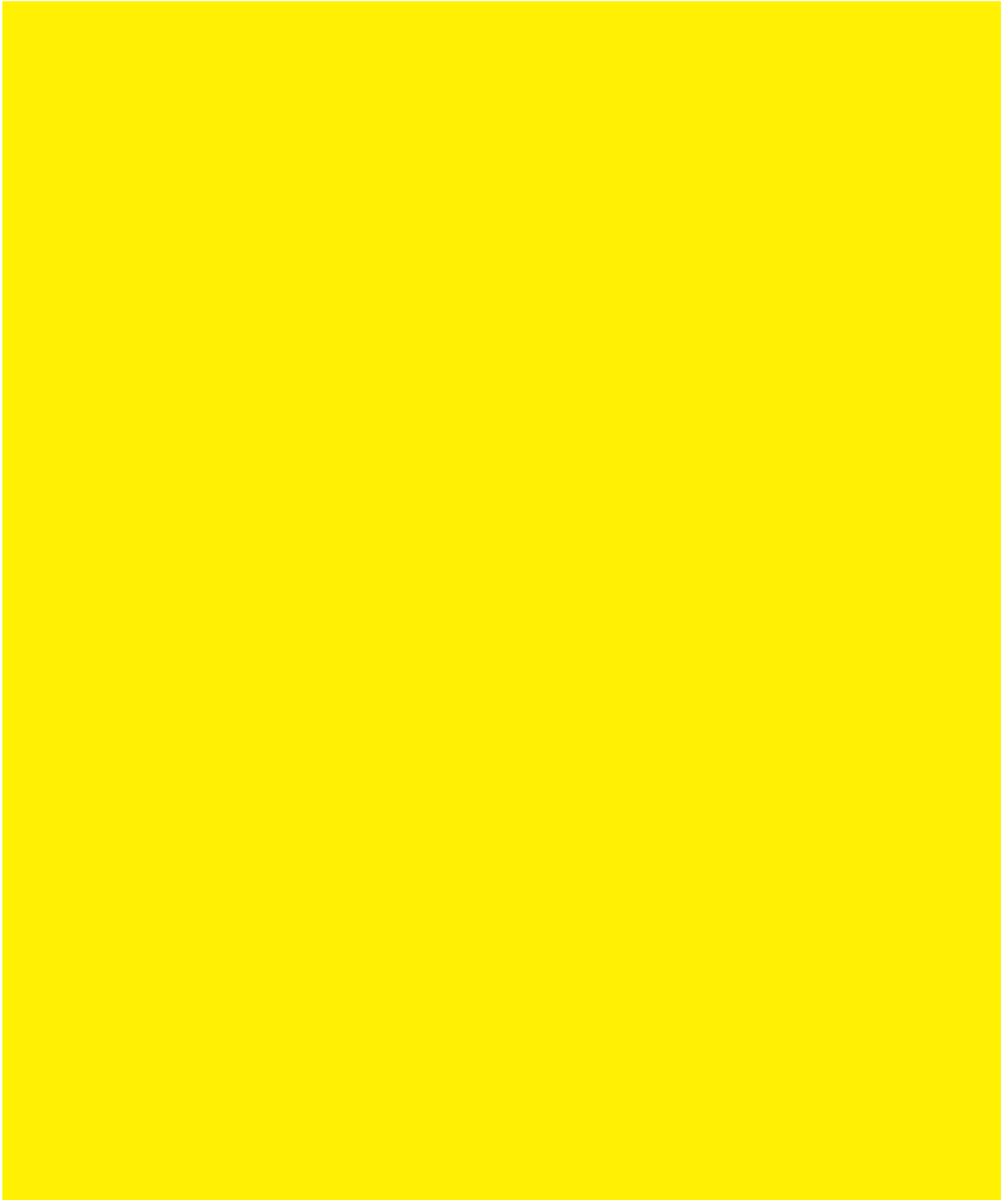
Annual Report 2021

Raiffeisen BANK Kosovo



Survey of key data

Raiffeisen Bank Kosovo J.S.C.			
Monetary values are in € million	2021	2020	Change
Income statement	1/1-31/12	1/1-31/12	
Net interest income	46.2	45.0	2.7%
Net commission income	12.2	8.0	53.3%
Gains or losses on financial assets and liabilities	0.1	0.1	-10.7%
Other operating income	4.7	3.2	47.6%
General administrative expenses	(32.4)	(30.6)	5.9%
Profit before tax	29.4	18.5	59.4%
Profit after tax	26	16.7	58.1%
Earnings per share	N/A	N/A	N/A
Balance sheet			
Loans and advances to banks	19.4	28.6	-32.1%
Loans and advances to customers	778.2	709.5	9.7%
Investment securities	174.0	176.8	-1.5%
Deposits and borrowings from banks	6.3	26.9	-76.4%
Deposits from customers	1,022.8	915.6	11.7%
Equity (incl. minorities and profit)	137.5	144.1	-4.6%
Balance-sheet total	1,195.9	1,116.0	7.2%
Local regulatory information			
Risk-weighted assets B2, incl. market risk and ops. risk	879.9	835.1	5.4%
Total own funds	134.5	145.9	-7.8%
Total own funds requirement	105.6	100.2	5.4%
Excess cover ratio	27.4%	45.6%	-18.2 PP
Core capital ratio (Tier 1)	14.0%	15.7%	-1.7 PP
Total own funds ratio	15.3%	17.5%	-2.2 PP
Performance			
Return on equity (ROE) before tax	24.2%	14.5%	9.8 PP
Return on equity (ROE) after tax	21.7%	13.1%	8.6 PP
Cost/income ratio	46.9%	54.1%	-7.2 PP
Return on assets (ROA) before tax	2.5%	1.8%	0.7 PP
NPL	3.1%	3.2%	-0.1 PP
NPL coverage ratio	76.4%	72.9%	3.5 PP
Net provisioning ratio	0.4%	1.4%	-1 PP
Risk/earnings ratio	6.5%	21.0%	-14.5 PP
Resources			
Number of staff	859	856	0.4%
Business outlets	39	41	-4.9%

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Report of the Supervisory Board

Ladies and Gentlemen,

Despite the impact of the COVID-19 pandemic in 2021, Kosovo recorded real GDP growth of 10.5 per cent, the highest economic growth in recent years. This positive development was also reflected in the financial performance of Raiffeisen Bank Kosovo, which continued its significant sustainable growth while maintaining its leading market position in all key performance indicators such as market share in loans and deposits, net profit, branch network and number of customers.

During the 2021 financial year, the members of the Supervisory Board held four ordinary meetings. The overall attendance rate for Supervisory Board meetings was around 100 per cent.

The Supervisory Board regularly and comprehensively monitored the business performance and risk developments at Raiffeisen Bank Kosovo. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Supervisory Board also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In course of its monitoring and advisory activities, the Supervisory Board maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Supervisory Board with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Supervisory Board maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Supervisory Board, where applicable with the involvement of experts on matters being addressed.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Supervisory Board passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Supervisory Board without delay and to their satisfaction.

It should also be noted that due to the retirement of Robert Wright, the CEO of Raiffeisen Bank Kosovo, Anita Kovacic took over this position as of 1 November 2021. Ms. Kovacic was selected within the framework of an open and transparent recruitment process within the Raiffeisen Banking Group.

After yet another challenging year due to the COVID-19 pandemic, I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen Bank Kosovo for their unwavering efforts, and also our customers for their continued trust.

On behalf of the Supervisory Board

Peter Lennkh,
Chairman of the Supervisory Board

Report of the Management Board

2021 was a year of fast recovery for Kosovo economy and therefore a very successful year for Kosovo banking sector. Kosovo economy managed to record a real GDP growth of 10.5 per cent, smashing the most optimistic forecasts. The high level of economic activities reflected on gradually easing pandemic measures, governmental supportive fiscal and monetary policies, as well as the record inflow of diaspora remittances in amount of € 1.14 billion. Given these favorable developments Raiffeisen Bank Kosovo has also exceeded its expectations, and this reflected on our financial performance as well as on our customers' satisfaction.

One of our main priorities was to work closely with our customers and identify the most suitable financing solutions, to enable them to recover from the negative impacts caused by the pandemics. Acting upon this approach, Raiffeisen Bank Kosovo increased its loans and advances to customers for € 69 million to € 778.2 million (2020: € 709.5 million), thus being an active player in Kosovo banking sector to finance the fast economic recovery. Our customers' deposits recorded a significant growth reaching € 1.023 million (2020: € 916 million). We closed the year of 2021 with total assets of € 1.196 million and record net profit of € 26.3 million. With all these positive financial achievements we retained the leading market position in Kosovo.

Customer centricity is the guide for all our activities and innovation. In 2021, we served about 280,000 customers with 859 employees. We have developed and upgraded the sustainable digital service platforms, such as E-banking, Mobile banking and chatbot, mainly used by the customers to perform the common banking transactions. In addition, we introduced the digital offer related to the products, such as opening of accounts and applying for loan products online. We continued with our regional branches transformation with the aim to enhance services offered for our customers that prefer banking in branches. In addition to self-service areas and the Glory ATMs for large corporate deposits, our employees in the branches were trained to demonstrate a multitask approach in assisting and advising customers in using our products and services.

In January 2021 our parent company Raiffeisen Bank International (RBI) has signed on behalf of the RBI group the UN Principles for Responsible Banking. These principles define and promote the Environmental Social Governance (ESG) standards with an aim to reduce carbon footprint and improve social welfare. Raiffeisen Bank Kosovo ESG strategy foresees a long-term transition recognizing that Kosovo market needs time to embrace the newly defined ESG sustainable approaches. However, as the largest bank in Kosovo, we take the responsibility to support the local institutions to jointly embrace concrete steps in this regard. We are committed to share RBI know-how and expertise learned in RBI markets with relevant stakeholders and engage actively to enable our customers, in transitioning their capital flows and business practices along the ESG standards.

As a part of RBKO ESG sustainability strategy, we strive to remain the employer of choice. Given the prevalence of pandemic situation in 2021, we were focused on our employees' health and well-being by creating conditions to work from home and promoting COVID-19 vaccination. Moreover, our main objectives towards employees remain flexible working environment, diversity, and opportunity for professional development. We are committed to continuously improve both our customer and employee experience and in this regard, we regularly gather feedback through various channels with aim to further improve.

On this note, on behalf of the Management Board, I would like to thank all our employees for their commitment and dedication which has enabled Raiffeisen Bank Kosovo to close the financial year 2021 with the best results ever.

On behalf of the Management Board,

Anita Kovacic
Chairwoman of the Management Board

Raiffeisen Bank Kosovo Management Board

Anita Kovacic

Chairwoman of the
Management Board
Chief Executive Officer

Shukri Mustafa

Member of the
Management Board
Operations and IT

Iliriana Toçi

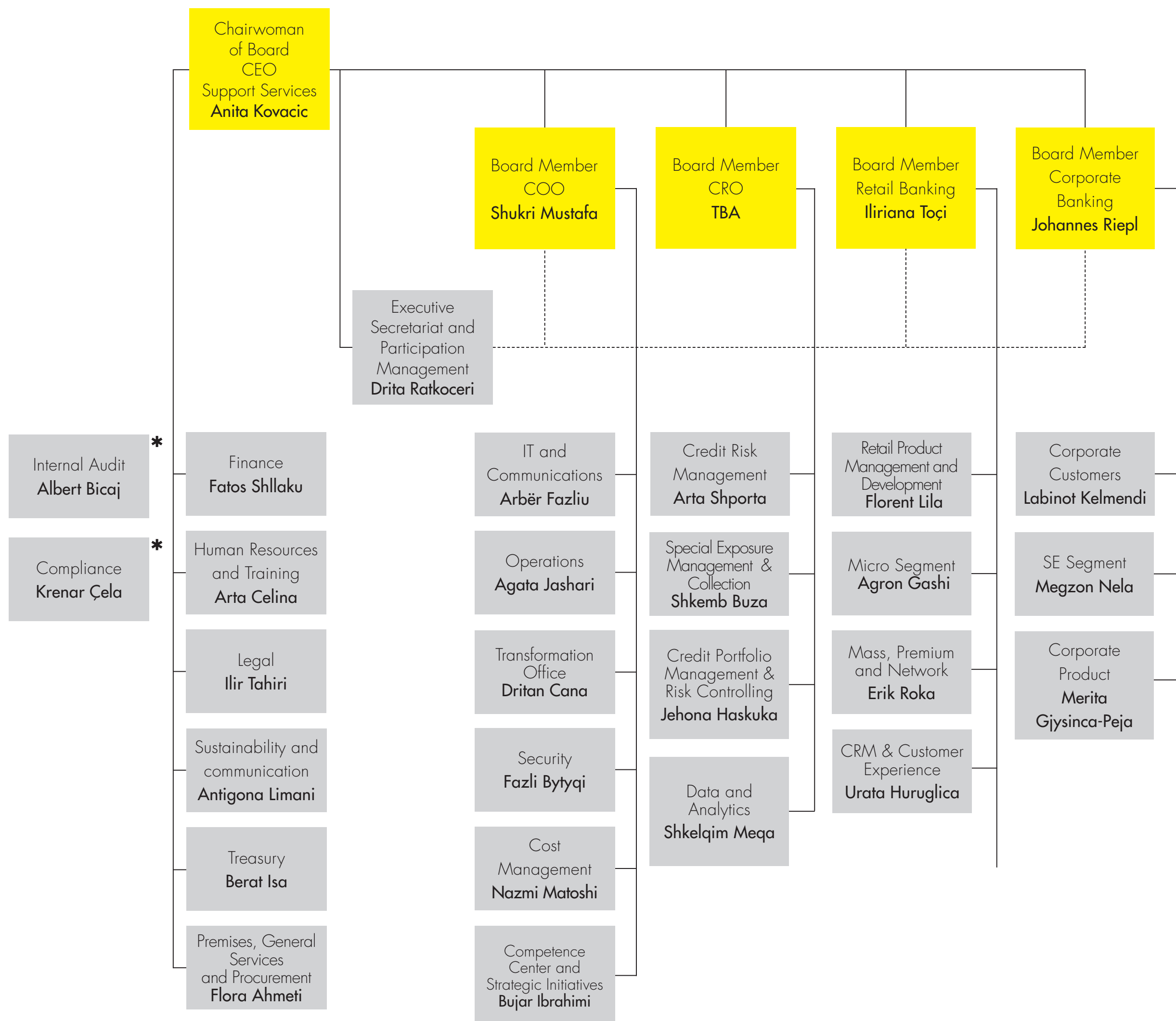
Member of the
Management Board
Retail Banking

Johannes Riepl

Member of the
Management Board
Corporate Banking

Raiffeisen Bank Kosovo Organisation Structure

As of 31 December 2021



* Internal Audit reports directly to Audit Committee of Supervisory Board

** Compliance reports directly to the Supervisory Board and to MB

Raiffeisen Bank Kosovo Vision and Mission

Vision
We are the most recommended financial services group by 2025.

Mission
We transform continuous innovation into superior customer experience.

Raiffeisen Bank International at a glance

Raiffeisen Bank International (RBI) regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market. Subsidiary banks cover 13 markets across the region. In addition, the Group comprises numerous other financial service providers that are active in areas such as leasing, asset management and M&A.

In total, around 46,000 RBI employees serve 19 million customers from around 1,800 business outlets, the vast majority of which are in CEE. At year-end 2021, RBI's total assets were approximately €192 billion.

RBI AG shares have been listed on the Vienna Stock Exchange since 2005. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares with the remaining 41.2 per cent in free float.

Developments in the economy of Kosovo

In 2021, the Kosovo's economy experienced one of the strongest rebounds of the last 20 years, fully recovering from the pandemic. The real GDP growth jumped by double-digit at 10.5 per cent, putting the economy in a higher gear. The main drivers of growth in 2021 were household expenditures and gross capital formation, which grew by 7.6 per cent and 10.2 per cent year on year, respectively. Moreover, a positive contribution came also from public consumption with 9.1 per cent year on year increase. The net exports continue to give a negative contribution in the economy, but less compared to previous year, mostly because of the base effect in the service account which revitalized with the lifting of the travel restrictions. All economic activities recorded positive rates, with Trade (+ 21.4 per cent), Manufacture (+ 7.9 per cent), Professional activities (+ 7.1 per cent) and Construction (+ 6.6 per cent) posting the strongest figures. The robust recovery of the domestic demand helped also by diaspora spending, accounted for the significant growth in 2021.

The annual inflation rate closed the year at high levels of 6.7 per cent year on year, slightly down from 6.9 per cent year on year in November, which was the highest recorded level in the last 10 years. The food component contributed the most (3.0 p.p. in CPI), followed by transport with a contribution of 2.1 p.p. due to a significant increase in fuel prices (fuel makes 81 per cent of the transport component). The average inflation rate in 2021 was 3.4 per cent, significantly higher than 0.2 per cent in 2020, reflecting the recovered global energy prices, food prices and strong rebound of the economy in 2021 thanks to pent-up demand. High inflation rates are expected to continue for the whole 2022, stemming mainly from import and production prices. Being a net food importer country, a further rise on the food prices in the international markets due to the consequences of the war in Ukraine will impact the inflation in Kosovo, where food items are the main component of the consumer basket (40 per cent of the total). Having unilaterally chosen Euro as currency, Kosovo has limited space to respond to the elevated driven price pressures from the monetary point of view. However, public sector may intervene with supporting measures such as the reduction of VAT or as in the case of energy by imposing a cap on oil prices, slightly smoothing the overall headline inflation impact.

From the latest available official data, employment quickly rebounded to its pre-pandemic levels. In the first quarter of 2021, the unemployment rate dropped to 25.8 per cent from 27 per cent levels it closed 2020, while nominal wages recovered by 6 per cent year on year through October 2021 after contracting by 4 per cent in 2020.

The fiscal position strengthened in 2021, on the back of a robust recovery in fiscal revenues, and expenditure consolidation. Strong rebound of the economy and base effect are the main reasons behind the sound performance of total revenues which recorded an increase of 26.8 per cent year on year, while expenditures expanded by only 2.5 per cent year on year. As a result, budget resulted in a deficit of only € 107 million (or 1.4 per cent of GDP) compared to a deficit of € 513 million (or 7.7 per cent of GDP) in the pandemic year 2020. In 2022, the energy crisis and anti-inflationary measures will force the government to reduce the expenditures and public investments to maintain the fiscal position balanced. In 2021, the public debt ratio continued its rising trend, hitting 23.3 per cent of GDP versus 22.4 per cent in 2020, with the latest marking a strong jump due to the immediate needs to overcome pandemic consequences.

Current account balance deteriorated further in 2021, resulting in a deficit of € 691 million at the end of December 2021, or 46.4 per cent more compared to the same period of last year. Worsening of CA deficit is explained with the deterioration of the trade deficit which expanded by 38.6 per cent year on year in 2021. On the other hand, the services account almost tripled (2.8 times higher) versus 2020 reflecting the relaxation of the travel restrictions and improved pandemic situation in the region, due to vaccination. Notwithstanding such increase, it could not offset the trade deficit impact which is one of the main structural vulnerabilities of the economy.

Remittances, a strong funding source of the household consumption and private investments, hit the highest historical level of € 1.14 billion in 2021, marking an acceleration of 16.7 per cent year on year. The negative impact in remittances was felt only at the beginning of the severe movement restriction against pandemic, especially in March and April 2020. Even FDIs reached € 421 million at the end of 2021, or 21.8 per cent higher than the previous year, mostly because investors were more reluctant due to the pandemic. 91.4 per cent of the new FDI volume in 2021 was concentrated in real estate, suggesting that much needed greenfield and brownfield investments that can sustain the economy and the labor market are still lacking.

Looking into 2022, the latest war developments in Ukraine coupled with inflation rates approaching double-digit level will contribute to the slowdown of the economy. The impact will be certainly felt also through indirect channels such as reduced flow of remittances from Diaspora that together with high inflation rates will discourage private consumption.

Source: Central Bank of Kosovo, Kosovo Agency of Statistics, Ministry of Finance

Banking sector in Kosovo

Note: *Information in this chapter is based on material from the Central Bank of the Republic of Kosovo.*

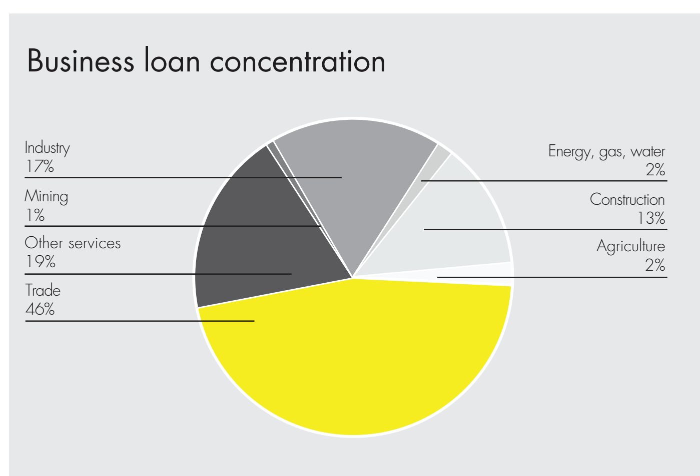
In 2021, there were eleven commercial banks that operated in Kosovo, representing 67.8 per cent of the total assets in the financial sector. These commercial banks have different shareholding structures. Nine of them are foreign-owned banks and two domestically owned.

The banking sector in Kosovo has 3,391 employees which offered a wide range of financial products and services to both individuals and businesses through 211 branches and sub-branches. Some of the common products and services that banking sector offers include banking accounts, loans, domestic and international payments, banking cards, banking guarantees, letter of credit, E-banking. It shall be noted that the banking sector activity is dominated by loans and the loan maturity can be up to 20 years, depending on the type of loan. In addition to branches, the customers could also use other alternative and digital services enabled by a total of 513 ATMs, 13,175 POSs, and 411,347 e-banking accounts.

Total assets of the banking sector reached € 6 billion on 31 December 2021 (2020: € 5.4 billion). The growth of total assets in 2021 was 11 per cent and it was slightly lower compared to increase from last year at 12.6 per cent. The growth of the banks' total assets was mainly driven by an increase in loans and advances to customers, which continued to be the main asset category.

It shall be noted that the growth of the total loans and advances doubled in 2021, compared to the previous year. The total loans and advances reached a value of € 3.7 billion (2020: € 3.2 billion), which is an annual increase of 15.5 per cent compared to 2020 growth of 7.1 per cent. This growth was made possible mainly as a result of an increase in demand for new loans after the COVID-19 impact was reduced significantly following a wide vaccination campaign in the second half of the year and the overall favorable lending conditions offered by banks.

The loans and advances to households reached € 1.4 billion while loans and advances to non-financial corporations reached € 2.3 billion at the end of December 2021. The annual increase in households' loans and advances was 18.6 per cent while for non-financial corporations it was 13.6 per cent. The economic sector concentration of loans and advances to businesses continued to be dominated by the trade sector with an overall share of 46 per cent, followed by services sector with19 per cent and industry with 17 per cent. (*Source: CBK, Monthly Statistics Bulletin, December 21, No. 244*).



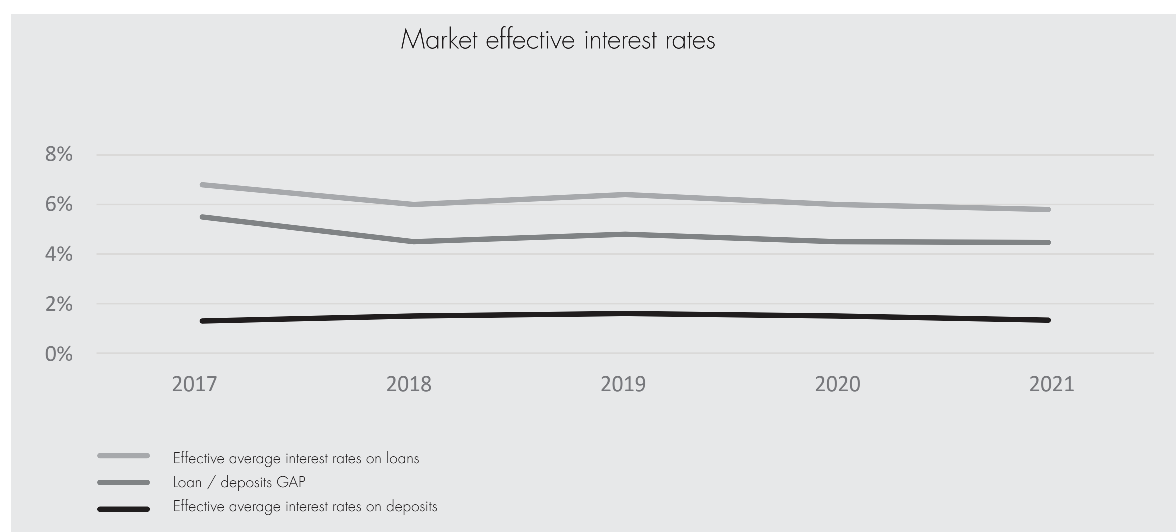
The banking sector also partnered with Kosovo Credit Guarantee Fund (KCGF) to sign the guarantee agreements for the guarantee windows within Economic Recovery Package (ERP) at the beginning of year. These guarantee windows are new guarantee lines which aim to support micro, small and medium enterprises (MSMEs) through the credit guarantees. This Economic Recovery Package envisages increasing the coverage with a credit guarantee of up to 80 per cent of the loan value and will also offer the opportunity to include farmers with a Farmer Identification Number (FIN). Moreover, the guarantee windows within ERP have focused on lending support to the manufacturing, agribusiness, services, trade sectors, with a particular focus on women in business and start-ups. The ERP will have added value for both end beneficiaries (MSMEs) who were granted finance with better lending terms at the appropriate time, as well as for banking sector which will be able to share a large part of the credit risk with KCGF.

The banking sector investments in securities including bonds and T-bills were € 684.4 million on 31 December 2021 (2020: € 584.3 million), an increase of 17.1 per cent. It reflected the increased overall liquidity position of the Kosovo banks which was impacted by an increase in customer deposits during the year.

The customer deposits continued to be the main contributor to the financing of banking activities. As of 31 December 2021, customer deposits comprised over 82 per cent of total banking sector liabilities. A high reliance on financing from local deposits, especially from private individuals makes it the most reliable way for financing compared to other options and it is also very immune from international fluctuations in the financial markets.

The total deposits in the banking sector reached € 4.9 billion, with an annual increase of € 541 million or 12.4 per cent (2020: 11.5 per cent). The structure of deposits in the banks has not changed in the recent years and there are more deposits in current accounts and less in term placements and saving accounts, because of a low-rate environment. As of 31 December 2021, demand deposits accounted for 68 per cent of total deposits with the rest being term deposits and savings deposits. Most customer deposits are Euro deposits with over 96 per cent of banking sector deposits being in Euro, the official currency of Kosovo. The average rate for term deposits decreased by 0.17 percentage points in 2021 to 1.33 per cent compared to 1.5 per cent in December 2020. The interest rate for saving accounts remained reduced to 0.11 per cent from 0.4 per cent in 2020. Current accounts continued to pay zero interest.

The trend of decreasing interest rates for loans has been going on for long time considering that in the period of after war interest rates had been higher than the ones in the region. As of 31 December 2021, the average effective interest rate for loans decreased further to 5.8 per cent from 6 per cent in the same period in 2020. This decrease of interest rates for loans covered both businesses as well as households (individuals). The average interest rate for business loans on 31 December 2021 was 5.72 per cent, down from 5.9 per cent on 31 December 2020. While the average interest rate for households in December 2021 was 5.95 per cent compared to 6.2 per cent on 31 December 2020. (*Source: Monthly Statistics Bulletin, December 21, No. 244*)



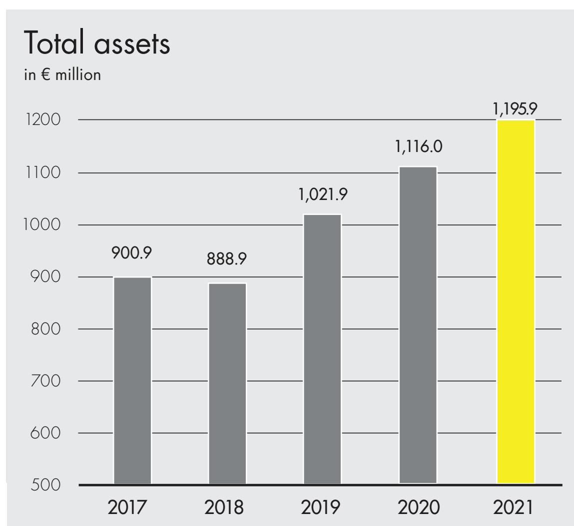
Following the economic retraction in 2020 caused by global pandemic situation, the banking sector in Kosovo achieved good overall performance in key financial indicators in 2021, after the overall economic situation in the country improved. The banking sector income increased in 2021 to € 322 million from € 279 million in 2020. The largest portion of income is generated from interest income which increased from € 212 million to € 226.9 million in 2021. The total expenses increased to € 204.6 million from € 199.4 million in 2020, while the interest expenses to € 24.4 million from € 20.9 million in 2020. Given this background, the net profit of the banking sector also recorded an increase to € 117.5 million from € 79.9 million in 2020.

