

## **HALKBANK A.D. BELGRADE**

### **REPORT ON DISCLOSURE OF DATA AND INFORMATION BY BANK AS OF JUNE 30<sup>th</sup>, 2020**

**Disclosure in accordance with Pillar 3 of Basel III**

**Belgrade, September 2020.**

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## INTRODUCTION

In line with Pillar 3 of Basel 3 and the Decision on Disclosure of Information and Bank Information, Halkbank a.d. Belgrade publishes a report as of June 30<sup>th</sup> 2020, which contains information about:

1. The Bank's capital structure (PI-KAP);
2. Financial instruments that are included in the calculation of the Bank's capital (PI-FIKAP);
3. Linking the capital positions from the balance sheet to positions in the form PI-KAP (PI-UKP);
4. The amount of capital requirements and the capital adequacy ratio (PI-AKB);
5. Risk mitigation techniques and
6. Leverage ratio.

The report is published on the Bank's website ([www.halkbank.rs](http://www.halkbank.rs)).

In accordance with item 24 of the Decision on Disclosure of Data and Information by Banks ("Official Gazette of the Republic of Serbia" No. 103/2016) and the internal procedure, the Executive Board on September 24<sup>th</sup>, 2020 has assessed the frequency of disclosure of data and information of the bank taking into account:

1. Scope of business operations;
2. Banking products offered to clients;
3. Presence in different countries;
4. Participation in the banking sector;
5. Participation in international financial markets;
6. Participation in the international payment, billing and clearing system;

The decision was made that there is no need to publish data and information prescribed by the National bank of Serbia (hereinafter: NBS) Decision on Disclosure of Data and Information by Banks (hereinafter: Decision) more than once a year, except for data prescribed in items 5, 6 and 19 of the NBS Decision on the amount of capital, capital structure, capital adequacy and leverage ratio, as well as techniques for mitigation of credit risk, which the NBS has prescribed to be published semi-annually.

The Bank will publish the data specified in points 5 and 6 of the Decision, which relate to capital, its structure, capital requirements and capital adequacy, as well as point 19, referring to the indicator of leverage, on semi-annually basis.

## 1. INFORMATION ABOUT THE BANK

The business name of the Bank is: HALKBANK joint-stock company Belgrade.

The abbreviated business name of the Bank is: Halkbank a.d. Belgrade.

The Bank's head office is in Belgrade, Milutin Milanković 9e.

The Bank's registration number is 07601093.

The tax identification number of the Bank is: 100895809.

The largest share in the Bank's equity on June 30<sup>th</sup> 2020 has the parent bank Türkiye Halk Bankası A.S. with 100% of equity participation.

Total regulatory capital on June 30<sup>th</sup> 2020 is RSD 11,025,312 thousand and consists of share capital in the total amount of RSD 11,023,972 thousand and additional capital in the amount of RSD 1,340 thousand.

The total capital requirements for covering the risks amounted RSD 4,110,629 thousand for:

- Credit risk, counterparty risk, and settlement/delivery risk RSD 3,725,910 thousand
- Operational risk RSD 384,719 thousand.

The Bank did not calculate the capital requirement for foreign exchange risk since the total net open foreign exchange position does not exceed 2% of the bank's capital, in accordance with Section 3 of the NBS Decision on the Bank's Capital Adequacy.

Capital adequacy ratio as of June 30<sup>th</sup> 2020 amounts to 21.46%.

Indicator of leverage of the Bank as of June 30<sup>th</sup> 2020 amounts to 13.24%.

On June 30<sup>th</sup> 2020, the Bank had a business network consisting of 35 branches and sub-branches (28 branches and 7 sub-branches), as well as 544 employees (as of June 30<sup>th</sup> 2020 there were 505 employees).

## 2. BANK'S CAPITAL

The amount of the Bank's capital, with an overview of individual elements of Common Equity Tier 1 capital, regulatory adjustments and deductions, additional Tier 1 capital and Tier 2 capital, and their deductible items, are shown on the form **PI-KAP** (prescribed by NBS):

**PI-KAP**

### Data on Bank Capital

(in RSD thousand)

| No   | Item  | Amount    | DCA reference <sup>1</sup>                    |
|------|---|-----------|---|
|      | <b>Common Equity Tier 1: elements</b>   |           |   |
| 1    | CET1 capital instruments and the related share premium accounts   | 7,771,263 |   |
| 1.1. | <i>of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA</i> | 5,658,940 | Section 7, paragraph 1, item 1) and Section 8 |

<sup>1</sup> DCA - Decision on Capital Adequacy of Banks.

| No       | Item   | Amount            | DCA reference <sup>1</sup>           |
|----------|--|-------------------|--------------------------------------|
| 1.2.     | <i>of which: relevant share premium with the instruments referred to in item 1.1, i.e. the amount paid above par value of those instruments</i>  | 2,112,323         | Section 7, paragraph 1, item 2)      |
| 2        | Profit from preceding years free of any future liabilities, to be allocated to CET 1 capital according to the decision of the bank's assembly  | 0                 | Section 10, paragraph 1              |
| 3        | Profit of the current year or profit from the preceding year which the bank's assembly still has not decided to allocate in CET 1 capital which fulfil the requirements as laid out in Section 10, paras 2 and 3 on inclusion into CET 1 capital | 0                 | Section 10, paras 2 and 3            |
| 4        | Revaluation reserves and other unrealised losses   | 741,325           | Section 7, paragraph 1, item 4)      |
| 5        | Reserves from profit and other bank reserves, except for reserves for general banking risks  | 1,726,527         | Section 7, paragraph 1, item 5)      |
| 6        | Reserves for general banking risks   | 0                 | Section 7, paragraph 1, paragraph 6) |
| 7        | Non-controlling participations (minority interests) allowed in CET1 <sup>2</sup>   | 0                 |                                      |
| <b>8</b> | <b>Common Equity Tier 1 capital before regulatory adjustments and deductibles</b> (sum of rows from 1 to 7)  | <b>10,239,115</b> |                                      |
|          | <b>Common Equity Tier 1 capital: regulatory adjustments and deductibles</b>  |                   |                                      |
| 9        | Additional value adjustments (-)   | -10,811           | Section 12, paragraph 5              |
| 10       | Intangible assets, including goodwill (net of deferred tax liabilities) (-)  | -299,685          | Section 13, paragraph 1, item 2)     |
| 11       | Deferred tax assets that rely on future profitability of the bank, excluding those arising from temporary differences (net of related deferred tax liability where the conditions referred to in Section 14, paragraph 1 of the DCA are met)     | -62,393           | Section 13, paragraph 1, item 3)     |
| 12       | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows  | 0                 | Section 12, paragraph 1, item 1)     |
| 13       | IRB Approach: Negative amount of difference resulting from the calculation in accordance with Section 134 of the DCA (-)   | 0                 | Section 13, paragraph 1, item 4)     |
| 14       | Any increase in equity that results from securitisation exposures (-)  | 0                 | Section 11                           |
| 15       | Gains or losses on bank's liabilities valued at fair value resulting from changes in own credit standing   | 0                 | Section 12, paragraph 1, item 2)     |
| 16       | Defined benefit pension fund assets on the balance sheet of the bank(-)  | 0                 | Section 13, paragraph 1, item 5)     |
| 17       | Direct, indirect and synthetic holdings by a bank of own Common Equity Tier 1 instruments, including own CET 1 instruments that a bank is under an actual or contingent obligation to purchase by virtue of an existing contractual              | 0                 | Section 13, paragraph 1, item 6)     |

<sup>2</sup> To be completed by the ultimate parent company, obliged to calculate the banking group's capital based on the data from the consolidated financial statements, in accordance with the decision on consolidated supervision of a banking group. The Bank does not have a subsidiary and is not subject to consolidation.

