EXPOBANK A.D. BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBAR 2018

CONTENT:

Building a better
working world

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This is an English translation of the Report originally issued in Serbian language (For management purposes only)

INDEPENDENT AUDITORS' REPORT

TO THE OWNERS OF EXPOBANK A.D. BEOGRAD

We have audited the accompanying financial statements of Expobank a.d. Beograd (hereinafter: the Bank), which comprise the balance sheet as at 31 December 2018, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing as applicable in the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Report on other legal and regulatory requirements

We have reviewed the annual business report of the Bank. Management is responsible for the preparation of the annual business report in accordance with the legal requirements of the Republic of Serbia. Our responsibility is to assess whether the annual business report is consistent with the annual financial statements for the same financial year. Our work regarding the annual business report has been restricted to assessing whether the accounting information presented in the annual business report is consistent with the annual financial statements and did not include reviewing other information contained in the annual business report originating from non-audited financial or other records. In our opinion, the accounting information presented in the annual business report is consistent, in all material respects, with the financial statements of the Bank for the year ended 31 December 2018.

Belgrade, 25 March 2019

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

Danijela Mirković
Authorised Auditor
For Ernst & Young d.o.o. Beograd

INCOME STATEMENT
Year Ended 31 December 31 2018
(Thousands of RSD)

	Note	2018	2017
Interest income	6	693.096	766.316
Interest expenses	6	(172.374)	(182.877)
Net interest income		520.722	583.439
Fee and commission income	7	142.487	166.542
Fee and commission expenses	7	(23.205)	(33.688)
Net fee and commission income		119.282	132.854
Net gains from derecognition of the financial instruments measured at fair value	8	46.074	652
Net gain based on protection from risk	9	3.412	2.643
Net exchange rate gains and gains on agreed currency clause	10	28.685	7.399
Net income from reduction in impairment of financial assets not measured at fair value through income statement	11	146.367	156.005
Other operating income	12	11.562	37.745
Total net operating income		876.104	920.737
Salaries, salary compensations and other personal expenses	13	(334.307)	(414.569)
Depreciation costs	14	(61.058)	(76.912)
Other income	15	6.966	1.982.294
Other expenses	16	(350.414)	(580.684)
Profit before taxes		137.291	1.830.866
Gains/(losses) on deferred taxes	17	2.270	(22.981)
Profit after tax		139.561	1.807.885
Net current year profit		139.561	1.807.885
Earnings per share	18	12,30	159

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

These financial statements were approved by the Executive Board of Expobank A.D., Beograd on March 25, 2019.

Signed on behalf of Expobank A.D., Beograd by:

Dragana Radaković
Financial Control Manager

"Expobank" akcionarsko društvo Beograd
Expobank

Borislav Strugarević
Chairman of the Executive Board

STATEMENT OF OTHER COMPREHENSIVE INCOME
Year Ended December 31, 2018
(Thousands of RSD)

	2018	2017
PROFIT FOR THE PERIOD	139.561	1.807.885
Components of other comprehensive income which cannot be reclassified to profit or loss:	-	-
Positive effects of change in the values of debt securities measured at fair value trough other comprehensive income	35.642	58.098
Decrease of revaluation reserves due to sale of fixed assets	-	(2.944)
Actuarial losses	(141)	(224)
Total positive other comprehensive income	35.501	54.930
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	175.063	1.862.815

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Financial Control Manager

Borislav Strugarević
Chairman of the Executive Board

BALANCE SHEET
As of December 31, 2018
(Thousands of RSD)

	Note	2018.	2017.
ASSETS			
Cash and cash funds held with the central bank	19	1.590.911	1.884.298
Securities	20	1.632.306	2.538.041
Loans and receivables from banks and other financial institutions	21	455.870	64.562
Loans and receivables from customers	22	10.888.409	9.529.386
Receivables on financial derivatives for risk protection		6.000	2.736
Intangible assets	23	55.225	51.688
Property, plant and equipment	24	288.735	309.536
Investment property	25	219.785	201.636
Current tax assets		1.274	1.325
Other assets	26	370.633	415.923
TOTAL ASSETS		15.509.148	14.999.131
LIABILITIES AND EQUITY			
Deposits and other liabilities to banks, other financial institutions and central bank	27	3.002.981	4.556.647
Deposits and other liabilities due to customers	28	8.471.097	6.510.773
Liabilities on financial derivatives for risk protection		-	134
Provisions	29	28.229	24.498
Deferred tax liabilities	30	10.447	12.717
Other liabilities	31	114.020	101.323
TOTAL LIABILITIES		11.626.774	11.206.092
EQUITY			
Share capital	32	8.549.095	8.549.095
Loss	32	(5.115.028)	(5.226.959)
Reserves	32	448.307	470.903
TOTAL EQUITY		3.882.374	3.793.039
TOTAL LIABILITIES AND EQUITY		15.509.148	14.999.131

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Borislav Strugarević
Chairman of the Executive Board

STATEMENT OF CHANGES IN EQUITY
For the period from 1 January to 31 December 2018
(Thousands of RSD)

	Share capital and other equity	Premium on issue of shares	Reserves from profit and other reserves	Revaluation reserves and unrealized losses	(Loss)/profit	Total
Opening balance at 1 January 2017	5.548.556	2.877.487	151.673	265.887	(7.036.431)	1.807.172
Current year profit	-	-	-	-	1.807.885	1.807.885
Other comprehensive income						
Change in revaluation reserves based on sale of property	-	-	-	(2.944)	-	(2.944)
Effect of change in fair value of financial assets	-	-	-	58.098		58.098
Actuarial losses	-	-	-	(224)	-	(224)
Total other comprehensive income of the period	-	-	-	54.930	1.807.885	1.862.815
Transfer from reserve to result due to cancellation of reserve	-	-	-	(1.587)	1.587	-
Transfer from preferential to ordinary shares	123.052	-	-	-	-	123.052
Balance as at December 31 2017	5.671.608	2.877.487	151.673	319.230	(5.226.959)	3.793.039
Opening balance as at 1 January 2018	5.671.608	2.877.487	151.673	319.230	(5.226.959)	3.793.039
Effect of first implementation of IFRS 9	-	-	-	-	(27.630)	(27.630)
Corrected balance as at 1 January 2018	5.671.608	2.877.487	151.673	319.230	(5.254.589)	3.765.409
Current year profit	-	-	-	-	139.561	139.561
Other comprehensive income						
Effect of change in fair value on financial assets	-	-	-	35.642		35.642
Actuarial losses	-	-	-	(141)	-	(141)
Total other comprehensive income of the period	-	-	-	35.501	-	35.501
Effect of sale of securities and writing off from other comperehensive income	-	-	-	(58.097)	-	(58.097)
Balance as at December 31, 2018	5.671.608	2.877.487	151.673	296.634	(5.115.028)	3.882.374

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

These financial statements were approved by the Executive Board of Expobank A.D., Beograd on March 25, 2019.

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Borislav Strugarević
Chairman of the Executive Board

CASH FLOW STATEMENT
For the period from 1 January to 31 December 2018
(Thousands of RSD)

	2018	2017
OPERATING ACTIVITIES		
Cash inflows from operating activities	1.003.220	1.496.989
Inflows from interests	694.614	746.472
Inflows from fees and commissions	142.668	166.569
Inflows from other operating activities	165.938	583.948
Cash outflows from operating activities	(848.495)	(1.020.390)
Outflows from interests	(171.075)	(201.325)
Outflows from fees and commissions	(23.442)	(33.940)
Outflows from gross salaries, wages and other personal expenses	(350.749)	(457.053)
Outflows from taxes, contributions and other duties charged	(82.781)	(110.134)
Outflows from other operating expenses	(220.448)	(217.938)
Net cash inflow / (outflow) from operating activities before increase or decrease in loans and deposits	154.725	476.599
Decrease of financial assets and increase of financial liabilities	2.413.902	4.971.870
Decrease of loans and other receivables from banks and other financial institutions	-	4.971.870
Decrease in claims based on securities, derivatives and other financial assets not intended for investment	905.869	-
Increase in deposits and other financial liabilities towards banks and other financial institutions, central bank and customers	1.508.033	-
Increase in placements and decrease in borrowings and other liabilities	(1.443.924)	(3.655.196)
Decrease in loans and receivables from banks and other financial institutions, the central bank and customers	(1.443.691)	-
Increase of assets initially recognized at fair value through IS, assets intended for trading and other securities not intended for financing	-	(1.514.673)
Decrease in deposits and other liabilities due to banks, other financial institutions, central banks and customers	-	(2.140.523)
Decrease in other financial liabilities	(233)	-
Net cash inflow/outflow from operating activities before income tax	1.124.703	1.793.273
Paid income tax	-	-
Net cash inflow/outlow from operating activities	1.124.703	1.793.273

All amounts are expressed in thousands of RSD except if indicated otherwise

	2018	2017
INVESTMENT ACTIVITIES		
Inflows/(outflows) from the sale/(purchase) of intangible assets, property, plant and equipment	(43.841)	107.061
Other outflows from investment activities	-	(1.170.453)
Net cash outflow from investment activities	(43.841)	(1.063.392)
FINANCING ACTIVITIES		
Inflows/(outflows) from borrowings, net	(1.102.399)	(2.180.228)
Net cash inflow/(outflow) from financing activities	(1.102.399)	(2.180.228)
TOTAL CASH INFLOWS	3.417.122	6.575.919
TOTAL CASH OUTFLOWS	3.438.659	8.026.266
NET CASH INCREASE/DECREASE	(21.537)	(1.450.347)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	963.349	2.105.915
FOREIGN EXCHANGE LOSSES, NET	29.466	307.781
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	971.278	963.349

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These financial statements were approved by the Executive Board of Expobank A.D., Beograd on March 25, 2019.

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Dragana Radaković
Financial Control Manager

"Expobank" akcionarsko društvo Beograd
Expobank

Borislav Štrugarević
Chairman of the Executive Board

1. GENERAL BANK INFORMATION

Expobank A.D. Belgrade was founded on 28 December 1990. The Bank was registered according to the Law on Banks for performing payment transactions in the country and abroad and credit and deposit transactions in the country.

The Bank's headquarter is located in Belgrade, at 22 Dalmatinska Street, where the Main Office of the Bank is also located. The business network of branch offices, business units and cash desks as at 31 December 2017 is comprised of 7 organization units (31 December 2017: 7 organization units).

As at 31 December 2017, the Bank had 157 employees (31 December 2017: 174 employees), while the average number of employees in 2018 was 167 (in 2016: 218).

The Bank's company ID no. is 07534183, and the tax identification number 100003148

With the Decision of the Business Registers Agency BD 25736/2017 dated 28 March 2017, Ernst Bekker was appointed as member of the Executive Board of the Bank. .

With the Decision of the Business Registers Agency BD 82147/2014 dated 2 October 2014, Borislav Strugarević was appointed as the Chairman of the Executive Board.

On 31 December 2018 the members of the Executive Board are: Borislav Strugarević and Ernst Bekker.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENT

2.1. Basis for preparation and presentation of financial statements

The Bank prepares financial statements in accordance with the accounting regulations relevant in the Republic of Serbia, as well as the legislature of the National Bank of Serbia. According to the Law on Accounting, the banks are obliged to perform bookkeeping and prepare financial statements consistent with International Accounting Standards (IAS). The financial statements are presented in the form determined by the Decision on forms and contents of positions in financial statements for the banks' forms („Official Gazette of RS“ no 71/2014, 135/2014, 103/2018)

Financial statements are compiled in accordance with International Financial Reporting Standards (IFRS). The statements were prepared on a historical cost basis unless otherwise indicated in the accounting policies that are given below.

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

2.2. New standards and interpretations

Amendments and additions to the IFRS which come into force and are applicable in the current year

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Bank as of 1 January 2018:

- IFRS 9 Financial instruments

The final version of IFRS 9 Financial Instruments reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

For detailed information on the effects and disclosures please see the Notes 3.10 and 4.3.

- IFRS 15 Revenue from Contacts with Customers

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. It is not expected that the requirements of this standard will have significant effect on Bank's financial statements.

- IFRS 15: Revenue from Contracts with Customers (Clarification)

The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either applies IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. It is not expected that the requirements of this standard will have significant effect on Bank's financial statements.

- IFRS 2: Classification and Measurement of Share base Payment Transactions (Amendments)

The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. It is not expected that the requirements of this standard will have significant effect on Bank's financial statements.

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

2.2. New standards and interpretations (continued)

- IAS 40: Transfers to Investment Property (Amendments)

The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. It is not expected that the requirements of this standard will have significant effect on Bank's financial statements.

- IFRIC INTERPRETATION 22_ Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. It is not expected that the requirements of this interpretation will have significant effect on Bank's financial statements.

The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle, which is a collection of amendments to IFRSs. It is not expected that the requirements of these improvements will have significant effect on Bank's financial statements.

➢ IAS 28 Investments in Associates and Joint Ventures: The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

2.3. Standards issues but not yet effective and not early adopted

- IFRS 16 :Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. For information on the effects of implementation of this standard see Note 2.4.

- Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 investments in Associates and Joint Ventures: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. It is not expected that these amendments will have significant effect on Bank's financial statements.

- IFRS 9: Prepayment features with negative compensating (Amendment)

The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. It is not expected that these amendments will have significant effect on Bank's financial statements.

- IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)

The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. It is not expected that these amendments will have significant effect on Bank's financial statements.

- IFRIC INTERPRETATION 23 : Uncertainty over Income Tax Treatments

The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. It is not expected that this interpretation will have significant effect on Bank's financial statements.

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

2.3. Standards issues but not yet effective and not early adopted (continued)

- IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The Amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. It is not expected that these amendments will have significant effect on Bank's financial statements.

- Conceptual Framework in IFRS standards

The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- IFRS 3: Business Combinations (Amendments)

The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. It is not expected that these amendments will have significant effect on Bank's financial statements.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of `material` (Amendments)

The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. It is not expected that these amendments will have significant effect on Bank's financial statements.

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

2.3. Standards issues but not yet effective and not early adopted (continued)

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. It is not expected that these amendments will have significant effect on Bank's financial statements.

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

2.4. IFRS Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 month or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

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

2.4. IFRS Leases (continued)

Transition to IFRS 16

The Bank transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior year figures were not adjusted.

As a result of the amendment to IFRS 16 of January 1, 2019, contracts previously recognized as operating leases are now classified as leases defined by a new standard and the following leasing categories have been identified: real estate, disaster recovery space and one vehicle.

In the first application of IFRS 16, the right to use a leasing asset is generally measured in the amount of the lease obligation using an incremental borrowing rate ranging from 2,65% to 2,99%, depending on the lease period, while the vehicle used rate from 5%. The first application resulted in the recording of liabilities based on leasing in the amount of RSD 99,972 thousand and, accordingly, the right to use the funds in the amount of RSD 99,972 thousand in the Statement of financial position as of 1 January, 2019.

2.5. Comparative information

Comparative information in these financial statements represents information from the Bank's financial statements for the year 2017.

2.6. Use of estimates

Preparation of financial statements in accordance with IFRS requires the management to use the best possible estimates and reasonable assumptions, which have an effect on the implementation of accounting policies and on the presented amounts of assets and liabilities, as well as income and expense. The actual value of assets and liabilities may deviate from the value assessed in such a manner. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

2.7. Statement of compliance

The Bank's financial statements are compiled in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

In preparing these financial statements the Bank applied the accounting policies disclosed in Note 3.

2.8. Going concern

The Bank's financial statements have been prepared on a going concern basis, which means that the Bank will continue to operate in the foreseeable future, subject to the matters disclosed below and in Note 38, Events after the date of reporting period.

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

2.8. Going concern (continued)

2.8.1 The Bank´s position

During the reporting period, the Bank was confronted with dynamic changes in the business that led to substantial changes in terms of organization of the Bank's business and capital. Following the continuity of the events, the review of the significant changes is practically initiated by the submission of the Bank of the National Bank of the Republic of Serbia No. No. 5205 dated 1 July, 2016, by which the NBS instructed the Bank to contact potential buyers.

By acting on the said Decision at that time, the majority owner of the Bank signed the Memorandum of Understanding with the potential buyer on 29 July 2016, which resulted in the signing of the Sale and Purchase Agreement of the shares of Marfin Bank AD Beograd (hereinafter referred to as the Agreement for the Sale and Purchase of Shares in Marfin Bank JSC Belgrade - text: SPA) 09/30/2016. Between the seller Cyprus Popular Bank Public CO LTD, Bank of Cyprus CO LTD and buyer Expobank CZ A.S. formed on 28.02.2017. Realization of the SPA (Purchase Agreement for Sale of Shares Out of Regulated Market No. UOP: 1144-2017 dated 28.02.2017) and the Subsidiary Agreements (Carve-out, Transfer Agreement, Discount Protocol), which regulate the transfer and coverage of risk on problem loans, and the status of the remaining sources of financing from the Bank of Cyprus.

The previous condition of the fulfilment of the SPA was the act of necessary purchase of shares form minority shareholders, completed in February 2017. By realizing the SPA, Expobank CZ A.S became the owner of 100% of the shares of the bank on 28.7.2018.

The change in Business strategy of the bank by the new owner of the Bank resulted in a change in the organisational structure in the second quarter of 2017 (the network of Bank branches was reduced from 18 branches to 7 branches, the number of employees on 30.06.2017 was reduced to 180) and the change in the name of the bank (starting on 19.6.2018 the Bank started to do business under the name Expobank Joint Stock company Belgrade: Expobank A.D. Beograd).

During 2017., the management of the bank applied several significant decisions:

- ✓ Inclusion of current profit in the core capital of the bank (for current profit in the period from 1 January –28 February, 2017, the Bank's Assembly made a decision to allocate current profit in the amount of 1.500.000.000,00 RSD into share capital) ;
- ✓ Inclusion of the bank's revaluation reserves in the calculation of the basic share capital (the decision of the Bank's Assembly to revaluation reserves, which amounted to RSD 266,530,637.63 as at 31 May 2017, formed on the basis of the estimate of the value of fixed assets from 2004, 2005.and in 2007, included as an element in the calculation of the basic share capital of the Bank as of 30 June, 2017);
- ✓ Transfer of supplementary capital into share capital - As the 100% of the Bank's shares, owned by the same shareholder, were included in the calculation of the basic share capital, the Bank's Assembly made a number of decisions that achieve this goal - simultaneously annul 246,105 preferential shares (decrease in equity) in the amount of 123.052.500,00 dinars and issue 246,105 pieces of ordinary shares in an identical amount of 123,052,500.00 dinars in order to increase the share capital.

All amounts are expressed in thousands of RSD except if indicated otherwise

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

2.8. Going concern (continued)

2.8.1 The Bank´s position (continued)

The transfer is regulated through the "Agreement on the Conversion of Debt to Equity" by which the Bank's practically debt to the shareholder, resulting from the cancellation of preferential shares, settles through the same number of ordinary shares in the same value, that is, the transaction is without any cash flow. This process was completed in November 2017.

Changes during 2018

✓ Changes in ownership between the bank action

In November 2018, the ownership of the bank's shares was changed in that the sole shareholder of Expobank CZ A.S. sold all shares to the following shareholders and in the following share ownership:

1.	Kim Vladimirovich Igor	76,419996 %
2.	Tsoy Alekseevich German	18,890003 %
3.	Morelam OOO	2,760002 %
4.	Vladimirovich Kirill Nifontov	1,779998 %
5.	Valentinovich Proshin Aleksander	0,129998 %
6.	Sergeevich Ganushkin Dmitriy	0,020003 %

On 27 December, 2018, Majority members, Kim Vladimirovich Igor and Tsoy Alekseevich German, sold the numbered number so that the new ownership structure over the shares and the following percent of the ownership of the shares:

1.	Kim Vladimirovich Igor	72,250615 %
2.	Tsoy Alekseevich German	17,859387 %
3.	Vladimirovich Kirill Nifontov	3,179997 %
4.	Morelam OOO	2,760002 %
5.	Valentinovich Proshin Aleksander	1,529998 %
6.	Mc Naughton John	1,400000 %
7.	Bekker Ernst	0,499999 %
8.	Strugarević Borislav	0,499999 %
9.	Sergeevich Ganushkin Dmitriy	0,020003 %

In accordance with the aforementioned change, in December 2018, the Bank started the procedure for amending the status documents (the Statute and the Founding Decision).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Foreign currency translations

Assets and liabilities denominated in foreign currency at the reporting date are translated into dinars at the middle exchange rate of the National Bank of Serbia effective at that date. Gains or losses arising from the translation of receivables and liabilities are credited or charged to the income statement.

Transactions in foreign currency are translated into dinars according at official exchange rate on the date of transaction. Net positive or negative exchange rate differences arising upon the translation of transactions in foreign currency and during translation of the balance sheet positions in foreign currency are credited or charged to the income statement as foreign exchange gains or losses.

3.2. Interest income and expenses

Interest income and expenses for all financial instruments bearing interest are recognized in the income statement as part of “interest income” and “interest expenses” by using the effective interest rate method.

The effective interest method is a method of calculating the amortised 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 (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts..

Once a financial asset or a group of similar financial assets has been written off as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loan origination fees are accrued and amortised as interest income on a straight-line basis over the loan period. The accrual of fees on a straight-line basis does not significantly differ from the effective interest approach.

3.3. Fees and commission income and expense

Fee income and expenses is recognised at the time when the invoice is paid or at the time when the service is provided. Fee and commission mainly comprise fees for payment operations services, issued guarantees and other banking services.

3.4. Income from dividends

Dividends are recognized in the income statement when the right to receive the dividend is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. Financial Instruments Classification and Measurement of Financial Assets and Liabilities

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

A financial asset is any asset that is:

- Cash,
- an equity instrument of another entity,
- a contractual right to receive cash or another financial asset from another entity,
- a contractual right to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity,
- a contract that will or may be settled in the entity's own equity instruments and is,
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments.

Financial liabilities

A financial liability is any liability that is:

- a contractual obligation to deliver cash or another financial asset to another entity,
- a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Principles of valuation of financial instruments

From the aspect of classification and measurement, IFRS 9 introduces new criteria for the classification of financial assets, other than equity instruments and derivatives, based on an assessment of the business model of managing specific financial assets and contractual characteristics of cash flows of financial instruments.

Financial assets

At initial recognition, the Bank assesses the financial asset at fair value increased or decreased for transaction costs that can be directly attributed to the acquisition or issue of a financial asset.

An assessment of how a financial asset will be classified is done on the basis of the Bank's business model and fulfilment of the performance test of the contracted cash flow.

At initial recognition, the Bank may irrevocably determine that financial assets that normally meet the criteria for valuation at amortized cost (AC) or at fair value through other comprehensive income (FVOCI) are recognized at fair value through profit and loss account (FVTPL), if they thereby eliminate or significantly reduces the accounting inconsistencies that would otherwise have occurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. "Financial Instruments" Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

The business model determines whether cash flows arise from the collection of contractual cash flows, the sale of a financial asset or both. A business model for the classification of financial assets is determined at the appropriate level of aggregation.

Fulfilment of the test of characteristics of contractual cash flows means that cash flows consist solely of principal and interest payments on the remaining principal (SPPI criterion).

Classification and measurement

The Standard eliminates existing categories under IAS 39, "Recognition and Measurement", held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. Equity instruments in subsidiaries that are not held for trading can be classified as assets that are valued at fair value through other comprehensive income, without any subsequent reclassification of gains and losses through the Income Statement.

Financial assets can be classified into the following categories:

- ✓ financial assets measured at amortized cost (AC)
- ✓ financial assets measured at fair value through profit and loss account (FVTPL)
- ✓ financial assets measured at fair value through other comprehensive income through the income statement - "recycling" (FVOCI)
- ✓ financial assets valued at fair value through other comprehensive income without recycling to profit and loss account (FVOCI)

(a) Amortized cost (AC)

Financial assets are held in order to collect contractual cash flows, and generated cash flows must consist exclusively of principal payment (the nominal value of the date of financial assets to be charged after maturity) and interest (fee in money for borrowed funds), which represents the amount by to which the financial asset is measured at initial recognition with the increase or decrease in cumulated depreciation using the effective interest rate method for all differences between the initial amount and the maturity amount, minus all payments and adjustments based on the estimated expected credit losses.

Rare sales, even high value or frequent sales, are small, sales made immediately before the maturity of the financial assets (less than 3 months before maturity) and when the revenue from such sales is roughly the amount that would be collected on the basis of the remaining contractual cash flows, sales due to increased credit risk of financial assets, sales that can be attributed to an isolated event that is out of control of the Bank and which is one-off, are not contrary to this model.

The results of the analysis of business models and the estimation of contracted cash flows showed that the Bank continues to assess loans, placements to clients and banks at amortized cost as well as in accordance with IAS 39.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. "Financial Instruments" Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

(b) Fair value through other comprehensive income (FVOCI)

Financial assets are held for the purpose of collecting contractual cash flows and for the sale of such financial assets, as well as on the contractual terms that cash flows arise on certain dates, which are only the payment of principal and interest on the outstanding amount of the principal. This model implies higher frequency or value of sales, mainly due to changes in market conditions, and / or for liquidity maintenance.

