HALKBANK Beograd

HALKBANK A.D. BELGRADE

REPORT ON DISCLOSURE OF DATA AND INFORMATION BY BANKS AS OF 31.12.2023.

Disclosure in accordance with: Basel III Pillar 3

Belgrade, May 2024

Contents

INTRODUCTION

Pursuant to provisions of the Law on Banks ("RS Official Gazette" No 107/2005 and its amendments and supplements Nos 91/2010 i 14/2015) and the Decision on Disclosure of Data and Information by Banks, ("RS Official Gazette" No. 103/2016 (hereinafter: the Decision), the Executive Board of Halkbank a.d. Belgrade, (hereinafter: the Bank) hereby publishes its business name and seat, as well as data and information as of 31.12.2023.

According to Basel III, an essential element that contributes to market transparency is the disclosure of the scope of application, capital, risk exposures, risk management process and, finally, about the bank's capital adequacy. Pillar 3 completes the connection between the Pillar 1 (the definition of minimum capital requirements) and the Pillar 2 (introduction of ICAAP), highlighting the importance of the market discipline by introduction of the minimum requirements for banks disclosure.

This report was prepared in the Risk Management Department and adopted by the Executive Board. Report is subject of control of the Internal Audit Department. The disclosed data relate only to the Bank, because the Bank does not execute consolidation.

BASIC STATUS INFORMATION

Halkbank ad, Belgrade, formerly known as Čačanska banka, has been operating continuously since July 1st, 1956, when, over the course of its business and development, it changed its name and organizational form several times.

Türkiye Halk Bankasi A.Ş became the majority owner of Čačanska banka in May 2015. Changing the ownership conditioned the change of the name and headquarters of the Bank. The new name of the bank is Halkbank ad, Belgrade (hereinafter referred to as "the Bank"). During 2018, there were further changes in the structure of share capital Halkbank ad, Belgrade. Türkiye Halkbankasi A.Ş. became the sole owner in 2018, bought up remaining part of the shares held by the minority shareholders.

Türkiye Halk Bankası A.Ş. was founded in 1933. It occupies a high position within the Turkish banking sector - the fourth largest bank in Türkiye, with a strong and stable position in all sectors of banking operations and high capital adequacy. As of December 31, 2023, Turkish Halkbank operates a total of 1054 branches, consisting of 1048 domestic and 6 foreign ones, five of them in Cyprus and one in Bahrain. The Bank also has 2 representative offices: in England and Iran.

Halkbank a.d. Belgrade (formerly Čačanska banka ad Čačak) is registered in the Register of Business Entities of the Republic of Serbia under the number BD 54244 of July 7th, 2005.

The bank operates under the name Halkbank a.d. Belgrade Bank as of October 22nd, 2015 when the name was changed with the decision No. BD 89155/2015 issued by the Register of Business Entities.

The Bank is registered in the Republic of Serbia for performing payment transactions and credit and deposit operations in the country and abroad and operates in accordance with the Banking Law.

The Bank's head office is located in Belgrade. The Bank's head office address is Milutina Milankovića Street no. 9e, Belgrade, registered at the Register of Business Entities under decision No. 82129/2016 dated October 19th, 2016.

As of December 31st, 2023, the Bank had 38 branches - in Belgrade (9 branches), Čačak (3 branches), Smederevo, Jagodina, Gornji Milanovac, Kraljevo, Užice, Kragujevac, Kruševac, Aranđelovac, Valjevo, Šabac, Niš, Novi Sad, Pančevo, Novi Pazar,Subotica, Leskovac, Vranje and Sremska Mitrovica, Paraćin, Ivanjica, Požega, Zrenjanin, Pirot, Prijepolje and Stara Pazova, as well as 5 sub-branches in Topola, Vrnjačka banja, Tutim, Preševo, Sjenica as well as 1 counter.

During 2023, the bank opened three new branches in Belgrade - Vojvode Stepe, Prijepolje and Stara Pazova and one new sub-branch in Sjenica. As of 31st of December, 2023, the Bank has 721 employees (at the end of 2022, there were 657 employees).

The Bank's tax identification number is 100895809.

1. RISK MANAGEMENT STRATEGY AND POLICIES

Risk management strategy is based on a conservative approach, which implies restrictive takeover of all the risks that Bank is or may be exposed in its operations. The affirmation of this principle is in line with a key strategic business objectives such as achieving positive financial results and preserving the capital base, i.e. improving the market position of the Bank.

A unique and consistent management of risk is provided by strategy for risk management in the long term, which is determined by the relation of the Bank to the risk to which is exposed in its operation or may be exposed including the risks of macro-economic environment in which the entity operates. Risk management is integrated into all business activities involving business decisions. For the definition, implementation and review of the Risk Management Strategy the responsibility of the Executive and the Board of Directors and employees of the Bank is defined in accordance with regulations and internal regulations of the bank.

The Bank identifies the critical assumptions in its plans that could be affected by a variety of risks. Focusing on appearing trends, the possible changes in key assumptions are taken into account and possible modification of strategies are adopted to effectively minimize adverse effects, or better take advantage of potential opportunities. In this way the risk management function becomes a source of added value in the strategic planning of the Bank. Regarding increasing of the volume of the various risks and their important strategic implications, focusing on the risks becoming of great importance.

The Bank set up all internal procedures regarding risk management and procedures for regular reporting of risk management to the Bank's authorities and National Bank of Serbia (NBS). The Board of Directors and Executive Board have identified major risks to which the Bank is exposed in its operations.

1.1 Risk management strategy

The Risk Management Strategy comprises the following:

- Definitions of risks to which the Bank is / may be exposed in its business;
- Long-term objectives established in the Business Plan and risk tendencies based on these objectives
- Basic principles of absorbing and managing risks
- Basic principles of the internal capital adequacy assessment process,
- Definitions, criteria and basic guidelines for managing bad debt

On the basis of the operating results made and targets defined by the three-years' strategy of the Bank, the Operating Policy is produced on an annual basis setting up the targets for the next calendar year. In order to achieve the targets of the Strategy more efficiently, policies and procedures prescribe the manner of organizing the process of risk management in the Bank, methodologies for identification, measuring or assessment, mitigation and monitoring risk and functioning principles of internal control systems.

The following managing bodies and organizational units are responsible in the Bank for eliminating deficiencies in risk management policies, internal control system and for reviewing and implementing risk management policies and procedures:

- ***Board of Directors*** - at least once a year discuss risk management strategy, strategy and capital management plan and individual risk policies as well as thus ensuring permanent control over the established unique system of risk management.

- ***Executive Board*** - implements strategies and policies for risk management, strategy and capital management plan of the Bank by adopting the procedures and methodologies for identification, measurement and assessment of risk, ensuring their implementation and reports to the Board in connection with these activities.

- ***Audit Committee*** - analyzes the proposals of the Bank's strategies and policies related to risk management and internal controls, which are submitted to the Board of Directors for consideration and adoption. It analyzes and monitors the application and adequate implementation of the adopted strategies and policies for risk management and implementation of internal control systems (including periodic information on such a system).

- ***ALCO*** - monitors the Bank's exposure to risks arising from the structure of its balance sheet liabilities and receivables and off-balance sheet items, manage risk exposure, propose measures for managing interest rate risk, foreign exchange risk and liquidity risk.

- ***Credit Committee*** - make decisions on approving all kinds of local currency and foreign currency loans, guarantees, sureties, letters of credit and other types of placements of the Bank, based on the internal acts of the Bank, in accordance with the law and other regulations.

- ***Risk Management Department*** - monitors legislation in the field of risk management, the NBS decisions and internal documents of the Bank and is responsible for their proper implementation; manages risk-weighted assets and off-balance sheet items of the Bank; conducts activities related to the registration, measurement, management and mitigation of credit, market, operational and other risks to which the Bank is exposed.

- ***Credit Division*** – management of lending operations through established lending procedures, analyzes the financial condition and creditworthiness of corporate and retail clients, evaluates proposed collaterals, monitors placements at the client level in order to identify and mitigate credit risk.

- ***Internal Audit Department*** - provides the Board of Directors with an independent and objective opinion on issues subject to audit, performs advisory activities aimed at improving the existing system of internal controls and operations of the Bank and provides assistance to the Supervisory Board in achieving its goals, applying a systematic, disciplined and documented approach, risk management, control and process management.

- ***Compliance and AML Department*** - responsible for the identification and monitoring of compliance risk of the Bank and management of such risk, which in particular includes the risk of sanctions of the regulatory body and financial losses as well as reputational risk.

In accordance with its strategic targets, Business Policy and Strategy the Bank established its risk appetite, as well as target indicators in the risk management process and their tolerances, the achievement of which is reported by the Risk Management Department to the ALCO and Executive Board.

The Executive Board, at least on a quarterly basis, reports to the Board of Directors on the achievement of the targets.

Risk management policies consist of several interconnected documents of the Bank to be regulated:
- The way of organizing the risk management process of the bank and clearly determining the responsibilities of employees at all stages of the process;
- The method of assessing the risk profile of the bank and the methodology for identifying and measuring risks, i.e. assessing individual risks;
- Measures for mitigating individual risks and rules for the implementation of these measures;
- The manner of monitoring and controlling individual risks and the establishment of a bank limit system;
- The decisions and activities when exceeding the established limits, as well as defining the exceptional circumstances in which the approval of this overrun is possible in legal frameworks;
- Principles of functioning of the bank's internal control system, method and methodologies for conducting the process of internal capital adequacy assessment;
- The framework and frequency of stress testing, as well as treatment in cases of adverse stress test results.

The Bank has identified the following risk management policies:
- Credit risk management policy
- Interest rate risk management policy
- Liquidity risk policy
- Market risk management policy

- Operational risk management policy
- Reputational risk management policy
- Concentration risk management policy
- Environmental and social risk management policy
- Country risk management policy
- Strategic risk management policy

The Bank regularly, once a year, and, if necessary, more frequently updates and harmonizes its risk management policies.

1.2 Description of the policies with regard to each individual risk

1.2.1 Credit Risk (Including Residual Risk, Concentration Risk, Dilution Risk, Settlement / Delivery Risk, as well as Counterparty Risk)

The Credit Risk Management Policy stipulates that the Risk Management Department will assess and monitor credit risk at the portfolio level, while the Credit sector monitors credit risk at the level of individual borrowers. Policy closely describes the process of evaluating and monitoring credit risk at the portfolio level and at the level of individual borrowers. It also describes the procedure of checking the creditworthiness of the client.

For consistent implementation of credit risk management policies, the Executive Board determines the procedures and guidelines for credit risk management and procedures for receivables in delay and potentially problematic receivables, with which are describing more closely the processes of identification, measurement, mitigation, monitoring, control and reporting of the Bank's boards for exposure to risks.

Credit risk management procedures define the criteria for credit risk classification at the level of the Bank’s portfolio into a certain category – low, medium, high or critical, as well as the measures taken for each risk category.

In accordance with internal procedures and guidelines, Risk Management Department monitors the Bank's exposure in relation to the established limits for exposures to groups of related entities, sectors, activities, geographical area and makes sure that they do not exceed the prescribed limits.

Classification of balance sheet assets and off-balance sheet items is carried out in accordance with the decisions of National bank of Serbia (hereinafter: NBS) and the Bank’s Procedure for the classification.

The calculation of the group and individual provisions for balance sheet assets and provisions for off-balance sheet items is performed in accordance with the methodology for calculating the impairments and provisions according to the IFRS 9.

The Bank performs stress tests of credit risk on quarterly level in the manner prescribed by internally adopted Methodology. In cases of unfavorable results of stress tests, the measures prescribed by this Policy, the Bank's procedures and the Bank's Methodology for stress testing shall be undertaken for the material-related risks.

The Bank assesses and monitors residual risk through reconsideration of collateral and their valuation in accordance with the appropriate procedures.

Residual risk is the possibility of negative effects on financial result and equity due to the fact that the credit risk mitigation techniques are less effective than expected.

Concentration risk is the risk which directly or indirectly results from exposure to a same or a similar source of risk, that is, the same or similar type of risk.

The goal of concentration risk management policy is to define ways of managing concentration risk to limit the potential adverse effects on the financial result and equity.

Dilution risk is the possibility of occurrence of adverse effects on the bank's financial result and capital due to the reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the borrower.

Settlement/delivery risk is the possibility of adverse effects on the bank's financial result and capital arising from unsettled transactions or counterparty's failure to deliver in free delivery transactions on the due delivery date.

Counterparty credit risk is the possibility of adverse effects on the bank's financial result and capital arising from counterparty's failure to fulfil his part of the deal in a transaction before final settlement of cash flows of the transaction or settlement of monetary liabilities under that transaction.

1.2.2 Liquidity Risk

Liquidity risk management Policy defines the principles, process management and organization of the activities of the Bank's liquidity risk management as well as principles of stress testing.

Method of liquidity risk management in terms of the liquidity crisis as well as individual responsibility are provided by the Liquidity contingency plan.

The Bank conducts stress tests on monthly basis, of indicators and structural liquidity ratios, in the manner prescribed by internally approved Instruction. In cases of unfavorable results of the stress test, measures prescribed by this Policy, the Bank's procedures and Liquidity contingency plan.

For consistent implementation of the Policy for managing liquidity risk, the Executive Board determines the Procedure for liquidity risk management, in which is described the processes of identification, measurement, mitigation, monitoring, control and reporting of the Bank's bodies on risk exposure.

1.2.3 Market Risk

Market risk is defined as the risk of negative effects on the Bank's financial result and capital caused by losses on balance sheet and off-balance sheet items due to movements of market prices. Market risk includes:

- Foreign exchange risk as the risk of negative effects on financial result and capital of the Bank due to changes in exchange rates, and the Bank is exposed based on the items carried in the banking book and the trading book and
- Price risk as the risk of adverse effects on the financial result and the Bank's capital due to the change in the value of the portfolio of financial instruments (debt and equity securities). The price risk includes general and specific price risk:
    - general price risk is the risk of price change as a consequence of the general situation and changes in a particular market;
    - specific price risk is the risk of a change in the price of securities as a result of a change in the factors related to its issuer.
- Commodity risk is the risk of the possibility of occurrence of negative effects on the

financial result and the capital of the bank on the basis of losses within the positions in the commodities due to the movement of the prices of commodities on the market.

Policy of FX and price risk management is defined as the aim to minimize adverse effects on the financial result and equity due to changes in exchange rates and the price of securities. The Policy describes the process of identifying and measuring the FX and price risk.

Identification of foreign exchange risk is done by considering the total foreign currency assets and liabilities and determining of the Bank's open foreign currency position for each currency separately.

The Bank performs market stress tests in a monthly manner in the manner prescribed by the internally adopted Methodology. In cases of unfavorable results of stress tests, the measures prescribed by this Policy, the Bank's procedures and the Bank's Methodology for stress testing shall be undertaken for the material-related risks.

Measuring of the foreign exchange risk is performed by calculation of the foreign currency risk in relation to whose values following risk categories are determined - low, medium, high, and critical.

The identification and measurement of price risk is carried out by analyzing price movements of individual positions of trading book as well as the movement of the total value of the portfolio securities that are part of the trading book.

1.2.4 Operational Risk

Operational risk is the risk of negative effects on financial result and the capital of the Bank caused by omissions in employee work, inadequate internal procedures and processes, inadequate managing of information and other systems in the Bank as well as by unforeseeable external events. Operational risk should exclude reputation and strategic risk but includes legal risk.

Operational risk management means to identify, measure and evaluate operational risks by operation types, by identified events that may cause them, by causes, and by the type of loss.

The Bank performs stress tests of operational risk in a quarterly manner in the manner prescribed by internally adopted Methodology. In cases of unfavorable results of stress tests, the measures prescribed by this Policy, the Bank's procedures and the Bank's Methodology for stress testing shall be undertaken for the material-related risks.

Risk identification means to recognize the event that has been or may be a potential source of operational risk.

Operational risk events are classified into the appropriate risk categories, depending on the number of events of the same type, the financial impact of the individual event, as well as on the possible negative impact of the event on the health and safety of employees and / or customers of the Bank.

Operational Risk Management Policy is implemented in the Risk Management Department, as well as in other organizational units of the Bank.

The Policy defines that Bank identifies and assesses all risks that arise due to the introduction of new products or services, including also new activities related to the processes and systems of the Bank.

Procedure Design and development of banking products / services determines what is considered as a new products and service, regulates the process of making a decision on the introduction of these products or services and prescribes the obligation and manner of notifying NBS on the introduction of new products.

Business continuity plan defines procedures, activities, work processes and organization of the Bank in case of unforeseen events, in order to ensure the safety of employees and customers and the continued operation of critical business processes in the event of termination, reducing business and financial damage that could arise in the event of termination of the activities of the Bank.

1.2.5 Interest Rate Risk

Policy and Procedure for managing interest rate risk define the basic principles, process management and organization of the activities of the management of interest rate risk.

Basic assumptions for the conversion of assets and liabilities in the cash flows are defined in the Bank's Policy for managing interest rate risk. The Bank performs stress tests of interest rate risk in a quarterly manner in the manner prescribed by internally adopted methodology. In cases of unfavorable results of stress tests, the measures prescribed by this Policy, the Bank's procedures and the Bank's Methodology for stress testing shall be undertaken for the material-related risks.

In order to reduce the level of risk the measures that can be taken are defined.

1.2.6 Other Risks

The policy of strategic risk management is carried out in the Risk Management department as well as in other organizational units of the Bank.

Reputational risk management policy is envisaged that the identification, measurement, monitoring and control of reputation risk occurs primarily through interaction with other risks, i.e. through the process of identification, measurement, monitoring and control of other risks that the Bank faces in its operations, primarily credit and operational risk.

In accordance with the Policy and Procedure of the country risk management, the Bank is committed to a system of classification of risk (low, medium, high, critical), which is supplemented by a system of classification of countries by category assigned by international credit agencies Fitch, Standard & Poors and Moodys. The Bank manages the Country Risk using established system of classification of countries according to risk assessment. Risk category of the country is closer prescribed by procedure for country risk management. Risk Management Department has an obligation to continuously monitor and review the limits of country risk.

Policy for management of environment and social environment defines the basic principles, process management and organization of the risk management activities for the environment and the social environment (hereinafter referred to as E & S) for its reduction to an acceptable level.

Bank’s Procedure for E & S include qualification, categorization, identification and proper assessment of the subject of financing, mitigation, control, monitoring and reporting on the risks of E & S.

The goal of implementing policy and procedure for E & S is focusing on E & S issues when considering projects of clients and their funding demands and to be as much as possible reduced the Bank's exposure to financial, reputational and legal risks and obligations arising from the E & S, and to be as much as possible increased opportunities for responsible and sustainable economic development in terms of E & S and improving attitudes towards E & S.

The Bank performs stress tests of other risks in a quarterly manner in the manner prescribed by the internally adopted methodology of the Bank, if those risks are defined as materially significant. In case of adverse results of stress tests, the measures prescribed by this Policy, procedures of the Bank and the Bank's Methodology for stress testing of material and material risks are undertaken.

The policy for managing the compliance risk is a binding document for all organizational units and all employees of the Bank who are responsible for compliance with laws, regulations, valid procedures and applicable standards.

Compliance risk is the risk of negative effects on financial result and equity due to failure of the Bank to run its operations in line with the law, by-laws, its internal policies, procedures on the prevention of money laundering and terrorist financing, as well as the rules of the profession, good business practices and business ethics.

Employees in the Compliance and AML department are identifying, monitoring and preventing of money laundering identify, assess and monitor the compliance risk and manage that risk, which in particular includes the risk of sanctions of the regulatory body and financial losses and reputational risk.

Compliance and AML department checks the compliance of the Bank with the laws and regulations as follows:

- In the normative part: examining the procedures and other internal acts and processes of the Bank makes statement whether the procedures and other acts and processes are in line with the law and by law acts and make suggestions and recommendations to remedy identified deficiencies;
- checking the measures taken to eliminate the identified non-compliances by the controlled organizational part of the Bank.

Compliance and ALM department deals with identifying of compliance risk on a daily basis as well as by the regular and extraordinary controls (if necessary) prescribed by the Agenda and the Annual Operational Plan.

About the verification of compliance of the Bank and unidentified or identified non-compliance with laws, regulations, procedures and other acts, Head of compliance and anti-money laundering department reports to managing bodies of the Bank in the following cases:

- If during the daily and regular control of business compliance, no non-compliance is identified, or the existence of an acceptable risk due to business non-compliance is determined, the Director of the Service shall notify the Executive Board and the Audit Committee on a quarterly basis;
- If during the control, department has established the existence of non-compliance that may lead to the risk of sanctions of the regulatory body and financial losses and reputational risk, the Head of department shall immediately report to the Executive Board, Supervisory Board and the Audit Committee.

Money laundering and terrorist financing risk is the risk of possible negative effects on the financial result, capital or reputation of the Bank due to the use of the Bank (direct or indirect use of business relations with the Bank, transactions, services or products of the Bank) for money laundering and / or terrorist financing. The risk of money laundering and terrorist financing arises especially as a result of failure to harmonize the Bank's operations with the law, regulations and internal acts of the Bank governing the prevention of money laundering and terrorist financing, or as a consequence of inconsistencies in its internal acts governing the Bank and its employees. related to the prevention of money laundering and terrorist financing. The Bank has established the manner of identifying, measuring and assessing the risk of money laundering and terrorist financing through the Procedures on Prevention of Money Laundering and Terrorist Financing.

1.3 Risk management process

The Bank has established a comprehensive and reliable risk management system, which is involved in all business activities, ensuring that the risk profile of the Bank is always in accordance with the established risk appetite. The risk management system is proportionate to the nature, scale and complexity of the Bank business or its risk profile.

Risk management system enables the Bank to manage the risks to which it is or may be exposed on the basis of its business activities and is considered to be comprehensive and reliable.

The risk management system is included in all business activities of the Bank, regarding that the Bank each business decision for taking risks brings taking into account the previous estimate of employees responsible for the risk management.

The risk management system includes:

- The Strategy and Policies for risk management, as well as Procedures for the identification, measurement and assessment of risk;
- Adequate organizational structure of the Bank;
- An effective and efficient process of managing all risks the Bank is or may be exposed to, in its operations;
- An adequate system of internal controls;
- Appropriate information and reporting system;
- Frame and frequency of stress-tests including activities in case of unfavorable outcome of those stress-tests;
- An adequate process of internal capital adequacy assessment.

1.4 Adequacy of the Risk Management System

In accordance with the applicable Banking Law, the valid decisions of the National Bank of Serbia regulating the area of risk management, as well as the Bank's Statute, the Bank has established an adequate risk management system taking into account the risk profile of the Bank and its business policy and strategy.

By implementing a set of internal controls, the Bank has ensured the functioning of an adequate risk management system. In this way, it has been ensured that a high level of security is achieved with respect to the achievement of three groups of objectives:

- Business objectives - ensuring efficient and efficient operation of the Bank, including achieving operational and financial goals and preserving the value of the Bank's assets;
- Compliance objectives - ensuring compliance of the Bank's operations with laws and

relevant regulations, as well as internal acts of the Bank;
- Information objectives - ensuring reliable and timely internal and external reporting.

1.5 Relation between the risk profile of the Bank and its business policy

The Bank has established a comprehensive and reliable risk management system that is fully integrated into all the Bank's business activities and ensures that the Bank's risk profile is in line with the Bank's risk appetite. The risk profile is articulated through the Risk Appetite Framework (hereinafter: RAF). RAF represents the overall approach (including strategies, policies, procedures, processes, controls and systems) through which a risk appetite is established, communicated and monitored. It includes a statement of appetite risk, risk limits and an overview of the roles and responsibilities of organizational parts of the Bank that monitor the application and monitoring of the RAF. RAF takes into account materially significant risks for the Bank, as well as for the good business reputation that the Bank enjoys in relation to customers, depositors, lenders and the market in general. RAF is in line with the Bank's business policy and strategy.

