	66,647,631	-	66,647,631
Loans and receivables to banks and other financial institutions	-	21,074,056	-	21,074,056
Loans and receivables to customers	-	-	187,271,145	187,271,145
Total	**-**	**87,721,687**	**187,271,145**	**274,992,832**
Financial liabilities				
Deposits and other financial liabilities due to banks, other financial institutions and central bank	-	64,771,276	-	64,771,276
Deposits and other financial liabilities due to customers	-	-	188,402,116	188,402,116
Subordinated loans	-	7,802,887	-	7,802,887
Total	**-**	**72,574,163**	**188,402,116**	**260,976,279**

All amounts are expressed in 000 RSD unless stated otherwise

5. Fair value of financial assets and liabilities (continued)

	Fair value			
31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Cash and assets held with the central bank	-	58,385,373	-	58,385,373
Loans and receivables to banks and other financial institutions	-	24,317,021	-	24,317,021
Loans and receivables to customers	-	-	178,009,048	178,009,048
Total	**-**	**82,702,394**	**178,009,048**	**260,711,442**
Financial liabilities				
Deposits and other financial liabilities due to banks, other financial institutions and central bank	-	45,870,347	-	45,870,347
Deposits and other financial liabilities due to customers	-	-	178,408,904	178,408,904
Subordinated loans	-	7,820,158	-	7,820,158
Total	**-**	**53,690,505**	**178,408,904**	**232,099,409**

b) *Classification of financial assets and liabilities*

The following table provides a reconciliation between line items in the balance sheet and categories of financial instruments:

In RSD thousand	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortised cost	**Total 31.12.2022**
Financial assets				
Cash and assets held with the central bank	-	-	66,647,631	66,647,631
Receivables from derivatives	85,801	-	-	85,801
Securities	50,762	14,962,334	-	15,013,006
Loans and receivables to banks and other financial institutions	-	-	21,074,056	21,074,056
Loans and receivables to customers	4,492	-	188,551,021	188,555,513
Other assets	-	-	1,048,765	1,048,765
Total financial assets	**140,965**	**14,962,334**	**277,321,473**	**292,424,772**
Financial liabilities				
Liabilities from derivatives	79,010	-	-	79,010
Deposits and other liabilities due to banks, other financial institutions and central bank	-	-	64,771,276	64,771,276
Deposits and other liabilities due to customers	-	-	188,402,116	188,402,116
Subordinated loans	-	-	7,802,887	7,802,887
Total financial liabilities	**79,010**	**-**	**260,976,279**	**261,055,289**

All amounts are expressed in 000 RSD unless stated otherwise

5. Fair value of financial assets and liabilities (continued)

In RSD thousand	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortised cost	**Total 31.12.2021**
Financial assets				
Cash and assets held with the central bank	-	-	58,385,373	58,385,373
Receivables from derivatives	83,006	-	-	83,006
Securities	49,980	17,266,608	-	17,316,588
Loans and receivables to banks and other financial institutions	-	-	24,317,021	24,317,021
Loans and receivables to customers	3,899	-	178,110,978	178,114,877
Other assets	-	-	821,805	821,805
Total financial assets	**136,885**	**17,266,608**	**261,635,177**	**279,038,670**
Financial liabilities				
Liabilities from derivatives	87,705	-	-	87,705
Deposits and other liabilities due to banks, other financial institutions and central bank	-	-	45,870,347	45,870,347
Deposits and other liabilities due to customers	-	-	178,408,904	178,408,904
Subordinated loans	-	-	7,820,158	7,820,158
Total financial liabilities	**87,705**	**-**	**232,099,409**	**232,187,114**

All amounts are expressed in 000 RSD unless stated otherwise

6. Interest income and expense

	2022	2021
INTEREST INCOME		
Interest income from dinar assets measured at amortised cost		
Loans	10,652,939	6,653,581
Deposits in banks	227,526	20,239
Other placements	127,103	13,500
Interest income from dinar assets measured at FVTOCI		
Securities	331,624	185,779
Interest income from foreign currency assets measured at amortised cost		
Loans	150,955	119,216
Deposits in banks	201,014	90,829
Securities	32,012	2,355
Other placements	9,796	8,713
Total interest income	**11,732,969**	**7,094,212**
INTEREST EXPENSE		
Interest expense from dinar liabilities measured at amortised cost		
Borrowings	(179,662)	(16,334)
Deposits	(1,814,432)	(446,746)
Other liabilities	(33,655)	(23,565)
Interest expense from foreign currency liabilities measured at amortised cost		
Borrowings	(463,071)	(246,623)
Deposits	(616,156)	(253,250)
Interest expense from foreign currency liabilities measured at FVTPL		
Other liabilities (lease liabilities)	(48,324)	(44,906)
Total interest expense	**(3,155,300)**	**(1,031,424)**
NET INTEREST INCOME	**8,577,669**	**6,062,788**

Total interest income on impaired loans in 2022 amounted RSD 66 million (2021: RSD 88 million).

All amounts are expressed in 000 RSD unless stated otherwise

7. Fee and commission income and expense

	2022	2021
Fees and commissions income		
Fees for banking services	2,962,955	2,308,515
Commissions from issued guarantees and other sureties	222,146	98,203
Other fees and commissions	571,828	308,176
Total	**3,756,929**	**2,714,894**
Fees and commissions expense		
Fees for domestic payment transactions	(126,470)	(65,331)
Fees for payment transactions abroad	(166,461)	(115,961)
Other fees and commissions	(980,136)	(658,260)
Total	**(1,273,067)**	**(839,552)**
Net fees and commissions income	**2,483,862**	**1,875,342**

8. Net losses arising from impairment of financial assets which are not measured at fair value

	2022	2021
Income from reversal of provisions and impairment losses		
Loans and receivables to customers	5,641,049	5,714,704
Cash and assets held with central bank	361	140
Securities	-	27
Other assets	81,697	47,911
Financial assets measured at FVTOCI	4	15
Off balance sheet items	168,879	146,176
Loans and receivables to banks	5,968	3,116
Collected written off loans and receivables	760,739	557,668
Subtotal	**6,658,697**	**6,469,757**
Expenses for provisions and impairment charge		
Loans and receivables to customers	(7,459,078)	(7,056,431)
Cash and assets held with central bank	(1,766)	(571)
Other assets	(65,650)	(42,762)
Financial assets measured at FVTOCI	(23,354)	(12,211)
Off balance sheet items	(187,662)	(158,202)
Loans and receivables to banks	(4,878)	(4,427)
Collected written off loans and receivables	(47,034)	(27,440)
Securities and equity investments	-	(11)
Subtotal	**(7,789,422)**	**(7,302,055)**
Net provisions and impairment	**(1,130,725)**	**(832,298)**

