Raiffeisen BANK Kosovo

Annual Report 2022


Raiffeisen BANK
Raiffeisen BANK

Overview

Monetary values are in € million	**2022**	**2021**	**Change**
Income Statement	**1/1-31/12**	**1/1-31/12**	
Net interest income	*52.5*	*46.2*	*13.7%*
Net commission income	*14.4*	*12.2*	*17.9%*
Gains or losses on financial assets and liabilities	*(0.3)*	*0.1*	*-670.0%*
Other operating income	*7.7*	*4.7*	*63.5%*
General administrative expenses	*(37.1)*	*(32.4)*	*14.4%*
Profit before tax	*33.1*	*29.4*	*12.4%*
Profit after tax	*29*	*26.3*	*11.5%*
Earnings per share	*N/A*	*N/A*	*N/A*
Balance Sheet			
Loans and advances to banks	*25.9*	*19.4*	*33.5%*
Loans and advances to customers	*862.9*	*778.2*	*10.9%*
Investment securities	*197.8*	*174.0*	*13.6%*
Deposits and borrowings from banks	*8.4*	*6.3*	*33.0%*
Deposits from customers	*1,129.0*	*1,022.8*	*10.4%*
Equity (incl. minorities and profit)	*142.7*	*137.5*	*3.8%*
Balance-sheet total	*1,298.2*	*1,195.9*	*8.6%*
Local Regulatory information			
Risk-weighted assets B2, incl. market risk and ops. risk	*952.3*	*879.9*	*8.2%*
Total own funds	*133.1*	*34.5*	*-1.1%*
Total own funds requirement	*114.3*	*105.6*	*8.2%*
Excess cover ratio	*16.4%*	*27.4%*	*-10.9 PP*
Core capital ratio (Tier 1)	*13.5%*	*14.0%*	*-0.5 PP*
Total own funds ratio	*14.5%*	*15.3%*	*-0.8 PP*
Performance			
Return on equity (ROE) before tax	*25.9%*	*24.2%*	*1.7 PP*
Return on equity (ROE) after tax	*23.0%*	*21.7%*	*1.3 PP*
Cost/income ratio	*46.7%*	*46.9%*	*-0.2 PP*
Return on assets (ROA) before tax	*2.3%*	*2.5%*	*-0.2 PP*
NPL	*2.6%*	*3.1%*	*-0.5 PP*
NPL coverage ratio	*77.7%*	*76.4%*	*1.3 PP*
Net provisioning ratio	*0.6%*	*0.4%*	*0.2 PP*
Risk/earnings ratio	*7.5%*	*6.5%*	*0.9 PP*
Resources			
Number of staff	*912*	*859*	*6.2%*
Business outlets	*37*	*39*	*-5.1%*

Contents

Report of the Supervisory Board

Ladies and Gentlemen,

In 2022, Raiffeisen Bank Kosovo has managed to achieve great results in the light of various unexpected challenges that affected the geopolitical developments in Europe due to the war in Ukraine. The bank continued to maintain its leading position in the market, being the first bank in almost all key financial indicators. It has successfully continued its adaptive and digital transformation to present new digital banking solutions for its customers. It was the most recommended bank in Kosovo in all customers segments, measured by Net Promoter Score (NPS). It has also pioneered in raising awareness of Environmental Social Governance (ESG) principles in Kosovo.

During the 2022 financial year, the members of the Supervisory Board held four ordinary and no extraordinary meetings. The overall attendance rate for Supervisory Board meetings was almost 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 Chairwoman 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.

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

2022 was a challenging year for Kosovo economy given the highest inflation that the country experienced in the last years. Nevertheless, the economic activity expanded by 3.5 per cent year on year, which is a relatively positive figure given the overall circumstances. Within this context, Raiffeisen Bank Kosovo has continued to grow in all key financial indicators, and this reflected on our financial performance as well as on our customers' satisfaction. Our bank's results in 2022 have also been recognized by two well-known magazines, Euromoney and The Banker which selected us as "Best Bank" and "Bank of the year" in Kosovo, respectively.

Regarding the financial performance, our bank maintained its position as the market leader. The bank's total assets grew by 8.5 per cent to € 1,298 million (2021: € 1.196 million) while the loans and advances recorded a two-digit percentage growth of 11% reaching at € 862 million (2021: 778.2 million). The loan growth was achieved in all customer segments within the bank, which cover both individuals and businesses, and this was followed by a decline in the non-performing loan ratio to 2.8 per cent, compared to 3.1 per cent in December 2021. Another record figure was that of the profit after tax, which in 2022 was € 29.4 million, the highest profit figure that Raiffeisen achieved so far in Kosovo.

In 2022, 912 employees of our bank served about 290,000 customers, an increase of about 25,000 customers if compared with the previous year (2021: about 265,000 customers). The aim continued to be providing excellent customer experience being a human-touched digitalized bank. We have the largest network of branches in Kosovo which today incorporates high standard digital banking services and a comfortable and discreet space where customers can meet and discuss financial plans with the bank officials. At the same time, we continued our digital transformation by upgrading the existing digital platforms and introducing new digital solutions, such as *RaiKesh*, which enables customers to apply digitally for personal loan and get the response within few minutes or *RaiPOS* application, which enables acceptance of contactless payments directly on users' smartphones. Our strategy has been confirmed as the right one by our customers in regular research conducted by the RBI, which rate us as number one bank in NPS across all customers segments.

During 2022 our Bank was focused on taking the role of pioneering for better awareness and implementation of Environmental Social Governance (ESG) standards in Kosovo. We continued 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. In addition to customers, which are part of Core Business pillar, our bank was focused on Employees, Inhouse Ecology and Community Investment pillars. As a result of this work, some of the main achievements in 2022 include: employer of choice, over 40 per cent of women representation in leadership roles on a senior level, the bank was selected by UNFPA as an ambassador company for promoting family friendly policies; 90 per cent of leadership roles within the bank have finished Group Sustainability training; bank has supported more than 15 community projects with the focus on culture, art, and education; partnerships with UN agencies and government institutions were established; loan portfolio with ESG criteria has grown substantially; solar panels installed on the roof-top of our bank avoiding 32.23 t of carbon emission, and last but not least ten corporate customers were reached with e-questionnaire to assess their carbon footprint.

On this note, I want to highlight that it is our employees and our customers that stand behind these excellent results. Therefore, on behalf of the Management Board, I would like to thank all our employees for their commitment and dedication as well as our customer for their loyalty and cooperation with our bank.

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

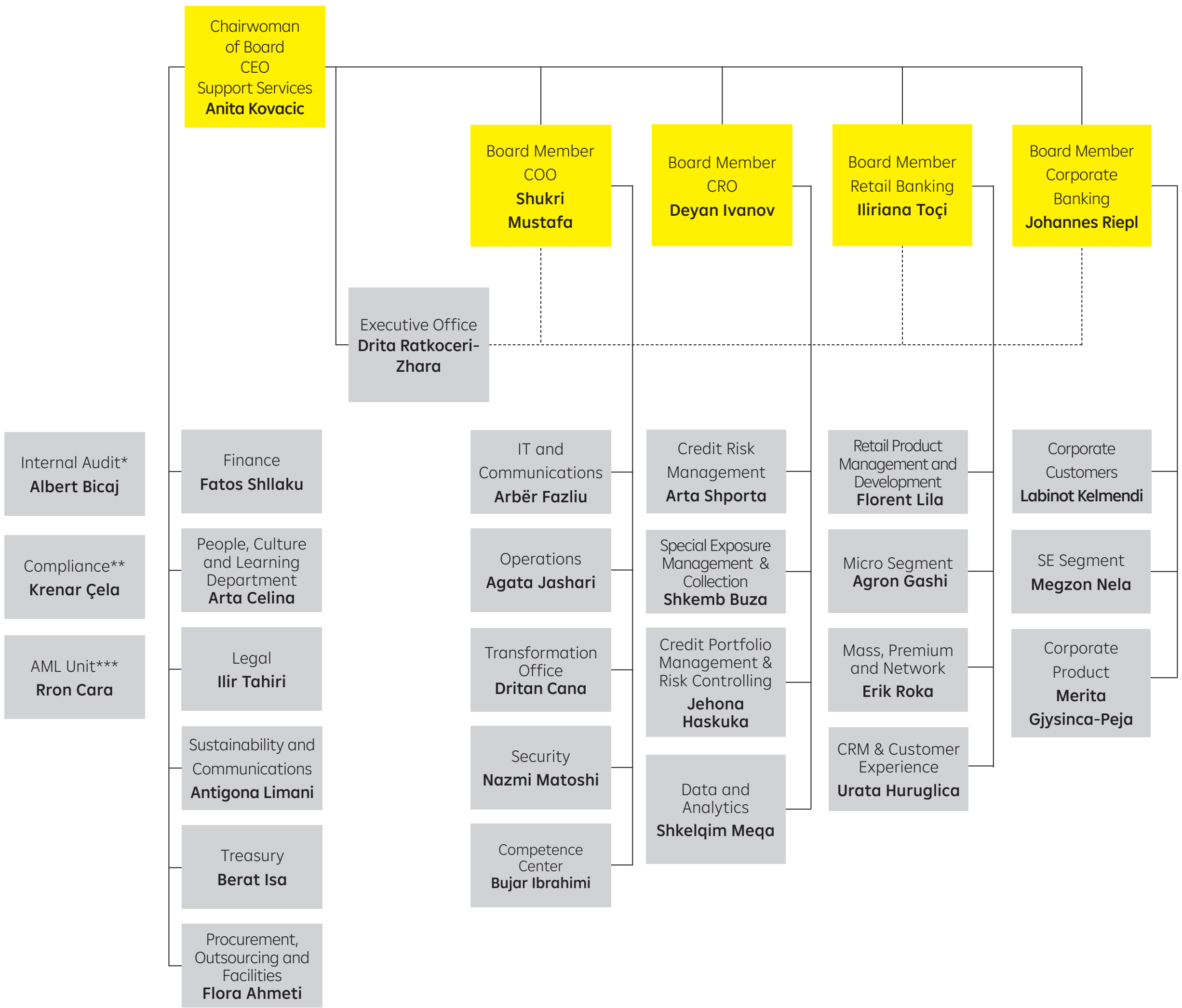
Member of the Management Board
Corporate Banking

Deyan Ivanov

Member of Management Board
Risk Management

Raiffeisen Bank Kosovo Organisation Structure

As of 31 December 2022



* Internal Audit reports directly to Audit Committee of Supervisory Board

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

*** AML unit reports directly to 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 12 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 44,000 RBI employees serve 17.6 million customers from around 1,700 business outlets, the vast majority of which are in CEE. At year-end 2022, RBI's total assets was approximately € 207 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

The economy of Kosovo fared relatively well and effectively, which represents the adverse geopolitical developments in Europe during 2022. The economic momentum of 2021 with an exceptional double-digit growth of 10.7 per cent year on year, was expected to decelerate due to the high base effect in 2022. However, the setback due to the uncertainty caused by the Russia's invasion of Ukraine was an unexpected factor that impacted negatively not only the economy of Kosovo, but also the European and global economy.

Nevertheless, based on the initial estimates of the Statistics Agency of Kosovo, the economic activity expanded by 3.5 per cent year on year in 2022, which is relatively better than expectations of around 3.0 per cent. The figure was impacted by a significant upward revision of the second quarter in 2022 (+0.8 per cent) when the full Russian aggression impact became visible. Household spending and exports of goods and services expanded in each quarter of 2022, making these components the main contributors of the GDP growth in 2022.

Diaspora remittances, excellent lending activity with a growth of 16.1 per cent year on year (household loans grew by 16.7 per cent year on year) and partly government handouts in the light of anti-inflationary measures sustained household consumption in 2022. On the other hand, diaspora and touristic inflows were very important for exports of services which marked a significant increase even in 2022 and sustained the GDP growth.

However, capital formation narrowed in the last three quarters giving a negative contribution to the economy, which doesn't come as a surprise in times when public capital investments were reduced (almost halved in 2022) and construction sector's activity was reduced significantly in the presence of elevated construction costs. While all services, beside public administration that showed some vulnerability in first three quarters of the year (which can be mostly related to the base effect), industry and agriculture have been adding to the economic activity during 2022. Looking into 2023, the economy is expected to hover around 2022's figures, as geopolitical situation in Europe is not expected to improve, and its negative indirect consequences in Kosovo's economy haven't disappeared. On the contrary, high inflationary pressures remain and prices of electricity are expected to increase further in 2023, dampening the household purchasing power.

The consequences of the war in Ukraine have been transmitted to Kosovo's economy through the elevated inflation, which was not seen since Kosovo declared its independence in 2008. This elevated inflation was driven by food and energy prices. Inflation reached its peak in July 2022 at the level of 14.2 per cent year on year and then it followed a downward trajectory until November 2022 at 11.6 per cent year on year. Thus, coupled with December's print of 12.1 year on year, inflation rate averaged at 11.6 per cent, a double-digit figure for the whole year. The core inflation too, which shows inflation excluding certain items with high volatility like food and energy, has substantially increased in 2022 reaching 6.8 per cent at the end of 2022, which would be more difficult to bring it down in the coming months. For 2023, the forecast is for a decline to an average of 5.8 per cent year on year, as the global price dynamics are expected to be less impactful but still relatively high and prices will knock at least partially - the aggregate demand.

The government has introduced two packages of € 250 million to support the most vulnerable part of population to mitigate inflation, which had a positive impact on private consumption as well. At the same time, the government subsidized the majority of households impacted by an increased electricity price (all households with usage up to 800 KWh per month) with a planned € 90 million.

Following an excellent economic year 2021, the public sector has continued to have a very good performance with significant revenue growth of 13.2 per cent in 2022 (preliminary results), backed by soaring import prices and anti-informality measures. Therefore, even if the expenditures increased by 10.5 per cent compared to previous year, they were underbudget by almost 13 per cent, which came mostly due to low realization of capital expenditures. As a result, the budget deficit was only € 48 million or 0.6 per cent of GDP. In 2023, fiscal policy is expected to be expansionary with increases in public investments and higher wages.

At the end of 2022, public debt increased by only 4.2 per cent compared to 2021. Thus, the public debt to GDP ratio continued the downfall trajectory started in 2021 to 20.7 per cent from 21.5 per cent in 2021. Nevertheless, the increase in interest rates at the global level is expected to affect the liquidity and debt service costs in the forthcoming years, although very low debt figure is one of the strongest pillars of the Kosovo economy.

The current account deficit has substantially deepened in 2022. Its level reached around 10.5 per cent of GDP (€ 910 million or 31.0 per cent wider than in 2021), making the external position the main structural vulnerability of the country. The deterioration of the current account was mainly due to the trade deficit of goods that expanded by 19.8 per cent year on year and primary income that narrowed by 62.5 per cent (the latter comes from a low base). On the positive side, balance of services increased significantly by 34.2 per cent year on year, softening the large negative contribution of the trade deficit. Remittances - a major source of the households' budget - reached € 1.2 billion, increasing moderately by 5.1 per cent year on year in 2022. The expansion by 41.5 per cent of FDI inflows (€ 688 million) - with about 70 per cent of total FDI in real estate - confirms the fact that Kosovar Diaspora has continued to increase their investments in real estate sector. On the other side, FDIs concentration in real estate, suggest that much needed greenfield and brownfield investments that can sustain the economy and the labor market in the long run are still not at a sufficient level and more structural reforms are needed to improve the business environment and attract foreign FDI in sectors with high value added.

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

Banking Sector in Kosovo

The banking sector has managed to maintain a high level of capitalization and liquidity and low level of non-performing loans, which as result increased loss absorbing capacity of sector over the years. It was estimated that the high rate of inflation throughout the year has influenced the potential reduction of available income in the economy, risking potentially the repaying capacity of borrowers (potential increase in credit risk) and discourage savings (liquidity risk). However, the data for 2022 do not show the materialization of these risks in the activity and performance of the sector. In 2022, lending activity was the main positive contributor to the growth of financial system assets, while investments in securities marked a slowdown in growth. Increased uncertainty from the growth of prices in the country and globally, a development that coincided with the slowdown in the growth of deposits in this year has forced the banking sector to offer more favorable conditions for securing financing.

Banks offered a wide range of financial services to the citizens and businesses in Kosovo. Banking business in Kosovo is traditional in nature. It largely comprises of the acceptance of deposits and granting of loans. Virtually all banking business is conducted in euros, and there is no cross-border activity except for placements from and with foreign banks and parent bank groups of Kosovo banks as well as security investments mostly in OECD government securities.