RAF adjusts the risk profile of the Bank and assumed risks with a risk-taking capacity. As such, it forms part of the process of development and implementation of the Bank's business strategy. In that sense, the RAF is constantly aligned with the business plan and strategy, as well as with the strategy and plan of the Bank's capital. RAF provides measurement, evaluation and communication of the level of risks the Bank exposes in relation to the level of risks that the Executive Board and the Board of Directors of the Bank are ready to accept. It explicitly defines the boundaries within which risk-taking functions in accordance with the business policy and institution's strategy, as well as the measures taken when risks of exposure to risks are exceeded.

Establishment of the risk management system is based on the principle that risks are managed rather than risk being avoided. The Bank has a continuous task to undertake on only those risks that it can adequately and timely be assessed, controlled and managed. Accordingly, the Bank's long-term risk management objective is to minimize the negative effects on the Bank's financial result and capital due to the Bank's exposure to risks.

The identified risks are managed through a clearly defined risk management process that involves regular and timely identification, measurement, evaluation, risk monitoring, mitigation measures and risk reporting to the entity, or may be exposed in its operations.

For the purpose of controlling or limiting the risk exposure, the Bank has defined the exposure limits. In this regard, the Bank regularly monitors and communicates the implementation of these limits and, if necessary, implements corrective measures to keep the indicators within the limits prescribed.

The following table shows an overview of the key indicators of the Bank's operations that are related to risk management in accordance with the Risk Appetite Statement and the Bank's Appetite Framework as of 31.12.2023:

Description	Value of the Indicator	
	Limit	Value of the indicator as of December 31st, 2023
Capital adequacy ratio	Higher or equal to 18.00%	26.98%
Indicator of capital adequacy of common tier 1 equity	Higher or equal to 15.00%	26.98%
Indicator of the share capital adequacy ratio	Higher or equal to 13.00%	25.47%
Liquidity indicator	Min 1.6	2.07
Narrow liquidity indicator	Min 1.3	1.43
Liquidity Coverage Ratio	Min 120%	154.02%
Aggregate indicator of 20 largest exposures in relation to the Bank's capital	Max 250%	106.72%
The foreign currency risk ratio is the ratio of the total open foreign currency position in all individual currencies and total capital of the Bank defined in the valid NBS Decision on capital adequacy of banks	Max 5%	3.84%
The ratio of total interest rate risk is the ratio of all weighted interest rate gaps at all time intervals and total capital of the Bank defined in the valid NBS Decision on capital adequacy of the bank	In range -10% to +10%	5,88%
Deposit concentration ratio	Max 25%	13.90%
Liquid assets ratio	Min 25%	33.26%
Ratio of net loss by operational risk events	Max 1%	0,46%
Coverage of NPL with value adjustments	Min 50%	63.58%
The NPL rate in relation to the Bank's total loans	Max 3%	1,46%
Ratio of the currency structure of the loan portfolio – Total	Max 60%	46.04%

1.6 Types of risk reporting

Risk Management department prepares reports on the Bank's exposure to individual types of risks. Users of this reports are the other organizational units of the Bank, the Asset and Liability Committee, the Audit Committee, the Executive Board and the Board of Directors.

Internal Audit Department conducts assessments of the adequacy and effectiveness of risk management, as well as the efficiency of the internal control system. In accordance with the International Standards of Internal Auditing, Internal Audit performs audit in a manner that allows reasonable, but not absolute, assurance that risk management systems, controls and governance processes are adequate and function as designed and implemented by the management of the Bank. In this way, an independent and objective assurance of the situation in the controlled organizational parts of the Bank is provided and the reports and necessary recommendations are submitted at the same time to the Supervisory Board, Audit Committee and Executive Board of the Bank. The internal audit is independent of the activities being controlled,, which enables it to carry out its function objectively and impartially. Internal audit helps the Bank to achieve its objectives by introducing a systematic, disciplined approach to assessing and improving risk management, improving the effectiveness of internal control system and corporate governance.

The reporting system at all levels in the Bank provides timely, accurate and sufficiently detailed information needed to make business decisions and effective risk management, and the safe and stable operation of the Bank.

As stated, the Bank has established a system of internal controls to ensure a high level of security in terms of achieving 3 sets of goals that include information goals - ensuring reliable and timely internal and external reporting of the Bank's system. In this way, a system of reporting is provided which provides reliable, relevant, timely and sufficiently detailed information necessary for making business decisions at all levels of the management bodies in the Bank.

Also, the Bank has established a system of reporting to the regulatory authorities and to the Türkiye Halk bankasi, as well as to international financial institutions EFSE and GGF.

Compliance and AML Department prepares reports and submits them to the Bank authorities as follows:

- Reports on the controls of Compliance of the organizational units of the Bank where the check was carried out;

- Quarterly reports on executed controls of the compliance of the Bank which are submitted to the Executive Board and the Audit Committee;

- Annual Report on executed controls of the Compliance of the Bank, which is prepared by the Head of the Department and submitted to the Executive Board and the Audit Committee. The report is adopted by the Executive Board of the Bank within 15 days of the day of receipt and submits it to the Board of Directors within 5 days from the date of adoption. The annual report contains information about the compliance of the controls carried out by organizational units of the Bank, identified and evaluated the risks of compliance and proposed plans for managing identified risks.

- Annual Report on the analysis and assessment of exposure to the risk of money laundering and terrorist financing, which is made by an authorized person for the prevention of money laundering and submitted for approval to the Executive Board of the Bank. This Report is adopted by the Executive Board and submitted to the Audit Committee of the Bank;

- Annual Report on the performed internal control and measures taken in the field of SPNFT, which is conducted by authorized person. This Report is adopted by the Executive Board and submitted to the Bank's Audit Committee. The deadline for the preparation of the Report is March, 15th.

1.7 Risk mitigation techniques

Based on identified risks and their sources, the Bank makes decisions on measures for mitigation of certain types of risk. Implementation of measures is regularly monitored as well as measurement of the impact of implemented measures to reduction of risks. The Bank conducts an active policy of diversifying the risks to which it is exposed.

In the area of credit risk, the Bank conducts activities to determine the real amount of potential losses arising from credit risks, taking into account the real value of collateral for placements and on the basis of this, the Bank forms impairment of balance sheet assets and provisions for losses on off-balance sheet items.

In the area of liquidity risk, the Bank is conducting a diversification of sources of funds in connection with the technique of mitigating of market risks and within the Policy of market risk management define the closing of open foreign exchange positions, withdrawal of credit lines, engagement in the collection of loans with a foreign exchange clause and other activities. With regard to interest rate risk mitigation techniques, the bank is implementing alignment of interest sensitive asset and liability items by type of interest rates that are contracted.

2. BANK'S CAPITAL

The strategy and capital management plan defines how to maintain the level and structure of capital and internal capital needed to support the achievement of long term objectives of the Bank.

Strategy and plan for capital management include:

- Strategic goals determined on the basis of the achieved level of development and potential of the Bank and the state of the macroeconomic environment, as well as the time period for their realization;
- A description of the process of managing available internal capital and planning an adequate level of internal capital, including procedures and responsibilities for the process;
- The way of achieving and maintaining the overall adequate level and structure of internal capital;
- Restrictions on available internal capital;
- Display and explanation of the effects of stress testing on internal capital requirements;
- Procedure for determining internal capital requirements;
- Corrective actions undertaken in the event of occurrence of unforeseen events that may adversely affect the amount of capital and internal capital requirements;
- Assessment of internal capital requirements according to a risk profile,
- Maintenance of minimum requirements for capital and similar obligations of the Bank.
- A business plan in the event of occurrence of unforeseen events that may affect available internal capital.

The amount of Bank capital, the amount of core and supplementary capital, with an overview of the individual elements of capital, are presented in table below in the form of **PI-KAP** (amounts in 000 RSD):

No	Item	Amount	DCA reference*
	Common Equity Tier 1: elements		
1	CET1 capital instruments and the related share premium accounts	**17,161,329**	

No	Item	Amount	DCA reference*
1.1.	*of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA*	9,887,600	Section 7, paragraph 1, item 1) and Section 8
1.2.	*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*	7,273,729	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	99,054	Section 7, paragraph 1, item 4)
5	Reserves from profit and other bank reserves, except for reserves for general banking risks	5,113,022	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**	**0**	
8	**Common Equity Tier 1 capital before regulatory adjustments and deductibles** (sum of rows from 1 to 7)	**22,373,405**	
	Common Equity Tier 1 capital: regulatory adjustments and deductibles		
9	Additional value adjustments (-)	13,905	Section 12, paragraph 5
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	1,619,806	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)	53,076	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 obligation (-)	0	Section 13, paragraph 1, item 6)

No	Item	Amount	DCA reference*
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.	*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 (-)*	0	Section 13, paragraph 1, item 11), indent one
21.2.	*of which: securitisation positions (-)*	0	Section 13, paragraph 1, item 11), indent two
21.3.	*of which: free deliveries (-)*	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.	*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*	0	Section 21, paragraph 1, item 2)
23.2.	*of which: Deferred tax assets arising from temporary differences*	0	Section 21, paragraph 1, item 1)
24	Losses for the current and previous years, and unrealised losses (-)	-369,356	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)

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No	Item	Amount	DCA reference*
27	Gross amount of receivables from the borrower – natural person (other than an agricultural producer 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.	-42,984	Section 13, paragraph 1, item 13)
28	Gross amount of receivables from the borrower – natural person (other than an agricultural producer 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	0	Section 13, paragraph 1, item 14)
29	**Total regulatory adjustments and deductibles from CET1 capital** (sum of rows from 9 to 27)	**-2,099,127**	
30	**Common Equity Tier 1 capital** (difference between 8 and 28)	**20,274,278**	
	Additional Tier 1 capital: elements		
30	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)
31	Capital instruments issued by subsidiaries, which are recognised as Additional Tier 1 capital**	0	
32	**Additional Tier 1 capital before deductibles** (30+31)	**1,200,000**	
	Additional Tier 1 capital: deductibles		
33	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)
34	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)
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	Section 26, paragraph 1, item 3)
36	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	Section 26, paragraph 1, item 4)
37	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)
38	**Total deductibles from Additional Tier 1 capital** (sum of rows from 33 to 37)	**0**	
39	**Additional Tier 1 capital** (difference between 32 and 38)	**1,200,000**	
40	**Tier 1 capital** (sum of rows 29 and 39)	**20,551,278**	

No	Item	Amount	DCA reference*
	Tier 2: elements		
41	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	Section 27, paragraph 1, items 1) and 2)
42	Capital instruments issued by subsidiaries, which are recognised as Tier 2 capital**	0	
43	Credit risk adjustments that meet the requirements for the inclusion in Tier 2 capital	0	Section 27, paragraph 1, items 3) and 4)
44	**Tier 2 capital before deductibles** (sum of rows from 41 to 43)	**1,340**	
	Tier 2 capital: deductibles		
45	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)
46	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)
47	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)
48	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)
49	**Total deductibles from Tier 2 capital** (sum of rows from 45 to 48)	0	
50	**Tier 2 capital** (difference between 44 and 49)	**1,340**	
51	**Total capital** (sum of rows 40 and 50)	**21,475,618**	
52	**Total risk-weighted assets**	**79,586,823**	Section 3, paragraph 2,
	Capital adequacy ratios and capital buffers		
53	Common Equity Tier 1 capital ratio (%)	25.47%	Section 3, paragraph 1, item 1)
54	Tier 1 capital ratio (%)	26.98%	Section 3, paragraph 1, item 2)
55	Total capital ratio (%)	26.98%	Section 3, paragraph 1, item 3)
56	Total requirements for capital buffers (%)***	3.96%	Section 433
57	Common Equity Tier 1 capital available for capital buffers coverage (%)****	17.47%	

* DCA - Decision on Capital Adequacy of Banks.

** 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.

*** As a percentage of risk-weighted assets.

**** 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.

When determining deductible capital items, the bank is not obliged to deduct from the share capital the amount of deductible items in accordance with item 21 of the NBS Decision on capital adequacy, which in total is equal to or less than the amount of the following limits:

THRESHOLDS FOR COMMON EQUITY TIER 1 DEDUCTIONS	Amount (in 000 RSD)
Threshold non deductible of holdings in financial sector entities where the bank does not have a significant investment	2,027,428
10% CET1 threshold calculated in accordance with Section 21, paragraph 2 of the Decision on Capital Adequacy of Banks	2,027,428
17.65 % CET1 threshold calculated in accordance with Section 21, paragraph 3 of the Decision on Capital Adequacy of Banks	3,578,410
Eligible capital under Section 13, paragraph 8 of the Decision on Capital Adequacy of Banks	21,475,618

Holdings of CET1 capital of financial sector entities where the bank does not have a significant investment are in the amount of 4.341 thousand RSD.

Description of the major characteristics of all elements included in the capital calculation is presented in table below in the form **PI-FIKAP** (amounts in 000 RSD):

No	Instrument features	Description of the instrument 1	Description of the instrument 2	Description of the instrument 3
1.	**Issuer**	**Halkbank a.d. Beograd**	**Halkbank a.d. Beograd**	**Halkbank a.d. Beograd**
1.1.	**Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)**	**RSCABAE56615**	**RSCABAE57662**	**RSCABAE09390**
	Regulatory treatment			

2.	Treatment in accordance with the Decision on Capital Adequacy of Banks	*Instrument of the common tier 1 equity with adjoining emission premium*	*Instrument of the additional tier 1 equity with adjoining emission premium*	*Instrument of the additional tier 2 equity*
3.	Eligible at solo/(sub-)consolidated/ solo&(sub-) consolidated	*Individual*	*Individual*	*Individual*
4.	Instrument type	*Common shares*	*Non-cummulative preferencial shares*	*Non-cummulative preferencial shares*
5.	Amount recognised in regulatory capital (in RSD thousand, as of most recent reporting date)	*17,161,329*	*1,200,000*	*1,340*
6.	Nominal amount of instrument	*9,887,600*	*600,000*	*1,340*
6.1.	Issue price	*7,273,729*	*600,000*	*0*
6.2.	Redemption price			
7.	Accounting classification	*Share capital*	*Share capital*	*Share capital*
8.	Original date of issuance	*1992*	*2015*	*1992*
9.	Perpetual or dated	*No due date*	*No due date*	*No due date*
9.1.	Original maturity date	*No due date*	*No due date*	*No due date*
10.	Issuer call subject to prior supervisory approval	*No due date*	*Yes*	*No*
10.1.	Optional call date, contingent call dates and redemption amount			
10.2.	Subsequent call dates, if applicable			
	Coupons / dividends			
11.	Fixed or floating dividend/coupon	Variable	Fixed	Fixed
12.	Coupon rate and any related index		5.00%	5.00%
13.	Existence of a dividend stopper	No due date	Yes	Yes

14.1.	**Fully discretionary, partially discretionary or mandatory (in terms of timing)**	Full discressional rights	Partial discressional rights	Partial discressional rights
14.2.	**Fully discretionary, partially discretionary or mandatory (in terms of amount)**	Full discressional rights	No discressional rights	No discressional rights
15.	**Existence of step up or other incentive to redeem**	No	No	No
16.	**Noncumulative or cumulative divident/coupon**	***Non-cummulative***	***Non-cummulative***	***Non-cummulative***
17.	**Convertible or non-convertible**	***Non-convertible***	***Non-convertible***	***Non-convertible***
18.	**If convertible, conversion trigger(s)**			***In line with assembly decision***
19.	**If convertible, fully or partially**			***In line with assembly decision***
20.	**If convertible, conversion rate**			***In line with assembly decision***
21.	**If convertible, mandatory or optional conversion**			***Volontary***
22.	**If convertible, specify instrument type convertible into**			***Common shares***
23.	**If convertible, specify issuer of instrument it converts into**			***Halkbank a.d. Beograd***
24.	**Write-down features**	***Yes***	***Yes***	***Yes***
25.	**If write-down, write-down trigger(s)**	***Based on decision of the Share-Holders Assembly and the Law on Commercial Entities***	***Based on decision of the Share-Holders Assembly and the Law on Commercial Entities***	***Based on decision of the Share-Holders Assembly and the Law on Commercial Entities***
26.	**If write-down, full or partial**	***In full or partial***	***In full or partial***	***In full or partial***
27.	**If write-down, permanent or temporary**	***Permanent***	***Permanent***	***Permanent***
28.	**If temporary write-down, description of write-up**			

	mechanism			
29.	**Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)**	***Non-Cummulative preferential shares; Cummulative preferential shares***	***Cummulative preferential shares***	
30.	**Non-compliant transitioned features**			
31.	**If yes, specify non-compliant features**			

2.1 Data on basic Characteristics of Financial Instruments Included into Capital of the Bank

The capital of the bank is the sum of its Tier 1 capital and Tier 2 capital; Tier 1 capital of the bank is the sum of Common Equity Tier 1 capital and Additional Tier 1 capital.

According to the valid decision of NBS on capital adequacy, the Bank is liable to calculate the following indicators:

- Adequacy ratio of common tier 1 equity which is limited to minimum of 4.5%;
- Adequacy ratio of tier 1 equity which is limited to minimum of 6%; and
- Capital adequacy ratio which is limited to minimum of 8%.

Apart for the above defined minimum capital and equity adequacy indicators, the Bank has to fulfill additional capital requirements:

- Capital conservation buffer in the amount of 2.5% of risk weighted assets;
- The National Bank of Serbia sets the countercyclical buffer rate for the Republic of Serbia within the range of 0% and 2.5% of risk-weighted assets of a bank; By the decision of the National Bank of Serbia as of June 08th 2017 the countercyclical buffer rate for the Republic of Serbia is 0%. On December 09, 2021, the National Bank of Serbia decided to keep the rate of countercyclical buffer rate in the amount of 0%
- Capital layer for structural systemic risk is determined by NBS for the Republic of Serbia for the purpose of preventing and mitigation of long-term non-cyclical problems and is obtained as 3% from the exposure related to foreign currency exposures and exposures indexed to foreign currency.

The Bank is not a part of banking group which is considered as global systemically important, nor is considered as systemically important on the territory of the Republic of Serbia. Therefore, it does not have to obligation to keep the capital layer for systemically important bank nor for globally systemically important bank.

Elements of the capital are as follows:

Common Equity Tier 1 capital of a bank is the sum of the following elements:

- shares and other capital instruments which fulfil the requirements from Section 8 of the Decision on Capital Adequacy by Banks;
- relevant share premium with the Common Equity Tier 1 instruments, i.e. the amount paid above par value of those instruments;
- profit of the bank;
- revaluation reserves and other unrealized gain;
- reserves from profit and other reserves of the bank, except for general banking risk;
- funds for general banking risk.

The Bank has no fund for general banking risk.

Deductibles from Common Equity Tier 1 capital shall be:

- Losses from the current year and preceding years, as well as unrealized losses;
- Intangible assets, including goodwill, reduced by the amount of deferred tax liabilities that would be extinguished if the intangible assets became impaired or were derecognized under the IFRS/IAS;
- Deferred tax assets that rely on the bank's future profitability in accordance with regulations;
- The negative amount calculated in accordance with Section 134 of the Decision on Capital Adequacy by Banks – for banks that have obtained the consent of the National Bank of Serbia to apply the IRB Approach;
- Defined benefit pension fund assets on the balance sheet of the bank;
- Direct, indirect and synthetic holdings by a bank of own Common Equity Tier 1 instruments, including own Common Equity Tier 1 instruments that a bank is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation;
- Direct, indirect and synthetic holdings of the Common Equity Tier 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the bank, and which have been designed to inflate artificially the capital of the bank;
- The applicable amount of direct, indirect and synthetic holdings by the bank of the Common Equity Tier 1 instruments of financial sector entities where the bank does not have a significant investment in those entities, in accordance with Sections 19 and 20 of the Decision on Capital Adequacy by Banks;
- The applicable amount of direct, indirect and synthetic holdings by the bank of the Common Equity Tier 1 instruments of financial sector entities where the bank has a significant investment in those entities, in accordance with Section 19 of the Decision on Capital Adequacy by Banks;
- The amount of items required to be deducted from the bank's Additional Tier 1 items that exceeds the Additional Tier 1 capital of the bank;
- The 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 Common Equity Tier 1 items as an alternative to applying a risk weight of 1,250%
- Any tax charge relating to Common Equity Tier 1 items foreseeable at the moment of its calculation, except where the bank suitably adjusts the amount of Common Equity Tier 1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses;
- Gross amount of receivables from the borrower – natural person (other than an

agricultural producers 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. This deductible shall be applied regardless of whether following the loan approval the level of the borrower's debt-to-income ratio has dropped below the said percentage

- Gross amount of receivables from the borrower – natural person (other than an agricultural producer or an entrepreneur) arising from extended consumer, cash or other loans, other than the loans disclosed under previously mentioned item, 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.

As deductibles from Common Equity Tier 1 capital the Bank is calculating only intangible assets, including goodwill, reduced by the amount of deferred tax liabilities that would be extinguished if the intangible assets became impaired or were derecognized under the IFRS/IAS, deferred tax assets that rely on the bank's future profitability in accordance with regulations, as well as gross amount of receivables from the borrower – natural person (other than an agricultural producers 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 and gross amount of receivables from the borrower – natural person (other than an agricultural producer or an entrepreneur) arising from extended consumer, cash or other loans, other than the loans disclosed under previously mentioned item, 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

When calculating Common Equity Tier 1 capital, the Bank deducts the amount of additional value adjustment determined in accordance with paragraphs 315 to 318 of the DAC.

Additional Tier 1 capital of the bank shall consist of the sum of the following elements, less deductibles:

- Shares and other capital instruments which meet the conditions set out in Section 23 of the Decision on Capital Adequacy by Banks (hereinafter: Additional Tier 1 instruments);
- Relevant share premium with the instruments referred to in item 1) of this Section, i.e. the amount paid above par value of those instruments.

Deductibles from Additional Tier 1 capital are:

- 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;
- 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 that have been executed to inflate artificially the capital of the bank;
- The 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;
- 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;
- The amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank;
- Any tax charge relating to Additional Tier 1 items foreseeable at the moment of its calculation, except when the bank suitably adjusts the amount of Additional Tier 1 items insofar as such tax charges reduce the amount up to which those items may be applied to cover risks or losses.

The Bank has no deductibles from Additional Tier 1 capital.

Tier 2 capital of a bank shall be the sum of the following elements, less deductibles as defined below:
- Shares and other Tier 2 instruments (hereinafter: Tier 2 instruments) and liabilities under subordinated credits and loans (hereinafter: subordinated liabilities), where the conditions laid down in Section 28 of the Decision on Capital Adequacy by Banks are met;
- The relevant share premium accounts related to instruments referred to in item 1) of this paragraph, i.e. the amount paid above par value of those instruments;
- For banks calculating risk-weighted exposure amounts by applying the Standardized Approach pursuant to Chapter IV, Part 1 of this Decision, general credit risk adjustments, gross of tax effects, of up to 1.25% of risk-weighted exposures for credit risk;
- For banks calculating such amounts by applying the IRB Approach, with prior consent of the National Bank of Serbia pursuant to Chapter IV, Part 2 of this Decision, positive amounts calculated in accordance with Section 134 of the Decision on Capital Adequacy by Banks, gross of tax effects, of up to 0.6% of risk-weighted exposure amounts for credit risk

Tier 2 consists of shares where the conditions laid down in Section 28 of the Decision on Capital Adequacy by Banks are met.