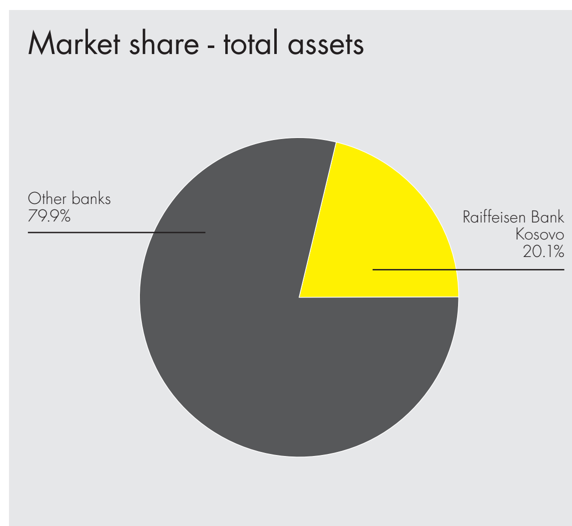
In 2021, the banking sector return on average assets improved by 0.7 pp reaching 2.3 per cent (2020: 1.6 per cent). The return on average capital increased to 19.5 per cent, up from 14 per cent in 2020. The banks' loan to deposit ratio was 76.5 per cent as of 31 December 2020, up from 74.5 per cent on 31 December 2020. Capital adequacy ratio (regulatory capital /risk weighted assets) was 15.3 per cent, down from 16.5 per cent on 31 December 2020. While the non-performing loan ratio improved by 0.4pp from 2.7 per cent in 2020 to 2.3 per cent at the end of 2021. The NPL loan coverage ratio increased to 151 per cent from 141 per cent in 2020.

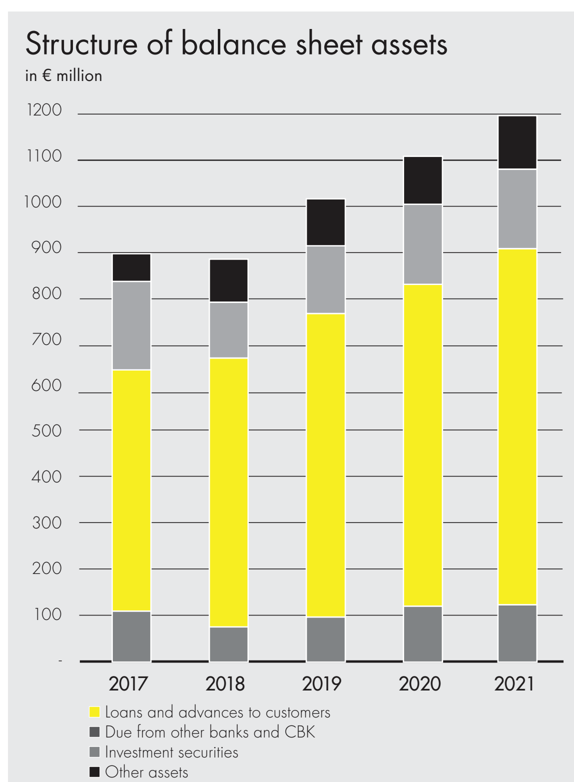
Raiffeisen Bank Kosovo performance and financials

Note: *The market analysis is based on preliminary published financial results of commercial banks prepared in compliance with the Central Bank of Kosovo (CBK) rules.*

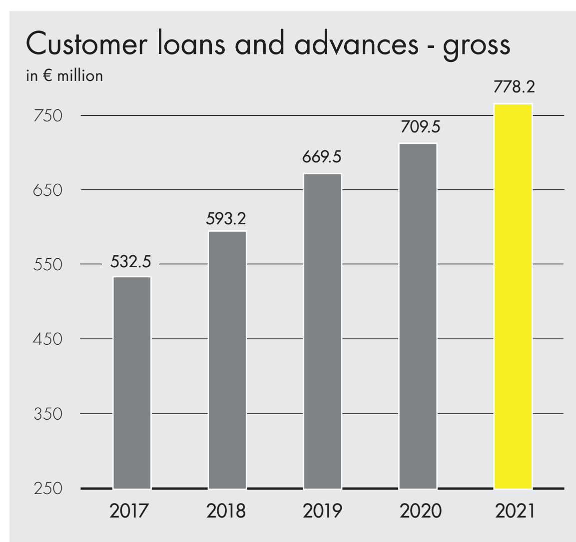
Total assets of Raiffeisen Bank Kosovo J.S.C. as of 31 December 2021 were € 1,195.9 million. This is an increase of 7.2 per cent when compared to the previous year (2020: € 1,116 million). The percentage of market share of the total assets of Raiffeisen Bank Kosovo was 20.1 per cent (2020: 21 per cent).

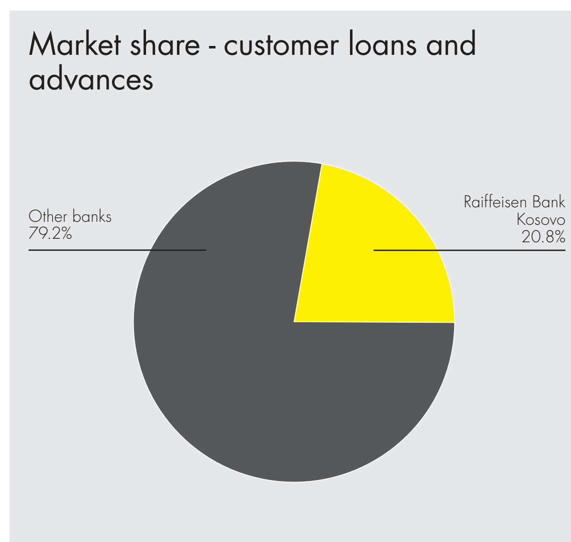






The structure of Raiffeisen Bank Kosovo assets continued to be dominated by loans and advances to customers. As of 31 December 2021, 65 per cent of total assets were concentrated in loans and advances to customers after provisioning for loan losses. That was followed by 15 per cent in investment securities. Investment securities include investments in Government and Corporate bonds of EU countries and the US, as well as treasury bills issued by Kosovo Government.



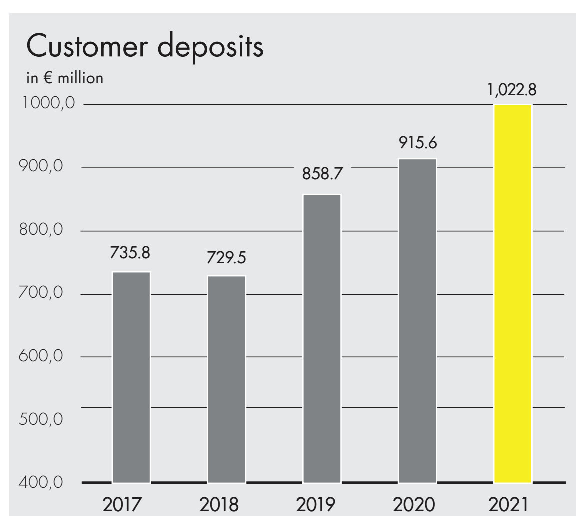


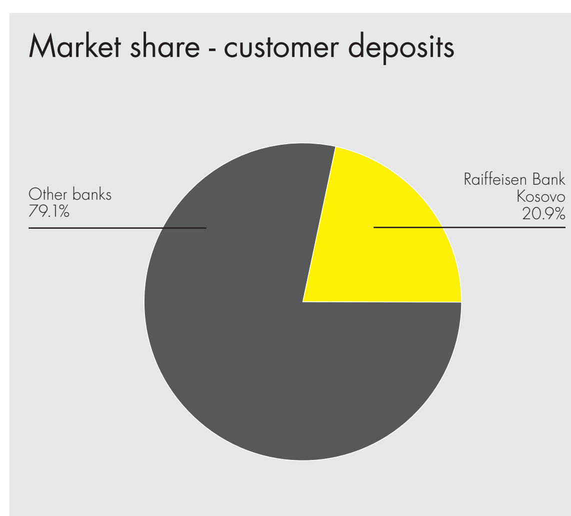
Investments in securities as of 31 December 2021 were € 174 million (2020: € 177 million. Investments in Kosovo Government treasury bills were € 48.7 million (2020: € 25 million) and investments in other OECD country government and corporate bonds were € 125.3 million (2020: € 152 million). Total loans and advances of Raiffeisen Bank Kosovo as of 31 December 2021 were € 778.2 million (2020: € 709.5 million). The market share in loans and advances as of 31 December 2020 was 20.8 per cent (2019: 22.0 per cent).

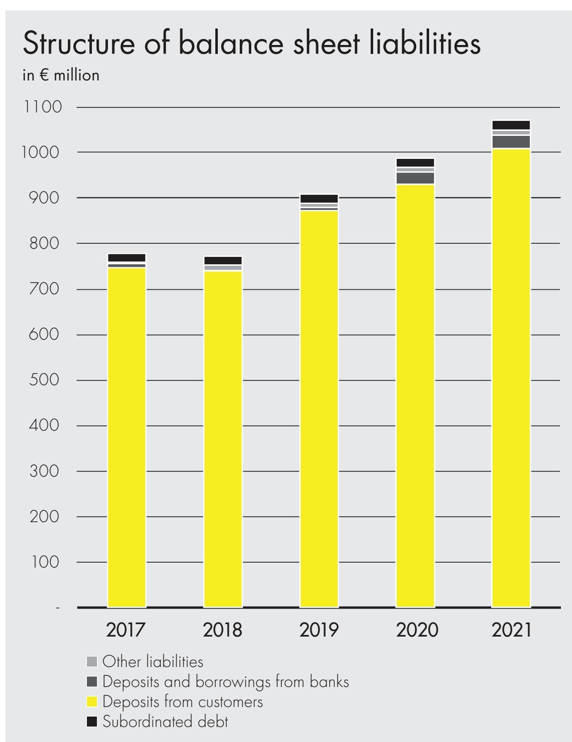
The bank did take a number of measures to address the COVID-19 pandemic situation, thus offering the option to benefit from the from loan repayment moratoria. The restructure process was fully aligned with Central Bank of Kosovo guidelines for such modification, the latest being the guideline on loan restructuring due to COVID-19, published in February of 2021. During the peak of the crisis in 2020, the bank did modify up to 60 per cent of its outstanding loan portfolio. This means that the payments were deferred initially for a period of 3 months, but as the crisis the moratoria was extended up to a total of 9 months without it resulting in customer credit history deterioration.

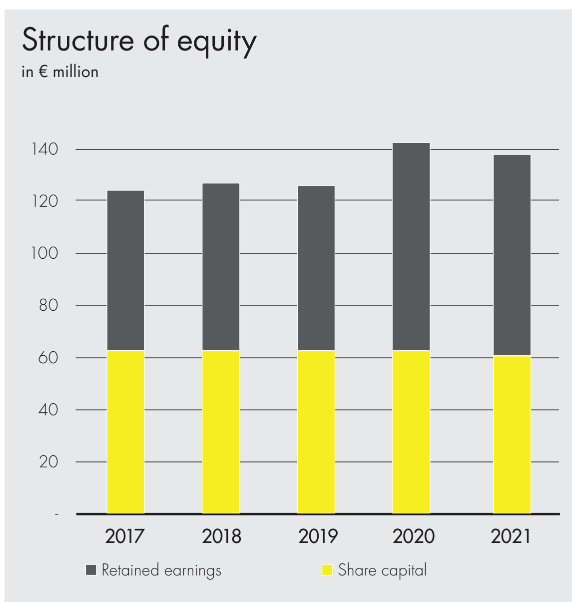
Raiffeisen Bank Kosovo has calculated allowances for credit losses based on credit risk policies. These allowances for credit losses amount to € 26.5 million (2020: € 24 million). These allowances are calculated based on the IFRS 9 expected credit loss model and reflect Raiffeisen Bank Kosovo assessment of risk on the credit portfolio on 31 December 2021. The total credit loss allowances to nonperforming loans in 2021 were 104 per cent (2020: 106 per cent).

Total customer deposits of Raiffeisen Bank Kosovo reached € 1,023 million as of 31 December 2021 up from € 916 million on 31 December 2020. That is an increase of 11.7 per cent. The domestic generation of finances also contributed towards greater stability in the banking sector and reduced the impact of any volatility from the international markets.









The largest contributor to deposits from customers was current accounts with a share of 87 per cent. Savings accounts have a share of 13 per cent of total bank customer deposits. Term deposits from customers and other accounts equate less than 1 per cent of the total deposit base. The increase in current account balances is also due to the decrease in market interest rates for saving accounts and term deposits in the recent years. The liabilities structure of Raiffeisen Bank Kosovo was dominated by customer deposits, and this was also the case for the Kosovo market.

In 2021, Raiffeisen Bank Kosovo's share capital remained unchanged at € 63 million. The total equity as of 31 December 2021 was € 137.5 million (2020: € 144 million), also including € 74.5 million in the form of retained earnings. Raiffeisen Bank Kosovo distributed a dividend in the value of € 32.4 million during the year following the approval by the CBK. The bank did not pay any dividend in previous year as result of COVID-19 restrictions and limitations by the CBK.

Raiffeisen Bank Kosovo continued to be well capitalized which was reflected in the 2021 regulatory capital of Tier 1 to total risk weighted assets ratio of 12.49 per cent (legal requirement over 9 per cent) and a total capital (including Tier 2) to risk weighted assets ratio of 13.8 per cent (legal requirement 12 per cent). In the calculation of Tier 2 capital, Raiffeisen Bank Kosovo has included the amount of € 3.8 million of subordinated debt with an original maturity of ten years in line with regulatory requirements. The above capital requirements were calculated in compliance with the CBK regulation on capital adequacy and other applicable regulatory rules and regulations.

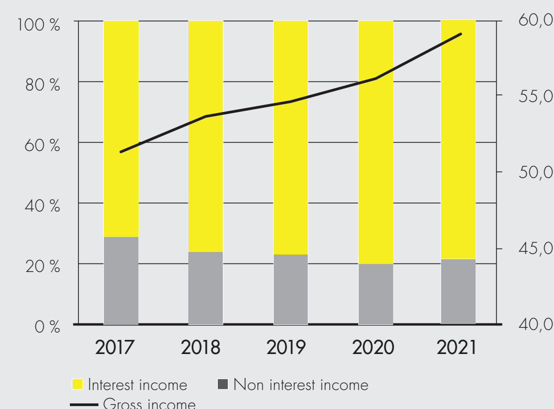
Net income after tax in 2021 was € 26.3 million (2020: € 16.7 million). This result is calculated based on IFRS Financial Statements as included in this report. The IFRS statements are reported to Central Bank of Kosovo on regular monthly basis and are also published on a quarterly basis on the Raiffeisen Bank Kosovo website and in local e-news portals.

Raiffeisen Bank Kosovo income was strongly dominated by income generated from loans and advances to local customers. Income from interest on loans and advances continues to be main source of income despite falling rates for loans in the market as well as very low yields and sometimes negative yields on OECD government issued bonds or money market placements.

In 2021, the net interest income increased compared to the year before by 2.7 per cent showing signs of economic recovery.

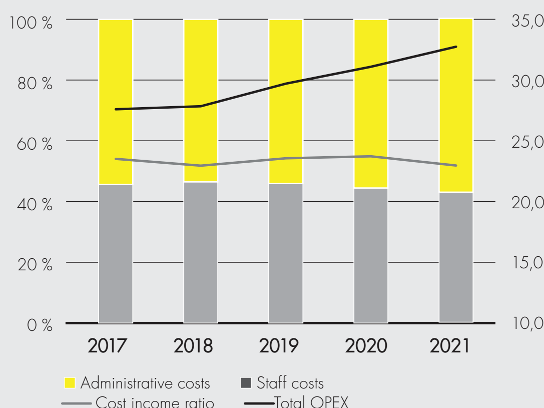
Gross income development and structure

in € million



General administrative expenses development

in € million



Fee and commission income increased significantly in 2021. Increase in net fee and commission income was 50 per cent from a year before. This was fueled by economy opening as result of more relaxed anti COVID-19 measures. The increase is mainly in bank payments business which saw increased activity in actual reporting period as a result of large number of diaspora transactions throughout the year and more significantly during the summer. While other income increased as a result of increased activity from the bank's Competence Center. These non-banking services contain income related to a limited number of IT services provided to the RBI Head Office in Vienna and other RBI consolidated companies.

The general and administrative expenses as of 31 December 2021 were € 32.5 million (2020: € 30.8 million). The cost-to-income ratio was 47 per cent (2020: 54 per cent). Higher costs are reported in bank running costs. That is mainly impacted by staff costs which include costs, such as employee wages, training, and other professional development. These costs continued to represent a significant part of operational expenses. This year bank also recognized a loan modification loss of € 114 thousand (2020: € 173 thousand) which is calculated as result of payment deferral in loan moratoria imposed by COVID-19 pandemic.

Treasury, asset and liability management

2021 will be remembered as a year of the continued pandemic and vaccination process, slight opening of the economy and higher commodity prices and heightened inflation expectations. Kosovars retained their trust in the banking system for their savings and took out loans for their businesses and households, resulting in the highest growth of loans and deposits.

The withdrawal of a portion of pensions in the late 2020, in an amount of close to 200 million for the entire banking sector, contributed to overall increase of the liquidity in the banking sector during 2021, on top of the very healthy growth of deposits in Kosovo through years.

Raiffeisen Bank Kosovo utilizes quantitative modeling to measure customer deposits stickiness for its non-maturing assets and liabilities, for interest rate risk purposes but also for liquidity risk purposes, for both retail and non-retail customers. The compound effect of a high liquidity position and a high stickiness position produces a stable liquidity position.

As at the end of 2021, the bank had a Net Stable Funding Ratio (NSFR) above 158 per cent, and Liquidity Coverage Ratio (LCR) of 545 per cent. Both ratios are an increase compared to year end 2020. The liquidity of the bank is comprised of holdings of investment in cash in branches, Government bonds, FI bonds, and Money Market investments.

Interest rate risk in Banking Book and strategy

Raiffeisen Bank Kosovo has in some parts increased its interest rate duration on bonds, and its strategy does provide for positive maturity transformation of the bank in an environment of lower yields. This approach was exceptionally helpful in the volatile pandemic situation. Furthermore, a higher proportion of variable rate customer loans, compared to the years before, enables the customers to benefit from lower yields, while the bank retains its fixed margin. Having the right and prudent positioning of the interest rate balance sheet is very important for the bank's management and shareholders.

In a broader context: the table below shows the P&L exposures by currency per 1 basis point shift in curve. The bank maintains long fixed and long variable as described in the table below. The bank is not currently engaged in active ALM but offers and maintains variable rate products to improve the sensitivity of the assets of the bank.

Assets and Liability Management Interest Rate Risks
Basis Point Value - BPV

Exposure BPV

Currency	Single currency Exposures	< 6Mnths	<1Y	<5Y	5-7Y	Above 7 yrs
Total	23,723					
CHF	(2)	(10)	8	-	-	-
EUR	20,296	(230)	(6,654)	84,017	(30,845)	(25,992)
GBP	2	(4)	2	-	-	-
USD	3,423	85	(535)	3,874	-	-

In light of inflation expectations, it is expected the rates to bottom. The interest rates basis point value (BPV) in 2021, showed an end of year BPV position increase of around 8 thousand BPV to almost € 24 thousand per BPV.

Government/Corporate FI securities

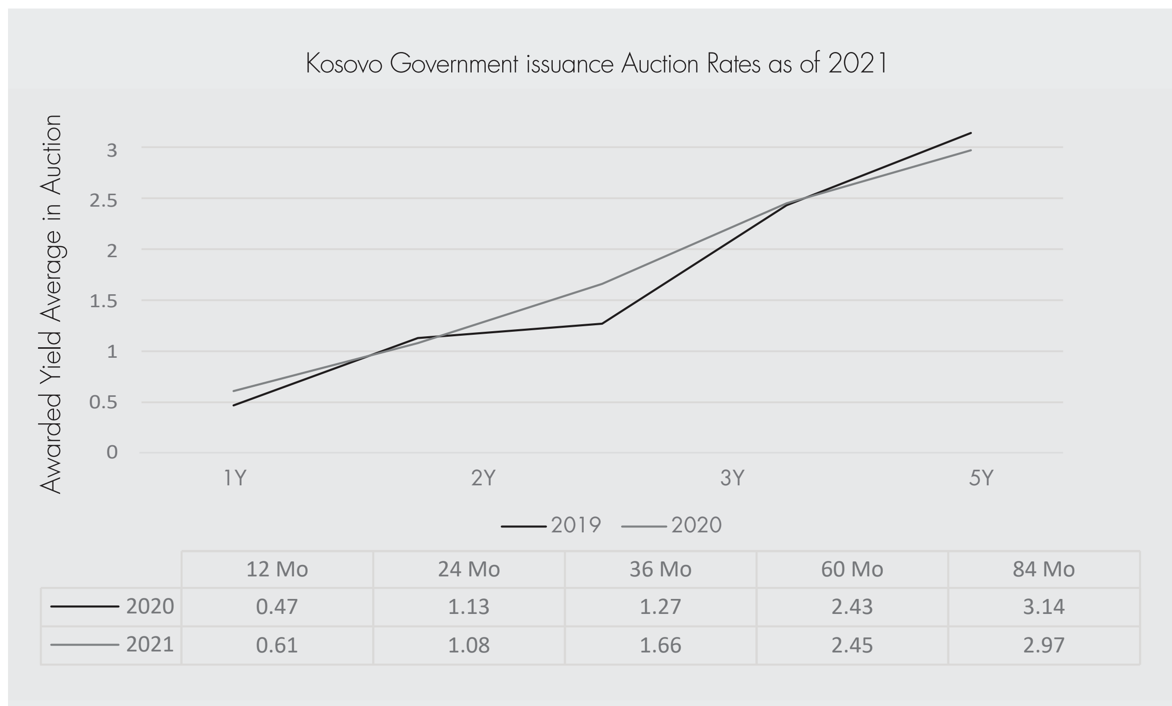
The bank increased its holdings of financial investment in 2021, ending the year with a volume of € 174 million. The increase in volume is similar to the increase experienced in 2019. The banks must maintain majority of the assets in High Quality Liquid Assets in order to fulfill its mandatory (legally required) liquidity. Very small part of the portfolio is located to FI positions, and the overall portfolio is dominated by Government Securities. The table below represents its current allocation as at the end of year 2021.

Moody's Rating system used as a % of Bond Allocation in the table below:

EUR	**<0.5Y**	**<1Y**	**<2Y**	**<3Y**	**<=5Y**	
Aaa	20.7%	13.3%				
A1			2.8%			
A2			1.7%			
None (*)	5.1%	10.3%	6.8%	9.5%	9.1%	0.6%
A3	16.44	-	-	-	-	
Non.R	4.03	-	5.53	2.17	2.43	
USD	**<0.5y**	**<1y**	**<2y**	**<3y**	**<4y**	**<5y**
Aaa	7.2%	6.7%	5.3%			
A2		0.3%	0.5%			

(*) This category is mostly represented by Kosovo Bonds.

In parallel, the total market for Kosovo treasury bills continued its pace of development. In its role as a primary dealer, Raiffeisen Bank Kosovo and its customers continued to define the creation of the Kosovo government debt secondary market, albeit at a slower rate due to its declining attractiveness given the lower yields attained in the last couple of years. The Bid to Cover in Kosovo Auction market is well subscribed, pointing to a very liquid market in the primary auctions. The secondary market is still underdeveloped.



	12 Mo	24 Mo	36 Mo	60 Mo	84 Mo
2020	0.47	1.13	1.27	2.43	3.14
2021	0.61	1.08	1.66	2.45	2.97

Markets sales

Raiffeisen Bank Kosovo is a leader in foreign exchange sales since 2002 in Kosovo. Albeit being a Euro currency country, it retains its position as market leader in FX sales and brokerage sales in the secondary market for Treasury Bills and equities sales. Since 2019, the bank has made available electronic trading system for its customers, and the electronic FX sales account for most of the FX sales business in 2021.

In addition, the number of customers trading in equities and funds increased in 2021. Customers used the opportunity to invest in mature equity markets in 2021 and Raiffeisen Bank Kosovo continues to be the leading provider of an international market gateway for customers, since 2012.

Capital Market sales products

FX Raiffeisen Mobile Application - After the successful launch of FX Raiffeisen Application for Corporate and FI customers in late 2019, the bank launched its mobile version of application in 2021. It enables the customers to trade in various time zones in FX currencies.

FX Raiffeisen web-based application and FX Raiffeisen Mobile - This was an important step to ensure that Raiffeisen Bank Kosovo retains its leadership in as far as Foreign Exchange Sales business in the banking industry in Kosovo is concerned. Digitalization of processes for trading and settlement helped the bank to reduce disruptions during the time of pandemics and provide superior experience in the realm of FX Sales and International payments in non-EUR imports and exports. Kosovo had significant increase of remittance inflows in year 2021 and Raiffeisen Bank Kosovo with its technology was the most important enabler in the market for non-EUR remittances, since it collected the majority of FX revenues in the banking market, reaching € 1.93 million in FX alone for year 2021.

MFE Retail Bond Book building – Following the decision of the Kosovo Ministry of Finance to issue the first Retail bonds in August 2021, Raiffeisen Bank Kosovo was a key book-building bank due to its affluent banking customer's segment. Once again, the bank confirmed its role in the market as a primary leader.

Kosovo Treasury Bills/Bonds – Raiffeisen Bank Kosovo is also a leader in Treasury Bills in the secondary market allocation, both in terms of number of trades and volumes.

Raiffeisen Capital Managements funds and Brokerage in Stocks – Raiffeisen Bank Kosovo has managed to increase its number of customers significantly in 2021. It offers them access to international Stock Markets like NYSE, NASDAQ, XETRA/XFRA and many more exchanges with access to more than 20 thousand stocks, ETFs.

Business segments

Corporate

The combination of financial strength, high capital base and deep knowledge and expertise of the corporate relationship and product owners enables corporate business of Raiffeisen Bank Kosovo to have a unique position compared to the competition. As a result, the bank continued to maintain its market leader position in Kosovo by further supporting growth of its relationship customers and the acquisition of new customers in 2021.

One of the key priorities of the bank remained the support for customers to overcome the impacts of the difficult and unpredictable situation created by COVID-19, ensuring compliance with regulation, and proactively managing delinquency prevention. Despite the overall difficulties deriving from pandemic situation, corporate business continued to have very good performance during 2021 and increased its loan portfolio by 6.2 per cent. A very well collateralized portfolio also resulted in a sustainable Return on Risk Adjusted Capital (RoRAC) of 149 per cent. A high priority was also given to ensuring full compliance with increased regulatory requirements both on a local and international level, as well as group requirements.

At the beginning of 2021, Raiffeisen Bank International (RBI) has become an official Signatory of the UN Principles for Responsible Banking. Being the network bank of RBI, Raiffeisen Bank Kosovo has set the goals and ambition to be a leading bank in Kosovo for sustainable/ESG business. The focus in 2021 was to build up the strategy for ESG Financing combined with the training and awareness increase both internally and externally. The goal under this strategy is to orientate the financing flow towards customers who are ready to shift their business model into a green economy and influence the government institutions to consider Raiffeisen Bank Kosovo as a partner for implementing the Green Agenda.

To support this goal, the corporate segment began to increase the focus on this topic with the customers, making all the efforts to underline the increasing interest in financing the transition to a low-carbon economy and supporting sustainable and inclusive growth. This was also reflected in concrete results in 2021, by adding a green and social portfolio of € 10.7 million to the Bank's lending in climate and resource efficiency. In 2022, more intensive activities on promoting ESG agenda are planned.

Small enterprises

2021 continued to be a challenging year for the small enterprises overall in Kosovo given the impact of the COVID-19. Thus, the focus of the bank was to identify the possibilities of how to provide support to SE customers to overcome this unpredicted situation in the best way possible. Small Enterprises (SE) segment continued to foster customer relationships through its experienced relationship managers located in four regions of Kosovo. As a result, the bank managed to maintain a relatively stable SE loan portfolio at a very good quality, as well as by increasing the total number of SE customers during the year under review.

Internally, several initiatives in process efficiency were taken during 2021, as new service model was in place for SE sales team from January 2021. Most of these initiatives were focused on the simplification of the customer experience, making it leaner or appropriate to the size and complexity of the applications. In addition to increasing simplicity, the key focus area was to digitalize the process for SE customers to apply for loans, enabling SE Relationship Managers to have a 360-degree view on the customer file, and much faster approval times, which are expected to have a significant increase in efficiency and improvement of the customer experience.

Micro enterprises

The micro enterprises were hit the most by the COVID-19 and as such, it made Raffeisen Bank Kosovo to come up with various actions and adaptations. This new approach of the bank as well as the introduction of the Economic Recovery Package enabled the customers to significantly recover their business activities. As a result, Raiffeisen Bank Kosovo managed to achieve the best results ever in the micro segment, by growing the loans, deposits, as well as the profit related to this category of micro business customers.

The micro segment within the bank combines the traditional approach with modern technological advances in providing a unique and customer centric service. Thus, on branch level the bank operates in seven regions and each regional manager is equipped with the necessary tools and technology to also operate remotely. The remote concept is further enhanced with advisory services through RaiConnect where customers can get advanced overview and analytics on their financial needs and management. Through this approach, the segment strives to emphasize the focus on customer relationship by expanding the reach to customers and offering them all financial and advising services that they need. During 2021, the micro segment offered services to 16,208 micro businesses. These customers in addition to traditional banking services could rely also on self-service areas incorporated in the branch network as well as the contact center which is available 24/7.

Another important development in micro segment was the cooperation with the European Bank for Reconstruction and Development (EBRD) and the European Union Kosovo in launching the "Competitiveness Support Programme". Through a five million Euro contract, the programme is aimed at increasing the capacities and processes of micro businesses and supporting them in attaining the standards of European Union (EU) especially in the field of product quality, health, security at work and environmental factors. Through this programme, apart from the financing, the micro customers could benefit from technical assistance offered in implementing the project, as well as a 15 per cent grant on the total loan amount upon completion of the project. Through the modernization of the activities, the micro customers would be able to generate more business opportunities in the region and in the European market.