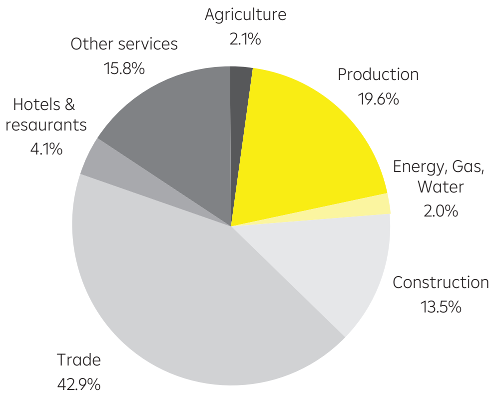
In 2022, the number of banks increased to 12 as result of licensing of another bank by the Central Bank of Kosovo in the second half of 2022. Out of the 12 licensed banks operating in Kosovo, nine banks were with foreign ownership of capital and the others locally owned. There were 200 bank branches in the market at the end of 2022, which is similar to the number of branches in the previous year (2021: 199 bank branches). While the number of employees in banking sector increased from 3,518 in 2021 to 3,781 in 2022.

Total assets of the banking sector reached € 6.8 billion on 31 December 2022 (2021: € 6 billion). The growth of total assets in 2022 was 13.5 per cent and it was higher compared to increase of 11 per cent in 2021. 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.

Total loans and advances reached a value of € 4.4 billion (2021: € 3.7 billion), which is an annual increase of 16 per cent (2021: 15.5 percent). This growth was made possible mainly as result of increase in demand for new loans as the banking sector did impose certain tightening policies as result of economic situation and the inflationary pressures. Loans and advances to households reached € 1.6 billion while loans and advances to non-financial corporations reached € 2.7 billion at the end of December 2022. The annual increase in households' loans and advances was 16.7 per cent while for non-financial corporations it was 15.7 per cent.

The economic sector concentration of loans and advances to businesses continued to be dominated by the trade sector, which had an overall share of 42.9 per cent, followed by production with 19.6 per cent and other services with 15.8 per cent.

(Source: CBK, Monthly Statistics Bulletin, No. 256, December 2022).



Business Loan Sector Concentration

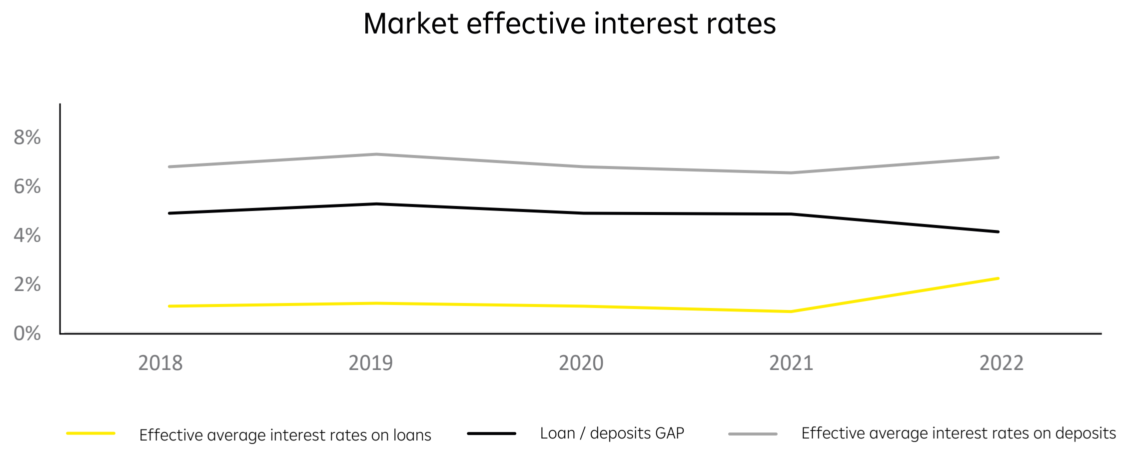
Banking sector also partnered with Kosovo Credit Guarantee Fund (KCGF) to sign the agreements for the loan guarantee program considering there is more space for expansion of credit activity in Kosovo economy. The KCGF also started a new guarantee program "export window". New guarantees can be issued to partner financial institutions for the benefit of micro, small and medium enterprises, in particular to businesses, focused on export. While, the banking sector investments in securities including bonds and T-bills was € 752 million as of 31 December 2021 (2021: € 685 million), an increase of 9.8 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.

Customer deposits continued to be the main contributor to the financing of banking activities. As of 31 December 2022, 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.

Total deposits in the banking sector reached € 5.6 billion, with an annual increase of 13.3 per cent (2021: 12.4 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 2020, demand deposits accounted for 65 per cent of total deposits with the rest being term deposits and savings deposits. Most customer deposits are Euro deposits with over 97 per cent of banking sector deposits being in Euro, the official currency of Kosovo. The average rate for customer deposits (new deposits) in actual year was 2.4 per cent up from 1.3 per cent in 2021. The average rate for households sector was 1.8 per cent and 2.5 per cent for non-financial corporations.

The declining trend of interest rates for loans has been going on for long time. However, during 2022, we saw the loan interest rate curb shift upwards after many years. The average effective interest rate for loans increased to 6.3 per cent, up from 5.8 a year before. The interest rates for loans increased during 2022 for businesses as well as for individuals. The average interest rate for businesses as of 31 December 2022 was 6.5 per cent up from 5.7 per cent as of 31 December 2021. The average interest rate for households remained flat at 5.9 per cent, same as a year before.

(Source: CBK, Monthly Statistics Bulletin, No. 256, December 2022))



In 2022, the Kosovo banking sector achieved the best results ever recorded. The positive performance is a result of increase in interest income and fee & commission income which increased by 15 per cent, while the increase in operating expenses was slower at 12 per cent.

Banking sector income increased to € 370 million from € 322 million in 2021. The largest portion of income is generated from interest income which increased by 16 per cent to € 263 million (2021: € 227 million). The total expenses increased in 2022 to € 230 million from € 205 million in 2021 while the interest expenses increased by nine per cent in 2022 to € 26.6 million from € 24.4 million in 2021. The net profit of the sector also recorded increase to € 140.3 million (2021: € 117.5 million).

The banking sector return on average assets improved in 2021 by 0.2 percentage points reaching 2.5 per cent (2021: 2.3 per cent). The return on average capital also improved to 20.6 per cent, (2021: 19.5 per cent). The banks' loan to deposit ratio was 78.3 per cent, up from 76.5 per cent in 2021. A light decrease was recorded in the capital adequacy ratio (regulatory capital / risk weighted assets) which was 14.8 per cent, down from 15.3 per cent in 2021. While, the non-performing loan ration improved by 0.4 percentage points, from 2.3 per cent in 2021 to 2.0 per cent at the end of 2022. The NPL loan coverage ratio remained at approximately the same level, at 150 per cent as compared to 151 per cent in 2021.

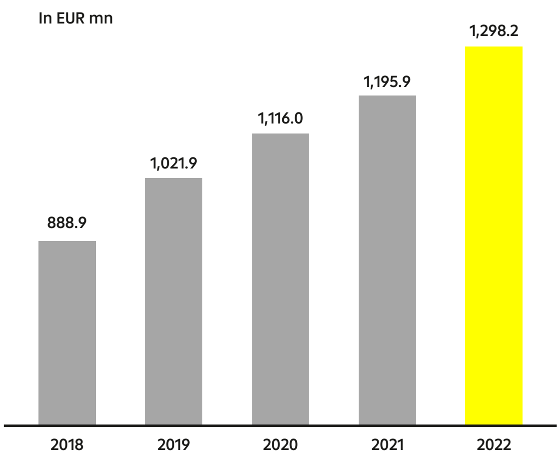
Raiffeisen Bank Kosovo performance and financials

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.

Raiffeisen Bank Kosovo closed another year with positive results in terms of financial performance and increase of its loan portfolio in the local market.

Total assets of Raiffeisen Bank Kosovo J.S.C. at 31 December 2022 were € 1,298.2 million. This is an increase of 8.6 per cent when compared to the previous year (2021: € 1,195.9 million). The percentage of market share of the total assets of Raiffeisen Bank Kosovo was 19.2 per cent (2021: 20.1 per cent).

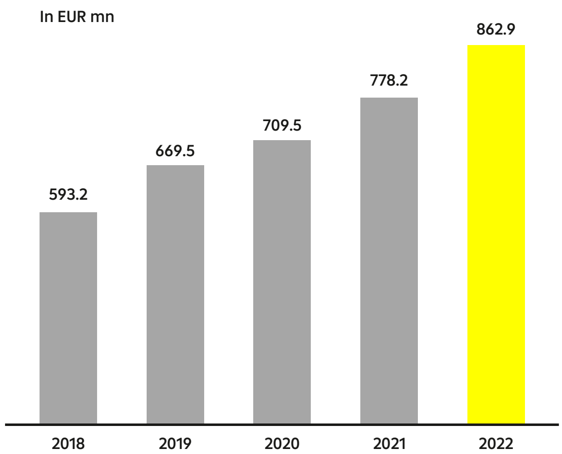
Total Assets



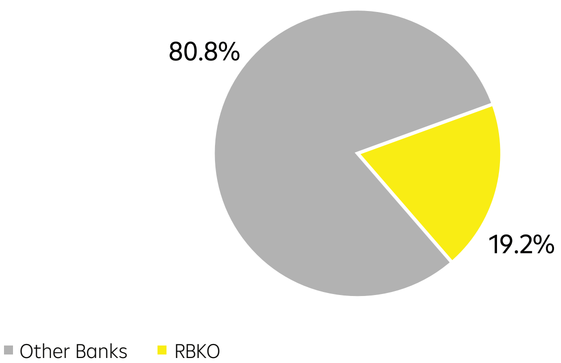
Investments in securities as of 31 December 2022 were € 197.8 million (2021: € 174 million. Investments in Kosovo Government treasury bills were € 27.4 million (2021: € 48.7 million) and investments in other OECD country government and corporate bonds was € 170.4 million (2021: € 125.3 million).

Total loans and advances of Raiffeisen Bank Kosovo as of 31 December 2022 were € 862.9 million (2021: € 778.2 million). It enabled the bank to have 19.8 per cent market share in loans and advances (2021: 20.8 per cent).

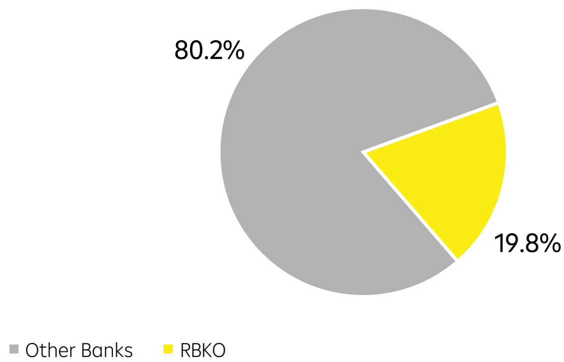
Customer Loans and Advances



Market Share -Total Assets



Market Share - Customer Loans and Advances

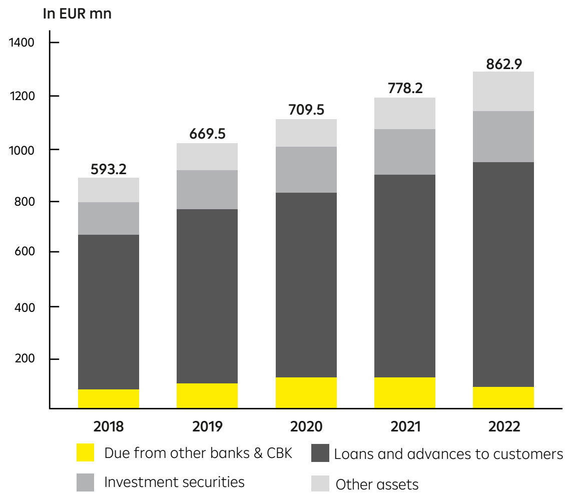


The structure of Raiffeisen Bank Kosovo assets continued to be dominated by loans and advances to customers. As of 31 December 2022, 66 per cent of total assets were concentrated in loans and advances to customers. That was followed by 15 per cent in investment securities. Investment securities include investments in Government and Corporate bonds of EU countries and the US, as well as treasury bills issued by Kosovo Government.

The bank is a member of Kosovo Credit Guarantee Fund and benefits from the guarantee scheme of micro enterprises aimed at providing access to funds for micro enterprises and encourage employment in the sector by entering in risk sharing guarantee program. The bank's securitized portfolio has a value of over EUR 50 million and is part of various securitization windows with varying risk-sharing agreements.

The latest window in which the bank is also part of partnership is the "export window". Through this window micro, small and medium sized companies will benefit from increased access to finance, favorable credit loan conditions, potentially preferable interest rates, collateral reduction, faster processing time for loan applications & business sustainability.

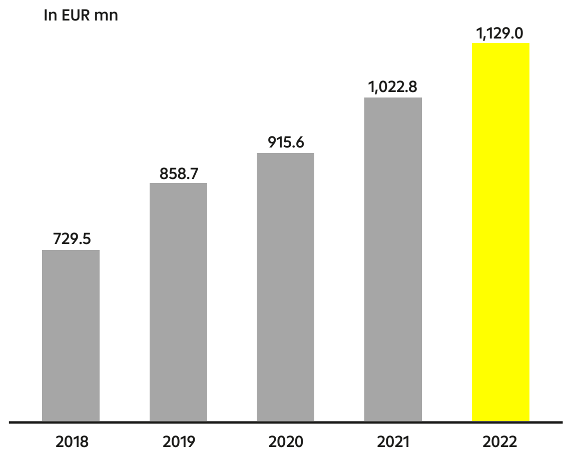
Structure of balance sheet assets



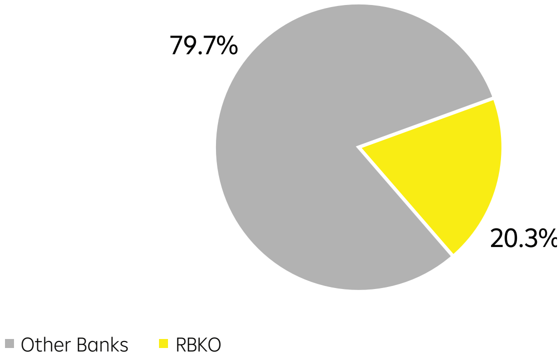
Raiffeisen Bank Kosovo has calculated allowances for credit losses based on credit risk policies. These allowances for credit losses amount to € 29 million (2021: € 26.5 million). These allowances are calculated based on the IFRS 9 expected credit loss model and reflect Raiffeisen Bank Kosovo assessment of risk on the credit portfolio as of 31 December 2022. The total credit loss allowances to nonperforming loans was 116 per cent (2021: 104 per cent).

Total customer deposits of Raiffeisen Bank Kosovo reached € 1,129 million as of 31 December 2022 up from € 1,023 million on 31 December 2021. That is an increase of 10.4 per cent. Raiffeisen Bank Kosovo had a market share of 20.3 per cent in deposits from customers. 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.

Deposits from Customers

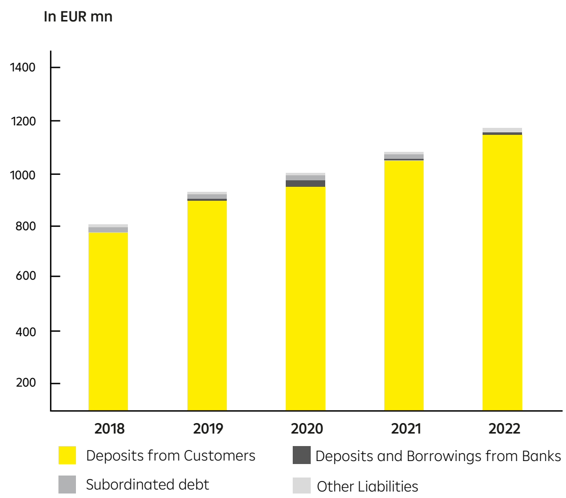


Market Share - Deposits from Customers



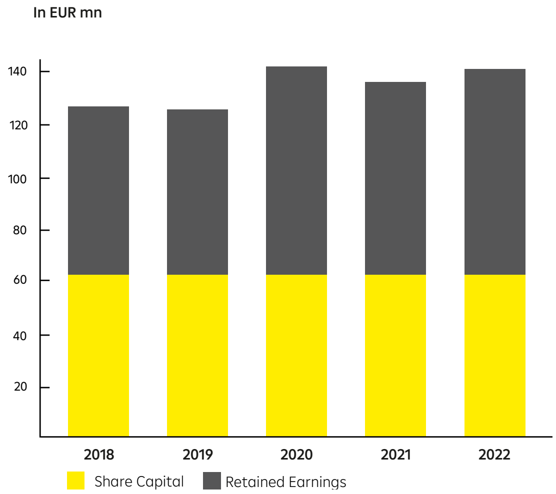
The largest contributor to deposits from customers was current accounts with a share of 88 per cent. Savings accounts have a share of 12 per cent of total bank customer deposits. Term deposits from customers and other accounts equate less than 1 per cent of the total deposit base. The increase in current 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.