The following shall be deducted from Tier 2 capital:
- 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;
- Direct, indirect and synthetic holdings by the bank of the Tier 2 instruments and subordinated liabilities of financial sector entities with which the bank has reciprocal cross holdings that have been executed to inflate artificially the capital of the bank;
- The 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;
- Direct, indirect and synthetic holdings by the bank of the Additional Tier 1 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.

The Bank has no deductibles from Tier 2 capital.

The Bank does not have any hybrid instruments.

Data and information on linking capital items of balance sheet with items of capital from report on capital of the Bank made in accordance with a decision on governing reporting on capital adequacy of the Bank, are disclosed by the Bank in table below in the form **PI-UPK** (amounts in 000 RSD).

Breakdown of elements in the balance sheet:

Designation of item	Item	Balance sheet	References
A	**ASSETS**		
A.I	Cash and assets with the central bank	16,729,593	
A.II	Pledged financial assets	0	
A.III	Financial assets recognised at fair value through income statement and held for trading	5,195	
A.IV	Financial assets initially recognised at fair value through income statement	13,713,114	
A.V	Financial assets available for sale	13,924,349	
A.VI	Financial assets held to maturity	78,324,435	
A.VII	Loans and receivables from banks and other financial organisations	0	
A.VIII	Loans and receivables from clients	0	
A.IX	Changes in fair value of hedged items	0	
A.X	Receivables arising from financial derivatives intended for hedging	0	
A.XI	Investments in associated companies and joint ventures	0	
	Of which direct or indirect investments in banks and other financial sector person persons	0	
A.XII	Investments into subsidiaries	0	
	Of which direct or indirect investments in banks and other financial sector persons	0	**l**
A.XIII	Intangible assets	1,619,806	**z**
A.XIV	Property, plant and equipment	2,066,194	
A.XV	Investment property	121,201	
A.XVI	Current tax assets	0	
A.XVII	Deferred tax assets	53,076	**i**

A.XVIII	Non-current assets held for sale and discontinued operations	0	
A.XIX	Other assets	1,173,418	
	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	0	**k**
A.XX	**TOTAL ASSETS (ADP items from 0001 to 0019 in the consolidated balance sheet)**	**127,730,381**	
P	**LIABILITIES**		
PO	LIABILITIES		
PO.I	Financial liabilities recognised at fair value through income statement and held for trading	0	
PO.II	Financial liabilities initially recognised at fair value through income statement	8,259,225	
PO.III	Liabilities arising from financial derivatives intended for hedging	92,066,727	
PO.IV	Deposits and other liabilities to banks, other financial organisations and central bank	0	
PO.V	Deposits and other liabilities to other clients	0	
PO.VI	Changes in fair value of hedged items	0	
PO.VII	Own securities issued and other borrowings	0	
	Of which liabilities arising from hybrid instruments	0	
PO.VIII	Subordinated liabilities	0	
	Of which subordinated liabilities included in bank's supplementary capital	0	**h**
PO.IX	Provisions	110,478	
PO.X	Liabilities under assets held for sale and discontinued operations	0	
PO.XI	Current tax liabilities	130,711	
PO.XII	Deferred tax liabilities	0	
PO.XIII	Other liabilities	2,637,588	
PO.XIV	TOTAL LIABILITIES (ADP items from 0401 to 0413 in the consolidated balance sheet)	**103,204,729**	
Designation of item	**Item**	**Balance sheet**	**References**
	CAPITAL		

PO.XV	Share capital	18,362,669	
	Of which par value of paid-in shares, except for cumulative preferential shares	9,887,600	**a**
	Of which share premium on share capital, except for cummulative preferential shares	7,273,729	**b**
	Of which par value of non-cumulative preferential shares	600,000	**m**
	Of which share premium on non -cumulative preferential shares	600,000	**n**
	Of which par value of cumulative preferential shares	1,340	**o**
	Of which share premium on cumulative preferential shares	0	
PO.XVI	Own shares	0	
	Of which acquired own shares, except for cumulative preferential shares	0	
	Of which acquired own cumulative preferential shares	0	
PO.XVII	Profit	**2,128,591**	
	Of which retained earnings from previous years		
	Of which profit of the current year	2,128,591	
PO.XVIII	Loss	0	**p**
	Of which losses from previous years	0	
	Of which loss in the current year	0	
PO.XIX	Reserves	**5,189,146**	
	Of which reserves from profit which represent element of core capital	*5,113,022*	**q**
	Of which other positive consolidated reserves	*0*	
	Of which other negative consolidated reserves	*0*	
	Of which other net negative revaluation reserves	*-22,930*	
	Of which gains on bank liabilities measured at fair value due to the change in bank's credit rating	0	
	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	99,054	**d**
PO.XX	Unrealised losses	**-1,154,754**	**r**

	Of which unrealised losses based on securities available for sale	-1,154,754	
PO.XXI	Non-controlling participation	0	
	Of which minority participation in subordinated companies	0	
PO.XXII	**TOTAL CAPITAL**	**24,525,652**	
PO.XXIII	**TOTAL CAPITAL SHORTFALL**		
PO.XXIV	**TOTAL LIABILITIES**	**127,730,381**	
В.П.	**OFF-BALANCE SHEET ITEMS**		
В.П.А.	Off-balance sheet assets	162,147,014	
	Of which amount of shares received in pledge, except for cumulative preferential shares	*0*	
	Of which amount of cumulative preferential shares received in pledge	0	
В.П.П.	Off-balance sheet liabilities	162,147,014	

Matching items in the decomposed balance sheet and items in PI–KAP Form

No	Item	Amount	Data source in accordance with references from step 2
	Common Equity Tier 1: elements		
1	CET1 capital instruments and the related share premium accounts	**17,161,329**	
1.1.	*of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA*	9,887,600	**a**
1.2.	*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*	7,273,729	**b**
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	**c**
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	**g**
4	Revaluation reserves and other unrealised losses	99,054	**d**

5	Reserves from profit and other bank reserves, except for reserves for general banking risks	5,113,022	**q**
6	Reserves for general banking risks	0	**e**
7	Non-controlling participations (minority interests) allowed in CET1**	0	**f**
8	**Common Equity Tier 1 capital before regulatory adjustments and deductibles (sum of rows from 1 to 7)**	**22,373,405**	
	Common Equity Tier 1 capital: regulatory adjustments and deductibles		
9	Additional value adjustments (-)	13,905	
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	1,619,806	**z**
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)	53,076	**i**
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	**j**
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 bank has a significant investment in those entities (-)	0	**k**
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.	*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 (-)*	0	**l**
21.2.	*of which: securitisation positions (-)*	0	
21.3.	*of which: free deliveries (-)*	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	0	

	requirements referred to in Section 14, paragraph 1 of the DCA are met (-)		
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.	*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*	0	
23.2.	*of which: Deferred tax assets arising from temporary differences*	0	
24	Losses for the current and previous years, and unrealised losses (-)	369,356	**r**
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.	42,984	
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.	0	
29	**Total regulatory adjustments and deductibles from CET1 capital (sum of rows from 9 to 28)**	-2,099,127	
30	**Common Equity Tier 1 capital (difference between 8 and 29)**	**20,274,278**	
	Additional Tier 1 capital: elements		
30	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	**(m+n)**
31	Capital instruments issued by subsidiaries, which are recognised as Additional Tier 1 capital**	0	
32	**Additional Tier 1 capital before deductibles (30+31)**	**1,200,000**	
	Additional Tier 1 capital: deductibles		
33	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	
34	Direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities with	0	

	which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)		
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	
36	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	
37	Amount of items required to be deducted from Tier 2 items that exceed the Tier 2 capital of the bank (-)	0	
38	**Total deductibles from Additional Tier 1 capital (sum of rows from 33 to 37)**	0	
39	**Additional Tier 1 capital (difference between 32 and 38)**	**1,200,000**	
40	**Tier 1 capital (sum of rows 30 and 39)**	**21,474,278**	
	Tier 2: elements		
41	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	**o + h**
42	Capital instruments issued by subsidiaries, which are recognised as Tier 2 capital**	0	
43	Credit risk adjustments that meet the requirements for the inclusion in Tier 2 capital	0	
44	**Tier 2 capital before deductibles (sum of rows from 41 to 43)**	**1,340**	
	Tier 2 capital: deductibles		
45	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	
46	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	
47	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	
48	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	
49	**Total deductibles from Tier 2 capital (sum of rows from 45 to 48)**	0	
50	**Tier 2 capital (difference between 44 and 49)**	**1,340**	
51	**Total capital (sum of rows 40 and 50)**	**21,475,618**	

The National Bank of Serbia on 29.06.2022. adopted the Decision on a temporary measure related to the calculation of the bank's capital. The decision prescribes a measure in accordance with which the bank can exclude from the calculation of the common equity capital the amount of the temporary regulatory adjustment, i.e. the amount of unrealized losses/gains based on the change in the value of debt instruments that are valued at fair value through other results in accordance with IFRS 9 to which a reduction factor of 0.70 was applied.

Capital structure of the Bank as of December 31st 2023 (amounts in 000 RSD)

No	Item	Amount
1	**CAPITAL**	**21,475,618**
1.1	***TIER 1 CAPITAL***	**21,474,278**
1.1.1	**Common Equity Tier 1 Capital**	**20,274,278**
1.1.1.1	***Capital instruments eligible as CET1 Capital and share premium***	**17,161,329**
1.1.1.1.1	Paid-up amount of CET1 instruments	9,887,600
1.1.1.1.3	Share premium with CET1 Capital instruments	7,273,729
1.1.1.2	***Profit***	***0***
1.1.1.2.2.1	*Note: Earlier period profit not eligible for inclusion in CET1 Capital*	0
1.1.1.2.2.2	*Note: Current period profit not eligible for inclusion in CET1 Capital*	2,128,591
1.1.1.3	***(-) Loss***	-
1.1.1.4	***Revaluation reserves and other unrealized gains/losses***	**-270,302**
1.1.1.4.1	*Revaluation reserves and other unrealized gains/losses*	*99,054*
1.1.1.4.2	(-) Unrealised losses	-369,356
1.1.1.5	***Reserves from profit, other reserves and reserves for general banking risks***	**5,113,022**
1.1.1.5.1	*Reserves from profit*	5,113,022
1.1.1.6	***Non-controlling interests (minority interest) given recognition in CET1 Capital***	*0*
1.1.1.7	***(+/-) Adjustments to CET1 due to prudential filters***	**-13,905**
1.1.1.7.5	***(+/-) Additional adjustments to CET1***	13,905
1.1.1.9	***(-) Other intangible assets net of associated deferred tax liabilities***	**-1,619,806**
1.1.1.9.1	*(-) Other intangible assets net of associated deferred tax liabilities*	-1,619,806
1.1.1.10	***(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated deferred tax liabilities***	-53,076
1.1.1.25	***(-) Gross amount of receivables from the borrower – natural person (other than an agriculturer producer 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.***	-42,984
1.1.1.26	***(-) Gross amount of receivables from the borrower – natural person (other than an agriculturer producer or an entrepreneur) arising from extended consumer, cash or other loans, other than the loans disclosed under item 1.1.1.25 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***	***0***
1.1.2	**Additional Tier 1 Capital**	**1,200,000**
1.1.2.1	***Capital instruments eligible as AT1 Capital and share premium***	***1,200,000***
1.1.2.1.1	Paid-up amount of AT1 instruments	600,000
1.1.2.1.1.1	Of which: Paid in share capital which fulfilled the conditions for inclusion in the tier 1 capital of the bank till 30/6/2017. and which the bank can include into additional tier 1 capital till 31/12/2022. in line with provisional articles of the Decision on capital Adequacy by Banks	600,000
1.1.2.1.3	Share premium with AT1 Capital instruments	600,000
1.2	***TIER 2 CAPITAL***	***1,340***
1.2.1	**Capital instruments and subordinated loans eligible as T2 Capital and share premium**	**1,340**

1.2.1.1	***Paid-up amount of T2 instruments***	***1,340***
1.2.1.1.1	Of which: paid-up preference cumulative shares and hybrid capital instruments eligible for inclusion in T2 Capital until 30/06/2017 and included by the bank in T2 Capital until 31/12/2022 in accordance with transitional provisions of the Decision on Capital Adequacy of Banks	**0**

3. CAPITAL ADEQUACY OF THE BANK

The Bank is obliged, due to ensuring stable and safe operations, and for the fulfillment of obligations to creditors, to maintain capital adequacy ratio at the prescribed level.

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

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.

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.

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)

In table below **- PI-AKB** 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 ratio.

Capital adequacy ratio as of December 31st 2023 was 26.98%.

Risk weighted asset as of December 31st 2023 amounts RSD 79,586,823 thousand:

No	Item	Amount
1	**RISK-WEIGHTED ASSETS**	**79,586,823**
1.1	***RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY AND DILUTION RISKS AND FREE DELIVERIES***	**71,543,289**
1.1.1	**Risk-weighted exposures - Standardised Approach**	**71,543,289**
1.1.1.1	***Exposure classes (excluding securitised positions)***	**71,543,289**
1.1.1.1.1	Sovereign and central bank exposure	0
1.1.1.1.2	Territorial autonomies and local government units	6,798
1.1.1.1.6	Banks	2,358,126
1.1.1.1.7	Companies	20,288,693
1.1.1.1.8	Retail	23,866,549
1.1.1.1.9	Secured by mortgages on immovable property	20,271,929
1.1.1.1.10	Exposures in default	1,364,034
1.1.1.1.15	Equity	14,738
1.1.1.1.16	Other items	3,372,422
1.2	***RISK WEIGHTED ASSETS FOR EXPOSURE TO SETTLEMENT / DELIVERY RISK (EXCEPT FREE DELIVERIES)***	**0**
1.2.1	Exposure to settlement / delivery risk from positions in the banking book	0
1.2.2	Exposure to settlement / delivery risk from positions in the trading book	0
1.3	***RISK EXPOSURE AMOUNT FOR MARKET RISKS***	**824,896**
1.3.1	Exposure to foreign exchange risk	824,896
1.4	***RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK***	**7,218,638**
1.4.1	Basic indicator approach	7,218,638
1.5	***RISK EXPOSURE AMOUNT FOR CVA RISK***	**0**

PI-AKB Form (amounts in 000 RSD):

No	Name	Amount
I	**CAPITAL**	**21,475,618**
1.	**TOTAL COMMON EQUITY TIER 1 CAPITAL**	**20,274,278**
2.	**TOTAL ADDITIONAL TIER 1 CAPITAL**	**1,200,000**
3.	**TOTAL TIER 2 CAPITAL**	**1,340**
II	**CAPITAL REQUIREMENTS**	**6,366,946**
1.	**CAPITAL REQUIREMENT FOR CREDIT RISK, COUNTERPARTY RISK, DILUTION RISK AND SETTLEMENT/DELIVERY RISK TO FREE DELIVERIES**	**5,723,463**
1.1.	**Standardised Approach (SA)**	**5,723,463**
1.1.1.	*Exposures to central governments and central banks*	0
1.1.2.	*Exposures to territorial autonomies or local government units*	544
1.1.3.	*Exposures to public administrative bodies*	0
1.1.4.	*Exposures to multilateral development banks*	0
1.1.5.	*Exposures to international organisations*	0
1.1.6.	*Exposures to banks*	188,650
1.1.7.	*Exposures to companies*	1,623,095
1.1.8.	*Retail exposures*	1,909,324
1.1.9.	*Exposures secured by mortgages on immovable property*	1,621,754
1.1.10.	*Exposures in default*	109,123
1.1.11.	*Exposures associated with particularly high risk*	*0*
1.1.12.	*Exposures in the form of covered bonds*	*0*
1.1.13.	*Exposures in the form of securitisation positions*	*0*
1.1.14.	*Exposures to banks and companies with a short-term credit assessment*	*0*
1.1.15.	*Exposures in the form of units in open-ended investment funds*	*0*
1.1.16.	*Equity exposures*	1,179
1.1.17.	*Other items*	269,794
1.2.	Internal Ratings Based Approach (IRB)	*0*

1.2.1.	*Exposures to central governments and central banks*	*0*
1.2.2.	*Exposures to banks*	*0*
1.2.3.	*Exposures to companies*	*0*
1.2.4.	*Retail exposures*	*0*
1.2.4.1.	*of which: Exposures secured by mortgages on immovable property*	*0*
1.2.4.2.	*of which: Qualifying revolving retail exposures*	*0*
1.2.4.3.	*of which: Exposures to small and medium-sized enterprises classified as retail exposures*	*0*
1.2.5.	*Equity exposures*	*0*
1.2.5.1.	*Approach applied:*	*0*
1.2.5.1.1.	*Simple Risk-Weight Approach*	*0*
1.2.5.1.2.	*PD/LGD Approach*	*0*
1.2.5.1.3.	*Internal models approach*	*0*
1.2.5.2.	*Types of equity exposures*	*0*
1.2.5.2.1.	*Exchange traded equity exposure*	*0*
1.2.5.2.2.	*Non-exchange traded equity exposures in sufficiently diversified portfolios*	*0*
1.2.5.2.3.	*Other equity exposures*	*0*
1.2.5.2.4.	*Equity exposures to which a bank applies the Standardised Approach*	*0*
1.2.6.	*Exposures in the form of securitisation positions*	*0*
1.2.7.	*Exposures arising from other assets*	*0*
2	**CAPITAL REQUIREMENT FOR SETTLEMENT/DELIVERY RISK IN RESPECT OF UNSETTLED TRANSACTIONS**	***0***
3	**CAPITAL REQUIREMENT FOR MARKET RISKS**	**65,992**
3.1.	Capital requirements for position, foreign exchange risk and commodities risk calculated under the Standardised Approach	*0*
3.1.1.	*Capital requirement for position risk of debt securities*	*0*
	of which capital requirement for position risk in respect of securitisation items	*0*

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3.1.2.	*Capital requirements for position risk arising from equity securities*	*0*
3.1.3.	*Additional capital requirement for large exposures from the trading book*	*0*
3.1.4.	*Capital requirement for foreign exchange risk*	65,992
3.1.5.	*Capital requirement for commodities risk*	*0*
3.2.	Capital requirements for position, foreign exchange and commodities risk calculated under the internal models approach	*0*
4	**CAPITAL REQUIREMENTS FOR OPERATIONAL RISK**	**577,491**
4.1.	Capital requirement for operational risk calculated under the Basic Indicator Approach	577,491
4.2.	Capital requirement for operational risk calculated under the Standardised Approach/Alternative Standardised Approach	*0*
4.3.	Capital requirement for operational risk calculated under the Advanced Approach	*0*
III	**COMMON EQUITY TIER 1 CAPITAL RATIO (%)**	**25.47%**
IV	**TIER 1 CAPITAL RATIO (%)**	**26.98%**
V	**TOTAL CAPITAL RATIO (%)**	**26.98%**

Below is an overview of the Retail exposures:

Retail Exposures	Capital Requirement (in 000 RSD)
Exposures secured by mortgages	256,084
Exposures to SMEs classify as retail exposures	887,979
Total retail exposures	1,909,324

4. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

4.1 Description of internal capital adequacy assessment process (ICAAP)

The internal capital adequacy assessment process (ICAAP) is carried out in accordance with the NBS Decision on Risk Management by Banks, internal documents adopted by the Bank's Board of Directors (Risk Management Strategy, Strategy and Capital Management Plan, Individual Risk Policies) and the Internal Capital Adequacy Assessment Methodology adopted by the Bank Executive Board of the Bank. The objective of the Internal Capital Adequacy Assessment (ICAAP) process is to strengthen the relationship between the Bank's risk profile, risk management and own funds, to provide sufficient capital for current and future activities and to cover all materially significant risks to which the Bank is exposed.

The ICAAP is a comprehensive process, which includes:

- Determination of materially significant risks

- Calculating basic internal capital requirements for individual risks
- Calculating the effects of stress tests for individual risks
- Determination of total internal capital requirements and available internal capital
- Comparison of the following elements:
    - The capital calculated in accordance with the decision regulating the capital adequacy of the Bank and the available internal capital
    - Minimum capital requirements calculated in accordance with the decision regulating the capital adequacy of the bank and internal capital requirements for individual risks and
    - Collection of minimum requirements calculated in accordance with the decision regulating the adequacy of the Bank's capital and total internal capital requirements.

ICAAP is embedded in the Bank's management and decision-making system, which means that the results of its assessments are used in the process of making business decisions and decisions related to risk management, as well as in the process of establishing a system of limits.

ICAAP's results are used in the preparation of projections by risk of weighted assets, capital and capital adequacy indicators that are included in the Bank's Business Policy and Strategy, which are considered at the meeting of the Assets and Liabilities Management Committee, at the session of Executive Board and at the session of the Board of Directors of the Bank. These results can be a sign of warnings about the amount of capital and the indicators of capital adequacy. This warning sign should initiate activities that should stop a further decline in capital adequacy, as an indicator of capital adequacy would not exceed the limit defined for activating the Bank's Recovery Plan.

4.2 Determining materiality of risks

By analyzing the Bank's risk profile, the risks identified by the Bank in its operations have been identified. Risks have been identified through internal processes and defined and described in risk measurement methodologies and through specific documents.

The Bank determines the material significant risks on the basis of the Risk Catalog, which includes an analysis of all identified risks that the Bank is exposed to or may be exposed to in its operations. Material significant risks are those that have a significant impact on the Bank's operations, ie they can significantly affect the Bank's financial result or equity. The details of the risk materiality identification process relies on a methodology for assessing the material significance of risks that the bank is exposed to in its operations.

The following list presents the risks identified and identified as significant / less significant, along with their quantitative or qualitative treatment in the ICAAP process. Ranking uses the following levels of material significance:
1. Very high significance
2. High significance
3. Average significance
4. No material significance

The following risks are defined as risks of very high importance:

- Risk of external factors
- Reputational risk
- Strategic risk

The following risks are defined as risks of high importance:

- Credit risk
- Credit risk - concentration risk
- Operational risk, including legal risk

The following risks are defined as risks of an average significance:

- Credit risk - credit currency risk
- Credit risk - residual risk
- Credit risk induced by interest rate risk
- Currency risk
- Interest rate risk
- Liquidity risk
- Country risk

Other risks are assessed as risks that are not material for the Bank.

4.3 Calculation of capital requirements for materially significant risks

The table below describes the methodologies used in the process of calculating internal capital requirements. Total internal capital requirements are obtained as a sum of basic internal capital requirements (including possible underestimation of regulatory capital requirements) and the effects of stress tests on internal capital requirements.