The results of the analysis of business models and estimates of contractual cash flows showed that the Bank assesses debt securities at fair value through other comprehensive income. These debt instruments have been classified as available for sale in accordance with IAS 39.
If debt securities do not meet test of the characteristics of contractual cash flows, they are measured at fair value through profit and loss.

(c) Fair value through profit and loss account (FVTPL)

A business model that results in fair value measurements through profit and loss implies that the Bank manages financial assets in order to realize cash flows through the sale of assets. The Bank makes a decision based on the fair value of assets and manages it in order to achieve these fair values. In this case, the Bank's objective usually leads to active buying and selling. If debt securities or equity securities, including equity holdings, are acquired with the intention to be sold immediately or in the short term, are classified as held for trading at fair value through profit or loss.

Taking into account the nature of the Bank's obligations, the accounting of financial liabilities will be the same as in accordance with the requirements of IAS 39. The Bank does not have a designated financial obligation as FVTPL and does not intend to do so. The conducted analysis does not indicate that there are material effects of the requirements of IFRS 9 regarding the classification of financial liabilities.

Impairment of financial assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach through the inclusion of the impact of the expected movement of macroeconomic variables on the future movement of the probability of loss based on statistically proven interdependencies. The Bank will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

The Bank defined the criteria for classifying financial instruments into stages 1, 2 and 3, depending on the degree of increase in credit risk from the moment of initial recognition. The subject of the classification are financial instruments that are measured at amortized cost, as well as financial instruments that are valued at fair value through other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. "Financial Instruments" Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Stage 1

In the Stage 1, the Bank classifies financial instruments in which the credit risk has not significantly increased from the initial recognition.

Expected credit loss that is recognized for financial instruments in Stage 1 is calculated as a one year portion of calculated credit losses

Calculated in this manner, the expected twelve month credit losses are part of the expected credit losses during the financial instrument duration and represent the lacks of cash along the duration which will emerge in case of non-execution within 12 months after the reporting date (or a shorter period, if the expected duration of the financial instrument is shorter that 12 months), pondered by the probability of such non-execution.

Stage 2- significant increase of credit risk

Bank classifies in Stage 2 all financial instruments when it identifies that there is one or more of these indicators that may indicate that there has been a significant increase in credit risk:

- days past due of 31 to 90 days
- restructuring of non-problematic receivables
- block of accounts by NBS for 30 days or longer
- Rating deterioration by 2 class ratings

Significant increase in credit risk for the segment of exposure to the states and financial institutions was determined as a fall of 2 rating categories, compared to the rating scale of renowned external rating agencies (Moody's, Fitch, S & P).

On the reporting date, the Bank estimates the allowance per financial instrument equal to the amount of expected credit losses throughout the life of the financial instrument, if the credit risk for that financial instrument has increased significantly from the initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5. "Financial Instruments" Classification and Measurement of Financial Assets and Liabilities (continued)

Financial assets (continued)

Stage 3 - Status of default

In stage 3 of credit risk are classified financial instrument which are problematic or which have objective evidence of impairment. The Bank has identified the list of indicators it monitors to identify the status of problematic clients:

- blocked accounts for more than 60 days in continuity
- Reduction of the payment capacity that can be reflected in:
  - Decrease in operating income of 50%
  - Decrease in equity over 50%
- for retail receivables that has been sued according to Bank’s records
- for legal entities and entrepreneurs client in status of sued, bankrupt, UPPR
  - the client did not submit the last financial report in the register of business entities
- for corporates, entrepreneurs and individuals which are placed in sector of collection of receivables (WOD);
- other information that points to problems in business or may affect the inability to service its debt, such as:
  - frequent reminding the client on settling obligations, difficult negotiations, indicating that the client has or will have problems in business
  - other information identified by credit officer during the monitoring in connection with negative changes in client’s business, in relation to the circumstances that existed when approving loans

For these financial instruments, the loan loss provision is calculated as the difference between the gross carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset.

3.6. Derivatives

For the purpose of protection against risk, the Bank uses financial derivatives. The change in the market value of derivatives is recognised through profit and loss. At 31 December 2018 the Bank has open positions of financial derivatives.

3.7. Sale and repurchase agreements

Sale-repurchase agreements (’Repos’), are securities sold subject to repurchase agreements (reverse repo) and as such are recorded as loans and advances to other banks. The difference between the sale and the repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

3.8. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months’ maturity from the date of acquisition, including cash and non-restricted balances with Central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short term government securities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9. Special reserve for estimated losses on financial assets in accordance with the National Bank of Serbia requirements

The special provision for estimated losses under the NBS requirements is calculated in accordance with the provisions of the Decision on the Classifications of Balance Sheet Assets and Off-balance sheet Items ("Official Gazette of RS", no. 94/11, 57/12, 123/12, 43/13, 113/13, 135/14, 25/15, 38/15, 61/2016, 69/2016, 91/2016, 101/2017 and 114/2017). The provisions of this decision prescribe the conditions under which the Bank is obligated to set up a special reserve fund from profit for estimated losses which is calculated as a sum of:

- 0 % of receivables classified in category A;
- 2% of receivables classified in category B;
- 15 % of receivables classified in category V;
- 30% of receivables classified in category G;
- 100 % of receivables classified in category D.

The Bank is required to classify all receivables, which are under the above Decision considered as balance sheet assets, and off balance sheet items into categories A, B, V,G and D based on the debtors financial position and creditworthiness, his timeliness in settling obligations towards the Bank and the quality of instruments used as collateral.

The Bank is required to determine the level of required reserves for estimated losses which stands as the sum of the differences between the reserve for estimated losses calculated in accordance with the NBS Decision and the provision for balance sheet assets and off-balance sheet losses on debtor's level.

3.10. Intangible assets

Licences

Acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

3.11. Property, plant and equipment

Initial measurement of fixed assets is performed at cost or purchase price. The purchase price is the value according to the supplier's invoice, increased by acquisition related expenses and the costs directly attributable to bringing the asset into the state of functional readiness.

For subsequent measurement of the land and buildings, after initial recognition, the Bank is using the revaluation model in accordance with IAS 16 "Property, plant and equipment".

The Bank's equipment is measured at cost less accumulated depreciation and impairment losses, if any.

The buildings are subject to regular revaluation. The frequency of revaluation depends on the fair value movements of the assets subject to revaluation. The increase in the carrying values of buildings based on revaluation is credited to the revaluation reserve. Decrease that offsets previous increases of the same assets is charged against revaluation reserves directly, while all other decreases are charged to the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11. Property, plant and equipment (continued)

The revaluation reserve is transferred directly to retained earnings when the surplus is realized either on the retirement or disposal of the asset or when the asset is not used by the Bank. In the latter case, the amount of the surplus realised is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost (optional).

Subsequent costs are included in the asset's carrying amount or recognised 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 the income statement during the financial period in which they are incurred.

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

- Buildings 1,30%
- Computer equipment 20,0%
- Vehicles 20,0%
- furniture and equipment 12,5%-20,0%
- leasehold improvements 20,0%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within Other income/expenses, in the income statement.

The assets' residual value is the estimated amount that the Bank could obtain through disposal of asset, less any cost of sale, if the asset is old and in a condition expected at the end of its useful life. The assets' residual value is equal to zero if the Bank expects to use the asset until the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

3.12. Impairment of non-financial assets

Assets with indefinite useful life are not subject to depreciation but are tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13. Investment properties

Investment property is a property held to earn rentals or for capital appreciation or both.

Investment property is held for long-term rental yields and is not occupied by the Bank.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are recognized as asset if and only if: it is probable that the Bank will realise future economic benefit from the properties and if the costs may be measured reliably. The investment property is initially measured at purchase price/cost. The costs of transaction are included in the initial measurement. The cost of the purchased investment property includes its purchase price and all costs directly attributable to the acquisition. After initial recognition, investment property is measured at fair value. The fair value of investment property reflects market conditions at the end of the reporting period. Gains or loss arising from the change of fair value of the investment property is recognized in the income statement of the period when realised.

Subsequent expenditure is capitalized only when it is probable that future economic benefits related to it will belong to the Bank and its cost may be measured reliably. All other current maintenance expenses and repair costs are expensed as incurred. If an investment property is used or occupied by its owner, it is reclassified to property and its carrying value on the date of reclassification becomes its deemed cost which will be further depreciated.

3.14. Inventories

Upon acquisition, inventories are measured at the lower of the historical cost and net realizable value. The historical cost means stating inventories at the cost of acquisition, while the net realizable value is the value at which inventories can be realized in a market sale transaction. Inventories include assets acquired in lieu of debt collection, which will further be subject to requirements of IAS 2.

3.15. Leasing

The Bank as the lessee

Leases entered into by the Bank are primarily operating leases in which the Bank is the lessee. The total payments made under operating leases are charged to expenses in the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

The Bank as the lessor

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

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16. Borrowings

Borrowings are recognised initially at the fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income statement over the period of the borrowings using the straight-line method.

Borrowings are classified as current liabilities unless the Bank has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.17. Provisions

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in a settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.18. Employee benefits

(a) Employee benefits

Short-term employee benefits include wages and salaries and taxes and contributions for social insurance. They are recognized as an expense in the period when they are incurred.

The Bank and its employees are obliged to pay taxes and social security contributions in accordance with applicable regulations. The Bank is not obliged to pay reimbursements to employees after retirement, which is the responsibility of the National Fund. The taxes and contributions on defined benefit obligations are expensed as incurred.

(b) Retirement benefits

Under the current regulations, the Bank is obliged to pay retirement benefits or termination benefits to employees in the event of loss of working ability amounting to three average salaries in the business sector in the Republic of Serbia, according to the latest information published by a competent statistical body. These payments are recognized in the balance sheet as liabilities (discounted) in accordance with the certified actuary’s valuation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement over the employees’ expected average remaining working lives.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18. Employee benefits (continued)

The actuarial assumptions used when calculating retirement benefits were as follows:

- employee data, total length of service as at December 31, 2018, year of birth and sex, number of years to old or full pensions;
- demographic assumptions of the Republic of Serbia – mortality (16%) and fluctuation and invalidity rate,
- discount rate 4,75%,
- assumed annual salary geometric growth of 2% during the entire period for which assets are reserved.

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

3.19. Current and deferred taxes

a) Current income tax

The current income tax charge is calculated and paid in accordance with the tax regulations applicable in the Republic of Serbia, based on the profit presented in the regulatory tax balance sheet. The Bank itself calculates its income tax, annual tax liability and tax prepayment for an upcoming year.

The 15 % income tax is paid based on the Bank’s profit disclosed in the tax balance sheet, less certain investments during the year, as presented in the annual tax balance sheet - PDP form. In order to arrive at taxable profits, various adjustments to accounting profit are made. The Tax Balance Sheet is filed with tax authorities within 180 days after the end of the tax period for which the tax liability has been established

b) Deffered taxes

Deferred taxes are calculated on all taxable temporary differences between tax base of assets and liabilities and their carrying amounts in the Bank's financial statements. Deferred tax liabilities are recognized for all taxable temporary differences arising between the tax base of assets and liabilities as at the balance sheet date and the amounts presented for reporting purposes, which will result in future period taxable amounts.

Deferred tax assets are calculated for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilised.

Current and deferred taxes are recognized as income and expense and are included in the net profit for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20. Share capital

Shares are classified as equity.

(a) Cost of the issue of shares

Incremental costs directly attributable to the issue of new shares or the acquisition of an entity are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on shares

Dividends from shares are recognized as liabilities in the period in which a decision on dividend distribution was made. Dividends for the year following the balance sheet date are disclosed in the note on the events after the balance sheet date.

3.21. Earnings per share

Basic earnings per share is calculated by dividing the net profit (loss) attributable to shareholders of the Bank, with the weighted average number of issued ordinary shares during the report period.

3.22. Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with contractual terms and conditions. The Bank issues such financial guarantees to banks, financial institutions and other organisations on behalf of customers as collateral for loans, overdrafts and other banking services.

Financial guarantees are initially recognised at fair value at the date when they have been issued. Subsequent to initial recognition, the Bank’s liabilities under such guarantees are measured at the higher of the amount initially recognised less cumulative amortization, and the best estimate of the expenditure required to settle any financial obligation as of the balance sheet date. These estimates are determined based on experience with similar transactions and history of past losses, as well as the management’s best estimate. Any increase in the liability relating to guarantees is recorded in the Income statement.

3.23. Segment reporting

An operating segment is a component of an entity:

(a) Involved in business activities by which it may earn income or make expenses (including income and expense related to transactions with other components of the same entity,
(b) Whose performance is regularly inspected by the main governing body in order to reach decisions on resources which are assigned to that segment and in order to assess their performances, and
(c) For which separate financial information is available.

The Bank monitors activities and operations per operating segments, which include: the retail segment and the corporate segment.

The operating segments of the Bank are doing business in the Republic of Serbia, and accordingly, segmentation based on geographic area is irrelevant for the Bank.

4. FINANCIAL RISK MANAGEMENT

4.1 Introduction

The Bank's business is exposed to different financial risks and it requires identification, assessment, monitoring, mitigation and control of risk management, as well as placing an adequate system for risk management reporting. The Bank achieves risk management via a special organization unit for risk management. With its acts, the Bank prescribes procedures for identification, measurement, risk assessment, as well as risk management in accordance with regulations, standards and rules of profession.

With its risk management policy, the Bank defines a unique risk management system for risks to which the Bank is exposed in its business.

According to the nature of its activity, the Bank is exposed to various types of risk, such as:

1. liquidity risk;
2. credit risk;
3. market risk;
4. risks of the Bank's exposure towards an entity or a group of related parties;
5. risks of the Bank's investments into other legal entities and fixed assets;
6. risks referring to the country of origin of the entity towards which the Bank is exposed;
7. operating risk (including legal risk).

4.2 Liquidity risk

The liquidity risk arises due to the Bank's inability to meet its due obligations, which may have a negative effect on the financial result and the Bank's capital.

The Bank manages the liquidity risk in accordance with the Chapter-Liquidity Risk Management that defines the system of liquidity risk management, competence and responsibility of the participants of the system, controls taken for the purpose of as efficient functioning of the system as possible, the methodology used for monitoring this risk, but also business plan in case of unpredictable events.

Liquidity risk management includes managing all assets and liabilities positions of the Bank, which may influence the Bank's inability to meet its due liabilities.

In its operations, the Bank complies with the basic principles of liquidity risk management:

a) liquidity management by major currencies and which include, apart from the domestic (RSD) currency, EUR, USD, and CHF as well;
b) providing stability and diversification of financing sources by determining different limits of source concentration, by regular monitoring of information of the largest depositors;
c) forming a liquid assets and certain level of liquidity reserve;
d) solving temporary and long-term liquidity crises;
e) creating a business plan in case of unpredictable events;
f) conducting stress tests.

The Bank defines individual and cumulative GAP limits of liquidity, which it views both on an aggregate level (consolidated view), and by the major currencies. The GAP liquidity report is prepared in accordance with the adopted Methodology for creation of GAP liquidity reports.

Liquidity is also traced based on the ratio of liquidity and the indicator of the coverage of liquid assets defined by a NBS regulation.

The following table presents assets and liabilities grouped into categories according to the remaining agreed maturity date on the balance sheet date.

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

As of 31.Decembar 2018.	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total (000 RSD)
Assets						
Cash and cash funds held with the Central Bank	1.590.911.	-	-	-	-	1.590.911
Securities	1.142.614	489.692	-	-	-	1.632.306
Loans and receivables from banks and other financial institutions	452.915	2.955	-	-	-	455.870
Loans and receivables from customers	258.368	462.359	2.355.920	5.676.253	2.135.508	10.888.409
Receivables on financial derivatives for risk protection	5.087	913	-	-	-	6.000
Other Assets	3.967	3.568	274	3.495	3.844	15.149
TOTAL ASSETS	3.453.863	959.488	2.356.195	5.679.747	2.139.353	14.588.645
LIABILITIES						
Deposits and other liabilities to banks, other financial institutions and central Bank	663.522	499.159	1.080	1.839.220	-	3.002.981
Deposits and other liabilities due to customers	4.148.812	436.590	2.234.801	1.595.423	55.471	8.471.097
Other liabilities	109.878	1.956	1.022	1.160	4	114.020
Total liabilities	4.922.212	937.705	2.236.903	3.435.803	55.475	11.588.098
Net Gap (Total Assets-Total Liabilities)	(1.468.350)	21.783	119.291	2.243.945	2.083.878	3.000.547

As of 31. December 2017.	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total (000 RSD)
ASSETS						
Cash and cash funds held with the Central Bank	1.884.298	-	-	-	-	1.884.298
Securities	1.776.629	761.412	-	-	-	2.538.041
Loans and receivables from banks and other financial institutions	58.639	5.923	-	-	-	64.562
Loans and receivables from customers	224.109	306.130	1.886.575	5.051.011	2.061.562	9.529.386
Receivables on financial derivatives for risk protection	1.835	901	-	-	-	2.736
Other assets	7.189	8.750	38	3.309	2.245	21.531
TOTAL ASSETS	3.952.698	1.083.117	1.886.613	5.054.320	2.063.807	14.040.555
LIABILITIES						
Deposits and other liabilities to banks, other financial institutions and central Bank	261.342	376.677	1.020.593	2.898.035	-	4.556.647
Deposits and other liabilities to customers	2.876.966	340.808	2.427.386	808.192	57.421	6.510.773
Liabilities on financial derivatives for risk protection	134	-	-	-	-	134
Other liabilities	99.178	818	565	729	33	101.323
Total liabilities	3.237.620	718.303	3.448.544	3.706.956	57.454	11.168.877
Net Gap (Total Assets - Total Liabilities)	715.078	364.814	(1.561.931)	1.347.364	2.006.353	2.871.678

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

The Bank conducted testing of the Business plan in case of unpredictable events(liquidity management in crisis situations) on 31 December 2018, where a stress test of a "hypothetical" scenario of the Bank's liquidity crisis with the following assumptions:

- worsening of warning indicators of a potential liquidity disorder monitored by the Department for managing assets on a medium risk,
- drop of total deposits (individuals and legal entities, banks i other financial organizations) drop of total deposits by over 20% and less than 40% (an assumption that 35% of the amount of deposits would be withdrawn),
- the Bank is having difficulties in obtaining funding

The effect of the conducted scenario anticipates withdrawal of 35% of the total deposit in the amount of RSD 2.635 million (EUR 22,3 million), which the Bank may recover from:

- available funds (cash on hand and in the vault),
- available funds on the Bank's nostro account,
- withdraw the part of foreign currency obligatory reserve due to the withdrawal of deposits,
- selling off AFS securities from the Bank's Portfolio or withdrawing credit lines from other banks or NBS

The Bank may pay the withdrawn deposits in the amount of EUR 22,3 million, within one month from the following available sources:

- Cash on hand and balance on the bank's nostro account in the amount of EUR 4,05 million,
- withdrawing foreign currency obligatory reserve in amount of EUR 4.08 million
- selling off AFS securities from the Bank's portfolio in amount of EUR 14,2 million and in accordance with instructions received from the Sector of asset management.

As additional measures in order to improve the liquidity of the Bank, the following activities can be undertaken:

- slowdown and if it is necessary to completely suspend the granting of loans
- Accelerated and enhanced collection of receivables
- collecting deposits with a manual structure over 12month
- increasing the date of maturity of liabilities
- Intensifying the sale of the acquired real estate in the process of collection
- borrowing on the domestic interbank market

The Bank also implemented a stress test of the asset liquidity coverage ratio indicator (LCR) which equalled 147,12% on 31.12.2018, which was within the regulatory prescribed limit (min 100%).

A stress test was implemented with the following assumptions (assumptions used are form the Recovery plan of the Bank);

- Withdrawing deposits with a contracted maturity for the 10 largest depositors (legal entities and individuals, not including banks) of one month
- decrease in expected inflows from the collection of fees, interest and principal for 5%

After implementing the stress test, the indicator (LCR) would amount to 92,49% which is under the regulatory requirement.

In order to bring the indicator in accordance with the defined risk appetites, the following measures are required:

- stop the approval of investments on a 2-3 month period
- enhance activities surrounding new deposit collections in amount to EUR 2 million, when the ratio would be at the level of 107,10%

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

Non-discounted cash flow

Amounts presented in the following table represent non-discounted cash flows of financial liabilities with the balance on 31 December 2018.

As of 31.12.2018	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Securities	1.222.020	523.723	-	-	-	1.745.743
Loans and receivables from banks and other financial institutions	452.963	2.955	-	-	-	455.918
Loans and receivables from customers	280.112	536.633	2.663.356	6.412.582	2.620.349	12.513.033
Total liabilities (contracted maturity dates)	1.955.095	1.063.312	2.663.356	6.412.582	2.620.349	14.714.694

As of 31.12.2018	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits and other liabilities to banks, other financial institutions and Central Bank	666.512	506.988	28.462	1.854.468	-	3.056.430
Deposits and other liabilities due to customers	4.149.972	437.801	2.256.217	1.646.298	56.455	8.546.743
Total liabilities (contracted maturity dates)	4.816.484	944.789	2.284.679	3.500.766	56.455	11.603.173

As of 31.12.2017	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Securities	1.958.698.	839,442	-	-	-	2.798.141
Loans and receivables due from banks and other financial institutions	58.639	5.923	-	-	-	64.562
Loans and receivables due from customers	244.229	380.424	2.186.800	5.798.195	2.642.406	11.252.053
Total liabilities (contracted maturity dates)	2.261.566	1.225.789	2.186.800	5.798.195	2.642.406	14.114.756

As of 31.12.2017	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Deposits and other liabilities due to banks, other financial institutions and the central Bank	265.428	385.170	1.065.105	2.960.629	-	4.676.332
Deposits and other liabilities to customers	2.878.014	341.383	2.452.623	825.301	58.747	6.556.068
Total liabilities (contracted maturity dates)	3.143.442	726.553	3.517.728	3.785.930	58.747	11.232.400

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk

The Bank is exposed to credit risk and the possibility that the debtor fails to perform its obligations towards the Bank in the agreed amount and on the due date. Credit risk exposure primarily stems from crediting operations.

In order to maintain the credit risk on an acceptable level, the Bank:

- reviews the debtor’s creditworthiness according to credits, guarantees and other products,
- determines limits of credit debt on the basis of risk assessment,
- does business with creditworthy clients and acquires appropriate security instruments..

Customers are under continuous supervision, and risk exposure limits are adjusted if necessary. Risk limits are determined depending on various types of security instruments.

Risk concentration according to economic activities is also constantly monitored, even though the limits have not been set.

Risk exposure towards one debtor, including banks, is under limits and it includes both the balance and the off-balance sheet risk exposure. Total risk exposure per individual client in terms of limits is considered before the occurrence of the transaction.

Credit risk Management at individual placements level

Credit risk management at the level of individual placements include:

- Credit risk management in the process of approval and realization of placements,
- Credit risk management in the process of monitoring and collection of placements

Organisational parts of the Bank responsible for retrieval of credit risk at the level of the individual placement of corporate and retail entities are the business sector with a network of branches and Sectors to manage funds for loans to banks and other financial institutions. Organization parts of the Bank in charge of independent evaluation of credit risk at the level of individual placements are the Sector for estimation of credit applications as well as Sector for management of funds.

Board of Directors and Executive Committee are the organs of the Bank involved in the process of deciding on the allocation of the loans and the emergence of other receivables the Bank, as well as in changes to loan terms and other receivables, and are composed of members who meet the conditions for membership in the compliance with legislation (Law on Banks and Decision of the National Bank of Serbia on the implementation of the provisions of the banking law relating to giving preliminary approval for the establishment of banks and Bank licenses, as well as certain provisions relating to the giving of consent of the National Bank of Serbia), and their powers, responsibilities and scope of closer are regulated by the Statute of the Bank.

Members of the credit committees and other committees regulated by the Banking Act and the above Decision shall be appointed by Board of Directors of the Bank.

Dynamic maintenance of sessions of the credit Committee, the quorum for decision-making, as well as the procedure of work credit Committee defined the rules of operation of the credit Committee.

Large exposures

The Bank's Executive Board is authorized to make decisions on the approval of the large exposure to one person, a group of related parties and entities associated with the Bank on the basis of a special Decision of the Board of Directors of the Bank.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

The Executive Board of the Bank is obliged to notify at least quarterly Board of Directors on the following:

- of all transactions concluded with related parties, including relations with entities that have been associated with related parties the Bank
- the given approvals, i.e. all placements approved one person or a group of related persons, where it increases your exposure to that person or group of related persons

Placements monitoring

Organisational parts of the Bank who are in charge of credit risk at the level of individual placements are required to perform monitoring of individual loans and borrowers. Monitoring of individual placements includes:

- Monitoring of the financial status of debtor,
- Monitoring of regularity in carrying out obligations
- Statutory and organisational changes of the debtor, that is updating documentation,
- Monitoring of collaterals,
- Identifying the need for restructuring, or refinancing clients liabilities, analysis of economic rationale and implementation processes
- Other factors affecting the ability of execution of liabilities of borrower
- Monitoring and collection of placements for all debtors in due to 30 days

Monitoring of problematic placements in default status

Organizational part of Bank in charge of the Bank's credit risk management in the process of monitoring and collection of placements with the status of default are Department for debt collection and the Department of human resources and Legal Affairs.