Private individuals, affluent banking, and branches

Being physically present in all regions of Kosovo with 38 branches and sub-branches, Raiffeisen Bank Kosovo represents the largest branch network in the market. One of the main initiatives, 'Branch Transformation Program' continued to be implemented in 2021. The aim of the program was to optimize the branch network through consolidation of premises into more efficient and cost-effective branches, to explore opportunities for better customer experience and revenue growth by increasing the sales capabilities with a multitasked staff approach. The reinvented branch offers a variety of new features such as the new self-service area in which the customer can use online banking services 24/7, a comfortable yet discreet space to meet and discuss financial matters with a modern touch and with digital corner, as well as new product such as Glory ATM which is used for large deposit by business customers.

During 2021, three main branches and four sub-branches were renovated, which included the upgrading or adding the self-service areas. This ultimately resulted in increase of overall number of self-service areas into 39. To further enhance the customer experience and meet their needs accordingly, the bank has increased the number of sales employees in the branches by six per cent. Furthermore, the bank added convenient cash services for customers in all branches of Raiffeisen Bank Kosovo.

It should be highlighted that the 'Branch Transformation Program' has been complemented by the continuous promotion of customer education activities which inevitably resulted in a tangible increase of the usage of digital channels. In addition to various digital awareness campaigns, another factor that had a great impact on raising customers' awareness on the benefits of digital channels usage was the increase of the number of sales employees in branches. The employees in branches worked closely with customers by providing them concrete support and making their journey toward the digital banking usage much easier.

In addition to branch transformation, the bank managed to design and develop its own communication platform / application that is used for direct remote communication between Relationship Officers and customers. This new service is branded as RaiConnect and its purpose is to give the customers opportunity to have a direct remote communication with the bank and to exchange files, share files securely, co-browsing etc. In a way, RaiConnect will enable customers to receive branch services from their home or office. Currently, the bank has six remote relationship officers and based on the usage, it will expand their number accordingly.

Another channel that contributes to selling of banking products and services is the Sales Agent Network. This team enables the Bank to have an immediate access to the target market with the aim to be close to potential customers. At the same time, the customer will benefit from the direct personal presentation and sale of products or services usually in their homes or at their working places. The team of 25 sales agents is present in all branches.

Given all these developments in 2021, the private individuals and affluent banking segment managed to record a significant growth in its loan portfolio, increase the personal loan limit to € 30,000 and € 35,000 for mass and affluent customers respectively, as well as continued to maintain the market leader position in both sales to individuals and in terms of NPS, confirming the customer satisfaction with the bank products and service.

Banking products and services

Corporate and SE products and services

In 2021, digitalization and innovation guided the upgrading and launching of the new products and services in Corporate and SE segment of Raiffeisen Bank Kosovo. A brief description of some of the main developments that took place will be provided below.

E- finance (Unique online lending service for corporate customers) - In cooperation with Raiffeisen Bank International (RBI), Raiffeisen Bank Kosovo introduced new online lending platform for its corporate customers, which is unique and state-of-the-art technology. Through the MyRaiffeisen - RBI's digital platform, corporate customers in e-Finance can now easily apply for a Term Loan for Investment or a Multipurpose Working Capital Credit Line digitally. Customers can also communicate with their dedicated Relationship Managers directly via eFINANCE. The initial number of customers onboarded, and applications done digitally via e-Finance are very promising and the bank expects that in 2022, their number will increase significantly.

Future CMI@web - It offers possibility to the bank customers to initiate a payment through a single sign on platform with RBI and all network banks as well as process these payment within few seconds. Future CMI@web is the first online banking platform of this kind.

Cash deposits/collection process digitalized - In 2021, Raiffeisen Bank Kosovo introduced the new cash deposit machine "Glory machine" suitable for higher volume deposits to meet the needs of SE and Corporate customers. The Glory machine receives 10 times higher volumes and ensures a faster processing time of transaction vs ATMs. It also provides a separate room for depositing money from customers. Overall, this unique solution enables the customer to receive fast, safe and 24/7 service.

eKYC (Know Your Customer) in Raiffeisen Plus Platform - The e-KYC (Know Your Customer) solution for corporate and small enterprises customers was integrated in Raiffeisen Plus. The advantage of e-KYC solution for Corporate and SE customers is 'Customer empowerment' by providing the customer the possibility to enroll online and update KYC information with convenient and simple process. Following the continuous enhancements made in new i/m Banking platforms, 94 per cent of transactions of Corporate and SE customers were completed on Internet and Mobile banking.

Factoring (recourse & reverse), a unique product and service in the market - Raiffeisen Bank Kosovo was the first bank to introduce Factoring products into the country almost a decade ago in 2012, and it remains the only bank that offers Recourse and Reverse Factoring (Confirming). Despite the challenging environment in 2021, Factoring reached € 39 million turnover. Factoring with its 'unsecured character' (accounts receivable as a collateral) has a positive advantage for SMEs wanting to grow. The GDP factoring penetration rate is still far from the level in other European countries, but the positive trend is increasing year on year. The aim is to provide headroom and more security to a business and to intensify the partnership, continuing by changing perceptions and understanding of the nature and characteristics of the product, which will contribute to the further development of Factoring and overall banking market in Kosovo.

Retail banking products and services

For the retail banking products and services, digital solutions, innovation and transformation remained a priority in 2021 as well. This approach enables the bank to offer ease to customers as well as superior customer experience. In addition to several retail digital solutions that were introduced in 2020, the following were some of the main highlights in 2021.

Raiffeisen Plus and Mobile E-Banking – This platform makes the customer banking experience easy by having complete control over finances through their mobile device 24 hours a day, seven days a week. It should be mentioned that the platform is simple, has user-friendly interfaces and provides real time services. During 2021, more than 55 per cent of retail customers were registered to use bank mobile application. For more than two years now, the 'Customer empowerment' approach enables enrolling online to the platform as well as usage of biometric data (without credentials). In 2021, new features were added to offer the customers an even better app experience. The new features include: push notifications, new type of payments, and UX/UI improvements and integration of smart widgets. Raiffeisen Bank app has continued to be the first bank application in the market in NPS results and best app rating with 4.7 average, being also the most downloaded financial application in Kosovo.

Online account opening process – In 2021, the existing customer journey to initiate the process of opening the account online was re-designed providing a much better and faster process. The feedback from customers was the main contribution to having a completely new user journey, improved customers experience and left-behind bureaucratic processes. The platform has also integrated KYC and AML obligatory processes, thus enabling the customers to complete almost all process of the account opening online.

E-Commerce upgrade - During 2021, Raiffeisen Bank launched the new type for payment in e-commerce. The bank implemented the possibility to pay in installments with credit card for online purchases with merchants who have e-commerce. The main aim of this flexible way of payment was to increase customer satisfaction while using credit cards.

Visa Premium Credit Card - This initiative is a continuity of bringing a new card and new product features into the market by providing to customers unique experience which stand out mainly for a list of benefits and privileges offered to the customer by paying with credit card. Visa Premium Credit Card is the first of this kind in the Kosovo banking market and is dedicated for premium customers. The card benefits include but are not limited to two free entries in business lounges in airports throughout a year, several discounts when purchasing in Agoda, Avis and other merchants as well as International medical and travel information assistance. Customers that hold Visa Platinum Credit Card can also benefit from purchases with interest free installments, as one of the most requested features from the customers in the market.

RaiPay – In 2021, Raiffeisen Bank Kosovo has continued to be the only bank that offered digital wallet branded as RaiPay with two card brands Visa & Master Card. New features were added to RaiPay, which is functional for devices running the Android operating system: RaiPay UI (user interface) and UX (user experience) improvement; fingerprint authentication; see available balance of all enrolled cards; see full transaction history (NFC and card transaction); show card spending limits and transaction amount; card details (view last 4 digits of token) and multilanguage options. In 2021, RaiPay recorded a 100 per cent increase in number of active users, 18 per cent increase in number of transactions and 27 per cent increase in volume.

Chatbot - Chatbot as one of the most attractive services during 2021 is available to customers for two years now, both in Viber and Facebook Messenger. The customers can receive information 24/7 about bank products and services in an easy way through the bank website as additional channel.

Customer experience

In 2021, Raiffeisen Bank Kosovo has successfully implemented systematic feedback collection process that enables us to capture customers' perceptions and feedback after every interaction with Banks's channels and across all touchpoints. In addition to these efforts, the agile working mindset allowed us to translate the findings from these surveys into continuous improvements. The identified customer pain points were used to improve product & services, adapt changes based on customer's feedback and transformed key journeys with customer being at the center of this transformation.

Furthermore, during 2021 Raiffeisen Bank implemented two permanent organizational processes with focus on follow up reactions to survey respondents to bring value to customer engagement and commitment and at the same time create improvement actions based on customer feedback and pain points. Additionally, the bank for the first time launched a dedicated learning program on customer experience topic. The learning program started with the launch of special designed learning program and is considered a long-lasting important contributor to maintain an organization that not only emphasizes customer service but fosters a customer-oriented outlook at every possible change and decision.

This whole spectrum of major activities undertaken historically in Customer Experience governance and most importantly the activities during 2021 in Raiffeisen Bank, have built a strong foundation to providing excellent, simple, and stress-free experiences that directly affected the improvement of overall customer experience which is Raiffeisen Bank core vision and mission.

Risk management

Active risk management is a core competency of Raiffeisen Bank Kosovo. The bank recognizes the importance of a strong culture, which refers to shared attitudes, values and standards that shape behaviors related to risk awareness, risk taking and risk management. In order to actively and effectively identify, measure and manage risks, the bank continues to develop and advance its comprehensive risk management system. Risk Management is an integral part of the overall bank management. In addition to legal and regulatory authority requirements, the bank also considers and manages the nature, scale, and complexity of its business activities and the resulting risks.

The bank has a system of risk principles and procedures in place for measuring and monitoring risk, which is aimed at managing material risks. Credit, market, liquidity, and operational risks are measured, limited, mitigated, aggregated, and compared to the available risk coverage capital.

During 2021, the bank has actively managed the risks resulting from the COVID-19 outbreak and its impacts on customers and operations during 2021. Raiffeisen Bank Kosovo has been proactive in adopting preventive and appropriate measures. During the post pandemic situation with COVID-19, Risk Management Committee continually assessed current material risk management topics and constantly assessed the impact on bank's financial, risk, capital, and liquidity positions. Committee members were kept informed of the bank performance and financials through regular reports given.

Credit risk

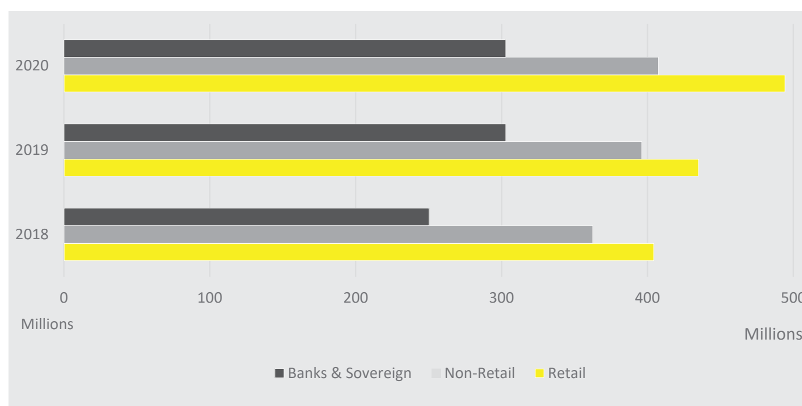
Credit risk is the risk of financial loss if a customer or counterparty fails to meet an obligation under a contract. Credit risk arises principally from direct lending or trade finance. Credit Risk Concentration is managed via specific limitations (i.e. concentration thresholds) for selected dimensions of credit risk, such as single name risk to limit maximum exposure for each individual counterpart/GCC, or/and industry risk.

Credit Portfolio Management

Credit Portfolio Management department closely monitors the economic developments on the market and across the sectors and undertakes scenario analysis. This enables us to take portfolio actions where necessary, including enhanced monitoring, amending the bank risk appetite and/or adjusting limits and exposures, to rebalance exposures and manage risk appetite where necessary. Based on this, the bank undertakes regular reviews of key portfolios to help ensure that individual customer or portfolio risks are understood and the bank's ability to manage the level of facilities offered through any downturn is appropriate.

The following graph shows the bank's credit exposure at the end of the reporting period and the previous two periods. Total credit risk exposure was € 1,205 million as of 31 December 2021, which compared to year end 2020 increased by 6 per cent, respectively increased by 18 per cent compared to year end 2019.

This portfolio is diversified between business and individual customer segments and includes exposures on- and off-balance sheet, prior to the application of impairment provision and credit conversion factors and thus represents the total credit exposure.



Raiffeisen Bank Kosovo stands in a very good position by maintaining credit risk exposure within acceptable parameters. This effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success and stability of the bank.

Management of non-performing loans

In line with EU and local authority requirements, Raiffeisen Bank Kosovo has fully implemented regulatory requirements and has developed internal procedures and processes for managing non-performing loans. Non-performing loans at the end of 2021 were at the level of 3.1 per cent, which has remained the same as previous year. Given the circumstances of post pandemic situation, this is considered stable and good performance. In addition, NPL coverage ratio is 76.36 per cent that is higher than the coverage ratio of the previous year (72.89 per cent).

Liquidity risk

Liquidity adequacy is ensured from both an economic and a regulatory perspective. To approach the economic perspective, the bank has established a governance framework comprising internal limits and steering measures.

The regulatory component is addressed by compliance with the reporting requirements under Central Bank of the Republic of Kosovo (Regulatory Liquidity Ratios). In addition to the local regulatory requirements, the bank complies also with Basel III reporting requirements (Liquidity Coverage Ratio and Net Stable Funding Ratio).

Regulatory and internal liquidity analyses and ratios are monitored based on particular modelling assumptions. Whereas the regulatory reports are calculated on specifications given by authorities, the internal reports are modelled with assumptions from empirical observations.

The cornerstones of the economic liquidity risk framework are the Going Concern (GC) and the Time-to-Wall (TTW) scenario. The Going Concern analysis shows the structural liquidity position. It covers all main risk drivers, which could detrimentally affect the group in a business-as-usual scenario. On the other hand, the Time-to-Wall analysis shows the survival horizon for defined adverse scenarios and stress models (market, reputational and combined crisis) and determines the minimum level of the liquidity buffer (and/or the counter-balancing capacity) of the Bank.

The liquidity scenarios are modelled using a Group-wide approach, acknowledging local specifications where they are justified by influencing factors such as the market environment or business characteristics.

Monitoring of limits and complying with reporting requirements is performed effectively, and the respective escalation channels are being utilized and work as designed.

The bank's liquidity position continued to remain stable and revealed a strong liquidity buffer during 2021.

The Regulatory Liquidity Ratio according to the definition of the Central Bank of the Republic of Kosovo:

	2021	2020	2019	Minimum Requirement
All currencies	32.12%	34.71%	35.36%	25.00%
Euro currency	30.04%	28.48%	27.76%	20.00%

The liquidity position is monitored on bank level and is restricted by means of a comprehensive limit system. Limits are defined both under a business as usual as well as under a stress perspective. In accordance with the defined risk appetite, Raiffeisen Bank Kosovo demonstrated a survival horizon of several months (TTW) in a severe, combined stress scenario (reputational and market stress). This can be ensured either by a structurally positive liquidity profile or by a sufficiently high liquidity buffer. In a normal going concern environment, maturity transformation must be fully covered by the available liquidity buffer in the medium term. This means that the cumulative liquidity position over a period of up to one year must be positive. In the long term (one year or more), maturity transformation is permitted up to a certain level. The internal model limits are supplemented by limits for compliance with regulatory liquidity ratios, such as the Liquidity Coverage Ratio (LCR) and Liquidity Maintenance Ratio (LMR). All the Liquidity Indicators were within the limits through the year.

Market risk

The bank defines market risk as the risk of possible losses arising from changes in market prices of trading and investment positions. Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will reduce bank income or the value of bank portfolios.

The following values are measured and limited daily in the market risk management system:

• *Value-at-Risk (confidence level 99 per cent, risk horizon one day)*
Value-at-risk (VaR) is the main steering instrument in liquid markets and normal market situations. VaR is measured based on a hybrid simulation approach, where 5,000 scenarios are calculated. The approach combines the advantages of a historical simulation and a Monte-Carlo simulation and derives market parameters from 250 days historical data. Distribution assumptions include modern features like volatility de-clustering and random time change. This helps in reproducing fat-tailed and asymmetric distributions accurately. Value-at-risk results are not only used for limiting risk but also in the economic capital allocation.

• *Sensitivities (to changes in exchange rates and interest rates)*
Sensitivity limits shall ensure that concentrations are avoided in normal market situations and are the main steering instrument under extreme market situations and in illiquid markets or in markets that are structurally difficult to measure.

• Stop loss
This limit strengthens the discipline of traders such that they do not allow losses to accumulate on their own proprietary positions but strictly limit them instead.

A comprehensive stress-testing concept compliments this multi-level limit system. It simulates potential present value changes of defined scenarios for the total portfolio.

The following measures are being taken by market risk management in order to counter the post-pandemic COVID-19 crisis. Market trends and position changes in the individual portfolios for Raiffeisen Bank Kosovo were monitored more intensely. In addition, trends on local markets are updated daily and risk management is actively controlled to be able to respond quickly to changes. The aim is to adapt limits to the risk appetite, close positions where necessary, build up liquidity buffers where market conditions are more favorable, and adapt models to local measures (moratoriums) where necessary.

Operational risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people, or systems or from external events, including outsourcing, reputational and legal risk. In this risk category internal risk drivers such as unauthorized activities, fraud, or theft, conduct related losses, modelling errors, execution and process errors, or business disruption and system failures are managed. External factors such as damage to physical assets or fraud are managed and controlled as well.

This risk category is analyzed and managed based on own historical loss data and the results of self-assessments. Another management tool is the incentive system implemented in internal capital allocation. This system rewards high data quality and active risk management.

Three lines of defense concept has been implemented where Business Line Managers are designated and trained as Operational Risk Managers for each business area. Operational Risk Managers provide central Operational Risk Controlling with reports on risk assessments, loss events, indicators, scenarios and measures. They are supported in their work by Dedicated Operational Risk Specialists (DORS).

Risk Controlling unit is responsible for reporting, implementing the framework, developing control measures and monitoring compliance with requirements. Within the framework of the annual risk management cycle, they also coordinate the participation of the relevant second line of defense departments and all first line of defense partners (Operational Risk Managers).

• *Risk identification*
Identifying and evaluating risks that might endanger the bank's existence (but the occurrence of which is highly improbable) and areas where losses are more likely to arise more frequently (but have only limited impact) are important aspects of operational risk management. Operational risk assessment is executed in a structured manner according to risk categories such as business processes and event types. Moreover, risk assessment applies to new products, new projects, new emerging regulations, and open audit points as well.

• *Monitoring*
Early warning indicators are used to monitor operational risks, allowing prompt identification and minimization of losses. In compliance with internal policies and procedures loss data is collected in a central database called ORCA (Operational Risk Controlling Application) in a structured manner according to the event type and the business line. The results of the analyses as well as events resulting from operational risks are reported in a comprehensive manner to the Operational Risk Management Committee on a regular basis.

Collecting losses in ORCA stemming from operational risks is a prerequisite for implementing a statistical loss distribution model and a minimum requirement for implementing the regulatory Standardized Approach. Furthermore, loss data is used to create and validate operational risk scenarios and for exchange with international data pools to further develop advanced operational risk management tools as well as to track further on measures and control efficiency.

• *Quantification and mitigation*
Raiffeisen Bank Kosovo has implemented Advanced Management Approach (AMA) but the bank currently reports the calculation of regulatory capital requirements for operational risks according to Basel III using the Standardized Approach. Operational risk reduction is initiated by business managers who decide on preventive actions like risk mitigation or risk transfer. Progress and success of these actions is monitored by Risk Controlling Department. The former also define contingency plans and nominate responsible persons or departments for initiating the defined actions if losses in fact occur. In addition, a dedicated organizational unit provides support to business units for reducing operational risks. An important role is taken on by fraud management which reduces potential fraud related losses through proactive monitoring and preventive actions. The bank also executes an extensive staff training program and has different emergency plans and back-up systems in place.

Changes in the regulatory environment

The Kosovo banking sector is considered very dynamic with changes in legislation in line with directives of the EU. As part of Raiffeisen Bank International (RBI) Group, the bank is subject to the changes in the regulatory environment in the EU. This enables the bank to be adapted in advance to changes in local regulations, which aim to be harmonized with EU regulations.

The bank followed closely the current and the upcoming regulatory developments in 2021. Through the year, the Central Bank required to review and comment on the Draft Regulation on the Liquidity Coverage Ratio and Draft Regulation on the Net Stable Funding Ratio. The request included the reporting templates which were reviewed and completed by the bank.

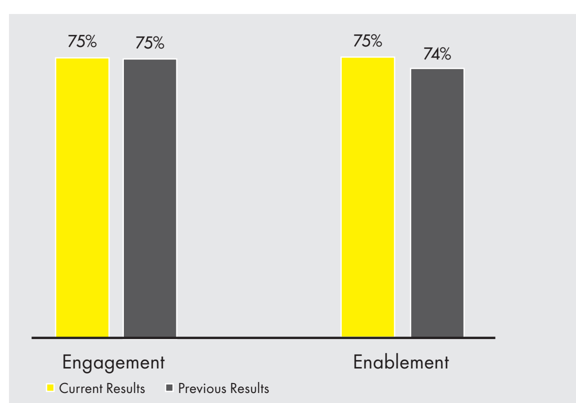
People, culture and learning

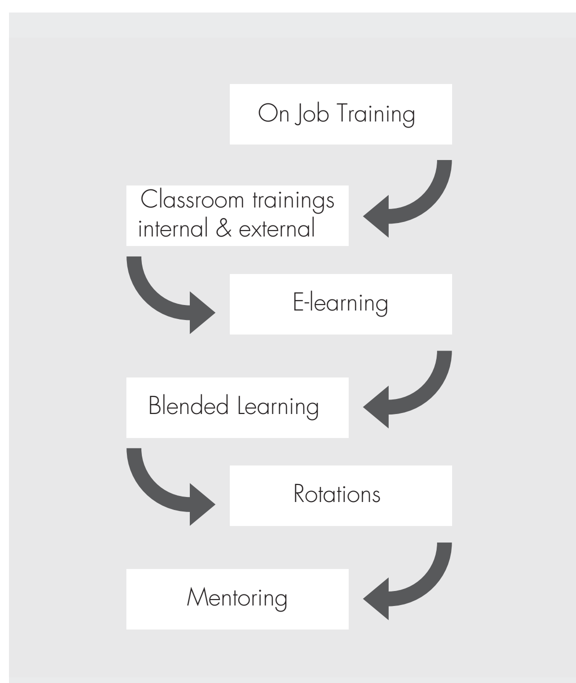
In 2021, 859 employees of Raiffeisen Bank Kosovo served about 280,000 customers. Given that 2021 continued to be followed with the pandemic hurdles, the bank's key focus was to enable good health and wellbeing of colleagues and customers. In this sense, providing flexible working environment and promoting vaccination were key topics in bank's people agenda.

Due to market fluctuations, especially in IT industry, the bank introduced measures that would enable more adaptive working conditions of such roles and prevent talent loss. In addition, a top strategic priority for employees remains the advancement of technologies, both in terms of having easy employee related operations as well as advanced learning and performance management tools.

The average age of employees in 2021 continued to be 37 years, while 52 per cent of total employees were women, and 48 per cent men.

Our continuous measurement of the voice of employees has revealed stable numbers in year 2021 for the key two parameters of employee engagement and enablement, with a one per cent increase on the enablement index.





Professional development

The bank is committed to grow and develop people, their knowledge and skills by offering a variety of learning and development opportunities.

These initiatives resulted in knowledge improvements in the field of banking products and services, management topics, new working methods and technology. In this way, the bank gained a competitive advantage in the market by offering a more professional and efficient service to its customers with new adaptive approach. A specific focus was continuously given to the concept of self-development and own initiative for online self-learning in 2021. The newly upgraded online Learning Management System offers high quality services and modern learning experience for learners using the latest technology.

The bank cooperates with various training providers in and out of Kosovo for specific training programs. Training needs identification is done continuously in order to have tailored programs that meet employees' needs. Individual development plans are provided with focus specifically on the competencies of an individual and increasing the chances of personal development.

eLearning is already a very well accepted learning methodology and became one of the most important, attractive, flexible and efficient methods of learning for most employees. In 2021, there was an impressive level of interest and support by bank employees to attend and design internally created courses. The pandemic situation enhanced even more the usage of online learning, and in this way, eLearning became the main learning resource and methodology in Raiffeisen Bank Kosovo. Additional focus was also given to externally provided online courses to increase efficiency and variety in learning. Besides eLearning, during 2021 classroom trainings made a gradual comeback and the bank organized different training sessions with physical presence of learners.

In addition to the activities already mentioned, the bank continued to support employees for their specific professional needs and provided licensed courses on a range of topics from technical to soft skills. Lifelong learning remains one of the key messages in the bank. 2021 continued to be an unusual year, beside technical and soft skills there was a higher focus on remote working tips, pandemic prevention, digital transformation, health, safety, managing mental health, dealing with stress and anxiety, which were some of the most important topics offered mostly online with the aim to achieve an acceptable work-life balance and develop team spirit amongst employees.

One of the bank's corporate values is "Learning" which also serves as the catalyst of the Learning Organization. One of the enabling activities of the Learning Organization is the "Learning Festival" that aims to provide unique learning opportunities, trigger learning curiosity, and promote learning culture. In 2021, the theme of the Learning Festival was "Change to Adaptive" where different presentations and training sessions were organized on topics of technology, innovation, entrepreneurship, remote work, health, and wellbeing. Presentations were organized virtually with external and internal speakers from Kosovo and Europe where all bank's employees had the opportunity to attend. Excellent feedback was received and average participation per session was 90 employees."

Talent management

During 2021, the focus on increasing the awareness and skills of people managers toward human capabilities continued. The bank continued to run the development initiatives of rotation and cross-functional programs and tailored learning assignments. These internal and international programs aim to deepen the expertise of the most talented bank employees and managers through an innovative combination of practical, alternative and academic methods of learning.

Safe Working Environment

During year 2021, the bank continued its activities regarding health and wellbeing with a special focus on the pandemic situation. A guideline for remote work during the pandemic situation was created and published to help and guide colleagues while working from home during this period.

Other activities aimed to raise employees' awareness about protection against COVID-19 and stimulating vaccination by promoting the importance of vaccination through various activities.

Sustainability management and corporate responsibility

The bank's understanding of sustainability

Sustainability has always been a fundamental principle of Raiffeisen Bank Kosovo and as such has been a measure of corporate success.

• The bank understands sustainability to mean responsible corporate activities for a long-term, economically positive result in consideration of key societal and environmental aspects.

• The bank combines financial success with social responsibility by anchoring sustainability as a fixed component of its business and by practicing sustainability as an integral leadership and management responsibility, in addition to taking key sustainability aspects into consideration in its business activities.

• The bank therefore commits to aligning its management structures and processes with this attitude. In the three strategic sustainability areas of responsibility, "Responsible banker", "Fair partner", and "Engaged citizen", which are closely linked to its business activities, the bank endeavors to professionally and effectively apply its values and competences to fostering sustainable development both in the company and in society.

The bank's sustainability aim is to concentrate on those areas with a significant potential impact. This requires the bank to continuously improve the sustainability impact of its business activities and develop ways to measure and verify this impact. In doing so, the bank hopes to increase the long-term value of the bank while also actively contributing to the sustainable development of the society.

Raiffeisen Bank International (RBI) is one of the signatory companies of the UN Global Compact (UNGC), and as a subsidiary of RBI, Raiffeisen Bank Kosovo is therefore committed to consistently complying with the ten UNGC principles of responsible business. The UNGC is the world's largest CSR and sustainable development initiative. Its principles include the core areas of human rights, labor standards, environmental protection and combating corruption.

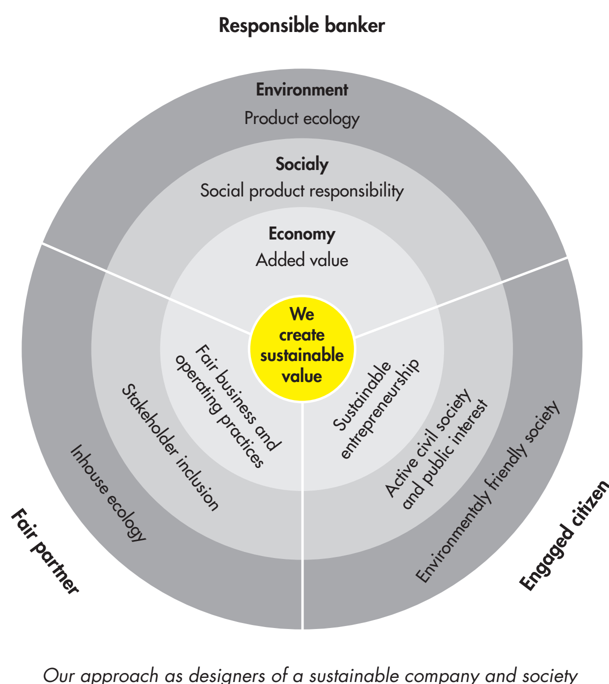
The ten principles of the UN Global Compact
Human rights
Principle 1: We support and respect the protection of international human rights within our sphere of influence.
Principle 2: We make sure that we are not complicit in human rights abuses.
Labour
Principle 3: We uphold the freedom of association and the effective recognition of the right to negotiations about Collective Bargaining Agreement.
Principle 4: We support the elimination of all forms of forced and compulsory labor.
Principle 5: We support the abolition of child labor.
Principle 6: We support the elimination of discrimination in employment and occupation.
Environment
Principle 7: We support a precautionary approach to environmental challenges.
Principle 8: We undertake initiatives to promote greater environmental responsibility.
Principle 9: We encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption
Principle 10: We work against corruption in all its forms, including extortion and bribery.