| No    | Item   | Amount | DCA reference <sup>1</sup>                      |
|-------|--|--------|---|
|       | obligation (-)   |        |   |
| 18    | Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the bank, designed to inflate artificially the capital of the bank (-)   | 0      | Section 13, paragraph 1, item 7)                |
| 19    | Applicable amount of direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)  | 0      | Section 13, paragraph 1, item 8)                |
| 20    | Applicable amount of direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities (-)  | 0      | Section 13, paragraph 1, item 9)                |
| 21    | Exposure amount of the following items which qualify for a risk weight of 1.250%, where the bank deducts that exposure amount from the amount of CET1 items as an alternative to applying a risk weight of 1.250%  | 0      | Section 13, paragraph 1, item 11)               |
| 21.1. | <i>of which: holdings in entities outside the financial sector in the amount of over 10% of capital of those entities, i.e. holdings that allow exerting a significant impact on managing of a legal entity or on the business policy of that legal entity (-)</i>   | 0      | Section 13, paragraph 1, item 11), indent one   |
| 21.2. | <i>of which: securitisation positions (-)</i>  | 0      | Section 13, paragraph 1, item 11), indent two   |
| 21.3. | <i>of which: free deliveries (-)</i>   | 0      | Section 13, paragraph 1, item 11), indent three |
| 22    | Deferred tax assets that rely on the bank's future profitability arising from temporary differences (amount above 10% of bank's CET1 capital referred to in Section 21, paragraph 2, reduced by the amount of related tax liabilities where the requirements referred to in Section 14, paragraph 1 of the DCA are met (-) | 0      | Section 21, paragraph 1, item 1)                |
| 23    | Sum of deferred tax assets and holdings of financial sector entities where the bank has a significant investment referred to in Section 21, paragraph 1 of the DCA in such entities, which exceeds the threshold referred to in Section 21, paragraph 3 of the DCA (-)   | 0      | Section 21, paragraph 1                         |
| 23.1. | <i>of which: Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities</i>  | 0      | Section 21, paragraph 1, item 2)                |
| 23.2. | <i>of which: Deferred tax assets arising from temporary differences</i>  | 0      | Section 21, paragraph 1, item 1)                |
| 24    | Losses for the current and previous years, and unrealised losses (-)   | 0      | Section 13, paragraph 1, item 1)                |
| 25    | Any tax charge relating to CET1 elements foreseeable at the moment of its calculation, except where the bank suitably adjusts the amount of CET1 elements insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (-)   | 0      | Section 13, paragraph 1, item 12)               |
| 26    | Amount of items required to be deducted from the bank's Additional Tier 1 items that exceeds Additional Tier 1 capital of the bank (-)   | 0      | Section 13, paragraph 1, item 10)               |

| No        | Item  | Amount           | DCA reference <sup>1</sup>               |
|-----------|---|------------------|--|
| 27        | Gross amount of receivables from the borrower – natural person (other than a farmer or an entrepreneur) arising from extended consumer, cash or other loans disclosed in accounts 102, 107 and 108, where the level of the borrower's debt-to-income ratio before loan approval was higher than the percentage defined in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items, or where this percentage will be higher due to loan approval. | -34,258          | Section 13, paragraph 1, item 13)        |
| 28        | Gross amount of receivables from the borrower – natural person (other than a farmer or an entrepreneur) arising from extended consumer, cash or other loans, other than the loans disclosed under item 27 of this Form, disclosed in accounts 102, 107 and 108, which under the criterion of agreed maturity qualify for the deduction from Common Equity Tier 1 prescribed by the decision governing bank capital adequacy   | -8,373           | Section 13, paragraph 1, item 14)        |
| <b>29</b> | <b>Total regulatory adjustments and deductibles from CET1 capital</b> (sum of rows from 9 to 27) <sup>3</sup>   | <b>-415,143</b>  |  |
| <b>30</b> | <b>Common Equity Tier 1 capital</b> (difference between 8 and 28)   | <b>9,823,972</b> |  |
|           | <b>Additional Tier 1 capital: elements</b>  |                  |  |
| 31        | Shares and other capital instruments which fulfil the requirements as laid out in Section 23 of the DCA and related share premium   | 1,200,000        | Section 22, paragraph 1, items 1) and 2) |
| 32        | Capital instruments issued by subsidiaries, which are recognised as Additional Tier 1 capital <sup>4</sup>  | 0                |  |
| <b>33</b> | <b>Additional Tier 1 capital before deductibles</b> (30+31)   | <b>1,200,000</b> |  |
|           | <b>Additional Tier 1 capital: deductibles</b>   |                  |  |
| 34        | Direct, indirect and synthetic holdings by a bank of own Additional Tier 1 instruments, including the instruments that a bank is obliged to purchase as a result of existing contractual obligations (-)  | 0                | Section 26, paragraph 1, item 1)         |
| 35        | Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)   | 0                | Section 26, paragraph 1, item 2)         |
| 36        | Applicable amount of direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)  | 0                | Section 26, paragraph 1, item 3)         |
| 37        | Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for five working days or   | 0                | Section 26, paragraph 1, item 4)         |

<sup>3</sup> Amendments to the Decision on Capital Adequacy of the Bank, which entered into force on 01.01.2019. cancelled the obligation of banks to calculate and present the required reserve for estimated losses as deductible item of capital, while new deductibles were introduced related to consumer, cash and other loans to individuals approved under the conditions closer defined in the above mentioned Decision.

<sup>4</sup> To be completed by the ultimate parent company, obliged to calculate the banking group's capital based on the data from the consolidated financial statements, in accordance with the decision on consolidated supervision of a banking group. The Bank does not have a subsidiary and is not subject to consolidation.

| No        | Item  | Amount            | DCA reference <sup>1</sup>               |
|-----------|---|-------------------|--|
|           | fewer (-)   |                   |  |
| 38        | Amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank (-)  | 0                 | Section 26, paragraph 1, item 5)         |
| <b>39</b> | <b>Total deductibles from Additional Tier 1 capital</b> (sum of rows from 33 to 37)   | <b>0</b>          |  |
| <b>40</b> | <b>Additional Tier 1 capital</b> (difference between 32 and 38)   | <b>1,200,000</b>  |  |
| <b>41</b> | <b>Tier 1 capital</b> (sum of rows 29 and 39)   | <b>11,023,972</b> |  |
|           | <b>Tier 2: elements</b>   |                   |  |
| 42        | Shares and other Tier 2 capital instruments and subordinated liabilities which fulfill the requirements as laid out in Section 28 of the DCA and related share premium accounts related to instruments  | 1,340             | Section 27, paragraph 1, items 1) and 2) |
| 43        | Capital instruments issued by subsidiaries, which are recognised as Tier 2 capital <sup>5</sup>   | 0                 |  |
| 44        | Credit risk adjustments that meet the requirements for the inclusion in Tier 2 capital  | 0                 | Section 27, paragraph 1, items 3) and 4) |
| <b>45</b> | <b>Tier 2 capital before deductibles</b> (sum of rows from 41 to 43)  | <b>1,340</b>      |  |
|           | <b>Tier 2 capital: deductibles</b>  |                   |  |
| 46        | Direct, indirect and synthetic holdings by a bank of own Tier 2 instruments and subordinated liabilities, including instruments that the bank is obliged to purchase as a result of existing contractual obligations (-)  | 0                 | Section 30, paragraph 1, item 1)         |
| 47        | Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)                                       | 0                 | Section 30, paragraph 1, item 2)         |
| 48        | Applicable amount of direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities where a bank does not have a significant investment in those entities (-)  | 0                 | Section 30, paragraph 1, item 3)         |
| 49        | Direct, indirect and synthetic holdings by the bank of the Tier 2 instruments and subordinated liabilities of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for fewer than five working days (-) | 0                 | Section 30, paragraph 1, item 4)         |
| <b>50</b> | <b>Total deductibles from Tier 2 capital</b> (sum of rows from 45 to 48)  | <b>0</b>          |  |
| <b>51</b> | <b>Tier 2 capital</b> (difference between 44 and 49)  | <b>1,340</b>      |  |
| <b>52</b> | <b>Total capital</b> (sum of rows 40 and 50)  | <b>11,025,312</b> |  |
| <b>53</b> | <b>Total risk-weighted assets</b>   | <b>51,382,865</b> | Section 3, paragraph 2,                  |

<sup>5</sup> To be completed by the ultimate parent company, obliged to calculate the banking group's capital based on the data from the consolidated financial statements, in accordance with the decision on consolidated supervision of a banking group. The Bank does not have a subsidiary and is not subject to consolidation.



| No   | Item   | Amount | DCA reference <sup>1</sup>      |
|--|--|--------|---------------------------------|
| <b>Capital adequacy ratios and capital buffers</b> |  |        |                                 |
| 54   | Common Equity Tier 1 capital ratio (%)   | 19.12% | Section 3, paragraph 1, item 1) |
| 55   | Tier 1 capital ratio (%)   | 21.45% | Section 3, paragraph 1, item 2) |
| 56   | Total capital ratio (%)  | 21.46% | Section 3, paragraph 1, item 3) |
| 57   | Total requirements for capital buffers (%) <sup>6</sup>                              | 4.33%  | Section 433                     |
| 58   | Common Equity Tier 1 capital available for capital buffers coverage (%) <sup>7</sup> | 11.12% |                                 |

| Thresholds for common equity Tier 1 deductions  | Amount<br>In RSD<br>thousand |
|---|------------------------------|
| Threshold non deductible of holdings in financial sector entities where the bank does not have a significant investment   | 982,397                      |
| 10% CET1 threshold calculated in accordance with Section 21, paragraph 2 of the Decision on Capital Adequacy of Banks     | 982,397                      |
| 17.65 % CET1 threshold calculated in accordance with Section 21, paragraph 3 of the Decision on Capital Adequacy of Banks | 1,733,931                    |
| Eligible capital under Section 13, paragraph 8 of the Decision on Capital Adequacy of Banks                               | 11,025,312                   |

Gross direct holdings of CET1 capital of financial sector entities where the bank does not have a significant investment amounts RSD 3,288 thousand.

