EXPOBANK A.D. BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBAR 2020

CONTENT:

Independent Auditor's Report

To the Shareholders of Expobank a.d. Beograd:

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Expobank a.d. Beograd (the "Bank") as at 31 December 2020, and the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the income statement for the year ended 31 December 2020;
- the statement of other comprehensive income for the year then ended;
- the balance sheet as at 31 December 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with the Law on Auditing in the Republic of Serbia. Our responsibilities under this law are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on auditing in the Republic of Serbia that are relevant to our audit of the financial statements in the Republic of Serbia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on auditing in the Republic of Serbia.

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Other information including the Annual Report

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report we also performed procedures required by the Law on Accounting in the Republic of Serbia. Those procedures include considering whether the Annual Report includes the disclosures required by the Law on Accounting in the Republic of Serbia.

Based on the work undertaken in the course of our audit, in our opinion:

- the Annual Report has been prepared in accordance with the requirements of the Law on Accounting in the Republic of Serbia; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In addition, considering the knowledge and understanding of the Bank and its environment obtained during the audit, we are required to report if we have identified material misstatements in the Annual Report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Refer to the original signed Serbian version

Saša Todorović
Licensed Auditor

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PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 17 March 2021

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

INCOME STATEMENT
(Thousand of RSD)

	Note	2020	2019
Interest income	6	543.720	665.531
Interest expenses	6	(138.645)	(166.385)
Net interest income		**405.075**	**499.146**
Fee and commission income	7	131.798	148.595
Fee and commission expenses	7	(19.165)	(20.826)
Net fee and commission income		**112.633**	**127.769**
Net gains from derecognition of financial instruments measured at fair value	8	33.241	32.211
Net loss from risk protection	9	(2.395)	(4.179)
Net foreign exchange gains and currency clause effects	10	2.822	16.879
Net (loss) / gain from impairment of financial assets not measured at fair value through income statement	11	19.529	(58.055)
Net loss from derecognition of the financial instruments measured at amortized cost	12	2	(99.326)
Other operating income	13	13.530	12.718
Total net operating income		**584.437**	**527.163**
Salaries, contributions and other personal expenses	14	(301.469)	(333.463)
Depreciation costs	15	(69.280)	(65.641)
Other income	16	15.761	5.402
Other expenses	17	(509.157)	(403.329)
Loss before taxes		**(279.708)**	**(269.868)**
Income tax credit	18	22.573	3.552
Loss after tax		**(257.135)**	**(266.316)**

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 17 March 2021

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

Dragana Radaković Financial Control Manager	Borislav Strugarević Chairman of the Executive Board

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

STATEMENT OF OTHER COMPREHENSIVE INCOME
(Thousand of RSD)

	2020	2019
LOSS FOR THE YEAR	**(257.135)**	**(266.316)**
Components of other comprehensive income which cannot be reclassified to profit or loss:		
Decrease of revaluation reserves due to sale of fixed assets	-	(4.349)
Increase of revaluation reserves due to revaluation	29.018	-
Decrease of revaluation reserves arising from deferred taxation	(4.353)	-
Actuarial gains/(losses)	(109)	307
Components of other comprehensive income which can be reclassified to profit or loss:		
Gains less losses debt securities measured at fair value through other comprehensive income	(37.603)	208.193
Deferred tax from change in values of debt securities	(19.583)	-
Total other comprehensive income	**(32.629)**	**204.151**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(289.764)**	**(62.165)**

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Dragana Radaković	Borislav Strugarević
Financial Control Manager	Chairman of the Executive Board

BALANCE SHEET
(Thousand of RSD)

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and balances with the central bank	19	1.852.572	2.019.237
Securities	20	3.390.226	2.688.846
Loans and receivables from banks and other financial institutions	21	113.679	253.612
Loans and receivables from customers	22	9.654.965	9.650.011
Derivatives		798	-
Intangible assets	23	31.875	40.360
Property, plant and equipment	24	410.528	414.963
Investment properties	25	303.220	254.443
Current tax assets		1.325	1.325
Other assets	26	517.073	573.016
TOTAL ASSETS		**16.276.261**	**15.895.813**
LIABILITIES AND EQUITY			
Deposits and other financial liabilities to banks, other financial institutions and central bank	27	1.947.070	1.945.497
Deposits and other financial liabilities due to customers	28	10.461.056	9.909.127
Derivatives		3.192	-
Provisions	29	199.106	56.040
Deferred tax liabilities	30	8.258	6.895
Other liabilities	31	191.670	189.338
TOTAL LIABILITIES		**12.810.352**	**12.106.897**
EQUITY			
Share capital	32	8.549.095	8.549.095
Accumulated Loss	32	(5.634.131)	(5.376.995)
Reserves	32	550.945	616.816
TOTAL EQUITY		**3.465.909**	**3.788.916**
TOTAL LIABILITIES AND EQUITY		**16.276.261**	**15.895.813**

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Financial Control Manager	Chairman of the Executive Board

STATEMENT OF CHANGES IN EQUITY
(Thousand of RSD)

	Share capital	Share premium	Reserves from profit and other reserves	Revaluation reserves	Accumulated loss	Total
Opening balance at 1 January 2019	**5.671.608**	**2.877.487**	**151.673**	**296.634**	**(5.115.028)**	**3.882.374**
Current year loss	-	-	-	-	(266.316)	(266.316)
Other comprehensive income						
Effect of change in fair value on financial assets	-	-	-	208.193	-	208.193
Decrease in revaluation reserves arising from sale of PPE	-	-	-	(4.349)	-	(4.349)
Actuarial gain	-	-	-	307	-	307
Total other comprehensive income of the period	-	-	-	**204.151**	-	**204.151**
Effect of sale of securities and booking off from other comprehensive income	-	-	-	(35.642)	-	(35.642)
Transfer from revaluation reserves to accumulated loss	-	-	-	-	4.349	4.349
Balance as at 31 December 2019	**5.671.608**	**2.877.487**	**151.673**	**465.143**	**(5.376.995)**	**3.788.916**
Opening balance as at 1 January 2020	**5.671.608**	**2.877.487**	**151.673**	**465.143**	**(5.376.995)**	**3.788.916**
Current year loss	-	-	-	-	(257.135)	(257.135)
Other comprehensive income						
Effect of change in fair value on financial assets	-	-	-	(37.603)	-	(37.603)
Deferred taxation	-	-	-	(23.936)	-	(23.936)
Increase in revaluation reserves arising from revaluation of PPE	-	-	-	29.018	-	29.018
Actuarial loss	-	-	-	(109)	-	(109)
Total other comprehensive income of the period	-	-	-	**(32.629)**	-	**(32.629)**
Effect of sale of securities and booking off from other comprehensive income	-	-	-	(33.241)	-	(33.241)
Balance as at 31 December 2020	**5.671.608**	**2.877.487**	**151.673**	**399.272**	**(5.634.131)**	**3.465.909**

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

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Dragana Radaković
Financial Control Manager

Borislav Strugarević
Chairman of the Executive Board

CASH FLOW STATEMENT
(Thousand of RSD)

	2020	2019
Cash inflows from operating activities	**710.577**	**853.607**
Inflows from interests	533.156	615.571
Inflows from fees and commissions	130.193	146.840
Inflows from other operating activities	47.228	91.196
Cash outflows from operating activities	**(759.162)**	**(779.887)**
Outflows from interests	(136.329)	(144.033)
Outflows from fees and commissions	(19.126)	(20.752)
Outflows from gross salaries, wages and other personal expenses	(296.788)	(336.329)
Outflows from taxes, contributions and other duties charged	(68.882)	(72.135)
Outflows from other operating expenses	(238.037)	(206.638)
Net cash inflow from operating activities before increase or decrease of financial assets and liabilities	**(48.585)**	**73.720**
Decrease of financial assets and increase of financial liabilities	**638.530**	**1.712.153**
Decrease of loans and other receivables from banks and other financial institutions	95.916	1.228.896
Decrease in claims based on securities, derivatives and other financial assets not intended for investment	-	-
Increase in deposits and other financial liabilities towards banks and other financial institutions, central bank and customers	542.614	483.257
Increase of financial assets and decrease of financial liabilities	**(775.416)**	**(882.155)**
Increase in loans and receivables from banks and other financial institutions, the central bank and customers	-	-
Increase of assets initially recognized at fair value through IS, assets intended for trading and other securities not intended for financing	(775.416)	(882.155)
Decrease in other financial liabilities	-	-
Net cash inflow from operating activities before income tax	**(185.471)**	**903.718**
Paid income tax	-	-
Net cash (outflow) / inflow from operating activities	**(185.471)**	**903.718**

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

CASH FLOW STATEMENT
(Thousand of RSD)

	2020	2019
INVESTMENT ACTIVITIES		
Inflows from investment in securities	33.241	-
Outflows from the purchase of intangible assets, property, plant and equipment	(28.556)	(167.664)
Other outflows from investment activities	(74.632)	(292.802)
Net cash outflow from investment activities	**(69.947)**	**(460.466)**
FINANCING ACTIVITIES		
Inflows from borrowings	9.644	-
Outflows from borrowings	-	(127.893)
Net cash inflow / (outflow) from financing activities	**9.644**	**(127.893)**
NET CASH INCREASE/(DECREASE)	**(245.774)**	**315.359**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1.341.189	971.278
FOREIGN EXCHANGE GAINS, NET	3.386	54.552
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1.098.801**	**1.341.189**

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Dragana Radaković Financial Control Manager	Borislav Strugarević 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 2020 is comprised of 6 organization units (31 December 2019: 6 organization units).

As at 31 December 2020, the Bank had 133 employees (31 December 2019: 132 employees), while the average number of employees in 2020 was 130 (in 2019: 146).

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

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.

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 79757/2019 dated 23 August 2019, Aleksandr Kashtalap was appointed as member of the Executive Board of the Bank.

As at 31 December 2020 the members of the Executive Board are: Borislav Strugarević, Ernst Bekker and Aleksandr Kashtalap.

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 International Financial Reporting Standards (IFRS) and the legislature of the National Bank of Serbia. 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).

These financial statements were prepared at historical cost principle, except as otherwise disclosed in the following summary of accounting policies.

2.2. New and amended standards and interpretations

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Bank:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

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

2.2. New and amended standards and interpretations (continued)

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

2.3. Standards issued but not yet effective and have not been early adopted

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an 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 recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

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

2.3. Standards issued but not yet effective and have not been early adopted (continued)

Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

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

2.3. Standards issued but not yet effective and have not been early adopted (continued)

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

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

2.3. Standards issued but not yet effective and have not been early adopted (continued)

- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The amendments cover the following areas:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform: For instruments to which the amortised cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognised. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- End date for Phase 1 relief for non contractually specified risk components in hedging relationships: The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- Additional temporary exceptions from applying specific hedge accounting requirements: The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- Additional IFRS 7 disclosures related to IBOR reform: The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

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

2.3. Standards issued but not yet effective and have not been early adopted (continued)

The Management of the Bank has chosen not to adopt these new standards, amendments to existing standards and new interpretations before they take effect. Management anticipates that the adoption of these new standards, amendments to existing standards and new interpretations will not have a material impact on the Bank's financial statements in the period of initial application.

2.4. Operating Environment of the Bank

Republic of Serbia. The Republic of Serbia displays certain characteristics of an emerging market. On 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Serbian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. The above measures were gradualy relaxed during 2020 and 2021. These measures have, among other things, severely restricted economic activity in Serbia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Bank, as well as the Serbian and global economy for an unknown period of time.

It is estimated that the total economic activity in the Republic of Serbia in 2020, measured by the real movement of gross domestic product (GDP), recorded a decline of 1.1% compared to 2019. The annual inflation rate is 1.2%.

Management is taking necessary measures to ensure sustainability of the Bank's operations and support its customers and employees, such as:

- Delay in repayment of debtors' obligations (moratorium) in the period from 31 March to 30 June 2020 and from 1 August to 30 September 2020, in accordance with the regulations of the National Bank of Serbia
- extension of the repayment period for approved loans to households (except housing) up to nine years, in accordance with the regulations of the National Bank of Serbia
- continuous improvement of the digital banking application in terms of new possibilities of digital banking, such as conducting transactions and processing the Bank's credit products in a completely digital way
- transfer to work from home for most of the Bank's employees (up to 70%)
- intensification of online trainings and trainings for employees on-line business communication between employees and employees and clients
- raising employee awareness of Cyber risks
- Strict monitoring of system performance
- responsible cost management - adopted a savings plan to reduce costs
- keeping the bank fully operational, while preserving the safety and health of employees and clients

The future effects of the current economic situation and the above measures are difficult to predict, and current management expectations and estimates may differ from actual results.

For the purpose of measuring expected credit losses ("ECL"), the Bank uses supporting projected information, including forecasts of macroeconomic variables. As with any economic forecast, however, projections and the probabilities of their occurrence are subject to a high degree of inherent uncertainty and therefore actual outcomes may differ significantly from those projected.

In March 2020, the International Accounting Standards Board (IASB) stressed in its educational materials that appropriate judgment must be applied in determining the effects of COVID-19 on expected credit losses in accordance with IFRS 9, given the significant uncertainty that exists, and especially when assessing future macroeconomic conditions. Worsened economic forecasts have caused and are likely to continue to cause an increase in expected credit losses and hence higher volatility in profit or loss.

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

2.5. Comparative information

Comparative information in these financial statements represents information from the Bank's financial statements for the year 2019.

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. The Bank generated a loss in 2020, however well capitalised and with sufficient liquidity coming from deposits and borrowings. Refer to Note 33 for compliance with regulatory covenants and Note 27 for details about borrowings.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost, net of the expected credit loss, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the amortised cost.

3.3. Fees and commission income and expense

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Such income includes recurring fees for account maintenance, account servicing fees, premium service package fees, etc.

Other fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for processing payment transactions, fees for cash settlements, collection or cash disbursements.

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.

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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Classification and measurement

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.

(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.

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 liabilities, the accounting of financial liabilities is 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets (continued)

Impairment of financial assets

IFRS 9 fundamentally changed the loan loss impairment methodology. The standard replaced 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 is 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.

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 in 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.

Future cash flow is determined based on an insight into a borrower's credit rating and credit risk exposure.

The reversal of an allowance for ECL is recognized as income in the period in which the reversal is made.

The final write-off of uncollectible receivables is made on the basis of a court decision, a settlement of interested parties, or on the basis of decisions of a competent body in the Bank.

The Bank makes an accounting write-off (transfer of balance sheet assets to off-balance sheet records) of problematic receivables, for which the calculated amount of impairment is 100% of their gross value.

The manner and steps of carrying out accounting write-offs are defined by the acts of the Debt Collection Division.

3.6. Provisions

Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The Bank does not perform discounting of the future cash flows expected to arise in the near term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

3.9. Intangible assets

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.

3.10. Property, plant and equipment

Initial measurement of fixed assets is 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 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.

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.

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%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10. Property, plant and equipment (continued)

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.

3.11. 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.

3.12. 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.

3.13. Inventories

Upon acquisition, inventories are measured at the lower of the historical cost and net realizable value. The historical cost implies that inventories are recognised 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. If there is an indication that an asset is impaired, the recoverable amount of the asset is estimated to determine the amount of the impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Leasing

Bank as lessee

The Bank classifies leases (leases of property and equipment) in accordance with IFRS16, which implies that on the first day of the lease, assets with the right to use and lease liabilities are recognized in the balance sheets at the present discounted value of those leasing liabilities. The leasing period means the entire period of the lease term, as well as the period of a possible lease extension stipulated by the contract. The choice of the discount rate is contingent on the interest rate implied in the lease (based on the lease payment, non-guaranteed residual value, fair value of the fixed asset and the initial direct costs of the lender). The discount rate can also be determined as an incremental lending rate, ie. as the interest rate that the lessee would have to pay for a similar lease or, if it cannot be determined, at what price the lessee can obtain funds in the market to buy the same or similar assets (assets of similar value) under the same conditions (similar term) . The Bank recalculates the discount or incremental rate when changing the terms of the contract (duration of the lease, changes in the option to repurchase the subject property, changes in future payments due to changes in the rate in the leasing contract). Changes in valuations (for example, changes in the economic life or residual value of the leased asset) or changes in circumstances (for example, the default of the lessee) do not trigger a new classification of leases, i.e. recalculation of discount rate or incremental rate.

The Bank will each month record the interest expense on the lease kiability and the depreciation expense on the discounted right of use the asset. Each month, upon the maturity of the lease payment invoices, the amount of leasing liabilities will be reduced.

The Bank will reassess the lease liability on the occurrence of certain events (eg change in leasing period, change in lease price, significant change in incremental rate...). In that case, the Bank recognizes the amount of the revaluation of the lease liability as an adjustment to the right of use the asset.

If the lease amount is low (monthly lease amount up to EUR 100) and / or if the lease is concluded for a period of 12 months or less, the Bank will not treat these leases in accordance with this standard.

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.

3.15. 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 effective interest rate.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16. 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.

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

- employee data, total length of service as at 31 December 2019, year of birth and sex, number of years to old or full pensions;
- demographic assumptions of the Republic of Serbia – mortality (20%) and fluctuation and invalidity rate,
- discount rate 4,5%,
- assumed annual salary geometric growth of 4% 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.

3.17. 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Current and deferred taxes (continued)

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.

3.18. Share capital

Ordinary 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. Any amount in excess of the fair value of the cash received above the par value of the issued shares is recognized through equity as the share premium.

(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.

3.19. 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 a) the amount initially recognised less cumulative amortization, and b) the best estimate of the expenditure required to settle any financial obligation as of the balance sheet date, based on the ECL model.

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

Liquidity risk is defined as the risk of the possibility of adverse effects on the Bank's financial result and equity due to the Bank's inability to meet its due obligations. Liquidity risk arises due to significant withdrawal of existing sources of financing, inability to acquire new sources of funds (liquidity risk of sources of funds), and due to the difficult transformation of assets into liquid assets due to market distortions (market liquidity risk).

In order to adequately manage and control liquidity risk, the Bank has implemented internal procedures defining a comprehensive system for managing this risk, including the responsibilities and responsibilities of participants in the process, as well as controls and methodologies that achieve the effectiveness of the system for managing this risk.

The Bank's liquidity risk management system includes:
- defining the principles of liquidity risk management,
- an organizational structure that supports adequate liquidity risk management,
- procedures for identifying, measuring, mitigating and monitoring liquidity risk,
- an information system that supports liquidity risk management,
- timely and adequate activities in situations of increased liquidity risk,
- adoption of the Contingency Plan and the Bank's Recovery Plan;
- an internal control system for managing liquidity risk

In its operations, the Bank adheres to the following basic principles for managing liquidity risk:
- The Bank actively monitors liquidity risk exposures in significant currencies exceeding 5% of the Bank's liabilities (RSD, EUR, USD and CHF)
- Ensuring continued stability and diversification of funding sources, by source type and tenors, in which sense the limits on the concentration of sources of funds and maximum participation in the deposit base per client are set.
- Formation of a level of highly liquid assets and an adequate level of liquidity reserves consisting of cash, funds in accounts with foreign banks, obligatory reserves with the National Bank of Serbia in the currencies of EUR and RSD and highly liquid securities issued by the Ministry of Finance of the Republic of Serbia.
- The Bank has established internal procedures for dealing with increased liquidity risk as well as early warning systems for potential impairment of the Bank's liquidity profile. The Bank's business plan in the event of unforeseen events and the Bank's recovery plan are subject to regular annual testing and auditing.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

- Liquidity risk assessment is a mandatory part of the procedure for approving a new product
- Regularly conduct stress tests based on scenarios specific to the Bank or the general market in which the Bank operates, in order to identify sources of potential liquidity crisis as well as the conditions and ways under which the Bank would, in such situations, maintain the required liquidity level with full fulfillment regulatory and internally defined limits.

Bodies and organizational units of the Bank directly involved in the liquidity risk management process are:

- The Bank's Board of Directors adopts a risk management strategy and policy that is an integral part of liquidity risk management and the Bank's Recovery Plan
- The Bank's Executive Board adopts the Bank's risk management procedures and ensures their full implementation
- The Assets and Liabilities Management Committee (ALCO) monitors the Bank's liquidity risk exposures and early warning indicators and proposes measures to improve the Bank's liquidity profile
- The Asset Management Division is responsible for the day-to-day liquidity management and maintenance of defined internal and regulatory limits at the approved level.
- Risk Management Sector implements procedures for measuring, analyzing and monitoring liquidity risk and develops methodologies for internal liquidity risk assessment and stress testing
- Internal audit conducts an independent assessment of the adequacy of the liquidity risk management procedures adopted at least once a year

The Bank's liquidity risk management involves managing all positions of the Bank's assets, liabilities and off-balance sheet items that may affect its liquidity position. Internal identification, measurement and monitoring of liquidity risk relies on a GAP analysis of the future cash flows of these positions allocated at time intervals by remaining maturity. For balance sheet items for which it is not possible to determine in advance the exact date of inflow or outflow of assets, the Bank makes assumptions based on an analysis of the historical movement of these positions or on the basis of expert judgment.

The Bank defines the individual and cumulative liquidity GAP limits that it observes at both the aggregate level (consolidated presentation) and by significant currencies. Limits are defined as the limit on the ratio between the cumulative gap of up to one month and the total assets of the Bank, as well as the quarterly gap with respect to the total assets of the Bank.

The following table shows the assets and liabilities grouped into categories by the remaining contractual maturity at 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 2020.	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	1.852.572	-	-	-	-	1.852.572
Securities	2.373.158	1.017.068	-	-	-	3.390.226
Loans and receivables from banks and other financial institutions	110.738	2.941	-	-	-	113.679
Loans and receivables from customers	297.818	247.137	2.058.809	5.192.855	1.858.347	9.654.965
Derivatives	25	773	-	-	-	798
Other Assets	6.454	3.376	205	1.746	2.913	14.693
TOTAL ASSETS	4.640.765	1.271.295	2.059.014	5.194.600	1.861.259	15.026.933
LIABILITIES						
Deposits and other liabilities to banks, other financial institutions and central Bank	4.275	995.858	1.159	945.778	-	1.947.070
Deposits and other liabilities due to customers	5.222.920	702.877	2.702.100	1.598.574	234.585	10.461.056
Derivatives	3.192	-	-	-	-	3.192
Other liabilities	187.583	1.580	965	1.528	14	191.670
Total liabilities	5.417.970	1.700.315	2.704.224	2.545.880	234.599	12.602.988
Net Gap (Total Assets-Total Liabilities)	**(777.205)**	**(429.020)**	**(645.210)**	**2.648.720**	**1.626.660**	**2.423.945**

The Bank expects that most depositors will not require the repayment of deposits on the maturity date determined by the contract and that a negative liquidity gap of up to one year does not pose a significant risk to the Bank.

As of 31.Decembar 2019.	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	2.019.237	-	-	-	-	2.019.237
Securities	1.882.192	806.654	-	-	-	2.688.846
Loans and receivables from banks and other financial institutions	250.672	2.940	-	-	-	253.612
Loans and receivables from customers	503.314	415.553	2.603.197	4.665.123	1.462.824	9.650.011
Other Assets	5.012	322	80	3.134	3.571	12.119
TOTAL ASSETS	4.660.427	1.225.469	2.603.277	4.668.257	1.466.395	14.623.825
LIABILITIES						
Deposits and other liabilities to banks, other financial institutions and central Bank	22.467	211.668	1.710.241	1.121	-	1.945.497
Deposits and other liabilities due to customers	4.371.152	670.262	2.971.461	1.804.910	91.342	9.909.127
Other liabilities	185.403	1.404	1.087	1.444	-	189.338
Total liabilities	4.579.022	883.334	4.682.789	1.807.475	91.342	12.043.962
Net Gap (Total Assets-Total Liabilities)	**81.405**	**342.135**	**(2.079.512)**	**2.860.782**	**1.375.053**	**2.579.863**

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 assests and liabilities with the balance on 31 December 2020.