All amounts are expressed in 000 RSD unless stated otherwise

9. Salaries, benefits and other personnel expenses

	2022	2021
Salaries	(1,985,716)	(1,531,940)
Taxes on salaries and benefits	(240,470)	(185,594)
Contributions on salaries and benefits	(518,921)	(397,774)
Other personnel expenses	(126,719)	(31,672)
Expenses related to retirement benefits	(9,060)	(14,823)
Total	**(2,880,886)**	**(2,161,803)**

10. Depreciation and amortization

	2022	2021
Intangible assets (Note 18)	(1,306,535)	(390,536)
RoU assets – IFRS 16 (Note 19)	(440,439)	(280,958)
Property, plant and equipment (Note 19)	(303,581)	(203,501)
Total	**(2,050,555)**	**(874,995)**

11. Other income and expenses

a) *Other income*

	2022	2021
Income from reversal of provisions	44,857	3,692
Gains on sale of property, plant, equipment and intangible assets	84,761	82
Income from collection of claims and litigation	173,294	97,489
Effect of merger – Gain on bargain purchase	-	70,638
Other income	131,617	24,062
Total	**434,529**	**195,963**

All amounts are expressed in 000 RSD unless stated otherwise

11. Other income and expenses (continued)

b) *Other expenses*

	2022	2021
Administrative expenses	(1,739,263)	(1,308,230)
Non-material expenses	(1,807,231)	(1,308,238)
Contributions for salaries on behalf of employer	(421,315)	(332,812)
Materials	(209,896)	(154,696)
Taxes	(81,496)	(57,066)
Disposals and write-offs of intangible assets and PPE	(67,492)	(1,271)
Legal expenses and taxes	(109,428)	(71,221)
Other expenses	(370,588)	(241,200)
Provisions for legal cases (Note 28)	(300,910)	(410,219)
Impairment of fixed, intangible and anvestments assets	(2,333)	(16,327)
Total	**(5,109,952)**	**(3,901,280)**

Detailed breakdown of administrative expenses is presented in the table below:

	2022	2021
Transportation services	(56,009)	(38,943)
Communication services	(118,176)	(145,126)
Telephone	(42,744)	(29,390)
Software maintenance	(808,177)	(609,888)
Hardware maintenance	(117,547)	(52,273)
Maintenance of fixed assets	(61,420)	(32,877)
ATM maintenance	(42,489)	(23,716)
Marketing and advertising	(238,285)	(210,693)
Donations	(13,254)	(11,745)
Rent	(114,776)	(65,013)
Other services	(126,386)	(88,566)
Total	**(1,739,263)**	**(1,308,230)**

Breakdown of non-material expenses:	**2022**	**2021**
Deposit insurance expenses	(567,586)	(405,220)
Expenses for legal services	(276,166)	(214,096)
Consultancy services	(273,746)	(194,458)
Employee transportation expenses	(53,175)	(36,924)
Cleaning services	(66,381)	(51,705)
Safeguarding expenses	(74,283)	(49,858)
Expenses for printing statements for cards	(29,249)	(48,676)
Services of youth organization	(23,136)	(12,821)
Collection services	(46,327)	(38,887)
Information system services	(43,506)	(25,665)
Intellectual services	(17,577)	(17,817)
Other non-material expense	(336,099)	(212,111)
Total	**(1,807,231)**	**(1,308,238)**

All amounts are expressed in 000 RSD unless stated otherwise

12. Income tax

Income tax:

	2022	2021
Deferred income tax expenses	(3,881)	(69,695)
Total	**(3,881)**	**(69,695)**

The tax on the Bank's profit or loss before tax differs from the theoretical amount that would arise by using prescribed tax rate:

		2022		2021
Profit before tax		**330,426**		**483,264**
Tax calculated at the rate of 15%		(49,564)		(72,490)
Reconciliation of effective interest rate				
Non-deductible expenses and other		(15,507)		(8,341)
Non-taxable income		74,382		22,306
Difference in net carrying amount of asset for tax and financial reporting purpose		(50,459)		(7,731)
Employee benefits		5,001		(19,703)
Impairment of property		(262)		(2,449)
Other (effects of IFRS 9 implementation)		15,233		5,276
Tax losses carried forward		28,308		83,132
Capital gains		(7,132)		-
Current year income tax		**-**		**-**
Tax effect of temporary differences (gains/(losses))		24,427		13,437
Release of previously recognized tax credits (Note 20)		(28,308)		(83,132)
Total income tax income/(expense)	***1.2%***	**(3,881)**	***14.4%***	**(69,695)**

As at 31 December 2022 the Bank, in accordance with tax regulations, has calculated income tax in the amount of 28,308 thousand dinars. In accordance with the Law on the Conversion of Housing Loans Indexed in Swiss Francs the Bank exercised the right to a tax credit in the total amount of RSD 210,262 thousand, out of which up to RSD 105,131 thousand can be used per one tax period (year), while Direktna Banka transferred additional amount of RSD 73,020 thousand to the merged bank on the same ground. The Bank had an unused tax credit in the amount of RSD 108,796 thousand as of 31 December 2022.

All amounts are expressed in 000 RSD unless stated otherwise

12. Income tax (continued)

As at 31 December 2022, the Bank has RSD 437,268 thousand of current tax assets relating to receivables for income tax paid in advance.

13. Cash and assets held with the central bank

	31-Dec-2022	31-Dec-2021
In dinars		
Current account	15,253,370	12,983,458
Cash in hand	2,762,342	2,886,011
Revocable loans and deposits	25,999,032	11,999,827
Fee receivables from Central Bank	30	-
In foreign currency		
Cash in hand	4,663,841	3,493,151
Other	19,622	2,221
Required reserve at Central Bank	17,949,394	27,020,705
Total	**66,647,631**	**58,385,373**

For the purpose of the Statement of cash flow, cash and cash equivalents comprise the following balances with less than 90 days original maturity:

	31-Dec-2022	31-Dec-2021
Cash and assets held with the central bank		
In dinars		
Current account	15,254,086	12,983,831
Cash in hand	2,762,342	2,886,011
In foreign currency		
Cash in hand	4,663,888	3,493,157
Other cash and cash equivalents	19,622	2,222
Loans and receivables to banks and financial institutions		
Foreign currency account	1,656,831	6,983,674
Total cash flow	**24,356,769**	**26,348,895**

All amounts are expressed in 000 RSD unless stated otherwise

14. Receivables from derivatives and liabilities from derivatives

Derivative assets and liabilities:

	31 December 2022			31 December 2021		
	Contract/ notional amount	Fair values Assets	Fair values Liabilities	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for trading						
Currency swaps	9,762,104	653	542	6,044,210	46,844	51,719
Interest rate swaps	16,200,337	85,148	78,468	7,173,003	36,162	35,986
Total	**25,962,441**	**85,801**	**79,010**	**13,217,213**	**83,006**	**87,705**

