EXPOBANK A.D. BEOGRAD

INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR 2021

MOORE

This version of our report/ the accompanying documents is a translation from the original. which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However. in all matters of interpretation of information. views or opinions. the original language version of our report takes precedence over this translation.

EXPOBANK A.D. BEOGRAD

Independent Auditor’s Report on the
Audit of the Financial Statements for the Year 2021

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of EXPOBANK a.d. Beograd

Report on the Audit of Financial Statements

Opinion

We have audited the annual financial statements of Expobank a.d. Beograd (the Bank), which comprise the balance sheet as at 31 December 2021 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Expobank a.d. Beograd as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Responsibilities of the Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the current accounting regulations in effect in the Republic of Serbia, 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, the Management is responsible for assessing the Banks'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 the Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Persons authorized for management are responsible for overseeing the Bank's financial reporting process.

To the Shareholders of EXPOBANK a.d. Beograd (continued)

Auditor’s Responsibilities for the Audit of the Financial Statements

The objectives of our audit 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the planning and performance of 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 the Management 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT (continued)

To the Shareholders of EXPOBANK a.d. Beograd (continued)

Other Information

Other information included in the Bank's Annual Business 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.

Other Issues

The financial statements of the Bank as of and for the year ended 31 December 2020 were audited by another auditor, who expressed an unmodified opinion on the financial statements in its Report dated 17 March 2021.

Report on Other Legal and Regulatory Requirements

According to the requirements arising from Article 33 of the Law on Accounting and Article 39 of the Law on Audit of the Republic of Serbia, we performed procedures required in respect to the Annual Business Report (including Corporate Governance Report) to verify it compliance with annual financial statements, as well as checks whether the Annual Business Report (including the Corporate Governance Report) is prepared in accordance with the applicable legal provisions.

In our opinion, the Annual Business Report is:

- *consistent with the Bank's annual financial statements; and*
- *prepared in accordance with the requirements of Article 34 of the Law on Accounting.*

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.

Belgrade, 21 March 2022

„MOORE STEPHENS Revizija i Računovodstvo" d.o.o. Beograd 4 Studentski Trg, 5th floor	*„MOORE STEPHENS Revizija i Računovodstvo" d.o.o. Beograd 4 Studentski Trg, 5th floor*
Ružica Vukosavljević Authorised Auditor	*Bogoljub Aleksić Managing Partner*

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

INCOME STATEMENT
For the period 01.01.2021 do 31.12.2021

in 000 rsd

	Note	2021	2020
Interest income	6	547.038	543.720
Interest expenses	6	(148.068)	(138.645)
Net interest income		**398.970**	**405.075**
Fee and commission income	7	143.165	131.798
Fee and commission expenses	7	(20.520)	(19.165)
Net fee and commission income		**122.645**	**112.633**
Net gains from derecognition of the financial instruments measured at fair value	8	92.217	33.241
Net losses on hedging	9	2.395	(2.395)
Net exchange rate gains and gains on agreed currency clause	10	(4.401)	2.822
Net expenses on impairment of financial assets not measured at fair value through income statement	11	2.301	19.529
Net losses on derecognition of the financial instruments recognized at amortised cost		-	2
Other operating income	12	19.985	13.530
Total net operating income		**634.112**	**584.437**
Salaries, salary compensations and other personal expenses	13	(306.643)	(301.469)
Depreciation costs	14	(66.116)	(69.280)
Other income	15	141.713	15.761
Other expenses	16	(374.602)	(509.157)
Loss before tax		**28.464**	**(279.708)**
Gains/(losses) on deferred taxes	17	1.112	22.573
Profit/(Loss) after tax		**29.576**	**(257.135)**

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

OTHER COMPREHENSIVE INCOME STATEMENT

For the year ending 31 December 2021.

in 000 rsd

	2021	2020
(LOSS)/PROFIT FOR THE PERIOD	**29.576**	**(257.135)**
Components of other comprehensive income which cannot be reclassified to profit or loss:		
Decrease of revaluation reserves due to sale of fixed assets	-	-
Increase of revaluation reserves due to sale of fixed assets	31.634	29.018
The effect of calculating deferred taxes	(4.745)	(4.353)
Actuarial profits /(losses)	(4.065)	(109)
Components of other comprehensive income which can be reclassified to profit or loss:		
Positive/negative effects of change in the values of debt securities measured at fair value through other comprehensive income	(66.128)	(37.603)
The effect of calculating deferred taxes	23.894	(19.583)
Total positive other comprehensive income	**(19.410)**	**(32.629)**
TOTAL PERIOD RESULT	**10.166**	**(289.764)**

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

BALANCE SHEET

For the year ending 31 December 2021.

in 000 rsd

	Note	2021.	2020.
ASSETS			
Cash and cash funds held with the central bank	18	2.098.591	1.852.572
Securities	19	4.115.227	3.390.226
Loans and receivables from banks and other financial institutions	20	460.650	113.679
Loans and receivables from customers	21	8.912.229	9.654.965
Receivables on financial derivatives for risk protection		-	798
Intangible assets	22	43.759	31.875
Property, plant and equipment	23	422.571	410.528
Investment property	24	209.661	303.220
Current tax assets		-	1.325
Deffered tax asset	29	12.003	
Other assets	25	496.746	517.073
TOTAL ASSETS		**16.771.437**	**16.276.261**
LIABILITIES AND EQUITY			
Deposits and other liabilities to banks, other financial institutions and central bank	26	1.333.769	1.947.070
Deposits and other liabilities due to customers	27	11.790.412	10.461.056
Liabilities under hedging derivates		-	3.192
Provisions	28	94.466	199.106
Deferred tax liabilities		-	8.258
Other liabilities	30	168.932	191.670
TOTAL LIABILITIES		**13.387.579**	**12.810.352**
EQUITY			
Share capital	31	8.549.095	8.549.095
Loss	31	(5.604.555)	(5.634.131)
Reserves	31	439.318	550.945
TOTAL EQUITY		**3.383.858**	**3.465.909**
TOTAL LIABILITIES AND EQUITY		**16.771.437**	**16.276.261**

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

STATEMENT OF CHANGES IN EQUITY
For the period 01.01.-31.12.2021.

in 000 rsd

	Share capital and other equity	Premium on issue of shares	Reserves from profit and other reserves	Revaluation reserves and unrealized losses	(Loss)/profit	Total
Opening balance as at 1 January 2020	**5.671.608**	**2.877.487**	**151.673**	**465.143**	**(5.376.995)**	**3.788.916**
Current year losses	-	-	-	-	(257.135)	(257.135)
Other comprehensive income						
Effect of change in fair value on financial assets	-	-	-	(37.603)	-	(37.603)
Decrease in revaluation reserves on sale of fixed assets	-	-	-	(23.936)	-	(23.936)
Actuarial profits	-	-	-	29.018	-	29.018
Total other comprehensive income of the period	-	-	-	(109)	-	(109)
Effect of sale of securities and writing off from other comprehensive income	-	-	-	**(32.629)**	**-**	**(32.629)**
Transfer from reserve to result	-	-	-	(33.241)	-	(33.241)
Balance as at December 31, 2020	**5.671.608**	**2.877.487**	**151.673**	**399.272**	**(5.634.131)**	**3.465.909**
Opening balance as at 1 January 2021	**5.671.608**	**2.877.487**	**151.673**	**399.272**	**(5.634.131)**	**3.465.909**
Current year result	-	-	-	-	29.576	29.576
Other comprehensive income						
Effect of change in fair value on financial assets	-			(66.128)	-	(66.128)
Effect of calculation of deferred taxes on other result				19.149	-	19.149
Increase in revaluation reserves on revaluation of fixed assets				31.634	-	31.634
Actuarial profits	-	-	-	(4.065)	-	(4.065)
Total other comprehensive income of the period	-	-	-	**(19.410)**	**-**	**(19.410)**
Effect of sale of securities and writing off from other comprehensive income	-	-	-	(92.217)	-	(92.217)
Balance as at December 31, 2021	**5.671.608**	**2.877.487**	**151.673**	**287.645**	**(5.604.555)**	**3.383.858**

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

CASH FLOW STATEMENTS

For the period 01.01.-31.12.2021.

in 000 rsd

	2021	2020
OPERATING ACTIVITIES		
Cash inflows from operating activities	**882.154**	**710.577**
Inflows from interests	544.329	533.156
Inflows from fees and commissions	142.056	130.193
Inflows from other operating activities	195.769	47.228
Cash outflows from operating activities	**(823.468)**	**(759.162)**
Outflows from interests	(152.874)	(136.329)
Outflows from fees and commissions	(20.617)	(19.126)
Outflows from gross salaries, wages and other personal expenses	(317.340)	(296.788)
Outflows from taxes, contributions and other duties charged	(76.969)	(68.882)
Outflows from other operating expenses	(255.668)	(238.037)
Net cash inflow / (outflow) from operating activities before increase or decrease in loans and deposits	**58.686**	**(48.585)**
Decrease of financial assets and increase of financial liabilities	**2.441.033**	**638.530**
Decrease of loans and other receivables from banks and other financial institutions	724.592	95.916
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	1.716.441	542.614
Increase in placements and decrease in borrowings and other liabilities	**(880.156)**	**(775.416)**
Decrease 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	(880.156)	(775.416)
Decrease in other financial liabilities	-	-
Net cash inflow/outflow from operating activities before income tax	**1.619.563**	**(185.471)**
Paid income tax	-	-
Net cash inflow/outflow from operating activities	**1.619.563**	**(185.471)**
INVESTMENT ACTIVITIES		
Proceeds from investments in investment securities	92.217	33.241
Inflows/(outflows) from the sale/(purchase) of intangible assets, property, plant and equipment	(65.379)	(28.556)
Other outflows from investment activities	(91.699)	(74.632)
Net cash outflow from investment activities	**(64.861)**	**(69.947)**
FINANCING ACTIVITIES		
Proceeds from borrowings	-	9.644
Inflows/(outflows) from borrowings, net	(994.438)	-
Net cash inflow/(outflow) from financing activities	**(994.438)**	**9.644**
NET CASH INCREASE/DECREASE	**560.264**	**(245.774)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1.098.801	1.341.189
FOREIGN EXCHANGE LOSSES, NET	(4.524)	3.386
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**1.654.541**	**1.098.801**

EXPOBANK A.D. BEOGRAD

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL BANK INFORMATION

Expobank a.d. Belgrade was established on December 28, 1990. In accordance with the Law on Banks, the bank was registered to perform payment transactions in the country and abroad and credit and deposit transactions in the country.

The registered office of Expobank A.D. Belgrade is in Belgrade, Dalmatinska Street 22, where the Bank's main office is located as well. The business network of branches, business units and other cash desks as at 31 December 2021 consists of 6 organizational units (31 December 2020: 6 organizational units).

As at 31 December 2021, the Bank had 129 employees (31 December 2020: 133), while the average number of employees during 2021 was 131 (2020: 130).

The Bank's registration number is 07534183, and the tax identification number is 100003148.

By the decision of the the Business Registers Agency BD 82147/2014 of October 2, 2014, Borislav Strugarević was appointed Chairman of the Executive Board.

By the decision of the Business Registers Agency BD 79757/2019 from August 23, 2019, Aleksandr Kashtalap was appointed a member of the Executive Board of the Bank.

As at 31 December 2021, members of the Executive Board are: Borislav Strugarevic and Aleksandr Kashtalap

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis for Preparation and Presentation of Financial Statements

The Bank's individual financial statements (hereinafter “the financial statements”) for 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The accompanying financial statements are separate financial statements.

Published standards and interpretations that have become effective in the current period are disclosed in Note 2.2, and Published Standards and Interpretations that have not yet become effective are disclosed in Note 2.3.

The attached financial statements are presented in the format prescribed by the Decision on Forms and Content of Items in Forms of Financial Statements for Banks (“Official Gazette of RS” No. 93/2020).

The financial statements have been prepared under the historical cost principle, unless otherwise stated in the accounting policies set out below.

In preparing these financial statements, the Bank has applied the Accounting Policies explained in Note 3.

The Bank's financial statements are presented in thousands of dinars. The dinar is the official reporting currency in the Republic of Serbia.

2. **BASIS FOR PREPARATION OF FINANCIAL STATEMENTS** (continued)

2.2. Amendments to IFRS Whose Entry Into Force and Application Are Mandatory in the Current Year

The adopted accounting policies are in accordance with those of the previous financial year, except for the following amended IFRS which were adopted by the Bank on 1 January 2021:

- IFRS 16: Leasing and IFRIC 23: Uncertainty over Income Tax Treatments

The Decision on Determining the Translation of International Financial Reporting Standards (Official Gazette of the RS, Nos. 123/2020 and 125/2020) published a translation of all IFRS, including IFRS 16 - Leasing. In accordance with the Decision, the basic texts of IAS or IFRS are applied starting from the financial statements prepared as of December 31, 2021, while the earlier application to the financial statements prepared as of December 31, 2020 is possible with disclosure of relevant information in the Notes to the Financial Statements. Therefore, the Decision published a translation of the new IFRS 16 - Leasing and IFRIC 23 - Uncertainty over Income Tax Treatments, while other standards repeated the translation from the previous decision which is put out of force except in the case of its application when preparing financial statements on 31 December 2020, with mandatory application of all standards starting from the financial statements as of December 31, 2021.

2.3. Standards That Have Been Issued but Have Not Yet Entered Into Force and Have Not Been Adopted Before

- Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale of Assets between Investors and Subsidiaries

The amendments indicate a known discrepancy between the requirements in IFRS 10 and those in IAS 28, related to the sale or transfer of assets between an investor and its subsidiaries and joint ventures. The main consequence of the amendments relates to the fact that the total loss or gain is recognized when the transaction affects the business (regardless of whether it is a subsidiary or not). Partial gain or loss is recognized when the transaction affects a non-business asset, even when the asset is part of a subsidiary. In December 2015, the International Accounting Standards Board postponed the date of application of this standard indefinitely pending the outcome of the research related to the application of share methods. This change has not yet been approved by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- IAS 1 Presentation of Financial Statements: Classification of Short-Term and Long-Term Liabilities (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The International Accounting Standards Board has issued an exposure proposal to postpone the entry into force of these amendments until January 1, 2023. The purpose of the amendments is to promote consistency in the application of requirements by helping companies determine whether the statement of financial position, debts and other liabilities with uncertain maturity dates need to be classified as short-term or long-term. The amendments affect the presentation of liabilities in the statement of financial position and do not change the existing requirements regarding the measurement or time of recognition of any assets, liabilities, income or expenses, or the information that the company discloses about these items. Moreover, the amendments clarify the requirements for the classification of debt that a company can settle by issuing its own equity instruments. These changes have not yet been approved by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements (Amendments)
The amendments are effective for annual reporting periods beginning on or after 1 January 2022, with earlier application permitted. The International Accounting Standards Board has issued amendments to IFRS of narrow scope as follows:
• IFRS 3 Business Combinations (Amendments) updates the reference in IFRS 3 Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
• IAS 16 Property, Plant and Equipment (Amendments) prohibits a company from deducting from the cost of property, plant and equipment amounts received from the sale of manufactured items while the company is preparing an asset for its use. Instead, the company will recognize such sales revenue and related costs in the income statement.

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

2.3. Standards That Have Been Issued but Have Not Yet Entered Into Force and Have Not Been Adopted Before (continued)

• IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) states what costs an entity includes in determining the cost of fulfilling a contract to assess whether the contract is onerous.
• Annual improvements lead to minor changes to IFRS 1, the first adoption of International Financial Reporting Standards, if IFRS 9 Financial Instruments, IAS 41 Agriculture and Illustrative Examples accompany IFRS 16 Leasing. These changes have not yet been approved by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- Reference interest rate reform - Phase 2 - IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)

In August 2020, the IASB announced the Reform of Reference Interest Rates - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, concluding its work in response to the reform of the IBOR. The amendments provide temporary relief that address the effects of financial reporting when the interbank offered rate (IBOR) is replaced by an alternative near-risk-free interest rate (RFR). In particular, the amendments provide for a practical exception when calculating changes in the basis for determining the contractual cash flows of financial assets and liabilities, in order to require an adjustment to the effective interest rate, equivalent to market interest rate movements. The amendments also introduce facilities for terminating a hedging relationship, including a temporary exemption from the need to meet a separately identifiable requirement when an RFR instrument is designated for a hedging risk component. Furthermore, the amendments to IFRS 4 are designed to enable insurance companies that continue to apply IAS 39 to receive the same benefits as those provided for in the amendments to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures that enable users of financial statements to understand the effects of the reference interest rate reform on financial instruments and the entity's risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021, with the possibility of earlier application. When the application is retrospective, the entity is not required to modify data from prior periods. These changes have not yet been approved by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

2.5. Comparative Information

Comparative information in these financial statements represent data from the Bank's financial statements for 2020.

2.6. Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to use the best possible estimates and reasonable assumptions, which have an effect on the application of accounting policies and on the reported amounts of assets and liabilities, as well as income and expenses. The actual value of assets and liabilities may deviate from the value estimated in this way. Areas that involve a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.
BASIS FOR PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.7. Statement of Compliance

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

In preparing the accompanying financial statements, the Bank has applied the accounting policies disclosed below Notes 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 in business for the foreseeable future. In 2021, the bank operated with a profit, with good capitalization and a sufficient level of liquidity provided through deposits and loans. Note 32 provides details on compliance with regulatory indicators, while Note 26 provides details on borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
3.1. Foreign Currency Translations

Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into dinars at the average exchange rate of the National Bank of Serbia valid on the balance sheet date. Gains and losses arising from the translation of receivables and liabilities are recognized in profit or loss.

Foreign currency transactions are translated into dinars at the official exchange rate at the date of the transaction. Net foreign exchange gains and losses resulting from foreign currency transactions and from the translation of foreign currency balance sheet items are credited or charged to the income statement as foreign exchange gains or losses.

3.2. Interest Income and Expense

Interest income and expense on all interest-bearing financial instruments are recognized in the income statement within 'interest income' and 'interest expense' using the effective interest method.

The effective interest method is a method that calculates the cost of repaying financial assets or financial liabilities as well as the cost of allocating interest income or interest expense over a specified period. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, over a shorter period of time to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows taking into account all contractual terms of the financial instrument (for example, prepayment) but does not take into account future credit losses. The calculation includes all fees and amounts paid or received between the two parties that are an integral part of the effective interest rate.

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (level 3), for which interest income is calculated at the effective interest rate on their amortized cost less value adjustments based on expected credit losses and (ii) financial assets purchased or realized with impairment for credit losses, for which the original credit-adjusted effective interest rate is applied to amortized cost.

3.3. Fee and Commission Income and Expenses

Fee and commission income is recognized 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. This income includes fees that are often repeated - for account management, account servicing, current account packages, etc.

Other fee and commission income are recognized when the Bank meets its obligation, usually after the relevant transaction has taken place. The amount of fees and commissions paid or receivable represents the transaction price for the service, which is identified as the performance of a specific obligation. This revenue includes payment fees, cash settlement fees, collection or cash disbursements.

3.4. Dividend Income

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

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 or financial liability, with the simultaneous occurrence of a financial liability, i.e. a financial asset of third parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets

A financial asset is any asset that is:
- cash,
- equity instrument of another legal entity,
- contractual right to receive cash or some other financial asset from another legal entity,
- contractual right to exchange financial assets or financial liabilities with another legal entity, under conditions that are potentially favourable,
- a contract that will or may be settled with equity instruments and that is non-derivative, and for which the Bank is or may be obliged to receive a variable number of equity instruments,
- a contract that will or may be settled by equity instruments and which is a derivative, and which will be or may be settled other than by exchanging a fixed amount of cash or other financial asset for a fixed number of equity instruments.

Financial liabilities

A financial liability is any contractual liability:

- to deliver cash or other financial means to another legal entity,
- to exchange financial instruments with another legal entity under conditions that are potentially unfavourable.

Principles of valuation of financial instruments

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

Financial assets

Upon initial recognition, the Bank measures a financial asset at fair value, increased or decreased for transaction costs that are directly attributable to the acquisition or issue of the financial asset.

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

Upon initial recognition, the Bank may irrevocably determine that financial assets that otherwise 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 or loss (FVTPL), if it eliminates or significantly reduces an accounting inconsistencies that would otherwise occur.

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

Fulfilment of the test of characteristics of contracted cash flows means that cash flows consist exclusively of payment of principal and interest on the remaining principal (SPPI criterion).

Classification and measurement

Financial assets can be classified into the following categories:
- financial assets valued at amortized cost (AC)
- financial assets measured at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income with losses and gains reclassified to profit or loss - "recycling" (FVOCI) upon derecognition
- financial assets measured at fair value through other comprehensive income without reclassifying losses and gains in profit or loss (FVOCI)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets (continued)

(a) *Amortized cost* (AC)

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

Rare sales, even large values or frequent sales of small value, sales made immediately before the maturity of financial assets (less than 3 months before maturity) and when the revenue from such sales are approximately equal to the amount that would be collected from 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 beyond the Bank's control and that 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 evaluate loans, placements given to customers and banks, at amortized cost.

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

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

The results of the analysis of business models and the estimates of contracted cash flows showed that the Bank evaluates debt securities at fair value through other comprehensive income.

If debt securities do not meet the test characteristics of contracted cash flows, they are measured at fair value through profit or loss.

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

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

Taking into account the nature of the Bank's liabilities, the accounting for financial liabilities is the same as in accordance with the requirements of IAS 39. The Bank has no financial liabilities that are assessed 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

In accordance with IFRS 9, the methodology for impairment is significantly changed, and the approach of IAS 39 incurred loss is replaced, with the principle of forward-looking expected credit loss (ECL) approach by including the impact of expected macroeconomic variables on the future movement of the probability of loss based on statistically proven interdependencies. Impairment losses for expected losses are calculated for all receivables and other debt instruments that are not measured at fair value through profit or loss, including irrevocable liabilities and issued guarantees. Impairment losses are based on the expected credit loss in accordance with the probability of default in the next 12 months, except when there is a significant deterioration in credit risk compared to the moment of initial recognition, when the assessment of credit losses is based on the probability of default over the life of the asset.

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

LEVEL 1

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

The expected credit loss recognized for Level 1 financial instruments represents at most one-year portion of accrued credit losses.

Calculated in this manner, expected 12-month credit losses are part of expected credit losses over the financial instrument duration and represent cash deficits during the term that will result if default occurs 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.

LEVEL 2- Significant increase in credit risk

The Bank classifies financial instruments in level 2 credit risk when it identifies that there is one or more of the following indicators that may indicate that there has been a significant increase in credit risk:

- 31-90 days past due
- restructuring of non-problematic receivables
- account block by the NBS for 30 days or more
- rating downgrade by 2 rating classes

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

At the reporting date, the Bank measures the allowance for a financial instrument at an amount equal to the expected credit loss over its life, if the credit risk for that financial instrument has increased significantly since 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)

Impairment of financial assets (continued)

LEVEL 3- status of default

Level 3 of credit risk includes financial instruments that are considered problematic, ie for which there is objective evidence of impairment. The Bank has identified a list of indicators that it monitors in order to identify the status of problem clients:

- blocked accounts for more than 60 days in continuity
Reduction of the payment capacity that can be reflected in:
• 50% decrease in operating income
• capital decrease of more than 50%
- for retail receivables that has been sued according to Bank's records
- for legal entities and entrepreneurs, the client in the status of defendant, bankruptcy, UPPR
- the client has not submitted the last financial statement to the register of business entities
- for corporates, entrepreneurs and individuals which are placed in sector of collection of receivables (WOD);
- Other information that indicates business problems or may affect the inability to service debt, such as:
• frequent reminders of the client about settling obligations, difficult negotiations, indicating that the client has or will have problems in business and
• 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 allowance is calculated as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.
Future cash flow is determined based on insight into the borrower's creditworthiness and credit risk exposure.
The reversal of an impairment loss is recognized as income in the period in which the reversal is reversed.
The final write-off of uncollectible receivables is made on the basis of a court decision, settlement of interested parties, or on the basis of decisions of the 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 implementing the accounting write-off are defined by the acts of the Debt Collection Department.

3.6 Provisions

Provisions for liabilities and expenses are non-financial liabilities of uncertain timing or amount. A provision is recognized when the Bank has a present legal or constructive obligation as a result of a past event, and such an obligation can be measured 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 applicable, the risks associated with the liability. The Bank does not discount future cash flows that are expected to arise in the near future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7. Sales and Repurchase Agreements

Securities sale-repurchase agreements ("repo") are securities sold subject to repurchase agreements ("reverse repo") and are accordingly recorded as loans and borrowings to other banks. The difference between the selling price and the repurchase price is treated as interest and is accrued over the life of the contract using the effective interest method.

3.8. Cash and Cash Equivalents

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

3.9 Intangible Assets

Acquired licenses are stated at historical cost. Licenses have a limited useful life and are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives.

3.10. Property, Plant and Equipment

The initial measurement of fixed assets is performed at cost or purchase price. The purchase value is the value according to the supplier's invoices, increased by the dependent costs based on the acquisition and the costs of bringing the asset into a state of functional readiness.

For subsequent measurement of construction, after initial recognition, the Bank applies the revaluation model in accordance with IAS 16 “Property, Plant and Equipment”.

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

Buildings are regularly subject to revaluation. The frequency of revaluation depends on the movement of the fair value of the assets being revalued. The increase in the book value of buildings on the basis of revaluation is reflected in the revaluation reserve account. Decreased book values, which reduce previous increases in the value of the same assets, are charged directly to revaluation reserves, while all other reductions are charged to the income statement.

Revaluation reserves are transferred directly to retained earnings when the surplus is realized from the withdrawal from use or disposal of the asset and if the asset is not used by the Bank. In the latter case, the amount of realized profit is the difference between depreciation calculated on the revalued carrying value and depreciation calculated on the initial purchase value of the asset (optional).

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, if applicable, 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 maintenance costs are charged to the income statement in 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 amount to their residual value over their estimated useful lives, as follows:

• buildings 1.3%
• 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 from the difference between the cash inflow and the carrying amount and are recognized in the income statement within other income / expenses.