As of 31.12.2020	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	1.852.572	-	-	-	-	1.852.572
Securities	3.114.166	1.334.643	-	-	-	4.448.808
Loans and receivables from banks and other financial institutions	110.739	2.940	-	-	-	113.679
Loans and receivables from customers	312.111	301.697	2.281.130	5.631.927	2.174.784	10.701.648
Total liabilities (contracted maturity dates)	**5.389.588**	**1.639.280**	**2.281.130**	**5.631.927**	**2.174.784**	**17.116.708**

As of 31.12.2020	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	7.530	996.090	8.302	953.158	-	1.965.080
Deposits and other liabilities due to customers	5.223.913	704.898	2.728.319	1.640.281	234.645	10.532.056
Total liabilities (contracted maturity dates)	**5.231.443**	**1.700.988**	**2.736.621**	**2.593.439**	**234.645**	**12.497.136**

As of 31.12.2019	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central bank	2.019.237	-	-	-	-	2.019.237
Securities	2.370.295	1.015.841	-	-	-	3.386.136
Loans and receivables from banks and other financial institutions	250.672	2.940	-	-	-	253.612
Loans and receivables from customers	380.995	466.760	2.778.119	5.159.025	2.053.033	10.837.931
Total liabilities (contracted maturity dates)	**5.021.199**	**1.485.541**	**2.778.119**	**5.159.025**	**2.053.033**	**16.496.916**

As of 31.12.2019	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	25.030	217.095	1.716.160	1.177	-	1.959.462
Deposits and other liabilities due to customers	4.372.224	672.605	3.004.008	1.849.968	91.969	9.990.774
Total liabilities (contracted maturity dates)	**4.397.254**	**889.700**	**4.720.168**	**1.851.145**	**91.969**	**11.950.236**

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

Despite the changed business environment caused by measures to combat the COVID-19 virus pandemic, the Bank maintained a high level of liquidity throughout 2020, adapting to the new circumstances in a very short time. The stability of the deposit base was maintained, with uninterrupted performance and an increase in lending activity.

In accordance with the recommendations and the Decision of the National Bank of Serbia, the Bank enabled its clients to delay the repayment of debtors' obligations, as well as relaxed repayment terms for those clients who are significantly affected by measures to combat the pandemic.

The emerging business environment required some adjustments in business planning and liquidity risk management, where the focus was on maintaining a high level of liquidity and reducing risk appetite. Sources of financing in local currency have been expanded with the introduction of REPO and cross-currency SWAP products with the National Bank of Serbia, with a maturity of up to 3 months. In addition to regular stress tests, the Bank has developed additional stress tests adapted to the current situation in order to predict the potential impact of changes in the business environment on the Bank's operations and liquidity. In a short period of time, the Bank organized and responded to requests for additional reporting from the National Bank of Serbia, and certain adjustments were made in the reporting segment of the Bank's management.

Liquidity regulatory indicators

In accordance with the Decision on the Management of the Bank's Liquidity Risk, the Bank is obliged to compile and regularly report to the National Bank of Serbia on the Bank's liquidity level through the Bank's liquidity indicator, narrower bank liquidity indicator and liquidity coverage indicator.

Bank liquidity indicator and narrower bank liquidity indicator

The Bank's liquidity indicator represents the ratio of the first and second tier liquidity assets of the bank, on the one hand, and the sum of the bank's liabilities on sight or with no contractual maturity and liabilities of the bank with an agreed maturity in the next month from the day of performing the liquidity ratio calculation, on the other.

A narrower indicator of a bank's liquidity is the ratio of the bank's first-line liquidity claims, on the one hand, and sums the bank's liabilities on sight or with no contractual maturity and the bank's contractual maturity within the next month from the reporting date on the other.

Liquidity indicator	31 December
2019:	2,10
2019:	2,25

Narrower indicator	31 December
2020:	2,02
2019:	2,16

Indicator of coverage by liquid assets

The liquidity coverage indicator is the ratio of a bank's liquidity buffer to the net outflow of its liquid assets that would occur over the next 30 days from the date of calculation of this indicator under assumed stress conditions. This indicator relies heavily on the Basel III regulation of the European Union (Commission Delegated Regulation EU 2015/61) with some minor changes to adapt to local conditions. In that sense, the most significant differences relate to the inclusion of the required reserve amount with the National Bank of Serbia, which exceeds the amount of the calculated reserve and the inclusion of securities of the Ministry of Finance of the Republic of Serbia without the application of corrective factors.

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

The regulatory requirement is to maintain highly liquid assets at a minimum level of 100% relative to the net outflow of funds. The indicator of coverage of the Bank's liquid assets at 31 December 2020 and 2019 was as follows:

LCR	31 December
2020	166%
2019:	275%

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.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

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.

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 reporting to the NBS, structure of NPL portfolios and its coverage with ECL
- quarterly portfolio stressing within the ICAAP process and reporting to the Board of Directors on the results of stress tests conducted and their effect on internal capital requirements
- 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 foreclosed property from the collection of receivables

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 Bank's bodies 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

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

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 of receivable by the debtor.

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. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

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

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.

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:

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)

Residential property

Territory	Haircuts 2020	Haircuts 2019	Year of collection
Belgrade	20%	20%	1-5
Novi Sad	20%	20%	1-5
Other cities with population over 50.000	35%	30%	1-5
Cities with a population below 50.000	40%	40%	1-5
Villages and small towns	45%	45%	1-5

Business property

Territory	Haircuts 2020	Haircuts 2019	Year of collection
Belgrade	25%	30%	1-5
Novi Sad	30%	30%	1-5
Other cities with population over 50.000	40%	40%	1-5
Cities with a population below 50.000	45%	45%	1-5
Villages and small towns	45%	45%	1-5

Industrial property

Type	Haircuts 2020	Haircuts 2019	Year of collection
Factories	35%	35%	1-5
Warehouses	45%	35%	1-5

Land

Type	Haircuts 2020	Haircuts 2019	Year of collection
Land Vojvodina	25%	25%	1-5
Other land	40%	30%	1-5

Other

Type	Haircuts 2020	Haircuts 2019	Year of collection
Equipment	80%	80%	1-5
Vehicles	50%	50%	1-3
Guarantee deposits	0%	0%	-
Government bonds, securities granted by the government	0%	0%	-
Government guarantees	0%	0%	-
First class guaranties	0%	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)

Impairment of financial assets (continued)

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:

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

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)

Impairment of financial 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 after the application of the haircut. The discount period is taken as the average collection from collateral of 36 months.

The year 2020 passed in a changed business environment caused by measures to fight the COVID-19 virus pandemic. In accordance with the recommendations and the Decision of the National Bank of Serbia, the Bank enabled its clients to delay the repayment of debtors' obligations, as well as relaxed repayment terms for those clients who are significantly affected by measures to combat the pandemic. Also, the Bank continuously conducted portfolio analysis and clients, who had problems in conducting their business activities, the Bank changed their Level in accordance with IFRS 9, i.e. in the calculation of ECL carried out the transfer of clients from Level 1 to Level 2.

Maximum credit risk exposure

The total exposure to credit risk as at 31 December 2019 and 31 December 2018 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.

	31.12.2020		31.12.2019	
	Gross	Net	Gross	Net
I. Assets	15.810.200	15.529.313	15.476.090	15.184.722
Cash and cash funds held with the Central Bank	1.852.572	1.852.572	2.019.237	2.019.237
Securities	3.390.226	3.390.226	2.688.846	2.688.846
Loans and receivables from banks and other financial institutions	113.864	113.679	254.942	253.612
Loans and receivables from customers	9.930.851	9.654.965	9.934.928	9.650.011
Receivables on financial derivatives for risk protection	798	798	-	-
Other assets	521.890	517.075	578.137	573.016

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.

	31.12.2020		31.12.2019	
	Gross	Net	Gross	Net
II. Off balance sheet items	4.260.678	4.252.262	2.447.265	2.439.709
Payable guarantees	510.798	510.515	460.682	460.207
Performance guarantees	698.923	698.321	704.350	701.389
Irrevocable liabilities	2.385.096	2.377.565	1.273.087	1.268.968
Other	665.860	665.860	9.146	9.146

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)

Loans and receivables from customers by risk level during 2020

	Stage 1	Stage 2	Stage 3	Total
01.01.2020.	**8.564.376**	**755.701**	**614.851**	**9.934.928**
New receivables	3.295.979	61.760	40.197	3.397.936
Decrease/collection of receivables	(3.032.984)	(118.896)	(250.133)	(3.402.014)
Transfer to Stage 1	298.941	(298.625)	(316)	-
Transfer to Stage 2	(960.643)	1.019.064	(58.421)	-
Transfer to Stage 3	(27.766)	(319.031)	346.797	-
31.12.2020	**8.137.904**	**1.099.973**	**692.974**	**9.930.851**

Changes in impairment allowance of loans and receivables to customers by level of risk during 2020

	Stage 1	Stage 2	Stage 3	Total
01.01.2020.	**40.784**	**31.721**	**212.406**	**284.911**
New receivables	36.428	24.633	61.500	122.560
Decrease/collection of receivables	(32.719)	(14.906)	(83.967)	(131.592)
Transfer to Stage 1	11.040	(10.777)	(263)	-
Transfer to Stage 2	(3.245)	16.878	(13.633)	-
Transfer to Stage 3	(49)	(14.947)	14.996	-
31.12.2019	**52.239**	**32.603**	**191.044**	**275.885**

Loans and receivables from customers by risk level during 2019

	Stage 1	Stage 2	Stage 3	Total
01.01.2019.	**10.363.134**	**163.343**	**614.188**	**11.140.665**
New receivables	3.136.463	152.705	100.363	3.389.531
Decrease/collection of receivables	(3.976.822)	(144.860)	(473.586)	(4.595.268)
Transfer to Stage 1	69.165	(57.059)	(12.106)	-
Transfer to Stage 2	(652.758)	652.881	(124)	-
Transfer to Stage 3	(374.805)	(11.310)	386.115	-
31.12.2019	**8.564.376**	**755.701**	**614.851**	**9.934.928**

Changes in impairment allowance of loans and receivables to customers by level of risk during 2019

	Stage 1	Stage 2	Stage 3	Total
01.01.2019.	**17.309**	**7.790**	**227.158**	**252.257**
New receivables	32.526	27.292	119.786	179.605
Decrease/collection of receivables	(11.486)	(1.174)	(134.290)	(146.950)
Transfer to Stage 1	3.818	(1.853)	(1.965)	-
Transfer to Stage 2	(918)	993	(74)	-
Transfer to Stage 3	(464)	(1.326)	1.791	-
31.12.2019	**40.784**	**31.721**	**212.406**	**284.911**

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

31.12.2020.	S1	S2	S3	Total	Impairment allowance S1	Impairment allowance S2	Impairment allowance S3	Total impairment	Net
Housing loans	1.629.315	54.987	71.289	1.755.591	581	672	17.979	19.232	1.736.359
Cash and consumer loans	363.453	21.869	83.449	468.771	9.906	6.146	60.424	76.475	392.296
Credit cards	7.395	851	99	8.345	101	199	98	398	7.947
Current account overdrafts	5.191	58	96	5.345	257	24	95	376	7.840
Other loans	-	-	-	-	-	-	-	-	-
Retail	**2.005.354**	**77.765**	**154.932**	**2.238.051**	**10.844**	**7.040**	**78.595**	**96.480**	**2.141.571**
Entrepreneurs	**334.834**	**5.447**	**35.868**	**376.149**	**6.859**	**1.104**	**8.329**	**16.292**	**359.857**
Total retail	**2.340.188**	**83.211**	**190.800**	**2.614.199**	**17.703**	**8.144**	**86.925**	**112.772**	**2.501.428**
Large corporate clients	328.659	166.357	-	495.016	3.418	3.689	-	7.107	487.909
Middle corporate clients	2.367.180	540.014	-	2.907.195	14.886	14.488	-	29.374	2.877.821
Small corporate clients	2.507.004	242.735	434.827	3.184.566	13.657	5.592	87.212	106.462	3.078.104
Micro business	489.753	67.656	67.347	624.757	2.574	689	16.907	20.170	604.587
Other	105.119	-	-	105.119	1	-	-	1	105.118
Total corporate	**5.797.716**	**1.016.762**	**502.174**	**7.316.652**	**34.536**	**24.459**	**104.119**	**163.114**	**7.153.538**
Total	**8.137.904**	**1.099.973**	**692.974**	**9.930.851**	**52.239**	**32.603**	**191.044**	**275.885**	**9.654.965**
Banks	**113.864**	**-**	**-**	**113.864**	**185**	**-**	**-**	**185**	**113.679**

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)

31.12.2019.	S1	S2	S3	Total	Impairment allowance S1	Impairment allowance S2	Impairment allowance S3	Total Impairment	Net
Housing loans	1.658.151	106.344	69.387	1.833.882	951	2.045	23.520	26.516	1.807.367
Cash and consumer loans	417.945	37.000	91.065	546.010	11.457	11.675	65.979	89.111	456.900
Credit cards	10.118	81	98	10.296	177	26	75	278	10.019
Current account overdrafts	8.232	11	41	8.284	417	6	22	444	7.840
Other loans	-	-	-	-	-	-	-	-	-
Retail	**2.094.445**	**143.437**	**160.591**	**2.398.473**	**13.002**	**13.751**	**89.595**	**116.348**	**2.282.125**
Entrepreneurs	**278.495**	**-**	**47.908**	**326.403**	**2.511**	**-**	**9.612**	**12.123**	**314.280**
Total retail	**2.372.940**	**143.437**	**208.500**	**2.724.876**	**15.513**	**13.751**	**99.207**	**128.471**	**2.596.405**
Large corporate clients	564.894	-	-	564.894	5.208	-	-	5.208	559.686
Middle corporate clients	2.427.301	284.972	43.079	2.755.352	11.523	13.989	8.137	33.649	2.721.702
Small corporate clients	2.401.695	207.361	295.488	2.904.543	6.973	3.168	102.201	112.341	2.792.202
Micro business	695.323	119.932	67.784	883.039	1.569	813	2.867	5.248	877.791
Other	102.225	-	-	102.225	-	-	-	-	102.225
Total corporate	**6.191.437**	**612.264**	**406.351**	**7.210.052**	**25.272**	**17.970**	**113.204**	**156.446**	**7.053.606**
Total	**8.564.377**	**755.701**	**614.851**	**9.934.928**	**40.784**	**31.721**	**212.406**	**284.911**	**9.650.011**
Banks	**254.942**	**-**	**-**	**254.942**	**1.330**	**-**	**-**	**1.330**	**253.612**

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.

31.12.2020.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Total
Housing loans	1.573.472	55.843	-	-	**1.629.315**
Cash and consumer loans	333.055	30.399	-	-	**363.453**
Credit cards	19	7.376	-	-	**7.395**
Current account overdrafts	5.151	40	-	-	**5.191**
Other loans	-	-	-	-	**-**
Retail	**1.911.697**	**93.657**	**-**	**-**	**2.005.354**
Entrepreneurs	**318.581**	**16.254**	**-**	**-**	**334.834**
Total retail	**2.230.277**	**109.911**	**-**	**-**	**2.340.188**
Large corporate clients	283.276	45.383	-	-	**328.659**
Middle corporate clients	2.215.290	151.890	-	-	**2.367.180**
Small corporate clients	2.300.220	206.784	-	-	**2.507.004**
Micro business	487.440	2.313	-	-	**489.753**
Other	105.119	-	-	-	**105.119**
Total corporate	**5.391.345**	**406.371**	**-**	**-**	**5.797.716**
Total	**7.621.622**	**516.282**	**-**	**-**	**8.137.904**
Out of which: restructured	**-**	**-**	**-**	**-**	**-**
Receivables from banks	**113.864**	**-**	**-**	**-**	**113.864**

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)

31.12.2019.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Total
Housing loans	1.556.441	101.710	-	-	**1.658.151**
Cash and consumer loans	373.447	44.498	-	-	**417.945**
Credit cards	3	10.114	-	-	**10.118**
Current account overdrafts	8.216	16	-	-	**8.232**
Other loans	-	-	-	-	**-**
Retail	**1.938.107**	**156.338**	**-**	**-**	**2.094.445**
Entrepreneurs	**259.979**	**18.516**	**-**	**-**	**278.495**
Total retail	**2.198.086**	**174.854**	**-**	**-**	**2.372.940**
Large corporate clients	506.157	58.737	-	-	**564.894**
Middle corporate clients	2.246.153	181.147	-	-	**2.427.301**
Small corporate clients	2.174.172	227.523	-	-	**2.401.695**
Micro business	649.312	46.011	-	-	**695.323**
Other	102.225	-	-	-	**102.225**
Total corporate	**5.678.018**	**513.418**	**-**	**-**	**6.191.437**
Total	**7.876.104**	**688.272**	**-**	**-**	**8.564.377**
Out of which: restructured	**-**	**-**	**-**	**-**	**-**
Receivables from banks	**254.942**	**-**	**-**	**-**	**254.942**

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.

31.12.2020.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	14.269	1.890	29.147	9.682	-	**54.987**
Cash and consumer loans	1.310	607	15.644	4.308	-	**21.869**
Credit cards	-	-	775	76	-	**851**
Current account overdrafts	-	-	23	35	-	**58**
Other loans	-	-	-	-	-	-
Retail	**15.579**	**2.497**	**45.589**	**14.100**	**-**	**77.765**
Entrepreneurs	**2.002**	**-**	**2.816**	**629**	**-**	**5.447**
Total retail	**17.581**	**2.497**	**48.404**	**14.729**	**-**	**83.211**
Large corporate clients	-	106.662	59.694	-	-	**166.357**
Middle corporate clients	533.872	-	6.142	-	-	**540.014**
Small corporate clients	124.665	97.549	20.521	-	-	**242.735**
Micro business	9.371	30.603	27.682	-	-	**67.656**
Other	-	-	-	-	-	-
Total corporate	**667.909**	**234.814**	**114.039**	**-**	**-**	**1.016.762**
Total	**685.489**	**237.311**	**162.444**	**14.729**	**-**	**1.099.973**
Out of which: restructured	**52.310**	**607**	**459**	**-**	**-**	**53.377**
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)

31.12.2019.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	10.643	-	63.620	32.081	-	**106.344**
Cash and consumer loans	466	-	23.914	12.621	-	**37.000**
Credit cards	-	-	81	-	-	**81**
Current account overdrafts	-	-	6	5	-	**11**
Other loans	-	-	-	-	-	**-**
Retail	**11.109**	**-**	**87.621**	**44.707**	**-**	**143.437**
Entrepreneurs	-	-	-	-	-	-
Total retail	**11.109**	**-**	**87.621**	**44.707**	**-**	**143.437**
Large corporate clients	-	-	-	-	-	**-**
Middle corporate clients	284.972	-	-	-	-	**284.972**
Small corporate clients	171.863	35.488	9	-	-	**207.361**
Micro business	97.106	4.534	-	18.291	-	**119.932**
Other	-	-	-	-	-	**-**
Total corporate	**553.941**	**40.023**	**9**	**18.291**	**-**	**612.264**
Total	**565.049**	**40.023**	**87.630**	**62.998**	**-**	**755.701**
Out of which: restructured	**248.162**	**-**	**-**	**159**	**-**	**248.320**
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 structure of receivables from Stage 3 clients follows.

31.12.2020.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	5.003	1.735	2.128	981	61.442	**71.289**
Cash and consumer loans	7.276	8.820	1.083	2.367	63.902	**83.449**
Credit cards	-	-	-	-	99	**99**
Current account overdrafts	-	-	-	-	96	**96**
Other loans	-	-	-	-	-	**-**
Retail	**12.280**	**10.555**	**3.211**	**3.348**	**125.539**	**154.932**
Entrepreneurs	**1.081**	**2.194**	**6.436**	**554**	**25.602**	**35.868**
Total retail	**13.360**	**12.749**	**9.647**	**3.902**	**151.141**	**190.800**
Large corporate clients	-	-	-	-	-	**-**
Middle corporate clients	-	-	-	-	-	**-**
Small corporate clients	3.661	-	-	60.993	370.173	**434.827**
Micro business	46.790	-	1.231	7.340	11.986	**67.347**
Other	-	-	-	-	-	**-**
Total corporate	**50.451**	**-**	**1.231**	**68.333**	**382.159**	**502.174**
Total	**63.811**	**12.749**	**10.879**	**72.235**	**533.299**	**692.974**
Out of which: restructured	**29.314**	**1.232**	**211**	**18.251**	**268.635**	**317.643**
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)

31.12.2019.	Not due	Due up to 30 days	From 31-60 days	From 61-90 days	Over 90 days past due	Total
Housing loans	5.952	416	7.742	8.383	46.894	**69.387**
Cash and consumer loans	6.016	2.282	12.350	3.407	67.010	**91.065**
Credit cards	-	-	-	-	98	**98**
Current account overdrafts	-	-	-	-	41	**41**
Other loans	-	-	-	-	-	-
Retail	**11.968**	**2.698**	**20.092**	**11.790**	**114.043**	**160.591**
Entrepreneurs	**1.661**	**2.726**	**768**	**9.549**	**33.205**	**47.908**
Total retail	**13.629**	**5.424**	**20.860**	**21.339**	**147.248**	**208.500**
Large corporate clients	-	-	-	-	-	-
Middle corporate clients	-	-	-	-	43.079	**43.079**
Small corporate clients	81.158	4.864	15.540	83.580	110.345	**295.488**
Micro business	18.918	12.399	-	2.933	33.535	**67.784**
Other	-	-	-	-	-	-
Total corporate	**100.076**	**17.263**	**15.540**	**86.514**	**186.959**	**406.351**
Total	**113.705**	**22.686**	**36.400**	**107.853**	**334.207**	**614.851**
Out of which: restructured	**65.198**	**1.219**	**12.208**	**31.962**	**20.563**	**131.150**
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:

31.12.2020.	Gross exposure	Impairment allowance	S3 receivables	RP S3	Impairment allowance S3	Participation of stage 3 in gross exposure	Collateral for S3
Total retail	**2.614.199**	**112.772**	**190.800**	**18.367**	**86.925**	**7,30%**	**93.599**
Housing loans	1.755.591	19.232	71.289	436	17.979	4,06%	59.505
Cash and consumer Loans	468.771	76.475	83.449	17.931	60.424	17,80%	10.059
Credit cards	8.345	398	99	-	98	1,19%	-
Current account overdrafts	5.345	375	96	-	95	1,79%	-
Other	-	-	-	-	-	0,00%	-
Retail	**2.238.051**	**96.480**	**154.932**	**18.367**	**78.595**	**6,92%**	**69.565**
Entrepreneurs	376.149	16.292	35.868	-	8.329	9,54%	24.034
Business clients	**7.316.652**	**163.114**	**502.174**	**299.276**	**104.119**	**6,86%**	**476.977**
Accommodation and food services	20.994	57	3.885	-	-	18,50%	3.885
Administrative and support services	92.281	3.026	483	-	284	0,52%	-
Agriculture, forestry and fishing	1.364.648	59.854	280.626	256.775	40.309	20,56%	280.466
Art, entertainment and recreation	23.403	183	-	-	-	0,00%	-
Construction	1.079.022	19.257	55.173	-	13.676	5,11%	55.129
Financial activities and insurance activities	11.729	13	-	-	-	0,00%	-
Information and communication	22.510	159	-	-	-	0,00%	-
Manufacturing industry	2.480.047	62.482	138.395	42.501	48.045	5,58%	116.951
Professional, scientific, innovation and technical activities	155.440	768	-	-	-	0,00%	-
Real-estate business	-	-	-	-	-	0,00%	-
Trafficking and warehousing	273.476	1.931	659	-	388	0,24%	-
Wholesale and retail, repairs	1.623.609	14.321	18.913	-	1.191	1,16%	16.889
Other	169.494	1.064	4.041	-	226	2,38%	3.657
Total	**9.930.851**	**275.885**	**692.974**	**317.643**	**191.044**	**6,98%**	**570.575**
Receivables from Banks	**113.864**	**185**	**-**	**-**	**-**	**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)