Structure of balance sheet liabilities



In 2021, Raiffeisen Bank Kosovo's share capital remained unchanged at € 63 million. The total equity as at 31 December 2021 was € 142.7 million (2021: € 137.5 million), also including € 81.9 million in the form of retained earnings. Raiffeisen Bank Kosovo distributed a dividend in the value of € 22 million during the year following the approval by the Central Bank of Kosovo.

Structure of Equity



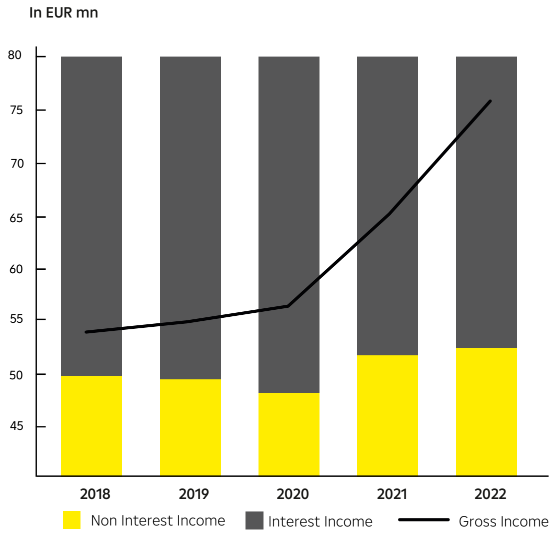
Raiffeisen Bank Kosovo continued to be well capitalized which was reflected in the 2021 regulatory capital ratios of Tier 1 to total risk weighted assets ratio of 13.5 per cent (legal requirement over 9 per cent) and a total capital (including Tier 2) to risk weighted assets ratio of 14.5 per cent (legal requirement 12 per cent). The above capital requirements were calculated in compliance with the CBK regulation on capital adequacy and other applicable regulatory rules and regulations.

2022 was a year in which the bank achieved some record results in terms of financial performance making it the most successful year in its 20 years anniversary of operation in the market. Net income after tax in 2022 was € 29.4 million (2020: € 26.3 million). This result is calculated based on IFRS Financial Statements as included in this report. 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.

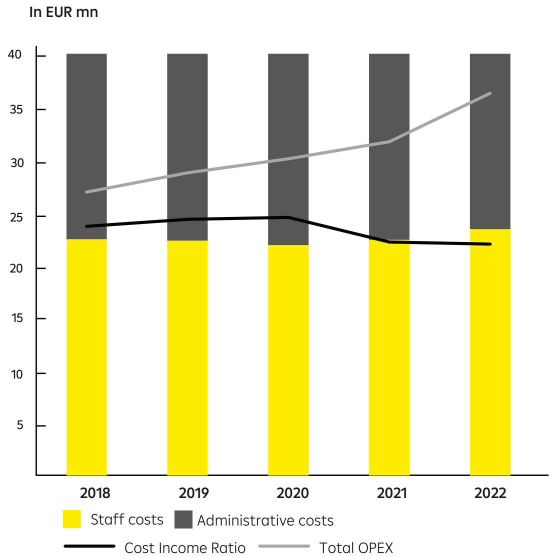
In 2022, the net interest income increased compared to the year before by 13.7 per cent. The increase in interest income from loans and advances had the highest impact in the increase. Increase in interest income from loans and advances was 10 per cent. This is as result of higher concentration in loans and advances to customers. There was also increase in interest income from other financial assets such as money market placements with other banks and securities. On the other hand, interest expenses on customer deposits stayed flat as there was no significant change in customer deposit interest rates during 2022.

Gross Income development and structure



Net fee and commission income increased by 21 per cent in 2022. The increase in fee and commission is one of the positions which has seen more rapid growth in the period after the pandemic crisis and is mainly coming from bank payments business which saw increased activity in actual reporting period as result of large number of diaspora transactions throughout the year and more significantly during the summer. While other income increased as result of increased activity from the Bank 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.

General Administrative Expenses Development



The general and administrative expenses for the period ended 31 December 2022 were € 37.1 million (2021: € 32.4 million). The largest increase, 23 per cent, was in the personnel & related expenses which include costs, such as employee wages, training and other professional development. These costs continued to represent a significant part of operational expenses of the bank. Other bank operational and admin costs including amortization and depreciation also increased in 2022 by 6.6 per cent. The cost income ratio was 44.8 per cent (2021: 45.5 per cent).

Treasury, asset and liability management

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 31 December 2022, the bank had a Net Stable Funding Ratio (NSFR) above 162 per cent, and Liquidity Coverage Ratio (LCR) of 336 per cent. 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 reduced its maturity transformation in 2022, and maintained negative Maturity transformation throughout 2022. Since 2014 the EUR yields being very low has helped the Commercial loan sector significantly by having low loan rates, the lowest in the recent banking history. However, after an increase of inflation in 2022, the FED and ECB have been forced to act in the market thus raising the rates in the international markets. Until the end of 2022 the increase in the rates in the financial markets had very little impact in the Kosovo market, however the expectation for 2023 point to higher interest rates overall in the years ahead.

Raiffeisen Bank Kosovo holds predominantly fixed rate loans and the variable rate loans are only a minority but significant portion of its non-bank loans. In addition, the bank holds significant portion of its investments in Money Market and Bonds which will further support the bank Net Interest Margin. The year end NIM recorded the amount of almost 4.69 per cent.

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.
Basis Point Value – BPV

Profit or loss per 1 bpv change

Currency	***Single currency Exposure***	***<12M***	***1-3Y***	***3-5Y***	***Above 5Y***
Total	53,557				
CHF	13	13	-	-	-
EUR	48,994	(8,227)	34,972	46,349	-24,101
GBP	(8)	(8)	-	-	-
USD	4,541	(453)	2,365	2,629	-

In light of inflation expectations and action of the Central Banks, and almost +54th BPV position bank is favorably positioned on expected rate rises by Central Banks.

Government/Corporate FI securities

The banks bond positions remained mostly the same as previous years. However the Bank increased the share of Hight Quality Liquid Assets and lowered the exposure on the assets where the liquidity is lower in the secondary markets. The banks must maintain majority of the assets in High Quality Liquid Assets in order to fulfill its mandatory (legally required) liquidity. The bank suffered small negative impact from the bonds in Other comprehensive Income category, however the overall Income from bonds has provided significant increase in income compared to previous years thanks to higher interest rates on newly acquired bonds.

The Table below shows the strategic Bond allocation portfolio in the Currency and remaining maturity dimension:

in EUR ccy	***<0.5 Yrs***	***<1 Yrs***	***<2 Yrs***	***<3 Yrs***	***<4 Yrs***	***< 5 Yrs***
EUR	49.7%	13.7%	5.8%	8.1%	10.5%	2.7%
USD	3.4%	5.3%	0.0%	0.0%	0.0%	1.0%

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

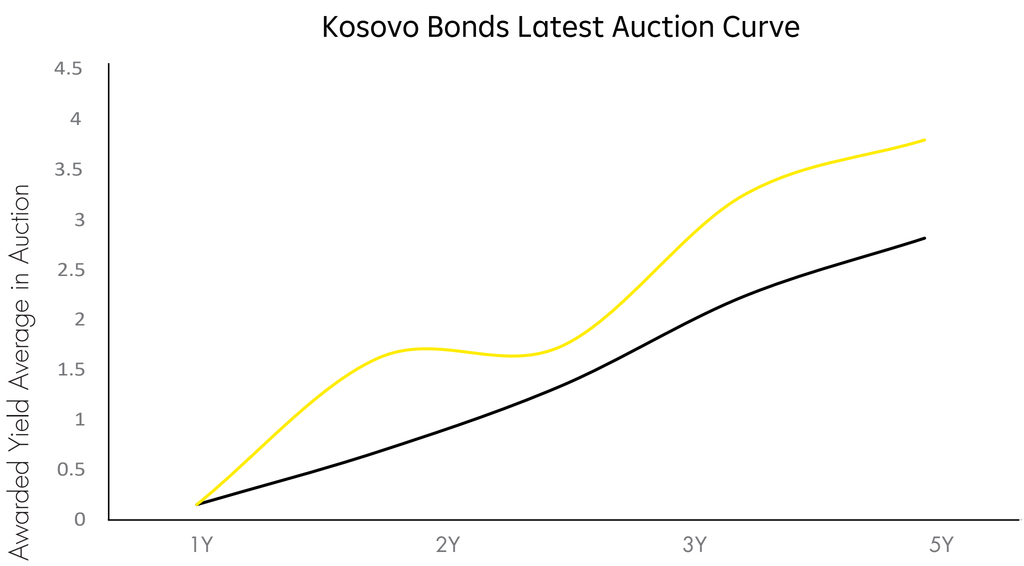
Out of the exposure above 81 per cent of portfolio are securities with external rating from renowned rating agencies and 71 per cent of Portfolio is investment grade rating.

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. The Kosovo government has slowed down its auction number in the year 2022. As of 31 December 2022, there has been an increase in the yield curve in Kosovo Government bonds.

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 2022.

In addition, the number of customers trading in equities and funds increased in 2022. Customers used the opportunity to invest in mature equity markets in 2022 and Raiffeisen Bank Kosovo continues to be the leading provider of an international market gateway for customers, since 2012.



	12 Mo	24 Mo	36 Mo	60 Mo	84 Mo
2021	0.61	1.08	1.66	2.45	2.97
2022	0.61	1.91	2.01	3.35	3.84

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 and further increased the customers using the mobile application in 2022. The FX business is one of the key pillars of fee income for the bank and digitalization is important to insure continuous customer engagement.

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. The Bank continued to increase its FX business in 2022 to the amount of almost € 2.8 million in revenues which is more than 30 per cent increase compared to 2021.

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 2022. 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

Corporate banking in Raiffeisen Bank Kosovo has had a remarkable year, despite the challenging economic climate. The bank's efforts in relationship management, people, products, technology, and innovation have made it possible to maintain long-term and mutually beneficial relationships with corporate customers, while also maintaining its competitive advantage in the market.

In 2022, the bank placed a high priority on ensuring full compliance with increased regulatory requirements both on a local as well as group requirements. It has implemented strict measures to ensure that operations and activities are in line with the latest regulations and guidelines. This enabled the bank to maintain a high level of transparency and credibility.

Promoting sustainability and responsible banking practices has also been one of the main priorities of the bank during 2022. It worked in developing a comprehensive strategy for ESG Financing, which involved increasing training and awareness both internally and externally. The main aim was to engage its customers in understanding the benefits of financing the transition to a low-carbon economy, which supports their sustainable and inclusive growth. This interaction with customers was reflected in the increase of their interest in ESG-focused lending. Thus, in 2022, the corporate segment had a green social portfolio of € 14 million. The bank is committed to continue to finance flows towards customers who are actively working to transition to a green economy and to be a valuable partner to government institutions in the implementation of a green agenda.

Small and Micro enterprises

During 2022, the small and micro enterprises faced a challenging year due to the impact of the supply chain disruption and high inflation. In response, the bank focused on finding ways to support SME customers in overcoming these difficulties. Through its experienced relationship managers located in various regions of Kosovo, the bank continued to foster strong customer relationships and introduced a new mobile working model that proved to be effective. Initiatives were taken to improve and simplify the customer experience and increase efficiency, with a focus on digitalization. The loan application process was made simpler and faster, allowing SE Relationship Managers to have a 360-degree view on the customer file, resulting in improved efficiency and customer experience.

Regarding micro businesses, the main aim in 2022 was to establish Raiffeisen as their home bank providing lending and ease through extending the product range, with an emphasis on digital products. Raiffeisen was the first bank in the market to introduce an application to accept contactless transactions using the phone built in NFC stack, or the RAIPOS.

The bank was also focused on supporting SME businesses in their green transformation. In collaboration with EBRD through the programme "SME Competitiveness Programme", the bank disbursed € 2.64 million loans and this will continue in 2023.

Private Individuals, Affluent Banking, and Branches

Being physically present in all regions of Kosovo with 37 branches and sub-branches, Raiffeisen Bank has the largest branch network in the market. One of the main initiatives, 'Branch Transformation Program' continued to be implemented in 2022. It aims to modernize and optimize the operations and services of branches and sub-branches. This program involves implementing new technologies, streamlining processes, improving customer experience, reducing costs 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 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. 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, a great impact on raising customers' awareness on the benefits of digital channels usage had 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 digital banking usage much easier.

In 2022, the bank managed to design and develop its own communication platform / application that is used for direct remote communication between relationship officers and customers remotely. It enabled the bank to serve more than 3,000 customers through this channel, something which was also reflected in the increase in sales. The bank also continued to further enhance RaiConnect that enabled 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 benefits from the direct personal presentation and sale of products or services usually in their homes or at their working places. The team of 27 sales agents is present in all bank branches throughout Kosovo. These developments both in branches and development of digital solutions are based in bank's strategy to remain a traditional bank that aims to use digitalization for customer's effortless access towards bank's products and services, something which creates mutual values and profitability for both customers and bank.

Banking products and services

In 2022, the product excellence digitalization transformation remain bank's focus as efficiency and remote access while using banking services is highly appreciated by the customers.

Individual customers continued to use *Raiffeisen Plus,* a platform available both in internet and mobile. It enables customers complete control over their finances 24/7. Further, *RaiKesh*, a digital personal loan platform integrated with application processing system enabled the individual customers to apply digitally for personal loan and get the decision on their loan requests within few minutes. Overall, about 23 per cent of the total sales in 2022 was initiated through bank's digital platforms. Raiffeisen Bank Kosovo remains the only bank that offers *RaiPay*, a digital wallet with two card brands Visa and Master Card. The following features were added to RaiPay in 2022: show card details, show PIN, block /unblock cards, and token management (view active subscription /tokens). This was reflected in customer experience as the RaiPay app was rated 4.81.

In August 2022, the bank introduced for the first time in the market *RaiPOS* application, a solution that enables acceptance of contactless payments directly on users' smartphones, without any other devices. RaiPOS intends to increase the bank's presence in the market by covering Small and Micro Enterprises (SME) that traditionally did not have POS device. Besides offering innovative solutions, the bank continued to develop further its long term and mutually beneficial relationships with SMEs through enhancement of relationship management, people, products and technology. In addition to the support that SMEs get from the bank officials in the Head Office, the SMEs were supported also by bank officials placed in several regions in Raiffeisen branches throughout Kosovo. Further, various initiatives were taken to improve and simplify the customer experience and increase efficiency, focusing in digitalization.

Regarding the corporate customers, the bank continued to extend lending to them through several products, such as *Corporate Loan*, *Trade Finance*, *Project Finance Loan*, *Factoring*, *Reverse Factoring* or *Working Capital Credit Line*. At the same time, the bank was also focused on enhancing its existing digital products and services for corporate customers, based on feedbacks collected from them through Brand and NPS survey or other feedback forms. The key corporate services were digitalised and upgraded, such as online lending platform for corporate customers *eFinance*, *Cash Collection* roll-out to the whole regions, group projects for international/group customers *FCMI* (Future Cash Management International), as well as Internet Banking/*Raiffeisen Plus*. The new features added to Mobile Banking Platform in 2022 include real-time 24/7 imbanking, automated salary processing, SWIFT confirmation, and online Know Your Customer (KYC) review. While, *Future CMI@web* application represents a cutting-edge technology offering a convenient way for Raiffeisen Bank International (RBI) Group customers to initiate payments through a single-sign-on platform. The platform is connected to all major RBI network banks operating in different countries in Europe, allowing customers to process payments in just a matter of seconds. This is a significant improvement over traditional banking methods and a great advantage for international clients.

Customer experience

In 2022, Raiffeisen Bank Kosovo has received the highest recommendation from its customers in the market, based on their overall experience with the bank, according to the results of regular market research conducted by an external company contracted.

Being number one bank in NPS in Kosovo in all categories of customers was a key objective and as a result the bank has taken several initiatives in this regard. One of these initiatives was to proactively communicate with customers. It means that the bank has taken a more proactive approach to reaching out and communicating with customers and has put a higher effort to ensure that customers are kept informed and up to date on any relevant information or in case any technical obstacle would arise effecting their daily banking activities. By doing so, bank has built stronger relationships with its customers and ensured their satisfaction throughout the year.

The bank has made significant investments in increasing the capacity of contact centre team in 2022 in order to provide better and more efficient service to bank customers. This has been achieved by hiring additional staff and creating specialized teams that are focused on addressing the most frequent customer requests. These teams have been designed with the specific goal of improving bank's ability to meet the needs of its customers in a prompt and effective manner.