The residual value of an asset is the estimated amount that the Bank could currently obtain from the sale of the asset, less the estimated cost of sales, if the asset is already old and in the condition expected to be at the end of its useful life. The residual value of an asset is zero if the Bank expects to use the asset until the end of its useful life. The asset's residual value and useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

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

3.11. Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to depreciation and are tested for impairment on an annual basis and when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (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 Property

Investment property is property held for the purpose of earning from rent or for the purpose of increasing capital, or for both.

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

Land held under operating leases is classified and accounted for as investment property if it meets other requirements from the definition of investment property.

Investment property is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost of the investment property can be measured reliably. Investment property is initially measured at cost. Transaction costs are included in the initial measurement. The purchase value of the purchased investment property includes its purchase price and all costs directly attributable to the acquisition. After initial recognition, investment property is subsequently measured at fair value. The fair value of investment property reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair value of investment property are recognized in the income statement in the period in which they arise.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the Bank and can be measured reliably. All other maintenance costs are charged to the period in which they are incurred. When an investment property is used by its owner, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its carrying amount which will be further depreciated.

3.13. Inventories

Upon acquisition, inventories are measured using the historical cost method, or the net realizable value method, whichever is lower. Historical cost implies that inventories are recognised on the basis of acquisition costs, and net realizable value is the value at which inventories can be realized on the market sale transaction. The Inventories also include assets acquired through the collection of receivables. If there is an indication that an asset is impaired, the recoverable amount of the asset is estimated to determine the amount of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14. Leasing

Bank as a *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, as well as the period of possible extension of the lease provided for in the contract. The choice of the discount rate is conditioned by the interest rate implied in the lease (based on the lease payment, the unguaranteed residual value, the 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 on the market for the purchase of 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 provisions of the contract (duration of the lease, changes in the option to purchase the subject property, changes in future payments due to changes in the rate in the lease agreement). Changes in estimates (for example, changes in estimates of the economic life or residual value of the leased asset), or changes in circumstances (for example, non-performance of financial obligations of the lessee) do not cause a new classification of leasing, ie. recalculation of the discount or incremental rate.

Each month, the Bank will record the cost of interest on the lease liability and the cost of depreciation on the discounted right to use the asset. Each month, upon receipt of the invoice for the payment of the lease, the amount of leasing liability will decrease.

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

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

Bank as the lessor

A lease is an agreement under which the lessor transfers to the lessee the right to use the assets during an agreed period of time in exchange for one or more payments.

When an asset is leased out under an operating lease, the asset is recognized in the balance sheet depending on the type of asset.

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

3.15. Borrowings

Borrowings are initially recognized at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. All differences between the realized inflow (less transaction costs) and the amount of repayments are recognized 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 salaries, wages, taxes and contributions for social insurance. Short-term employee benefits are recognized as an expense in the period in which they are incurred.

The Bank and its employees are legally obliged to pay taxes and social security contributions in accordance with applicable legal regulations. The Bank is not obliged to pay compensation to employees, which is the obligation of the Fund. Taxes and contributions related to defined benefit plans are recorded as an expense of the period to which they relate.

(b) Retirement benefits

In accordance with applicable legal regulations, the Bank is obliged to pay retirement benefits to employees upon retirement or termination of employment by force of law due to loss of working capacity in the amount of 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 a liability, in accordance with the estimate of the certified actuary at a discounted amount.

Actuarial gains and losses arising from adjustments based on experience as well as changes in actuarial assumptions are charged or credited to the income statement and are allocated to the expected average remaining length of service of the employees in question.

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

- data on employees: total length of service as at 31 December 2021, year of birth and sex, number of years until old age or full pension;
- demographic assumptions of the Republic of Serbia - mortality and turnover rate (8%) and disability rate;
- discount rate 1.25%;
- assumed geometric growth of wages of 6% per year during the entire period for which assets are reserved.

Termination benefits are paid when the employment is terminated before the date of regular retirement, or when the employee accepts the agreed termination of employment, as redundancy, in exchange for these benefits. The Bank recognizes termination benefits upon termination of employment when it is evident that the Bank will either terminate the employment relationship with the employee, in accordance with a detailed formal plan without the possibility of resignation, or provide termination benefits for termination of employment in order to encourage voluntary termination of employment for the purpose of reducing the number of employees. Benefits that fall due more than 12 months after the balance sheet date are reduced to the present value.

3.17. Current Income Tax and Deferred Taxes

a) Current income tax

Current income tax is the amount that is calculated and paid in accordance with the tax regulations in the Republic of Serbia, based on the profit shown in the prescribed tax balance. The bank itself calculates the income tax, ie the annual tax liability and the amount of the advance payment for the next year.

Income tax in the amount of 15% is paid based on the annual profit shown in the Tax Balance sheet and is reduced for certain investments during the year, as shown in the tax balance sheet - PDP form. Accounting profit is adjusted for certain permanent as well as temporary differences in order to obtain the amount of taxable profit. The tax balance is submitted within 180 days after the expiration of the period for which the tax liability is determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17. Current income tax and deferred taxes (continued)

b) Deferred taxes

Deferred income tax is calculated and recorded on temporary differences between the tax bases of assets and liabilities and their carrying amounts reported in the Bank's financial statements. Deferred tax liabilities are recognized for all taxable temporary differences between the tax bases of assets and liabilities on the balance sheet date and the amounts reported for reporting purposes, which will result in taxable amounts of future periods.

Deferred tax assets are recognized 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 realized.

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

3.18. Share capital

Ordinary shares are classified as equity.

(a) Share issue costs

Additional costs that are directly attributable to the issue of new shares or the acquisition of a legal entity are recognized in equity as a deduction, net of tax, from the inflow of proceeds. Any amount greater than the fair value of the proceeds received above the nominal value of the shares issued is recognized in equity as a share premium.

(b) Dividends on shares

Dividends on shares are recorded as liabilities in the period in which the decision on their payment is made. Dividends approved for the year after the balance sheet date are disclosed in the note on events after the balance sheet date.

3.19. Financial Guarantees

Financial guarantees are contracts that oblige the issuer of the guarantee to make a payment or compensate the loss to the recipient of the guarantee, incurred if a particular debtor does not settle its obligations in a timely manner in accordance with the terms of the contract. The Bank provides such financial guarantees to banks, financial institutions and other organizations, on behalf of its clients, in order to provide loans, current account overdrafts, and other banking services.

Financial guarantees are initially recognized in the financial statements at fair value on the date the guarantee is given. After initial recognition, the bank's guarantee liabilities are measured as greater than: a) the initially recognized amount less depreciation calculated to recognize income on the straight-line basis over the duration of the guarantee; and b) the best estimate of the amount of impairment loss for the guaranteed exposure, which is determined based on the ECL model.

4. FINANCIAL RISK MANAGEMENT

4.1 Introduction

The Bank's operations are exposed to various financial risks and these operations require the identification, assessment, monitoring, mitigation and control of risk management, as well as the establishment of an adequate system for reporting on risk management. The Bank manages its risks through a special organizational unit for risk management. The Bank by its acts prescribes procedures for identification, measurement, risk assessment and risk management in accordance with regulations, standards and rules of the profession.

The Bank's risk management policy defines a unique system for managing the risks to which the Bank is exposed in its operations.

By the nature of its activities, the Bank is exposed to various types of risks, 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 in other legal entities and fixed assets;
6. risks related to the country of origin of the entity to whom the Bank is exposed;
7. operational risk (including legal risk).

4.2 Liquidity Risk

Liquidity risk is defined as the risk of possible 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 obtain new sources of funds (liquidity risk of sources of funds), as well as due to difficult conversion of assets into liquid assets due to market disruptions (market liquidity risk).

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

The Bank's liquidity risk management system includes:
• defining the principles of liquidity risk management,
• organizational structure that supports adequate liquidity risk management,
• procedures for identifying, measuring, mitigating and monitoring liquidity risk,
• 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,
• internal liquidity risk management system

In its operations, the Bank adheres to the following basic principles for liquidity risk management:
• The Bank actively monitors liquidity risk exposure in significant currencies exceeding 5% of the Bank's liabilities (RSD, EUR, USD and CHF)
• Ensuring continuous stability and diversification of funding sources, according to the type of source and tenors, in which sense the limits of concentration of sources of funds and maximum participation in the deposit base per client have been determined
• 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 case of unforeseen events as well as the Bank's Recovery Plan are subject to regular annual testing and revision.

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

• Liquidity risk assessment is a mandatory part of the procedure when 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 that are directly involved in the liquidity risk management process are:
• The Bank's Board of Directors adopts a risk management strategy and policy, of which liquidity risk management is an integral part, as well as 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 Department is responsible for day-to-day liquidity management and maintaining defined internal and regulatory limits at the approved level.
• The Risk Management Department implements procedures for measuring, analysing and monitoring liquidity risk and develops methodologies for internal liquidity risk assessment and stress testing
• Internal audit performs an independent assessment of the adequacy of adopted liquidity risk management procedures at least once a year

The Bank's liquidity risk management means managing all items of assets, liabilities and off-balance sheet items of the Bank that may have an impact on its liquidity position. Internal identification, measurement and monitoring of liquidity risk relies on GAP analysis of future cash flows of these positions allocated over time intervals according to the 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 uses assumptions based on the analysis of the historical movement of these positions or on the basis of expert assessment. For the purpose of estimating potential outflows of deposits without a defined maturity, the Bank uses an internal model based on the concept of deposit stability analysis.

The Bank defines individual and cumulative liquidity GAP limits, which it observes both at the aggregate level (consolidated presentation) and by significant currencies. Limits are defined as the limit of the ratio between the cumulative gap of up to one month and the total assets of the bank as well as for the three-month gap in relation to the total assets of the Bank.

The following table shows the assets and liabilities grouped into categories according to 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)

('000 RSD)

As of 31 December 2021	**up to 1 month**	**1-3 months**	**3-12 months**	**1 - 5 years**	**over 5 years**	**Total**
Assets						
Cash and funds held with the central bank	2,098,591	-	-	-	-	2,098,591
Securities	2,880,659	1,234,568	-	-	-	4,115,227
Loans and receivables from banks and other financial organizations	457,709	2,941	-	-	-	460,650
Loans and receivables from customers	547,237	534,079	2,697,189	3,905,312	1,228,413	8,912,229
Receivables from derivatives intended for hedging	-	-	-	-	-	-
Other assets	4,741	4,693	247	3,357	476	13,514
Total assets	**5,988,937**	**1,776,281**	**2,697,436**	**3,908,669**	**1,228,889**	**15,600,212**
LIABILITIES						
Deposits and other liabilities to banks, other financial institutions and the central bank	211,587	1,203	412,621	708,358	-	1,333,769
Deposits and other liabilities to other clients	5,135,737	1,186,415	2,887,109	2,398,287	182,905	11,790,453
Liabilities based on derivatives intended for hedging	-	-	-	-	-	-
Other liabilities	162,085	2,169	2,119	2,284	275	168,932
Total liabilities	**5,509,409**	**1,189,787**	**3,301,849**	**3,108,929**	**183,180**	**13,293,154**
Net Gap (Total Assets - Total Liabilities)	**479,528**	**586,494**	**(604,413)**	**799,740**	**1,045,709**	**2,307,058**

('000 RSD)

As of 31 December 2020	**up to 1 month**	**1-3 months**	**3-12 months**	**1 - 5 years**	**over 5 years**	**Total**
Assets						
Cash and funds 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
Receivables from derivatives intended for protection against risk	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 the central bank	4,275	995,858	1,159	945,778	-	1,947,070
Deposits and other liabilities to other clients	5,222,920	702,877	2,702,100	1,598,574	234,585	10,461,056
Liabilities based on derivatives intended for protection against risk	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**

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 flows

The amounts shown in the table below show the contracted undiscounted cash flows of financial instruments as at 31 December 2021.

As of 31.12.2021	up to 1 month	1-3 months	3-12 months	od 1 - 5 years	over 5 years	Total
Cash and funds with the central bank	2,098,591	-	-	-	-	2,098,591
Securities	3,853,609	1,651,547	-	-	-	5,505,156
Loans and receivables from banks and other financial organizations	457,710	2,940	-	-	-	460,650
Loans and receivables from customers	561,774	581,200	2,876,295	4,246,491	1,506,373	9,772,132
Total liabilities (**contracted** maturity dates)	**6,971,685**	**2,235,686**	**2,876,295**	**4,246,491**	**1,506,373**	**17,836,530**

As of 31.12.2021	up to 1 month	1-3 months	3-12 months	od 1 - 5 years	over 5 years	Total
Deposits and other liabilities to banks, other financial institutions and the central bank	214,008	2,571	420,815	709,623	-	1,347,017
Deposits and other liabilities to other clients	3,621,310	1,276,887	3,299,846	3,484,017	182,905	11,864,965
Total liabilities (agreed maturity dates)	**3,835,318**	**1,279,458**	**3,720,662**	**4,193,640**	**182,905**	**13,211,982**

As of 31.12.2020	up to 1 month	1-3 months	3-12 months	od 1 - 5 years	over 5 years	Total
Cash and funds with the 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 (agreed maturity dates)	**5,389,588**	**1,639,280**	**2,281,130**	**5,631,927**	**2,174,784**	**17,116,708**

On 31.12.2020	up to 1 month	1-3 months	3-12 months	od 1 - 5 years	over 5 years	Total
Deposits and other liabilities to banks, other financial institutions and the central bank	7,530	996,090	8,302	953,158	-	1,965,080
Deposits and other liabilities to other clients	5,223,913	704,898	2,728,319	1,640,281	234,645	10,532,056
Total liabilities (agreed maturity dates)	**5,231,443**	**1,700,988**	**2,736,621**	**2,593,439**	**234,645**	**12,497,136**

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Liquidity risk (continued)

During 2021, the emergence of new strains of COVID-19 virus has conditioned a business environment with a higher level of risk, but certainly milder than in 2020. In this sense, the Bank's focus in 2021 was on maintaining a high level of liquidity as well as diversification and optimization of liquidity reserves with a reduced appetite for risk-taking. At the same time, the Bank continued to strengthen its deposit base, which continued to grow significantly in 2021, while liquidity reserves were increased through optimization and increased placement of the Bank's securities in the Ministry of Finance of the Republic of Serbia.

Regulatory liquidity 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.

Banks's liquidity indicator	31 December
2021.	2.98
2020.	2.10

Narrower indicator	31 December
2021.	2.86
2020.	2.02

Liquid assets coverage indicator

The liquid assets coverage indicator represents the ratio of the bank's liquidity buffer and the net outflow of its liquid assets that would occur during the next 30 days from the day of calculating this indicator in the assumed stress conditions.

This indicator significantly relies 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 amount of required reserves with the National Bank of Serbia that exceeds the amount of calculated reserves 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 liquidity coverage of the Bank as of December 31, 2021 and 2020 was as follows:

LCR	31 December
2021.	215%
2020.	166%

4.3. Credit Risk

The Bank is exposed to credit risk and the possibility that the debtor will not fulfil its obligations towards the Bank in the agreed amount on the due date. Exposure to credit risk arises primarily from crediting operations.

In order to maintain credit risk at an acceptable level, the Bank:
• reviews the creditworthiness of the borrowers according to loans, guarantees and other products,
• determines the limits of credit indebtedness on the basis of risk assessment,
• does business with creditworthy clients and obtains appropriate security instruments.

Clients are under continuous supervision, and limits on risk exposure are adjusted as necessary. Risk limits are determined depending on the different types of security instruments.

The concentration of risk by economic activities is also under constant monitoring, although no restrictions have been set.

Risk exposure to one debtor, including banks, is limited and includes both on-balance sheet and off-balance sheet risk exposure. The total risk exposure per client in relation to restrictions is considered before the transaction occurs.

Credit risk management at the level of individual placements

Credit risk management at the level of individual placements includes:
• credit risk management in the process of approving and realizing placements.
• credit risk management in the process of monitoring and collecting placements.

The organizational units of the Bank responsible for taking credit risk at the level of individual placements of corporate and retail entities are the Business Sector with a branch network as well as the Sector for Management of Funds for Placements to Banks and Other Financial Institutions. Organizational parts of the Bank responsible for independent credit risk assessment at the level of individual placements are the Credit Applications Assessment Division and the Bank's Assets Management Division.

The Board of Directors and the Executive Board are the Bank's bodies that participate in the decision-making process on approving loans and other receivables of the Bank, as well as changes in loan terms and other receivables, and are composed of members who meet the requirements for membership. Decision of the National Bank of Serbia on the implementation of the provisions of the Law on Banks relating to the granting of preliminary approval for the establishment of banks and the bank's license, as well as certain provisions relating to the approval of the National Bank of Serbia), and their powers, responsibilities and scope regulated by the Bank's Articles of Association.

Members of the Credit Committee and other committees regulated by the Law on Banks and the above Decision shall be appointed by the Board of Directors of the Bank.

The dynamics of sessions of the Credit Committee, the quorum for decision-making, as well as the procedure of the Bank's Credit Committee are defined by the rules of operation of the Credit Committee.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit Risk (continued)

Credit risk management at the level of individual placements (continued)

Large exposures

The Executive Board of the Bank is authorized to make decisions on the approval of large exposures to one person, a group of related parties and entities related to the Bank based on a special Decision of the Board of Directors of the Bank.

The Executive Board of the Bank is obliged to inform the Board of Directors at least quarterly about the following:

• on all transactions concluded with related parties, including legal transactions with entities related to related parties of the Bank
• granted approvals, ie all placements granted to one person or a group of related parties, by which the Bank increases its exposure to that person or group of related parties

Placement monitoring

Organizational parts of the Bank who are in charge of credit risk at the level of individual placements are obliged to monitor individual placements and borrowers. Monitoring of individual placement includes:

• Monitoring the financial status of the debtor,
• Monitoring the regularity in the fulfilment of obligations,
• Status and organizational changes of the debtor, ie. up-to-date documentation,
• Monitoring of collateral,
• Identifying the need to restructure or refinance client liabilities, analyse economic feasibility and implement the process
• Other factors affecting the debtor's ability to fulfil its obligations
• Monitoring and collection of placements for all debtors who are up to 30 days late

Monitoring of individual placements in the status of default

The organizational part of the Bank responsible for credit risk management in the process of monitoring and collection of placements with the status of outstanding liabilities is the Sector for Collection of Receivables and the Sector for Human Resources and Legal Affairs.

On a monthly basis, the Sector for Collection of Receivables reports to the Receivables Collection Commission on the status of clients by segments and days past due in order to better monitor and collect receivables from clients and establish a system for early detection of potential problematic placements.

Commission for collection of receivables as a body for bad assets management

• monitors clients who are in problematic status (over 60 days past due - Watch list).
• monitors clients according to the Early Recognition System (EWS) identified as potentially problematic, (makes decisions on actions towards individual clients based on information obtained from the Debt Collection Department, as well as the Business Sector with a branch network)

The system for defining early identification of potential problematic claims (EWS) as well as the Watch List is the responsibility of the Credit Applications Assessment Division in cooperation with the Debt Collection Division and the Risk Management Division and is subject to continuous improvement according to current IT support.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Portfolio level credit risk management

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

• Risk Management Division
• Financial Control Sector
• Executive and Board of Directors of the Bank

By monitoring and identifying credit risks at the portfolio level, the Bank, by analyzing the structure and characteristics of the portfolio, timely identifies factors that may lead to an increase in credit risk.

Identification of credit risk at the level of the Bank's portfolio is carried out by determining current credit risk exposure based on current and historical data as well as by determining credit risk exposure that may occur in the future through projections and simulations of the Bank's portfolio.

Internal credit risk reporting covers the following areas:

- portfolio quality - portfolio quality reports contain detailed views on portfolio structure and focus on concentration indicators, as well as key indicators of the Bank's portfolio quality, based on which proposals/opinions are given on potential future effects and steps to be taken in order to improving the Bank's operations
- classification of client loans - classification of loans by risk categories and ratings are done at least quarterly. A breakdown by portfolio segment is needed to provide appropriate insight in terms of risk sources
- Impairment of loans - analysis of provisions and allowances for loans is considered important as an indicator of portfolio quality and a means of identifying sources of loan deterioration
- large debtors - the analysis of large engagements focuses on significant concentrations towards certain clients, as well as on compliance with regulations
- indicators of early warning about the threat to the activities and financial position of the Bank defined by the Recovery Plan
- level of problem receivables (PE and NPE towards FBE status), movement of NPL portfolios in accordance with the Decision on NBS reporting, structure of NPL portfolios and its coverage by value adjustments.
- quarterly portfolio stress within the ICAAP process and reporting to the Board of Directors on the results of stress tests and their effect on internal capital requirements
- monitoring the quality of assets by days of arrears and their movement for all segments of the portfolio, ie. natural persons, small and medium enterprises and large enterprises
- monitoring the status of foreclosed real estate based on the collection of receivables

Control and supervision

Organizational parts of the Bank in the function of independent control and supervision over the risk management system:

• Internal audit,
• Sector for Control of Compliance of the Bank's Operations and Prevention of Money Laundering

Bodies of the Bank in the function of independent control and supervision over the credit risk management system:

• Board of Directors of the Bank,
• Executive Board of the Bank,
• ALCO Board of the Bank,
• Audit Committee,
• Credit Committee,
• Receivables Collection Commission

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

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

The Bank's exposure to credit risk

The Bank determines the credit risk exposure of its financial assets by applying IFRS 9 as described further in this section.

Impairment of financial assets

Assets carried at amortized cost

Assessment on an individual basis - level 3

The assessment of impairment calculation in accordance with this Methodology for Level 3 exposures is performed for all exposures with:

• identified default status
• all financial instruments that meet the definition of POCI in accordance with IFRS 9;
• Exposure to banks classified in V, G and D categories where the total exposure in the bank exceeds EUR 200,000 on the day of calculation
• Exposures with FB/NPE status

The calculation of the value adjustment for exposures to the new 3 is performed on an individual basis if the client meets the following conditions:

• Legal entities and entrepreneurs - the total exposure in the bank is greater than 0.05% of the share in the total portfolio and
• Individuals - the total exposure in the bank is greater than 0.2% of the share in the total portfolio

The amount of the limit for calculating the value adjustment on an individual basis is calculated on a quarterly basis and is applied for the next quarter.

Individually significant exposures - The Bank assesses at each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and an impairment loss is recognized only if there is objective evidence that it is impaired as a result of one or more events that occurred after the initial assessment of the asset.

Criteria used by the Bank to determine whether there is objective evidence of impairment include:

1. the financial condition of the debtor indicates significant problems in its operations such as a change in the classification of the debtor; the debtor is late in settling obligations to the state, other creditors or employees or irregularly fulfills obligations based on taxes and social security contributions of employees, in significant amounts, at the discretion of the bank; significant and continuous reduction of operating revenues in the previous two years; the debtor's capital was significantly reduced (more than 50%) due to losses during the previous two reporting periods; there is a material reduction (more than 50%) of operating income;

2. there are data on non-payment of obligations, frequent delays in the payment of interest and/or principal or non-compliance with other contractual provisions; at the latest when the debtor is 90 days late on the basis of any placement; placement is problematic in accordance with the Decision on the classification of balance sheet assets and off-balance sheet items of the bank;

3. The bank significantly changed the terms of repayment of placements due to financial difficulties of the debtor in relation to the originally agreed. that is, clients who are in the status of NPE/RES, in accordance with items 35a to 35d of the Decision on the classification of balance sheet assets and off-balance sheet items of the bank for problematic claims of the bank;

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)

4. it is certain to initiate bankruptcy proceedings against the debtor or initiate another type of financial reorganization, which can be identified on the basis of: the debtor is blocked for more than 60 days on the day of assessment; the debtor is in the process of liquidation; a lawsuit (lawsuit) was initiated against the debtor; pre-bankruptcy proceedings have been initiated against the debtor or bankruptcy proceedings are underway against any strategically important member of the economic entity to which the debtor belongs; the reasons for initiating bankruptcy proceedings against the debtor have been met, which are defined by the law governing bankruptcy; the debtor is in the process of preparing the reorganization plan/the creditors have accepted the proposed reorganization plan/the debtor is operating according to the adopted reorganization plan; or the debtor is in the process of consensual financial restructuring in accordance with the relevant regulation;
5. other objective evidence of impairment which classifies receivables from the client in the category of doubtful and disputable receivables

If the Bank determines that there is objective evidence that a financial asset is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The Bank recognizes the existence of several possible collection scenarios when estimating expected future cash flows.

On this occasion, the scenarios that are taken into account are:
- ✓ realization of collateral (then separately judicial and extrajudicial),
- ✓ restructuring and reprogramming,
- ✓ bankruptcy,
- ✓ sale of receivables,
- ✓ everything else that is considered relevant

In determining the probability estimates of certain scenarios, the Bank is guided by the history of realization and collection of problem receivables, but also by the specifics of individual financial instruments and accordingly assigns them appropriate weights, which must be 100% of all scenarios.
In this way, final accrued credit losses meet the standard definition in a way that represents the probability of a weighted estimate of credit losses.
Depending on the type of real estate over which the mortgage is established, the location where it is located and the date of the last appraisal, the Bank uses the reduced market value of the real estate in the process of calculating the value adjustment, as follows:

Residential property/territory	**Haircuts 2020**	**Billing year**
Belgrade	20%	1-5
Novi Sad	20%	1-5
Other cities with more than 50,000 inhabitants	35%	1-5
Cities with less than 50,000 inhabitants	40%	1-5
Villages and small towns	45%	1-5

Business property/territory	**Haircuts 2020**	**Billing year**
Belgrade	25%	1-5
Novi Sad	30%	1-5
Other cities with more than 50,000 inhabitants	40%	1-5
Cities with less than 50,000 inhabitants	45%	1-5
Villages and small towns	45%	1-5

Industrial property/type	**Haircuts 2020**	**Billing year**
Factories	35%	1-5
Warehouses	45%	1-5

Land/type	**Haircuts 2020**	**Billing year**
Land Vojvodina	25%	1-5
Land other	40%	1-5

Other/type	**Haircuts 2020**	**Billing year**
Equipment	80%	1-5
Vehicles	50%	1-3
Guarantee deposits	0%	-
Government bonds, securities guaranteed by the state	0%	-
State guarantees	0%	-
First-class guarantees	0%	-

4. FINANCIAL RISK MANAGEMENT (continued)

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

4.3. Credit risk (continued)

Impairment of financial assets (continued)

Residential property/territory	**Haircuts 2021**	**Billing year**
Belgrade and Novi Sad	20%	1-5
Other	42,5%	1-5

Business property/territory	**Haircuts 2021**	**Billing year**
Belgrade and Novi Sad	20%	1-5
Other	42,5%	1-5

Industrial property/type	**Haircuts 2021**	**Billing year**
Factories	35%	1-5
Warehouses	50%	1-5

Land/type	**Haircuts 2021**	**Billing year**
Land Vojvodina	25%	1-5
Land other	40%	1-5

Other/type	**Haircuts 2021**	**Billing year**
Equipment	80%	1-5
Vehicles	50%	1-3
Guarantee deposits	0%	-
Government bonds, securities guaranteed by the state	0%	-
State guarantees	0%	-
First-class guarantees	0%	-

In cases when the mortgage valuation date is older than 3 years, the hairct defined above is increased by 10%.