A description of the basic characteristics of all elements included in the calculation of regulatory capital is shown below, on the form **PI-FIKAP** (prescribed by NBS):

<sup>6</sup> As a percentage of risk-weighted assets.

<sup>7</sup> Calculated as Common Equity Tier 1 capital of the bank (expressed as percentage of risk-weighted assets), less Common Equity Tier 1 capital of the bank used to maintain the Common Equity Tier 1 capital ratio referred to in Section 3, paragraph 3, item 1) of the DCA, the Tier 1 capital ratio referred to in Section 3, paragraph 3, item 2) of the DCA and the total capital ratio referred to in Section 3, paragraph 3, item 3) of the DCA.

**Data on the basic characteristics of financial instruments that are included in the calculation of the bank's capital**

(in RSD thousand)

| No    | Instrument features   | Instrument 1                           | Instrument 2                              | Instrument 3                          |
|-------|---|--|---|---------------------------------------|
| 1.    | Issuer  | Halkbank a.d.<br>Belgrade              | Halkbank a.d.<br>Belgrade                 | Halkbank a.d.<br>Belgrade             |
| 1.1.  | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)          | RSCABAE56615                           | RSCABAE57662                              | RSCABAE09390                          |
|       | <b>Regulatory treatment</b>   |  |   |                                       |
| 2.    | Treatment in accordance with the Decision on Capital Adequacy of Banks                      | <i>Common Equity Tier 1 instrument</i> | <i>Additional Tier 1 instrument</i>       | <i>Tier 2 instrument</i>              |
| 3.    | Eligible at solo/(sub-)consolidated/ solo&(sub-) consolidated                               | <i>Solo</i>                            | <i>Solo</i>                               | <i>Solo</i>                           |
| 4.    | Instrument type   | <i>Ordinary shares</i>                 | <i>Non-cumulative preferential shares</i> | <i>Cumulative preferential shares</i> |
| 5.    | Amount recognised in regulatory capital (in RSD thousand, as of most recent reporting date) | 7,771,263                              | 1,200,000                                 | 1,340                                 |
| 6.    | Nominal amount of instrument  | 5,658,940                              | 600,000                                   | 1,340                                 |
| 6.1.  | Issue price   | 2,112,323                              | 600,000                                   | 0                                     |
| 6.2.  | Redemption price  |  |   |                                       |
| 7.    | Accounting classification   | <i>Shareholders' equity</i>            | <i>Shareholders' equity</i>               | <i>Shareholders' equity</i>           |
| 8.    | Original date of issuance   | 1992.                                  | 2015.                                     | 1992.                                 |
| 9.    | Perpetual or dated  | <i>Perpetual</i>                       | <i>Perpetual</i>                          | <i>Perpetual</i>                      |
| 9.1.  | Original maturity date  | <i>No maturity</i>                     | <i>No maturity</i>                        | <i>No maturity</i>                    |
| 10.   | Issuer call subject to prior supervisory approval   | <i>No</i>                              | <i>Yes</i>                                | <i>No</i>                             |
| 10.1. | Optional call date, contingent call dates and redemption amount                             |  |   |                                       |
| 10.2. | Subsequent call dates, if applicable  |  |   |                                       |
|       | <b>Coupons / dividends</b>  |  |   |                                       |
| 11.   | Fixed or floating dividend/coupon   | <i>Floating</i>                        | <i>Fixed</i>                              | <i>Fixed</i>                          |
| 12.   | Coupon rate and any related index   |  | 5.00%                                     | 5.00%                                 |
| 13.   | Existence of a dividend stopper   | <i>No</i>                              | <i>Yes</i>                                | <i>Yes</i>                            |
| 14.1. | Fully discretionary, partially discretionary or mandatory (in terms of timing)              | <i>Fully discretionary</i>             | <i>Partially discretionary</i>            | <i>Partially discretionary</i>        |

| No    | Instrument features   | Instrument 1  | Instrument 2  | Instrument 3  |
|-------|---|---|---|---|
| 14.2. | Fully discretionary, partially discretionary or mandatory (in terms of amount)                                | Fully discretionary   | Mandatory   | Mandatory   |
| 15.   | Existence of step up or other incentive to redeem   | No  | No  | No  |
| 16.   | Noncumulative or cumulative dividend/coupon   | <i>Noncumulative</i>  | <i>Noncumulative</i>  | <i>Cumulative</i>   |
| 17.   | Convertible or non-convertible  | <i>Nonconvertible</i>   | <i>Nonconvertible</i>   | <i>Convertible</i>  |
| 18.   | If convertible, conversion trigger(s)   |   |   | <i>In accordance with the decision of the Assembly</i>                                  |
| 19.   | If convertible, fully or partially  |   |   | <i>In accordance with the decision of the Assembly</i>                                  |
| 20.   | If convertible, conversion rate   |   |   | <i>In accordance with the decision of the Assembly</i>                                  |
| 21.   | If convertible, mandatory or optional conversion  |   |   | <i>Optional</i>   |
| 22.   | If convertible, specify instrument type convertible into  |   |   | <i>Common Equity Tier 1 instrument</i>  |
| 23.   | If convertible, specify issuer of instrument it converts into   |   |   | <i>Halkbank a.d. Belgrade</i>   |
| 24.   | Write-down features   | Yes   | Yes   | Yes   |
| 25.   | If write-down, write-down trigger(s)  | <i>Pursuant to the decision of the Assembly in accordance with the Law on Companies</i> | <i>Pursuant to the decision of the Assembly in accordance with the Law on Companies</i> | <i>Pursuant to the decision of the Assembly in accordance with the Law on Companies</i> |
| 26.   | If write-down, full or partial  | <i>Fully or Partially</i>   | <i>Fully or Partially</i>   | <i>Fully or Partially</i>   |
| 27.   | If write-down, permanent or temporary   | <i>Permanent</i>  | <i>Permanent</i>  | <i>Permanent</i>  |
| 28.   | If temporary write-down, description of write-up mechanism  |   |   |   |
| 29.   | Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument) | <i>Non-cumulative preferential shares; Cumulative preferential shares</i>               | <i>Cumulative preferential shares</i>   |   |
| 30.   | Non-compliant transitioned features   |   |   |   |
| 31.   | If yes, specify non-compliant features  |   |   |   |

Data and information which links the Bank's positions in the Balance sheet with the Bank's regulatory capital positions from the Capital report made in accordance with the NBS Decision on the capital adequacy of the banks is published on the following form **PI-UPK** (prescribed by NBS):

**Data on matching capital positions from the balance sheet with items from the form  
PI-KAP**

Breakdown of elements in the balance sheet

(in RSD thousand)

| Position mark | Item   | Balance sheet     | References |
|---------------|--|-------------------|------------|
| A             | <b>ASSETS</b>  |                   |            |
| A.I           | Cash and assets with the central bank  | 9,619,452         |            |
| A.II          | Pledged financial assets   | 1,526,560         |            |
| A.III         | Derivative receivables   | 2,069             |            |
| A.IV          | Securities   | 8,882,977         |            |
| A.V           | Loans and receivables from banks and other financial organisations   | 4,273,375         |            |
| A.VI          | Loans and receivables from clients   | 52,218,512        |            |
| A.VII         | Changes in fair value of items being subject to hedging  | 0                 |            |
| A.X           | Receivables under derivatives intended for hedging   | 0                 |            |
| A.XI          | Investments in associated undertakings and joint ventures  | 0                 |            |
|               | <i>Of which direct or indirect investments in banks and other financial sector person persons</i>  | 0                 |            |
| A.XII         | Investments into subsidiaries  | 0                 |            |
|               | <i>Of which direct or indirect investments in banks and other financial sector persons</i>   | 0                 |            |
| A.XIII        | Intangible assets  | 299,685           | <b>e</b>   |
| A.XIV         | Property, plant and equipment  | 1,319,273         |            |
| A.XV          | Investment property  | 135,576           |            |
| A.XVI         | Current tax assets   | 0                 |            |
| A.XVII        | Deferred tax assets  | 62,393            | <b>f</b>   |
| A.XVIII       | Non-current assets held for sale and discontinued operations   | 0                 |            |
| A.XIX         | Other assets   | 279,062           |            |
|               | <i>Of which direct or indirect investment in banks and other financial sector persons that exceed 10% of the capital of such banks and/or other financial sector persons</i> | 0                 |            |
| A.XX          | <b>TOTAL ASSETS (ADP items from 0001 to 0019 in the consolidated balance sheet)</b>  | <b>78,618,934</b> |            |
| P             | <b>LIABILITIES</b>   |                   |            |
| PO            | LIABILITIES  |                   |            |
| PO.I          | Derivative liabilities   | 104               |            |
| PO.IV         | Deposits and other liabilities to banks, other financial organisations and central bank  | 11,173,233        |            |
| PO.V          | Deposits and other liabilities to other clients  | 54,244,585        |            |
| PO.VI         | Liabilities arising from hedging derivatives   | 0                 |            |