Risk Type	Short definition	Short description of methodology for basic internal capital requirements	Short description of stress-testing methodology
Credit Risk	Credit risk of the possibility of adverse effects on the financial result and the Bank's capital due to non-performance of the debtor's obligations towards the Bank	The Bank performs an analysis of the potential overestimation / underestimation of regulatory capital requirements by applying a specific approach for calculating the credit risk of weighted assets and comparing capital requirements received in this way with regulatory capital requirements using a standardized approach.	Based on the migration analysis in portfolio movements the Bank forecasts the change of the future portfolio structure in terms of quality and losses that may occur in that respect.
Credit Risk – Concentration Risk	Concentration risk is a risk which arises, directly or indirectly, from the Bank’s exposure to the same or similar source of risk or the same or similar type of risk, such as exposures to one person or a group of related persons, exposure to the persons related to the Bank, economic sectors,	For the purpose of assessing the internal capital to cover the risk of concentration, individual capital requirements are calculated relating to: - large exposures and - economic sectors. The Bank first identifies clients/sectors where the individual HHI index is	During the stress test, the Bank first identifies clients/sectors where the individual HHI index is higher than the calculated HHI index, so for those clients the Bank calculates internal capital requirements by increasing the regulatory capital adequacy

Risk Type	Short definition	Short description of methodology for basic internal capital requirements	Short description of stress-testing methodology
	geographical areas, types of products and activities, hedging instruments, financial instruments, etc	higher than the calculated HHI index, so for those clients the Bank calculates internal capital requirements by increasing the regulatory capital adequacy indicator by 0.05 p.p.	indicator by 0.1 p.p.
Credit Risk – Credit-currency risk	Credit - currency risk is a risk arising from the impact that changes in the dinar exchange rate have on the creditworthiness of the borrower.	By regression analysis, the bank determines and analyzes the dependence of the change in the NPL by individual currencies from the movement of foreign exchange rates. If the determined model of the dependence of the change of the NPL on the change of the exchange rate fulfills all the statistical preconditions, the bank projects the expected change in the NPL portfolio as a result of the expected changes in the trends in foreign exchange rates.	By regression analysis, the bank determines and analyzes the dependence of the change in the NPL by individual currencies from the movement of foreign exchange rates. If the determined model of the dependence of the change of the NPL on the change of the exchange rate fulfills all the statistical preconditions, the bank projects the stressed change in the NPL portfolio as a result of the expected changes in the trends in foreign exchange rates.
Credit Risk – residual risk	Residual risk is the possibility of occurrence of adverse effects on financial result and capital of the Bank due to the fact that credit risk mitigation techniques are less efficient than anticipated or their implementation does not have sufficient influence on reduction of risks to which the Bank is exposed.	The Bank applies factors of impairment of the value of mortgaged real estate and in this way identifies possible changes in the amount of risk weighted assets for the portfolio secured to residential and commercial real estate.	The Bank applies stressed factors of impairment of the value of mortgaged real estate and in this way identifies possible changes in the amount of risk weighted assets for the portfolio secured to residential and commercial real estate.
Credit risk induced by interest rate risk	Credit risk induced by interest rate risk is the risk of a loss due to changes in referential interest rates with which the loan repayment is linked which can impact client's ability to repay those loans.	By regression analysis, the bank determines and analyzes the dependence of the change in NPLs on certain types of reference interest rates from the movement of these reference interest rates. If a strong positive correlation is established, the bank projects the expected change in the NPL portfolio as a result of the expected changes in the reference interest rate trends used to assess interest rate risk.	By regression analysis, the bank determines and analyzes the dependence of the change in NPLs on certain types of reference interest rates from the movement of these reference interest rates. If a strong positive correlation is established, the bank projects the sterssed change in the NPL portfolio as a result of the expected changes in the reference interest rate trends used to

Risk Type	Short definition	Short description of methodology for basic internal capital requirements	Short description of stress-testing methodology
			assess interest rate risk.
Risk of external factors	The risk of losses due to the influences of external factors, and in particular changes in the business and macroeconomic environment, is the risk that results in the increase of portfolio of problem exposures	By regression analysis, the Bank determines the possible impact of changing basic macroeconomic indicators on the default rates in portfolios of natural and legal persons. If the established model of dependence of the change in the default rate on the change of key macroeconomic indicators meets all statistical preconditions, the Bank includes the expected changes in macroeconomic factors in the design of expected losses on that basis.	By regression analysis, the Bank determines the possible impact of changing basic macroeconomic indicators on the default rates in portfolios of natural and legal persons. If the established model of dependence of the change in the default rate on the change of key macroeconomic indicators meets all statistical preconditions, the Bank includes the stressed changes in macroeconomic factors in the design of expected losses on that basis.
Currency risk	Currency risk is the risk of negative effects on financial result and capital of the Bank due to changes in exchange rates, and the Bank is exposed based on the items carried in the banking book and the trading book.	For the purposes of the internal assessment of capital adequacy, the capital requirement for foreign exchange risk is calculated by multiplying the average annual net open foreign exchange position and net open gold position by the rate capital adequacy prescribed by the NBS. In order to calculate the basic internal capital requirement for foreign exchange risk The bank will increase the average annual open foreign exchange positions in EUR, USD and CHF by the percentage obtained as an estimate of the exchange rate change of these currencies in a 365-day step in the data series exchange rates for the last ten years with a probability of 95% that the actual exchange rate changes in those 365 days will not be higher than estimated. Other currencies will be increased by the	In the stress test for foreign exchange risk, the Bank will average annual open foreign exchange positions in EUR, USD and CHF increase by an additional percentage (compared to the one assessed within the ICAAP process) that represents the drop in the dinar exchange rate due to the deteriorating economic situation in the country.

Risk Type	Short definition	Short description of methodology for basic internal capital requirements	Short description of stress-testing methodology
		percentage of the growth of the EUR, USD or CHF exchange rate in depending on which of these percentages is the highest.	
Interest Rate Risk	Interest rate risk is the risk of negative effects on the financial result and capital of the Bank caused by the banking book positions due to adverse changes in interest rates.	The effect of interest rate changes on the Bank's economic value is estimated by applying a standard interest rate shock of + or -200 basis points (bp). Depending on which scenario has an unfavorable impact on capital, we opt for that one. The internal capital requirement for interest rate risk is equal to the total net weighted position of the Bank in absolute terms. amount, that is, the total effect of interest rate changes on the economic value of capital.	As part of the interest rate risk stress test, the effect of interest rate changes on the Bank's economic value is assessed by applying an interest rate shock of + or -300 basis points (bp). Depending on which scenario has an unfavorable impact on capital, we opt for that one. The internal capital requirement for interest rate risk is equal to the total net weighted position of the Bank in absolute terms amount, that is, the total effect of interest rate changes on the economic value of capital.
Liquidity Risk	Liquidity risk is the risk of negative effects on the Bank's financial result and capital caused by the Bank's inability to meet its due obligations.	Liquidity risk is assessed by analyzing the liquidity indicators, but is not included in the calculation of internal capital requirements, since this risk is assessed as capital insensitive.	Liquidity risk is assessed by stressing the liquidity indicators, but is not included in the calculation of internal capital requirements, since this risk is assessed as capital insensitive.
Operational Risk	Operational risk is the risk of negative effects on the Bank's financial result and capital caused by involuntary and deliberate employee errors, inadequate internal procedures and processes, inadequate management of the information system and other systems in the Bank, as well as by unforeseeable external events.	The Bank conducts an analysis of the potential overestimation / underestimation of regulatory capital requirements using a loss-based operating risk basis which serves to calculate the expected loss through the VaR methodology with a confidence threshold of 95%. Subsequently, a comparison of the capital requirements obtained in this way with the regulatory capital requirements is made using the access of the basic indicator.	The Bank conducts an analysis using a loss-based operating risk basis which serves to calculate the stressed loss through the VaR methodology with a confidence threshold of 99%.

Risk Type	Short definition	Short description of methodology for basic internal capital requirements	Short description of stress-testing methodology
Legal Risk	Legal risk is defined as the possibility of occurrence of losses due to penalties and sanctions arising from court disputes arising from non-fulfillment of contractual and legal obligations (where the bank is a passive / respondent party), as well as due to penalties and sanctions imposed by the regulatory body.	Internal capital requirements for legal risk coverage are calculated is equal to the value of litigation against the Bank less the value of provisions on that basis, on the calculation date.	The Bank does not calculate the effect of stress to cover legal risk, as it regularly, on a quarterly basis, assesses the probability of negative outcomes of litigation and makes provisions when there is a probability of negative outcome greater than 50% and when the liability can be measured reliably enough.
Strategic Risk	Strategic risk is the possibility of adverse effects on the financial result and the Bank's capital due to the lack of appropriate business policy and strategy, their inadequate implementation, as well as due to changes in the environment in which the Bank operates or absence of adequate reactions of the Bank to these changes.	Internal capital requirements for this risk are not calculated, since it belongs to risks that are difficult to quantify, but for such risks, 1.5% is applied to the sum of all other basic internal capital requirements	Internal capital requirements for this risk are not calculated, since it belongs to risks that are difficult to quantify, but for such risks, 1.5% is applied to the sum of all other stressed internal capital requirements
Reputational Risk	Reputational risk is the risk of negative effects on the financial result and capital of the Bank arising from the loss of confidence by public and/or bad public attitude to the Bank's business, irrespective of whether there are grounds for that or not.	Internal capital requirements for this risk are not counted as it is one of the risks that can hardly be quantified, but it is applied to 1.5% of all other basic internal capital requirements.	Internal capital requirements for this risk are not counted as it is one of the risks that can hardly be quantified, but it is applied to 1.5% of all other stressed internal capital requirements.
Country Risk	Country risk is the risk related to the country of origin of the debtor to which the Bank is exposed, i.e. the risk of possible negative effects on the financial result and capital of the Bank due to the Bank's inability to collect receivables from debtors due to political, economic and social circumstances in the country origin of the debtor.	The bank has developed a methodology according to which it calculates the expected loss for exposures to non-residents in the case of payments suspension, according to the rating of each country, and according to the methodology of the rating agency Moody's.	The bank has developed a methodology according to which it calculates the stressed expected loss for exposures to non-residents in the case of payments suspension, according to the rating of each country, and according to the methodology of the rating agency Moody's.

5 DATA AND INFORMATION RELATED TO CAPITAL BUFFERS

In accordance with the valid decision of the National Bank of Serbia on capital adequacy by banks, the Bank calculates a specific rate of countercyclical capital buffer calculated as the weighted average rate of the countercyclical capital buffer for the Republic of Serbia and other countries where the bank has relevant credit exposure.

The geographical distribution of exposures significant for the calculation of the countercyclical capital buffer is presented in the following table on the **PI-GR** form (amounts in 000 RSD):

No		General credit exposures		Trading book exposure		Securatisation exposure		Kapitalni zahtevi				Capital requirement weights	Countercyclical capital buffer rate
		Exposure for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposured value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposured	Of which: Securatisation exposures	Total		
		1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1.	**Breakdown by country**												
1.1	**Republic of Serbia**	236,079,515	0	0	0	0	0	5,063,341	0	0	5,063,341	91.49%	0.000%
1.2	**Republic of North Macedonia**	3,756,499	0	0	0	0	0	220,542	0	0	220,542	3.99%	0.750%
1.3	**Türkiye**	2,855,824	0	0	0	0	0	227,287	0	0	227,287	4.11%	0.000%
1.4	**Romania**	212,003	0	0	0	0	0	16,961	0	0	16,961	0.31%	1.000%
1.5	**United States of America**	92,978	0	0	0	0	0	5,568	0	0	5,568	0.10%	0.000%
1.6	**Switzerland**	11,059	0	0	0	0	0	310	0	0	310	0.01%	0.000%
1.7	**Montenegro**	3,799	0	0	0	0	0	132	0	0	132	0.00%	0.000%
1.8	**Croatia**	2,871	0	0	0	0	0	78	0	0	78	0.00%	1.000%
1.9	**Greece**	710	0	0	0	0	0	3	0	0	3	0.00%	0.000%
1.10	**Hungary**	242	0	0	0	0	0	29	0	0	29	0.00%	0.000%
1.11	**Czech Republic**	69	0	0	0	0	0	7	0	0	7	0.00%	2.000%
1.12	**Russian Federation**	35	0	0	0	0	0	2	0	0	2	0.00%	0.000%
1.13	**Great Britain**	19	0	0	0	0	0	2	0	0	2	0.00%	2.000%
1.14	**Slovenia**	17	0	0	0	0	0	2	0	0	2	0.00%	0.500%
1.15	**Cuba**	12	0	0	0	0	0	1	0	0	1	0.00%	0.000%
1.16	**British Virgin Islands**	10	0	0	0	0	0	1	0	0	1	0.00%	0.000%
1.17	**Sweden**	7	0	0	0	0	0	1	0	0	1	0.00%	0.000%
1.18	**Slovakia**	7	0	0	0	0	0	1	0	0	1	0.00%	1.500%
1.19	**Bulgaria**	6	0	0	0	0	0	1	0	0	1	0.00%	2.000%
1.20	**India**	5	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.21	**Bosnia and Herzegovina**	3	0	0	0	0	0	0	0	0	0	0.00%	0.000%

1.22	**Germany**	2	0	0	0	0	0	0	0	0	0	0.00%	0.750%
1.23	**Banglades**	2	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.24	**Belarus**	2	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.25	**Austria**	1	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.26	**Italy**	1	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.27	**Ukraine**	1	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.28	**Australia**	1	0	0	0	0	0	0	0	0	0	0.00%	1.000%
1.29	**China**	1	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.30	**Tunisia**	1	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.31	**United Arab Emirates**	1	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.32	**Spain**	1	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.33	**France**	1	0	0	0	0	0	0	0	0	0	0.00%	1.000%
2.	**Ukupno**	**243,015,701**	**0**	**0**	**0**	**0**	**0**	**5,534,269**	**0**	**0**	**5,534,269**	**100.00%**	

* The table shows the relevant credit exposure significant for the calculation of the countercyclical capital buffer in accordance with point 443, paragraph 3 of the Decision on the capital adequacy of the bank

The total amount of the countercyclical capital buffer is presented in the following table on the **PI-KZS form** (amounts in 000 RSD):

Countercyclical capital buffer:		**Amount RSD (in 000 RSD)**
1.	Total risk exposure amount	**5,534,269**
2.	Specific countercyclical capital buffer rate	**0.00%**
3.	Specific countercyclical capital buffer requirement	**0**

6 RISK EXPOSURES AND APPROACHES FOR MEASUREMENT AND ASSESSMENT

6.1 Credit risk

Credit risk of the possibility of adverse effects on the financial result and the Bank's capital due to non-performance of the debtor's obligations towards the Bank. The effects of this risk, the Bank measures by the amount of costs incurred for failure to fulfill obligations.

Assessment of credit risk exposure is done in the Credit Division and Risk Management Department.

Credit Division controls and monitors credit risk at the level of individual borrowers, through the assessment of the creditworthiness of clients and the quality of collateral.

Identification, control and monitoring of credit risk at the portfolio level is carried out in the Risk Management Department through the development and analysis of the report on the Bank's portfolio, the classification of balance sheet assets and off-balance sheet items, calculation of impairment of values and provisions, quality control of balance assets and off-balance sheet items.

Table 1. The distribution of exposures according to classification categories and sectors

In 000 RSD

Classification category	A	B	V	G	D	Ukupno
1. Retail Exposures	**11,342,857**	**4,093,807**	**3,499,793**	**1,693,659**	**2,306,541**	**22,936,658**
1.1 Housing Loans	4,790,578	1,812,841	965,495	809,374	861,229	**9,239,518**
1.2 Consumer and Cash Loans	5,908,798	2,189,645	2,448,463	851,972	1,378,132	**12,777,010**
1.3 Overdrafts and Credit Cards	643,087	91,308	85,824	32,313	36,097	**888,629**
1.4 Other Retail Exposures	394	13	10	0	31,084	**31,501**
2. Corporate Exposures	**41,449,542**	**42,030,370**	**17,920,548**	**3,213,670**	**1,036,861**	**105,650,990**
2.1 Large Enterprises	7,048,998	9,263,575	4,381,968	391,493	25,047	**21,111,080**
2.2 Small and Medium Enterprises	22,102,853	27,095,767	10,613,206	2,442,576	563,245	**62,817,647**
2.3 Micro Enterprises and Entrepreneurs	9,708,185	4,998,811	2,380,572	375,163	426,992	**17,889,722**
2.4 Agriculture Producers	2,562,102	17,307	2,618	4,417	21,577	**2,608,021**
2.5 Public Enterprises	27,404	654,911	542,183	22	0	**1,224,519**
3. Other Clients	**5,784,170**	**29,291**	**3,718,429**	**310**	**92,172**	**9,624,372**
Total receivables	**58,576,569**	**46,153,468**	**25,138,769**	**4,907,639**	**3,435,574**	**138,212,019**

6.1.1 Overview of exposure per exposure class

All exposures in the banking book and trading book, except for exposures in the calculation of capital included as a deductible item from core capital, supplementary capital or the Bank's capital, Bank allocates to one of 17 classes of exposure, in accordance with the valid Decision of the National Bank of Serbia regulating Capital adequacy of banks.

Below is an overview of the bank's exposure by exposure classes:

Table 2. Overview of bank exposures by classes of exposure and average exposure during the period

In 000 RSD

Class of exposure	Balance sheet exposure	Average balance sheet exposure	Off-balance exposure	Average off-balance exposure
Exposure to central governments and central banks	37,564,697	35,810,543	58,814	105,249
Exposure to territorial autonomies and local self-government	6,816	9,217	55	55
Exposure to banks	4,906,076	3,898,095	3,078,916	3,010,728
Exposures to companies	16,090,296	15,567,271	26,865,360	23,017,970
Exposure to retail	32,533,516	29,445,266	12,953,587	11,234,869
Exposure to mortgages	26,056,923	25,183,030	7,603,929	6,710,321
Defaulted exposures	1,982,315	1,843,600	10,004,249	9,977,856
Ownership investment exposures	16,214	16,513	0	0
Other exposures	10,209,080	9,994,920	98,700,236	96,216,095
Total:	**129,365,932**	**121,768,454**	**159,265,145**	**150,273,144**

Table 3. Overview of the distribution of exposures by remaining maturity, by class of exposure

Classes of Exposure	Maturity					
	up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	over 5 years
Exposure to central governments and central banks	23,535,843	27,216	28,390	177,610	7,991,985	5,862,467
Exposure to territorial autonomies and local self-government	0	0	0	1968	4,902	0
Exposure to banks	5,111,465	0	1,010,716	251,702	1,611,108	0
Exposures to companies	4,039,724	4,233,853	6,838,367	13,687,998	13,035,587	1,120,128
Exposure to retail	3,596,183	2,003,910	3,274,562	7,809,412	23,691,669	5,111,368
Exposure to mortgages	747,887	351,660	1,243,616	1,855,835	11,466,346	17,995,506
Defaulted exposures	10,654,585	56,938	85,321	116,985	781,252	291,482
Ownership investment exposures	16,214	0	0	0	0	0
Other exposures	104,489,061	177,010	660,508	1,342,518	2,035,398	204,819
TOTAL	**152,190,962**	**6,850,588**	**13,141,481**	**25,244,029**	**60,618,247**	**30,585,770**

Table 4. Overview of the distribution exposure and allowances for impairment per region, status of impairment and days in delay

HALKBANK Beograd

In 000 RSD

Exposure to Credit Risk per Region, Status and Days in Delay	Unimpaired Exposures					Impaired Exposures					Total Gross Exposure	Accumulated Allowances		Total Net Exposure
	Not in delay	1 to 30 days in delay	31 to 60 days in delay	61 to 90 days in delay	over 90 days in delay	Not in delay	1 to 90 days in delay	91 to 180 days in delay	181 to 360 days in delay	over 360 days in delay		Individually Assessed	Collectively Assessed	
Per Sector														
1. Retail Exposures	**20,434,613**	**1,892,286**	**144,995**	**39,028**	**0**	**49,329**	**31,082**	**33,551**	**58,439**	**253,334**	**22,936,658**	**53,163**	**251,124**	**22,632,371**
Belgrade Region	7,031,068	367,196	59,361	8,760	0	20,653	10,445	9,090	15,813	123,127	**7,645,514**	6,975	104,148	**7,534,391**
Vojvodina Region	2,285,692	187,653	14,290	800	0	207	7,445	1,858	4,235	31,634	**2,533,815**	3,420	27,258	**2,503,137**
Šumadija and Western Serbia	7,866,150	978,642	42,772	18,494	0	24,822	9,231	16,103	20,162	76,413	**9,052,787**	32,842	82,405	**8,937,540**
South and Eastern Serbia	3,245,947	358,796	28,568	10,974	0	3,648	3,961	6,485	8,514	22,102	**3,688,996**	1,346	37,274	**3,650,375**
Foreign Exposures	5,756	0	3	0	0	0	0	14	9,715	58	**15,546**	8,580	39	**6,928**
2. Corporate Exposures	**102,953,047**	**1,436,802**	**35,212**	**4,347**	**0**	**151,169**	**120,477**	**169,292**	**205,521**	**575,123**	**105,650,989**	**535,275**	**339,480**	**104,776,234**
Belgrade Region	39,218,441	460,986	15,440	3	0	107,585	43,152	142,156	114,903	104,076	**40,206,742**	228,260	124,916	**39,853,566**
Vojvodina Region	18,614,059	147,646	4,365	3,599	0	1,198	0	6,790	39,515	52,201	**18,869,373**	41,456	53,492	**18,774,424**
Šumadija and Western Serbia	26,937,890	501,419	7,784	722	0	20,576	25,850	10,705	9,434	236,332	**27,750,712**	116,568	75,751	**27,558,393**
South and Eastern Serbia	11,378,771	326,750	7,623	23	0	21,811	51,476	9,641	41,669	182,514	**12,020,278**	148,991	39,214	**11,832,073**
Foreign Exposures	6,803,885	0	0	0	0	0	0	0	0	0	**6,803,885**	0	46,107	**6,757,778**
3. Other Clients	9,595,369	703	223	238	0	26,791	0	310	44	694	**9,624,372**	26,159	6,245	**9,591,969**
Per Category														
Performing	**132,716,168**	**3,154,070**	**86,712**	**7,811**	**0**	**0**	**0**	**0**	**0**	**0**	**135,964,761**	**0**	**267,576**	**135,697,185**
of which forborne	48,777	2,382	0	0	0	0	0	0	0	0	**51,158**	0	203	**50,956**
Non-Performing	**266,861**	**175,721**	**93,717**	**35,802**	**0**	**227,289**	**151,559**	**203,153**	**264,005**	**829,151**	**2,247,258**	**614,597**	**329,273**	**1,303,388**
of which forborne	0	0	0	0	0	143,477	82,828	123	0	117,849	**344,277**	76,030	19,288	**248,959**
Total Exposure	**132,983,029**	**3,329,791**	**180,429**	**43,613**	**0**	**227,289**	**151,559**	**203,153**	**264,005**	**829,151**	**138,212,019**	**614,597**	**596,849**	**137,000,574**

6.1.2 Chosen Rating Agencies

The Bank uses Moody's external credit rating as eligible rating agency for the purpose of direct allocation of credit risk weight to exposures towards foreign and domestic banks.

For exposures towards the banks which residual maturity is over three months and for which credit rating of selected rating agency exists, the Bank will assign the credit risk weight stated in the following table, according to the distribution of credit ratings into relevant level of credit quality.

Credit quality level	1	2	3	4	5	6
Credit risk weight	20%	50%	50%	100%	100%	150%

The Bank allocates to banks exposures with residual maturity over three months with no available credit rating of selected rating agency the credit risk weight of the country in which the bank-debtor has seat or 50% credit risk weight depending on which one is higher.

The Bank allocates to banks exposures with residual maturity below three months and with credit rating of selected rating agency the credit risk weight stated in the following table, according to the distribution of credit ratings into relevant level of credit quality:

Credit quality level	1	2	3	4	5	6
Credit risk weight	20%	20%	20%	50%	50%	150%

A bank shall assign risk weights to banks exposures in accordance with the following:

- when the short-term credit assessment by a chosen rating agency is not available, the bank shall specify the risk weight in accordance with paragraph 2 of this Section and shall apply it to all exposures to banks with the residual maturity of three months or less,
- when the short-term credit assessment by a chosen rating agency is available and corresponds to an equal or more favorable risk weight than the one specified in paragraph 2 of this Section, such risk weight may be applied only for exposures to which the credit assessment refers to, whereas for other exposures to banks with the residual maturity of three months or less the risk weight shall be specified in accordance with paragraph 2 of this Section;
- when the short-term credit assessment by a chosen rating agency is available and corresponds to a less favorable risk weight than the one specified in paragraph 2 of this Section, such credit assessment shall be applied to all exposures to banks with the residual maturity of three months or less for which a credit assessment by a nominated credit assessment institution is not available.