Expected cash flows must be reduced to their present value. As a discount factor, the Bank uses the effective interest rate (effective interest rate calculated on the day of concluding the loan agreement) in cases when a fixed interest rate has been agreed with the client, when the Bank has approved a change in repayment terms, 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 valid on the day of calculation is used.

In order to determine the expected period of collateral collection, the Receivables Collection Department takes into account the following factors:

• Type of mortgage (depending on the law under which the mortgage was established, i.e. whether it was established under the Mortgage Act or the Enforcement Procedure Act);
• Validity of mortgage documentation (quality, i.e. completeness of documentation held by the Bank);
• Type, purpose, functionality and size of the real estate that is the subject of the mortgage and the location where the real estate is located;
• Supply and demand for real estate that is the subject of collateral;
• The phase in which the mortgage collection process is located, ie. whether the collection was initiated through court or out-of-court settlement procedure or the collection is expected by exercising the rights from the bankruptcy procedure;
• Client's cooperation with the Bank.

The minimum or maximum expected collection time from collateral ranges from one to five years, depending on the legal deadlines, court practice and regulations of the Republic of Serbia, which are followed in the process of realization of each individual mortgage.

In that sense, the estimated time of collection is mostly influenced by the type of procedure through which the execution is carried out.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

The minimum expected collection period in the mortgage realization procedure is one year, if it is activated according to the out-of-court method of settling the currently valid Mortgage Law, if the Real Estate Cadastre of the Republic of Serbia adheres to all legally prescribed deadlines for registering a note with the Bank.

In cases when collection is expected by realization of collateral by applying any other court procedure (Law on Enforcement and Security, Law on Civil Procedure, Bankruptcy Procedure, etc.), which the Bank cannot influence, and which primarily depends on the actions of the court, court executors and bankruptcy trustees, the expected collection period ranges from one to five years, depending on the specifics of each individual security instrument. The maximum expected collection period of five years is applied in cases when the existence of an objective risk of impairment has just been identified and the Bank has not yet started negotiations with the client and/or initiated a dispute against the client.

Assessment on a group basis-level 1,2,3

The Bank considers the following receivables on a group basis:

• receivables for which the review on an individual basis has shown that there is no objective evidence of impairment;
• receivables that belong to the group of small receivables and which are not considered on an individual basis.

For the purpose of calculation on a group basis, receivables in the Bank's loan portfolio are grouped on the basis of similar characteristics from the aspect of credit risk.

Level 1 - expected credit losses

The calculation of the allowance under Level 1 is performed if at the reporting date the credit risk of the financial instrument has not increased significantly since initial recognition. The Bank measures the loss provision for this financial instrument at an amount equal to the most expected twelve-month credit loss.

The expected credit loss recognized for Level 1 financial instruments is accounted for as a one-year portion of accrued credit losses as follows:

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

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

Thus calculated, expected 12-month credit losses are part of expected credit losses over the term and represent cash deficits over the term that will result if default occurs within 12 months after the reporting date (or a shorter period if the expected financial term is instrument shorter than 12 months), weighted by the probability of such default.

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Impairment of financial assets (continued)

Level 2 – expected credit losses

At the reporting date, the Bank measures the allowance for a financial instrument at an amount equal to the expected credit loss over its life, if the credit risk for that financial instrument has increased significantly since initial recognition.

The Bank's general approach to calculating expected credit losses for the entire life of the financial instrument is presented by the 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

The expected credit losses calculated in this way for the entire period of the financial instrument represent the losses that the Bank recognizes for the purposes of calculating the level 2 impairment.

Level 3 – expected credit losses

The calculation of impairment within Level 3 is performed if the criteria for identifying receivables are recognized, which must be assessed on an individual basis but are below the defined materiality threshold.
For Level 3 Group Debtors, the calculation of expected credit losses is calculated as the difference between the Gross carrying amount of the placement and the value obtained by discounting all available collateral at the initial effective interest rate,).
The value of the collateral that is discounted is 90% of the allocated value after the application of the haircut. An average collection of 36 months is taken as the discount period.
The year 2021 passed in a changed business environment caused by measures to combat 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 a portfolio analysis and clients who had problems in conducting their business activities, the Bank changed their level in accordance with IFRS 9, i.e. carried out the transfer of clients from Level 1 to Level 2 in the calculation of value adjustments.

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)

Total balance sheet exposure to credit risk

The total exposure to credit risk as of 31 December 2021 and 31 December 2020 is presented in the following overview without taking into account any collateral or any other credit protection. These values are stated in the Gross and Net carrying amounts.

	31.12.2021		31.12.2020	
	Gross	**Net**	**Gross**	**Net**
I. Assets overview	**16,299,659**	**16,083,444**	**15,810,200**	**15,529,313**
Cash and funds at central banks	2,098,591	2,098,591	1,852,572	1,852,572
Securities	4,115,227	4,115,227	3,390,226	3,390,226
Loans and receivables from banks and other financial institutions	461,207	460,650	113,864	113,679
Loans and receivables from customers	9,119,523	8,912,229	9,930,851	9,654,965
Receivables from derivatives intended for protection against risk	-	-	798	798
Other funds	505,110	496,747	521,890	517,075

Guarantees and letters of credit represent irrevocable obligations of the bank to make payments in the event that the customer is unable to settle its obligation to a third party and bear the same risk as loans.

	31.12.2021		31.12.2020	
	Gross	**Net**	**Gross**	**Net**
II. Off-balance sheet items	**3,796,288**	**3,777,887**	**4,260,678**	**4,252,262**
Payable guarantees	861,604	857,922	510,798	510,515
Performance guarantees	755,610	754,107	698,923	698,321
Irrevocable commitments	2,118,391	2,107,067	2,385,096	2,377,565
Other	60,683	58,791	665,860	665,860
Total (I+II)	**20,095,947**	**19,861,331**	**20,070,877**	**19,781,575**

Change in loans and receivables from customers by risk levels during 2021

	Level 1	**Level 2**	**Level 3**	**Total**
31.12.2020	**8,137,904**	**1,099,973**	**692,974**	**9,930,851**
New receivables	2,216,952	367,904	5,102	2,589,958
Reduction/Repayment of receivables	-2,664,823	-283,798	-452,666	-3,401,286
Transfer to Level 1	146,629	-134,233	-12,395	-
Transfer to Level 2	-1,075,388	1,100,749	-25,361	-
Transfer to Level 3	-23,983	-347,716	371,699	-
31.12.2021	**6,737,291**	**1,802,879**	**579,352**	**9,119,523**

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)

Change in value adjustments of loans and receivables from customers by risk levels during 2021

	Level 1	Level 2	Level 3	Total
31.12.2020	**52,239**	**32,603**	**191,044**	**275,885**
New receivables	20,924	9,872	85,381	116,178
Reduction/Repayment of receivables	-38,497	-26,689	-119,584	-184,770
Transfer to Level 1	8,047	-4,632	-3,415	-
Transfer to Level 2	-5,879	20,007	-14,128	-
Transfer to Level 3	-224	-5,936	6,160	-
31.12.2021	**36,611**	**25,225**	**145,458**	**207,294**

Change in loans and receivables from customers by level of risk during 2020

	Level 1	Level 2	Level 3	Total
31.12.2019 (01.01.2020)	**8,564,377**	**755,701**	**614,851**	**9,934,928**
New receivables	3,295,979	61,760	40,197	3,397,936
Reduction/Repayment of receivables	-3,032,984	-118,896	-250,133	-3,402,014
Transfer to Level 1	298,941	-298,625	-316	-
Transfer to Level 2	-960,643	1,019,064	-58,421	-
Transfer to Level 3	-27,766	-319,031	346,797	-
31.12.2020	**8,137,904**	**1,099,973**	**692,974**	**9,930,851**

Change in value adjustments of loans and receivables from customers by risk levels during 2020

	Level 1	Level 2	Level 3	Total
31.12.2019 (01.01.2020)	**40,784**	**31,721**	**212,411**	**284,917**
New receivables	36,428	24,633	61,500	122,560
Reduction/Repayment of receivables	-32,719	-14,906	-83,967	-131,592
Transfer to Level 1	11,040	-10,777	-263	-
Transfer to Level 2	-3,245	16,878	-13,633	-
Transfer to Level 3	-49	-14,947	14,996	-
31.12.2020	**52,239**	**32,603**	**191,044**	**275,885**

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 customers, banks and other financial organizations

31.12.2021	S1	S2	S3	Total	Value correction S1	Value correction S2	Value correction S3	Total value correction	Net
Housing	1,480,082	77,991	59,876	1,617,948	435	410	13,459	14,304	1,603,644
Cash and consumer	272,757	23,483	35,808	332,049	3,057	3,128	15,119	21,304	310,745
Credit cards	5,578	165	149	5,892	88	16	138	242	5,650
Overdraft on current accounts	4,454	56	86	4,596	188	35	86	308	4,288
Ostalo	-	-	-	-	-	-	-	-	-
Individuals	**1,762,871**	**101,695**	**95,919**	**1,960,485**	**3,767**	**3,589**	**28,801**	**36,158**	**1,924,328**
Entrepreneurs	**304,007**	**2,999**	**35,237**	**342,243**	**4,679**	**667**	**6,010**	**11,355**	**330,888**
Total individuals	**2,066,878**	**104,694**	**131,156**	**2,302,729**	**8,446**	**4,256**	**34,811**	**47,513**	**2,255,215**
Large companies	317,950	33,731	125,435	477,116	3,641	685	64,969	69,295	407,822
Medium companies	1,924,218	683,458	149,932	2,757,608	9,541	10,983	-	20,524	2,737,084
Small companies	1,872,314	702,399	137,365	2,712,078	13,021	6,113	41,752	60,887	2,651,191
Micro companies	446,168	278,597	35,463	760,229	1,961	3,188	3,926	9,075	751,154
Other	109,764	-	-	109,764	1	-	-	1	109,763
Business clients	**4,670,413**	**1,698,185**	**448,196**	**6,816,794**	**28,165**	**20,969**	**110,647**	**159,781**	**6,657,013**
Total	**6,737,291**	**1,802,879**	**579,352**	**9,119,523**	**36,611**	**25,225**	**145,458**	**207,294**	**8,912,229**
Banks	**461,207**	**-**	**-**	**461,207**	**558**	**-**	**-**	**558**	**460,650**

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 customers, banks and other financial organizations

31.12.2020.	S1	S2	S3	Total	Value correction S1	Value correction S2	Value correction S3	Total Value correction	Net
Housing	1,629,315	54,987	71,289	1,755,591	581	672	17,979	19,232	1,736,359
Cash and consumer	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
Overdraft on current accounts	5,191	58	96	5,345	257	24	95	375	4,970
Ostalo	-	-	-	-	-	-	-	-	-
Individuals	**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 individuals	**2,340,188**	**83,211**	**190,800**	**2,614,199**	**17,703**	**8,144**	**86,925**	**112,772**	**2,501,428**
Large companies	328,659	166,357	-	495,016	3,418	3,689	-	7,107	487,909
Medium companies	2,367,180	540,014	-	2,907,195	14,886	14,488	-	29,374	2,877,821
Small companies	2,507,004	242,735	434,827	3,184,566	13,657	5,592	87,212	106,462	3,078,104
Micro companies	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
Business clients	**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**

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 1.

31.12.2021.	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Total
Housing	1,431,634	48,447	-	-	**1,480,082**
Cash and consumer	247,248	25,510	-	-	**272,757**
Credit cards	21	5,557	-	-	**5,578**
Overdraft on current accounts	4,384	70	-	-	**4,454**
Other	-	-	-	-	**-**
Individuals	**1,683,287**	**79,585**	**-**	**-**	**1,762,871**
Entrepreneurs	**250,956**	**53,051**	**-**	**-**	**304,007**
Total individuals	**1,934,242**	**132,636**	**-**	**-**	**2,066,878**
Large companies	262,368	55,581	-	-	**317,950**
Medium companies	1,863,445	60,773	-	-	**1,924,218**
Small companies	1,543,039	329,275	-	-	**1,872,314**
Micro companies	429,434	16,735	-	-	**446,168**
Other	109,764	-	-	-	**109,764**
Business clients	**4,208,049**	**462,364**	**-**	**-**	**4,670,413**
Total	**6,142,292**	**595,000**	**-**	**-**	**6,737,291**
of which: restructured	**-**	**-**	**-**	**-**	**-**
Receivables from banks	**461,207**	**-**	**-**	**-**	**461,207**

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

31.12.2020.	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Total
Housing	1,573,472	55,843	-	-	**1,629,315**
Cash and consumer	333,055	30,399	-	-	**363,453**
Credit cards	19	7,376	-	-	**7,395**
Overdraft on current accounts	5,151	40	-	-	**5,191**
Other	-	-	-	-	**-**
Individuals	**1,911,697**	**93,657**	**-**	**-**	**2,005,354**
Entrepreneurs	**318,581**	**16,254**	**-**	**-**	**334,834**
Total individuals	**2,230,277**	**109,911**	**-**	**-**	**2,340,188**
Large companies	283,276	45,383	-	-	**328,659**
Medium companies	2,215,290	151,890	-	-	**2,367,180**
Small companies	2,300,220	206,784	-	-	**2,507,004**
Micro companies	487,440	2,313	-	-	**489,753**
Other	105,119	-	-	-	**105,119**
Business clients	**5,391,345**	**406,371**	**-**	**-**	**5,797,716**
Total	**7,621,622**	**516,282**	**-**	**-**	**8,137,904**
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 from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 2.

31.12.2021	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	36,377	8,432	26,017	7,165	-	**77,991**
Cash and consumer	1,983	1,548	17,513	2,439	-	**23,483**
Credit cards	-	-	165	-	-	**165**
Overdraft on current accounts	-	-	3	54	-	**56**
Other	-	-	-	-	-	**-**
Total individuals	**38,360**	**9,980**	**43,697**	**9,658**	**-**	**101,695**
Entrepreneurs	**-**	**-**	**2,999**	**-**	**-**	**2,999**
Total individuals	**38,360**	**9,980**	**46,696**	**9,658**	**-**	**104,694**
Large companies	-	33,731	-	-	-	**33,731**
Medium companies	640,925	42,534	-	-	-	**683,458**
Small companies	567,379	124,136	10,884	-	-	**702,399**
Micro companies	212,361	50,816	2,280	13,140	-	**278,597**
Other	-	-	-	-	-	**-**
Business clients	**1,420,664**	**251,217**	**13,164**	**13,140**	**-**	**1,698,185**
Total	**1,459,024**	**261,197**	**59,860**	**22,798**	**-**	**1,802,879**
of which: restructured	**20,554**	**499**	**211**	**19**	**-**	**21,282**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Loans and receivables from customers, banks and other financial organizations (continued)

31.12.2020	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	14,269	1,890	29,147	9,682	-	**54,987**
Cash and consumer	1,310	607	15,644	4,308	-	**21,869**
Credit cards	-	-	775	76	-	**851**
Overdraft on current accounts	-	-	23	35	-	**58**
Other	-	-	-	-	-	**-**
Total individuals	**15,579**	**2,497**	**45,589**	**14,100**	**-**	**77,765**
Entrepreneurs	**2,002**	**-**	**2,816**	**629**	**-**	**5,447**
Total individuals	**17,581**	**2,497**	**48,404**	**14,729**	**-**	**83,211**
Large companies	-	106,662	59,694	-	-	**166,357**
Medium companies	533,872	-	6,142	-	-	**540,014**
Small companies	124,665	97,549	20,521	-	-	**242,735**
Micro companies	9,371	30,603	27,682	-	-	**67,656**
Other	-	-	-	-	-	**-**
Business clients	**667,909**	**234,814**	**114,039**	**-**	**-**	**1,016,762**
Total	**685,489**	**237,311**	**162,444**	**14,729**	**-**	**1,099,973**
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 from customers, banks and other financial organizations (continued)

The structure of receivables from customers located in Stage 3.

31.12.2021	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	2,902	849	5,406	1,964	48,755	**59,876**
Cash and consumer	1,619	1,399	418	771	31,601	**35,808**
Credit cards	-	-	-	-	149	**149**
Overdraft on current accounts	-	-	-	-	86	**86**
Other	-	-	-	-	-	**-**
Individuals	**4,521**	**2,249**	**5,824**	**2,735**	**80,591**	**95,919**
Entrepreneurs	**15,399**	**1,265**	**-**	**292**	**18,282**	**35,237**
Total individuals	**19,919**	**3,514**	**5,824**	**3,026**	**98,873**	**131,156**
Large companies	-	-	-	-	125,435	**125,435**
Medium companies	-	-	-	-	149,932	**149,932**
Small companies	19,310	-	4,028	-	114,027	**137,365**
Micro companies	7,604	8,025	7,570	-	12,264	**35,463**
Other	-	-	-	-	-	**-**
Business clients	**26,914**	**8,025**	**11,598**	**-**	**401,658**	**448,196**
Total	**46,834**	**11,539**	**17,422**	**3,026**	**500,532**	**579,352**
of which: restructured	**1,528**	**647**	**390**	**386**	**4,591**	**7,542**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Loans and receivables from customers, banks and other financial organizations (nastavak)

31.12.2020	Not overdue	Up to 30 days overdue	31-60 days	61-90 days	Over 90 days	Total
Housing	5,003	1,735	2,128	981	61,442	**71,289**
Cash and consumer	7,276	8,820	1,083	2,367	63,902	**83,449**
Credit cards	-	-	-	-	99	**99**
Overdraft on current accounts	-	-	-	-	96	**96**
Other	-	-	-	-	-	**-**
Individuals	**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 individuals	**13,360**	**12,749**	**9,647**	**3,902**	**151,141**	**190,800**
Large companies	-	-	-	-	-	**-**
Medium companies	-	-	-	-	-	**-**
Small companies	3,661	-	-	60,993	370,173	**434,827**
Micro companies	46,790	-	1,231	7,340	11,986	**67,347**
Other	-	-	-	-	-	**-**
Business clients	**50,451**	**-**	**1,231**	**68,333**	**382,159**	**502,174**
Total	**63,811**	**12,749**	**10,879**	**72,235**	**533,299**	**692,974**
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 from customers, banks and other financial organizations (nastavak)

The structure of receivables from customers located in Stage 3 as well as restructured receivables.

31.12.2021	Gross exposure	Value correction	S3 potraživanja	RP* S3	Value correction S3	Učešće S3 potraživanja u Gross exposurei	Iznos sredstava obezbeđenja za S3
Total individuals	**2,302,729**	**47,513**	**131,156**	**7,542**	**34,811**	**5.70%**	**73,714**
Housing	1,617,948	14,304	59,876	239	13,459	3.70%	50,868
Cash and consumer	332,049	21,304	35,808	7,302	15,119	10.78%	2,151
Credit cards	5,892	242	149	-	138	2.53%	-
Overdraft on current accounts	4,596	308	86	-	86	1.86%	-
Other	-	-	-	-	-	-	-
Individuals	**1,960,485**	**36,158**	**95,919**	**7,542**	**28,801**	**4.89%**	**53,019**
Entrepreneurs	**342,243**	**11,355**	**35,237**	**-**	**6,010**	**10.30%**	**20,695**
Business clients	**6,816,794**	**159,781**	**448,196**	**-**	**110,647**	**6.57%**	**417,025**
Accommodation and catering services	17,123	58	2,207	-	-	12.89%	2,207
Administrative and support service activities	183,217	3,420	6,193	-	2,156	3.38%	1,440
Agriculture, forestry and fishing	595,625	66,318	126,251	-	65,059	21.20%	111,058
Arts, entertainment and recreation	35,559	19	-	-	-	-	-
Construction	984,426	34,615	53,199	-	29,166	5.40%	48,491
Financial and insurance activities	38,073	57	-	-	-	-	-
Information and communication	21,031	146	-	-	-	-	-
Manufacturing industry	2,321,893	27,085	242,443	-	11,075	10.44%	241,292
Professional, scientific, innovation and technical activities	170,675	1,384	-	-	-	-	-
Real estate business	395,080	7,895	-	-	-	-	-
Traffic and storage	278,961	4,034	4,196	-	1,860	1.50%	1,176
Wholesale and retail trade, repair	1,589,259	12,739	13,045	-	1,113	0.82%	11,084
Other	185,873	2,011	660	-	218	0.36%	276
Total	**9,119,523**	**207,294**	**579,352**	**7,542**	**145,458**	**6.35%**	**490,739**
Receivables from banks	**461,207**	**558**	**-**	**-**	**-**	**-**	**-**

*RP- restructured receivables

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

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

31.12.2020.	Gross exposure	Impairment allowance	S3 receivables	RR* 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 loans	-	-	-	-	-	-	-
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 fishery	1,364,648	59,854	280,626	256,775	40,309	20.56%	280,466
Art, entertainment and recreation	23,403	183	-	-	-	-	-
Construction	1,079,022	19,257	55,173	-	13,676	5.11%	55,129
Financial activities and insurance activities	11,729	13	-	-	-	-	-
Information and communication	22,510	159	-	-	-	-	-
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	-	-	-	-	-
Real estate business	-	-	-	-	-	-	-
Transport 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 loans	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**	**-**	**-**	**-**	**-**	**-**

*RR- restructured receivables

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

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

Below are the changes of receivables at the S3 level.

	Gross 31.12.2020.	New S3 clients	Decrease in S3 clients	Gross 31.12.2021.	Net 31.12.2021.
CHANGE IN S3 RECEIVABLES					
Housing loans	71,289	2,873	14,285	59,876	46,417
Cash and consumer loans	83,449	3,837	51,477	35,808	20,689
Credit cards	99	66	16	149	11
Current account overdrafts	96	50	60	86	-
Other loans	-	-	-	-	-
Retail	**154,932**	**6,826**	**65,838**	**95,919**	**67,118**
					-
Entrepreneurs	**35,868**	**10,215**	**10,846**	**35,237**	**29,227**
					-
Total retail	**190,800**	**17,041**	**76,684**	**131,156**	**96,345**
Large enterprises	-	125,435	-	125,435	60,467
Medium enterprises	-	149,932	-	149,932	149,932
Small enterprises	434,827	24,470	321,932	137,365	95,613
Micro enterprises	67,347	5,713	37,597	35,464	31,537
Other	-	-	-	-	-
Business clients	**502,174**	**305,551**	**359,529**	**448,196**	**337,549**
Total	**692,974**	**322,591**	**436,213**	**579,352**	**433,894**

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

CHANGE IN S3 RECEIVABLES	Gross 31.12.2019.	New S3 clients	Decrease in S3 clients	Gross 31.12.2020.	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)

Restructured receivables

Loans with amendments to the 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 the settlement of obligations in the initially agreed maturity dates.
The Bank performs a financial analysis of debtors who have a problem in settling liabilities and if it estimates that the debtor will be able to settle its obligations after the changed conditions, the Bank decides to reschedule such loans.