| Position mark | Item  | Balance sheet     | References |
|---------------|---|-------------------|------------|
| PO.VII        | Changes in fair value of items being subject to hedging                                   | 0                 |            |
|               | Liabilities under securities  | 0                 |            |
| PO.VIII       | Subordinated liabilities  | 0                 |            |
|               | <i>Of which subordinated liabilities included in bank's supplementary capital</i>         | 0                 |            |
| PO.IX         | Provisions  | 121,132           |            |
| PO.X          | Liabilities under assets held for sale and discontinued operations                        | 0                 |            |
| PO.XI         | Current tax liabilities   | 0                 |            |
| PO.XII        | Deferred tax liabilities  | 0                 |            |
| PO.XIII       | Other liabilities   | 888,364           | 888,364    |
| PO.XIV        | <b>TOTAL LIABILITIES (ADP items from 0401 to 0413 in the consolidated balance sheet)</b>  | <b>66,407,418</b> |            |
|               | <b>CAPITAL</b>  | 0                 |            |
| PO.XV         | Share capital   | 8,972,603         |            |
|               | <i>Of which par value of paid-in shares, except for cumulative preferential shares</i>    | 5,658,940         | <b>a</b>   |
|               | <i>Of which share premium on share capital, except for cumulative preferential shares</i> | 2,112,323         | <b>b</b>   |
|               | <i>Of which par value of non-cumulative preferential shares</i>                           | 600,000           | <b>g</b>   |
|               | <i>Of which share premium on non -cumulative preferential shares</i>                      | 600,000           | <b>h</b>   |
|               | <i>Of which par value of cumulative preferential shares</i>                               | 1,340             | <b>i</b>   |
|               | <i>Of which share premium on cumulative preferential shares</i>                           | 0                 |            |
| PO.XVI        | Own shares  | 0                 |            |
|               | <i>Of which acquired own shares, except for cumulative preferential shares</i>            | 0                 |            |
|               | <i>Of which acquired own cumulative preferential shares</i>                               | 0                 |            |
| PO.XVII       | Profit  | 746,865           |            |
|               | <i>Of which retained earnings from previous years</i>                                     | 473,369           |            |
|               | <i>Of which profit of the current year</i>  | 273,496           |            |
| PO.XVIII      | Loss  | 0                 |            |
|               | <i>Of which losses from previous years</i>  | 0                 |            |
|               | <i>Of which loss in the current year</i>  | 0                 |            |
| PO.XIX        | Reserves  | 2,492,048         |            |
|               | <i>Of which reserves from profit which represent element of core capital</i>              | 1,726,527         | <b>d</b>   |
|               | <i>Of which other positive consolidated reserves</i>                                      | 0                 |            |
|               | <i>Of which other negative consolidated reserves</i>                                      | 0                 |            |

| Position mark | Item   | Balance sheet | References |
|---------------|--|---------------|------------|
|               | <i>Of which other net negative revaluation reserves</i>  | 0             |            |
|               | <i>Of which gains on bank liabilities measured at fair value due to the change in bank's credit rating</i>   | 0             |            |
|               | <i>Of which positive revaluation reserves created on the basis of effects of changes in fair value of fixed assets, securities and other assets which are, in accordance with IFRS/IAS, credited to these reserves</i> | 765,521       | <b>c</b>   |
| PO.XX         | Unrealised losses  | 0             |            |
|               | <i>Of which unrealised losses based on securities available for sale</i>   | 0             |            |
| PO.XXI        | Non-controlling participation  | 0             |            |
|               | <i>Of which minority participation in subordinated companies</i>   | 0             |            |
| PO.XXII       | <b>TOTAL CAPITAL</b><br>(result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) $\geq 0$                                  | 12,211,516    |            |
| PO.XXIII      | <b>TOTAL CAPITAL SHORTFALL</b><br>(result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) $< 0$                           |               |            |
| PO.XXIV       | <b>TOTAL LIABILITIES</b><br>(result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0414 + 0422 - 0423)   | 78,618,934    |            |
| B.П.          | <b>OFF-BALANCE SHEET ITEMS</b>   |               |            |
| B.П.A.        | Off-balance sheet assets   | 84,167,255    |            |
|               | <i>Of which amount of shares received in pledge, except for cumulative preferential shares</i>   | 0             |            |
|               | <i>Of which amount of cumulative preferential shares received in pledge</i>  | 0             |            |
| B.П.П.        | Off-balance sheet liabilities  | 84,167,255    |            |

Matching items in the decomposed balance sheet and items in PI-KAP Form: (in RSD thousand)

| No   | Item  | Amount    | Data source in accordance with references |
|------|---|-----------|---|
|      | <b>Common Equity Tier 1: elements</b>   |           |   |
| 1    | CET1 capital instruments and the related share premium accounts   | 7,771,263 |   |
| 1.1. | <i>of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA</i>                         | 5,658,940 | <b>a</b>                                  |
| 1.2. | <i>of which: relevant share premium with the instruments referred to in item 1.1, i.e. the amount paid above par value of those instruments</i> | 2,112,323 | <b>b</b>                                  |

| No       | Item   | Amount            | Data source in accordance with references |
|----------|--|-------------------|---|
| 2        | Profit from preceding years free of any future liabilities, to be allocated to CET 1 capital according to the decision of the bank's assembly  | 0                 |   |
| 3        | Profit of the current year or profit from the preceding year which the bank's assembly still has not decided to allocate in CET 1 capital which fulfil the requirements as laid out in Section 10, paras 2 and 3 on inclusion into CET 1 capital   | 746,865           |   |
| 4        | Revaluation reserves and other unrealised losses   | 741,325           | <b>c*</b>                                 |
| 5        | Reserves from profit and other bank reserves, except for reserves for general banking risks  | 1,726,527         | <b>d</b>                                  |
| 6        | Reserves for general banking risks   | 0                 |   |
| 7        | Non-controlling participations (minority interests) allowed in CET1**  | 0                 |   |
| <b>8</b> | <b>Common Equity Tier 1 capital before regulatory adjustments and deductibles (sum of rows from 1 to 7)</b>  | <b>10,239,115</b> |   |
|          | <b>Common Equity Tier 1 capital: regulatory adjustments and deductibles</b>  |                   |   |
| 9        | Additional value adjustments (-)   | 10,811            |   |
| 10       | Intangible assets, including goodwill (net of deferred tax liabilities) (-)  | 299,685           | <b>e</b>                                  |
| 11       | Deferred tax assets that rely on future profitability of the bank, excluding those arising from temporary differences (net of related deferred tax liability where the conditions referred to in Section 14, paragraph 1 of the DCA are met)       | 62,393            | <b>f</b>                                  |
| 12       | Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows  | 0                 |   |
| 13       | IRB Approach: Negative amount of difference resulting from the calculation in accordance with Section 134 of the DCA (-)   | 0                 |   |
| 14       | Any increase in equity that results from securitisation exposures (-)  | 0                 |   |
| 15       | Gains or losses on bank's liabilities valued at fair value resulting from changes in own credit standing   | 0                 |   |
| 16       | Defined benefit pension fund assets on the balance sheet of the bank(-)  | 0                 |   |
| 17       | Direct, indirect and synthetic holdings by a bank of own Common Equity Tier 1 instruments, including own CET 1 instruments that a bank is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation (-) | 0                 |   |
| 18       | Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the bank, designed to inflate artificially the capital of the bank (-)                     | 0                 |   |
| 19       | Applicable amount of direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)  | 0                 |   |
| 20       | Applicable amount of direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the  | 0                 |   |