On a monthly basis Sector for debt collection reports to the Commission for payment of receivables about the status of clients by segments and days past due in order to better monitoring and collection of receivables from customers and establishing a system of early detection potential problematic placements.

Commission for payment of claims as the sole governing body of bad assets:

- Monitoring clients who are in status problematic (over 60 days past due- Watch list),
- Monitoring customers by early recognition system (EWS) identified as a potential problematic (decisions on procedures according to individual clients based on the information obtained from the Department for debt collection, as well as Department for product development and sales support and business sector with network affiliates)

Defining a system of early detection of potential problematic claims (EWS) as well as Watch list is the responsibility of the Department for evaluation of credit applications in collaboration with the Department for debt collection and credit risk Department and is a subject of constant promotions according to current IT support.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Management of credit risk at portfolio level

Credit risk management at the level of the Bank's portfolio is applied in all organizational units of the Bank whose competences are activities relating to the approval and monitoring of placements, as well as at the level of:

- Risk Management Sector
- Sector of financial control
- Executive Board and Board of Directors

By identifying and monitoring credit risk on portfolio level, Bank by analysis of structure and characteristics of the portfolio in a timely way identifies the factors that can lead to an increase in credit risk.

Identifying credit risk at the level of Bank portfolio is carried out through the identification of the current credit exposure on the basis of current and historical data as well as determine credit risk exposure that can occur in a future period through projections and simulations of the Bank's portfolio.

Internal reporting of credit risk covers the following areas:

- the quality of the portfolio – portfolio quality reports include detailed representations of opinion about the structure of the portfolio and focus on indicators of concentration, as well as key indicators of quality portfolios the Bank, on the basis of which provide suggestions/opinions on potential future effects and steps to be undertaken in order to improve the operations of the Bank
- classification of clients loans – credit risk classification by category and rating are made a minimum quarterly. Division by segment portfolios need to provide valuable insight to get appropriate in terms of risk sources
- impairment allowance by loans – provisions and impairment allowance analysis by loans is considered important as an indicator of quality portfolios and a means to identify sources of worsening credit
- big debtors – analysis of large engagement focuses on substantial concentration towards certain clients, as well as on the synchronization between the regulations
- early warning indicators of threat activity and financial position of the Bank Recovery Plan defined
- level of problematic receivables (PE, NPE and FBE status), movement of NPL portfolios in accordance with the decision on the coverage of the NBS, structure of NPL portfolios and its cover how fixed values and required reserves. Monthly portfolio stress yourself too far with the theory that the 20 largest Banks to clients (10 legal and ten individuals/entrepreneurs) to get to the deteriorating day past due 90 days, which has prompted their inclusion in NPLS while worsening categories classification and change of impairment allowance. About received results and impact of the stress test on the Bank's capital, an indicator of adequacy and NPL indicator, Department of risk management Department for credit risk reports to the Executive Board and the Bank's ALCO Committee.
- monitoring the quality of assets on days past due and their movements for all segments of the portfolio. retail clients, small and medium-sized businesses and large enterprises
- monitoring the status of retrieved property from the collection of receivables

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Control and monitoring

Organisational parts of the Banks in the function of an independent control and monitoring system of risk management:

- Internal audit,
- Department for compliance control of Bank's operations and the prevention of money laundering.

The organs of the Bank in the function of an independent control and monitoring system of risk management:

- Board of Directors,
- Executive board,
- ALCO board Bank,
- Audit Committee,
- Credit Committee
- Commission for debt collection

In addition to regular third-party assessment of the effectiveness and reliability of credit risk management system, the Bank is obliged to at least once a year to test the quality of the applied internal models for credit risk assessment.

Bank Exposure to credit risk

The Bank's exposure to credit risk of financial assets is determined by applying the IFRS9 further described later in this section.

Impairment of financial assets

Assets that are valued at amortized cost

Individual assessment - Level 3

At every reporting date, the Bank identifies financial assets for which the calculation of the impairment shall be performed individually (individual assessment - individually significant exposures).

The criteria for the identification of receivables that have to be assessed at individual level are:

1. Identified status of unfulfilled obligations, i.e. the status of default
2. All financial instruments defined as POCI in accordance with IFRS 9;
3. Exposures toward banks classified as V,G i D;
4. Exposures with statuses FB / NPE;
5. The amount receivable by the debtor.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

In accordance with these criteria, receivables that have to be assessed at individual level are those for debtors:

a) banks classified in categories V, G and D with the total exposure higher than EUR 200,000 on the day of assessment,
b) legal entities and entrepreneurs with the total exposure by debtor higher than 40.000 EUR, on the day of calculation,
c) Individuals with exposure over 30.000 EUR, on the day of calculation.

Individually significant exposures –The Bank estimates, on every reporting date, whether objective evidence exists showing that the value of the financial asset is decreased (impaired). The financial asset is impaired and the losses on the basis of impairment are recognized only if objective evidence exists regarding the impairment as a result of one or more events that occurred during the initial valuation of the asset.

The criteria that the Bank uses to determine whether there is objective evidence of an impairment loss include:

1. The borrower's financial position indicating significant operational problems, such as change of debtor classification; the debtor is late with settling obligations towards the state, other creditors or employees or settles its obligations irregularly for tax and contributions for social insurance of employees, in a significant amount, according to the Bank's assessment; significant and continuous reduction of operating income in the previous two years; the debtor's capital has been significantly reduced (more than 50%) due to losses during the previous two reporting periods; there is a materially significant decrease (more than 50%) in operating income;
2. There is evidence of non-settled obligations, of frequent delays in paying interests and/or the principle or failing to meet other contractual obligations; at the latest when the debtor is late for 90 days based on any contract; the loan is non-performing in accordance with the Decision on classification of the balance sheet and off-balance sheet items.
3. The Bank has significantly changed the terms of payment of loans due to financial problems of the debtor compared to those agreed initially, i.e. clients with the NPE/RES status, in accordance with items 35a through 35đ of the Decision on classification of the balance sheet and off-balance sheet items for non-performing receivables of the bank;
4. Initiation of bankruptcy proceedings over the debtor or initiation of another kind of financial reorganization is evident, which may be identified based on the following: the debtor has been blocked for more than 60 days on the date of assessment; the debtor is undergoing liquidation proceedings; a court procedure (order for court procedure) has been initiated against the debtor; pre-bankruptcy proceedings have been initiated against the debtor or bankruptcy proceedings have been initiated against any strategically significant member of the group which the debtor belongs to; reasons for initiating bankruptcy proceedings against the debtor defined by the law regulating bankruptcy have been met; the debtor is undergoing the procedure of preparing the reorganization plan / the creditors have accepted the proposed reorganization plan / the debtor is conducting business according to the adopted reorganization plan; or the debtor is undergoing the procedure of financial restructure by mutual consent in accordance with the relevant regulation.
5. Other objective evidence of impairment which classify receivables from clients into the category of suspicions and disputable receivables

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

If the Bank determines that there is objective evidence of impairment for an individually significant financial asset, the amount of loss is measured as the difference between the book value of the asset and the present value of estimated future cash flows.

The bank recognizes the existence of multiple possible scenarios of payment collection when evaluating the expected future cash flow.

That being the case, the scenarios taken into consideration are:

- ✓ Realization of collateral (afterward separately in-court and out-of-court)
- ✓ Restructuring and reprogramming
- ✓ default
- ✓ sale of receivables
- ✓ anything else considered as relevant

Upon determining the probability percentage of certain scenarios, the Bank is guided by the history of realization and collection of problematic receivables, as well as the specifics of the individual financial instrument and in accordance with that assigns appropriate ponders, which when all scenarios are summed up must be 100%

In this manner, the final calculated loan losses fulfil the definition of standard in the way that they represent the probability of the pondered estimation of loan losses.

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

Depending on the type of property that is established mortgage, its location, as well as the date of last valuation, the Bank is using the haircuts in the process of calculating impairment, as follows:

Residential property

Territory	Haircuts	Year of collection
Belgrade	20%	1-5
Novi Sad	20%	1-5
Other cities with population over 50,000	30%	1-5
Cities with a population below 50,000	40%	1-5
Villages and small towns	45%	1-5

Business property

Territory	Haircuts	Year of collection
Belgrade	30%	1-5
Novi Sad	30%	1-5
Other cities with population over 50,000	40%	1-5
Cities with a population below 50,000	45%	1-5
Villages and small towns	45%	1-5

Industrial property

Type	Haircuts	Year of collection
Factories	35%	1-5
Warehouses	35%	1-5

Land

Type	Haircuts	Year of collection
Land Vojvodina	25%	1-5
Other land	30%	1-5

Other

Type	Haircuts	Year of collection
Equipment	80%	1-5
Vehicles	50%	1-3
Guarantee deposits	0%	-
Government bonds, securities granted by the government	0%	-
Government guarantees	0%	-
First class guaranties	0%	-

In cases where the date of the valuation of collateral is older than 3 years, the above defined haircut is increased by 10%.

The expected cash flows must be discounted to their present value. As the discount factor, the Bank is using the effective interest rate (effective interest rate calculated on the date of concluding the loan agreement) in cases when the agreed interest rate with the client, when during the repayment process, the Bank approved a change in repayment terms, as well as for the reduced receivables, when we have restructured receivables, the bank uses the initial effective interest rate per restructured party. In the case of loans with a variable interest rate, the current effective interest rate on the day of settlement is used.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

For the purpose of determining the expected collateral collection period, the Sector for Network Management Operations and the Sector for Collection of Receivables take into consideration the following factors:

- Collateral type (depending on the law under which the collateral was established, i.e. whether it was established according to the Law on Mortgage or the Law on Execution);
- The validity of collateral documentation (quality, i.e. completeness of the documentation in the Bank's possession);
- Type, intention, functionality and size of the property which is the subject of collateral and its location;
- Offer and demand for property which is subject of collateral;
- The current phase of the collateral collection process, i.e. whether collection was initiated via court or extra-judicial settlement proceedings or the collection is expected by acquiring rights from the bankruptcy proceedings;
- The client's cooperation with the Bank.

The minimum, i.e. maximum expected time for collection from collateral ranges from one to five years, and depending on prescribed legal deadlines, court practice and regulations of the Republic of Serbia which are complied with in processes of realization of each individual mortgage.

To that end, the estimated collection time is mostly influenced by the type of procedure through which execution is conducted (Law on Execution and Security, Law on Mortgage, Civil Procedure Code, bankruptcy proceedings, etc.).

The minimum expected period of collection in the procedure of collateral realization is one year, and only if it was activated according to the extra-judicial manner of settlement of the currently valid Law on Mortgage, if the Real Estate Cadastre of the Republic of Serbia is complying with all legally prescribed deadlines for registering records on the right of sale and if the debtor is cooperating with the Bank.

In cases when payment is expected by realization of collateral by implementing any other court proceedings (Law on Execution and Security, Civil Procedure Code, bankruptcy proceedings, etc.), which cannot be influenced by the Bank, and which primarily depends on the actions of the court and court administrators, the expected collection period ranges from one to five years, and depends on the specificity of each individual security instrument. The maximum expected collection period of five years is implemented in cases when existence of an objective risk of impairment has just been identified and the Bank still has not started negotiations with the client and/or initiated a lawsuit against the client.

Collective impairment assessment, stage 1,2,3

The Bank will assess the following receivables on collective basis:

- receivables for which individual assessment has shown that there is no objective evidence of impairment;
- receivables belonging to the group of small receivables and which are not assessed individually.

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Assessment of impairment of group balance assets

Stage 1- expected credit losses

The calculation of impairment allowance as a part of Stage 1 is put into place if at the date of reporting the credit risk of the financial instrument is not significantly increased as compared to the initial recognition; the bank estimates provisions for loss for that financial instrument amounting to the maximum expected twelve month credit losses.

Expected credit loss that is recognized for financial instruments in stage 1 is calculated as a one year portion of calculated credit losses in the following manner:

$$ECL = EAD * MPD * LGD * DF$$

ECL	Expected credit loss
EAD	Exposure at default
MPD	Marginal Probability of default
LGD	Loss given default
DF	EIR based discount factor

Calculated in this manner, the expected twelve month credit losses are part of the expected credit losses during the financial instrument duration and represent the cash shortage along the duration which will emerge in case of non-execution within 12 months after the reporting date (or a shorter period, if the expected duration of the financial instrument is shorter that 12 months), weighted by the probability of such non-execution.

Stage 2- expected credit losses

On the reporting date, the Bank estimates the impairment allowance per financial instrument equal to the amount of expected credit losses along the duration, if the credit risk for that financial instrument has increased significantly from the initial recognition.

The general approach of the Bank for calculating expected credit losses for the entire duration of the financial instrument is displayed through the following formula:

$$\boldsymbol{ECL = \sum_{t=1}^{T}(EAD_t * MPD_t * LGD_t * DF_t)}$$

ECL	Expected credit loss
EAD	Exposure at default
MPD	Marginal Probability of default
LGD	Loss given default
DF	EIR based discount factor

In this manner the calculated expected credit losses for the entire duration of the financial instrument represent the losses that the Bank recognizes for impairment calculation needs in Stage 2.

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Assessment of impairment of group balance assets (continued)

Stage 3- expected credit losses

The calculation of impairment in Stage 3 is done if the identification criteria are recognized which must estimate on an individual basis but are under the defined limit of materiality.

For debtors on a group estimate on stage 3, the calculation of expected credit losses is calculated as the difference between the gross accounting value of the investment and the value calculated by discounting all available collaterals by the initial effective interest rate, as well as taking into account collections from assets securing the remaining amount (1- LGD unsecured)

The value of collateral which is being discounted is 90% of the allocated values during the application of the haircut. The discount period is taken as the average collection from collateral of 36 months.

Total maximum credit exposure

The total exposure to credit risk as at 31 December 2018 and 31 December 2017 is shown in the next review, without taking into account any collateral or other credit protection. The stated values are expressed in gross and net book value.

	31.12.2018.		31.12.2017.	
	Gross	Net	Gross	Net
I. Assets	15.258.241	14.944.128	14.768.130	14.434.946
Cash and cash funds held with the Central Bank	1.590.911	1.590.911	1.884.298	1.884.298
Securities	1.632.306	1.632.306	2.538.041	2.538.041
Loans and receivables from banks and other financial institutions	456.332	455.870	64.562	64.562
Loans and receivables from customers	11.140.666	10.888.409	9.801.670	9.529.386
Receivables on financial derivatives for risk protection	6.014	6.000	2.736	2.736
Other assets	432.012	370.633	476.823	415.923

Guarantees and letters of credit represent irrevocable commitments of the Bank to make payments in case the client is unable to settle its liability towards a third party and they bear the same risk as loans.

	31.12.2018.		31.12.2017.	
	Gross	Net	Gross	Net
II. Off balance sheet items	1.569.949	1.567.477	1.360.007	1.356.645
Payable guarantees	189.366	189.323	111.657	108.621
Performance guarantees	480.173	478.745	273.656	273.329
Irrevocable liabilities	900.410	899.409	734.812	734.812
Other	-	-	239.883	239.883

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Assessment of impairment of group balance assets (continued)

Starting from January 1, 2018 The Group applies IFRS 9 that replaced the IAS 39. Data for 2017 are presented in accordance with the then-applicable IAS 39, and are not comparable with information published for 2018. The differences arising from the application of IFRS 9 are directly recognized through retained earnings as at January 1st, 2018. In accordance with the aforementioned, the effects of the first application of IFRS 9 are detailed as at January 1st, 2018Transition to IFRS 9

	IAS 39 31.12.2017.			IFRS 9 01.01.2018.				
	Category	Gross	Net	Reclassified	Total impairment allowance IFRS 9	Gross	Net	Category
I. Assets		12.230.089	11.896.905	-	354.633	12.230.089	11.875.456	
Cash and cash funds held with the Central Bank	L&R[1]	1.884.298	1.884.298	-	-	1.884.298	1.884.298	AC[2]
Loans and receivables from banks and other financial institutions	L&R	64.562	64.562	-	-	64.562	64.562	AC
Loans and receivables from customers	L&R	9.801.670	9.529.386	-	293.408	9.801.670	9.508.262	AC
Receivables on financial derivatives for risk protection		2.736	2.736	-	-	2.736	2.736	
Other assets	-	476.823	415.923	-	61.225	476.823	415.598	-
II. Off balance sheet items		1.360.007	1.356.645	-	3.363	1.360.007	1.356.645	
Payable guarantees	L&R	111.657	108.621	-	3.036	111.657	108.621	AC
Performance guarantees	L&R	273.656	273.329	-	327	273.656	273.329	AC
Irrevocable commitments	L&R	734.812	734.812	-	-	734.812	734.812	AC
Other	L&R	239.883	239.883	-	-	239.883	239.883	AC
III Financial assets available for sale	AFS[3]	2.538.041	2.538.041	(2.538.041)	6.181	2.538.041	2.531.860	-
Reclasificated in: Financial assets at fair value through other comprehensive income	-	-	-	2.538.041	6.181	2.538.041	2.531.860	FVOCI[4]
Total (I+II+III)		16.128.137	15.791.591	-	346.177	16.128.137	15.763.961	

L&R1– loans and receivables in accordance with IAS 39
AC2 – amortized cost according to the classification of IFRS9
AFS3 – securities available for sale according to the classification of IAS 39
FVOCI4 - ⁻securities that are valued at fair value through other comprehensive income according to the classification of IFRS9

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Assessment of impairment of group balance assets (continued)

Effects of initial application of IFRS 9- effect of impairment allowance

	Impairment allowance		
	31.12.2017.	IFRS 9	01.01.2018.
I. Assets	333.184	27.630	360.814
Cash and cash funds held with central Bank	-	-	-
Securities	-	6.181	6.181
Loans and receivables from banks and other financial institutions	-	-	-
Loans and receivables from customers	272.284	21.124	293.408
Receivables on financial derivatives for risk protection	-	-	-
Other assets	60.900	325	61.225
II. Off balance sheet items	3.362	-	3.362
Payable guarantees	3.036	-	3.036
Performance guarantees	327	-	327
Irrevocable liabilities	-	-	-
Other	-	-	-
Total (I+II)	336.546	27.630	364.176

Loans and receivables from customers by risk level during 2018

	Stage 1	Stage 2	Stage 3	Total
01.01.2018.	8.473.574	903.894	424.202	9.801.670
New receivables	4.564.708	51.629	258.746	4.875.082
Decrease/collection of receivables	2.543.815	159.065	68.268	2.771.148
Transfer to Stage 1	-	359.388	189	359.576
Transfer to Stage 2	56.036	-	303	56.338
Transfer to Stage 3	75.297	273.727	-	349.024
31.12.2018	10.363.134	163.343	614.188	11.140.665

Changes in impairment allowance of loans and receivables to customers by level of risk during 2018

	Stage 1	Stage 2	Stage 3	Total
01.01.2018.	62.816	43.938	186.654	293.408
New receivables	8.662	4.182	81.929	94.773
Decrease/collection of receivables	51.907	18.981	40.927	111.815
Transfer to Stage 1	-	9.293	190	9.483
Transfer to Stage 2	834	-	308	1.141
Transfer to Stage 3	1.429	12.056	-	13.485
31.12.2018	17.309	7.790	227.158	252.257

During the 2018. transition of exposure by levels are the result of the migration of a client between a range of days delay as well as the identification of other indicators which point to worsening credit quality improvement/claims in accordance with the criteria in the note 4.3.

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Loans and receivables to customers, banks and other financial institutions

31.12.2018.	S1	S2	S3	Total	Impairment allowance S1	Impairment allowance S2	Impairment allowance S3	Total impairment	Net
Housing loans	2.038.945	86.662	120.718	2.246.325	430	1.073	36.334	37.837	2.208.487
Cash and consumer loans	608.715	43.282	104.849	756.847	5.946	6.343	53.947	66.235	690.612
Credit cards	17.225	814	1.415	19.454	154	60	1.350	1.564	17.890
Current account overdrafts	12.772	206	3.609	16.587	404	66	3.586	4.056	12.531
Other loans	-	-	-	-	-	-	-	-	-
Retail	2.677.657	130.964	230.591	3.039.213	6.934	7.541	95.217	109.692	2.929.520
Entrepreneurs	408.370	1.760	47.198	457.328	1.345	231	9.619	11.195	446.133
Total retail	3.086.027	132.725	277.789	3.496.541	8.279	7.772	104.836	120.887	3.375.654
Large corporate clients	511.468	-	-	511.468	1.559	-	-	1.559	509.909
Middle corporate clients	2.371.139	-	24.797	2.395.936	3.591	-	5.582	9.173	2.386.763
Small corporate clients	3.658.396	-	202.691	3.861.087	3.325	-	111.997	115.322	3.745.765
Micro business	685.617	30.618	108.912	825.148	556	17	4.743	5.316	819.831
Other	50.487	-	-	50.487	-	-	-	-	50.487
Total corporate	7.277.107	30.618	336.400	7.644.125	9.030	17	122.323	131.370	7.512.755
Total	10.363.134	163.343	614.188	11.140.666	17.309	7.790	227.159	252.257	10.888.409
Banks	456.332	-	-	456.332	462	-	-	462	455.870

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables due to customers, banks and other financial institutions (continued)

1.1.2018.	S1	S2	S3	Total	Impairment allowance S1	Impairment allowance S2	Impairment allowance S3	Total impairment	Net
Housing loans	2.253.840	96.806	127.459	2.478.105	2.329	3.099	37.266	42.694	2.435.411
Cash and consumer loans	963.629	77.651	89.151	1.130.430	11.110	9.533	70.363	91.006	1.039.424
Credit cards	26.916	1.949	915	29.780	358	202	938	1.499	28.281
Current account overdrafts	18.166	1.212	2.895	22.272	176	166	2.895	3.237	19.035
Other loans	-	-	-	-	-	-	-	-	-
Retail	3.262.550	177.618	220.419	3.660.587	13.973	13.001	111.462	138.436	3.522.151
Entrepreneurs	480.847	9.830	43.061	533.738	23.810	1.586	14.705	40.101	493.637
Total retail	3.743.397	187.448	263.480	4.194.325	37.783	14.587	126.166	178.537	4.015.788
Large corporate clients	348.494	-	-	348.494	1.882	-	-	1.882	346.613
Middle corporate clients	1.192.245	173.184	5.588	1.371.017	6.314	15.296	5.588	27.197	1.343.819
Small corporate clients	2.558.168	401.040	115.186	3.074.394	13.793	11.455	41.522	66.770	3.007.624
Micro business	569.402	142.221	39.949	751.572	3.042	2.601	13.378	19.021	732.551
Other	61.869	-	-	61.869	1	-	-	1	61.867
Total corporate	4.730.177	716.446	160.722	5.607.345	25.032	29.351	60.488	114.871	5.492.474
Total	8.473.574	903.894	424.202	9.801.670	62.816	43.938	186.654	293.408	9.508.262
Banks	64.562	-	-	64.562	-	-	-	-	64.562

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

31.12.2017.	NPP*	NPL**	Total	Impairment allowance NPP	Impairment allowance NPL	Total impairment allowance	Net
Housing loans	2.370.070	108.035	2.478.105	4.855	34.104	38.959	2.439.146
Cash and consumer loans	1.037.897	92.533	1.130.430	36.912	54.693	91.605	1.038.825
Credit cards	28.419	1.361	29.780	1.017	1.003	2.020	27.761
Current account overdrafts	18.670	3.602	22.272	639	3.424	4.063	18.209
Other loans	-	-	-	-	-	-	-
Retail	3.455.056	205.531	3.660.587	43.423	93.224	136.647	3.523.940
Entrepreneurs	426.327	107.411	533.738	20.196	21.472	41.669	492.069
Total retail	3.881.382	312.942	4.194.325	63.619	114.697	178.316	4.016.009
Large corporate clients	348.494	-	348.494	5.118	-	5.118	343.376
Middle corporate clients	1.353.375	17.642	1.371.017	3.609	17.642	21.251	1.349.766
Small corporate clients	2.954.614	119.781	3.074.394	12.516	40.084	52.600	3.021.795
Micro business	641.393	110.179	751.572	6.298	8.700	14.998	736.574
Other	61.869	-	61.869	1	-	1	61.867
Total corporate	5.359.745	247.601	5.607.346	27.543	66.426	93.968	5.513.378
Total	9.241.127	560.543	9.801.670	91.162	181.122	272.284	9.529.386
Banks	64.562	-	64.562	-	-	-	64.562

*NPP- Non-problematic receivables
** NPL- Problematic receivables

The politics of determining the value correction is in accordance with the internal methodology of the Bank and is described in note 4-3, as well as the methodology prescribed by the NBS.

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Loans and receivables to customers, banks and other financial institutions (continued)

By implementing the IFRS 9, change has been made to impairment allowance in the balance sheet, which is shown in the following table:

	31.12.2017.	1.1.2018.	Increase in impairment allowance	Reversal of impairment allowance	31.12.2018.
Retail	178.316	178.537	33.776	91.641	120.671
Corporate	93.968	114.871	81.020	64.306	131.585
Total	272.284	293.408	114.795	155.946	252.257
Receivables from banks	-	-	462	-	462

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

The following shows the structure of receivables from clients that are classified in Stage 1.