Exposures to banks for which a credit assessment by a nominated credit assessment institution is not available shall be assigned a risk weight listed in the table below, in accordance with the credit quality step of the central government of the jurisdiction in which the debtor bank is located:

Credit quality level	1	2	3	4	5	6
Credit risk weight	20%	50%	100%	100%	100%	150%

For exposures to banks headquartered in countries where the central government is unrated, the risk weight shall be 100%.

For exposures to banks with an original effective maturity of three months or less, for which the credit assessment by a chosen rating agency is not available, the risk weight shall be 20%.

Notwithstanding paragraphs 2 and 3 of this Section, a bank shall assign a risk weight of 50% to trade related exposures to banks for which credit assessment by a chosen rating agency is not available and which meet the conditions set out in Section 109, paragraph 4, item 2) of the valid Decision on capital adequacy by banks. Where the residual maturity of these trade finance exposures to unrated institutions is three months or less, the risk weight shall be 20%.

6.1.3 Definition of past due and defaulted receivables

Past due receivables are the receivables not collected when due (under principal, interest and fees, as well as interventions under guarantees and other types of sureties, unauthorized overdraft and other due clients obligations).

For the purpose of the calculation of capital requirement for credit risk by applying a standardized approach, all individual non-performing are assigned by the Bank to a class of defaulted receivables, in accordance with item 93 of the Decision on Capital Adequacy provided that:

- the bank considers that the obligor is unlikely to pay its credit obligations to the bank, the parent company or any of its subsidiaries in full, without taking into consideration the possibility of realizing credit protection instruments;
- the obligor is past due more than 90 days on any material obligation to the bank, the parent company or any of its subsidiaries.

Under the materially significant amount, the Bank considers amount of exposure in due in amount greater than the relative and absolute materiality thresholds. The absolute materiality threshold is equal to RSD 1,000 for debtors from the class of retail exposures and RSD 10,000 for other debtors. The relative materiality threshold is equal 1% of total balance sheet exposures of a bank. In other words, this means that only outstanding materially significant amounts are included in delayed receivables.

Default status can be identified even before arrears over 90 days, if other qualitative and quantitative, internally or externally obtained information on the debtor is identified that indicates the existence of Indications of unlikeliness to pay.

For these purposes, the Bank has defined a certain set of indicators that are applied depending on the type of debtor (legal entities, ie natural persons, including farmers and entrepreneurs).

The following indicators apply to all types of debtors:

1. The Bank has stopped recording interest income in the income statement on the basis of receivables from debtors due to the deterioration of the credit quality of receivables (suspension of interest).
2. Bank treats an exposure as credit-impaired under IFRS 9 – Financial Instruments and classifies it as Stage 3 in the manner defined by Methodology for the calculation of value adjustments and provisions according to IFRS 9,
3. Receivables from debtors are classified in the group of restructured problematic receivables (FBE/NPE) in line with the Procedure for Restructuring of loans,

4. Receivables from debtors are classified as problematic loans (NPL), in the manner defined by NBS Decision on classification of balance sheet assets and off-balance sheet items of the bank,
5. Receivables from debtors are classified as disputable (legal cases).
6. Receivables from debtors are written off and recorded on the off-balance sheet.

In addition, for the segment of legal entities, the Bank, due to the occurrence of the following circumstances, considers that default of the debtor has occurred:

1. The debtor accounts has been blocked for over 90 days. Exceptionally, this criterion does not apply to persons with whom the Bank subsequently agreed on the manner of settling liabilities.
2. The status of the debtor published on the APR website is Bankruptcy or Liquidation, or the debtor, according to the SSKR form, belongs to one of the following sectors: 92,93,94,95,96.
3. Baes on the financial statements, the debtor operates with a loss above the amount of capital, with inadequate cash flows and a decline in income of more than 50%, where this criterion does not apply to newly established entities (entities established in the previous two years).

For the segment of retail, the Bank considers that the status of default of the debtor has arisen in the case of a receivable from a deceased client, and liabilities on that receivable are settled with a current arrears of more than 30 days.

Defaulted status is determined on the client level for all exposures to the same debtor.

In the case of a natural person - entrepreneur, if the status of default occurs, either on the basis of obligations of this person that did not arise on the basis of performing activities, or on the basis of obligations of this person arising from performing activities - all obligations of that person will be considered exposures (cross default).

6.1.4 Basic approaches and methods used for calculation of impairment and provision for off-balance sheet losses

The Bank, at least on a quarterly basis, assesses the quality of receivables and calculates the adequate amount of expected credit loss.

IFRS 9 Standard which got into force as of January 1st 2018 introduced a concept of expected credit losses (ECL) requesting from the Bank to identify and recognize expected credit losses for all financial assets within the scope of the standard. In this respect the Bank calculates and recognizes impairment allowance in accordance with its methodology for financial instruments recognized at AC and all the financial assets measured at FVtOCI.

Impairment allowance for financial assets at FVtOCI and at AC is included in expenses within the income statement. However, the accumulated impairment allowance in the financial statements is not deducted from the fair value of assets but from the cumulative change in the fair value recorded within the other comprehensive income.

The calculated expected credit losses represent probability-weighted estimates of credit losses (the present value of all the differences between the contractual cash flows and the cash flows he Bank expects to receive) during the expected life of a financial instrument. Therefore, for financial assets, the credit loss is the present value of the difference between:

- the contractual cash flows belonging to the Bank under the relevant contract and
- the cash flows the Bank expects to receive,

while for commitments per undrawn loans, credit loss is the present value of the difference between:

- the contractual cash flows belonging to the Bank if the user draws down the loan funds and
- the cash flows the Bank expects to receive if the loan is drawn down.

The Bank classifies all financial assets measured at AC into the following three stages depending on the risk level, i.e., the expected credit loss, as follows:

- Stage 1 includes all new financial assets upon initial recognition except for purchased or originated creditimpaired (POCI) assets, and instruments without a significant increase in credit risk since initial recognition and low-risk financial assets;
- Stage 2 includes financial assets with a significant increase in credit risk since initial recognition, but without objective evidence of impairment based on the credit losses; and
- Stage 3 includes financial assets with objective evidence of impairment at the reporting date,
- Purchased or Originated Credit Impaired asset (POCI) as impaired upon initial recognition.

For the purposes of the analysis, the Bank identified a series of criteria used in the assessment for comparison to the status at initial recognition of financial instruments under IFRS 9. Identification of one or more of the listed triggers may indicate that three has been a significant increase in the credit risk, which will cause allocation of the asset to Stage 2, as follows:

- Corporate customer segment
    1) 30 days past due in continuity at the date of assessment;
    2) Account blockade of over 30 consecutive days;
    3) FBE PE status;
    4) Gearing ratio: total debt (long-term liabilities + short-term liabilities)/equity >1 and at the same time changes in the sales, i.e., decrease in revenue of over 30%;
    5) Gearing ratio: total debt (long-term liabilities + short-term liabilities)/equity >1 and at the same maturity mismatch (current assets – current liabilities) < 1 and inadequate cash flows (cash flows from operating activities – short-term financial liabilities) <1;

Criteria 4 and 5 are not considered for newly founded entities.

- Retail customer segment
    1) 30 days past due in continuity at the date of assessment;
    2) FBE PE status and
    3) Deceased clients.

FBE PE status designates forborne performing loans/receivables where contractual terms of the loans have been changed but not due to the deterioration of the borrower's financial situation.

For allocation to Stage 3, the Bank identified a list of triggers which need to be monitored for identification of the default status, based on the general (regulatory) default indicators (days past due, bank account blockade, bankruptcy, FBE NPE status) as well as on the quantitative indicator within the borrower's financial statements, determined based on the history of the Bank's portfolio movements, as follows:

- Corporate customer segment
    1) 90 days past due in continuity at the date of assessment;
    2) Account blockade of over 90 consecutive days;
    3) FBE NPE status;
    4) Initiated bankruptcy or liquidation procedures ant interest suspension;
    5) Loss exceeding equity, ad the same time, inadequate cash flows (cash flows from operating activities – short-term financial liabilities) <1 and at the same time decrease in revenue of over 50% according to the official financial statements for the past two years;
    6) POCI

Criterion 5 is not considered for newly founded entities.

- Retail customer segment
    1) 90 days past due in continuity at the date of assessment;
    2) Claimed in lawsuit;
    3) Instruments with interest suspension;
    4) FBE NPE;
    5) POCI;
    6) Deceased clients- delay>30 days

FBE NPE status designates forborne non-performing loans/receivables where contractual terms of the loans have been changed due to the deterioration of the borrower's financial situation.

Days past due criterion includes material arrears defined as arrears per at least 1% of an individual receivable but not below RSD 1,000 thousand for retail and not below RSD 10,000 for corporate customers.

6.1.5 Industrial and geographic exposure concentration

In line with the Decision on risk management, the Bank regularly monitors the exposure with respect to each client, group of related parties, industrial sectors, geographic areas and controls the concentration risk by establishing appropriate exposure limits that allow credit portfolio diversification.

By Methodology for internal assessment of capital adequacy concentration risk is defined as a materially significant risk, for which internal capital requirements are calculated.

Concerning concentration risk, the Bank avoids excessive exposure to a single industry.

Thereby reducing the possibility of potential losses that might arise in the event of deteriorating macroeconomic conditions in a particular industry.

The following table shows the exposures by risk class and country of origin of the client.

Table 5. Geographical concentration of exposure per exposure class and country

Exposure per geographical reason	Serbia	Türkiye	Macedonia	Germany	Romania	Bosnia and Herzegovina	Austria	United States of America	Switzerland	Croatia	Montenegro	Greece	China	Russian Federation	Other
Exposure to central governments and central banks	37,623,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposure to territorial autonomies and local self-government	6,871	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exposure to banks	359,545	2,650,373	443,119	3,474,174	-	351,521	-	-	-	-	-	-	-	-	706,260
Exposures to companies	39,908,266	2,835,409	-	-	211,982	-	-	-	-	-	-	-	-	-	-
Exposure to retail	45,376,230	17,105	-	-	-	2	1	92,794	-	-	593	345	1	13	20
Exposure to mortgages	29,887,314	-	3,756,495	-	-	-	-	-	-	2,871	3,113	-	-	-	11,059
Defaulted exposures	11,986,563	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ownership investment exposures	11,826	3,310	4	2	22	1	-	183	7	-	94	365	-	23	377
Other exposures	108,909,316	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**274,069,440**	**5,506,197**	**4,199,618**	**3,474,176**	**212,003**	**351,524**	**1**	**92,978**	**7**	**2,871**	**3,799**	**710**	**1**	**35**	**717,717**

6.1.6 Non-performing exposures

Non-performing exposure is exposure in which is fulfilled one of the following conditions:

- The borrower is in default over 90 days,
- Based on the assessment of the financial situation and credit worthiness of the borrower, Bank estimated that borrower will not be able to settle their obligations to the bank in full, without the realization of collateral, whether the borrower services his obligations in timely manners or not.
- Receivables are considered impaired in accordance with IFRS 9 and are assigned to Stage 3.
- Default status has occurred, in accordance with the National Bank of Serbia Decision on Capital Adequacy of banks;
- Other receivables which the competent Credit committee identifed as non-performing receivables.

Monitoring of the entire portfolio or specific parts of the portfolio to detect changes that may impact negatively on the ability to collect receivables is based on regular reports, all in order to reduce non-performing exposures.

The Bank has established a system of early detection of increased credit risk level that allows timely identification of debtors in which there has been a delay in payment of receivables, which includes determining qualitative and quantitative indicators for the early detection of increased credit risk.

Procedure Managing of placement in delay and work with potential problem loans define the activities associated with the potentially non-performing exposures that include activities from the first day of delay in the settlement of obligations, monitoring of warning indicators and emergency monitoring.

Warning indicators are related to the analysis of the relationship with the Bank, relations with other entities, the analysis of financial statements and analysis of the internal relationships with the client.

Emergency monitoring is done to any warning indicators that may adversely affect the ability of client to regularly service obligations.

6.1.7 Credit Risk Mitigation Instrument

The Bank uses 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 in compliance with the Decision on Capital Adequacy are the following:

1) Material credit protection instruments, namely:
    a. Collateral in the form of financial assets,
    b. Balance sheet netting,
    c. Standardized netting agreements and
    d. Other instruments of material credit protection.
2) Non-material credit protection instruments, namely:
    a. Guarantees, other types of pledge and counter guarantee and
    b. Credit derivatives.

Apart from these, convenient credit protection instruments may be considered cash, securities and goods purchased, rented or received against repo and reverse repo transactions and transactions of issuing or renting securities or goods.

The Bank applies the simple method for adjusting the risk-weighted assets, using credit protection instruments. A simple method involves the replacement of credit risk weight for certain exposure with the credit risk weight of the collateral.

Bank applies credit risk weight of collaterals in the form of financial assets not less than 20%, except for the situation when the exposure and collateral are expressed in the same currency, when applicable weight could be 0%.

The bank does not apply following credit risk mitigation instruments: balance sheet and off-balance netting, standardized netting agreements nor credit derivatives.

In the respect of applying the credit risk mitigation techniques the Bank did not identify the concentration of credit nor market risk.

Table 6a. Exposure before application of the credit mitigation techniques

in 000 RSD

Risk weight / Credit Conversion factor (CCF)	0%	20%	35%	50%	75%	100%	150%	Total net exposure *	Risk weighted asset after application CCF
Exposures to banks	**0**	**4,660,268**	**0**	**448,891**	**0**	**2,872,766**	**1,386**	**7,983,311**	**2,358,126**
0%	0	0	0	0	0	0	0	0	0
20%	0	0	0	205,388	0	1,568,082	0	1,773,469	334,155
50%	0	0	0	0	0	673,195	0	673,195	336,598
100%	0	4,660,268	0	243,503	0	631,489	1,386	5,536,646	1,687,373
Exposures to central governments or central banks	**38,287,084**	**0**	**0**	**0**	**0**	**0**	**0**	**38,287,084**	**0**
0%	0	0	0	0	0	0	0	0	0
100%	38,287,084	0	0	0	0	0	0	38,287,084	0
Retail exposures	**0**	**0**	**0**	**0**	**43,094,264**	**0**	**0**	**43,094,264**	**25,553,586**
0%	0	0	0	0	5,799,212	0	0	5,799,212	0
20%	0	0	0	0	3,652,796	0	0	3,652,796	450,904
50%	0	0	0	0	2,633,227	0	0	2,633,227	805,544
100%	0	0	0	0	31,009,029	0	0	31,009,029	24,297,138
Exposures secured by mortgages	**0**	**0**	**8,431,815**	**4,272,011**	**1,144,429**	**19,402,891**	**0**	**33,251,146**	**20,440,013**
0%	0	0	0	0	335,384	2,177,073	0	2,512,457	0
20%	0	0	83,670	1,227,408	49,461	1,870,820	0	3,231,359	500,848
50%	0	0	43,531	4,870	42,900	672,947	0	764,248	326,887
100%	0	0	8,304,614	3,039,734	716,684	14,682,051	0	26,743,083	19,612,279
Other exposures	**10,139,456**	**802,619**	**0**	**0**	**0**	**100,129,832**	**0**	**111,071,907**	**3,353,737**
0%	0	0	0	0	0	96,864,420	0	96,864,420	0

Risk weight / Credit Conversion factor (CCF)	0%	20%	35%	50%	75%	100%	150%	Total net exposure *	Risk weighted asset after application CCF
20%	0	0	0	0	0	31,179	0	31,179	6,236
50%	0	0	0	0	0	19,770	0	19,770	9,885
100%	10,139,456	802,619	0	0	0	3,214,462	0	14,156,537	3,337,615
Exposures to companies	**0**	**0**	**0**	**0**	**0**	**40,489,265**	**0**	**40,489,265**	**22,700,903**
0%	0	0	0	0	0	12,993,657	0	12,993,657	0
20%	0	0	0	0	0	10,431,736	0	10,431,736	2,030,241
50%	0	0	0	0	0	1,608,518	0	1,608,518	745,101
100%	0	0	0	0	0	15,455,354	0	15,455,354	19,925,561
Exposures in default	**0**	**0**	**0**	**0**	**0**	**519,040**	**10,521,970**	**11,041,010**	**1,404,789**
0%	0	0	0	0	0	4,013	9,950,758	9,954,771	0
20%	0	0	0	0	0	1,803	34,448	36,252	10,695
50%	0	0	0	0	0	2,806	5,844	8,649	5,786
100%	0	0	0	0	0	510,418	530,920	1,041,338	1,388,308
Exposures to territorial autonomies or local government units	**0**	**55**	**0**	**0**	**0**	**6,792**	**0**	**6,847**	**6,798**
50%	0	55	0	0	0	0	0	55	5
100%	0	0	0	0	0	6,792	0	6,792	6,792
Equity exposures	**0**	**0**	**0**	**0**	**0**	**14,738**	**0**	**14,738**	**14,738**
100%	0	0	0	0	0	14,738	0	14,738	14,738
Total	**48,426,540**	**5,462,942**	**8,431,815**	**4,720,902**	**44,238,693**	**163,435,324**	**10,523,356**	**285,239,572**	**75,832,689**

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

Table 6b. Exposure after application of the credit mitigation techniques

Risk weight / Credit Conversion factor (CCF)	0%	20%	35%	50%	75%	100%	150%	Ukupno neto izloženost *	Iznos aktive ponderisane kreditnim rizikom nakom primene faktora konverzije	Kapitalni zahtev za kreditni rizik
Exposures to banks	**0**	**4,660,268**	**0**	**448,891**	**0**	**2,872,766**	**1,386**	**7,983,311**	**2,358,126**	**188,650**
0%	0	0	0	0	0	0	0	0	0	0
20%	0	0	0	205,388	0	1,568,082	0	1,773,469	334,155	26,732
50%	0	0	0	0	0	673,195	0	673,195	336,598	26,928
100%	0	4,660,268	0	243,503	0	631,489	1,386	5,536,646	1,687,373	134,990
Exposures to central governments or central banks	**37,582,303**	**0**	**0**	**0**	**0**	**0**	**0**	**37,582,303**	**0**	**0**
0%	0	0	0	0	0	0	0	0	0	0
100%	37,582,303	0	0	0	0	0	0	37,582,303	0	0
Retail exposures	**0**	**0**	**0**	**0**	**45,343,646**	**0**	**0**	**45,343,646**	**23,866,549**	**1,909,324**
0%	0	0	0	0	5,799,212	0	0	5,799,212	0	0
20%	0	0	0	0	3,652,796	0	0	3,652,796	450,904	36,072
50%	0	0	0	0	2,633,227	0	0	2,633,227	805,544	64,444
100%	0	0	0	0	33,258,411	0	0	33,258,411	22,610,101	1,808,808
Exposures secured by mortgages	**0**	**0**	**8,431,815**	**4,608,180**	**1,144,429**	**19,402,891**	**0**	**33,587,315**	**20,271,929**	**1,621,754**
0%	0	0	0	0	335,384	2,177,073	0	2,512,457	0	0
20%	0	0	83,670	1,227,408	49,461	1,870,820	0	3,231,359	500,848	40,068
50%	0	0	43,531	4,870	42,900	672,947	0	764,248	326,887	26,151

100%	0	0	8,304,614	3,375,903	716,684	14,682,051	0	27,079,252	19,444,194	1,555,536
Other exposures	**6,156,200**	**401,310**	**0**	**0**	**0**	**100,191,409**	**0**	**106,748,919**	**3,372,422**	**269,794**
0%	0	0	0	0	0	96,864,420	0	96,864,420	0	0
20%	0	0	0	0	0	31,179	0	31,179	6,236	499
50%	0	0	0	0	0	19,770	0	19,770	9,885	791
100%	6,156,200	401,310	0	0	0	3,276,039	0	9,833,549	3,356,301	268,504
Exposures to companies	**0**	**0**	**0**	**0**	**0**	**42,901,475**	**0**	**42,901,475**	**20,288,693**	**1,623,095**
0%	0	0	0	0	0	12,993,657	0	12,993,657	0	0
20%	0	0	0	0	0	10,431,736	0	10,431,736	2,030,241	162,419
50%	0	0	0	0	0	1,608,518	0	1,608,518	745,101	59,608
100%	0	0	0	0	0	17,867,564	0	17,867,564	17,513,351	1,401,068
Exposures in default	**0**	**0**	**0**	**0**	**0**	**527,555**	**10,543,464**	**11,071,018**	**1,364,034**	**109,123**
0%	0	0	0	0	0	4,013	9,950,758	9,954,771	0	0
20%	0	0	0	0	0	1,803	34,448	36,252	10,695	856
50%	0	0	0	0	0	2,806	5,844	8,649	5,786	463
100%	0	0	0	0	0	518,932	552,414	1,071,346	1,347,553	107,804
Exposures to territorial autonomies or local government units	**0**	**55**	**0**	**0**	**0**	**6,792**	**0**	**6,847**	**6,798**	**544**
50%	0	55	0	0	0	0	0	55	5	0
100%	0	0	0	0	0	6,792	0	6,792	6,792	543
Equity exposures	**0**	**0**	**0**	**0**	**0**	**14,738**	**0**	**14,738**	**14,738**	**1,179**
100%	0	0	0	0	0	14,738	0	14,738	14,738	1,179
Total	**43,738,504**	**5,061,632**	**8,431,815**	**5,057,071**	**46,488,076**	**165,917,625**	**10,544,850**	**285,239,572**	**71,543,288**	**5,723,463**

In 000 RSD

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:

in 000 RSD

Credit protection instrument type	Amount
Material credit protection instruments	3,982,138
Immaterial credit protection instruments	307,263
Total:	**4,289,401**

Table 6c. The distribution of exposures to risk mitigation techniques by exposure class

In 000 RSD

Classes of Exposure	Exposure before usage of material risk mitigants (net exposure after CCF)			Exposure before usage of non-material risk mitigants (net exposure after CCF)	Exposure after usage of material risk mitigants (risk weighted assets)			Exposure after usage of non-material risk mitigants (risk weighted assets)
	cash deposits	Securities issued by the government or national bank	Shares incluced into stock-exchange index		cash deposits	Securities issued by the government or national bank	Shares incluced into stock-exchange index	
Exposure to central governments and central banks	0	0	0	0	0	0	0	0
Exposure to territorial autonomies and local self-government	0	0	0	0	0	0	0	0
Exposure to banks	0	0	0	0	0	0	0	0
Exposures to companies	2,013,623	322,509	0	76,079	47,407	0	0	0
Exposure to retail	1,956,013	0	0	293,369	29,164	0	0	0
Exposure to mortgages	328,090	0	0	8,079	1,821	0	0	0
Defaulted exposures	25,262	0	0	4,745	0	0	0	0
Ownership investment exposures	0	0	0	0	0	0	0	0
Other exposures	61,577	0	0	0		0	0	0
TOTAL	**4,384,565**	**322,509**	**0**	**382,272**	**78,392**	**0**	**0**	**0**

For presented exposures, covered by immaterial credit protection, adjustment of credit risk-weighted assets for the effects of using immaterial credit protection instruments has not been applied.

6.2 Counterparty risk

The Bank calculates credit risk weighted assets against risk exposure of counterparty with regard to trading book and banking book positions relating to financial derivatives, credit derivatives, repo and reverse repo transactions, transactions of hiring and renting securities or goods, transactions of securities trading and long-term maturity transactions.

The Bank did not have risk weighed assets on the basis of counterparty credit risk.

The bank has no capital requirement for settlement/delivery risk in respect of unsettled transactions neither for dilution risk.

6.3 FX and Price risk

FX and Price risks are risks of potential adverse effects on the financial result and capital of the Bank, due to changes in the value of balance sheet and off-balance items of the bank, arising from price changes in the market.

The objective of market risk management is to monitor and control market risk exposures within acceptable parameters determined by the management of the bank.