| No    | Item  | Amount | Data source in accordance with references |
|-------|---|--------|---|
|       | bank has a significant investment in those entities (-)   |        |   |
| 21    | Exposure amount of the following items which qualify for a risk weight of 1.250%, where the bank deducts that exposure amount from the amount of CET1 items as an alternative to applying a risk weight of 1.250%   | 0      |   |
| 21.1. | <i>of which: holdings in entities outside the financial sector in the amount of over 10% of capital of those entities, i.e. holdings that allow exerting a significant impact on managing of a legal entity or on the business policy of that legal entity (-)</i>  | 0      |   |
| 21.2. | <i>of which: securitisation positions (-)</i>   | 0      |   |
| 21.3. | <i>of which: free deliveries (-)</i>  | 0      |   |
| 22    | Deferred tax assets that rely on the bank's future profitability arising from temporary differences (amount above 10% of bank's CET1 capital referred to in Section 21, paragraph 2, reduced by the amount of related tax liabilities where the requirements referred to in Section 14, paragraph 1 of the DCA are met (-)  | 0      |   |
| 23    | Sum of deferred tax assets and holdings of financial sector entities where the bank has a significant investment referred to in Section 21, paragraph 1 of the DCA in such entities, which exceeds the threshold referred to in Section 21, paragraph 3 of the DCA (-)  | 0      |   |
| 23.1. | <i>of which: Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities</i>   | 0      |   |
| 23.2. | <i>of which: Deferred tax assets arising from temporary differences</i>   | 0      |   |
| 24    | Losses for the current and previous years, and unrealised losses (-)  | 0      |   |
| 25    | Any tax charge relating to CET1 elements foreseeable at the moment of its calculation, except where the bank suitably adjusts the amount of CET1 elements insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (-)  | 0      |   |
| 26    | Amount of items required to be deducted from the bank's Additional Tier 1 items that exceeds Additional Tier 1 capital of the bank (-)  | 0      |   |
| 27    | Gross amount of receivables from the borrower – natural person (other than a farmer or an entrepreneur) arising from extended consumer, cash or other loans disclosed in accounts 102, 107 and 108, where the level of the borrower's debt-to-income ratio before loan approval was higher than the percentage defined in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items, or where this percentage will be higher due to loan approval. | 32,856 |   |
| 28    | Gross amount of receivables from the borrower – natural person (other than a farmer or an entrepreneur) arising from extended consumer, cash or other loans, other than the loans disclosed under item 27 of this Form, disclosed in accounts   | 9,398  |   |



| No        | Item  | Amount            | Data source in accordance with references |
|-----------|---|-------------------|---|
|           | 102, 107 and 108, which under the criterion of agreed maturity qualify for the deduction from Common Equity Tier 1 prescribed by the decision governing bank capital adequacy   |                   |   |
| <b>29</b> | <b>Total regulatory adjustments and deductibles from CET1 capital</b> (sum of rows from 9 to 27)  | 415,143           |   |
| <b>30</b> | <b>Common Equity Tier 1 capital</b> (difference between 8 and 28)   | <b>9,823,972</b>  |   |
|           | <b>Additional Tier 1 capital: elements</b>  | 0                 |   |
| 31        | Shares and other capital instruments which fulfil the requirements as laid out in Section 23 of the DCA and related share premium   | 1,200,000         | <b>g + h</b>                              |
| 32        | Capital instruments issued by subsidiaries, which are recognised as Additional Tier 1 capital**   | 0                 |   |
| <b>33</b> | <b>Additional Tier 1 capital before deductibles</b> (30+31)   | 1,200,000         |   |
|           | <b>Additional Tier 1 capital: deductibles</b>   |                   |   |
| 34        | Direct, indirect and synthetic holdings by a bank of own Additional Tier 1 instruments, including the instruments that a bank is obliged to purchase as a result of existing contractual obligations (-)  | 0                 |   |
| 35        | Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)                         | 0                 |   |
| 35        | Applicable amount of direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)  | 0                 |   |
| 37        | Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for five working days or fewer (-) | 0                 |   |
| 38        | Amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank (-)  | 0                 |   |
| <b>39</b> | <b>Total deductibles from Additional Tier 1 capital</b> (sum of rows from 33 to 37)   | 0                 |   |
| <b>40</b> | <b>Additional Tier 1 capital</b> (difference between 32 and 38)   | <b>1,200,000</b>  |   |
| <b>41</b> | <b>Tier 1 capital</b> (sum of rows 29 and 39)   | <b>11,023,972</b> |   |
|           | <b>Tier 2: elements</b>   |                   |   |
| 42        | Shares and other Tier 2 capital instruments and subordinated liabilities which fulfil the requirements as laid out in Section 28 of the DCA and related share premium accounts related to instruments   | 1,340             | <b>i</b>                                  |
| 43        | Capital instruments issued by subsidiaries, which are recognised as Tier 2 capital**  | 0                 |   |
| 44        | Credit risk adjustments that meet the requirements for the inclusion in Tier 2 capital  | 0                 |   |

| No | Item  | Amount            | Data source in accordance with references |
|----|---|-------------------|---|
| 45 | <b>Tier 2 capital before deductibles</b> (sum of rows from 41 to 43)  | <b>1,340</b>      |   |
|    | <b>Tier 2 capital: deductibles</b>  |                   |   |
| 46 | Direct, indirect and synthetic holdings by a bank of own Tier 2 instruments and subordinated liabilities, including instruments that the bank is obliged to purchase as a result of existing contractual obligations (-)  | 0                 |   |
| 47 | Direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities with which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)                                       | 0                 |   |
| 48 | Applicable amount of direct, indirect and synthetic holdings of the Tier 2 instruments and subordinated liabilities of financial sector entities where a bank does not have a significant investment in those entities (-)  | 0                 |   |
| 49 | Direct, indirect and synthetic holdings by the bank of the Tier 2 instruments and subordinated liabilities of financial sector entities where the bank has a significant investment in those entities, excluding underwriting positions held for fewer than five working days (-) | 0                 |   |
| 50 | <b>Total deductibles from Tier 2 capital</b> (sum of rows from 45 to 48)  | 0                 |   |
| 51 | <b>Tier 2 capital</b> (difference between 44 and 49)  | <b>1,340</b>      |   |
| 52 | <b>Total capital</b> (sum of rows 40 and 50)  | <b>11,025,312</b> |   |

d\* In calculating the position of the revaluation reserve and other unrealized losses as a part of regulatory capital, the value adjustments of debt securities in the amount RSD 24,196 thousand were not taken into account.

The Bank does not have subsidiaries and therefore does not carry out consolidated reporting.

Deductible items of share capital consist of:

- Additional adjustments to the Bank's assets measured at fair value in accordance with paragraphs 315 to 318 of the DCA is calculated as 0.1% of the sum of the absolute values of assets and liabilities that are measured at fair value in accordance with IFRS / IAS and amount to RSD 10,811 thousand.
- Intangible assets of the Bank (investment in licenses, patents and software) in the amount of RSD 299,685 thousand.
- Deferred tax assets that depend on the future profitability of the bank, except those arising from temporary differences in the amount of RSD 62,393 thousand.
- Gross amount of receivables from the debtor - individuals (except farmers and entrepreneurs) on the basis of approved consumer loans, cash loans or other loans recorded in the accounts 102, 107 and 108 in accordance with the decision prescribing the Chart of Accounts and the contents of the Account in the Account framework for Banks where the level of credit indebtedness of that debtor before the loan approval was higher than the percentage determined in accordance with the Decision governing the classification of the balance sheet assets and off-balance sheet items of the bank or that percentage would be higher due to the loan approval in the amount of RSD 32,856 thousand and

- Gross amount of claims on debtors - individuals (except farmers and entrepreneurs) on the basis of approved consumer loans, cash loans or other loans which are recorded in the accounts 102, 107 and 108 in accordance with the decision prescribing the Chart of Accounts and the contents of the account in the Chart of Accounts for Banks and which, on the basis of the contractual maturity criteria, fulfil the condition for the application of the deductible item from the share capital prescribed by the Decision regulating the adequacy of the bank's capital in the amount of RSD 9,398 thousand.

### 3. CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY OF THE BANK

In order to fulfil the obligations to creditors, and to ensure stable and safe operations, the Bank is obliged to maintain capital adequacy ratio at the prescribed level.

Capital requirements of the Bank are determined in accordance with the NBS Decision on capital adequacy and they are determined for credit risk, FX risk and operational risk.

In the form PI-AKB presented below the bank has published the following information i.e. information related to capital adequacy:

- Amount of capital requirements for credit risk, including counterparty risk and settlement / delivery risk based on free deliveries, for each class of exposure;
- Amount of capital requirement for settlement / delivery risk arising from unsettled transactions;
- Amount of capital requirement for FX risk and the type of the applied approach for calculating the individual capital requirements for these risks,
- Amount of capital requirement for operational risk and the type of the applied approach for calculating the request, with a special publication of the amounts for each of the approaches used by the bank for the calculation of that requirement;
- Coverage of capital requirements by the basic, or additional capital, related to restrictions provided by the Decision on bank's capital adequacy;
- Capital adequacy ratios.

All indicators of capital adequacy are above the prescribed minimum level, in accordance with the Decision on the capital adequacy of the bank.