31.12.2019.	Gross exposure	Impairment allowance	S3 receivables	RP S3	Impairment allowance S3	Participation of stage 3 in gross exposure	Collateral for S3
Total retail	**2.724.876**	**128.471**	**208.500**	**15.123**	**99.207**	**7,65%**	**106.287**
Housing loans	1.833.882	26.516	69.387	128	23.520	3,78%	57.248
Cash and consumer Loans	546.010	89.111	91.065	14.516	65.979	16,68%	11.951
Credit cards	10.296	278	98	-	75	0,95%	-
Current account overdrafts	8.284	444	41	-	22	0,50%	-
Other	-	-	-	-	-	0,00%	-
Retail	**2.398.473**	**116.348**	**160.591**	**14.644**	**89.595**	**6,70%**	**69.198**
Entrepreneurs	326.403	12.123	47.908	478	9.612	14,68%	37.088
Business clients	**7.210.052**	**156.446**	**406.351**	**116.028**	**113.204**	**5,64%**	**350.130**
Accommodation and food services	18.897	14	4.864	-	-	25,74%	4.864
Administrative and support services	56.592	827	483	-	291	0,85%	-
Agriculture, forestry and fishing	1.380.605	27.004	26.396	-	10.759	1,91%	26.237
Art, entertainment and recreation	4.214	113	-	-	-	0,00%	-
Construction	1.109.387	17.377	87.585	-	13.680	7,89%	82.449
Financial activities and insurance activities	44.984	654	-	-	-	0,00%	-
Information and communication	3.810	37	-	-	-	0,00%	-
Manufacturing industry	2.514.894	87.404	180.311	57.608	72.959	7,17%	134.484
Professional, scientific, innovation and technical activities	134.939	451	-	-	-	0,00%	-
Real-estate business	692	-	-	-	-	0,00%	-
Trafficking and warehousing	201.741	1.037	2.215	-	382	1,10%	1.581
Wholesale and retail, repairs	1.549.603	20.912	100.155	58.420	14.902	6,46%	96.558
Other	189.695	617	4.341	-	231	2,29%	3.958
Total	**9.934.928**	**284.917**	**614.851**	**131.150**	**212.412**	**6,19%**	**456.417**
Receivables from Banks	**254.942**	**1.330**	**-**	**-**	**-**	**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 3:

Change in S3 receivables	Gross 1.1.2020.	New S3 clients	Decrease in S3 clients	Gross 31.12.2019.	Net 31.12.2020.
Housing loans	69.387	12.633	10.732	71.289	53.309
Cash and consumer Loans	91.065	3.798	11.415	83.449	23.025
Credit cards	98	1	-	99	1
Current account overdrafts	41	62	8	96	1
Other	-	-	-	-	-
Retail	**160.591**	**16.495**	**22.154**	**154.932**	**76.336**
					-
Entrepreneurs	47.908	2.477	14.517	35.868	27.539
					-
Total retail	**208.500**	**18.972**	**36.672**	**190.800**	**103.875**
Large enterprises	-	-	-	-	-
Medium enterprises	43.079	-	43.079	-	-
Small enterprises	295.488	337.707	198.368	434.827	347.615
Micro enterprises	67.784	30.885	31.322	67.347	50.440
Other	-	-	-	-	-
Business clients	**406.351**	**368.592**	**272.769**	**502.174**	**398.055**
Total	**614.851**	**387.564**	**309.441**	**692.974**	**501.930**

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 3:

Change in S3 receivables	Gross 1.1.2019.	New S3 clients	Decrease in S3 clients	Gross 31.12.2019.	Net 31.12.2019.
Housing loans	120.718	2.776	54.107	69.387	45.867
Cash and consumer Loans	104.849	8.474	22.258	91.065	25.086
Credit cards	1.415	82	1.399	98	23
Current account overdrafts	3.609	18	3.586	41	20
Other	-	-	-	-	-
Retail	**230.591**	**11.350**	**81.350**	**160.591**	**70.996**
					-
Entrepreneurs	**47.198**	**14.611**	**13.901**	**47.908**	**38.296**
					-
Total retail	**277.789**	**25.961**	**95.251**	**208.500**	**109.292**
Large enterprises	-	-	-	-	-
Medium enterprises	24.797	33.466	15.184	43.079	34.942
Small enterprises	202.691	267.557	174.760	295.488	193.287
Micro enterprises	108.913	23.946	65.074	67.784	64.918
Other	-	-	-	-	-
Business clients	**336.400**	**324.969**	**255.018**	**406.351**	**293.147**
Total	**614.189**	**350.930**	**350.268**	**614.851**	**402.439**

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 terms are loans that are rescheduled or restructured due to deterioration in the financial condition of the debtor and 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 assess that the borrower, after the modified terms, will be able to pay its obligations the Bank decides such loans to restructure.

RESTRUCTURED RECEIVABLES 31.12.2020.	Restructured receivables(RP)-Gross exposure	S 1 RP*	S2 RP *	S3 RP*	Impairment allowance RP	Impairmen allowance S 1 RP*	Impairmen allowance S2 RP*	Impairmen allowance S3 RP*	Participation RP in gross exposure	Collateral RP
Total retail	**20.743**	**-**	**2.376**	**18.367**	**13.745**	**-**	**523**	**13.222**	**0,79%**	**2.218**
Housing loans	436	-	-	436	-	-	-	-	0,02%	436
Cash and consumer loans	20.307	-	2.376	17.931	13.745	-	523	13.222	4,33%	1.782
Credit cards	-	-	-	-	-	-	-	-	0,00%	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	0,00%	-
Agricultural loans	-	-	-	-	-	-	-	-	0,00%	-
Other	-	-	-	-	-	-	-	-	0,00%	-
Micro business	-	-	-	-	-	-	-	-	0,00%	-
Retail	**20.743**	**-**	**2.376**	**18.367**	**13.745**	**-**	**523**	**13.222**	**0,93%**	**2.218**
Entrepreneurs	-	-	-	-	-	-	-	-	0,0%	-
Business clients	**350.277**	**-**	**51.001**	**299.276**	**60.487**	**-**	**1.872**	**58.615**	**4,79%**	**342.276**
Accommodation and food services	-	-	-	-	-	-	-	-	0,00%	-
Administrative and support services	-	-	-	-	-	-	-	-	0,00%	-
Agriculture, forestry and fishing	256.775	-	-	256.775	36.840	-	-	36.840	18,82%	256.775
Art, entertainment and recreation	-	-	-	-	-	-	-	-	0,00%	-
Construction	-	-	-	-	-	-	-	-	0,00%	-
Financial activities and insurance activities	-	-	-	-	-	-	-	-	0,00%	-
Information and communication	-	-	-	-	-	-	-	-	0,00%	-
Manufacturing industry	42.501	-	-	42.501	21.776	-	-	21.776	1,71%	34.500
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	-	-	0,00%	-
Real-estate business	-	-	-	-	-	-	-	-	0,00%	-
Trafficking and warehousing	-	-	-	-	-	-	-	-	0,00%	-
Wholesale and retail, repairs	51.001	-	51.001	-	1.872	-	1.872	-	3,14%	51.001
Other	-	-	-	-	-	-	-	-	0,00%	-
Total	**371.020**	**-**	**53.377**	**317.643**	**74.232**	**-**	**2.395**	**71.837**	**3,74%**	**344.493**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0,0%**	**-**

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)

RESTRUCTURED RECEIVABLES 31.12.2019.	Restructured receivables(RP)- Gross exposure	S 1 RP*	S2 RP *	S3 RP*	Impairment allowance RP	Impairmen allowance S 1 RP*	Impairmen allowance S2 RP*	Impairmen allowance S3 RP*	Participation RP in gross exposure	Collateral RP
Total retail	**15.747**	**-**	**625**	**15.123**	**12.170**	**-**	**192**	**11.979**	**0,6%**	**659**
Housing loans	128	-	-	128	-	-	-	-	0,0%	128
Cash and consumer loans	15.141	-	625	14.516	12.011	-	192	11.820	2,8%	276
Credit cards	-	-	-	-	-	-	-	-	0,0%	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	0,0%	-
Agricultural loans	-	-	-	-	-	-	-	-	0,0%	-
Other	-	-	-	-	-	-	-	-	0,0%	-
Micro business	-	-	-	-	-	-	-	-	0,0%	-
Retail	**15.269**	**-**	**625**	**14.644**	**12.011**	**-**	**192**	**11.820**	**4,7%**	**404**
Entrepreneurs	478	-	-	478	159	-	-	159	0,1%	255
Business clients	**363.724**	**-**	**247.696**	**116.028**	**33.338**	**-**	**12.418**	**20.920**	**5,0%**	**360.996**
Accommodation and food services	-	-	-	-	-	-	-	-	0,0%	-
Administrative and support services	-	-	-	-	-	-	-	-	0,0%	-
Agriculture, forestry and fishing	247.696	-	247.696	-	12.418	-	12.418	-	17,9%	247.696
Art, entertainment and recreation	-	-	-	-	-	-	-	-	0,0%	-
Construction	-	-	-	-	-	-	-	-	0,0%	-
Financial activities and insurance activities	-	-	-	-	-	-	-	-	0,0%	-
Information and communication	-	-	-	-	-	-	-	-	0,0%	-
Manufacturing industry	57.608	-	-	57.608	7.288	-	-	7.288	2,3%	54.880
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	-	-	0,0%	-
Real-estate business	-	-	-	-	-	-	-	-	0,0%	-
Trafficking and warehousing	-	-	-	-	-	-	-	-	0,0%	-
Wholesale and retail, repairs	58.420	-	-	58.420	13 632	-	-	13 632	3,8%	58.420
Other	-	-	-	-	-	-	-	-	0,0%	-
Total	**379.471**	**-**	**248.321**	**131.150**	**45.508**	**-**	**12.610**	**32.899**	**3,8%**	**361.655**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0,0%**	**-**

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 2020 Bank had restructured receivables which are by methodology in stage 2:

- Cash and consumer loans in amount of RSD 2.376 thousand
- Loans to Medium enterprises in amount of RSD 51.001 thousand

There was no movement of restructured receivables during 2020 within stage 1, while within stage 2 and stage 3 it is shown in the table below:

	Restructured receivables S2 Gross exposure 31.12.2019.	New restructured S2	Decrease in restructured S2	Gross 31.12.2020.	Net 31.12.2020.
Housing loans	-	0	0	0	0
Cash and consumer loans	625	1.751	0	2.376	1.853
Credit cards	-	0	0	0	0
Overdraft on current accounts	-	0	0	0	0
Other	-	0	0	0	0
Retail	**625**	**1.751**	**0**	**2.376**	**1.853**
Entrepreneurs	0	**0**	**0**	**0**	0
Total retail	**625**	**1.751**	**0**	**2.376**	**1.853**
Large	0	0	0	0	0
Medium	247.696	0	247.696	0	0
Small	0	51.001	0	51.001	49.129
Micro	0	0	0	0	0
Other	0	0	0	0	0
Total business clients	**247.696**	**51.001**	**247.696**	**51.001**	**49.129**
Total	**248.321**	**52.752**	**247.696**	**53.377**	**50.982**
Banks	**0**	**0**	**0**	**0**	**0**
Other receivables from banks	**0**	**0**	**0**	**0**	**0**

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)

	Restructured receivables S3 Gross exposure 31.12.2019.	New restructured S3	Decrease in restructured S3	Gross 31.12.2020.	Net 31.12.2020.
Housing loans	128	308	-	436	436
Cash and consumer loans	14.516	3.415	-	17.931	4.709
Credit cards	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-
Other	-	-	-	-	-
Retail	**14.644**	**3.723**	**-**	**18.367**	**5.145**
Entrepreneurs	478	-	478	-	-
Total retail	**15.123**	**3.723**	**478**	**18.367**	**5.145**
Large	-	-	-	-	-
Medium	-	-	-	-	-
Small	116.028	157.962	-	273.990	229.441
Micro	-	25.286	-	25.286	11.220
Other	-	-	-	-	-
Total business clients	**116.028**	**183.248**	**-**	**299.276**	**240.661**
Total	**131.151**	**186.971**	**478**	**317.643**	**245.806**
Banks	**-**	**-**	**-**	**-**	**-**
Other 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 (lower of the gross value of the loan or collateral taken)

31.12.2020.	S1 clients					S2 clients					S3 clients				
	Property	Deposit	Guarantee	Other	Total	Property	Deposit	Guarantee	Other	Total	Property	Deposit	Guarantee	Other	Total
Housing Loans	1.551.862	19.713	-	-	1.571.575	54 439	139	-	-	54.439	59 505	-	-	-	59 505
Cash and consumer loans	46.375	3.359	-	-	49.734	980	-	-	-	980	10.059	-	-	-	10 059
Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Micro business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail	**1.598.237**	**23.071**	**-**	**-**	**1.621.309**	**55.419**	**139**	**-**	**-**	**55.419**	**69.565**	**-**	**-**	**-**	**69.565**
Entrepreneurs	249.791	4.453	18.780	-	273.024	2.816	-	480	-	3.296	24.034	-	-	-	24.034
Total retail	**1.848.029**	**27.524**	**18.780**	**-**	**1.894.333**	**58.235**	**139**	**480**	**-**	**58.715**	**93.599**	**-**	**-**	**-**	**93.599**
Large enterprises	44.445	-	-	-	44.445	166.357	-	-	-	166.357	-	-	-	-	-
Medium enterprises	992.914	41.079	166.160	-	1.200.153	540.014	-	-	-	540.014	-	-	-	-	-
Small enterprises	1.223.396	53.434	170.886	-	1.447.716	203.863	2.940	-	-	206.802	419.275	-	-	-	419.275
Micro enterprises	150.063	142.638	31.130	-	323.832	62.474	588	-	-	63.061	57.701	-	-	-	57.701
State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business clients	**2.410.819**	**237.152**	**368.175**	**-**	**3.016.146**	**972.707**	**3.527**	**-**	**-**	**976.235**	**476.977**	**-**	**-**	**-**	**476.977**
Total	**4.258.848**	**264.676**	**386.955**	**-**	**4.910.479**	**1.030.942**	**3.527**	**480**	**-**	**1.034.949**	**570.575**	**-**	**-**	**-**	**570.575**
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 (lower of the gross value of the loan or collateral taken)

31.12.2019.	S1 clients					S2 clients					S3 clients				
	Property	Deposit	Guarantee	Other	Total	Property	Deposit	Guarantee	Other	Total	Property	Deposit	Guarantee	Other	Total
Housing Loans	1.590.265	10.300	-	-	1.600.565	105.255	139	-	-	105.394	57.248	-	-	-	57.248
Cash and consumer loans	44.598	3.481	-	-	48.079	3.492	-	-	-	3.492	11.951	-	-	-	11.951
Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Overdraft on current accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Micro business	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail	**1.634.863**	**13.781**	**-**	**-**	**1.648.644**	**108.747**	**139**	**-**	**-**	**108.886**	**69.198**	**-**	**-**	**-**	**69.198**
Entrepreneurs	234.646	439	-	-	235.085	-	-	-	-	-	37.088	-	-	-	37.088
Total retail	**1.869.509**	**14.220**	**-**	**-**	**1.883.729**	**108.747**	**139**	**-**	**-**	**108.886**	**106.287**	**-**	**-**	**-**	**106.287**
Large enterprises	179.466	-	-	-	179.466	-	-	-	-	-	-	-	-	-	-
Medium enterprises	1.617.189	63.697	-	-	1.680.886	284.972	-	-	-	284.972	43.079	-	-	-	43.079
Small enterprises	1.796.112	65.405	-	-	1.861.517	183.763	-	-	-	183.763	245.514	-	-	-	245.514
Micro enterprises	606.599	17.712	-	-	624.311	53.168	58.737	-	-	111.905	61.536	-	-	-	61.536
State	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business clients	**4.199.365**	**146.814**	**-**	**-**	**4.346.180**	**521.923**	**58.737**	**-**	**-**	**580.660**	**350.130**	**-**	**-**	**-**	**350.130**
Total	**6.068.874**	**161.035**	**-**	**-**	**6.229.909**	**630.670**	**58.876**	**-**	**-**	**689.545**	**456.417**	**-**	**-**	**-**	**456.417**
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

31.12.2020.	Receivables from S1 i S2 clients					Receivables from S 3 clients				
	Serbia	Montenegro	EU	BiH	Other	Serbia	Montenegro	EU	BiH	Other
Total retail	**2.384.993**	-	**4.799**	-	**33.607**	**190.800**	-	-	-	-
Housing Loans	1.646.015	-	4.799	-	33.487	71.289	-	-	-	-
Cash and consumer loans	385.322	-	-	-	-	83.449	-	-	-	-
Credit cards	8.126	-	-	-	120	99	-	-	-	-
Overdraft on current accounts	5.249	-	-	-	-	96	-	-	-	-
Agricultural	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Micro business	-	-	-	-	-	-	-	-	-	-
Retail	**2.044.712**	-	**4.799**	-	**33.607**	**154.932**	-	-	-	-
Entrepreneurs	340.281	-	-	-	-	35.868	-	-	-	-
Business Clients	**6.814.477**	-	-	-	-	**502.174**	-	-	-	-
Accommodation and food services	17.109	-	-	-	-	3.885	-	-	-	-
Administrative and support services	91.798	-	-	-	-	483	-	-	-	-
Agriculture, forestry and fishing	1.084.022	-	-	-	-	280.626	-	-	-	-
Art, entertainment and recreation	23.403	-	-	-	-	-	-	-	-	-
Construction	1.023.849	-	-	-	-	55.173	-	-	-	-
Financial activities and insurance activities	11.729	-	-	-	-	-	-	-	-	-
Information and communication	22.510	-	-	-	-	-	-	-	-	-
Manufacturing industry	2.341.653	-	-	-	-	138.395	-	-	-	-
Professional, scientific, innovation and technical activities	155.440	-	-	-	-	-	-	-	-	-
Real-estate business	-	-	-	-	-	-	-	-	-	-
Trafficking and warehousing	272.817	-	-	-	-	659	-	-	-	-
Wholesale and retail, repairs	1.604.695	-	-	-	-	18.913	-	-	-	-
Other	165.453	-	-	-	-	4.041	-	-	-	-
Total	**9.199.471**	-	**4,799**	-	**33.607**	**692.974**	-	-	-	-
Receivables from banks	**12.990**	-	**55.985**	-	**44.889**	-	-	-	-	-

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

31.12.2019.	Receivables from S1 i S2 clients					Receivables from S 3 clients				
	Serbia	Montenegro	EU	Other	Serbia	Serbia	Montenegro	EU	Other	Serbia
Total retail	**2.487.596**	**-**	**5.430**	**-**	**23.351**	**208.600**	**-**	**-**	**-**	**1**
Housing Loans	1.735.714	-	5.430	-	23.351	69.387	-	-	-	-
Cash and consumer loans	454.945	-	-	-	-	91.065	-	-	-	-
Credit cards	10.199	-	-	-	-	98	-	-	-	-
Overdraft on current accounts	8.243	-	-	-	-	41	-	-	-	1
Agricultural	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Micro business	-	-	-	-	-	-	-	-	-	-
Retail	**2.209.101**	**-**	**5.430**	**-**	**23.351**	**160.591**	**-**	**-**	**-**	**1**
Entrepreneurs	278.495	-	-	-	-	47.908	-	-	-	-
Business Clients	**6.803.701**	**-**	**-**	**-**	**-**	**406.351**	**-**	**-**	**-**	**-**
Accommodation and food services	14.032	-	-	-	-	4.864	-	-	-	-
Administrative and support services	56.109	-	-	-	-	483	-	-	-	-
Agriculture, forestry and fishing	1.354.209	-	-	-	-	26.396	-	-	-	-
Art, entertainment and recreation	4.214	-	-	-	-	-	-	-	-	-
Construction	1.021.801	-	-	-	-	87.585	-	-	-	-
Financial activities and insurance activities	44.984	-	-	-	-	-	-	-	-	-
Information and communication	3.810	-	-	-	-	-	-	-	-	-
Manufacturing industry	2.334.583	-	-	-	-	180.311	-	-	-	-
Professional, scientific, innovation and technical activities	134.939	-	-	-	-	-	-	-	-	-
Real-estate business	692	-	-	-	-	-	-	-	-	-
Trafficking and warehousing	199.526	-	-	-	-	2.215	-	-	-	-
Wholesale and retail, repairs	1.449.449	-	-	-	-	100.155	-	-	-	-
Other	185.353	-	-	-	-	4.341	-	-	-	-
Total	**9.291.297**	**-**	**5.430**	**-**	**23.351**	**614.851**	**-**	**-**	**-**	**1**
Receivables from banks	**9.667**	**-**	**-**	**164.397**	**90.878**	**-**	**-**	**-**	**-**	**-**

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 31.12.2020	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	748.921	-	-	-	-	1.103.651	1.852.572
Securities	-	-	50.112	70.403	3.269.711	-	3.390.226
Loans and receivables from banks and other financial institutions	4.703	-	-	-	-	108.976	113.679
Loans and receivables from customers	3.118.415	2.581.125	2.904.505	372.640	3.244	675.035	9.654.965
Receivables on financial derivatives for risk protection	-	-	-	-	-	798	798
Other assets	-	-	-	-	-	517.073	517.073
TOTAL ASSETS	**3.872.039**	**2.581.125**	**2.954.617**	**443.043**	**3.272.955**	**2.405.533**	**15.529.313**
LIABILITIES							
Deposits and other liabilities to banks, other financial institutions and central Bank	-	995.644	1.096	942.983	-	7.347	1.947.070
Deposits and other liabilities to customers	2.368.329	655.791	2.561.284	1.302.674	563	3.572.415	10.461.056
Liabilities on financial derivatives for risk protection	-	-	-	-	-	3.192	3.192
Other liabilities	-	-	-	-	-	191.670	191.670
Total liabilities	**2.368.329**	**1.651.435**	**2.562.380**	**2.245.657**	**563**	**3.774.625**	**12.602.988**
GAP (Assets - liabilities):	**1.503.710**	**929.690**	**392.238**	**(1.802.614)**	**3.272.392**	**(1.369.091)**	**2.926.324**

As of 31.12.2019	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	749.693	-	-	-	-	1.269.544	2.019.237
Securities	-	-	-	333.453	2.355.393	-	2.688.846
Loans and receivables from banks and other financial institutions	4.704	-	-	-	-	248.908	253.612
Loans and receivables from customers	1.991.621	2.854.414	3.881.675	379.795	249.134	293.373	9.650.011
Receivables on financial derivatives for risk protection	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	573.016	573.016
TOTAL ASSETS	**2.746.018**	**2.854.414**	**3.881.675**	**713.248**	**2.604.527**	**2.384.841**	**15.184.722**
LIABILITIES							
Deposits and other liabilities to banks, other financial institutions and central Bank	1.179.714	211.667	530.454	2.236	-	21.425	1.945.497
Deposits and other liabilities to customers	2.029.994	651.404	2.909.659	1.540.150	5.286	2.772.635	9.909.127
Liabilities on financial derivatives for risk protection	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	189.338	189.338
Total liabilities	**3.209.708**	**863.071**	**3.440.113**	**1.542.385**	**5.286**	**2.983.398**	**12.043.962**
GAP (Assets - liabilities):	**(463.690)**	**1.991.343**	**441.561**	**(829.137)**	**2.599.240**	**(598.557)**	**3.140.760**

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 11,08% (2019: 7,04%), i.e. the value of capital would be reduced by RSD 367,712 thousand (2019: there was an increase of RSD 248,294 thousand).