31.12.2018.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Total
Housing loans	1.961.499	77.445	-	-	2.038.945
Cash and consumer loans	546.330	62.385	-	-	608.715
Credit cards	166	17.059	-	-	17.225
Current account overdrafts	12.723	50	-	-	12.772
Other loans	-	-	-	-	-
Retail	2.520.718	156.939	-	-	2.677.657
Entrepreneurs	381.792	26.578	-	-	408.370
Total retail	2.902.510	183.517	-	-	3.086.027
Large corporate clients	511.468	-	-	-	511.468
Middle corporate clients	2.159.018	212.121	-	-	2.371.139
Small corporate clients	3.038.883	619.513	-	-	3.658.396
Micro business	609.088	76.529	-	-	685.617
Other	50.487	-	-	-	50.487
Total corporate	6.368.944	908.164	-	-	7.277.107
Total	9.271.453	1.091.681	-	-	10.363.134
Out of which: restructured	-	-	-	-	-
Receivables from banks	456.332	-	-	-	456.332

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

1.1.2018.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Total
Housing loans	2.183.613	70.226	-	-	2.253.840
Cash and consumer loans	852.931	110.698	-	-	963.629
Credit cards	35	26.881	-	-	26.916
Current account overdrafts	18.093	72	-	-	18.166
Other loans	-	-	-	-	-
Retail	3.054.672	207.878	-	-	3.262.550
Entrepreneurs	406.343	74.504	-	-	480.847
Total retail	3.461.015	282.382	-	-	3.743.397
Large corporate clients	276.189	72.305	-	-	348.494
Middle corporate clients	1.192.245	-	-	-	1.192.245
Small corporate clients	2.506.794	51.374	-	-	2.558.168
Micro business	528.136	41.155	110	-	569.402
Other	61.869	-	-	-	61.869
Total corporate	4.565.232	164.835	110	-	4.730.177
Total	8.026.247	447.217	110	-	8.473.574
Out of which: restructured	12.469	5.093	-	-	17.562
Receivables from banks	64.562	-	-	-	64.562

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

The following shows the structure of receivables from Stage 2 clients.

31.12.2018.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	-	-	59.459	27.204	-	86.662
Cash and consumer loans	834	-	28.582	13.866	-	43.282
Credit cards	-	-	794	20	-	814
Current account overdrafts	-	-	164	42	-	206
Other loans	-	-	-	-	-	-
Retail	834	-	88.998	41.132	-	130.964
Entrepreneurs	501	841	-	418	-	1.760
Total retail	1.335	841	88.998	41.550	-	132.725
Large corporate clients	-	-	-	-	-	-
Middle corporate clients	-	-	-	-	-	-
Small corporate clients	-	-	-	-	-	-
Micro business	206	-	-	30.413	-	30.618
Other	-	-	-	-	-	-
Total corporate	206	-	-	30.413	-	30.618
Total	1.540	841	88.998	71.963	-	163.343
Out of which: restructured	1.335	-	202	-	-	1.537
Receivables from banks	-	-	-	-	-	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

1.1.2018.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	-	-	62.607	34.200	-	96.806
Cash and consumer loans	-	-	51.197	26.453	-	77.651
Credit cards	-	-	1.316	633	-	1.949
Current account overdrafts	-	-	973	239	-	1.212
Other loans	-	-	-	-	-	-
Retail	-	-	116.093	61.525	-	177.618
Entrepreneurs	-	-	5.212	4.618	-	9.830
Total retail	-	-	121.305	66.143	-	187.448
Large corporate clients	-	-	-	-	-	-
Middle corporate clients	81.511	34.017	12.054	45.602	-	173.184
Small corporate clients	98.915	147.756	144.129	10.242	-	401.040
Micro business	43.334	34.243	8.661	55.983	-	142.221
Other	-	-	-	-	-	-
Total corporate	223.759	216.016	164.844	111.827	-	716.446
Total	223.759	216.016	286.149	177.970	-	903.894
Out of which: restructured	-	-	6.191	6.491	-	12.683
Receivables from banks	-	-	-	-	-	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

A review of non-impaired receivables by days past due - non problematic receivables.

31.12.2017.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	2.191.453	69.429	69.710	39.477	-	2.370.070
Cash and consumer loans	843.816	107.140	48.698	38.244	-	1.037.897
Credit cards	33	26.812	1.152	422	-	28.419
Current account overdrafts	18.015	-	480	175	-	18.670
Other loans	-	-	-	-	-	-
Retail	3.053.317	203.381	120.040	78.318	-	3.455.056
Entrepreneurs	355.516	62.505	4.501	3.805	-	426.327
Total retail	3.408.833	265.886	124.541	82.123	-	3.881.382
Large corporate clients	276.189	72.305	-	-	-	348.494
Middle corporate clients	1.273.756	34.017	-	45.602	-	1.353.375
Small corporate clients	2.606.834	193.409	144.129	10.242	-	2.954.614
Micro business	553.445	64.681	8.584	14.684	-	641.393
Other	61.869	-	-	-	-	61.869
Total corporate	4.772.093	364.412	152.712	70.527	-	5.359.745
Total	8.180.926	630.298	277.253	152.651	-	9.241.127
Out of which: restructured	1.348	42	1.279	1.151	-	3.821
Receivables from banks	64.562	-	-	-	-	64.562

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

A structure of receivables from Stage 3 clients follows.

31.12.2018.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	9.381	2.633	3.649	6.232	98.823	120.718
Cash and consumer loans	11.645	16.040	5.433	7.084	64.647	104.849
Credit cards	1	-	-	-	1.414	1.415
Current account overdrafts	-	-	-	-	3.609	3.609
Other loans	-	-	-	-	-	-
Retail	21.028	18.673	9.082	13.316	168.492	230.591
Entrepreneurs	1.077	1.103	6.193	5.598	33.227	47.198
Total retail	22.105	19.776	15.275	18.914	201.719	277.789
Large corporate clients	-	-	-	-	-	-
Middle corporate clients	8	-	5.574	-	19.214	24.797
Small corporate clients	4	1.490	-	-	201.197	202.691
Micro business	19.158	11.478	29.766	29.162	19.347	108.912
Other	-	-	-	-	-	-
Total corporate	19.169	12.969	35.341	29.162	239.759	336.400
Total	41.274	32.745	50.615	48.076	441.478	614.188
Out of which: restructured	5.803	2.908	9.117	2.560	67.545	87.934
Receivables from banks	-	-	-	-	-	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

1.1.2018.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	11.867	1.005	7.103	10.150	97.332	127.459
Cash and consumer loans	6.542	3.658	5.211	18.800	54.940	89.151
Credit cards	-	-	-	-	915	915
Current account overdrafts	-	-	-	-	2.895	2.895
Other loans	-	-	-	-	-	-
Retail	18.409	4.664	12.315	28.950	156.081	220.419
Entrepreneurs	3.139	9.282	-	-	30.640	43.061
Total retail	21.548	13.945	12.315	28.950	186.722	263.480
Large corporate clients	-	-	-	-	-	-
Middle corporate clients	5.588	-	-	-	-	5.588
Small corporate clients	2.709	312	-	-	112.165	115.186
Micro business	5.223	1.174	1	18.094	15.457	39.949
Other	-	-	-	-	-	-
Total corporate	13.520	1.487	1	18.094	127.622	160.723
Total	35.068	15.432	12.316	47.044	314.344	424.202
Out of which: restructured	5.588	-	974	488	66.746	73.795
Receivables from banks	-	-	-	-	-	-

Receivables classified in Stage 3 and are not categorized in over 90 days past due are claims which are based on the other criteria, identified as problematic in accordance with point 3.5

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

A review of impaired receivables by days past due - problematic receivables on 31.12.2017.

31.12.2017.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	4.028	1.802	-	4.872	97.332	108.035
Cash and consumer loans	15.656	7.216	7.711	7.009	54.940	92.533
Credit cards	1	70	164	211	915	1.361
Current account overdrafts	78	72	493	64	2.895	3.602
Other loans	-	-	-	-	-	-
Retail	19.764	9.161	8.368	12.157	156.081	205.531
Entrepreneurs	53.966	21.281	711	813	30.640	107.411
Total retail	73.730	30.441	9.079	12.970	186.722	312.942
Large corporate clients	-	-	-	-	-	-
Middle corporate clients	5.588	-	12.054	-	-	17.642
Small corporate clients	1.583	6.033	-	-	112.165	119.781
Micro business	23.248	11.892	189	59.393	15.457	110.179
Other	-	-	-	-	-	-
Total corporate	30.419	17.925	12.243	59.393	127.622	247.601
Total	104.149	48.367	21.322	72.363	314.343	560.543
Out of which: restructured	16.708	5.051	5.886	5.828	66.746	100.218
Receivables from banks	-	-	-	-	-	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables from banks and other financial institutions (continued)

Below is shown the structure of receivables from clients who are in Stage 3 and who are restructured:

31.12.2018.	Gross exposure	Impairment allowance	S3 receivables	RP* S3	Impairment allowance S3	Participation of stage 3 in gross exposure	Collateral for S3
Total retail	3.496.541	120.887	277.789	22.385	104.836	7,94%	156.430
Housing loans	2.246.325	37.837	120.718	211	36.334	5,37%	105.250
Cash and consumer Loans	756.847	66.235	104.849	21.447	53.947	13,85%	15.050
Credit cards	19.454	1.564	1.415	-	1.350	7,27%	-
Current account overdrafts	16.587	4.056	3.609	-	3.586	21,76%	-
Other	-	-	-	-	-	0,00%	-
Retail	3.039.213	109.692	230.591	21.658	95.217	7,59%	120.301
Entrepreneurs	457.328	11.195	47.198	727	9.619	10,32%	36.129
Business clients	7.644.125	131.370	336.400	65.549	122.323	4,40%	298.879
Accommodation and food services	26.343	4	6.331	-	-	24,03%	6.331
Administrative and support services	108.026	478	480	-	383	0,44%	-
Agriculture, forestry and fishing	1.268.169	1.354	283	-	128	0,02%	124
Art, entertainment and recreation	5.508	28	-	-	-	0,00%	-
Construction	1.060.006	1.695	32.061	-	42	3,02%	32.008
Financial activities and insurance activities	40.919	191	-	-	-	0,00%	-
Information and communication	9.820	12	-	-	-	0,00%	-
Manufacturing industry	3.040.375	91.893	177.936	5.574	88.329	5,85%	145.384
Professional, scientific, innovation and technical activities	204.494	564	328	-	261	0,16%	-
Real-estate business	122.439	-	-	-	-	0,00%	-
Trafficking and warehousing	240.612	731	2.217	-	507	0,92%	1.583
Wholesale and retail, repairs	1.423.613	33.572	115.726	59.975	31.842	8,13%	113.450
Other	93.801	848	1.038	-	830	1,11%	-
Total	11.140.666	252.257	614.188	87.934	227.159	5,51%	455.309
Receivables from Banks	456.332	462	-	-	-	0,00%	-

*RP- restructured receivables

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

1.1.2018.	Gross exposure	Impairment allowance	S 3 receivables	RP* S 3	Impairment allowance 3	Participation of S3 receivables in total exposure	Collateral for S3
Total retail	4.194.325	178.537	263.480	8.233	126.166	6,28%	110.732
Housing loans	2.478.105	42.694	127.459	364	37.266	5,14%	73.956
Cash and consumer Loans	1.130.430	91.006	89.151	7.620	70.363	7,89%	5.458
Credit cards	29.780	1.499	915	-	938	3,07%	-
Current account overdrafts	22.272	3.237	2.895	-	2.895	13,00%	-
Other	-	-	-	-	-	0,00%	-
Retail	3.660.587	138.436	220.419	7.984	111.462	6,02%	79.414
Entrepreneurs	533.738	40.101	43.061	249	14.705	8,07%	31.318
Business clients	5.607.346	114.871	160.722	65.562	60.488	2,87%	122.563
Accommodation and food services	44.766	270	-	-	-	0,00%	-
Administrative and support services	138.446	1.257	503	-	510	0,36%	-
Agriculture, forestry and fishing	400.684	3.335	2.782	-	1.075	0,69%	2.730
Art, entertainment and recreation	10.337	56	-	-	-	0,00%	-
Construction	789.813	19.372	4.456	-	833	0,56%	3.627
Financial activities and insurance activities	13	1	-	-	-	0,00%	-
Information and communication	14.593	79	-	-	-	0,00%	-
Manufacturing industry	2.169.866	51.581	80.277	5.588	35.387	3,70%	53.567
Professional, scientific, innovation and technical activities	192.599	1.847	1.816	-	739	0,94%	1.082
Real-estate business	17.671	1.291	0	-	-	0,00%	-
Trafficking and warehousing	132.411	5.154	4.446	-	4.458	3,36%	-
Wholesale and retail, repairs	1.548.693	29.930	66.062	59.975	17.105	4,27%	61.558
Other	147.455	699	381	-	381	0,26%	-
Total	9.801.670	293.408	424.202	73.795	186.654	4,33%	233.296
Receivables from Banks	64.562	-	-	-	-	0,00%	-

*RP- restructured receivables

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

A review of problematic receivables on 31.12.2017.

31.12.2017.	Gross exposure	Impairment allowance	Problematic receivables	Restructured problematic receivables	Impairment of problematic receivables	Participation of problematic receivables in total exposure (%)	Collateral for problematic receivables
Total retail	4.194.325	178.316	312.942	34.656	114.697	7,46%	162.112
Housing loans	2.478.105	38.959	108.035	-	34.104	4,36%	79.004
Cash and consumer Loans	1.130.430	91.605	92.533	33.261	54.693	8,19%	6.006
Credit cards	29.780	2.020	1.361	-	1.003	4,57%	-
Current account overdrafts	22.272	4.063	3.602	-	3.424	16,17%	-
Other	-	-	-	-	-	0,00%	-
Retail	3.660.587	136.647	205.531	33.261	93.224	5,61%	85.009
Entrepreneurs	533.738	41.669	107.411	1.395	21.472	20,12%	77.102
Business clients	5.607.346	93.968	247.601	65.562	66.426	4,42%	203.448
Accommodation and food services	44.766	77	-	-	-	0,00%	-
Administrative and support services	138.446	880	691	-	514	0,50%	-
Agriculture, forestry and fishing	400.684	2.040	2.730	-	1.023	0,68%	2.730
Art, entertainment and recreation	10.337	177	-	-	-	0,00%	-
Construction	789.813	14.821	59.415	-	13.084	7,52%	46.301
Financial activities and insurance activities	13	1	-	-	-	0,00%	-
Information and communication	14.593	106	-	-	-	0,00%	-
Manufacturing industry	2.169.866	46.410	100.206	5.588	34.349	4,62%	74.533
Professional, scientific, innovation and technical activities	192.599	1.319	1.743	-	661	0,90%	1.082
Real-estate business	17.671	131	-	-	-	0,00%	-
Trafficking and warehousing	132.411	4.128	2.340	-	2.340	1,77%	-
Wholesale and retail, repairs	1.548.693	23.386	80.095	59.975	14.072	5,17%	78.803
Other	147.455	492	381	-	381	0,26%	-
Total	9.801.670	272.284	560.543	100.218	181.122	5,72%	365.560
Receivables from Banks	64.562	-	-	-	-	0,00%	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (Continued)

Loans and receivables to customers, banks and other financial institutions (continued)

Changes in Stage

Change in S3 receivables	Gross 31.12.2017. /1.1.2018.	New S3 clients	Decrease in S3 clients	Gross 31.12.2018.	Net 31.12.2018.
Housing loans	127.459	7.491	14.233	120.718	84.384
Cash and consumer Loans	89.151	36.108	20.409	104.849	50.903
Credit cards	915	579	79	1.415	65
Current account overdrafts	2.895	1.173	458	3.609	22
Other	-	-	-	-	-
Retail	220.419	45.351	35.179	230.591	135.374
Entrepreneurs	43.061	13.186	9.049	47.198	37.579
Total retail	263.480	58.537	44.228	277.789	172.953
Large enterprises	-	-	-	-	-
Medium enterprises	5.588	19.222	13	24.797	19.214
Small enterprises	115.186	97.754	10.250	202.691	90.694
Micro enterprises	39.949	83.232	14.268	108.913	104.169
Other	-	-	-	-	-
Business clients	160.723	200.208	24.532	336.400	214.077
Total	424.202	258.746	68.759	614.189	387.030

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Restructured receivables

Loans with changed initially agreed conditions are loans that are rescheduled or restructured due to deterioration in the financial condition of the debtor, or due to problems in settlement obligations in the initial agreed deadlines maturity.
The Bank conducts financial analysis of the debtor, where there is a problem in settling liabilities and if the judgment to the borrower after the modified conditions to be able to pay its obligations the Bank decides that such loans rescheduling.

RESTRUCTURED RECEIVABLES 31.12.2018.	Restructured receivables(RP)- Gross exposure	S 1 RP	S2 RP	S3 RP	Impairment allowance RP	Impairment allowance S 1 RP	Impairment allowance S 2RP	Impairment allowance S3 RP	Participation RP in gross exposure	Collateral RP
Total retail	23.921	-	1.537	22.385	13.084	-	127	12.957	3,25%	1.370
Housing loans	211	-	-	211	-	-	-	-	0,01%	211
Cash and consumer loans	22.483	-	1.036	21.447	12.644	-	127	12.517	2,97%	658
Credit cards	-	-	-	-	-	-	-	-	0,00%	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	0,00%	-
Agricultural loans	-	-	-	-	-	-	-	-	0,00%	-
Other	-	-	-	-	-	-	-	-	0,00%	-
Micro business	-	-	-	-	-	-	-	-	0,00%	-
Retail	22.694	-	1.036	21.658	12.644	-	127	12.517	2,98%	869
Entrepreneurs	1.228	-	501	727	440	-	-	440	0,27%	501
Business clients	65.549	-	-	65.549	35.543	-	-	35.543	4,40%	59.975
Accommodation and food services	-	-	-	-	-	-	-	-	0,00%	-
Administrative and support services	-	-	-	-	-	-	-	-	0,00%	-
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	0,00%	-
Art, entertainment and recreation	-	-	-	-	-	-	-	-	0,00%	-
Construction	-	-	-	-	-	-	-	-	0,00%	-
Financial activities and insurance activities	-	-	-	-	-	-	-	-	0,00%	-
Information and communication	-	-	-	-	-	-	-	-	0,00%	-
Manufacturing industry	5.574	-	-	5.574	5.574	-	-	5.574	0,18%	-
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	-	-	0,00%	-
Real-estate business	-	-	-	-	-	-	-	-	0,00%	-
Trafficking and warehousing	-	-	-	-	-	-	-	-	0,00%	-
Wholesale and retail, repairs	59.975	-	-	59.975	29.968	-	-	29.968	4,21%	59.975
Other	-	-	-	-	-	-	-	-	0,00%	-
Total	89.470	-	1.537	87.934	48.627	-	127	48.499	7,64%	61.344
Receivables from banks	-	-	-	-	-	-	-	-	0,00%	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Credit risk (continued)

Restructured receivables (continued)

31.12.2017.	Restructured receivables – gross exposure	Restructured non problematic receivables	Restructured problematic receivables	Impairment allowance of restructured receivables	Impairment allowance of restructured non problematic receivables	Impairment allowance of restructured problematic receivables	Participation of restructured receivables in gross exposure	Amount of collaterals for restructured receivables
Total retail	38.477	3.821	34.656	10.463	315	10.148	3,61%	2.282
Housing loans	364	364	-	-	-	-	0,01%	364
Cash and consumer loans	35.831	2.570	33.261	9.881	310	9.570	3,17%	1.040
Credit cards	-	-	-	-	-	-	0,00%	-
Overdraft on current accounts	-	-	-	-	-	-	0,00%	-
Agricultural	-	-	-	-	-	-	0,00%	-
Other	-	-	-	-	-	-	,	-
Micro business	-	-	-	-	-	-	0,00%	-
Retail	36.195	2.935	33.261	9.881	310	9.570	3,18%	1.405
Entrepreneurs	2.282	886	1.395	582	5	577	0,43%	877
Business clients	65.562	-	65.562	18.373	-	18.373	4,13%	59.975
Accommodation and food services	-	-	-	-	-	-	0,00%	-
Administrative and support services	-	-	-	-	-	-	0,00%	-
Agriculture, forestry and fishing	-	-	-	-	-	-	0,00%	-
Art, entertainment and recreation	-	-	-	-	-	-	0,00%	-
Construction	-	-	-	-	-	-	0,00%	-
Financial activities and insurance activities	-	-	-	-	-	-	0,00%	-
Information and communication	-	-	-	-	-	-	0,00%	-
Manufacturing industry	5.588	-	5.588	5.588	-	5.588	0,26%	-
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	0,00%	-
Real-estate business	-	-	-	-	-	-	0,00%	-
Trafficking and warehousing	-	-	-	-	-	-	0,00%	-
Wholesale and retail, repairs	59.975	-	59.975	12.785	-	12.785	3,87%	59.975
Other	-	-	-	-	-	-	0,00%	-
Total	104.039	3.821	100.218	28.835	315	28.520	7,74%	62.256
Receivables from banks	-	-	-	-	-	-	0,00%	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Restructured receivables (continued)

In 2018 Bank had very little restructured receivables which are by methodology in stage 2:

- Housing loans in amount of RSD 1.036 thousand
- Loans to entrepreneurs in amount of RSD 501 thousand

Receivables from customers covered with collateral

31.12.2018.	S 1 CLIENTS			S 2 CLIENTS			S 3 CLIENTS		
	Property	Deposits	Total	Property	Deposits	Total	Property	Deposits	Total
Housing Loans	1.942.224	12.390	1.954.614	85.049	-	85.049	105.250	-	105.250
Cash and consumer loans	59.308	97	59.405	1.970	-	1.970	15.050	-	15.050
Credit cards	-	-	-	-	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Micro business	-	-	-	-	-	-	-	-	-
Retail	2.001.532	12.486	2.014.019	87.019	-	87.019	120.301	-	120.301
Entrepreneurs	336.521	4.495	341.016	501	-	501	36.129	-	36.129
Total retail	2.338.053	16.981	2.355.034	87.520	-	87.520	156.430	-	156.430
Large enterprises	270.662	-	270.662	-	-	-	-	-	-
Medium enterprises	1.836.686	29.569	1.866.255	-	-	-	19.214	-	19.214
Small enterprises	3.131.092	86.982	3.218.074	-	-	-	176.613	-	176.613
Micro enterprises	497.845	66.993	564.838	30.413	-	30.413	94.773	8.279	103.052
State	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Business clients	5.736.286	183.544	5.919.829	30.413	-	30.413	290.600	8.279	298.879
Total	8.074.339	200.524	8.274.864	117.933	-	117.933	447.030	8.279	455.309
Receivables from banks	-	-	-	-	-	-	-	-	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3. Credit risk (continued)

Receivables from customers covered with collateral (continued)

31.12.2017.	Non problematic receivables			Problematic receivables		
	Property	Deposits	Total	Property	Deposits	Total
Housing Loans	2.107.286	13.066	2.120.351	78.968	36	79.004
Cash and consumer loans	78.217	667	78.884	6.006	-	6.006
Credit cards	-	682	682	-	-	-
Overdraft on current accounts	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-
Other	-	-	-	-	-	-
Micro business	-	-	-	-	-	-
Retail	2.185.503	14.414	2.199.917	84.973	36	85.009
Entrepreneurs	276.823	3.371	280.194	72.956	4.147	77.102
Total retail	2.462.326	17.785	2.480.111	157.929	4.182	162.112
Large enterprises	49.163	14	49.177	-	-	-
Medium enterprises	1.142.321	-	1.142.321	-	-	-
Small enterprises	2.220.367	111.917	2.332.285	98.056	-	98.056
Micro enterprises	392.665	47.470	440.135	105.391	-	105.391
State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Business clients	3.804.517	159.401	3.963.918	203.448	-	203.448
Total	6.266.843	177.186	6.444.028	361.377	4.182	365.560
Receivables from banks	-	-	-	-	-	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3. Credit risk (continued)

Risk of concentration

31.12.2018.	Receivables from S1 i S2 clients				Receivables from S 3 clients			
	Serbia	Montenegro	EU	Other	Serbia	Montenegro	EU	Other
Total retail	3.187.267	-	7.006	24.478	277.788	-	-	1
Housing Loans	2.094.179	-	6.950	24.478	120.718	-	-	-
Cash and consumer loans	651.997	-	-	-	104.849	-	-	-
Credit cards	17.984	-	56	-	1.415	-	-	-
Overdraft on current accounts	12.978	-	-	-	3.608	-	-	1
Agricultural	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Micro business	-	-	-	-	-	-	-	-
Retail	2.777.137	-	7.006	24.478	230.590	-	-	1
Entrepreneurs	410.130	-	-	-	47.198	-	-	-
Business Clients	7.307.725	-	-	-	336.400	-	-	-
Accommodation and food services	20.012	-	-	-	6.331	-	-	-
Administrative and support services	107.547	-	-	-	480	-	-	-
Agriculture, forestry and fishing	1.267.886	-	-	-	283	-	-	-
Art, entertainment and recreation	5.508	-	-	-	-	-	-	-
Construction	1.027.945	-	-	-	32.061	-	-	-
Financial activities and insurance activities	40.919	-	-	-	-	-	-	-
Information and communication	9.820	-	-	-	-	-	-	-
Manufacturing industry	2.862.439	-	-	-	177.936	-	-	-
Professional, scientific, innovation and technical activities	204.167	-	-	-	328	-	-	-
Real-estate business	122.439	-	-	-	-	-	-	-
Trafficking and warehousing	238.396	-	-	-	2.217	-	-	-
Wholesale and retail, repairs	1.307.887	-	-	-	115.726	-	-	-
Other	92.762	-	-	-	1.038	-	-	-
Total	10.494.993	-	7.006	24.478	614.188	-	-	1
Receivables from banks	261.809	-	167.237	27.286	-	-	-	-

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Risk of concentration (continued)

31.12.2017.	Non problematic receivables				Problematic receivables			
	Serbia	Montenegro	EU	Other	Serbia	Montenegro	EU	Other
Total retail	3.848.485	144	7.382	25.371	312.942	-	-	-
Housing Loans	2.337.541	-	7.157	25.371	108.035	-	-	-
Cash and consumer loans	1.037.897	-	-	-	92.533	-	-	-
Credit cards	28.051	144	224	-	1.361	-	-	-
Overdraft on current accounts	18.669	-	-	-	3.602	-	-	-
Agricultural	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Micro business	-	-	-	-	-	-	-	-
Retail	3.422.159	144	7.382	25.371	205.531	-	-	-
Entrepreneurs	426.327	-	-	-	107.411	-	-	-
Business Clients	5.359.745	-	-	-	247.601	-	-	-
Accommodation and food services	44.766	-	-	-	-	-	-	-
Administrative and support services	137.754	-	-	-	691	-	-	-
Agriculture, forestry and fishing	397.954	-	-	-	2.730	-	-	-
Art, entertainment and recreation	10.337	-	-	-	-	-	-	-
Construction	730.398	-	-	-	59.415	-	-	-
Financial activities and insurance activities	13	-	-	-	-	-	-	-
Information and communication	14.593	-	-	-	-	-	-	-
Manufacturing industry	2.069.660	-	-	-	100.206	-	-	-
Professional, scientific, innovation and technical activities	190.856	-	-	-	1.743	-	-	-
Real-estate business	17.671	-	-	-	-	-	-	-
Trafficking and warehousing	130.070	-	-	-	2.340	-	-	-
Wholesale and retail, repairs	1.468.598	-	-	-	80.095	-	-	-
Other	147.074	-	-	-	381	-	-	-
Total	9.208.230	144	7.382	25.371	560.543	-	-	-
Receivables from banks	10.905	-	27.289	26.368	-	-	-	-

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk

Market risk is the risk that the fair value or expected future cash flows of financial instruments will fluctuate because of changes in market variables such as interest rates and foreign exchange rates. Except for the concentration of foreign exchange risk, the Bank has no significant concentration of market risk for other items.