Data regarding Capital Requirements and Capital Adequacy Ratio are shown in report **PI-AKB** (prescribed by NBS):

#### Data on Total Capital Requirements and Capital Adequacy Ratio

(RSD thousand)

| No | Item                                      | Amount            |
|----|---|-------------------|
| I  | <b>CAPITAL</b>                            | <b>11,025,312</b> |
| 1. | <b>TOTAL COMMON EQUITY TIER 1 CAPITAL</b> | <b>9,823,972</b>  |
| 2. | <b>TOTAL ADDITIONAL TIER 1 CAPITAL</b>    | <b>1,200,000</b>  |

| No         | Item   | Amount           |
|------------|--|------------------|
| 3.         | <b>TOTAL TIER 2 CAPITAL</b>  | <b>1,340</b>     |
| II         | <b>CAPITAL REQUIREMENTS</b>  | <b>4,110,629</b> |
| 1.         | <b>CAPITAL REQUIREMENT FOR CREDIT RISK, COUNTERPARTY RISK, DILUTION RISK AND SETTLEMENT/DELIVERY RISK TO FREE DELIVERIES</b> | <b>3,725,910</b> |
| 1.1.       | <b>Standardised Approach (SA)</b>  | 3,725,910        |
| 1.1.1.     | <i>Exposures to central governments and central banks</i>  | 0                |
| 1.1.2.     | <i>Exposures to territorial autonomies or local government units</i>   | 9,312            |
| 1.1.3.     | <i>Exposures to public administrative bodies</i>   | 0                |
| 1.1.4.     | <i>Exposures to multilateral development banks</i>   | 0                |
| 1.1.5.     | <i>Exposures to international organisations</i>  | 0                |
| 1.1.6.     | <i>Exposures to banks</i>  | 123,636          |
| 1.1.7.     | <i>Exposures to companies</i>  | 759,133          |
| 1.1.8.     | <i>Retail exposures</i>  | 1,473,733        |
| 1.1.9.     | <i>Exposures secured by mortgages on immovable property</i>  | 1,114,934        |
| 1.1.10.    | <i>Exposures in default</i>  | 88,118           |
| 1.1.11.    | <i>Exposures associated with particularly high risk</i>  | 0                |
| 1.1.12.    | <i>Exposures in the form of covered bonds</i>  | 0                |
| 1.1.13.    | <i>Exposures in the form of securitisation positions</i>   | 0                |
| 1.1.14.    | <i>Exposures to banks and companies with a short-term credit assessment</i>  | 0                |
| 1.1.15.    | <i>Exposures in the form of units in open-ended investment funds</i>   | 0                |
| 1.1.16.    | <i>Equity exposures</i>  | 1,513            |
| 1.1.17.    | <i>Other items</i>   | 155,530          |
| 1.2.       | <b>Internal Ratings Based Approach (IRB)</b>   | 0                |
| 1.2.1.     | <i>Exposures to central governments and central banks</i>  | 0                |
| 1.2.2.     | <i>Exposures to banks</i>  | 0                |
| 1.2.3.     | <i>Exposures to companies</i>  | 0                |
| 1.2.4.     | <i>Retail exposures</i>  | 0                |
| 1.2.4.1.   | <i>of which: Exposures secured by mortgages on immovable property</i>  | 0                |
| 1.2.4.2.   | <i>of which: Qualifying revolving retail exposures</i>   | 0                |
| 1.2.4.3.   | <i>of which: Exposures to small and medium-sized enterprises classified as retail exposures</i>                              | 0                |
| 1.2.5.     | <b>Equity exposures</b>  | 0                |
| 1.2.5.1.   | <b>Approach applied:</b>   | 0                |
| 1.2.5.1.1. | <i>Simple Risk-Weight Approach</i>   | 0                |
| 1.2.5.1.2. | <i>PD/LGD Approach</i>   | 0                |
| 1.2.5.1.3. | <i>Internal models approach</i>  | 0                |
| 1.2.5.2.   | <b>Types of equity exposures</b>   | 0                |
| 1.2.5.2.1. | <i>Exchange traded equity exposures</i>  | 0                |
| 1.2.5.2.2. | <i>Non-exchange traded equity exposures in sufficiently diversified portfolios</i>   | 0                |

| No         | Item  | Amount         |
|------------|---|----------------|
| 1.2.5.2.3. | <i>Other equity exposures</i>   | 0              |
| 1.2.5.2.4. | <i>Equity exposures to which a bank applies the Standardised Approach</i>   | 0              |
| 1.2.6.     | <b>Exposures in the form of securitisation positions</b>  | 0              |
| 1.2.7.     | <b>Exposures arising from other assets</b>  | 0              |
| 2          | <b>CAPITAL REQUIREMENT FOR SETTLEMENT/DELIVERY RISK IN RESPECT OF UNSETTLED TRANSACTIONS</b>                                    | 0              |
| 3          | <b>CAPITAL REQUIREMENT FOR MARKET RISKS</b>   | 0              |
| 3.1.       | <b>Capital requirements for position, foreign exchange risk and commodities risk calculated under the Standardised Approach</b> | 0              |
| 3.1.1.     | <b>Capital requirement for position risk of debt securities</b>   | 0              |
|            | <i>of which capital requirement for position risk in respect of securitisation items</i>  | 0              |
| 3.1.2.     | <b>Capital requirements for position risk arising from equity securities</b>  | 0              |
| 3.1.3.     | <b>Additional capital requirement for large exposures from the trading book</b>   | 0              |
| 3.1.4.     | <b>Capital requirement for foreign exchange risk</b>  | 0              |
| 3.1.5.     | <b>Capital requirement for commodities risk</b>   | 0              |
| 3.2.       | <b>Capital requirements for position, foreign exchange and commodities risk calculated under the internal models approach</b>   | 0              |
| 4          | <b>CAPITAL REQUIREMENTS FOR OPERATIONAL RISK</b>  | <b>384,719</b> |
| 4.1.       | <b>Capital requirement for operational risk calculated under the Basic Indicator Approach</b>                                   | 384,719        |
| 4.2.       | <b>Capital requirement for operational risk calculated under the Standardised Approach/Alternative Standardised Approach</b>    | 0              |
| 4.3.       | <b>Capital requirement for operational risk calculated under the Advanced Approach</b>  | 0              |
| III        | <b>COMMON EQUITY TIER 1 CAPITAL RATIO (%)</b>   | <b>19.12%</b>  |
| IV         | <b>TIER 1 CAPITAL RATIO (%)</b>   | <b>21.45%</b>  |
| V          | <b>TOTAL CAPITAL RATIO (%)</b>  | <b>21.46%</b>  |

Below is the overview of the amount of regulatory capital of the Bank as of June 30<sup>th</sup> 20120 with the amount of capital required to cover the total capital requirements and the achievement of the minimum capital adequacy indicator prescribed by the NBS Decision on Capital Adequacy and the excess capital in excess of the calculated minimum amount of capital:

(in RSD thousand)

| No. | Description                  | Capital Amount | Minimum Required Capital | Coverage of Total Capital Requirements with Minimum Capital | Surplus of Capital | Coverage of Total Capital Requirements with Capital Surplus |
|-----|------------------------------|----------------|--------------------------|---|--------------------|---|
|     |                              | 1.             | 2.                       | 3.  | 4. = 1. - 2.       | 4.  |
| 1.  | Capital                      | 11,025,312     | 4,110,629                | 8,00%   | 6,914,683          | 13.46%  |
| 2.  | Tier 1 Capital               | 11,023,972     | 3,082,972                | 4,50%   | 7,941,000          | 15.45%  |
| 3.  | Common Equity Tier 1 Capital | 9,823,972      | 2,312,229                | 6,00%   | 7,511,743          | 14.62%  |

The capital requirement for credit risk is calculated using the standardized approach, multiplying total credit risk weighted assets with minimum capital adequacy ratio prescribed by the NBS.

The capital requirement for credit risk amounts to RSD 3,725,910 thousand.

The Bank is not exposed to the dilution risk and the settlement / delivery risk.

Below is an overview of the exposure for a class of retail:

| Retail exposures   | Capital requirements (RSD thousand) |
|--|-------------------------------------|
| Secured by mortgages on immovable property                                     | 88,655                              |
| Exposures to small and medium-sized enterprises classified as retail exposures | 746,699                             |
| Total retail exposures   | 1,473,733                           |

The Bank does not have specialised lending exposures.

To equity exposures the Bank assigns a risk weight of 100% using the standardized approach.