As a long-standing member of the UNEP Finance Initiative, RBI also signed the "Principles for Responsible Banking" in early 2021, thereby committing to implement the six principles across its Group as well as in Raiffeisen Bank Kosovo. These principles provide the framework for sustainable banking and help the industry to show how it can make a positive contribution to society. They anchor sustainability at a strategic, portfolio and transaction level and in all areas of business.

The Principles for Responsible banking of UNEP Finance Initiative
Alignment
Principle 1: We will align our business strategy to be consistent with and contribute to individual's needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.
Impact and target setting
Principle 2: We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.
Clients and Customers
Principle 3: We will work responsibly with our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
Stakeholders
Principle 4: We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.
Governance and culture
Principle 5: We will implement our commitment to these Principles through effective governance and a culture of responsible banking.
Transparency and accountability
Principle 6: We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Sustainability strategy

Raiffeisen Bank Kosovo's Sustainability strategy consists of nine core action areas within which the bank focuses its sustainability management. In order to systematically address these core areas, which are also important to its stakeholders, the bank continuously seeks to improve its sustainability strategy. In identifying the core action areas, the bank relies on the RBI perspective as well as the perspectives of its stakeholders that include its employees, customers, shareholders and suppliers, as well as non-governmental organizations and a number of other stakeholder groups. The bank carries out a multi-stage materiality analysis on a regular basis to prioritize these fields of activity. For this reason, as well as for the purpose of making any adjustments to its sustainability strategy, the bank places great value on maintaining a dialogue with its stakeholders.



Our approach as designers of a sustainable company and society

Responsible banker

Raiffeisen Bank Kosovo in 2021 had many activities that have the effect of being a responsible banker in Kosovo. In terms of governance and compliance, the bank applies these values in all its activities. The basis for this is the bank's Code of Conduct, which is applied across the Group, for all staff members and its business partners.

Lending policy and lending decision policy
The bank's business model is oriented around the high-level strategic goal of creating long-term value. The integration and adaptation of the ESG framework in the bank lending criteria enables to identify and support projects that have a positive impact in Environment, Social or Governance standards. Responsible lending is a significant component of this model. It remains a fair and reliable lender to businesses with prospects, even in difficult times such as COVID-19 times. Furthermore, the bank complies with all the laws and regulations of Kosovo, including those dealing with environmental and social issues and is driven to improve environmental and social risk management capacity to reduce credit and liability risks.

Customer satisfaction
The satisfaction of the customers is the bank's top priority. This is therefore measured regularly both in the retail and corporate businesses, in order to enable appropriate action when necessary.

Responsible sales practices and marketing
The satisfaction of the customers is the bank's top priority. This is therefore measured regularly both in the retail and corporate businesses, in order to enable appropriate action when necessary.

Fair partner

Corruption and money laundering
The bank takes all the actions in order to avoid any form of corruption, money laundering, fraud or insider trading. A prerequisite in its business and operational practices is the fair, ethical and legally compliant behavior of all members of staff. Mechanisms for complying with it are through the Code of Conduct (CoC) and clear, detailed regulations contained in the Compliance Manual.

Diversity
Being the employer of choice in Kosovo remains the core objective of the bank. Diversity is one of the key contributors to being the employer of choice. For the Bank this means added value. Leveraging the opportunities provided by diversity offers sustainable benefits for the bank and employees as well as the economy and society. In Raiffeisen Bank Kosovo women were represented with 36 per cent in management positions, while in the bank 56 per cent of total employees were women.

Professional development
The bank is committed to grow and develop people, their knowledge and skills by offering a variety of learning and development opportunities. A specific focus was given to the concept of self-development and own initiative for online self-learning in 2021. The newly upgraded online Learning Management System offers high quality services and modern learning experience for learners using the latest technology.

Inhouse ecology
The management of climate risks – not just in in-house ecology – is an increasingly important task for the economy. It was not without reason that the World Economic Forum classified climate change among the five greatest risks in the 2021 Global Risks Report. In Raiffeisen Bank Kosovo effective climate protection has therefore become a competitive factor and an important activity for the bank. The bank views environmental and climate protection as part of its responsibility toward society, and it sees itself as a fair partner to the environment. In 2021, the bank reached a decrease of 36 per cent in carbon emissions from 2020 in scope 1, while the focus will be to reduce scope 2 as well and proactively measure scope 3 emissions.

Engaged citizen

The bank considers itself an engaged corporate citizen, which actively champions sustainable development in society. The commitment as a corporate citizen goes beyond the core business and aims to develop the young population of Kosovo in culture, sports, technology and education. In addition, the bank also contributed to the social welfare projects, with a particular focus on children and mothers in Kosovo.

Supported projects and initiatives
During 2021, Raiffeisen Bank Kosovo continued to sponsor different projects in the five main areas: social welfare, culture, education, health and sport. Regarding the social welfare, the bank continued to support organizations such as UNICEF in providing access to young children with special needs in the municipality of Gjilan with access to school when they were required to have online classes (by providing tablets). As well as supported UNICEF in the Home Visit programs to enable nurses and doctors to reach out to the larger population with children's vaccines.

Culture remained one of the key areas that the bank continued to be engaged. The main cultural project that the bank is supporting for over ten years in a row is the well-known festival: Prishtina Film Festival. While one of the most important events of the PriFest is the event series "PriFORUM Regional Coproduction", which brings to Kosovo filmmakers from different countries of Europe and the world. Separate workshops and master courses for young artists were also part of the festival.

In addition, the bank continued to promote art with Raiffeisen Gallery. The idea was to give young, upcoming artists the opportunity to present their works to the public. For this purpose, the bank has rented a space in Albi Mall, the Kosovo's biggest shopping center, and this space was transformed into an innovative space where new works by young artists are exhibited every month. This helps the community to have a place where they can have an exhibition without any costs.

In terms of education and innovation in 2021, Raiffeisen Bank Kosovo supported Atomi project that focuses on identifying and supporting people with extraordinary intelligence, gifted and talented people in Kosovo. More precisely, the goal of Atomi is early identification of students with extraordinary intelligence, gifted and talented students (hereafter: atomist) in order to offer proper possibilities, conditions, care and special schooling (enrichment) for these students based on their intellectual potentials, giftedness, talent, personality, ambitions, interests, motivation and their socio-economic conditions and circumstances. All these services and activities are provided in order to enable these students to develop and realize their full intellectual potential and therefore contribute firstly to their personal development and at the same time to social and national interest.

Apart from Atomi, Raiffeisen Bank also supports Kosova Makers League organized by Bone Vet, which is the first robotics competition for primary and secondary schools. This competition is open to all the schools of Kosovo. The purpose of this platform is to increase the enthusiasm of students about Science, Technology, Engineering and Mathematics, while creating a positive learning environment.

During 2021, Raiffeisen Bank Kosovo also supported Green Fest in Mitrovica with overall purpose to contribute in raising the public awareness on environmental protection and green entrepreneurship, through education program and cultural activism.

Financial statements

The Independent Auditor's Report and Separate Financial Statements for the year ended 31 December 2021 are prepared in accordance with International Financial Reporting Standards (IFRS).

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Notes to the separate financial statements 46-118

Statement of Management's Responsibilities

To the Shareholders and the Supervisory Board of Raiffeisen Bank Kosovo J.S.C.

We have prepared the financial statements as at 31 December 2021 and for the year then ended, which presents fairly, in all material respects the financial position of Raiffeisen Bank Kosovo J.S.C. (the "Bank") as at 31 December 2021 and the results of its operations and its cash flows for the year ended. Management is responsible for ensuring that the Bank keeps accounting records that comply with the Kosovo banking regulations and can be suitable amended to disclose with reasonable accuracy the financial position of the Bank and the results of its operations and cash flows in accordance with International Financial Reporting Standards that include International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for related accounted periods. Management also has a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Bank and prevent and detect fraud and other irregularities.

Management considers that, in preparing the financial statements, the Bank has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates, and the appropriate International Financial Reporting Standards have been followed.

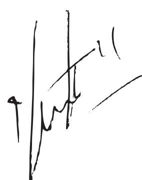
The financial statements are hereby approved on behalf of the Management Board.

Pristina, Kosovo
23 March 2022

The Management Board

Anita Kovacic
Chief Executive Officer
Management Board Chairwoman

Shukri Mustafa
Chief Operations Officer
Management Board Member



Iliriana Toçi
Retail Banking
Management Board Member

Johannes Riepl
Corporate Banking
Management Board Member

Deloitte.

Independent Auditors' Report

To the Shareholders of Raiffeisen Bank Kosovo J.S.C.

Opinion

We have audited the separate financial statements of Raiffeisen Bank Kosovo J.S.C (the "Bank"), which comprise the separate statement of financial position as at December 31, 2021, and the separate statement profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year ended December 31, 2021, and notes to the separate financial statements, including a summary of significant accounting policies.
In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2021, and its financial performance and its cash flows for the year the ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter

The separate financial statements of the Bank for the year ended December 31, 2020 were audited by another auditor, who expressed an unmodified opinion on those separate financial statements on April 12, 2021.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Bank in accordance with the requirements of the Law No. 04/L-093. The Annual Report of the Bank is expected to be made available to us after the date of our audit report.
Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Annual Report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the separate Financial Statements

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

Our objectives are to obtain reasonable assurance about whether the separate 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 ISAs 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 separate financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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.

Deloitte Kosova Sh.p.k.
Str. Ukshin Hoti
Prishtina, Republic of Kosovo
Unique Identification No.: 810468373
March 23, 2022

Engagement Partner:
Arta Limani

Separate statement of financial position

(amounts in € 000)	Notes	As at December 31, 2021	As at December 31, 2020
Assets			
Cash and cash equivalents and mandatory reserve	8	175,289	156,178
Due from banks	9	19,391	28,575
Investment securities	10	174,034	176,759
Loans and advances to customers	11	778,249	709,515
Other assets	12	7,274	3,428
Deferred tax asset	23	141	118
Investments in subsidiaries	13	2,234	2,234
Property, plant and equipment	14	33,765	34,361
Intangible assets	14	5,552	4,816
Total assets		**1,195,929**	**1,115,984**
Liabilities			
Due to banks	15	6,335	26,882
Deposits from customers	16	1,022,775	915,626
Financial liabilities measured at fair value	17	458	600
Other liabilities	18	8,651	8,211
Provisions	18	883	1,234
Deferred tax liability	26	-	-
Subordinated loan	19	19,298	19,298
Total liabilities		**1,058,400**	**971,851**
Shareholders' equity			
Share capital		63,000	63,000
Fair value reserve		27	550
Other reserves		1,955	1,955
Retained earnings		72,547	78,628
Total shareholder's equity	20	137,529	144,133
Total liabilities and shareholder's equity		**1,195,929**	**1,115,984**

These financial statements are approved for issue on behalf of the Management of Raiffeisen Bank Kosovo J.S.C. and signed on its behalf on March 23, 2022.

Fatos Shllaku
Head of Finance

Anita Kovacic
Chief Executive Officer
Management Board Chairwoman

The separate statement of financial position is to be read in conjunction with the notes to and forming part of the separate financial statements set out on pages 46 to 118.

Separate statement of comprehensive income

(amounts in € 000)	Notes	For the year ending December 31, 2021	For the year ending December 31, 2020
Interest income calculated using the effective interest method	21	48,740	47,381
Interest expense calculated using the effective interest method	21	(2,547)	(2,395)
Net interest income		**46,193**	**44,986**
Dividend income	22	1,811	-
Fee and commission income	23	21,807	15,686
Fee and commission expense	23	(9,605)	(7,726)
Net fee and commission income		**14,013**	**7,960**
Impairment losses on financial assets	6	(4,895)	(8,085)
Recoveries from loans previously written off		1,875	1,127
Gains or losses on financial assets and liabilities	24	50	56
Loan modification gains/losses	29	(114)	(173)
Other operating income	25	4,738	3,209
Net operating income		**61,860**	**49,080**
Personnel expenses	26	(15,017)	(13,687)
Depreciation of property and equipment and ROU	27	(3,619)	(3,874)
Amortisation of intangible assets	27	(1,867)	(1,884)
Other operating expenses	28	(11,913)	(11,162)
Profit before income tax		**29,444**	**18,474**
Income tax expense	30	(3,125)	(1,822)
Profit for the year		**26,319**	**16,652**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Net change in fair value of Financial assets through other comprehensive income		(523)	70
Total comprehensive income for the year		**25,796**	**16,722**

The separate statement of comprehensive income is to be read in conjunction with the notes to and forming part of the separate financial statements set out on pages 46 to 118.

Separate statement of changes in equity

(amounts in € '000)	Share capital	Retained earnings	Other Reserves	Fair value reserve	Total shareholder's equity
Balance as at 1 January 2020	63,000	61,976	1,955	480	127,411
Profit for the year	-	16,652	-	-	16,652
Net change in fair value of financial assets through other comprehensive income	-	-	-	70	70
Total comprehensive income	63,000	78,628	1,955	550	144,133
Balance as at 31 December 2020	63,000	78,628	1,955	550	144,133
Profit for the year	-	26,319	-	-	26,319
Net change in fair value of financial assets through other comprehensive income	-	-	-	(523)	(523)
Total comprehensive income	63,000	104,947	1,955	27	169,929
Contributions and distributions	-				
Dividends to equity holders	-	(32,400)	-	-	(32,400)
Balance as at 31 December 2021	63,000	72,547	1,955	27	137,529

The separate statement of changes in equity is to be read in conjunction with the notes to and forming part of the separate financial statements set out on pages 46 to 118.

Separate statement of cash flow

(amounts in € 000)	Notes	For the year ending December 31, 2021	For the year ending December 31, 2020
Cash flows from operating activities			
Interest received on loans		48,548	44,879
Interest paid on placements		(166)	(26)
Interest received on investment securities		2,032	934
Dividends received		1,811	-
Interest paid on deposits and subordinated loan		(2,345)	(2,366)
Fees and commissions received		23,743	17,153
Fees and commissions paid		(9,605)	(7,726)
Other income from non-banking activities		4,428	2,803
Staff costs paid		(16,081)	(13,053)
Other operating expenses paid		(11,576)	(9,970)
Income tax paid		(3,125)	(1,400)
Cash flow from operating activities before changes in operating assets and liabilities		**37,665**	**31,228**
Changes in operating assets and liabilities			
Mandatory liquidity reserve		(12,178)	(4,505)
Due from banks		65	48
Loans and advances to customers		(73,967)	(48,636)
Other assets		(3,847)	(1,717)
Due to customers		107,148	58,606
Deposits from banks		(20,171)	18,570
Other liabilities		(670)	208
Net cash flow from operating activities		**34,045**	**53,802**
Cash flows from investing activities			
Acquisition of property, equipment & intangibles assets	14	(4,928)	(5,308)
Income from property and equipment disposal		38	73
Investment in securities		2,410	(26,987)
Net cash (used in) / from investing activities		**(2,480)**	**(32,222)**
Cash flows from financing activities			
Proceeds from borrowings	7	(375)	709
Repayment of leased liabilities	7	(1,104)	(1,154)
Dividends paid	7	(32,400)	-
Net cash flow (used in) financing activities		**(33,879)**	**(445)**
Effect of exchange rate changes		(2)	2
Net decrease in cash and cash equivalents		**(2,316)**	**21,137**
Cash and cash equivalents at the beginning of year	8	96,669	75,532
Cash and cash equivalents as at 31 December 2021	**8**	**94,353**	**96,669**

The separate statement of cash flows is to be read in conjunction with the notes to and forming part of the separate financial statements set out on pages 46 to 118.

Notes to the separate financial statements for the year ended 31 December 2021

1. Reporting entity

Raiffeisen SEE Region Holding GmbH is the 100 per cent shareholder of Raiffeisen Bank Kosovo J.S.C. Raiffeisen SEE Region Holding GmbH is a 100 per cent indirect subsidiary of Raiffeisen Bank International AG, the ultimate parent.

The Bank operates under a banking licence issued by the Central Bank of the Republic of Kosovo - ("CBK") on 8 November 2001. The Bank's principal business activities are commercial and retail banking operations within Kosovo.

As at 31 December 2021 the Bank has 7 branches and 32 sub-branches within Kosovo (31 December 2020: 7 branches and 34 subbranches). The Bank's registered office is located at the following address: Robert Doll Street 99, 10000 Prishtina, Republic of Kosovo.

2. Basis of preparation

2.1 Basis of accounting

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared using the going concern assumption.

More information about circumstances caused by the global pandemic of COVID-19 that affected Bank's operations and activities in 2021 is disclosed in Note 2.2. These circumstances did not affect the appropriateness of the going concern assumption of the Bank.

2.2 Significant events in the reporting period

Impact from the COVID-19 pandemic

The economic shutdown caused by the COVID-19 pandemic in March 2020, has had unprecedented economic repercussions in 2020. As a result, the Central Bank of Kosovo took some measures in order to introduce economic relief for the businesses hit hardest by the pandemic situation. It introduced 3 guidelines for loan restructuring. The guidelines are applicable by all credit institutions licensed by the Central Bank of Kosovo. The guideline main purpose was introduction of a temporary payment moratoria on loans which should not result in customer credit rating. The pandemic situation continued through 2021 and beside having guidelines for loan payment moratoria in 2020, Central Bank of Kosovo on 02 February 2021, introduced another guideline on loan restructuring due to COVID-19 pandemic crisis.

The guideline requires that a payment moratorium on any principal and interest outstanding, is applied for all bank debtors negatively impacted by ongoing pandemic situation.

The latest guideline was applicable for two categories of debtors:

- Debtors who had not applied for a payment moratorium in the past could benefit from it now with maximum moratoria period of 9 months,
- Debtors who had applied in the past for a moratorium could reapply. But the aggregate moratoria period could not be longer than 9 months.

The application period was open for all bank debtors from the guideline publication date to 31 March 2021. The restructured loans as result of this guideline should not necessarily result in credit rating deterioration as result of granted moratoria. As result of the third wave of restructurings in February 2021, a total of € 3.7 million of loans where restructured.

A change in payment plans may lead to a net present value loss on an individual loan contract, which is generally recognized in the other result of Bank as a one-off adjustment to the gross carrying amount resulting from an insignificant modification of the contract. This NPV decrease of COVID-19 modified loans in mainly as result of payment moratoria of up to 9 months.

The moratoria mean that any payment due has been deferred thus resulting in lower NPV than the loan before such moratoria implementation by the bank.

In 2021, € 114 thousand was reflected in the income statement as loss for the period and decreasing balances receivable in this respect (2020: € 173 thousand).

Direct government programs to counter the economic downturn caused by the COVID-19 pandemic, Kosovo adopted various support measures for the economy and to protect jobs. The measures include various forms of direct financial support for individuals, households and businesses to ensure that companies have sufficient liquidity during the COVID-19 pandemic.

2.3 New and amended standards and interpretations adopted by the Bank

Impact of the initial application of Interest Rate Benchmark Reform

In the prior year, the Bank adopted the Phase 1 amendments Interest Rate Benchmark Reform -Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Bank adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Bank to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments did not have an impact for the Bank because it does not have any instruments linked to IBOR interest rate benchmark. Instruments at CHF and GBP are at fixed interest rates.

Impact of the initial application of COVID-19 Related Rent Concessions beyond 30 June 2021 -Amendment to IFRS 16

This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification. IFRS 16:46B The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change,
- Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022),
- There is no substantive change to other terms and conditions of the lease impact on accounting for changes in lease payments applying the exemption.

In the current financial year, the Bank has not applied the amendment to IFRS 16 (as issued by the Board in May 2021) as there were no rent concessions in the scope of the expedient.

2.4 New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 amendments to IFRS 17) - Insurance Contracts
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
Amendments to IFRS 3 - Reference to the Conceptual Framework
Amendments to IAS 16 - Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
Amendments to IAS 8 - Definition of Accounting Estimates
Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Bank Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the Board issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the Board issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Noncurrent

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included

in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020 - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Annual Improvements include amendments to four Standards:

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions,

even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments. The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12. The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with: (1) Right-of-use assets and lease liabilities and (2) Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset,
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

a. Functional and presentation currency

The Bank's functional currency used in preparing the financial statements is Euro as it is the currency of the primary economic environment in which the Bank operates and it reflects the economic substance of the underlying events ("functional currency"). All amounts have been rounded to the nearest thousands, except when otherwise indicated.

b. Use of judgments and estimates

In preparing these separate financial statements, management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

3. Significant accounting policies

The accounting policies set below have been applied consistently to all the periods presented in these separate financial statements.

3.1 Subsidiaries and consolidation

Subsidiaries are entities controlled by the Bank. Control exists as the Bank is exposed, or has rights, to variable returns from its involvement with the investee (subsidiary) and has the ability to affect those returns through its power over the investee.

These financial statements represent the result and financial position of the Bank alone and do not include those of its subsidiaries, as detailed in Note 13.

The Bank prepares separate and consolidated financial statements in accordance with IFRS. The consolidated financial statements are prepared for local regulatory purposes and are not published as the Bank is itself a wholly owned subsidiary and the ultimate parent Raiffeisen Bank International produces consolidated financial statements available for public use at http://www.rbinternational.com, in accordance with International Financial Reporting Standards.

Interests in subsidiaries are accounted for at cost in the separate financial statements.

3.2 Foreign currency transactions

Foreign exchange transactions are recorded at the rate ruling at the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss under Note 23 Fee and Commission income and Note 24 Gain and Losses, exchange differences.

3.3 Financial assets and financial liabilities

3.3.1 Classification financial assets

The Bank classifies all its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- amortized cost,
- fair value through other comprehensive income (FVOCI), and
- fair value through profit or loss (FVTPL).

3.3.2 Classification financial liabilities

All financial liabilities are classified as subsequently measured at amortized cost except for the following items which are measured at FVTPL:

- Financial liabilities that are held for trading – including derivatives,
- Financial liabilities that arise when a transfer of a financial asset does not qualify for de-recognition or when the continuing involvement approach applies,
- Financial guarantees and below market rate interest loan commitments,
- Contingent consideration recognized by an acquirer in a business combination,
- Financial liabilities that are designated as at FVTPL on initial recognition.

The Bank classifies its financial liabilities at amortized cost and at fair value through profit or loss.

3.3.3 Business model

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel,
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed,
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected),
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

However, the Bank's assessment is at highest level of aggregation possible is the Bank's department level. Further sub-portfolios should be used so that each portfolio has the same or similar below characteristics:

- Business area,
- Performance evaluation KPIs,
- Key Management Personal (B-1),
- Risks and risk management processes,
- IT Infrastructure.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.3.4 Contractual cash flow characteristic

For financial assets with the business model to collect contractual cash flows, the bank assesses whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (for example liquidity) and costs (for example administrative), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest the bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Bank considers:

- Prepayment, extension terms,
- Leverage features,
- Claim is limited to specified assets or cash flows,
- Contractually linked instruments.

This assessment needs to be carried out on an instrument-by-instrument basis on the date of initial recognition of the financial asset.

3.3.5 Modification of Time Value of Money and the Benchmark Test

Time value of money is the element of interest that provides consideration for only the passage of time. It does not take into account other risks (credit, liquidity etc.) or costs (administrative etc.) associated with holding a financial asset.

In some cases, the time value of money element may be modified (imperfect). That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case units must assess the modification as to whether the contractual cash flows still represent solely payments of principal and interest, i.e., the modification term does not significantly alter the cash flows from a 'perfect' benchmark instrument. This assessment is not an accounting policy choice and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value.

For the following main contractual features that can potentially modify the time value of money a benchmark test is applied:

- Reset rate frequency does not match interest tenor,
- Lagging indicator,
- Smoothing clause,
- Grace period,
- Secondary market yield reference.

3.3.6 Recognition of financial assets and liabilities

The Bank initially recognises loans, receivables, and other financial liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3.3.7 Derecognition of financial assets and liabilities

3.3.7.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognize a loan to a customer, the Bank considers the following qualitative factors:

- Change in currency of the loan,
- Introduction of an equity feature,
- Change in counterparty,
- If the modification is such that the instrument would no longer meet the SPPI criterion.

and quantitative factors:

- Extension of the average remaining term of equal or more than 50 per cent and equal or more than 2 years (cumulative),
- Changes of amortised cost amount (discounted with the original EIR) with equal or more than 10 per cent and/or equal or more than 100thousands,
- Stage 3 loans can often be restructured to match the maximus expected payouts that a defaulted client can afford. If this the case, then an extension beyond 2 years does not automatically result in de-recognition and requires judgement to determine whether the extension is economically a new instrument.

3.3.7.2 Derecognition other than substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Bank also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset, or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates,
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients,
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Bank's continuing involvement, in which case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. Derecognition is accounted for cases where changes of amortised cost amount (discounted with the original EIR) are equal or more than 10 per cent and/or equal or more than € 100 thousands. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

3.3.8 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS.

3.3.9 Amortised cost measurement

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3.3.10 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

The objective of using a valuation technique is to establish what the transaction price (i.e. an exit price) would have been on the measurement date in an orderly transaction between market participants. Fair value is estimated on the basis of the results of a valuation technique that takes maximum use of market inputs, and relies as little as possible on entity-specific inputs. A valuation technique would be expected to arrive at a realistic estimate of the fair value if:

a) it reasonably reflects how the market could be expected to price the instrument, and

b) the inputs to the valuation technique reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Therefore, a valuation technique:

a) incorporates all factors that market participants would consider in setting a price, and

b) is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). Other methodologies include comparing the fair value of that instrument is by comparison with other observable current market transactions in the same/similar instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include data from observable markets. The discounted cash flow approach is a technique used to link future amounts (cash flows) to the present through a discount rate.

Present value concepts are critical to the development of techniques for estimating the fair value of financial instruments because the market exit price of a financial instrument represents market participant's collective estimate of the present value of its expected cash flows. Therefore, cash flows and discount rate should reflect only factors that are specific to the financial instrument being measured and should reflect assumptions that market participants would use in their estimates of fair value. Also, as the cash flows used are estimates rather than known amounts, a fair value estimate, using present value, is made

under conditions of uncertainty. As market participants generally seek compensation for bearing the uncertainty inherent in cash flows (risk premium), the effect of variability (risk) in the cash flows should be reflected either in the cash flows or in the discount rate.

In applying discounted cash flow ("DCF") analysis, the Bank has to use discount rates equal to the prevailing rates of return for financial instruments having substantially the same terms and characteristics, including the credit quality of the instrument, the remaining term over which the contractual interest rate is fixed, the remaining term to the principal's re-payment and the currency in which payments are to be made. The cash flows used in the DCF model should "fit" to the discount rate and they should also take into consideration the characteristics mentioned above (e.g. remaining term of the contractual interest rate and of the principal).

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

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3.3.11 Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and under IFRS 9 – an ECL provision. The premium received is recognized in the income statement in Net fees and commission income on a straight-line basis over the life of the guarantee. Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments are disclosed in Note 26 and corresponding ECLs are disclosed in Note 6.

3.3.12 Financial instruments - Impairment (IFRS 9)

The measurement of impairment for expected credit loss on financial assets measured at amortized cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and payment behaviour.

Significant judgments are required in applying the accounting requirements for measuring expected credit losses, inter alia:

- Determining criteria for significant increase in credit risk,
- Choosing appropriate models and assumptions for the measurement of expected credit losses,
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses,
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For the bank, credit risk comes from the risk of suffering financial loss should any of bank's customers, clients or market counterparties fail to fulfil their contractual obligations. Credit risk arises mainly from interbank, commercial and personal loans, and loan commitments arising from such lending activities, but can also arise from financial guarantees given, such as, credit guarantees, letters of credit, and acceptances. Bank is also exposed to other credit risks arising from investments in debt securities.

The estimation of the credit risk for risk management purposes is complex and requires the use of models, as the risk varies with changes in market conditions, expected cash flows and the passage of time. The assessment of the credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated default ratios and the default correlations between counterparties. IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality from the point of initial recognition. Under this model, a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. According to IFRS 9, when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets (POCI) are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis.

Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognized, the Bank recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the Lifetime expected credit losses - LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired (as outlined in Note 4). The bank records an allowance for the LTECLs.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses. For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Significant increase in the credit risk

The bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

Bank uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios plus additionally qualitative criteria like 30 days past due or forbearance measures for a particular facility as backstop. For quantitative staging bank compares the lifetime PD curve at reporting date with the forward lifetime PD curve at the date of initial recognition. Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ. For non-retail risk to make the two curves comparable the PDs are scaled down to annualized PDs. A significant increase in credit risk is considered to have occurred if the PD increase was 250 per cent or greater. For longer maturities the threshold of 250 per cent is reduced to account for a maturity effect. For retail exposures on the other hand, the remaining cumulative PDs are compared as the logit difference between "Lifetime PD at reporting date" and "Lifetime PD at origination conditional to survival up to the reporting date". A significant increase in credit risk is considered to have occurred once this logit difference is above a certain threshold. The threshold levels are calculated separately for each portfolio which is covered by individual rating-based lifetime PD models. Based on historical data, the thresholds are estimated as the 50th quantile of the distribution of the above-mentioned logit differences on the worsening portfolio. This way, 50 per cent of the worsening in the lifetime PDs with the highest magnitude is deemed significant. That usually translates to a PD increase between 150 and up to 300 per cent, dependent on the default behaviour of the different portfolios. Regarding the threshold at which a financial instrument must be transferred to stage 2, Bank has decided on the thresholds based on the current market practice.