Risk of interest rate changes

The Bank is exposed to changes in the prevailing level of market interest rates that influence its financial position and cash flows. As a result of such changes, the interest margin may increase, decrease, and cause losses in the event of unexpected changes. Interest rates are based on market interest rates and they are constantly adjusted by the Bank.

Risk management activity is aimed at optimization of net interest income, maintenance of the market interest rate at a consistent level in accordance with the Bank's business strategy. Bank's management manages maturity compliance of assets and liabilities on the basis of macroeconomic and microeconomic projections, projection of requirements for reaching liquidity and projection of interest rate trends.

The Bank manages the interest rate risk in accordance with Chapter - The Interest Rate Risk Management, which defines the system and methodologies for the interest rate risk management, competencies and responsibilities of system participants, as well as controls carried out with the aim of creating the most efficient system possible.

The subject of interest rate risk management is represented by all those items contained in the banking book, which may cause a negative effect on the Bank's result and capital due to an interest rate change.

The Bank may be exposed to different forms of interest risk:

- Risk of time lags between the maturity and repricing, i.e. the repricing risk, risk of change in price. This risk results from the discrepancy in the maturity date (for fixed rates) and the date of price change (for variable rates) for assets, liabilities and off-balance items of the Bank;
- Yield curve risk - risk which arises due to change of forms and slope of the yield curve, when unexpected movements of the curve negatively affect the income or the basic economic value.
- Basis risk - due to different reference interest rates in interest-sensitive items with similar characteristics in terms of maturity, i.e. due to repricing.
- Optionality risk - due to options embedded in interest-sensitive items (loans with the possibility of early withdrawal, different types of securities or records containing options to buy or sell, different types of deposit instruments without maturity that allow depositors to withdraw funds at any moment, often without paying any penalties).

With the aim of managing the interest risk exposure, the Bank uses the GAP methodology for interest rates.

Analysis of interest risk exposures implies analysis of condition and changes of balance sheet assets, liabilities and off-balance items, and position of derivatives. The Bank identifies the interest risk exposure by establishing incompatibility of values in the relevant currencies (RSD, EUR, USD, CHF) and overall (on a consolidated basis) for all currencies with which it operates.

Analysis of items of balance sheet assets and liabilities involves establishment of interest-sensitive items classified according to the period of interest rate reformation, i.e. determining the expected schedule of future cash flows.

Analysis of off-balance items (swaps, forwards) implies determining potential item changes, resulting from interest rate changes on the market.

Interest rate analysis implies continuous monitoring and adjustment of affairs to the conditions of interest rate changes on the market.

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk (continued)

Risk of interest rate changes (continued)

As of 31.12.2918	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest-insensitive positions	Total
ASSETS							
Cash and cash funds held with central Bank	332.480	-	-	-	-	1.258.431	1.590.911
Securities	-	-	200.447	1.377.329	54.530	-	1.632.306
Loans and receivables from banks and other financial institutions	254.728	-	-	-	-	201.142	455.870
Loans and receivables from customers	2.603.953	3.097.447	4.602.228	195.734	128.695	260.351	10.888.409
Receivables on financial derivatives for risk protection	-	-	-	-	-	6.000	6.000
Other assets	-	-	-	-	-	370.625	370.633
TOTAL ASSETS	3.191.161	3.097.447	4.802.675	1.573.063	183.233	2.096.549	14.944.129
LIABILITIES							
Deposits and other liabilities to banks, other financial institutions and central Bank	1.836.841	499.023	1.000	654.973	-	11.144	3.002.981
Deposits and other liabilities to customers	1.301.658	922.631	2.285.777	1.604.571	7.082	2.349.378	8.471.097
Liabilities on financial derivatives for risk protection	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	114.020	114.020
Total liabilities	3.138.499	1.421.654	2.286.777	2.259.544	7.082	2.474.542	11.588.098
GAP (Assets - liabilities):	52.662	1.675.794	2.515.898	(686.481)	176.151	(377.993)	3.356.031

As of 31.12 2017	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Interest-insensitive positions	Total
ASSETS							
Cash and cash funds held with central Bank	665.704	-	-	-	-	1.218.594	1.884.298
Securities	-	-	-	2.538.041	-	-	2.538.041
Loans and receivables from banks and other financial institutions	4.739	-	-	-	-	59.823	64.562
Loans and receivables from customers	2.027.759	2.953.971	4.014.540	233.126	44.065	255.925	9.529.386
Receivables on financial derivatives for risk protection	-	-	-	-	-	2.736	2.736
Other assets	-	-	-	-	-	415.923	415.923
TOTAL ASSETS	2.698.202	2.953.971	4.014.540	2.771.167	44.065	1.953.001	14.434.946
LIABILITIES							
Deposits and other liabilities to banks, other financial institutions and central Bank	3.137.116	376.273	1.020.055	2.140	-	21.063	4.556.647
Deposits and other liabilities to customers	966.507	332.775	2.249.646	664.994	8.329	2.288.523	6.510.773
Liabilities on financial derivatives for risk protection	-	-	-	-	-	134	134
Other liabilities	-	-	-	-	-	101.323	101.323
Total liabilities	4.103.623	709.047	3.269.701	667.133	8.329	2.411.043	11.168.877
GAP (Assets - liabilities):	(1.405.421)	2.244.924	744.839	2.104.034	35.736	(458.042)	3.266.069

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk (continued)

Risk of interest rate changes (continued)

Interest rate GAP limits are defined by the Board of Directors Decision and are monitored and analysed on regular basis.

As an integral part of the interest rate risk assessment the Bank conducts stress tests of the effects of changes in interest rates. In determining exposure to interest rate risk in the banking book and interest rate risk limit, the Bank assesses the effects of IR changes on the financial result of the Bank (income statement), but also effects on the economic value of Bank capital, by applying a test - i.e. standard interest rate shock in accordance with the nature and level of risks that Bank is exposed to.

The standard interest rate shock presents positive and negative parallel shift of interest rate changes by 200 basis points (1BP = 0,01%).

In the existing IR GAP structure (observed on consolidated level which includes major currencies i.e. currencies EUR, RSD, CHF and USD) interest rate increase by 200 bp would change the economic value of the Bank capital by 0,86% (2017: 4,61%), i.e. the value of capital would be reduced by RSD 24.601 thousand (2017: there was an increase of RSD 132.367 thousand).

As of 31.12.2018.

Expressed in '000 RSD	0-1m	1-3m	3-6m	6-12m	1-2y	2-3y	3-4y	4-5y	5-7y	7-10y	10-15y	15-20y	>20y	TOTAL
Sensitive assets	3.898.391	3.693.673	4.500.624	304.967	1.487.785	97.601	27.455	24.516	21.611	56.122	0	105.500	0	14.218.244
Sensitive liabilities	-3.729.566	-2.012.648	-427.839	-1.860.809	-1.947.926	-341.248	-843	-843	-7.082	-2.584	0	0	0	-10.331.388
GAP	168.825	1.681.025	4.072.785	-1.555.842	-460.142	-243.647	26.612	23.673	14.529	53.537	0	105.500	0	3.886.857
Basel 2 sensitivity coefficient (200 bp inerest rate changes)	0,08%	0,32%	0,72%	1,43%	2,77%	4,49%	6,14%	7,71%	10,15%	13,26%	17,84%	22,43%	26,03%	
Effects (in '000 RSD)	135	5.379	29.324	-22.249	-12.746	-10.940	1.634	1.825	1.475	7.099	0	23.664	0	24.601
Regulatory capital														2.873.828
Total effects/Regulatory Capital (max 20%)														0,86%

Expressed in '000 RSD

Sensitive assets	0-1m	1-3m	3-6m	6-12m	1-2y	2-3y	3-4y	4-5y	5-7y	7-10y	10-15y	15-20y	>20y	TOTAL
Sensitive liabilities	3.504.346	3.313.312	3.869.776	145.276	320.397	1.370.697	93.980	988.027	34.253	11.098	0	0	0	13.651.162
GAP	-3.392.787	-353.629	-920.518	-2.349.184	-595.044	-101.718	-5.050	-23.420	-1.380	-6.949	0	0	0	-7.749.678
Basel 2 sensitivity coefficient (200 bp interest rate changes)	111.560	2.959.683	2.949.259	-2.203.908	-274.648	1.268.978	88.930	964.607	32.874	4.148	0	0	0	5.901.484
Effects (in '000 RSD)	0,08%	0,32%	0,72%	1,43%	2,77%	4,49%	6,14%	7,71%	10,15%	13,26%	17,84%	22,43%	26,03%	
Regulatory capital	89	9.471	21.235	-31.516	-7.608	56.977	5.460	74.371	3.337	550	0	0	0	132.367
Total effects/Regulatory Capital (max 20%)														2.873.828
Total effects/Regulatory equity (max 20%)														4,61%

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk (continued)

Foreign exchange risk

The Bank regularly monitors its exposure to foreign currency risk by complying with limits prescribed by the NBS, as well as internally prescribed limits. The Bank maintains its foreign currency position by granting loans with foreign currency clauses. In addition, the Bank actively manages foreign currency risk through prudent assessment of open foreign currency positions by applying foreign currency swaps and observing risk limitations prescribed by the NBS and contained in internal enactments adopted by the Bank's management.

On 31 December 2018 Bank is in compliance with the requirements of the National Bank of Serbia in terms of foreign exchange risks.

Table in the text below shows summarized exposure to foreign exchange risk on 31 December 2018. The table also includes assets and liabilities according to their carrying values denominated in relevant currencies.

As of 31.12. 2018. years	USD	EUR	CHF	Other currencies	TOTAL	RSD	TOTAL
ASSETS							
Cash and cash funds held with central Bank	7.227	1.131.169	1.770	5.912	1.146.078	444.833	1.590.911
Securities	55.681	-	-	-	55.681	1.576.626	1.632.306
Loans and receivables from banks and other financial institutions	31.007	168.728	4.442	1.614	205.790	250.080	455.870
Loans and receivables from customers	968	8.236.966	444.185	-	8.682.119	2.206.290	10.888.409
Receivables on financial derivatives for risk protection	-	-	-	-	-	6.000	6.000
Other assets	-	1.569	-	-	1.569	7.416	8.986
TOTAL ASSETS	94.883	9.538.432	450.397	7.525	10.091.237	4.491.244	14.582.481
Deposits and other liabilities to banks, other financial institutions and central Bank							
Deposits and other liabilities to customers	-	2.596.793	394.461	-	2.991.253	11.728	3.002.981
Liabilities on financial derivatives for risk protection	92.983	5.762.956	54.256	3.670	5.913.865	2.557.232	8.471.097
Other liabilities	711	19.071	1.156	70	21.008	93.012	114.020
Total liabilities	93.694	8.378.820	449.873	3.739	8.926.126	2.661.971	11.588.097
Net foreign currency position	1.189	1.159.612	524	3.786	1.165.111	1.829.273	2.994.384

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk (continued)

Foreign exchange risk (continued)

As of 31.12. 2017.	USD	EUR	CHF	Other currencies	TOTAL	RSD	TOTAL
ASSETS							
Cash and cash funds held with central Bank	9.011	1.095.146	5.868	10.845	1.120.871	763.427	1.884.298
Securities	60.840	962.662	-	-	1.023.502	1.514.539	2.538.041
Loans and receivables from banks and other financial institutions	32.232	27.436	4.208	687	64.562	-	64.562
Loans and receivables from customers	930	7.140.444	466.936	-	7.608.309	1.921.077	9.529.386
Receivables on financial derivatives for risk protection	-	-	-	-	-	2.736	2.736
Other assets	-	1.591	-	-	1.591	14.972	16.563
TOTAL ASSETS	103.013	9.227.279	477.012	11.533	9.818.836	4.216.751	14.035.587
Deposits and other liabilities to banks, other financial institutions and central Bank							
Deposits and other liabilities to customers	-	4.117.897	427.549	-	4.545.446	11.201	4.556.647
Liabilities on financial derivatives for risk protection	98.569	4.357.340	52.389	4.101	4.512.398	1.998.375	6.510.773
Other liabilities	-	-	-	-	-	134	134
Total liabilities	681	17.129	141	71	18.023	83.300	101.323
Net foreign currency position	99.250	8.492.367	480.078	4.172	9.075.867	2.093.011	11.168.877
ASSETS	3.763	734.912	(3.066)	7.360	742.969	2.123.740	2.866.709

The effects of a decrease in foreign exchange rates on the Bank's results are presented below:

	Balance of open foreign currency position		RSD Depreciation effect of 10%	
	dec.2018.	dec.2017.	dec.2018.	dec.2017.
EUR	(44.322)	190.606	(3.767)	16.202
CHF	129	3.764	11	320
USD	1.189	(2.685)	101	(228)
Other currencies (long position)	3.791	7.368	322	626
Other currencies (short position)	(5)	(7)	-	(1)

4. FINANCIAL RISK MANAGEMENT (continued)

4.5. Fair value of financial assets and liabilities

Fair value specified in financial statements is the amount for which an asset may be exchanged, or for which a liability may be settled, between informed, willing parties in an independent transaction.

Fair value is calculated by using market information available on the enforcement date, as well as individual method of Bank's assessment.

The fair value of a financial instrument is shown at its nominal value is approximately equal to its book value. This includes cash as well as receivables and liabilities without a defined maturity or fixed interest rate. For other receivables and liabilities, expected future cash flows are discounted to their present value using current interest rates. Bearing in mind that the variable interest rate agreed for most financial assets and liabilities of the Bank, changes in prevailing interest rates lead to changes in the agreed rates.

Quoted market prices are used for securities traded. The fair value of other securities is calculated as the net present value of expected future cash flows.

The fair value of irrevocable credit commitments and contingent liabilities are the same as their book values.

Assessment of financial instruments

The Bank measures the fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market prices (unadjusted) in active markets for identical instrument.
- Level 2: Valuation techniques based on observable inputs other than quoted prices included in level 1, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments that are valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques that use significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant impact on the valuation of the instrument. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.5. Fair value of financial assets and liabilities

Assessment of financial instruments (continued)

The fair value of financial assets and financial liabilities traded in active markets is based on quoted market prices or prices quoted by dealers. For all other financial instruments the Bank determines fair value by using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparing to similar instruments for which there is an observable market price and other evaluation models. Assumptions and inputs used in valuation techniques include free from risk and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond prices and equity securities, foreign exchange rates, equity and equity-indexed prices and expected price fluctuations and correlations. The objective of valuation techniques to determine the fair value which reflects the price of the financial instrument at the reporting date, which would be defined by the market participants in the free and independent transactions.

The Bank uses widely accepted models of evaluation to determine the fair value of common and simpler financial instruments, including interest rate and currency swaps that use only observable market data and require little judgment and estimates by management. Quoted prices and inputs for the models are usually available in the market for listed debt and equity securities, derivatives traded and simple derivatives as interest rate swaps.

The availability of observable market prices and input models reduces the need for estimates of management and reduces the uncertainty associated with the determination of fair value. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes caused by specific events and general conditions in future markets.

	31.12.2018.		31.12.2017	
	Gross	Net	Gross	Net
Financial assets				
-at fair value through other comprehensive income	1.632.306	1.628.590	-	-
-available for sale	-	-	2.538.041	2.538.041
Total	1.632.306	1.628.590	2.538.041	2.538.041

31.12.2018.	Level 1	Level 2	Level 3	Total
Financial assets				
- at fair value through other comprehensive income	-	1.632.306	-	1.632.306
Total	-	1.632.306	-	1.632.306

31.12.2017.	Level 1	Level 2	Level 3	Total
Financial assets				
- available for sale	-	2.538.041	-	2.538.041
Total	-	2.538.041	-	2.538.041

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments (continued)

The following table shows the fair value of financial instruments not measured at fair value and analyse them according to the level in the fair value hierarchy within the fair value measurement placed:

	31.12.2018		31.12.2017	
Financial (monetary) assets	Book value	Fair value	Book value	Fair value
Cash and cash funds held with central bank	1.590.911	1.590.911	1.884.298	1.884.298
Loans and receivables from banks and other financial organisations	455.870	455.870	64.562	64.562
Loans and receivables from clients	10.888.409	10.903.271	9.529.386	9.506.372
Other assets	370.633	370.633	415.923	415.923
Total	13.305.823	13.320.685	11.894.169	11.871.155
Financial (monetary) liabilities				
Deposits and other liabilities to banks, other financial institutions and central bank	3.002.981	2.938.532	4.556.647	4.234.295
Deposits and other financial liabilities to clients	8.471.097	8.461.148	6.510.773	6.504.695
Other liabilities	114.020	114.020	101.323	101.323
Total	11.588.098	11.513.700	11.168.743	10.840.313

31 December 2018	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and cash funds held with central bank	1.590.911	-	-	1.590.911
Loans and receivables from banks and other financial organisations	-	-	455.870	455.870
Loans and receivables from clients	-	-	10.888.409	10.888.409
Other assets	-	-	370.633	370.633
Total	1.590.911	-	11.714.912	13.305.823
LIABILITIES				
Deposits and other liabilities to banks, other financial institutions and the central bank	-	-	3.002.981	3.002.981
Deposits and other financial liabilities to clients	-	-	8.471.097	8.471.097
Other liabilities	-	-	114.020	114.020
Total	-	-	11.588.098	11.588.098

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments (continued)

	Fair value			
31 December 2017	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and cash funds held with central bank	1.884.298	-	-	1.884.298
Loans and receivables from banks and other financial organisations	-	-	64.562	64.562
Loans and receivables from clients	-	-	9.529.386	9.529.386
Other assets	-	-	415.923	415.923
Total	1.884.298	-	10.009.871	11.894.169
LIABILITIES				
Deposits and other liabilities to banks, other financial institutions and the central bank	-	-	4.556.647	4.556.647
Deposits and other financial liabilities to clients	-	-	6.510.773	6.510.773
Other liabilities	-	-	101.323	101.323
Total	-	-	11.168.743	11.168.743

The following is a description of the methodology and assumptions used to determine fair values of financial instruments that have not been recorded at fair value in the financial statements.

Assets for which fair value approximates to book value

For financial assets and liabilities that are liquid or have short-term maturities (less than one year) it is assumed that the book value approximates fair value. This assumption also applies to deposits on requirements, savings accounts without a specific maturity and financial instruments with variable rate.

Fixed-rate financial instruments

The fair value of financial assets and liabilities with fixed rates recorded at amortized cost are estimated by using market interest rates plus current credit risk.

The estimated fair value of deposits with a fixed rate based on the discounted cash flows using prevailing interest rates on the debt on the money market with similar credit risk and maturity.

4. FINANCIAL RISK MANAGEMENT (continued)

4.6. The risks of exposure to a single party or a group of related parties

The Bank's exposure to a single party represents the total amount of receivables and off-balance sheet items relating to that party or a group of related parties (loans, investments in debt securities, equity shares, guarantees issued, avals, etc.).

The exposure risk, i.e. exposure concentration, is the Bank's exposure towards:

- One party or a group of related parties (two or more natural persons or legal entities related by shares);
- Two or more retail or corporate entities related in the manner that deterioration or improvement of the financial position of one party affects the financial position of the other;
- A retailer who is an authorised representative of a corporate entity;
- Two or more retailers or corporate entities related by their membership in legal entities' management bodies, including their respective family members;
- Family members of a natural person who are members of management bodies of two corporate entities at the same time;
- A party related to the Bank (members of the Banking Group the member of which is the Bank, members of the management bodies of the Bank and of the Banking Group and their respective family members, parties with share in the capital of the Bank or the Banking Group and their respective family members, legal entities in which all the above mentioned parties own a control package).

The main goal of the exposure risk management is to eliminate the risk bearing exposure of the Bank's assets to one party, group of related parties or parties related to the Bank.

This goal can be achieved by strict compliance with and the application of the Bank's credit policy in relation to acceptance and approval of clients requests in order to identify related parties and monitor the Bank's exposure limits towards them.

<u>The Bank's exposure</u>

- Large Bank's exposure is an exposure to a single party or a group of related parties amounting to no less than 10% of the Bank's capital
- Towards a single party or a group of related parties may not exceed 25% of the capital of the Bank

The total of all the Bank's large exposures may not exceed 400% of the Bank's capital.

The Bank has adopted the limits defined by the NBS in accordance with the Decision on Risk Management and operates accordance with them.

4. FINANCIAL RISK MANAGEMENT (continued)

4.7. The risks of investing into other entities and fixed assets

The Bank's investment risk is the risk related to the Bank's investment in a single retail / corporate entity operating outside the financial sector and the risk of the Bank's investment in fixed assets. Managing this risk implies measuring, monitoring and controlling:

1. The amount of the Bank's investment (the Bank acquires the right to shares or share in capital) in any retail/corporate entity operating outside the financial sector that may not exceed 10% of the Bank's capital
2. The amount of the Bank's investment in its own fixed assets
3. The total amount of the Bank's investment (the sum of items 1 and 2) that may not exceed 60% of the Bank's capital
4. Board of Directors quarterly reporting of movements in indicators of items 1 to 3
5. Board of Directors suggestions relating to corrective measures in order to maintain the investment risk within the prescribed limits

Limits of Bank's investments:

- The Bank's investments in a single entity operating outside the financial sector may not exceed 10% of the Bank's capital; the limit relates to the investment based on which the Bank acquires the right to shares or share in capital of the entity operating outside the financial sector.
- The total amount of the Bank's investments in entities operating outside the financial sector and in fixed assets may not exceed 60% of the Bank's capital.

The Bank has adopted the limits defined by the NBS in accordance with the Decision on Risk Management and operates accordingly.

4.8. Risks related to the country of origin of the entity towards which the Bank is exposed

The risk related to the country of origin of the retail/corporate entity to which the Bank is exposed (country risk) is the risk of adverse effects on the Bank's financial results that may occur due to the Bank's inability to collect its receivables from retail/corporate entity domiciled in a foreign country due to political, economic and social conditions in that country.