31.12.2020.

'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	4.300.846	2.816.286	2.772.343	182.274	157.401	36.685	123.040	12.046	2.185.139	0	1.008.264	193.422	0	13.787.747
Sensitive liabilities	-2.800.551	-1.886.698	-576.741	-1.985.679	-873.289	-1.367.541	-236	-4.664	-563	0	0	0	0	-9.495.961
GAP	**1.500.295**	**929.588**	**2.195.603**	**-1.803.405**	**-715.887**	**-1.330.857**	**122.805**	**7.382**	**2.184.576**	**0**	**1.008.264**	**193.422**	**0**	**4.291.786**
Basel 2 sensitivity coefficient (200 bp interest rate change)	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)	**1.200**	**2.975**	**15.808**	**-25.789**	**-19.830**	**-59.755**	**7.540**	**569**	**221.734**	**0**	**179.874**	**43.385**	**0**	**367.712**
Regulatory capital														3.289.545
Total effects/Regulatory capital (max 20%)														**11,18%**

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)

31.12.2019.

'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	2.734.257	2.854.414	3.655.329	226.345	284.679	324.442	20.546	83.581	2.298.893	67.514	-	238.119	-	12.788.120
Sensitive liabilities	-3.221.581	-863.089	-590.509	-2.849.685	-1.316.664	-230.996	-482	-4.509	-195.292	-7.973	-	-	-	-9.280.780
GAP	**-487.324**	**1.991.325**	**3.064.821**	**-2.623.339**	**-1.031.986**	**93.446**	**20.065**	**79.071**	**2.103.602**	**59.541**	**-**	**238.119**	**-**	**3.507.340**
Basel 2 sensitivity coefficient (200 bp interest rate change)	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)	**-390**	**6.372**	**22.067**	**-37.514**	**-28.586**	**4.196**	**1.232**	**6.096**	**213.516**	**7.895**	**-**	**53.410**	**-**	**248.294**
Regulatory capital														3.528.261
Total effects/Regulatory capital (max 20%)														**7,04%**

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

Foreign currency risk is the risk of adverse effects on the Bank's financial result and capital due to changes in the exchange rate, and the Bank is exposed to it on the basis of positions held in the banking book and trading book.

Foreign currency risk management is based on the prescribed methodology of the National Bank of Serbia. The Bank creates a foreign exchange position in all cases when it conducts transactions denominated in foreign currency or in dinars with indexed foreign currency clause, which includes the following transactions:

- Placing and repayment of loans to foreign currency clients or dinars with indexed foreign currency clause
- Formation of sources of funds from clients in foreign currency or in dinars with indexed foreign currency clause
- Performing foreign exchange (FX) trading on behalf of the Bank and FX trading with clients
- Formation of other receivables and liabilities in foreign currency based on other business activities

Long / short foreign currency position is the sum of all net long / short positions in individual currencies. Higher book value than these positions represents the total net open foreign exchange position. The maximum regulatory allowable indicator of the Bank's foreign exchange risk is 20% of the Bank's capital on a daily basis.

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.

Table in the text below shows summarized exposure to foreign exchange risk on 31 December 2019. The table also includes assets and liabilities according to their carrying values denominated in relevant currencies.

As of 31.12. 2020.	USD	EUR	CHF	Other currencies	TOTAL	RSD	TOTAL
ASSETS							
Cash and cash funds held with central Bank	12.372	955 548	30.391	4.700	1.003.010	849.562	1.852.572
Securities	50.112	193 422	-	-	243 535	3.146.691	3.390.226
Loans and receivables from banks and other financial institutions	27.454	81 336	1.224	3.665	113 679	-	113.679
Loans and receivables from customers	896	6.075.138	6.413	-	6.082.446	3.572.519	9.654.965
Derivatives	-	-	-	-	-	798	798
Other assets	-	1 781	-	-	1 781	12.912	14.693
TOTAL ASSETS	**90.833**	**7.307.225**	**38.028**	**8.365**	**7.444.451**	**7.582.480**	**15.026.931**
Deposits and other liabilities to banks, other financial institutions and central Bank	-	1.155.519	-	-	1.155.519	791.551	1.947.070
Deposits and other liabilities to customers	182.792	6.513.318	42.866	1.267	6.740.243	3.720.813	10.461.056
Derivatives	-	-	-	-	-	3.192	3.192
Other liabilities	664	76.082	1.194	69	78.009	113.661	191.670
Total liabilities	183.455	7.744.919	44.060	1.336	7.973.770	4.629.218	12.602.988
Net foreign currency position	**- 92.622**	**- 437.694**	**- 6.032**	**7.029**	**- 529.319**	**2.953.262**	**2.423.943**

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. 2019.	USD	EUR	CHF	Other currencies	TOTAL	RSD	TOTAL
ASSETS							
Cash and cash funds held with central Bank	26.691	1.146.535	531	5.088	1.178.845	840.392	2.019.237
Securities	57.077	66.622	-	-	123.698	2.565.148	2.688.846
Loans and receivables from banks and other financial institutions	111.101	106.914	35.016	580	253.612	-	253.612
Loans and receivables from customers	983	7.578.248	6.784	-	7.586.014	2.063.995	9.650.010
Other assets	-	1.593	-	-	1.593	10.526	12.119
TOTAL ASSETS	**195.851**	**8.899.912**	**42.331**	**5.668**	**9.143.763**	**5.480.061**	**14.623.823**
Deposits and other liabilities to banks, other financial institutions and central Bank	-	1.921.436	-	-	1.921.436	24.061	1.945.497
Deposits and other liabilities to customers	190.934	6.934.877	40.853	1.534	7.168.197	2.740.930	9.909.127
Other liabilities	728	91.091	1.193	73	93.086	96.252	189.338
Total liabilities	191.662	8.947.404	42.047	1.607	9.182.719	2.861.242	12.043.962
Net foreign currency position	**4.190**	**(47.492)**	**284**	**4.061**	**(38.957)**	**2.618.819**	**2.579.862**

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.2020.	**dec.2019.**	**dec.2020.**	**dec.2019.**
EUR	(437.694)	(47.492)	(37.204)	(4.037)
CHF	(6.032)	(284)	(513)	24
USD	(92.622)	4.190	(7.873)	356
Other currencies (long position)	7.260	4.284	617	364
Other currencies (short position)	237	(222)	20	19

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.

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 financial instruments. Securities of the Ministry of Finance of the Republic of Serbia denominated in RSD and EUR are revalued at the prevailing price on the secondary market while for the USD denominated securities the Bank uses the achieved price on the Stuttgart Stock Exchange.

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 table below shows the fair value of financial instruments that are recognized at fair value in the financial statements.

31.12.2020.	Level 1	Level 2	Level 3	Total
Financial assets				
- at fair value through other comprehensive income	-	3.390.226	-	3.390.226
Total	**-**	**3.390.226**	**-**	**3.390.226**

31.12.2019.	Level 1	Level 2	Level 3	Total
Financial assets				
- at fair value through other comprehensive income	-	2.688.846	-	2.688.846
Total	**-**	**2.688.846**	**-**	**2.688.846**

During 2020 and 2019 there were no changes in fair value levels or reclassifications between fair value levels.

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:

	31.12.2020		31.12.2019	
Financial (monetary) assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and cash funds held with central bank	1.852.572	1.852.572	2.019.237	2.019.237
Loans and receivables from banks and other financial organisations	113.679	113.679	253.612	253.612
Loans and receivables from clients	9.654.965	9.537.341	9.650.011	9.325.511
Other assets	370.633	370.633	573.016	573.016
Total	**11.991.849**	**11.874.225**	**12.495.876**	**12.171.376**
Financial (monetary) liabilities				
Deposits and other liabilities to banks, other financial institutions and central bank	1.947.070	1.935.892	1.945.497	1.935.892
Deposits and other financial liabilities to clients	10.461.056	9.893.519	9.909.127	9.893.519
Other liabilities	191.670	189.338	189.338	189.338
Total	**12.599.796**	**12.018.749**	**12.043.962**	**12.018.749**

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)

31 December 2020	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and cash funds held with central bank	1.852.572	-	-	1.852.572
Loans and receivables from banks and other financial organisations	-	-	113.679	113.679
Loans and receivables from clients	-	-	9.537.341	9.537.341
Other assets	-	-	370.633	370.633
Total	**1.852.572**	**-**	**10.021.653**	**11.874.225**
LIABILITIES				
Deposits and other liabilities to banks, other financial institutions and the central bank	-	-	1.920.985	1.920.985
Deposits and other financial liabilities to clients	-	-	10.344.046	10.344.046
Other liabilities	-	-	191.670	191.670
Total	**-**	**-**	**12.456.701**	**12.456.701**

31 December 2019	Level 1	Level 2	Level 3	Total
ASSETS				
Cash and cash funds held with central bank	2.019.237	-	-	2.019.237
Loans and receivables from banks and other financial organisations	-	-	253.612	253.612
Loans and receivables from clients	-	-	9.325.511	9.325.511
Other assets	-	-	573.016	573.016
Total	**2.019.237**	**-**	**10.152.129**	**12.171.366**
LIABILITIES				
Deposits and other liabilities to banks, other financial institutions and the central bank	-	-	1.935.892	1.935.892
Deposits and other financial liabilities to clients	-	-	9.893.519	9.893.519
Other liabilities	-	-	189.338	189.338
Total	**-**	**-**	**12.018.749**	**12.018.749**

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments (continued)

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.

4.6. 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 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.

The Bank's exposure

- 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.

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. Taking into account the frequency and impact of potential events, as well as the established controls, risk owners assess the level of risk on an A-D scale. During the year, the RCSA process also included exposure to operational risks due to the application of special measures conditioned by the occurrence of COVID-19. In addition to the illnesses of management, employees and service providers, a special focus is focused on information security, stability of ICT systems, uninterrupted service delivery to clients, functioning of the Bank's entrusted activities to service providers, application of regulations and potential abuses by both external and employees.

Events from operational risk are stated in the loss base, and by

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

The base of events is dominated by potential losses from lawsuits against the Bank. Accordingly, the Bank has taken appropriate measures and provided funds to cover losses from legal risk.

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

The Bank's information and communication technology system (ICT system) has been established as an integral solution with a tendency to support all business processes that take place in the Bank. ICT system is a technological-organizational unit that includes: a) electronic communication networks in terms of the law governing electronic communications; b) devices or groups of interconnected devices such that within the device, ie within at least one of the group of devices, automatic data processing is performed using a computer program; c) data kept, stored, processed, searched or transmitted by means referred to in (a) and (b) and for the purpose of their operation, use, protection or maintenance; d) the organizational structure through which this system is managed. e) all types of system and application software and software development tools.

ICT system users are all persons authorized to use the ICT system (Bank employees, employees of service providers who access the Bank's ICT system, Bank clients who access the Bank's ICT system through electronic interactive communication channels, etc.). Responsibilities have been formally established in terms of managing and monitoring the operation of the system, as well as reporting to the Bank's management on the condition, performance, security and possible problems in the functioning of IS

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)

The IS risk management process is established as part of the Bank's comprehensive risk management. IT risks are classified as operational risks and are defined as the possibility of negative effects on financial results and capital, achieving business goals, operating in accordance with regulations and the Bank's reputation due to inadequate management of the information system or other weaknesses in the system that adversely affect its functionality, or security, i.e. endangers the continuity of the Bank's operations.

ICT system risk management is also established through the Bank's internal acts, policies and procedures related to the development and maintenance of the ICT system, its management, use, protection and monitoring. Activities related to the engagement of third parties related to the Bank's ICT system are also included.

ICT system risk assessment provides a structural qualitative assessment of the operating environment. These include sensitivity, threats, vulnerabilities, risk and protection. The assessment is taken into account when making decisions on establishing cost-effective safeguards to mitigate threats and abuse vulnerabilities.

ICT system risk assessment is performed using a methodology based on identified resources through a tabular presentation of identified risks (incident scenarios for potential threats to exploit vulnerabilities). As there is a different impact of risk on confidentiality, integrity and availability, this methodology involves calculating a unique impact on the asset taking into account all three factors.

The Bank has a register of information goods, owners, users are defined, as well as the classification of information goods according to their importance for business, ie the degree of sensitivity and criticality, taking into account the possible consequences of breach of confidentiality.

The security of the Bank's information system is organized on several levels. The first level of security is physical security, which refers to the control of access to the Bank's facilities, as well as the control of access to central locations. The second level is logical security at the level of operating systems, computer network and network components, while the third level is logical control of access to application solutions and databases. Also, data security is ensured by additional activities such as the formation of regular copies of data from the system and the existence of a plan to continue operations due to adverse events and the backup location of the Bank. The bank performs regular tests of BCP and DR locations.

In the conditions of work caused by COVID-19, the Bank pays special attention to the security of ICT systems in accordance with the defined framework for information security management. The framework defines and regulates protection measures, basic principles, manner and procedures for achieving and maintaining an adequate level of security, as well as powers and responsibilities, respecting the principles of internationally recognized standards and recommendations of good practice such as ISO / IEC 27000 series standards for information security, ISO / ISC 20000 and ITIL for IT services management as well as COBIT as a framework for corporate governance and IT management, in accordance with the Law on Information Security, accompanying Regulations of this Law and the NBS Decision on minimum standards of financial institution information system management.

The ultimate goal of this policy is to define information security and protection in the information security management system in order to:

- ensure confidentiality, integrity, availability, authenticity, provability, irrefutability and reliability in the information system,
- ensure the continuity of critical business processes,
- reduce the potential impact of the incident on security and the risk of material and non-material damage through preventive action.

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 2020 is:

	31.12 2020
Paid in share capital	5.671.608
Share premium	2.877.486
Reserves from profit, other reserves and reserves for genera bank risks	151.672
Losses from previous years	(5.376.995)
Current year loss	(257.135)
Intangible assets	(31.874)
Regulatory adjustments to the value of the elements of the basic share capital (additional value adjustments)	(3.493)
Revaluation reserves and other unrealized gains / losses	261.923
Gross amount of receivables from debtors - natural persons (except farmers and entrepreneurs), with full application of point 13. Under 13) of the Decision on capital adequacy	(5.006)
Total basic share capital	**3.288.155**
Additional share capital	**-**
Basic capital	**3.288.155**
Supplementary capital	**-**
Total capital, 31 December 2020	**3.288.155**
Capital adequacy ratio, as at 31 December	**32,88%**

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 2019, the capital adequacy ratio was as follows:

	31.12 2019.
Paid amount of instruments of basic share capital	5.671.608
Share premium	2.877.486
Reserves from profit	151.672
Losses from previous years	(5.110.679)
Current year loss	(266.316)
Intangible assets	(40.360)
Regulatory adjustments to the value of the elements of the basic share capital (additional value adjustments)	(2.791)
Revaluation reserves and other unrealized gains / losses	256.949
Gross amount of receivables from debtors - natural persons (except farmers and entrepreneurs), with full application of point 13. Under 13) of the Decision on capital adequacy	(5.756)
Basic Share Capital	**3.531.814**
Additional share capital	**-**
Basic Capital	**3.531.814**
Supplementary Capital	**-**
Total capital, 31 December 2018	**3.531.814**
Capital adequacy ratio, as at 31 December	**37%**

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) Classification and valuation and impairment of financial assets

Losses due to impairment of the value of loans

The expected credit loss model is based on judgment because it requires an estimate of a significant increase in credit risk and the measurement of expected losses without some more detailed guidance. In terms of a significant increase in credit risk, the Bank has set out specific valuation rules that include quantitative and qualitative criteria. Measurement of expected credit loss involves complex models that rely on historical default and loss rates, their ectrapolation in case of insufficient data, individual estimations of credit loss-adjusted cash flows, and probability of scenario realization including forward-looking information.

The following components have a major impact on expected credit losses:

- determining the level of assessment of expected credit loss on an individual or collective basis;
- the definition of default applied by the Bank;
- development and application of internal credit assessment models, which assign PDs to individual credit risk classes;
- development and application of internal models used to assess non-performance exposures ("EADs") for financial instruments and credit commitments;
- assessment of loss due to default ("LGD"), including judgments made in the assessment of collateral;
- criteria for assessing whether there has been a significant increase in credit risk;
- selection of future macroeconomic scenarios and weighting of their probabilities.

Detailed disclosure of the identification of a significant increase in credit risk, including collective, individual credit, foresight techniques used to measure the expected loss and default definition, and other aspects of credit risk assessment are given in Note 4.3.

ECL on individual significant placements are based on estimates of discounted future cash flows of individual placements, takin into account the repayment and realization of any assets that serve as collateral for these placements. An increase or decrease of 10% of losses incurred in comparison with estimated future discounted cash flows of individually significant placements, which could arise from differences in amounts and timing of cash flows, would result in an increase or decrease in the value adjustment in the amount of RSD 30.325 thousand (2019: RSD 26.106 thousand).

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Classification and valuation and impairment of financial assets (continued)

Due to significant and rapid changes in the economic environment, the Bank has decided to adjust its approach to measuring expected credit losses for loans to legal entities. Management performed a top-down analysis of the portfolio and identified groups of borrowers, for whom reasonable and reliable information is sufficient to measure expected credit losses available only on an industrial basis, but also on an individual basis. Such an approach by management has resulted in an increase in expected credit losses for such clients facing with potential dificulties - an average increase in impairment of 18%.

The Bank used forward-looking information to measure expected credit losses. The most significant projected assumptions for the future that correlate with the level of expected credit losses and their assigned weights were as follows as at 31 December 2020.

The ARDL model (autoregressive distributed lag model) was used for foward looking PD. For 2021 projections, this model has been adjusted to take into account the increased risk due to the occurrence of the COVID 19 pandemic. In this sense, the model takes into account the predictions of the most prestigious institutions such as the European Central Bank, the International Monetary Fund, etc., to assess the macroeconomic variables that enter the model. These predictions are the basis for the first scenario. Additionally, in order to take into account the new risk posed by the COVID 19 pandemic, the most pessimistic historical values of the given variables are included for the predictions of the variables entering regression. In this sense, the second scenario takes into account 25% of the lowest historical values of the variables in the model, while the third scenario includes 5% of their lowest historical values. All variables in the models were selected based on their economic significance (taking into account the relevant economic literature), as well as on the basis of their statistical significance in the model.

Consumer and cash loans

The regression for Consumer and cash loans includes macroeconomic variables: 6m Belibor and seasonally adjusted real wages. The table shows the weighted values of the projected PD.

Variable	Scenario	Assigned weight	2020.	2021.
Seasonally adjusted real earnings; BELIBOR 6m	Basic	1.03%	1.25%	1.03%
	Mild	0.57%	0.75%	0.57%
	Severe	0.59%	0.83%	0.59%

Credit cards

The regression for Credit Cards includes macroeconomic variables: Exchange rate EUR / RSD, 6m Belibor and seasonally adjusted real earnings. The table shows the weighted values of the projected PD.

Variable	Scenario	Assigned weight	2020.	2021.
Exchange rate EUR / RSD, 6m Belibor and seasonally adjusted real earnings	Basic	1.03%	1.25%	1.03%
	Mild	0.57%	0.75%	0.57%
	Severe	0.59%	0.83%	0.59%

Based on these scenarios with defined weights, the Bank calculated the Z-shift for each homogeneous group and applied only the negative effects in the above homogeneous groups, which led to an increase in expected credit losses by RSD 1,282 thousand.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Classification and valuation and impairment of financial assets (continued)

Measures to help customers. The Bank implemented the relief measures envisaged by the decisions of the NBS made in 2020 in response to the expansion of COVID-19. The last decision was made on December 14, 2020, on the basis of which borrowers who are negatively affected by the virus and meet certain conditions can apply for benefits in the form of rescheduling and refinancing with the approval of a grace period of six months and appropriate maturity extensions. the debtor does not exceed those from the original annuity plan. The Bank concluded that such applications generally demonstrate a significant increase in the credit risk of the loan, unless visible mitigating factors are identified. As at 31 December 2020, loans to individuals who applied for relief and with whom there was a significant increase in credit risk amounted to RSD 28.578 thousand. Loans to legal entities that have applied for relief and with which there has been a significant increase in credit risk amount to RSD 642.779 thousand as at 31 December 2020.

When the Bank allows its clients to delay the repayment, it stops counting the due days during the approved period, if the clients are exempt from payment. At the end of the approved period, the Bank continues to count the due days starting from the number of days due immediately before the approval of the repayment delay.

Significant Increase in Credit Risk (SICR)

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition.

If 10% of loans and advances to customers classified as Stage 1 as at 31 December 2020 are measured by applying the ECL lifetime (for Stage 2), the expected impairment loss would be greater by RSD 18.896 thousand (31 December 2019: higher by RSD 31.871 thousand).

Business model assessment

The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(a) Classification and valuation and impairment of financial assets (continued)

Assessment whether cash flows are solely payments of principal and interest ("SPPI")

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank's loans include cross-selling clauses that represent a reduction in the interest rate upon the customer entering into other contracts with the Bank or achieving certain criteria, such as maintaining a minimum turnover on current bank accounts held with the Bank. The cash flows are SPPI if such clauses merely reduce the Bank's overall profit margin on the instrument and there are no other features inconsistent with a basic lending arrangement.

The Bank considered examples in the standard and concluded that features that arise solely from legislation and that are not part of the contract, that is, if legislation changed, the features would no longer apply, are not relevant for assessing whether cash flows are SPPI. The Bank's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

Modification of financial assets

When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based on quantitative and qualitative factors, described in the relevant accounting policy and the qualitative factors require significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Write-off Policy

Financial assets are derecognised, in whole or in part, when the Bank has exhausted all practical recovery efforts and concluded that there are no reasonable expectations of recovery. Determining cash flows for which there is no reasonable expectation of recovery requires assessment. Management has considered the following indicators that there is no reasonable expectation of recovery:

-

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Write-off Policy (continued)

- The decision of the National Bank of Serbia on the accounting write-off of the bank's balance sheet assets stipulates that the Bank is obliged to write off the low-collectibility balance sheet assets by transferring the balance sheet assets to the bank's off-balance sheet records. Pursuant to the aforementioned decision, the bank is obliged to write off the problem loan in the event that the amount of impairment of the loan is calculated, which the bank has recorded in favor of the value adjustment of 100% of its gross book value. With these placements, it is evident that there is very little possibility of collection or no source of collection of receivables at all. The possibility of collection is assessed on the basis of the status of proceedings against the client and other participants in the placement.
- In accordance with applicable collection procedures and international financial reporting standards, a bank may partially write off receivables by transferring the uncollectible portion of receivables from the balance sheet to off-balance sheet records. This move recognizes partial uncollectibility and reduces the balance receivable to the amount of expected collection, without affecting the legal position of the bank as a creditor, since the claim remains fully recognized and recorded in the bank's books (both on-balance sheet and off-balance sheet records). The decision on partial write-off is made in accordance with the competencies of the Committee for Problematic Placements, and based on the analysis of the possibility of voluntary or forced collection, previously conducted procedures, the relationship between the value of receivables and collateral, and available legal remedies in favor of the Bank. If these arguments confirm the partial uncollectibility, a part of the claim can be written off.
- If the cost of conducting enforcement proceedings (especially court proceedings) is higher than the amount of the claim, the receivables may be written off when the collection methods are exhausted or become inexpedient by initiating court / enforcement proceedings.

(b) Fair value of securities

The fair value of financial instruments traded in an active market at the balance sheet date is based on quoted market prices of supply or demand, without any deduction for transaction costs. The fair value of financial instruments not quoted in an active market is determined using appropriate valuation techniques, which include net present value techniques, comparison with similar instruments for which there are market prices and other relevant models.