Qualitative criteria

Bank qualitative criteria as a secondary indicator of a significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met. For sovereign, bank, corporate customer and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators
- Changes in contract terms
- Changes to management approach
- Expert judgment

The assessment of a significant increase in credit risk incorporates forward-looking information and is performed on a quarterly basis at an individual transaction level for all sovereign, bank, corporate customer and project finance portfolios held by bank.

For retail portfolios, if the borrower meets one or more of the following criteria:

- Forbearance
- Default of other exposure of the same customer (PI segment)
- Holistic approach - Applicable for cases where new forward-looking information becomes available for a segment or portion of the portfolio and this information is not yet captured in the rating system. If such cases are identified, management measures this portfolio with lifetime expected credit losses (as a collective assessment).
- The assessment of significant increase in credit risk incorporates forward-looking information and is performed on a monthly basis at an individual transaction level for all retail portfolios held by bank.

Backstop

A backstop is applied, and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days overdue on its contractual payments. In a few limited cases, the presumption that financial assets which are more than 30 days overdue should be moved to Stage 2, is rebutted.

Low credit risk exemption

In selected cases for mostly sovereign debt securities bank makes use of the low credit risk exemption. All securities which are presented as low credit risk have a rating equivalent to investment grade or better i.e. minimum S&P BBB-, Moody's Baa3 or Fitch BBB-.

Bank has not used the low credit risk exemption for any lending business.

Definition of default and credit-impaired assets

Default is defined in article 178 CRR as the event where a specific debtor of bank:

1. is unlikely to pay its credit obligations4 to bank from primary sources, or
2. the debtor is overdue more than 90 days on any material credit obligation to bank.

The indicators for the classification 'unlikely to pay' are roughly included in article 178 (3) CRR.

Non-retail

Bank has defined 12 indicators which are currently used to identify unlikely to pay and 90dpd and are to be considered in DDB (field: default classification). The column 'Classification' gives a reference to which of the two above listed default reasons the indicator refers.

- Bankruptcy
- Direct write-off
- Claim written-off against provisions
- Loan/facility called
- Distressed Restructuring
- Interest payment cancelled
- Claim sold with losses
- Overdue payment
- License withdrawn
- Payment moratorium
- Expected economic loss
- Cross Default

Calculation of the threshold for material overdues

The bank materiality threshold for non-retail customers is regulated in the draft Regulatory Technical Standards (RTS) on materiality threshold for credit obligation past due under Article 178 of Regulation (EU) No. 575/2013, adopted by the EU Commission as Delegated Regulation (EU) No 2018/171 – entered into force on 26 February 2018. According to the above-mentioned regulation, the threshold consists of an absolute and a relative component:

a) the absolute component of the threshold is set as a maximum amount for the sum of all overdue amounts owed by an obligor to the bank ('credit obligation past due') and shall not exceed € 500 or the equivalent of that amount in the relevant national currency, and

b) the relative component of the threshold is set as a ratio, expressed as a percentage, of the overdue amount as referred to in point (a), versus the total amount of all on-balance sheet exposures to the obligor excluding equity exposures ('on-balance credit obligation'); and is equal to 1 per cent.

Retail

Bank uses the following retail default indicators: the 90+DPD indicator and 17 unlikeliness to pay indicators, including 4 situations of cross-default.

90+ Days Past Due

For the purposes of the application of point (b) of Article 178(1) of the CRR, the obligor is considered in default in case of being past due for more than 90 consecutive days on any material credit obligation.

The materiality threshold of the bank consists of an absolute and a relative component:

- The absolute threshold component equals to € 100,
- The relative threshold component equals to 1 per cent of the total amount of the on-balance sheet exposure.

The numerator of the relative threshold calculation has to include all past due amounts that exist for a facility/an obligor (calculated based on the used level of default application). The denominator of the relative threshold calculation has to include the obligor's on-balance exposure towards the bank, including all past due amounts considered in the numerator.

Unlikeliness to pay indicators

- Non-accrued status
- Specific Credit Risk Adjustments
- Debt sale
- Distressed restructuring
- Bankruptcy
- Credit fraud
- Death of obligor
- Loss of income
- Significant indebtedness
- Breach of contractual covenants
- Call of contract before maturity
- Collateral sale
- POCI

Situations of cross-default

- Product cross-default
- Pulling effect
- Joint obligation default
- Connected client default

IFRS 9 calculation concept

IFRS 9 uses an expected credit loss model to recognise impairment. The expected credit loss model applies to debt instruments at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts that are not measured at fair value through profit or loss.

There are three main approaches which can be used to calculate expected credit losses these are:

A. General approach

B. Simplified approach

C. Purchase or originated credit impaired financial assets

A. General approach

Using the general approach, the amount of expected credit losses recognised as a loss allowance or provision depends on the assessment of the extent of credit deterioration since initial recognition.

There are therefore two possibilities:

- When the credit risk on a financial instrument has not increased significantly since initial recognition, the bank shall measure the loss allowance for that financial instrument at an amount equal to 12- month expected credit losses (IFRS 9.5.5.5). These assets are in Stage 1.
- When the credit risk on a financial instrument has increased significantly since initial recognition the bank shall measure the loss allowance at an amount equal to the lifetime expected credit losses (IFRS 9.5.5.4). These assets are in Stage 2.

The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportable information, including that which is forward-looking (IFRS 9.5.5.4). The assessment of whether lifetime expected credit losses should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition irrespective of whether a financial instrument has been repriced to reflect an increase in credit risk.

B. Simplified approach

There is a simplified approach which has some operational simplifications and has to be applied or is a policy choice for trade receivables, contract assets and lease receivables. This includes the requirement or policy choice to apply the simplified approach that does not require entities to track changes in credit risk because they would all be in Stage 2 as practical expedient to calculate expected credit losses on trade receivables using a provision matrix.

The simplified approach is not applied by the bank.

C. Purchase or originated credit impaired financial assets

For financial assets which are credit impaired on initial recognition the bank shall only recognise the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets (IFRS 9.5.5.14). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Staging criteria

At each reporting date, the bank shall assess whether the credit risk on a financial instrument has increased significantly from the date of initial recognition (IFRS 9.5.5.9). Credit risk analysis is a multifactor and holistic analysis. This means the assessment is made using qualitative and quantitative inputs and whether a specific factor is relevant, and its weight compared to other factors, will depend on the type of product, characteristics of the financial instruments and the borrower as well as the geographic region. It may also be the case that some factors or indicators are not available on an individual level and hence should be assessed on a collective basis. In such a case, the factors or indicators should be assessed for appropriate portfolios, groups of portfolios or portions of a portfolio of financial instruments. The quantitative assessment is to be made by looking at the change in the risk of default occurring over the expected life of the financial instrument. When determining whether the recognition of lifetime expected credit losses is required, bank shall consider reasonable and supportable information that is available without undue cost or effort (IFRS 9.5.5.9).

This means that the bank need not undertake an exhaustive search for information when determining whether credit risk has increased significantly since initial recognition. The bank, as a practical expedient and as long as certain conditions hold, the change in the risk of default occurring for some financial instruments or groups of financial instruments can be assessed based on 12 month expected credit losses. This is possible for financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial.

However, for some financial instruments, or in some circumstances, the use of changes in the risk of default occurring over the next 12 months may not be appropriate. These circumstances would be:

- The financial instrument only has significant payment obligations beyond the next 12 months,
- Changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months, or
- Changes in credit-related factors only have an impact on the credit risk of the financial instrument (or have a more pronounced effect) beyond 12 months (IFRS 9.B5.5.14).

It should be noted that, with several exceptions related to the practical expedients described below, the assessment for deciding whether credit risk on a financial instrument has increased significantly is to be made on a relative and not absolute basis.

This means that given a change in absolute terms for a financial instrument it is more likely to be assessed as having credit risk which has increased significantly, if the initial credit risk is low compared to if it is high. One such practical expedient is to choose the low credit risk exception option, which states that an entity may assume that the credit risk on a security (but not a loan according to the GRAECL guidance) has not increased significantly since initial recognition if the security is determined to have low credit risk at the reporting date. For securities with low credit risk bank would recognise an allowance based on 12 month expected credit losses. Securities are not considered to have low credit risk when they are regarded as having a low risk of loss simply because of the value of collateral. From a theoretical perspective, low credit risk is defined as a security having low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations and future adverse conditions will not necessarily reduce the ability of the borrower to fulfil its contractual cash flow obligations. From a practical point of view, in the bank, this means that securities which are considered investment grade do not have to be assessed to see whether the credit risk on a security has increased significantly. Here investment grade is defined by recognised external rating agencies as a rating between AAA-BBB (Standard's & Poor's, Fitch) and Aaa-Baa (Moody's).

Stage 2 triggers

Assumptions concerning triggers qualifying for the stage 2 treatment

When defining which time horizon should be used for the assessment of significantly increased credit risk, IFRS 9 BC5.174 imposes that […] not reflecting the term structure might also result in the assessment that the risk of a default occurring has changed merely because of the passage of time.

This could happen even if the bank had expected such a change at initial recognition. In the IASB's view, the assessment of the criteria should not change solely because the maturity date is closer. Furthermore, while the risk of a default occurring over the expected life of the financial instrument usually decreases as time passes, this is not always the case. For financial instruments, that only have significant payment obligations close to the maturity of the financial instrument, the risk of a default occurring may not automatically decrease as time passes. In such a case, bank should also consider other qualitative factors that would demonstrate whether credit risk has increased significantly since initial recognition. Significant increase of credit risk for the purpose of stage 2 allowance is perceived in terms of:

- A quantitative measure, where calculable,
- A qualitative measure in other cases, and
- Backstop indicators

Qualitative and quantitative non-statistical triggers

A number of factors are relevant when assessing significant increase in credit risk, as the non-exhaustive list in IFRS 9 B.5.5.16/17 suggests. Therefore, qualitative factors are taken into account to complement the assessment of increased credit risk and also in cases where only qualitative factors or non-statistical quantitative factors exist the assessment will be driven by these factors alone.

Following on from this it is important that bank should consider observable market information about the credit risk of the particular financial instrument or similar financial instruments. The construction of qualitative and quantitative non-statistical flags is based on the following list:

B5.5.16 "holistic analysis"

B5.5.17 a "internal price indicators"

B5.5.17.b "rates/terms"

B5.5.17.c "external market indicators"

B5.5.17.d "external credit rating"

B5.5.17.e "internal credit rating"

B5.5.17.f "business/financial/economic conditions"

B5.5.17.g "operating results"

B5.5.17.h "other instruments"

B5.5.17.i "business environment"

B5.5.17.j "collateral value"

B5.5.17.k "quality of guarantee"

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B5.5.17.m "contract changes"

B5.5.17.n "performance and behaviour"

B5.5.17.o "credit management approach"

B5.5.17.p "past due information"

There is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition, at the latest when contractual payments are more than 30 days past due. The presumption can be rebutted if the bank has reasonable and supportable information that demonstrates that the credit risk has not increased significantly since initial recognition (IFRS 9.5.5.11). It could therefore be the case that the presumption is rebuttable when contractual payments are more than 30 days past due if:

- Non-payment was an administrative oversight,
- The bank has access to historical evidence that demonstrates that a correlation between significant increases in credit risk and an amount of days past due which is higher than 30 days past due exists (e.g. 40 days past due or 50 days past due etc.) (IFRS 9.B5.5.20).

In cases where the rebuttable presumption is rebutted it should be noted that bank cannot align the timing of significant increases in credit risk and the recognition of lifetime expected credit losses to when a financial asset is regarded as credit-impaired or when the financial instrument is considered to have defaulted (IFRS 9.B5.5.21). In cases where the 30 days past due has been rebutted it will be necessary to establish a limit for a new backstop which will not be higher than 90 days past due and provide evidence of this.

Assessment of stage-transfer on a collective basis

It may not be possible to assess whether there has been an increase in credit risk on an individual basis and therefore this assessment can also be carried out on a collective basis. For example, this might be the case for retail loans where there is little or no updated credit risk information that is routinely obtained and monitored on an individual instrument until a customer breaches the contractual terms.

In such cases lifetime expected credit losses shall be recognised on a collective basis that considers comprehensive credit risk information. This comprehensive credit risk information must incorporate not only past due information but also all relevant credit information, including forward looking macroeconomic information, in order to approximate the result of recognizing lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition.

Shared credit risk characteristics may include, but are not limited to, the following:

- Instrument type,
- Credit risk ratings,
- Collateral type,
- Date of initial recognition,
- Remaining term to maturity,
- Industry,
- Geographical location of the borrower, and
- The value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (for example, non-recourse loans in some jurisdictions or loan-to-value ratios) (IFRS 9.B5.5.5).

Stage 3 triggers

According to the deterioration model, a financial instrument has to be transferred to stage 3 (i.e. is credit impaired) when one or more events that have a detrimental impact on the estimated future cash flows have occurred. If the requirements for stage transfer are not fulfilled anymore (i.e. the instrument is no longer credit-impaired) it shall be transferred back to stage 1 or 2 (i.e. the approach is symmetrical). The following list is taken from the "Credit-impaired" indicators according to IFRS 9 Appendix A:

- significant financial difficulty of the issuer or the borrower,
- a breach of contract, such as a default or past due event,

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider,
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation,
- the disappearance of an active market for that financial asset because of financial difficulties, or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Due to the changed scope of IFRS 9 compared to IAS 39, also loan commitments and financial guarantee contracts shall be covered by the same process (replacement of IAS 37 assessment). There is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The definition of default used for these purposes shall be applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument. Due to the changed scope of IFRS 9 impairment compared to IAS 39, the following aspects shall be considered.

In the bank the definition of credit-impaired is aligned with the (regulatory - Art 178 CRR) definition of default , as the definition of default and credit-impaired are similar and this is in line with current risk management processes. This means that all instruments in scope of IFRS 9 impairment where the counterparty is in default shall be transferred to stage 3. Furthermore, fully collateralized loans with zero risk provision, where the counterparty is in default, shall be assigned to stage 3 (if the 'credit deterioration model' applies). Due to the necessity to calculate a probability-weighted ECL zero risk provisions in stage 3 is only expected in rare cases. Finally, due to regulatory probation periods, there may be situations, where the risk provision is low or zero (as the bank has no expectation of non- or late-payment), but the default status is still active. In such cases, the exposure shall remain in stage 3 as long as the obligor is in default.

General concept of the model

Expected credit losses are calculated as the sum of the marginal losses occurring in each time period of the balance sheet date. The marginal losses are derived from individual parameters that estimate exposures and losses in the case of default and the marginal probability of default for each period. The expected credit loss calculations are based on four components:

- Probability of default ("PD") – This is an estimate of the likelihood of default over a given time horizon.
- Exposure at default ("EAD") – This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.
- Loss Given default ("LGD") – This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.
- Discount rate – This is used to discount an expected loss to a present value at the reporting date using the effective interest rate (EIR) at initial recognition.

The bank shall measure expected credit losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- The time value of money, and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions (IFRS 9.5.5.17).

When measuring expected credit losses, bank need not necessarily identify every possible scenario.

However, it shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit

loss occurring is very low. This means that however low the probability of a credit loss occurring it will never be zero due to the probability weighting.

Approach to on-balance sheet items

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to the bank in accordance with the contract and the cash flows that bank expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if bank expects to be paid in full but later than when contractually due

(IFRS 9.B5.5.28). The purpose of estimating expected credit losses is neither to estimate a worst-case scenario nor to estimate the best-case scenario. Instead, an estimate of expected credit losses shall always reflect the possibility that a credit loss occurs and the possibility that no credit loss occurs even if the most likely outcome is no credit loss. Therefore, for practical purposes the use of probability-weighted estimates of credit losses does not have to consider a large number of scenarios. However, the expected credit losses shall reflect minimum of two outcomes (IFRS 9.B5.5.41). It should be noted that 12-month expected credit losses are a portion of the lifetime expected credit losses and represent the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date (or a shorter period if the expected life of a financial instrument is less than 12 months), weighted by the probability of that default occurring.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately by the bank. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable (i.e. the estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it). Consequently, any cash flows that are expected from the realisation of the collateral beyond the contractual maturity of the contract should be included in this analysis. Any collateral obtained as a result of foreclosure is not recognised as an asset that is separate from the collateralised financial instrument unless it meets the recognition criteria (IFRS 9.B5.5.55). Expected credit losses shall be discounted to the reporting date using the lovariable rate instrument expected credit losses shall be discounted using the current effective interest rate (IFRS 9.B5.5.44).

Approach to off-balance items

For loan commitments and financial guarantee contracts, the date that bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements. For loan commitments, bank considers changes in the risk of a default occurring on the loan to which a loan commitment relates. For financial guarantee contracts, bank considers the changes in the risk that the specified debtor will default on the contract. In both cases for a financial asset/s, a credit loss is the present value of the difference between the contractual cash flows that are due to the bank under the contract and the cash flows that the bank expects to receive.

In the case of undrawn loan commitments, a credit loss is the present value of the difference between the contractual cash flows that are due to the bank if the holder of the loan commitment draws down the loan and the cash flows that bank expects to receive if the loan is drawn down. Bank's estimate of expected credit losses on loan commitments shall be consistent with its expectations of drawdowns on that loan commitment, i.e. it shall consider the expected portion of the loan commitment that will be drawn down within 12 months of the reporting date when estimating 12-month expected credit losses, and the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment when estimating lifetime expected credit losses. For a financial guarantee contract, the bank is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, cash shortfalls are the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the bank expects to receive from the holder, the debtor or any other party. If the asset is fully guaranteed, the estimation of cash shortfalls for a financial guarantee contract would be consistent with the estimations of cash shortfalls for the asset subject to the guarantee.

The expected credit losses on a loan commitment shall be discounted using the effective interest rate, or an approximation thereof, that will be applied when recognising the financial asset resulting from the loan commitment. Expected credit losses on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined shall be discounted by applying a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Forward looking information

A measure of expected credit losses is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. When there is a non-linear relationship between the different forward-looking scenarios and their associated credit losses, more than one forward-looking scenario would need to be incorporated into the measurement of expected credit losses to meet the above objective adopted:

Number of economic scenarios: representative scenarios that capture material non-linearities are modelled (e.g. a base scenario, an upside scenario and a downside scenario). Different numbers of scenarios may be appropriate depending on the facts and circumstances - e.g. in periods of expected increased volatility.

Determining alternative economic scenarios: whether bank produces its own forward economic estimates or uses third party estimates, it considers all reasonable and supportable information available without undue cost or effort, unless the marginal effect of using additional data would be insignificant. In certain economies, extensive data will be available, but in other territories less information may be available.

Representative scenarios: upside and downside scenarios used are not biased to extreme scenarios such that the range and weighting of scenarios used is not representative. In particular, as noted in the Basel Committee's GCRAECL, "stressed scenarios developed for industry-wide supervisory purposes are not intended to be used directly for accounting purposes.

Base scenario: the base scenario is consistent with relevant inputs to other estimates in the financial statements (e.g. deferred tax recoverability and goodwill impairment assessments), budgets, strategic and capital plans, and other information used in managing and reporting by the bank. However, these inputs should not be lagging or biased. Even if the inputs used are timely and unbiased, if bank budget is developed in September but macro-economic conditions have changed by the December year-end, or if the budget contains inherent optimism or pessimism, then appropriate adjustments are made to these inputs when using them to determine the base scenario for the purposes of the year-end ECL calculation.

Sensitivities and asymmetries: scenarios selected are representative and take account of key drivers of ECL, particularly non-linear and asymmetric sensitivities within portfolios. For example, if bank has significant property exposures and hence significant ECL sensitivity to future property values, then different changes in property prices are modelled. The sensitivity of ECL to each individual forward economic parameter is monitored to identify key drivers and to estimate effects of changes in parameters on ECL. Parameter coherence: in developing the detail of a specific economic scenario (e.g. a scenario with individual point estimates of future GDP, unemployment, interest rates, etc.), any expected correlation or other interrelationship between parameters (e.g. an increase in unemployment is expected to result in a decrease in interest rates) is considered in the development of the scenario so that it is realistic. Granularity of adjustments: the calculation of a separate modelled adjustment to reflect the impact of less likely scenarios and the resulting non-linear impacts is performed at an appropriately low level of granularity which takes account of qualitatively different risk characteristics and sensitivities.

Measurement of lifetime expected credit losses in Stage 1/2

Forward looking perspective

Historical information is an important anchor or base from which to measure expected credit losses. However, the bank shall adjust historical data, such as credit loss experience, on the basis of current observable data to reflect the effects of the current conditions and its forecasts of future conditions that did not affect the period on which the historical data is based, and to remove the effects of the conditions in the historical period that are not relevant to the future contractual cash flows. In some cases, the best reasonable and supportable information could be the unadjusted historical information, depending on the nature of the historical information and when it was calculated, compared to circumstances at the reporting date and the characteristics of the financial instrument being considered. Estimates of changes in expected credit losses should reflect, and be directionally consistent with, changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status or other factors that are indicative of credit losses on the financial instrument or in the group of financial instruments and in the magnitude of those changes). The bank shall regularly review the methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual credit loss experience.

The bank is not required to incorporate forecasts of future conditions over the entire expected life of a financial instrument. The degree of judgement that is required to estimate expected credit losses depends on the availability of detailed information. As the forecast horizon increases, the availability of detailed information decreases, and the degree of judgement required to estimate expected credit losses increases. The estimate of expected credit losses does not require a detailed estimate for periods that are far in the future—for such periods, bank may extrapolate projections from available, detailed information.

PD

The PD used for IFRS 9 should reflect management's current view of the future and should be unbiased (i.e. it should not include any conservatism or optimism). There are two types of PDs used for calculating ECLs:

- 12-month PDs – This is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECLs.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument. This is used to calculate lifetime ECLs for 'stage 2' exposures, whereas lifetime PD for Stage 3 is 100 per cent.

The risk of a default occurring on financial instruments that have comparable credit risk is higher the longer the expected life of the instrument is, for example, the risk of a default occurring on an AAA-rated bond with an expected life of 10 years is higher than that on an AAA-rated bond with an expected life of five years. The effect of an improvement in credit risk of a maturing asset needs to be taken into account for the comparison of credit risk at initiation and current credit risk.

For products with insufficient default history, data unavailability or in case of new products, the last option is to use a benchmark for 12-month PD. The Benchmarks are calculated by Raiffeisen Bank International Retail Risk using average PD values of the accounts with existing PD estimates. The calculation is based on actual data available, excluding defaulted and not rated accounts and using simple averages. The Benchmarks are grouped by product and geographic region and rounded with a step of 50bps. They will be revaluated annually and updated if necessary. The currently valid 12-month PD Benchmarks are:

Segment	Product Type	
Retail - Individuals	Mortgage	2.0%
	Credit Cards	3.5%
	Overdrafts	3.5%
	Car Loans	2.5%
	Other Products	5.0%
Retail - Micro	Credit Cards	6.5%

Application, behaviour, and transactional scorecards are used for PD estimation. Scoring in general can be defined as a statistical technique to predict, at a specific point in time with the available information, the probability of a future event (e.g. default or non-payment).

Scorecard (SC) models represent statistical risk assessment tools, specifically designed for retail exposures. Expected credit losses are calculated by factoring in rating (which represents the probability of default), exposure at default, and loss given default.

The table below represents the retail rating grades used by the bank:

Universal rating grade (URG)	URG meaning	URG score range	Theoretical PD band (%)	Theoretical PD (% geometric average of theoretical PD band)
1.0	Excellent credit standing	740<score ≤780	0.17%≤score<0.35%	0.24%
1.5	Very good credit rating	700<score ≤740	0.35%≤score<0.69%	0.49%
2.0	Good credit rating	660<score ≤700	0.69%≤score<1.37%	0.97%
2.5	Sound credit rating	620<score ≤660	1.37%≤score<2.7%	1.92%
3.0A	Acceptable credit rating	600<score ≤620	2.7%≤score<3.78%	3.20%
3.0B		580<score ≤600	3.78%≤score<5.26%	4.46%
3.5A	Marginal credit rating	560<score ≤580	5.26%≤score<7.28%	6.19%
3.5B		540<score ≤560	7.28%≤score<10.0%	8.53%
4.0	Weak credit rating	500<score ≤540	10.0%≤score<18.18%	13.48%
4.5A	Very weak credit rating	460<score ≤500	18.18%≤score<30.77%	23.56%
4.5B		<score ≤790	30.77%≤score<100%	38.05%
5.0	Default	Defaulted		

Below is the bank's non-retail internal credit rating grades information as used for internal purposes and the respective comparative data:

Internal rating grade	Internal rating description	12 month Basel II PD range		S&P rating
1A	Excellent	>0.0000%	≤0.0026%	AAA
1B		>0.0026%	≤0.0088%	AA+
1C		>0.0088%	≤0.0300%	AA, AA-
2A	Strong	>0.0300%	≤0.0408%	
2B		>0.0408%	≤0.0553%	
2C		>0.0553%	≤0.0751%	A+, A, A-
3A		>0.0751%	≤0.1019%	
3B		>0.1019%	≤0.1383%	
3C		>0.1383%	≤0.1878%	BBB+, BBB
4A	Good	>0.1878%	≤0.2548%	
4B		>0.2548%	≤0.3459%	BBB-

4C		>0.3459%	≤0.4694%	
5A		>0.4694%	≤0.6371%	BB+
5B		>0.6371%	≤0.8646%	
5C		>0.8646%	≤1.1735%	BB
6A	Satisfactory	>1.1735%	≤1.5927%	BB-
6B		>1.5927%	≤2.1616%	
6C		>2.1616%	≤2.9338%	
7A		>2.9338%	≤3.9817%	B+
7B		>3.9817%	≤5.4040%	
7C		>5.4040%	≤7.3344%	B
8A	Substandard	>7.3344%	≤9.9543%	B-
8B		>9.9543%	≤13.5101%	
8C		>13.5101%	≤18.3360%	CCC+
9A		>18.3360%	≤24.8857%	CCC
9B		>24.8857%	≤33.7751%	CCC-
9C		>33.7751%	<100%	CC, C
10	Credit impaired	100%	100%	D

LGD

A key component of the sum of marginal losses approach is loss given default (LGD). Bank uses a combination of PD and LGD in order to calculate the expected cash flows from the projection of contractual cash flows. Estimates of LGD should consider forward looking information. The modelling approach for LGD (but not necessarily the actual LGD estimates) generally does not vary depending on which stage the exposure is in, i.e. there is a common LGD methodology that is applied consistently.

The modelling methodology for LGD is designed, where appropriate, at a component level, whereby the calculation of LGD is broken down into a series of drivers.

For secured exposures, the approach considers at a minimum the following components:

- Forecasts of future collateral valuations, including expected sale discounts,
- Time to realisation of collateral (and other recoveries),
- Allocation of collateral across exposures where there are a number of exposures to the same counterparty (cross-collateralisation),
- Cure rates (including consideration of how the unit has looked at re-defaults within the lifetime calculation), and
- External costs of realisation of collateral.

For unsecured exposures the approach considers at a minimum the following components:

- Time to recovery,
- Recovery rates, and
- Cure rates (including consideration of how the unit has looked at re-defaults within the lifetime calculation).

The estimation of the components considers the range of relevant drivers, including geography (location of the counterparty and the collateral) and seniority of the credit exposure. The estimation of LGD reflects expected changes in the exposure (consistent with assumptions used in modelling the EAD), so that it is not biased (for example, a conservative estimate may arise if the expected exposure amount drops over time, but this is not taken into account in estimating LGD). The unit considers whether component values are dependent on macro-economic factors and reflects any such dependency in its modelling considering relevant forward-looking information. In particular, for exposures secured against real estate, the unit considers the interdependency between real estate prices and macro-economic variables. Similarly, the unit considers whether there is any correlation or interdependency between components of LGD and then reflects that correlation in the estimation of LGD. The data history that supports the modelling of LGD and its components covers a suitable period to support the relevance and reliability of the modelling (e.g. over a full economic cycle). The estimation of the component values within LGD reflects available historical data and considers whether there have been or are expected to be any changes in economic conditions, or changes to internal policies or procedures, that should impact the calculation of LGD, but which are not otherwise reflected in the modelling. The LGD approach reflects discounting of cash shortfalls considering their expected timing using the EIR. If regulatory

LGD values are used as a starting point, then the effect of the different discount rates inherent in the regulatory LGD value is adjusted for. Furthermore, if regulatory LGD values used as a starting point contain floors that would lead to a biased result, these floors are removed for IFRS 9 purposes. The IFRS 9 LGD only reflects credit enhancements that are integral to the terms of the exposure and that are not accounted for separately. If regulatory LGD values are used as a starting point and reflect credit enhancements that should not be included for IFRS 9 purposes (e.g. credit default swaps), then the impact is removed. For products with insufficient default history, data unavailability or in case of new products, LGD benchmarks will be used. The Benchmarks are calculated by Raiffeisen Bank International Retail Risk using average LGD values of the accounts with existing LGD estimates. The calculation is based on actual data available, excluding defaulted and not rated accounts and using simple averages. The benchmarks are grouped by product and geographic region and rounded with a step of 5pp. They will be revaluated annually and updated if necessary. The currently valid LGD benchmarks in use by the bank are:

Segment	Product Type	
Retail - Individuals	Mortgage	30%
	Credit Cards	50%
	Overdrafts	50%
	Car Loans	50%
	Other Products	50%
Retail - Micro	Credit Cards	50%

EAD

Although IFRS 9 does not explicitly require units to model EAD, understanding how loan exposures are expected to change over time is crucial to an unbiased measurement of ECLs. This is particularly important for 'stage 2' loans, where the point of default may be several years in the future. Ignoring an expected fall in exposure (e.g. on a loan repayable in instalments) could lead to measurements of ECLs being too high. Ignoring an expected increase in exposure (e.g. drawdowns within an agreed limit on a revolving facility) could lead to measurements of ECLs being too low. The maximum period over which expected credit losses shall be measured is the maximum contractual period (including extension options) over which the unit is exposed to credit risk. For loan commitments and financial guarantee contracts, this is the maximum contractual period over which a unit has a present contractual obligation to extend credit. However, some financial instruments include both a loan and an undrawn commitment component and the unit's contractual ability to demand repayment and cancel the undrawn commitment does not limit the unit's exposure to credit losses to the contractual notice period. For example, revolving credit facilities, such as credit cards and overdraft facilities, can be contractually withdrawn by the lender with as little as one day's notice. However, in practice lenders continue to extend credit for a longer period and may only withdraw the facility after the credit risk of the borrower increases, which could be too late to prevent some or all of the expected credit losses.

