

NATIONAL BANK OF SERBIA

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT

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## **INDEPENDENT AUDITORS' REPORT**

### **TO THE COUNCIL OF GOVERNORS OF NARODNA BANKA SRBIJE**

#### **Opinion**

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

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

#### **Basis for opinion**

We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of management and Those Charged with Governance for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Bank's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

- Identify and assess the risks of material misstatement of the 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 planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belgrade, 31 March 2023



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





**BALANCE SHEET**  
**As at December 31, 2022**  
**(in thousands of RSD)**

	<u>Note</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>ASSETS</b>			
Cash and current accounts held with banks	16, 3.4	802,350,411	675,393,606
Gold and other precious metal	17, 3.5	248,108,348	228,166,766
Deposits	18, 3.3	245,333,709	95,202,904
Receivables for derivatives	3.3	12,770	2,462
Securities	19, 3.3	1,145,772,007	980,667,570
Loans and placements	20, 3.3	32,126,330	910,044
IMF membership quota and SDR holdings	21, 3.3	97,489,469	187,854,210
Intangible assets	22, 3.7	1,108,822	703,159
Property, plant and equipment	22, 3.7	22,064,119	19,603,828
Investment property	22, 3.7	484,208	407,692
Other assets	23	6,190,770	5,997,527
<b>TOTAL ASSETS</b>		<b><u>2,601,040,963</u></b>	<b><u>2,194,909,768</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Liabilities under derivatives	3.3	12,770	602
Deposits and other liabilities to Government and financial organisations	24	1,038,485,496	798,086,390
Deposits and other liabilities to Government and other depositors	25	619,868,392	519,812,267
Liabilities to the IMF	26, 3.3	212,833,439	187,979,401
Provisions	27, 3.11	1,654,549	1,934,196
Current tax liabilities	28, 3.9	483,977	478,486
Cash in circulation	29	310,873,399	295,311,307
Other liabilities	30	14,546,238	3,031,542
<b>Total liabilities</b>		<b><u>2,198,758,260</u></b>	<b><u>1,806,634,191</u></b>
<b>Equity</b>			
State-owned capital		204,260,998	187,698,256
Reserves		158,496,702	145,039,502
Retained earnings		39,525,003	55,537,819
<b>Total equity</b>	31	<b><u>402,282,703</u></b>	<b><u>388,275,577</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>2,601,040,963</u></b>	<b><u>2,194,909,768</u></b>

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

These financial statements were approved by the Governor:

.....  
 Jorgovanka Tabakovic, PhD  
 Governor

**INCOME STATEMENT**

**For the period from January 1 to December 31, 2022**  
**(in thousands of RSD)**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Interest income		16,133,998	12,427,367
Interest expenses		(7,001,796)	(4,290,878)
<b>Net interest income</b>	4, 3.1	<b>9,132,202</b>	<b>8,136,489</b>
Fee and commission income		6,462,663	5,745,761
Fee and commission expenses		(1,735,903)	(316,789)
<b>Net fee and commission income</b>	5, 3.1	<b>4,726,760</b>	<b>5,428,972</b>
Net gains from financial instruments measured at fair value through profit and loss	6	118,861	94,150
Net losses from derecognition of financial instruments measured at fair value through other comprehensive income	7	(9,735,974)	(2,898,097)
Net exchange rate gains and gains from contractual currency clause	8, 3.2	35,597,853	47,248,692
Net (expense) of impairment/Net income from impairment of financial assets	9, 3.3, 32	(134,794)	318,817
Other operating income	10	6,907,739	6,778,894
Salaries, salary compensations and other personal expenses	11, 3.10	(5,500,595)	(5,422,342)
Depreciation costs	12, 3.7	(1,654,309)	(1,541,274)
Other income	13	5,091,863	1,872,261
Other expenses	14	(4,540,626)	(4,000,322)
<b>PROFIT BEFORE TAX</b>		<b>40,008,980</b>	<b>56,016,240</b>
Income tax	28, 3.9	(483,977)	(478,486)
<b>PROFIT AFTER TAX</b>	31	<b>39,525,003</b>	<b>55,537,754</b>

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Jorgovanka Tabakovic, PhD  
Governor

**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**In the period from January 1 to December 31, 2022**  
**(in thousands of RSD)**

	<u>2022</u>	<u>2021</u>
<b>Profit for the period</b>	<b>39,525,003</b>	<b>55,537,754</b>
<b>Components of other comprehensive income which cannot be reclassified to profit or loss:</b>		
Increase in revaluation reserves based on intangible assets and fixed assets	3,045,304	73,399
(Negative)/Positive effects of change in value of equity instruments measured at fair value through other comprehensive income	(3,219)	634,460
Actuarial gains/(losses)	242,353	(236,546)
<b>Components of other comprehensive income that may be reclassified to profit or loss:</b>		
Negative effects of change in value of debt instruments measured at fair value through other comprehensive income	(22,999,971)	(7,777,454)
<b>Other comprehensive income for the period</b>	<b>(19,715,533)</b>	<b>(7,306,141)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>19,809,470</u></b>	<b><u>48,231,613</u></b>

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 Jorgovanka Tabakovic, PhD  
 Governor

## STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

(in thousands of RSD)

	State owned capital	Special reserves	Revaluation reserves	Fair Value Reserves	Actuarial gains (losses)	Retained earnings (losses)	Total
<b>Balance as at January 1, 2021</b>	<b>187,698,256</b>	<b>137,814,357</b>	<b>13,912,428</b>	<b>8,861,871</b>	<b>(16,280)</b>	<b>(8,226,733)</b>	<b>340,043,899</b>
Coverage of loss from previous year (Note 31)	-	(8,226,733)	-	-	-	8,226,733	-
Increase in revaluation reserves based on intangible assets and fixed assets	-	-	73,464	-	-	-	73,464
Transfer from reserves to retained earnings due to reversal of reserves	-	-	(65)	-	-	65	-
Increase in fair value reserve of equity instruments measured at fair value through other comprehensive income	-	-	-	634,460	-	-	634,460
Actuarial losses	-	-	-	-	(236,546)	-	(236,546)
Decrease in fair value reserves of debt instruments measured at fair value through other comprehensive income	-	-	-	(7,777,454)	-	-	(7,777,454)
Net loss for the current year	-	-	-	-	-	55,537,754	55,537,754
<b>Balance as of December 31, 2021</b>	<b>187,698,256</b>	<b>129,587,624</b>	<b>13,985,827</b>	<b>1,718,877</b>	<b>(252,826)</b>	<b>55,537,819</b>	<b>388,275,577</b>
<b>Balance as at January 1, 2022</b>	<b>187,698,256</b>	<b>129,587,624</b>	<b>13,985,827</b>	<b>1,718,877</b>	<b>(252,826)</b>	<b>55,537,819</b>	<b>388,275,577</b>
Distribution of profit from previous year (Note 31)	16,562,742	33,172,733	-	-	-	(55,537,819)	(5,802,344)
Increase in revaluation reserves based on intangible assets and fixed assets	-	-	3,045,304	-	-	-	3,045,304
Decrease in fair value reserve of equity instruments measured at fair value through other comprehensive income	-	-	-	(3,219)	-	-	(3,219)
Actuarial losses	-	-	-	-	242,353	-	242,353
Decrease in fair value reserves of debt instruments measured at fair value through other comprehensive income	-	-	-	(22,999,971)	-	-	(22,999,971)
Net loss for the current year	-	-	-	-	-	39,525,003	39,525,003
<b>Balance as at December 31, 2022</b>	<b>204,260,998</b>	<b>162,760,357</b>	<b>17,031,131</b>	<b>(21,284,313)</b>	<b>(10,473)</b>	<b>39,525,003</b>	<b>402,282,703</b>

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

Financial statements were approved by the Governor:

.....  
Jorgovanka Tabakovic, PhD  
Governor



**CASH FLOW STATEMENT**

**In the period from January 1 to December 31, 2022**  
**(in thousands of RSD)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Interest receipts	14,921,412	13,343,366
Fee and commission receipts	6,533,328	5,922,949
Inflows from sales of products and services (Institute for Manufacturing Banknotes and Coins)	7,653,893	7,844,020
Inflows from other operating activities	5,442,395	2,467,637
Receipts from dividends and profit sharing	120,466	213,521
<i>Cash inflow from operating activities</i>	<i>34,671,494</i>	<i>29,791,493</i>
Interest payments	(7,476,838)	(3,423,862)
Fee and commission payments	(1,737,404)	(302,911)
Payments for operating expenses	(11,400,200)	(10,936,624)
<i>Cash outflow from operating activities</i>	<i>(20,614,442)</i>	<i>(14,663,397)</i>
Net inflow in deposits received	385,010,711	241,361,688
Net (outflow)/inflow in loans and placements	(181,401,444)	115,428,608
Net outflow in securities and other financial assets not intended for investment	(197,967,669)	(39,162,758)
<i>Net increase from operating activities before income tax</i>	<i>19,698,650</i>	<i>332,755,634</i>
Payment of the distributed result-transfer to the budget of the Republic of Serbia	(5,802,344)	-
Income tax paid	(478,486)	(379,091)
<b>Net cash inflow from operating activities</b>	<b>13,417,820</b>	<b>332,376,543</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Inflows from sales of intangible assets, property, plant and equipment	-	-
Outflow for sale of intangible assets, property, plant and equipment	(1,460,525)	(2,076,713)
<b>Net cash outflow from investing activities</b>	<b>(1,460,525)</b>	<b>(2,076,713)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net outflow from short-term borrowings	(23)	(451,523)
<b>Net cash outflow from financing activity</b>	<b>(23)</b>	<b>(451,523)</b>
<b>Net increase in cash and cash equivalents</b>	<b>11,957,272</b>	<b>329,848,307</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>774,808,087</b>	<b>402,124,571</b>
Foreign exchange, net	23,215,197	42,835,209
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 2f)</b>	<b><u>809,980,556</u></b>	<b><u>774,808,087</u></b>

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

These financial statements were approved by the Governor:

\_\_\_\_\_  
 Jorgovanka Tabakovic, PhD  
 Governor

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**

**1. BANK'S ESTABLISHMENT AND ACTIVITY**

The National Bank of Serbia (hereinafter: the "Bank") draws its origins to the establishment and commencement of operations of the Privileged National Bank of the Kingdom of Serbia in 1884. In 1920 the Privileged National Bank of the Kingdom of Serbs, Croats and Slovenes was established, and in 1929 the Bank changed its official name to the National Bank of the Kingdom of Yugoslavia. Since 1946 the Bank performed its functions under the name of the National Bank of Yugoslavia (hereinafter: the "NBY"), as the central monetary institution of the FNRJ (Federative National Republic of Yugoslavia), which was later renamed into the Socialist Federative Republic of Yugoslavia (hereinafter: the SFRY), and until dissolution of SFRY under the name of National Bank of the Federal Republic of Yugoslavia. In accordance with the Law on the Implementation of the Constitutional Charter of the State Union of Serbia and Montenegro that came in effect on February 4, 2003, the Bank continued to perform its function of the central bank of the Republic of Serbia (hereinafter: the "RS").

The position, organization, authority and functions of the National Bank of Serbia, as well as its relation to the authorities of the RS and international institutions, are defined by the Law on the National Bank of Serbia (Official Gazette of RS, nos. 72/2003 and 55/2004, 85/2005-other law and 44/2010, 76/2012, 106/2012, 14/2015, 40/2015 - Constitutional Court decision and 44/2018, (hereinafter: the Law) and the Constitution of the RS (Official Gazette of RS, nos. 98/2006 and 115/2021).

The Bank is independent in the performance of functions determined by the Law and other laws and is subject to the supervision of the National Assembly to which it is accountable for its work.

The primary objective of the Bank shall be to achieve and maintain price stability. In addition to its primary objective, the Bank shall also strive towards maintaining financial system stability. Without prejudice to its primary objective, the Bank shall support the pursuance of economic policy of the Government of the Republic of Serbia operating in accordance with the principles of market economy.

The Bank also performs the following functions:

- Determines and implements monetary and foreign exchange policies;
- Manages state foreign currency reserves;
- Establishes and implements activities and measures falling under its remit that relate to the maintaining and strengthening of financial stability;
- Issues banknotes and coins and manages cash flows;
- Regulates, oversees and promotes uninterrupted functioning of internal and external payment operations, in accordance with Law;
- Issues and revokes operating licenses to banks, supervises bank solvency and legal compliance of banking operations, and performs other activities in accordance with the law governing banks;
- Issues and revokes licenses, i.e. authorization for carrying out insurance operations, supervises such operations and performs other duties in line with the law governing the field of insurance;
- Issues and revoke licenses, i.e. authorization for carrying out finance lease operations, supervises such operations and performs other duties in line with the law governing finance lease operations;
- Issues and revokes licenses, i.e. authorization for carrying out the operations of a voluntary pension fund, supervises such operations and performs other duties in line with the law governing voluntary pension funds;

**1. BANK'S ESTABLISHMENT AND ACTIVITY (Continued)**

- Issues and revokes licenses , i.e. authorization for carrying out the operations of payment services and issuance of electronic money, supervises such operations and performs other duties in line with the law governing payment services;
- Issues and revokes payment institutions licenses for the provision of payment services, and electronic money institutions licenses for the issuance of electronic money, supervises the provision of payment services and the issuance of electronic money, and performs other tasks, in accordance with the law governing payment services;
- Performs activities of protection of the rights and interests of service users provided by banks, insurance companies, financial leasing providers, voluntary pension fund management companies, payment service providers and electronic money issuers, in accordance with the law;
- Determines whether the conditions for initiating the restructuring procedure in respect of banks and/or members of a banking group are met, to conduct the restructuring procedure, decides on the tools and measures to be applied and performs other activities relating to bank restructuring, in accordance with the law governing banks;
- Issues and revokes licenses to payment system operators, supervises such operations and performs other duties in line with the law governing payment services;
- Issues and revokes licenses for performing exchange transactions, supervises exchange and foreign exchange operations and performs other activities, in accordance with the law regulating foreign exchange operations;
- Performs specific statutory operations for the Republic of Serbia without compromising its own autonomy and independence;
- Performs other tasks within its scope of authority, in accordance with Law.

The governing bodies of the Bank are: Executive Board of the National Bank of Serbia (hereinafter: the Executive Board), the Governor of the National Bank of Serbia (hereinafter: the Governor) and the the Board of Governors of the National Bank of Serbia (hereinafter: the Council).

The Executive Board, comprised of the Governor and Vice-Governors, determines monetary and foreign exchange policies and establishes measures and activities for the purpose of strengthening stability of the financial system.

The Governor represents and acts as the agent of the Bank, manages the Bank's operation and is responsible for the implementation of decisions of the Executive Board and the Council, proposes regulations, general and individual acts to be enacted by the Executive Board and the Council, unless otherwise provided by the Law, enacts regulations, general and individual acts falling within the scope of authority of the National Bank of Serbia, which are not assigned by the Law to the authority of the Executive Board and the Council, regulates the internal organization of the National Bank of Serbia and the classification of jobs in the National Bank of Serbia, as well as labour relations of employees in the National Bank and performs other tasks defined by the Law and other legislation. The Governor shall be nominated by the President of the Republic and appointed by the National Assembly, for a six-year renewable term of office. The Bank has between two and four Vice-Governors, who are elected by the National Assembly, for a six-year renewable term of office at the Governor's proposal.

**1. BANK'S ESTABLISHMENT AND ACTIVITY (Continued)**

Among other matters, the Council of the Governor adopts the Statute at the recommendation of the Executive Board, enacts the financial plan of the Bank, adopts the annual financial statements of the Bank, selects an external auditor, considers and discusses the external (independent) auditor's report and monitors the implementation of the auditor's recommendations throughout the National Bank of Serbia. The Council of the Governor consists of five members including the Chairman, who are appointed by the National Assembly at the proposal of the National Assembly committee in charge of financial affairs. The Council members are elected for a five-year renewable term of office and are not employed with the Bank.

The Bank is a legal entity headquartered in Belgrade, at 12 Kralja Petra Street. The activities of the National Bank of Serbia as determined by the law and other regulations are performed through the Bank's basic organizational units, branch offices in Belgrade, Novi Sad, Nis, Kragujevac and Uzice and the Institute for Manufacturing Banknotes and Coins - Topcider (hereinafter: "ZIN").

As at December 31, 2022 the bank had 2,348 employees (2021: 2,332 employees).

**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS****a) Statement of Compliance with the International Financial Reporting Standards**

The accompanying financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS).

**b) Basis of Measurement**

Financial statements are prepared at the historical cost principle, with exception of the following items:

- Gold and other precious metals, which are stated at fair value;
- Financial assets at fair value through profit and loss;
- Financial assets at fair value through other comprehensive income;
- Land and properties, which are stated at revalued value;
- Investment properties, which are stated at fair value;
- Works of art and museum objects and numismatic collection, which are stated at fair value;
- Provisions for retirement benefits and jubilee awards, which are stated at the present value of the future liabilities for retirement benefits and jubilee awards;
- Provisions for litigation stated at estimated value of possible court outcomes;
- Foreign currency swaps, which are stated at fair value.

**c) Use of Estimates**

Preparation of financial statements in accordance with IFRS requires the Bank's management to use certain estimates in the application of the accounting policies. Areas that are subject to estimates of greater significance to the financial statements of the Bank are presented in Note 3.11.

**d) Functional and Presentation Currency**

The Bank's financial statements are presented in thousands of dinars (RSD). The Dinar is the Bank's functional currency and the official presentation currency in the Republic of Serbia.

**3. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)****e) New Standards, Interpretations and Revisions to Issued Standards**

The following standards, interpretations and amendments to the published standards have entered into force for the accounting period beginning on or after January 1, 2022:

- Amendments to IAS 37 - Onerous (Harmful) Contracts - contract performance costs, effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 - Property, Plant and Equipment: Pre-service Revenue, effective to Annual Periods Beginning on or After 1 January 2022 - Amendments to clarify the accounting treatment of net sales inflows from manufactured assets during the introduction of fixed assets in the state of use;
- Amendments to IFRS 3 - references to the conceptual framework in IFRS standards, applicable to annual periods beginning on or after 1 January 2022
- Annual Improvement Cycle of IFRS 2018-2020, including amendments to IFRS 9 Financial Instruments - impact of fee costs on the "10% test" for derecognition of financial liabilities, effective to annual periods beginning on or after 1 January 2022;

The Bank's management assessed the impact of these standards and interpretations on the Bank's financial statements. Given the nature of the Bank's operations, the stated standards, interpretations and changes to published standards, according to the assessment, do not have a significant impact on the Bank's financial statements.

Until the date of the balance sheet, the following standards, interpretations and changes to published standards were issued, but did not take effect:

- Amendments to IAS 1 - classification of liabilities as short-term and long-term, effective to annual periods beginning on or after 1 January 2023;
- IFRS 17 and amendments to IFRS 17 - "Insurance Contracts", effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1 and IFRS Practical Guideline 2 - "Disclosure of Accounting Policies", effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 8 - "Definition of Accounting Estimates", effective for annual periods beginning on or after 1 January 2023
- Amendments to IAS 12 - "Deferred Taxes related to assets and liabilities arising from a single transactions"; ", effective for annual periods beginning on or after January 1, 2023;
- Amendments to IAS 1 - "Long-term debt with covenants", effective for annual periods beginning on or after January 1, 2024;
- Amendment to IFRS 16 - "Lease Liability in Sale and Leaseback", effective for annual periods beginning on or after January 1, 2024 and
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - optional with an unlimited date of first application.

The Bank's management is currently assessing the impact of these standards and interpretations on the Bank's financial statements, as well as the date of their entry into force. These standards, interpretations and changes to published standards, according to the assessment, will not have a significant impact on the Bank's financial statements in the period after their implementation.

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**

**4. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

**f) Cash Flow Statement**

The differences between cash and cash equivalents position at the end of the period in the Cash Flow Statement and the position Cash and cash Equivalents in the Balance Sheet are as follows:

	Cash Flow Statement In period from 1 January to December 31,2022 - cash and cash equivalents at the end of period	Cash Flow Statement In period from 1 January to December 31,2021 - cash and cash equivalents at the end of period
<b><u>In thousands of RSD</u></b>		
Cash and current accounts held with banks (Note 16)	675,393,606	675,393,606
Current accounts with domestic banks and National Bank of Serbia and with foreign banks (Note 16)	541,758,264	426,760,083
<i>Total</i>	<i>801,747,160</i>	<i>675,393,606</i>
Membership quota (Reserve Tranche) (Note 21)	6,856,934	6,803,616
Funds in SRD (Note 21)	1,376,462	92,610,865
<i>Total</i>	<i>8,233,396</i>	<i>99,414,481</i>
<b>Total</b>	<b>809,980,556</b>	<b>774,808,087</b>

**g) Comparative data**

Accounting policies and estimates relating to the recognition and valuation of assets and liabilities used in the preparation of these financial statements are consistent with accounting policies and estimates made in preparing the financial statements of the Bank for 2021. In the interest of better presentation, the Bank has adjusted the structure of comparative data in certain segments as a part of disclosures made through the notes to the financial statements as at December 31, 2022.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

**5.1. Interest, Fee and Commission Income and Expenses**

When calculating interest income or expense based on a financial asset or a financial liability, the effective interest rate is applied to the gross carrying amount of the asset or the amortized cost of liabilities. The gross carrying amount of the financial asset is the amortized cost of the financial asset before adjusting for the amount of the impairment. The amortized cost of a financial asset is the value of a financial asset at initial recognition, minus the principal repayment, increased or decreased by the amount of cumulative amortization using the



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)****3.1. Interest, Fee and Commission Income and Expenses (Continued)**

effective interest method of any difference between the value of the financial asset at initial recognition and the amount at maturity and adjusted for the amount of impairment.