The process of market risk management is organized through the Committee for Asset and Liability Management, Risk Management Department, Financial Institutions & ALM Department and Treasury Division.

The Bank calculates the capital requirement for foreign exchange risk if the sum of total net open position and the absolute value of net open position in gold exceeds 2% of its capital. Capital requirement for foreign exchange risk is calculated by multiplying the sum of total net open position and the absolute value of net open position in gold by 12%.

Total long foreign exchange position represents the sum of all net long positions in individual currencies.

Total short foreign exchange position represents the sum of all net short positions in individual currencies.

Total net open position of the Bank represents absolute value of total long or total short position of the Bank, depending on which absolute value is greater.

In accordance with legal regulations, the Bank has defined financial instruments that are classified in the trading book, and established monthly reporting to the National Bank of Serbia on the daily state of the trading book.

The Bank is not obliged to calculate capital requirement for price risk, in accordance with the Decision on capital adequacy of banks in the event that:

- The value of trading book positions does not exceed 5% of the Bank's operations nor RSD 1.8 billion for more than three working days in a calendar month.
- The value of trading book positions, at any time, does not exceed 6% of the total value of the Bank's operations nor RSD 2.4 billion in absolute amount.

During 2023, the Bank's trading book was not to the extent that would require calculation of the capital requirement for price risk.

The Bank has no positions for which it should allocate capital requirements for commodity risk.

The Bank does not apply internal models approach for calculating capital requirements for market risks.

6.4 Operational risk

Operational risk is the risk of possible negative effects on the financial result and capital of the Bank, due to failures (accidental and intentional) by employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Bank, as well as occurrence of unforeseen external events.

Operational risk includes also legal risk.

The Bank measures, and assesses the exposure to operational risk, taking into account the possibility or the frequency of occurrence of the risk and its potential impact on the Bank, with particular reference to events that are unlikely to occur, but they can cause great economic losses.

The Bank is applying basic indicator approach for the purposes of calculating the capital requirement for operational risk, in accordance with the NBS Decision on capital adequacy.

The Bank does not apply an advanced approach for calculating capital requirements for operational risk.

6.5 Interest Rate risk

The Bank is exposed to interest rate risk in cases when the change in interest rates on placements or deposits and borrowings may cause negative effects on financial result or the Bank's capital.

In order to identify interest rate risk, the Bank analyses various forms of interest rate risk, and the obligatory one to be considered at the Assets and Liabilities Committee is the risk of maturity mismatch and repricing, while optionally considering other forms of risk.

The Bank's exposure to interest rate risk is measured by the sensitivity of financial results and equity to negative movements in interest rates. The negative effect of movements in interest rates on the financial result and equity is calculated by multiplying the gaps with standard interest rate shock of 200 basis points.

The gap represents the difference between interest rate sensitive assets and interest rate sensitive liabilities. All interest rate sensitive assets and liabilities are allocated to accordingly repricing buckets along with items having fixed interest rate based on time to repricing. Positions of monetary liabilities (transaction deposits, sights deposits, current accounts) are allocated to buckets up to 2 years based on expert assessment. Other positions not having defined maturity (fixed assets, available for sale assets, deferred tax assets, nonmaterial investments, stakes and shares, reserves, liabilities from profit, liabilities for taxes etc) are treated as interest non-sensitive items. All loans are allocated to buckets depending on remaining maturity or remaining period for repricing with assumption of no early repayments.

In terms of option risk the possibility of early repayment is taken into consideration. In doing so, the assets are diminished for positions with assumed amount of early repayment of loans in the future. The mentioned amount of early repayment is obtained based on historical data from previous months (up to one year).

The Asset and Liability Management monitors and at least once a month analyzes the Bank's exposure to interest rate risk.

The Executive Board of the Bank quarterly reports to the Board of Directors on the Bank's exposure to interest rate risk, based on data from the quarterly report on the adequacy of risk management which is developed in the Risk Management department.

The Bank also monitors average interest rates on assets per asset type as well as cost of funds individually per sources of funding.

The Bank has reviewed and analyzed the scenarios related to early repayment of loans, but they are not included in the calculation of interest rate risk exposure. Regarding development of deposits with no defined maturity, the Bank has opted for a conservative approach and determine their position in the first time the basket.

6.6 Exposure related to Securitized Positions

The Bank as of December 31st 2023 did not have exposures related to securitization nor securitized positions.

6.7 Exposures in equities included in the banking book

Table 6: Equity investments overview

Equity Investments	Amounts in 000 RSD
Equity investments in companies and other legal entities	837
Allowances for impairment	837
Total	0

Equity investments represent long-term financial investments in the equity of other legal entities (banks, insurance companies, joint-stock companies and limited liability companies) that are not acquired with the intention of selling in the near future, as and securities, i.e. shares of other legal entities that were acquired with the intention to be sold in the near future.

The accounting treatment of the share in equity depends on the impact that the share provider (the investor) has on the legal entity in which the investment was made (the investee). With regard to that impact, the following three cases are possible:

- The investor controls the investee (investment in an associate), thus making a relationship of a mother company and its subsidiary, if the share in equity exceeds 50% of if other conditions defined in IAS 27 have been met;
- The investor has no significant influence on the investee (investments in equity of subsidiaries), thus making a relationship of an investor and the joined company, if the share in equity exceeds 20% or if other conditions defined in IAS 28 have been met;
- The investor has no significant influence on the investee (other investments) – if the share in equity is below 20%.

Participation in equity of other legal entities, as well as shares, are recognized at fair value, and changes in fair values are reported through the income statement (shortened FVTPL) in accordance with IFRS 9.

Accounting policies and methods of valuation of equity investments are presented in the Financial Statements and Notes to the Financial Statements for 2023, published on the official website of the Bank www.halkbank.rs.

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

6.8 Leverage Ratio

The leverage indicator is the ratio of the Tier 1 capital is obtained as the sum of the Common Equity Tier 1 capital and Additional Tier 1 capital in accordance with the decision regulating the capital adequacy of the bank, and the amount of the bank's exposure and expressed in percentages.

Leverage ratio is one of several financial measurements ratios that look at how much capital comes in the form of debt (loans) and assesses the ability of the Bank to meet its financial obligations. The leverage ratio is important given that banks rely on a mixture of equity and debt (loans or deposits) to finance their operations, and knowing the amount of debt held by a bank is important in evaluating its solvency.

The leverage ratio of the Bank based on the valid decision of the National Bank of Serbia on reporting as of December 31st 2023 was **15.22%.**

6.9 Data and information related to the banking group and relation between entities within the group

As of December 31st 2023 the Bank has no investment in the capital of other legal entities that, in accordance with the valid provisions of the Banking Law, will lead to the status of related parties. Therefore, all data for the Bank are published in this document on a stand-alone basis.

7. APPENDIX I – DISCLOSURES IN LINE WITH GUIDELINES FOR DISCLOSURE OF BANK DATA AND INFORMATION RELATED TO THE QUALITY OF ASSETS FOR 2023

7.1 Description of the Changes in Estimation of the Bank related to Structure and Level of Credit Risk Exposure

Estimates of the structure and level of credit risk to which the Bank is exposed or can be exposed in its business are implemented through a business strategy of the Bank. The business strategy also defines the business model and vision for the Bank to be among the leading banks for SMEs in the market, while expanding its market share in the provision of services to the public, which are also defined as key business segments in the Bank's core business goals. In addition to the business strategy, the Bank also compiles business policies for each calendar year through which it specifically reflects any changes in expectations, including changes in macroeconomic indicators.

In this sense, the previous period is characterized by macroeconomic stability accompanied by low inflation, moderate growth of the social product and a stable exchange rate, which is expected in the following period. The Bank also made significant efforts in organizational improvement of the problem management process, which, with the improvement of the regulatory framework, led to a significant increase in the collection and reduction of bad placements portfolios.

The Bank's risk management objectives established by the risk management system are to minimize the negative effects on the financial result and equity based on the Bank's exposure to the above risks, while respecting the defined risk appetite framework and maintaining the required level of capital adequacy.

During 2023, the Bank did not implement changes in the risk management goals defined in the previous paragraph, but by improving strategies, policies, procedures, methodologies and guidelines, the Bank has significantly improved the risk management framework and adequately articulated goals in managing all risks.

During 2023, the Bank has improved risk management processes in a way that:
- Improved policies, methodologies and procedures related to:
- The risk appetite framework
- Statement of appetite for risk taking
- Calculation of internal capital requirements i
- Stress testing of materially significant risks
- Agree and improve existing strategies and policies, as well as procedures and guidelines relating to identification, measurement, assessment, mitigation and risk management and capital management.

7.2 Description of the Evaluation and Processes related to Assessment and Management of the Collateral

In order to minimize its exposure to credit risk, the Bank takes collateral security from collateral debtors, i.e. security instruments. The security instruments used by the Bank may be in the form:
- Financial assets (guarantee deposits)
- Guarantees issued by other banks as a mean of securing payments
- Mortgages on immovable property (residential and commercial real-estate)
- Inventory on movable property (machinery, vehicle equipment) and
- Other types of collateral

The collateral management system in the Bank implies a set of activities and prescribed measures and rules that are applied for the purpose of continuous recording, allocation and valuation of collateral.

The Bank does not approve loans to clients based on the value of collateral instruments, but on the basis of a positive assessment of its financial capacity and credit-worthiness. In this sense, collateral instruments are used exclusively in terms of reducing exposure to credit risk.

The types of collateral and their fair value at the time of issuance of the financial instrument should provide conformity with the type of placement, its maturity and the type of debtor.

Collateral instruments are registered as such in relevant registers that are publicly available to all interested parties.

For the purposes of assessing the additional risk arising from possible problems in the realization of collateral and the time gap between the default of the debtor's obligations and the ability of the Bank to realize the collateral, the market value of the collateral over which the collateral instrument has been established or will be reduced (forming the so called hair-cut) in order to establish the value that the Bank would achieve in case of eventual sale of goods for the purpose of collecting its claims secured by that property.

Different types of collaterals are assigned with different types of hair-cuts. This approach is explained by the fact that different types of collateral carry different risks for the Bank due to:

- Unpredictable fluctuations in market values;
- Limited marketability of individual assets as a consequence of a non-existent or very poorly developed secondary market;
- Lower expected selling prices during forced sale;
- Cost of product refinancing in case of prolonged duration of realization (liquidation) of assets.

In this sense, the Bank has determined the following hair-cut rates for security instruments:

- For collateral in the form of financial assets or cash deposits deposited in the Bank itself, the impairment rate is not applied;
- For guarantees, other forms of guarantees and counter-guarantees of first-class banks and states, the rate of impairment is not applied;
- For residential real-estates hair-cuts of 25% to 35% are applied;
- For commercial real-estates hair-cuts 45% to 55% are applied;
- If the residential or commercial real estate in the process of building the above defined values apply additional rates of reduction from 10% to 20%, depending on the degree of completion of these facilities;
- For movable collateral, application rates are reduced from 30% to 65%, depending on the type and purpose of mobility, which is the security instrument.

7.3 Description of the Methodology for Calculation of Allowances for Impairment

Accordingly, at each reporting date, the Bank calculates impairment allowance in the amount of lifetime expected credit losses if the credit risk of an instrument has increased significantly since initial recognition or there is identified objective evidence of impairment (assets in Stage 2 and Stage 3), or in the amount equal to 12-month expected credit losses for all financial instruments without a significant increase in credit risk since initial recognition (assets in Stage 1). Lifetime ECL calculated in this manner represent losses recognized by the Bank for the purposes of impairment allowance of assets in Stage 2, while the12-month ECL portion calculated in this way represents expected credit losses recognized for financial assets in Stage 1.

Lifetime expected credit losses calculated in this manner represent losses that the Bank recognizes for the purposes of Stage 2 and Stage 3 impairment allowances whereas 12-month ECL as the portion of the lifetime ECL is recognized for Stage 1 financial instruments. In this respect, Tables 7.2, 7.3 and 7.6 below are showing receivables in Stage 2, 3 and POCI as impaired receivables, while receivables in Stage 1 are shown as non-impaired.

The Bank calculates lifetime expected credit losses using the following formula:

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

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

EAD parameter
EAD, exposure at default is an estimate of the carrying amount of the Bank's receivables under IFRs 9 at the time of default, taking into account the profile of the contractual cash flows and possible additional drawdowns from the approved lines of credit before the time of default. For the financial instruments with no contractually defined cash flows or maturities, the Bank determines those based on the historical experience.

PD parameter
Probability of default (PD), i.e., the probability that a borrower will default on the loan repayment liabilities to the Bank some time during the lifetime of the financial instrument, represents one of the basic parameters used in calculation of the impairment allowance under IFRS 9. As such, this parameter has undergone significant changes compared to the PD calculation previously used for impairment allowance calculation under IAS 39.
Migration matrices, as the basis for PD calculation, are calculated by the Bank separately for each sub-segment by observing the annual borrower migrations form internal rating categories 1, 2, 3 and 4 to internal category 5 (default category) over the period from December 31st 2019 to December 31st 2023.

Within the context of multiannual – through the cycle (TTC) PDs, it is very important that several types of PDS are appropriately distinguished. Therefore, the Bank consistently applies the terminology defined within the Methodology. All of the below described PD types are available at both the individual financial instrument level and the internal rating level within each of the sub-segments:

- Marginal PD refers to the (unconditional) PD that will occur exactly at the moment (point in time) t.
- Forward PD (as conditional PD) refers to PD that will occur during the period t assuming that no default has happened between the moment t0 and the beginning of the period t.
- Cumulative PD refers to PD that will occur at the end of the period t. The probability of default before or at the maturity T corresponds to the lifetime PD, i.e., PD over the entire lifetime of the financial instrument.
- Forward lifetime PD refers to the conditional probability that default will occur within the interval $(t,)$
- Assuming that no default has happened between the moment t0 and the beginning of the period t.

In developing PD parameters used for impairment allowance calculation in accordance with the Methodology, for alignment with the requirements of IFRS 9, the Bank applies the following adjustments:

- the point-in-time (PiT) adjustment;
- consideration of the forward-looking information on the macroeconomic conditions, whereby the Bank does not investigate the relations between the actually realized default rates and the following macroeconomic indicators identified as material: GDP movements, unemployment rate, retail price growth rate, M3 monetary aggregate, movements in RSD/EUR exchange rate, index of industrial production, net earnings indexed in EUR and index of corporate income.

Forward-Looking Information
Impact of the macroeconomic variables, their movements and trends, on the default rate movements is examined by separately for the retail and corporate segments(yet summarily for all the sub-segments within the two) in order to determine regularities and patterns and the relation that existed between the realized quarterly default rate and the independent variables

during the observed period.

Here the Bank examines the relations (correlations) between the default rates (as the dependent variable) and the movements in macroeconomic factors identified as having material effects on the default rates (as independent variables).

LGD parameter
Loss given default represents an estimate of a loss on and individual financial instruments assuming that default has occurred/will have occurred. LGD is one of the key components in calculation of the risk parameters for expected credit loss (ECL) calculation.

In its estimation of the losses measured in accordance with its Methodology under IFRS 9, the Bank wishes to reflect the possibilities of collection of receivables from both the borrower's regular operating cash flows and from the collateral foreclosure cash flows, directly relating to the financial instruments. Therefore, the Bank applies the concept of LGD split to LGDsecured and LGDunsecured components, depending on the collatealization of each individual exposure.

Stage 3 and Expected Credit Losses
In accordance with the Bank's Methodology, impairment allowance assessment is made for all Stage 3 exposures that:

- have identified default status; and
- meet the criteria of POCI definition in accordance with IFRS 9.

For the aforementioned financial instruments, impairment allowance is calculated as the difference between the gross carrying value of the asset and the present value of the estimated future cash flows discounted using the original effective interest rate of the financial asset.

In the event of POCI assets, as the original or initial effective interest rate, the credit-adjusted effective interest rate is calculated. Such an effective interest rate is the internal rate of return that discounts the present value of the expected cash flows of a POCI asset to the fair value of the POCI asset at the time of its initial recognition. It is believed that the effective interest rate arrived at in this manner already included the expected credit losses.

Individual Impairment Assessment
Since, under IFRS 9, expected credit losses (ECL) represent probability-weighted estimates of credit losses, the Bank considers several possible scenarios of collection in estimating the future cash flows. The scenarios considered are:

- collateral foreclosure,
- loan rescheduling or restructuring (forbearance),
- instigation of bankruptcy proceedings over the borrower,
- sale of the receivable,
- settlement, and
- everything else deemed relevant.

Upon determining the probabilities of certain scenarios (expressed as percentages), the Bank relies on the historical collection of NPLs but considers the specificities of individual financial instruments as well, and assigns the scenarios appropriate weights accordingly, which must add up to 100% in the sum of all the scenarios considered. If the borrower meets the going-concern criteria, the Bank may define at least one scenario of collection form the expected operating future cash flows. Otherwise, the scenarios are defined under the gone-concern assumption, with collection expected from collateral activation and foreclosure. In this manner, the ultimately calculated credit losses meet the definition form IFRS 9 – they represent probability-weighted estimates of credit losses.

The Bank applies collateral haircuts and realization periods as prescribed by the Collateral Management, Valuation and Insurance Procedure. In the above described manner, the Bank estimates ECL for all financial instruments in Stage 3 that exceed the respective materiality levels of RSD 1.2 million at the retail loan level and RSD 3 million at the corporate borrower level. Upon defining the materiality levels, the Bank observed the materiality levels existing within its internal loan approval procedures, and the materiality level to the overall portfolio ratio, taking into account the operating capability to calculate an adequate number of facilities based on the case-by-case assessments.

Collective Impairment Assessment

The Bank applies the group (portfolio) or collective approach to all other exposures, which entails grouping of the financial instruments remaining within Stage 3 into the sub-segments, as follows:

- retail customers;
- corporate customers (including banks and other financial institutions without an external credit rating), and
- exposures to the governments and other government institutions (state authorities, local governance
- units, other government agencies, banks and financial institutions).

The retail customer segment is further classified into groups per product:

- housing loans,
- cash and consumer loans,
- loans to farmers/entrepreneurs,
- credit cards and current account overdrafts, and • receivables for fees per payment operations from farmers/entrepreneurs/legal entities.

The corporate customer segment is viewed on the whole.

Guarantees where the debtor is a private individual are classified into the corporate customer segment.

Within each of the subsegements, borrowers are further distributed into groups per days past due, i.e., into the following internal rating categories:

Internal category	Days past due
1	0
2	1 to 30
3	31 to 60
4	61 to 90
5	Over 90

Borrowers in rating category 5 are “default status” borrowers.

7.4 Restructured Exposures

Forbearance is the granting due to the borrower's financial difficulties, concessions relating to repayment of an individual receivable, which would not have been granted if the borrower is not been experiencing such difficulties, regardless of whether any given amount of such exposure has matured, whether such exposure has been found impaired or whether default occurred in respect of such exposure in accordance with the decision governing bank capital adequacy, in at least one of the following ways:

- By changing the terms under which the exposure occurred, particularly if such subsequently agreed terms of repayment are more favorable than the initial terms (reduction of the interest rate, write-off of a part of principal entailing a de-recognition of such part in the balance sheet, write-off of a part of accrued interest, change in the maturity date of principal and/or interest, etc.) or than the terms which would have been approved to another borrower with the same or similar risk profile at that time;
- By refinancing the exposure -the substitution of a part or whole of a current bank's exposure to a borrower with a new exposure agreed on changed

Restructured receivables from a legal entity include:

- Receivables from a client restructured at the level of the Bank where restructuring terms are defined by the Bank;
- Receivables from a client that have been restructured in cooperation with other creditors, either on the basis of an interbank agreement on equal restructuring terms or on the basis of the Law on Consensual Financial Restructuring of Business Entities;
- Receivables in which to the borrower in the previous bankruptcy procedure has been proposed and adopted In advance reorganization plan
- Receivables from the borrower to whom a Reorganization Plan has been proposed and adopted in the bankruptcy proceedings.

When taking forbearance measures the bank is assessing whether extending forbearance to an individual borrower is sustainable and economically justified for the bank and the borrower, and determining the forbearance plan and regularly monitors its implementation and effects.

The classification of an exposure as forborne can be discontinued by the bank if the following conditions have been met at the end of the probation period:

- the forborne exposure is not classified in the group of non-performing exposures;
- through regular payments of principal or interest, the borrower has repaid a materially significant portion of total debt during at least half of the probation period in line with Decision of NBS on Classification of Bank Balance Sheet Assets and Off-balance Sheet Items;
- none of the obligations of the borrower to the bank is more than 30 days past due.

The bank regularly, at least once in six months, monitors the implementation of the forbearance plan, taking into account the size and importance of forborne exposures relative to other exposures of the bank, including the specificities of the forbearance plan and the bank's activities provided by the plan.

During 2023 the Bank did not conduct measures related to restructuring which includes conversion of the debt to capital nor possesses shares or stakes in capital of other legal entities acquired in such manner.

7.5 Assets Acquired through Collection of Receivables

In order to prevent losses that may arise from the sale of the mortgaged property at a low price, Banks participates in public sales, with the aim of closing the disputed receivables in shorter deadlines and creates opportunities for better sales of acquired assets in a future period.

The Bank is actively engaged in the sale of property acquired through collection of receivables and so acquired property can hold for a certain period, only in cases when rapid sales could lead to significant losses.

7.6 Write-Offs and Debt Release

The Bank performs accounting write-off of balance sheet assets of low recoverability and general release of debt as follows.

Accounting write-off of balance sheet assets of low recoverability entails transfer of the balance sheet assets to the off-balance sheet items, where the balance sheet assets represent non-performing loans and other doubtful receivables. The accounting write-off does not entail the Bank's waiver of its legal and contractual rights and collection of these receivables, but merely an accounting procedure of write-off from the balance sheet assets, with the continued recording of such loans and receivables within the Bank's off-balance sheet items and continued collection activities undertaken by the Bank. The Bank performs the accounting write-off balance sheet assets of low recoverability when the calculates impairment of such loans and receivables calculated and credited by the Bank to impairment allowance equals 100% of the gross carrying amount of such loans and receivables, i.e., if they are fully impaired. Accounting write-off is carried out at least quarterly.

General release of debt may be performed in the event that the Bank permanently waives collection of and releases receivables due from a debtor based on the settlement (agreement) with the debtor/co-debtors, final court ruling, writ of execution (court ruling or decision), decision of the Bank's competent body or based on assignment of debts causing termination of rights to further collection. In such instances, all the Bank's receivables are derecognized from the Bank's on-balance and off-balance item records. Before general debt release the Bank may but need not perform write-off of such loans and receivables.

In 2023, write-off in accordance with the decision of the NBS amounted to RSD 27,084 thousands, while write-offs related to debt release amounted to RSD 3,408 thousands.

7.7 Interest income and its recognition

For all interest-bearing financial instruments, except those financial instruments at fair value through profit or loss, interest income is recognized within the income statement using the effective interest rate method. Interest income include calculated income for financial instruments held to maturity and available for sale.

Bank stops with the recognition of income from regular interest accrued in the case of:
- the decision to initiate bankruptcy proceedings against the debtor,
- the decision on the initiation of court proceedings of debt collection against the debtor,

- the decision of the competent committee on derecognition of income of accrued interest or other circumstances identified that hinder the collection of receivables and
- when the debtor is a legal person or entrepreneur overdue more than 150 days.

In case that the Bank stops with recognition of income from calculated interest it starts with off-balance recording of such interest for the purpose of aligning the exposure with the debtor. After identification of objective evidence of impairment and the recognition of the impairment, interest income on these receivables is calculated by applying the effective interest rate to the net basis, i.e., by applying the rate of interest used to discount future cash flows for the purpose of measurement of impairment losses.