These financial instruments generally have the following characteristics as a result of the nature of the financial instrument, the way in which the financial instruments are managed, and the nature of the available information about significant increases in credit risk:

- The financial instruments do not have a fixed term or repayment structure and usually have a short contractual cancellation period (for example, one day).
- The contractual ability to cancel the contract is not enforced in the normal day-to-day management of the financial instrument and the contract may only be cancelled when the unit becomes aware of an increase in credit risk at the facility level.
- The financial instruments are managed on a collective basis.
- When determining the period over which the unit is expected to be exposed to credit risk, but for which expected credit losses would not be mitigated by the unit's normal credit risk management actions, a unit should consider factors such as historical information and experience about:
  - The period over which the unit was exposed to credit risk on similar financial instruments,
  - The length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk, and
  - The credit risk management actions that a unit expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.

A unit need not undertake an exhaustive search for information but shall consider all reasonable and supportable information that is available without undue cost or effort and that is relevant to the estimate of expected credit losses, including the effect of expected prepayments. The information used shall include factors that are specific to the borrower, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. A unit may use various sources of data that may be both internal (unit-specific) and external. Possible data sources include internal historical credit loss

experience, internal ratings, credit loss experience of other entities and external ratings, reports and statistics. Entities that have no, or insufficient, sources of unit-specific data may use peer group experience for the comparable financial instrument (or groups of financial instruments).

The modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, including:

- Required repayments/amortization schedule,
- Full early repayment (e.g. early refinancing),
- Monthly overpayments (i.e. payments over and above required repayments but not for the full amount of the loan),
- Changes in utilization of an undrawn commitment within agreed credit limits in advance of default,
- Credit mitigation actions taken prior to default.

The unit uses a cash-flow model to calculate the estimated exposure at each future month-end. This model is consistent with any similar model used for EIR or macro fair-value hedging purposes. This cash-flow model further reflects movements in the EAD in the months before default. The inputs into the EAD model are reviewed to assess their suitability for IFRS 9 and adjusted, where required, to ensure an unbiased, probability weighted ECL calculation reflecting current expectations and forward-looking information. EAD models are differentiated to reflect the different risk characteristics of different portfolios. The unit considers these different underlying drivers in determining the different inputs to EAD models.

Discount rate

ECLs are measured in a way that reflects the time value of money. This means that cash shortfalls associated with default are required to be discounted back to the balance sheet date. For a financial asset, a unit uses the effective interest rate (EIR) (i.e. the same rate used to recognise interest income) or an approximation. The effect of discounting may be significant because default events and/or associated cash shortfalls may occur a long time into the future. The time value of money must be taken into account when calculating expected credit losses. Cash flows shall be discounted to the reporting date. Aside of the below mentioned exceptions, cash flows that are expected to be received are discounted using the effective interest rate (EIR) determined at an instruments on-balance initial recognition or an approximation thereof.

Measurement of lifetime expected credit losses in Stage 3

For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, bank shall measure the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss. For collateralised assets, the estimation also includes cash flows from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable. All measurement requirements also apply to debt securities. When defining default for the purposes of determining the risk of a default occurring, bank shall apply a default definition that is consistent with the definition used for internal credit risk management purposes for the relevant financial instrument and consider qualitative indicators (for example, financial covenants) when appropriate. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless a unit has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The definition of default used for these purposes shall be applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument. The gross carrying amount can include principal outstanding (including any overdue amounts), accrued interest, unamortised fees and costs, unamortised modification gains or losses, unamortised changes in cash flow expectations, unamortised fair value hedge adjustments as well as unamortised initial differences between fair value and transaction price (deferred according to IFRS 9.B5.1.2A (b))

When determining lifetime ECL for stage 3 exposures, the same requirements apply as for stage 2 exposures. This means the ECL over the remaining life of a financial instrument shall be measured in a way that reflects an unbiased and probability weighted amount that is determined by estimating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future events (that is available at the reporting date without undue cost or effort). The assumptions and inputs must be aligned across all stages of the impairment model, this is particularly relevant for forward looking information such as macro variables.

Probability weighting

The expected credit losses must reflect a probability weighted amount that is determined by weighting a range of possible outcomes. All relevant scenarios (instead of only the most likely scenario) shall be considered. Scenarios that are extremely unlikely to occur shall not be considered when estimating ECL. Even if only one workout strategy is realistic, it will usually be appropriate and required to take into account at least two different cash flow estimates. For risky assets, such as defaulted debt, actual cash flows

can be very different from expectations. The preferred method for calculating the expected cash flows in such cases is to use the most feasible best case and worst-case scenarios. The most feasible best-case scenario will be not the scenario which maximizes all inputs, but rather, one which accounts for the relationship between inputs in a realistic manner. The worst case scenario should also account for the relationship between inputs in a realistic manner. It should also be noted that the riskier the cash flows the great the range of cash flows should be. Workout strategies have to be reflected in the cash flow estimate. Such workout scenarios may be for example:

- Cure (full recovery, full repayment and upgrade to non-default);
- Restructuring (repayment of renegotiated cash flows);
- Liquidation of collateral (gone concern);
- Transfer of the asset through sale;
- A combination of the above.

The amount and timing of the cash flows for particular scenarios have to be determined and a probability has to be attached to each cash flow estimate. The sum of the probability weighted cash flows for each relevant scenario shall then be discounted to the reporting date. The choice of scenario, the weighting and the ratio of the worst case/best case cash flows should be based on historical experience

Forward looking information

The need to incorporate forward-looking information means that application of the standard will require considerable judgement, in particular, as to how changes in macroeconomic factors will affect provisions.

Collateral

Estimated cash flows that are considered shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms, i.e. that are part of the contractual terms (even if not explicitly) and are not recognised separately (to avoid double counting).

Off-balance

For a financial guarantee contract the expected loss is determined based on the expected payments to reimburse the holder for a credit loss, less any amounts that the bank expects to receive from the holder, the debtor or any other party. However, future premium receipts due from the holder should not be considered in the measurement of the expected loss on the asset subject to the guarantee. This is because cash flows under the guarantee depend upon the risk of default of the guaranteed financial asset, whereas the premiums to be received are subject to the risk of default by the holder of the guarantee. For loan commitments the bank will also consider the individual expected draw down. However, this should not be higher than 1, as ECL must not be recognised for any exposures where there is no contractual obligation.

Discount rate

The time value of money must be taken into account when calculating expected credit losses. Cash flows shall be discounted to the reporting date. Aside of the below mentioned exceptions, cash flows that are expected to be received are discounted using the effective interest rate (EIR) determined at an instruments on-balance initial recognition or an approximation thereof. If a financial instrument has a variable interest rate, the ECL should be discounted using the current EIR (i.e. the original EIR adjusted for the floating element's value reset at its most recent repricing date). If the instrument is or was designated as hedged item in a fair value hedging relationship, any revisions according to IFRS 9.6.5.10 shall be considered as well For lease receivables the discount rate used in the measurement of these lease receivables is in accordance with IFRS 16. If a financial instrument was credit impaired at initial recognition (POCI), the ECLs must be discounted using a credit adjusted effective interest rate. For loan commitments the future EIR determined to apply to the asset that will be initially recognised on the commitments' expected future first usage date, as the financial asset that is recognised following a drawdown on a loan commitment is treated as a continuation of that commitment instead of a new financial instrument. For financial guarantees the discount rate shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3.3.13 Amortized cost category

A financial asset shall be measured at amortized cost if it is within a business model whose objective is to hold assets to collect contractual cash flows and contractual cash flows of the financial asset are solely payments of principal and interest on the principal

amount outstanding. On initial recognition, financial assets and financial liabilities are measured at fair value plus eligible transaction costs. If there is a difference between the entity's estimate of fair value at initial recognition and the transaction price, then:

- if the estimate of fair value uses only data from observable markets, then the difference is recognised in profit or loss; or,
- in all other cases, the difference is deferred as an adjustment to the carrying amount of the financial instrument, which is amortized through PL over the life-time of the financial instrument.

Bank's loan and advances portfolio is carried at amortized cost and the interest income is recognized in profit and loss using effective interest rate.

3.3.14 FVOCI category

A financial asset is classified as measured at FVOCI if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets and meets the SPPI criterion.

3.3.15 FVTPL category

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortized cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognized in profit or loss.

In addition, the Bank has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an 'accounting mismatch' – that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases.

At initial recognition the financial assets classified as at fair value through profit or loss shall be measured at fair value. After initial recognition the financial assets classified as at fair value shall be measured at fair value and transaction costs are recognized in profit or loss.

3.3.16 Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses arising from changes in fair value of derivatives are included in 'Net income from financial instruments at fair value through profit or loss' in profit or loss for the period.

The Bank uses derivative financial instruments such as over the counter (OTC) interest rate swaps to manage its risk arising from fluctuations of market interest rates. No hedge accounting is applied for derivative instruments.

3.3.17 Cash and cash equivalents and mandatory reserves

Cash and cash equivalents include notes and coins on hand (including restricted reserves – see below), unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

3.4 Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the separate financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

As a result of the COVID-19 pandemic, which affected the economy and financial markets, the Bank's Management conducted an additional assessment of the appropriateness of the accounting policies, estimates and assumptions used during 2021 and their impact on the possible impairment of assets and financial position, further cash flows and the result of the Bank's operations. The performed assessments do not indicate the existence of a materially significant impact on the adequacy of accounting policies, estimates and assumptions, nor the existence of indications for impairment of the Bank's assets.

Situation in Ukraine - impact

The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates.

This may lead to material adjustments to the carrying value of certain assets and liabilities including loans to customer, loans to banks, investments in debt securities, due to customers and borrowings, within the next financial year. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day. The longer-term impact may also affect trading volumes, cash flows, and profitability. Nevertheless, at the date of these financial statements the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

Significant accounting judgments and accounting are described in the following notes:

3.3.12 Impairment of financial assets,

3.3.16 Impairment losses on financial assets,

3.3.17 Amortized cost and category,

3.3.18 FVOCI category,

3.3.19 FVTPL category,

3.8 Repossessed property.

3.5 Mandatory liquidity reserves

In accordance with the CBK rules, the Bank should meet the minimum daily average liquidity requirement. The liquidity requirement is calculated on a weekly basis as 10 per cent of the deposit base, defined as the average total deposit liabilities to the non-banking public in euro and other currencies, over the business days of the maintenance period.

The assets with which the Bank may satisfy its liquidity requirement are the euro deposits with the CBK and 50 per cent of the euro equivalent of cash denominated in readily convertible currencies. Deposits with the CBK must not be less than 5 per cent of the applicable deposit base. As the respective liquid assets are not available to finance the Bank's day to day operations, they have been excluded from cash and cash equivalents for the purposes of the cash flow statement.

3.6 Property and equipment

3.6.1 Owned property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment, if any.

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

The carrying values of property and equipment are reviewed for impairment when events change or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount, the assets or cash generating unit (CGU) are written down to their recoverable amount.

The recoverable amount of property and equipment is the higher of fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating units (CGU) to which the asset belongs. Impairment losses are recognized in profit or loss.

Depreciation of assets is charged on a straight-line basis at prescribed rates to allocate the cost of property and equipment over their estimated useful lives. The annual depreciation rates are determined by the estimated useful lives of certain assets as per the table below:

Leasehold improvements within property are depreciated over the shorter of useful life and the lease term. Work in progress is not depreciated until the asset is put in use.

ATMs, other bank and office equipment	5-10 years
Computer hardware	4-8 years
Buildings used for own purposes	50 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

3.6.2 Leased property and equipment

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined based on the lease terms. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee, and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "other liabilities" in the statement of financial position (note 17).

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified,
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and

- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset if either:
- the Bank has the right to operate the asset, or
- the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The bank chose to use recognition exemptions short term leases as well as low value leases.

- A short-term lease is defined as a lease that has a lease term of 12 months or less,
- A threshold of € 5,000, low value leases under threshold.

Each criterion is applied individually, meaning there is no restriction on qualifying short-term lease based on value of the lease and vice versa. The election is to be made on a class-by-class basis. The bank decided to use this exemption for all classes of assets. Any subsequent modification on short-term lease will be considered as a new lease and criteria will be reassessed.

3.6.3 Repossessed property

Repossessed assets are acquired through enforcement of security over non-performing loans and advances to customers that do not earn rental and are not used by the Bank and are intended for disposal in a reasonably short period of time.

Repossessed assets are initially recognised using the bailiff set amount in the last auction and are subsequently measured at the lower of cost and net realizable value and any write-down is recognized in the profit or loss. Repossessed assets are recognised as inventories and are stated under merchandise inventory and suspense account for services rendered not yet charged out in statement of financial position and as expenses from non-banking activities in statement of comprehensive income. In case of sale, the revenue is recognised and carrying amount of the asset is recognised as an expense.

Net realisable value is estimated once a year and any write-down/reversal is recognised as an expense /income in the period it occurred.

3.7 Intangible assets

Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets are entirely comprised of computer software which is amortized using the straight-line method over their estimated useful life of five years and licences which are amortized during the licence term.

3.8 Deposits, borrowings and subordinated liabilities

Deposits, borrowings and subordinated liabilities are part of the Bank's sources of debt funding.

Deposits, borrowings and subordinated liabilities are initially recognized at fair value, net of transaction costs incurred. Subsequently are stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the profit or loss over the period using the effective interest method.

3.9 Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities may develop in a way not initially expected. Therefore, they are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. In case that the contingent liability results in a

present obligation that can be measured reliably, a provision on-balance has to be made. Only irrevocable commitments give rise to a credit risk, therefore only irrevocable contingencies and commitments can be subject to provisioning. For significant exposures, the assessment is done individually. In case of portfolio-based assessment the portfolio-building and calculation of portfolio-based provisions are calculated as indicated in the impairment of Loans and Advances.

3.10 Employee benefits

The Bank pays only contributions to a publicly administered pension plan on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

3.11 Share capital

Dividends on ordinary shares

Dividends on ordinary shares are recognized in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the reporting date are disclosed as events after the end of the reporting period.

3.12 Equity reserves

Equity reserves are comprised of Fair value reserves and Retained earnings.

The reserves recorded in OCI within the equity on the Bank's statement of financial position include:

- Fair value reserve which comprises changes in fair value of financial assets at fair value through other comprehensive income.
- Retained earnings include the cumulative non distributed earnings and are distributable upon approval of the Bank General Shareholder and regulatory approval of the Central Bank.

3.13 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized through profit or loss for the period within 'interest income' and 'interest expense' using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis, and
- interest on FVOCI measured investment securities calculated on an effective interest basis.

When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets. The Bank also holds investments in assets issued in countries with negative interest rates. The Bank discloses interest paid on these assets as an interest expense, with additional disclosures in Note 21.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

3.14 Fee and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

Other fees and commission income – including account servicing fees, sales commission, card and ATM fees, payment collection fees, is recognised as the related services are performed, respectively over time as the services are provided and/or at a point in time when the transaction takes place (transaction based fees).

More information about the Bank's performance obligations is provided in Note 23. A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and the applies IFRS 15 to the residual component.

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

3.15 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and financial liabilities designated at fair value through profit or loss. It includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.16 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

4. Financial risk management

4.1 Overview

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The internal controls and additional risk control tools set by Raiffeisen International Risk Management enable the controlled risk management of the Bank. The main Risk Management Tools have been endorsed by Raiffeisen International and are applied for use by the Bank.

The Bank has been complying with and reports based on Basel II requirements at the Group level covering credit and market risks. The implementation of Basel II requirements should ensure a better management of the capital.

Based on the Bank policies, the Bank's total assets are classified and analysed as follows:

- Analysis of assets based on the class of asset / product (the assets are classified based on the Group Product Catalogue),
- Analysis of assets based on the credit quality (the assets are classified based on the Group Directives),
- Analysis of assets in line with the measurement basis.
- Analysis of assets based on age, which means analysis performed for assets that are past due but not impaired,
- Individual analysis of assets determined as impaired by impairment factors,
- Analysis of assets based on the collateral type and with consideration to the recoverable estimated amount.
- Analysis of assets based on the concentration of risks for industry / sector / segment / certain exposure amount.

4.2 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Bank takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to a monthly or more frequent review. Limits on the level of credit risk by borrower are approved by Management.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits, where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

The Bank's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

The Bank holds different types of collateral as security for the credit risk. Additionally, other credit enhancement methods are applied. The main types of collateral are listed below:

- Property (land, buildings)
- Apartments
- Vehicles
- Equipment
- Personal Guarantee

The collateral value is calculated according to specified methods which include standardized calculation formulas based on market values, predefined discounts, and expert assessments.

Collateral evaluation and re-evaluation are direct responsibility of Collateral Specialist of the bank, for all type of collaterals. Real estate appraisal is updated once a year. This yearly update is performed internally by the respective Collateral Specialist. If the update of the revaluation is not done once every 18 months, the WCV of the respective mortgage is reduced by at least 10 per cent per year as long as there is no actual update performed. More frequent monitoring is required where the real estate market is subject to significant changes in conditions.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that there is:

- significant financial difficulty of the issuer or the borrower,
- a breach of contract, such as a default or past due event,
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider,
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization,
- the disappearance of an active market for that financial asset because of financial difficulties, or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

ECLs are measured in a way that reflects the time value of money. This means that cash shortfalls associated with default are required to be discounted back to the balance sheet date. For Stage 3 assets ECLs are discounted using the original EIR, while for POCI assets ECLs are discounted using CAEIR.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category until sustained performance is observed. Sustained performance is defined as three consecutive contractual payments of principal and/or interest.

ECL

The Bank establishes allowance and provision for expected credit losses that represents its estimate of expected losses in its loan/security and off-balance portfolio.

Write-off policy

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery.

The following criteria is applicable for retail exposures:

- when the asset is classified as non-performing and the asset is not secured by collateral, the asset is written down within 18 months,
- when the asset is classified as non-performing and the asset is secured by pledged collateral, the asset is written down within 36 months,
- when the asset is classified as non-performing and the asset is secured by mortgage, the asset is written down within 60 months.

The following criteria is applicable for non-retail exposures:

- when the ILLP calculation is done on gone concern approach and the asset is provisioned 100 per cent,
- when there is lack of expected future cash flows from operations,
- when the fair value less cost to sell of a still existing collateral used in the impairment calculation is zero or there is no collateral anymore.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as a direct write down in the profit and loss statement. Any subsequent recoveries are credited to credit loss expense.

Overview of forborne loans

The following tables provide a summary of the Bank's forborne assets as of 31 December 2021 and 31 December 2020.

		Stage 2			Stage 3				
31 December 2021	Gross carrying amount	Temporary modifications to T&Cs due to COVID 19	Permanent modifications to T&Cs	Total performing forborne loans	Temporary modifications to T&Cs due to COVID 19	Permanent modifications to T&Cs	Total non-performing forborne loans	Total forborne loans	Forbearance ratio
Due from banks	23,860	-	-	-	-	-	-	-	0%
Loans and advances to customers									
Non-Retail	339,864	51,925	3,944	2785	1,390	5,149	5,980	8,765	2.58%
Retail	464,842	94,845	6,138	5,899	7,396	2,168	2,296	8,195	1.76%
Total loans and advances to customers	804,706	146,770	10,082	8,684	8,786	7,317	8,276	16,960	4.34%

		Stage 2			Stage 3				
31 December 2020	Gross carrying amount	Temporary modifications to T&Cs due to COVID 19	Permanent modifications to T&Cs	Total performing forborne loans	Temporary modifications to T&Cs due to COVID 19	Permanent modifications to T&Cs	Total non-performing forborne loans	Total forborne loans	Forbearance ratio
Due from banks	14,337	-	-	-	-	-	-	-	0%
Loans and advances to customers									
Non-Retail	324,994	103,714	3,354	-	3,320	2,195	4,542	4,542	1.40%
Retail	408,487	172,086	4,603	3,548	5,537	2,044	2,147	5,695	1.39%
Total loans and advances to customers	733,481	275,800	7,957	3,548	8,857	4,239	6,689	10,237	1.39%

	Gross amount of forborne loans			ECLs of forborne loans		
31 December 2021	Stage 2	Stage 3	Total	Stage 2 Collective	Stage 3 Collective	Total
Due from banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Non-Retail	2,785	-	2,785	206	-	206
Retail	5,756	2,936	8,692	784	1,292	2,076
Total loans and advances to customers	8,541	2,936	11,477	990	1,292	2,282

	Gross amount of forborne loans			ECLs of forborne loans		
31 December 2020	Stage 2	Stage 3	Total	Stage 2 Collective	Stage 3 Collective	Total
Due from banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Non-Retail	3,214	3,068	6,282	205	-	205
Retail	3,548	2,147	5,695	357	1,944	2,301
Total loans and advances to customers	6,762	5,215	11,977	562	1,944	2,506

Loans and advances to customers

Maximum exposures to credit risk before collateral and other credit enhancements as at 31 December 2021 of financial assets by counterparty sector.

	Credit risk exposure	
	2021	2020
Central Bank of Kosovo	81,320	81,228
Other Banks	42,429	42,154
Investments in subsidiaries	2,234	2,234
Sovereigns	160,000	134,121
International Corporates	14,099	42,789
Local Corporates	339,864	324,994
Local Retail customers	464,842	408,487
Total financial assets risk exposure	**1,104,788**	**1,036,007**

The tables below set out information about the credit quality of loans and advances to customers and the allowance for impairment/loss held by the Bank against those assets.

	Loans and advances to customers	
	2021	2020
Maximum exposure to credit risk		
Gross amount	804,706	733,481
Allowance for impairment	(26,457)	(23,966)
Net carrying amount	**778,249**	**709,515**
Loans with renegotiated terms		
Gross carrying amount	172,956	289,679
Allowance for impairment	(14,966)	(14,163)
Net carrying amount	**157,990**	**(275,516)**

Set out below is an analysis of collateral and credit enhancement obtained during the years:

	Loans and advances to customers			Fair value of collateral		
31 December 2021	Retail	Corporate	Total	Retail	Corporate	Total
Commercial Real Estate	607	6,448	7,055	513	6,448	6,961
Residential Real Estate	52,624	-	52,624	49,668	-	49,668
Movable	330,930	319,306	650,236	190,237	299,947	490,184
Unsecured	80,681	14,110	94,791	-	-	0
Total	464,842	339,864	804,706	240,418	306,395	546,813

	Loans and advances to customers			Fair value of collateral		
31 December 2020	Retail	Corporate	Total	Retail	Corporate	Total
Commercial Real Estate	604	10,375	10,979	447	5,822	6,269
Residential Real Estate	47,385	-	47,385	40,693	-	40,693
Movable	359,719	314,619	674,338	175,873	294,732	470,605
Unsecured	779	-	779	-	-	-
Total	408,487	324,994	733,481	217,013	300,554	517,567

Set out below is an analysis of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts:

	31 December 2021				
	Total gross carrying amount	Stage 1	Stage 2	Stage 3	Fair value of the collateral
Non-retail Customers	339,864	255,809	74,010	10,045	240,418
Retail Customers	464,842	427,757	21,872	15,213	306,395
Total Loans and Advances to Customers	804,706	683,566	95,882	25,258	546,813

	31 December 2020				
	Total gross carrying amount	Stage 1	Stage 2	Stage 3	Fair value of the collateral
Non-retail Customers	324,994	249,807	65,714	9,473	300,554
Retail Customers	408,487	333,249	61,688	13,550	217,013
Total Loans and Advances to Customers	733,481	583,056	127,402	23,023	517,567

An analysis of concentrations of credit risk as at 31 December 2021 and 31 December 2020 for loans and advances to customers past due and impaired – Stage 3 and POCI are presented below:

	31 December 021				
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 month	Total
Non-retail Customers	2,864	80	653	4,700	8,297
Retail Customers	1,633	318	1,681	14,528	18,160
Total Loans and advances to customers impaired	4,497	398	2,334	19,228	26,457
	31 December 2020				
	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 month	Total
Non-retail Customers	3,856	250	875	4,492	9,473
Retail Customers	940	140	1,021	11,449	13,550
Total Loans and advances to customers impaired	4,796	390	1,896	15,941	23,023

The Bank monitors concentrations of credit risk by sector. Economic sector risk concentrations within the customer loan portfolio are as follows:

	2021	%	2020	%
Trade	151,227	19%	153,083	21%
Individuals	557,094	69%	485,641	66%
Manufacturing, chemical and processing	68,256	8%	62,867	9%
Service	12,845	2%	13,479	2%
Construction and construction servicing	5,187	1%	5,774	1%
Food industry and agriculture	9,543	1%	12,054	2%
Other	554	0%	583	0%
Total loans and advances to customers before allowance for loan impairment	804,706	100%	733,481	100%

Due from banks

Interbank exposures are closely monitored on a daily basis by risk management and the Treasury Department.
The Bank limits its deposits and other banking transactions to sound local or international banks. Before a business relationship is initiated with a given bank, the management and the Risk Department carry out an analysis of the institution's financial standing. The financial performance of the counterparties is continuously monitored. Moreover, all correspondent banks as well as bond issuers in which the Bank has investment exposures are continuously monitored for their ratings by international rating agencies like: Moody's, Standard & Poor's (S&P) and Fitch except for exposures with Kosovo T-bills which are not rated. In order to represent the ratings of different international rating agencies the tables below have been prepared in accordance with Central Bank of Kosovo rating scales representing as below:

	Moody' or equivalent	
Ratings definitions	Long term rating scale	Short term rating scale
High credit quality	Aaa Aa1 Aa2 Aa3	P-1
Strong payment capacity	A1 A2 A3	P-2
Adequate payment capacity	Baa1 Baa2 Baa3	P-3

A function independent from the treasury department, usually risk management, has to monitor that the exposure toward all banks does not exceed regulatory limits or internal limits set by the management of the Bank.
In accordance to the new regulation on large exposures of the Central Bank of Republic of Kosovo, banks shall not have any aggregate credit risk exposure to related counterparties exceeding 15 per cent of Tier I Regulatory Capital.
Due from banks are granted without collateral. The table below presents the Bank's current accounts and time deposits with corresponding banks by credit ratings, which are all classified as Stage 1.

At 31 December	2021	2020
P-1	32,476	19,528
P-2	9,953	18,351
P-3	-	4,275
	42,429	42,154

Investment Securities

Investments in securities are mainly invested in government bonds with OECD Countries, Republic of Kosovo T Bills and corporate bonds.The investments are primarily for liquidity management of the bank and ensure sufficient risk diversification in terms of credit exposure with one sovereign also considering the local regulatory environment and limitation on large exposures. The below table represents securities exposure based on Moody's rating:

	2021	2020
P-1	115,755	115,217
P-2	9,576	36,759
P-3	-	-
Not Rated	48,703	24,783
	174,034	176,759

The exposure reported as not rated reflects the Bank's exposure to Republic of Kosovo. The table below represents the risk exposure based on the counterparty risk of the exposure.

	2021	2020
Kosovo Government Treasury Bills and Bonds	48,703	24,783
Other OECD Treasury Bills and Government Bonds	111,233	123,781
Corporate bonds	14,098	28,195
Total investment securities	174,034	176,759

4.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities. The Bank is exposed to daily calls on its available cash resources from current accounts, maturing deposits, loan draw downs and guarantees. The liquidity risk is managed by the Management of the Bank.

The Bank holds mid to long term assets and due to market conditions, finances the majority of its portfolio with short term debt. In this process the Bank inherits liquidity risk pertaining to maturity mismatches. The Bank issues long term assets, such as PI loans and Mortgages, and these portfolios are mainly financed by demand deposits and Term Deposits up to 1 year. The management receives on a daily basis the liquidity ratio information of the Bank, and also on a weekly basis receives a liquidity report sorted by Business segment. Since the Bank issues mid to long term assets, and finances it with short to mid-term debt, it is also exposed to interest rate risk.

Regulatory liquidity reserve is calculated as 10 per cent of the average liabilities due within one-year, which reserve is maintained by deposits at central bank and 50 per cent of physical cash. As at 31 December 2021, the overage of liquidity reserve is € 16,160 thousand (2020: € 24,588 thousand).
The table below shows net carrying amounts of assets and liabilities as at 31 December 2021 and 2020 by their remaining contractual maturity.