If the financial asset is not credit impaired, interest income is calculated using the effective interest rate on the amortized cost of a financial asset.

Interest income from financial assets that subsequently have become credit-impaired financial assets after initial recognition are calculated by applying the effective interest rate on the amortized cost of that asset.

Interest income from purchased or originated credit-impaired financial assets is calculated using the effective interest rate adjusted for credit risk on the amortized cost of that asset.

Fee and commission income from banking services are recognized as related services performed and fee and commission expenses are recognised as related services are received.

**3.2. Foreign Currency Translation**

Business transactions performed in foreign currencies whose exchange rates are officially published by the Bank, are translated into dinars by applying the official middle exchange rates effective as at the transaction date, whereas for currencies whose exchange rates are not officially published by the Bank, recalculation is performed by applying the adequate exchange rates of the Bank effective as at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into dinars by applying the official middle exchange rate prevailing at the statement of financial position date (if the currency rate is published by the Bank in the official exchange rate list) or at the appropriate rate of the Bank (for foreign currencies which are not published in the official exchange rate list).

Net foreign exchange positive or negative effects arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the income statement as Net exchange rate gains/losses and gains/losses from agreed currency clause. The structure of monetary assets and liabilities is presented in the framework of the foreign currency risk analysis in Note 32.

**3.3. Financial Instruments**

The Bank classifies its financial assets into the following categories:

- financial assets carried at amortized cost
- financial assets carried at fair value through other comprehensive income and
- financial assets carried at fair value through profit and loss.

The classification depends on the business model in which the assets are held and characteristic of cash flows related to those financial assets. Financial liabilities are classified as financial liabilities that are measured at amortized cost and financial liabilities that are carried at fair value through profit and loss.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)****3.3. Financial Instruments (Continued)**

The business model in which financial assets are held represents the way in which the Bank manages those funds in order to generate cash flows from a financial asset. The objective of the business model may be the collection of contractual and other fixed cash flows and cash flows from the sale of that asset or other, and the type of business model within which certain financial assets are held is determined on the basis of:

- policies and objectives related to certain financial assets (implementation of monetary and foreign exchange policies and other regulations and activities within the competence of the National Bank of Serbia, liquidity management, realization of manual compliance of financial assets and liabilities, realization of interest income, realization of income on the basis of change in fair value financial resources, etc.),
- the frequency, volume and point of sale of financial assets in the previous period, the reasons for these sales and expectations regarding future sales activities,
- the method of assessing the effectiveness of management and the manner of reporting in relation to financial assets,
- types of risks that affect certain financial assets and ways of managing these risks

Financial assets are classified in the category of financial assets that are carried at amortized cost if they are applied to a business model whose primary objective is the collection of contracted and other established cash flows, and if the cash flows that are incurred consist exclusively of principal payment and interest on the outstanding principal amount on a fixed date.

Financial assets are classified in the category of financial assets carried at fair value through other comprehensive income if they are applied to a business model whose basic objectives are the collection of contracted cash flows and sales and if the cash flows that are incurred consist exclusively of principal and interest payments on the outstanding amount of principal on a fixed date.

All other financial assets are measured at fair value through profit and loss.

The management determines the classification of assets and liabilities at initial recognition, and any subsequent reclassifications are made if the bank changes the business model for managing financial instruments.

*Financial assets at fair value through other comprehensive income*

Financial assets carried at fair value through other income are securities designated as securities carried at fair value through other comprehensive income if they reflection the business model of managing financial assets holding for collection and sale and if the cash flows arising consist exclusively and interest collection on outstanding amount principal on a fixed date. Financial assets carried at fair value through other income refer to government bonds, securities of the public sector, securities with high quality collateral, as well as government discounted securities and in the balance sheet are carried at fair value on balance sheet date as quoted in the financial market.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)****3.3. Financial Instruments (Continued)***Financial assets at fair value through other comprehensive income (Continued)*

In addition to these securities, for the participation in the capital of international financial institutions on December 31, 2022, The Bank has opted for accounting for them at fair value through other comprehensive income. This choice was carried out on the basis of a single instrument at the time of initial recognition and cannot be revoked.

Also, on the date of initial recognition, the Bank may irrevocably classify an asset as an asset carried at fair value through profit and loss, although it meets the requirements of measurement at amortized cost or fair value measurement through comprehensive income, and only in cases where the objective is to eliminate or significantly reduce accounting mismatches that would otherwise arise.

The effects of changes in fair value are recorded within equity as a fair value reserve. During the holding of securities, the Bank determines the interest using effective interest rate and records revenues from the collection of coupons within the position of interest income.

*Financial assets at fair value through other comprehensive income (continued)*

For equity investments that are carried at fair value through other income, changes in fair value after initial recognition are reported in equity under reserves based on fair value and can never be recognized through profit or loss, even at the time of sale. Accumulated gains or losses recognized in the other result are transferred to retained earnings upon the expiry of the recognition of the investment.

Equity investments are not subject to impairment. The effects of changes in foreign exchange rates are included within the capital as a fair value reserves. Dividends are recorded under other operating income in the income statement.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are valued at amortized cost less impairment charges. Loans are stated separately in position Loans and placements, while receivables are presented in other assets.

*Financial assets carried at amortized cost*

Financial assets carried at amortized cost are investments in debt securities where the Bank has a firm intention and the ability to hold these securities until maturity. These securities are valued at amortized cost less impairment costs.

*Deposits*

Deposits include time deposits in accounts with foreign banks with adequate investment rating and other deposits are stated at amortized cost.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)****3.3. Financial Instruments (Continued)***Financial liabilities at amortized cost*

Financial liabilities for repo transactions are measured at amortized cost. The difference between the cost and the redemption value is recognized in the income statement on the basis of the effective interest method.

*Swap transactions*

The Bank organizes a swap of auctions of the sale or purchase of foreign currency, which are a regular instrument for securing the foreign exchange, i.e. dinar liquidity of the banking sector. The aim of their organization was to encourage the development of the interbank swap of foreign exchange trading and the development of the market of instruments for protection against the risk of changing the foreign exchange rate.

At the balance sheet date, the Bank values swaps at fair value through profit and loss. The positive fair value of swaps is recognized as an asset within the derivative receivables, the negative as an obligation under the derivative liability, and the effects of the change in fair value are recognized in the income statement within position net profit on financial instruments carried at fair value through the income statement.

*Membership Quota in the International Monetary Fund and special drawing rights and Obligations under the International Monetary Fund*

Assets and liabilities to the International Monetary Fund expressed at initial cost in special drawing rights are estimated at the special drawing rights rate published by the International Monetary Fund - using the official middle exchange rate of the USD that is valid on the appropriate date. Transactions in Special Drawing Rights are converted into Dinars using the official middle exchange rate of the National Bank of Serbia at the time of the transaction.

*Date of recognition and fair value*

Regular purchases and sales of placements are recognized at the date of the transaction - the date on which the Bank pays for the purchase or receives funds from the sale of assets or at settlement date. All financial assets are initially recognized at fair value plus transaction costs, while financial assets at fair value through profit or loss are initially recognized at fair value without the stated costs.

The fair value of financial assets quoted on the stock exchange is determined on the basis of fair values. In the case of instruments for which there is no active market (not quoted on the stock exchange), the Bank determines their fair value based on an estimate using information on recent transactions on the market, using the discounted cash flow method or using the "option pricing" model.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)****3.3. Financial Instruments (Continued)***Reclassification of financial assets*

Reclassification of financial assets is carried out in the case of a change in the business model within which they are held. The effects of the reclassification of financial assets from the category measured at amortized cost and at fair value through other comprehensive income into the category of financial assets carried at fair value through profit and loss are reported as net gain/(loss) under reclassification of financial assets in the income statement, while other reclassifications, including their effects, are recorded within the positions of balance sheet.

*Modification of financial instruments*

Modification of financial instruments is a change in the established (contracted, prescribed or otherwise in accordance with the regulations established) cash flows of a financial instrument arising from renegotiation or otherwise. If, when modifying the financial instrument, it is estimated that the cash flows have not changed significantly, recognition of such financial instrument continues at modified amount, and the difference between the book value and the modified amount is recorded in the income statement. Otherwise, the financial instrument is derecognized and a new financial instrument is recognized. In assessing whether cash flows are substantially modified, the Bank uses the following criteria:

- discounted (present) value of cash flow on changed terms (modified value) changed by 10% or more in relation to discounted (present) value of remaining cash flow on terms of original financial instrument, or
- significantly changed conditions of the original financial instrument in accordance with the particular circumstances of the individual case, regardless of the extent to which the cash flow was changed (change of debtors, change of currency, introduction of the possibilities of conversion of claims into equity securities, change of fixed interest rate into variable and reversed and changes in classification of financial instruments).

*Impairment of financial assets*

Impairment of financial assets (allowance for expected credit losses) is carried out at each balance sheet date, for the amount expected credit losses of financial assets carried at amortized cost and financial assets carried at fair value through other comprehensive income. The expected credit loss is the amount of the present value of the estimated losses weighted by the risk of default.

The carrying amount of financial assets is decreased indirectly through the allowance account and is recorded within net income from decrease in impairment/(expenses) on impairment of financial assets. If, during next year, there is a decrease in the amount of recognized impairment loss, the previously recognized impairment loss is reduced by adjusting the allowance account and the amount of the adjustment is recognized in the income statement.

Impairment of financial assets is explained in detail in Note 32.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.3. Financial Instruments (Continued)***Write-offs of financial assets*

Financial assets are written off directly in whole or in part, when there is no reasonable expectation of recovering a financial asset, either in whole or in part, as in the case where it is established that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out on an individual basis.

Financial assets that have been written off, and which are still the subject to collection are recorded as off-balance sheet items.

*Derecognition*

Financial assets cease to be recognized when the Bank loses control over the contractual rights over these instruments, which occurs when the rights to use the instruments are realized, expired, abandoned or transferred. The financial liability ceases to be recognized when the liability ceases to exist.

*Offsetting of financial assets*

The financial asset and financial liabilities are set off and the net balance is presented in the balance sheet only if there is a legal right to carry out offset and if there is an intention of the Bank to make the collection of funds and payment of liabilities in the net amount or to simultaneously collect funds and settle liabilities. Revenues and expenses are presented in the book on the net basis if the result (effect) of the offset reflects the substance of the transaction they originated from.

**3.4. Cash and current accounts held with banks**

Cash and cash equivalents include cash and balances on current accounts. Cash and current accounts held with banks are measured at amortized cost.

**3.5. Gold and other precious metals**

Gold and other precious metals are measured at fair value at the balance sheet date.

Precious metals, which are part of the foreign exchange reserves, were estimated at the price of gold and silver in the day-to-day fixing at the London Bullion Market Association, using the official US dollar average dinar exchange rate valid on the last day of the month, or on the basis of the price Platinum & Palladium Market Association, London fixing, using the official mid-dinar exchange rate for the US dollar that was valid on the last day of the month.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****3.5. Gold and other precious metals (continued)**

The effects of changes in the fair value of gold and other precious metals that are part of the foreign exchange reserves are presented in the profit and loss account, as gain/loss on the basis of exchange differences and the effects of the contractual currency clause. The effects of estimating the cost of refining gold, as at 31 December 2022, are presented in Note 17.

**3.6. Inventories**

The Bank's inventories comprise of materials, work in progress and finished products of ZIN mostly, as well as precious metals used for making commemorative coins, and ZIN products intended for the market. These inventories are stated at the lower of cost and net realizable value.

**3.7. Property, plant, equipment, investment property and intangible assets**

Plant, equipment and intangible assets are stated at cost less any allowance for impairment. The Bank applied the allowed alternative method of measuring real estate that it uses, a part of other fixed assets (works of art and museum values) and parts of equipment (period furniture) at the revalued value.

Valuation of used real estate and investment real estate was performed by hiring an external independent appraiser using market (comparable prices of real estate subject to purchase / sale in the local market, with adjustments related to the physical condition of a particular property), yield (determining the present value of future cash flows during the economic life of funds by applying a capitalization rate that reflects the risk of achieving projected cash flows and time value of money) and cost approach (costs of building a new building, which deduct three possible forms of obsolescence: physical, functional and economic).

The increase in the revalued value of land that is reported in the Bank's accounting records, i.e. the recording of the difference between the estimated value and the current book value is expressed through an increase in revaluation reserves. The decrease in value on the basis of revaluation is recorded by a proportional decrease in the purchase value and accumulated depreciation of fixed assets, and the increase in value on the basis of revaluation - by a proportional increase in the purchase value and accumulated depreciation of fixed assets.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.7. Property, plant, equipment, investment property and intangible assets (continued)**

The amounts of accrued revaluations are recorded in favour of the total remaining results, for the positive effects of the estimation, and are accumulated on the accounts of revaluation reserves within the capital. The negative effects of the assessment are recognized as the expense of the profit and loss account, unless the revaluation reserve has been formed for the specific asset in the previous periods, in which case the negative effects are recognized in the balance of the total other comprehensive income, to the level of previously formed revaluation reserves. Positive effects of the valuation are recognized in favour of the profit and loss account only up to the amount of previously recognized negative valuation effects the event that individual items in previous periods had a negative effect of the appraisal recognized at the expense in the profit and loss account.

Investment property is valued at fair value. The effects of the change in fair value are disclosed at the expense or in favour of the profit and loss account within other income or other expenses.

Calculation of depreciation of property, plant and equipment and intangible assets begins when these assets are put into use. Depreciation is calculated equally on the cost of property, plant and equipment using the following annual rates, which were not changed during 2022, with a view to completely disposing of assets during their useful life:

Computers	25%
Furniture and other equipment	3.34%-20%
Motor vehicles	14.29% - 20%
Intangible assets	25% i.e. the deadline prescribed by the contract

The cost of repairs and maintenance of property, plant and equipment generated to preserve the asset's useful life is recognized as an expense at the time of formation. Capitalization of investment costs is permitted only if it increases or extends the use value of the assets.

The gains arising from the sale of property, plant and equipment are credited to other operating income. The losses incurred in the disposal and disposal of property, plant and equipment are recorded at the expense of other expenses. Revaluation reserve on disposal and write-offs of assets transferred to retained earnings.

The Law on Public Property prescribes that the Government of the Republic of Serbia decides on the disposal of immovable property used by the Bank and the establishment of a mortgage on such real estate.

**3.8. Funds for operations on behalf of third parties**

Funds for transactions in the name and for the account of third parties, which are managed by the Bank for remuneration, are not included in the balance sheet of the Bank but are carried out within off-balance sheet items.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.9. Corporate Income Tax***Current taxes*

The Bank is a tax payer in accordance with the provisions of the Law on Corporate Income Tax of the Republic of Serbia and the Regulations on the Contents of the Tax Balance for Non-Profit Organizations - Taxpayers of Corporate Taxes, explained in more detail in Note 28.

*Deferred taxes*

Deferred income taxes are calculated according to the balance sheet on all temporary differences on the balance sheet date between the present value of assets and liabilities, in the financial statements, and their values for purposes of taxation. The Bank does not account for and does not disclose deferred taxes due to the absence of temporary differences.

**3.10. Employee Benefits**

In accordance with regulations effective in the Republic of Serbia, the Bank is under obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employees by the employer in the amounts calculated by applying the specific legally prescribed rates. The Bank is also legally obligated to withhold contributions from gross salaries to employees and to transfer the withheld portions on their behalf directly to the appropriate Government funds. The contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

For short-term employee benefits, the Bank recognizes within expenses the undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered.

For long-term benefits, the Bank recognizes a discounted amount of fees that are expected to be paid in exchange for the services provided by employees. The Bank implements a defined remuneration plan for employees in accordance with internal acts, according to which the employee is entitled to severance pay in the amount of three times the earnings he earned for the month preceding the month in which his employment is terminated or in the amount of three times the average monthly salary per employee paid in for the month preceding the month in which his employment is terminated, depending on which of these two amounts is more favourable.

The last estimate of the present value of liabilities based on the established compensation plan was made as of December 31, 2022.

The Bank uses the best possible estimates of the variables when determining the total cost of provisioning for termination benefits. The basic assumptions of the assessment are explained in Note 27.

In the financial statements of the Bank as at December 31, 2022, provision was made on the basis of the estimated present value of retirement funds for retirement after fulfilled conditions, as well as the provision based on the estimated present value of jubilee awards. The Bank applied the actuarial method of lending to the projected unit for determining the present value of its liabilities and all actuarial assumptions, primarily demographic (mortality and disability), in accordance with IAS 19 - "Employee Benefits".

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.10. Employee Benefits (Continued)**

Actuarial gains and losses and costs of previously performed services are recognized in the income statement when they occur, while actuarial gains and losses on retirement benefits are recognized in the statement of other comprehensive income.

Payments for unused annual holidays from the current year represent short-term liabilities of the Bank. In the financial statements of the Bank as at December 31, 2022, provision was made for funds for the payment of compensation for the days of unused annual leave for 2021, which employees did not use during 2022. The Bank's obligation shall cease if the employee does not use the holiday until June 30 of the following year. The bank is obliged to pay compensation for unused annual leave only in case of unused vacation in case of termination of employment.

**3.11. Summary of Key Accounting Estimates and Assumptions**

The presentation of the financial statements requires the Bank's management to use best estimates and reasonable assumptions that affect assets and liabilities amounts, disclosures of contingent liabilities and receivables as of the date of preparation of the financial statements, and the income and expenses arising during the reporting period. These estimations and assumptions are based on information available as at the date of preparation of the financial statements. Actual amounts may vary from these estimates.

Estimates and assumptions are subject to constant review. Changes to accounting estimates are recognized in the period when they are made if their impact is limited to that period or in future periods, in case when the change impacts future periods as well.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

*Impairment of financial assets*

Expected credit losses of financial assets are estimated for an individual financial asset or for a group of financial assets with the same characteristics, taking into account all relevant and available quantitative and qualitative information, related to past, present and future events.

Impairment of financial assets implies defining criteria that determine whether the credit risk of a financial asset has been increased in relation to the initial recognition of that financial asset by defining, selecting and accepting an appropriate internal methodology by the management, as explained in Notes 3.3 and 32.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.11. Summary of Key Accounting Estimates and Assumptions (Continued)***Fair Value of Assets*

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

Bank's policy is to disclose fair value information on those financial assets and financial liabilities for which published market information is readily available or such value may be calculated by applying certain alternative valuation techniques, and whose fair value is materially different from their recorded amounts. As per the Banks' management, amounts presented in the financial statements reflect fair value which is most reliable and useful for financial reporting purposes, in accordance with International Financial Reporting Standards.

Fair value of financial instruments for which an active market does not exist is determined by applying adequate methods of estimating future cash flows of assets that are discounted by applying an adequate discount rate to their fair value. The Bank applies its professional judgment in the selection of adequate methods and assumptions. Fair values information is set out in Note 32.

*Provisions for Long-Term Employee Benefits*

The Bank has independently calculated provisions for employee retirement benefits and jubilee awards by using its professional judgment to determine the discount rate, income growth rate and employee turnover rate based on the available information, which is explained in detail in Notes 3.10 and 27.

*Depreciation and Amortization Rates Applied*

The calculation of depreciation and amortization, as well as depreciation and amortization rates are based on the estimated economic useful life of property, plant, equipment and intangible assets. Once a year the Bank assesses economic useful life based on current assumptions.