When market inputs are not available, they are determined by valuations that include some degree of judgment in estimating fair value. Valuation models reflect the current market situation at the measurement date and do not have to represent the market conditions before or after the measurement date. Therefore, valuation techniques are revised periodically to adequately reflect current market conditions.

More detailed disclosures are provided in Note 4.5 (fair valuation and FV levels).

(c) Estimate of the fair value of buildings and investment property and foreclosed assets

The Bank receives independent appraisals for its investment property and foreclosed assets at least annually, and for business premises (classified as property, plant and equipment) at least every four years.

At the end of each reporting period, management updates its estimate of the fair value of each property, taking into account the most recent independent valuations. Management determines the value of assets within the range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active real estate market. If current price information is not available, management reviews information from a variety of sources, including:

- current active market prices for properties of different nature or recent prices for similar properties in less active markets, adjusted to reflect these differences,
- discounted cash flow projections on reliable estimates of future cash flows,
- capitalized revenue forecasts based on the estimated net income of the real estate market and the capitalization rate derived from market evidence analysis.

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Recognition of deferred tax assets

Deferred tax assets represent income taxes that may be collected through future reductions in taxable profit. Deferred tax assets are recorded if the achievement of the relevant tax benefits is probable. The future taxable profit and the amount of tax benefits that are probable in the future are based on the medium-term business plan prepared by management, as well as on the subsequent extrapolation of the results of the same plan. The Bank did not recognize deferred tax assets for tax lossess carried forward.

(e) Provisions for Litigation

The Bank is subject to a number of claims incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business. The Bank routinely assesses the likelihood of any adverse judgments or outcomes to these matters as well as ranges of probable and reasonable estimated losses. A number of these cases relate to claims for disputed clauses in loan agreements, such as those relating to loan origination fees and insurance premiums collected by the Bank from individuals as borrowers. In estimating the provision, the Bank assesses the probability of any adverse outcomes on these matters, and for those with a probable negative outcome, calculates the provision based on the actual receivable plus the best estimate of default interest and court costs.

Reasonable estimates include judgment made by management after considering information including notifications, settlements, estimates performed by legal department, available facts, identification of other potentially responsible parties and their ability to contribute as well as prior experience.

A provision for legal proceedings is recognized when it is probable that an obligation exists for which a reliable estimate can be made after careful analysis. The required provision may change in the future due to new events and as additional information becomes available.

Matters that are either contingent liabilities or do not meet the recognition criteria for provision are disclosed, unless the possibility of transferring economic benefits is remote. Refer to Note 29 for further information about the Bank's contingent liabilities in respect of litigations and related provisions.

6. INTEREST INCOME AND EXPENSES

	2020.	2019.
Interest Income based on EIR		
Based on loans	400.616	538.370
Based on deposits	4.385	11.001
Based on securities and REPO transactions	124.766	102.833
Based on foreign currency loans	4.045	4.870
Based on foreign currency deposits	27	2.806
Based on foreign currency securities	9.577	5.651
Based on SWAP transactions	304	
Total:	**543.720**	**665.531**
Interest expense		
Based on deposits	38.174	47.591
Based on securities	6.855	957
Based on other liabilities	1.402	463
Based on foreign currency borrowings	17.336	34.340
Based on foreign currency deposits	70.472	72.622
Based on foreign currency securities	2.494	2.032
Based on other foreign currency liabilities	1.912	8.380
Total:	**138.645**	**166.385**
Net interest income	**405.075**	**499.146**

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

6. INTEREST INCOME AND EXPENSES (continued)

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 400.616 thousand (2019: RSD 538.370 thousand), includes the interest from Stage 3 loans in the amount of RSD 26.551 thousand (2019: RSD 50.786 thousand).

Revenues from the securities interest in the amount of RSD 124.766 thousand (2019: RSD 102.833), relate to bonds purchased from Republic of Serbia government.

Interest expenses on deposits in dinars in the amount of RSD 38.174 thousand (2019: RSD 47.591 thousand), mainly relate to interest expenses on short-term deposits of other companies in the amount of RSD 19.126 thousand and interest expenses on demand deposits in the amount of from RSD 11.481 thousand.

Interest expenses on foreign currency deposits in the amount of RSD 70.472 thousand (2019: RSD 72.622), mostly refers to interest expenses on long-term savings deposits of households for 25 months in foreign currency in the amount of RSD 41.255 thousand, while the amount of RSD 20.995 thousand relates to interest expenses on time and other time foreign currency deposits of households.

Interest expenses on foreign currency loans in the amount of RSD 17.336 thousand (2019: RSD 34.340 thousand) are generated on a basis and at the rates explained in more detail in Note 27.

Interest income

	2020	2019
Corporate	258.581	332.813
- interest	*246.021*	*313.263*
- fees	*12.560*	*19.550*
Retail	101.826	138.963
- interest	*101.637*	*136.914*
- fees	*189*	*2.049*
Foreign entities	1.798	1.629
- interest	*1.798*	*1.598*
- fees	-	*31*
National bank of Serbia	2.673	8.124
Republic of Serbia	134.342	108.395
Entrepreneurs	17.713	23.697
- interest	*16.565*	*21.833*
- fees	*1.148*	*1.864*
Banks and other financial institutions	236	1.124
Retail fee previously written off	4.441	13.987
Corporate fee previously written off	17.664	35.147
Entrepreneurs fee previously written off	4.446	1.652
Total	**543.720**	**665.531**

Interest expense	**2020**	**2019**
Corporate	21.224	24.415
Retail	80.121	79.697
Entrepreneurs	9.349	54
Republic of Serbia	146	2.989
Banks and other financial institutions	18.452	42.440
Public sector	1	12
Foreign entities	810	4.617
National Bank of Serbia	956	2.524
Other clients	1.912	9.637
Total	**138.645**	**166.385**
Net interest income	**405.075**	**499.146**

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

7. FEE AND COMISSION INCOME AND EXPENSE

	2020	2019
Fees and commissions income		
Fees and commissions income	123.909	139.923
Fees and commissions income in foreign currency	7.889	8.672
Total:	**131.978**	**148.595**
Fees and commissions expense		
Fees and commissions expense	7.281	7.825
Fees and commissions expenses in foreign currency	11.884	13.001
Total:	**19.165**	**20.826**
Net fees and commissions income:	**112.633**	**127.769**

Fee and commission income in dinars in the amount of RSD 123.909 thousand (2019: RSD 139.923 thousand) mostly relates to fees for banking services from companies in payment operations in the amount of RSD 36.630 thousand (2019: RSD 42.400 thousand) ; fees for the provision of other banking services by households in the amount of RSD 7.395 thousand (2019: RSD 9.763 thousand); fees for the purchase and sale of foreign currency from other customers in the amount of RSD 19.521 thousand (2019: RSD 17.223 thousand); fees for banking services from companies according to avals, guarantees, letters of intent, etc. in the amount of RSD 16.411 thousand (2019: RSD 17.198 thousand); fees for banking services from entrepreneurs for payment operations in the amount of RSD 10.832 thousand (2019: RSD 12.186 thousand).

Income from fees for banking services

	2020	2019
- payment cards	9.724	12.694
- domestic payment operations (companies, banks, retail)	48.591	55.690
- commissions for issued guarantees	21.831	19.760
- banking services	17.184	21.377
- foreign currency payment operations	7.641	8.058
- other fees and commissions	1.199	6.685
- exchange operations	121	110
- buying and selling of foreign currency	19.521	17.223
- early repayment	5.986	6.998
Total income	**131.798**	**148.595**
Expenses from fees for banking services		
- payment cards	5.506	8.277
- domestic payment operations	4.870	4.633
- foreign currency payment operations	6.910	6.676
- other fees and commissions	1.023	940
- exchange operations	106	109
- buying and selling of foreign currency	750	191
Total expenses:	**19.165**	**20.826**
Net gains fees and commissions	**112.633**	**127.769**

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

	2020	2019
Gains from the sale of bonds at FVOCI of Republic of Serbia	33.241	32.211
Losses from the sale of bonds at FVOCI of Republic of Serbia	-	-
Net gain:	**33.241**	**32.211**

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

9. NET (LOSS) / GAIN FROM RISK PROTECTION

	2020	2019
Gain from the change in the value of derivatives intended for risk protection	797	-
Loss on the basis of changes in the value of derivatives intended for risk protection	(3.192)	(4.179)
Net (loss) / gain based on protection from risk	**(2.395)**	**(4.179)**

10. NET FOREIGN EXCHANGE GAINS AND CURRENCY CLAUSE EFFECTS

	2020	2019
Foreign exchange gains based on:		
Foreign currency deposits and loans	43.639	143.445
Foreign currency accounts	4.956	4.464
Transactions with derivatives	1.786	21.414
Cash and deposits held with NBS	3.444	13.472
Payment card transactions	5.766	27.872
Other	152.499	157.750
Currency clause	7.954	40.601
Based on securities	3.204	4.727
Total	**223.248**	**413.745**
Foreign exchange losses on:		
Foreign currency deposits and loans	31.411	102.032
Foreign currency accounts	6.234	6.634
Transactions with derivatives	3.723	3.605
Cash and deposits held NBS	4.444	17.546
Payment card transactions	5.667	27.648
Other	152.319	156.905
Currency clause	8.517	78.274
Based on securities	8.111	4.222
Total	**220.426**	**396.866**
Foreign exchange gains, net	**2.822**	**16.879**

11. NET (LOSS) / GAIN FROM IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT

	2020	2019
Impairment loss on balance sheets assets	(354.518)	(649.233)
Income from reversal of impairment of balance sheet assets	288.314	495.414
Provision for off-balance sheet items	(18.380)	(21.939)
Income from reversal of provisions for off-balance sheet items	18.662	15.993
Expenses from write-off on uncollectible receivables	(169)	(10.727)
Income from collected receivables previously written-off	86.528	114.617
Impairment of financial assets valued at FV through OCI	(2.582)	(5.995)
Reversal of impairment of financial assets valued through OCI	1.674	3.815
Total	**19.529**	**(58.055)**

Movements on the accounts of impairment of balance assets during 2020 were as follows:

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

11. NET (LOSS) / GAIN FROM IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT (continued)

	Loans to clients	Receivables for interest and fees	Other receivables	Total
Balance at 1.1.2020.	281.016	5.454	4.898	291.368
New impairment allowance	334.474	14.658	5.386	354.518
Reversal of impairment allowances	(270.691)	(10.805)	(6.818)	(288.314)
Transfer to off-balance	(73.815)	(2.100)	(681)	(76.596)
Write-offs	(89)	-	-	(89)
Balance at the year end	**270.895**	**7.207**	**2.785**	**280.886**

Movements on the accounts of impairment allowances of balance assets during 2019 were as follows:

	Loans to clients	Other placements	Receivables for interest and fees	Other receivables	Total
Balance at 1.1.2019.	247.890	-	5.160	61.063	314.113
New impairment allowance	603.851	10.982	26.521	7.879	649.233
Reversal of impairment allowances	(469.236)	(10.982)	(7.820)	(7.376)	(495.414)
Transfer to off-balance	(112.150)	-	(18.407)	(56.668)	(187.225)
Write-offs	10.661	-	-	-	10.661
Balance at the year end	**281.016**	-	**5.454**	**4.898**	**291.368**

12. NET LOSS FROM DERECOGNITION OF THE FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST

	2020	2019
Gain from derecognition of the financial instruments measured at amortized cost	2	6.732
Loss from derecognition of the financial instruments measured at amortized cost	-	(106.058)
Net loss	**2**	**(99.326)**

13. OTHER OPERATING INCOME

	2020	2019
Rent income	11.201	9.989
Income from sales of assets from collection of receivables	1.454	1.630
Income from reimbursement of damages	875	1.099
Total	**13.530**	**12.718**

14. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

	2020	2019
Employee salaries	177.921	188.020
Employee compensations	29.221	37.998
Taxes for salaries and wages	25.745	28.161
Contributions for salaries and wages	49.568	54.049
Other personal expenses	714	5.712
Provisions for retirement and other provisions for employees	13.887	18.998
Provisions for unused days of annual leave	4.413	525
Total	**301.469**	**333.463**

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

15. DEPRECIATION COSTS

	2020	2019
Intangible assets	26.347	28.288
Fixed assets	25.313	18.750
Right of use of assets	17.620	18.603
Total	**69.280**	**65.641**

16. OTHER INCOME

	2020	2019
Income from liability reduction	-	1
Income from sale of fixed assets	-	315
Income on the basis changes in value of fixed assets acquired by collecting receivables and investment property	12.941	-
Other Income	2.780	5.086
Surplus in ATM	40	-
Total	**15.761**	**5.402**

17. OTHER EXPENSES

	2020	2019
Costs of materials	16.790	18.153
Costs of production services	17.114	17.297
Non-material costs (without taxes and contributions)	213.968	246.230
Taxes	11.605	20.461
Contributions	46.421	51.874
Provision for liabilities	137.683	22.510
Losses on write-off of fixed assets and intangible assets	-	115
Shortages and damages	7	2
Other expenses	18.663	9.127
Losses on the basis changes in value of fixed assets acquired by collecting receivables and investment property	46.906	17.560
Total	**509.157**	**403.329**

Costs of materials amounting to RSD 16.790 thousand (2019: RSD 18.153 thousand) are mostly related to the costs of electricity and heating in the amount of RSD 6.361 thousand (2019: RSD 10.015 thousand).

Of the total costs of production services in the amount of RSD 17.114 thousand (2019: RSD 17.297 thousand). the amount of RSD 11.304 thousand (2019: RSD 10.738 thousand) are the costs of electronic communications and automatic data processing.

Intangible costs in the amount of RSD 213.968 thousand (2019: RSD 246.230 thousand) mostly constitute the amount of RSD 37.804 thousand (2019: RSD 49.714 thousand) related to the cost of bank deposit insurance premiums; the amount of RSD 43.151 thousand (2019: RSD 42.613 thousand) related to service-maintenance of software; the amount of RSD 24.410 thousand (2019: RSD 25.295 thousand) relating to the costs of maintaining software applications; amount of RSD 13.708 thousand (2019: RSD 20.648 thousand) related to service services - IT equipment.

Other expenses amounting to RSD 18.663 thousand (2019: RSD 9.127 thousand) increased mostly due to lost disputes related to fees for loans to individuals in the amount of RSD 8.664 thousand, as well as expenses from the sale of assets acquired through the collection of receivables in the amount of RSD 6.143 thousand.

Expenses based on changes in the value of foreclosed assets and investment property of RSD 46.906 thousand relate to the posting of valuations of certified appraisers in December 2020: foreclosed assets of RSD 15.328 thousand and investment property of RSD 31.578 thousand.

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

18. INCOME TAX

Total tax expense/income consists of the following taxes:

	2020	2019
Income tax	-	-
Deferred tax credit (Note 30)	22.573	3.552
Total tax income	**22.573**	**3.552**

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:

	2020	2019
Gain / (Loss) prior to taxation	(279.708)	(269.868)
Income tax per rate of 15%	41.956	40.480
Tax effects of income and expenses not recognized for tax purposes	(8.072)	7.935
Tax effect of unrecognized tax losses carried forward	(33.884)	(48.415)
Tax effects of temporary differencies	22.573	3.552
Income tax presented in the income statement	**22.573**	**3.552**

The Bank did not recognize potential deferred tax assets based on unused amounts of tax losses carried forward. 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
2016	892.708	133.906	2021
2019	322.768	48.415	2024
2020	225.890	33.884	2025
TOTAL	**1.441.366**	**216.205**	

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

19. CASH AND BALANCES WITH THE CENTRAL BANK

	31.12.2020	31.12.2019
Giro account	764.146	764.204
Cash on hand in RSD	85.381	75.997
Receivables for calculated interest, fee and commission per cash funds held with central Bank	10	1
Cash on hand in foreign currency	143.053	253.690
Obligatory foreign currency reserve held with NBS	859.958	925.155
Prepayments per cash funds held with central Bank	24	190
Total	**1.852.572**	**2.019.237**

The Bank calculates and allocates the obligatory reserve with the National Bank of Serbia in the amount and in the manner determined by the Decision on obligatory reserve of banks with the National Bank of Serbia (Official Gazette RS No. 76/2018.). The obligatory reserve in dinars is allocated to the giro account, and is therefore not separatelly disclosed.

The obligatory reserve with the NBS represents the minimum reserve of dinar and foreign currency funds allocated in accordance with the Decision of the NBS and can be used for liquidity if necessary.

The obligatory reserve in dinars is calculated by the Bank on liabilities in dinars, loans and securities, as well as in other dinars liabilities other than dinars deposits received on transactions performed by the Bank in the name and on behalf of third parties which do not exceed the amount of placements provided by the Bank given from those deposits.

The National Bank of Serbia pays interest on the amount of the average daily balance of the allocated RSD obligatory reserve in the accounting period, which does not exceed the amount of the RSD obligatory reserve at the interest rate of 1,25% annually.

The Bank calculates its foreign currency obligatory reserve on liabilities for foreign currency deposits, loans and securities and other foreign currency liabilities, as well as on deposits, loans and other foreign currency received from abroad in the operations performed by the Bank on behalf and for the account of third parties.

The National Bank of Serbia does not pay interest on the amount of realized average balance of allocated foreign currency reserves.

20. SECURITIES

	31.12.2020	31.12.2019
Securities in dinars	3.043.285	2.559.967
Securities in foreign currency	229.316	120.018
Premium / (discount)	117.625	8.861
Total	**3.390.226**	**2.688.846**

Securities 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:

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

20. SECURITIES (continued)

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

	31.12. 2020	31.12. 2019
Balance at 1 January	5.896	3.716
Increase	2.588	6.004
Decrease	(1.691)	(3.824)
Total impairment allowance	**6.793**	**5.896**

21. LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.12.2020	31.12.2019
Foreign currency accounts	100.697	243.767
The funds in account at the local bank for purchase of securities	5.263	1.973
The funds in account at the foreign bank for purchase of securities	-	187
Foreign currency accounts of Bank in CRHOV	80	46
Loans per repo transactions of NBS	7.639	7.639
Total	**113.679**	**253.612**

Movement of impairment allowance are presented in the following table:

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

	31.12.2020	31.12. 2019
Balance at 1 January	1.329	462
Increase	2.485	5.418
Decrease	(3.629)	(4.551)
Total impairment allowance	**185**	**1.329**

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

22. LOANS AND RECEIVABLES FROM CUSTOMERS

	31.12.2020	31.12.2019
Receivables in RSD		
Receivables for accrued interest on loans, deposits, and other receivables	32.524	24.070
Receivables for accrued fee and commission on loans, deposits and other receivables	2.257	2.323
Impairment allowance of receivables for accrued interest, fee and commission on loans, deposits and other receivables	(5.058)	*(3.920)*
Receivables for accrued interest on loans, deposits, and other foreign currency receivables	165	331
Transaction accounts overdrafts	61.433	87.010
Consumer loans	1.385	2.255
Loans for liquidity and current assets	5.886.733	5.721.505
Investment loans	1.310.763	1.365.103
Housing loans	1.732.148	1.829.293
Cash loans	417.250	494.999
Other loans	164.766	214.729
Impairment allowance of loans in RSD	(266.994)	*(280.579)*
Accrued interest receivables on loans, deposits and other receivables	114.098	119.294
Deferred principal and interest – moratorium	138.246	-
Deferred fee – moratorium	1.726	-
Impairment allowance of accrued receivables in RSD	(3.834)	*(417)*
Loans for payment of import of goods and services from abroad in foreign currency	91.768	104.742
Accrued interest receivables on loans, deposits and other foreign currency receivables	6.997	3.013
Deferred income from receivables measured at amortized cost using effective interest rate	(31.408)	(33.740)
Total	**9.654.965**	**9.650.011**

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 2020	Total 2019
On 1 January						
Receivables for interest and fees	4.060	-	22.332	331	26.723	30.790
New accrual	74.375	-	245.439	1.930	321.745	533.625
Repayments	(73.260)	-	(238.166)	(2.096)	(313.522)	(537.692)
Impairment allowance of receivables for interest and fees	(530)	-	(4.528)	-	(5.058)	*(3 920)*
Accrued receivables for interest on loans, deposits and other receivables	245.085	6.617	8.985	380	261.067	122.307
Deferred income for receivables measured at amortized cost	(28.725)	-	(2.683)	-	(31.408)	(33.740)
Impairment allowance of prepayments in RSD	(3.598)	-	(236)	-	(3.834)	(417)
Net interest and fee receivables 31 December	**217.407**	**6.617**	**31.143**	**545**	**255.713**	**110.953**
Loans to customers on 1 January	947.604	-	8.767.291	104.742	9.819.637	11.075.337
New loans	1.300.211	-	2.072.523	25.202	3.397.936	9.769.299
Currency clause	1.017		6.938		7.955	40.601
Currency clause	(966)		(7.517)		(8.483)	(78.028)
Write-offs	-	-	(89)	-	(89)	(205)
Repayments	(1.455.015)	-	(1.908.822)	(38.177)	(3.402.014)	(10.987.367)
Impairment allowances	(7.804)	-	(259.190)		(266.994)	(280.579)
Net loans 31 December	**765.045**	**-**	**8.542.440**	**91.767**	**9.399.252**	**9.539.058**
Loans and receivables from customers 31 December	**982.452**	**6.617**	**8.573.583**	**92.312**	**9.654.965**	**9.650.011**

	Enterprises	Entrepreneurs	Retail	Foreign entities	Other clients	Total 2020	Total 2019
Receivables for interest in RSD	25.621	1.970	4.931	-		**32.522**	24.070
Receivables for fees in RSD	797	9	984	45	424	**2.259**	2.323
Impairment allowance of receivables for interest and fee in RSD	(2.878)	(510)	(1.662)	-	(7)	**(5.057)**	*(3 920)*
Receivables for interest in foreign currency	165	-	-	-	-	**165**	331
Accrued receivables for interest calculated on the basis of loans, deposits and other placements	105.317	4.371	38.728	246	112.404	**261.066**	122.307
Impairment of accrued receivables in RSD	(1.313)	(61)	(2.425)	-	(35)	**(3.834)**	*(418)*
Accrued income for receivables measured at amortized cost using effective interest rate	(25.532)	(1.486)	(4.389)	-	-	**(31.407)**	(33.740)
Short-term loans							
- In RSD	725.749	41.884	5.216	-	-	**772.849**	947.604
Long-term loans							
- In RSD	6.244.597	364.750	2.163.477	28.805	-	**8.801.629**	8.767.291
- in foreign currency	91.768					**91.768**	104.742
Impairment allowance of loans	(158.879)	(15.722)	(92.389)	(5)	-	**(266.995)**	(280.579)
Total net	**7.005.412**	**395.205**	**2.112.471**	**29.091**	**112.786**	**9.654.965**	**9.650.011**

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

22. LOANS AND RECEIVABLES FROM CUSTOMERS (continued)

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

	31.12.2020	31.12.2019
Accommodation and catering	49.008	49.855
Administrative and support service activities	92.281	57.604
Agriculture, forestry and fishing	1.364.648	1.380.605
Art, entertainment and recreation	23.403	4.214
Construction	1.153.780	1.130.040
Financial and insurance activities	11.729	44.984
Information and communication	22.510	3.810
Manufacturing industry	2.502.396	2.554.670
Professional, scientific, innovation and technical activities	163.497	147.446
Real estate	-	692
Transportation and storage	273.779	206.165
Wholesale and retail, repair of motor vehicle and motorbikes	1.838.824	1.755.155
Other	2.434.997	2.599.688
Loans and receivables from customers – gross	**9.930.851**	**9.934.928**

23. INTANGIBLE ASSETS

Balance on 1 January 2019	**321.397**
New additions	13.423
Balance on 31 December 2019	**334.820**
Accumulated amortization	
Balance on 1 January 2019	**266.171**
Amortization	28.288
Balance on 31 December 2019	**294.459**
Balance on 1 January 2020	**334.820**
New additions	17.861
Balance on 31 December 2020	**352.681**
Accumulated amortization	
Balance on 1 January 2020	**294.459**
Amortization	26.347
Balance on 31 December 2020	**320.806**
Net carrying amount 31 Deecember 2019	**40.360**
Net carrying amount 31 Deecember 2020	**31.875**

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	Right of use of assets	Total
Cost					
Balance on 1 January 2019	**456.757**	**279.383**	**16.011**	**99.972**	**852.123**
New additions	-	2.637	772	-	3.409
Transfers	-	70.980	281	-	71.261
Disposals (sale)	(6.402)	-		-	(6.402)
Write off	-	(14.031)	(3.044)	-	(17.075)
Change of contractual terms	-	-	-	(11.789)	(11.789)
Balance on 31 December 2019	**450.355**	**338.970**	**14.020**	**88.183**	**891.528**
Accumulated depreciation					
Balance on 1 January 2019	**185.198**	**263.178**	**15.040**	**-**	**463.416**
Depreciation	5.889	12.064	797	18.603	37.353
Write off	-	(13.915)	(3.044)	-	(16.959)
Disposals (sale)	(2.113)	-	-	-	(2.113)
Change of contractual terms	-	-	-	(5.132)	(5.132)
Balance on 31 December 2019	**188.974**	**261.327**	**12.793**	**13.471**	**476.565**
Net carrying amount 1 January 2019	**271.559**	**16.205**	**971**	**99.972**	**388.707**
Net carrying amount 31 December 2019	**261.381**	**77.643**	**1.227**	**74.712**	**414.963**
Cost					
Balance on 1 January 2020	**450.355**	**338.970**	**14.020**	**88.183**	**891.528**
New additions	-	7.665	-	734	8.399
Revaluation	29.018	-	-	-	29.018
Transfers	-	1.148	-	-	1.148
Change of contractual terms	-	-	-	(598)	(598)
Write off	-	(131)	-	-	(131)
Balance on 31 December 2020	**479.373**	**347.653**	**14.020**	**88.318**	**929.363**
Accumulated depreciation					
Balance on 1 January 2020	**188.974**	**261.327**	**12.793**	**13.471**	**476.565**
Depreciation	5.855	19.023	435	17.620	42.933
Write off	-	(131)	-	(531)	(662)
Balance on 31 December 2020	**194.828**	**280.219**	**13.228**	**30.560**	**518.835**
Net carrying amount 31 December 2019	**261.381**	**77.644**	**1.227**	**74.711**	**414.963**
Net carrying amount 31 December 2020	**284.544**	**67.434**	**792**	**57.758**	**410.528**

There are no mortgages recorded on the buildings as collateral to repay the loan.