15. Securities

	31 December 2022				31 December 2021			
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortized cost	Total	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets at amortized cost	Total
In dinars								
Shares	177	705	-	**882**	415	705	-	**1,120**
State bonds	-	11,663,294	-	**11,663,294**	-	14,135,586	-	**14,135,586**
In foreign currency								
Shares	49,930	-	-	**49,930**	48,882	-	-	**48,882**
State bonds	-	3,298,950	-	**3,298,950**	-	3,131,022	-	**3,131,022**
Less adjustment or impairment allowance	(50)	-	-	**(50)**	(22)	-	-	**(22)**
Total Securities	**50,057**	**14,962,951**	**-**	**15,013,006**	**49,275**	**17,267,313**	**-**	**17,316,588**
Total	**50,057**	**14,962,951**	**-**	**15,013,006**	**49,275**	**17,267,313**	**-**	**17,316,588**

All amounts are expressed in 000 RSD unless stated otherwise

16. Loans and receivables to banks and other financial institutions

	31-Dec-2022					31-Dec-2021
	Domestic banks	Foreign banks	Financial institutions	National Bank of Serbia	Total	Total
Repo in dinars	-	-	-	-	-	-
Receivables for calculated interest	121	-	-	-	121	5
Deposits in dinars						
Other deposits	148	-	-	-	148	-
Deposits in foreign currency						
Foreign banks accounts	-	1,656,831	-	-	1,656,831	6,983,857
Other deposits	-	17,115,707	4,693	1,762,424	18,882,824	16,845,484
Other special purpose deposits	-	427,801	-	-	427,801	409,849
Placements in dinars						
Loans in dinars	55,912	-	-	-	55,912	37,132
Liquidity and working capital loans	14,077	-	-	-	14,077	11,758
Investments loans	19,451	-	-	-	19,451	29,641
Other loans	-	-	1,318	-	1,318	514
Accrued interest receivables	553	-	-	-	553	354
Placements in foreign currency						
Other placements	-	-	73	-	73	372
Accrued interest receivables	15,026	3,099	-	-	18,125	2,326
Loans and placements, gross	**105,288**	**19,203,438**	**6,084**	**1,762,424**	**21,077,234**	**24,321,292**
Less: Provisions	(1,655)	(1,375)	(82)	(66)	(3,178)	(4,271)
Loans and placements, net	**103,633**	**19,202,063**	**6,002**	**1,762,358**	**21,074,056**	**24,317,021**

All amounts are expressed in 000 RSD unless stated otherwise

17. Loans and receivables to customers

	31-Dec-2022						31-Dec-2021
	Companies	Entrep-reneurs	Individuals	Foreign entities	Other clients	Total	Total
Deposits in dinars							
Other special purpose deposits	31,500	-	-	-	-	31,500	31,500
Placements in dinars							
Interest and fee receivables	81,287	16,723	285,648	16	79,181	462,855	424,141
Investment loans	48,049,551	1,442,946	-	-	2,881	49,495,378	38,234,228
Overdrafts	260,115	90,771	1,079,098	-	2,680	1,432,664	1,441,046
Working capital loans	35,140,389	1,043,911	-	-	-	36,184,300	36,477,251
Mortgage loans	-	-	18,994,835	20,473	-	19,015,308	19,361,530
Other loans	10,837,352	1,866	5,275,479	-	37,356	16,152,053	14,985,046
Cash loans	-	-	61,806,854	-	-	61,806,854	61,304,498
Consumer loans	-	-	1,840,732	-	-	1,840,732	1,914,930
Receivables from factoring	57,992	-	-	-	-	57,992	183,887
Other placements	39,368	81	(1,811)	-	41	37,679	44,657
Accrued interest receivables	369,584	14,574	1,073,372	223	10	1,457,763	1,738,525
Placements in foreign currency							
Import loans	6,842,002	-	-	-	-	6,842,002	6,927,621
Other loans	19,500	-	-	-	-	19,500	57,808
Other placements	-	-	-	-	-	-	633,294
Accrued interest receivables	11,896	-	-	-	-	11,896	9,590
Deferred income using effective interest rate	(139,174)	-	(40,922)	-	-	(180,096)	(181,180)
Loans and placements, gross	**101,601,362**	**2,610,872**	**90,313,285**	**20,712**	**122,149**	**194,668,380**	**183,588,372**
,*Less:* Provisions	(1,373,532)	(247,417)	(4,390,019)	(1)	(101,898)	(6,112,867)	(5,473,495)
Loans and placements, net	**100,227,830**	**2,363,455**	**85,923,266**	**20,711**	**20,251**	**188,555,513**	**178,114,877**

The Bank approves indexed loans to retail customers, where the interest rate ranges from 2,40% -16,80% per annum and RSD loans with interest rates between 2,00% - 34,50%. Interest rates for indexed loans to legal entities ranged between 2,40% and 6,50% per annum and for RSD loans between 4,10% and 9,50% per annum.

All amounts are expressed in 000 RSD unless stated otherwise

18. Intangible assets

	Intangible assets	In course of construction and advances	Brand	Total
As at 1 January 2021				
Cost	4,883,117	257,828	-	5,140,945
Accumulated amortization	(2,529,980)	-	-	(2,529,980)
Net book value	**2,353,137**	**257,828**	**-**	**2,610,965**
Year ended 31 December 2021				
Opening net book value	**2,353,137**	**257,828**	**-**	**2,610,965**
Additions	16,643	619,758	-	636,401
Effects of merger	211,251	55,249	112,508	379,008
Transfers	733,818	(733,818)	-	-
Amortization (Note 11)	(390,536)	-	-	(390,536)
Closing net book value	**2,924,313**	**199,017**	**112,508**	**3,235,838**
As at 31 December 2021				
Cost	5,844,830	199,017	112,508	6,156,355
Accumulated amortization	(2,920,517)	-	-	(2,920,517)
Net book value	**2,924,313**	**199,017**	**112,508**	**3,235,838**
Year ended 31 December 2022				
Opening net book value	**2,924,313**	**199,017**	**112,508**	**3,235,838**
Additions	-	1,253,349	-	1,253,349
Transfers	689,891	(689,891)	-	-
Amortization (Note 11)	(1,284,034)	-	(22,501)	(1,306,535)
Closing net book value	**2,330,170**	**762,475**	**90,007**	**3,182,652**
As at 31 December 2022				
Cost	6,534,720	762,475	112,508	7,409,703
Accumulated amortization	(4,204,550)	-	(22,501)	(4,227,051)
Net book value	**2,330,170**	**762,475**	**90,007**	**3,182,652**

Book value of intangible assets and intangible assets in construction presented in these financial statements does not materially differ from fair value.