*Provisions for Litigations*

The Bank estimates the probability of occurrence of an unfavourable event that is the result of a past event, and if it is estimated that the event will occur with probability greater than 50%, the Bank makes provisions in the total amount of the liability. The Bank is cautious in its estimates, but due to high level of uncertainty, in some cases, the estimate might not be consistent with eventual future outcome of the litigation.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

4. NET INTEREST INCOME

	(in thousands of RSD)	
	For the year ended	
	December 31,	
	2022	2021
Interest income from:		
Debt securities:		
- in dinars	5,124,575	4,603,087
- in foreign currency	7,536,571	7,422,144
Deposits placed:		
- in dinars	88	111
- in foreign currencies	2,856,001	360,046
Loans approved:		
- in dinars	2,626	10,342
Repurchase transactions	612,966	26,181
Other placements:		
- in dinars	152	71
- in foreign currency	1,019	5,385
<i>Total</i>	<i>16,133,998</i>	<i>12,427,367</i>
Interest expenses arising from:		
Securities in dinars	(1,275,778)	(1,690,745)
Deposits in dinars:		
- required special reserve of banks in dinars	(1,441,635)	(340,858)
- surplus liquid assets of banks	(1,484,744)	(91,532)
- transaction deposits	(896)	(230)
Deposits in foreign currencies:		
- time deposits	(151,653)	(3,146)
- demand deposits	(179,341)	(203)
- other	(976)	-
Negative interest on financial assets in foreign currency	(929,255)	(2,053,436)
Repurchase transactions	(1,189,384)	(84,567)
Liabilities to IMF	(346,659)	(21,217)
Borrowings	-	(435)
Other	(1,475)	(4,509)
<i>Total</i>	<i>(7,001,796)</i>	<i>(4,290,878)</i>
<b>Net interest income</b>	<b>9,132,202</b>	<b>8,136,489</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**

**4. NET INTEREST INCOME (Continued)**

The stated amount of Net interest income includes interest income and expense, calculated using the effective interest method, which relate to the following:

	<b>In thousands of RSD</b>	
	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Interest income arising from:		
Financial assets measured at amortized cost	8,597,427	5,005,223
Financial assets at fair value through other comprehensive income	7,536,571	7,422,144
<b>Total</b>	<b>16,133,998</b>	<b>12,427,367</b>
Interest expenses arising from:		
Financial liabilities measured at amortized cost	(6,928,856)	(3,815,670)
Financial assets at fair value through other comprehensive income	(72,940)	(475,208)
<b>Total</b>	<b>(7,001,796)</b>	<b>(4,290,878)</b>
<b>Net interest income</b>	<b>9,132,202</b>	<b>8,136,489</b>

**5. NET FEE AND COMMISSION INCOME**

	<b>In thousands of RSD</b>	
	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Fee and commission income in dinars:		
- fees for RTGS and clearing operations	1,701,615	1,588,991
- fees for enforced collection	1,471,511	1,534,479
- fees for supervision over insurance operations	546,461	474,157
- other fees in dinars	434,646	376,589
Fee and commission income in foreign currencies		
- fees for foreign currencies	2,039,770	1,601,112
- operating fees in the name and on behalf of third parties	72,488	86,816
- other fees in foreign currency	196,172	83,617
<b>Total</b>	<b>6,462,663</b>	<b>5,745,761</b>
Fee and commission expenses in dinars:		
- commission based on the sales of bill of exchange forms	(12,627)	(13,893)
- other fees and commissions in dinars	(4,391)	(4,440)
Fee and commission expenses in foreign currencies:		
- foreign account maintenance fees and foreign payment transactions	(87,442)	(92,156)
- fees and commissions based on the stand-by arrangement with the IMF	(625,962)	-
- fee for foreign exchange and currency transactions	(1,005,481)	(206,300)
<b>Total</b>	<b>(1,735,903)</b>	<b>(316,789)</b>
<b>Net fee and commission income</b>	<b>4,726,760</b>	<b>5,428,972</b>

The total reported income and expense on fees and commissions relates to financial assets and financial liabilities that are measured at amortized cost.

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**

**6. NET GAINS FROM FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS**

	<b>In thousands of RSD</b>	
	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Income from sales, purchases and changes in fair value of swap transactions	291,652	126,582
Expenses from sales, purchases and changes in fair value of swap transactions	(172,791)	(32,432)
<b>Net income</b>	<b>118,861</b>	<b>94,150</b>

**7. NET LOSSES FROM DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>In thousands of RSD</b>	
	<b>Year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Income from derecognition (sale) of financial assets measured at FVOCI	366,199	940,668
Loss from derecognition (sale) of financial assets measured at FVOCI	(10,102,173)	(3,838,765)
<b>Net loss</b>	<b>(9,735,974)</b>	<b>(2,898,097)</b>

**8. NET INCOME FROM FOREIGN EXCHANGE RATE AND EFFECTS OF CONTRACTED FOREIGN CURRENCY**

	<b>In thousands of RSD</b>	
	<b>Year ended december 31,</b>	
	<b>2022</b>	<b>2021</b>
Net income/(expenses) from foreign exchange rate and effect of contracted foreign currency:		
- cash and current accounts held with banks	(167,556)	1,585,063
- gold and other precious metals	12,629,771	10,315,372
- deposits, loans and placements	4,522,975	7,646,791
- securities	16,505,669	30,074,429
- IMF assets and liabilities	489,895	(6,317)
- liabilities arising from received deposits and other liabilities to banks, financial organizations, state and other depositors	1,781,670	(2,435,664)
- other assets and other liabilities	(164,571)	69,018
<b>Total net income from exchange differences and effects of contracted currency clause</b>	<b>35,597,853</b>	<b>47,248,692</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

9. NET (EXPENSE) OF IMPAIRMENT/INCOME FROM IMPAIRMENT OF FINANCIAL ASSETS

a) Structure of income and expenses

	In thousands of RSD Year ended December 31,	
	2022	2021
Income from impairment allowances:		
- of financial assets at amortized cost	56,834	364,405
- of financial assets at FVOCI	34,552	29,273
Income from collected written-off receivables	1,493	896
<i>Total</i>	<u>92,879</u>	<u>394,574</u>
Expenses from impairment:		
- of financial assets at amortized cost	(203,658)	(36,147)
- of financial assets at FVOCI	(24,015)	(39,610)
<i>Total</i>	<u>(227,673)</u>	<u>(75,757)</u>
<b>Net (expense) of impairment/income from impairment of financial assets</b>	<b><u>(134,794)</u></b>	<b><u>318,817</u></b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

9. NET (EXPENSE) OF IMPAIRMENT/ INCOME FROM REDUCTION OF IMPAIRMENT OF FINANCIAL ASSETS/ (Continued)

b) Movements on the Accounts of Impairment Allowances

<b><u>In thousands of RSD</u></b>	<b>Cash and current accounts held with banks (Note 16)</b>	<b>Deposits held with banks (Note 18)</b>	<b>Securities* (Note 19)</b>	<b>Loans and placements (Note 20)</b>	<b>Other assets (Note 23)</b>	<b>Total</b>
<b>Balance as at January 1, 2022</b>	<b>874,607</b>	<b>2,790,406</b>	<b>196,343</b>	<b>1,490,331</b>	<b>333,787</b>	<b>5,685,474</b>
Change for the period-financial assets	-	13,141	29,469	15,149	145,899	203,658
Change for the period-inventories	-	-	-	-	3,268	3,268
Reversed impairments	-	(13,266)	(2,402)	(28,807)	(13,224)	(57,699)
Foreign exchange effects	45,291	167,059	-	-	9,479	221,829
Write-offs	-	-	-	(18)	(39,524)	(39,542)
Other	-	-	-	683	(1,018)	(335)
<b>Balance as at December 31, 2022</b>	<b>919,898</b>	<b>2,957,340</b>	<b>223,410</b>	<b>1,477,338</b>	<b>438,667</b>	<b>6,016,653</b>
<b>Balance as at January 1, 2021</b>	<b>814,221</b>	<b>2,570,030</b>	<b>516,184</b>	<b>1,506,678</b>	<b>325,216</b>	<b>5,732,329</b>
Change for the period-financial assets	-	15,560	8	8,881	11,698	36,147
Change for the period-inventories	-	-	-	-	1,690	1,690
Reversed impairments	-	(16,926)	(318,964)	(15,729)	(12,786)	(364,405)
Foreign exchange effects	60,386	221,742	-	-	12,835	294,963
Write-offs	-	-	(885)	(10,416)	(4,867)	(16,168)
Other	-	-	-	917	1	918
<b>Balance as at December 31, 2021</b>	<b>874,607</b>	<b>2,790,406</b>	<b>196,343</b>	<b>1,490,331</b>	<b>333,787</b>	<b>5,685,474</b>

\* In accordance with IFRS 9, the effect of impairment of debt securities through other comprehensive income are recognised through other comprehensive income and profit and loss and do not decrease carrying amount of related debt securities in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS  
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10. OTHER OPERATING INCOME

<u>In thousands of RSD</u>	<u>2022</u>	<u>Year ended December 31, 2021</u>
Income from operations – ZIN	6,469,559	6,299,977
Income from the sale of bill of exchange forms	126,428	138,991
Rental income	16,460	17,849
Increase in the value of inventories	63,943	26,629
Dividend income	120,466	213,521
Other income	110,883	81,927
<b>Other operating income</b>	<b>6,907,739</b>	<b>6,778,894</b>

Income from ZIN operations refers to the income from the sales of ZIN products - products of the Institute for Manufacturing Banknotes and Coins, which operates within the Bank. In addition to manufacturing banknotes and coins for circulation and numismatic money, ZIN is involved in production of documents, securities and other products.

Dividend income realized in 2022 in the amount of RSD 120,466 thousand (2021: RSD 213,521 thousand), refers entirely to equity investment in the capital of the Bank for International Settlements, Basel.

11. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

<u>In thousands of RSD</u>	<u>2022</u>	<u>Year ended December 31, 2021</u>
Salaries, salary compensations, taxes and contributions	5,344,844	5,049,919
(Income)/Loss from provisions for retirement and other employee benefits	(37,681)	179,859
Temporary and seasonal employees	47,934	53,182
Jubilee awards	41,327	36,861
Financial aid to employees	36,030	26,721
Retirement benefits	50,867	60,332
Remunerations to the Council members	12,414	11,263
Other personal expenses	4,860	4,205
<b>Total salaries, salary compensations and other personal expenses</b>	<b>5,500,595</b>	<b>5,422,342</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

12. DEPRECIATION COSTS

<u>In thousands of RSD</u>	<u>2022</u>	<u>Year ended December 31, 2021</u>
Depreciation and amortization of:		
- intangible assets	234,697	186,051
- building properties	268,482	263,342
- equipment	1,150,287	1,090,918
- other assets	843	963
<b>Total depreciation costs</b>	<b><u>1,654,309</u></b>	<b><u>1,541,274</u></b>

13. OTHER INCOME

<u>In thousands of RSD</u>	<u>2022</u>	<u>Year ended December 31, 2021</u>
Income from reversal of provisions for litigations (Note 27)	7,494	5,158
Revaluation surplus (Note 27)	220,675	3
Other	4,863,694	1,867,100
<b>Total other income</b>	<b><u>5,091,863</u></b>	<b><u>1,872,261</u></b>

Of the total amount of other income the largest part in the amount of RSD 4,773,071 thousand (2021: RSD 1,816,631 thousand), refers to income from bankruptcy estates of legal entities under the authority of the Deposit Insurance Agency.



NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

14. OTHER EXPENSES

<u>In thousands of RSD</u>	<b>Year ended</b>	
	<b>2022</b>	<b>December 31, 2021</b>
Costs of materials	2,222,775	2,301,918
Cost of production services:		
- transportation services	2,657	17,697
- telecommunication services	53,752	44,305
- automatic data transfer	149,713	146,392
- maintenance	627,899	299,065
- rental costs	7,663	7,630
- marketing and advertising	1,129	795
- official gazettes and magazines	6,185	6,344
- finishing costs – ZIN	19,190	15,081
- other services	203,401	31,078
Non-material expenses:		
- business travel expenses	20,797	3,723
- employee commuting allowance	79,089	72,273
- fees to voluntary pension funds	120,512	117,301
- employee professional training costs	5,498	5,197
- intellectual services	211,138	267,586
- security services (for property and money)	46,580	53,917
- public utilities	15,915	19,146
- entertainment	8,013	6,112
- insurance premiums	67,760	67,397
- other non-material expenses	115,958	99,166
Tax expenses:		
- property tax	46,412	46,480
- value added tax payable	216,939	99,192
- other taxes payable	27,905	26,908
Contributions paid	7,760	8,063
Other costs	91,494	74,512
Expenses based on revaluation of assets	41,748	-
Decrease the value of inventories	76,193	56,352
Provisions for litigations (Note 27)	19,297	19,529
Other expenses	27,254	87,163
<b>Total other expenses</b>	<b>4,540,626</b>	<b>4,000,322</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Classification of financial assets and financial liabilities

The following table summarizes the financial assets and financial liabilities according to the categories to which they are classified:

<u>In thousands of RSD</u>	<u>Note</u>	<u>Valued at amortized cost</u>	<u>Valued at fair value through profit and loss</u>	<u>Valued at fair value through other comprehensive income- mandatory</u>	<u>Valued at fair value through other comprehensive income- optionally</u>	<u>Total December 31, 2021</u>
<b>Balance as at December 31, 2022</b>						
<b>Financial assets</b>						
Cash and current accounts held with banks	16	802,350,411	-	-	-	802,350,411
Deposits	18	245,333,709	-	-	-	245,333,709
Receivables for derivatives			12,770	-	-	12,770
Securities	19	141,197,749	-	992,442,769	12,131,489	1,145,772,007
Loans and placements	20	32,126,330	-	-	-	32,126,330
IMF membership quota and SDR holdings	21	97,421,027	-	-	-	97,421,027
Other assets	23	1,127,267	-	-	-	1,127,267
<b>Total</b>		<b>1,319,556,493</b>	<b>12,770</b>	<b>992,442,769</b>	<b>12,131,489</b>	<b>2,324,143,521</b>
<b>Financial liabilities</b>						
Liabilities from derivatives		-	12,770	-	-	12,770
Deposits and other liabilities to banks and other financial organisations	24	1,038,485,496	-	-	-	1,038,485,496
Deposits and other liabilities to Government and other depositors	25	619,868,392	-	-	-	619,868,392
Liabilities to the IMF	26	212,833,439	-	-	-	212,833,439
Cash in circulation	29	310,873,399	-	-	-	310,873,399
Other liabilities	30	14,278,991	-	-	-	14,278,991
<b>Total</b>		<b>2,196,339,717</b>	<b>12,770</b>	<b>-</b>	<b>-</b>	<b>2,196,352,487</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

15. FINANCIAL ASSETS AND LIABILITIES (Continued)

Classification of financial assets and liabilities (Continued)

<u>In thousands of RSD</u>	<u>Note</u>	<u>Valued at amortized cost</u>	<u>Valued at fair value through profit and loss</u>	<u>Valued at fair value through other comprehensive income- mandatory</u>	<u>Valued at fair value through other comprehensive income- optional</u>	<u>Total December 31, 2021</u>
<b>Balance as at December 31, 2021</b>						
<b>Financial assets</b>						
Cash and current accounts held with banks	16	675,393,606	-	-	-	675,393,606
Deposits	18	95,202,904	-	-	-	95,202,904
Receivables for derivatives		-	2,462	-	-	2,462
Securities	19	110,912,451	-	857,620,411	12,134,708	980,667,570
Loans and placements	20	910,044	-	-	-	910,044
IMF membership quota and SDR holdings	21	187,854,210	-	-	-	187,854,210
Other assets	23	1,081,264	-	-	-	1,081,264
<b>Total</b>		<b>1,071,354,479</b>	<b>2,462</b>	<b>857,620,411</b>	<b>12,134,708</b>	<b>1,941,112,060</b>
<b>Financial liabilities</b>						
Liabilities from derivatives		-	602	-	-	602
Deposits and other liabilities to banks and other financial organisations	24	798,086,390	-	-	-	798,086,390
Deposits and other liabilities to Government and other depositors	25	519,812,267	-	-	-	519,812,267
Liabilities to the IMF	26	187,979,401	-	-	-	187,979,401
Cash in circulation	29	295,311,307	-	-	-	295,311,307
Other liabilities	30	2,742,323	-	-	-	2,742,323
<b>Total</b>		<b>1,803,931,688</b>	<b>602</b>	<b>-</b>	<b>-</b>	<b>1,803,932,290</b>

NOTES TO THE FINANCIAL STATEMENTS  
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16. CASH AND CURRENT ACCOUNTS HELD WITH BANKS

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Cash on hand:		
- in local currency	74	26
- in foreign currency	259,988,822	248,633,497
<i>Total</i>	<i>259,988,896</i>	<i>248,633,523</i>
Current accounts:		
- with domestic banks and NBS	16,431,751	19,913,845
- with foreign banks	526,246,411	407,720,845
Allowance for impairment of current accounts	(919,898)	(874,607)
<i>Total</i>	<i>541,758,264</i>	<i>426,760,083</i>
Calculated and accrued interest	603,251	-
<b>Total cash and current accounts held with banks</b>	<b>802,350,411</b>	<b>675,393,606</b>

SDR holdings at IMF's current account (including reserve tranche), amounted to RSD 8,233,396 thousand (December 31, 2021: RSD 99,414,481 thousand), are presented in Note 21.

17. GOLD AND OTHER PRECIOUS METALS

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Gold and standard tradable gold bullions	83,252,623	78,883,420
Gold and substandard gold bullions	163,666,679	148,216,719
Other precious metals	1,189,046	1,066,627
<b>Total gold and other precious metals</b>	<b>248,108,348</b>	<b>228,166,766</b>

The Bank estimated the cost of refining as at December 31, 2022, in order to assess the material significance of the estimated amounts in the overall financial statements and to consider the possible need to adjust the fair value of gold and other precious metals. Estimated refinement costs as at December 31, 2022, in the amount of RSD 189,828 thousand (December 31, 2021 RSD 172,805 thousand), do not represent a material amount within the meaning of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

18. DEPOSITS

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Deposits:		
- time deposits	248,278,148	97,978,545
- other deposits	12,901	14,765
<i>Total</i>	<i>248,291,049</i>	<i>97,993,310</i>
Allowance for impairment of time deposits	(2,957,340)	(2,790,406)
<b>Total deposits</b>	<b>245,333,709</b>	<b>95,202,904</b>

Time deposits refer to the short-term deposits placed with foreign banks.

The management of investments in deposits with banks abroad is done on the basis of the Strategic Guidelines for Managing the Foreign Exchange Reserves of the Bank, as explained in Note 32.

19. SECURITIES

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Securities in RSD:</b>		
Securities measured at amortized cost	141,421,159	111,108,794
Allowance for impairment of securities measured at amortized cost	(223,410)	(196,343)
<i>Total securities in RSD</i>	<i>141,197,749</i>	<i>110,912,451</i>
<b>Securities in foreign currency:</b>		
Securities measured at FVOCI:		
- mandatory	992,442,769	857,620,411
- optional	12,131,489	12,134,708
<i>Total securities in foreign currency</i>	<i>1,004,574,258</i>	<i>869,755,119</i>
<b>Total securities</b>	<b>1,145,772,007</b>	<b>980,667,570</b>
<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Securities in RSD:</b>		
<b>Securities measured at amortized cost</b>		
Banknotes and bonds of domestic banks in		
Bankruptcy and liquidation	141,045	141,045
Coupon bonds	141,280,114	110,967,749
Allowance for impairment of securities measured at amortized cost	(223,410)	(196,343)
<b>Total</b>	<b>141,197,749</b>	<b>110,912,451</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

19. SECURITIES (Continued)

Coupon bonds are in the amount of RSD 141,280,114 thousand, refer to government and corporate bonds, in response to COVID - 19 and geopolitical crisis in the world, were obtained by the Bank through permanent purchases from banks on the secondary market, in order to support the smooth functioning of the interest rate and credit channel of monetary policy.

The Bank's regulations governing monetary operations, i.e. the conditions and manner of conducting open market operations, provide criteria under which the Bank may accept securities issued by domestic companies, as explained in Note 32.

<b><u>In thousands of RSD</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
<b>Securities in foreign currency:</b>		
<b>Securities measured at FVOCI- Mandatory</b>		
Coupon bonds	859,315,118	800,834,880
Discount securities	133,127,651	56,785,531
<b>Total</b>	<b>992,442,769</b>	<b>857,620,411</b>

Coupon Securities in foreign currency relate to foreign government bonds (including government securities with floating interest rates *Floating Rate Notes* - FRN, and government securities indexed by the inflation rate), foreign public sector securities (Supranational, Subnational, Agencies, Sovereign) including FRN, as well as foreign securities with high quality collateral (covered bonds) in the amount of RSD 859,315,118 thousand (December 31, 2021: RSD 800,834,880 thousand). Coupon Bonds are denominated in EUR, USD, GBP and CAD.

Discount securities in foreign currency relate to foreign government discount securities (T-bills) of maturity up to one year, in the amount of RSD 133,127,651 thousand (December 31, 2021: RSD 56,785,531 thousand), and represent short-term securities denominated in EUR and CAD.

The change in fair value, as well as the expected credit losses of these assets are stated within the equity fair value reserve position (note 31).

The management of financial assets at fair value through other comprehensive income is done on the basis of the Strategic Guidelines for Managing Foreign Exchange Reserves of the Bank, as explained in note 32.

NOTES TO THE FINANCIAL STATEMENTS  
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19. SECURITIES (Continued)

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Equity securities measured at FVOCI (Optional)</b>		
Equity investments in foreign currencies:		
- Bank for International Settlements, Basel	12,130,636	12,133,996
- S.W.I.F.T. scr1	853	712
<b>Total</b>	<b>12,131,489</b>	<b>12,134,708</b>

As at December 31, 2022, the decrease in reserves based on the change in the fair value of equity securities amounted to RSD 3,219 thousand (December 31, 2021: increase of RSD 634,460 thousand). Realized dividend income amounts to RSD 120,466 thousand (December 31, 2021: RSD 213,521 thousand).