RESTRUCTURED RECEIVABLES 31.12.2021.	Restructured receivables (RR)-Gross exposure	S1 RR	S2 RR	S3 RR	Impairment allowance RR	Impairment allowance S1 RR	Impairment allowance S2 RR	Impairment allowance S3 RR	Share of RR in gross exposure	Collaterals for RR
Total retail	**8,603**	**-**	**1,061**	**7,542**	**2,677**	**-**	**111**	**2,565**	**0.37%**	**1,837**
Housing loans	239	-	-	239	-	-	-	-	0.01%	239
Cash and consumer loans	8,363	-	1,061	7,302	2,676	-	111	2,565	2.52%	1,597
Credit cards	-	-	-	-	-	-	-	-	-	-
Current account overdrafts	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Retail	**8,603**	**-**	**1,061**	**7,542**	**2,676**	**-**	**111**	**2,565**	**0.44%**	**1,837**
Entrepreneurs	-	-	-	-	-	-	-	-	-	-
Business clients	**20,221**	**-**	**20,221**	**-**	**505**	**-**	**505**	**-**	**0.30%**	**18,808**
Accommodation and food services	-	-	-	-	-	-	-	-	-	-
Administrative and support services	-	-	-	-	-	-	-	-	-	-
Agriculture, forestry and fishery	-	-	-	-	-	-	-	-	-	-
Art, entertainment and recreation	-	-	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-	-	-
Financial activities and insurance activities	-	-	-	-	-	-	-	-	-	-
Information and communication	-	-	-	-	-	-	-	-	-	-
Manufacturing industry	20,221	-	20,221	-	505	-	505	-	0.87%	18,808
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	-	-	-	-
Real estate business	-	-	-	-	-	-	-	-	-	-
Transport and warehousing	-	-	-	-	-	-	-	-	-	-
Wholesale and retail, repairs	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total	**28,824**	**-**	**21,282**	**7,542**	**3,182**	**-**	**617**	**2,565**	**0.32%**	**20,645**
Receivables from banks	-	-	-	-	-	-	-	-	-	-

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Restructured receivables (continued)

RESTRUCTURED RECEIVABLES 31.12.2020.	Restructured receivables (RR)- Gross exposure	S1 RR	S2 RR	S3 RR	Impairment allowance RR	Impairment allowance S1 RR	Impairment allowance S2 RR	Impairment allowance S3 RR	Share of RR in gross exposure	Collaterals fo RR
Total retail	**20,743**	**-**	**2,376**	**18,367**	**13,745**	**-**	**523**	**13,222**	**0.79%**	**2,21**
Housing loans	436	-	-	436	-	-	-	-	0.02%	43
Cash and consumer loans	20,307	-	2,376	17,931	13,745	-	523	13,222	4.33%	1,78
Credit cards	-	-	-	-	-	-	-	-	-	
Current account overdrafts	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	
Retail	**20,743**	**-**	**2,376**	**18,367**	**13,745**	**-**	**523**	**13,222**	**0.93%**	**2,21**
Entrepreneurs	-	-	-	-	-	-	-	-	-	
Business clients	**350,277**	**-**	**51,001**	**299,276**	**60,487**	**-**	**1,872**	**58,615**	**4.79%**	**342,27**
Accommodation and food services	-	-	-	-	-	-	-	-	-	
Administrative and support services	-	-	-	-	-	-	-	-	-	
Agriculture, forestry and fishery	256,775	-	-	256,775	36,840	-	-	36,840	18.82%	256,77
Art, entertainment and recreation	-	-	-	-	-	-	-	-	-	
Construction	-	-	-	-	-	-	-	-	-	
Financial activities and insurance activities	-	-	-	-	-	-	-	-	-	
Information and communication	-	-	-	-	-	-	-	-	-	
Manufacturing industry	42,501	-	-	42,501	21,776	-	-	21,776	1.71%	34,50
Professional, scientific, innovation and technical activities	-	-	-	-	-	-	-	-	-	
Real estate business	-	-	-	-	-	-	-	-	-	
Transport and warehousing	-	-	-	-	-	-	-	-	-	
Wholesale and retail, repairs	51,001	-	51,001	-	1,872	-	1,872	-	3.14%	51,00
Other	-	-	-	-	-	-	-	-	-	
Total	**371,020**	**-**	**53,377**	**317,643**	**74,232**	**-**	**2,395**	**71,837**	**3.74%**	**344,49**
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)

Restructured receivables (continued)

In 2021, the Bank had restructured receivables that were classified into level 2 according to the Bank's methodology, and these include:

- Cash and consumer loans in the amount of RSD 1,061 thousand
- Loans to legal entities in the amount of RSD 20,221 thousand,

i.e. into level 3:

- Housing loans in the amount of RSD 239 thousand
- Cash and consumer loans in the amount of RSD 7,302 thousand

There were no movements of restructured receivables during 2021 within level 1, while the movements within level 2 and level 3 are shown in the following two tables:

	Gross restructured S2 receivables 31.12.2020.	New restructured S2 receivables	Decrease in restructured S2 receivables	Gross 31.12.2021.	Net 31.12.2021.
Housing loans	-	-	-	-	-
Cash	2,376		1,315	1,061	950
Credit cards	-	-	-	-	-
Current account overdrafts	-	-	-	-	-
Other	-	-	-	-	-
Retail	**2,376**	**-**	**1,315**	**1,061**	**950**
Entrepreneurs	-	-	-	-	-
Total retail	**2,376**	**-**	**1,315**	**1,061**	**950**
Large enterprises	-	-	-	-	-
Medium enterprises	-	-	-	-	-
Small enterprises	51,001	-	51,001	-	-
Micro enterprises	-	20,221	-	20,221	19,716
Other	-	-	-	-	-
Business clients	**51,001**	**20,221**	**51,001**	**20,221**	**19,716**
Total	**53,377**	**20,221**	**52,316**	**21,282**	**20,665**
Banks	**-**	**-**	**-**	**-**	**-**
Other receivables from banks	**-**	**-**	**-**	**-**	**-**
Other funds that are not classified	**-**	**-**	**-**	**-**	**-**
TOTAL	**53,377**	**20,221**	**52,316**	**21,282**	**20,665**

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Restructured receivables (continued)

	Gross restructured S3 receivables 31.12.2020.	New restructured S3 receivables	Decrease in restructured S3 receivables	Gross 31.12.2021.	Net 31.12.2021.
Housing loans	436		196	239	239
Cash loans	17,931	4	10,633	7,302	4,737
Credit cards	-	-	-	-	-
Current account overdrafts	-	-	-	-	-
Other	-	-	-	-	-
Retail	**18,367**	**4**	**10,830**	**7,542**	**4,977**
Entrepreneurs	**-**	**-**	**-**	**-**	**-**
Total retail	**18,367**	**4**	**10,830**	**7,542**	**4,977**
Large enterprises	-	-	-	-	-
Medium enterprises	-	-	-	-	-
Small enterprises	273,990	-	273,990	-	-
Micro enterprises	25,286	-	25,286	-	-
Other	-	-		-	
Business clients	**299,276**	**-**	**299,276**	**-**	**-**
Total	**317,643**	**4**	**310,106**	**7,542**	**4,977**
Banks	**-**	**-**	**-**	**-**	**-**
Other receivables from banks	**-**	**-**	**-**	**-**	**-**
Other funds that are not classified	**-**	**-**	**-**	**-**	**-**
TOTAL	**317,643**	**4**	**310,106**	**7,542**	**4,977**

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Receivables from clients covered by collaterals (amount of receivable or collateral, whichever is lower)

31.12.2021.	**S1 clients**					**S2 clients**					**S3 clients**				
	Real estate	**Deposits**	**Guarantees**	**Other collaterals**	**Total**	**Real estate**	**Deposits**	**Guarantees**	**Other collaterals**	**Total**	**Real estate**	**Deposits**	**Guarantees**	**Other collaterals**	**To**
Housing loans	1,421,282	18,553	-	-	1,439,835	77,991	-	-	-	77,991	50,868	-	-	-	50
Cash and consumer loans	36,732	22,623	-	-	59,356	1,557	-	-	-	1,557	2,151	-	-	-	2
Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Current account overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Retail	**1,458,014**	**41,176**	**-**	**-**	**1,499,190**	**79,547**	**-**	**-**	**-**	**79,547**	**53,019**	**-**	**-**	**-**	**53**
Entrepreneurs	**194,448**	**2,690**	**20,868**	**-**	218,007	**-**	**-**	**600**	**-**	**600**	**19,855**	**-**	**840**	**-**	20
Total retail	**1,652,463**	**43,866**	**20,868**	**-**	**1,717,197**	**79,547**	**-**	**600**	**-**	**80,147**	**72,874**	**-**	**840**	**-**	**73**
Large enterprises	44,044	-	-	-	44,044	26,505	-	-	-	26,505	110,402	-	-	-	110
Medium enterprises	846,711	12,538	162,661	-	1,021,910	566,657	6,779	31,200	-	604,636	149,932	-	-	-	149
Small enterprises	660,773	62,841	168,448	-	892,062	526,333	35,127	23,280	-	584,740	127,640	1,176	-	-	128
Micro enterprises	208,202	28,215	40,695	-	277,111	112,984	103,977	8,880	-	225,840	26,435	-	1,440	-	27
States	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Business clients	**1,759,730**	**103,594**	**371,803**	-	**2,235,127**	**1,232,479**	**145,883**	**63,360**	-	**1,441,722**	**414,409**	**1,176**	**1,440**	-	**417**
Total	**3,412,193**	**147,460**	**392,671**	**-**	**3,952,324**	**1,312,026**	**145,883**	**63,960**	**-**	**1,521,869**	**487,283**	**1,176**	**2,280**	**-**	**490**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Receivables from clients covered by collaterals (amount of receivables or collateral, whichever is lower) (continued)

31.12.2020.	**S1 clients**					**S2 clients**					**S3 clients**			
	Real estate	**Deposits**	**Guarantees**	**Other collaterals**	**Total**	**Real estate**	**Deposits**	**Guarantees**	**Other collaterals**	**Total**	**Real estate**	**Deposits**	**Guarantees**	**Other collaterals**
Housing loans	1,551,862	19,713	-	-	1,571,575	54,439	-	-	-	54,439	59,505	-	-	-
Cash and consumer loans	46,375	3,359	-	-	49,734	980	-	-	-	980	10,059	-	-	-
Credit cards	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current account overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail	**1,598,237**	**23,071**	**-**	**-**	**1,621,309**	**55,419**	**-**	**-**	**-**	**55,419**	**69,565**	**-**	**-**	**-**
Entrepreneurs	**249,791**	**4,453**	**18,780**	-	273,024	**2,816**	-	**480**	-	**3,296**	**24,034**	-	-	-
Total retail	**1,848,029**	**27,524**	**18,780**	-	**1,894,333**	**58,235**	-	**480**	-	**58,715**	**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	-	-	-
Micro enterprises	150,063	142,638	31,130	-	323,832	62,474	588	-	-	63,061	57,701	-	-	-
States	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	**-**	-	-	-	**-**	**-**	-	-	**-**	**-**	**-**
Business clients	**2,410,819**	**237,152**	**368,175**	-	**3,016,146**	**972,707**	**3,527**	-	-	**976,235**	**476,977**	-	-	-
Total	**4,258,848**	**264,676**	**386,955**	**-**	**4,910,479**	**1,030,942**	**3,527**	**480**	**-**	**1,034,949**	**570,575**	-	-	-
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

4. *FINANCIAL RISK MANAGEMENT (continued)*

4.3. Credit risk (continued)

Concentration risk

31.12.2021.	Receivables from S1 and S2 clients					Receivables from S3 clients			
	Serbia	Montenegro	BiH	EU	Other	Serbia	Montenegro	BiH	EU
Total retail	**2,134,964**	**-**	**-**	**4,394**	**32,214**	**131,156**	**-**	**-**	**-**
Housing loans	1,521,466	-	-	4,394	32,212	59,876	-	-	-
Cash and consumer loans	296,241	-	-	-	-	35,808	-	-	-
Credit cards	5,741	-	-	-	2	149	-	-	-
Current account overdrafts	4,511	-	-	-	-	86	-	-	-
Other	-	-	-	-	-	-	-	-	-
Retail	**1,827,958**	**-**	**-**	**4,394**	**32,214**	**95,919**	**-**	**-**	**-**
Entrepreneurs	307,006	-	-	-	-	35,237	-	-	-
Business clients	**6,368,598**	**-**	**-**	-	-	**448,196**	**-**	**-**	**-**
Accommodation and food services	14,916	-	-	-	-	2,207	-	-	-
Administrative and support services	177,024	-	-	-	-	6,193	-	-	-
Agriculture, forestry and fishery	469,373	-	-	-	-	126,251	-	-	-
Art, entertainment and recreation	35,559	-	-	-	-	-	-	-	-
Construction	931,226	-	-	-	-	53,199	-	-	-
Financial activities and insurance activities	38,073	-	-	-	-	-	-	-	-
Information and communication	21,031	-	-	-	-	-	-	-	-
Manufacturing industry	2,079,449	-	-	-	-	242,443	-	-	-
Professional, scientific, innovation and technical activities	170,675	-	-	-	-	-	-	-	-
Real estate business	395,080	-	-	-	-	-	-	-	-
Transport and warehousing	274,764	-	-	-	-	4,196	-	-	-
Wholesale and retail, repairs	1,576,214	-	-	-	-	13,045	-	-	-
Other	185,213	-	-	-	-	660	-	-	-
Total	**8,503,563**	**-**	**-**	**4,394**	**32,214**	**579,352**	**-**	**-**	**-**
Receivables from banks	**9,866**	**-**	**-**	**317,827**	**133,514**	**-**	**-**	**-**	**-**

4. FINANCIAL RISK MANAGEMENT (continued)

4.3. Credit risk (continued)

Concentration risk (continued)

31.12.2020.	**Receivables from S1 and S2 clients**					**Receivables from S3 clients**			
	Serbia	**Montenegro**	**BiH**	**EU**	**Other**	**Serbia**	**Montenegro**	**BiH**	**EU**
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	-	-	-
Current account overdrafts	5,249	-	-	-	-	96	-	-	-
Other	-	-	-	-	-	-	-	-	-
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 fishery	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	-	-	-	-	-	-	-	-	-
Transport 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**	**-**	**-**	**-**	**-**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk

Market risks are the possibility of negative effects on the financial result and capital of the bank based on market price fluctuations. Basic market risks to which the Bank is exposed include rate risk, FX risk and other market risks.

Interest rate risk

The Bank is exposed to changes in the prevailing level of market interest rates that affect 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 regularly adjusted by the Bank.

The risk management activity aims to optimize net income from interest, maintain the market interest rate at a consistent level in line with the Bank's business strategy, the Bank's Management manages maturity compliance of assets and liabilities based on macro and micro economic forecasts, forecasting liquidity conditions and forecasting interest rate trends.

The Bank has implemented internal procedures that define the system and methodologies for interest rate risk management, competencies and responsibilities of system participants, but also controls that are undertaken in order to operate the system as efficiently as possible.

The subject of interest rate risk management are all interest rate sensitive balance sheet items included in the banking book that may cause a negative effect on the Bank's result and capital due to changes in interest rates.

The Bank can be exposed to various forms of interest rate:

- Maturity mismatch risk and repricing risk, as well as price risk. This risk arises from the difference between the maturity date (for fixed rates) and the price change date (for variable rates) for the Bank's assets, liabilities and off-balance sheet items;
- Yield curve risk - risk that arises due to changes in the shape and slope of the yield curve, when unforeseen shifts in the curve have adverse effects on revenue or basic economic value;
- Basis risk - due to different reference interest rates for interest rate sensitive positions with similar characteristics in terms of maturity, i.e. re-pricing;
- Optionality risk - due to options embedded in interest rate sensitive positions (loans with the possibility of early withdrawal, different types of bonds or bills containing the option to buy or sell, different types of maturity deposits that give depositors the right to withdraw funds at any time, often without paying any penalties).

In order to manage interest rate risk exposure, the Bank uses the GAP interest rate methodology.

Analysis of interest rate risk exposure involves analysing the balance and changes in on-balance sheet assets, liabilities and off-balance sheet items. The Bank identifies interest rate risk exposure by determining the mismatch of positions in major currencies (RSD, EUR, USD, CHF) and in total (at the consolidated level) for all currencies with which it operates.

Analysing the positions of balance sheet assets and liabilities implies determining interest rate sensitive items classified according to the period of interest rate re-formation, i.e. determining the expected schedule of future cash flows.

Analysis of off-balance sheet items (swaps, forwards) involves identifying potential changes in positions, which occur as a cause of changes in interest rates in the market.

The analysis of interest rates implies continuous monitoring and adjustment of transactions to the conditions of changes in market interest rates.

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk (continued)

Interest rate risk (continued)

As at 31 December 2021	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Interest insensitive positions	Total
ASSETS							
Cash and funds held with central bank	719,269	-	-	-	-	1,379,322	2,098,591
Securities	-	-	-	1,156,470	2,958,757	-	4,115,227
Loans and receivables from banks and other financial institutions	4,703	-	-	-	-	455,947	460,651
Loans and receivables from clients	2,998,422	2,650,600	2,398,876	195,493	1,191	667,646	8,912,229
Receivables from derivatives intended for hedging	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	492,477	492,477
Total assets	**3,722,394**	**2,650,600**	**2,398,876**	**1,351,963**	**2,959,948**	**2,995,393**	**16,079,175**
LIABILITIES							
Deposits and other liabilities to banks, other financial institutions and the central bank	203,926	1,140	412,576	706,670	-	9,457	1,333,769
Deposits and other liabilities to other clients	2,139,811	1,181,461	2,825,158	1,897,659	-	3,746,364	11,790,453
Liabilities based on derivatives intended for hedging	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	168,932	168,932
Total liabilities	**2,343,737**	**1,182,601**	**3,237,734**	**2,604,329**	**-**	**3,924,753**	**13,293,154**
GAP (Assets - Liabilities):	**1,378,656**	**1,468,000**	**(838,858)**	**(1,252,366)**	**2,959,948**	**(929,360)**	**2,786,021**

As at 31 December 2020	up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Interest insensitive positions	Total
ASSETS							
Cash and 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 clients	3,118,415	2,581,125	2,904,505	372,640	3,244	675,035	9,654,965
Receivables from derivatives intended for hedging	-	-	-	-	-	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 the central bank	-	995,644	1,096	942,983	-	7,347	1,947,070
Deposits and other liabilities to other clients	2,368,329	655,791	2,561,284	1,302,674	563	3,572,415	10,461,056
Liabilities based on derivatives intended for hedging	-	-	-	-	-	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**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk (continued)

Interest rate risk (continued)

Limits for GAP interest rates are defined by the Decision of the Board of Directors and they are monitored regularly.
As an integral part of interest rate risk assessment, the Bank conducts stress tests of the effects of changes in interest rates. In determining the exposure to interest rate risk in the banking book and the limit of this risk, the Bank assesses the effects of interest rate changes on the Bank's financial result (income statement) and the Bank's economic value, applying the standard interest rate shock test according to the nature and level of risks to which it is exposed.
The standard interest rate shock represents a positive and a negative parallel shift in interest rates by 200 base points (1bp = 0.01%).
In the current structure of interest rate GAPs (observed at the consolidated level, which includes major currencies, namely EUR, RSD, CHF and USD), increasing the interest rate by 200 basis points would change the economic value of capital by 15.52% (2020: 11.18%), i.e. it would increase its value by RSD 508,536 thousand (2020: increase of RSD 367,712 thousand).

As at 31 December 2021

Expressed in RSD thousand	0-1m	1-3m	3-6m	6-12m	1-2y	2-3y	3-4y	4-5y	5-7y	7-10y	10-15y	15-20y	> 20y	TOTAL
Sensitive assets	3,781,185	2,650,600	2,349,940	48,936	51,786	59,552	14,586	1,158,410	626,060	158,815	1,818,687	424,016	0	13,142,573
Sensitive liabilities	-2,402,671	-1,182,611	-1,018,639	-2,219,183	-2,484,570	-114,588	-4,664	-563	0	0	0	0	0	-9,427,489
GAP	**1,378,514**	**1,467,989**	**1,331,301**	**-2,170,247**	**-2,432,784**	**-55,036**	**9,922**	**1,157,847**	**626,060**	**158,815**	**1,818,687**	**424,016**	**0**	**3,715,084**
Basel 2 Sensitivity coefficients (200 bp changes of interest rates)	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 (RSD thousand)	**1,103**	**4,698**	**9,585**	**-31,035**	**-67,388**	**-2,471**	**609**	**89,270**	**63,545**	**21,059**	**324,454**	**95,107**	**0**	**508,536**
Regulatory capital														3,276,278
Total effects/Regulatory capital (max. 20%)														**15.52%**

As at 31 December 2020

	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 coefficients (200 bp changes of interest rates)	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	**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%**

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk (continued)

LIBOR rate reform

In accordance with the implementation of further activities related to the reform of LIBOR rates, defined through the European Union Regulation No 2016/1011, the European Parliament adopted two new Regulations in 2021 prescribing replacement rates for CHF LIBOR and EONIA rates. By EU Regulation 2021/1847 of 14 October 2021, CHF LIBOR rates with maturities of 1, 3, 6 and 12 months are replaced by SARON compounded rates of appropriate maturity with the addition of Spread Adjustment Values. By EU Regulation 2021/1848 of 21 October 2021, the EONIA rate is replaced by the ESTR rate, also with the addition of Spread Adjustment Values.

Since the Bank has, in accordance with the Law on conversion of housing loans indexed in Swiss francs from 2019, converted the majority of loans previously indexed in Swiss francs into debt indexed in euros, the current exposure of the Bank to interest rates related to CHF can be treated as negligible in terms of its materiality. The Bank has not contracted interest rates on loans to clients who would be based on the EONIA market rate. Also, in the interest structure of deposits, the Bank does not have deposits of clients with the agreed variable interest rate in CHF or EUR, therefore it is not exposed to risk that may arise from the substitution of LIBOR rates with new interest rates.

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 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 limitations 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 2021. The table also includes assets and liabilities according to their carrying values denominated in relevant currencies.

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

4. FINANCIAL RISK MANAGEMENT (continued)

4.4. Market risk (continued)

FX risk (continued)

As at 31.12.2021.	**USD**	**EUR**	**CHF**	**Other currencies**	**Total**	**RSD**	**Total**
ASSETS							
Cash and funds held with central bank	8,099	1,215,781	12,442	217	1,236,540	862,051	2,098,591
Securities	158,815	541,462	-	-	700,278	3,414,950	4,115,227
Loans and receivables from banks and other financial institutions	15,105	407,826	28,951	8,769	460,650	-	460,650
Loans and receivables from clients	276	4,770,497	6,378	-	4,777,151	4,135,078	8,912,229
Receivables from derivatives intended for hedging	-	-	-	-	-	-	-
Other assets	-	1,888	-	-	1,888	11,626	13,514
Total assets	182,295	6,937,454	47,771	8,985	7,176,506	8,423,705	15,600,212
LIABILITIES							
Deposits and other liabilities to banks, other financial institutions and the central bank	103,930	715,874	-	-	819,804	513,965	1,333,769
Deposits and other liabilities to other clients	50,913	6,885,991	46,910	1,208	6,985,022	4,805,431	11,790,412
Liabilities based on derivatives intended for hedging	-	-	-	-	-	-	-
Other liabilities	819	58,767	1,188	68	60,843	108,090	168,932
Total liabilities	155,662	7,660,632	48,098	1,277	7,865,669	5,427,485	13,293,154
Net foreign currency position	**26,633**	**(723,178)**	**(327)**	**7,709**	**(689,163)**	**2,996,220**	**2,307,057**

As at 31 December 2020	**USD**	**EUR**	**CHF**	**Other currencies**	**Total**	**RSD**	**Total**
ASSETS							
Cash and 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 clients	896	6,075,138	6,413	-	6,082,446	3,572,519	9,654,965
Receivables from derivatives intended for hedging	-	-	-	-	-	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
LIABILITIES							
Deposits and other liabilities to banks, other financial institutions and the central bank	-	1,155,519	-	-	1,155,519	791,551	1,947,070
Deposits and other liabilities to other clients	182,792	6,513,318	42,866	1,267	6,740,243	3,720,813	10,461,056
Liabilities based on derivatives intended for hedging	-	-	-	-	-	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)

FX risk (continued)

The impact of decrease foreign exchange rates on the Bank's net result:

	Balance of open foreign currency positions		**RSD depreciation effect of 10%**	
	Dec 2021	**Dec 2020**	**Dec 2021**	**Dec 2020**
EUR	(723,178)	(437,694)	(61,470)	(37,204)
CHF	(327)	(6,032)	(28)	(513)
USD	26,633	(92,622)	2,264	(7,873)
Other currencies (long pos.)	7,937	7,260	675	617
Other currencies (short pos.)	229	237	19	20

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 shown at its nominal value is approximately equal to its book value. This includes cash and 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: 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. he 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.

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

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments (continued)

The 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.

The table below shows fair value of financial instrument recognized at fair value in financial statements.

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
- according to fair value through other comprehensive income		4,115,227		4,115,227
Total	**-**	**4,115,227**	**-**	**4,115,227**

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
- according to fair value through other comprehensive income		3,390,226		3,390,226
Total	**-**	**3,390,226**	**-**	**3,390,226**

During 2021 and 2020, there were no changes of levels nor reclassifications between fair valuation levels.

The following table shows the fair value of financial instruments that are not measured at fair value and analyses them by level in the fair value hierarchy within which the measurement of fair value is located:

	31.12.2021		**31.12.2020**	
Financial (monetary) assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Cash and funds held with central bank	2,098,591	2,098,591	1,852,572	1,852,572
Loans and receivables from banks and other financial institutions	460,650	460,650	113,679	113,679
Loans and receivables from clients	8,912,229	8,656,095	9,654,965	9,537,341
Other assets	370,633	370,633	370,633	370,633
Total	**11,842,103**	**11,585,969**	**11,991,849**	**11,874,225**
Financial (monetary) liabilities				
Deposits and other liabilities to banks, other financial institutions and the central bank	1,333,769	1,325,432	1,947,070	1,920,985
Deposits and other liabilities to other clients	11,790,453	11,709,199	10,461,056	10,344,046
Other liabilities	168,932	168,932	191,670	191,670
Total	**13,293,154**	**13,203,563**	**12,599,796**	**12,456,701**

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

4. FINANCIAL RISK MANAGEMENT (continued)

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

Assessment of financial instruments (continued)

	Fair value			
31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and funds held with central bank	2,098,591	-	-	2,098,591
Loans and receivables from banks and other financial institutions	-	-	460,650	460,650
Loans and receivables from clients	-	-	8,656,095	8,656,095
Other assets	-	-	370,633	370,633
Total	**2,098,591**	**-**	**9,487,378**	**11,585,969**
LIABILITIES				
Deposits and other liabilities to banks, other financial institutions and the central bank	-	-	1,325,432	1,325,432
Deposits and other liabilities to other clients	-	-	11,709,199	11,709,199
Other liabilities	-	-	168,932	168,932
Total	**-**	**-**	**13,203,563**	**13,203,563**

	Fair value			
31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS				
Cash and funds held with central bank	1,852,572	-	-	1,852,572
Loans and receivables from banks and other financial institutions	-	-	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 liabilities to other clients	-	-	10,344,046	10,344,046
Other liabilities	-	-	191,670	191,670
Total	**-**	**-**	**12,456,701**	**12,456,701**

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.

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. The Bank has adopted limits defined by NBS in line with the Decision on managing risks and it operates in accordance with them.

4. FINANCIAL RISK MANAGEMENT (continued)

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

The Bank's investment risk is the risk related to the Bank's investment in a single retail / corporate entity operating outside the financial sector and the risk of the Bank's investment in fixed assets.

Managing this risk implies measuring, monitoring and controlling:

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

Limits of Bank's investments:

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

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

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

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

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

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

Country risk is reflected through:

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

The main method for identifying and estimating operational risks is RCSA- the process of risk self-estimation and the control with which all the processes and activities in the bank are enveloped. 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. Analysis of exposure to operational risk is also represented through the introduction of new services and products, and new activities in the Bank, e.g. implementation of mobile banking services, implementation of new AML software, risk assessment in moratorium, as well as considering new activities so that the Bank could achieve the necessary digitization level.