All amounts are expressed in 000 RSD unless stated otherwise

19. Property, plant and equipment

a) *Fixed assets*

	Land and buildings	Equipment and other assets	In course of construction and advances	Total
As at 1 January 2021				
Cost	3,742,937	1,797,208	36,331	5,576,476
Accumulated depreciation and impairment	(1,025,224)	(1,151,974)	-	(2,177,198)
Net book value	**2,717,713**	**645,234**	**36,331**	**3,399,278**
Year ended 31 December 2021				
Opening net book amount	**2,717,713**	**645,234**	**36,331**	**3,399,278**
Additions	8,155	-	242,941	251,096
Effects of merger	597,097	198,270	69,125	864,492
Transfers	83,932	139,457	(223,389)	-
Disposal/Write off	-	(1,271)	-	(1,271)
Depreciation (Note 10)	(70,015)	(133,488)	-	(203,503)
Closing net book value	**3,336,882**	**848,202**	**125,008**	**4,310,092**
As at 31 December 2021				
Cost	4,428,107	2,102,302	125,008	6,655,417
Accumulated depreciation and impairment	(1,091,225)	(1,254,100)	-	(2,345,325)
Net book value	**3,336,882**	**848,202**	**125,008**	**4,310,092**
Year ended 31 December 2022				
Opening net book amount	**3,336,882**	**848,202**	**125,008**	**4,310,092**
Additions	13,574	-	391,586	405,160
Transfers	100,464	312,473	(412,937)	-
Disposal/Write off	(260,043)	(47,176)	-	(307,219)
Depreciation (Note 10)	(95,258)	(208,323)	-	(303,581)
Closing net book value	**3,095,619**	**905,176**	**103,657**	**4,104,452**
As at 31 December 2022				
Cost	4,202,105	2,242,480	103,657	6,548,242
Accumulated depreciation and impairment	(1,106,486)	(1,337,304)	-	(2,443,790)
Net book value	**3,095,619**	**905,176**	**103,657**	**4,104,452**

As at 31 december 2022 there are no pledges over the Bank's property, plant and equipment.

All amounts are expressed in 000 RSD unless stated otherwise

19. Property, plant and equipment (continued)

b) *Right of use (RoU) of assets – IFRS 16 Leases*

Information on leased assets with right of use, amounts recognized in the income statement and cash-flow statement are presented as follows:

Right of use assets - IFRS 16	Vehicles	Buildings	Other	Total
Cost				
As at 1 January 2022	**159,266**	**3,370,999**	**115,799**	**3,646,064**
Additions	4,610	252,138	-	256,748
Disposals	-	(353,906)	(17,263)	(371,169)
As at 31 December 2022	**163,876**	**3,269,231**	**98,536**	**3,531,643**
Accumulated depreciation and impairment				
As at 1 January 2022	**(85,520)**	**(706,411)**	**(48,137)**	**(840,068)**
Depreciation (Note 10)	(33,035)	(378,034)	(29,370)	(440,439)
Disposal/Write off	-	137,861	13,520	151,381
As at 31 December 2022	**(118,555)**	**(946,584)**	**(63,987)**	**(1,129,126)**
Net book value as at 31 December 2022	**45,321**	**2,322,647**	**34,549**	**2,402,517**
Net book value as at 1 January 2022	**73,746**	**2,664,588**	**67,662**	**2,805,996**

Amounts recognized in Income Statement:

Leases under IFRS 16	**31 December 2022**	**31 December 2021**
Interest expense	75,961	68,291
Short-term lease expenses (exempted from the IFRS 16 scope)	12,776	7,970
Low value lease expenses, other than short-term leases (exempted from the IFRS 16 scope)	35,991	14,817
Tax expenses	93,274	60,838
Rent indexation	1,039	162

Amount recognized in the Statement of cash flows	**31 December 2022**	**31 December 2021**
Total cash outflows for leases	497,474	330,119

All amounts are expressed in 000 RSD unless stated otherwise

20. Deferred tax assets and liabilities

Deferred tax assets and liabilities as at 31 December:

	31-Dec-2022	31-Dec-2021
Deferred tax assets	184,045	237,815
Deferred tax liabilities	(145,911)	(191,272)

Deferred tax assets	**31 December 2022**	**31 December 2021**
Opening balance of deferred tax assets as at 1 January 2022	**237,815**	**186,010**
Changes during the year:		
Increase/(decrease) of deferred tax assets related to temporary differences arising from the provisions for pensions	1,501	1,691
Increase/(decrease) of deferred tax assets related to temporary differences arising from the provisions for legal cases	(11,730)	55,545
Deferred tax assets on tax credits (Note 12)	(28,308)	(83,132)
Other	(9,957)	(5,226)
Effect of merger	-	88,203
Deferred tax income/(expense) for the year	**(48,494)**	**57,081**
(Decrease) of deferred tax assets on revaluation reserves	**(5,276)**	**(5,276)**
Deferred tax assets as at 31 December 2022	**184,045**	**237,815**

Deferred tax liabilities	**31-Dec-2022**	**31-Dec-2021**
Opening balance of deferred tax liabilities as at 1 January 2022	**(191,272)**	**(173,301)**
Changes during the year:		
(Increase)/decrease of deferred tax liabilities related to temporary differences arising from depreciation costs treatment	44,614	(38,573)
Deferred tax income/(expense) for the year	**44,614**	**(38,573)**
Decrease of deferred tax liabilities on actuarial losses	747	(1,077)
(Increase) of deferred tax liabilities arising from revaluation reserves for securities	-	21,679
Deferred tax liabilities as at 31 December 2022	**(145,911)**	**(191,272)**

All amounts are expressed in 000 RSD unless stated otherwise

21. Other assets

	31-Dec-2022	31-Dec-2021
Prepayments and accrued income in dinars		
Accrued interest	9	10
Prepayments	404,203	386,356
Other prepayments and accrued income	1,786	3,204
Prepayments and accrued income in foreign currency		
Accrued interest	108	108
Other prepayments and accrued income	1,235	2,475
Total	**407,341**	**392,153**
Other receivables in dinars		
Employees	211	29
Advances for current assets	50,092	44,367
Advances for property, plant and equipment	20,232	-
For prepaid taxes and contributions	1,374	261
Suspense and temporary accounts	257,818	21,043
Other fee receivables	79,400	62,332
Other receivables	47,176	59,727
Other receivables in foreign currency		
Advances for current assets	1,098	1,101
Suspense and temporary accounts	-	12,916
Other fee receivables	2,428	101
Other receivables	104,893	116,277
Total	**564,722**	**318,154**
Inventory		
Assets received in collection of claims	227,221	256,062
Material	4,042	26,610
Total	**231,263**	**282,672**
Other assets, gross	**1,203,326**	**992,979**
Less: Impairment	(154,561)	(171,174)
Other assets, net	**1,048,765**	**821,805**

22. Liabilities from derivatives

	31-Dec-2022	31-Dec-2021
Liabilities in dinars		
Increase in fair value of derivatives	542	51,719
Liabilities in foreign currency		
Increase in fair value of derivatives	78,468	35,986
Total (Note 14)	**79,010**	**87,705**

All amounts are expressed in 000 RSD unless stated otherwise

23. Reconciliation of movements of liabilities to cash flows arising from financing activities

The table below sets out an analysis of our debt and the movements in Bank's debt for each of the periods presented, The debt items are those that are reported as financing in the Statement of cash flow:

	Borrowed funds
Net debt at 1 January 2021	**20,686,378**
Effects from merger	948,163
Cash inflows	39,061,250
Cash outflows	(28,350,102)
Foreign exchange adjustments	1,764
Net debt at 31 December 2021	**32,347,453**
Cash inflows	32,299,765
Cash outflows	(25,743,459)
Foreign exchange adjustments	(66,043)
Net debt at 31 December 2022	**38,837,716**

24. Deposits and other financial liabilities due to banks, other financial institutions and central bank

	31-December-2022					31-Dec-2021
	Foreign banks	Domestic banks	Financial institutions	National Bank of Serbia	Total	Total
Transaction deposits in dinars	**428,932**	**37,475**	**611,408**	**-**	**1,077,815**	**784,029**
Transaction deposits in foreign currency	**4**	**70,573**	**275,007**	**-**	**345,584**	**741,340**
Other deposits and liabilities in dinars						
Special purpose deposits	2,102	-	3,348	-	5,450	1,911
Other deposits	8,572,400	10	3,896,000	-	12,468,410	2,950,963
Interest, fees and commissions liabilities in dinars	-	145	1,301	-	1,446	5,839
Other financial liabilities	-	-	-	-	-	16
Other liabilities in dinars	18,067	-	46,625	-	64,692	12,822
Borrowings	-	-	5,240,000	-	5,240,000	2,870,000
Other deposits and liabilities in foreign currency						
Special purpose deposits	214	-	24,606	-	24,820	28,643
Other deposits	19,944,802	251,657	-	-	20,196,459	17,661,678
Borrowings	12,436,174	-	12,714,631	-	25,150,805	20,804,982
Interest and fees accruals	162,911	120	72,602	-	235,633	62,969
Interest, fees and commissions liabilities	2,184	-	-	-	2,184	21
Deferred cost using effective interest rate	(42,022)	-	-	-	(42,022)	(54,866)
Total	**41,525,768**	**359,980**	**22,885,528**	**-**	**64,771,276**	**45,870,347**

All amounts are expressed in 000 RSD unless stated otherwise

24. Deposits and other financial liabilities due to banks, other financial institutions and central bank (continued)

The structure of the Bank's borrowings towards financial institutions as at 31 December 2022 is presented in the below table:

	Currency	Balance as at 31 December 2022	Balance as at 31 December 2021
European Bank for Reconstruction - short-term	EUR	11,709,010	11,678,372
European Bank for Reconstruction - long-term	EUR	1,005,621	3,247,505
European Bank for Reconstruction - long-term	RSD	2,900,000	1,700,000
Eurobank S,A, – short-term	EUR	5,866,120	5,879,105
EFSE – long-term	RSD	2,340,000	1,170,000
Banca Popolare – short-term	EUR	6,570,054	-
Total		**30,390,805**	**23,674,982**

All amounts are expressed in 000 RSD unless stated otherwise

25. Deposits and other financial liabilities due to customers

	31-December-2022							31-Dec-2021
	Public sector	Companies	Entrep-reneurs	Private individuals	Foreign entities	Other clients	Total	Total
Transaction deposits in dinars	**1,095**	**11,885,207**	**2,703,346**	**11,495,301**	**447,459**	**3,508,445**	**30,040,853**	**35,118,573**
Transaction deposits in foreign currency	**31,548**	**8,022,752**	**475,404**	**37,842,245**	**2,717,908**	**550,709**	**49,640,566**	**57,293,876**
Other deposits and liabilities in dinars								
Savings deposits	-	-	-	6,527,625	3,817	-	6,531,442	6,574,877
Special purpose deposits	-	1,080,957	32	31,135	1,834	-	1,113,958	593,783
Deposits pledged as collateral	-	193,262	6,234	20,241	-	-	219,737	461,449
Other deposits *	45,000	21,822,035	444,169	318	-	-	22,311,522	8,121,757
Overnight	-	-	-	-	-	13,382,281	13,382,281	9,960,937
Other financial liabilities	-	214	-	86,421	-	1,077	87,712	77,625
Interest, provisions and fees payable	-	5,116	76	40	1	-	5,233	3,740
Interest accruals	90	113,909	3,830	75,379	58	87,843	281,109	107,771
Other deposits and liabilities in foreign currency								
Savings deposits	-	-	-	50,814,290	1,238,173	-	52,052,463	44,086,105
Special purpose deposits	-	1,658,830	8,465	89,466	417,123	149,976	2,323,860	6,606,991
Deposits pledged as collateral	-	1,789,032	32,498	779,232	121,625	-	2,722,387	3,907,367
Other deposits	4,406	5,259,479	5,866	27,729	442,858	588,812	6,329,150	4,304,717
Borrowings	644,972	-	-	-	-	-	644,972	853,260
Other financial liabilities	-	158,692	-	15,379	-	233,449	407,520	141,919
Interest, provisions and fees payable in foreign currency	-	203	-	231	-	-	434	342
Interest accruals	1,612	44,535	-	246,110	13,113	1,547	306,917	193,815
Total	**728,723**	**52,034,223**	**3,679,920**	**108,051,142**	**5,403,969**	**18,504,139**	**188,402,116****	**178,408,904**

**Other deposits relate mostly to deposits of state companies in liquidation.*

Interest rates calculated on sight corporate deposits in local currency during 2022 ranged between 0,40% and 1,25% per annum, while for foreign currency ranged between 0,10% and 0,80% per annum. Term corporate deposits in local currency carry interest rate from 2,40% to 7,30% per annum and corporate foreign currency term deposits carry interest rate from 0,50% to 3,50% per annum. The interest rate on the current and sight deposits of citizens range up to 0,50% per annum for EUR and up to 2,45% for RSD. Interest rate on foreign currency term deposits varied from 0,10% to 1,30% in EUR while interest rate on RSD term deposits of citizens ranged from 0,70% to 2,75% per annum.

Borrowings from the public sector in the amount of RSD 644,972 thousand as at 31 december 2022 (RSD 853,260 thousand as at 31 December 2021) are related to long-term loans from European investment bank (EIB) where the Bank acts as intermediary bank, while the Republic of Serbia is the ultimate debtor.