20. LOANS AND PLACEMENT

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loans and placements:		
- loans to banks in bankruptcy and liquidation	404,716	404,716
- loans to commercial banks	530,465	530,465
- loans by repo transactions	31,251,136	-
- loans from primary emission	956,639	956,639
- housing loans approved to employees	455,584	502,521
- other placements	5,128	6,034
<i>Total</i>	<i>33,603,668</i>	<i>2,400,375</i>
Allowance for impairment of loans and placements:		
- loans to banks in bankruptcy and liquidation	(404,716)	(404,716)
- by repo transactions	(504)	-
- loans from primary emission	(956,639)	(956,639)
- housing loans approved to employees	(115,479)	(128,976)
<i>Total</i>	<i>(1,477,338)</i>	<i>(1,490,331)</i>
<b>Total loans and placements</b>	<b>32,126,330</b>	<b>910,044</b>

NOTES TO THE FINANCIAL STATEMENTS  
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21. IMF MEMBERSHIP QUOTA AND SDR HOLDINGS

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Membership quota (Holdings of Currency)	89,132,817	88,439,729
Membership quota (Reserve Tranche)	6,856,934	6,803,616
SDR holdings (SDR Holdings)	1,376,462	92,610,865
Accrued interest	54,814	-
Accrued expenses for engaged funds with the IMF (commitment fee)	68,442	-
<b>Total</b>	<b>97,489,469</b>	<b>187,854,210</b>

As at December 31, 2022, the Republic of Serbia's membership quota in the International Monetary Fund (including reserve tranche) amounted to RSD 95,989,751 thousand (December 31, 2021: RSD 95,243,345 thousand).

The membership quota stated as a placement denominated in special drawing rights (*Special Drawing Rights* - SDR) amounts to SDR 654,800 thousand (December 31, 2021: SDR 654,800 thousand).



NOTES TO THE FINANCIAL STATEMENTS  
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22. INTANGIBLE ASSETS, PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

Movements on property, plant, equipment, investment property and intangible assets are presented in the following table:

<u>In thousands of RSD</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Other Fixed Assets</u>	<u>Investments in progress</u>	<u>Total</u>	<u>Investment Property</u>	<u>Intangible Assets</u>
<b>Cost/revalued amount</b>								
<b>Opening balance as at January 1, 2021</b>	<b>2,630,793</b>	<b>76,128,057</b>	<b>14,489,699</b>	<b>356,691</b>	-	<b>93,605,240</b>	<b>407,692</b>	<b>2,493,397</b>
Additions	-	-	-	-	1,834,354	1,834,354	-	547,281
Transfer from investment in progress	-	302,829	1,462,036	228	(1,765,093)	-	-	-
Sales, transfers, disposals and shortages	-	-	-	73,467	-	73,467	-	-
Surpluses and subsequently registered assets	-	-	(360,276)	(566)	-	(360,842)	-	(1,194)
Other	-	(63,125,741)	(1,881)	-	(53,500)	(63,181,122)	-	53,501
<b>Balance as at December 31, 2021</b>	<b>2,630,793</b>	<b>13,305,145</b>	<b>15,589,578</b>	<b>429,820</b>	<b>15,761</b>	<b>31,971,097</b>	<b>407,692</b>	<b>3,092,985</b>
Additions	-	-	964	-	783,721	784,685	-	585,299
Transfer from investment in progress	-	197,571	546,790	43	(744,404)	-	-	-
Revaluation- positive effects	1,029,029	1,238,828	-	-	-	2,267,857	76,516	-
Revaluation- negative effects	(5,243)	(1,203,620)	-	-	-	(1,208,863)	-	-
Sales, transfers, disposals and shortages	-	-	(235,677)	(384)	-	(236,061)	-	-
Surpluses and subsequently registered assets	-	-	20	1	-	21	-	-
Other	-	-	-	-	(55,078)	(55,078)	-	55,061
<b>Balance as at December 31, 2022</b>	<b>3,654,579</b>	<b>13,537,924</b>	<b>15,901,675</b>	<b>429,480</b>	-	<b>33,523,658</b>	<b>484,208</b>	<b>3,733,345</b>
<b>Accumulated Depreciation/Amortization</b>								
<b>Opening balance as at January 1, 2021</b>	-	<b>66,043,623</b>	<b>8,376,786</b>	<b>27,168</b>	-	<b>74,447,577</b>	-	<b>2,204,969</b>
Depreciation	-	263,342	1,090,919	963	-	1,355,224	-	186,051
Sales, transfers, disposals and shortages	-	-	(359,442)	(565)	-	(360,007)	-	(1,194)
Other	-	(63,075,525)	-	-	-	(63,075,525)	-	-
<b>Balance as at December 31, 2021</b>	-	<b>3,231,440</b>	<b>9,108,263</b>	<b>27,566</b>	-	<b>12,367,269</b>	-	<b>2,389,826</b>
Depreciation	-	268,482	1,150,287	843	-	1,419,612	-	234,697
Revaluation- positive effects	-	308,214	-	-	-	308,214	-	-
Revaluation- negative effects	-	(2,396,935)	-	-	-	(2,396,935)	-	-
Sales, transfers, disposals and shortages	-	-	(227,236)	(312)	-	(227,548)	-	-
Other	-	7	(11,080)	-	-	(11,073)	-	-
<b>Balance as of December 31, 2022</b>	-	<b>1,411,208</b>	<b>10,020,234</b>	<b>28,097</b>	-	<b>11,459,539</b>	-	<b>2,624,523</b>
<b>Present value as at December 31, 2022</b>	<b>3,654,579</b>	<b>12,126,716</b>	<b>5,881,441</b>	<b>401,383</b>	-	<b>22,064,119</b>	<b>484,208</b>	<b>1,108,822</b>
<b>Present value as at December 31, 2021</b>	<b>2,630,793</b>	<b>10,073,705</b>	<b>6,481,315</b>	<b>402,254</b>	<b>15,761</b>	<b>19,603,828</b>	<b>407,692</b>	<b>703,159</b>

Translation disclaimer: The English version is a translation of the original in Serbian for information purposes only. In case of discrepancy, the Serbian version will prevail

**22. INTANGIBLE ASSETS, PROPERTY, PLANT, EQUIPMENT AND INVESTMENT  
PROPERTY (Continued)****Fair Value Hierarchy**

The Bank measures fair value of land, buildings, a portion of other fixed assets (artworks and museum values), a portion of equipment (period furniture) and investment property using a hierarchy regarding the quality of the inputs used in the valuation as disclosed in Note 32.

The fair values of assets as at December 31, 2022 carried at fair value per hierarchy level in accordance with IFRS 13 can be presented as follows:

<b><u>In thousands of RSD</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Land	-	-	3,654,579	3,654,579
Buildings	-	12,126,716	-	12,126,716
Other fixed assets – artworks, museum values and numismatic collection	-	-	360,807	360,807
Equipment- period furniture	-	-	196,731	196,731
Investment property	-	484,208	-	484,208
<b>December 31, 2022</b>	<b>-</b>	<b>12,610,924</b>	<b>4,212,117</b>	<b>16,823,041</b>

**Overview of Valuation Techniques and Significant Unobservable Inputs**

As at December 31, 2022, assessment of the fair value of assets used by the Bank was been conducted. An independent appraiser, Dil Inzenjering Konsalting doo Beograd, was hired, and the appraisal was performed in accordance with the accounting policies of the National Bank of Serbia and with respect to the relevant international financial reporting standards (IAS/IFRS) and international valuation standards (IVS). The assessment was carried out using the market, yield and cost approach.

The market approach was applied to 138 objects, i.e. to 10 land locations, 117 buildings and 11 investment properties using comparable transactions, i.e. comparing the estimated value with the price of property on the local market (comparable purchase and sale transactions).

The yield approach determined the present value of future cash flows during the economic life of the assets, using a capitalization rate that reflects the risk of achieving projected cash flows and the time value of money, with the rental price and occupancy level of the facility used as important parameters. This approach was applied when estimating the fair value of 13 objects.

With cost approach valuation, the appraiser applied the method of substitution or replacement as an indicator of fair value, where the starting basis for the evaluation is the value obtained by the method of replacement costs (calculation of costs of building a new object, which is corrected for the amount of physical, functional and economic obsolescence).

The cost approach was applied when it was not possible to find suitable comparisons for property in question and data for the application of other approaches in the assessment.

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22. INTANGIBLE ASSETS, PROPERTY, PLANT, EQUIPMENT AND INVESTMENT  
PROPERTY (Continued)

Overview of Valuation Techniques and Significant Unobservable Inputs (continued)

The effects of the revaluation of land, buildings and investment property in 2022 are shown in the following table:

In thousands of RSD	Land	Buildings	Investment property	Total
<b>Effects of changes in fair value</b>				
Increase in revaluation reserves	889,965	2,232,562	-	3,122,527
Decrease in revaluation reserves	(5,243)	(71,980)	-	(77,223)
<b>Total increase in revaluation reserves based on intangible assets and fixed assets</b>	<b>884,722</b>	<b>2,160,582</b>	<b>-</b>	<b>3,045,304</b>
Revenues from changes in fair value	139,064	5,095	76,516	220,675
Expenses from changes in fair value	-	(41,748)	-	(41,748)
<b>Total effects based on changes in fair value</b>	<b>1,023,786</b>	<b>2,123,929</b>	<b>76,516</b>	<b>3,224,231</b>

As at 31 December 2021, the Bank performed assessment of the numismatic collection value, based on catalog reference data, and effects of the assessment are stated within other income, in the amount of RSD 3 thousand and revaluation reserves, in the amount of RSD 73,464 thousand. The Bank's management believes that there were no movements and changes in the market during 2022 that would lead to significant deviations in value and that the assessment numismatic collection, art and museum values and stylish furniture reflects the carrying amount as at December 31, 2022.

The fair value of the revalued assets as at December 31, 2022 and the present value of revalued assets that would have been recognized that the assets were recorded at cost is shown as follows:

In thousands of RSD	Land	Buildings	Equipment and other fixed assets	Investment Property	Total
Fair value as of December 31, 2022	3,654,579	12,126,716	557,538	484,208	16,823,041
<b>The present value of revalued assets at cost as of December 31, 2022</b>	<b>967,585</b>	<b>9,615,355</b>	<b>169,459</b>	<b>298,243</b>	<b>11,050,642</b>

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23. OTHER ASSETS

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Advances paid	209,080	167,554
Fee and commission receivables	216,011	216,535
Receivables from the sales of finished products and services	160,959	97,511
Receivables from employees	86,883	84,008
Other receivables from operations	980,188	892,123
Inventories		
- Finished products	872,079	959,265
- Work in progress	232,564	209,652
- Semi-finished products	346,572	309,578
- Material	2,143,141	2,017,493
- Spare parts	231,248	224,053
- Commemorative coins and commercial packages of cash	152,480	155,393
- Gold and silver, which is not cashable	587,108	587,108
- Other	304,388	300,382
<i>Total inventories</i>	<u>4,869,580</u>	<u>4,762,924</u>
Deferred other expenses	36,463	36,340
Other assets	70,273	74,319
<b>Total</b>	<b><u>6,629,437</u></b>	<b><u>6,331,314</u></b>
Allowances for impairment of:		
Advances paid	(19)	-
Fee and commission receivables	(66,653)	(66,481)
Receivables from the sales of finished products and services	(16,701)	(18,310)
Receivables from employees	(141)	(141)
Other receivables from operations	(300,702)	(196,780)
Inventories	(51,603)	(50,555)
Other assets	(2,848)	(1,520)
<b>Total</b>	<b><u>(438,667)</u></b>	<b><u>(333,787)</u></b>
<b>Total other assets</b>	<b><u>6,190,770</u></b>	<b><u>5,997,527</u></b>

From the total amount of Other assets, RSD 1,127,267 thousand are measured at amortized cost (December 31, 2021: RSD 1,081,264 thousand).

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

**24. DEPOSITS AND OTHER LIABILITIES TO BANKS AND OTHER  
FINANCIAL ORGANIZATIONS**

<b><u>In thousands of RSD</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
Transaction deposits in dinars:		
- required reserves of the banks	284,864,408	279,808,906
- central deposits	16,431,751	19,913,845
- other transaction deposits in dinars	10,791,258	31,260
<i>Total</i>	<i>312,087,417</i>	<i>299,734,132</i>
Transaction deposits in foreign currencies:		
- required reserves of the banks	336,157,327	315,697,778
- other transaction deposits in foreign currencies	15,432,207	5,548,532
<i>Total</i>	<i>351,589,534</i>	<i>321,246,310</i>
<b>Total transaction deposits</b>	<b>663,676,951</b>	<b>620,980,442</b>
Transaction deposits in foreign currencies:		
- time deposits	185,664,928	59,348,135
- cash in valuts of commercial banks	77,442,895	70,770,694
<i>Total</i>	<i>263,107,823</i>	<i>130,118,829</i>
Other deposits in foreign currencies:		
- time deposits	-	10,337
- other deposits	1,119,352	1,944,477
<i>Total</i>	<i>1,119,352</i>	<i>1,954,814</i>
<b>Total other deposits</b>	<b>264,227,175</b>	<b>132,073,643</b>
Liabilities arising from repurchase transactions	110,050,905	44,501,840
Other financial liabilities	530,465	530,465
<b>Total other liabilities</b>	<b>110,581,370</b>	<b>45,032,305</b>
<b>Total deposits and other liabilities to banks and other financial organizations</b>	<b><u>1,038,485,496</u></b>	<b><u>798,086,390</u></b>

**24. DEPOSITS AND OTHER LIABILITIES TO BANKS AND OTHER FINANCIAL ORGANIZATIONS (Continued)***Transaction Deposits*

Transaction deposits of banks and other financial institutions in dinars represent current accounts of banks and other financial institutions with the Bank. Required reserves in dinars are held on the current accounts of commercial banks with the Bank, where banks are under obligation to maintain the average daily balance of their required reserves in the reporting period at or above the level of calculated required reserves.

On the amount of realized average daily balance of allocated dinar required reserves in the accounting period that does not exceed the amount of calculated dinar required reserves, in 2022, the Bank paid interest in the amount of 0.10% annually in period from January 1 to April 17; 0.25% annually in period from April 18 to May 17; 0.50%, annually in period from May 18 to June 17; 0.75% annually in period from June, 18 to December 31 (2021; 0.10 annually).

Required foreign currency reserve refers to the obligation of commercial banks to hold non-interest bearing deposits with the Bank in accordance with rules prescribed by the Law and relevant bylaws.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

25. DEPOSITS AND OTHER LIABILITIES TO GOVERNMENT AND OTHER DEPOSITORS

<b><u>In thousands of RSD</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
Transaction deposits in dinars:		
- deposits of the Ministry of Finance and Treasury Department	299,657,421	223,668,059
- other transaction deposits in dinars	12,049,010	2,587,300
<i>Total</i>	<i>311,706,431</i>	<i>226,255,359</i>
Transaction deposits in foreign currencies:		
- deposits of the Ministry of Finance and Treasury Department	93,840,998	181,710,603
- other transaction deposits in foreign currencies	66,629	9,840
<i>Total</i>	<i>93,907,627</i>	<i>181,720,443</i>
<b>Total transaction deposits</b>	<b>405,614,058</b>	<b>407,975,802</b>
Other deposits in dinars:		
- cash held with the Treasury Administration	1,213,181	1,284,825
- other deposits	1,205,913	406,185
<i>Total</i>	<i>2,419,094</i>	<i>1,691,010</i>
Other deposits in foreign currencies:		
- deposits of the Revolving Loan Fund	184,158	773,286
- special-purpose deposits – Ministry of Finance	35,617,086	42,375,493
- other special-purpose deposits	43,059,086	37,199,180
- special purpose deposits – donations for direct And indirect users of budget funds of the Republic of Serbia, i.e. local authorities	3,358,938	3,125,159
- deposits related to the seized foreign currency	4,520,450	3,607,963
- time deposits	112,173,689	1,653,507
- other deposits in foreign currencies	12,751,013	21,249,101
- other financial liabilities	170,820	161,766
<i>Total</i>	<i>211,835,240</i>	<i>110,145,455</i>
<b>Total other deposits</b>	<b>214,254,334</b>	<b>111,836,465</b>
<b>Total deposits and other liabilities to Government and other depositors</b>	<b><u>619,868,392</u></b>	<b><u>519,812,267</u></b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

26. LIABILITIES TO THE IMF

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Securities and other liabilities regulating the Bank's status with the IMF	89,134,842	88,441,707
Stand-By arrangement	115,187,719	-
Liabilities to the IMF in SDR	8,306,719	99,528,589
Interest accrued	204,159	9,105
<b>Total liabilities to the IMF</b>	<b>212,833,439</b>	<b>187,979,401</b>

In December 2022, the Board of Executive Directors of the International Monetary Fund (IMF) approved a stand-by arrangement for the Republic of Serbia in the amount of SDR 1,898,920 thousand. As of December 31, 2022, the total amount of funds withdrawn from the Stand-By arrangement is SDR 785,760 thousand, which is 120% of the quota of the Republic of Serbia in the IMF.

27. PROVISIONS

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Provisions for employee retirement benefits	757,648	977,768
Provisions for employee jubilee awards	555,190	631,529
Provisions for unused vacations	226,325	209,899
Provisions for litigations	115,386	115,000
<b>Total provisions</b>	<b>1,654,549</b>	<b>1,934,196</b>

Movements on Provisions

<u>In thousands of RSD</u>	<u>Provisions for retirement benefits</u>	<u>Provisions for jubilee awards</u>	<u>Provisions for unused vacations</u>	<u>Provisions for litigations</u>	<u>Total</u>
<b>Balance as at January 1, 2021</b>	<b>708,902</b>	<b>469,959</b>	<b>223,930</b>	<b>113,870</b>	<b>1,516,661</b>
Change for the period (Note 11, 14 and 31)	268,866	161,570	4,992	19,529	454,957
Release of provisions during the period	-	-	-	(13,241)	(13,241)
Reversal of provisions (Note 13)	-	-	(19,023)	(5,158)	(24,181)
<b>Balance as at December 31, 2021</b>	<b>977,768</b>	<b>631,529</b>	<b>209,899</b>	<b>115,000</b>	<b>1,934,196</b>
<b>Balance as at January 1, 2022</b>	<b>977,768</b>	<b>631,529</b>	<b>209,899</b>	<b>115,000</b>	<b>1,934,196</b>
Change for the period (Note 11, 14 and 31)	30,393	-	16,426	19,297	66,116
Release of provisions during the period	-	-	-	(11,417)	(11,417)
Reversal of provisions (Note 13)	(250,513)	(76,339)	-	(7,494)	(334,346)
<b>Balance as at December 31, 2022</b>	<b>757,648</b>	<b>555,190</b>	<b>226,325</b>	<b>115,386</b>	<b>1,654,549</b>



**27. PROVISIONS (Continued)****Provisions for Retirement Benefits and Jubilee Awards**

Provisions for retirement benefits and jubilee awards were established on the basis of the report of the certified actuary and are presented in the amount of discounted present value of future payments.

The basic assumptions on which the assessment relies include the following:

- 1) Discount rate of 6.03% (derived as an average of the key policy rate on December 31, 2022. which was 5% and the Securities rate on the secondary market with the longest term which was 7.06%.);
- 2) The expected annual growth rate of salaries that comprise: annual salary growth rates of 16.47% for 2023, 9.0% for 2024, 8.0% for 2025 and a rate of 7.50% after that.
- 3) Employee fluctuation rate: 0.32% for ZIN and 1.29% for the Bank's headquarters and branches based on the Bank's data on the number of employees who went to disability pension in the period from 2018 to 2022;
- 4) Disability rate: average rate of 0.29% for ZIN and 0.19% for headquarters and branch offices, based on the data of the National Bank of Serbia on the number of employees who went to disability pension in the period from 2018 to 2022;
- 5) Mortality tables published for the Republic Institute for Statistics 2010-2012, separate probabilities for female and male gender were used.

On the basis of the same assumptions, the Bank made a provision based on jubilee awards paid to employees by the Bank in accordance with internal acts after fulfilling a certain number of years of service.

**Provisions for Litigations**

Provisions for litigations totaling RSD 115,386 thousand as at December 31, 2022 (December 31, 2021: RSD 115,000 thousand) were formed based on the estimates of the outcomes made by the Bank's Legal Department in respect of the lawsuits related to the Bank's functions, estimates made by the Human Resources Department in respect of the labour lawsuits and those made by the Bank's attorney. The amount of provisions formed represents the best possible estimate of the Bank's management in respect of expected expenses arising from legal suits with outcomes estimated as unfavourable for the Bank.

**28. CURRENT TAX LIABILITIES**

The Bank calculates and pays income taxes in accordance with the Corporate Income Tax Law of the Republic of Serbia and Rules on the Contents of the Tax Balance for Non-Profit Organizations- Corporate Income Tax Payers. The ultimate tax base to which the statutory corporate income tax rate of 15% is applied is determined by the tax balance for non-profit organizations applying the chart of accounts effective for the Bank, which is submitted within 180 days from the expiration date of the period for which the tax liability is determined. Payment of the income tax is made within the time prescribed for filing the tax return and tax balance.

The amount of taxable profit is calculated on the basis of revenues generated on the market, i.e. income from the sale of products and services, for expenses related to revenues realized on the market: costs of salaries, compensation of salaries and other personal expenses, depreciation costs and other operating expenses. Revenues realized on the market relate mostly to the operating income of ZIN, income from the sale of bill of exchange forms and rental income explained in Note 10.

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2022**

**28. CURRENT TAX LIABILITIES (Continued)**

Expenses incurred in connection with revenues generated on the market are partly accounted for and presented in proportion to the share of revenues generated on the market in the total income of the taxpayer.

The income tax expense for 2022 as per the final calculation amounted to RSD 483,977 thousand (December 31, 2021: RSD 478,486 thousand).