In 2022, the bank has also established a comprehensive process and tools to effectively execute inner and outer loop whose explicit purpose is to give channel and product stakeholders the opportunity to hear customer feedback directly and follow up with customers instantly. The objective was to establish a structured approach that would enable the bank to continuously listen to and act on customer feedback, thus improving the customer experience. The process was designed to be both efficient and effective, and was implemented with the goal of fostering strong, ongoing relationships with its customers. It involved in depth interviews with dissatisfied customers and providing follow up communication to identify key customer pain points, meetings and frequent focus groups.

Additionally, the bank had substantial progress in improving its decision-making by incorporating customer feedback. This initiative was launched to ensure that the bank considers its customers' needs and opinions when making crucial decisions. As a result, the bank can gain a better understanding of how its decisions affect its customers and make adjustments that meet their needs and expectations. Moreover, during the first half of this year, the bank has successfully launched a dedicated learning program on customer experience topic and achieved successful staff engagement which prominently contributed into cultivating employee knowledge skills and tools for product & service design and decision making derived from a customer experience perspective.

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. Risk culture denotes the combined set of corporate values, norms, attitudes, competencies and behavior related to risk awareness (perception of risk) and risk taking (active business decisions) that determine a firm's commitment to and style of 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.

Environmental, Social and Governance (ESG) risks are viewed as cross-dimensional risks that affect all areas of risk management. As such, considerations about ESG risk factors are continuously being embedded (based on the internally developed materiality assessment) in the management of risk types in the already existing risk management framework (e.g. within credit, market, operational and liquidity risk).

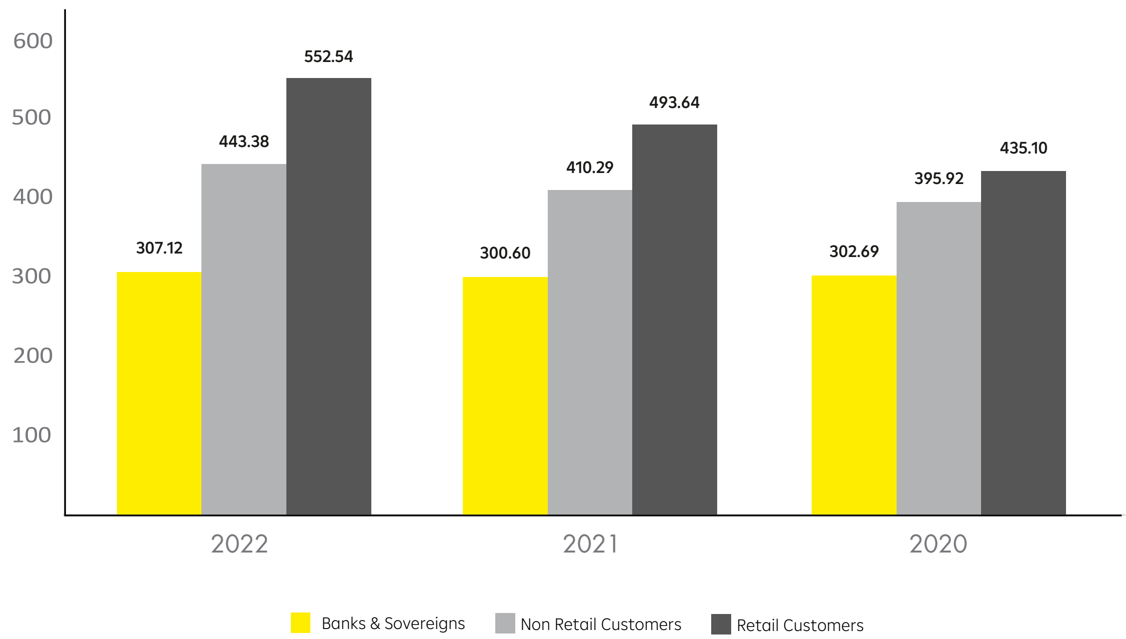
Credit Risk

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 bank 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 € 1,303 million as of 31 December 2022, which compared to a year end 2021 increased by 8 percent, respectively increased by 15 percent compared to year-end 2020.

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. Raiffeisen Bank Kosovo has also been actively engaged on prevention on new defaults and good recoveries through 2022. Hence, the non-performing ratio resulted in a decrease from 3.1 per cent on 2021 to 2.8 per cent on 2022. In addition, NPL coverage ratio is 77.69 percent that is higher than the coverage ratio of the previous year (76.36 percent).

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 2022.

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

	2022	2021	2020	Minimum Requirement
All currencies	30.32%	32.12%	34.71%	25.00%
Euro currency	26.53%	30.04%	28.48%	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 the probabilistic maximum potential loss of a portfolio with a certain confidence level for a specified holding period (99% and 1d). The market risk system calculates the profit and loss distribution of each deal. Single deal results are then aggregated to obtain VaR estimates on portfolio level. 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.

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 2022. Through the year, the Central Bank published Regulation on the Liquidity Coverage Ratio and Regulation on the Net Stable Funding Ratio. The new regulation is expected to be implemented on 2023.

People, Culture and Learning (PCL)

Raiffeisen Bank Kosovo is aiming to be the employer of choice in Kosovo. In 2022, the bank invested in attracting and retaining top talent, by enabling an environment that fosters peak performance, learning, career progression and most importantly sound health and wellbeing. In this sense, designing the suitable Employee Value Proposition that would attract and retain top talent was a key strategic objective topic in people's agenda.

2022 has noted continued distinct focus on technology employees. In June, the bank established a Tech4Tech Community, which brings together technology employees that work in different departments. Amongst many activities that have enriched bank's calendar of 2022, the focus on technology people was also reflected in activities related to employer branding, acquisition, retention, and development. The banks' partnership with the first Albanian Developers Conference and launch of RISE - Raiffeisen Internship and Scholarship for Engineers program were two of the well-noted developments in 2022.

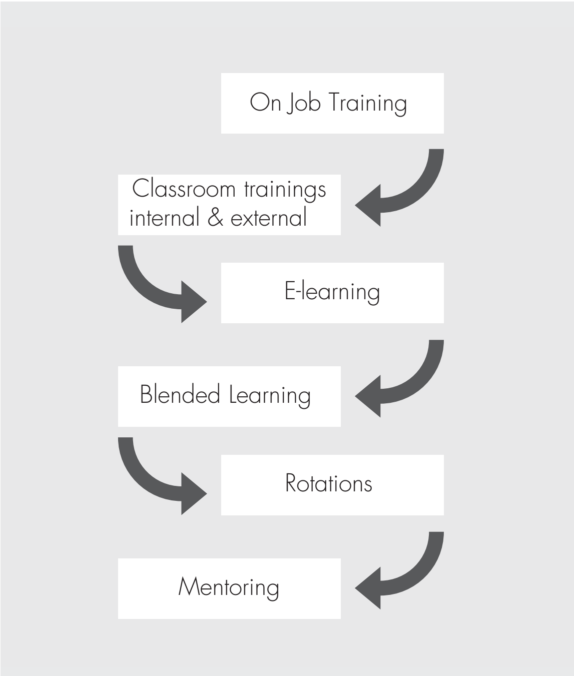
Overall, the total number of employees in 2022 was 912. The average age of employees was 36.5 years, whereas 55 per cent of total employees were women, and 45 per cent of total employees were men. The employees had the possibility to express their assessment through "Voice of employees" internal surveys that the bank conducted. This survey has revealed satisfactory numbers in the year 2022 regarding employee engagement and enablement dimensions.

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 development opportunities 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 for online self-learning in 2022. The newly upgraded online Learning Management System (LMS) offers high quality services and modern learning experience for learners using the latest technology. During 2022, LMS was further upgraded with new features and refreshed design, whereas the most significant upgrade was development of mobile solution. This feature enables employees access in their mobile phones all the time (24/7) in their learning topics of their choice. From the learner's experience point of view, this upgrade goes hand in hand with the hybrid working model.

The bank cooperates with various training providers in and out of Kosovo for specific training programs. Training needs identification is done continuously to have tailored programs that meet employees' needs. Individual development plans are provided with focus specifically on the competencies of an individual and increase 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 by most employees. In 2022, there was an impressive level of interest and support by bank employees to attend and design internally developed courses. Additional focus was also given to externally provided online courses to increase efficiency and variety in learning. Besides eLearning, during 2022 we 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. 2022 continued to be a special year (post-pandemic), beside technical and soft skills there was a higher focus on remote working guidelines, pandemic prevention, digital transformation, health, safety, managing mental health, dealing with stress and anxiety 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 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 2022, the theme of the Learning Festival was "Learn and Grow to Inspire" where different presentations and training sessions were organized on topics of Technology, Business, Innovation, Artificial Intelligence, Treasury, Learning alternatives, information security.

Talent Management

During 2022, 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. Talent Management model went through upgrades of the process and its operating architecture.

In 2022, the bank continued to advance the PCL technological infrastructure and ensured a high-degree digitalization.

Safe Working Environment

The bank's efforts in the health and wellbeing topic have continued throughout the year 2022, with a special focus on the post-pandemic situation. The bank reopened Canteen and the Sports Room within the building. Besides eating and having a nice morning coffee or a lunch break, we aim through canteen to bring people together by creating an interconnected working place that idea takes on new meaning as well as a new importance. Informal meet ups in a relaxed environment foster creative thinking, which helps employees generate new ideas or identify potential synergies.

The Sports Room on the other hand, enabled the bank to offer various indoor activities that would contribute to the health and wellbeing of employees, such as, gaming tournament (CSGO), pilates and yoga. In addition, there were organized also outdoor activities such as hiking and football tournament.

Furthermore, the bank also introduced the hybrid way of work in 2022. It aims to provide a better work-life balance to employees through the new way of work.

Family Friendly Employer

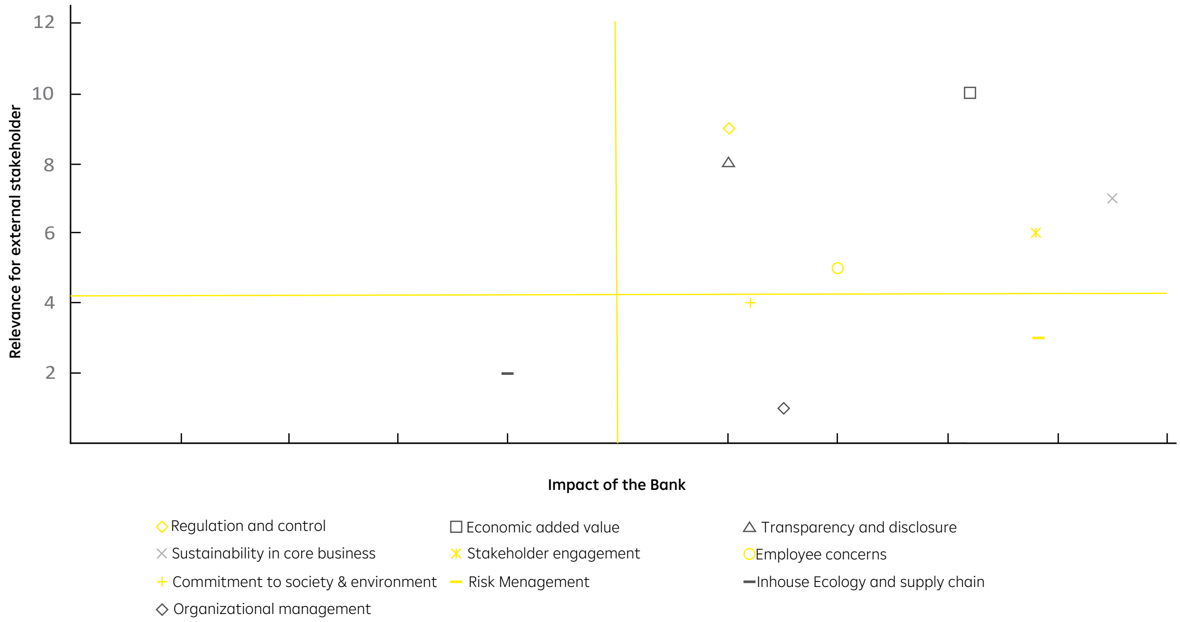
Through the "Expanding Choices through Family-Friendly Policies" project by UNFPA (United Nations Population Fund), the bank continued to be one of the promoters of the benefits that a company can have out of creation of family-friendly policies in the workplace. The bank will continue to cooperate with UNFPA in 2023 as well since this is also aligned with the bank's overall ESG strategy.

Sustainability Management and Corporate Responsibility

Raiffeisen Bank International (RBI), as a parent company of Raiffeisen Bank Kosovo signed the UNEP FI Principles for Responsible Banking in early 2021, underscoring its efforts to proactively participate in meeting the Paris targets and redirecting capital flows toward sustainable activities. Following this, in 2022, Raiffeisen Bank Kosovo worked on developing a comprehensive strategy aiming to be a pioneer in terms of sustainability and providing sustainable financial services for its customers in Kosovo, but also in supporting their transition to sustainable business models.

Initially, Raiffeisen Bank Kosovo created an internal steering group responsible for four sustainability pillars: *core business*, which focuses on economic aspect of sustainability, responsible use of resources, creation of jobs, promotion of sustainable consumption and production, as well as sustainable economic growth and development; *employees*, which focuses on the social and human aspects of sustainability, including human rights, labor standards, and the well-being of employees; *inhouse ecology,* which focuses on internal bank practices and processes to promote sustainability and reduce bank's environmental impact; and *community investments*, which focuses on investments that promote economic, social, and environmental sustainability.

In the first quarter of 2022, the bank conducted Materiality Assessment in Kosovo, which was as based on a survey with stakeholders, including employees, customers, and members of the Kosovo community.



The goal of the survey was to identify which sustainability issues are most important to these groups and how they should be prioritized by the bank. Based on the materiality assessment the bank has prioritized the activities for the year 2022 for Sustainability and ESG efforts, and some of the results achieved include: 40 per cent of women representation in leadership roles on senior bank level; UNFPA selected Raiffeisen Bank as ambassador company for family friendly policies in Kosovo, 70 per cent in engagement and enablement staff survey; 90 per cent of leadership roles within the bank have finished Sustainability training; 15 community projects with the focus on culture, art, and education were supported; three partnerships with UN agencies and government institutions were established; a digital wallet and a POS application for mobile phones introduced, all cards will be replaced with recyclable cards, increase the loan portfolio with ESG criteria (3 per cent vs 0.5 per cent target in business and 1.4 per cent vs 0.5 per cent target for individual customers green purpose loans); 10 business customers were reached with e-questionnaire to assess their carbon footprint; the bank's solar panels have produced in total 33MWh (by October) thus avoiding 32.23 t of carbon emission.

In relation to its customers, Raiffeisen Bank Kosovo has chosen a holistic implementation approach for all customer groups with an aim to contribute in their business growth through integrating responsible banking into the bank's core business activities. The bank has conducted several meetings with its corporate customers and institutions. The goal was to direct financing flows towards customers who are actively working to transition to a green economy and to demonstrate to government institutions that the bank intends to be a valuable partner in the implementation of a green agenda.

Engaged Citizen

As a part of its sustainability and ESG strategy, Raiffeisen Bank Kosovo has been very active as an engaged citizen. The bank's support for the community has been twofold, through direct support of various projects and through cooperation with various organizations and institutions operating in Kosovo.

Regarding the direct support of projects, the bank has been focused on selecting projects that have a clear vision, are sustainable, and can contribute to the development of culture, education and innovation and social welfare in the country. As example of this selection of projects are the PriFilm Fest and Chopin Festival. When these projects were presented to the bank, they were just an idea, and the bank trusted them by becoming their partner, supporting them for more than 15 years. Today, both festivals represent the main cultural events in Kosovo. Visual art is another area, which the bank supported within the culture area. For more than a decade the bank supported several projects of the National Gallery of Kosovo. At the same time, more than 80 art students had the opportunity to use the Raiffeisen Gallery, an area in the Albi Mall shopping center, to promote their works free of charge for a month.

In the field of education and innovation, the bank supports for more than a decade Atomi, which 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.

For the fourth year in a row it is implementing another project covering both education and social welfare fields. It is realized in cooperation with CEE Stepic Charity and UNICEF in Kosovo. The project involves distribution of about 500 schoolbags with relevant school materials to children that belong to families that receive social support every year. The distribution of bags is carried by the bank employees who volunteer to join the project. So far, the project was implemented in the Municipality of Prishtina, Prizren, Gjilan and Mitrovica, while it will continue to cover other municipalities each year.

In 2022, the bank continued to also support some local projects in certain municipalities, such as "Festival of Theaters" in Ferizaj, "Anibar" Festival in Peja and "Lumbardhi" in Prizren.