The reasons that lead to country risk exposure are as follows:

- Political reasons – significant political changes in a country due to which a debtor is unable to fulfil its obligations to the Bank on a regular basis (change of government, significant political change, political turmoil, wars, catastrophes, etc.)
- Economic reasons – extremely negative economic events in a country due to which foreign debt repayment is seriously questioned or completely hindered

Country risk is reflected through:

- Risk of non-payment – relates to cases in which debtor is unable to fulfil its obligations to the Bank on a regular basis due to political and economic reasons
- Transfer risk – represents the possibility that solvent debtor from a foreign country is unable to pay its debt to the Bank in the specified currency due to certain irregularities in that country
- Guarantee risk – the risk that has occurred as a result of a guarantee issued to an entity in a foreign country for payment to be effected in a third country.

The main goal of the country risk management is to protect the entire Bank's portfolio from possible risk bearing and uncollectible receivables from debtors from countries at risk.

4. FINANCIAL RISK MANAGEMENT (continued)

4.9. Operational risk (also including the legal risk, and the risk of inadequate management of information and other technologies significant for the Bank's business)

Operational risk is defined as the risk of negative effects on the Bank's financial results and share capital arising from the employee omission, illegal acts, inadequate internal procedures and processes, inadequate management of the Bank's information and other systems and unforeseeable external events.

The bank implemented a system of procedures and methodize in order to identify, estimate, control and manage operative risks to which it is exposed during its operation.

The main method for identifying and estimating operational risks is RCSA- the process of risk self-estimation and the control with which all the processes and activities in the bank are enveloped. Events from operational risk are stated in the loss base, and by

- Business Line
- Cause of event
- Type of event
- Type of loss

The bank uses Key Risk Indicators (further: KRI) as the means of estimation, monitoring and control of operational risk, as well as a preventive mechanism used to prevent losses based on operational risk which is used in the decision making process in order to improve the performance of working processes and the efficiency of controls. Key indicators provide information on changes in exposure toward operational risk and represent the mechanism for proactive reactions to those changes.

The whole framework of operational risk is based on established limits for operational risks which are based on tracking the levels of total operational risk events compared to the minimal capital requirement, as well as the level of the maximum individual event compared to the capital requirement for operational risks.

Information risks

Information system architecture has two functions:

- ✓ processing of Bank's transactions and
- ✓ reporting to the Bank's management and management bodies.

One of the most important links in risk management is the adequacy of the information system which should fulfil the following requirements:

- ✓ timeliness,
- ✓ accuracy,
- ✓ security and integrity,
- ✓ consistency,
- ✓ completeness,
- ✓ relevance.

Accounting systems contain reports of business operations, financing, risk management and approvals, which allows the management and its bodies to manage the Bank.

Communication systems connect information within the Bank and external users (legislatures, auditors, shareholders and clients).

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.10. Capital risk management

The Bank’s objectives when managing capital are to safeguard the Bank’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividends paid to shareholders, issue new shares or convert portion of liabilities to subordinated debt.

Under the NBS regulations, the Bank is required to:

- Maintain the prescribed minimum monetary share capital of EUR 10 million in RSD counter value at the NBS middle exchange rate;
- Maintain the minimum capital adequacy ratio, against the risk bearing assets, of 8%

The Bank's Financial Control Department performs the control of capital based on the capital adequacy ratio and to the end of 2018 is:

	31.12 2018.
Paid in share capital	5.671.608
Share premium	2.877.487
Reserves from profit, other reserves and reserves for genera bank risks	151.672
Losses from previous years	(5.254.588)
Intangible assets	(55.225)
Regulatory adjustments to the value of the elements of the basic share capital (additional value adjustments)	(1.689)
Revaluation reserves and other unrealized gains / losses	259.362
Required reserve for estimated losses for balance sheet assets and off-balance items of the Bank	(764.289)
Total basic share capital	2.884.338
Additional share capital	-
Basic capital	2.884.338
Supplementary capital	-
Total capital, December 31, 2018	2.884.338
Risk assets	8.855.468
Exposure to credit risk and counterparty risk	7.368.541
Exposure to foreign exchange risk	-
Exposure to operational risk	1.486.927
Capital adequacy ratio, as at 31 December	32,57

All amounts are expressed in thousands of RSD except if indicated otherwise

4. FINANCIAL RISK MANAGEMENT (continued)

4.10. Capital risk management (continued)

At the end of 2017, the capital adequacy ratio was as follows:

	31.12 2017.
Paid amount of instruments of basic share capital	5.671.609
Share premium	2.877.487
Reserves from profit	151.673
Losses from previous years	(7.034.843)
Profit from the current period that meets the requirements for inclusion in the basic capital	1.500.000
Intangible assets	(51.688)
Regulatory adjustments to the value of the elements of the basic share capital (additional value adjustments)	(2.603)
Revaluation reserves and other unrealized gains / losses	250.920
Required reserve for estimated losses for balance sheet assets and off-balance items of the Bank	(682.533)
Basic Share Capital	2.680.020
Additional share capital	-
Basic Capital	2.680.020
Supplementary Capital	-
Total capital, December 31, 2017	2.680.020
Risk assets	8.633.321
Exposure to credit risk and counterparty risk	6.771.731
Exposure to foreign exchange risk	165.261
Exposure to operational risk	1.696.329
Capital adequacy ratio, as at 31 December	31,04

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank makes estimates and assumptions that will affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Deteriorating operating conditions for borrowers may have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

The preparation of financial statements in accordance with IFRS requires management to use the best estimates and reasonable assumptions that affect the application of accounting policies, the presented amounts of assets and liabilities, as well as income and expenses.

Areas that demand the greatest degree of reasoning, which may significantly affect the amounts presented in the Bank's financial statements, are presented below.

(a) Losses due to impairment of the value of loans

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated income statement, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with negative effects on the Bank’s assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio that existed at the time when future cash flows were projected. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Impairment of securities

The Bank determines whether a security is impaired when there is a significant or prolonged decline of its fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates, among other factors, regular movement in share price. The impairment may occur when there is an evidence of deterioration of the financial position of the borrower, industry performance, changes in technology and operational and financing cash flows.

(c) Provisions

Provisions are, to a large extent, a matter of judgement, particularly in terms of legal claims or other contingencies. The Bank estimates the probability of adverse events occurring as a result of past events. If the estimated probability of the event is more than 50%, the Bank makes provision for the full amount of the liability.

The Bank is rather conservative in its estimates, however due to the high degree of uncertainty, in some cases the estimate might not coincide with the possible outcome of the legal claims.

All amounts are expressed in thousands of RSD except if indicated otherwise

6. INTEREST INCOME AND EXPENSES

	2018.	2017.
Interest Income		
Based on loans	563.124	664.162
Based on deposits	18.411	31.165
Based on securities and REPO transactions	86.959	52.343
Based on other placements	23	38
Based on foreign currency loans	4.761	2.691
Based on foreign currency deposits	79	20
Based on foreign currency securities	19.739	15.897
Total:	693.096	766.316
Interest expense		
Based on loans	-	230
Based on deposits	40.849	50.778
Based on securities and REPO transactions	456	-
Based on other placements	30	70
Based on foreign currency loans	49.447	59.982
Based on foreign currency deposits	64.682	65.027
Based on foreign currency securities	1.876	237
Based on other foreign currency liabilities	15.034	6.551
Total:	172.374	182.877
Net interest income	520.722	583.439

Total interest income and expense accounted for using the effective interest method presented in the table relate to financial assets and liabilities that are not carried at fair value through profit and loss.

Interest income from loans in dinars in the amount of RSD 563.124 thousand (2017.: RSD 664.162 thousand),), includes the income from collected suspended interest in the amount of RSD 18.871 thousand (2017: RSD 72.995 thousand), as well as income from fees which represent an integral part of the effective interest amounting to RSD 27.587 thousand (2017.: RSD 38.756 thousand).

Revenues from the securities interest in the amount of RSD 86,959 thousand (2017.: RSD 52.343), relate to bonds purchased from RS amounting to RSD 75.157 thousand, discount based on bonds amounting to RSD 7.,997 thousand and interest income from rev-repo transactions amounting to RSD 3.805 thousand.

Expenses from interest on loans and deposits in a foreign currency amounting to RSD 114.129 thousand (2017.: RSD 125.009 thousand), are generated based on rates that are explained on Note 27.

All amounts are expressed in thousands of RSD except if indicated otherwise

6. INTEREST INCOME AND EXPENSES (continued)

Interest income

	2018	2017
Corporate	327.225	260.464
- interest	307.472	235.030
- fees	19.753	25.434
Retail	188.542	281.614
- interest	184.350	274.573
- fees	4.192	7.041
Foreign entities	1.740	2.840
- interest	1.676	2.771
- fees	64	69
National bank of Serbia	14.372	30.463
Republic of Serbia	102.895	60.727
Entrepreneurs	35.448	52.725
- interest	31.870	46.513
- fees	3.578	6.212
Banks and other financial institutions	4.004	4.488
Retail fee suspension	7.869	47.791
Corporate fee suspension	10.688	17.668
Entrepreneurs fee suspension	313	7.537
Total	693.096	766.316

Interest expense

	2018.	2017.
Corporate	20.575	23.241
Retail	60.473	77.248
Republic of Serbia	2.331	-
Banks and other financial institutions	41.983	7.561
Public sector	26	100
Foreign entities	45.606	71.844
National Bank of Serbia	-	2.677
Other clients	1.380	206
Total	172.374	182.877
Net interest gain	520.722	583.439

The largest amount of income was generated from business with corporate clients amounting to RSD 327.225 thousand (2017.: RSD 260.464 thousand), which represents 47,2% of the total income from interest rates (2017.: 34%), While income from business with population clients have a 27,2% (2017.: 36,7%) participation.

In total incomes from interest, incomes from fees for credit confirmation amounted to RSD 27.587 thousand this year and participated at 4% in total interest income (2017.: RSD 38.,756 thousand or 5%).

During this year, a collection of suspended interest was executing amounting to RSD 18.870 thousand and makes up 2,7% of the total interest income (2017.: RSD 72.996 thousand i 9,5%).

All amounts are expressed in thousands of RSD except if indicated otherwise

7. FEES AND COMISSION INCOME AND EXPENSE

	2018.	2017.
Fees and commissions income		
Fees and commissions income	132.373	154.884
Fees and commissions income in foreign currency	10.114	11.658
Total:	142.487	166.542
Fees and commissions expense		
Fees and commissions expense	9.931	12.786
Fees and commissions expenses in foreign currency	13.275	20.902
Total:	23.205	33.688
Net fees and commissions income:	119.282	132.854

Fees and commissions income in amount of RSD 132,373 thousand (2017.: RSD 154.884 thousand) are primarily related to corporate banking services relating to payment operations in amount of RSD 40.915 thousand (2017.: RSD 40.973 thousand); retail banking services in amount of RSD 17.147 thousand (2017.: RSD 31.449 thousand); foreign currencies purchases from other clients in amount of RSD 17.213 thousand (2017.: RSD 17.943 thousand);); fees for credit card operations in the amount of RSD 12.721 (2017.: RSD 15.200 thousand).

Fees and commissions expense in foreign currency in the amount of RSD 10.114 thousand (2017: RSD 11.658 thousand) are mostly related to payment card operations fee and commission expense in amount of RSD 8.555 thousand (2017.: RSD 9.012 thousand).

Fees and commissions expense in amount of 9.931 thousand (2017.: RSD 12.786 thousand) are mostly related to payment card operations fee and commission expense in amount of RSD 6.800 thousand (2017: RSD 9.218 thousand).

FX fees and commissions expense equivalent to RSD 13.275 thousand (2017.: RSD 20.902 thousand) are related to foreign currency operations expense with payment cards amounting to RSD 6.743 thousand (2017.: RSD 11.624 thousand) as well as foreign payment operations fees of RSD 5.863 thousand (2017.: RSD 8.769 thousand).

Income from fees for banking services

	2018.	2017.
- payment cards	16.650	23.490
- domestic payment operations (companies, banks, retail)	54.886	57.606
- commissions for issued guarantees	13.090	10.240
- banking services	22.693	37.344
- foreign currency payment operations	8.670	9.154
- other fees and commissions	4.698	1.501
- exchange operations	100	250
- buying and selling of foreign currency	17.213	17.944
- early repayment	4.489	9.013
Total income	142.487	166.542
Expenses from fees for banking services		
- payment cards	7.701	13.981
- domestic payment operations	6.800	9.824
- foreign currency payment operations	6.748	8.774
- brokerage services	348	103
- other fees and commissions	1.082	502
- exchange operations	212	-
- buying and selling of foreign currency	316	504
Total expenses:	23.205	33.688
Net gains fees and commissions	119.282	132.854

All amounts are expressed in thousands of RSD except if indicated otherwise

8. NET GAINS FROM DERECOGNITION OF THE FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

	2018.	2017.
Gains from the sale of bonds of Republic of Serbia	48.192	9.821
Losses from the sale of bonds of Republic of Serbia	(2.119)	(9.169)
Net gain:	46.074	652

9. NET GAIN BASED ON PROTECTION FROM RISK

	2018.	2017.
Income from the change in the value of derivatives intended for risk protection	4.313	2.954
Expenses on the basis of changes in the value of derivatives intended for risk protection	(901)	(353)
Income from changes in value of placements, receivables and securities	-	42
Net gain based on protection from risk	3.412	2.643

10. NET EXCHANGE GAINS AND GAINS ON AGREED CURRENCY CLAUSE

	2018.	2017.
Foreign exchange gains based on:		
Foreign currency deposits and loans	249.594	822.143
Foreign currency accounts	9.697	26.748
Transactions with derivatives	34.355	17.069
Cash and deposits held with NBS	34.145	76.418
Payment card transactions	46.478	136.323
Other	162.057	322.552
Currency clause	106.232	59.440
Based on securities	27.757	4.255
Total	670.314	1.464.948
Foreign exchange losses on:		
Foreign currency deposits and loans	248.110	427.884
Foreign currency accounts	9.045	45.327
Transactions with derivatives	4.593	6.783
Cash and deposits held NBS	37.373	125.591
Payment card transactions	45.988	135.466
Other	161.991	319.311
Currency clause	107.014	359.822
Based on securities	27.515	37.365
Total	641.629	1.457.549
Foreign exchange gains, net	28.685	7.399

The effected of the contracted currency clause is negative and amounts to RSD 781 thousand (2017.: RSD 300.383 thousand).

All amounts are expressed in thousands of RSD except if indicated otherwise

11. NET INCOME FROM REDUCTION IN IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT

	2018.	2017.
Losses of impairment of balance sheets assets	(783.012)	(1.017.188)
Income from reversal of impairment of balance sheet assets	823.333	1.157.260
Provision for off-balance sheet items	(16.883)	(5.565)
Income from reversal of provisions for off-balance sheet items	17.531	4.031
Expenses from write-off on uncollectible receivables	(804)	(8.681)
Income from collected receivables previously written-off	103.736	26.148
Write off on financial assets valued through OCI in current year in accordance with IFRS 9	(1.833)	-
Reversal of impairment of financial assets valued through OCI in current year in accordance with IFRS 9	4.299	-
Total	146.367	156.005

Movements on the accounts of impairment of balance assets during 2018 were as follows:

	Loans to clients	Other placements	Receivables for interest and fees	Other receivables	Total
Balance at 1.1.2018	267.481	15	5.430	60.256	333.182
IFRS 9 – correction of the result in the capital	20.544	(8)	917	(2)	21.451
Corrected balance 1.1.2018.	288.025	7	6.347	60.254	354.633
New impairment allowance	704.055	57	8.833	70.017	782.962
Reversal of impairment allowances	(744.190)	(64)	(9.933)	(69.145)	(823.332)
Write-offs	-	-	(87)	(63)	(150)
Balance at the end of the year	247.890	-	5.160	61.063	314.113

Movements on the accounts of impairment allowances of balance assets during 2017 were as follows:

	Loans to clients	Other placements	Receivables for interest and fees	Other receivables	Total
Balance at the beginning of the year	1.174.181	263	36.586	312.637	1.523.667
Impairment allowance	923.481	106	29.571	64.030	1.017.188
Carve-out	(10.977)	-	(589)	-	(11.566)
Transfer to the off-balance sheet according to the NBS decision	(891.273)	-	(31.656)	(106.324)	(1.029.253)
Write-offs	(9.594)	-	-	-	(9.594)
Reversal of impairment allowances	(918.337)	(354)	(28.482)	(210.087)	(1.157.260)
Balance at the end of the year	267.481	15	5.430	60.256	333.182

All amounts are expressed in thousands of RSD except if indicated otherwise

12. OTHER OPERATING INCOME

	2018.	2017.
Rent income	9.792	14.043
Income from sales of assets from collection of receivables	582	23.517
Income from sales of foreclosed assets	84	
Income from reimbursement of damages	1.104	185
Total	11.562	37.745

Other operating income consists mainly of income from rent in amount of RSD 9.792 thousand (2017.: RSD 14.043 thousand) and to income from reimbursement of damages in amount of RSD 1.104 thousand (2017.: RSD 185 thousand).

13. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

	2018.	2017.
Employee salaries	199.532	228.152
Employee compensations	37.237	47.515
Taxes for salaries and wages	29.500	35.165
Contributions for salaries and wages	57.304	69.217
Other personal expenses	8.776	41.095
Provisions for retirement and other provisions for employees	253	5.085
Provisions for unused days of annual leave	1.705	(11.660)
Total	334.307	414.569

14. DEPRECIATION COSTS

	2018.	2017.
Intangible assets	36.167	47.258
Fixed assets	24.891	29.654
Total	61.058	76.912

15. OTHER INCOME

	2018.	2017.
Income from liability reduction	1.982	1.954.102
Income from sale of fixed assets	-	4.140
Reversal of unrealized provisions for liabilities	233	4.928
Income from changes in the value of fixes assets, investment properties and intangible assets	-	13.604
Other Income	4.751	5.520
Total	6.966	414.569

16. OTHER EXPENSES

All amounts are expressed in thousands of RSD except if indicated otherwise

	2018.	2017.
Costs of materials	17.052	22.297
Costs of production services	43.576	76.462
Non-material costs (without taxes and contributions)	209.879	273.157
Taxes	11.975	20.874
Contributions	57.068	68.791
Provision for liabilities	2.656	-
Losses on sale of fixed assets and intangible assets	-	1.939
Losses on write-off of fixed assets and intangible assets	46	248
Shortages and damages	2	7
Losses on sale of other placements	-	57.840
Other expenses	2.479	4.668
Losses on the basis changes in value, fixed assets acquired by collecting receivables and investment property	5.681	54.401
Total (Note 24 and 3.1)	350.414	580.684

Costs of material in amount of RSD 17,052 thousand (2017.: RSD 22.297 thousand) mostly consists of costs of electric energy and heating costs in amount of RSD 10.844 thousand (2017.: RSD 12.637 thousand).

From the total costs of product services amounting to RSD 43.576 thousand (2017.: RSD 76.462 thousand), the amount of RSD 20.241 thousand (2017.: RSD 44.118 thousand) are rental costs for business space; the amount of RSD 10.513 thousand (2017.: RSD 15.097 thousand) are electronic communication expenses and automatized data processing.

Non material costs in amount of RSD 209.879 thousand (2017.: RSD 273.157 thousand) are in large part consistent of RSD 39.627 thousand (2017.:RSD 46.890 thousand) which refer to expenses of insurance premiums for bank deposits; the amount of RSD 49.211 thousand (2017.: RSD 46.490 thousand) refers to services- software maintenance; the amount of RSD 20.972 thousand (2017.: RSD 23.520 thousand) refers to expenses to maintain program applications; amount of RSD 19.624 thousand (2017.: RSD 23.578 thousand) which refers to services - IT equipment.

Expenses based on changes in value of fixed assets, investment properties and foreclosed assets in amount of RSD 5.681 thousand are referring to booking estimates of value to authorized estimators in December 2018, and expenses of new estimates of foreclosed assets in amount of RSD 4.069 thousand and investment properties in amount of RSD 1.612 thousand.

All amounts are expressed in thousands of RSD except if indicated otherwise

17. CURRENT INCOME TAX

Total tax expense/income consists of the following taxes:

	2018.	2017.
Income tax	-	-
Gain / (Loss) from deferred taxes (Note 30)	2.270	(22.981)
Total tax income/expense (Note 30)	2.270	(22.981)

Detailed data on deferred taxes is given in Note 30.

Current income tax on the Bank's profit before tax differs from the theoretical amount that would result from the use of weighted average tax rate and would be as follows:

	2018.	2017.
Gain / (Loss) prior to taxation	137.291	1.830.885
Income tax per rate of 15%	(20.594)	(274.633)
Tax effects of income and expenses not recognized for tax purposes	11.438	(3.537)
Tax effect of unrecognized tax losses carried forward	-	-
Tax incentives based on losses transferred from previous years	9.156	278.170
Income tax presented in the income statement	-	-

The table below shows tax losses and the amount of unused tax credit per year:

Tax period of unused tax credit inception	Tax loss	Amount of unused tax credit	Last tax period in which unused tax credit may be used
2014- remainder	491.635	73.746	2019
2015	846.788	127.018	2020
2016	892.708	133.906	2021
TOTAL	2.231.131	334.670	

All amounts are expressed in thousands of RSD except if indicated otherwise

18. EARNINGS PER SHARE

Earnings per share represent profit per unit of capital. For this reason, the earnings per share are determined from the ratio of net profit attributable to the Bank's shareholders and the weighted average number of shares outstanding during the period.

Earnings per share are given in the following table:

	2018.	2017.
Average weighted number of shares	11.343.217	11.343.217

Number	Description	2018.	2017.
1	Net gain pertaining to owners of regular shares in RSD	139.561	1.807.885
2	Average weighted number of shares	11.343.217	11.343.217
3	Income per share in RSD (1:2)	12,30	159,38

19. CASH AND CASH FUNDS HELD WITH THE CENTRAL BANK

	31.12.2018.	31.12.2017.
Giro account	342.530	665.704
Cash on hand in RSD	101.938	97.278
Receivables for calculated interest, fee and commission per cash funds held with central Bank	2	3
Cash on hand in foreign currency	328.241	146.467
Obligatory foreign currency reserve held with NBS	817.838	974.404
Prepayments per cash funds held with central Bank	364	442
Total	1.590.911	1.884.298

The Bank calculates and sets aside the required reserve held with the National Bank of Serbia in the amount and in the manner prescribed by the NBS Decision on Banks' Required Reserves Held with the National Bank of Serbia (Official Gazette of RS No. 3/2011, 31/2012, 57/2012, 78/2012, 87/2012, 107/2012, 62/2013), 125/2014, 135/2014, 4/2015, 78/2015 and 102/2015).

The RSD required reserve is set aside and placed on the Bank’s gyro account and, therefore, it is accounted for separately. On 31.12.2018., the calculated required reserve in dinars in amount of RSD 658.741 thousand (31. December 2017.: RSD 609.395 thousand).

The required reserve with the National Bank of Serbia represents the minimum reserve of dinar assets allocated in accordance with the Decision of the National Bank of Serbia and it may be used for liquidity if necessary. The Bank calculates the required reserve to the liabilities on dinar deposits, loans and securities, not including dinar deposits received for activities performed by the Bank on the behalf of third parties, and which do not exceed the amounts of placements provided by the Bank from those deposits.

All amounts are expressed in thousands of RSD except if indicated otherwise

19. CASH AND CASH FUNDS HELD WITH THE CENTRAL BANK (continued)

The required reserve in the foreign currency is calculated by the Bank for the liabilities on foreign currency deposits, loans, securities and other foreign currency liabilities, as well as deposits, loans and other foreign currency assets received from abroad for activities performed by the Bank on the behalf of third parties.

Foreign currency basis for calculation of the required reserve is constituted by the average daily balance of foreign currency funds in the previous month and the average daily balance of foreign currency liabilities and liabilities indexed by the foreign currency clause.

The Bank calculates the required reserve at a rate of 0% on the dinar base consisting of liabilities with the agreed maturity of over two years, i.e. 5% on the dinar base consisting of liabilities with the agreed maturity up to two years.

The Bank calculates the required reserve at a rate of 13% of the foreign currency base comprising of liabilities with the agreed maturity of over two years, and exceptionally at a rate of 100% of the part of the foreign currency base consisting of dinar liabilities indexed by foreign currency clause with the agreed maturity of over two years, i.e. 20% of the foreign currency base containing liabilities with the agreed maturity of up to two years, and exceptionally at a rate of 100% on the part of foreign currency base comprising of dinar liabilities indexed by foreign currency clause with the agreed maturity of up to two years.

20. SECURITIES

Securities in Banks portfolio are consisting of:

	2018.	2017.
Securities in dinars	1.583.556	1.531.464
Securities in foreign currency	50.059	1.023.745
Premium / (discount)	(1.309)	(17.168)
Total	1.632.306	2.538.041

Securities in Bank balance are measured at fair value through other comprehensive income contains entirely of long-term bonds of the Republic of Serbia.

Movement of impairment allowance is shown in the table below:

Impairment allowance of securities measured at fair value through other comprehensive income.