Income from fees for loan approval for which the repayment schedule is known in advance are recognized in income statement as income from interest and are amortized for the remaining maturity by applying effective interest rate method.

For the year ended December 31st 2023, the Bank recognized interest income on impaired loans using the effective interest rate on the amortized cost of loans, i.e., their net values along with adjustment of the income recorded in the income statement and with the calculated impairment allowance of receivables in this respect, recorded losses on impairment of loans and receivables yet excluding the adjustment of the impairment allowance accounts within the statement of financial position.

The total interest income realized by the Bank in 2023 amounted to RSD 6,388,000 thousands, of which RSD 5,703,761 thousands is related to interest income from loans.

Summary of revenue from interest on loans is given in the table 7.16 for year 2023 and 8.16 for year 2022.

Table 7.1 Total exposure to credit risk

In 000 RSD

Positions of the balance sheet	Assets exposed to credit risk			Assets not exposed to credit risk	Value from the Balance Sheet
	Gross Amount	Accumulated Allowances	Net Value		
	1	2	3	4	5 (3+4)
Cash and cash equivalents	0	0	0	16,729,593	16,729,593
Pledged financial assets	0	0	0	0	0
Receivables from derivatives	0	0	0	5,195	5,195
Securities	14,738	0	14,738	13,698,376	13,713,114
Loans and other exposures to banks and financial institutions	5,334,640	2,117	5,332,523	8,591,826	13,924,349
Loans and other exposures to clients	79,430,772	1,106,337	78,324,435	0	78,324,435
Changes in fair value of risk mitigation isntruments	0	0	0	0	0
Financial derrivatives for risk mitigation	0	0	0	0	0
Investments into related entities and joint companies	0	0	0	0	0
Investments in subordinated companies	0	0	0	0	0
Non-material investments	0	0	0	1,619,806	1,619,806
Real-estate and fixed assets	0	0	0	2,066,194	2,066,194
Investment real-estate	0	0	0	121,201	121,201
Current tax assets	0	0	0	0	0
Deferred tax assets	0	0	0	53,076	53,076
Non-current assets held for sale and discontinued operations	0	0	0	0	0
Other assets	1,249,968	91,948	1,158,020	15,398	1,173,418
Balance sheet exposure	**86,030,118**	**1,200,402**	**84,829,716**	**42,900,665**	**127,730,381**
Issued guarantees	27,411,935	2,278	27,409,657	0	27,409,657
Contingent liabilities	24,769,966	8,765	24,761,201	0	24,761,201
Other off-balance exposures	0	0	0	107,603,146	107,603,146
Off-Balance Exposure	**52,181,901**	**11,043**	**52,170,858**	**107,603,146**	**159,774,004**
Total Exposure	**138,212,019**	**1,211,445**	**137,000,574**	**150,503,811**	**287,504,385**

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Table 7.2 Gross and net exposure to credit risk by sector and category of receivables, method of impairment, maturity and value of collateral

In 000 RSD

Gross and Net Exposure to Credit Risk	Unimpaired		Impaired		Total Gross Exposure	Accumulated Allowances		Total Net Exposure	Value of Collateral	
	Not Due	Past Due	Individually Assessed	Collectivelly Assessed		Individually Assessed	Collectivelly Assessed		Unimpaired Exposure	Impaired Exposure
Per Sector										
1. Retail Exposures	**22,424,983**	**85,940**	**97,867**	**327,868**	**22,936,658**	**53,163**	**251,124**	**22,632,371**	**10,310,070**	**46,539**
1.1 Housing Loans	9,213,596	8,611	12,074	5,236	9,239,518	2,478	3,787	9,233,253	8,959,246	14,744
1.2 Consumer and Cash Loans	12,357,542	49,887	54,973	314,608	12,777,010	25,922	242,299	12,508,789	1,349,651	31,795
1.3 Overdrafts and Credit Cards	853,462	27,292	0	7,875	888,629	0	4,983	883,646	1,173	0
1.4 Other Retail Exposures	381	149	30,821	150	31,501	24,763	55	6,683	0	0
2. Corporate Exposures	**103,496,669**	**932,738**	**1,056,508**	**165,073**	**105,650,988**	**535,275**	**339,480**	**104,776,233**	**40,636,592**	**797,362**
2.1 Large Enterprises	21,041,336	44,694	23,922	1,127	21,111,080	19,926	22,997	21,068,157	7,250,597	9,918
2.2 Small and Medium Enterprises	61,756,621	325,007	697,164	38,855	62,817,647	382,735	179,524	62,255,388	25,122,908	526,926
2.3 Micro Enterprises and Entrepreneurs	16,923,316	532,219	323,026	111,163	17,889,723	125,052	119,842	17,644,829	7,705,217	257,450
2.4 Agriculture Producers	2,558,398	23,322	12,395	13,905	2,608,020	7,562	16,017	2,584,441	527,472	3,068
2.5 Public Enterprises	1,216,997	7,497	0	23	1,224,518	0	1,099	1,223,419	30,398	0

3. Other Clients	**9,557,215**	**39,318**	**26,170**	**1,670**	**9,624,373**	**26,159**	**6,245**	**9,591,969**	**2,610,011**	**0**
Per Category										
Performing	**134,931,759**	**1,033,002**	**0**	**0**	**135,964,761**	**0**	**267,576**	**135,697,185**	**53,363,038**	**0**
of which forborne	49,487	1,671	0	0	51,158	0	203	50,956	36,656	0
Non-Performing	**547,107**	**24,994**	**1,180,545**	**494,611**	**2,247,258**	**614,597**	**329,273**	**1,303,388**	**193,635**	**843,901**
of which forborne	0	0	311,916	32,360	344,277	76,030	19,288	248,959	0	288,284
Total Exposure	**135,478,866**	**1,057,996**	**1,180,545**	**494,611**	**138,212,019**	**614,597**	**596,849**	**137,000,573**	**53,556,673**	**843,901**

* Market or fair value up to the gross value of the collateralized receivables

Table 7.3 Changes in impaired receivables

In 000 RSD

Changes of impaired exposures	Gross exposure at the begining of the year	Impaired exposures during the year	of which: exposures impaired on individual basis	Exposures to which impairment has been canceled during the year	of which: exposures that were impaired on individual basis	Impact of exchange rate changes	Other changes	Gross exposure at the end of the year	Net exposure at the end of the year
1. Retail Exposures	**356,330**	**137,139**	**47,897**	**-46,633**	**-2,639**	**-22**	**-21,079**	**425,736**	**175,296**
1.1 Housing Loans	11,338	8,901	7,163	-2,608	-1,354	-21	-300	17,310	12,419
1.2 Consumer and Cash Loans	331,408	96,002	13,640	-36,970	-1,285	-1	-20,859	369,580	151,588
1.3 Overdrafts and Credit Cards	9,857	5,058	0	-7,055	0	0	15	7,875	5,136
1.4 Other Retail Exposures	3,727	27,178	27,094	0	0	0	65	30,970	6,153
2. Corporate Exposures	**826,272**	**608,063**	**558,082**	**-68,860**	**-52,767**	**-938**	**-142,955**	**1,221,581**	**571,500**
2.1 Large Enterprises	40,890	37	0	-353	0	-13	-15,512	25,050	4,477
2.2 Small and Medium Enterprises	299,737	500,385	479,401	-16,180	-12,367	-584	-47,339	736,019	327,678

2.3 Micro Enterprises and Entrepreneurs	465,180	97,285	74,245	-50,465	-40,400	-312	-77,499	434,189	230,412
2.4 Agriculture Producers	20,465	10,332	4,436	-1,862	0	-29	-2,606	26,301	8,928
2.5 Public Enterprises	0	23	0	0	0	0	0	23	5
3. Other Clients	**26,946**		**5**	**-17**	**0**	**-27**	**938**	**27,840**	741
Total exposure:	**1,209,548**	**745,202**	**605,984**	**-115,510**	**-55,406**	**-987**	**-163,096**	**1,675,157**	**747,537**

Table 7.4 Changes in allowances for impairment of receivables

In 000 RSD

Changes in allowances for impairment of receivables	Accumulated allowances at the begining of period	Recognised allowances during the period	Cancelation of allowances during the period	Accumulated allowances at the end of period
	1	2	3	4(1+2-3)
Per Sector				
1. Retail Exposures	**240,198**	**124,029**	**-59,940**	**304,287**
1.1 Housing Loans	3,198	4,068	-1,001	6,265
1.2 Consumer and Cash Loans	228,868	95,730	-56,377	268,221
1.3 Overdrafts and Credit Cards	4,405	3,153	-2,575	4,983
1.4 Other Retail Exposures	3,727	21,078	13	24,818
2. Corporate Exposures	**558,287**	**492,207**	**-175,738**	**874,755**
2.1 Large Enterprises	39,155	18,798	-15,030	42,923
2.2 Small and Medium Enterprises	264,793	385,731	-88,265	562,259
2.3 Micro Enterprises and Entrepreneurs	238,528	73,839	-67,473	244,894
2.4 Agriculture Producers	14,405	13,148	-3,974	23,579
2.5 Public Enterprises	1,406	691	-998	1,099
3. Other Clients	**32,059**	**7,722**	**-7,378**	**32,403**
Per Category				
Performing	**212,987**	**170,587**	**-115,998**	**267,576**

of which forborne	393	131	-321	203
Non-Performing	**617,557**	**453,371**	**-127,058**	**943,870**
of which forborne	41,694	64,034	-10,410	95,318

Table 7.5 Sectoral and geographical concentration of exposure

In 000 RSD

Sectorial and Geographical Deistribution of Portfolio	Belgrade Region		Vojvodina Region		Central and Western Serbia		South and East Serbia		Foreign Countries	
	Performing	Non-Performing	Performing	Non-Performing	Performing	Non-Performing	Performing	Non-Performing	Performing	Non-Performing
1. Retail Exposures	**7,355,380**	**290,134**	**2,426,600**	**107,215**	**8,742,542**	**310,245**	**3,576,917**	**112,078**	**5,758**	**9,788**
1.1 Housing Loans	4,583,770	43,262	945,684	43,852	2,828,173	41,280	750,080	3,417	0	0
1.2 Consumer and Cash Loans	2,618,059	243,919	1,419,354	61,570	5,451,312	229,139	2,633,722	104,539	5,703	9,691
1.3 Overdrafts and Credit Cards	153,335	2,908	61,543	1,793	462,862	8,998	193,069	4,120	0	0
1.4 Other Retail Exposures	216	45	18	0	194	30,827	46	2	55	97
2. Corporate Exposures	**39,631,587**	**575,153**	**18,757,843**	**111,530**	**27,390,614**	**360,098**	**11,678,034**	**342,244**	**6,803,885**	**0**
2.1 Sector A	523,036	6,080	2,340,159	20,011	1,450,085	16,469	371,655	8,782	0	0
2.2 Sector B, C i E	6,061,820	131,555	6,103,561	48,415	11,028,031	189,028	6,310,772	178,889	938,793	0
2.3 Sector D	560,657	23,966	155,140	11	194,888	2	101,975	4	0	0
2.4 Sector F	14,940,939	273,096	4,191,410	12,642	4,460,604	32,361	1,262,624	17,207	2,016,394	0
2.5 Sector G	8,384,730	110,874	3,915,473	25,503	6,178,766	75,871	1,697,216	85,265	0	0
2.6 Sectors H, I i J	3,585,909	21,381	1,561,943	4,776	2,882,831	40,347	1,431,857	40,725	0	0
2.7 Sectors K to U	5,574,496	8,202	490,156	171	1,195,408	6,019	501,936	11,371	3,848,698	0
3. Other Clients	1,530,478	26,419	117,385	197	3,302,670	567	219,460	192	4,425,606	1,398
Total Exposure	**48,517,446**	**891,707**	**21,301,828**	**218,941**	**39,435,826**	**670,909**	**15,474,411**	**454,514**	**11,235,250**	**11,186**

Tabela 7.6 Credit risk exposure by sector and category of receivable, impairment status and number of days past due

In 000 RSD

Exposure to Credit Risk per Status and Days in Delay	Unimpaired Exposures					Impaired Exposures				
	Not in delay	1 to 30 days in delay	31 to 60 days in delay	61 to 90 days in delay	over 90 days in delay	Not in delay	1 to 90 days in delay	91 to 180 days in delay	181 to 360 days in delay	over 360 days in delay
Per Sector										
1. Retail Exposures	**20,434,613**	**1,892,286**	**144,995**	**39,028**	**0**	**49,329**	**31,082**	**33,551**	**58,439**	**253,334**
1.1 Housing Loans	9,036,737	137,139	47,482	850	0	0	9,265	2,046	645	5,354
1.2 Consumer and Cash Loans	10,741,047	1,538,913	91,538	35,930	0	29,465	21,645	29,657	47,992	240,821
1.3 Overdrafts and Credit Cards	656,317	216,230	5,967	2,241	0	331	172	1,827	2,203	3,341
1.4 Other Retail Exposures	511	5	8	6	0	19,533	0	20	7,599	3,819
2. Corporate Exposures	**102,953,047**	**1,436,802**	**35,212**	**4,347**	**0**	**151,168**	**120,477**	**169,292**	**205,521**	**575,123**
2.1 Large Enterprises	21,065,658	20,372	0	0	0	67	0	0	43	24,940
2.2 Small and Medium Enterprises	61,284,098	788,578	8,934	19	0	120,165	60,100	147,950	152,397	255,408
2.3 Micro Enterprises and Entrepreneurs	16,886,665	549,723	14,819	4,329	0	29,476	59,541	16,776	48,155	280,241
2.4 Agriculture Producers	2,492,431	77,829	11,459	0	0	1,437	836	4,566	4,926	14,535
2.5 Public Enterprises	1,224,195	300	0	0	0	23	0	0	0	0
3. Other Clients	**9,595,369**	**703**	**223**	**238**	**0**	**26,792**	**0**	**310**	**44**	**694**
Per Category										
Performing	**132,716,168**	**3,154,070**	**86,712**	**7,811**	**0**	**0**	**0**	**0**	**0**	**0**
of which forborne	48,777	2,382	0	0	0	0	0	0	0	0
Non-Performing	**266,861**	**175,721**	**93,717**	**35,802**	**0**	**227,289**	**151,559**	**203,153**	**264,005**	**829,151**
of which forborne	0	0	0	0	0	143,477	82,828	123	0	117,849
Total Exposure	**132,983,029**	**3,329,791**	**180,429**	**43,613**	**0**	**227,289**	**151,559**	**203,153**	**264,005**	**829,151**

Table 7.7 Non-performing receivables

In 000 RSD

Problem Exposures	Gross Total Exposures	Accumulated Total Allowances	Gross Problem Exposures	of which Forborne	Accumulated Allowances for problem Exposures	% problem exposures	Value of Collateral
	1	2	3	4	5	6 (3/1)	7
1. Retail Exposures	**22,936,658**	**304,287**	**829,459**	**40,240**	**263,994**	**3.62%**	**174,672**
1.1 Housing Loans	9,239,518	6,265	131,810	0	5,958	1.43%	117,014
1.2 Consumer and Cash Loans	12,777,010	268,221	648,859	40,240	230,347	5.08%	57,657
1.3 Overdrafts and Credit Cards	888,629	4,983	17,819	0	2,872	2.01%	0
1.4 Other Retail Exposures	31,501	24,818	30,971	0	24,817	98.32%	0
2. Corporate Exposures	**105,650,988**	**874,755**	**1,389,025**	**304,036**	**652,760**	**1.31%**	**862,866**
2.1 Sector A	4,736,277	42,479	51,342	2,273	27,312	1.08%	9,035
2.2 Sector B, C i E	30,990,864	265,011	547,887	232,186	212,412	1.77%	451,360
2.3 Sector D	1,036,643	20,996	23,983	0	19,951	2.31%	9,918
2.4 Sector F	27,207,278	255,317	335,306	0	219,096	1.23%	239,274
2.5 Sector G	20,473,699	173,248	297,514	35,386	132,977	1.45%	72,568
2.6 Sectors H, I i J	9,569,770	63,751	107,230	34,191	33,258	1.12%	69,395
2.7 Sectors K do U	11,636,457	53,953	25,764	0	7,754	0.22%	11,316
3. Other Clients	9,624,373	**32,403**	28,773	**0**	**27,116**	**0.30%**	**0**
Total Exposure	**138,212,018**	**1,211,445**	**2,247,258**	**344,277**	**943,870**	**1.63%**	**1,037,538**

Table 7.8 Changes in non-performing receivables

In 000 RSD

Changes of non-performing exposures	Gross value at the begining of the year	New non-performing exposures	Of which: purchased	Decrease of non-performing exposures	Of which: collected	Of which: sold	Of which: written-off	Impact of exchange rate changes	Other changes	Gross value at the end of the year	Net value at the end of the year
	1	2	3	4	5	6	7	8	9	10 (1+2+4+8+9)	11
1. Retail Exposures	**643,238**	**352,711**	**0**	**-170,134**	**-165,415**	**0**	**-4,719**	**-1,051**	**4,696**	**829,459**	**565,465**
1.1 Housing Loans	68,726	71,376	0	-8,485	-8,485	0	0	-167	361	131,810	125,853
1.2 Consumer and Cash Loans	556,048	241,921	0	-151,903	-147,187	0	-4,716	-822	3,615	648,859	418,511
1.3 Overdrafts and Credit Cards	14,637	12,235	0	-9,643	-9,640	0	-3	-23	613	17,819	14,947
1.4 Other Retail Exposures	3,827	27,178	0	-103	-103	0	0	-39	107	30,971	6,154
2. Corporate Exposures	**1,214,545**	**724,280**	**0**	**-553,604**	**-265,695**	**-263,957**	**-23,952**	**-1,761**	**5,565**	**1,389,025**	**736,265**
2.1 Large Enterprises	40,890	37	0	-15,876	-15,864	0	-12	-32	36	25,056	4,483
2.2 Small and Medium Enterprises	615,047	542,713	0	-369,994	-85,428	-263,957	-20,609	-1,022	19,706	806,450	397,274
2.3 Micro Enterprises and Entrepreneurs	523,462	165,649	0	-155,031	-151,700	0	-3,331	-658	-14,572	518,850	313,456
2.4 Agriculture Producers	35,118	15,881	0	-12,703	-12,703	0	0	-49	394	38,641	21,043
2.5 Public Enterprises	28	0	0	0	0	0		0	0	28	10
3. Other Clients	27,368	**795**	**0**	**-92**	-92	**0**		**-36**	**738**	28,773	**1,657**
Total exposures:	**1,885,151**	**1,077,786**	**0**	**-723,830**	**-431,202**	**-263,957**	**-28,671**	**-2,848**	**11,000**	**2,247,258**	**1,303,388**

Table 7.9 Credit quality of performing receivables and value of collateral securing such receivables

In 000 RSD

Credit Quality Level of Exposures	Credit Quality Level of Performing Exposures			Problem Exposures	Collateral value*	
	High	Medium	Low		Preforming Exposures	Non-Performing Exposures
1. Retail Exposures	**22,005,757**	**101,441**	**0**	**829,459**	**10,181,937**	**174,672**
1.1 Housing Loans	9,068,577	39,131	0	131,810	8,856,976	117,014
1.2 Consumer and Cash Loans	12,072,668	55,483	0	648,859	1,323,789	57,657
1.3 Overdrafts and Credit Cards	863,997	6,813	0	17,819	1,173	0
1.4 Other Retail Exposures	516	14	0	30,971	0	0
2. Corporate Exposures	**86,536,613**	**17,725,350**	**0**	**1,389,025**	**40,571,089**	**862,866**
2.1 Large Enterprises	18,614,610	2,471,414	0	25,056	7,250,597	9,918
2.2 Small and Medium Enterprises	50,136,550	11,874,647	0	806,450	25,094,109	555,724
2.3 Micro Enterprises and Entrepreneurs	14,403,998	2,966,875	0	518,850	7,672,527	290,141
2.4 Agriculture Producers	2,551,655	17,724	0	38,641	523,457	7,083
2.5 Public Enterprises	829,800	394,689	0	28	30,398	0
3. Other Clients	**9,595,600**	**0**	**0**	**28,773**	2,610,011	**0**
Total Exposure	**118,137,970**	**17,826,791**	**0**	**2,247,258**	**53,363,038**	**1,037,538**

* Market or fair value up to the gross value of the collateralised receivable

Credit quality of non-performing exposures is determined on the basis of classification of the bank's in assets in line with IFRS 9 standard following way:

- High credit quality – receivables classified in Stage 1
- Medium credit quality – receivables classified in Stage 2 and
- Low credit quality – receivables classified in Stage 3

Table 7.10 Forborne receivables

In 000 RSD

Forborne Exposures	Gross Total Exposure	Accumulated Allowances	Gross Forborne Exposures	Of which Non-Performing Exposures	Accumulated Allowances for Forborne Exposures	% of forborne exposures	Value of Collateral *
	1	2	3	4	5	6 (3/1)	7
1. Retail Exposures	**22,936,658**	**304,287**	**52,947**	**40,240**	**14,081**	**0.23%**	**23,540**
1.1 Housing Loans	9,239,518	6,265	9,700	0	11	0.10%	9,700
1.2 Consumer and Cash Loans	12,777,010	268,221	43,246	40,240	14,070	0.34%	13,839
1.3 Overdrafts and Credit Cards	888,629	4,983	0	0	0	0.00%	0
1.4 Other Retail Exposures	31,501	24,818	0	0	0	0.00%	0
2. Corporate Exposures	**105,650,988**	**874,755**	**342,489**	**304,036**	**81,439**	**0.32%**	**301,400**
2.1 Sector A	4,736,277	42,479	19,846	2,273	1,622	0.42%	7,835
2.2 Sector B, C i E	30,990,864	265,011	253,065	232,186	71,617	0.82%	252,675
2.3 Sector D	1,036,643	20,996	0	0	0	0.00%	0
2.4 Sector F	27,207,278	255,317	0	0	0	0.00%	0
2.5 Sector G	20,473,699	173,248	35,386	35,386	5,689	0.17%	7,156
2.6 Sectors H, I i J	9,569,770	63,751	34,191	34,191	2,511	0.36%	33,734
2.7 Sectors K do U	11,636,457	53,953	0	0	0	0.00%	0
3. Other Clients	**9,624,373**	32,403	**0**	0	**0**	**0.00%**	**0**
Total Exposure	**138,212,018**	**1,211,445**	**395,435**	**344,277**	**95,520**	**0.29%**	**324,940**

*Market or fair value up to the gross value of the collateralised receivable

Table 7.11 Changes in forborne receivables

In 000 RSD

Changes of foreborne exposures	Gross exposure at the begining of period	Forborne exposures during the period	Canceled forborne exposures during the period	Impact of exchange rate changes	Other changes	Gros ecposure at the end of the period	Net exposure at the end of the period
	1	2	3	4	5	6 (1+2+3-4+5)	7
1. Retail Exposures	**36,139**	**28,258**	**-12,635**	**0**	**1,185**	**52,947**	**38,865**
1.1 Housing Loans	10,296	0	0	0	-596	9,700	9,689
1.2 Consumer and Cash Loans	25,843	28,258	-12,635	0	1,781	43,246	29,176
1.3 Overdrafts and Credit Cards	0	0	0	0	0	0	0
1.4 Other Retail Exposures	0	0	0	0	0	0	0
2. Corporate Exposures	**296,435**	**153,714**	**-90,982**	**0**	**-16,679**	**342,489**	**261,050**
2.1 Large Enterprises	23,558	0	-15,156	0	-1,261	7,141	7,132
2.2 Small and Medium Enterprises	205,826	120,391	-52,826	0	-2,584	270,808	200,217
2.3 Micro Enterprises and Entrepreneurs	63,221	26,384	-23,000	0	-11,923	54,682	45,451
2.4 Agriculture Producers	3,830	6,939	0	0	-911	9,859	8,249
2.5 Public Enterprises	0	0	0	0	0	0	0
3. Other Clients	**0**	**0**	**0**	0	**0**	**0**	**0**
Total exposure:	**332,574**	**181,972**	**-103,618**	**0**	**-15,494**	**395,435**	**299,915**