By amending the NBS Decision on the Bank's Capital Adequacy with implementation starting from January 1<sup>st</sup>, 2020, exposures in dinars to small and medium enterprises, i.e. entrepreneurs or farmers, are multiplied by a reduction factor of 0.7619 if they meet the following conditions:

- the exposure is to small and medium enterprises, i.e. entrepreneurs or farmers and is classified in the class of exposure to retail, class of exposure to companies or in the class of exposure secured by mortgage on real estate, but exposures in default are not taken into account,
- exposures are in dinars that are not indexed by the foreign exchange clause and
- the total amount of exposure of the bank, parent company and subsidiaries of the bank to the client and persons related to the client, including exposures in the status of default, not including exposures or potential exposures fully secured by mortgage on residential real estate - does not exceed 180,000,000 dinars;

The reduction of the risk-weighted asset for credit risk by applying the reduction factor of 0.7619 as of June 30<sup>th</sup>, 2020 amounts to RSD 2,147,943 thousand.

The Bank can use appropriate credit protection instruments in order to reduce credit risk, adjusting credit risk-weighted assets for the effects of credit risk mitigation techniques.

Appropriate credit protection instruments that the bank can use are the following:

1. Material credit protection instruments in the form of financial assets,
2. Immaterial credit protection instruments, namely guarantees, other types of warranties and counter guarantees.

The Bank applies the simple method for adjusting the risk-weighted assets, using credit risk mitigation instruments.

As of June 30<sup>th</sup>, 2020 the Bank has used only material credit protection instruments i.e. cash deposits.

Below are presented exposures of the bank according to exposure classes before the application of credit mitigation techniques and after the application of credit mitigation techniques:

**Exposure before the application of credit mitigation techniques**

(in RSD thousand)

| Risk weights / Credit conversion factors (CCF)           | 0%                | 20%              | 35%              | 50%              | 75%               | 100%              | 150%         | Total net exposure * | Risk weighted asset after application of CCF |
|--|-------------------|------------------|------------------|------------------|-------------------|-------------------|--------------|----------------------|--|
| <b>Exposures to banks</b>                                | <b>0</b>          | <b>2,202,393</b> | <b>0</b>         | <b>1,525,565</b> | <b>0</b>          | <b>756,153</b>    | <b>3,340</b> | <b>4,487,451</b>     | <b>1,545,447</b>                             |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 0                 | 0            | 0                    | 0  |
| 20%  | 0                 | 0                | 0                | 2,800            | 0                 | 132,602           | 0            | 135,402              | 26,800                                       |
| 50%  | 0                 | 0                | 0                | 0                | 0                 | 623,551           | 0            | 623,551              | 311,776                                      |
| 100%   | 0                 | 2,202,393        | 0                | 1,522,765        | 0                 | 0                 | 3,340        | 3,728,498            | 1,206,871                                    |
| <b>Exposures to central governments or central banks</b> | <b>18,986,611</b> | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>0</b>          | <b>0</b>     | <b>18,986,611</b>    | <b>0</b>                                     |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 0                 | 0            | 0                    | 0  |
| 100%   | 18,986,611        | 0                | 0                | 0                | 0                 | 0                 | 0            | 18,986,611           | 0  |
| <b>Retail exposures</b>                                  | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>34,159,327</b> | <b>0</b>          | <b>0</b>     | <b>34,159,327</b>    | <b>20,829,939</b>                            |
| 0%   | 0                 | 0                | 0                | 0                | 3,959,834         | 0                 | 0            | 3,959,834            | 0  |
| 20%  | 0                 | 0                | 0                | 0                | 1,922,580         | 0                 | 0            | 1,922,580            | 288,387                                      |
| 50%  | 0                 | 0                | 0                | 0                | 1,776,354         | 0                 | 0            | 1,776,354            | 666,133                                      |
| 100%   | 0                 | 0                | 0                | 0                | 26,500,558        | 0                 | 0            | 26,500,558           | 19,875,419                                   |
| <b>Exposures secured by mortgages</b>                    | <b>0</b>          | <b>0</b>         | <b>2,910,485</b> | <b>2,103,444</b> | <b>448,516</b>    | <b>14,111,592</b> | <b>0</b>     | <b>19,574,037</b>    | <b>14,167,939</b>                            |
| 0%   | 0                 | 0                | 0                | 0                | 21,759            | 1,361,406         | 0            | 1,383,165            | 0  |
| 20%  | 0                 | 0                | 198,595          | 943,493          | 0                 | 414,296           | 0            | 1,556,384            | 191,110                                      |
| 50%  | 0                 | 0                | 12,646           | 8,689            | 20,046            | 392,726           | 0            | 434,107              | 208,265                                      |
| 100%   | 0                 | 0                | 2,699,244        | 1,151,261        | 406,711           | 11,943,164        | 0            | 16,200,381           | 13,768,564                                   |
| <b>Other exposures</b>                                   | <b>1,272,751</b>  | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>52,000,105</b> | <b>0</b>     | <b>53,272,856</b>    | <b>2,008,021</b>                             |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 49,963,018        | 0            | 49,963,018           | 0  |
| 20%  | 0                 | 0                | 0                | 0                | 0                 | 29,516            | 0            | 29,516               | 5,903  |
| 50%  | 0                 | 0                | 0                | 0                | 0                 | 10,906            | 0            | 10,906               | 5,453  |



### Exposure before the application of credit mitigation techniques

(in RSD thousand)

| Risk weights / Credit conversion factors (CCF)                       | 0%                | 20%              | 35%              | 50%              | 75%               | 100%              | 150%             | Total net exposure * | Risk weighted asset after application of CCF |
|--|-------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|----------------------|--|
| 100%   | 1,272,751         | 0                | 0                | 0                | 0                 | 1,996,665         | 0                | 3,269,416            | 1,996,665                                    |
| <b>Exposures to companies</b>  | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>21,566,277</b> | <b>0</b>         | <b>21,566,277</b>    | <b>10,829,946</b>                            |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 5,764,368         | 0                | 5,764,368            | 0  |
| 20%  | 0                 | 0                | 0                | 0                | 0                 | 5,277,468         | 0                | 5,277,468            | 1,055,494                                    |
| 50%  | 0                 | 0                | 0                | 0                | 0                 | 1,499,979         | 0                | 1,499,979            | 749,989                                      |
| 100%   | 0                 | 0                | 0                | 0                | 0                 | 9,024,463         | 0                | 9,024,463            | 9,024,463                                    |
| <b>Exposures in default</b>  | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>707,092</b>    | <b>8,026,140</b> | <b>8,733,232</b>     | <b>1,103,948</b>                             |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 2,269             | 7,758,958        | 7,761,228            | 0  |
| 20%  | 0                 | 0                | 0                | 0                | 0                 | 0                 | 920              | 920                  | 276  |
| 50%  | 0                 | 0                | 0                | 0                | 0                 | 0                 | 725              | 725                  | 544  |
| 100%   | 0                 | 0                | 0                | 0                | 0                 | 704,823           | 265,537          | 970,360              | 1,103,129                                    |
| <b>Exposures to territorial autonomies or local government units</b> | <b>0</b>          | <b>32,432</b>    | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>109,924</b>    | <b>0</b>         | <b>142,356</b>       | <b>6</b>                                     |
| 50%  | 0                 | 55               | 0                | 0                | 0                 | 0                 | 0                | 55                   | 6  |
| 100%   | 0                 | 32,377           | 0                | 0                | 0                 | 109,924           | 0                | 142,301              | 116,399                                      |
| <b>Equity exposures</b>  | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>18,918</b>     | <b>0</b>         | <b>18,918</b>        | <b>18,918</b>                                |
| 100%   | 0                 | 0                | 0                | 0                | 0                 | 18,918            | 0                | 18,918               | 18,918                                       |
| <b>Total:</b>  | <b>20,259,362</b> | <b>2,234,825</b> | <b>2,910,485</b> | <b>3,629,009</b> | <b>34,607,842</b> | <b>89,270,061</b> | <b>8,029,480</b> | <b>160,941,065</b>   | <b>50,504,163</b>                            |

\* Gross exposure reduced for specific adjustments for credit risk, additional adjustments and other deductions