The Bank uses Key Risk Indicators (continued: 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, i.e. 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) (continued)

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. According to the performed risk assessment, the Bank’s management decides which risk levels are acceptable, and which will require introduction of additional controls.

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, i.e. 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 2021 is:

	31.12.2021.
Paid in share capital	5,671,608
Share premium	2,877,486
Reserves from profit, other reserves and reserves for general bank risks	151,672
Losses from previous years	(5,634,130)
Current year loss	-
Intangible investments	(43,759)
Regulatory adjustments to the value of the elements of the basic share capital (additional value adjustments)	(4,226)
Revaluation reserves and other unrealized gains / (losses)	260,180
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	(4,296)
Basic share capital	**3,274,535**
Additional share capital	**-**
Share capital	**3,274,535**
Supplementary capital	**-**
Total capital, balance as at 31 December	**3,274,535**
Capital adequacy ratio, as at 31 December	**32.79%**

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 2020, the capital adequacy ratio was as follows:

	31.12.2020.
Paid in share capital	5,671,608
Share premium	2,877,486
Reserves from profit, other reserves and reserves for general bank risks	151,672
Losses from previous years	(5,376,995)
Current year loss	(257,135)
Intangible investments	(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)
Basic share capital	**3,288,185**
Additional share capital	**-**
Share capital	**3,288,185**
Supplementary capital	**-**
Total capital, balance as at 31 December	**3,288,185**
Capital adequacy ratio, as at 31 December	**32.88%**

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 extrapolation 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;
- election 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 45,265 thousand (2020: RSD 30,325 thousand).

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

The Bank used forward-looking information to measure expected credit losses. he 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 2021.

The ARDL model (autoregressive distributed lag model) was used for forward looking PD. The Model takes into account predictions of the most prestigious institutions such as the European Central Bank, International Monetary Fund etc. for assessing macroeconomic variables entering the model. These predictions are the basis for the first scenario. The second scenario is a pessimistic scenario which stresses value from the first scenario and worsens macroeconomic forecasts, while the third scenario presents an optimistic scenario and to a lesser extent improves estimates of macroeconomic variables. 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.

Variables	*Scenario*	*Assigned weight*	*Realized DR 2021.*	*Projected PD 2022.*
Seasonally adjusted real earnings; BELIBOR 6m	Basic	50%	1.07%	1.15%
	Mild	25%	1.07%	0.62%
	Severe	25%	1.07%	0.55%

The table shows the weighted values of the projected PD.

Credit cards

The regression for Credit Cards includes macroeconomic variables: Exchange rate EUR / RSD, 6m Belibor and seasonally adjusted real earnings.

Variables	*Scenario*	*Assigned weight*	*Realized DR 2021.*	*Projected PD 2022.*
Exchange rate EUR / RSD, seasonally adjusted real earnings; BELIBOR 6m	*Basic*	*50%*	*0.25%*	*0.72%*
	Mild	*25%*	*0.25%*	*0.39%*
	Severe	*25%*	*0.25%*	*0.35%*

The table shows the weighted values of the projected PD.

Entrepreneurs

Regression for Entrepreneurs include macroeconomic variables: 6m Euribor, change in RSD / EUR exchange rate, real effective exchange rate and industrial production.

Variables	*Scenario*	*Assigned weight*	*Realized DR 2021.*	*Projected PD 2022.*
6m Euribor; change in RSD / EUR exchange rate, real effective exchange rate; industrial production;	Basic	50%	0.41%	1.06%
	Mild	25%	0.41%	0.68%
	Severe	25%	0.41%	0.43%

The table shows the weighted values of the projected PD.

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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

Legal entities

The regression for legal entities includes macroeconomic variables: 6m Euribor, change in RSD/EUR exchange rate, real effective exchange rate, industrial production and share of corporate loans in GDP.

Variables	*Scenario*	*Assigned weight*	*Realized DR 2021.*	*Projected PD 2022.*
6m Euribor; change in RSD / EUR exchange rate; real effective exchange rate; industrial production; share of corporate loans in GDP	Basic	50%	3.43%	0.92%
	Mild	25%	3.43%	0.48%
	Severe	25%	3.43%	0.45%

The table shows the weighted values of the projected PD.

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 5,112 thousand.

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 2021 are measured by applying the ECL lifetime (for Stage 2), the expected impairment loss would be greater by RSD 5,765 thousand (31 December 2019: higher by RSD 18,896 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 JUDGMENTS (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 financial assets cash flows are solely payments of principal and interest requires 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, i.e. 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 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 loan 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 inthe 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 derecognized and whether the new recognized 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 derecognized nor reclassified out of the credit-impaired stage.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

Write-off policy

Financial assets are derecognized, 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:

- 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-collectability 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 non-collectability 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 non-collectability, 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 mark.et 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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.

(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 losses 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 litigation 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.

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

6. INTEREST INCOME AND EXPENSES

	2021	**2020**
Interest income based on EIR		
Based on loans	386.494	400.616
Based on deposits	1.941	4.385
Based on securities and REPO transaction	139.792	124.766
Based on foreign currency loans	3.131	4.045
Based on foreign currency deposits	2	27
Based on foreign currency securities	15.598	9.577
Based on SWAP transactions	80	304
Total:	547.038	**543.720**
Interest expense		
Based on deposits	48.267	38.174
Based on securities	16.955	6.855
Based on other liabilities	1.329	1.402
Based on foreign currency borrowings	9.414	17.336
Based on foreign currency deposits	68.916	70.472
Based on foreign currency securities	1.777	2.494
Based on other foreign currency liabilities	1.410	1.912
Total:	**148.068**	**138.645**
Net interest income	**398.970**	**405.075**

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 statement.

Interest income from loans in dinars in the amount of RSD 386.494 thousand (2020: RSD 400.616 thousand), includes the interest from stage 3 loans in the amount of RSD 14.308 thousand (2020: RSD 26.551 thousand).

Revenues from the securities interest in the amount of RSD 139.792 thousand (2020: RSD 124.766 thousand), relate for the most part to bonds purchased from Republic of Serbia government, in the amount of RSD 139.529 thousand.

Interest expenses on deposits in dinars in the amount of RSD 48.267 thousand (2020.: RSD 38.174 thousand), mainly relate to interest expenses on short-term deposits of other companies in the amount of RSD 23.536 thousand, interest expenses on demand deposits in the amount of RSD 9.660 thousand and interest expenses for short-term deposits of local government in the amount of RSD 8.142 thousand.

Interest expenses on foreign currency deposits in the amount of RSD 68.916 thousand (2020: RSD 70.472), mostly refers to interest expenses on long-term savings deposits of retail clients for 25 months in foreign currency in the amount of RSD 41.210 thousand, while the amount of RSD 18.723 thousand relates to interest expenses on time and other time foreign currency deposits of retail clients.

Interest expenses on foreign currency loans in the amount of RSD 9.414 thousand (2020: RSD 17.336 thousand), are generated on a basis and at the rates explained in more detail in Note 26.

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

6. INTEREST INCOME AND EXPENSES (continued)

Interest income	**2021**	**2020**
Corporate	253.649	258.581
- interest	*238.134*	*246.021*
- fees	*15.515*	*12.560*
Retail	84.056	101.826
- interest	*83.865*	*101.637*
- fees	*191*	*189*
Foreign entities	1.508	1.798
- interest	*1.508*	*1.798*
- fees	-	-
National Bank of Serbia	962	2.673
Republic of Serbia	155.127	134.342
Entrepreneurs	18.001	17.713
- interest	*16.824*	*16.565*
- fees	*1.177*	*1.148*
Banks and other financial institutions	61	236
Retail fee previously written off	2.684	4.441
Corporate fee previously written off	30.010	17.664
Entrepreneurs fee previously written off	980	4.446
Total	**547.038**	**543.720**

Interest expense	**2021.**	**2020.**
Corporate	27.427	21.224
Retail	75.112	80.121
Entrepreneurs	18.731	9.349
Republic of Serbia	142	146
Banks and other financial institutions	10.061	18.452
Public sector	23	1
Foreign entities	708	810
National Bank of Serbia	859	956
Leasing	13.595	1.912
Other clients	1.410	5.674
Total	**148.068**	**138.645**
Interest income	**398.970**	**405.075**

7. FEE AND COMMISSION INCOME AND EXPENSE

	2021.	**2020.**
Fee and commission income	135.281	123.909
Fee and commission income in foreign currency	7.884	7.889
Total:	**143.165**	**131.798**
Fee and commission expense	7.131	7.281
Fee and commission expense in foreign currency	13.389	11.884
Total:	**20.520**	**19.165**
Net fee and commission income	**122.645**	**112.633**

Fee and commission income in dinars in the amount of RSD 135.281 thousand (2020: RSD 123.909 thousand) mostly relates to fees for banking services from companies in payment operations in the amount of RSD 39.886 thousand (2020: RSD 36.630 thousand); fees for the provision of other banking services by households in the amount of RSD 7.213 thousand (2020: RSD 7.395 thousand); fees for the purchase and sale of foreign currency from other customers in the amount of RSD 19.892 thousand (2020: RSD 19.521 thousand); fees for banking services from companies according to avals, guarantees, letters of intent, etc. in the amount of RSD 23.859 thousand (2020: RSD 16.411 thousand); fees for banking services from entrepreneurs for payment operations in the amount of RSD 11.787 thousand (2020: RSD 10.832 thousand).

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

7. FEE AND COMMISSION INCOME AND EXPENSE (continued)

	2021	2020
Income from fees for banking services		
- payment cards	10.064	9.724
- domestic payment operations (companies, bank, retail)	53.102	48.591
- commissions for issued guarantees	29.612	21.831
- banking services	18.456	17.184
- foreign currency payment operations	7.489	7.641
- other fees and commissions	1.855	1.199
- exchange operations	251	121
- buying and selling of foreign currency	19.892	19.521
- other – early repayment	2.444	5.986
Total income	**143.165**	**131.798**
Expenses from fees for banking services		
- payment cards	6.839	5.506
- domestic payment operations	5.055	4.870
- foreign currency payment operations	6.830	6.910
- broker services	111	-
- other fees and commissions	1.038	1.023
- exchange operations	31	106
- buying and selling of foreign currency	616	750
Total expenses:	**20.520**	**19.165**
Net gains from fees and commissions	**122.645**	**112.633**

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

	2021	2020
Gains from the sale of bonds at FVOCI of Republic of Serbia	92.217	33.241
Losses from the sale of bonds at FVOCI of the Republic of Serbia	-	-
Net gain:	**92.217**	**33.241**

9. NET (LOSS) / GAIN FROM RISK PROTECTION

	2021	2020
Gain from the change in the value of derivatives intended for risk protection	3.218	797
Loss on the basis of changes in the value of derivatives intended for risk protection	(823)	(3.192)
Net (loss)/gain based on protection from risk	**2.395**	**(2.395)**

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

10. NET FOREIGN EXCHANGE GAINS AND CURRENCY CLAUSE EFFECTS

	2021	2020
Foreign exchange gains based on:		
Foreign currency deposits and loans	21.737	43.639
Foreign currency accounts	9.264	4.956
Transactions with derivatives	3.352	1.786
Cash and deposits held with NBS	3.610	3.444
Payment card transactions	2.271	5.766
Other	141.297	152.499
Contracted currency clause	2.698	7.954
Based on securities	22.270	3.204
Total	**206.499**	**223.248**
Foreign exchange losses based on:		
Foreign currency deposits and loans	44.343	31.411
Foreign currency accounts	4.902	6.234
Transactions with derivatives	4.523	3.723
Cash and deposits held with NBS	2.110	4.444
Payment card transactions	2.098	5.667
Other	141.151	152.319
Contracted currency clause	2.574	8.517
Based on securities	9.199	8.111
Total	**210.900**	**220.426**
Foreign exchange gains/(losses), net	**(4.401)**	**2.822**

11. NET GAIN / (LOSS) FROM IMPAIRMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT

	2021	2020
Impairment loss on balance sheet assets	(346.645)	(354.518)
Income from reversal of impairment of balance sheet assets	282.766	288.314
Provision for off-balance sheet items	(32.063)	(18.380)
Income from reversal of provisions for off-balance sheet items	21.732	18.662
Expenses from write-off of uncollectible receivables	(2.331)	(169)
Income from collected receivables previously written-off	79.762	86.528
Impairment of financial assets valued at FY through OCI	(4.002)	(2.582)
Reversal of impairment of financial asset valued through OCI	3.082	1.674
Net (expense)/income:	**2.301**	**19.529**

Movements on the accounts of impairment of balance assets in 2021 were as follows:

	Loans to clients	Receivables for interest and fees	Other receivables	Total
Balance as at Jan 01, 2021	**270.895**	**7.206**	**2.785**	**280.886**
New impairment allowance	328.670	5.624	12.351	346.645
Reversal of impairment allowances	(268.845)	(3.841)	(10.080)	(282.766)
Transfer to off-balance	(123.931)	(2.500)	(1.156)	(127.587)
Write-offs	(963)	-	-	(963)
Balance at the year end	**205.826**	**6.489**	**3.900**	**216.215**

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

11. NET INCOME / (EXPENSE) FROM IMPAIRMENT OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH INCOME STATEMENT (continued)

Movements on the accounts of impairment of balance assets in 2021 were as follows:

	Loans to clients	Receivables for interest and fees	Other receivables	Total
Balance as at Jan 01, 2020	281.016	5.453	4.898	291.367
New impairment allowance	334.474	14.658	5.386	354.518
Reversal of impairment allowance	(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**	**7.206**	**2.785**	**280.886**

12. OTHER OPERATING INCOME

	2021.	2020.
Rent income	10.489	11.201
Income from sales of assets from collection of receivables	5.825	1.454
Income from reimbursement of damages	-	875
Income from sales of investment property	3.671	-
Total	**19.985**	**13.530**

13. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONAL EXPENSES

	2021	2020
Costs of salaries	183.553	177.921
Costs of employee compensations	38.194	29.221
Taxes for salaries and wages	27.379	25.745
Contributions for salaries and wages	53.557	49.568
Compensations for temporary and occasional work	991	714
Other personal expenses	13.983	13.887
Net expense/income for provisions for unused days of annual leave and retirement	(11.014)	4.413
Total	**306.643**	**301.469**

14. DEPRECIATION COSTS

	2021.	2020.
Intangible assets	23.563	26.347
Fixed assets	24.968	25.313
Right of use of assets	17.585	17.620
Total	**66.116**	**69.280**

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

15. OTHER INCOME

	2021	2020
Income from derecognition of provisions for litigation	117.815	-
Income from sale of fixed assets	87	-
Income on the basis of changes in value of fixed assets acquired by collecting receivables and investment property	8.279	12.941
Income from balances on closed customer accounts	4.902	
Deferred income from previous years	1.100	
Other income	5.949	2.780
Surplus in ATMs		40
Other income from previous year	3.581	
Total	**141.713**	**15.761**

A major part of other revenues consists of revenues from the derecognition of provisions for litigation in the amount of RSD 117,815 thousand, and due to the closed dispute with BC Partizan, which ended in a settlement and for which nearly RSD 94,000 thousand was reserved, as well as due to lost lawsuits related to certain fees in loan agreements of retail and corporate entities.

16. OTHER EXPENSES

	2021	2020
Costs of materials	16.594	16.790
Costs of production services	16.391	17.114
Non-material costs (without taxes and contributions)	224.139	213.968
Taxes	13.040	11.605
Contributions	50.128	46.421
Provisions for liabilities (Note 28)	10.140	137.683
Losses on write-offs of fixed assets and intangible assets	-	-
Shortages and damages	2	7
Other expenses	39.690	18.663
Losses on the basis of changes in value of fixed assets acquired by collecting receivables and investment property	4.478	46.906
Total	**374.602**	**509.157**

Costs of materials amounting to RSD 16.594 thousand (2020: RSD 16.790 thousand) are mostly related to the costs of electricity and heating in the amount of RSD 7.170 thousand (2020: RSD 6.361 thousand).

Of the total costs of production services in the amount of RSD 16.391 thousand (2020: RSD 17.114 thousand), the amount of RSD 10.522 thousand (2020: RSD 11.304 thousand) are the costs of electronic communications and automatic data processing.

Intangible costs in the amount of RSD 224.139 thousand (2020: RSD 213.968 thousand) mostly constitute of the amount of RSD 38.069 thousand (2020:RSD 37.804 thousand) related to the cost of bank deposit insurance premiums; the amount of RSD 39.693 thousand (2020: RSD 43.151 thousand) related to service-maintenance of software; the amount of RSD 20.938 thousand (2020: RSD 24.410 thousand) relating to the costs of maintaining software applications; amount of RSD 13.949 thousand (2020: RSD 13.708 thousand) related to service services - IT equipment.

Other expenses amounting to RSD 39.690 thousand (2020: RSD 18.663 thousand)) increased mostly due to lost disputes related to fees for loans to individuals in the amount of RSD 14.488 thousand, as well as expenses from the sale of assets acquired through the collection of receivables in the amount of RSD 16.503 thousand.

Expenses based on changes in the value of foreclosed assets and investment property of RSD 4.478 thousand, relate to the posting of valuations of certified appraisers in December 2021 foreclosed assets of RSD 3.891 thousand and investment property of RSD 587 thousand.

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

17. INCOME TAX

Total tax (expense)/income consists of the following taxes:

	2021	2020
Income tax	-	-
Deferred tax credit (Note 29)	1.112	22.573
Total tax income	**1.112**	**22.573**

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:

	2021	2020
Gain/ (Loss) prior to taxation	28.464	(279.708)
Income tax per rate of 15%	(4.270)	41.956
Tax effects of income and expenses not recognized for tax purposes	46.079	(8.072)
Tax effect of unrecognized tax losses carried forward	(41.809)	(33.884)
Tax effect of temporary differences	1.112	22.573
Income tax presented in the income statement	**1.112**	**22.573**

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
2019	322.768	48.415	2024
2020	225.890	33.884	2025
TOTAL	**548.658**	**82.299**	

18. CASH AND BALANCES WITH THE CENTRAL BANK

	Dec 31, 2021	Dec 31, 2020
Giro account	741.034	764.146
Cash on hand in RSD	120.987	85.381
Receivables for calculated interest, fee and commission per cash funds held with Central Bank	2	10
Cash on hand in foreign currency	338.955	143.053
Obligatory foreign currency reserve held with NBS	897.585	859.958
Prepayments per cash funds held with Central Bank	28	24
Total	**2.098.591**	**1.852.572**

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 gyro account and is therefore not separately 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.

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

18. CASH AND BALANCES WITH THE CENTRAL BANK (continued)

The obligatory reserve in dinars is calculated by the Bank on liabilities in dinars, loans and securities, as well as inother dinars liabilities other than dinars deposits received on transactions performed by the Bank inthe name and on behalf of third parties which do not exceed the number 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 inthe 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.

19. SECURITIES

	2021	2020
Securities in RSD	3.166.329	3.043.285
Securities in foreign currency	696.126	229.316
Premium/(discount)	252.772	117.625
Total	**4.115.227**	**3.390.226**

Securities measured in the bank's balance relate to securities at fair value through other comprehensive income and consist entirely of long-term bonds of the Republic of Serbia.

Movement of impairment allowance is shown in the table below:

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

	Dec 31, 2021	Dec 31, 2020
Balance as at Jan 01	6.793	5.896
Increase	4.047	2.588
Decrease	(3.098)	(1.691)
Total impairment allowance	**7.742**	**6.793**

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

20. LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL ORGANIZATIONS

	31.12.2021	**31.12.2020**
Bank foreign currency account	450.796	100.697
Funds on the account with the domestic bank intended for the purchase of securities	2.219	5.263
Bank's foreign currency account with CRHOV	3	80
Other earmarked deposits in foreign currency	7.632	7.639
Total	**460.650**	**113.679**

Changes in value adjustments are shown in the table below:

	31. 12.2021	**31. 12.2020**
Balance on 1 January	185	1.329
Increase	1.998	2.485
Reduction	(1.625)	(3.629)
Total correction	**558**	**185**

21. LOANS AND RECEIVABLES FROM CUSTOMERS

	31.12.2021	**31.12.2020**
Receivables in dinars		
For accrued interest on loans, deposits and other placements	23.625	32.524
For the calculated fee and commission on loans, deposits and other placements	1.341	2.257
Value adjustment demand. for accrued interest, fees and commissions on loans, deposits and other placements	(1.558)	(5.058)
For accrued interest on loans, deposits and other placements in foreign currency	261	165
Loans on transaction accounts	32.955	61.433
Consumer loans	856	1.385
Liquidity and working capital loans	5.605.517	5.886.733
Investment loans	1.202.425	1.310.763
Housing loans	1.595.880	1.732.148
Cash loans	306.388	417.250
For accrued interest on loans, deposits and other placements	114.987	164.766
Value adjustment of loans granted in dinars	(204.740)	(266.994)
Accrued interest receivables calculated on a basis basis	114.137	114.098
loans, deposits and other placements	56.581	138.246
Deferred maturities and interest- moratorium	792	1.726
Boundary fee - moratorium	(992)	(3.834)
Value adjustment of accrued expenses and deferrals in din.	75.755	91.768
Loans to pay for imports of goods and services from abroad in	(5)	
foreign currency	10.438	6.997
Impairment of debt for import of goods and services from abroad in foreign currency	(22.414)	(31.408)
Total	**8.912.229**	**9.654.965**

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

21. LOANS AND RECEIVALBES FROM CUSTOMERS (continued)

Changes in loans and receivables from customers in 2021 are as follows:

	Short-term loans		Long-term loans			
	IN RSD	**In foreign currency**	**IN RSD**	**In foreign currency**	**Total 2021**	**Total 2020**
On 1 January						
Interest and fee receivables	5.175	-	29.605	165	34.945	26.723
New calculation	75.760	-	355.082	3.887	434.729	321.745
Repayments	(77.470)	-	(363.185)	(3.791)	(444.446)	(313.522)
Impairment of receivables for interest and fees	*(109)*	-	*(1.449)*	-	*(1.558)*	*(5.058)*
Accrued interest receivables calculated on the basis of loans, deposits and other placements	163.647	10.285	7.070	153	181.155	261.067
Deferred income for receivables stated at amortized cost	(20.504)		(1.910)		(22.414)	(31.408)
Impairment allowance of prepayment in RSD	*(821)*		*(171)*		*(992)*	*(3.834)*
Net interest and fees on 31 December	**145.678**	**10.285**	**25.042**	**414**	**181.419**	**255.713**
Placements to customers Jan 1	772.849	-	8.801.630	91.768	9.666.247	9.819.637
New placements	2.192.660	-	5.517.867	21.329	7.731.856	3.397.936
Currency clause	(159)		293		134	(149.223)
Deferred fee under guarantees	792	-	-	-	792	-
Write-offs	-	-	(205)	-	(205)	(89)
Repayments	(2.038.906)	-	(6.387.022)	(37.341)	(8.463.269)	(3.402.014)
Value adjustments and provisions	*(11.127)*	-	*(193.613)*	*(5)*	*(204.745)*	*(266.994)*
Net placements on 31 December	**916.109**	**-**	**7.738.950**	**75.751**	**8.730.810**	**9.399.252**
Loans and receivables from customers on 31 December	**1.061.787**	**10.285**	**7.763.992**	**76.165**	**8.912.229**	**9.654.965**

	Companies	**Entrepreneurs**	**Individuals**	**Foreign persons**	**Other customers**	**Total 2021**	**Total 2020**
Interest receivables in RSD	17.742	1.847	4.035	1	0	**23.625**	**32.522**
Fee receivables in RSD	23	8	794	43	474	**1.342**	**2.259**
Value adjustment of interest and fee receivables in RSD	*(700)*	*(293)*	*(549)*	-	*(16)*	***(1.558)***	***(5.057)***
Interest receivables in foreign currency	261					**261**	**165**
Accrued interest receivables	31.975	1.938	30.554	241	116.448	**181.156**	**261.066**
calculated on the basis of loans, deposits and other placements	*(251)*	*(14)*	*(697)*	-	*(29)*	***(991)***	***(3.834)***
Value adjustment of accruals in RSD	(17.728)	(835)	(3.851)	-	-	**(22.414)**	**(31.407)**
Deferred income for receivables stated at amortized cost by applying the effective interest rate	853.584	68.214	4.646		-	**926.444**	**772.849**
Short-term loans						**0**	
- in RSD	5.737.413	271.121	1.896.321	27.707	-	**7.932.562**	**8.801.629**
Long-term loans							
-in RSD	75.755				-	**75.755**	
-in foreign currency							**91.768**
Loan value adjustment	*(158.785)*	*(11.048)*	*(34.912)*	-		***(204.745)***	**(266.995)**
Deferral of fees under guarantees	792	-	-	-	-	**792**	-
Total net	**6.540.081**	**330.938**	**1.896.341**	**27.992**	**116.877**	**8.912.229**	**9.654.965**

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

21. LOANS AND RECEIVALBES FROM CUSTOMERS (continued)

The concentration of gross credit risk exposure by sectors is given in the following table:

in 000 rsd

	31.12.2021	31.12.2020
Accommodation and catering services	37.902	49,008
Administrative and support service activities	183.217	92,281
Agriculture, forestry and fishing	597.627	1,364,648
Arts, entertainment and recreation	35.559	23,403
Construction	1.022.333	1,153,780
Financial and insurance activities	38.073	11,729
Information and communication	21.031	22,510
Manufacturing industry	2.356.212	2,501,552
Professional, scientific, innovation and technical activities	173.592	163,497
Real estate business	395.080	-
Traffic and storage	281.981	273,779
Wholesale and retail trade, repair	1.800.763	1,838,820
Mining	23.030	17,665
Other service activities	19.648	28,713
Health and social care	6.065	8,803
Water supply	16.383	384
Education	30.910	36,264
Electricity supply	8.798	-
Public administration and defense; compulsory social security	110.833	105,963
Loans to individuals - housing loans	1.617.949	1,755,591
Placements to individuals - cash and consumer loans	332.049	468,771
Loans to individuals - credit cards	5.892	8,345
Placements to individuals - overdraft	4.596	5,345
Placements to customers, gross	**9.119.523**	**9,930,851**

22. INTANGIBLE ASSETS

Balance on 1 January 2020	**334.820**
New purchases	17.861
Balance on 31 December 2020	**352.681**
Value adjustment	
Balance on 1 January 2020	**294.459**
Depreciation	26.347
Adjustment balance on 31 December 2020	**320.806**
Balance on 1 January 2021	**352.681**
New purchases	35.447
Balance on 31 December 2021	**388.128**
Value adjustment	
Balance on 1 January 2021	**320.806**
Depreciation	23.563
Adjustment balance on 31 December 2021	**344.369**
Net current value 31 December 2020	**31.875**
Net current value 31 December 2021	**43.759**

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

23. PROPERTY, PLANT AND EQUIPMENT

	Construction facilities	Equipment and other fixed assets	Investment in other's fixed assets	Fixed assets in preparation	Right to use lease funds	Total
Balance on 1 January 2020	**450.355**	**338.970**	**14.020**		**88.183**	**891.528**
New purchases	-	7.665	-		734	8.399
Increasing value-estimation	29.018	-	-		-	29.018
Transfer from OS in preparation	-	1.148	-		-	1.148
Changes in contractual obligations	-	-	-		(598)	(598)
Expenditure	-	(131)	-		-	(131)
Balance on 31 December 2020	**479.373**	**347.653**	**14.020**		**88.318**	**929.363**
Value adjustment						
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
Extenditure	-	(131)	-		(531)	(662)
Balance on 31 December 2020	**194.828**	**280.219**	**13.228**		**30.560**	**518.835**
Net current value 1 January 2020	**261.381**	**77.644**	**1.227**		**74.711**	**414.963**
Net current value 31 December 2020	**284.544**	**67.434**	**792**		**57.758**	**410.528**
Nabavna vrednost						
Nabavna vrednost						
Balance on 1 January 2021	**479.373**	**347.652**	**14.020**	**-**	**88.318**	**929.363**
New purchases	-	3.153	-	19.097	713	22.963
Increasing value-estimation	31.634	-	-	-	-	31.634
Transfer from OS in preparation	-	6.970	-	(6.970)	-	-
Changes in contractual obligations	-	(1.770)	-	-	-	(1.770)
Expenditure	-	(6.448)	-	-	(734)	(7.182)
Balance on 31 December 2021	**511.007**	**349.557**	**14.020**	**12.127**	**88.297**	**975.008**
Value adjustment						
Balance on 1 January 2021	**194.828**	**280.219**	**13.228**		**30.560**	**518.835**
Depreciation	6.232	18.525	211		17.585	42.554
Sale		(1.770)				(1.770)
Expenditure	-	(6.448)	-		(734)	(7.182)
Balance on 31 December 2021	**201.060**	**290.526**	**13.439**		**47.412**	**552.437**
Net current value 1 January 2021	**284.544**	**67.434**	**792**		**57.758**	**410.528**
Net current value 31 December 2021	**309.946**	**59.031**	**581**	**12.127**	**40.886**	**422.571**

There are no registered mortgages over the construction facilities as collateral for loan repayment.