All amounts are expressed in 000 RSD unless stated otherwise

26. Subordinated liabilities

	Currency	Maturity	Balance as at 31 December 2022	Balance as at 31 December 2021
Eurobank S,A,	EUR	30,06,2029	7,039,344	7,054,926
Eurobank S,A,	EUR	03,09,2027	586,612	587,911
Eurobank S,A,	EUR	27,12,2027	175,984	176,373
Accrued interest			947	948
Total			**7,802,887**	**7,820,158**

27. Provisions

	31-Dec-2022	31-Dec-2021
Provisions for off-balance sheet exposures	193,364	174,691
Provisions for legal cases (Note 30a)	428,791	506,990
Provisions for retirement	72,868	62,863
Other provisions in accordance with IAS 19 requirements	33,416	33,416
Other provisions	22,111	22,111
Total	**750,550**	**800,071**

Movements in total provisions:

	Bonuses and other	Retireme nt	Legal cases	Off balance sheet	Other	Total
Opening balance 01 January 2021	**38,752**	**51,593**	**136,687**	**118,714**	**-**	**345,746**
Provisions paid during the year	(19,890)	(3,215)	(267,673)	-	-	(290,778)
New provisions	8,695	6,128	410,219	96,777	-	521,819
Effects of merger	5,859	15,537	231,449	43,954	22,111	318,910
Release of provisions	-	(7,180)	(3,692)	(84,752)	-	(95,624)
Net exchange loss	-	-	-	(2)	-	(2)
Closing balance 31 December 2021	**33,416**	**62,863**	**506,990**	**174,691**	**22,111**	**800,071**
Provisions paid during the year	-	(4,036)	(334,252)	-	-	(338,288)
New provisions	-	9,060	300,910	187,663	-	497,633
Release of provisions	-	4,981	(44,857)	(168,879)	-	(208,755)
Net exchange loss	-	-	-	(111)	-	(111)
Closing balance 31 December 2022	**33,416**	**72,868**	**428,791**	**193,364**	**22,111**	**750,550**

All amounts are expressed in 000 RSD unless stated otherwise

28, Provisions (continued)

The movement of the liability for standard legal staff retirement indemnity obligations is as follows:

	31-Dec-2022	31-Dec-2021
Retirement benefit obligation at 01 January	**62,863**	**51,593**
Benefits paid and expense included in staff costs	5,024	2,913
Remeasurement recognised in OCI	4,981	(7,180)
Effects from merger	-	15,537
Retirement benefit obligation at 31 December	**72,868**	**62,863**

Principal actuarial assumptions used for retirement indemnities (expressed as weighted averages):

	31-Dec-2022	31-Dec-2021
Discount rate	7.60%	4.50%
National average salary increases	3.00%-5.00%	2.00%-3.00%
Inflation rate	4.00%	3.00%

All amounts are expressed in 000 RSD unless stated otherwise

28. Other liabilities

	31-Dec-2022	31-Dec-2021
Liabilities for salaries and benefits		
Net salaries	259	-
Tax on salaries and benefits	29	-
Contributions on salaries and benefits	-	-
Temporary and occasional assignments	6,192	6,804
Other liabilities towards employees	214	123
Subtotal	**6,694**	**6,927**
Other liabilities in dinars		
Operations managed on behalf of third parties	176	231
Advances received	21,622	60,285
Suppliers	615,878	370,107
Temporary and suspense accounts	42,434	11,289
Liabilities from profit	-	-
Other liabilities	278,949	15,860,065*
Lease liabilities	1,227,714	1,494,125
Liabilities for interest and fees	9,183	7,583
Other obligations in foreign currency		
Advances received	17,921	8,723
Lease liabilities	1,135,262	1,242,211
Suppliers	25,847	34,730
Temporary and suspense accounts	184	2,620
Other liabilities	50,883	24,521
Subtotal	**3,426,053**	**19,116,490**
Value added tax	18,024	65,425
Other taxes and contributions	11,703	11,552
Subtotal	**29,727**	**76,977**
Accruals and deferred income in dinars		
Other accrued expenses	189,832	185,640
Deferred income from fees	44,683	41,932
Deferred interest income	55	12,418
Other accruals and deferred income (revaluation of FX derivatives)	56,152	69,365
Accruals and deferred income in foreign currency		
Other accrued expenses	27,810	48,306
Other accruals and deferred income	2,948	537
Subtotal	**321,480**	**358,198**
Total	**3,783,954**	**19,558,592**

**Liabilities towards shareholders mainly related to share capital decrease in the amount of RSD 15,362 million as of 31 Dcember 2021. During the year ended as at 31 December 2022 liability towards shareholders was paid.*

Long term lease liabilities in line with the IFRS 16 requirements as of 31 December 2022 and 31 December 2021 are presented in the below table:

Maturity analysis - Contractual undiscounted cash flows	**31-Dec-2022**	**31-Dec-2021**
Less than 1 year	15,717	29,976
Between 1 and 5 years	502,452	709,397
More than 5 years	2,545,504	2,745,425
Total	**3,063,673**	**3,484,798**

All amounts are expressed in 000 RSD unless stated otherwise

29. Equity

Equity of the Bank comprises share capital, share premium, statutory and other reserves, revaluation reserves and accumulated gains and losses:

	30-Dec-2022	31-Dec-2021
Share capital and share premium		
Share capital ordinary shares	11,981,500	11,981,500
Share premium	6,052,085	6,052,085
Subtotal	**18,033,585**	**18,033,585**
Statutory and other reserves	19,091,775	19,091,775
Subtotal	**19,091,775**	**19,091,775**
Revaluation reserves		
Revaluation reserves gains/(losses)	(543,153)	12,383
Actuarial loss on defined retirement benefits	2,455	6,690
Subtotal	**(540,698)**	**19,073**
Accumulated profit	423,479	15,186
Current year profit	326,545	413,569
Subtotal	**750,024**	**428,755**
Total shareholder's equity	**37,334,686**	**37,573,188**
Number of issued shares	**119,815**	**119,815**

Nominal value of the shares amounts to RSD 100,000 per share,

Statutory and other reserves in the total amount of RSD 19,091,775 thousand include:

a) Reserves from profit in the amount of RSD 533,941 thousand representing reserves which were formed before the Bank entered in the merger process with National Savings Bank, out which RSD 230,392 thousand were reserves of the National Savings Bank and RSD 303,549 thousand reserves of the Eurobank a.d..

b) Reserves from profit in the amount of RSD 9,024,394 thousand are reserves that were formed as a special reserve from profit for estimated losses in accordance with past regulations. Reserves in the amount of RSD 6,635,693 thousand referring to the missing amount of reserves for estimated losses on balance sheet assets, and reserves in the amount of RSD 2,388,702 thousand referring to missing reserves for estimated losses on off-balance sheet items. Calculation of this reserve was established in the period from 2005 to 2013.

c) The revaluation reserves in the amount of RSD 2,727 thousand were reclassified at the beginning of the year 2018 from the position of the equity to other reserves from profit. These reserves were formed in the earlier period as an item intended to improve the housing conditions, when it was in compliance with the binding regulations for joint stock companies.

d) Other reserves were created as impact of booking of fair value of Direktna Banka in the amount of RSD 9,530,713 thousand.

All amounts are expressed in 000 RSD unless stated otherwise

29, Equity (continued)

The shareholders structure of the Bank as at 31 December 2022 and 31 December 2021 is presented in the table below:

Shareholder	Ordinary shares	%	Preference shares	%	Total shares	%
Eurobank S,A,	56,187	46.89%	-	-	56,187	46.89%
ERB New Europe Holding	27,674	23.10%	-	-	27,674	23.10%
Jovanovic Andrej	17,972	15.00%	-	-	17,972	15.00%
Milovanovic Bojan	17,972	15.00%			17,972	15.00%
Berberis Investments Limited	10	0.01%	-	-	10	0.01%
Others	-	-	-	-	-	-
Total	**119,815**	**100,00%**	**-**	**-**	**119,815**	**100,00%**

Share issues and the changes in the Eurobank's share capital structure

During the year 2022 the Bank did not perform any capital increase or decrease.