**Tax balance for the National Bank of Serbia**

<b><u>In thousands of RSD</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
Income earned in the market		
- revenues from the sale of products and services	6,719,735	6,533,014
Expenses arising in relation to the income earned in the market		
- Salaries, salary compensations and other personal expenses	(911,946)	(858,411)
- Depreciation costs	(501,251)	(457,004)
- Other operating expenses	(2,080,022)	(2,027,693)
<b>Tax base</b>	<b>3,226,516</b>	<b>3,189,906</b>
Statutory income tax rate (effective tax rate)	15%	15%
<b>Income tax expense</b>	<b>483,977</b>	<b>478,486</b>

**29. CASH IN CIRCULATION**

Cash in circulation in amount of RSD 310,873,399 thousand (December 31, 2021: RSD 295,311,307 thousand) represents the Bank's liability toward payment transaction participants. This amount does not include cash in circulation held in vaults of commercial banks presented within Deposits and other liabilities to banks and other financial organizations (Note 24), nor cash in circulation held with the Treasury Administration, as presented within Deposits and other liabilities to government and other depositors (Note 25).

**30. OTHER LIABILITIES**

<b><u>In thousands of RSD</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
Trade payables:		
- domestic	171,276	196,991
- foreign	260,826	74,813
Advances received:		
- in dinars	225,234	250,246
- in foreign currencies	10,618	14,583
Liabilities for employee salaries	250,897	238,031
Foreign currency liabilities to domestic banks for replacement of foreign currency cash	66,026	175,664
Inheritance liabilities	27,227	26,357
Other accruals	31,395	24,390
Taxes and contributions payable	65,995	61,354
Other liabilities from operations	13,436,744	1,969,113
<b>Total other liabilities</b>	<b>14,546,238</b>	<b>3,031,542</b>

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**31. EQUITY**

The structure of the Bank's equity is presented in the table below:

<b><u>In thousands of RSD</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
State-owned capital	204,260,998	187,698,256
Reserves:		
- Special reserves	162,760,357	129,587,624
- Revaluation reserves	17,031,131	13,985,827
- Fair value reserves	(21,284,313)	1,718,877
- Actuarial losses	(10,473)	(252,826)
Retained earnings	39,525,003	55,537,819
<b>Total other liabilities</b>	<b><u>402,282,703</u></b>	<b><u>388,275,577</u></b>

The Republic of Serbia is the sole owner of the Bank's entire capital.

The Bank's equity comprises state-owned capital and reserves. Pursuant to the Law, the minimum amount of the Bank's basic capital shall amount to RSD 10 million. The basic capital of the Bank totalled RSD 204,260,998 thousand as at December 31, 2022, (December 31, 2021: RSD 187,698,256 thousand, which is above the prescribed threshold. Special reserves are used for loss absorption. Losses exceeding the minimum level of the basic capital are covered from the reserves and basic capital if the funds therefrom are not sufficient to cover for the losses incurred, the losses are covered with the funds from the Republic of Serbia Budget or securities issued for this purpose by the Republic of Serbia and transferred to Bank. If the Republic of Serbia fail to cover for the Bank's loss, such loss is subsequently absorbed from the earnings realized in the future periods.

Fair value reserves represent a cumulative net change in the value of equity and debt securities measured at FVOCI. This amount also includes the amount of impairment of debt securities.

**Profit Allocation**

Pursuant to the Law, until the minimum amount of the basic capital is achieved, the entire profit of the Bank is allocated to the basic capital. Upon reaching the minimum amount of thereof, the entire profit of the Bank is allocated to special reserves of the Bank, until such reserves shall have reached the level of RSD 20 billion.

Upon reaching the minimum amount of the basic capital and special reserve amount referred to in the paragraph above, the profit share originating from foreign exchange gains, gains from agreed currency clause and revaluation reserves of the Bank is allocated to the basic capital (33.3%) and to special reserves (66.7%), while the remaining profit which does not come from foreign exchange gains, gains from agreed currency clause and revaluation reserves is allocated to the basic capital (10%), special reserves (20%) and to the Budget of the Republic of Serbia (70%).

In 2022, the Bank made a profit before tax in the amount of RSD 40,008,980 thousand (in 2021 made a profit in the amount of RSD 56,016,305 thousand), i.e. after taxation in the amount of 39,525,003 thousand dinars (2021: 55,537,819 thousand dinars).

The table below shows the distribution of profit for 2022, in accordance with the Decision on adoption of financial statements of the National Bank of Serbia for 2022, which will be subject to adoption by the Council. The presented distribution of profits for the previous year 2021 is line with the Decision on the adoption of the financial statements of the National Bank of Serbia for 2021.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

31. EQUITY (Continued)

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Gains arising from exchange rate gains and From agreed currency clause	35,597,853	47,248,692
Profit arising from revaluation reserves	-	65
1. Total profit arising from exchange rate from agreed currency clause and revaluation reserves	35,597,853	47,248,757
2. Profit not originating from exchange rate gains, gains from agreed currency clause and revaluation reserves before taxation	4,411,127	8,767,548
<b>Profit before taxation (1+2)</b>	<b>40,008,980</b>	<b>56,016,305</b>
3. Income tax	483,977	478,486
4. Profit not originating from exchange rate gains, gains from agreed currency clause and revaluation reserves after taxation (2-3)	3,927,150	8,289,062
<b>Retained earnings (1+4)</b>	<b>39,525,003</b>	<b>55,537,819</b>
Allocation of profit arising from exchange rate gains, gains from agreed currency clause and revaluation reserves (1)		
1.1) basic capital increase 33.3%	11,854,085	15,733,836
1.2) special reserve increase 66.7%	23,743,768	31,514,921
	<b>35,597,853</b>	<b>47,248,757</b>
Allocation of profit not originating from exchange rate gains, gains from agreed currency clause and revaluation reserves (2)		
2.1) transfer the RS budget 70%	2,749,005	5,802,344
2.2) basic capital increase 10%	392,715	828,906
2.3) special reserve increase 20%	785,430	1,657,812
	<b>3,927,150</b>	<b>8,289,062</b>
Total basic capital increase (1.1+2.2)	12,246,800	16,562,742
Total special reserve increase (1+2/1.2+2.3)	24,529,198	33,172,733
Special reserve increase (2.1)	2,749,005	5,802,344
<b>Retained earnings</b>	<b>39,525,003</b>	<b>55,537,819</b>

**32. RISK MANAGEMENT POLICIES**

Basic financial risks to which the Bank is exposed to in its daily operations are the following:

- credit risk,
- liquidity risk,
- interest rate risk and
- currency risk.

Given that the primary purpose of the Bank is to preserve stability of prices and financial stability in the Republic of Serbia, its financial risk management framework is different from those of other commercial financial institutions. The majority of financial risks in the Bank arise from the management of foreign currency reserves and financial market operations.

Management of foreign exchange reserves is based on Strategic Guidelines for Managing the Bank's Foreign Exchange Reserves, which are determined by the Executive Board. The Strategic Guidelines define the criteria for foreign exchange reserve placement, aims of using the reserves, as well as the global investment framework and more. Tactical guidelines for foreign exchange reserve management are developed on the basis of the Strategic Guidelines, and are adopted by the Bank's Executive Board at the proposal of the Bank's Investment Committee.

The Tactical Guidelines for managing foreign exchanges reserves are carried out by the Management of Foreign Exchange Reserves Department within the Monetary and Foreign Exchange Operations Sector. The Risk Management and Risk Control Division, operates within the Management of Foreign Exchange Reserves Department, in charge of creating and maintaining the framework for managing the financial risks of foreign exchange reserves, monitors and analyzes these risks on a daily basis and reports monthly to the Executive Board.

As with the majority of central banks, the very nature of the Bank's business operations and its functions exposes it to a number of operational and reputational risks.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

32. RISK MANAGEMENT POLICIES (Continued)

*Financial Instruments (Assets and Liabilities)*

The following table presents the net exposure of the Bank in financial assets and liabilities as at December 31, 2022 and 2021:

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Financial assets</b>		
Cash and current accounts held with banks	802,350,411	675,393,606
Deposits	245,333,709	95,202,904
Receivables for derivatives	12,770	2,462
Securities	1,145,772,007	980,667,570
Loans and placements	32,126,330	910,044
IMF membership quota and SDR holdings	97,421,027	187,854,210
Other assets	1,127,267	1,081,264
<b>Total financial assets</b>	<b><u>2,324,143,521</u></b>	<b><u>1,941,112,060</u></b>
<b>Financial liabilities</b>		
Liabilities under derivatives	12,770	602
Deposits and other liabilities to banks and other financial organisations	1,038,485,496	798,086,390
Deposits and other financial liabilities to Government and other depositors	619,868,392	519,812,267
Liabilities to the IMF	212,833,439	187,979,401
Cash in circulation	310,873,399	295,311,307
Other liabilities	14,278,991	2,742,323
<b>Total financial liabilities</b>	<b><u>2,196,352,487</u></b>	<b><u>1,803,932,290</u></b>

**Credit risk**

Credit risk is the risk of default, i.e. the possibility that assets will not be timely and/or fully recovered or will not be collected with the planned/contracted dynamics and the tables below show the maximum exposure of the financial assets as of December 31, 2022 and December 31, 2021.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

32. RISK MANAGEMENT POLICIES (Continued)

Credit risk (Continued)

*Credit quality of financial assets*

The following table sets out information about the Bank's net exposure to credit risk, i.e. credit quality of financial assets measured at amortised cost, except cash and IMF membership quotas, and financial assets measured at fair value through other comprehensive income, except equity instruments that are optionally measured at FVOCI, net:

<u>In thousands of RSD</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>December 31, 2022</u>
<b>FINANCIAL ASSETS</b>				
<b>Cash and current accounts held with banks</b>				
Gross carrying amount	542,361,516	-	919,898	543,281,414
Impaired amount	-	-	(919,898)	(919,898)
<b>Net carrying amount</b>	<b>542,361,516</b>	<b>-</b>	<b>-</b>	<b>542,361,516</b>
<b>Deposits</b>				
Gross carrying amount	245,337,233	-	2,953,816	248,291,049
Impaired amount	(3,524)	-	(2,953,816)	(2,957,340)
<b>Net carrying amount</b>	<b>245,333,709</b>	<b>-</b>	<b>-</b>	<b>245,333,709</b>
<b>Securities measured at amortized cost</b>				
Gross carrying amount	141,280,114	-	141,045	141,421,159
Impaired amount	(82,365)	-	(141,045)	(223,410)
<b>Net carrying amount</b>	<b>141,197,749</b>	<b>-</b>	<b>-</b>	<b>141,197,749</b>
<b>Securities measured at FVOCI</b>				
Net carrying amount	992,442,769	-	-	992,442,769
Provisions for expected credit losses*	(46,087)	-	-	(46,087)
<b>Gross carrying amount (Note 19)</b>	<b>992,442,769</b>	<b>-</b>	<b>-</b>	<b>992,442,769</b>
<b>Loans and placements</b>				
Gross carrying amount	32,125,677	64,073	1,413,918	33,603,668
Impaired amount	(68,545)	(13,200)	(1,395,593)	(1,477,338)
<b>Net carrying amount</b>	<b>32,057,132</b>	<b>50,873</b>	<b>18,325</b>	<b>32,126,330</b>
<b>IMF membership quota and SDR holdings</b>	<b>8,288,210</b>	<b>-</b>	<b>-</b>	<b>8,288,210</b>
<b>Other assets</b>				
Gross carrying amount	956,874	110,986	446,452	1,514,312
Impaired amount	-	(7,067)	(379,978)	(387,045)
<b>Net carrying amount</b>	<b>956,874</b>	<b>103,919</b>	<b>66,474</b>	<b>1,127,267</b>

\* In accordance with IFRS 9, the effect of impairment of debt securities at fair value through other comprehensive income is recognized through other comprehensive income and income statement, and they do not reduce the carrying amount of securities in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

32. RISK MANAGEMENT POLICIES (Continued)

Credit risk (Continued)

*Credit quality of financial assets (Continued)*

<u>In thousands of RSD</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>December 31, 2021</u>
<b>FINANCIAL ASSETS</b>				
<b>Cash and current accounts held with banks</b>				
Gross carrying amount	426,760,084	-	874,607	427,634,691
Impaired amount	-	-	(874,607)	(874,607)
<b>Net carrying amount</b>	<b>426,760,084</b>	<b>-</b>	<b>-</b>	<b>426,760,084</b>
<b>Deposits</b>				
Gross carrying amount	95,206,431	-	2,786,879	97,993,310
Impaired amount	(3,527)	-	(2,786,879)	(2,790,406)
<b>Net carrying amount</b>	<b>95,202,904</b>	<b>-</b>	<b>-</b>	<b>95,202,904</b>
<b>Securities measured at amortised cost</b>				
Gross carrying amount	110,967,749	-	141,045	111,108,794
Impaired amount	(55,298)	-	(141,045)	(196,343)
<b>Net carrying amount</b>	<b>110,912,451</b>	<b>-</b>	<b>-</b>	<b>110,912,451</b>
<b>Securities measured at FVOCI</b>				
Gross carrying amount	857,620,411	-	-	857,620,411
Provisions for expected credit losses	(56,624)	-	-	(56,624)
<b>Gross carrying amount* (Note 19)</b>	<b>857,620,411</b>	<b>-</b>	<b>-</b>	<b>857,620,411</b>
<b>Loans and placements</b>				
Gross carrying amount	915,958	69,012	1,415,405	2,400,375
Impaired amount	(71,434)	(19,302)	(1,399,595)	(1,490,331)
<b>Net carrying amount</b>	<b>844,524</b>	<b>49,710</b>	<b>15,810</b>	<b>910,044</b>
<b>IMF membership quota and SDR holdings</b>	<b>99,414,481</b>	<b>-</b>	<b>-</b>	<b>99,414,481</b>
<b>Other assets</b>				
Gross carrying amount	1,003,754	21,721	339,021	1,364,496
Impaired amount	-	(1,178)	(282,054)	(283,232)
<b>Net carrying amount</b>	<b>1,003,754</b>	<b>20,543</b>	<b>56,967</b>	<b>1,081,264</b>



**32. RISK MANAGEMENT POLICIES (Continued)****Credit risk (Continued)*****Credit quality of financial assets (Continued)***

The basic exposure of the Bank to credit risk is principally inherent to managing foreign exchange reserves. When investing foreign currency reserves, the Bank relies on the principles of liquidity and safety. The Bank strives to invest foreign exchange reserves in such a manner that it realizes as high return on investment as possible without jeopardizing liquidity and safety.

The analysis and measurement of credit risk inherent in the Bank's portfolio is performed in accordance with the generally accepted methods, including the requirements of minimum credit rating.

Securities invested in must be at least rated as A- for state-issued bonds, A+ for public sector bonds and AA for bonds securitized with collaterals, according to Standard & Poor's, Moody's Investor Service (Moody's) and Fitch Ratings.

Banks maintaining deposits placed by the Bank, unless collateralized, must have a minimum long term credit rating of AA-, according to Standard & Poor's, Moody's and Fitch Ratings. For each bank, the individual credit limit is determined based on the bank's credit rating, prior experience in operations with that bank and by analyzing data on its business performance. Individual credit limits are determined in the List of Authorized Issuers and Banks, in which it is permissible to place deposits, which is approved by Executive Board.

There are no limitations to placements with central banks and international financial institutions.

The exception from the previous paragraphs relates to funds held on the regular current accounts of the Bank held with banks without the required credit rating, used for international payment transactions.

The Bank's placements in dinar securities refer to government and corporate securities acquired through permanent purchases from banks on the secondary market as part of monetary policy measures taken in response to the COVID-19 pandemic and geopolitical crisis in world. According to external rating agency S&P, the Republic of Serbia has a credit rating of BB+ with a stable outlook, according to Fitch Ratings it has a credit rating of BB+ with a stable outlook, while according to Moody's it has credit rating Ba2 with stable outlook. The condition for accepting corporate bonds in monetary operations is that the company, their issuer, has a credit rating of the Business Registers Agency at least at the level of "(D) acceptable" creditworthiness.

***Impairment of financial assets***

The Bank will recognise a loss allowance (disclosure of a value adjustment i.e. loss allowance for expected credit loss) for the expected credit losses of financial assets that are measured at amortized cost and financial assets at fair value through other comprehensive income.

Expected credit loss is the amount of the present value of estimated credit losses, with the respective risks of a default occurring as the weights.

Financial assets are classified as impaired Stage 1, 2 or 3 based on an assessment of whether the credit risk has been significantly increased in relation to the risk that existed at the date of initial recognition of those financial assets.

**32. RISK MANAGEMENT POLICIES (Continued)****Credit risk (Continued)*****Impairment of financial assets (Continued)***

Financial assets are classified within the impairment Stage 1 if they are determined to have low credit risk or if the credit risk has not been significantly increased since initial recognition of those financial assets. For these financial assets the loss allowance is measured at an amount equal to 12-month expected credit losses.

Financial assets are classified within the impairment Stage 2 if it is estimated that the credit risk has been significantly increased in relation to the risk that existed at the date of initial recognition and for these financial assets the loss allowance is measured at an amount equal to the life time expected credit losses.

Financial assets are classified within the impairment Stage 3 if it is estimated that the credit risk has been significantly increased, so that the value of these financial assets can be considered to be impaired, and for these financial assets the loss allowance is measured at an amount equal to the life time expected credit losses.

Financial assets whose credit value is impaired at initial recognition are required to be classified in impairment Stage 3 and remain at that level throughout the life cycle,

When defining the criteria for assessing the increase in credit risk that are considered significant, all financial assets for which the estimated credit losses are assessed are applied criteria that are consistent with the criteria in use in the regular management of credit risks for the related financial assets, including the consideration of qualitative indicators, and in particular:

- changes in the terms of a financial asset established (contracted, determined or otherwise established in accordance with the regulations), which would then differ significantly from market conditions,
- changes in the internal / external credit rating of the debtor,
- significant changes in the economic branch (in financial and/or economic conditions),
- changes in the operating result of the debtor,
- a significant increase in the credit risk of other financial assets of the same borrower,
- changes in the value of the collateral or third-party guarantees,
- past due information,
- other relevant indicators.

Regardless of the criteria used in the regular credit risk management for the related financial assets - if it is not proven otherwise, it is considered that there has been a significant increase in the credit risk of all financial assets that were due on the last day of the reporting period, and contractual payments are more than 30 days past due.

The value of the financial asset is impaired (credit - impaired assets) when one or more events that have a detrimental impact on the estimated future cash flow of that financial asset occur, and then the asset is classified within impairment Stage 3.

**32. RISK MANAGEMENT POLICIES (Continued)****Credit risk (Continued)*****Impairment of financial assets (Continued)***

Evidence of the impairment of the value of all financial assets subject to the assessment of expected credit losses include, in particular, available information on the following events:

- significant financial difficulties of the debtor,
- breach of contract or other established conditions, such as default or past due event,
- debt restructuring for economic or legal reasons related to the financial difficulties of the debtor,
- the obvious possibility that bankruptcy proceedings or other forms of financial reorganization will be initiated against the debtor,
- the cessation of the existence of an active market for a financial asset due to the financial difficulties of the borrower,
- purchase or issue of a high-discount financial asset that reflects the incurred credit losses.

Regardless of the criteria used in the regular credit risk management for the related financial assets - if it is not proven otherwise, it is considered that the financial asset has become a defaulting status (impairment level 3) if it is due on the last day of the reporting period, and contractual payments are more than 90 days past due.

Expected credit losses of financial assets are estimated on an individual or collective basis for financial assets with the same characteristics, taking into account all relevant and available quantitative and qualitative information, related to past, present and future events.

The ways in which it is determined whether the financial assets have a low credit risk and the procedures on the basis of which it is estimated whether the credit risk is significantly increased on the reporting date in relation to the date of initial recognition, as well as the procedures for assessing the amount of the impairment, the method and the techniques used to estimate the impairment, the models used to measure expected credit losses are set out in the methodologies for assessing the impairment on the basis of expected credit losses within the relevant organizational units of the Bank, for:

- cash and current accounts held with banks,
- foreign exchange reserves,
- financial assets obtained in the framework of activities related to the implementation of monetary policy and instruments envisaged by the Law and other laws,
- IMF membership quota and special drawing rights holdings,
- other assets and receivables.

**32. RISK MANAGEMENT POLICIES (Continued)****Credit risk (Continued)*****Impairment of financial assets (Continued)***

The nature of **Cash and current accounts held with banks** is such that these assets are currently available, and the expected credit loss for the 12 months and for the entire lifetime of these financial assets is the same. As long as this financial asset is currently available, it is considered that the credit risk is negligible and that the expected credit loss is zero. Also, bearing in mind that assets on current accounts held with banks, whose credit ratings are of the investment rank, these assets have low credit risk and it is considered that there has been no significant increase in credit risk until their credit rating remains at that level. The inability to dispose of these financial assets for more than one or two working days in case of technical difficulties, is a basic indicator that their value is credit-impaired. As additional relevant information for determining the credit risk status, knowing the default in the performance of the obligations of other account holders, i.e. delays in fulfilling the obligations towards the creditors, as well as the information published by the rating agency, such as the assignment of status D and other information on possibility of bankruptcy proceedings.