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

23. PROPERTY, PLANT AND EQUIPMENT (continued)

Lease costs amount to RSD 22,551 thousand (2020: RSD 22,961 thousand), and are stated over the cost of depreciation of lease rights in the amount of RSD 17,585 thousand, interest in the amount of RSD 1,410 thousand, VAT costs in the amount of RSD 3,556 thousand and foreign exchange gains difference in the amount of RSD 0.5 thousand. The standard stipulates that the total costs during the lease period will be the same as before the application of IFRS16, but they will be higher in the initial periods and will decrease later.

Below is an overview of the lease lease on 31.12.2021:

	Name of the lessor	Contract no.	Months until expiration	Monthly lease mount - eur	Discount rate	Right of use	Leasing liability
1	Hidrozavod, Petra Drapšina 56, Novi Sad	D-262 of 04.04.14	28	2.900,00	2,84	8.619	9.886
2	Stojan Ristić, Generala Bože Jankovića 2, Niš	D-135 of 29.01.15	37	2.500,00	2,94	9.730	10.395
3	Marko Purković, Bulevar Mihaila Pupina 16d, Zemun	D-03 of 12.01.19	36	3.000,00	2,94	11.689	12.082
4	Karavidić, Masarikova 9 Šabac	02-235 of 27.05.08	17	2.000,00	2,74	8.007	4.072
5	Matijević, Gradsko šetalište bb, Čačak	D-179 of 04.06.10	41	1.250,00	2,99	4.817	5.677
6	Asseco, DR location, Katanićeva, Belgrade	02-1340/10 of 19.11.10	6	1.200,00	2,65	4.075	835
7	Autotehnika, vehicle, Herc	22 of 09.02.12.	4	534,00	5,00	475	241
						47.412	**43.188**

24. INVESTMENT PROPERTY

	31.12.2021	31.12.2020
Investment property	209.661	303.220
Total:	**209.661**	**303.220**

At the end of 2021, the value of all investment properties that were in stock was reduced to the value estimated by authorized Coreside appraisers. The following is an overview of the movement of investment property positions during 2021.

	Book value on 01.01.2021	Changes throughout the year	Note	Value correction-estimate	Book value on 31.12.2021
Apartment wîlh gallery, Admirala Vukovića 66, Belgrade	29.866	(29.866)	sale	-	-
Business facility for storing and keeping fruit and vegetables with packaging and processing in Šimanovci	164.612	-		120	164.732
Basement rooms and equipment in business space K.Petra number 15	20.551	(20.551)	sale	-	-
Family residential buliding- Zmajevo	941	-		-	941
Land, buildings and storage with equipment od 430m2- Arilje	31.746	(31.746)	transfer to acquired property	-	-
Retail store Maja 027 Tulare	341	(341)	sale	-	-
Seenergy Timber doo, administrative building and ancillary facilities-branch Morović	39.977	(39.977)	transfer to acquired property	-	-
Seenergy Timber doo Beograd, equipment in Morović	15.186	(15.186)	transfer to acquired property	-	-
Building in Kosjerić Kneza Miloša Street 461 m2 and other auxiliary unregistered buildings (land 3409 m2 + 73 m2)		10.947	transfer of acquired property		10.947
Residential building and land, Stepojevac		33.627	transfer of acquired property	(586)	33.041
Total	**303.220**	**(93,093)**		**(466)**	**209.661**

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

24. INVESTMENT PROPERTY (continued)

The costs of property tax, as well as the costs of taxes on the transfer of absolute rights, are borne by the Bank. Net rental income for 2021 is RSD 10,488 thousand (2020: RSD 9,376 thousand).

Net income from investment real estate in 2021 is shown in the table below.

	Book value 31.12.2021		Total costs	Income realized from rent	Net income
Apartment with gallery, Admirala Vukovića 66, Belgrade	-	Annex II 13.06.2017 Annex III 23.05.2018	11	59	48
Business facility for storing and keeping fruit and vegetables with packaging and processing in Šimanovci	164.732	Annex 25.09.2014	696	6.750	6.054
Basement rooms and equipment in business space K.Petra number 15	-	Lease agreement D-1242, 31.10.2017	326	735	409
Family residential building – Zmajevo	941	Lease agreement D-607 29.11.2018	4	71	67
Retail store Maja 027 Tulare	-	Lease agreement 01-283 02.12.2019	-	14	14
Seenergy Timber doo, administrative building and ancillary facilities-branch Morović	-	Lease agreement 01-207 , 24.06.2020	299	1.176	877
Building in Kosjerić Kneza Miloša Street 461 m2 and other auxiliary unregistered buildings (land 3409 m2 + 73 m2)	10.947	Lease agreement 187 of 06.07.2021	71	106	35
Residential building and land, Stepojevac	33.041	Lease agreement 107 of 24.06.2020	181	144	(37)
Total	**209.661**		**1.588**	**9.055**	**7.467**

Book value of investment property at the beginning and end of the period:

Balance on 1 January 2020	**254.443**
Value-estimation adjustment	(31.229)
Increasing value-works	5.274
Transfer from funds acquired through collection of receivables	74.732
Balance on 31 December 2020	**303.220**
Balance on 1 January 2021	**303.220**
Value-estimation adjustment	(466)
Sale	(50.758)
Transfer to funds acquired through collection of receivables	(86.909)
Transfer from funds acquired through collection of receivables	44.574
Balance on 31 December 2021	**209.661**

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

25. OTHER ASSETS

	31.12.2021	**31.12.2020**
Compensation claims	5.978	4.869
Impairment of receivables for fees and commissions, receivables by	(2.342)	(2.149)
basis of sales and other receivables from ordinary activities in RSD	9.398	6.587
Receivables from advances given for working capital	233	377
Receivables from employees	123	77
Receivables based on prepaid taxes and contributions	12.169	9.097
Other operating receivables	(200)	(765)
Transitional and temporary accounts	1.148	1.101
Receivables in settlement	(5.935)	(2.597)
Impairment of other receivables	13.287	10.883
Receivables from advances given for working capital In foreign currency	4	4
Receivables from employees In foreign currency	1.885	1.659
Receivables in settlement In foreign currency	476	476
Other investments	(8)	(7)
Value adjustment of investments in dinars	3.132	2.437
Accrued other costs	9.984	10.840
Other accruals	(79)	(63)
Value adjustment of accrued expenses and deferrals in din.	-	118
Other accruals and deferrals In foreign currency	447.493	474.129
Total	**496.746**	**517.073**

Receivables from advances given for working capital in foreign currency in the amount of RSD 13,287 thousand (31 December 2020: RSD 10,883 thousand) relate to advances with Banka Intesa for the use of Visa and Master cards.

Also, the amount of funds acquired through the collection of receivables, which at the end of 2021 amounted to RSD 447,493 thousand (31.12.2020: RSD 474,129 thousand), is the result of the following changes: during the year a new acquisition in the amount of RSD 91,699 thousand, reclassification to position investment property in the amount of RSD 44,574 thousand, after termination of the lease agreement, reclassification to the position of acquired property in the amount of 86,909, sale in the amount of RSD 164,938 thousand, as well as increase in value due to estimates of RSD 4,267 thousand.

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

25. OTHER ASSETS (continued)

Book value of acquired assets at the beginning and end of the period:

Balance on 1 January 2020	**537.639**
Value-estimation adjustment	(2.736)
Sale	(26.032)
New purchases	39.990
Transfer to investment property	(74.732)
Balance on 31 December 2020	**474.129**
Balance on 1 January 2021	**474.129**
Value-estimation adjustment	4.267
Sale	(164.938)
New purchases	91.700
Transfer from investment property	86.909
Transfer to investment property	(44.574)
Balance on 31 December 2021	**447.493**

Below is an overview of the property that is recorded as an asset acquired through the collection of receivables from 31.12.2021.

Acquisition date	PROPERTY DESCRIPTION	Estimation impact	31.12.2021
17.03.2016.	Apartment within the family residential building number 1. cad.parc. 3319/1, PL 7228. CM Valjevo ,. st. Prešernova 23	(235)	2.822
01.07.2016.	Residential and business building, CM Čačak, cad. 4554/2-THREE BUILDINGS	-	9.171
08.05.2016.	LN 4425. CM Padina, parcel 2873/79, st. Sportska 13/B	(47)	941
10.01.2016.	Parc. 584, building number 1 in st. Miloševput 57, CM Novi Bečej, PL 13393, land under the building 67m2, 35 m2, 8m2.	235	823
12.07.2016.	1/2 Family buildings in Ive Lole Ribara Street No. 47	-	423
29.11.2013.	Real estate st. Kralja Petra No. 15, Stari grad, Belgrade - commercial space bb in the attic of an office building (no. Building 1 built on the plot of land 1902 CM Stari Grad	(619)	82.190
30.04.2013.	Residential building, Stepojevac	470	9.642
31.03.2017.	Family building 84 M2 Grocka st. Dimitrija Tucovića 11	235	3.175
21.12.2012.	HYLA/Agreement on the sale of movable and immovable property dated 26.12.2011. OV3 No.267 / 2011	(1.351)	54.852
04.08.2017.	Family residential building, Bore Atanackovića 20 Valjevo	(59)	1.881
19.09.2019.	Family residential building - basically 102 m2, gross area 270 m2 - ownership of 1/2 ideal parts, Bogojevic, Arilje	(59)	2.763
21.11.2019.	Equipment - Pellet press, dryer, hot water boiler…, CM Novo Selo	(1.146)	6.279
05.12.2019.	Agricultural buildings 3,578 m2, refrigerator 1,616 m2, CM Zdravčići	1	87.128
06.10.2020.	Refrigerator and Equipment according to specification 101 items Zdravčići	(369)	15.062
09.12.2019.	Electric motor Simon, V.Banja, Novo Selo	(6)	47
28.11.2019.	Soil, refrigerator and Fruit freezing and storage equipment to specification - Nomil	1	31.747
26.08.2021.	Agricultural land CM S. Miletića - Tepkos	-	23.759
30.09.2021.	Business premises in Čačak, Vuka Karadžića	708	11.288
07.10.2021.	Agricultural land CM Kljajićevo-E. Tepavac	-	9.893
09.12.2019.	10 buildings and woodworking equipment Seenergy Timber	6.508	61.672
21.12.2021.	Land under the building 13a and 93m2, vineyard III class 11a and 20m2, refrigerator, M.Oreškovića CM Tavankut	-	31.935
	TOTAL	**4.267**	**447.493**

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

26. DEPOSITS AND OTHER LIABILITIES TO BANKS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK

	31.12.2021.	31.12.2020.
Transaction deposits	5.277	2.000
Other deposits	506.661	3.436
Other financial liabilities	964	1.230
Liabilities based on fees and commissions on loans, deposits	365	462
and other financial liabilities	599	325
Accrued liabilities for accrued interest on loans,	-	784.000
deposits and other financial liabilities	98	98
Loans per repo transactions	458	458
Liabilities based on interest on loans, deposits and other financial liabilities	112.157	211.644
Transaction deposits in foreign currency	705.493	940.642
Other deposits in foreign currency	1.697	2.775
Total	**1.333.769**	**1.947.070**

Within other deposits, the amount of RSD 506,661 thousand (31 December 2020: RSD 3,436 thousand), mostly refers to a short-term loan from AIK Bank in the amount of RSD 100,000 thousand, while the amount of RSD 403,144 thousand relates to Kombank deposits invest with the following conditions:

Contract date	Currency	Amount in 000 RSD	Maturity	Maturity period	Interest rate %
31.12.2021	RSD	100.000	04.1.2022	4D	0,30
12.07.2021	RSD	201.750	12.07.2022	1G	2,10
11.08.2021	RSD	201.394	11.08.2022	1G	2,10
Total in 000 RSD		**503.144**			

Within other deposits in foreign currency, the largest part in the amount of RSD 103,926 thousand (31 December 2020: RSD 211,644 thousand) relates to the deposit from Sprska banka (USD 1,000 thousand). Below are the structure and conditions of this deposit.

Contract date	Currenc y	Amount in valuti	Amount in 000 RSD	Maturity	Maturity period	Interest rate %
27.12.2021	USD	1.000.000	103.926	10.1.2022	14D	0,35
Total USD		**1.000.000**				
Total in 000 RSD			**103.926**			

Loans received in foreign currency in the amount of RSD 705,493 thousand (31 December 2020: RSD 940,642 thousand) relate to a loan received from Expobank CZ in the amount of EUR 6,000 thousand, with the following structure and conditions:

Contract date	Currency	Amount in valuti	Amount in 000 RSD	Maturity	Maturity period	Interest rate %
14.8.2009	EUR	6.000.000	705.493	21.4.2023	3M	1,2
Total EUR		**6.000.000**				
Total in 000 RSD			**705.496**			

The original long-term loan agreement was signed on August 14, 2009 with Cyprus Popular Bank Ltd. Later, the creditors changed on various grounds, but the original long-term loan, which was reported as such to the NBS, did not change, only the data on the creditor changed and the amounts were annexed. The last creditor is Expobank CZ a.s. which, on the basis of the contract on the purchase of the bank, took over the receivables on the basis of long-term loans from the previous creditor. During 2021, the contractual obligation was reduced, so the debt balance was reduced to EUR 6,000,000.

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

27. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS

	31.12.2021	31.12.2020
Transaction deposits	2.309.955	2.350.405
Savings deposits	688.053	474.914
Deposits on loans	17.651	85.710
Dedicated deposits	82.791	186.931
Other deposits	1.700.841	617.242
Other financial liabilities	0	1.235
Liabilities based on interest on loans, deposits and other financial liabilities	997	980
Accrued interest on loans, deposits and other financial liabilities	5.102	3.397
Transaction deposits In foreign currency	1.350.162	1.169.571
Savings deposits In foreign currency	4.377.519	4.163.990
Deposits on loans in foreign currency	354.924	276.490
Dedicated deposits In foreign currency	323.983	241.794
Other deposits In foreign currency	481.569	811.017
Other financial liabilities In foreign currency	43.413	17.202
Accrued interest on loans, deposits and other financial liabilities in foreign currency	53.452	60.178
Total	**11.790.412**	**10.461.056**

Transaction deposits are non-interest bearing.
Interest rate on avista deposits in RSD ranged from 1.00% to 2.75%.
Interest rate on short-term deposits in RSD ranged from 1.25% to 2.5%.
Interest rate on long-term deposits in RSD was 2.75%.
Interest rate on avista deposits in EUR was in the range of 0.15% - 1.00%.
Interest rate on short-term deposits in EUR ranged from 0.25% to 1.25%.

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

27. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS (contiued)

	Companies	Entrepreneurs	Public sector	Individuals	Foreign persons	Other customers	Total 2021	Total 2020
Transaction deposits								
- in RSD	1.828.324	215.696	10.165	139.856	5.428	110.485	**2.309.954**	**2.350.405**
- In foreign currency	143.454	77.796	-	860.068	268.348	496	**1.350.162**	**1.169.571**
Savings deposits			-					
Short-term deposits:								
- in RSD	-	-	-	671.869	-	-	**671.869**	**470.304**
- In foreign currency	-	-	-	1.842.067	6.998	-	**1.849.065**	**1.784.899**
Long-term deposits:								
- in RSD	-	-	-	16.184	-	-	**16.184**	**4.610**
- In foreign currency	-	-	-	2.499.058	29.396	-	**2.528.454**	**2.379.091**
Deposits on loans								
Short-term deposits:								
- in RSD	3.900	-	-	-	-	-	**3.900**	**60.000**
- In foreign currency	2.469	-	-	55.548	-	-	**58.017**	**78.488**
Long-term deposits:								
- in RSD	10.810	-	-	2.941	-	-	**13.751**	**25.710**
- In foreign currency	69.380	-	-	227.528	-	-	**296.908**	**198.002**
Dedicated deposits								
Short-term deposits:								
- in RSD	52.372	-	-	211	-	-	**52.583**	**67.386**
- In foreign currency	870	-	-	-	-	-	**870**	**42.708**
Long-term deposits:								
- in RSD	30.208	-	-	-	-	-	**30.208**	**119.545**
- In foreign currency	323.113	-	-	-	-	-	**323.113**	**199.087**
Other deposits								
Short-term deposits:								
- in RSD	799.247	28.340	800.001	-	-	-	**1.627.588**	**510.291**
- In foreign currency	435.392	-	-	-	-	-	**435.392**	**719.275**
Long-term deposits:								
- in RSD	68.221	-	-	-	5.032	-	**73.253**	**106.950**
- In foreign currency	46.177	-	-	-	-	-	**46.177**	**91.741**
Total	**3.813.937**	**321.832**	**810.166**	**6.315.330**	**315.202**	**110.981**	**11.687.448**	**10.378.063**
Other financial liabilities								
- in RSD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.235**
- In foreign currency	43.413	-	-	-	-	-	43.413	**17.202**
Interest liabilities								
- in RSD	997	-	-	-	-	-	997	**980**
- In foreign currency	-	-	-	-	-	-	-	**-**
Accrued interest on loans, deposits and other financial liabilities								
- in RSD	4.284	2	-	676	140	-	5.102	**3.397**
- In foreign currency	1.884	-	-	50.689	879	-	53.452	**60.178**
Total	**50.578**	**2**	**-**	**51.365**	**1.019**	**-**	**102.964**	**82.993**
Total deposits and other liabilities	**3.864.515**	**321.834**	**810.166**	**6.366.695**	**316.221**	**110.981**	**11.790.412**	**10.461.056**

Short-term savings deposits of individuals and foreign persons in foreign currency, in the amount of RSD 1,849,065 thousand relate to: avista savings deposits of natural persons in foreign currency in the amount of RSD 9,839 thousand (31.12.2020: RSD 12,839 thousand), up to three months in the amount of RSD 2,554 thousand (31.12.2020: RSD 5.214 thousand), up to four months in the amount of RSD 795 thousand (31.12.2020: RSD 793 thousand), up to six months in the amount of RSD 34.052 thousand (31.12. 2020: RSD 42,162 thousand), up to 9 months in the amount of RSD 6,673 (31 December 2020: RSD 6,719) and up to one year in the amount of RSD 1,782,599 thousand (31 December 2020: RSD 1,717,066 thousand).

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

27. DEPOSITS AND OTHER LIABILITIES TO OTHER CUSTOMERS (continued)

Long-term household savings deposits in foreign currency for 13 months amount to RSD 2,402 thousand (31 December 2020: RSD 2,389 thousand), for 15 months amount to RSD 15,143 thousand (31 December 2020: RSD 20,132 thousand) and for 25 months amount to RSD 2,481. 514 thousand (31.12.2020: RSD 2,310,714 thousand).

Interest rates on long-term deposits in RSD (25 months) amounted to 2.75%, while interest rates on long-term deposits in EUR ranged from 0.6 to 1.50%. while interest rates on short-term and long-term deposits in USD, GBP are 0.1%.

Short-term deposits of companies in foreign currency relate to deposits of up to six months in the amount of RSD 312,681 thousand (31 December 2020: RSD 502,476 thousand) and up to one year in the amount of RSD 122,711 thousand (31 December 2020: RSD 121,135 thousand), and Long-term deposits of Companies in dinars amount to RSD 68,221,341 thousand (31 December 2020: RSD 106,950 thousand).

28. PROVISIONS

	31.12.2021.	31.12.2020.
Provisions for litigation	63.353	171.028
Provisions for losses on off-balance sheet assets	18.401	8.416
Provisions for pensions	4.724	4.429
Vacation provisions	7.988	15.232
Total	**94.466**	**199.106**

Provisions for litigation in the amount of RSD 63,353 thousand (31 December 2020: RSD 171,028 thousand) relating to provisions for contingent liabilities arising from the possibility of losing the Bank's disputes have been significantly reduced, mainly due to the completed dispute with BC Partizan. ended with a settlement, as well as due to the change in the position of the Supreme Court of Cassation regarding the lawsuits for loan processing fees and the NMIC. The bank, like other banks in the market, is the subject of various lawsuits regarding certain fees in credit agreements. For such cases, the Bank created a provision (included in the above amount) of RSD 37,926 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 ongoing litigation, above the amount for which the provision was made.

As oft 31 December 2021, provisions for pensions in the amount of RSD 4,724 thousand (31 December 2020: RSD 4,429 thousand) were made in accordance with IAS 19.

Movements on provisioning accounts during 2021:

	Provisions for pensions	Vacation provisions	Provisions for litigation	Provisions for losses on off-balance sheet assets
Balance on 01.01.2021	**4.429**	**15.232**	**171.028**	**8.416**
Provisions during the year	295	7.988	10.140	30.170
Cancellation provisions/cancellation income	-	(15.232)	(117.815)	(20.185)
Balance on 31 December 2021	**4.724**	**7.988**	**63.353**	**18.401**

Movements on provisioning accounts during 2020:

	Provisions for pensions	Vacation provisions	Provisions for litigation	Provisions for losses on off-balance sheet assets
Balance on 01.01.2020	**4.042**	**11.098**	**33.345**	**7.556**
Provisions during the year	387	4.134	137.683	16.070
Cancellation provisions/cancellation income	-	-	-	(15.210)
Balance on 31 December 2020	**4.429**	**15.232**	**171.028**	**8.416**

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

29. DEFERRED TAX ASSETS AND LIABILITIES

Deferred taxes are calculated on temporary differences using the liability method, using the effective tax rate of 15% (31 December 2020: 15%).

Deferred tax assets and liabilities are "offset" when there is a legally enforceable right to "offset" current tax assets with current tax liabilities and when deferred income tax applies to the same fiscal authority.

	31.12.2021.	**31.12.2020.**
Deferred tax assets	36.327	26.319
Deferred tax liabilities	(24.324)	(34.577)
Net deferred tax assets	**12.003**	**(8.258)**

Movements on deferred tax assets and liabilities are given in the following table:

	Tax credits-provisions for litigation	**Tax credits-provisions on the basis of IAS 19**	**Tax credits-depreciation of acquired assets**	**Tax depreciation**	**Fair value of securities**	**Total**
Balance on 01.01.2020	**5.002**	**606**	**-**	**(12.503)**	**-**	**(6.895)**
Charged/credited to BU	20.652	58	-	1.862	-	22.572
Charged/credited to OR	-	-	-	(4.353)	(19.583)	(23.935)
Balance on 31.12.2020	**25.654**	**664**	**-**	**(14.993)**	**(19.583)**	**(8.258)**
Charged/credited to BU	(16.151)	44	26.116	(8.897)	-	1.112
Charged/credited to OR	-	-	-	(4.745)	23.894	19.149
Balance on 31.12.2021	**9.503**	**708**	**26.116**	**(28.635)**	**4.311**	**12.003**

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

30. OTHER LIABILITIES

	31.12.2021	31.12.2020
Other liabilities in RSD		
Liabilities based on fees and commissions on other liabilities	8	-
Payables	11.563	15.812
Liabilities based on received advances	183	874
Other liabilities from business relations	36.068	37.884
Accounts payable	16.581	31.935
Transitional and temporary accounts	-	5
Liabilities based on temporary and occasional jobs	1.117	1.117
Other liabilities to employees	278	198
Value added tax liabilities	1.393	3.254
Liabilities for other taxes and contributions	989	920
Deferred liabilities for other accrued expenses	23.072	6.327
Deferred interest income	3.463	3.463
Accrued other income	10.695	10.196
Other accruals and deferrals	2.679	1.676
Trade payables In foreign currency	904	1.021
Lease lease liabilities	43.188	59.935
Other liabilities from business relations In foreign currency	16.726	17.026
Accounts payable In foreign currency	25	27
Total	**168.932**	**191.670**

Other liabilities from business relations in the amount of RSD 36,068 thousand (31 December 2020: RSD 37,884 thousand) mostly relate to liabilities based on calculated costs in the amount of RSD 15,257 (31 December 2020: RSD 14,565) and liabilities based on transferred funds of natural persons from closed accounts in the amount of RSD 8,545 thousand (31 December 2020: RSD 11,069 thousand).