In its role as active citizen, the bank establishes cooperation with various organisations and institutions that operate in Kosovo to broaden the possibility of contribution in many important aspects of the society. In 2022, the bank supported the "Kosovo Economic Forum", organized in cooperation with the Embassy of Austria in Kosovo, which has brought potential investors from Austria to Kosovo. While, in cooperation with the Government of Kosovo, the bank supported and enabled the holding of the Digital Summit of the Western Balkans. Further, the bank continued to cooperate with UNICEF, UNFPA, SOS Kinderdorf and Handikos. This is done with the aim to push forward many issues related to the promotion of children's rights, women's rights, the importance of creating a family-friendly environment in workplace, promotion of the rights of persons with disabilities, the green transformation of businesses, which are very important and contribute to the sustainable development of the country.

Raiffeisen Bank Kosovo J.S.C

SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS
FOR THE YEAR ENDED 31 DECEMBER 2022
WITH INDEPENDENT AUDITOR'S REPORT THEREON

CONTENTS

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 2022 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 2022 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
28 March 2023

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

Deyan Ivanov
Member of Management Board
Risk Management

Deloitte.

Independent auditor's report

To the Shareholder and Board of Directors 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, 2022, 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, 2022, 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, 2022, 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 Bank 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 these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Deloitte.

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, No. 120

Prishtina, Republic of Kosova

Unique Identification No.: 810468373

March 28, 2023

Engagement Partner:

Arta Limani

Separate statement of financial position as at 31 December 2022

(amounts in Euro'000, unless otherwise stated)

	Notes	2022	2021
Assets			
Cash and cash equivalents and mandatory reserve	8	165,190	175,289
Due from banks	9	25,885	19,391
Investment securities	10	197,784	174,034
Loans and advances to customers	11	862,946	778,249
Other assets	12	4,697	7,274
Deferred tax asset	30	-	141
Investments in subsidiaries	13	2,234	2,234
Property, plant, and equipment	14	32,145	33,765
Intangible assets	14	7,309	5,552
Total assets		**1,298,190**	**1,195,929**
Liabilities			
Due to banks	15	8,428	6,335
Deposits from customers	16	1,128,969	1,022,775
Financial liabilities measured at fair value	17	101	458
Other liabilities	18	17,096	8,651
Provisions	18	630	883
Deferred tax liability	30	228	-
Subordinated loan	19	-	19,298
Total liabilities		**1,155,450**	**1,058,400**
Shareholder's equity			
Share capital		63,000	63,000
Fair value reserve		(2,117)	27
Other reserves		1,955	1,955
Retained earnings		79,902	72,547
Total shareholder's equity	20	142,740	137,529
Total liabilities and shareholder's equity		1,298,190	1,195,929

Financial Statements are approved for issue on behalf of the Management of Raiffeisen Bank Kosovo J.S.C. and signed on its behalf on 28 March 2023.

Fatos Shllaku
Head of Finance

Anita Kovacic
Chief Executive Officer
Chairperson of Management Board

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 38 to 107.

Separate statement of comprehensive income for the year ended 31 December 2022

(amounts in Euro'000, unless otherwise stated)

		2022	2021
Interest income calculated using the effective interest method	21	54,761	48,740
Interest expense calculated using the effective interest method	21	(2,229)	(2,547)
Net interest income		**52,532**	**46,193**
Dividend income	22	1,105	1,811
Fee and commission income	23	25,539	21,807
Fee and commission expense	23	(11,157)	(9,605)
Net fee and commission income		**14,382**	**12,202**
Impairment losses on financial assets	6	(6,930)	(4,895)
Recoveries from loans previously written off		1,656	1,875
Gains or losses on financial assets and liabilities	24	(285)	50
Loan modification gains/losses	29	-	(114)
Other operating income	25	7,746	4,738
Net operating income		**70,206**	**61,860**
Personnel expenses	26	(18,542)	(15,017)
Depreciation of property and equipment and ROU	27	(3,582)	(3,619)
Amortization of intangible assets	27	(2,272)	(1,867)
Other operating expenses	28	(12,701)	(11,913)
Profit before income tax		**33,109**	**29,444**
Income tax expense	30	(3,754)	(3,125)
Profit for the year		**29,355**	**26,319**
Other comprehensive income			
Items that will be reclassified to profit or loss			
Net change in fair value of financial assets through other comprehensive income		(2,117)	27
Total comprehensive income for the year		**27,238**	**26,346**

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 38 to 107.

Separate statement of changes in equity for the year ended 31 December 2022

(amounts in Euro'000, unless otherwise stated)

	Share capital	Retained earnings	Other Reserves	Fair value reserve	Total shareholder's equity
Balance as at 1 January 2021	**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)
Dividend to equity holders	-	(32,400)	-	-	(32,400)
Total comprehensive income	**63,000**	**72,547**	**1,955**	**27**	**137,529**
Balance as at 31 December 2021	**63,000**	**72,547**	**1,955**	**27**	**137,529**
Profit for the year	-	29,355	-	-	29,355
Net change in fair value of financial assets through other comprehensive income	-	-	-	(2,144)	(2,144)
Total comprehensive income	**63,000**	**101,902**	**1,955**	**(2,117)**	**164,740**
Contributions and distributions	**-**				
Dividends to equity holders	-	(22,000)	-	-	(22,000)
Balance as at 31 December 2022	**63,000**	**79,902**	**1,955**	**(2,117)**	**142,740**

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 38 to 107.

Separate statement of cash flows for the year ended 31 December 2022

(amounts in Euro'000, unless otherwise stated)

	Notes	2022	2021
Cash flows from operating activities			
Interest received on loans		52,687	48,548
Interest paid on placements		45	(166)
Interest received on investment securities		4,968	2,032
Dividends received		1,105	1,811
Interest paid on deposits and subordinated loan		(1,886)	(2,345)
Fees and commissions received		25,539	21,807
Fees and commissions paid		(11,157)	(9,605)
Other income from non-banking activities		9,402	6,364
Staff costs paid		(20,029)	(16,081)
Other operating expenses paid		(12,701)	(11,576)
Income tax paid		(3,249)	(3,125)
Cash flow from operating activities before changes in operating assets and liabilities		**44,724**	**37,665**
Changes in operating assets and liabilities			
- Mandatory liquidity reserve		(11,663)	(12,178)
- Due from banks		211	65
- Loans and advances to customers		(90,959)	(73,967)
- Other assets		2,578	(3,847)
- Due to customers		106,193	107,148
- Deposits from banks		63	(20,171)
- Other liabilities		7,062	(670)
Net cash flow from operating activities		**58,209**	**34,045**
Cash flows from investing activities			
Acquisition of property, equipment & intangibles assets	14	(5,616)	(4,928)
Income from property and equipment disposal		20	38
Investment in securities		(27,981)	2,410
Net cash (used in) investing activities		**(33,577)**	**(2,480)**
Cash flows from financing activities			
Repayment of borrowings		(19,298)	-
Proceeds from borrowings		2,030	(375)
Repayment of leased liabilities		(966)	(1,104)
Dividends paid		(22,000)	(32,400)
Net cash flow (used in) financing activities		**(40,234)**	**(33,879)**
Effect of exchange rate changes		122	(2)
Net decrease in cash and cash equivalents		**(15,480)**	**(2,316)**
Cash and cash equivalents at the beginning of year	8	94,353	96,669
Cash and cash equivalents at 31 December 2022	8	**78,874**	**94,353**

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 38 to 107.

Notes to the separate financial statements for the year ended 31 December 2022

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 2022 the Bank has 7 branches and 30 sub-branches within Kosovo (31 December 2021: 7 branches and 32 sub-branches within Kosovo). 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.

2.2 Significant events in the reporting period

Impact from the energy crisis

2022 was denoted at high inflationary pressures followed from the energy crisis led by the war in Ukraine. The inflation rate closed the year at 12.1 per cent where the increase was more pronounced in food, oil prices and energy.

There have been government subsidies on businesses' loans and grants for exporting businesses, on the other hand there was an increase in minimum wage and inflation packages for public sector employees and pensioners. Other measures were noted on alternative energy supplies subsidies and state reserve increase for wheat, oil and sugar.

The bank monitored the situation and undertook early intervention process to identify any possible effects on loan portfolio. As of 31 December 2022, the NPL ratio was at 2.8 per cent (31 December 2021: 3.1 per cent).

2.3 New and amended standards and interpretations adopted by the Raiffeisen Bank

Impact of the initial application of Interest Rate Benchmark Reform

In the prior 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.

In the current year, the Bank adopted the Phase 2 amendments Interest Rate Benchmark Reform— Amendments to IFRS 3, IAS 16 and IAS 37. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 3 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 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists because 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. The bank has not applied the amendments as there was no acquisition in 2022.

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 bank has not applied the amendments as such practice is not applicable for 2022.

Amendments to IAS 37 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).

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 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 Bank management 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 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 right-of-use assets and lease liabilities; and 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.

2.5 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.

2.6 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 consider 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 derecognises 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 recognised as a derecognition gain or loss. The newly recognised 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 derecognise 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 100 thousands;
- 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 derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises 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 recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises 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 derecognised 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 100thousands. The difference between the carrying value of the original financial liability and the consideration paid is recognised 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:

- it reasonably reflects how the market could be expected to price the instrument; and
- 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:

- incorporates all factors that market participants would consider in setting a price; and
- 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
The 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 recognized 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 recognized less cumulative amortization recognized 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 recognised, the Bank recognises 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 recognised based on a credit-adjusted EIR. ECLs are only recognised 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. 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:

- is unlikely to pay its credit obligations to bank from primary sources; or
- 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 overdue.

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) No575/2013, 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:

- 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
- 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 four 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:
- General approach;
- Simplified approach;
- Purchase or originated credit impaired financial assets.

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.

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.

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.

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;
- 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"

• B5.5.17.l "support from parent unit"
• 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 variable 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	PD
PI	Mortgage	2.5%
	Personal Loans	5.0%
	Credit Cards	4.0%
	Overdrafts	3.0%
	Car Loans	2.5%
Retail - Micro	Other Products	5.0%

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 ≤460	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 months Basel II PD range		International risk rating grade
		Lower PD bound	Upper PD bound	
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.

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	LGD
Retail - Individuals	Mortgage	35%
	Credit Cards	45%
	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 amortised cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognised 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 recognising 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 recognised 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.

3.3.18. 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 recognised in the separate financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

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.

3.4. 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.

3.5. Property and equipment

3.5.1. 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.

3.5.2. 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.

3.5.3. 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.

3.6. 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.

3.7. 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.

3.8. 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.

3.9. 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.

3.10. 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.

3.11. 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.

3.12. 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.

3.13. 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.

3.14. 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.

3.15. 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 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.

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 2022 and 31 December 2021.

31 December 2022	Gross carrying amount	Stage 2 Temporary modifications to T&Cs due to COVID 19	Stage 2 Permanent modifications to T&Cs	Stage 2 Total performing forborne loans	Stage 3 Temporary modifications to T&Cs due to COVID 19	Stage 3 Permanent modifications to T&Cs	Stage 3 Total non-performing forborne loans	Total forborne loans	Forbearance ratio
Due from banks	11,945	-	-	-	-	-	-	-	0%
Loans and advances to customers									
Non-Retail	368,043	26,587	1,880	5,286	1,385	5,503	6,255	11,541	3.14%
Retail	523,892	52,411	6,508	5,544	6,143	2,254	2,244	7,788	1.49%
Total loans and advances to customers	**891,935**	**78,998**	**8,388**	**10,830**	**7,528**	**7,757**	**8,499**	**19,329**	**2.17%**

31 December 2021	Gross carrying amount	Stage 2 Temporary modifications to T&Cs due to COVID 19	Stage 2 Permanent modifications to T&Cs	Stage 2 Total performing forborne loans	Stage 3 Temporary modifications to T&Cs due to COVID 19	Stage 3 Permanent modifications to T&Cs	Stage 3 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	2,785	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**	**2.11%**

Overview of forborne loans

31 December 2022	Gross amount of forborne loans			ECLs of forborne loans		
	Stage 2	**Stage 3**	**Total**	**Stage 2 Collective**	**Stage 3 Collective**	**Total**
Due from banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Non-Retail	5,243	-	5,243	2,449	-	2,449
Retail	5,214	2,799	8,013	722	1,513	2,235
Total loans and advances to customers	**10,457**	**2,799**	**13,256**	**3,171**	**1,513**	**4,684**

31 December 2021	Gross amount of forborne loans			ECL of forborne loans		
	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**

Loans and advances to customers

Maximum exposures to credit risk before collateral and other credit enhancements as at 31 December 2022 of financial assets by counterparty sector.

	Credit risk exposure	
	31-Dec-22	**31-Dec-21**
Central Bank of Kosovo	71,545	81,320
Other Banks	36,796	42,429
Investments in subsidiaries	2,234	2,234
Sovereigns	188,320	160,000
International Corporates	9,523	14,099
Local Corporates	368,043	339,864
Local Retail customers	523,892	464,842
Total Financial Assets risk exposure	**1,200,353**	**1,104,788**

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	
	2022	**2021**
Maximum exposure to credit risk		
Gross amount	891,935	804,706
Allowance for impairment	(28,988)	(26,457)
Net carrying amount	**862,946**	**778,249**
Loans with renegotiated terms		
Gross carrying amount	102,671	172,956
Allowance for impairment	(13,688)	(14,966)
Net carrying amount	**88,983**	**157,990**

Loans and advances to customers

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

31 December 2022	Loans and advances to customers			Fair value of collateral		
	Retail	Corporate	Total	Retail	Corporate	Total
Commercial Real Estate	301.00	5,611	5,912	614	3,044	3,658
Residential Real Estate	67,028	-	67,028	92,772	2,272	95,044
Movable	286,263	348,983	635,246	43,015	251,025	294,040
Unsecured	170,300	13,449	183,749	1	-	1
Total	**523,892**	**368,043**	**891,935**	**136,401**	**256,341**	**392,743**

31 December 2021	Loans and advances to customers			Fair value of collateral		
	Retail	Corporate	Total	Retail	Corporate	Total
Commercial Real Estate	607	6,448	7,055	545	3,048	3,593
Residential Real Estate	52,624	-	52,624	50,123	1,676	51,799
Movable	330,930	319,306	650,236	40,726	165,316	206,042
Unsecured	80,681	14,110	94,791	-	12,304	12,304
Total	**464,842**	**339,864**	**804,706**	**91,394**	**182,344**	**273,738**

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 2022	Total gross carrying amount	Stage 1	Stage 2	Stage 3	Fair value of the collateral
Non-retail Customers	368,043	322,957	35,001	10,085	136,401
Retail Customers	523,892	487,965	20,635	15,292	256,342
Total Loans and Advances to Customers	**891,935**	**810,922**	**55,636**	**25,377**	**392,743**

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	182,344
Retail Customers	464,842	427,757	21,872	15,213	91,394
Total Loans and Advances to Customers	**804,706**	**683,566**	**95,882**	**25,258**	**273,738**

An analysis of concentrations of credit risk as at 31 December 2022 and 31 December 2021 for loans and advances to customers past due and impaired – Stage 3 and POCI are presented below:

31 December 2022	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	Total
Non-retail Customers	2,555	240	1,590	5,654	10,039
Retail Customers	1,990.00	635	1,740	14,584	18,949
Total Loans and advances to customers impaired	**4,545**	**875**	**3,330**	**20,238**	**28,988**

31 December 2021	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	More than 12 months	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**

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

	2022	%	2021	%
Trade	231,320	26%	151,227	19%
Individuals	402,444	45%	557,094	69%
Manufacturing, chemical and processing	110,157	12%	68,256	8%
Service	37,504	4%	12,845	2%
Construction and construction servicing	52,187	6%	5,187	1%
Food industry and agriculture	23,403	3%	9,543	1%
Other	34,920	4%	554	0%
Total loans and advances to customers before allowance for loan impairment	**891,935**	**100%**	**804,706**	**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 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:

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

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	2022	2021
P-1	34,187	32,476
P-2	3,638	9,953
P-3	-	-
	37,825	**42,429**

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 international risk rating:

	2022	**2021**
P-1	147,671	115,755
P-2	18,734	9,576
P-3	4,061	-
Not Rated	27,318	48,703
	197,784	**174,034**

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.