Credit risk of **foreign exchange reserves** (deposits and securities in foreign currency) is quantified through the *default* model, based on the probability of loss of the counterparty. The parameters for measuring credit risk are as follows:

- the amount exposed to the risk (the maximum amount that may become a loss in the case of a failure to settle the contractual obligation), equal to the carrying amount of the placements,
- probability of default (the probability of a counterparty default), which, depending on the composite credit rating of the bank/issuer, is calculated as an average *default* rate for one year according to rating agencies *Standard & Poor's* and *Moody's*,
- loss for a given probability, obtained as a 1 - recovery rate (the level by which the loss can be recovered due to the inability of the counterparty to fulfil its obligation) and
- the expected credit loss, which represents the average potential loss of the carrying amount of assets that is the result of an event in the market, and is related to credit risk.

Placements of foreign exchange reserves with banks or issuers whose credit rating of the investment grade has low credit risk. The reduction of the credit rating for one level lower than the investment grade is considered a significant increase in the credit risk, in which case parameter used is value of probability of loss for the remaining lifetime of the financial asset, that is calculated as the average default rate according to *Standard & Poor's* and *Moody's* for the appropriate period.

Any default in the fulfilment of obligations by the counterparty more than one or two working days in the event of technical difficulties, is the basic indicator that the value of the foreign exchange reserves placement is credit-impaired. As additional relevant information for determining status of impairment of these assets, may be used cognition about the delay of the bank with which deposits are placed or securities issuers, in fulfilment of obligations towards other creditors, as well as information published by the rating agency, such as the granting of a status D and other information on the possibility of bankruptcy proceedings.

**32. RISK MANAGEMENT POLICIES (Continued)****Credit risk (Continued)*****Impairment of financial assets (Continued)***

The credit quality of foreign exchange reserves is continuously monitored and, if necessary, it is reacted in order to reduce credit risk to a minimum. Given the high credit quality of instruments in the Bank's foreign exchange reserves and the fact that the methodology for assessing impairment based on expected credit losses provides for an increase in calculated expected credit losses in the event of a decrease in credit quality of instruments/counterparties, in 2022 there was no need to change the methodology for assessing impairment based on expected credit losses.

**Financial assets obtained within the framework of activities related to the implementation of the monetary policy and instruments envisaged by the Law and other laws** are low credit risk assets in cases of settling the debtor's obligations at maturity, when issues are not expected on the basis of the borrower's creditworthiness and when they are covered by appropriate means of security.

Criteria for determining a significant increase in credit risk are the default of debt obligations, the decrease in the creditworthiness of the debtors, the decrease in the value of the collateral, significant credit risk increase in other financial assets of the same debtor, regional or global economic and financial crisis, specific issues related to individual groups of banks or companies, issues in maintaining the current liquidity of the bank and other debtors, issues related to deterioration of indicators of the risk of business of the borrower and other available information.

Criteria for determining the default status are: significant problems with the borrower's creditworthiness, restructuring for economic or legal reasons related to the borrower's financial difficulties, the possibility of bankruptcy proceedings or other forms of financial reorganization.

The estimate of expected credit losses in repo transactions of securities and liquidity loans is calculated as the sum of the values of all possible losses, each weighted by the probability of occurrence of that loss. The assessment of the probability of default is made based on the "credit rating", i.e. the default rate set by the rating agencies Standard & Poor's and Moody's for the level of credit rating that the Republic of Serbia has. The basic probability of loss determined in this way is adjusted by the probability of loss of the parent bank, as well as the internal assessment of banks' ratings determined on the basis of monitoring basic risk indicators, business model analysis, corporate governance and internal control system, solvency, liquidity and capital adequacy risks, and the adequacy of liquid assets, as well as on the basis of operational data available internally.

Estimation of the amount of impairment of financial assets related to permanent operations with securities, regulated by the Decision on conditions and manner of conducting open market operations (except corporate bonds) and placements in securities in dinars and foreign currency, acquired outside monetary policy activities (except for corporate bonds), is performed on the basis of the number of days of delay in settling liabilities, if these assets are classified in the first level of impairment. If these assets are classified in impairment level 2 or 3, the impairment calculation is performed in accordance with the calculation applied to corporate bonds, with the exception of the scoring factor.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

32. RISK MANAGEMENT POLICIES (Continued)

Credit risk (Continued)

*Impairment of financial assets (Continued)*

The assessment of expected credit losses in permanent operations related to corporate bond placements is based on data from rating agencies Standard & Poor's and Moody's on default rates on credit ratings for the Republic of Serbia and data from the Business Registers Agency on the company's creditworthiness.

In addition, the assessment is made on the basis of other significant data, such as the number of days of illiquidity of the company in the last 12 months, data on the prohibition of disposing of funds in bank accounts, etc., as well as on operational data on companies has (expected movements of basic macroeconomic indicators of the country, assessment of the stability of the financial system, knowledge of problems in the operations of individual companies or groups of companies, etc.).

For other assets and liabilities which are subject of credit risk assessment at the level of defined groups and subgroups, the estimate of expected credit losses is based on the average historical loss rates for defined segments, based on the migration matrix, the length of the delay in settling the debtor's obligations and the level of insurance of their collection.

The following tables show the balance and changes in impairment and provisions on the basis of expected credit losses by type of financial asset and impairment levels for 2022 and 2021:

CASH AND CASH EQUIVALENTS

<u>In thousands of RSD</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>Balance January 1, 2022</b>	-	-	<b>874,607</b>	<b>874,607</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Foreign exchange effects	-	-	45,291	45,291
<b>Balance December 31, 2022</b>	<b>-</b>	<b>-</b>	<b>919,898</b>	<b>919,898</b>
<b>Balance December 31, 2021</b>	<b>-</b>	<b>-</b>	<b>814,221</b>	<b>814,221</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Foreign exchange effects	-	-	60,386	60,386
<b>Balance December 31, 2021</b>	<b>-</b>	<b>-</b>	<b>874,607</b>	<b>874,607</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

32. RISK MANAGEMENT POLICIES (Continued)

Credit risk (Continued)

*Impairment of financial assets (Continued)*

Deposits

<u>In thousands of RSD</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>Balance January 1, 2022</b>	<b>3,527</b>	-	<b>2,786,879</b>	<b>2,790,406</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change for the period	13,141	-	-	13,141
Reversed impairments	(13,266)	-	-	(13,266)
Foreign exchange effects	122	-	166,937	167,059
<b>Balance December 31, 2022</b>	<b>3,524</b>	-	<b>2,953,816</b>	<b>2,957,340</b>
<b>Balance January 1, 2021</b>	<b>4,718</b>	-	<b>2,565,312</b>	<b>2,570,030</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change for the period	15,560	-	-	15,560
Reversed impairments	(16,926)	-	-	(16,926)
Foreign exchange effects	175	-	221,567	221,742
<b>Balance December 31, 2021</b>	<b>3,527</b>	-	<b>2,786,879</b>	<b>2,790,406</b>

Securities measured at amortised cost

<u>In thousands of RSD</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>Balance January 1, 2022</b>	<b>55,298</b>	-	<b>141,045</b>	<b>196,343</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change for the period	29,469	-	-	29,469
Reversed impairments	(2,402)	-	-	(2,402)
<b>Balance December 31, 2022</b>	<b>82,365</b>	-	<b>141,045</b>	<b>223,410</b>
<b>Balance January 1, 2021</b>	<b>57,166</b>	-	<b>459,018</b>	<b>516,184</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change for the period	8	-	-	8
Reversed impairments	(1,876)	-	(317,088)	(318,964)
Write-offs	-	-	(885)	(885)
<b>Balance December 31, 2021</b>	<b>55,298</b>	-	<b>141,045</b>	<b>196,343</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

32. RISK MANAGEMENT POLICIES (Continued)

Credit risk (Continued)

*Impairment of financial assets (Continued)*

Securities measured at FVOCI

<u>In thousands of RSD</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>Balance January 1, 2022</b>	<b>56,624</b>	-	-	<b>56,624</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change for the period	24,015	-	-	24,015
Reversed impairments	(34,552)	-	-	(34,552)
<b>Balance December 31, 2022</b>	<b>46,087</b>	-	-	<b>46,087</b>
<b>Balance January 1, 2021</b>	<b>46,286</b>	-	-	<b>46,286</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change for the period	39,610	-	-	39,610
Reversed impairments	(29,272)	-	-	(29,272)
<b>Balance December 31, 2021</b>	<b>56,624</b>	-	-	<b>56,624</b>

Credit and placements

<u>In thousands of RSD</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>Balance January 1, 2022</b>	<b>71,434</b>	<b>19,302</b>	<b>1,399,595</b>	<b>1,490,331</b>
Transfer to stage 1	21,348	(4,207)	(17,141)	-
Transfer to stage 2	(4,551)	19,620	(15,069)	-
Transfer to stage 3	(10,611)	(16,654)	27,265	-
Change for the period	11,111	171	3,867	15,149
Reversed impairments	(20,186)	(5,032)	(3,589)	(28,807)
Write-offs	-	-	(18)	(18)
Other	-	-	683	683
<b>Balance December 31, 2022</b>	<b>68,545</b>	<b>13,200</b>	<b>1,395,593</b>	<b>1,477,338</b>
<b>Balance January 1, 2021</b>	<b>66,878</b>	<b>15,245</b>	<b>1,424,555</b>	<b>1,506,678</b>
Transfer to stage 1	15,329	(6,207)	(9,122)	-
Transfer to stage 2	(7,771)	19,390	(11,619)	-
Transfer to stage 3	(2,310)	(5,511)	7,821	-
Change for the period	7,031	760	1,090	8,881
Reversed impairments	(7,723)	(4,375)	(3,631)	(15,729)
Write-offs	-	-	(10,416)	(10,416)
Other	-	-	917	917
<b>Balance December 31, 2021</b>	<b>71,434</b>	<b>19,302</b>	<b>1,399,595</b>	<b>1,490,331</b>

Translation disclaimer: The English version is a translation of the original in Serbian for information purposes only. In case of discrepancy, the Serbian version will prevail



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32. RISK MANAGEMENT POLICIES (Continued)

Credit risk (Continued)

*Impairment of financial assets (Continued)*

Other assets

<u>In thousands of RSD</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>Balance January 1, 2022</b>	-	<b>1,178</b>	<b>282,054</b>	<b>283,232</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	(575)	575	-
Transfer to stage 3	-	-	-	-
Change for the period	-	10,230	135,669	145,899
Reversed impairments	-	(3,759)	(9,465)	(13,224)
Foreign exchange effects	-	9	9,470	9,479
Write-offs	-	(16)	(37,288)	(37,304)
	-	-	(1,037)	(1,037)
<b>Balance December 31, 2022</b>	<b>-</b>	<b>7,067</b>	<b>379,978</b>	<b>387,045</b>
<b>Balance January 1, 2021</b>	-	-	-	-
Transfer to stage 1	-	<b>1,322</b>	<b>272,436</b>	<b>273,758</b>
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Change for the period	-	(2)	2	-
Reversed impairments	-	2,431	9,267	11,698
Foreign exchange effects	-	(2,613)	(10,173)	(12,786)
Write-offs	-	40	12,795	12,835
Other	-	-	(2,273)	(2,273)
<b>Balance December 31, 2021</b>	<b>-</b>	<b>1,178</b>	<b>282,054</b>	<b>283,232</b>

Other non-credit risk assets include inventories, advances and deferred fees and charges in the total amount at December 31, 2022 of RSD 5,063,502 thousand (December 31, 2021: RSD 4,916,263 thousand).

During 2022, no reclassification or modification of financial assets was performed.

Also in 2022, there are no financial assets which are credit impaired, and whose conditions have been significantly modified, so that asset has been derecognized and new financial instrument recognised.

NOTES TO THE FINANCIAL STATEMENTS  
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32. RISK MANAGEMENT POLICIES (Continued)

Credit risk (Continued)

Concentration of Credit Risk in Financial Assets

a) Concentration per Region

<u>In thousands of RSD</u>	<u>Serbia</u>	<u>Europe</u>	<u>USA and Canada</u>	<u>Asia</u>	<u>Other</u>	<u>Total</u>
<b>Financial assets</b>						
Cash and current accounts held with banks	16,431,751	524,695,227	761,858	16,673	456,007	542,361,516
Deposits	12,901	220,478,678	24,842,130	-	-	245,333,709
Securities	141,197,748	719,710,000	205,980,836	66,751,934	-	1,133,640,518
Credit and placements	32,126,330	-	-	-	-	32,126,330
IMF membership quota and SDR holdings	-	-	8,288,210	-	-	8,288,210
Other assets	1,123,833	847	2,587	-	-	1,127,267
<b>Total as at December 31, 2022</b>	<b>190,892,563</b>	<b>1,464,884,752</b>	<b>239,875,621</b>	<b>66,768,607</b>	<b>456,007</b>	<b>1,962,877,550</b>
<b>Total as at December 31, 2021</b>	<b>132,849,967</b>	<b>1,061,692,722</b>	<b>292,106,164</b>	<b>105,017,812</b>	<b>234,974</b>	<b>1,591,901,639</b>

b) Concentration per Industry

<u>In thousands of RSD</u>	<u>Banks</u>	<u>Public sector (Government and public companies)</u>	<u>Other financial organizations</u>	<u>*Other foreign consumers (except banks)</u>	<u>Retail customers</u>	<u>Other legal entities sector</u>	<u>Total</u>
<b>Financial assets</b>							
Cash and current accounts held with banks	542,361,516	-	-	-	-	-	542,361,516
Deposits	245,333,709	-	-	-	-	-	245,333,709
Securities	82,532,726	138,888,208	39,834,806	870,075,238	-	2,309,540	1,133,640,518
Credit and placements	31,786,224	-	-	-	340,106	-	32,126,330
IMF membership quota and SDR holdings	-	-	8,288,210	-	-	-	8,288,210
Other assets	224,136	803,472	2,322	2,588	91,761	2,988	1,127,267
<b>Total as at December 31, 2022</b>	<b>902,238,311</b>	<b>139,691,680</b>	<b>48,125,338</b>	<b>870,077,826</b>	<b>431,867</b>	<b>2,312,528</b>	<b>1,962,877,550</b>
<b>Total as at December 31, 2021</b>	<b>616,857,128</b>	<b>109,295,071</b>	<b>136,464,542</b>	<b>726,506,553</b>	<b>462,304</b>	<b>2,316,041</b>	<b>1,591,901,639</b>

\* Issuers of securities: the international financial institutions (Supranational), a federal unit of the most developed countries (Subnational-municipal) and financial institutions with state support (Agency).

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32. RISK MANAGEMENT POLICIES (Continued)

Credit risk (Continued)

Concentration of Credit Risk in Financial Assets (Continued)

c) Concentration per Credit Rating

<u>In thousands of RSD</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<b>Securities in foreign currency</b>		
<b>- Coupon bonds:</b>		
AAA	505,302,660	395,006,013
AA+	89,117,809	136,227,421
AA	182,797,399	133,059,187
AA-	11,210,474	13,841,210
A+	33,741,722	73,530,266
A	14,196,302	11,437,895
A-	22,948,752	37,732,888
<b>Total</b>	<b>859,315,118</b>	<b>800,834,880</b>
<b>- Discounted securities:</b>		
AAA	37,607,489	23,709,373
AA+	10,542,194	10,030,147
AA	43,166,345	17,727,701
AA-	41,811,623	5,318,310
<b>Total</b>	<b>133,127,651</b>	<b>56,785,531</b>
<b>-Time Deposits:</b>		
No rating (risk-free)*	77,415,128	2,185,983
AAA	103,829,280	28,843,692
AA	64,076,400	64,136,685
<b>Total</b>	<b>245,320,808</b>	<b>95,166,360</b>
<b>Coupon securities:</b>		
-government bonds of the Republic of Serbia-the rating of the Republic of Serbia**	100,037,185	83,396,206
- corporate securities		
The issuer's credit rating from "(B) very good" to "(D) acceptable" rating of the Serbian Business Registers Agency***	41,160,564	27,516,245
<b>Total</b>	<b>141,197,749</b>	<b>110,912,451</b>

\* Deposits with BIS Basel are not subject to credit rating and are treated as zero risk investments.

\*\* According to external rating agencies S&P and, the Republic of Serbia has a credit rating of BB + with a positive outlook, Fitch credit rating of BB+ with a positive outlook, while according to Moody's it has a credit rating of Ba2 with a stable outlook.

\*\*\* Rating of creditworthiness (scoring) is an objectified assessment determined on the basis of data from financial statements in the last five and at least three years, and when making scoring, the financial performance of the company is evaluated and analyzed through indicators for credit rating, taking into account basic tendencies in the area of which the activities are performed. In addition, other important data are included, such as the number of days of illiquidity in the last 12 months and alike. The condition for accepting corporate bonds in monetary operations is that the company, their issuer, has a credit rating of the Serbian Business Registers Agency at least at the level of "(D) acceptable" creditworthiness.

**32. RISK MANAGEMENT POLICIES (Continued)****Credit risk (Continued)*****Concentration of Credit Risk in Financial Assets (Continued)******c) Concentration per Credit Rating (Continued)***

<b><u>In thousands of RSD</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
<b>Funds in current accounts with foreign banks</b>		
(used for international payment operations):		
- Assets in international financial institutions (without rating)	12,992	12,054
- Foreign banks with ratings AAA	525,377,367	23,970,121
- Foreign banks with ratings AA+	6,074	382,570,769
- Foreign banks with ratings AA, AA-, A+, A and A-	533,174	293,094
- Foreign banks with ratings BBB+ and BB+ and BB	-	201
-without rating	157	-
<b>Total</b>	<b><u>525,929,764</u></b>	<b><u>406,846,239</u></b>
<b>Other financial assets exposed to credit risk</b>	<b>57,986,460</b>	<b>121,356,178</b>
<b>Total</b>	<b><u>1,962,877,550</u></b>	<b><u>1,591,901,639</u></b>

Other financial assets exposed to credit risk are assets that are not subject to the Bank's investment in accordance with the guidelines for the management of foreign exchange reserves and internal instructions and reflect the following structure:

<b><u>In thousands of RSD</u></b>	<b><u>December 31, 2022</u></b>	<b><u>December 31, 2021</u></b>
Current account funds with domestic banks	16,431,752	19,913,845
Deposits (and interest) given for housing construction to employees	12,901	36,544
Loans and placements	32,126,330	910,044
Funds in special drawing rights	8,288,210	99,414,481
Other assets	1,127,267	1,081,264
<b>Total</b>	<b><u>57,986,460</u></b>	<b><u>121,356,178</u></b>

**Liquidity risk**

Liquidity risk relates both to the risk of the inability to finance the Bank's assets from funds with equal maturities and interest rates, and to the risk of not being able to collect assets at adequate price and within agreed timelines.

The Bank's daily activities are focused on ensuring the necessary liquidity, i.e. settlement of all liabilities when due. The Bank assesses liquidity risk by identifying it and by controlling changes in the sources of financing necessary to attain business targets determined in the Bank's strategy. In addition, as a part of liquidity risk management strategy, the Bank is in possession of a portfolio of liquid assets, including funds held on accounts with foreign banks and bonds issued by international financial institutions, most developed states and/or their federal units and financial institutions supported by those states, as well as the bonds issued on the basis of first-class collaterals, in line with Guidelines for managing foreign exchange reserves.

NOTES TO THE FINANCIAL STATEMENTS  
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32. RISK MANAGEMENT POLICIES (Continued)

Liquidity risk (Continued)

The following table presents the analysis of maturities of the Bank's assets and liabilities according to their contractually-agreed terms of payment or assumed liquidity. The contractual maturities of assets and liabilities are determined based on the outstanding agreed maturity periods as of the statement of financial position date.

<b>In thousands of RSD</b>	<b>Up to one month</b>	<b>From 1 to 3 months</b>	<b>From 3 months to 1 year</b>	<b>From 1 to 5 years</b>	<b>Over 5 years</b>	<b>Without specified maturity</b>	<b>Total</b>
Cash and current accounts held with banks	802,350,411	-	-	-	-	-	802,350,411
Deposits	107,347,767	113,114,026	24,637,704	-	-	234,212	245,333,709
Receivables for derivatives	-	-	-	-	-	12,770	12,770
Securities	48,035,949	62,929,980	433,091,885	565,719,899	23,862,804	12,131,490	1,145,772,007
Loans and placements	416,328	-	30,839,433	1,428	338,676	530,465	32,126,330
IMF membership quota and SDR holdings	8,288,210	-	-	-	-	89,132,817	97,421,027
Other assets	457,564	-	-	-	-	669,703	1,127,267
<b>Total</b>	<b>966,896,229</b>	<b>176,044,006</b>	<b>488,569,022</b>	<b>565,721,327</b>	<b>24,201,480</b>	<b>102,711,457</b>	<b>2,324,143,521</b>
Liabilities under derivatives	-	-	-	-	-	12,770	12,770
Deposits and other liabilities to banks and other financial organisations	623,251,876	-	-	-	-	415,233,620	1,038,485,496
Deposits and other financial liabilities to Government and other depositors	440,975,631	77,106,049	-	-	-	101,786,712	619,868,392
Liabilities to the IMF	204,159	-	-	115,187,719	-	97,441,561	212,833,439
Cash in circulation	-	-	-	-	-	310,873,399	310,873,399
Other liabilities	960,277	12,296	-	-	-	13,306,418	14,278,991
<b>Total</b>	<b>1,065,391,943</b>	<b>77,118,345</b>	<b>-</b>	<b>115,187,719</b>	<b>-</b>	<b>938,654,480</b>	<b>2,196,352,487</b>
<b>Liquidity gap as at December 31, 2022</b>	<b>(98,495,714)</b>	<b>98,925,661</b>	<b>488,569,022</b>	<b>450,533,608</b>	<b>24,201,480</b>	<b>(835,943,023)</b>	<b>127,791,034</b>
<b>Cumulative gap as at December 31, 2022</b>	<b>(98,495,714)</b>	<b>429,947</b>	<b>488,998,969</b>	<b>939,532,577</b>	<b>963,734,057</b>	<b>127,791,034</b>	<b>-</b>
<b>Liquidity gap as at December 31, 2021</b>	<b>69,575,599</b>	<b>80,143,801</b>	<b>222,074,524</b>	<b>629,229,075</b>	<b>15,966,276</b>	<b>(879,809,505)</b>	<b>137,179,770</b>
<b>Cumulative gap as at December 31, 2021</b>	<b>69,575,599</b>	<b>149,719,400</b>	<b>371,793,924</b>	<b>1,001,022,999</b>	<b>1,016,989,275</b>	<b>137,179,770</b>	<b>-</b>

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**32. RISK MANAGEMENT POLICIES (Continued)****Liquidity risk (Continued)**

The liquidity gap arises from the specificity of the Bank as a central bank, its role as the main monetary institution and regulator of the banking system and to its functions autonomously and independently and determine and implement monetary and foreign exchange policies. Dinar liquidity flows in the banking sector depend on the implementation of the monetary policy of the Bank and the activities of the Government.