	31.12. 2018.	31.12. 2017.
Balance at 1 January 2018	-	-
IFRS 9 – correction of the result in the capital	6.181	-
Corrected opening balance as at 1 January, 2018	6.181	-
Increase	1.838	-
Decrease	(4.303)	-
Total impairment allowance	3.716	-

All amounts are expressed in thousands of RSD except if indicated otherwise

21. LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL ORGANIZATIONS

	31.12.2018.	31.12.2017.
Foreign currency accounts	193.883	53.474
The funds in account at the local bank for purchase of securities	3.996	242
The funds in account at the foreign bank for purchase of securities	185	183
Foreign currency accounts of Bank in CRHOV	51	-
Loans per repo transactions of NBS	250.080	-
Other dedicated deposits in foreign currency	7.676	10.663
Total	455.870	64.562

The amount of RSD 250.080 thousand refers to the purchase of NBS Treasury records, nominal value of RSD 250.000 thousand, for the period of 8 days and with an interest rate of 2,3%. Date of repurchase is 03.01.2019.

Movement of impairment allowance are presented in the following table:

Impairment allowance of loans and receivables from banks and other financial organizations

	31.12.2018.	31.12. 2017.
Balance at 1 January 2018	-	-
IFRS 9 – correction of the result in the capital	-	-
Corrected opening balance as at 1 January, 2018	-	-
Increase	2.637	-
Decrease	2.175	-
Total impairment allowance	462	-

All amounts are expressed in thousands of RSD except if indicated otherwise

22. LOANS AND RECEIVABLES FROM CUSTOMERS

	31.12.2018.	31.12.2017.
Receivables in RSD		
Receivables for accrued interest on loans, deposits, and other receivables	28.559	27.477
Receivables for accrued fee and commission on loans, deposits and other receivables	1.907	4.235
Impairment allowance of receivables for accrued interest, fee and commission on loans, deposits and other receivables	(4.393)	(4.786)
Receivables for accrued interest on loans, deposits, and other foreign currency receivables	323	595
Transaction accounts overdrafts	104.872	103.057
Consumer loans	2.424	3.845
Loans for liquidity and current assets	6.006.580	4.828.670
Investment loans	1.427.834	588.047
Housing loans	2.240.203	2.469.491
Cash loans	678.282	1.000.712
Other loans	493.596	696.248
Impairment allowance of loans in RSD	(247.448)	(266.880)
Other placements	56	364
Impairment allowance of other placements in RSD	-	(15)
Accrued interest receivables on loans, deposits and other receivables	73.953	70.611
Impairment allowance of accrued receivables in RSD	(415)	(603)
Loans for payment of import of goods and services from abroad in foreign currency	121.490	33.251
Accrued interest receivables on loans, deposits and other foreign currency receivables	1.210	14.833
Deferred income from receivables measured at amortized cost using effective interest rate	(40.624)	(39.766)
Total	10.888.409	9.529.386

All amounts are expressed in thousands of RSD except if indicated otherwise

22. LOANS AND RECEIVABLES FROM CUSTOMERS

Changes in loans and receivables from customers during the year are as follows:

	Short-term loans		Long-term loans			
	In RSD	In foreign currency	In RSD	In foreign currency	Total 2018	Total 2017
On 1 January						
Receivables for interest and fees	3.042	-	28.670	595	32.307	85.905
New calculation	78.776	-	493.015	4.060	575.851	617.222
Repayments	(79.060)	-	(493.977)	(4.332)	(577.369)	(670.821)
Impairment allowance of receivables for interest and fees	(732)	-	(3.661)	-	(4.393)	(4.786)
Accrued receivables for interest on loans, deposits and other receivables	64.855	242	9.098	968	75.163	85.444
Deferred income for receivables measured at amortized cost	-	-	(40.623)	-	(40.623)	(39.766)
Impairment allowance of prepayments in RSD	(75)	-	(341)	-	(416)	(603)
Net interest and fee receivables 31 December	66.806	242	(7.819)	1.291	60.520	72.595
Loans from customers on 1 January	717.286	-	8.973.149	33.251	9.723.686	11.208.970
New loans	1.674.129	-	8.339.421	103.582	10.117.132	14.400.778
Currency clause	3.707	-	102.525	-	106.232	59.440
Currency clause	(4.435)	-	(102.579)	-	(107.014)	(359.822)
Write-offs	-	-	(150)	-	(150)	(15.932)
Repayments	(1.691.629)	-	(7.057.576)	(15.343)	(8.764.548)	(15.569.747)
Impairment allowances	(7.956)	-	(239.493)		(247.449)	(266.895)
Net loans 31 December	691.102	-	10.015.297	121.490	10.827.889	9.456.790
Loans and receivables from customers 31 December	757.908	242	10.007.478	122.781	10.888.409	9.529.386

	Enterprises	Entrepreneurs	Retail	Foreign entities	Other clients	Total 2018	Total 2017
Receivables for interest in RSD	17.428	3.239	7.729	163	0	28.559	27.477
Receivables for fees in RSD	6	8	1.505	61	327	1.907	4.235
Impairment allowance of receivables for interest and fee in RSD	(2.121)	(532)	(1.720)	(3)	(17)	(4.393)	(4.786)
Receivables for interest in foreign currency	324	-	-	-	-	324	595
Accrued receivables for interest calculated on the basis of loans, deposits and other placements	1.787	917	8.005	258	64.195	75.162	85.444
Impairment of accrued receivables in RSD	(3)	(21)	(317)	(3)	(71)	(415)	(603)
Accrued income for receivables measured at amortized cost using effective interest rate	(32.098)	(3.598)	(4.865)	(62)	-	(40.623)	(39.766)
Short-term loans							
- in RSD	648.981	44.739	17.106	-	-	710.826	716.941
Long-term loans							
- in RSD	6.769.702	463.999	2.978.255	31.008	-	10.242.965	8.973.130
- in foreign currency	121.490					121.490	33.251
Impairment allowance of loans	(129.157)	(10.642)	(107.353)	(296)	-	(247.448)	(266.880)
Other placements							
- in RSD	-	-	56	-	-	56	364
- in foreign currency	-	-	-	-	-	-	-
Impairment of other placements	-	-	-	-	-	-	(15)
Total gross	7.396.339	498.109	2.898.401	31.126	64.434	10.888.409	9.529.386

All amounts are expressed in thousands of RSD except if indicated otherwise

22. LOANS AND RECEIVABLES FROM CUSTOMERS (continued)

Maturity structure of loans and receivables is as follows:

	31.12.2018.	31.12.2017.
Overdue loans	9.734	64.270
Up to 30 days	78.350	13.838
1-3 months	145.296	46.580
3-12 months	5.281.201	966.033
1-5 years	1.436.668	5.315.551
Over 5 years	4.189.417	3.395.398
Loans and receivables, gross	11.140.666	9.801.669

Overdue loans and receivables:

	31.12.2017.	31.12.2017.
Up to two months	9.734	64.240
Between two and six months	-	-
Between six months and one year	-	-
Over one year	-	-
Total loans due	9.734	64.240

The concentration of exposure to credit risk by industry is given in the table below:

	31.12.2018.	31.12.2017.
Accommodation and catering	68.676	90.561
Administrative and support service activities	111.085	144.814
Agriculture, forestry and fishing	1.268.588	401.807
Art, entertainment and recreation	5.508	10.337
Construction	1.091.661	809.721
Financial and insurance activities	40.919	12
Information and communication	9.820	14.663
Manufacturing industry	3.091.001	2.258.900
Professional, scientific, innovation and technical activities	226.637	217.652
Real estate	122.439	17.752
Transportation and storage	248.563	152.093
Wholesale and retail, repair of motor vehicle and motorbikes	1.706.135	1.853.089
Other	3.149.632	3.830.268
Loans and receivables from customers – gross	11.140.666	9.801.669

All amounts are expressed in thousands of RSD except if indicated otherwise

22. LOANS AND RECEIVABLES FROM CUSTOMERS (continued)

Impairment allowance of loans and receivables from customers:

	31. 12. 2018.	31. 12. 2017.
Balance at 1 January	272.284	1.209.617
IFRS 9 – correction of the result in the capital	21.124	-
Corrected balance as of 1 January 2018	293.408	1.209.617
Increase	785.809	972.175
Reversal during the years	(827.064)	(1.919.660)
Permanent write-off	87	9.594
Effect of currency exchange	17	558
Total impairment allowance	252.257	272.284

Short-term loans were granted to citizens for a period of 6 months to 1 year, with interest rates at an annual level in the range between 12% and 14,5% for placements in dinars, and 10%-11,5% for placements with currency clause indexed in Euros. The interest rate for current account overdrafts on retail ranged between 21%-24% annually. Nominal interest rate for receivables on the basis of use of credit cards during 2018 was in the range between 19,56% and 29,84% annually.

Long-term dinar loans were granted to citizens for a period of 13-120 months with an annual interest rate of 6M BELIBOR+3% to 14,5%.

Long-term loans with a currency clause indexed in euros were granted to citizens for a period of 13-360 months with annual interest rate of 6M EURIBOR+2,9% to 11,5%.

Short-term loans in dinars and foreign currency were granted to legal entities and sole proprietors for a period of 1-12 months for financing business activities with interest rates in the range of:

- annual interest rates in the amount of 3M BELIBOR+4% to 12% for dinar loans
- 6M EURIBOR + 4,5% to 8,5% annually for placements with currency clause indexed in Euros;

Long-term loans in dinars and foreign currency were granted to legal entities and sole proprietors for a maximum period of 8 years with interest rates in the range of:

- 3M BELIBOR+4% to 14% for dinar loans annually;
- 6M EURIBOR+4,5% to 10% annually for placements with currency clause indexed in Euros;

In September 2018, a modification of product F009040 has been completed “Long term loan for business space for legal entities and entrepreneurs” by providing the possibility of a placement, in RSD with a variable interest rate.

With IO decision number 136/18 from May 2018. An increase in interests rates for 0,5% was establish for all new cash loans, refinancing credits and consumer loans for car purchase and an application of new interest rates began from 01.08.2018.

With IO decision number 14/18 from January 2018. An increase in interest rates for housing loans with a currency clause for 1,3%, and the application of the new interest rates began on 18.1.2018.

All amounts are expressed in thousands of RSD except if indicated otherwise

23. INTANGIBLE ASSETS

Balance on 1 January 2017	275.083
New additions	9.371
Transfer to intangible assets	6.676
Transfer from intangible assets in preparation	(6.676)
Disposals	(2.763)
Balance on 31 December 2017	281.692
Impairment allowance	
Balance on 1 January 2017	185.509
Depreciation	47.258
Disposals	(2.763)
Balance on 31 December 2017	230.004
Balance on 1 January 2018	281.692
New additions	39.704
Balance on 31 December 2018	321.396
Impairment allowance	
Balance on 1 January 2017	230.004
Amortization	36.167
Balance on 31. December 2018	266.171
Net present value on 1 January 2018	51.688
Net present value on 31 December 2018	55.225

All amounts are expressed in thousands of RSD except if indicated otherwise

24. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment and other fixed assets	Leasehold improvements	Total
Cost				
Balance on 1 January 2018	456.757	279.462	16.011	752.230
New additions	-	4.136	-	4.136
Transfers	-	-	-	-
Disposals (sale)	-	-	-	-
Write off	-	(4.215)	-	(4.215)
Balance on 31 December 2018	456.757	279.383	16.011	752.151
Impairment allowance				
Balance on 31 December 2018	179.260	249.325	14.109	442.694
Amortization	5.938	18.022	931	24.891
Write off	-	(4.169)	-	(4.169)
Balance on 31 December 2018	185.198	263.178	15.040	463.416
Net present value on 1 January 2018	277.497	30.137	1.902	309.536
Net present value on 31 December 2018	271.559	16.205	971	288.735

Cost				
Balance on 1 January 2018	512.832	403.504	45.352	961.688
New additions	-	3.313	-	3.313
Correction of value – estimates	(21.517)	-	-	(21.517)
Reclassification to assets acquired through collection of receivables	(31.365)	-	-	(31.365)
Transfers	-	-	-	-
Disposals (sale)	(3.193)	(107.776)	-	(110.969)
Write off	-	(19.579)	(29.341)	(48.920)
Balance on 31 December 2017	456.757	279.462	16.011	752.230
Impairment allowance				
Balance on 1 January 2017	175.159	350.992	42.518	568.669
Amortization	6.585	22.137	931	29.653
Reclassifications	(1.299)	-	-	(1.299)
Disposals (sale)	(1.185)	(104.473)	-	(105.658)
Write off	-	(19.330)	(29.341)	(48.671)
Balance on 31 December 2017	179.260	249.325	14.109	442.694
Net present value on 1 January 2017	337.673	52.512	2.834	393.019
Net present value on 1 January 2018	277.497	30.137	1.902	309.536

Rental costs in the amount of RSD 20.241 thousand (2017.: RSD 44.118 thousand) related to the rental of property are included in the income statement.

Buildings are not encumbered by mortgages as collateral for loan repayment.

All amounts are expressed in thousands of RSD except if indicated otherwise

25. INVESTMENT PROPERTY

	31.12.2018.	31.12.2017.
Investment property	219.785	201.636
Total	219.785	201.636

At the end of 2018, the value of all investment properties were reconciled to the value estimated by the authorized valuators CBRE Serbia.

Below is an overview of movement of the investment properties during 2018 and on 31.12.2018.

	Book value 01.01.2018.	Changes throughout the year	Note	Value correction-estimate	Book value on 31.12.2018.
Apartment with gallery, Admirala Vukovića 66., Belgrade	29.947	-	-	(218)	29.729
Business facility for storing and keeping fruit and vegetables with packaging and processing in Šimanovci	167.036	-	-	(1.216)	165.820
Business space No. 1 in 70 Milutina Milankovića St.	4.653	(4.653)	Sold 04.09.2018	-	-
Basement rooms and equipment in business space K.Petra number 15	-	23.460	Transferred assets obtained through collection of receivables	(171)	23.289
Family residential buliding-Zmajevo	-	954	Transferred assets obtained through collection of receivables	(7)	947
Total	201.636	19.761		(1.612)	219.785

The negative effect of the revaluation of investment properties occurs as an effect of the rising exchange rate of euros in December 2018. year in relation to the exchange rate in December 2017. year, not for less the estimated value of properties.

During 2018. a sale of one investment property was completed and in accordance with that the Bank realized revenue from the sale in amount of RSD 84 thousand. Also from the position of assets acquired by the collection of receivables from investment property a transfer of two properties was executed, in amount of RSD 24.414 thousand.

One out of two properties represents a part of the property in basement rooms and equipment in business space K.Petra number 15 which were rented and fulfil the conditions from IAS 40 which enable the recognition of this part of the property as investments property.

Tax cost from property as well as tax cost for the transfer of absolute rights, are transferred to the Bank. Net incomes based on the rent for 2018 amount to RSD 8.490 thousand.

The net income from investment property in 2018 is shown in the table below.

All amounts are expressed in thousands of RSD except if indicated otherwise

25. INVESTMENT PROPERTY (continued)

	Book value at 31.12.2018.		Total cost	Realized income from rent	Net income
Apartment with gallery, Admirala Vukovića 66., Belgrade	29.729	Annex II 13.06.2017 Annex III 23.05.2018	120	709	589
Business facility for storing and keeping fruit and vegetables with packaging and processing in Šimanovci	165.820	Annex 25.09.2014.	668	7.200	6.532
Business space No. 1 in 70 Milutina Milankovića St.	-	Annex 03.11.2014.	12	99	87
Basement rooms and equipment in business space K.Petra number 15	23.289	Rent contract D-1242 31.10.2017.	498	1.774	1.276
Family residential buliding-Zmajevo	947	Rent contract D-607 29.11.2018.	4	10	6
Total	219.785		1.302	9.792	8.490

The book value of investment property at the beginning and at the end of the period:

Balance as of 1 January, 2017	648.757
Value correction-estimates/investments	(4.257)
Sale	(198.261)
Transfer from funds acquired through collecting receivables	(244.603)
Balance at 31 December, 2017	201.636
Balance as of 1 January, 2018	201.636
Value correction – estimates/investments	(1.612)
Sale	(4.653)
Transfer from funds acquired through collecting receivables	24.414
Balance at 31 December, 2018	219.785

All amounts are expressed in thousands of RSD except if indicated otherwise

26. OTHER ASSETS

	31.12.2018.	31.12.2017.
Fee and commission receivables	1.509	1.689
Impairment allowance of receivables for fee and commission, receivables on sale and other receivables in RSD	(766)	(642)
Receivables based on advances paid for current assets	11.834	11.104
Receivables from employees	3.801	3.798
Receivables on the basis of prepaid taxes and contributions	30	32
Other operating receivables	52.852	56.592
Suspense and temporary accounts	(387)	729
Receivables in settlement	1.016	713
Impairment allowance of other receivables	(53.274)	(52.954)
Receivables based on advances paid for current assets in foreign currency	5.267	5.859
Receivables from employees in foreign currency	7.295	7.306
Other receivables from business in foreign currency	95	222
Receivables in settlement in foreign currency	1.497	1.365
Impairment allowance of other receivables in foreign currency	(7.317)	(7.302)
Other investments	476	476
Impairment allowance of investments in RSD	(2)	-
Other deferred expenses	3.346	3.432
Other prepayments	13.598	15.143
Impairment allowance of prepayments in RSD	(20)	-
Assets acquired through collection of receivables	329.783	368.360
Total	370.633	415.923

Within other operating receivables of RSD 52.852 thousand (31.12.2017.:RSD 56.592 thousand), the largest part of a total of RSD 28.021 thousand (31.12.2017.: RSD 28.685 thousand) is mainly related to receivables on the basis of disputed activities from two clients who, on the basis of court rulings, dispute the charge of Bank from mortgage and from the executive borrower and on that basis, the funds from the Bank account were taken. A court case is ongoing and the Bank does not yet have final veridic of the Court. Part of other accounts receivable from operations also applies to receivables for leases and reinvoiced expenses in the amount of RSD 15.513 (31.12.2017.: RSD 17.964). as well as receivables on the basis of initiation and conduct of legal proceedings in the amount of RSD 3.241 thousand (31.12.2017.: RSD 4.678).

Receivables on the basis of advance payments provided for current assets in foreign currency in the amount of RSD 5.267 thousand (31.12.2017.: RSD 5.859 thousand), are related to the advance payment with Banca Intesa for the use of Visa and Master cards.

Also, the amount of funds acquired through collection of receivables which at the end of 2018 amounted to 329.783 thousand (31.12.2017.:RSD 368.360 thousand) represents the result of the following changes: in the course of the year, a new additions of RSD 2.553 thousand was made, a reclassification on the position of investment property was made in amount of RSD 24.414 thousand, a sale in the amount of RSD 12.647 thousand was made, as well as a decrease in value due to estimates for RSD 4.069 thousand.

All amounts are expressed in thousands of RSD except if indicated otherwise

26. OTHER ASSETS (continued)

The book value of foreclosed assets at the beginning and end of the period:

Balance on 01. January 2017.	377.841
Value correction-estimates/investment	(16.967)
Sale	(286.413)
New acquisition	19.229
Transfer from investment and PPE	274.670
Balance on 31 December 2017	368.360
Balance on 01 January 2018	368.360
Value correction-estimates/investment	(4.069)
Sale	(12.647)
New acquisition	2.553
Transfer to investment property	(24.414)
Balance on 31. December 2018	329.783

Below we give an overview of the property that was on 31.12.2018. recorded as an asset acquired through collecting receivables

Acquisition Date	Name of the property	Impact of estimates decrease	31.12.18.
17.3.2016.	Valjevo, apartment number 3, within the family residential building number 1, cad. 3319/1, LN 7228, KO Valjevo, street Prešernova 23	(23)	3.080
01.07.2016	Residential and commercial building, KO Čačak, parc. 4554/2 – THREE FACILITIES	(68)	9.239
08.05.2016	LN 4425, KO Padina, plot 2873/79, street Sportska 13/B	(366)	1.066
01.09.2016	Two bedroom apartment, measuring 77 m2, street Prokop 3 / 1a, first floor	(54)	7.296
10.01.2016	Parc. 584, building number in street Milošev put 57, KO Novi Bečej, LN 13393, land under building 67m2, 35 m2,, 8m2,	(4)	592
12.03.2012	Residential building in street Zelena Gora no. 9, second floor, apartment 10, Kraljevo	(19)	2.606
30.05.2013.	Business premises, Svetozara Markovića no. 49 (MANJEŽ), Beograd	(504)	68.697
12.07.2016	1/2 Family buildings. street Ivo Lola Ribar no. 47,in the town of Lok near Titela, 83 m2 with a garden 520 m2; 1/2 Filed category 3 520 m2; 1/2 Arable land under orchard category 2 2011 m2	(433)	426
29.11.2013	Mortgage Kralja Petra no. 15, Stari grad, Beograd –business place bb in loft in business building(no. building.1 built on k.p. 1902 KO Stari Grad -	(611)	83.309
30.04.2013.	Residential building and land, Stepojevac	(821)	46.903
31.3.2017	Family building 84 M2 Grocka street Dimitrija Tucovića 11	(22)	2.961
31.3.2017	Land 5,78 ar Ko Valjevo	(6)	794
21.12.2012	HYLA/Agreement on the sale of movable and immovable items since 26.12.2011. OV3 br.267/2011	(715)	64.907
04.08.2017	Family residential building, Bore Atanackovića 20 Valjevo	(14)	1.954
06.11.2017	Family residential building, street Rada Končara 36	(192)	3.553
19.11.2014	Business premises, Kraljevo, Omladinska bb	(219)	29.848
18.11.2018	K.O. Stojići- Family building with additional buildings, and agricultural land	-	2.553
	Total	(4.069)	329.783

All amounts are expressed in thousands of RSD except if indicated otherwise

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

	31.12.2018.	31.12.2017.
Transaction deposits	4.468	4.271
Other deposits	3.426	3.330
Other financial liabilities	3.333	2.884
Liabilities from fees and commissions on borrowings, deposits and other financial liabilities	349	586
Other liabilities on bonds	-	3
Accrued interest payable on borrowings, deposits and other financial liabilities	151	127
Transaction deposits in foreign currency	460	9.068
Deposits related to given loans in foreign currency	-	-
Other deposits in foreign currency	1.152.589	1.587.064
Borrowings in foreign currency	1.835.822	2.945.191
Accrued interest payable on borrowings deposits and other financial liabilities in foreign currency	2.383	4.123
Total	3.002.981	4.556.647

Deposits related to given loans in foreign currency, the amount of RSD 1.150.112 thousand (31.12.2017.: RSD 1.587.064 thousand), the largest part in amount of RSD 866.445 thousand which relates to the deposits of Expobank CZ (CHF 3.750 thousand) and Expobank LLC (EUR 4.000 Thousand). The other are made up of deposits from Jubmes bank at EUR 1.400 thousand and Komercijalne bank at EUR 1.000 thousand, with the following structure and terms.

Date of Agreement	Currency	Amount in the currency	Amount in 000 RSD	Maturity	Period	Interest rate %
31.10.2017	CHF	3.500.000	367.423	31.1.2019	3M	1,2600
30.11.2018	CHF	250.000	26.244	28.2.2019	3M	0,4000
27.12.2018	EUR	2.000.000	236.389	01.2.2019	1M	2,2500
27.12.2018	EUR	2.000.000	236.389	27.3.2019	3M	2,6000
31.12.2018	EUR	1.000.000	118.195	03.1.2019	1D	0,2000
31.12.2018	EUR	1.400.000	165.472	08.1.2019	7D	0,1500
Total CHF	CHF	3.750.000				
Total EUR	EUR	6.400.000				
Total in 000 RSD			1.150.112			

All amounts are expressed in thousands of RSD except if indicated otherwise

27. DEPOSITS AND OTHER LIABILITIES TO BANKS, OTHER FINANCIAL INSTITUTIONS AND THE CENTRAL BANK (continued)

Received loans in foreign currency in amount of RSD 1.835.821 thousand (31.12.2017.: RSD 2.945.191 thousand) refer to received loans by EXPOBANK CZ amounting to EUR 10.032 thousand and EXPOBANK LLC amounting to 5.500 thousand, with the following structure and terms:

Date of Agreement	Currency	Amount in the currency	Amount in 000 RSD	Maturity	Period	Interest rate %
14.8.2009	EUR	10.032.196,79	1.185.751	21.4.2020	1M	1,631
22.6.2018	EUR	5.500.000	650.070	22.7.2020	1M	2,6
Total in 000 RSD			1.835.821			

The original contracts on long-term loans were signed on 14/08/2009 with Cyprus Popular Bank Ltd. Later, the lenders changed on various bases, but the original long-term loan that was declared as such by the NBS has not changed, only the data on the creditor and the annexed amounts changed. The last creditor is Expobank CZ A.S., which on the basis of the purchase agreement of the bank took over claims on long-term loans from the previous creditor, which was Bank of Cyprus.