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

24. PROPERTY, PLANT AND EQUIPMENT (continued)

Rental costs are RSD 22.961 thousand (2019: RSD 24.580 thousand) and include the cost of depreciation of the right of use in the amount of RSD 17.620 thousand, interest in the amount of RSD 1.912 thousand, VAT cost in the amount of RSD 3.438 thousand and foreign exchange gains in the amount of RSD 9 thousand. The standard provides that the total costs during the lease period will be the same as before application of IFRS16, but they are higher in the initial periods and subsequently reduced.

Below is an overview of leases on 31 December 2020:

	Name of lessor	Contract	Maturity in months	Monthly payment eur	Discount rate	Right of use	Lease liability
1	Hidrozavod, Petra Drapšina 56, Novi Sad	D-262 od 04.04.14	40	2.900,00	2,84	12.767	13.708
2	Stojan Ristić, Generala Bože Jankovića 2, Niš	D-135 od 29.01.15	49	2.500,00	2,94	13.243	13.590
3	Marko Purković, Bulevar Mihaila Pupina 16d, Zemun	D-03 od 12.01.19	48	3.000,00	2,94	15.586	15.924
4	Karavidić, Masarikova 9 Šabac	02-235 od 27.05.08	29	2.000,00	2,74	6.450	6.763
5	Matijević, Gradsko šetalište bb, Čačak	D-179 od 04.06.10	53	1.250,00	2,99	7.022	7.252
6	Asseco, DR location, Katanićeva, Beograd	02-1340/10 od 19.11.10	18	1.200,00	2,65	2.445	2.448
7	Autotehnika, vehicle, Herc	22 od 09.02.12.	4	534,00	5,00	245	250
						57.758	**59.935**

25. INVESTMENT PROPERTY

	31.12.2020	31.12.2019
Investment property	303.220	254.443
Total	**303.220**	**254.443**

At the end of 2020, the value of all investment properties were reconciled to the value estimated by the authorized valuator CBRE Serbia. In line with the VPGA 10 of the RICS Valuation Standards, the authorized valuator drew attention to the uncertainty and unpredictable volatility of key parameters due to the COVID-19 pandemic. Below is an overview of movement of the investment properties during 2020.

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

25. INVESTMENT PROPERTY (continued)

	Book value 01.01.2020.	Changes throughout the year	Note	Value correction-estimate	Book value on 31.12.2020.
Apartment with gallery, Admirala Vukovića 66., Belgrade	29.516	-		350	29.866
Business facility for storing and keeping fruit and vegetables with packaging and processing in Šimanovci	164.630	-		(18)	164.612
Basement rooms and equipment in business space K.Petra number 15	23.122	-		(2.571)	20.551
Family residential buliding-Zmajevo	941	-		-	941
Land, buildings and cold storage with equipment 430m2- Arilje	35.330	-		(3.584)	31.746
Retail store Tulare	904	-		(563)	341
Seenergy Timber doo, administrative building and ancillary facilities in Morović	-	49.688	Addition	(9.710)	39.977
Seenergy Timber doo Beogra, equipment in Morović	-	30.319	Addition and investment	(15.133)	15.186
Total	**254.443**	**80.006**		**(31.229)**	**303.220**

During 2020, administrative building and related equipment were acquired.

Property tax as well as tax for the transfer of absolute rights, are covered by the Bank. Net income based on the rent for 2020 amount to RSD 9.376 thousand (2019: RSD 8.672 thousand).

The net income from investment property in 2020 is shown in the table below.

	Book value at 31.12.2020.		Total cost	Realized income from rent	Net income
Apartment with gallery, Admirala Vukovića 66., Belgrade	29.866	Anex II 13.06.2017 Anex III 23.05.2018	141	705	564
Business facility for storing and keeping fruit and vegetables with packaging and processing in Šimanovci	164.612	Aneks 25.09.2014.	656	6.000	5.344
Basement rooms and equipment in business space K.Petra number 15	20.551	Rent contract D-1242, 31.10.2017.	488	1.701	1.213
Family residential building-Zmajevo	941	Rent contract D-607 29.11.2018.	4	71	67
Land, buildings and cold storage with equipment 430m2- Arilje	31.746	Rent contract o1-277 27.11.2019	152	850	698
Retail store Tulare	341	Rent contract 01-283 02.12.2019	-	85	85
Seenergy Timber doo, administrative building, ancillary facilities and equipment in Morović	55.163	Rent contract 107 od 24.06.2020.	299	1.789	1.490
Total	**303.202**		**1.740**	**11.201**	**9.376**

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

25. INVESTMENT PROPERTY (continued)

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

Balance as of 1 January 2019	**219.785**
Value correction-estimates/investments	(2.041)
Capital investments	465
Transfer from inventories	36.234
Balance at 31 December 2019	**254.443**
Balance as of 1 January 2020	**254.443**
Value correction-estimates/investments	(31.229)
Capital investments	5.274
Transfer from inventories	74.732
Balance at 31 December 2020	**303.220**

26. OTHER ASSETS

	31.12.2020	31.12.2019
Fee and commission receivables	4.869	3.263
Impairment allowance of receivables for fee and commission, receivables on sale and other receivables in RSD	(2.149)	(1.532)
Receivables based on advances paid for current assets	6.587	6.009
Receivables from employees	377	432
Receivables on the basis of prepaid taxes and contributions	77	70
Other operating receivables	9.097	7.367
Suspense and temporary accounts	(765)	23
Receivables in settlement	1.101	881
Impairment allowance of other receivables	(2.597)	(3.571)
Receivables based on advances paid for current assets in foreign currency	10.883	5.495
Receivables from employees in foreign currency	4	4
Other receivables from business in foreign currency	0	27
Receivables in settlement in foreign currency	1.659	1.562
Other investments	476	476
Impairment allowance of investments in RSD	(7)	(2)
Other deferred expenses	2.437	3.095
Other prepayments	10.840	11.794
Impairment allowance of prepayments in RSD	(63)	(15)
Other prepayments in foreign currency	118	-
Foreclosed assets	474.129	537.639
Total	**517.073**	**573.017**

Receivables on the basis of advance payments provided for current assets in foreign currency in the amount of RSD 10.883 thousand (31.12.2019: RSD 5.495 thousand), are related to the advance payment with Banca Intesa for the use of Visa and Master cards.

Also, the amount of foreclosed assets which at the end of 2020 amounted to 474.129 thousand (31.12.2019: RSD 537.639 thousand) represents the result of the following changes: in the course of the year, a new additions of RSD 39.990 thousand was made, transfer to investment property was made in amount of RSD 74.732 thousand, a sale in the amount of RSD 26.032 thousand was made, as well as a decrease in value due to valuation by RSD 2.736 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 1 January 2019	**329.783**
Value correction-valuation	(15.517)
Sale	(33.195)
New acquisition	292.802
Transfer to investment property	(36.234)
Balance on 31 December 2019	**537.639**
Balance on 1 January 2020	**537.639**
Value correction-valuation	(2.736)
Sale	(26.032)
New acquisition	39.990
Transfer to investment property	(74.732)
Balance on 31 December 2020	**474.129**

Below we give an overview of the property that was on 31.12.2020. recorded as an foreclosed asset:

Acquisition Date	Name of the property	Impact of valuation	31.12.20.
17.3.2016.	Valjevo, apartment number 3, within the family residential building number 1, cad. 3319/1, LN 7228, KO Valjevo, street Prešernova 23	-	3.057
01.07.2016	Residential and commercial building, KO Čačak, parc. 4554/2 – THREE FACILITIES	(1)	9.171
08.05.2016	LN 4425, KO Padina, plot 2873/79, street Sportska 13/B	-	988
01.09.2016	Two bedroom apartment, measuring 77 m2, street Prokop 3 / 1a, first floor	164	7.408
10.01.2016	Parc. 584, building number in street Miloševput 57, KO Novi Bečej, LN 13393, land under building 67m2, 35 m2,, 8m2,	-	588
30.05.2013.	Business premises, Svetozara Markovića no. 49 (MANJEŽ), Beograd	5.261	73.958
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	-	423
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 -	97	82.808
30.04.2013.	Residential building and land, Stepojevac	(2.827)	42.799
31.3.2017	Family building 84 M2 Grocka street Dimitrija Tucovića 11	-	2.940
21.12.2012	HYLA/Agreement on the sale of movable and immovable items since 26.12.2011. OV3 br.267/2011	(6.827)	56.203
04.08.2017	Family residential building, Bore Atanackovića 20 Valjevo	-	1.940
06.11.2017	Family residential building, street Rada Končara 36	(471)	3.057
19.09.2019.	Family residential building - surface of 102 m2, gross area of 270 m2 - right of ownership of 1/2 ideal parts, Arilje	182	2.822
27.09.2019.	Complex (mill, warehouse, shop, land); 6.195m2 of land and 1,702m2 of building – Kursumlija	(5.202)	37.391
21.11.2019.	Equipment - Pellet presses, dryers, heaters. Boiler..V.Banja, Novo Selo	10	7.425
05.12.2019.	Agricultural buildings 3,578 m2, refrigerator 1,616m2, KO Zdravčići	1.237	87.127
27.12.2019.	Equipment to specification - 47 items in Kuršumlima location	5.412	15.711
06.10.2020.	Refrigerator and Equipment according to specification 101 items Zdravčići	207	16.160
01.12.2020.	Apartment No. 2 on the first floor of a residential building in Belgrade at 22 Marka Pola Street, net area 122 m2, LN No. 5280 at KP 3803 Ko Novi Beograd in B2 list: object number 11	-	22.100
09.12.2019.	Electric motor Simon, V.Banja, Novo Selo	22	53
	Total	**(2.736)**	**474.129**

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

	31.12.2020	31.12.2019
Transaction deposits	2.000	8.574
Other deposits	3.436	3.523
Other financial liabilities	1.230	11.345
Liabilities from fees and commissions on borrowings, deposits and other financial liabilities	462	423
Accrued interest payable on borrowings, deposits and other financial liabilities	325	195
Loans per repo transactions	784.000	-
Liabilities based on interest on loans, deposits and other financial liabilities	98	-
Transaction deposits in foreign currency	458	458
Other deposits in foreign currency	211.644	211.667
Borrowings in foreign currency	940.642	1.708.882
Accrued interest payable on borrowings deposits and other financial liabilities in foreign currency	2.775	430
Total	**1.947.070**	**1.945.497**

During this year, the Bank also took repo loans from the NBS and at the end of the year the amount of liabilities amounted to RSD 784,000 thousand. Below is the structure of repo loans.

Contract date	Currency	Balance 000 RSD	Maturity	Maturity period	Interest rate %
19.11.2020	RSD	637.000	18.02.2021	3M	0,249
24.12.2020	RSD	147.000	25.03.2021	3M	0,100
Total 000 RSD		**784.000**			

Within other foreign currency deposits, RSD 211.664 thousand (31/.2.2019: RSD 211.667 thousand) relates to Expobank CZ deposits (EUR 1.800 thousand). The structure and conditions of deposits are set out below.

Date of Agreement	Currency	Amount in the currency	Amount in 000 RSD	Maturity	Period	Interest rate %
14.12.2020	EUR	800.000	94.064	12.3.2021	3M	0,01
21.12.2020	EUR	1.000.000	117.580	22.3.2021	3M	0,01
Total EUR		**1.800.000**				
Total 000 RSD			**211.664**			

Foreign currency loans received in the amount of RSD 940.642 thousand (12.31.2019: RSD 1.708.882 thousand) refer to loans received from EXPOBANK CZ in the amount of EUR 8.000, with the following structure and conditions:

Date of Agreement	Currency	Amount in the currency	Amount in 000 RSD	Maturity	Period	Interest rate %
14.8.2009	EUR	8.000.000	940.642	21.4.2023	1M	1,2
Total EUR		**8.000.000**				
Total 000 RSD			**940.642**			

The original long-term loan agreement was signed on 14.08.2009 with Cyprus Popular Bank Ltd. Later, creditors changed on various grounds, but the original long-term loan reported as such to the NBS did not change, only the creditor information changed and the amounts annexed. The last creditor is Expobank CZ a.s. which, on the basis of the bank purchase agreement, assumed the receivables from long-term loans from the previous lender. During 2020, the contractual obligation was reduced to the debt balance of EUR 8,000,000.

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

28. DEPOSITS AND OTHER LIABILITIES TO CUSTOMERS

	31.12.2020	31.12.2019
On-demand deposits	2.350.405	1.437.444
Savings deposits	474.914	520.136
Deposits related to given loans	85.710	27.581
Specific purpose deposits	186.931	106.807
Other deposits	617.242	642.203
Other financial liabilities	1.235	1.235
Liabilities from interests on borrowings, deposits and other fin. liabilities	980	812
Accrued interest payable on borrowings, deposits and other financial liabilities	3.397	4.712
Transaction deposits in foreign currency	1.169.571	1.107.707
Savings deposits in foreign currency	4.163.990	4.460.952
Deposits related to given loans in foreign currency	276.490	267.468
Specific purpose deposits in foreign currency	241.794	71.952
Other deposits in foreign currency	811.017	1.186.518
Other financial liabilities in foreign currency	17.202	13.202
Accrued interest payable on borrowings, deposits and other financial liabilities in foreign currency	60.178	60.398
Total	**10.461.056**	**9.909.127**

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 2020	Total 2019
Transaction deposits								
- in RSD	1.844.870	185.933	1.470	139.738	51.124	127.270	**2.350.405**	**1.437.443**
- in foreign currency	215.970	46.942	-	794.980	111.585	95	**1.169.571**	**1.107.707**
Savings deposits								
Short-term deposits:								
- In RSD	-	-	-	470.304	-	-	**470.304**	**505.540**
- In foreign currency	-	-	-	1.777.778	7.121	-	**1.784.899**	**1.911.895**
Long-term deposits:								
- In RSD	-	-	-	4.610	-	-	**4.610**	**14.596**
- in foreign currency	-	-	-	2.333.235	45.856	-	**2.379.091**	**2.549.057**
Deposits based on granted loans								
Short-term deposits:								
- in RSD	60.000	-	-	-	-	-	**60.000**	**-**
- in foreign currency	-	-	-	78.488	-	-	**78.488**	**93.448**
Long-term deposits:								
- in RSD	22.810	-	-	2.900	-	-	**25.710**	**27.581**
- in foreign currency	31.747	-	-	166.227	29	-	**198.002**	**174.020**
Specific-purpose deposit								
Short-term deposits:								
- in RSD	67.174	-	-	211	-	-	**67.385**	**106.407**
- In foreign currency	35.407	-	-	-	223	7.078	**42.708**	**2.456**
Long-term deposits:								
- In RSD	119.545	-	-	-	-	-	**119.545**	**400**
- In foreign currency	198.883	204	-	-	-	-	**199.087**	**69.497**
Other deposits								
Short-term deposits:								
- In RSD	498.146	6.200	1	-	4.886	1.058	**510.291**	**624.253**
- In foreign currency	623.611	-	-	-	95.664	-	**719.275**	**1.091.829**
Long-term deposits:								
- In RSD	106.950	-	-	-	-	-	**106.950**	**17.950**
- in foreign currency	45.768	45.974	-	-	-	-	**91.741**	**94.688**
Total	**3.870.881**	**285.252**	**1.471**	**5.768.471**	**316.487**	**135.501**	**10.378.063**	**9.828.767**
Other financial liabilities								
- in RSD	-	-	-	1.235	-	-	**1.235**	**1.235**
- in foreign currency	17.202	-	-	-	-	-	**17.202**	**13.202**
Interest liabilities								
- in RSD	980	-	-	-	-	-	**980**	**812**
- in foreign currency	-	-	-	-	-	-	**-**	**-**
Accrued interest payable on borrowings, deposits and other financial liabilities								
- In RSD	2.969	-	-	314	111	3	**3.397**	**4.712**
- in foreign currency	2.590	-	-	56.741	848	-	**60.178**	**60.399**
Total	**23.741**	**-**	**-**	**58.290**	**959**	**3**	**82.993**	**80.360**
Total deposits and other liabilities	**3.894.622**	**285.252**	**1.471**	**5.826.761**	**317.446**	**135.504**	**10.461.056**	**9.909.127**

Transaction deposits are non-interest bearing. The interest rate on avista deposits in RSD ranged from 1,00% to 3,00%. The interest rate on short-term deposits in RSD ranged from 1,25% to 2,5%. The interest rate on long-term RSD deposits was 2,75%. The interest rate on avista deposits in EUR ranged from 0,15% to 1,00%. The interest rate on short-term deposits in EUR ranged from 0,25% to 1,25%.

Short-term savings deposits from households and foreign persons in foreign currency, in the amount of RSD 1.784.899 thousand refer to: avista foreign currency savings deposits of natural persons in the amount of RSD 12.839 thousand (31.12.2019: RSD 14.857 thousand), up to three months in the amount of RSD 5.214 thousand (31.12.2019: RSD 6.074 thousand), up to four months in the amount of RSD 793 thousand (31.12.2019: RSD 791 thousand), up to six months in the amount of RSD 42.162 thousand (31.12.2019: RSD 48.057 thousand), up to 9 months in the amount of RSD 6.719 (31.12 .2019: RSD 6.674) and up to a year in the amount of RSD 1.717.066 thousand (31.12.2019: RSD 1.835.330 thousand).

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

28. DEPOSITS AND OTHER LIABILITIES TO CUSTOMERS (continued)

Retail long-term foreign currency savings deposits amount to RSD 2.389 thousand at 13 months maturity (31.12.2019: RSD 5.385 thousand), at 15 months RSD 20.132 thousand (31 December 2019: RSD 21.880 thousand) and at 25 months amount to RSD 2.310.714 thousand (31.12.2019: RSD 2.484.162 thousand).

Interest rate on long-term deposits in RSD (25 months) was 2,75%, while interest rates on long-term deposits in EUR ranged from 0,6 – 1,8%. while interest rates on short and long-term deposits in USD and GBP were 0,1%.

Short-term deposits of foreign legal entities in foreign currency refer to deposits up to one year in the amount of RSD 95.664 thousand (31 December 2019: RSD 0), while short-term deposits of companies in foreign currency refer to deposits up to six months in the amount of RSD 502,476 thousand (31 December 2019: RSD 972,473 thousand) and up to one year in the amount of RSD 121,135 thousand (31 December 2019: RSD 119,357 thousand), and long-term corporate deposits in dinars amount to RSD 106,950 thousand (31 December 2019: RSD 17,950) one thousand).

29. PROVISIONS

	31.12.2020	31.12.2019
Provisions for court litigations	171.028	33.345
Provisions for losses per off-balance sheet items	8.416	7.556
Provisions for pensions	4.429	4.042
Provisions for vacations	15.232	11.098
Total	**199.106**	**56.040**

Provisions for litigation in the amount of RSD 171,028 thousand (31 December 2019: RSD 33,345 thousand) were significantly increased and relate to provisions for contingent liabilities arising from the possibility of losing the Bank's disputes. The Bank, like other banks in the market, is the subject of various lawsuits regarding certain fees in loan agreements. For such cases, the Bank created a provision (included in the above amount) of RSD 48.246 thousand. It is currently not possible to determine the exact outcome of all these lawsuits. The Bank's management estimates that there will be no material losses based on the outcome of litigation in excess of the amount for which the provision was made.

As of 31 December 2020, provisions for pensions in the amount of RSD 4.429 thousand (31.12.2019: RSD 4.042 thousand were determined in accordance with IAS 19.

Movement in provisions during 2020:

	Provisions for pensions	Provisions for unused days of vacation	Provision for court litigations	Provision for losses per off-balance sheet items
Balance on 01.01.2020.	**3.745**	**11.098**	**33.345**	**7.556**
Provisions for the year	387	4.134	137.683	16.070
Reversal/income from reversal	-	-	-	(15.210)
Balance on 31.12.2020	**4.429**	**15.232**	**171.028**	**8.416**

Movement in provisions during 2019:

	Provisions for pensions	Provisions for unused days of vacation	Provision for court litigations	Provision for losses per off-balance sheet items
Balance on 01.01.2019.	3.745	11.178	10.835	2.472
Provisions for the year	297	-	22.510	20.005
Reversal/income from reversal	-	(80)	-	(14.921)
Balance on 31.12.2019	**3.745**	**11.098**	**33.345**	**7.556**

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 (31.12.2019: 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.