Share premium

Share premium represents amounts issued over par. As at 31 December 2021 the Bank's share premium was RSD 6,052,085 thousand (31 December 2021: RSD 6,052,085).

30. Contingent liabilities and commitments

a) Litigations

As at 31 December 2022, the Bank has provisions for legal cases in the amount of RSD 428,791 thousand (31 December 2021: RSD 506,990 thousand). Provisions in the amount of RSD 158,794 thousand relate to litigations for the unilateral increase in interest rates that was performed in the past (31 December 2021: RSD 185,317 thousand), while provisions in the amount of RSD 231,411 thousand (31 December 2021: RSD 262,583 thousand) were booked for fee related litigations.

Management continues to monitor the issue and will decide on the need for a provision to be booked in accordance with IAS 37. At the moment, the management does not consider that possible negative meterially significant implications for the Bank are probable.

All amounts are expressed in 000 RSD unless stated otherwise

30. Contingent liabilities and commitments (continued)

b) Off-balance positions

The Bank's off-balance positions as at 31 December 2022 and as at 31 December 2021 are presented in the table below:

In RSD thousand	**31-Dec-2022**	**31-Dec-2021**
Off-balance sheet items exposed to credit risk		
Performance guarantees	10,413,293	10,476,817
Payable guarantees	13,680,352	10,279,529
Irrevocable liabilities for undrawn loans and placements	37,792,351	31,979,500
Total off-balance items exposed to credit risk	**61,885,996**	**52,735,846**

31. Compliance with regulatory requirements

The Bank is obliged to comply with ratios defined by the Law on Banks, As at 31 December 2022, the Bank's ratios were in compliance with the prescribed levels:

Business indicators	**Regulatory limit**	**31-Dec-2022***	**31-Dec-2021***
Capital adequacy	min 8%	18.72%	20.23%
Tier I CAD ratio	min 6%	14.91%	16.09%
CET 1 ratio	min 4,5%	14.91%	16.09%
Long term investments indicator	max 60%	17.92%	19.25%
Largest individual exposure of the Bank	max 25%	17.29%	17.24%
Large exposures indicator	max 400%	82.53%	77.96%
Liquidity indicator:			
- first month of reporting period	min 1	1.70	2.15
- second month of reporting period	min 1	1.81	1.87
- last month of reporting period	min 1	2.06	1.71
Narrow liquidity indicator:			
- first month of reporting period	min 0,7	1.19	1.53
- second month of reporting period	min 0,7	1.19	1.23
- last month of reporting period	min 0,7	1.41	1.23
Currency risk	max 20%	3.07%	0.68%
Liquidity coverage ratio	min 100%	259.00%	148.30%
Concentration risk indicator	max 50%	3.40%	4.83%

* *Unaudited*

All amounts are expressed in 000 RSD unless stated otherwise

32. Related parties' transactions

Eurobank a,d, Beograd is a subsidiary of Eurobank Ergasias ('Eurobank') which is listed on the Athens Stock Exchange, Transactions with related parties for the year ended on 31 December 2022 are presented in the table below:

	Eurobank Ergasias	IMO Property Investments	ERB Leasing	RECO Real Property	ERB New Europe Funding BV	ERB New Europe Holding B.V.	Eurobank private bank Luxemburg S.A	NEU Property Holdings Ltd 254249	Berberis Investments Limited 30246	SERVUS DOO BEOGRAD VRACAR m.br 21547743 DPOERB	AD IMLEK m.br 07042701 DPOERB	DEKA INZENJERING DOO m.br 20728256 DPOERB	DAVID PAJIĆ DAKA DOO	POLJOPRIVREDNO DOBRO MAGLIĆ	OMNIA SYSTEMS DOO BEOGRAD	BAKA INZENJERING DOO m.br. 20729767 DPOERB	IKARUS-FABRIKA ALATA I OTPRESAKA BEOGRAD	Dom zdravlja Dr. Ristiæ 17645676	MIM Team Food DOO	OPŠTA BOLNICA "MEDIGROUP" BEOGRAD	Apotekarska ustanova Dr. Ristic	DZ MEDIGROUP JEDRO	PRINCESS PARK doo	AVI CARGO DOO BEOGRAD	Jevremova Specijalna bolnica za ginekologiju
Assets																									
Foreign currency account	44.575	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fee receivables	3.099	-	-	-	-	-	-	-	-	-	368	80	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to clients	17.160.287	-	-	-	-	-	-	-	-	-	1.338.228	21.988	781	37	-	-	-	-	-	-	-	-	-	-	-
Investment in shares	-	-	58.500	-	-	-	-	-	-	-	-	-	381.315	8.656	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	65.971	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	1.385	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.804	-	-	-	-	-	-	-	-
Total assets	**17.275.317**	**-**	**58.500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.338.596**	**22.068**	**382.096**	**8.693**	**-**	**-**	**1.804**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities																									
Due to customers	28.972.706	450.814	40.024	93.799	40	44.699	627	20.143	366.992	3.501	529.410	659.735	56.844	8	12.579	113	111	63	4.764	2	362	23	90	48	3
Interest and fee payables			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Suppliers	1.672		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities based on leasing		3.979	-	794.428	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative liabilities	37.181	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Received loans	5.866.120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	7.801.940	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other												566	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	**42.679.619**	**454.793**	**40.024**	**888.227**	**40**	**44.699**	**627**	**20.143**	**366.992**	**3.501**	**529.410**	**660.301**	**56.844**	**8**	**12.579**	**113**	**111**	**63**	**4.764**	**2**	**362**	**23**	**90**	**48**	**3**
Income			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	3.776	401	-	-	-	-	-	-	-	-	-	-	-
Interest income on derivatives	196.668	-	-	-	-	-	-	-	-	-	-	-	-	-		-		-	-	-	-	-	-	-	-
Fee and commission income	-	-		134	-	-	-	-	-	-	12.763	4.033	4.089	11	18	-	14	64	602	23	28	10	56	4	8
Services	-	-	38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income	**196.668**	**-**	**38**	**134**	**-**	**-**	**-**	**-**	**-**	**-**	**12.763**	**4.033**	**7.865**	**412**	**18**	**-**	**14**	**64**	**602**	**23**	**28**	**10**	**56**	**4**	**8**
Expenses																									
Interest expense	-	-	-	31.293	-	-	-	-	-	-	18.957	4.629	-	-	201	-	6	-	-	-	-	-	-	-	-
Interest expense from derivatives	810.916	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fee and commission expense	238.624	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	5.734	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	31.193	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	**1.055.274**	**-**	**-**	**62.486**	**-**	**-**	**-**	**-**	**-**	**-**	**18.957**	**4.629**	**-**	**-**	**201**	**-**	**6**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off balance sheet	**10.692.661**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**586.612**	**117.502**	**179.339**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Guarantees	-	-	-	-	-	-	-	-	-	-	-	1.235	102.276	-	-	-	-	-	-	-	-	-	-	-	-
Derivatives	10.522.370	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	170.291	-	-	-	-	-	-	-	-	-	586.612	116.267	77.063	-	-	-	-	-	-	-	-	-	-	-	-