Liabilities in the calculation in the amount of RSD 16,581 thousand (31 December 2020: RSD 31,935 thousand) mostly relate to advance payments on retail loans in the amount of RSD 9,206 thousand (31 December 2020: RSD 14,295 thousand) and payments on loans Companies in the amount of RSD 3,942 thousand (31 December 2020: RSD 11,992 thousand).

Other liabilities from business relations In foreign currency in the amount of RSD 16,726 thousand (31 December 2020: RSD 17,026 thousand) mostly relate to the transfer of funds from closed accounts of natural and legal persons In foreign currency in the amount of RSD 13,780 thousand (31 December 2020: RSD 14,198 thousand).

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

31. CAPITAL

Within the capital position, the Bank presents share capital, issue premium, accumulated loss, profit reserves, other reserves and revaluation reserves.

	31.12.2021	**31.12.2020**
Share capital - ordinary shares	5.671.608	5.671.608
Issue premium	2.877.487	2.877.487
Profit for the current year	29.576	(257.135)
Loss of previous years	(5.634.131)	(5.376.996)
Profit reserves	103.228	103.228
Other reserves	48.445	48.445
Revaluation reserves	287.645	399.272
Total	**3.383.858**	**3.465.909**

Other reserves relate to special reserves from profit for estimated losses on balance sheet assets in the amount of RSD 38,782 thousand and off-balance sheet items in the amount of RSD 9,663 thousand which were formed in the earlier period.

Revaluation reserves in the amount of RSD 287,645 thousand (31 December 2020: RSD 399,272 thousand), consist of reserves based on changes in the value of fixed assets in the amount of RSD 319,890 thousand (31 December 2020: RSD 288,256 thousand), loss based on calculations deferred tax for increase in value of fixed assets through revaluation reserves in the amount of RSD 9,098 thousand (31 December 2020: RSD 4,353 thousand), actuarial loss in the amount of RSD 6,462 thousand (31 December 2020: RSD 2,397 thousand), negative effect of changes in fair value on the basis of financial assets in the amount of RSD 20,997 thousand (31 December 2020: RSD 137,394 thousand), as well as profit on the basis of deferred tax calculation for the fair value of securities in the amount of RSD 4,311 thousand.

	31.12.2021		**31.12.2020**	
	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	86.775	1.53
Aleksander Valentinovich Proshin	-	-	-	-
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**
Others	-	-	-	-
Total share capital	**5.671.608**	100.00	**5.671.608**	100.00

31. CAPITAL (continued)

a) Share capital and issue premium

Foreign natural persons own 95.21% of the Bank's capital (2020: 95.21%), foreign legal entities 4.29% (2020: 4.29%) and domestic natural persons 0.50%. The total value of share capital with issue premium as of 31 December 2021 amounts to RSD 8,549,095 thousand (31 December 2020: RSD 8,549,095 thousand).

b) Revaluation reserves

Revaluation reserves show the effects of changes in the fair value of fixed assets, as well as changes in the fair value of securities.

c) Profit reserves

Profit reserves are formed in accordance with the law for estimated losses, reserves for general banking risks and other reserves from profit distribution, in accordance with the Articles of Association and other acts of the Bank.

d) Profit from the current period

Profit from the current year in the amount of RSD 29,576 thousand (2020: loss of RSD 257,135 thousand) represents the difference between realized expenses and income of the accounting period and generated profit from the calculation of deferred taxes in the amount of RSD 1,112 thousand. The coverage of losses of previous years is done in accordance with the law, in accordance with the Statute 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 realized income of current operations;
2. From the Bank's reserve funds; i
3. From the funds of the share capital of the Bank, i.e. the role of shareholders, if the funds referred to in items 1 and 2 are not sufficient.

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

32. COMPLIANCE WITH INDICATORS OF THE NATIONAL BANK OF SERBIA

The bank is obliged to conduct its operations in accordance with the provisions of the Law on Banks and other regulations of the National Bank of Serbia. According to the annual account for 2021, the Bank achieved the following indicators:

Business indicators	Prescribed	Actual in 2021
Capital	Min. EUR 10.000.000	27.848.924
Capital adequacy ratio	8%	32.79%
Bank investments	Maks. 60%	19,32%
The sum of the Bank's large exposures, including:	Maks 400%	27.08%
- sum of large exposures to one person or group of related parties		27,08%
- sum of exposures to persons related to the Bank		-
Average monthly liquidity ratio:		
- in the first month of the reporting period	Min. 1.00	3,01
- in the second month of the reporting period	Min. 1.00	2,45
- in the third month of the reporting period	Min. 1.00	2,87
Foreign exchange risk indicator	Max 20%	15,16

As of 31 December 2021, the Bank had all indicators harmonized.

33. RELATED PARTY TRANSACTIONS

	31.12.2021		31.12.2020	
Assets	**Bank shareholders**	**Other related parties**	**Bank shareholders**	**Other related parties**
Foreign currency accounts	133.514	1.713	44.889	996
Compensation claims on loans and deposits	-	-	-	7
Housing loans	-	5.825	-	13.899
Cash loans	-	726	-	1.239
Other loans	-	-	146	8
Deferred interest receivables calculated on the basis of loans, deposits and other placements	-	13	-	85
Total assets	**133.514**	**8.277**	**45.035**	**16.234**

The foreign currency account with balance of RSD 133,514 thousand refers to the funds on the nostro account opened by the Bank with Expobank LLC in Moscow, while the amount of RSD 1,713 refers to the account with Expobank CZ. Expobank LLC became a shareholder of the Bank on 23 December 2020, while Expobank CZ represents an entity under the control of the ultimate control party of the majority shareholders.

Housing loans in the amount of RSD 5,825 thousand (31 December 2020: RSD 13,899 thousand) are loans given to employees who are considered related parties under the applicable Banking Law. The approved loans were given on market terms.

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

33. RELATED PARTY TRANSACTIONS (continued)

	31.12.2021		31.12.2020	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Liabilities				
Transaction deposits in dinars	437	4.419	1.818	46.076
Transaction deposits In foreign currency	943	1.722	63.080	730
Savings deposits and RSD	6.354	-	9.553	2.447
Savings deposits In foreign currency	69.138	20.694	1.822	23.480
Deposits based on loans in RSD	210	126	210	-
Deposits on loans in foreign currency	-	-	-	211.644
Loans received In foreign currency	-	705.493	-	940.642
Accrued costs and deferred revenue	-	1.670	-	2.752
Total liabilities	**77.082**	**734.124**	**76.483**	**1.227.771**

The loan received in the amount of RSD 705,493 thousand is explained in more detail in Note 26.
Revenues and expenses from related party relations were:

	31.12.2021		31.12.2020	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Expenses				
Interest expenses on deposits of natural persons	1.147	206	205	213
Interest expenses on loans based on foreign currency	-	9.414	-	17.336
Interest expenses on deposits in foreign currency	-	83	-	22
Total	**1.147**	**703**	**205**	**17.571**

Foreign exchange losses	31.12.2021		31.12.2020	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Foreign exchange losses on the basis of deposits from	-	4.009	-	222
foreign banks in foreign currency	-	297	-	1.234
Foreign exchange losses on the basis of loans from	-	-	-	-
Total	**-**	**4.306**	**-**	**1.456**

	31.12.2021		31.12.2020	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Income				
Based on interest on loans	-	500	-	718
Total	**-**	**500**	**-**	**718**

Foreign exchange gains	31.12.2021		31.12.2020	
	Bank shareholders	**Other related parties**	**Bank shareholders**	**Other related parties**
Foreign exchange gains on the basis of loans from foreign banks In foreign currency	-	295	-	1.543
Foreign exchange gains on deposits from foreign banks in foreign currency	-	702	-	244
Foreign exchange gains - other	-	-	-	3
Total	**-**	**997**	**-**	**1.790**

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

The above tables show the account balances of assets, liabilities of income and expenses incurred in transactions with the following other related parties: Expobank LLC Moscow, Expobank CZ, as well as the Bank's management.

As of 31 December 2021, the Bank has approved loans to directors and management:

	31.12.2021	**31.12.2020**
Credits to directors and management		
At the beginning of the year	26.174	28.370
Impairment due to changes in management	(7.699)	-
Decrease on conversion from CHF to EUR	-	-
Loans approved during the year	-	-
Repayments during the year and revaluation of placements	(2.286)	(2.196)
Interest income	500	718
Interest charged	(500)	(718)
At the end of the year	**16.189**	**26.174**

During 2021, in accordance with the Methodology for calculating the value adjustment, a correction in the amount of RSD 16 thousand (2020: RSD 54 thousand) was allocated for these loans.

Management earnings data

During 2021, members of the Executive Board earned gross salaries in the amount of RSD 36,774 thousand (2020: RSD 42,235 thousand).

34. COMPLIANCE OF RECEIVABLES AND LIABILITIES

The provisions of Article 18 of the Law on Accounting ("Official Gazette" of RS 73/2019, 44/2021) prescribe the obligation to reconcile mutual claims and obligations with customers. Reconciliation is performed at least once a year, before preparing financial statements. In accordance with the Bank's internal procedures, 31 October of the current year is set as the date for reconciling receivables and liabilities with customers.

As of 31 October 2021, there were no materially significant disputed liabilities and receivables. The Bank sent 2,167 IOS to legal entities, 1,469 IOS to Entrepreneurship, 24 banks and financial institutions and 16 non-residents, to confirm the Bank's claims and liabilities. The effect of sending is as follows:

	Number of sent IOS's	**Receivable**	**Liability**
Total sent receivables/liabilities:	3.676	13.142.513	7.373.676
Confirmed	357	4.616.055	2.837.914
Not returned/moved/unknown address	3.314	8.526.325	4.535.761
Disputed	5	133	1

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

35. FOREIGN CURRENCY EXCHANGE RATE

The exchange rates of the most significant currencies used in the conversion of balance sheet items include:

	31.12.2021	**31.12.2020**
EUR	117,5821	117,5802
USD	103,9262	95,6637
CHF	113,6388	108,4388

36. EVENTS AFTER THE REPORTING PERIOD

The war conflict between Russia and Ukraine has had an impact on both the European and world economies and societies. Since the beginning of the conflict, the Bank has been closely monitoring and assessing the impact of all segments of its operations.
The Bank, in cooperation with regulatory bodies, monitors the introduction of sanctions and restrictions by the EU, the US and the UK, and their impact on the business of customers and the Bank.

In the previous period, the Bank did not have a significant negative impact. All liquidity ratios record values significantly above regulatory and internally prescribed limits. At the beginning of the war, the Bank recorded an increased demand for effective foreign currency, to which it readily responded.

In the local market, the circumstances indicated above can have the greatest impact on the realized GDP, the continuation of inflationary pressures, but also the growth of energy prices. The Government of the Republic of Serbia is implementing all measures to reduce the negative impact of the crisis, and is already in the process of implementing a policy that limits the growth of energy prices.

Inflationary pressures are a challenge for all European countries, so in the coming period we can expect a potential turn towards restrictive monetary policy and rising interest rates.

The new developments have certainly affected the need for intensified monitoring and assessment of all the Bank's risks. With stable interventions of the Government of the Republic of Serbia in the part of stable exchange rate and foreign trade, as well as with the support of the National Bank of Serbia to the financial sector, these circumstances would not lead to significant impact on the Bank's operations.

Siged on behalf of Expobank A.D., Beograd:

Dragana Vujinovic Financial Control Manager	Borislav Strugarevic Chairman of the Executive Board

Expobank

SMART BANK
FOR SMART BUSINESS

Annual report

2021

Content

About Us

31-year-long tradition

Centrobank a.d.
Beograd

1990.

2006.

Laiki bank a.d.
Beograd

Marfin Bank JSC
Beograd

2008.

2017.

Expobank a.d.
Beograd

2021.

Bank's ID

1	Business name:	**Expobank A.D. Beolgrad**
2	Seat and address:	**Belgrade, Dalmatinska 22**
3	Registration number:	**07534183**
4	TIN:	**100003148**
5	Web-site:	**http://www.expobank.rs/**
6	e-mail:	**office@expobank.rs**
7	Number and date of Resolution of registering in the register of business entities:	**BD 498 of 14.02.2005**
8	Activity:	**6419 – Other monetary intermediaries**
9	Number of employees:	**129**
10	Number of shareholders:	**9 shareholders**
11	Place of insight into the Shareholder Register:	**Central Securities, Depository and Clearing House of the Republic of Serbia, www.crhov.rs**
12	Code of activity:	**6419 – Other monetary assets**
13	Social networks:	
14	Auditor for 2021	MOORE

Address of the the Chairman of the Executive Board

Dear business partners, colleagues, and shareholders,

I have the pleasure to inform you that Expobank a.d. Beograd successfully completed 2021, in which it operated in a profitable manner in accordance with the defined goal.

The bank's operations and key performance indicators are detailed in the report below.
The primary goal of the Bank in 2021 was to stabilise the business due to the disturbances caused by the negative impact of COVID - 19, while maintaining a high degree of liquidity and profitability. The growth of operating revenues and fee income, along with strict cost control, contributed to a positive business and net result at the end of this business year.

The expertise and professionalism of our employees, with the support of the Bank's management, have contributed to the high level of quality of the Bank's services, which is best reflected in the increasing number of loan and deposit clients, who primarily recognise the Bank as a business partner. The most significant indicators of a successful year behind us are the 17% increase in client deposits, the 41% growth of the guarantee portfolio, as well as the increase in investments in the bonds of the Republic of Serbia by 21%. The Bank also recorded significant results in the field of collection of non-performing on-balance sheet and off-balance sheet placements.

The Bank's strategic goals in the coming period are to focus on the development of business in identified market niches, the development of "private banking" and services for employees in corporations, as well as further digitalisation of business, which is inevitable in the modern world.

In the coming period, the main activities of the Bank will focus on increasing the volume and quality of the client base, activities related to increasing the direction of customer turnover through the bank followed by better customer service, and activities related to Treasury operations, with emphasis on documentary business.

On behalf of the Bank's management, I would like to thank all clients, employees of the Bank and shareholders for their trust and support in work.

Sincerely yours,
Borislav Strugarevic,
Executive Board Chairman

Address of the Deputy Chairman of the Executive Board

Dear clients, partners, and shareholders,

As a continuation of the introductory letter of the General Manager, I would like to emphasize that the Bank's philosophy is to provide clients not only with products, but also appropriate solutions in accordance with their needs.
Satisfaction of our clients is our priority.

I would like to stress that the Bank pays special attention to meeting all regulatory requirements, risks are continuously controlled and monitored, and highly dedicated staff is taking an increasing part in the growth of the Bank. In the previous year, the Bank recorded a growth in profitability, and our sustainability is reflected in the growth of the total balance sheet sum.

All these performances were achieved in a very challenging environment.

The constantly changing world and the global economic situation are a convincing reasons to remain cautious, and to carefully identify the strategic levers on which to act in the coming years.

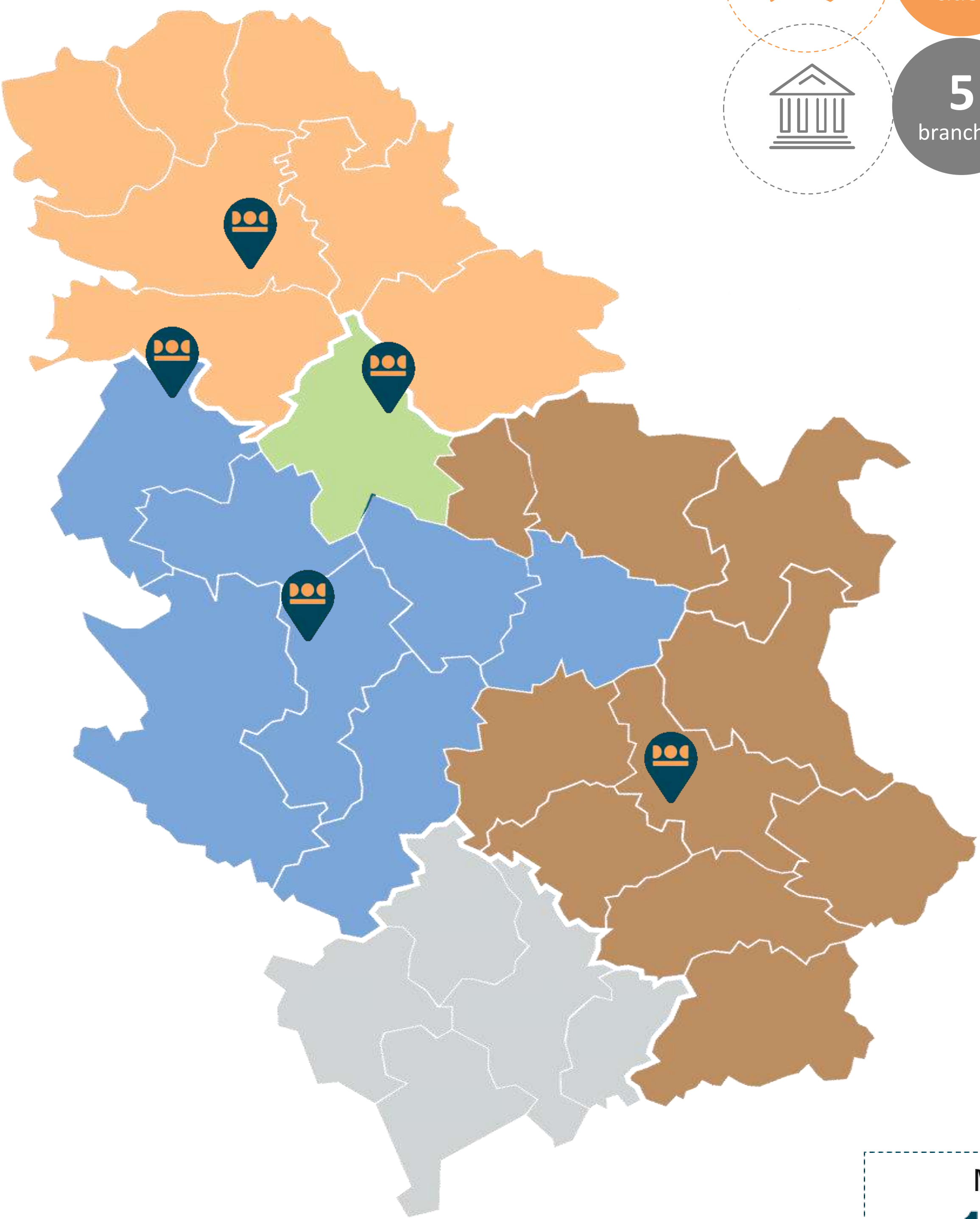
We continue to go straight toward your goals and will continue to improve the level of service, on an equal basis in accordance with all requirements for the bank's operations.

Sincerely yours,
Aleksandr Kashtalap,
Deputy Chairman of the Executive Board

Footprint

5 cities

5 branches



129 active empoyees

More than
13 ths
retail customers &
5 ths
SMB* customers

CORPORATE GOVERNANCE

Corporate governance

Corporate governance principles

Good corporate governance enables the reduction of information asymmetry, and is a basic precondition for strengthening profitability and competitiveness at the enterprise level. Effectively set corporate governance enables the creation of efficient companies, and a having a group of efficient companies contributes to increasing the value of the national economy, and consequently contributes to the growth of social welfare. It can rightly be stated that corporate governance is one of the basic elements in improving economic efficiency and market economy.

Transparency

The Bank conducts comprehensive, truthful and timely disclosure of information on all relevant matters relating to financial condition, profitability, ownership and governance structure.

The publication facilitates the supervision of the work of the management, and strengthens the responsibility of the management towards the Company and the owners.

Impartiality

The applied corporate governance framework protects the rights of shareholders and ensures equal treatment of all shareholders, including minorities.

Responsibility

Responsibility is one of the most important ethical principles, and implies that the Bank's boards are responsible, and accountable to shareholders for their decisions and acts.

The relevant boards of the Bank are responsible for strategies, plans and actions, managing the Bank through practice, but also for introducing new changes when necessary.

Bank's Assembly

The Assembly of the Bank consists of the Bank's shareholders. Shareholders of the Bank on 31.12.2021:

No.	Shareholder's name	Number of shares	% stake
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 JSC	173,551	1.53
6	John MC Naughton	158,805	1.4
7	Ernst Voldemarovich Bekker	56,716	0.5
8	Borislav Strugarević	56,716	0.5
9	Dmitriy Sergeevich Ganushkin	2,269	0.02
8	Value of share capital (in thousands of dinars):		**8,549,095**
9	Number of issued shares (ordinary and preference shares, with ISIN number and CFI code):	Ordinary shares: ISIN:RSCEBAE31481 CFI:ESVUFR, 11.343.217 shares;	
10	Data on subsidiaries (up to five most important consolidation entities) - business name, registered office and business address:	/	
11	Business name, registered office and business address of the auditing company that audited the last financial report:	MOORE STEPHENS Revizija i računovodstvo d.o.o. Beograd, Studentski trg 4/V, 11070 Beograd, Serbia	
12	Business name of the organised market where shares are included:	/	

Managing Board

The Board of Directors of the Bank consists of five members, including the Chairman of the Board of Directors, two of whom are independent from the Bank.

1	Name, surname and place of residence	Kirill Nifontov, Russian Federation
	Education	Master of Economics
	Current employment (company's business name and position)	Predsednik IO, Expobank Russian Federeation
	Membership in Managing and Supervisory Boards of other companies	Ujet International S.A.R.L- Chairman of the Executive Board; Expobank CZ, a.s.- Vice-Chairman of the Board of Directors; Expobank LLC - member of the Board of Directors; Morelam LLC - Chairman of the Board of Directors; Expobank AS - Deputy Chairman of the Board of Directors; CJSC D2 Insurance - member of the Board of Directors; CJSC Insurance Company Reserv - member of the Board of Directors. D2 Strahovania AO - member of the Board of Directors OOO Reserv – member of the Board of Directors SDM Bank – member of the Board of Directors Kurskpromobank - member of the Board of Directors
	Number and percentage of shares possessed in the joint stock company	360,714; 3.18% of shares of Expobank A.D. Beograd
2	Name, surname and place of residence:	Dragiša Lekić, Republic of Serbia
	Education:	BSc in Economics
	Current employment (company's business name and position):	Preduzeće za inženjering, projektovanje i konsalting „REPS“ d.o.o. Beograd, member and representative
	Membership in Managing and Supervisory Boards of other companies:	/
	Number and percentage of shares posiesses in the joint stock company:	No shares in the Company
3	Name, surname and place of residence:	Alexey Fedotkin, Russian Federation
	Education:	Master of Economics
	Current employment (company's business name and position):	Deputy Chairman of the Executive Board of Expobank, Russian Federation
	Membership in Managing and Supervisory Boards of other companies:	Member of the Board of Directors of OOO Morelam, Russian Federation
	Number and perentage of shares possessed in the joint stock company:	No shares in the Company
4	Name, surname and place of residence:	Milovan Popović, Republic of Serbia
	Education:	Master of Economics
	Current employment (company's business name and position):	Društvo za reviziju „BDO“ d.o.o. Beograd, member and representative
	Membership in Managing and Supervisory Boards of other companies:	/
	Number and percentage of shares possessed in the joint stock company:	No shares in the Company
5	Name, surname and place of residence:	John McNaughton, Russian Federation
	Education:	Faculty diploma, Department of Information and Political Science
	Current employment (company's business name and position):	Member of the Board of Directors of Expobank, Russian Federation
	Membership in Managing and Supervisory Boards of other companies:	Expobank CZ a.s. - member of the Board of Directors, member of the Audit Committee; Expobank LLC - Member of the Board of Directors, Member of the Audit Committee;
	Number and percentage of shares possessed in the joint stock company:	158,805; 1.40% stake in Expobank A.D. Beograd

Executive Board

Borislav Strugarevic
Chairman of the Executive Board

Borislav Strugarevic earned his BSc in economics degree from the Faculty of Economics, University of Belgrade, and has over 20 years of experience in the banking sector. He has been the President of the Executive Board since September 2014.

Aleksandr Kashtalap
Deputy Chairman of the Executive Board

Aleksandr Kashtalap graduated and received his master's degree from the Faculty of Economics, University of Novosibirsk. Since August 2019, he has been a member of the Executive Board of Expobank Beograd, where he has held the position of Deputy Chairman since July 2021.

Other boards

The Bank's operations are also supported by other boards/committees:

1. Assets and Liabilities Management Committee (ALCO)
2. Bank's Business Monitoring Committee (Audit Committee)
3. Credit Board
4. Bank Debt Collection Board

Lidija Vladisavljevic
Risk Management Sector Manager
Member of ALCO and the Debt Collection Board of the Bank

"Risk management is certainly an integral part of corporate governance.
Risk management is the process of continuously identifying, assessing, measuring, monitoring and controlling a bank's risk exposure.
An adequate risk management system is an important element in ensuring the stability of the Bank and the profitability of its operations. "

Milan Blagojevic
Treasury Manager
Member of ALCO

"Liquidity management is one of the main areas within the entire risk management process in the bank. The main goal of liquidity risk management is to maintain the level of liquid assets, in order to settle due liabilities on the balance sheet and off-balance sheet positions of the Bank in an orderly and timely manner, namely, to minimise negative effects on the Bank's financial result and capital."