	31.12.2020	31.12.2019
Deferred tax assets	26.319	5.608
Deferred tax liabilities	(34.577)	(12.503)
Net deferred tax liabilities	**(8.258)**	**(6.895)**

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	Fair value of securities	Total
Balance on 01.01.2019.	**1.625**	**561**	**(12.634)**	-	**(10.447)**
Charged (credited) to IS	3.377	45	131	-	3.552
Balance on 31.12.2019.	**5.002**	**606**	**(12.503)**	-	**(6.895)**
Charged (credited) to IS	20.652	58	1.862	-	22.572
Charged (credited) to OCI	-	-	(4.353)	(19.583)	(23.935)
Balance on 31.12.2020	**25.654**	**664**	**(14.993)**	**(19.583)**	**(8.258)**

31. OTHER LIABILITIES

	31.12.2020	31.12.2019
Other liabilities in RSD		
Liabilities on the basis of received advances and other liabilities	-	3
Liabilities towards suppliers	15.812	11.300
Liabilities from advances	874	7
Other operating liabilities	37.884	42.338
Liabilities in settlement	31.935	15.769
Transient and temporary accounts	5	-
Liabilities based on temporary and periodic operation	1.117	1.117
Other liabilities towards employees	198	375
Liabilities for value added tax	3.254	2.188
Liabilities for other taxes and contributions	920	908
Deferred liabilities for other expenses	6.327	10.669
Deferred interest income	3.463	3.464
Deferred other income	10.195	7.547
Other accruals and deferred revenues	1.676	567
Liabilities towards suppliers in foreign currency	1.021	773
Lease liabilities	59.935	75.218
Other operating liabilities in foreign currency	17.026	17.095
Liabilities in settlement in foreign currency	27	-
Total	**191.670**	**189.338**

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

31. OTHER LIABILITIES (continued)

Other liabilities from business relations in the amount of RSD 37,884 thousand (31 December 2019: RSD 42,338 thousand) mostly relate to liabilities based on calculated costs in the amount of RSD 14,565 (31 December 2019: RSD 20,153) and to the transfer of physical assets persons from the closed account in the amount of RSD 11,069 thousand (31 December 2019: RSD 11,069 thousand).

Liabilities in the calculation in the amount of RSD 31,935 thousand (31 December 2019: RSD 15,769 thousand) mostly relate to advance payments on retail loans in the amount of RSD 14,295 thousand (31 December 2019: RSD 10,275 thousand) and payments on corporate loans in the amount of RSD 11,992 thousand (31 December 2019: RSD 3,781 thousand).

Other liabilities from business relations in foreign currency in the amount of RSD 17,026 thousand (31 December 2019: RSD 17,095 thousand) mostly relate to the transfer of funds from closed accounts in foreign currency in the amount of RSD 14,198 thousand (31 December 2019: RSD 14,198 one 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.

	31.12.2020	**31.12.2019**
Share capital – ordinary shares	5.671.608	5.671.608
Share premium	2.877.487	2.877.487
Loss from the current year	(257.135)	(266.316)
Loss from the previous years	(5.376.996)	(5.110.679)
Reserves from profit	103.228	103.228
Other reserves	48.445	48.445
Revaluation reserves	399.272	465.143
Total	**3.465.909**	**3.788.916**

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 were formed in earlier periods.

Revaluation reserves in the amount of RSD 399,272 thousand (31 December 2019: RSD 465,143 thousand), consist of reserves based on changes in the value of fixed assets in the amount of RSD 283,904 thousand (31 December 2019: RSD 259,238 thousand), actuarial losses in the amount of from RSD 2,397 thousand (31 December 2019: RSD 2,289 thousand), the effects of changes in fair value of financial assets in the amount of RSD 137,394 thousand (31 December 2019: RSD 208,193 thousand), as well as the loss based on the calculation of deferred tax for fair value of securities in the amount of RSD 19,583 thousand.

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

32. EQUITY (continued)

	31.12.2020		31.12.2019	
	Share Capital	% of capital	Share Capital	% of capital
Igor Vladimirovich Kim	4.097.772	72.25	4.097.772	72,25
German Alekseevich Tsoy	1.012.914	17.86	1.012.914	17,86
Kirill Vladimirovich Nifontov	180.357	3.18	180.357	3,18
Morelam OOO	156.536	2.76	156.536	2,76
Expobank LLC	86.775	1.53	-	-
Aleksander Valentinovich Proshin	-	-	86.775	1,53
John MC Naughton	79.403	1.40	79.403	1,40
Ernst Voldemarovich Bekker	28.358	0.50	28.358	0,50
Borislav Strugarević	28.358	0.50	28.358	0,50
Dmitriy Sergeevich Ganushkin	1.135	0.02	1.135	0,02
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 December 2020, the ownership of the Bank's shares was changed so that the shareholder Valentinovich Proshin Alexander sold all its shares to Expobank LLC.

Foreign natural persons own 95.21% of the Bank's capital (2019: 96.74%), foreign legal entities 4.29% (2019: 2.76%) and domestic natural persons 0.50%. The total value of share capital with a share premium as at 31 December 2020 amounts to RSD 8,549,095 thousand (31 December 2019: 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.

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.

d) Loss from the current year

The loss for the current year in the amount of RSD 257.135 thousand (2019: loss RSD 266.316 thousand) represents the difference between the realized expenses and income of the accounting period and the generated profit from the calculation of deferred taxes in the amount of RSD 22.573 thousand. The coverage of losses in previous years is done in accordance with the law, in accordance with the Articles of Association and the Agreement on the Establishment of the Bank, which states that the loss in the Bank's operations is 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.

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

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	Actual in 2020.
Equity	Min. EUR 10.000.000	27.965.465
The Bank's investments	Max. 60%	21,72%
The sum of large exposures of the Bank, as follows:	Max 400%	38,56%
The sum of large exposures to a single entity or a group of related entities		38,56%
The sum of exposures to entities related to the Bank		-
Average monthly liquidity ratio:		
- in the first month of the period	Min. 1,00	2,33
- in the second month of the period	Min. 1,00	2,22
- in the third month of the period	Min. 1,00	2,26
Foreign currency risk ratio	Max 20%	2,55

As of 31 December 2020, the Bank had achieved compliance with all indicators.

34. RELATED PARTY TRANSACTIONS

	31.12.2020		31.12.2019	
Assets	**Bank shareholders**	**Other related parties**	**Bank shareholders**	**Other related parties**
Foreign currency accounts	44.889	996	-	117.712
Receivables for fees on loans and deposits	-	7	-	-
Housing loans	-	13.899	-	14.477
Cash loans	-	1.239	-	1.573
Other loans	146	8	-	-
Accrued interest receivables on loans, deposits and other receivables	-	85	-	30
Total assets	**45.035**	**16.234**	**-**	**133.792**

The foreign currency account with the balance of RSD 44,889 thousand refers to the funds on the nostro account opened by the Bank with Expobank LLC in Moscow, while the amount of RSD 996 refers to the account with Expobank CZ. Expobank LLC became a shareholder of the Bank on December 23, 2020. while Expobank CZ represents an entity under the control of the majority shareholders.

Housing loans in the amount of RSD 13,899 thousand (31 December 2019: RSD 14,477 thousand) are loans granted to employees who are considered related parties under the applicable Banking Law. Approved loans were granted on market terms. No allowance was recorded for these loans.

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

34. RELATED PARTY TRANSACTIONS (continued)

	31.12.2020		31.12.2019	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Liabilities				
Transaction deposits in RSD	1.818	46.076	1.519	330
Transaction deposits in foreign currency	63.080	730	697	449
Savings deposits in RSD	9.553	2.447	6.718	302
Savings deposits in foreign currency	1.822	23.480	23.519	22.702
Deposits on the basis of granted loans in RSD	210	-	-	-
Deposits on the basis of granted loans in foreign currency	-	211.644	-	211.667
Borrowings in foreign currency	-	940.642	-	1.708.882
Accrued liabilities for interest and other expenses per subordinated liabilities in foreign currency	-	2.752	-	406
Total liabilities	**76.483**	**1.227.771**	**32.453**	**1.944.738**

Deposits in the amount of RSD 211.664 thousand and rborrowings in the amount of RSD 940.642 thousand, are explained in more detail in Note 27.

Income and expense arising from related parties transactions:

	31.12.2020		31.12.2019	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Expenses				
Interest expenses on the basis of deposits foreign retail entity	205	213	74	211
Interest expenses on the basis of loans in foreign currency	-	17.336	-	34.461
Interest expenses on the basis of deposits in foreign currency	-	22	-	4.739
Total	**205**	**17.571**	**74**	**39.411**

Foreign exchange losses	31.12.2020		31.12.2019	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Foreign exchange losses per deposits from foreign banks in foreign currency	-	222	-	15.199
Foreign exchange losses per borrowings from foreign banks in foreign currency	-	1.234	-	5.305
Foreign exchange losses – others	-	-	-	-
Total	**-**	**1.456**	**-**	**20.504**

	31.12.2020		31.12.2019	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Income				
Based on interest from housing loans	-	718	-	1.028
Total	**-**	**718**	**-**	**1.028**

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

34. RELATED PARTY TRANSACTIONS (continued)

Foreign exchange gains	**31.12.2020**		**31.12.2019**	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Foreign exchange gains per loans from foreign banks in foreign currency	-	1.543	-	14.673
Foreign exchange gains per deposits from foreign banks in foreign currency	-	244	-	14.942
Foreign exchange gains - others	-	3	-	149
Total	**-**	**1.790**	**-**	**29.764**

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. and management of the Bank.

At 31 December 2020, the Bank has approved loans to directors and management:

	31.12.2020	**31.12.2019**
Credits to directors and the management		
At the beginning of the year	28.370	42.777
Reductions based on change in management	-	(5.084)
Reductions based on CHF conversion to EUR	-	(2.036)
Credits approved during the year	-	1.080
Payments during the year and placement revalorization	(2.196)	(8.367)
Interest income	718	1.028
Collected interest	(718)	(1.028)
At the end of the year	**26.174**	**28.370**

In accordance with the methodology for the calculation of impairment, impairment for these loans was RSD 54 thousand in 2020 (2019: RSD 71 thousand).

Information on management remuneration

During 2020 the members of the Executive Board achieved gross salaries in the amount of RSD 42.235 thousand (2019: RSD 35.225 thousand).

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.

As at 31 October 2019 there were no materially significant disputed balances of liabilities and receivables. The bank sent 2.298 IOS's to corporate entities, 1.641 IOS's to entrepreneurs, 22 to banks and financial institutions and 20 to non residential persons. The following are effects of reconciliation:

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

35. RECONCILIATION OF RECEIVABLES AND LIABILITIES (continued)

	Number of sent IOS's	Receivable	Liability
Total sent receivables/liabilities:	3.981	11.898.274	6.622.674
Confirmed	375	5.104.824	2.448.833
Not returned, unsent- unknown address, moved	3.604	6.793.401	4.173.791
Disputed	2	49	-

36. FOREIGN CURRENCY EXCHANGE RATE

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

	31.12.2020	31.12.2019
EUR	117,5802	117,5928
USD	95,6637	104,9186
CHF	108,4388	108,4004

37. EVENTS AFTER THE REPORTING PERIOD

During 2020, the COVID-19 virus continued to spread globally and its negative impact gained in importance. At the end of 2020, the National Bank of Serbia passed a Decision on measures prepared for banks in order to adequately manage credit risk in the context of the COVID-19 pandemic (hereinafter: the Decision), which prescribes measures and activities to provide relief to debtors. Obligations include obligations of debtors on the basis of loans and other credit products. The facilities are in the form of reprogramming and refinancing of loans, which include a change in loan terms in the form of a grace period in the repayment of all obligations to the Bank for a period of six months. Based on this Decision, the Bank received a total of 71 requests, of which 35 were approved with exposure of RSD 638.926 thousand and expected credit loss of RSD 12.608 thousand.

The management believes that the effects of the current epidemiological situation will be reflected mainly on the liquidity and quality of the loan portfolio, having in mind the uncertainty of the duration of the current pandemic. For more details on the sensitivity analysis to a significant increase in credit risk, see Note 5.

In the first quarter of 2021, the Bank continued its activities aimed at reducing the number of investment properties and foreclosed properties. The Bank executed 3 contracts, which reduced the exposure by RSD 92.724 thousand, with a negative impact on the Income Statement of RSD 12.608 thousand dinars.

After the date of the reporting period, the Bank received a total of 128 lawsuits worth RSD 1.251 thousand in disputes regarding the fee for processing loan applications. The Bank's management considers that the amount of provisions for these disputes as of 31.12.2020. year is sufficient for all future payments of these fees as well as related costs, based on any lost disputes.

After the date of the reporting period, there were no other events that would require disclosure in the notes to the Bank's financial statements as of and for the year ended 31 December 2020.

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

Dragana Radaković Financial Control Manager	Borislav Strugarević Chairman of the Executive Board

Expobank

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Expobank

Based on article 29. Law on accounting (“Official Gazette RS” no.62/ 2013, 30/ 2018, 73/2019),

EXPOBANK A.D. BEOGRAD

declares

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I General information

1.	Entity:	**Expobank A.D. Beograd**
	Address:	**Beograd, Dalmatinska 22**
	ID Number:	**07534183**
	PIB:	**100003148**
2.	Web site:	**http:// www.expobank.rs/**
	e-mail:	**office@expobank.rs**
3.	Number and date of Resolution of registering in the register of business entities:	**BD 498 dated 14 February 2005**
4.	Industry:	**6419 – Other monetary intermediaries**
5.	Number of employees:	**133**
6.	Number of shareholders:	**9 shareholders**

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II Equity

7.	10 largest shareholders (name and surname, name of legal entity with the number of shares and participation in share capital):		
Number	**NAME OF SHAREHOLDER**	**Number of shares**	**% of participation**
1	Igor Vladimirovich Kim	8,195,544	72.25
2	German Alekseevich Tsoy	2,025,829	17.86
3	Kirill Vladimirovich Nifontov	360,714	3.18
4	Morelam OOO	313,073	2.76
5	Expobank LLC	173,551	1.53
6	John MC Naughton	158,805	1.4
7	Ernst Voldemarovich Bekker	56,716	0.5
8	Strugarević Borislav	56,716	0.5
9	Dmitriy Sergeevich Ganushkin	2,269	0.02
8.	Value of basic capital (in 000 din.):	**8,549,095**	
9.	Number of issued shares (common and preferred, with ISIN number and CFI code)	**1) Ordinary shares: ISIN:RSCEBAE31481 CFI:ESVUFR, 11,343,217;**	
10.	Data regarding subsidiaries (up to 5 most significant entities for consolidation) name, headquarter and address:	/	
11.	Business name, place of business and address of audit firm that audited the last financial statements	**PricewaterhouseCoopers d.o.o. Beograd Omladinskih brigada 88a 11070 Belgrade, Serbia**	
12.	Business name of organized stock exchange where the shares are included	/	

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III Data related to management of the company

1) Data on the chairman and members of the Board of directors

1	**Name, Surname and Residence**	**Kirill Nifontov, Russian Federation**
•	Education	Master of Economics
•	Current employment (name of firm and position)	Member of the BoD, Expobank Russian Federation
•	Membership in Executive or Supervisory boards of other companies	Ujet International S.A.R.L – chairman of the BoD; Expobank CZ, a.s.- Deputy of the Chairman of the BoD; Expobank LLC - member of the BoD; Morelam LLC - BoD Chairman; Expobank AS – Deputy of the Chairman of the BoD; CJSC D2 Insurance - BoD member; CJSC Insurance Company Reserv- BoD member; D2 Strahovania AO - BoD member; OOO Reserv – BoD member; SDM Bank – BoD member; Kurskpromobank - BoD member
•	Number and percentage of shares held in a joint stock company	360,714 ; 3.18% of shares in Expobank A.D. Beograd
2	**Name, Surname and Residence**	**Dragiša Lekić, Republic of Serbia**
•	Education	Bachelor of Economics
•	Current employment (name of firm and position)	Company for engineering, design and consulting "REPS" d.o.o. Belgrade, member and representative
•	Membership in Executive or Supervisory boards of other Companies	/
•	Number and percentage of shares held in a joint stock company	No shares
3	**Name, Surname and Residence**	**Alexey Fedotkin, Russian Federation**
•	Education	Master of Economics
•	Current employment (name of firm and position)	Deputy of the Chairman of the EB, Expobank Russian Federation
•	Membership in Executive or Supervisory boards of other companies	BoD member of OOO Morelam Russian Federation
•	Number and percentage of shares held in a joint stock company	No shares
4	**Name, Surname and Residence**	**Milovan Popović, Republic of Serbia**
•	Education	Master of Economics
•	Current employment (name of firm and position)	Audit Company "BDO" d.o.o. Belgrade, member and representative
•	Membership in Executive or Supervisory boards of other Companies	/
•	Number and percentage of shares owned in the company's equity	No shares
5	**Name, Surname and Residence**	**John McNaughton, Russian federation**
•	Education	Faculty Certificate in Political and Information Science
•	Current employment (name of firm and position)	Member of Board of Directors of Expobank Russian Federation
•	Membership in Executive or Supervisory boards of other companies	Expobank CZ, A.S. – member of BoD , member of Auditing Board ; Expobank LLC - member of BoD, member of Auditing Board;
•	Number and percentage of shares held in a joint stock company	158,805; 1.40% of shares in Expobank A.D. Beograd

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2) Data on the Chairman and members of the Executive Board

1	**Name, Surname and Residence:**	**Borislav Strugarević, Republic of Serbia**
•	Education	Bachelor of Economics
•	Current employment (name of firm and position)	Chairman of the Executive Board of Expobank A.D. Beograd
•	Membership in Executive or Supervisory boards of other Companies	/
•	Number and percentage of shares held in a joint stock company	56,716; 0.5% of shares in Expobank A.D. Beograd
2	**Name, Surname and Residence:**	**Ernst Bekker, Republic of Serbia**
•	Education	State University of Novosibirsk / Economist - Mathematician
•	Current employment (name of firm and position)	Deputy of the Chairman of the EB of Expobank A.D. Beograd
•	Membership in Executive or Supervisory boards of other Companies	/
•	Number and percentage of shares held in a joint stock company	56,716; 0.5% shares in Expobank A.D. Beograd
2	**Name, Surname and Residence:**	**Aleksandr Kashtalap, Republic of Serbia**
•	Education	Master of Economics
•	Current employment (name of firm and position)	Member of the EB of Expobank A.D. Beograd
•	Membership in Executive or Supervisory boards of other companies	/
•	Number and percentage of shares held in a joint stock company	/

3) State whether the management of the company has an applicable written Code of Conduct and Code of corporate management and a web-site on which they are published

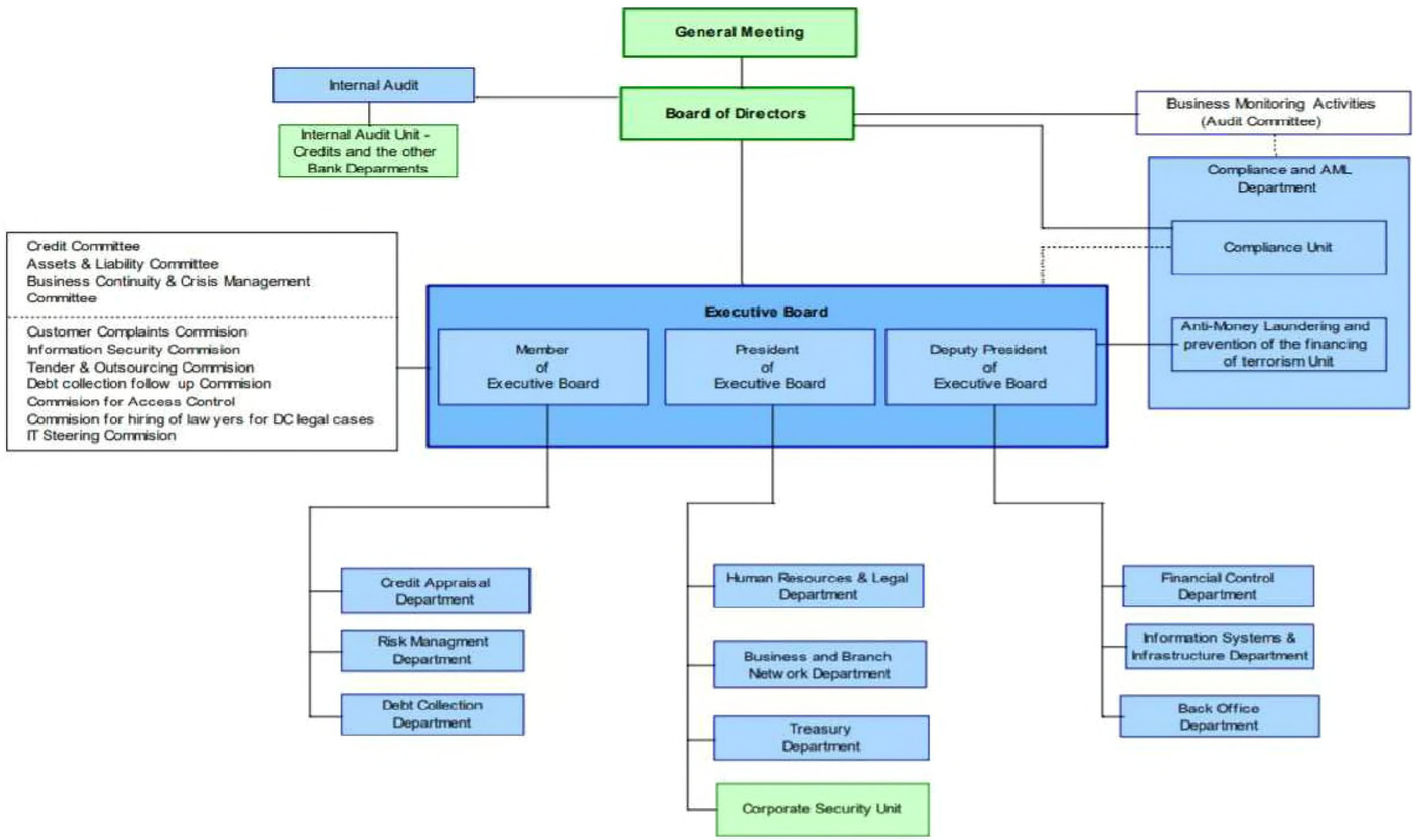
The management of the company implemented the Code of conduct published on the internet portal of Expobank A.D. Beograd.

Expobank A.D. Belgrade applies its Code of corporate management which is publicly available on the internet presentation Expobank A.D. Beograd www.expobank.rs.

4) Branches of the bank on 31.12.2020:

Name	Address	Number of Employees
Dalmatinska 22, Beograd - HQ	Dalmatinska 22	97
Dalmatinska 22, Beograd - Branch	Dalmatinska 22	11
Zemun, Belgrade	Mihaila Pupina 16 D	3
Novi Sad	Petra Drapšina 56	5
Niš	Generala Bože Jankovi ća 2	5
Čačak	Gradsko šetalište bb	6
Šabac	Masarikova 9	6

5) Organizational structure of the Bank on 31 December 2020:



III Information about company's business

1) *Management Board's report on the implementation of the adopted business policy, with listing of cases and reasons for deviation and other principled issues related to the conduct of business:*

The Management Board notes that the business was carried out in accordance with the adopted business policy.

2) *Performance indicators:*

The analysis of realized income, expenses and operating results, income by activities, a description of major products and services, with a special emphasis on solvency, liquidity, economics, and profitability of the company and its market value, as well as the effective change in the legal status of the company (status changes).