28. DEPOSITS AND OTHER LIABILITIES TO CUSTOMERS

	31.12.2018.	31.12.2017.
Transaction deposits	1.596.859	1.169.016
Savings deposits	598.351	595.740
Deposits related to given loans	23.431	12.417
Specific purpose deposits	99.380	4.396
Other deposits	231.489	206.878
Other financial liabilities	1.235	1.235
Liabilities from interests on borrowings, deposits and other fin. liabilities	1.771	472
Accrued interest payable on borrowings, deposits and other financial liabilities	4.716	8.221
Transaction deposits in foreign currency	861.173	977.193
Savings deposits in foreign currency	3.928.373	3.138.589
Deposits related to given loans in foreign currency	200.935	169.123
Specific purpose deposits in foreign currency	104.607	65.691
Other deposits in foreign currency	764.189	118.922
Other financial liabilities in foreign currency	22.168	15.646
Accrued interest payable on borrowings, deposits and other financial liabilities in foreign currency	32.420	27.234
Total	8.471.097	6.510.773

All amounts are expressed in thousands of RSD except if indicated otherwise

28. DEPOSITS AND OTHER LIABILITIES TO CUSTOMERS (continued)

	Enterprises	Entrepreneurs	Public sector	Retail	Foreign entities	Other clients	Total 2018	Total 2017
Transaction deposits								
- in RSD	1.232.766	158.494	580	157.544	10.349	37.127	1.596.859	1.169.015
- in foreign currency	227.653	28.739	-	519.479	84.711	590	861.173	977.193
Savings deposits								
Short-term deposits:								
- in RSD	-	-	-	554.464	-	-	554.464	461.752
- in foreign currency	-	-	-	1.978.776	7.081	-	1.985.857	1.898.502
Long-term deposits:								
- in RSD	-	-	-	43.887	-	-	43.887	133.989
- in foreign currency	-	-	-	1.911.785	30.731	-	1.942.516	1.240.088
Deposits based on granted loans								
Short-term deposits:								
- in RSD	-	-	-	-	-	-	-	-
- in foreign currency	-	-	-	38.292	-	-	38.292	19.337
Long-term deposits:								
- in RSD	23.431	-	-	-	-	-	23.431	12.417
- in foreign currency	37.991	-	-	124.625	29	-	162.644	149.786
Specific-purpose deposit								
Short-term deposits:								
- in RSD	98.069	-	-	211	-	-	98.280	671
- in foreign currency	74	-	-	-	226	643	944	702
Long-term deposits:								
- in RSD	1.100	-	-	-	-	-	1.100	3.725
- in foreign currency	103.458	205	-	-	-	-	103.663	64.989
Other deposits								
Short-term deposits:								
- in RSD	217.071	-	1	-	-	1.604	218.676	195.738
- in foreign currency	672.922	7.479	-	-	-	5.998	686.399	87.787
Long-term deposits:								
- in RSD	12.813	-	-	-	-	-	12.813	11.140
- in foreign currency	14.505	63.285	-	-	-	-	77.790	31.135
Total	2.641.853	258.202	581	5.329.064	133.126	45.962	8.408.787	6.457.965
Other financial liabilities								
- in RSD	-	-	-	1.235	-	-	1.235	1.235
- in foreign currency	22.168	-	-	-	-	-	22.168	15.647
Interest liabilities								
- in RSD	1.771	-	-	-	-	-	1.771	472
- in foreign currency	-	-	-	-	-	-	-	-
Fee liabilities								
- in RSD	-	-	-	-	-	-	-	-
Accrued interest payable on borrowings, deposits and other financial liabilities								
- in RSD	1.414	-	-	3.256	-	46	4.716	8.220
- in foreign currency	3.225	-	-	28.620	530	44	32.420	27.234
Total	28.578	-	-	33.112	530	90	62.310	52.808
Total deposits and other liabilities	2.670.431	258.202	581	5.362.175	133.657	46.052	8.471.097	6.510.773

Transaction deposits are non-interest bearing.
The interest rate for short-term deposits in RSD ranged from 2,0% - 3,5%.
The interest rate for short-term deposits in EUR ranged from 0,25% - 1,5%.
The interest rate for long-term deposits in EUR ranged from 0,6% do 2,0%.
Short-term retail savings deposits in foreign currency, in amount of RSD 1.978,776 thousand, refer to: avista savings deposits of natural persons in foreign currency in the amount of RSD 43.824 thousand (31.12.2017.: RSD 26.287 thousand), up to three months in amount of RSD 10,420 thousand (31.12.2017.: RSD 33.543 thousand), up to four months in amount of RSD 1.549 thousand (31.12.2017.: RSD 3.550 thousand;), up to six months in amount of RSD 64.057 thousand (31.12.2017.: RSD 81.068 thousand), up to nine months in amount of RSD 1.085 thousand (31.12.2017.: RSD 2.041 thousand) and up to a year of RSD 1.858.511 thousand (31.12.2017.: RSD 1.735.706 thousand).

All amounts are expressed in thousands of RSD except if indicated otherwise

28. DEPOSITS AND OTHER LIABILITIES TO CUSTOMERS (continued)

Long-term retail savings deposits in foreign currency at 13 months amount zo RSD 12.000 thousand (31.12.2017.: RSD 34.069 thousand), at 15 months they amount to RSD 34.524 thousand (31.12.2017.: RSD 76.837 thousand) and at 25 months they amount to RSD 1.865.262 thousand (31.12.2017.: RSD 1.088.190 thousand).

Interest rates for long-term deposits in RSD (25 months) was at 3,5%, while interest rates for long-term deposits in EUR ranged from 0,.6-2,0%, while interest rates on long term and short term deposits in USD, CFH, GBP are at 0,1%.

Short-term savings deposits of foreign entities in foreign currency refer to avista savings deposits in the amount of RSD 111 thousand (31.12.2017.: RSD 108 thousand), up to six months in the amount of RSD 320 thousand (v.: RSD 306 thousand) and up to nine months in the amount of RSD 6.650 thousand (31.12.2017.: RSD 12.703 thousand), and long term deposits at 25 months amounted to RSD 30.731 thousand 31.12.2017.: RSD 40.992 thousand).

29. PROVISIONS

	31.12.2018.	31.12.2017.
Provisions for court litigations	10.835	8.179
Provisions for losses per off-balance sheet items	2.472	3.362
Provisions for pensions	3.745	3.484
Provisions for vacations	11.178	9.473
Total	28.230	24.498

Provisions for court litigations in the amount of RSD 10.835 thousand (31.12.2017.: RSD 8.179 thousand) refer to provisions for potential liabilities arising due to the possibility of losing the Bank's litigations. Provisions were formed based on the assessment of litigations by the Bank's legal department and external attorneys. The formed amount of provisions represents the best possible assessment of the Bank's management regarding expected loss for court litigations, where a negative outcome for the Bank was estimated.

As of 31 December 2018, provisions for pensions in the amount of RSD 3.745 thousand (31.12.2017.: RSD 3.484 thousand were determined in accordance with IAS 19.

Movement in provisions during 2018:

	Provisions for pensions	Provisions for unused days of vacation	Provision for court litigations	Provision for losses per off-balance sheet items
Balance on 01.01.2018.	3.484	9.473	8.179	3.362
Provisions for the year	394	1.705	2.656	15.571
Reversal/income from reversal	(133)	-	-	(16.461)
Balance on 31.12.2018	3.745	11.178	10.835	2.472

Movement in provisions during 2017.:

	Provisions for pensions	Provisions for unused days of vacation	Provision for court litigations	Provision for losses per off-balance sheet items
Balance on 01.01.2018.	8.794	11.167	8.332	1.828
Provisions for the year	-	5.085	-	5.565
Reversal/income from reversal	(5.310)	(6.779)	(153)	(4.031)
Balance on 31.12.2017	3.484	9.473	8.179	3.362

All amounts are expressed in thousands of RSD except if indicated otherwise

30. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are calculated on temporary differences under the liability method using the effective 15% tax rate (31.12.2017: 15%).

Deferred tax assets and liabilities are netting when there is a legally enforceable right to “net" current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	31.12.2018.	31.12.2017.
Deferred tax assets	2.187	1.749
Deferred tax liabilities	(12.634)	(14.466)
Net deferred tax liabilities	(10.447)	(12.717)

Movement in deferred tax assets and liabilities are presented in the following table:

	Tax credits-provision for court litigations	Tax credits –provision on the basis of IAS 19	Tax depreciation	Total
Balance on 01.01.2017.	678	1.319	8.267	10.264
Charged (credited) to IS	549	(797)	(22.733)	(22.981)
Balance on 31.12.2017.	1.227	522	(14.466)	(12.717)
Charged (credited) to IS	398	39	1.832	2.269
Balance on 31.12.2018	1.625	561	(12.634)	(10.448)

31. OTHER LIABILITIES

	31.12.2018.	31.12.2017.
Other liabilities in RSD		
Liabilities on the basis of received advances and other liabilities	3	-
Liabilities towards suppliers	11.029	16.400
Liabilities from advances	6	-
Liabilities from profit	-	233
Other operating liabilities	32.846	32.454
Liabilities in settlement	15.741	21.039
Transient and temporary accounts	33	-
Liabilities based on temporary and periodic operation	888	888
Other liabilities towards employees	448	421
Liabilities for value added tax	1.062	1.306
Liabilities for other taxes and contributions	772	4.160
Deferred liabilities for other expenses	21.339	
Deferred interest income	3.463	3.463
Deferred other income	5.008	2.583
Other accruals and deferred revenues	373	354
Liabilities towards suppliers in foreign currency	877	861
Other operating liabilities in foreign currency	17.126	16.696
Liabilities in settlement in foreign currency	56	-
Other accruals in foreign currency	2.949	464
Total	114.019	101.323

All amounts are expressed in thousands of RSD except if indicated otherwise

31. OTHER LIABILITIES (continued)

Other operating liabilities in the amount of RSD 32.846 thousand (31.12.2017.: RSD 32.454 thousand) mostly refer to liabilities on the basis of accrued expenses in the amount of RSD 16,113 (31.12.2017.: RSD 14.814) and to the transfer of funds of individuals from a closed accounts in the amount of RSD 10.955 thousand (31.12.2017.: RSD 11.073 thousand).

Liabilities in settlement in the amount of RSD 15.741 thousand (31.12.2017.: RSD 21.039 thousand) mostly refer to advance payments related to retail loans in the amount of RSD 11.799 thousand (31.12.2017.: RSD 16.126 thousand) and payments per corporate loans in the amount of RSD 1.703 thousand (31.12.2017.: RSD 2.564 thousand).

Other operating liabilities in foreign currency in the amount of RSD 17.126 thousand (31.12.2017.: 16.696 thousand) mostly refer to the transfer of funds from closed accounts in foreign currency in the amount of RSD 14.911 thousand (31.12.2017.: RSD 15.482 thousand).

32. EQUITY

The Bank presents within Equity its share capital, share premium, current year profit/loss, prior periods profit/loss, reserves created from profit, other reserves, revaluation reserves, and unrealized loss on available-for-sale securities.

	31.12.2018.	31.12.2017.
Share capital – ordinary shares	5.671.608	5.671.608
Share premium	2.877.487	2.877.487
Gain from the current year	139.561	1.807.885
Loss from the previous years	(5.254.589)	(7.034.843)
Reserves from profit	103.228	103.228
Other reserves	48.445	48.445
Revaluation reserves	296.634	319.229
Total	3.882.374	3.793.039

Effect of application of IFRS 9 on equity was negative in an amount from RSD 27.630 thousand

Other reservations relate to special reserves from profit for the estimated losses for balancing assets amounting to RSD 38.782 thousand and off balance sheet items in the amount of RSD 9.663 thousand, which are formed in the earlier period.

Revaluation reserves in the amount of RSD 296.634 thousand (31.12.2017.: RSD 319.229, 000), are made up of reserve arising from changes in the values of fixed assets in the amount of RSD 263,587 thousand (31.12.2017.: RSD 263.587. thousand), actuary losses in the amount of RSD 2.596 thousand (31.12.2017.: RSD 2,455 thousand) and the effects of changes in fair value from financial assets in the amount of RSD 35.643 thousand (31.12.2017.: RSD 58.098 thousand).

All amounts are expressed in thousands of RSD except if indicated otherwise

32. EQUITY (continued)

	31.12.2018.		31.12.2017.	
	Share Capital	% of capital	Share Capital	% of capital
Kim Vladimirovich Igor	4.097.772	72,25	-	-
Tsoy Alekseevich German	1.012.914	17,86	-	-
Vladimirovich Kirill Nifontov	180.357	3,18	-	-
Morelam OOO	156.536	2,76	-	-
Valentinovich Proshin Aleksander	86.775	1,53	-	-
MC Naughton John	79.403	1,40	-	-
Ernst Bekker	28.358	0,50	-	-
Borislav Strugarević	28.358	0,50	-	-
Sergeevich Ganushkin Dmitriy	1.135	0,02	-	-
Expobank CZ	-	-	5.671.608	100,00
Total	5.671.608	100,00	5.671.608	100,00
Other	-	-	-	-
Total share capital	5.671.608	100.00	5.671.608	100.00

a) Share capital and the Share premium

In November 2018. a transfer of ownership occurred upon the shares of the Bank because the sole shareholder of Expobank CZ A.S. sold off all his shares to the above listed shareholders (except for Borislav Strugarević and Ernst Bekker) , in order for, at the end of December, the two largest shareholders sold of a part of their shares, which resulted in the stated structure.

Foreign individuals own 96,74% of the Bank's capital, foreign individual 2,76% and domestic individual 0,50%. The total value of share capital including the share premium on 31.12.2018. amounts to RSD 8.549.095 thousand (31.12.2017.: RSD 8.549.095 thousand).

b) Revaluation reserves

Revaluation reserves comprise the effects of changes in fair value of assets, as well as changes in value of financial assets available for sale.

c) Reserves from profit

Reserves from profit were created in accordance with Law for estimated losses, reserve for general banking risks and other reserves from profit in accordance with legal regulations, the Bank's Statute and other internal rules and regulations.

The difference between provisions calculated under NBS regulations and those calculated in accordance with the Bank's internal calculation methodology are stated as the missing reserve in accordance with item 3, paragraph 2, provision 4 of the Decision on the Capital Adequacy of Banks.

Total special reserves for estimated losses on balance sheet assets and off-balance sheet items amount to RSD 999.972 thousand (31.12.2017.: RSD 929.393 thousand). Impairment allowance for balance sheet assets and off-balance sheet items classified under the Bank's internal rules and regulations amounts to RSD 320.352 thousand (31.12.2017.: 272.283 thousand). Total special reserves from profit for estimated losses on balance sheet assets and off-balance sheet items amount to RSD 764.289 thousand (31.12.2017.: 683.208 thousand) whereby a total of RSD 754.247 thousand (31.12.2017.: RSD 679.306 thousand)) refers to balance assets; and RSD 10.043 thousand (31.12.2017.: RSD 3.902 thousand) refers to off-balance sheet assets.

All amounts are expressed in thousands of RSD except if indicated otherwise

32. EQUITY (continued)

d) Profit from the current period

Profit from the current year in the amount of RSD 139.561 thousand (2017.: profit of RSD 1.807.884 thousand) represents the positive difference between income and expenses of the accounting period, reduced by the income from deductions of deferred tax liabilities, in the amount of RSD 1.832 thousand and increased by the income from the increase of deferred tax assets, in the amount of RSD 438 thousand. Prior years' loss is covered in accordance with the Law, the Statute and Agreement of establishment of the Bank where is specified that the loss in the Bank's operations shall be covered in the following order:

1. From the current operating income;
2. From the Bank's reserves; and
3. From the Bank's share capital, i.e. the shareholder interest, where funds from items 1 and 2 are not sufficient.

33. COMPLIANCE WITH INDICATORS PRESCRIBED BY THE NATIONAL BANK OF SERBIA

The Bank is obliged to perform its business activities in accordance with provisions of the Law on Banks and other regulations of the National Bank of Serbia. According to the annual accounts for 2019, the Bank achieved the following indicators:

Business indicators	Prescribed	Achieved in 2018.
Equity	Min. EUR 10.000.000	24.403.289
The Bank's investments	Max. 60%	17,64%
The sum of large exposures of the Bank, as follows:	Max 400%	24,61%
The sum of large exposures to a single entity or a group of related entities		24,61%
The sum of exposures to entities related to the Bank		
Average monthly liquidity ratio:		
- in the first month of the period	Min. 1,00	2,14
- in the second month of the period	Min. 1,00	2,06
- in the third month of the period	Min. 1,00	1,67
Foreign currency risk ratio	Max 20%	1,54

As of 31 December 2018, the Bank had achieved compliance with all indicators.

All amounts are expressed in thousands of RSD except if indicated otherwise

34. RELATED PARTY TRANSACTIONS

Assets	31.12.2018. Bank shareholders	31.12.2018. Other related parties	31.12.2017 Bank shareholders	31.12.2017 Other related parties
Foreign currency accounts	-	27.703	5.843	26.368
Interest receivables	-	-	-	-
Receivables for fees on loans and deposits	-	20	-	9
Other operating receivables	-	-	-	-
Other foreign currency operating receivables	-	-	-	-
Housing loans	-	22.128	-	22.724
Cash loans	-	561	-	1.587
Other loans	-	53	-	149
Accrued interest receivables on loans, deposits and other receivables	-	31	-	-
Total assets	-	50.496	5.843	50.837

A foreign currency account with a value of RSD 27.703 thousand relates to funds on the nostro account opened by the Bank with Expobank LLC in Moscow.

Housing loans in the amount of RSD 22.128 thousand (31.12.2017.: RSD 22.724 thousand) are loans given to employees that are considered as the Bank's related parties according to the effective Law on Banks. The approved loans were granted at market conditions. No impairment allowance was made for these loans.

	31.12.2018. Bank shareholders	31.12.2018. Other related parties	31.12.2017. Bank shareholders	31.12.2017. Other related parties
Liabilities				
Transaction deposits in RSD	858	57	57	1.369
Transaction deposits in foreign currency	13.896	978	9.069	2.047
Savings deposits in RSD	101	401	-	692
Savings deposits in foreign currency	23.639	20.280	-	20.882
Deposits on the basis of granted loans in foreign currency	-	866.445	1.039.720	-
Borrowings in foreign currency	-	1.835.821	2.945.191	-
Accrued liabilities for interest and other expenses per subordinated liabilities in foreign currency	-	2.359	2.110	-
Total liabilities	38.494	2.726.341	3.996.146	24.990

A deposit in the amount of RSD 866.445 thousand and received a loan in the amount of RSD 1.835.821 thousand, are explained in more detail in note 27.

Income and expense arising from related parties transactions:

	31.12.2018. Bank shareholders	31.12.2018. Other related parties	31.12.2017. Bank shareholders	31.12.2017. Other related parties
Expenses				
Interest expenses on the basis of deposits foreign retail entity	2.404	-	-	-
Interest expenses on the basis of loans in foreign currency	38.655	10.792	55.628	-
Interest expenses on the basis of deposits in foreign currency	9.207	3.959	9.164	-
Total	50.266	14.751	64.792	-

Foreign exchange losses	31.12.2018. Bank shareholders	31.12.2018. Other related parties	31.12.2017. Bank shareholders	31.12.2017. Other related parties
Foreign exchange losses per deposits from foreign banks in foreign currency	43.386	9.251	71.034	-
Foreign exchange losses per borrowings from foreign banks in foreign currency	21.417	1.971	33.808	-
Foreign exchange losses – others	1.431	620	1.528	4.405
Total	66.234	11.842	106.370	4.405

All amounts are expressed in thousands of RSD except if indicated otherwise

34. RELATED PARTY TRANSACTIONS (continued)

	31.12.2018.		31.12.2017.	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Income				
Based on interest from housing loans	-	1.202	-	1.619
Total	-	1.202	-	1.619

Foreign exchange gains	31.12.2018.		31.12.2017.	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Foreign exchange gains per loans from foreign banks in foreign currency	25.070	2.741	152.421	-
Foreign exchange gains per deposits from foreign banks in foreign currency	35.027	4.185	129.839	-
Foreign exchange gains - others	1.682	503	1.222	
Total	61.779	7.429	283.482	-

The tables above present balance sheet assets and liabilities and income and expenses arising from other related party transactions with: Expobank LLC Moskva, Expobank CZ A.S., including and management of the bank. Interest expenses, as well as income/expenses from foreign exchange are shown in dependence with the status of the shareholders/related parties at the moment of their generation.

On 31. 12.2018. year, the Bank approved loans to directors and management:

	31.12.2018.	31.12.2017.
Credits to directors and the management		
At the beginning of the year	64.430	64.024
Reductions based on leavings from the Bank	(18.969)	-
Credits approved during the year	900	8.891
Payments during the year and placement revalorization	(3.584)	(8.485)
Interest income	1.202	1.619
Collected interest	(1.202)	(1.619)
At the end of the year	42.777	64.430

In accordance with the methodology for the calculation of impairment, impairment for these loans was RSD 27 thousand.

Information on management remuneration

During 2018. the members of the Executive Board achieved gross salaries in the amount of RSD 31.214 thousand (2017.: RSD 28.965 thousand).

All amounts are expressed in thousands of RSD except if indicated otherwise

35. RECONCILIATION OF RECEIVABLES AND LIABILITIES

The provisions of Article 18 of the Law on Accounting ("Official Gazette of the Republic of Serbia" no. 62/13, 30/2018) prescribe an obligation of reconciliation of mutual receivables and liabilities with customers. Reconciliation is to be performed at least once a year, before compiling financial statements. In accordance with the Bank's internal procedures, 31 October of the current year has been determined as the date for reconciliation of receivables and liabilities with customers.

On 31.10.2018. there were no materially significant non compliances between liabilities and receivables The bank sent 2.934 IOS's to corporate entities and 2.112 IOS's to entrepreneurs, with which the receivables and the effects of sending for the Bank should be confirmed:

	Number of sent IOS's	Receivable	Liability
Total sent receivables/liabilities:	5.056	9.798.901	2.873.904
Unsent- unknown address, moved....	764	122.339	49.814
Confirmed	451	4.589.205	1.478.445
Not returned	3.840	5.087.357	1.343.506
Disputed	1	-	2.140

36. ANALYSIS OF OPERATIONS BY SEGMENTS

The Bank monitors the movements of its assets and liabilities and generates income and expenses from activities in the following operating segments:

- Corporate Banking (sector for corporate operations) which includes business with government entities and companies,
- Retail Banking which includes business with individuals and entrepreneurs,
- Interbank operations includes business with banks and
- Other activities of the Bank refer to services and activities which do not represent a separate operating segment for reporting purposes (all other segments that are not branch offices, corporate banking and interbank relations).

The basis for segmentation is the strict internal structure of the Bank according to the abovementioned cash generating units.

There were no income and expense transfers between the segments

All amounts are expressed in thousands of RSD except if indicated otherwise

36. OPERATING SEGMENTS (continued)

The results of segments for the year ended 31 December 2018 are as follows:

	Corporate Banking	Retail Banking	Interbank operations	Other	Total
Total segment revenue/(expense)	485.678	169.936	74.123	-	729.737
Revenue from external clients	453.984	157.971	74.123	-	686.078
Revenue from other segments	31.694	11.965	-	-	43.659
Allowances for impairment	91.442	52.460	-	2.465	146.367
Administrative expenses	(345.328)	(119.456)	-	(212.971)	(677.755)
Depreciation	(31.127)	(10.767)		(19.164)	(61.058)
Profit/(loss) before taxation	200.664	92.174	74.123	(229.670)	137.291
Deferred tax profit	-	-	-	2.270	2.270
Net income/(expense) for the year	200.664	92.174	74.123	(227.400)	139.561
Assets	7.907.700	2.929.528	2.088.176	2.583.744	15.509.148
Liabilities	3.027.587	5.456.638	3.002.981	139.568	11.626.774

The results of segments for the year ended 31 December 2017:

	Corporate Banking	Retail Banking	Interbank operations	Other	Total
Total segment revenue/(expense)	2.479.545	244.321	23.160	-	2.747.026
Revenue from external clients	2.415.993	206.048	23.160	-	2.645.201
Revenue from other segments	63.552	38.273	-	-	101.825
Allowances for impairment	131.331	3.302	-	21.372	156.005
Administrative expenses	(48.331)	(363.500)	(17)	(525.566)	(937.413)
Loss from sell of NPLs	(57.840)	-	-	-	(57.840)
Depreciation	(4.705)	(22.814)	-	(49.393)	(76.912)
Profit/(loss) before taxation	2.500.001	(138.691)	23.143	(553.587)	1.830.866
Deferred tax profit	-	-	-	(22.981)	(22.981)
Net income/(expense) for the year	2.500.001	(138.691)	23.143	(576.568)	1.807.885
Assets	5.941.719	3.524.927	2.602.603	2.929.882	14.999.131
Liabilities	1.772.542	4.738.232	4.556.647	138.670	11.206.090

All amounts are expressed in thousands of RSD except if indicated otherwise

37. FOREIGN CURRENCY EXCHANGE RATE

Exchange rates of the major currencies used in translation of balance sheet positions include:

	31.12.2018.	31.12.2017.
EUR	118,1946	118,4727
USD	103,3893	99,1155
CHF	104,9779	101,2847

38. EVENTS AFTER THE REPORTING PERIOD

After the date of the reporting period there were no events which would require adjustments or disclosure in Banks' financial statements and notes to the financial statements on and for the year ended 31 Decemer 2018.

Signed on behalf of Expobank A.D.., Beograd by:

Dragana Radaković Financial Control Manager	"Expobank" akcionarsko društvo Beograd Expobank	Borislav Strugarević Chairman of the Executive Board