All amounts are expressed in 000 RSD unless stated otherwise

32. Related parties' transactions (continued)

Transactions with related parties for the year ended on 31 December 2021 are presented in the table below:

	Eurobank Ergasias	IMO Property Investments	ERB Leasing	RECO Real Property	ERB IT Shared Services	ERB New Europe Funding BV	ERB New Europe Holding B.V.	Eurobank private bank Luxemburg S.A	Eurobank Bulgaria A.D	NEU Property Holdings Ltd 254249	Berberis Investments Limited 30246	SERVUS DOO BEOGRAD VRACAR m.br 21547743 DPOERB	AD IMLEK m.br 07042701 DPOERB	DEKA INZENJERING DOO m.br 20728256 DPOERB	BAKA INZENJERING DOO m.br. 20729767 DPOERB	HANYANG DOO BEOGRAD m.br. 21549266 DPOERB	Dom zdravlja Dr. Ristiæ 17645676
Assets																	
Foreign currency account	36.113	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fee receivables	326	16	-	-	-	-	-	-	-	-	-	-	-	-	68	-	-
Loans to clients	13.361.700	-	-	-	-	-	-	-	-	-	-	11.170	1.979.659	-	21.090	12.805	-
Investment in shares	-	-	58.500	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	13.398.139	16	58.505	-	-	-	-	-	-	-	-	11.170	1.979.659	-	21.158	12.805	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due to customers	11.805.854	1.249.803	71.057	221.064	-	40	5.113.195	655	5.879.105	20.554	144.933	63	2.150.343	1.158.124	58.726	326	18.739
Interest and fee payables	948	-	-	-	-	-	-	-	-	-	-	-	305	-	-	-	-
Suppliers	1.896	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Liabilities based on leasing	-	5.869	-	810.234	-	-	-	-	-	-	-	-	-	-	-	-	-
Derivative liabilities	37.181	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Received loans	5.879.105	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	7.819.210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	25.544.194	1.255.672	71.057	1.031.298	-	40	5.113.195	655	5.879.105	20.554	144.933	63	2.150.648	1.158.124	58.726	326	18.739
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income	89.817	2.374	-	-	-	-	-	-	-	-	-	-	-	13.596	1.403	32	-
Interest income on derivatives	16.507	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MtM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fee and commission income	-	-	27	85	-	4.702	-	-	-	-	-	-	22.124	1.447	2.853	39	44
Services	-	253	184	183	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total income	106.324	2.627	211	268	-	4.702	-	-	-	-	-	-	22.124	15.043	4.256	71	44
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	118.827	1.586	103	31.825	-	-	-	-	29.611	-	-	-	5.323	1.829	-	-	11
Interest expense from derivatives	48.003	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fee and commission expense	4.716	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	54.384	1.857	-	30.565	59.100	-	-	-	-	-	-	-	-	-	-	-	-
Other	40.346	-	-	116	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	266.277	3.443	103	62.507	59.100	-	-	-	29.611	-	-	-	5.323	1.829	-	-	11
Off balance sheet	10.522.370	-	-	-	-	-	-	-	-	-	-	-	587.911	138.939	235.274	-	-
Guarantees	-	-	-	-	-	-	-	-	-	-	-	-	587.911	138.759	235.274	-	-
Derivatives	10.522.370	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	180	-	-	-

All amounts are expressed in 000 RSD unless stated otherwise

32. Related parties' transactions (continued)

As at 31 December 2022, loans to employees amounted to RSD 2,133,042 thousand (31 December 2021: RSD 2,461,091 thousand). All loans are given under terms defined in the Bank's lending policy and interest rates were in range from 2,67% to 6,25% for mortgage loans in EUR, while for consumer loans interest rates for RSD loans were in range from 4,3% to 33,5%.

Loans approved to key mamagemet amounted to RSD 73,540 thousand as at 31 December 2022 (31 December 2021: 149,960).

Payments key management personnel

	31-Dec-2022	31-Dec-2021
Salaries and other contributions	**113,348**	**131,633**

33. Foreign Exchange rates

The official exchange rates of major currencies which were used for translation of balance sheet items as at 31 December 2022 and 2021 were as follow:

	31-Dec-2022	31-Dec-2021
USD	110.1515	103.9262
EUR	117.3224	117.5821
CHF	119.2543	113.6388

34. Board of directors

Members of the Board of directors of Eurobank as at 31 December 2022 are listed below:

Chairman	Members
Dragan Lazarevic	Michalakis Louis
	Stavros Ioannou
	Konstantinos Vousvounis
	Nikolaos Pavlidis
	Ivi Vigka
	Georgios Loizou
	Svetlana Ristic
	Ljubinka Lovcevic
	Georgios Oikonomidis
	Lambros Yiannis Demosthenous

All amounts are expressed in 000 RSD unless stated otherwise

35. Events after the reporting period

Changes in shares capital
During the year 2023 the Bank's existing shareholder Berberis Investments Limited transferred its shares to the existing shareholder Eurobank SA.. After this transaction the total number of issued shares remained unchanged. The shareholders structure of the Bank as at 31 December 2022 and 31 March 2023 and the reconciliation of the movement in number of ordinary shares is presented in the table below:

	31 December 2022		**31 March 2023**		**Movement in number of shares**	
Shareholder	Ordinary shares	%	Ordinary shares	%	Ordinary shares	%
Eurobank S,A,	56,187	46.89%	56,197	46.90%	10	0.01%
ERB New Europe Holding	27,674	23.10%	27,674	23.10%	-	-
Jovanovic Andrej	17,972	15.00%	17,972	15.00%	-	-
Milovanovic Bojan	17,972	15.00%	17,972	15.00%	-	-
Berberis Investments Limited	10	0.01%	-	0.00%	-10	-0.01%
Others	-	-	-	-		
Total	**119,815**	**100,00%**	**119,815**	**100,00%**	**-**	**0,00%**

Transaction with Aik Banka
On 2 March 2023, the Bank owners have entered into a binding agreement for a sale of Eurobank Direktna to AIK Banka Beograd. The transaction that should take effect, pending all regulatory approvals, within year 2023.

In connection with the signed agreement, it is planned that the Bank sells its share to Eurobank S.A. for the monetary compensation in an amount equal to the net book value of the Bank's share in the ERB Leasing a.d. – in liquidation.

There have been no other significant events after the reporting period, which would have significant impact on the Bank's financial statements.

Belgrade, 26 April 2023

On behalf of the Bank:

Slavica Pavlovic, President of the Executive Board

Vladimir Tofoski, Chief Financial Officer