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 2022, the coverage of liquidity reserve is € 1,745 thousand (2021: € 17,282 thousand). The table below shows net carrying amounts of assets and liabilities as at 31 December 2022 and 2021 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 2022, the Bank was well over this limit at above 300 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	165,190	-	-	-	165,190
Due from banks	25,885	-	-	-	25,885
Loans and advances to customers	6,703	47,945	143,164	665,134	862,946
Investment securities	-	-	-	197,784	197,784
Other assets	-	-	3,932	-	3,932
Total financial assets	**197,778**	**47,945**	**147,096**	**862,918**	**1,255,737**
Liabilities					
Deposits from customers	1,125,770	1,023	2,079	96	1,128,969
Due to banks	7,534	-	894	-	8,428
Subordinated debt	-	-	-	-	-
Other non-derivative financial liabilities	-	-	16,832	-	16,832
Other derivative financial liabilities	-	-	(236)	337	101
Total financial liabilities	**1,133,304**	**1,023**	**19,569**	**433**	**1,154,329**
Net gap position at 31 December 2022	**(935,526)**	**46,922**	**127,527**	**862,485**	**101,408**

	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	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 as at 31 December 2021	**(791,196)**	**6,786**	**134,339**	**746,643**	**96,572**

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 2022 and 2021 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 2022 and 2021 is set out below:

	Kosovo	EU	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	155,121	10,069	-	165,190
Due from banks	-	25,885	-	25,885
Loans and advances to customers	862,946	-	-	862,946
Investment securities	44,313	153,471	-	197,784
Other assets	3,932	-	-	3,932
Total financial assets	**1,066,312**	**189,425**	**-**	**1,255,737**
Liabilities				
Deposits from customers	1,080,756	15,077	33,135	1,128,969
Deposits from banks	7,534	894	-	8,428
Subordinated debt	-	-	-	-
Other liabilities	16,832	-	101	16,933
Total financial liabilities	**1,105,122**	**15,971**	**33,236**	**1,154,329**
Net gap position at 31 December 2022	**(38,810)**	**173,454**	**(33,236)**	**101,408**

	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 as at 31 December 2021	**9,798**	**79,771**	**7,003**	**96,572**

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.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2022 and 2021. Included in the table are the Bank's financial assets and liabilities at carrying amounts, categorised by currency and translated into Euro '000.

	Euro	USD	Other	Total
Assets				
Cash and cash equivalents and mandatory liquidity reserve	165,190	-	-	165,190
Due from banks	25,885	-	-	25,885
Loans and advances to customers	862,946	-	-	862,946
Investment securities	179,350	18,434	-	197,784
Other assets	3,932	-	-	3,932
Total financial assets	**1,237,303**	**18,434**	**-**	**1,255,737**
Liabilities				
Deposits from customers	1,071,742	43,722	13,504	1,128,969
Deposits from banks	8,428	-	-	8,428
Subordinated debt	-	-	-	-
Other liabilities	16,933	-	-	16,933
Total financial liabilities	**1,097,103**	**43,722**	**13,504**	**1,154,329**
Net gap position at 31 December 2021	**140,200**	**(25,288)**	**(13,504)**	**101,408**

	Euro	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**

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 EUR	31 December 2022	31 December 2021
1 USD	1.0666	1.1310
1 CHF	0.9847	1.0325
1 GBP	0.887	0.839

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	165,190	-	-	-	-	165,190
Due from banks	25,885	-	-	-	-	25,885
Loans and advances to customers	6,703	47,945	143,164	665,134	-	862,946
Investment securities	-	-	-	197,784	-	197,784
Other assets	-	-	-	-	3,932	3,932
Total financial assets	**197,778**	**47,945**	**143,164**	**862,918**	**3,932**	**1,255,737**
Liabilities						
Deposits from customers	133,343	1,023	2,079	96	992,427	1,128,969
Deposits from banks	6,640	-	894	-	894	8,428
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	16,933	16,933
Total financial liabilities	**139,983**	**1,023**	**2,973**	**96**	**1,010,254**	**1,154,329**
Net gap position at 31 December 2021	**57,795**	**46,922**	**140,191**	**862,822**	**(1,006,322)**	**101,408**

Non-interest bearing deposits in the amount of € 993,321 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	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 as at 31 December 2021	**97,202**	**6,786**	**135,985**	**765,958**	**(909,359)**	**96,572**

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	752	1,452	12,132	238,350	252,686
Investment securities	-	-	-	-	-
Other assets	-	-	-	-	-
Total financial assets	**752**	**1,452**	**12,132**	**238,350**	**252,686**
Liabilities					
Deposits from customers	-	-	-	-	-
Deposits from banks	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**
Net gap position at 31 December 2022	**752**	**1,452**	**12,132**	**238,350**	**252,686**

	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	225,208
Investment securities	-	-	-	-	-
Other assets	-	-	-	-	-
Total financial assets	**3,795**	**2,477**	**11,504**	**207,432**	**225,208**
Liabilities					
Deposits from customers	-	-	-	-	-
Deposits from banks	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**
Net gap position at 31 December 2021	**3,795**	**2,477**	**11,504**	**207,432**	**225,208**

The table below summarises the effective interest rates by major currencies for major monetary financial instruments. The analysis has been prepared using annual effective rates.

In percentage	2022				2021			
	Euro	USD	CHF	GBP	Euro	USD	CHF	GBP
Assets								
Balance with Central Bank	(0.06)	-	-	-	(0.1)	-	-	-
Due from banks	0.16	1.13	0.01	0.02	(0.7)	-	(0.8)	(0.0)
Government Bonds AC yield	1.72	-	-	-	1.1	-	-	-
Government Bonds Non-trading through FV yield	35.45	-	-	-	1.7	-	-	-
Government Bonds OCI yield	0.60	1.81	-	-	0.1	0.4	-	-
Bonds held for trading yield	(0.16)	0.50	-	1.32	2.2	-	-	-
Loans and advances to customers	1.55	-	-	-	6.5	3.9	-	-
Liabilities								
Customer accounts	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Term deposits	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Savings accounts	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Subordinated loan	(6.21)	-	-	-	(6.2)	-	-	-
IRS	(6.74)	-	-	-	(3.7)	-	-	-

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 2022 and 2021.

	+ 200 bps		- 200 bps	
Main Categories of sensitivity 2022	**Y1**	**Y2**	**Y1**	**Y2**
NII Sensitivity	4.60M	6.77M	-8.33M	-12.42M
Valuation sensitivity	-3.13M	0.41M	4.25M	-0.52M
Total Sensitivity	1.48M	7.18M	-4.07M	-12.94M
Main Categories of sensitivity 2021	**Y1**	**Y2**	**Y1**	**Y2**
NII Sensitivity	1,39M	3,50M	-4,60M	-7,90M
Valuation sensitivity	-1,12M	0,65M	1,23M	-0,69M
Total Sensitivity	0,27M	4,15M	-3,36M	-8,59M

Value at risk as of 31 December 2022 is Euro value At Risk (99 per cent, 1d) in Banking Book, is € 4,203 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 € 49 thousand and USD 5 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 adequacy ratio is the proportion of the regulatory capital to risk weighted assets, off balance-sheet items and other risks, expressed as a percentage. The minimum requirements where updated beginning 01 January 2020 and the requirement for Common Equity Tier 1 ("CET 1") is 4.9 per cent of risk-weighted assets, Tier 1 capital above 9 per cent of risk-weighted assets and 12 per cent of risk-weighted assets for total own funds, i.e. Tier 1 Capital plus Ties 2 Capital (2021: the minimum required capital adequacy ratio is 8 per cent for Tier 1 capital and 12 per cent for total own funds). The Bank has met these regulatory requirements during and at the year end 2022 and 2021.

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 2022	31 December 2021
Total risk weighted assets	863,165	787,166
Total risk weighted off balance exposures	30,073	33,390
Total risk weighted assets for operational risk	63,229	59,296
Total	**956,468**	**879,852**
Regulatory capital (Total Capital)	138,532	134,486
Capital adequacy ratio (Total Capital)	14.5%	15.3%

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:

	2022	2021
Debt	-	19,298
Equity	142,740	137,529
Net debt to equity ratio	**0%**	**14%**

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 2022	Fair value Level 3 2022	Carrying value 2021	Fair value Level 3 2021
Loans and advances to customers	862,946	862,380	778,249	769,501
Liabilities				
Deposits from customers	1,128,968	1,128,968	1,022,775	1,022,775
Deposits from banks	8,428	8,428	6,335	6,335

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 22				
Non-derivatives	**Carrying value**	**Fair Value Level 1**	**Fair Value Level 2**	**Fair Value Level 3**
Investment securities	***197,784***	***170,466***	***17,335***	***9,983***
Financial investments at fair value through profit or loss	-	-	-	-
Financial investments- Held for trading	100	-	100	-
Financial investments at fair value through OCI	160,075	142,840	17,235	-
Financial investments at amortised cost	37,609	27,626	-	9,983
Derivatives	**101**	**101**	**-**	**-**
Derivatives held for risk management	101	101	-	-

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The table below shows the ECL charges on financial instruments for the year 2022 recorded in the income statement:

Credit loss expense 2022	Stage 1 Individual	Stage 1	Stage 2 Individual	Stage 2	Stage 3	POCI	Total
Loans and advances to customers	-	(24)	-	(2,215)	(4,146)	(436)	**(6,821)**
Debt instruments measured at FVOCI	7	-	-	-	-	-	**7**
Off balance (Financial guarantees and loan commitments)	-	30	-	(148)	1	-	**(116)**
Total impairment losses	**7**	**6**	**-**	**(2,363)**	**(4,145)**	**(436)**	**(6,930)**

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 measured at FVOCI	85		-	-	-	-	**85**
Off balance (Financial guarantees and loan c commitments)	-	(80)	-	109	(1)	-	**28**
Total impairment losses	**85**	**(1,245)**	**-**	**1,050**	**(3,806)**	**(979)**	**(4,895)**

7. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2022	Cash flows	Declaration of Dividends	31 December 2022
Interest bearing borrowings Note 15	5,504	2,030	-	7,534
Subordinated debt Note 19	19,298	(19,298)	-	-
Dividends payable	-	(22,000)	22,000	-
Lease payments	-	(966)	-	(966)
Total liabilities from financing activities	**24,802**	**(40,234)**	**22,000**	**6,568**

	1 January 2021	Cash flows	Declaration of Dividends	31 December 2021
Interest bearing borrowings Note 16	5,879	(375)	-	5,504
Subordinated debt Note 19	19,298	-	-	19,298
Dividends payable	-	(32,400)	32,400	-
Lease payments	-	(1,104)	-	(1,104)
Total liabilities from financing activities	**25,177**	**(33,879)**	**32,400**	**23,698**

8. CASH AND CASH EQUIVALENTS AND MANDATORY RESERVE

	2022	2021
Cash on hand	82,734	70,931
Balances with the CBK	71,545	81,320
Correspondent accounts with other banks	10,911	23,038
Allowance for accounts with other banks	-	-
Total	**165,190**	**175,289**

Cash, cash equivalents and mandatory reserve include a mandatory liquidity reserve balance with CBK of € 111,167 thousand (31 December 2021: € 99,504 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 2022 and 2021 the Bank's cash and cash equivalents for the purposes of cash flow statement were as follows:

	2022	2021
Term deposits (note 9)	24,851	18,568
Cash and cash equivalents and mandatory reserve	165,190	175,289
Less: Mandatory liquidity reserve	(111,167)	(99,504)
Cash and cash equivalents for the purposes of cash flow statement	**78,874**	**94,353**

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 € 26 thousand (31 December 2021: € 5 thousand).

Guarantee deposits include an amount of € 1,034 thousand as at 31 December 2022 (31 December 2021: € 823 thousand) which represent restricted deposits with UOB Bank as card cash collateral. The Bank does not have the right to use these funds for the purposes of funding its own activities.

	2022	2021
Term deposits	24,851	18,568
Guarantee deposits	1,034	823
Allowances for impairment	-	-
Total due from banks	**25,885**	**19,391**

10. INVESTMENT SECURITIES

	2022	2021
Investment securities designated as at FVTPL	-	1,223
Investment securities held for trading	100	1,119
Investment securities measured at FVOCI	160,109	152,217
Investment securities measured at amortized cost	37,633	19,541
Allowances for impairment	(58)	(66)
Total investment securities	**197,784**	**174,034**

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 2022 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.

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Performing	-	-	-	-
Excellent	132,931	-	-	132,931
Strong	9,215	-	-	9,215
Good	699	-	-	699
Satisfactory	-	-	-	-
Substandard	-	-	-	-
Credit impaired	-	-	-	-
Unrated	17,264	-	-	17,264
Total	**160,109**	**-**	**-**	**160,109**

	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**

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

	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2022	152,217	-	-	152,217
New assets originated or purchased	126,899	-	-	126,899
Assets derecognised or matured	(116,863)	-	-	(116,863)
Change in fair value	(2,144)	-	-	(2,144)
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 2022	160,109	-	-	160,109

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Fair value as at 1 January 2020	173,603	-	-	173,603
New assets originated or purchased	94,508	-	-	94,508
Assets derecognized 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 recognized	-	-	-	-
Amounts written off	-	-	-	-
Foreign exchange adjustments	-	-	-	-
As at 31 December 2021	**152,217**	**-**	**-**	**152,217**

	2022			
	Stage 1	Stage 2	Stage 3	Total
Fair value as at 1 January 2022	51	-	-	51
New assets originated or purchased	19	-	-	19
Assets derecognised or matured	(27)	-	-	(27)
Change in fair value	(9)	-	-	(9)
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 2022	**34**	**-**	**-**	**34**

	2021			
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	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	-	-	-	-
Loss allowance as at 31 December 2021	**51**	**-**	**-**	**51**

11. LOANS AND ADVANCES TO CUSTOMERS

	2022	2021
Non-retail customers		
Current and restructured loans	315,147	296,418
Overdraft facilities	52,896	43,446
	368,043	**339,864**
Retail customers		
Current and restructured loans	501,744	444,891
Overdraft facilities	22,148	19,951
	523,892	**464,842**
Loans and advances to customers	**891,935**	**804,706**
Less: Allowance for impairment	(28,988)	(26,457)
Loans and advances to customers, net	**862,946**	**778,249**

Loans and advances to customers include accrued interest income for € 2,786 thousand (31 December 2021: € 2,214 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:

					2022	2021
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	221,719	2,971	-	1	224,691	183,769
Strong	201,261	6,365	-	289	207,915	182,994
Good	107,244	11,060	-	790	119,094	183,114
Satisfactory	178,379	6,414	-	-	184,793	135,959
Substandard	15,978	27,633	-	-	43,611	21,372
Credit impaired	-	-	18,042	6,201	24,243	23,868
Unrated	86,341	1,193	-	54	87,588	73,630
Total	**810,922**	**55,636**	**18,042**	**7,335**	**891,935**	**804,706**

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 2022	683,566	95,882	18,000	7,258	804,706
New assets originated or purchased	463,678	21,540	1,212	1,430	487,860
Assets derecognised or repaid	(243,496)	(36,308)	(817)	(342)	(280,963)
Transfers to Stage 1	19,214	(18,776)	(438)	-	-
Transfers to Stage 2	(10,162)	10,298	(136)	-	-
Transfers to Stage 3	(2,847)	(2,972)	5,819	-	-
Changes due to change in credit risk (net)	(98,883)	(13,786)	(2,142)	(570)	(115,381)
Changes to contractual cash flows due to modifications not resulting in derecognition					
Amounts written off	(148)	(242)	(3,456)	(441)	(4,287)
Foreign exchange adjustments					
Gross carrying amount as at 31 December 2022	**810,922**	**55,636**	**18,042**	**7,335**	**891,935**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2022	3,999	3,372	14,903	4,183	26,457
New assets originated or purchased	2,231	3,195	908	706	7,040
Assets derecognised or repaid	(1,199)	(377)	(354)	(169)	(2,099)
Transfers to Stage 1	64	(59)	(5)	-	-
Transfers to Stage 2	(1,019)	1,042	(23)	-	-
Transfers to Stage 3	(1,998)	(2,269)	4,267	-	-
Changes due to change in credit risk (net)	2,083	890	(999)	(97)	1,877
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(148)	(242)	(3,456)	(441)	(4,287)
Foreign exchange adjustments					
Loss allowance as at 31 December 2022	**4,013**	**5,552**	**15,241**	**4,182**	**28,988**

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	-	-	-	-	-
Gross carrying amount as at 31 December 2021	**683,566**	**95,882**	**18,000**	**7,258**	**804,706**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2022 (2021: nil).

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 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	-	-	-	-	
Loss allowance as at 31 December 2021	**3,999**	**3,372**	**14,903**	**4,183**	**26,457**

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.