The maturity of most of the Bank's liabilities depends on the nature of monetary policy instruments. Changes related to reserve requirements, repo-transactions and deposit of surplus liquid assets in dinars, as well as Government deposits in dinars, do not automatically decrease or increase liquidity of the Bank, but relate to the most common change in the structure of liabilities of the Bank, given the consequent spilling over of funds between banks, between banks and the state, and the change of certain types of claims on the Bank, and consequently the obligations of the Bank (decrease in placements through repo operations leading to an increase in balances on current accounts of banks and / or deposit account surplus, but the overall balance of the Bank's liability can stay at the same level).

On the other hand, the foreign currency liabilities of the Bank, including potential liabilities arising from foreign exchange interventions on the foreign exchange market, are provided by highly liquid foreign assets managed by the Bank in accordance with the Strategic Guidelines for the management of Foreign Exchange Reserves.

In response to the COVID-19 virus pandemic, the Bank did not change the way it manages liquidity risk for foreign exchange placements, bearing in mind that due to highly set criteria for liquidity and security of financial instruments in foreign exchange reserves, this risk has already been reduced to a minimum measure.

NOTES TO THE FINANCIAL STATEMENTS  
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32. RISK MANAGEMENT POLICIES (Continued)

**Fair Value Information**

The following table presents a comparison of the carrying amounts (as adjusted for impairment) to the fair values of all financial assets and liabilities of the Bank as at December 31, 2022 and 2021:

<b>In thousands of RSD</b>	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Financial assets</b>				
Cash and current accounts held with banks	802,350,411	675,393,606	802,350,411	675,393,606
Deposits	245,333,709	95,202,904	245,333,709	95,202,904
Receivables from derivatives	12,770	2,462	12,770	2,462
Securities	1,145,772,007	980,667,570	1,142,269,193	980,667,570
Loans and placements	32,126,330	910,044	32,126,330	910,044
IMF membership quota and SDR holdings	97,421,027	187,854,210	97,421,027	187,854,210
Other assets	1,127,267	1,081,264	1,127,267	1,081,264
<b>Total</b>	<b>2,324,143,521</b>	<b>1,941,112,060</b>	<b>2,320,640,707</b>	<b>1,941,112,060</b>
<b>Financial liabilities</b>				
Liabilities under derivatives	12,770	602	12,770	602
Deposits and other liabilities to banks and other financial organisations	1,038,485,496	798,086,390	1,038,485,496	798,086,390
Deposits and other financial liabilities to Government and other depositors	619,868,392	519,812,267	619,868,392	519,812,267
Liabilities to the IMF	212,833,439	187,979,401	212,833,439	187,979,401
Cash in circulation	310,873,399	295,311,307	310,873,399	295,311,307
Other liabilities	14,278,991	2,742,323	14,278,991	2,742,323
<b>Total</b>	<b>2,196,352,487</b>	<b>1,803,932,290</b>	<b>2,196,352,487</b>	<b>1,803,932,290</b>

**Fair Value Hierarchy**

The Bank measures the fair value of financial assets using the following hierarchy in terms of the quality of inputs used in the valuation:

- Level 1: Quoted market price in an active market for identical instruments.
- Level 2: Valuation inputs which are not quoted market price for identical instruments in market, instead are based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets from similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable and available data and as such have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant adjustments or assumptions are required to reflect differences among the instruments.

NOTES TO THE FINANCIAL STATEMENTS  
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32. RISK MANAGEMENT POLICIES (Continued)

Fair Value Information (Continued)

Fair Value Hierarchy (Continued)

*Fair Value Hierarchy of Financial Assets and Liabilities Measured at fair value*

Fair values of financial assets and liabilities measured at fair value categorized per fair value hierarchy levels in accordance with IFRS 13 are provided below:

<u>In thousands of RSD</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>As of December 31, 2022</b>				
<b>Financial assets</b>				
Receivables from derivatives	-	12,770	-	12,770
Securities	992,442,769	-	12,131,489	1,004,574,258
<b>Total:</b>	<b>992,442,769</b>	<b>12,770</b>	<b>12,131,489</b>	<b>1,004,587,028</b>
<b>Financial liabilities</b>				
Liabilities under derivatives	-	12,770	-	12,770
<b>Total:</b>	<b>-</b>	<b>12,770</b>	<b>-</b>	<b>12,770</b>
<b>As of December 31, 2021</b>				
<b>Financial assets</b>				
Receivables from derivatives	-	2,462	-	2,462
Securities	855,263,031	-	14,492,088	869,755,119
<b>Total:</b>	<b>855,263,031</b>	<b>2,462</b>	<b>14,492,088</b>	<b>869,757,581</b>
<b>Financial liabilities</b>				
Liabilities under derivatives	-	602	-	602
<b>Total:</b>	<b>-</b>	<b>602</b>	<b>-</b>	<b>602</b>



**32. RISK MANAGEMENT POLICIES (Continued)****Fair Value Information (Continued)****Fair Value Hierarchy (Continued)***Fair Value Hierarchy of Financial Assets and Liabilities Measured at fair value (Continued)***a) Financial Assets and Liabilities at fair value - mandatory**

Receivables from derivatives in the amount of RSD 12,770 thousand as at December 31, 2022 (2021: RSD 2,462 thousand) relate to the positive change in the fair values of derivatives (swap transactions of purchase and sale of foreign currency), which is expressed as an asset.

Liabilities under derivatives in the amount of RSD 12,770 thousand as at December 31, 2022 (2021: RSD 602 thousand), refer to the negative fair values of derivatives and are stated as liabilities.

Inputs for calculating the fair value of swaps available on the market are the valid reference rate of the NBS, the EURIBOR of the respective maturity and the valid official middle exchange rate EUR/RSD.

Swap transactions are stated at the spot, i.e. the forward rate at which the Bank should buy or sell foreign currency and in off-balance sheet records. The swap transactions reported in off-balance sheet records in the total amount of RSD 16,255,320 thousand (2021: RSD 3,536,855 thousand) relate to the swap sale of foreign currency in the forward part of RSD 8,127,660 thousand (2021: forward part of RSD 1,767,497 thousand) and swap purchase of foreign currency, namely the forward part of RSD 8,127,660 thousand dinars (2021: forward part of RSD 1,769,358 thousand).

Securities in the amount of RSD 992,442,769 thousand as at December 31, 2022 (2021: RSD 855,263,031 thousand), classified as Level 1 of the fair value hierarchy, relate to government bonds (including government securities with floating rate note – FRN and state securities indexed by the inflation rate), securities of Public Sector (Supranational, Subnational, Agencies, Sovereign) including FRN, securities with high quality collateral (covered bonds), as well as state discounted T-bills, measured at fair value based on market prices quoted on financial markets.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2022

32. RISK MANAGEMENT POLICIES (Continued)

Fair Value Information (Continued)

Fair Value Hierarchy (Continued)

*Fair Value Hierarchy of Financial Assets and Liabilities Measured at fair value (Continued)*

b) *Financial Assets and Liabilities at fair value – optional*

The remaining part of securities in the amount of RSD 12,131,489 thousand as at December 31, 2022 (2021: RSD 12,134,708 thousand) allocated to level 3 of the fair value hierarchy refers to equity investment in Bank for International Settlements Basel (hereinafter: BIS Basel), where the Bank owns 2,920 shares. Bank measured these shares at fair value, based on the net present value of BIS Basel shares, discounted by 30%.

This method of calculating fair value was established on the basis of the decision of the International Court of Justice in Hague, which refers to the purchase of shares of BIS Basel in 2001 and to the determination of the value of the share of BIS Basel based on its net assets reduced by 30% as a basis for recording all subsequent transactions in relation to the shares, which is the established practice of central banks.

*Fair Value Hierarchy of Financial Assets and Liabilities not Measured at Fair Value*

The estimated fair values of financial assets and liabilities that are not measured at fair value per fair value hierarchy levels in accordance with IFRS 13 are presented below:

<u>In thousands of RSD</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>	<u>Carrying Value</u>
<b>As at December 31, 2022</b>					
<b>Financial assets</b>					
Cash and current accounts held with banks	-	802,350,411	-	802,350,411	802,350,411
Deposits	-	-	245,333,709	245,333,709	245,333,709
Securities	-	137,694,935	-	137,694,935	141,197,749
Loans and placements	-	-	32,126,330	32,126,330	32,126,330
IMF membership quota and SDR holdings	-	8,233,396	89,187,631	97,421,027	97,421,027
Other assets	-	-	1,127,267	1,127,267	1,127,267
<b>Total</b>	<b>-</b>	<b>948,278,742</b>	<b>367,774,937</b>	<b>1,316,053,679</b>	<b>1,319,556,493</b>
<b>Financial liabilities</b>					
Deposits and other liabilities to banks and other financial organizations	-	-	1,038,485,496	1,038,485,496	1,038,485,496
Deposits and other liabilities to the Government and other depositors	-	-	619,868,392	619,868,392	619,868,392
Liabilities to the IMF	-	-	212,833,439	212,833,439	212,833,439
Cash in circulation	-	-	310,873,399	310,873,399	310,873,399
Other liabilities	-	-	14,278,991	14,278,991	14,278,991
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,196,339,717</b>	<b>2,196,339,717</b>	<b>2,196,339,717</b>

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32. RISK MANAGEMENT POLICIES (Continued)

Fair Value Information

Fair Value Hierarchy (Continued)

*Fair Value Hierarchy of Financial Assets and Liabilities Measured at fair value (Continued)*

<u>In thousand of RSD</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value Total</u>	<u>Carrying Value</u>
<b>As at December 31, 2021</b>					
<b>Financial assets</b>					
Cash and current accounts held with banks	-	675,393,606	-	675,393,606	675,393,606
Deposits	-	-	95,202,904	95,202,904	95,202,904
Securities	-	110,912,451	-	110,912,451	110,912,451
Loans and placements	-	-	910,044	910,044	910,044
IMF membership quota and SDR holdings	-	99,414,481	88,439,729	187,854,210	187,854,210
Other assets	-	-	1,081,264	1,081,264	1,081,264
<b>Total</b>	<b>-</b>	<b>885,720,538</b>	<b>185,633,941</b>	<b>1,071,354,479</b>	<b>1,071,354,479</b>
<b>Financial liabilities</b>					
Deposits and other liabilities to banks and other financial organizations	-	-	798,086,390	798,086,390	798,086,390
Deposits and other liabilities to the Government and other depositors	-	-	519,812,267	519,812,267	519,812,267
Liabilities to the IMF	-	-	187,979,401	187,979,401	187,979,401
Cash in circulation	-	-	295,311,307	295,311,307	295,311,307
Other liabilities	-	-	2,742,323	2,742,323	2,742,323
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,803,931,688</b>	<b>1,803,931,688</b>	<b>1,803,931,688</b>

For financial assets and liabilities that are not measured at fair value, fair values are calculated only for the purpose of disclosing information on the estimated fair values of such instruments. The Bank's management considers that there are no materially significant differences between the carrying values and respective fair values of certain items of financial assets and liabilities given the Bank's specific role of a central bank.

The main methods and assumptions used in estimating the fair values of the financial instruments presented in the table above are provided below as at December 31, 2022 and there were no changes in assumptions compared to December 31, 2021:

The carrying value represents the reasonably estimated fair value for the following financial assets and liabilities, mostly current (up to 1 year from December 31, 2022):

- Cash and current accounts held with banks in the amount of RSD 802,350,411 thousand,
- Deposits held with banks in the amount of RSD 245,099,497 thousand,
- Securities with a maturity of up to one year, with fair value of RSD 56,263,095 thousand,
- Loans and placements in the amount of RSD 31,255,761 thousand,

**32. RISK MANAGEMENT POLICIES (Continued)****Fair Value Information****Fair Value Hierarchy (Continued)**

- Assets held with the IMF amounting to RSD 8,288,210 thousand,
- Other assets in the amount of RSD 457,563 thousand,
- Deposits and other liabilities to banks and other financial organizations, in the amount of RSD 623,251,876 thousand,
- Deposits and other liabilities to the state and other depositors, in the amount of RSD 518,081,680 thousand,
- Liabilities to the IMF, in the amount of RSD 204,159 thousand,
- Other liabilities, in the amount of RSD 972,573 thousand

The estimated fair values for the following financial assets and liabilities that are mostly non-current (maturing in more than one year from December 31, 2022):

- Long-term deposits with banks in the amount of RSD 234,212 thousand, comprise of call deposits which do not have a specified maturity date,
- Securities (Government and Corporate) whose fair value amounts to RSD 81,431,840 thousand and are dinar securities acquired within monetary operations, and whose fair value is estimated on the basis of official market prices for the same or similar financial instruments. Market value of dinar securities that are measured at amortized cost and that are predominantly of a long-term nature as of December 31, 2022 is 2.48% lower as compared to the book value, due to the growth of interest rates compared to the interest rates realized during their purchase by the Bank on the secondary market (during 2020 and 2022) in conditions of tightening of monetary policy. Bearing in mind that these securities are not intended for trading, the management is of the opinion that the book value of these securities can be considered a reasonable approximation of their fair value, i.e. that their estimated fair value does not deviate significantly from the book value,
- Loans and placements in the amount of RSD 870,569 thousand, partially (RSD 340,104 thousand) consist of loans and placements whose amounts are regularly revalued using the consumer price index growth rate in the Republic of Serbia and up to the growth rate of average net salary in the economy of the Republic of Serbia, as well as harmonization with the movement of the average contracted price of the construction of a square meter or the change in the exchange rate of the dinar against the euro, and partially (RSD 530,465 thousand) the loan amount fully secured by the deposit,
- IMF membership quota (excluding reserve tranche) in the amount of RSD 89,132,817 thousand, assets that do not have a maturity,
- Other assets in the amount of RSD 669,703 thousand,
- Deposits and other liabilities to banks and other financial organizations, in the amount of RSD 415,233,620 thousand, which are liabilities without maturity, and which primarily refer to the allocated funds of banks deposited with the Bank based on the Decision on the required reserve of banks with the National Bank of Serbia,
- Deposits and other liabilities to the Government and other depositors in the amount of RSD 101,786,712 thousand of liabilities without maturity, and which primarily refer to funds in dedicated and other deposit accounts maintained with the Bank in accordance with the law, i.e. the concluded contract,
- Liabilities to the IMF, in the amount of RSD 212,629,280 thousand, part (115,187,719 thousand dinars) is the amount of funds withdrawn from the Stand-By arrangement in December 2022, and part (97,441,561 thousand dinars) liabilities that do not have maturity
- Cash in circulation in the amount of RSD 310,873,399 thousand, liabilities that do not have maturity and

**32. RISK MANAGEMENT POLICIES (Continued)****Fair Value Information****Fair Value Hierarchy (Continued)**

- Other liabilities, in the amount of RSD 13,306,418 thousand, which primarily refer to obligations without a due date from current operations.

According to the Bank's management, fair value does not deviate significantly from the carrying value stated in the Bank's financial statements, considering the fact it refers to financial assets and liabilities arising from the Bank's performance as the National Bank and that their amounts and maturity dates primarily depend on objectives and measures of monetary policy. As at December 31, 2022, 48.22% of the amount of assets that are long-term in nature relates to assets obtained through monetary operations. The fair value of these assets is estimated based on official market prices for the same or similar financial instruments and does not deviate significantly from the carrying amount.

The largest part of the remaining assets, 51.78%, is to the greatest extent assets without a defined maturity (2021: 51.83%), as well as 89.07% of the amount of liabilities that are long-term in nature (2021: 99.99%). The fair value hierarchy of financial assets and liabilities of a predominantly long-term nature that is not carried at fair value is level 2 and 3 in the fair value hierarchy.

In 2022 and 2021 there were no transfers of financial assets and liabilities that are not measured at fair value among the fair value hierarchy levels.

**Interest Rate Risk**

Interest rate risk is the risk of a decrease in the net result or net worth of the Bank's assets due to changes in interest rates. Interest rate risk exposure depends on the ratio of the Bank's interest rate of sensitive assets and liabilities.

The Bank, as a central bank of the Republic of Serbia, which performs the functions determined by Law and other laws:

- determines the method of calculating, collecting and paying interest on the Bank's placements and other receivables, as well as on the assets on which the Bank pays interest in order to achieve the objectives of adopted monetary policy (key policy rate, interest rates for required reserve requirements, liquidity loans, deposited liquidity surpluses, etc.);
- by holding deposits placed by the state and its institutions, by maintaining funds on current accounts and by time deposits placed with foreign banks as well as by investing into coupon securities, i.e. bonds of governments and central banks issued by most developed states, high quality financial institutions supported by those states and international financial institutions with adequate rating, and discounted securities pertaining to treasury bills issued by most developed states.

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32. RISK MANAGEMENT POLICIES (Continued)

Interest Rate Risk (Continued)

The exposure to interest rate risk as at December 31, 2022 is presented in the following table:

<u>In thousands of RSD</u>	<u>Interest-bearing items</u>	<u>Non-interest bearing items</u>	<u>Total</u>
<b>Financial assets</b>			
Cash and current accounts held with banks	526,531,869	275,818,542	802,350,411
Deposits	244,987,731	345,978	245,333,709
Receivables for derivatives	-	12,770	12,770
Securities	1,133,722,883	12,049,124	1,145,772,007
Loans and placements	31,226,254	900,076	32,126,330
IMF membership quota and SDR holdings	8,233,396	89,187,631	97,421,027
Other assets	-	1,127,267	1,127,267
<b>Total</b>	<b>1,944,702,133</b>	<b>379,441,388</b>	<b>2,324,143,521</b>
<b>Financial liabilities</b>			
Liabilities under derivatives	-	12,770	12,770
Deposits and other liabilities to banks and other financial organisations	596,611,042	441,874,454	1,038,485,496
Deposits and other liabilities to the Government and other depositors	156,013,392	463,855,000	619,868,392
Liabilities to the IMF	123,494,438	89,339,001	212,833,439
Cash in circulation	-	310,873,399	310,873,399
Other liabilities	-	14,278,991	14,278,991
<b>Total</b>	<b>876,118,872</b>	<b>1,320,233,615</b>	<b>2,196,352,487</b>
<b>Net exposure as at</b>			
<b>December 31, 2022</b>	<b>1,068,583,261</b>	<b>(940,792,227)</b>	<b>127,791,034</b>
<b>December 31, 2021</b>	<b>1,052,817,998</b>	<b>(915,638,228)</b>	<b>137,179,770</b>

**32. RISK MANAGEMENT POLICIES (Continued)****Interest Rate Risk (Continued)**

Two basic methods the Bank uses to quantify market risks in respect of financial assets carried at fair value through profit and loss include Value at risk ("VaR") and Stress test. The first is used to anticipate maximum possible loss under normal market conditions, while the second is used to forecast losses under extreme market conditions.

**VaR**

VaR is the method that predicts with high probability (95% or 99%) total loss which, in the given time interval, will not be exceeded.

When VaR (95%) is calculated on a monthly basis, for the total portfolio which includes coupon and discount securities and time deposits included in the investment portfolio in foreign currency converted in EUR as at December 31, 2022, only in 5% of cases we can expect a loss of more than 0.83% or RSD 10,441.69 million (EUR 89.00 million).

Total portfolio recalculated in EUR as at December 31, 2021 indicates that under normal market conditions in only 5% of the cases can the Bank expect a loss greater than 0.96% or RSD 12,212 million (EUR 103.86 million).

**Stress Test**

In case of extreme market risks, VaR is not the most suitable tool to be used in the assessment of potential loss, instead, the stress test is used, which provides a model that approximates the effects contingent on the movements of interest rates and other worst case scenarios on the portfolio value based on duration and convexity of the portfolio.