1.	Net addition to total capital (net profit/ total capital)	/
2.	Business net loss after taxation	**RSD 257,135 thousand**
3.	Level of indebtedness (total equity / total liabilities)	**27%**
4.	Liquidity (average monthly indicators of Liquidity; min 1%)	**2.33% (in the I month of reporting period)** **2.22 % (in the II month of reporting period)** **2.26% (in the III month of reporting period)**
5.	Capital adequacy (min 12%)	**32.88%**
6.	Bank investments (max 60%)	**21.72%**
7.	Exposure to persons associated with the Bank	/
8.	The sum of large bank exposures (max 400%)	**38.56%**
9.	Foreign exchange risk indicator (max 20%)	**2.55%**
10.	The price of shares -the highest and the lowest in the reporting period, if traded(especially for regular and priority)	/
11.	Market capitalization (on 31.12.2020)	/
12.	Dividend paid according to regular preferred action, for the last 3 years, individually by year	No dividends payments

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3) Analysis of Income statement for the period 01.01.-31.12.2020

000 RSD

INCOMES/ EXPENSES	2020	2019	2020/ 2019 %
Interest income	543,720	665,531	(18.30)
Interest expenses	138,645	166,385	(16.67)
Net interest income	**405,075**	**499,146**	**(18.85)**
Fee and commission income	131,798	148,595	(11.30)
Fee and commission expense	19,165	20,826	(7.98)
Net fee and commission income	**112,633**	**127,769**	**(11.85)**
Net gain / (loss) on derecognition of the financial instruments measured at fair value	33,241	32,211	3.20
Net gain / (loss) based on protection from risk	(2,395)	(4,179)	(42.69)
Net exchange rate gains and gains on agreed currency clause	2,822	16,879	(83.28)
Net income from reduction in impairment of financial assets not measured at fair value through income statement	19,529	(58,055)	133.64
Net loss from derecognition of FI at AC	2	(99,326)	100
Other operating income	13,530	12,718	6.38
Total net operating income	**584,437**	**527,163**	**10.86**
Salaries, salary compensations and other personal expenses	301,469	333,463	(9.59)
Depreciation costs	69,280	65,641	(5.54)
Other income	15,761	5,402	191.76
Other expenses	509,157	403,329	26.24
Profit before taxes	**(279,708)**	**(269,868)**	3.65
Profit / (loss) on deferred taxes	22,573	3,552	535.50
NET PROFIT CURRENT YEAR PROFIT	**(257,135)**	**(266,316)**	**(3,45)**

During 2020, the net interest income decreased by 18.85%, mainly as a result in the reduction in interest margins. The Bank earned interest incomes from bonds bought from the RS amounting to RSD 124,766 thousand which makes up 22.95% of the total interest income (2019: RSD 102,744 thousand or 15.44%).

Net fee and commission income decreased by 11.85% and has amounted to RSD 112,633 thousand. The highest fee income was generated from banking services from companies under payment transactions in the amount of RSD 36,630 thousand (2019: RSD 42,400 thousand), fees for banking services for foreign exchange transactions RSD 19,521 thousand (2019: RSD 17,223 thousand), as well as from banking services fees from other companies for avails, guarantees, letters of intent, etc., which amounted to RSD 16,411 thousand at the end of the year (2019: RSD 17,198 thousand). Most significant decrease has been noted in banking fees for other services provided to private individuals in RSD which amounted to RSD 7,395 thousand (2019: RSD 9,764 thousand).

This year, revenue was generated based on derecognition of financial instruments at fair value, bonds issued by the Republic of Serbia, in the amount of RSD 33,241 thousand, which is 3.2% more than last year.

Also, lower net income from exchange rate differences and effects of the contracted currency clause was recorded during this year amounting to RSD 2,822 thousand. Exchange rate differences generated a net income of RSD 3,385 thousand, and the effect of the contracted currency clause is negative and amounts to RSD 563 thousand (2019: exchange rate differences of RSD 54,552 thousand and the negative effect of the currency clause RSD 37,673 thousand).

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This year, the Bank generated net income from reduction of impairment of financial assets and credit risk off-balance sheet items in the amount of RSD 19,529 thousand (2019 net loss RSD 58,055 thousand).

Other operating income increased by 6.38%, and the main reason for the increase is related to the increase in rent income which amounted to RSD 11,201 thousand (2019: RSD 9,989 thousand).

Other expenses recorded an increase of 26.24%, with the largest share in the increase in expenses being the increase in provisions for legal expenses by RSD 137,683 thousand and increase in expenses from the change in value of repossessed assets and investment properties by RSD 46,907 thousand.

Rent costs amount to RSD 22,961 thousand (2019: RSD 24,580 thousand), but this year they are shown through the cost of depreciation of the lease in the amount of RSD 17,620 thousand, interest in the amount of RSD 1,912 thousand, VAT in the amount of RSD 3,438 thousand and positive currency exchange difference of RSD 9 thousand. The standard provides that the total costs during the lease period will be the same as before the implementation of IFRS16, but they are higher in the initial periods and subsequently reduced.

4) Information regarding achievements by segments, in accordance with IFRS 8

	Corporate banking	Retail	Inter banking	Other	Total
Total segment revenue	**378,070**	**45,295**	**141,541**	**-**	**564,906**
Income from external clients	367,292	42,116	141,541	-	550,949
Income from other segments	10,778	3,179			13,957
Impairment charge	(24,805)	44,935	-	(601)	(19,529)
Derecognition		2			2
Administrative cost	(409,857)	(39,984)	-	(345,024)	(794,865)
Depreciation	(35,936)	(3,506)		(29,838)	(69,280)
Profit/(loss) before tax	**(92,528)**	**46,742**	**141,541**	**(375,464)**	**(279,708)**
Deferred tax charges	-	-	-	22,573	22,573
Net profit/(loss) for the year	**(92,528)**	**46,742**	**141,541**	**(352,870)**	**(257,135)**
Assets	7,407,441	2,141,562	3,503,905	3,223,354	16,276,261
Liabilities	4,535,224	5,931,613	1,947,070	396,445	12,810,352

5) Balance sheet analysis

ASSETS	31.12.2020	Participation	31.12.2019	Participation	Change 2020/2019 %
Cash and balances with the central bank	1,852,572	11.38%	2,019,237	12.70%	(8.25)
Securities	3,390,226	20.83%	2,688,846	16.92%	26.08
Loans and receivable from banks and other financial institutions	113,679	0.70%	253,612	1.60%	(55.18)
Loans and receivables from customers	9,654,965	59.32%	9,650,011	60.71%	0.05
Derivatives	798	0.00%	-	-	-
Intangible assets	31,875	0.20%	40,360	0.25%	(21.02)
Property, plant and equipment	410,528	2.52%	414,963	2.61%	(1.07)
Investment properties	303,220	1.86%	254,443	1.60%	19.17
Current tax assets	1,325	0.01%	1,325	0.01%	-
Deferred tax assets	-	-	-	-	
Other assets	517,073	3.18%	573,016	3.60%	(9.76)
Total assets	**16,276,261**	**100.00%**	**15,895,813**	**100.00%**	**2.39**
LIABILITIES					
Deposits and other financial liabilities to banks, other financial institutions and central bank	1,947,070	15.20%	1,945,497	16.07%	0.08
Deposits and other financial liabilities due to customers	10,461,056	81.66%	9,909,127	81.85%	5.57
Derivatives	3,192	0.02%	-	-	-
Provisions	199,106	1.55%	56,040	0.46%	255.29
Deferred tax liabilities	8,258	0.06%	6,895	0.06%	19.77
Other liabilities	191,670	1.50%	189,338	1.56%	1.23
Total liabilities	**12,810,352**	**100.00%**	**12,106,897**	**100.00%**	**5.81**
EQUITY					
Share capital	8,549,095	246.66%	8,549,095	225.63%	0.00
Accumulated Loss	-5,634,131	-162.56%	-5,376,995	-141.91%	4.78
Reserves	550,945	15.90%	616,816	16.28%	(10.68)
TOTAL EQUITY	**3,465,909**	**100.00%**	**3,788,916**	**100.00%**	**(8.53)**
Total liabilities and equity	**16,276,261**		**15,895,813**		**2.39**

During 2020, there was 2.39% increase in balance sheet assets. The largest changes in the Bank's assets in 2020 compared to 2019 relate to a significant increase in securities by 26.08% and investment properties in amount of RSD 48,777 thousand or by 19.17%.

At the same time, there was 55.18% decrease in exposure to banks and financial organizations due to a decrease in balances on foreign currency account of the Bank in amount of RSD 144,209 thousand.

Loans and receivables from customers remained on the same level as in the prior year.

Table below shows changes in loans and receivables from customers per segments

000 RSD

SECTOR	2020	Partic ipation %	2019	Partic ipation %	2020/2019 %
Enterprises	6,981,708	72.31	6,856,030	71.05	1.83
Entrepreneurs	393,736	4.08	408,289	4.23	(3.56)
Retail	2,137,263	22.14	2,274,740	23.57	(6.04)
Interest and fees	29.888	0.31	22,801	0.24	31.08
Other	112,370	1.16	88,151	0.91	21.47
Total:	**9,654,965**	**100.00%**	**9,650,011**	**100.00%**	**(11.37)**

In 2020, placements to entrepreneurs decreased by 3.56%, placements to households decreased by 6.04%, while placements to enterprises increased by 1.83%. Also, the total share of placements to companies in total placements increased from 71.05% to 72.31% this year, while the share of households dropped from 23.57% to 22.14%.

Short-term loans were granted to households for a period of 6 months to 1 year, with annual interest rates ranging from 12.5% to 14.5% for placements in dinars and from 10.5% to 11.5% for placements with currency clause indexed in euros. The interest rate on the authorized overdrafts on citizens' accounts ranges from 21% to 24% annually. The nominal interest rate on credit card claims during 2020 was in the range of 19.56% to 29.84% on an annual basis.

Long-term dinar loans were granted to households for a period of 13 to 120 months at an annual interest rate of 3.5% to 14.5%.

Long-term loans with a foreign currency clause indexed in euros were granted to households for a period of 13 to 360 months at an annual interest rate of 3.5% to 11.5%.

Short-term loans in dinars and foreign currency were granted to legal entities and entrepreneurs for a period of 1 to 12 months to finance business activities with interest rates ranging from:

- interest from 3M Belibor + 4% to 12% annually for RSD loans;
- 6M Euribor + 4,5% to 6M Euribor + 8,5% p.a. for placements with a foreign currency indexed in euros.

Long-term loans in dinars and foreign currency were granted to legal entities and entrepreneurs for up to 8 years with interest rates ranging from:

- 3M Belibor + 4% to 14% annually for RSD loans;
- 6M Euribor + 4.5% to 10% p.a. for placements with a currency clause indexed in euros.

Changes in the Bank's liabilities mainly relate to the increase in deposits and other financial liabilities due to customers by 5.57% and the increase in the amount of provisions by 255.29% (RSD 143,066 thousand), which was mainly due to an increase in provisions for litigation.

Provisions for litigation in the amount of RSD 171,028 thousand (31.12.2019: RSD 33,345 thousand) increased significantly due to the increase in provisions for contingent liabilities arising from the potential litigation loses for the Bank. The Bank, like other banks in the market, is the subject of various lawsuits regarding loan origination fees. For such cases, the Bank created provision (included in the above amount) of RSD 48,246 thousand. It is currently not possible to determine the exact outcome of all these lawsuits. The Bank's management estimates that there will be no material losses based on the outcome of litigation in excess of the amount for which the provision was made

6) Cases where an uncertainty regarding the collection of revenues or possible expenses exists and which can significantly impact the financial position of the company

For all cases which can significantly impact the financial position of the company a reservation of assets has been carried through in the previous period, and in accordance with IAS and thus, unpredictable situations in future periods are not expected.

7) Investment in research and development regarding the core activity, informational technology and human resources

During 2020, the Bank invested in assets in accordance with the predominant business policy and the planned budget of the Bank.

8) Amount, manner of informing and use of reserves in the last two years

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

9) Related party transactions

Assets	31.12.2020.		31.12.2019.	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Foreign currency accounts	44,889	996	-	117,712
Receivables for fees on loans and deposits	-	7	-	-
Housing loans	-	13,899	-	14,477
Cash loans	-	1,239	-	1,573
Other loans	146	8	-	-
Accrued interest receivables on loans, deposits and other receivables	-	85	-	30
Total assets	**45,035**	**16,234**	**-**	**133,792**

A foreign currency account with a value of RSD 44,889 thousand and RSD 996 thousand relates to funds on the nostro account opened by the Bank with Expobank LLC in Moscow and Expobank CZ, respectively.
Expobank LLC became a shareholder of the Bank on December 23, 2020, while Expobank CZ represents an entity under the control of the ultimate controlling party.

Housing loans in the amount of RSD 13,899 thousand (31.12.2019: RSD 14,477 thousand) are loans given to employees that are considered as the Bank's related parties under the applicable Banking Law. The approved loans were granted at market conditions. No impairment allowance was made for these loans.

	31.12.2020		31.12.2019	
	Bank shareholders	Other related parties	Bank shareholders	Other related parties
Liabilities				
Transaction deposits in RSD	1,818	46,076	1,519	330
Transaction deposits in foreign currency	63,080	730	697	449
Savings deposits in RSD	9,553	2,447	6,718	302
Savings deposits in foreign currency	1,822	23,480	23,519	22,702
Deposits on the basis of granted loans in RSD	210	-	-	-
Deposits on the basis of granted loans in foreign currency	-	211,644	-	211,667
Borrowings in foreign currency	-	940,642	-	1,708,882
Accrued liabilities for interest and other expenses per subordinated liabilities in foreign currency	-	2,752	-	406
Total liabilities	**76,483**	**1,227,771**	**32,453**	**1,944,738**

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A deposit of RSD 211,644 thousand relates to Expobank CZ deposits (31.12.2019: RSD 211,667 thousand), while loan received in the amount of RSD 940,642 thousand (31.12.2019: RSD 1,708,882 thousand) relates to the loan received from EXPOBANK CZ in amount of EUR 8,000 thousand.

10) What financial instruments are used if it is significant for the assessment of the financial position and performance of the business

The Bank used EURRSD SWAP and REPO transactions with the National Bank of Serbia, in order to maintain liquidity in the local currency, in a business environment of increased risk due to measures implemented to combat negative effects of the virus.

11) Goals and policies related to financial risk management, along with the policy of protection of the most significant planned transaction for which the protection is used

The Bank continuously identifies, assesses, monitors and manages risks in accordance with national and international banking and accounting regulations, ensuring an integrated, prudent and consistent risk management system. The Board of Directors of the Bank has established adequate risk management and internal control system, which includes various corporate and management boards: Board of Directors, Executive Board, Audit Committee, Assets and Liabilities Management Committee (ALCO), Credit Committee.

The functioning of the system is regulated by policies and procedures adopted individually for each materially significant type of risk.
In accordance with the adopted strategic goals and the bases for their realization, the Bank has defined the goals for the needs of continuous risk management (credit, market, interest rate, currency, operational), namely:

- achieving and maintaining the status of a stable and reputable financial institution, specialized in supporting the private individuals, small and medium enterprises,
- maintaining the trust of its clients and ensuring the security and profitability of their investments,
- providing assistance to clients in their business and development
- growth in the volume of balance sheet assets,
- growth of market share and strengthening of market position,
- maintaining the stability of the Bank's sources of financing,
- ensure liquid, economical and successful operations.

In order to improve capital levels and improve the portfolio, the Bank's focus is on:

- changing the structure of assets by intensifying the collection of problematic loans and the sale of NPL portfolios,
- approving loans only to A and B category clients,
- enhanced monitoring of credit activities.

Comprehensiveness and reliability of the risk management system, as well as the Bank's risk appetite, is based on:

- Active participation of the members of Executive Board and Board of Directors in the risk management process (the Executive Board and Board of Directors regularly review reports on the Bank's exposure to risks, as well as measures to manage and mitigate these risks, Audit Committee analyzes and monitors implementation of adopted risk management strategies and policies)
- Establishment of the Bank's Credit Committee
- Establishment of the Bank's Assets and Liabilities Management Committee (ALCO)
- Adoption of the Business Continuity Plan (BCP) and the Disaster Recovery Plan (DRP)
- Adoption of risk identification and risk management methodologies
- Adoption of measures to mitigate certain types of risks and rules for the application of those measures
- Established limit system

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- Calculation and distribution of internal capital

The long-term goal of the Bank in risk management is to minimize the negative effects on the financial result and capital of the Bank due to exposure to all potential risks.

In accordance with its strategic and long-term goals, the Bank has defined the following objectives for risk management:

- avoiding or minimizing risks in order to maintain operations within acceptable levels of risk, in accordance with the defined risk appetite of the Bank;
- minimizing risks within the acceptable level of the Bank's exposure in dinars with a currency clause and in foreign currency- both at the portfolio level and by type of the exposure;
- minimizing negative effects on the Bank's capital;
- maintaining the Bank's capital adequacy ratio at a level that covers all identified risks;
- increasing the share of exposure to companies with the aim of diversifying the portfolio;
- increasing the source of financing in order to improve the structure and level of the deposit base;
- adequate exposure management in order to timely identify potentially problematic placements;
- establishing an adequate system of prevention of money laundering and terrorist financing activities, which would minimize the possibility of using the business relationship, transaction, service or products of the Bank for the purpose of money laundering and terrorist financing, as well as raising employee awareness in this subject;
- ensuring constant harmonization of the Bank's operations with the law, regulations and internal acts, especially in the field of money laundering and terrorist financing, i.e. mutual harmonization of the Bank's internal acts.
- ensuring the continuous development of IT support in order to adequately monitor and manage all risks.

In the long run, the Bank will maintain risks within the prescribed limits (each individually up to the level prescribed by law or up to the level of limits defined by the Bank's internal acts).

The basic principles of risk management are defined by the Risk Management Policy. Based on the Risk Management Strategy and the Risk Management Policy, the Board of Directors adopts and implements risk management procedures that describe individual risk management processes.

Risk management policies and procedures prescribe the manner of organizing the Bank's individual risk management process, methodologies for identifying, measuring or assessing, mitigating and monitoring specific risks, as well as the principles of functioning of the internal control system.

Risk management policies and procedures are reviewed at least annually and changed more frequently if significant changes occur in the Bank's risk profile.

12) Exposure to price risk, credit risk, liquidity risk and cash flow risk, a strategy for managing these risks and assessing their effectiveness

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 arises from crediting operations. Credit risk is monitored at several levels: by assessing the creditworthiness of clients before approving a loan and by monitoring the creditworthiness throughout the lifetime of the financial instrument, as well as by collection and management of overdue receivables.

Total maximum credit exposure before reduction for collateral amounts is given below:

	31.12.2020.	31.12.2019.
Banks' placements – net	113,679	253,612
Allowances for provision	185	1,330
Gross banks placements	**113,864**	**254,942**
Loans and advances to customers		
Loans to retail (with entrepreneurs)	2,501,428	2,596,411
Loans to corporate		
- Large	487,909	559,686
- Small, medium and micro	6,560,511	6,391,689
- Other	105,118	102,225
Total net loans and advances to customers	**9,654,965**	**9,650,011**
Allowances for provision	275,885	284,911
Gross loans and advances to customers	**9,930,851**	**9,934,922**
Total gross risk bearing assets	**10,044,715**	**10,189,864**

To maintain credit risk at an acceptable level, the Bank:

- reviews the creditworthiness of the borrower for loans, guarantees and other products,
- sets credit limits based on risk assessment,
- operates with creditworthy customers and obtains adequate 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 and towards related parties is also constantly monitored within the Risk Management Strategy as an established level of risk profile and risk appetite.

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

The Bank's management created provisions for all potential credit losses based on all known and foreseeable risks.

The Bank manages liquidity risk in accordance with Chapter - Liquidity Risk Management, which defines the system of liquidity risk management, responsibilities and responsibilities of system participants, controls that are taken to make the system as efficient as possible, the methodologies used to monitor this risk, and the Liquidity Management Plan in crisis situations.

The year 2020 passed in a changed business environment caused by measures to fight the COVID-19 virus pandemic. In accordance with the recommendations and the Decision of the National Bank of Serbia, the Bank enabled its clients to delay the repayment of debtors' obligations, as well as relaxed repayment terms for those clients who are significantly affected by measures to combat the pandemic. Also, the Bank continuously conducted portfolio analysis and clients, who had problems in conducting their business activities, the Bank changed their Level in accordance with IFRS 9, i.e. in the calculation of ECL carried out the transfer of clients from Level 1 to Level 2.

Despite the changed business environment caused by measures implemented in order to combat the COVID-19 pandemic, the Bank maintained a high level of liquidity throughout 2020, adapting to the new circumstances. The stability of the deposit base was maintained, with no interruptions in the business operations and an increase in lending activity.

During the year, the RCSA process also included exposure to operational risks due to the implementation of special measures conditioned by the outbreak of COVID-19. In addition to the illnesses of management, employees and service providers, a special focus is placed on information security, stability of ICT systems, uninterrupted delivery of services to Bank's clients, functioning of the activities entrusted to Bank's service providers, compliance with regulations and preventing potential abuses by both external parties and employees of the Bank.

13) Important business events that occurred after the reporting period

During 2020, the COVID-19 virus continued to spread globally, and its negative impact gained in importance. At the end of 2020, the National Bank of Serbia passed a Decision on measures prepared for banks in order to adequately manage credit risk in the context of the COVID-19 pandemic (hereinafter: the Decision), which prescribes measures and activities to provide relief to debtors. Obligations include obligations of debtors on the basis of loans and other credit products. The facilities are in the form of reprogramming and refinancing of loans, which include a change in loan terms in the form of a grace period in the repayment of all obligations to the Bank for a period of six months. Based on this Decision, the Bank received a total of 71 requests, of which 35 were approved with exposure of RSD 638.926 thousand, with impairment allowances amounting to RSD 24,194 thousand.

The management believes that the effects of the current epidemiological situation will be reflected mainly on the liquidity and quality of the loan portfolio, having in mind the uncertainty of the duration of the current pandemic.

In the first quarter of 2021, the Bank continued its activities aimed at reducing the number of investment properties and foreclosed properties. The Bank executed 3 contracts, which reduced the exposure by RSD 92,724 thousand, with a negative impact on the Income Statement of RSD 12,608 thousand.

After the date of the reporting period, the Bank received a total of 128 lawsuits worth RSD 1.251 thousand in disputes regarding the fee for processing loan applications. The Bank's management considers that the amount of provisions for these disputes as of 31.12.2020. year is sufficient for all future payments of these fees as well as related costs, based on any lost disputes.

After the date of the reporting period, there were no other events that would require disclosure in the notes to the Bank's financial statements as of and for the year ended 31 December 2020.

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14) A description of the expected development and the risks to which the business is exposed

The vision of the Bank is the successful positioning on the banking and financing market, taking a long-term view, its developments as a dynamic, financially strong Bank, specialized for the support to small and medium companies. The Bank strives toward a recognizable, professional level of service, along with a constant growth of internal organization and client satisfaction.

By focusing on integrated services offered to small and medium sized companies and „personal banker" based on „corporate channels" sale enables the Bank to, without an increase in administrative expenses, effectively increase non-interest-bearing income, due to:

- maintenance of a flexible product line (development of the „niche", service of transactions and reservations);
- emphasis on cross-selling;
- the implementation of a service model focused on the highest quality service.

The analysis and the structure of incomes and expenses, the expected balance and source of assets of the Bank, as well as the expected macroeconomic factors of operation define the core strategic goals of the Bank:

- Achieving and maintaining the status of a stable and reputable financial institution, specialized in the support to small and medium sized companies, stimulating the export and crediting the development of the economy.
- Stimulating market specializations and operating efficiency;
- Keeping the trust of its clients and securing the safety and profitability of their investments;
- Offering support to clients in their operations, development and business projects as to establish a long-term cooperation with as many valuable and perspective clients as possible;
- Growth in market share and strengthening the market position in Serbian banking sector;
- Expanding the client base through market identification of the Bank's services with potential clients through proactive activities;
- The active management of the Bank's portfolio, along with the expanding of the Bank's client base and the further diversification of placements;
- Maintaining the stability of the bank's financing sources;
- Identifying market niches in order to maximize profits and reduce risks through a high level of service and client satisfaction.

The basis for achieving the stated goals is:

- Maintaining a high liquidity level;
- Maintaining a high capital adequacy ratio, significantly above the regulatory prescribed level;
- Competitive profitability expressed through ROA and ROE;
- Strict cost monitoring and further enhancement of process efficiency;
- Enhancement of collection efficiency and the prevention of new NPL.

By finding a potential new strategic partner, the Bank plans to increase its business volume that will enable the Bank to grow faster than the average market. In this way, the Bank plans to expand its geographical coverage and provide more and more financial opportunities to its customers.

In Belgrade, 17 March 2021

Dragana Radaković Financial control manager	Borislav Strugarević Chairman of Executive board