However, the Bank expects that many customers will not request repayment of deposits on the earliest date it could be required to pay, and the table does not reflect the expected cash flows indicated by its deposit retention history. In addition, the Bank is using EU LCR delegated act for liquidity management and is required to keep liquidity for 10 per cent to 10.9 per cent for retail uninsured deposits and per cent for insured deposits. For non-retail an outflow of 33 per cent to 85 per cent is planed based if account is operational or not. The EU LCR should be above 100 per cent. As of 31 December 2021, the Bank was well over this limit at above 500 per cent.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents and mandatory liquidity reserve	175,289	-	-	-	175,289
Due from banks	19,391	-	-	-	19,391
Loans and advances to customers	19,548	27,297	139,092	592,312	778,249
Investment securities	-	-	-	174,034	174,034
Other assets	-	-	6,850	-	6,850
Total financial assets	**214,228**	**27,297**	**145,942**	**766,346**	**1,153,813**
Liabilities					
Deposits from customers	999,622	20,511	2,276	366	1,022,775
Due to banks	5,504	-	831	-	6,335
Subordinated debt	298	-	-	19,000	19,298
Other non-derivative financial liabilities	-	-	8,375	-	8,375
Other derivative financial liabilities	-	-	121	337	458
Total financial liabilities	**1,005,424**	**20,511**	**11,603**	**19,703**	**1,057,241**
Net gap position at 31 December 2021	**(791,196)**	**6,786**	**134,339**	**746,643**	**96,572**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents and mandatory liquidity reserve	68,852	-	-	87,326	156,178
Due from banks	28,575	-	-	-	28,575
Loans and advances to customers	7,681	17,365	135,845	548,624	709,515
Investment securities	1,493	4,971	111,194	59,101	176,759
Other assets	-	-	3,034	-	3,034
Total financial assets	**106,601**	**22,336**	**250,073**	**695,051**	**1,074,061**
Liabilities					
Deposits from customers	912,080	941	2,197	408	915,626
Due to banks	5,879	-	21,003	-	26,882
Subordinated debt	298	-	-	19,000	19,298
Other non-derivative financial liabilities	-	-	8,011	-	8,011
Other derivative financial liabilities	-	-	236	364	600
Total financial liabilities	**918,257**	**941**	**31,447**	**19,772**	**970,417**
Net gap position at 31 December 2020	**(811,656)**	**21,395**	**218,626**	**675,279**	**103,644**

The maturity analysis of loans to customers is based on the remaining maturity dates of the credit agreements, which means taking into account the instalments due on a monthly basis.

Liquidity reporting on a weekly basis at business segment level, monitoring of stickiness ratio separately for all business segments, banking book limits and reports, which measure the interest risks and gaps, are currently the tools applied to manage and limit the underlying risk of conducting business.

Mandatory liquidity reserves are included within demand and less than one month as the majority of liabilities to which this balance relates are also included within this category.

The maturity analysis for financial liabilities is analysed as follows:

- Based on earliest contractual maturity date – worst case scenario,
- Based on contractual undiscounted cash-flows,
- Determination of the time bands,
- Expected cash-flows are used as supplementary information.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace interest-bearing liabilities as they mature at an acceptable cost are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

The Bank has a significant maturity mismatch of the assets and liabilities maturing within one year. This liquidity mismatch arises due to the fact that the major source of finance for the Bank as at 31 December 2021 and 2020 was customer accounts being on demand and maturing in less than one month. Management believes that in spite of a substantial portion of customers' accounts being on demand, diversification of these deposits by number and type of depositors would indicate that these customers' accounts provide a long-term and stable source of funding for the Bank.

The Bank has improved the net position through other sources of funding, which provide middle-term finance and intend to continue matching assets vs. liability maturity in the periods to come. In addition, the Bank has an unused Credit Facility Agreement, which will provide support in case of liquidity needs.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

4.4 Market risk

Market risk is the risk that the value of an investment will decrease due to moves in market factors. The four standard market risk factors are:

- Equity risk or the risk that stock prices will change,
- Interest rate risk or the risk that interest rates will change,
- Currency risk or the risk that foreign exchange rates will change,
- Commodity risk or the risk that commodity prices (i.e. grains, metals, etc.) will change.

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Geographical risk

The geographical concentration of the Bank's financial assets and liabilities as at 31 December 2021 and 2020 is set out below:

	Kosovo	EU	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	153,217	22,072	-	175,289
Due from banks	-	19,391	-	19,391
Loans and advances to customers	778,249	-	-	778,249
Investment securities	48,703	92,327	33,004	174,034
Other assets	6,850	-	-	6,850
Total financial assets	**987,019**	**133,790**	**33,004**	**1,153,813**
Liabilities				
Deposits from customers	963,342	33,890	25,543	1,022,775
Deposits from banks	5,504	831	-	6,335
Subordinated debt	-	19,298	-	19,298
Other liabilities	8,375	-	458	8,833
Total financial liabilities	977,221	54,019	26,001	1,057,241
Net gap position at 31 December 2021	**9,798**	**79,771**	**7,003**	**96,572**

	Kosovo	EU	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	142,599	13,579	-	156,178
Due from banks	-	28,575	-	28,575
Loans and advances to customers	709,515	-	-	709,515
Investment securities	24,768	91,680	60,311	176,759
Other assets	3,034	-	-	3,034
Total financial assets	**879,916**	**133,834**	**60,311**	**1,074,061**
Liabilities				
Deposits from customers	870,938	14,410	30,278	915,626
Deposits from banks	5,879	21,003	-	26,882
Subordinated debt	-	19,298	-	19,298
Other liabilities	8,011	-	600	8,611
Total financial liabilities	884,828	54,711	30,878	970,417
Net gap position at 31 December 2020	**(4,912)**	**79,123**	**29,433**	**103,644**

Currency risk

This is a form of risk that arises from the change in price of one currency against functional currency. The currency risk is managed through monitoring and managing open FX positions. These positions are set for daily positions and separately, for overnight positions. The sensitivity analysis is provided to the management on weekly basis.

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Management sets limits on the level of exposure by currency and in total, as well as stop-loss limits, which are monitored daily, and hedged accordingly by entering offsetting positions. The use of euro in Kosovo allows the bank to enter in highly liquid derivatives, such as cross-currency swaps, to be used as hedging tools to the short-term liquidity variances.

The Market Risk Report encapsulating the Interest Rate Risk Report and the Open FX currency report is sent to the management on weekly basis. The respective report is produced by RBI Risk management based on the inputs that are provided from local reporting resources.

	EUR	USD	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	175,289	-	-	175,289
Due from banks	19,391	-	-	19,391
Loans and advances to customers	778,249	-	-	778,249
Investment securities	139,602	34,432	-	174,034
Other assets	6,850	-	-	6850
Total financial assets	**1,119,381**	**34,432**	**-**	**1,153,813**
Liabilities				
Deposits from customers	919,107	67,548	36,120	1,022,775
Deposits from banks	6,335	-	-	6,335
Subordinated debt	19,298	-	-	19,298
Other liabilities	8,833	-	-	8,833
Total financial liabilities	**953,573**	**67,548**	**36,120**	**1,057,241**
Net gap position at 31 December 2021	**165,808**	**(33,116)**	**(36,120)**	**96,572**

	EUR	USD	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	146,122	6,141	3,915	156,178
Due from banks	7,258	15,483	5,834	28,575
Loans and advances to customers	709,515	-	-	709,515
Investment securities	145,091	31,668	-	176,759
Other assets	3,034	-	-	3,034
Total financial assets	**1,011,020**	**53,292**	**9,749**	**1,074,061**
Liabilities				
Deposits from customers	845,383	57,111	13,132	915,626
Deposits from banks	26,882	-	-	26,882
Subordinated debt	19,298	-	-	19,298
Other liabilities	8,611	-	-	8,611
Total financial liabilities	**900,174**	**57,111**	**13,132**	**970,417**
Net gap position at 31 December 2020	**110,846**	**(3,819)**	**(3,383)**	**103,644**

Foreign currency risk

The foreign currencies to which the Bank is mainly exposed are US Dollar (USD), Swiss Franc (CHF) and British Pound (GBP). The limit for aggregate foreign currency open position is maintained within regulatory requirements. This reduces the risk exposure to any market fluctuations on the market and minimizes the potential FX revaluation impact in the profit and loss of the bank.

Rates for major currencies used in the translation of the reporting date items denominated in foreign currencies were as follows (in euro):

Compared to €	31 December 2021	31 December 2020
1 USD	1.1310	1.2274
1 CHF	1.0325	1.0804
1 GBP	0.839	0.899

Interest rate risk

This is the risk that the relative value of an interest-bearing asset will lose in value. The Bank's assets being largely in mid to long fixed term loans, and liabilities being mainly short term deposits, exposes the Bank to a mismatch in interest rates, and consequently the corresponding gaps exposed the Bank to interest rate movements in the market.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

The Bank is exposed to interest rate risk, principally as a result of lending at fixed interest rates, in amounts and for periods, which differ from those of term deposits at fixed interest rates. In practice interest rates are generally fixed on a short-term basis. Management sets limits on the level of mismatch of interest rate re-pricing that may be undertaken. Under the interest rate SWAP contracts, the Bank agrees to exchange the difference between the fixed and floating rate interest amount calculated on agreed notional principal amounts. Cash in hand and balances with CBK on which no interest is paid are included in the "non-interest bearing" column in the below table as well as non-interest bearing deposits of customers.

In order to hedge for the gaps in fixed-mid to long term loans vs. variable short to mid-term debt, financial derivatives Interest Rate Swaps are used, whereby Raiffeisen Bank Kosovo is mainly a fixed side interest payer, whereas in return the counterparty is variable rate payer, and the variable side is indexed to 6 Month EURIBOR, to ensure optimal sensitivity.

Raiffeisen Bank Kosovo applies active risk management to hedge against market risk positions. Interest rate risk is partially hedged through financial derivatives. In order to ensure long term stability in the cash flow from existing loan portfolios, maturing from between 2022 to 2029 these positions are hedged through Interest Rate Swaps.

The Interest Rate Swaps are accounted for as banking book derivatives without hedge accounting. Interest Rate Swaps are measured at market value on each reporting date and any changes resulting from this are recognized in Profit and Loss of the year. The positions are measured using basis point value method.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Non-interest bearing	Total
Assets						
Cash and cash equivalents and mandatory liquidity reserve	175,289	-	-	-	-	175,289
Due from banks	19,391	-	-	-	-	19,391
Loans and advances to customers	19,548	27,297	139,092	592,312	-	778,249
Investment securities	22	-	-	174,012	-	174,034
Other assets	-	-	-	-	6,850	6,850
Total financial assets	**214,250**	**27,297**	**139,092**	**766,324**	**6,850**	**1,153,813**
Liabilities						
Deposits from customers	112,077	20,511	2,276	366	887,545	1,022,775
Deposits from banks	4,673	-	831	-	831	6,335
Subordinated debt	298	-	-	-	19,000	19,298
Other liabilities	-	-	-	-	8,833	8,833
Total financial liabilities	117,048	20511	3,107	366	916,209	1,057,241
Net gap position at 31 December 2021	**97,202**	**6,786**	**135,985**	**765,958**	**(909,359)**	**96,572**

Non-interest bearing deposits in the amount of € 888,376 thousand are mainly current accounts of businesses and individuals. They do not have any contractual re-pricing or maturity dates, however the interest rates would respond in a short amount of time in response to changes in market interest rates.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Non-interest bearing	Total
Assets						
Cash and cash equivalents and mandatory liquidity reserve	68,852	-	-	-	87,326	156,178
Due from banks	28,575	-	-	-	-	28,575
Loans and advances to customers	7,681	17,365	135,845	548,624	-	709,515
Investment securities	1,493	4,971	111,194	59,101	-	176,759
Other assets	-	-	-	-	3,034	3,034
Total financial assets	106,601	22,336	247,039	607,725	90,360	1,074,061
Liabilities						
Deposits from customers	130,967	941	2,197	408	781,113	915,626
Deposits from banks	4,877	-	21,003	-	1,002	26,882
Subordinated debt	298	-	-	19,000	-	19,298
Other liabilities	-	-	-	-	8,611	8,611
Total financial liabilities	136,142	941	23,200	19,408	790,726	970,417
Net gap position at 31 December 2020	(29,541)	21,395	223,839	588,317	(700,366)	103,644

The table below summarises the Bank's exposure to variable interest rate (EURIBOR). Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents and mandatory liquidity reserve	-	-	-	-	-
Due from banks	-	-	-	-	-
Loans and advances to customers	3,795	2,477	11,504	207,432	225,408
Investment securities	-	-	-	-	-
Other assets	-	-	-	-	-
Total financial assets	**3,795**	**2,477**	**11,504**	**207,432**	**225,408**
Liabilities					
Deposits from customers	-	-	-	-	-
Due to banks	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**
Net gap position at 31 December 2021	**3,795**	**2,477**	**11,504**	**207,432**	**225,408**

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Assets					
Cash and cash equivalents and mandatory liquidity reserve	-	-	-	-	-
Due from banks	-	-	-	-	-
Loans and advances to customers	7,921	7,068	17,867	153,569	186,425
Investment securities	-	-	-	-	-
Other assets	-	-	-	-	-
Total financial assets	**7,921**	**7,068**	**17,867**	**153,569**	**186,425**
Liabilities					
Deposits from customers	-	-	-	-	-
Due to banks	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**
Net gap position at 31 December 2020	**7,921**	**7,068**	**17,867**	**153,569**	**186,425**

In percentage	2021				2020			
	EUR	USD	CHF	GBP	EUR	USD	CHF	GBP
Assets								
Balance with Central Bank	(0.1)	-	-	-	(0.1)	-	-	-
Due from banks	(0.7)	0.0	(0.8)	(0.0)	(0.6)	0.3	(0.8)	0.2
Government Bonds AC yield	1.1	-	-	-	N/A	N/A	N/A	N/A
Government Bonds Non-trading through FV yield	2.8	-	-	-	1.7	-	-	-
Government Bonds OCI yield	0.1	0.4	-	-	0.2	1.4	-	-
Bonds held for trading yield	2.2	-	-	-	-	-	-	-
Loans and ad-vances to cus-tomers	6.5	3.9	-	-	6.7	-	-	-
Liabilities								
Customer ac-counts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Term deposits	(0.0)	(0.0)	(0.0)	(0.0)	(0.4)	0.0	0.0	0.0
Savings accounts	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	(0.1)
Subordinated loan	(6.2)	-	-	-	(6.2)	-	-	-
IRS	(3.7)	-	-	-	(13.1)	-	-	-

From Risk management and control perspective, there are two aspects of risk:

- Risk evaluation
- Risk control

Interest rate risk evaluation

Interest rate risk sensitivity is measured to quantify dependence of the present value of a position on a risk factor. The interest rate sensitivities, often referred to as basis point values (BPV), give the change of the present value in units of the reference currency, under the assumption that interest rates change by 200 bps. The Interest Rate risk is measured using VaR (Value at risk) approach. This approach implies a measurement scenario using 10 days duration and 99 per cent confidence interval. The VaR is measured at stress of 1bps shift in the Yield curve. This Scenario assumes the implication on Profit and loss account of the Bank, in case the yield curve moves in one or the other direction by 200 basis point Below are presented BPV data as of the end of 2021 and 2020.

	+ 200 bps		- 200 bps		Research	
Main Categories of sensitiv-ity 2021	Y1	Y2	Y1	Y2	Y1	Y2
NII Sensitivity	1,39M	3,50M	-4,60M	-7,90M	-0,23M	-0,63M
Valuation sensitivity	-1,12M	0,65M	1,23M	-0,69M	-0,07M	-0,39M
Total Sensitivity	0,27M	4,15M	-3,36M	-8,59M	-0,30M	-1,02M
Main Categories of sensitiv-ity 2020	Y1	Y2	Y1	Y2	Y1	Y2
NII Sensitivity	1,13M	3,84M	-5,41M	-9,34M	-0,02M	-0,08M
Valuation sensitivity	-0,78M	0,57M	0,77M	-0,58M	-0,04M	-0,04M
Total Sensitivity	0,35M	4,41M	-4,64M	-9,92M	-0,07M	-0,12M

Value at risk as of 31 December 2021 is Euro value At Risk (99 per cent, 1d) in Banking Book, is € 711 thousand. The results of the sensitivity analysis are presented to the management on a weekly basis and are independently reviewed by RBI Vienna Risk Management.

Interest rate risk control

The mechanism of control interest rate risk is utilized through the daily Basis Point Value (BPV) reports. The Bank currently has a total BPV limit of € 23 thousand. For the purpose of measuring BPV, administered rate products are modelled using replicating portfolio. The Basis Point Value is measured per currency and per time band. The limits are also set for each currency and for different time bands.

4.5 Operational risk

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Bank standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

4.6 Capital risk management

Regulatory capital

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Bank's overall strategy remains unchanged from previous year. The capital structure of the Bank consists of debt, which includes borrowings, and equity attributable to equity holders, comprising issued capital and retained earnings.

Capital requirements for operational risk

The capital requirements for operational risk are calculated based on CBK regulation "on operational risk management", using the basic indicator approach. Under the Basic Indicator Approach, the capital requirement for operational risk is equal to 15 per cent (fifteen per cent) of the relevant indicator. The relevant indicator is the average over three years of the sum of net interest income and net non-interest income.

Capital adequacy ratio

The capital requirements for operational risk are calculated based on CBK regulation "on operational risk management", using the basic indicator approach. Under the Basic Indicator Approach, the capital requirement for operational risk is equal to 15 per cent (fifteen per cent) of the relevant indicator. The relevant indicator is the average over three years of the sum of net interest income and net non-interest income.

Risk-weighted assets (RWAs)

Assets are weighted according to broad categories of national risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. The bank assets are assigned one of the weights based on the CBK Regulation on Capital Adequacy. To calculate risk-weighted exposure amounts, risk weights are applied to all exposures, unless deducted from own funds, in accordance with article 44 to 58 of Regulation on Capital Adequacy. The application of risk weights is based on the exposure class to which the exposure is assigned and, to the extent specified in its credit quality. Credit quality may be determined by reference to the credit assessments of External Credit Assessment Institutions (ECAI) or the credit assessments of Export Credit Agencies (ECA) in accordance with the Regulation on the use of external credit assessments for the purpose of calculation of the regulatory capital.

	31 December 2021	31 December 2020
Total risk weighted assets	787,166	750,436
Total risk weighted off balance exposures	33,390	29,406
Total risk weighted assets for operational risk	59,296	55,259
Total	**879,852**	**835,101**
Regulatory capital (Total Capital)	134,486	145,866
Capital adequacy ratio (Total Capital)	15.28%	17.47%

The Bank's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

There have been no material changes in the Bank's management of capital during the period.

Gearing ratio

The Bank's risk management committee reviews the capital structure on a continuous basis. As part of this review, the committee considers the cost of capital and the risk associated with each class of capital. The gearing ratio at the year ended was as follow:

	2021	2020
Debt	19,298	19,298
Equity	137,529	144,133
Net debt to equity ratio	**14%**	**13%**

5. Fair value of financial instruments

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
Level 2: inputs other than quoted prices included within Level 1 that are observable 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 for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

5.1 Financial instruments not measured at fair value

Cash and cash equivalents and mandatory reserve

Cash and cash equivalents include inter-bank placements and items in the course of collection. As these balances are short term and at floating rates their fair value is considered to equate to their carrying amount.

Due from banks

Due from banks are consisted of term deposits and guarantees from other banks. As these balances are short term and at floating rates their fair value is considered to equate to their carrying amount.

Subordinated loan

Long term subordinated loan due to Raiffeisen Bank International has an estimated fair value approximately equal to its carrying amount because of its underlying fixed interest rate.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorized.

Assets	Carrying value 2021	Fair value Level 3 2021	Carrying value 2020	Fair value Level 3 2020
Loans and advances to customers	778,249	769,501	709,515	701,327
Liabilities				
Deposits from customers	1,022,775	1,022,775	915,626	915,626
Deposits from banks	6,335	6,335	26,882	26,882

5.2 Financial instruments measured at fair value - fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

31 December 2021				
Non-derivatives	**Carrying value**	**Fair Value Level 1**	**Fair Value Level 2**	**Fair Value Level 3**
Investment securities	174,034	158,405	15,629	-
Financial investments at fair value through profit or loss	1,223	-	1,223	-
Financial investments- Held for trad-ing	1,119		1,119	
Financial investments at fair value through OCI	152,166	148,882	3,284	-
Financial investments at amortised cost	19,526	9,523	10,003	
Derivatives	**458**	**458**	**-**	**-**
Derivatives held for risk management	458	458	-	-

31 December 2020				
Non-derivatives	**Carrying value**	**Fair Value Level 1**	**Fair Value Level 2**	**Fair Value Level 3**
Investment securities	176,759	151,834	24,926	-
Financial investments at fair value through profit or loss	3,306	-	3,306	-
Financial investments at fair value through OCI	173,453	151,834	21,620	-
Derivatives	**600**	**600**	**-**	**-**
Derivatives held for risk management	600	600	-	-

6. Impairment losses on financial assets

The table below shows the ECL charges on financial instruments for the year 2021 recorded in the income statement:

Credit loss expense 2021	Stage 1 Individual	Stage 1	Stage 2 Individual	Stage 2	Stage 3	POCI	Total
Loans and advances to customers	-	(1,165)	-	941	(3,805)	(979)	**(5,008)**
Debt instruments mea-sured at FVOCI	85		-	-	-	-	**85**
Off balance (Financial guarantees and loan commitments)	-	(80)	-	109	(1)	-	**28**
Total impairment losses	**85**	**(1,245)**	**-**	**1,050**	**(3,806)**	**(979)**	**(4,895)**

Credit loss expense 2020	Stage 1 Individual	Stage 1	Stage 2 Individual	Stage 2	Stage 3	POCI	Total
Loans and advances to cus-tomers	-	(46)	-	(2,580)	(3,287)	(2,113)	**(8,026)**
Debt instruments mea-sured at FVOCI	(4)	-	-	-	-	-	**(4)**
Off balance (Financial guar-antees and loan commit-ments)	-	(25)	-	(30)	-	-	**(55)**
Total impairment losses	(4)	(71)	-	(2,610)	(3,287)	(2,113)	(8,085)

7. Changes in liabilities arising from financing activities

	1 January 2021	Cash flows	Declaration of Dividends	31 December 2020
Interest bearing borrowings Note 16	5,879	(375)	-	5,504
Dividends payable	-	(32,400)	32,400	-
Lease payments	-	(1,104)	-	(1,104)
Total liabilities from financing activities	5,879	(33,879)	32,400	4,400

	1 January 2020	Cash flows	Declaration of Dividends	31 December 2020
Interest bearing borrowings Note 16	5,170	709	-	5,879
Dividends payable	-	-	-	-
Lease payments	-	(1,154)	-	(1,154)
Total liabilities from financing activities	5,170	(445)	-	4,725

8. Cash and cash equivalents and mandatory reserve

	2021	2020
Cash on hand	70,931	61,371
Balances with the CBK	81,320	81,228
Correspondent accounts with other banks	23,038	13,579
Allowance for accounts with other banks	-	-
Total	175,289	156,178

Cash, cash equivalents and mandatory reserve include a mandatory liquidity reserve balance with CBK of € 99,504 thousand (31 December 2020: € 87,326 thousand). The liquidity reserve balance requirement is calculated as the average of daily balance for each day of the previous calendar month and should be maintained at 10 per cent of bank deposits payable within one year. It consists of balances with CBK and 50 per cent of cash on hand. As such the balance can vary from day-to-day. This balance is excluded from cash and cash equivalents for the purposes of the cash flow statement. As at 31 December 2021 and 2020 the Bank's cash and cash equivalents for the purposes of cash flow statement were as follows:

	2021	2020
Term deposits (note 9)	18,568	27,817
Cash and cash equivalents and mandatory reserve	175,289	156,178
Less: Mandatory liquidity reserve	(99,504)	(87,326)
Cash and cash equivalents for the purposes of cash flow statement	94,353	96,669

Negative interest has been applied on the balances (above the liquidity reserve requirement) with CBK for current reporting year (0.1 per cent).and previous reporting year (0.1 per cent).

9. Due from banks

Term deposits are placed with banks operating in OECD countries. The balance of due from banks includes accrued interest of € 5 thousand (31 December 2020: € thousand).Guarantee deposits include an amount of € 823 thousand as at 31 December 2021 (31 December 2020: € 758 thousand) which represent restricted deposits with UOB Bank as card cash collateral.

	2021	2020
Term deposits	18,568	27,817
Guarantee deposits	823	758
Allowances for impairment	-	-
Total due from banks	**19,391**	**28,575**

The Bank does not have the right to use these funds for the purposes of funding its own activities.

10. Investment securities

	2021	2020
Investment securities designated as at FVTPL	1,223	3,306
Investment securities measured at FVOCI	152,217	173,604
Investment securities measured at amortized cost	19,541	-
Investment securities held for trading	1,119	-
Allowances for impairment	(66)	(150)
Total investment securities	**174,034**	**176,760**

Investment securities are held in different business model divided between investment securities at FVOCI, FVTPL, at amortized cost and held for trading.Investment securities designated at FVTPL and debt securities at FVOCI as at 31 December 2021 represent one month to-five year bonds and treasury bills denominated in EUR and US dollar issued by Germany, France, Austria, United States of America, Poland and Republic of Kosovo (Government Treasury Bills). The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

		2021		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing	-	-	-	-
Excellent	59,436	-	-	59,436
Strong	56,379	-	-	56,379
Good	-	-	-	-
Satisfactory	-	-	-	-
Substandard	-	-	-	-
Credit impaired	-	-	-	-
Unrated	36,402	-	-	36,402
Total	**152,217**	**-**	**-**	**152,217**

		2020		
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Performing	-	-	-	-
Excellent	151,983	-	-	151,983
Strong	-	-	-	-
Good	-	-	-	-
Satisfactory	-	-	-	-
Substandard	-	-	-	-
Credit impaired	-	-	-	-
Unrated	21,620	-	-	21,620
Total	**173,603**	**-**	**-**	**173,603**

The movements in gross carrying amounts and the corresponding ECLs for the debt securities at FVOCI, as follows:

2021				
	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2019	173,603	-	-	173,603
New assets originated or purchased	94,508	-	-	94,508
Assets derecognised or matured	(115,371)	-	-	(115,371)
Change in fair value	(523)	-	-	(523)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not recognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	**152,217**	**-**	**-**	**152,217**

2020				
	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2019	144,125	-	-	144,125
New assets originated or purchased	69,895	-	-	69,895
Assets derecognised or matured	(39,942)	-	-	(39,942)
Change in fair value	(475)	-	-	(475)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes due to modifications not recognised	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2020	**173,603**	**-**	**-**	**173,603**

	2021			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2019	150	-	-	150
New assets originated or purchased	33	-	-	33
Assets derecognised or matured	(21)	-	-	(21)
Change in fair value (excluding write offs)	(111)	-	-	(111)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2021	51	-	-	51

	2020			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	146	-	-	146
New assets originated or purchased	76	-	-	76
Assets derecognised or matured	(72)	-	-	(72)
Change in fair value (excluding write offs)	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	-	-	-	-
Changes due to modifications not resulting in derecognition	-	-	-	-
Changes to models and inputs used for ECL calculations	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
At 31 December 2020	150	-	-	150

11. Loans and advances to customers

	2021	2020
Non-retail customers		
Current and restructured loans	296,418	284,716
Overdraft facilities	43,446	40,278
	339,864	**324,994**
Retail Customers		
Current and restructured loans	444,891	389,030
Overdraft facilities	19,951	19,457
	464,842	**408,487**
Loans and advances to customers	**804,706**	**733,481**
Less: Allowance for impairment	(26,457)	(23,966)
Loans and advances to customers, net	**778,249**	**709,515**

Loans and advances to customers include accrued interest income for € 2,214 thousand (31 December 2020: € 2,336 thousand).

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification.

Gross carrying amount and the corresponding loss allowances for total loans are, as follows:

					2021	2020
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	179,854	3,907	-	8	183,769	-
Strong	176,503	6,358	-	133	182,994	4,283
Good	133,368	48,611	-	1,135	183,114	224,882
Satisfactory	113,400	22,559	-	-	135,959	192,898
Substandard	8,655	12,717	-	-	21,372	20,572
Credit impaired	-	-	18,000	5,868	23,868	22,155
Unrated	71,786	1,730	-	114	73,630	268,691
Total	**683,566**	**95,882**	**18,000**	**7,258**	**804,706**	**733,481**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for total loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2021	583,056	127,402	17,398	5,625	733,481
New assets originated or purchased	384,615	44,954	906	4,142	434,617
Assets derecognised or repaid	(188,465)	(41,611)	(1,451)	(1,762)	(233,289)
Transfers to Stage 1	34,375	(33,917)	(458)	-	-
Transfers to Stage 2	(27,254)	27,566	(312)	-	-
Transfers to Stage 3	(3,083)	(3,413)	6,496	-	-
Changes due to change in credit risk (net)	(99,631)	(25,020)	(2,269)	(672)	(127,592)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(47)	(79)	(2,310)	(75)	(2,511)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2021	**683,566**	**95,882**	**18,000**	**7,258**	**804,706**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 01 January 2021	2,858	4,326	13,502	3,280	23,966
New assets originated or purchased	2,169	1,396	572	1,732	5,869
Assets derecognised or repaid	(738)	(936)	(776)	(375)	(2,825)
Transfers to Stage 1	327	(319)	(8)	-	-
Transfers to Stage 2	(867)	912	(45)	-	-
Transfers to Stage 3	(2,265)	(2,651)	4,916	-	-
Changes due to change in credit risk (net)	2,562	723	(948)	(379)	1,958
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(47)	(79)	(2,310)	(75)	(2,511)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2021	**3,999**	**3,372**	**14,903**	**4,183**	**26,457**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for total loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	643,374	25,221	16,580	2,243	687,418
New assets originated or purchased	351,506	50,116	2,589	3,748	407,959
Assets derecognised or repaid	(266,097)	(15,067)	(2,886)	(250)	(284,300)
Transfers to Stage 1	2,987	(2,858)	(129)	-	-
Transfers to Stage 2	(72,657)	72,780	(123)	-	-
Transfers to Stage 3	(3,149)	(1,538)	4,687	-	-
Changes due to change in credit risk (net)	(72,888)	(1,241)	(1,389)	(98)	(75,616)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(20)	(11)	(1,931)	(18)	(1,980)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2020	**583,056**	**127,402**	**17,398**	**5,625**	**733,481**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2021 (2020: nil).