Dragana Vujinovic
CFO
Secretary of ALCO and member of the Debt Collection Committee of the Bank

"Modern finance includes three functional areas: providing the necessary sources of funds for the smooth running of activities (financing); allocation of available capital to alternative uses (investment) and capital management. Orientation on creating and maintaining the value of the company, namely the size and certainty of the expected cash flow, places a request in front of the finance manager to find an adequate approach to making investment and financial decisions"

FINANCIAL PERFORMANCE

Financial performance

Balance sheet for period 01.01.- 31.12.2021

INCOME/EXPENSES	2021	2020
Interest income	547,038	543,720
Interest expenses	148,068	138,645
Net interest income	**398,970**	**405,075**
Fee and commission income	143,165	131,798
Fee and commission expenses	20,520	19,165
Net income from fees and commissions	**122,645**	**112,633**
Net gain / (loss) on derecognition of financial instruments valued at FV	92,217	33,241
Net gain / (loss) based on protection from risks	2,395	(2395)
Net (cost) / income from exchange rate differences and the effects of the contracted currency clause	(4401)	2,822
Net income / (cost) based on impairment of financial assets not valued at FV through Income statement	2,301	19,529
Net loss on derecognition of FI valued at amortised cost	-	2
Other operating income	19,985	13,530
TOTAL NET OPERATING INCOME	**634,112**	**584,437**
Costs of salaries, fringe benefits and other personal expenses	306,643	301,469
Depreciation expenses	66,116	69,280
Other income	141,713	15,761
Other expenses	374,602	509,157
PROFIT/(LOSS) BEFORE TAX	**28,465**	**(279708)**
Profit /(loss) on a deferred tax basis	1,112	22,573
NET PROFIT/(LOSS) OF THE CURRENT YEAR	**29,576**	**(257135)**

During 2021, the Bank recorded a slight decline in net interest income, mainly as a result of lower interest rates on approved placements supported by the guarantee scheme of the Republic of Serbia, and partly due to a slight reduction in the portfolio. The Bank generated significant income from interest on bonds purchased from the Republic of Serbia in the amount of RSD 154,437 thousand, making 28.23% of total interest income (2020: RSD 124,766 thousand or 22.95%).

Net income from fees and commissions, amounting to RSD 122,645, recorded a significant increase compared to the preceding year, 8.89%. Most of the fee income was generated on the basis of banking services from companies in the field of payment operations in the amount of RSD 39,886 thousand (2020: RSD 36,630 thousand), fees for banking services in foreign currency purchase and sale transactions RSD 19,892 thousand (2020: RSD 19,521), as well as revenues from fees for banking services from other companies by endorsements, guarantees, letters of intent, etc., which amounted to RSD 23,859 thousand at the end of the year (2020: RSD 16,411 thousand).

During 2021, the Bank generated significant income from the derecognition of financial instruments measured at fair value (bonds of the Republic of Serbia), in the amount of RSD 92,217 (2020: RSD 33,241 thousand).

During this year, the Bank achieved a significantly better result based on impairment of financial assets and credit risky off-balance sheet items in the amount of RSD 2,301 thousand (2020: net expenses of RSD 19,529 thousand), mostly as a result of reducing the credit risk of the Bank's portfolio by placing funds from government guarantee schemes and due to the increase in the portfolio of government securities.

Other operating income of the Bank increased by RSD 125,952 thousand, namely by 47.71%, mostly due to the abolition of unused provisions for litigation in the amount of RSD 117,815 thousand, income from the sale of assets acquired through collection of receivables in the amount of RSD 5,825 thousand and income from the sale of investment property in the amount of RSD 3,671 thousand.

Within other expenses, a decrease in the amount of RSD 134,556 thousand, 26.43%, was recorded, and the largest share in the decrease in expenses was that of the decrease in the cost of provisions by RSD 119,555 thousand.

Rent costs amount to RSD 22,551 thousand (2020: RSD 22,961 thousand), and in accordance with IFRS 16 are stated over the cost of depreciation of lease rights in the amount of RSD 17,585 thousand, interest in the amount of RSD 1,410 thousand, VAT costs in the amount of RSD 3,556 thousand. and positive exchange rate differences in the amount of RSD 0.5 thousand.

Balance sheet for period 01.01.- 31.12.2021

ASSETS	31.12.2021	stake	31.12.2020	stake
Cash and assets with the central bank	2,098,591	12.51%	1,852,572	11.38%
Securities	4,115,227	24.54%	3,390,226	20.83%
Loans and receivables from banks and other financial organisations	460,650	2.75%	113,679	0.70%
Loans and receivables from clients	8,912,229	53.14%	9,654,965	59.32%
Receivables from financial derivatives intended for protection from risks	-	0.00%	798	0.00%
Intangible investments	43,759	0.26%	31,875	0.20%
Property, plant and equipment	422,571	2.52%	410,528	2.52%
Investment immovables	209,661	1.25%	303,220	1.86%
Current tax assets	-	0.00%	1,325	0.01%
Deferred tax assets	12,003	0.07%	-	-
Other assets	496,746	2.96%	517,073	3.18%
Total assets	**16,771,437**	**100.00%**	**16,276,261**	**100.00%**
LIABILITIES				
Deposits and other liabilities to banks, other financial institutions and the central bank	1,333,769	9.96%	1,947,070	15.20%
Deposits and other liabilities to other clients	11,790,412	88.07%	10,461,056	81.66%
Liabilities based on financial derivatives intended for protection from risks	-		3,192	0.02%
Subordinated obligations	-		-	-
Provisions	94,466	0.71%	199,106	1.55%
Deferred tax liabilities	-	0.00%	8,258	0.06%
Other liabilities	168,932	1.26%	191,670	1.50%
Total liabilities	**13,387,579**	**100.00%**	**12,810,352**	**100.00%**
CAPITAL				
Share capital	8,549,095		8,549,095	
Loss	-5604555		-5634131	
Provisions	439,318		550,945	
Total capital	**3,383,859**	**20.18%**	**3,465,909**	**21.29%**
Total liabilities	**16,771,437**		**16,276,261**	

During 2021, there was an increase in balance sheet assets by 3.04%. The largest changes in the Bank's assets in 2021 compared to 2020 pertain to a significant increase in securities by RSD 725,001 thousand, by 21.39%, as well as loans and receivables from banks and other financial organisations by RSD 346,971 thousand, i.e. by 305.22%.

At the same time, there was a decrease in exposure to clients by 7.69%, in the amount of RSD 742,736 thousand, as well as a decrease in investment property by 30.86%, in the amount of RSD 93,559 thousand.

The table below shows changes in loans and receivables from clients by sectors:

SECTOR	2021	stake %	2020	stake %
Enterprises	6,490,242	72.82	6,981,708	72.31
Entrepreneurs	327,451	3.67	393,736	4.08
Retail	1,889,911	21.21	2,137,263	22.14
Interest and fees	23,669	0.27	29,888	0.31
Other	180,956	2.03	112,370	1.16
Total:	**8,912,229**	**100.00%**	**9,654,965**	**100.00%**

In 2021, compared to the previous year, there was a decrease in placements in corporate sector by 7.04%, and placements to entrepreneurs by 16.83%, while placements in retail sector decreased by 11.57%. Also, the total share of placements by sectors remained at approximately the same level as in previous years.

Short-term loans were granted in retail sector for a period of 6 months to 1 year, with an annual interest rate ranging from 12.5% to 14.5% for RSD placements, and from 10.5% to 11.5% for EUR-indexed placements with a currency clause. The interest rate on allowed overdrafts on citizens' accounts ranges between 21% and 24% annually. The nominal interest rate on credit card receivables during 2021 ranged from 19.56% to 26.08% annually.

Long-term RSD retail loans were granted for a period between 13 and 71 months with an annual interest rate of 4.5% + 6M Belibor to 14.5%.

Long-term EUR-indexed loans with a currency clause were granted in retail segment for a period between 13 and 71 months with an annual interest rate of 3.5% to 11.5%.

Short-term RSD and FX loans were granted to legal entities and entrepreneurs for a period between 1 and 12 months to finance business activities with interest rates ranging from:

- interest in the amount of 3M Belibor + 4% to 12% annually for dinar loans; (overdraft up to 18%)
- 6M Euribor +4.5% to 7% annually for for EUR-indexed placements with a currency clause.

Long-term RSD and FX loans were granted to legal entities and entrepreneurs for a period of up to 8 years with interest rates ranging from:

- 1M Belibor + 2.5% to 14% annually for dinar loans; (overdraft up to 18%)
- 3M Euribor +3% to 10% annually for for EUR-indexed placements with a currency clause.

For loans covered by a 100% deposit, the interest rate range is from 3% for RSD and 1.5% for EUR.

Changes in the Bank's liabilities mainly pertain to 12.71% increase in client deposits, decrease in deposits and other liabilities to banks, other financial institutions and the central bank by 31.50%, as well as decrease in the amount of provisions by 52.55%, (RSD 104,460 thousand), which was mostly due to the reduction of provisions for litigations.

Provisions for litigations in the amount of RSD 63,353 thousand (31.12.2020: RSD 171,028 thousand) pertaining to provisions for potential liabilities arising from the possibility of losing the Bank's disputes were significantly reduced, mainly due to the finished dispute with Partizan Basketball Club which ended in settlement, as well as due to changes in the position of the Supreme Court of Cassation on lawsuits for loan processing fees and NKOSK. The bank, like other banks in the market, is the subject of various lawsuits regarding certain fees in loan agreements. The Bank provided provisions for such cases (included in the above amount) of RSD 37,926 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 ongoing litigations, above the amount for which the provisions were made.

Risk management policy

The Bank continuously identifies, assesses, monitors and controls risks in accordance with national and international banking and accounting regulations, ensuring an integrated, prudent and consistent risk management system. By its acts, the Bank's Board of Directors has established an adequate risk management system and internal control system, which includes various corporate bodies and management committees: 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 of the Bank's operations and the bases for their realization, the Bank has defined the goals for the needs of continuous risk management (credit, market, interest rate, currency, operating), as follows:

- ✓ Achieving and maintaining the status of a stable and reputable financial institution, specialising in supporting the population, 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, development, business projects,
- ✓ growth in the volume of balance sheet assets,
- ✓ growth of market share and strengthening of market position,
- ✓ maintaining the stability of the Bank's financing sources,
- ✓ ensuring liquid, economical and successful operations, in order to prevent any kind of instability

In order to improve the level of capital and improve the portfolio, the Bank focuses on:

• change of the structure of assets by intensifying the collection of the non-performing loans and the sale of NPL portfolios,
• focusing on lending to A and B category clients only
• intensified monitoring of loan granting activities

The comprehensiveness and reliability of the risk management system, as well as the Bank's risk appetite, are based on:

• Active participation of the Bank's Executive Board and Board of Directors in the risk management process (the Executive Board and the Board of Directors regularly review reports on the Bank's exposure to risks, as well as measures to manage and mitigate these risks; for risk management)
• Establishment and operation 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)
• Adopted methodologies for risk identification and measurement
• Adopted measures to mitigate certain types of risks and rules for the application of these measures
• Established limit system
• Calculation and distribution of internal capital

The long-term goal of the Bank in risk management is to minimise 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 commitment, the Bank has defined the following objectives regarding risk management:

- avoiding or minimising risks in order to maintain operations within acceptable risk levels, in accordance with the Bank's defined risk appetite;
- minimising 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 exposure;
- minimising 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 in the field of placements;
- increasing the source of financing in order to improve the structure and level of the deposit base;
- adequate placement management in order to timely identify potentially problematic placements;
- establishing an adequate system of prevention against misuse of the Bank for money laundering and terrorist financing, which would minimise the possibility of using the business relationship, transaction, service or products of the Bank for money laundering and terrorist financing, as well as raising employee awareness regarding this risk

- ensuring constant harmonisation of the Bank's operations with the law, regulations and internal acts, especially in the field of money laundering and terrorist financing, namely mutual harmonisation 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 must maintain risks within the prescribed limits (each risk 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 Bank's Board of Directors adopts and implements risk management procedures that describe individual risk management processes.

Risk management policies and procedures prescribe the manner of organising the Bank's individual risk management process, methods and 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 on an annual level and changed as necessary, and more frequently if significant changes occur in the Bank's risk profile.

The Bank is exposed to credit risk and the possibility that the debtor will not fulfil its liabilities to the Bank in the agreed amount and on due date. Exposure to credit risk arises primarily from lending operations. Credit risk is monitored on several levels: assessing the creditworthiness of clients before granting loans, monitoring the regular settlement of their liabilities and creditworthiness throughout the
loan repayment period, as well as collection and management of due receivables.

The total maximum credit exposure before deduction for collateral amounts is given below.

	31.12.2021	**31.12.2020**
Placements with banks - net	460.650	113.679
Value adjustment of placements with banks	558	185
Total gross placements with banks	**461.207**	**113.864**
Loans and placements to clients		
Loans and other placements in retail segment (with entrepreneurs)	2,255,215	2,501,428
Loans and other placements to corporate sector		
- Large companies	407.822	487.909
- Small, medium and micro enterprises	6,139,429	6,560,511
- Other	109.763	105.118
Total net loans and advances to clients	**8,912,229**	**9,654,965**
Adjustment of the value of loans and placements to clients	207.294	275.885
Total gross loans and placements to clients	**9,119,523**	**9,930,851**
Total balance sheet risk assets - gross	**9,580,730**	**10,044,715**

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

- reviews the creditworthiness of the borrower for loans. Warranties and other products,
- determines the limits of credit indebtedness on the basis of risk assessment,
- does business with creditworthy clients and obtains appropriate security instruments.

Client monitoring is continuous, and risk exposure limits are adjusted as necessary. Risk limits are determined depending on the different types of security instruments. The concentration of risk by economic activities as well as on the basis of a group of related entities is established within the Risk Management Strategy as the established level of risk profile and Risk appetite.

Risk exposure toward one debtor, including banks, is limited and includes both on-balance sheet and off-balance sheet risk exposure. The total risk exposure per client in relation to restrictions is considered before the transaction takes place.

The Bank's management has made a provision 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 liquidity risk management system, competencies and responsibilities of system participants, controls undertaken in order to operate the system as efficiently as possible, methodologies used to monitor this risk and liquidity management plan in crisis situations.

The year 2020 passed in a changed business environment caused by measures to combat 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' liabilities, as well as relaxed repayment terms for the clients significantly affected by measures to combat the pandemic. Also, the Bank continuously conducted an analysis of the portfolio and clients who had problems in conducting their business activities, and in accordance with IFRS 9, the Bank changed their level, i.e. carried out the transfer of clients from Level 1 to Level 2 in the calculation of value adjustments.

During 2021, the emergence of new strains of COVID-19 virus has conditioned a business environment with a higher level of risk, but certainly milder compared to 2020. In this sense, the Bank's focus in 2021 was on maintaining a high level of liquidity as well as diversification and optimisation of liquidity reserves with a reduced appetite for risk-taking. At the same time, the Bank continued to strengthen its deposit base, which continued to grow significantly in 2021, while liquidity reserves were increased through optimisation and increased investments of the Bank in securities of the Ministry of Finance of the Republic of Serbia.

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 diseases of managers, employees and service providers, a special focus was placed on information security, stability of ICT systems, uninterrupted provision of services to customers, functioning of the activities the Bank entrusted to service providers, enforcement and potential abuse by both external entities and employees. Operating risks during 2021, in particular, were manifested through legal risk and customer lawsuits against the Bank for the collection of loan processing costs and the NKSOK fee. Also, the Bank successfully and without losses repulsed cyber-attacks, with the so-called dridex attack (malware) taking place by year's end. Special attention was paid to the introduction of new services and activities of the Bank, such as contracting the implementation of m-banking services, new AML software, guarantee schemes. A process of permanent analysis of business digitalisation needs has been established in order for the Bank to ensure business continuity with the quality of services it provides to clients in a way that limits its exposure to reputational and other operational risks.

Business events after the reporting period

The armed conflict between Russia and Ukraine has had an impact on both the European and world economies and societies. Since the beginning of the conflict, the Bank has been closely monitoring and assessing the impact on all segments of its operations.
The Bank, in cooperation with regulatory bodies, monitors the introduction of sanctions and restrictions by the EU, the US and the UK, and their impact on the business of clients and the Bank.

In the previous period, the Bank did not record a significant negative impact on its operations. All liquidity ratios are well above regulatory and internally prescribed limits. At the beginning of the war, the Bank recorded an increased demand for effective foreign currency, to which it readily responded.

In the local market, the circumstances indicated above can have the greatest impact on the realised GDP, the continuation of inflationary pressures, but also the growth of energy prices. The Government of the Republic of Serbia is implementing all measures to reduce the expected negative impact, and is already in the process of implementing a policy that limits the growth of energy prices.

Inflationary pressures represent a challenge for all European countries, so in the coming period we can expect a potential turn towards restrictive monetary policy and rising interest rates.

The new developments have certainly affected the need for intensified monitoring and assessment of all the Bank's risks. With stable interventions of the Government of the Republic of Serbia in the field of stable exchange rate and foreign trade, as well as with the support of the National Bank of Serbia to the financial sector, the crisis would not have a significant impact on the Bank's operations.

Expected developments and risks to which operations are exposed

The vision of the Bank includes successful positioning of the Bank in the banking financial market, in the long run, its development as a dynamic, financially strong Bank, specialising in supporting small and medium enterprises. The bank strives for a recognisable, professional level of service, with constant growth of internal organization and customer satisfaction.

Focusing on integrated services for small and medium enterprises and a "personal banker" based on "corporate sales channels" allows the Bank, without increasing administrative costs, to effectively increase non-interest income thanks to:

- maintaining a flexible product line (niche product development, transaction services and commissions);
- emphasis on cross-sales;
- Implementation of a service model focused on the highest quality of service.

The analysis and structure of revenues and costs, the expected state of the Bank's funds and sources of funds and the expected macroeconomic business conditions, define as the basic strategic goals of the Bank's operations, as follows:

- ✓ Achieving and maintaining the status of a stable and reputable financial institution, specialising in support to small and medium enterprises, encouraging exports and granting loans for economic development;
- ✓ Encouraging market specialisation and work efficiency;
- ✓ Maintaining the trust of its clients and ensuring the security and profitability of their investments;
- ✓ Providing assistance to clients in their business, development and business projects in a way to establish long-term cooperation with as many quality and perspective clients;
- ✓ Growth of market share and strengthening of market position in the banking sector of the Republic of Serbia;
- ✓ Expanding the client base through market identification of the Bank's services to potential clients through proactive activities;
- ✓ Active management of the Bank's loan portfolio, with the expansion of the client base and further diversification of placements;
- ✓ Maintaining the stability of the Bank's sources of financing;
- ✓ Identifying niche markets with the aim of maximising profits and reducing risk through a high level of service and customer satisfaction.

The basis for achieving the mentioned goals are:

- Maintaining a high level of liquidity;
- Maintaining the capital adequacy ratio significantly above the level prescribed by the regulator;
- Competitive profitability expressed through ROA and ROE;
- Strict monitoring of costs and further improvement of business process efficiency;
- Improving billing efficiency and preventing new NPLs;

The Bank plans to increase its business volume by finding a potential new strategic partner, which will enable the Bank to develop faster than the average market. In this way, the Bank plans to expand its geographical coverage and provide its clients with an increasing number of financial opportunities.

Macroeconomic environment and banking sector

Macroeconomic indicators

Gross domestic product

According to the preliminary estimate of the Republic Statistical Office on GDP trends for 2021 a growth of 7.5% is expected (during 2020, the recorded growth of gross domestic product was -0.9%).

Foreign direct investments

FDI in 2021 amounted to EUR 3.9 billion. Most of FDIs were focused on the automotive, metal and food industries.
The amount of FDI investment exceeded the level of 2020, when it amounted to EUR 2.9 billion.
This level of investments has contributed to an increased employment, growth in manufacturing and exports of the manufacturing industry.

Unemployment rate

According to the data from the Labor Force Survey conducted at the end of Q3 2021. The unemployment rate was 10.5% and was slightly higher than in the same period in 2020, when it was 9.8%.
In Q3 2021, the employment rate increased by 2.2 pp, and the unemployment rate increased by 0.7 pp compared to the same period in 2020.
The average net salary in the period January-September 2021 amounted to RSD 64,487 (EUR 549) and increased by 8.8% compared to the same period in 2020.

Inflation

The rise in inflation since April 2021 has been driven by temporary factors, rising food and oil prices on the global market. Inflation was 7.9% in December, whereby about three-quarters of inflation growth was driven by factors beyond monetary policy, such as food and energy prices.

Exchange rate

The EUR / RSD exchange rate at the end of 2021 was 117.58 and was unchanged compared to the end of 2020 exchange rate (117.58). During 2021, the EUR / RSD exchange rate ranged from 117.54 to 117.59 RSD for one EUR. The movement of the dinar exchange rate was influenced by good macroeconomic indicators, GDP growth, and the improved credit rating of the country (according to Moody's). During 2021, the dinar rate remained relatively unchanged against the euro, while it depreciated against the USD by 8.0%. During 2021, the National Bank of Serbia (NBS) also intervened in the interbank foreign exchange market through the purchase and sale of foreign currency, and thus prevented larger daily fluctuations in the value of the dinar.

Reference interest rate

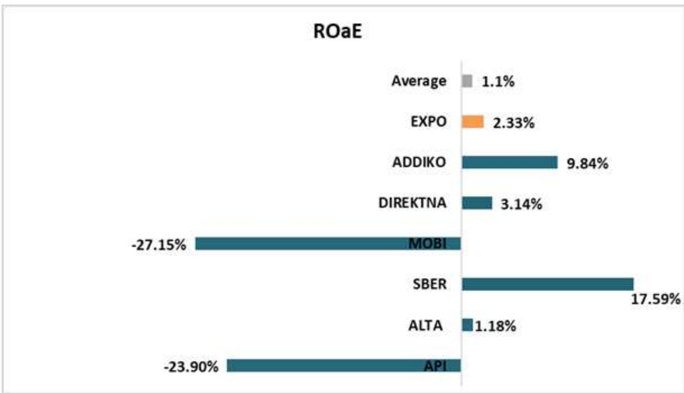
On December 10, 2020, the National Bank of Serbia lowered the reference interest rate to the level of 1.00%, which was maintained at the same level throughout 2021. From October 2021, the NBS will gradually reduce the expansionism of monetary policy without changing base interest rates, bearing in mind the increased cost pressures from the domestic and international environment and the need to influence inflation.

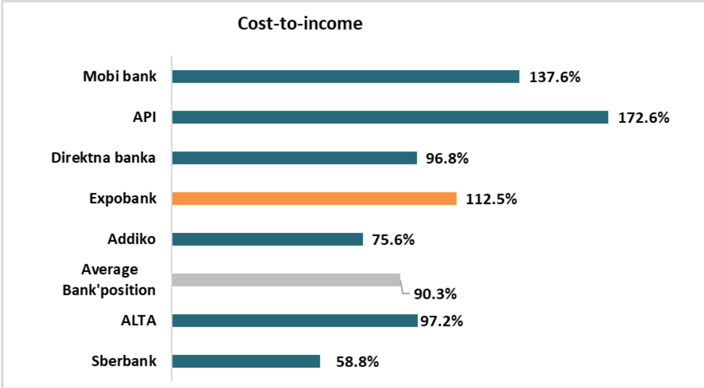
Banking sector

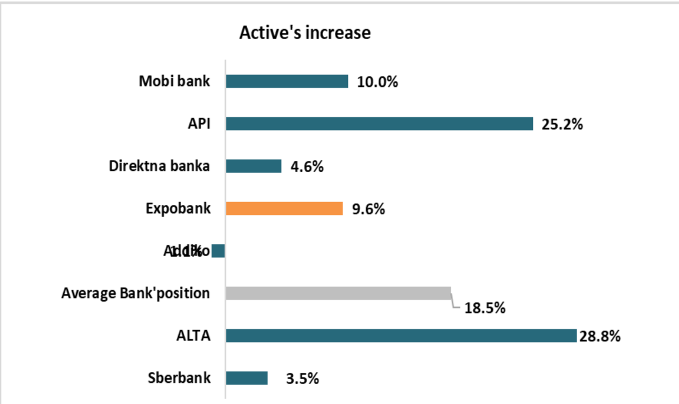
At the end of Q3 2021, the banking sector of the Republic of Serbia consisted of a total of 24 banks with 22,503 employees. Total assets reached RSD 4,935.2 billion, and total capital amounted to RSD 721.2 billion at the end of September 2021. Top ten banks in terms of balance sheet assets account for 83.5% of the total assets of the banking sector.

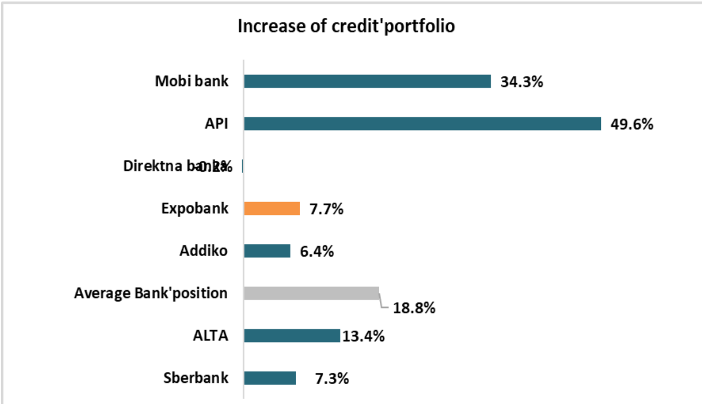
The balance sheet assets of the banking sector during the first nine months of 2021 increased by 7.3% compared to the end of 2020, while total capital increased by 0.6%.

In terms of assets, Expobank Serbia ranks 22nd with a share of 0.35%.









Expobank's position in relation to its "Peers" (Sberbank, Addiko, Direktna, ALTA, Mobi banka, API):

Belgrade, March 2022

Signed in the name of Expobank A.D., Beograd:

Dragana Vujinovic
Financial Control Manager

Borislav Strugarevic
Executive Board Chairman