					2022	2021
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	325	-	-	-	325	157
Strong	24,639	2	-	-	24,641	3,933
Good	103,601	953	-	-	104,554	168,203
Satisfactory	178,379	6,414	-	-	184,793	135,959
Substandard	15,978	27,632	-	-	43,610	21,372
Credit impaired	-	-	3,883	6,202	10,085	10,045
Unrated	35	-	-	-	35	195
Total	**322,957**	**35,001**	**3,883**	**6,202**	**368,043**	**339,864**

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 2022	255,809	74,010	4,177	5,868	339,864
New assets originated or purchased	229,252	16,028	49	1,203	246,532
Assets derecognised or repaid	(145,191)	(32,635)	(450)	(202)	(178,478)
Transfers to Stage 1	16,094	(16,094)	-	-	-
Transfers to Stage 2	(4,272)	4,272	-	-	-
Transfers to Stage 3	(50)	(473)	523	-	-
Changes due to change in credit risk (net)	(28,685)	(9,919)	(205)	(272)	(39,081)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	(188)	(211)	(395)	(794)
Foreign exchange adjustments					
Gross carrying amount as at 31 December 2022	**322,957**	**35,001**	**3,883**	**6,202**	**368,043**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January 2022	968	847	3,365	3,117	8,297
New assets originated or purchased	409	2,368	17	547	3,341
Assets derecognised or repaid	(638)	(24)	(405)	(117)	(1,184)
Transfers to Stage 1	8	(8)	-	-	-
Transfers to Stage 2	(108)	108	-	-	-
Transfers to Stage 3	(45)	(256)	302	-	1
Changes due to change in credit risk (net)	(112)	176	2	311	377
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	-	(188)	(211)	(395)	(794)
Foreign exchange adjustments					
Loss allowance as at 31 December 2022	**482**	**3,023**	**3,070**	**3,463**	**10,038**

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					
Gross carrying amount as 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					
Loss allowance as at 31 December 2021	968	847	3,365	3,117	8,297

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2022 (2021: 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:

					2022	2021
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Total**
Performing	-	-	-	-	-	-
Excellent	221,393	2,971	-	1	224,365	183,612
Strong	176,623	6,363	-	289	183,275	179,061
Good	3,643	10,107	-	790	14,540	14,911
Satisfactory	-	-	-	-	-	-
Substandard	-	-	-	-	-	-
Credit impaired	-	-	14,159	-	14,159	13,823
Unrated	86,306	1,193	-	54	87,553	73,435
Total	**487,965**	**20,634**	**14,159**	**1,134**	**523,892**	**464,842**

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 2022	427,757	21,872	13,823	1,390	464,842
New assets originated or purchased	234,426	5,512	1,163	227	241,328
Assets derecognised or repaid	(98,305)	(3,673)	(367)	(140)	(102,485)
Transfers to Stage 1	3,120	(2,682)	(438)	-	-
Transfers to Stage 2	(5,890)	6,026	(136)	-	-
Transfers to Stage 3	(2,797)	(2,499)	5,296	-	-
Changes due to change in credit risk (net)	(70,199)	(3,866)	(1,937)	(298)	(76,300)
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(148)	(54)	(3,245)	(46)	(3,493)
Foreign exchange adjustments	-	-	-	-	-
Gross carrying amount as at 31 December 2022	**487,964**	**20,636**	**14,159**	**1,133**	**523,892**

	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowance as at 1 January 2022	3,031	2,525	11,538	1,066	18,160
New assets originated or purchased	1,823	827	891	159	3,700
Assets derecognised or repaid	(561)	(353)	51	(52)	(915)
Transfers to Stage 1	56	(51)	(5)	-	-
Transfers to Stage 2	(911)	934	(23)	-	-
Transfers to Stage 3	(1,952)	(2,013)	3,964	-	(1)
Changes due to change in credit risk (net)	2,194	714	(999)	(409)	1,500
Changes to contractual cash flows due to modifications not resulting in derecognition	-	-	-	-	-
Amounts written off	(148)	(54)	(3,245)	(46)	(3,493)
Foreign exchange adjustments	-	-	-	-	-
Loss allowance as at 31 December 2022	**3,532**	**2,529**	**12,172**	**718**	**18,951**

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	-	-	-	-	-
Gross carrying amount as 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	-	-	-	-	-
Loss allowance as at 31 December 2021	**3,031**	**2,525**	**11,538**	**1,066**	**18,160**

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity was nil at 31 December 2022 (2021: nil).

As at 31 December 2022 the Bank has 561 borrowers (31 December 2021: 609 borrowers) with aggregated loan amounts above € 100 thousand. The aggregate amount of these loans is € 390,567 thousand or 44 per cent of the gross loan portfolio (31 December 2021: € 316,979 thousand or 39 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 € 18,520 thousand.

As at 31 December 2022, there is one counterparty (2021: 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 € 242,420 thousand (2021: € 120,985 thousand).

12. OTHER ASSETS

	2022	2021
Prepayments and advances for services	729	377
Receivables from clearing transactions	-	3,461
Receivables from parent company	730	477
Other receivables	3,202	2,912
Repossessed properties	36	47
Total other assets	**4,697**	**7,274**

13. INVESTMENTS IN SUBSIDIARIES

	2022	2021
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:

Subsidiary	Principal place of business	Ownership interest	
		2022	2020
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 2022 is € 953 thousand (2021: € 1,634 thousand) and from Raiffeisen Insurance Broker is € 152 thousand (2021: 178 thousand).

14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

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

	2022	2021
Property, plant and equipment	30,376	31,550
Intangible assets	7,309	5,552
Right-of-use assets (ROU) under IFRS 16	1,769	2,215
Property, Plant and Equipment and Intangible Assets	**39,454**	**39,317**

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

	2022			
	Property	Vehicles	IT equipment	Total
Balance at 1 January	2,137	19	59	2,215
Additions in current year	533	-	-	533
Depreciation charge for the year	(845)	(6)	(13)	(864)
Disposals	(115)	-	-	(115)
Balance at 31 December	**1,710**	**13**	**46**	**1,769**

	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 as at 31 December	2,137	19	59	2,215

The total cash outflow for leases amount to € 966 thousand (2021: € 1,104 thousand).

The following table presents the maturity analysis – contractual undiscounted cash flows for the lease liability:

	2022	**2021**
Less than one year	121	41
One to five years	1,743	2,285
More than five years	-	-
Total undiscounted lease liabilities at 31 December	**1,864**	**2,326**
Lease liabilities included in Note 18 as at 31 December	**1,864**	**2,326**

As at 31 December 2022 and 2021, 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.

	2022	**2021**
Short-term lease commitments	14	13

	Buildings and land used for own purposes-work in progress	IT Equipment	Other equipment and leasehold improvements	Intangible assets	Total
Cost					
Opening Balance as at 1 January 2022	**24,728**	**14,246**	**9,488**	**25,238**	**73,700**
Additions	37	859	691	4,029	5,616
Disposals	-	(96)	(722)	-	(818)
Cost **As at 31 December 2022**	**24,765**	**15,009**	**9,457**	**29,267**	**78,498**
Accumulated depreciation and amortization					
Opening Balance as at 1 January 2022	**943**	**10,437**	**5,532**	**19,686**	**36,598**
Depreciation/amortization charge for the year (Note 25)	454	1,073	1,159	2,272	4,958
Disposals	4	(57)	(690)	-	(743)
As at 31 December 2022	**1,401**	**11,453**	**6,001**	**21,958**	**40,813**
Net book value at 31 December 2022	**23,364**	**3,556**	**3,456**	**7,309**	**37,685**

	Buildings and land used for own purposes-work in progress	**IT equipment**	**Other equipment and leasehold improvements**	**Intangible assets**	**Total**
Cost					
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)
Cost **As at 31 December 2021**	**24,728**	**14,246**	**9,488**	**25,238**	**73,700**
Accumulated depreciation and amortization					
As at 1 January 2021	**490**	**9,475**	**5,040**	**17,819**	**32,824**
Depreciation/amortization 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 as at 31 December 2021	**23,785**	**3,809**	**3,956**	**5,552**	**37,102**

As at December 2022 and 2021 there are no property, equipment and intangible assets encumbered of pledged to secure bank liabilities.

15. DUE TO BANKS

	2022	2021
Borrowings		
Overdrawn accounts used for operational purposes with other commercial Banks - OECD Countries	7,534	5,504
Deposits		
Other commercial banks - non OECD Countries	894	831
Total due to banks	**8,428**	**6,335**

16. DEPOSITS FROM CUSTOMERS

	2022	2021
Corporate customers:		
Current accounts	154,225	126,023
Savings accounts	1,354	945
Term deposits	-	-
	155,579	126,968
Retail customers:		
Current accounts	838,202	761,522
Savings accounts	131,990	130,426
Term deposits	3,198	3,859
	973,390	895,807
Total customer accounts	**1,128,969**	**1,022,775**

As at 31 December 2022, customer accounts include nil accrued interest (31 December 2021: nil). As at 31 December 2022 the Bank has 1,434 customers each with balances above € 100 thousand (31 December 2021: 1,201 customers). The aggregate balances of these customers are € 374,748 thousand or 33 per cent of total customer accounts (31 December 2021: € 293,781 thousand or 29 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 2022 was a gain of € 387 thousand (2021: a gain of € 148 thousand).

Fair value of SWAP contracts as at 31 December 2022 was € 101 thousand and reported as liability (2021: loss of € 458 thousand). Details of related party balances are presented in Note 29.

	2022	2021
Opening balance 01 January	**458**	**600**
Interest payable on Swaps	(744)	(290)
Change from fair value	387	148
Fair value as of 31 December	**101**	**458**

18. PROVISIONS AND OTHER LIABILITIES

	2022	2021
Clearing deposits from payment transfer business	2,715	519
Deferred income	263	276
Accrued staff costs	589	468
Payables to suppliers	7,935	3,229
Accrued operating expenses	998	526
Other taxes payable	1,057	845
Lease liability IFRS 16 (Note 14)	1,864	2,326
Other	1,675	462
Other liabilities	**17,096**	**8,651**
Provision for litigations and off-balance sheet credit exposures (see below)	630	883

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 € 2,715 thousand as at 31 December 2022 (31 December 2021: € 519 thousand).
Deferred income as at 31 December 2022 and 31 December 2021 represents the amount of deferred fees for customer overdrafts.

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

	2022	2021
Provision for litigations and off-balance sheet credit exposures at the beginning of the year	**883**	**1,234**
Provision / (release of provision) for off balance sheet credit exposures (note 6)	116	(28)
(Release of provision) for legal litigations (note 25)	(370)	(323)
Provision for litigations and off-balance sheet credit exposures at the end of the year	**630**	**883**

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

	2022	2021
Provision for off balance sheet credit exposures	514	397
Provision for litigations	116	486
Total Provision	**630**	**883**

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 2022 and 2021:

	2022	2021
Subordinated loan	**-**	**19,298**

The subordinated loan bears an annual effective interest rate of 8.95 per cent (2021: 8.95 per cent). The subordinated loan has been repaid fully in 2022.

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 2022 and 2021 is as follows:

	2022			2021		
Shareholder	Number of shares	Amount in '000 Euro	Voting share	Number of shares	Amount in '000 Euro	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 2022 and 2021:

	2022	2021
Dividend per share	220	324

21. INTEREST INCOME AND EXPENSE

	2022	2021
Interest income at effective interest		
Non-trading financial assets mandatorily at fair value through profit or loss	120	95
Financial assets at fair value through other comprehensive income	1,373	396
Financial assets at amortized cost	53,268	48,249
Total interest income	**54,761**	**48,740**
Interest expense		
Financial liabilities held for trading	(124)	(156)
Financial liabilities measured at amortised cost	(1,732)	(1,832)
Other liabilities	(86)	(12)
Interest expense on financial assets	(46)	(202)
Interest expense on lease liabilities	(241)	(345)
Total interest expense	**(2,229)**	**(2,547)**
Net interest income	**52,532**	**46,193**

22. DIVIDEND INCOME

	2022	2021
Dividend income from investments in subsidiaries	1,105	1,811

Dividend received from bank's subsidiaries as disclosed in the note 13 above.

Dividend amount from Raiffeisen Leasing Kosovo LLC is € 953 thousand (2021: € 1,634 thousand) and from Raiffeisen Insurance Broker is € 152 thousand (2021: € 178 thousand).

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.

	2022	2021
ATM & Card related fees	14,931	12,744
Account service fees	5,538	4,817
Payments transfer fees	4,066	3,190
Trade finance commission	961	966
Other banking services	43	90
Total fee and commission income from contracts with customers	25,539	21,807
Financial guarantee contracts and loan commitments	-	-
Total fee and commission income	**25,539**	**21,807**
Payment transfer business	(9,839)	(8,597)
Other banking services	(1,318)	(1,008)
Total fee and commission expense	**(11,157)**	**(9,605)**
Net fee and commission income	**14,382**	**12,202**

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

	2022	2021
Gains or losses on economic hedge derivatives (BB derivatives)	544	167
Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss	(927)	(129)
Exchange differences (gain or loss)	98	12
Total gains or losses on financial assets and liabilities	**(285)**	**50**

25. OTHER OPERATING INCOME

	2022	2021
Competence Center income	4,208	2,546
Foreign currency business (trading income)	2,711	1,936
Profit from sale of repossessed assets	57	78
Profit from fixed assets disposal	20	38
Other operational income	746	137
Cash in transit service fees	4	3
Total other operating income	**7,746**	**4,738**

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

	2022	2021
Salaries and wages	15,491	12,839
Pension contributions	707	624
Other voluntary social expenses	2,344	1,554
Share incentives	-	-
Total personnel expenses	**18,542**	**15,017**

The Raiffeisen 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 2022 amounted to € 972 thousand (2021: € 1,117 thousand).

27. DEPRECIATION AND AMORTIZATION

	2022	2021
Depreciation of tangible assets	2,718	2,746
Depreciation for ROU	864	873
Total Depreciation of property and equipment	**3,582**	**3,619**

	2022	2021
Amortization of intangible assets	2,272	1,867

28. OTHER OPERATING EXPENSES

	2022	2021
IT cost	3,489	3,752
Legal, advisory and consulting expenses	2,709	2,120
Deposit insurance fees	1,730	1,601
Office space expenses (rental, maintenance, other)	1,091	1,025
Advertising, PR and promotional expenses	1,426	864
Security expenses	798	1,012
Expenses for legal litigations	(370)	323
Other administrative expense	533	374
Training expenses for staff	299	198
Communication expenses	255	160
Office supplies	208	156
Car expenses	245	257
Travelling expenses	288	71
Total other operating expenses	**12,701**	**11,913**

29. LOAN MODIFICATION GAINS/LOSSES

	2022	2021
Loan modification gains/losses	**-**	**(114)**

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. For year 2022 there was no substantial modification gain or loss from the derecognition of financial assets classified at amortised cost (31 December 2021: loss of 114 thousand).

				2022
	Stage 1	Stage 2	Stage 3	POCI
Modifications that have not resulted in derecognition	(18)	(31)	1	2

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

30. INCOME TAX EXPENSE

The income tax rate applicable to the Bank's income is 10 per cent (31 December 2021: 10 per cent). The reconciliation between the expected and the actual taxation charge is provided below.

	2022	2021
Current tax charge	3,386	3,148
Deferred taxation	368	(23)
Income tax expense for the year	**3,754**	**3,125**

		2022		2021
Profit before taxation		**33,109**		**29,444**
Tax charge for the year at the applicable statutory rate	10%	3,311	10%	2,944
Tax effect of items which are not deductible for taxation purposes and other regulatory differences	0.23%	75	0.69%	204
Current tax charge (effective income tax rate)	**10.23%**	**3,386**	**10.69%**	**3,148**

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.

	2021	Movement 2021	2022
Tax effect of deductible temporary differences			
Property, equipment and intangible assets	35	(35)	-
Term deposits – accrued interest	2	(2)	-
Other legal provisions	81	(81)	-
Gross deferred tax asset	**118**	**(118)**	**-**
Tax effect of taxable temporary differences			
Loan impairment provision	-	-	-
Provision for off-balance sheet credit exposure	-	12	12
Property, equipment and intangible assets	-	103	103
Other payables to staff	-	113	113
Total deferred tax liability	**-**	**228**	**228**
Total net deferred tax liability	**118**	**110**	**228**
	2020	**Movement 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 deferred tax liability	**-**	**-**	**-**
Total net deferred tax (liability)/asset	**118**	**23**	**141**

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 2022 and 2021:

	2022	2021
Income tax on financial investments through OCI	**44**	**3**

31. CONTIGENCIES AND COMMITMENTS

Legal proceedings & other regulatory fines

From time to time and in the normal course of business, claims against the Bank are received. As at 31 December 2022, 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 € 116 thousand (2021: € 486 thousand) as the nearest estimate of possible cash outflows arising from possible court decisions and the fine.

Capital commitments

As of 31 December 2022, the Bank has no capital commitments in respect of the purchase of equipment and software (31 December 2021: 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 if 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:

	2022	2021
Commitments to extend credit	53,284	50,964
Guarantees (credit facility)	38,407	43,260
Guarantees (cash covered)	4,332	4,198
Letters of credit (credit facility)	3,122	2,178
Letters of credit (cash cover)	41	-
Trade Finance line of credit	6,132	5,042
Stand by letter of credit	2,041	1,894
Total credit related commitments	**107,359**	**107,536**
Allowance for credit related commitments (Note 18)	(514)	(397)
Net credit related commitments	**106,845**	**107,139**

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.