### Exposure after the application of credit mitigation techniques

(in RSD thousand)

| Risk weights /<br>Credit conversion factors<br>(CCF)             | 0%                | 20%              | 35%              | 50%              | 75%               | 100%              | 150%         | Total net<br>exposure | Risk<br>weighted<br>asset after<br>application<br>of CCF | Capital<br>requirem<br>ents for<br>credit<br>risk |
|--|-------------------|------------------|------------------|------------------|-------------------|-------------------|--------------|-----------------------|--|---|
| <b>Exposures to banks</b>  | <b>0</b>          | <b>2,202,393</b> | <b>0</b>         | <b>1,525,565</b> | <b>0</b>          | <b>756,153</b>    | <b>3,340</b> | <b>4,487,451</b>      | <b>1,545,447</b>   | <b>123,636</b>                                    |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 0                 | 0            | 0                     | 0  | 0   |
| 20%  | 0                 | 0                | 0                | 2,800            | 0                 | 132,602           | 0            | 135,402               | 26,800   | 2,144   |
| 50%  | 0                 | 0                | 0                | 0                | 0                 | 623,551           | 0            | 623,551               | 311,776  | 24,942  |
| 100%   | 0                 | 2,202,393        | 0                | 1,522,765        | 0                 | 0                 | 3,340        | 3,728,498             | 1,206,871  | 96,550  |
| <b>Exposures to central<br/>governments or central<br/>banks</b> | <b>18,986,611</b> | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>0</b>          | <b>0</b>     | <b>18,986,611</b>     | <b>0</b>   | <b>0</b>  |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 0                 | 0            | 0                     | 0  | 0   |
| 100%   | 18,986,611        | 0                | 0                | 0                | 0                 | 0                 | 0            | 18,986,611            | 0  | 0   |
| <b>Retail exposures</b>  | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>33,103,947</b> | <b>0</b>          | <b>0</b>     | <b>33,103,947</b>     | <b>20,038,404</b>  | <b>1,603,072</b>                                  |
| 0%   | 0                 | 0                | 0                | 0                | 3,959,834         | 0                 | 0            | 3,959,834             | 0  | 0   |
| 20%  | 0                 | 0                | 0                | 0                | 1,922,580         | 0                 | 0            | 1,922,580             | 288,387  | 23,071  |
| 50%  | 0                 | 0                | 0                | 0                | 1,776,354         | 0                 | 0            | 1,776,354             | 666,133  | 53,291  |
| 100%   | 0                 | 0                | 0                | 0                | 25,445,179        | 0                 | 0            | 25,445,179            | 19,083,884   | 1,526,711   |
| <b>Exposures secured by<br/>mortgages</b>                        | <b>0</b>          | <b>0</b>         | <b>2,910,485</b> | <b>2,103,444</b> | <b>399,457</b>    | <b>14,014,005</b> | <b>0</b>     | <b>19,427,390</b>     | <b>14,033,558</b>  | <b>1,122,685</b>                                  |
| 0%   | 0                 | 0                | 0                | 0                | 21,759            | 1,361,406         | 0            | 1,383,165             | 0  | 0   |
| 20%  | 0                 | 0                | 198,595          | 943,493          | 0                 | 414,296           | 0            | 1,556,384             | 191,110  | 15,289  |
| 50%  | 0                 | 0                | 12,646           | 8,689            | 20,046            | 392,726           | 0            | 434,107               | 208,265  | 16,661  |
| 100%   | 0                 | 0                | 2,699,244        | 1,151,261        | 357,653           | 11,845,577        | 0            | 16,053,734            | 13,634,182   | 1,090,735   |
| <b>Other exposures</b>   | <b>3,361,909</b>  | <b>106,156</b>   | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>51,914,974</b> | <b>0</b>     | <b>55,383,039</b>     | <b>1,944,121</b>   | <b>155,530</b>                                    |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 49,963,018        | 0            | 49,963,018            | 0  | 0   |
| 20%  | 0                 | 0                | 0                | 0                | 0                 | 29,516            | 0            | 29,516                | 5,903  | 472   |
| 50%  | 0                 | 0                | 0                | 0                | 0                 | 10,906            | 0            | 10,906                | 5,453  | 436   |
| 100%   | 3,361,909         | 106,156          | 0                | 0                | 0                 | 1,911,533         | 0            | 5,379,598             | 1,932,765  | 154,621   |

(in RSD thousand)

| Risk weights /<br>Credit conversion factors<br>(CCF)                         | 0%                | 20%              | 35%              | 50%              | 75%               | 100%              | 150%             | Total net<br>exposure | Risk<br>weighted<br>asset after<br>application<br>of CCF | Capital<br>requirem<br>ents for<br>credit<br>risk |
|--|-------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|-----------------------|--|---|
| <b>Exposures to companies</b>  | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>20,659,822</b> | <b>0</b>         | <b>20,659,822</b>     | <b>9,923,491</b>   | <b>793,879</b>                                    |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 5,764,368         | 0                | 5,764,368             | 0  | 0   |
| 20%  | 0                 | 0                | 0                | 0                | 0                 | 5,277,468         | 0                | 5,277,468             | 1,055,494  | 84,439  |
| 50%  | 0                 | 0                | 0                | 0                | 0                 | 1,499,979         | 0                | 1,499,979             | 749,989  | 59,999  |
| 100%   | 0                 | 0                | 0                | 0                | 0                 | 8,118,008         | 0                | 8,118,008             | 8,118,008  | 649,441   |
| <b>Exposures in default</b>  | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>706,930</b>    | <b>8,024,601</b> | <b>8,731,531</b>      | <b>1,101,478</b>   | <b>88,118</b>                                     |
| 0%   | 0                 | 0                | 0                | 0                | 0                 | 2,269             | 7,758,958        | 7,761,228             | 0  | 0   |
| 20%  | 0                 | 0                | 0                | 0                | 0                 | 0                 | 920              | 920                   | 276  | 22  |
| 50%  | 0                 | 0                | 0                | 0                | 0                 | 0                 | 725              | 725                   | 544  | 43  |
| 100%   | 0                 | 0                | 0                | 0                | 0                 | 704,660           | 263,999          | 968,659               | 1,100,658  | 88,053  |
| <b>Exposures to territorial<br/>autonomies or local<br/>government units</b> | <b>0</b>          | <b>32,432</b>    | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>109,924</b>    | <b>0</b>         | <b>142,356</b>        | <b>116,405</b>   | <b>9,312</b>                                      |
| 50%  | 0                 | 55               | 0                | 0                | 0                 | 0                 | 0                | 55                    | 6  | 0   |
| 100%   | 0                 | 32,377           | 0                | 0                | 0                 | 109,924           | 0                | 142,301               | 116,399  | 9,312   |
| <b>Equity exposures</b>  | <b>0</b>          | <b>0</b>         | <b>0</b>         | <b>0</b>         | <b>0</b>          | <b>18,918</b>     | <b>0</b>         | <b>18,918</b>         | <b>18,918</b>  | <b>1,513</b>                                      |
| 100%   | 0                 | 0                | 0                | 0                | 0                 | 18,918            | 0                | 18,918                | 18,918   | 1,513   |
| <b>Total:</b>  | <b>22,348,520</b> | <b>2,340,981</b> | <b>2,910,485</b> | <b>3,629,009</b> | <b>33,503,404</b> | <b>88,180,725</b> | <b>8,027,941</b> | <b>160,941,065</b>    | <b>48,721,820</b>  | <b>3,897,746</b>                                  |

Effects of using appropriate credit protection material and immaterial instruments measured through the reduction of credit risk weighted assets are presented in the following table:

RSD thousand

| Credit protection instrument type        | Amount           |
|--|------------------|
| Material credit protection instruments   | 1,782,343        |
| Immaterial credit protection instruments | 0                |
| <b>Total:</b>                            | <b>1,782,343</b> |

**Capital requirement for FX risk** is calculated by multiplying the sum of total net open foreign currency position and absolute value of net open position in gold with a minimum capital adequacy ratio prescribed by the NBS.

Given that the Bank has no net open position in gold, the Bank is calculating the capital requirement for foreign exchange risk, if the sum of the total net open foreign currency position is more than 2% of the bank's capital calculated in accordance with the provisions of chapter III of the NBS Decision on the Bank's Capital Adequacy.

**The capital requirement for operational risk** is calculated using the basic indicator approach and is equal to the value of the three-year average exposure indicator (sum of net interest income and net non-interest income) multiplied with the capital requirement rate prescribed by the NBS for this approach.

Exposure indicator is calculated based on the following elements:

- Interest income and interest expense
- Revenues from dividends and participation
- Revenues and expenses from fees and commissions
- gains and losses on sale of securities
- income and expenses from revaluation of assets and liabilities
- revenues and foreign exchange losses
- other operating income.

In calculating the exposure indicator is not included:

- impairment losses on investments on the basis of balance sheet items
- Provisions for off-balance sheet positions
- Other expenses from operations
- realized gains / losses on financial assets not held for trading
- other income arising other than from ordinary business activities (e.g. income arising from insurance contracts)

#### **4. LEVERAGE RATIO**

The leverage ratio is calculating as ratio of Tier 1 capital – sum of Common Equity Tier 1 capital and Additional Tier 1 capital in accordance with the NBS Methodology for leverage ratio report. The ratio is expressed as a percentage.

Leverage ratio calculated in accordance with the decision governing reporting requirements for banks as of June 30<sup>th</sup>, 2020 amounts 13.24%.