For the Bank, potential drastic increase in interest rates (drop in prices of securities) is of the highest significance, which is why the Bank needs to calculate what would happen with the portfolio if interest rates increased by 100 basis points, i.e. by 1% under the assumption that other variables remained unchanged. The total effect of the increase in interest rates by 100 basis points on the EUR portfolio as of December 31, 2022 would result in a loss of RSD 6,957 million (EUR 59.3 million), on the USD portfolio, a loss of RSD 3,855 million (USD 35.0 million), on the GBP portfolio, a loss of RSD 239 million (GBP 1.8 million), on the CAD portfolio, a loss of RSD 228 million (CAD 2.8 million).

The total effect of the increase in interest rates by 100 basis points on the EUR, USD, GBP and CAD portfolio as of December 31, 2021 would amount to RSD 8,544 million.

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32. RISK MANAGEMENT POLICIES (Continued)

Interest Rate Risk (Continued)

The change of 100 base points in the presented interest rates, exclusive of the effect of changes in interest rates on financial assets (foreign securities) at fair value through other comprehensive income, as of the balance sheet date, would increase /(decrease) equity and net profit of the Bank in the amounts presented in the following table. This analysis presumes that all other variables, particularly exchange rates, remained unchanged. The analysis for 2021 was prepared in the same way.

In thousands of RSD	December 31, 2022			
	Equity		Net profit	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp decrease
<b>Financial assets</b>				
Cash and current accounts held with banks	5,265,319	(5,265,319)	5,265,319	(5,265,319)
Deposits	2,449,877	(2,449,877)	2,449,877	(2,449,877)
Securities	1,412,801	(1,412,801)	1,412,801	(1,412,801)
Loans and placements	312,263	(312,263)	312,263	(312,263)
IMF membership quota and SDR holdings	82,334	(82,334)	82,334	(82,334)
<b>Total</b>	<b>9,522,594</b>	<b>(9,522,594)</b>	<b>9,522,594</b>	<b>(9,522,594)</b>
<b>Financial liabilities</b>				
Deposits and other liabilities to banks and other financial organizations	(5,966,110)	5,966,110	(5,966,110)	5,966,110
Deposits and other liabilities to the Government and other depositors	(1,560,135)	1,560,135	(1,560,135)	1,560,135
Liabilities to the IMF	(1,234,944)	1,234,944	(1,234,944)	1,234,944
<b>Total</b>	<b>(8,761,189)</b>	<b>8,761,189</b>	<b>(8,761,189)</b>	<b>8,761,189</b>
<b>Net effect</b>	<b>761,405</b>	<b>(761,405)</b>	<b>761,405</b>	<b>(761,405)</b>

In thousands of RSD	December 31, 2021			
	Equity		Net profit	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>Financial assets</b>				
Cash and current accounts held with banks	4,056,459	(4,056,459)	4,056,459	(4,056,459)
Deposits	951,505	(951,505)	951,505	(951,505)
Securities	1,109,125	(1,109,125)	1,109,125	(1,109,125)
Loans and placements	4,265	(4,265)	4,265	(4,265)
IMF membership quota and SDR holdings	994,145	(994,145)	994,145	(994,145)
<b>Total</b>	<b>7,115,499</b>	<b>(7,115,499)</b>	<b>7,115,499</b>	<b>(7,115,499)</b>
<b>Financial liabilities</b>				
Deposits and other liabilities to banks And other financial organizations	(3,909,102)	3,909,102	(3,909,102)	3,909,102
Deposits and other liabilities to the Government and other depositors	(380,482)	380,482	(380,482)	380,482
Liabilities to the IMF	(995,286)	995,286	(995,286)	995,286
	<b>(5,284,870)</b>	<b>5,284,870</b>	<b>(5,284,870)</b>	<b>5,284,870</b>
<b>Net effect</b>	<b>1,830,629</b>	<b>(1,830,629)</b>	<b>1,830,629</b>	<b>(1,830,629)</b>



**32. RISK MANAGEMENT POLICIES (Continued)****Currency Risk**

The Bank is exposed to currency risk through transactions performed in foreign currencies. The risk exposure leads to the increase in foreign exchange gains and losses recorded within the income statement. The exposure to foreign currency risk occurs based on monetary assets and liabilities that are not denominated in the Bank's functional currency. The Bank manages foreign currency risk through the policy of determining the currency structure of assets in accordance with the expected future foreign currency liabilities.

The 1% depreciation of RSD value against the EUR, USD, CHF and SDR as at December 31, 2022 would increase equity and increase profit /decrease loss of the Bank in the amount of RSD 12,099,643 thousand (2021: RSD 9,488,681 thousand). This analysis assumes that all other variables, in particular interest rates, remained unchanged.

RSD appreciation of 1% against the mentioned currencies would have the exact opposite effect, under the assumption that all other variables remained unchanged.

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32. RISK MANAGEMENT POLICIES (Continued)

Currency Risk (Continued)

The analysis of financial assets and liabilities exposure to currency risk per currency as at December 31, 2022 was as follows:

<u>In thousands of RSD</u>	<u>EUR</u>	<u>USD</u>	<u>SDR</u>	<u>GBP</u>	<u>CAD</u>	<u>Other currencies*</u>	<u>Total foreign currency balance</u>	<u>RSD</u>	<u>Total</u>
<b>Financial assets</b>									
Cash and current accounts held with banks	748,241,655	24,770,744	-	278,165	827,253	11,800,770	785,918,587	16,431,824	802,350,411
Deposits	115,068,242	129,201,166	-	233,722	817,187	490	245,320,807	12,902	245,333,709
Receivables for derivatives	-	-	-	-	-	-	-	12,770	12,770
Securities	632,613,047	310,370,706	12,130,636	25,202,300	24,257,569	-	1,004,574,258	141,197,749	1,145,772,007
Loans and placements	-	-	-	-	-	-	-	32,126,330	32,126,330
IMF membership quota and SDR holdings	-	-	97,421,027	-	-	-	97,421,027	-	97,421,027
Other assets	42,504	598,454	-	111	-	192	641,261	486,006	1,127,267
<b>Total financial assets</b>	<b>1,495,965,448</b>	<b>464,941,070</b>	<b>109,551,663</b>	<b>25,714,298</b>	<b>25,902,009</b>	<b>11,801,452</b>	<b>2,133,875,940</b>	<b>190,267,581</b>	<b>2,324,143,521</b>
<b>Financial liabilities</b>									
Liabilities under derivatives	-	-	-	-	-	-	-	12,770	12,770
Deposits and other liabilities to banks, other financial organisations	349,330,471	3,372,460	-	5,843	-	116	352,708,890	685,776,606	1,038,485,496
Deposits and other liabilities to Government and other depositors	185,323,197	118,573,237	714,119	102,615	22,778	1,006,917	305,742,863	314,125,529	619,868,392
Liabilities to the IMF	-	-	212,833,439	-	-	-	212,833,439	-	212,833,439
Cash in circulation	-	-	-	-	-	-	-	310,873,399	310,873,399
Other liabilities	344,031	7,762	-	9,468	17,990	72,264	451,515	13,827,476	14,278,991
<b>Total financial liabilities</b>	<b>534,997,699</b>	<b>121,953,459</b>	<b>213,547,558</b>	<b>117,926</b>	<b>40,768</b>	<b>1,079,297</b>	<b>871,736,707</b>	<b>1,324,615,780</b>	<b>2,196,352,487</b>
<b>Net exposure as at December 31, 2022</b>	<b>960,967,749</b>	<b>342,987,611</b>	<b>(103,995,895)</b>	<b>25,596,372</b>	<b>25,861,241</b>	<b>10,722,155</b>	<b>1,262,139,233</b>	<b>(1,134,348,199)</b>	<b>127,791,034</b>
<b>Net exposure as at December 31, 2021</b>	<b>524,170,781</b>	<b>402,979,208</b>	<b>12,006,436</b>	<b>28,244,665</b>	<b>26,858,784</b>	<b>10,909,445</b>	<b>1,005,169,319</b>	<b>(867,989,549)</b>	<b>137,179,770</b>

\* Other currencies are primarily related to CHF

The currency mismatch of assets and liabilities comes from specific nature of the Bank as a central bank, its roles as the main monetary institution and regulator of the banking system, as well as its function to autonomously and independently determine and implement monetary and foreign exchange policies and, in the framework of this, to manage foreign exchange reserves in such a way that contributes to the unimpeded fulfilment of the obligations of the Republic of Serbia abroad.

Translation disclaimer: The English version is a translation of the original in Serbian for information purposes only. In case of discrepancy, the Serbian version will prevail

**32. RISK MANAGEMENT POLICIES (Continued)****Macroeconomic and geopolitical instability and the impact they have on operations and financial reporting**

In the management of foreign exchange reserves, the Bank regularly adjusts the method of risk management in order to respond to the challenges it faces in connection with current macroeconomic trends (interest rate growth, inflation, changes in foreign exchange markets, etc.). In these, as well as in regular conditions, the Bank manages market risk (risk of interest rate changes and foreign exchange risk) and credit risk in accordance with current circumstances and the projection of macroeconomic trends on the international market. One of the basic ways of managing the risk of interest rate changes is defining the appropriate level of duration of the portfolio of foreign exchange reserves, which is harmonized with the projection and expected movement of the yield curve on the reference international markets in the upcoming period. As for foreign exchange risk, as already mentioned, the Bank manages this risk by determining the currency structure of assets, in accordance with the expected foreign exchange liabilities in the future. The Bank manages credit risk by defining adequate criteria for the investments of foreign exchange reserves.

**Climate risks**

The Bank has recognized climate risks as a potential source of uncertainty in the future, while exposure to these risks is currently at a very low level, considering the investment method and asset structure.

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### 33. ANALYSIS OF THE MATURITY OF ASSETS AND LIABILITIES

The following tables provide classification of assets and liabilities in accordance with the expected period of their realization (current/non-current items) as at December 31, 2022 and 2021:

#### December 31, 2022

<u>In thousands of RSD</u>	<u>Current items (within 12 months)</u>	<u>Non-current items (over 12 months)</u>	<u>Without maturity</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and current accounts held with banks	802,350,411	-	-	802,350,411
Gold and other precious metals	248,108,348	-	-	248,108,348
Deposits	245,099,497	-	234,212	245,333,709
Receivables for derivatives	-	-	12,770	12,770
Securities	544,057,814	589,582,703	12,131,490	1,145,772,007
Loans and placements	31,255,761	340,104	530,465	32,126,330
IMF membership quota and SDR holdings	8,356,652	-	89,132,817	97,489,469
Intangible assets	-	1,108,822	-	1,108,822
Property, plant and equipment	-	22,064,119	-	22,064,119
Investment property	-	484,208	-	484,208
Other assets	5,521,067	-	669,703	6,190,770
<b>Total assets</b>	<b>1,884,749,550</b>	<b>613,579,956</b>	<b>102,711,457</b>	<b>2,601,040,963</b>
<b>LIABILITIES</b>				
Liabilities under derivatives	-	-	12,770	12,770
Deposits and other liabilities to banks and other financial organisations	623,251,876	-	415,233,620	1,038,485,496
Deposits and other financial liabilities to Government and other depositors	518,081,680	-	101,786,712	619,868,392
Liabilities to the IMF	204,159	115,187,719	97,441,561	212,833,439
Provisions	781,514	873,035	-	1,654,549
Current tax liabilities	483,977	-	-	483,977
Cash in circulation	-	-	310,873,399	310,873,399
Other liabilities	1,239,820	-	13,306,418	14,546,238
<b>Total assets</b>	<b>1,144,043,026</b>	<b>116,060,754</b>	<b>938,654,480</b>	<b>2,198,758,260</b>
<b>NET ASSETS</b>	<b>740,706,524</b>	<b>497,519,202</b>	<b>(835,943,023)</b>	<b>402,282,703</b>

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33. ANALYSIS OF THE MATURITY OF ASSETS AND LIABILITIES (Continued)

December 31, 2021

<u>In thousands of RSD</u>	<u>Current items (within 12 months)</u>	<u>Non-current items (over 12 months)</u>	<u>Without maturity</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and current accounts held with banks	675,393,606	-	-	675,393,606
Gold and other precious metals	228,166,766	-	-	228,166,766
Deposits	92,980,385	14,756	2,207,763	95,202,904
Receivables for derivatives	-	-	2,462	2,462
Securities	323,662,628	644,870,234	12,134,708	980,667,570
Loans and placements	6,156	373,423	530,465	910,044
IMF membership quota and SDR holdings	99,414,481	-	88,439,729	187,854,210
Intangible assets	-	703,159	-	703,159
Property, plant and equipment	-	19,603,828	-	19,603,828
Investment property	-	407,692	-	407,692
Other assets	5,408,274	15	589,238	5,997,527
<b>Total assets</b>	<b>1,425,032,296</b>	<b>665,973,107</b>	<b>103,904,365</b>	<b>2,194,909,768</b>
<b>LIABILITIES</b>				
Liabilities under derivatives	-	-	602	602
Deposits and other liabilities to banks and other financial organisations	409,142,976	-	388,943,414	798,086,390
Deposits and other financial liabilities to Government and other depositors	409,913,691	-	109,898,576	519,812,267
Liabilities to the IMF	9,103	-	187,970,298	187,979,401
Provisions	841,428	1,092,768	-	1,934,196
Current tax liabilities	478,486	-	-	478,486
Cash in circulation	-	-	295,311,307	295,311,307
Other liabilities	1,378,791	63,077	1,589,674	3,031,542
<b>Total assets</b>	<b>821,764,475</b>	<b>1,155,845</b>	<b>983,713,871</b>	<b>1,806,634,191</b>
<b>NET ASSETS</b>	<b>603,267,821</b>	<b>664,817,262</b>	<b>(879,809,506)</b>	<b>388,275,577</b>

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**34. LITIGATIONS**

As at December 31, 2022, the Bank leads legal cases in total estimated amount of RSD 10,802,747 thousand (2021: RSD 14,291,428 thousand). Of the total estimated amount of legal cases RSD 115,386 thousand (2021: RSD 115,000 thousand) relates to litigations for which a negative outcome has been estimated for the Bank. That amount includes court costs and the estimated amount of any default interest.

As disclosed in Note 27, as at December 31, 2022, the Bank formed provisions for potential losses that may arise from the litigation in the amount of RSD 115,386 thousand (2021: RSD 115,000 thousand). Provision is based on the assessment of legal representatives of the Bank regarding the status of litigations in progress, in the amount that corresponds to the best estimate in terms of expenditure incurred in case of a negative outcome. The Bank's management believes that it is not possible to anticipate the outcome of court cases that are ongoing with a high degree of precision, but estimates that there will be no materially significant losses due to litigation in progress, above the amount for which the provision was made.

**35. RELATED PARTY TRANSACTIONS**

**Transactions with the State and Government Institutions**

Pursuant to the Law on the National Bank of Serbia, the Bank is the central bank of the Republic of Serbia and operates in line with the above mentioned and other laws. The Republic of Serbia is the sole owner of the entire Bank's equity,

In carrying out their tasks, the National Bank of Serbia, the bodies of the National Bank of Serbia and the members of those bodies shall neither seek nor take instructions from government bodies and institutions, or other persons, Government bodies and institutions, and other persons may not threaten the autonomy and independence of the National Bank of Serbia nor seek to influence the National Bank of Serbia, the bodies of the National Bank of Serbia, or the members of these bodies in carrying out their tasks. Without prejudice to achieving its objectives, the National Bank of Serbia may act for and on behalf of the Republic of Serbia in international financial organizations and institutions and other forms of international cooperation with the consent of the Government.

In addition to the aforesaid, the Bank performs the following operations on behalf of and for the account of the Republic of Serbia:

- Maintains the system of consolidated Treasury account for assets denominated in dinars and foreign currencies, as well as other accounts prescribed by the law or stipulated by the relevant agreement executed;
- Performs fiscal agent operations on behalf of and for the account of the Republic of Serbia in respect of foreign borrowings of the Republic of Serbia, i.e. operations concerning the withdrawal of borrowed funds and repayment of foreign obligations/liabilities;
- Issues long-term securities related to the Republic of Serbia's membership in the International Monetary Fund (IMF);
- Settles the liabilities of the Republic of Serbia arising from its membership in the IMF;
- Performs other operations for the Republic of Serbia, Government institutions and bodies pursuant to the law or relevant agreement executed.

The Bank calculates and pays interest accrued on the deposits placed by the Government and state institutions in accordance with the relevant agreement executed with the depositor. For the operations and services rendered to the Government and state institutions the Bank charges fees according to the unique tariff list or based on the relevant agreement executed.

**35. RELATED PARTY TRANSACTIONS****Transactions with the State and Government Institutions (Continued)**

In accordance with the Law, the Bank may not approve loans, borrowings, overdrafts and other credit facilities to the Republic of Serbia, autonomous province or local government unit, state owned companies and other legal entities founded by the Republic of Serbia, autonomous province or local government unit (i.e. entities with the controlling participation of the Republic of Serbia, autonomous province or local government unit), nor may issue guarantees for settling the obligations of these entities or provide their settlement in any other way.

The Bank cannot directly purchase securities issued by the aforementioned entities.

Based on those provisions of the Law, Republic of Serbia, its ministries, agency and state-owned companies are not regarded as related parties of the Bank.

**Loss coverage/profit allocation**

Pursuant to the Law, after attaining the minimum prescribed amount of the basic capital, (Article 77, paragraph 3) and the prescribed amount of the special reserves (Article 77, paragraph 4), profit not resulting from foreign exchange gains and revaluation reserves, the Bank allocates 70% to the Republic of Serbia Budget.

The realized loss of the Bank (paragraph 1 Article 78) is covered by special reserves and basic capital above the minimum basic capital level, and if the mentioned funds are insufficient - from the budget of the Republic of Serbia or from securities for this purpose, under market conditions, issued by the Republic of Serbia and transferred to the Bank (note 31).

**Transactions on Behalf of and for the Account of the Government**

Transactions on behalf of and for the account of the Government of the Republic of Serbia refer to the payment of old foreign currency savings, loan for economic development, records of public debt of the Republic of Serbia and other operations.

These transactions are stated within the Bank's off-balance sheet items, given the fact that the Bank acts as an agent in such transactions or merely maintains records of the public debt.

**Transactions with the Key Management**

According to the Bank, key management refers to: the Chairman and members of the Council, Governor, Vice Governors, Secretary General, directors and deputy directors of organizational units, and heads of departments.

The Bank's management members receive compensation for their services to the Bank and do not hold equity investments in the Bank.

In addition to net salaries of the management, the Bank also pays contributions on behalf of the management in accordance with the legal provisions of the Republic of Serbia. The net salaries of the management are also subject to personal income tax charged annually. The Bank neither makes payments to its management subsequent to the termination of their employment, nor compensates their work in shares or equity interests.

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**35. RELATED PARTY TRANSACTIONS (Continued)**

**Transactions with the Key Management (Continued)**

The summary of remuneration paid to key management of the Bank is provided in the following table:

<b><u>In thousands of RSD</u></b>	<b>Gross remunerations disbursed in 2022</b>	<b>Net remunerations disbursed in 2022</b>	<b>Gross remunerations disbursed in 2021</b>	<b>Net remunerations disbursed in 2021</b>
<b>Position</b>				
Governor	11,485	9,125	10,329	8,185
Vice Governors	27,732	21,403	24,320	18,721
Secretary General	5,559	4,021	4,774	3,361
Directors General, Directors of organizational units within the headquarters, Directors of branch offices and Managing Director of ZIN	139,802	99,753	124,418	88,550
Deputies and assistants to Directors General and Directors General of organizational units, Directors of branch offices and Managing Director of ZIN	133,375	93,727	117,956	82,883
Department heads	239,565	168,899	224,616	157,741
Chairman and members of the Bank Council of the Governor	19,377	12,414	17,700	11,263
<b>Total for the period</b>	<b>576,895</b>	<b>409,342</b>	<b>524,113</b>	<b>370,704</b>

**36. RECONCILIATION OF RECEIVABLES AND PAYABLES**

Pursuant to Article 22 of the Law on Accounting, the Bank reconciled balances of receivables and payables with creditors and debtors. The balances of receivables liabilities with domestic parties were reconciled as at October 31, 2022, while the balances of receivables and payables with foreign parties were reconciled as at December 31, 2022.

Of the total amount of receivables sent for reconciliation in the amount of RSD 1,922,833,054 thousand (258 debtors), unreconciled receivables amount to RSD 28,768 thousand (20 debtors).

Out of the total amount of payables sent for reconciliation in the amount of RSD 1,127,583,099 thousand (804 creditors), unreconciled payables amount to RSD 10,221 thousand (61 creditors).



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**37. EVENTS AFTER THE BALANCE SHEET DATE**

Up to the issue date of these financial statements, there have been no materially significant events subsequent to the balance sheet date, which would require correction of the accompanying financial statements (adjusting events), nor non-adjusting events.

**38. EXCHANGE RATES**

The official exchange rates for major currencies used in the translation of balance sheet positions denominated in foreign currencies into dinars as at December 31, 2022 and 2021 were as follows:

<u>In Dinars</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
USD	110.1515	103.9262
EUR	117.3224	117.5821
GBP	132.7026	140.2626
CAD	81.3045	81.6316
CHF	119.2543	113.6388
SDR	146.594	145.4541

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 Jorgovanka Tabakovic, PhD  
 Governor