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 have been closed and the bank has received the final report for 2014 where there are no changes to the declared taxes by the bank, while for 2019 there is an immaterial difference for which the bank has submitted a claim and is expected to be closed in favour of the bank.

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 2022, the Bank has five interest rate SWAP contracts with a notional amount of € 1,830 thousand (2021: € 1,830 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:

	2022			2021		
	Parent	Subsid-iaries	Other related party	Parent	Subsid-iaries	Other related party
Assets	**1579**	**3,235**	**778**	**1,450**	**5,055**	**312**
Cash and cash equivalents and mandatory reserve	-	-	-	-	-	-
Due from banks	842	-	-	966	-	-
Loans and advances to customers	-	1,001		-	2,821	
Other loans	-	-	-	-	-	-
Other assets	730	-	730	484	-	251
Investments in subsidiaries	-	2,234	-	-	2,234	-
Property, equipment and intangible assets – NBV	7	-	48	-	-	61
Liabilities	**1,737**	**1,494**	**1,808**	**19,776**	**217**	**507**
Customer accounts						
Due to banks	-	1,494	-	-	217	135
Subordinated debt	-	-	-	19,298	-	-
Other liabilities	1,737	-	1,808	478	-	372

	2022			2021		
	Parent	Subsid-iaries	Other related party	Parent	Subsid-iaries	Other related party
Statement of profit and loss and other comprehensive income	(198)	1,128	(1,517)	(2,860)	1,876	(1,296)
Interest income	-	11	-	-	13	31
Interest expense	(1,773)	-	(2)	(1,910)	(1)	(2)
Dividend income	-	1,105		-	1,811	
Net fees and commission	(638)	-	(1,355)	(929)	-	(1,486)
Net valuation result financial instruments carried at fair value	544	-	-	167	-	-
Other operating income	3,185	12	29	2,372	53	175
Other operating expenses	(1,516)	-	(189)	(2,560)	-	(14)
Off Balance Sheet	**-**	**2,005**	**-**	**-**	**2,184**	**-**
Guarantees	-		-	-		-
Letter of credit						
Other commitments	-	2,005	-	-	2,184	-

In the following table are presented management remuneration for the year ended 31 December 2022 and 2021:

	2022	2021
Short-term employee benefits	972	1,117

33. SUBSEQUENT EVENTS

There are no subsequent events after the end of the reporting period that require adjustment or disclosure in the separate financial statements.

Service

Addresses and contacts

Raiffeisen Bank Kosovo J.S.C.

Head Office
Robert Doll, No. 101
10000 Prishtina
Tel: +383 (0)38 222 222, ext. 735
SWIFT Code: RBKOXKPR
IBAN Code: XK05
E-mail: info@raiffeisen-kosovo.com

REGIONAL BRANCH IN PRISHTINA
Robert Doll, No. 101
10000 Prishtina
Tel: +383 (0)38 222 222, ext. 735

Branch in Prishtina
Agim Ramadani Street, No. 227
10000 Prishtina
Tel: +383 38 222 222, ext. 344

Branch in Prishtina
Vëllezërit Fazliu Street, Kodra e Trimave
10000 Prishtina
Tel: +383 38 222 222, ext. 465

Cashless Branch in Prishtina
Rrahim Beqiri Street, No. 29, Bregu i Diellit
10000 Prishtina
Tel: +383 (0)38 222 222, ext. 420

Cashless Branch in Prishtina
Bulevardi i Deshmorëve, Ulpianë
10000 Prishtina
Tel: +383 38 222 222, ext. 277

Cashless Branch in Prishtina
UCK Street, No. 25
10000 Prishtina
Tel: +383 38 222 222, ext. 142

Branch in Fushë Kosova
Nëna Terezë Street, No. 80
12000 Fushe Kosova
Tel: +383 (0)38 222 222, ext. 470

Cashless Branch in Obiliq
Hasan Prishtina Street, n.n. 36
12000 Obiliq
Tel: +383 (0)38 222 222, ext. 467

Cashless Branch in Drenas
Fehmi dhe Xheve Ladrovci Street, n.n.
13000 Gllogovc
Tel: +383 (0)38 222 222, ext. 460

Branch in Gracanica
Main Street, n.n.
Tel: +383(0) 222 222 ext 450

Cashless Branch in Lipjan
Lidhja e Prizrenit Street, No. 35
14000 Lipjan
Tel: +383 (0)38 222 222, ext. 440

Cashless Branch in Podujeva
Zahir Pajaziti Street, n.n.
11000 Podujeva
Tel: +383 (0)38 222 222, ext. 430

Cashless Branch in Skenderaj
Adem Jashari Square, No. 15
41000 Skenderaj
Tel: +383 (0)38 222 222, ext. 570

REGIONAL BRANCH IN FERIZAJ
Dëshmorët e Kombit Street, No. 39
70000 Ferizaj
Tel: +383 (0)38 222 222, ext. 584

Cashless Branch in Hani i Elezit
Adem Jashari Street
71510 Hani i Elezit
Tel: +383 (0)38 222 222, ext. 486

Cashless Branch in Kaçanik
Ismail Raka Street, n.n.
71000 Kaçanik
Tel: +383 (0)38 222 222, ext. 670

Cashless Branch in Shtrpce
Main Street, n.n.
73000 Shtërpce
Tel: +383 (0)38 222 222, ext. 690

REGIONAL BRANCH IN GJAKOVA
Skenderbeu Street, n.n.
50000 Gjakovë
Tel: +383 (0)38 222 222, ext. 701

Cashless Branch in Rahovec
Avdullah Bugari Street, n.n.
21010 Rahovec
Tel: +383 (0)38 222 222, ext. 732

Cashless Branch in Malisheva
Gjergj Kastrioti - Skenderbeu Street, n.n.
24000 Malisheva
Tel: +383 (0)38 222 222, ext. 530

REGIONAL BRANCH IN GJILAN
Adem Jashari Street, No. 110
60000 Gjilan
Tel: +383 (0)38 222 222, ext. 750

Cashless Branch in Gjilan
Mulla Idrizi Street, No. 30
60000 Gjilan
Tel: +383 (0)38 222 222, ext. 765

Cashless Branch in Kamenica
Sheshi Skenderbeu, n.n.
62000 Kamenica
Tel: +383 (0) 38 222 222, ext. 770

Cashless Branch in Viti
28 Nentori Street, n.n.
61000 Viti
Tel: +383 (0) 38 222 222, ext. 780

REGIONAL BRANCH IN MITROVICA
Sheshi Shemsi Ahmeti, n.n.
40000 Mitrovica
Tel: +383 (0)38 222 222, ext. 550

Cashless Branch in Vushtrri
Dëshmorët e Kombit Street, n.n.
42000 Vushtrri
Tel: +383 (0)38 222 222, ext. 560

Branch in North Mitrovica
Kralja Petra I Street, n.n.
Tel: +383 (0)38 222 222, ext. 580

Branch in Brnjak
Border with Serbia
Customs Terminal 1 in Brnjak
Tel: +383 (0)38 222 222, ext. 584

Branch in Jarinje
Border with Serbia
Customs Terminal 31 in Jarinje
Tel: +383 (0)38 222 222, ext. 588

REGIONAL BRANCH IN PEJA
Haxhi Zeka Square, n.n.
30000 Peja
Tel: +383 (0) 38 222 222, ext. 607

Cashless Branch in Decan
Luan Haradinaj Street, n.n.
51000 Deçan
Tel: +383 (0)38 222 222, ext. 620

Cashless Branch in Istog
Fadil Ferati Street, No. 22
31000 Istog
Tel: +383 (0)38 222 222, ext. 640

Cashless Branch in Klina
Mujë Krasniqi Square, n.n.
32000 Klina
Tel: +383 (0) (0)38 222 222, ext. 630

REGIONAL BRANCH IN PRIZREN
Nëna Terezë Street, Bazhdarhane, No. 7
20000 Prizren
Tel: +383 (0)38 222 222, ext. 507

Cashless Branch in Prizren
Shaip Spahiu Street, Shadervan
20000 Prizren
Tel: +383 (0)38 222 222, ext. 520

Cashless Branch in Dragash
Sheshi i Dëshmorëve, No. 22
22000 Dragash
Tel: +383 (0)38 222 222, ext. 535

Branch in Suhareka
Brigada 123 Street, n.n.
23000 Suhareka
Tel: +383 (0)38 222 222, ext. 540

Raiffeisen Bank International AG

Austria
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707-0
SWIFT/BIC: RZBATWW
www.rbinternational.com

CEE banking network

Albania
Raiffeisen Bank Sh.A.
Rruga "Tish Daija"
Kompleksi Kika 2
1000 Tirana
Tel: +355-4-23 81 381
SWIFT/BIC: SGSBALTX
www.raiffeisen.al

Belarus
Priorbank JSC
V. Khoruzhey St. 31A
220002 Minsk
Tel: +375-17-28 9-9090
SWIFT/BIC: PJCBBY2X
www.priorbank.by

Bosnia and Herzegovina
Raiffeisen Bank d.d.
Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Tel: +387-33-75 50 10
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Croatia
Raiffeisenbank Austria d.d.
Magazinska cesta 69
10000 Zagreb
Tel: +385-72-626 262
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic
Raiffeisenbank a.s.
Hvězdova 1716/2b
14078 Prague 4
Tel: +420-412 440 000
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary
Raiffeisen Bank Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-1-48 446-84
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo
Raiffeisen Bank Kosovo J.S.C.
Robert Doll St. 99
10000 Pristina
Tel: +383-38-222 222
SWIFT/BIC: RBKOXKPR
www.raiffeisen-kosovo.com

Romania
Raiffeisen Bank S.A.
Calea Floreasca 246C
014476 Bucharest
Tel: +40-21-30 630 02
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia
AO Raiffeisenbank
Smolenskaya-Sennaya Sq. 28
119002 Moscow
Tel: +7-495-721 99 00
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

Serbia
Raiffeisen banka a.d.
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-32 021 00
SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia
Tatra banka, a.s.
Hodžovo námestie 3
81106 Bratislava 1
Tel: +421-2-59 19-1000
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Ukraine
Raiffeisen Bank JSC
Leskova St. 9
01011 Kiev
Tel: +38-044-490 8888
SWIFT/BIC: AVALUAUK
www.raiffeisen.ua

Leasing companies

Austria
Raiffeisen-Leasing
Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 601-0
www.raiffeisen-leasing.at

Albania
Raiffeisen Leasing Sh.a.
Rruga "Tish Daija"
Kompleksi "Haxhiu" Godina 1
Kati 7-te
1000 Tirana
Tel: +355-4-22 749 20
www.raiffeisen-leasing.al

Belarus
"Raiffeisen-Leasing" JLLC
V. Khoruzhey St. 31 A
220002 Minsk
Tel: +375-17-28 9-9394
www.rl.by

Bosnia and Herzegovina
Raiffeisen Leasing d.o.o. Sarajevo
Zmaja od Bosne bb.
71000 Sarajevo
Tel: +387-33-254 340
www.rlbh.ba

Croatia
Raiffeisen Leasing d.o.o.
Magazinska cesta 69
10000 Zagreb
Tel: +385-1-65 9-5000
www.raiffeisen-leasing.hr

Czech Republic
Raiffeisen-Leasing s.r.o.
Hvězdova 1716/2b
14000 Prague 4
Tel: +420-2-215 116 11
www.rl.cz

Hungary
Raiffeisen Corporate Lízing Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-1-486 5177
www.raiffeisenlizing.hu

Kosovo
Raiffeisen Leasing Kosovo LLC
St. UÇK no. 222
10000 Pristina
Tel: +383-38-222 222-340
www.raiffeisenleasing-kosovo.com

Romania
Raiffeisen Leasing IFN S.A.
Calea Floreasca 246 D
014476 Bucharest
Tel: +40-21-30 644 44
www.raiffeisen-leasing.ro

Russia
OOO Raiffeisen-Leasing
Smolenskaya-Sennaya Sq. 28
119121 Moscow
Tel: +7-495-72 1-9980
www.raiffeisen-leasing.ru

Serbia
Raiffeisen Leasing d.o.o.
Djordja Stanojevica 16
11070 Novi Beograd
Tel: +381-11-220 7400
www.raiffeisen-leasing.rs

Slovakia
Tatra-Leasing s.r.o.
Hodžovo námestie 3
81106 Bratislava
Tel: +421-2-5919-5919
www.tatraleasing.sk

Slovenia
Raiffeisen Leasing d.o.o.
Letališka cesta 29a
1000 Ljubljana
Tel: +386-8-281-6200
www.raiffeisen-leasing.si

Ukraine
LLC Raiffeisen Leasing
Stepan Bandera Av. 9
Build. 6 Office 6-201
04073 Kiev
Tel: +38-044-590 24 90
www.raiffeisen-leasing.com.ua

Branches and representative offices – Europe

Belgium
RBI Liaison Office Brussels
Rue de l'Industrie 26-38
1040 Brussels
Tel: +32 2 28968–56

France
RBI Representative Office Paris
9-11 Avenue Franklin D. Roosevelt
75008 Paris
Tel: +33-1-45 612 700

Germany
RBI Frankfurt Branch
Wiesenhüttenplatz 26
60329 Frankfurt
Tel: +49-69-29 921 924

Poland
RBI Poland Branch
Plac Konesera 8
03-736 Warsaw
Tel: +48-22-5785602

Slovakia
RBI Slovak Branch
Karadžičova 14
82108 Bratislava
Tel: +421 2 57203041
https://sk.rbinternational.com

Sweden
RBI Representative Office
Nordic Countries
Drottninggatan 89, 14th Floor
11360 Stockholm
Tel: +46-8-440 5086

Turkey
Raiffeisen Investment AG
Bahtiyarlar Sok. No. 8 Etiler
34337 Istanbul
Tel: +90 212 287 10 80

United Kingdom
RBI London Branch
Tower 42, Leaf C 9th Floor
25 Old Broad Street
London EC2N 1HQ
Tel: +44-20-79 33-8000

Branches and representative offices – Asia

China
RBI Beijing Branch
Unit 700 (7th Floor), Building No. 6
Jianguomenwai Dajie 21
100020 Beijing
Tel: +86-10-65 32-3388
India
RBI Representative Office Mumbai
501, Kamla Hub,
Gulmohar Rd, Juhu
Mumbai 400049
Tel: +91-22-26 230 657

Korea
RBI Representative Office Korea
#1809 Le Meilleur Jongno Town
24 Jongno 1 ga
Seoul 110-888
Tel: +82-2-72 5-7951

Singapore
RBI Singapore Branch
50 Raffles Place
#31-03 Singapore Land Tower
Singapore 048623
Tel: +65-63 05-6000

Vietnam
RBI Representative Office
Ho-Chi-Minh-City
35 Nguyen Hue Str.,
Harbour View Tower
Room 601A, 6th Floor, Dist. 1
Ho-Chi-Minh-City
Tel: +842-8-38 214 718,
+842-8-38 214 719

Selected subsidiaries

Austria
Elevator Ventures Beteiligungs GmbH
Praterstraße 1, Space 24
1020 Vienna
www.elevator-ventures.com

Kathrein Privatbank
Aktiengesellschaft
Wipplingerstraße 25
1010 Vienna
Tel: +43-1-53 451-300
www.kathrein.at

Raiffeisen Bausparkasse
Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-54 646-0
www.bausparen.at

Raiffeisen Continuum GmbH
Am Stadtpark 9
1030 Vienna
Tel: +43-1-71 707-0

Raiffeisen Digital Bank AG
Am Stadtpark 9
1030 Vienna
Tel: +43-1-51 520-0
www.raiffeisendigital.com

Raiffeisen Factor Bank AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-219 74 57
www.raiffeisen-factorbank.at

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 170-0
www.rcm.at

Raiffeisen Wohnbaubank Aktiengesellschaft
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 707-3159
www.raiffeisen.at/wohnbaubank

Valida Holding AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-31 648-0
www.valida.at

USA
RB International Markets (USA) LLC
1177 Avenue of the Americas, 5th Floor
New York, NY 10036

Publication details

Editor, Publisher
Raiffeisen Bank Kosovo J.S.C.
Robert Doll Street, No. 99
10000 Prishtina
Phone: +383-38-22 222 2
SWIFT/BIC: RBKOXKPR
IBAN code: XK05
www.raiffeisen-kosovo.com

Editorial team:
Sustainability and Communications Department and Finance Department

Pre-press:
New Moment New Ideas

The online version of the annual report is available in English and Albanian at: www.raiffeisen-kosovo.com

This annual report has been prepared and the data checked with the greatest possible care. However, rounding, transmission, typesetting and printing errors cannot be ruled out. This annual report was prepared in English. The annual report in Albanian version is a translation of the original English version. The English version supersedes the Albanian version.

Raiffeisen BANK
Kosovo

www.raiffeisen-kosovo.com