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 01 January 2020	2,832	1,757	12,146	1,185	17,920
New assets originated or purchased	1,554	1,568	1,851	2,126	7,099
Assets derecognised or repaid	(713)	(617)	(2,246)	(142)	(3,718)
Transfers to Stage 1	23	(21)	(2)	-	-
Transfers to Stage 2	(2,352)	2,363	(11)	-	-
Transfers to Stage 3	(2,101)	(1,259)	3,360	-	-
Changes due to change in credit risk (net)	3,635	546	335	129	4,645
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(20)	(11)	(1,931)	(18)	(1,980)
Foreign exchange adjustments	-	-	-	-	
At 31 December 2020	**2,858**	**4,326**	**13,502**	**3,280**	**23,966**

Non – retail loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

					2021	2020
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	157	-	-	-	157	-
Strong	3,918	15	-	-	3,933	-
Good	129,568	38,635	-	-	168,203	84,194
Satisfactory	113,400	22,559	-	-	135,959	39,864
Substandard	8,655	12,717	-	-	21,372	3,173
Credit impaired	-	-	4,177	5,868	10,045	12,681
Unrated	111	84	-	-	195	268,575
Total	**255,809**	**74,010**	**4,177**	**5,868**	**339,864**	**408,487**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for non-retail loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2021	249,807	65,714	4,717	4,756	324,994
New assets originated or purchased	165,623	37,430	63	3,353	206,469
Assets derecognised or repaid	(101,603)	(27,916)	(748)	(1,741)	(132,008)
Transfers to Stage 1	10,085	(10,085)	-	-	-
Transfers to Stage 2	(21,779)	21,779	-	-	-
Transfers to Stage 3	(134)	(154)	288	-	-
Changes due to change in credit risk (net)	(46,190)	(12,758)	(89)	(500)	(59,537)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	-	(54)	-	(54)
Foreign exchange adjustments					
At 31 December 2021	**255,809**	**74,010**	**4,177**	**5,868**	**339,864**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2021	666	832	2,825	2,563	6,886
New assets originated or purchased	700	355	61	1,101	2,217
Assets derecognised or repaid	(208)	(257)	(433)	(368)	(1,266)
Transfers to Stage 1	36	(36)	-	-	-
Transfers to Stage 2	(99)	99	-	-	-
Transfers to Stage 3	(121)	(135)	256	-	-
Changes due to change in credit risk (net)	(6)	(11)	710	(179)	514
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	-	(54)	-	(54)
Foreign exchange adjustments					
At 31 December 2021	**968**	**847**	**3,365**	**3,117**	**8,297**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for non-retail loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	357,927	9,527	10,987	705	379,146
New assets originated or purchased	149,264	14,688	2,301	477	166,730
Assets derecognised or repaid	(79,317)	(2,505)	(1,564)	(265)	(83,651)
Transfers to Stage 1	1,688	(1,559)	(129)	-	-
Transfers to Stage 2	(44,019)	44,142	(123)	-	-
Transfers to Stage 3	(2,597)	(1,531)	4,128	-	-
Changes due to change in credit risk (net)	(49,678)	(1,062)	(1,213)	(45)	(51,998)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(20)	(11)	(1,706)	(3)	(1,740)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2020	**333,248**	**61,689**	**12,681**	**869**	**408,487**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2020	391	385	3,636	754	5,166
New assets originated or purchased	518	513	12	1,730	2,773
Assets derecognised or repaid	(215)	(250)	(1,246)	15	(1,696)
Transfers to Stage 1	2	(2)	-	-	0
Transfers to Stage 2	(286)	286	-	-	0
Transfers to Stage 3	(420)	-	420	-	0
Changes due to change in credit risk (net)	676	(100)	228	79	883
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	-	(225)	(15)	(240)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2020	**666**	**832**	**2,825**	**2,563**	**6,886**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2021 (2020: nil).

Retail loans

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Gross carrying amount for retail loans are, as follows:

					2021	2020
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	179,697	3,907	-	8	183,612	-
Strong	172,585	6,343	-	133	179,061	4,283
Good	3,800	9,976	-	1,135	14,911	140,688
Satisfactory	-	-	-	-	-	153,034
Substandard	-	-	-	-	-	17,400
Credit impaired	-	-	13,823	-	13,823	9,474
Unrated	71,675	1,646	-	114	73,435	115
Total	**427,757**	**21,872**	**13,823**	**1,390**	**464,842**	**324,994**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for retail loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2021	333,248	61,689	12,681	869	408,487
New assets originated or purchased	218,992	7,524	843	789	228,148
Assets derecognised or repaid	(86,862)	(13,695)	(703)	(21)	(101,281)
Transfers to Stage 1	24,290	(23,832)	(458)	-	-
Transfers to Stage 2	(5,475)	5,787	(312)	-	-
Transfers to Stage 3	(2,949)	(3,259)	6,208	-	-
Changes due to change in credit risk (net)	(53,440)	(12,263)	(2,180)	(172)	(68,055)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(47)	(79)	(2,256)	(75)	(2,457)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2021	**427,757**	**21,872**	**13,823**	**1,390**	**464,842**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2021	2,191	3,495	10,676	718	17,080
New assets originated or purchased	1,469	1,041	511	631	3,652
Assets derecognised or repaid	(530)	(679)	(343)	(7)	(1,559)
Transfers to Stage 1	291	(283)	(8)	-	-
Transfers to Stage 2	(768)	813	(45)	-	-
Transfers to Stage 3	(2,144)	(2,516)	4,660	-	-
Changes due to change in credit risk (net)	2,569	733	(1,657)	(201)	1,444
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(47)	(79)	(2,256)	(75)	(2,457)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2021	**3,031**	**2,525**	**11,538**	**1,066**	**18,160**

An analysis of changes in the gross carrying amount and the corresponding loss allowances for retail loans are as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	285,446	15,695	5,593	1,538	308,272
New assets originated or purchased	202,242	35,428	288	3,271	241,229
Assets derecognised or repaid	(186,780)	(12,562)	(1,322)	15	(200,649)
Transfers to Stage 1	1,299	(1,299)	-	-	0
Transfers to Stage 2	(28,638)	28,638	-	-	0
Transfers to Stage 3	(552)	(7)	559	-	0
Changes due to change in credit risk (net)	(23,210)	(179)	(176)	(53)	(23,618)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	-	(225)	(15)	(240)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2020	**249,807**	**65,714**	**4,717**	**4,756**	**324,994**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2020	2,440	1,373	8,509	432	12,754
New assets originated or purchased	1,036	1,055	1,839	396	4,326
Assets derecognised or repaid	(498)	(367)	(1,000)	(157)	(2,022)
Transfers to Stage 1	21	(19)	(2)	-	-
Transfers to Stage 2	(2,066)	2,077	(11)	-	-
Transfers to Stage 3	(1,681)	(1,259)	2,940	-	-
Changes due to change in credit risk (net)	2,959	646	107	50	3,762
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(20)	(11)	(1,706)	(3)	(1,740)
Foreign exchange adjustments	-	-	-	-	-
At 31 December 2020	**2,191**	**3,495**	**10,676**	**718**	**17,080**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2021 (2020: nil).

As at 31 December 2021 the Bank has 609 borrowers (31 December 2020: 585 borrowers) with aggregated loan amounts above € 100 thousand. The aggregate amount of these loans is € 316,979 thousand or 39 per cent of the gross loan portfolio (31 December 2020: € 296,631 thousand or 40 per cent of the gross loan portfolio).

The Bank manages individual counterparty exposures in order to be compliant with the regulations of the Central Bank that require individual counterparty exposures not to exceed 15 per cent of Tier I Capital or € 18,486 thousands.

As at 31 December 2021, there is no counterparty (2020: no counterparty) with exposure above 15 per cent of the limit after obtaining regulatory approval. In addition, the cumulative exposure of the top 10 clients of the bank is € 120,985 thousand, (2020: € 129,570 thousand).

12. Other assets

	2021	2021
Prepayments and advances for services	377	305
Due from Visa and MasterCard	-	506
Receivables from clearing transactions	3,461	-
Receivables from parent company	477	230
Other receivables	2,912	2,299
Repossessed properties	47	88
Total other assets	**7,274**	**3,428**

13. Investments in subsidiaries

	2021	2020
Investment in Raiffeisen Leasing Kosovo	2,227	2,227
Investment in Raiffeisen Insurance Broker Kosovo	7	7
Total investments in subsidiaries	**2,234**	**2,234**

The table below provides details of the significant subsidiaries of the Bank:

		Ownership interest	
Subsidiary	**Principal place of business**	**2020**	**2019**
Raiffeisen Leasing Kosovo	Kosovo	100%	100%
Raiffeisen Insurance Broker Kosovo	Kosovo	70%	70%

The Bank does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. Banking subsidiaries must comply with rules and regulations applicable for other financial institutions and in consolidation level must comply in addition with banking rules and regulations.

Dividend received from Raiffeisen Leasing Kosovo LLC during 2021 is EUR 1,634 thousand (2020: nil) and from Raiffeisen Insurance Broker is € 178 thousand (2020: nil).

14. Property, equipment and intangible assets

The following is a breakdown of property and equipment owned and leased:

	2021	2020
Property, plant and equipment	31,550	32,030
Intangible assets	5,552	4,816
Right-of-use assets (ROU)	2,215	2,331
Property, Plant and Equipment	**39,317**	**39,177**

The Bank leases many assets including buildings, vehicles and IT equipment. Information about leases for which the Bank is a lessee is presented below.

	2021			
	Property	Vehicles	IT equipment	Total
Balance as at 1 January	2,234	25	72	2,331
Additions in current year	1,130	-	-	1,130
Depreciation charge for the year	(856)	(6)	(13)	(875)
Disposals	(371)	-	-	(371)
Balance at 31 December	**2,137**	**19**	**59**	**2,215**

	2020			
	Property	Vehicles	IT equipment	Total
Balance at 1 January	2,631	31	85	2,747
Additions in current year	787	-	-	787
Depreciation charge for the year	(965)	(5)	(13)	(983)
Disposals	(220)	-	-	(220)
Balance at 31 December	**2,233**	**26**	**72**	**2,331**

The total cash outflow for leases amount to € 1,104 thousand (2020: € 1,154 thousand). The following table presents the maturity analysis – contractual undiscounted cash flows for the lease liability:

	2021	2020
Less than one year	41	865
One to five years	2,287	1,540
More than five years	-	5
Total undiscounted lease liabilities as at 31 December	**2,328**	**2,410**
Lease liabilities included in Note 18 as at 31 December	**2,326**	**2,423**

As at 31 December 2021 and 2020, there are no restrictions or covenants imposed by leases. The Bank uses reasonable certainty on extension and termination option for lease contracts on initial recognition. Short term lease commitments. The future minimum lease payments under non-cancellable leases, where the Bank is the lessee, and are subject to exemption from recognition criteria of IFRS 16 Leases

	2021	2020
Short-term lease commitments	13	12

	Buildings and Land used for own purposes	IT Equipment	Other Equipment and leasehold improvements	Intangible assets	Total
Opening Balance as at 1 January 2021	24,676	13,103	9,256	22,635	69,670
Additions	52	1,310	963	2,603	4,928
Disposals	-	(167)	(731)	-	(898)
As at 31 December 2021	24,728	14,246	9,488	25,238	73,700
Accumulated depreciation and amortisation					
Opening Balance as at 1 January 2021	490	9,475	5,040	17,819	32,824
Depreciation/amortisation charge for the year (Note 25)	453	1,119	1,174	1,867	4,613
Disposals	-	(157)	(682)	-	(839)
As at 31 December 2021	943	10,437	5,532	19,686	36,598
Net book value at 31 December 2021	23,785	3,809	3,956	5,552	37,102

	Buildings and Land used for own purposes	IT Equipment	Other Equipment and leasehold improvements	Intangible assets	Total
Opening Balance as at 1 January 2020	24,561	14,505	10,385	18,983	68,434
Additions	115	975	570	3,652	5,312
Disposals	-	(2,377)	(1,699)	-	(4,076)
As at 31 December 2020	24,676	13,103	9,256	22,635	69,670
Accumulated depreciation and amortisation					
Opening Balance as at 1 January 2020	37	10,535	5,374	15,935	31,881
Depreciation/amortisation charge for the year (Note 25)	453	1,236	1,202	1,884	4,775
Disposals	-	(2,296)	(1,536)	-	(3,832)
As at 31 December 2020	490	9,475	5,040	17,819	32,824
Net book value at 31 December 2020	24,186	3,628	4,216	4,816	36,846

As at December 2021 and 2020 there are no property, equipment and intangible assets encumbered of pledged to secure bank liabilities.

15. Due to banks

	2021	2020
Borrowings		
Overdrawn accounts used for operational purposes with other commercial Banks – OECD Countries	5,504	5,880
Deposits		
Other commercial banks – non OECD Countries	831	21,002
Total due to banks	6,335	26,882

16. Deposits from customers

	2021	2021
Corporate customers:		
Current accounts	126,023	145,339
Savings accounts	945	465
Term deposits	-	-
	126,968	**145,804**
Retail customers:		
Current accounts	761,522	635,774
Savings accounts	130,426	129,250
Term deposits	3,859	4,798
	895,807	**769,822**
Total customer accounts	**1,022,775**	**915,626**

As at 31 December 2021, customer accounts include nil accrued interest (31 December 2020: € 1 thousand). As at 31 December 2021 the Bank has 1,201 customers each with balances above € 100 thousand (31 December 2020: 1,092 customers). The aggregate balances of these customers are € 293,781 thousand or 29 per cent of total customer accounts (31 December 2020: € 320,472 thousand or 34 per cent of total customer accounts).

17. Financial liabilities measured at fair value

The Bank uses other derivatives, not designated in a qualifying hedge relationship to manage its exposure to interest rate risks. The instruments used are interest rate swaps. The Bank pays fixed and receives variable interest rates. The net valuation result of these contracts for the year ended 31 December 2021 was a gain of € 153 thousand (2020: a gain of € 70 thousand).

Fair value of SWAP contracts as at 31 December 2021 was loss of € 458 thousand and reported as liability (2020: loss of € 600 thousand). Details of related party balances are presented in Note 29.

	2021	2020
Opening balance 1 January	600	687
Interest payable on Swaps	(290)	(157)
Changes of fair value	148	70
Fair value as of 31 December	**458**	**600**

18. Provisions and other liabilities

	2021	2020
Clearing deposits from payment transfer business	519	787
Deferred income	276	200
Accrued staff costs	468	401
Payables to suppliers	3,229	2,926
Accrued operating expenses	526	387
Other taxes payable	845	949
Lease liability (Note 14)	2,326	2,423
Other	462	138
Other liabilities	8,651	8,211
Provision for litigations and off balance sheet credit exposures (see below)	883	1,234

Clearing deposits comprise clearing accounts for debit and credit cards, payments and other items. Clearing deposits from payment transfer business comprise bank's suspense accounts which result in amount of € 519 thousand as at 31 December 2021 (31 December 2020: € 878 thousand).

Deferred income as at 31 December 2021 and 31 December 2020 represents the amount of deferred fees for customer overdrafts.

Movements in the provision for litigations and off-balance sheet credit exposures are as follows:

	2021	2020
Provision for litigations and off-balance sheet credit exposures at the beginning of the year	1,234	579
(Release of provision)/provision for off balance sheet credit exposures (note 6)	(28)	55
(Release of provision)/provision for legal litiga-tions (note 25)	(323)	600
Provision for litigations and off-balance sheet credit exposures at the end of the year	883	1,234

Following is the breakdown of the provision as at 31 December:

	2021	2020
Provision for off balance sheet credit exposures	397	425
Provision for litigations	486	809
Total Provision	883	1,234

For more details regarding off balance sheet credit commitments, refer to Note 27.

19. Subordinated loan

Subordinated loan consists of the loan issued by Raiffeisen Bank International, the following are the balances for year 2021 and 2020:

	2021	2020
Subordinated loan	19,298	19,298
Total	19,298	19,298

The subordinated loan bears an annual effective interest rate of 8.95 per cent (2020: 8.95 per cent). The subordinated loan is repayable on 30 July 2023. There are no covenants in relation to the subordinated loan. The loan is included in the bank's Tier 2 capital and reduced by 20 per cent as of 31 December 2021 based on CBK eligibility criteria.

20. Shareholder's equity

Share capital

Authorised and registered share capital of the Bank comprises 100 shares of common stock. Raiffeisen Bank International AG is ultimate parent. The structure of the share capital of the Bank as at 31 December 2021 and 2020 is as follows:

	2021			2020		
Shareholder	Number of shares	Amount in thousands EUR	Voting share	Number of shares	Amount in thousands EUR	Voting share
Raiffeisen SEE Region Holding GmbH	100	63,000	100%	100	63,000	100%

All shares have equal rights to dividends and carry equal voting rights.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets carried at fair value through OCI, until the assets are derecognised or impaired.

The following table presents the information on dividend per share for years 2021 and 2020:

	2021	2020
Dividend per share	324	-

21. Interest income and expense

	2021	2020
Interest income at effective interest		
Non-trading financial assets mandatorily at fair value through profit or loss	95	103
Financial assets at fair value through other comprehensive income	396	618
Financial assets at amortised cost	48,249	46,660
Total interest income	**48,740**	**47,381**
Interest expense		
Financial liabilities held for trading	(156)	(143)
Financial liabilities measured at amortised cost	(1,832)	(1,751)
Other liabilities	(12)	-
Interest expense on financial assets	(202)	(88)
Interest expense on lease liabilities	(345)	(413)
Total interest expense	(2,547)	(2,395)
Net interest income	**46,193**	**44,986**

22. Interest income and expense

	2021	2020
Dividend income from investments in subsidiaries	1,811	-

Dividend received from bank's subsidiaries as disclosed in the note 13 above. Dividend amount from Raiffeisen Leasing Kosovo LLC is € 1,634 thousand (2020: nil) and from Raiffeisen Insurance Broker is € 178 thousand (2020: nil).

23. Fee and commission income and expense

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major business lines.

	2021	2020
ATM & Card related fees	12,744	7,964
Account service fees	4,817	3,909
Payments transfer fees	3,190	2,847
Trade finance commission	966	894
Other banking services	90	72
Total fee and commission income from contracts with customers	**21,807**	**15,686**
Financial guarantee contracts and loan commitments	-	-
Total fee and commission income	**21,807**	**15,686**
Payment transfer fees	(8,597)	(6,720)
Other banking services	(1,008)	(1,006)
Total fee and commission expense	**(9,605)**	**(7,726)**
Net fee and commission income	12,202	7,960

Performance obligations and revenue recognition policies

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with customer. The Bank recognizes revenue when it transfers control over a service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms
ATM & Card related fees	The Bank provides ATM & Card related services to customers including ATM deposit and withdrawal services, card merchant transactions, currency conversion, maintenance/servicing fee, etc. Transaction-based fees for interchange, foreign currency conversions and card transaction related fees are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed at least annually by the Bank.

Type of services	Nature and timing of satisfaction of performance obligations, including significant payment terms
Account service fees	Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. 'Deferred Income' as included under 'Other liabilities' in the statement of financial position, represents the Bank's obligation to transfer services to a customer related to overdraft facilities maintenance for which the Bank has received consideration (or an amount of consideration is due) from the customer. A liability for unearned fees and commissions is recognised when the payment is made or the payment is due (whichever is earlier). Unearned fees and commissions are recognised as revenue when (or as) the Bank performs.
Payments transfer fees	The Bank provides payment transfer services to its retail and corporate clients, including national and international settlement of payments. The Bank sets the rates separately for retail and corporate banking customers at least on an annual basis. Transaction-based fees for payments transfer services are charged to the customer's account when the transaction takes place.

24. Gains or (-) losses on financial assets and liabilities

In the following table, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major business lines.

	2021	2020
Gains or losses on economic hedge derivatives (BB derivatives)	167	80
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(129)	(32)
Exchange differences (gain or loss)	12	8
Total gains or losses on financial assets and liabilities	**50**	**56**

25. Other operating income

	2021	2020
Competence Center Income	2,546	1,508
Foreign currency business (trading income)	1,936	1,467
Other operational income	137	144
Profit from sale of repossessed assets	78	34
Profit from fixed assets disposal	38	54
Cash in transit service fees	3	2
Total other operating income	**4,738**	**3,209**

Competence Center income includes income from bank's department which offers IT services to Raiffeisen Bank International AG with Head Office in Vienna, Austria. Income for the services is recognized as revenue by the bank in the period the service was rendered. The invoicing is done for all services rendered during the reporting period and any due amounts at the yearend are included in the other receivables account disclosed under other assets as receivable from parent company. There are no contractual obligations that where invoiced and undelivered at the end of year.

26. Personnel expenses

	2021	2020
Salaries and wages	12,839	12,529
Pension contributions	624	633
Other voluntary social expenses	1,554	525
Total personnel expenses	**15,017**	**13,687**

The Raiffeisen Bank International management having regard to the performance of individuals and market trends determines the remuneration of directors and key executives. The Managing-Board-related expense for 2021 amounted to € 1,117 thousand (2020: € 1,014 thousand).

27. Depreciation and amortization

	2021	2020
Depreciation of tangible assets	2,746	2,890
Depreciation for ROU	873	984
Total depreciation of property and equipment	**3,619**	**3,874**

	2021	2020
Amortization of intangible assets	1,867	1,884

28. Other operating expenses

	2021	2020
IT cost	3,752	2,814
Legal, advisory and consulting expenses	2,120	1,886
Deposit insurance fees	1,601	1,392
Office space expenses (rental, maintenance, other)	1,025	1,119
Advertising, PR and promotional expenses	864	965
Security expenses	1,012	959
Expenses for legal litigations	323	600
Other administrative expense	374	563
Training expenses for staff	198	240
Communication expenses	160	195
Office supplies	156	179
Car expenses	257	166
Travelling expenses	71	84
Total other operating expenses	**11,913**	**11,162**

29. Loan modification gains/losses

	2021	2020
Loan modification gains/losses	(114)	(173)

The below table represents details for modification gains or losses which do not lead to derecognition of the financial asset classified as financial assets at amortised cost. The table presents the effect of modification expenses based on the IFRS stage classification of the loan before modification. This result presented in the other operating expenses is calculated as NPV difference in book balance of original loan compared with modified loans of customers which benefited from payment moratoria on loan instalments based on the CBK guidelines for payment moratoria. The deferral of loan instalments for three more months, has resulted in lower NPV of future cash flows discounted using the old effective interest rate. The difference resulting from decrease in NPV has been recognized as expense in the current reporting period and will be amortized in the interest income considering the average life of the loans included in the calculation.

	2021			
	Stage 1	Stage 2	Stage 3	POCI
Modifications that have not resulted in derecognition	(33)	(82)	1	0

	2020			
	Stage 1	Stage 2	Stage 3	POCI
Modifications that have not resulted in derecognition	(240)	(53)	102	19

30. Income tax expense

The income tax rate applicable to the Bank's income is 10 per cent (31 December 2020 : 10 per cent). The reconciliation between the expected and the actual taxation charge is provided below.

	2021	2020
Current tax charge	3,148	2,169
Deferred taxation	(23)	(347)
Income tax expense for the year	**3,125**	**1,822**

		2020		2019
Profit before taxation		29,444		18,474
Tax charge for the year at the applicable statutory rate	10%	2,944	10%	1,847
Tax effect of items which are not deductible for taxation purposes and other regulatory differences	0.69%	204	1.70%	322
Current tax charge (effective income tax rate)	**12.60%**	**3,148**	**11.70%**	**2,169**

Differences between IFRS financial statements and Kosovo statutory taxation regulations give rise to certain temporary differences between the carrying amount of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement on these temporary differences is recorded at the rate of 10 per cent. The differences are presented in the
table below.

	2020	Movement during 2021	2021
Tax effect of deductible temporary differences			
Property, equipment and intangible assets	35	55	90
Term deposits – accrued interest	2	-	2
Other legal provisions	81	(32)	49
Gross deferred tax asset	118	23	141
Tax effect of taxable temporary differences			
Loan impairment provision	-	-	-
Provision for off-balance sheet credit exposure	-	-	-
Property, equipment and intangible assets	-	-	-
Total net deferred tax (liability)	**-**	**-**	**-**
Total net deferred tax asset	**118**	**23**	**141**

	2019	Movement during 2020	2020
Tax effect of deductible temporary differences			
Property, equipment and intangible assets	-	35	35
Term deposits – accrued interest	1	1	2
Other legal provisions	21	60	81
Gross deferred tax asset/(liability)	22	96	118
Tax effect of taxable temporary differences			
Loan impairment provision	(90)	90	-
Provision for off-balance sheet credit exposure	(72)	72	-
Property, equipment and intangible assets	(90)	90	0
Total net deferred tax (liability)	**(230)**	**348**	**118**

Tax relating to other comprehensive income items presents the amount of tax related to income from financial investments through OCI. The following table presents the amounts of income tax related to other comprehensive income for year 2021 and 2020:

	2021	2020
Income tax on financial investments through OCI	3	7

31. Contingencies and commitments

Legal proceedings and other regulatory fines. From time to time and in the normal course of business, claims against the Bank are received. As at 31 December 2021, the Bank had a number of legal cases pending in the court.

On the basis of internal judgement based on previous court rulings and Management decision, the Bank has made a total provision of € 486 thousand (2020: € 809 thousand) as the nearest estimate of possible cash outflows arising from possible court decisions and the fine.

Capital commitments. As at 31 December 2021 the Bank has no capital commitments in respect of the purchase of equipment and software (31 December 2020: Nil).

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing. Unless these commitments do not extend beyond the period expected to be needed to perform appropriate underwriting, they are considered to be "regular way" transactions.

Outstanding credit related commitments are as follows:

	2021	2020
Commitments to extend credit	50,964	50,743
Guarantees (credit facility)	43,260	39,939
Guarantees (cash covered)	4,198	3,299
Letters of credit (credit facility)	2,178	3,515
Letters of credit (cash cover)	0	-
Trade Finance line of credit	5,042	7,556
Stand by letter of credit	1,894	1,629
Total credit related commitments	**107,536**	**106,681**
Allowance for credit related commitments (Note 18)	(397)	(425)
Net credit related commitments	**107,139**	**106,256**

Commitments to extend credit represent loan amounts in which the loan documentation has been signed but the money not yet disbursed and unused amounts of overdraft limits in respect of customer accounts. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to losses in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The total outstanding contractual amount of commitments to extend credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Tax Commitments

The bank was subject to tax inspection for year 2014 and 2019. Inspections are still on-going and there is no outcome as at the date of the authorization of these financial statements.

Interest Rate SWAPS. The main purpose of these instruments is to mitigate the interest rate risk associated to the fixed rate lending. As of 31 December 2021, the Bank has five interest rate SWAP contracts with a notional amount of € 1,830 thousand (2020: € 6,630 thousand).

32. Related party transactions

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Banking transactions are entered into in the normal course of business with significant shareholders, directors, companies with which the Bank has significant shareholders in common and other related parties. These transactions include settlements, placements, deposit taking and foreign currency transactions. These transactions are priced at market rates, where the Bank conducts a TTP analysis by independent external provider confirming that such terms have been substantiated. The outstanding balances at the year end and related income and expense items during the year with related parties are as follows:

	2021			2020		
	Parent	Subsidiaries	Other related party	Parent	Subsidiaries	Other related party
Assets	**1450**	**5,055**	**312**	**1,181**	**4,179**	**74**
Cash and cash equivalents and mandatory reserve	-	-	-	-	-	-
Due from banks	966	-	-	951	-	-
Loans and advances to customers	-	2,821		-	1,945	-
Other Loans	-	-	-	-	-	
Other assets	484	-	251	230	-	-
Investments in subsidiaries	-	2,234	-	-	2,234	74
Property, equipment and intangible assets – NBV	-	-	61	-	-	20,372
Liabilities	**19,776**	**217**	**507**	**22,351**	**350**	**-**
Customer accounts				-	-	20,195
Due to banks	-	217	135	2,313	350	-
Subordinated debt	19,298	-	-	19,298	-	177
Other liabilities	478	-	372	740	-	-

	2021			2020		
Statement of profit and loss and other comprehensive income	**(2,860)**	**1,876**	**(1,296)**	**(2,176)**	**61**	**(1,364)**
Interest income	-	13	31	-	7	-
Interest expense	(1,910)	(1)	(2)	(1,849)	-	(2)
Dividend Income	-	1,811		-	-	-
Net fees and commission	(929)	-	(1,486)	(430)	-	(1,507)
Net valuation result financial instruments carried at fair value	167	-	-	(7)	-	-
Other operating Income	2,372	53	175	1,100	54	408
Other operating Expenses	(2,560)	-	(14)	(990)	-	(263)
Off Balance Sheet	**-**	**2,184**	**-**	**-**	**3,055**	**-**
Guarantees	-		-	-		-
Letter of credit	-		-	-		-
Other commitments	-	2,184			3,055	-

In the following table are presented management remuneration for the year ended 31 December 2021 and 2020:

	2021	2020
Short-term employee benefits	1,117	1,014

33. Subsequent events

In February 2022, Russia launched an invasion in Ukraine. The ongoing war in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The entity does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. At this stage management is not able to reliably estimate the impact as events are unfolding day-by-day. For further details refer to the Note "Use of estimates and judgments".

There are no other events subsequent to the reporting date that require disclosure in the separate financial statements of the Bank.

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