Table 7.12 Data on the structure of forborne receivables according to the restructuring measures

In 000 RSD

Forborne Exposures per type of restructuring	Decrease if Interest Rate	Prolongation of maturity	Partial Write-Off	Other measures	Total
1. Retail Exposures	**9,962**	**42,984**	**0**	**0**	**52,947**
1.1 Housing Loans	9,700	0	0	0	9,700
1.2 Consumer and Cash Loans	262	42,984	0	0	43,246
1.3 Overdrafts and Credit Cards	0	0	0	0	0
1.4 Other Retail Exposures	0	0	0	0	0
2. Corporate Exposures	**184,212**	**155,829**	**0**	**2,447**	**342,489**
2.1 Large Enterprises	7,141	0	0	0	7,141
2.2 Small and Medium Enterprises	150,416	120,391	0	0	270,808
2.3 Micro Enterprises and Entrepreneurs	20,546	32,044	0	2,092	54,682
2.4 Agriculture Producers	6,109	3,394	0	356	9,859
2.5 Public Enterprises	0	0	0	0	0
3. Other Clients	**0**	**0**	0	**0**	**0**
Total Exposure	**194,174**	**198,813**	**0**	**2,447**	**395,435**

Table 7.13 Type and value of collaterals and guarantors by sector and category of receivables

in 000 RSD

Types of collateral per sectors	Types of Collateral*									
							Guarantees whose issuer is:			
	Deposits	Securities	Residential Mortgages	Other Mortgages	pledge of warehouse receipt and farm animals	Other	State	Banks	Entityrelated to the client	Other entities
Per Sector										
1. Retail Exposures	**299,133**	**0**	**8,950,137**	**177,827**	**103,235**	**826,277**	**0**	**0**	**0**	**0**
1.1 Housing Loans	2,445	0	8,870,432	99,053	0	2,061	0	0	0	0
1.2 Consumer and Cash Loans	295,515	0	79,705	78,774	103,235	824,216	0	0	0	0
1.3 Overdrafts and Credit Cards	1,173	0	0	0	0	0	0	0	0	0
1.4 Other Retail Exposures	0	0	0	0	0	0	0	0	0	0
2. Corporate Exposures	**3,825,207**	**441,607**	**1,913,879**	**21,334,857**	**4,385,428**	**3,657,992**	**1,118,239**	**4,107,510**	**91,670**	**557,565**
2.1 Large Enterprises	549,949	0	71,141	2,424,086	1,087,611	1,956,994	15,557	1,145,612	0	9,565
2.2 Small and Medium Enterprises	1,805,902	205,337	1,081,588	15,124,591	2,074,131	1,443,563	1,033,168	2,667,902	56,373	157,279
2.3 Micro Enterprises and Entrepreneurs	1,428,439	236,270	687,728	3,651,725	976,340	257,435	69,514	293,996	35,297	325,923
2.4 Agriculture Producers	40,917	0	73,422	134,455	216,948	0	0	0	0	64,798
2.5 Public Enterprises	0	0	0	0	30,398	0				
3. Other Clients	**97,262**	**0**	**0**	**0**	**0**	**0**	**0**	**2,511,294**	**0**	**1,455**
Per Category	0	0	0	0	0	0				
Performing	**4,196,214**	**441,607**	**10,571,785**	**21,248,051**	**4,449,059**	**4,206,144**	**993,030**	**6,618,804**	**91,670**	**546,674**
of which forborne	0	0	9,700	8,261	18,694	0	0	0	0	1
Non-Performing	**25,387**	**0**	**292,231**	**264,633**	**39,605**	**278,125**	**125,209**	**0**	**0**	**12,346**
of which forborne	0	0	4,930	188,402	4,543	0	90,409	0	0	0
Total Exposure	**4,221,601**	**441,607**	**10,864,016**	**21,512,684**	**4,488,664**	**4,484,269**	**1,118,239**	**6,618,804**	**91,670**	**559,020**

*Market or fair value up to the gross value of the collateralised receivable

Table 7.14 Receivables secured by mortgage on immovable property by LTV ratio Value

In 000 RSD

The Value of LTV Ratio	Exposures covered by Mortgages
Below 50%	13,889,576
From 50% to 70%	8,149,951
From 70% to 90%	4,980,725
From 90% to 100%	1,484,826
From 100% to 120%	2,287,199
From 120% to 150%	492,075
Over 150%	2,228,246
TOTAL	**33,512,599**
Average LTV Ratio	**48.40%**

Table 7.15 Changes in assets acquired through collection of receivables

In 000 RSD

Types of assets acquired through collection of receivables		Residential property	Other property	Financial assets	Other assets acquired through collection	Total
Gross value at the start of the period*	**1**	**17,394**	**48,207**	**0**	**0**	**65,601**
Acquired during the period	2	0	0	0	0	
Sold during the period	3	0	0	0		**0**
Put to use during the period (e.g. fixed asset or investment property)	4	0	0	0	0	0
Reclassified as assets intended for sale	5	0	0	0	0	0
Of which: sold during the period	6	0	0	0	0	**0**
Gross value at the end of the period	**7(1+2-3-4-5)**	**17,394**	**48,207**	**0**	**0**	**65,601**
Accumulated allowances for impairment 8 Of which: allowances for impairment during	8	0	0	0	0	**0**
Of which: allowances for impairment during the period	9	0	0	0	0	**0**
Net value at end of period	**10(7+8)**	**17,394**	**48,207**	**0**	**0**	**65,601**

* The term "period" means the calendar year for which a regular annual financial statement is compiled, or a shorter period of time, depending on the frequency of the publication of data and information by the Bank.

Table 7.16 Accrued interest income and interest collected

In 000 RSD

Accrued interest income and interest collected	Interest income	Collected interest	Interest collected from impaired receivables	Interest income from impaired receivables
Per Sector				
1. Retail Exposures	**1,665,717**	**1,607,775**	**8,935**	**15,983**
1.1 Housing Loans	523,902	510,368	594	535
1.2 Consumer and Cash Loans	994,009	1,097,382	8,306	15,425
1.3 Overdrafts and Credit Cards	147,776	25	35	23
1.4 Other Retail Exposures	30	0	0	0
2. Corporate Exposures	**4,021,742**	**3,144,946**	**14,454**	**31,545**
2.1 Large Enterprises	522,934	434,588	461	1,850
2.2 Small and Medium Enterprises	2,444,830	1,796,344	6,472	16,742
2.3 Micro Enterprises and Entrepreneurs	871,481	766,654	6,994	11,908
2.4 Agriculture Producers	149,976	133,072	527	1,045
2.5 Public Enterprises	32,521	14,288	0	0
3. Other Clients	**16,302**		**0**	
Per Category	**5,703,761**	**4,752,721**	**23,389**	**47,528**
Performing	5,559,210	4,648,838	0	0
of which forborne	4,128	3,376	0	0
Non-Performing	144,551	103,883	23,389	47,528
of which forborne	31,095	17,189	12,697	16,896
Total Exposure	**5,703,761**	**4,752,721**	**23,389**	**47,528**

8. APPENDIX II – DISCLOSURES IN LINE WITH GUIDELINES FOR DISCLOSURE OF BANK DATA AND INFORMATION RELATED TO THE QUALITY OF ASSETS FOR 2022

Table 8.1 Total exposure to credit risk

In 000 RSD

Positions of the balance sheet	Assets exposed to credit risk			Assets not exposed to credit risk	Value from the Balance Sheet
	Gross Amount	Accumulated Allowances	Net Value		
	1	2	3	4	5 (3+4)
Cash and cash equivalents	0	0	0	21,728,051	21,728,051
Pledged financial assets	0	0	0	0	0
Receivables from derivatives	0	0	0	11,752	11,752
Securities	13,522	0	13,522	12,071,087	12,084,609
Loans and other exposures to banks and financial institutions	3,012,867	2,072	3,010,795	1,056,060	4,066,855
Loans and other exposures to clients	71,957,507	763,634	71,193,873	0	71,193,873
Changes in fair value of risk mitigation isntruments	0	0	0	0	0
Financial derrivatives for risk mitigation	0	0	0	0	0
Investments into related entities and joint companies	0	0	0	0	0
Investments in subordinated companies	0	0	0	0	0
Non-material investments	0	0	0	1,016,170	1,016,170
Real-estate and fixed assets	0	0	0	1,596,832	1,596,832
Investment real-estate	0	0	0	132,687	132,687
Current tax assets	0	0	0	64,997	64,997
Deferred tax assets	0	0	0	51,106	51,106
Non-current assets held for sale and discontinued operations	0	0	0	0	0
Other assets	744,513	60,677	683,836	29,891	713,727
Balance sheet exposure	**75,728,409**	**826,383**	**74,902,026**	**37,758,633**	**112,660,659**
Issued guarantees	22,192,820	675	22,192,145	0	22,192,145
Contingent liabilities	15,500,915	3,486	15,497,429	0	15,497,429
Other off-balance exposures	0	0	0	107,603,146	107,603,146
Off-Balance Exposure	**37,693,735**	**4,161**	**37,689,574**	**107,603,146**	**145,292,720**
Total Exposure	**113,422,144**	**830,544**	**112,591,600**	**145,361,779**	**257,953,379**

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Table 8.2 Gross and net exposure to credit risk by sector and category of receivables, method of impairment, maturity and value of collateral

In 000 RSD

Gross and Net Exposure to Credit Risk	Unimpaired		Impaired		Total Gross Exposure	Accumulated Allowances		Total Net Exposure Not Due	Value of Collateral	
	Not Due	Past Due	Individually Assessed	Collectivelly Assessed		Individually Assessed	Na grupnoj osnovi		Past Due	Individually Assessed
Per Sector										
1. Retail Exposures	**20,052,414**	**87,441**	**55,730**	**300,600**	**20,496,185**	**17,648**	**222,550**	**20,255,987**	**10,118,316**	**34,574**
1.1 Housing Loans	9,317,221	10,852	6,441	4,897	9,339,411	516	2,682	9,336,213	9,023,164	8,891
1.2 Consumer and Cash Loans	10,082,803	52,840	45,562	285,846	10,467,051	13,405	215,463	10,238,183	1,094,111	25,683
1.3 Overdrafts and Credit Cards	652,055	23,626	0	9,857	685,538	0	4,405	681,133	1,041	0
1.4 Other Retail Exposures	335	123	3,727	0	4,185	3,727	0	458	0	0
2. Corporate Exposures	**85,109,582**	**414,790**	**682,411**	**143,861**	**86,350,644**	**245,514**	**312,773**	**85,792,357**	**38,771,896**	**519,111**
2.1 Large Enterprises	16,272,698	32,127	40,469	421	16,345,715	15,611	23,544	16,306,560	6,749,441	25,166
2.2 Small and Medium Enterprises	52,431,461	225,667	275,877	23,860	52,956,865	96,919	167,874	52,692,072	24,723,777	193,518
2.3 Micro Enterprises and Entrepreneurs	13,064,907	103,486	353,463	111,717	13,633,573	126,875	111,653	13,395,045	6,717,070	297,008
2.4 Agriculture Producers	1,938,560	50,909	12,602	7,863	2,009,934	6,109	8,296	1,995,529	539,405	3,419
2.5 Public Enterprises	1,401,956	2,601	0	0	1,404,557	0	1,406	1,403,151	42,203	0
3. Other Clients	**6,531,597**	**16,772**	**26,187**	**759**	**6,575,315**	**26,187**	**5,872**	**6,543,256**	**20,813**	**0**
Per Category										
Performing	**111,067,470**	**469,523**	**0**	**0**	**111,536,993**	**0**	**212,987**	**111,324,006**	**48,632,755**	**0**
of which forborne	143,163	3,193	0	0	146,356	0	393	145,963	140,137	0
Non-Performing	**626,123**	**49,480**	**764,328**	**445,220**	**1,885,151**	**289,349**	**328,208**	**1,267,594**	**278,270**	**553,685**
of which forborne	0	0	206,379	21,926	228,305	27,575	14,119	186,611	0	198,507
Total Exposure	**111,693,593**	**519,003**	**764,328**	**445,220**	**113,422,144**	**289,349**	**541,195**	**112,591,600**	**48,911,025**	**553,685**

* Market or fair value up to the gross value of the collateralized receivables

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Table 8.3 Changes in impaired receivables

In 000 RSD

Changes of impaired exposures	Gross exposure at the begining of the year	Impaired exposures during the year	of which: exposures impaired on individual basis	Exposures to which impairment has been canceled during the year	of which: exposures that were impaired on individual basis	Impact of exchange rate changes	Other changes	Gross exposure at the end of the year	Net exposure at the end of the year
1. Retail Exposures	**270,437**	**129,402**	**29,416**	**-27,636**	**-1,683**	**-19**	**-15,854**	**356,330**	**165,100**
1.1 Housing Loans	9,679	3,559	1,354	0	0	-17	-1,883	11,338	8,336
1.2 Consumer and Cash Loans	250,381	120,214	28,062	-24,833	-1,683	-2	-14,352	331,408	149,787
1.3 Overdrafts and Credit Cards	6,645	5,629	0	-2,803	0	0	386	9,857	6,977
1.4 Other Retail Exposures	3,732	0	0	0	0	0	-5	3,727	0
2. Corporate Exposures	**1,637,424**	**260,330**	**199,099**	**-911,147**	**-902,509**	**-831**	**-159,504**	**826,272**	**477,897**
2.1 Large Enterprises	140,008	16,935	16,547	-35	0	-22	-115,996	40,890	24,953
2.2 Small and Medium Enterprises	428,797	108,301	92,617	-254,313	-253,099	-270	17,222	299,737	185,759
2.3 Micro Enterprises and Entrepreneurs	1,058,785	122,091	84,113	-656,460	-649,410	-526	-58,710	465,180	257,640
2.4 Agriculture Producers	9,834	13,003	5,822	-339	0	-13	-2,020	20,465	9,545
2.5 Public Enterprises	0	0	0	0	0	0		0	
3. Other Clients	**26,266**	**658**	**0**	**0**	**0**	**-55**	**77**	**26,946**	**282**
Total exposure:	**1,934,127**	**390,390**	**228,515**	**-938,783**	**-904,192**	**-905**	**-175,281**	**1,209,548**	**643,279**

Table 8.4 Changes in allowances for impairment of receivables

In 000 RSD

Changes in allowances for impairment of receivables	Accumulated allowances at the begining of period	Recognised allowances during the period	Cancelation of allowances during the period	Accumulated allowances at the end of period
	1	2	3	4(1+2-3)
Per Sector				
1. Retail Exposures	**216,201**	**84,854**	**-60,857**	**240,198**
1.1 Housing Loans	5,144	1,224	-3,170	3,198
1.2 Consumer and Cash Loans	204,751	80,717	-56,600	228,868
1.3 Overdrafts and Credit Cards	2,574	2,913	-1,082	4,405
1.4 Other Retail Exposures	3,732	0	-5	3,727
2. Corporate Exposures	**880,588**	**296,459**	**-618,760**	**558,287**
2.1 Large Enterprises	49,904	18,687	-29,436	39,155
2.2 Small and Medium Enterprises	253,552	179,624	-168,383	264,793
2.3 Micro Enterprises and Entrepreneurs	570,027	86,853	-418,352	238,528
2.4 Agriculture Producers	6,806	10,030	-2,431	14,405
2.5 Public Enterprises	299	1,265	-158	1,406
3. Other Clients	**12,674**	**24,431**	**-5,046**	**32,059**
Per Category				
Performing	**214,079**	**265,573**	**-266,665**	**212,987**
of which forborne	1,525	244	-1,376	393
Non-Performing	**895,384**	**140,171**	**-417,998**	**617,557**
of which forborne	49,763	14,908	-22,977	41,694

Table 8.5 Sectoral and geographical concentration of exposure

In 000 RSD

Sectorial and Geographical Deistribution of Portfolio	Belgrade Region		Vojvodina Region		Central and Western Serbia		South and East Serbia		Foreign Countries	
	Performing	Non-Performing	Performing	Non-Performing	Performing	Non-Performing	Performing	Non-Performing	Performing	Non-Performing
1. Potraživanja od stanovništva	**6,998,065**	**230,095**	**2,072,922**	**94,143**	**8,073,046**	**227,864**	**2,708,839**	**80,688**	**75**	**10,448**
1.1 Stambeni krediti	4,702,955	7,401	916,674	38,853	3,014,782	20,537	636,274	1,935	0	0
1.2 Potrošački i gotovinski krediti	2,183,663	220,383	1,116,567	54,148	4,669,836	195,874	1,940,937	75,265	0	10,378
1.3 Transakcioni i kreditne kartice	111,308	2,311	39,647	1,142	388,282	7,626	131,589	3,488	75	70
1.4 Ostala potraživanja	139	0	34	0	146	3,827	39	0	0	0
2. Potraživanja od privrede	**31,271,604**	**214,770**	**12,506,758**	**164,508**	**24,849,627**	**457,173**	**9,333,932**	**378,094**	**7,174,178**	**0**
2.1 Sektor A	743,861	3,700	1,786,056	52,568	1,268,478	21,678	289,722	9,650	0	0
2.2 Sektor B, C i E	4,569,928	29,060	2,733,130	60,491	9,983,289	228,110	5,123,698	298,229	939,368	0
2.3 Sektor D	558,423	40,501	40,164	11	684,953	504	86,131	4	0	0
2.4 Sektor F	12,046,304	2,954	3,508,338	9,660	4,307,654	28,949	795,119	17,063	2,788,993	0
2.5 Sektor G	5,490,248	66,168	2,886,151	37,360	5,113,591	114,324	1,199,743	44,094	0	0
2.6 Sektori H, I i J	3,410,988	23,788	1,295,347	4,303	2,534,500	62,312	1,470,741	5,810	0	0
2.7 Sektori K do U	4,451,852	48,599	257,572	115	957,162	1,296	368,778	3,244	3,445,817	0
3. Potraživanja od ostalih klijenata	1,328,257	26,325	109	7	16,517	16	1	75	5,203,063	945
Ukupna izloženost	**39,597,926**	**471,190**	**14,579,789**	**258,658**	**32,939,190**	**685,053**	**12,042,772**	**458,857**	**12,377,316**	**11,393**

Tabela 8.6 Credit risk exposure by sector and category of receivable, impairment status and number of days past due

In 000 RSD

Exposure to Credit Risk per Status and Days in Delay	Unimpaired Exposures					Impaired Exposures				
	Not in delay	1 to 30 days in delay	31 to 60 days in delay	61 to 90 days in delay	over 90 days in delay	Not in delay	1 to 90 days in delay	91 to 180 days in delay	181 to 360 days in delay	over 360 days in delay
Per Sector										
1. Retail Exposures	**18,365,380**	**1,622,038**	**110,465**	**41,972**	**0**	**17,007**	**25,848**	**59,283**	**42,930**	**211,262**
1.1 Housing Loans	9,184,994	135,753	6,451	875	0	0	3,802	2,301	268	4,967
1.2 Consumer and Cash Loans	8,672,380	1,323,703	99,827	39,733	0	16,807	21,565	54,917	40,525	197,594
1.3 Overdrafts and Credit Cards	507,548	162,582	4,187	1,364		200	481	2,065	2,137	4,974
1.4 Other Retail Exposures	458	0	0	0		0	0	0	0	3,727
2. Corporate Exposures	**84,188,425**	**1,157,967**	**128,166**	**49,814**	**0**	**81,413**	**98,238**	**92,733**	**182,602**	**371,286**
2.1 Large Enterprises	16,281,954	22,871	0	0	0	41	16,538	316	9,918	14,077
2.2 Small and Medium Enterprises	51,846,093	661,859	104,209	44,967	0	10,330	19,508	43,131	155,402	71,366
2.3 Micro Enterprises and Entrepreneurs	12,785,868	368,059	11,062	3,404	0	67,446	60,825	46,784	11,108	279,017
2.4 Agriculture Producers	1,869,953	105,178	12,895	1,443	0	3,596	1,367	2,502	6,174	6,826
2.5 Public Enterprises	1,404,557	0	0	0	0	0	0	0	0	0
3. Other Clients	**6,547,604**	**728**	**37**	**0**	**0**	**26,221**	**0**	**39**	**10**	**676**
Per Category										
Performing	**108,874,431**	**2,562,343**	**88,606**	**11,613**	**0**	**0**	**0**	**0**	**0**	**0**
of which forborne	85,719	60,637	0	0	0	0	0	0	0	0
Non-Performing	**226,978**	**218,390**	**150,062**	**80,173**	**0**	**124,641**	**124,086**	**152,055**	**225,542**	**583,224**
of which forborne	0	0	0	0	0	61,080	49,409	644	115,897	1,275
Total Exposure	**109,101,409**	**2,780,733**	**238,668**	**91,786**	**0**	**124,641**	**124,086**	**152,055**	**225,542**	**583,224**

Table 8.7 Non-performing receivables

In 000 RSD

Problem Exposures	Gross Total Exposures	Accumulated Total Allowances	Gross Problem Exposures	of which Forborne	Accumulated Allowances for problem Exposures	% problem exposures	Value of Collateral
	1	2	3	4	5	6 (3/1)	7
1. Retail Exposures	**20,496,185**	**278,850**	**643,238**	**25,415**	**203,305**	**3.14%**	**102,775**
1.1 Housing Loans	9,339,411	55	68,726	0	3,046	0.74%	59,686
1.2 Consumer and Cash Loans	10,467,051	268,221	556,048	25,415	193,582	5.31%	43,089
1.3 Overdrafts and Credit Cards	685,538	6,265	14,637	0	2,950	2.14%	0
1.4 Other Retail Exposures	4,185	4,310	3,827	0	3,727	91.45%	0
2. Corporate Exposures	**86,350,644**	**558,287**	**1,214,545**	**202,890**	**387,588**	**1.41%**	**729,180**
2.1 Sector A	4,175,713	36,262	87,596	2,066	19,881	2.10%	10,513
2.2 Sector B, C i E	23,965,303	218,769	615,890	149,108	180,488	2.57%	503,228
2.3 Sector D	1,410,691	17,967	41,020	14,840	15,816	2.91%	25,629
2.4 Sector F	23,505,034	58,304	58,626	0	33,146	0.25%	25,375
2.5 Sector G	14,951,679	128,181	261,946	33,882	100,392	1.75%	90,335
2.6 Sectors H, I i J	8,807,789	52,468	96,213	2,994	31,425	1.09%	58,802
2.7 Sectors K do U	9,534,435	46,336	53,254	0	6,440	0.56%	15,298
3. Other Clients	**6,575,315**	**27,948**	**27,368**	**0**	**26,664**	**0.42%**	**0**
Total Exposure	113,422,144	865,085	1,885,151	228,305	617,557	1.66%	831,955

Table 8.8 Changes in non-performing receivables

In 000 RSD

Changes of non-performing exposures	Gross value at the begining of the year	New non-performing exposures	Of which: purchased	Decrease of non-performing exposures	Of which: collected	Of which: sold	Of which: written-off	Impact of exchange rate changes	Other changes	Gross value at the end of the year	Net value at the end of the year
	1	2	3	4	5	6	7	8	9	10 (1+2+4+8+9)	11
1. Retail Exposures	**416,612**	**308,951**	**0**	**-86,235**	**-48,737**	**0**	**-237**	**-126**	**4,036**	**643,238**	**439,933**
1.1 Housing Loans	65,616	12,619	0	-9,510	-12,401	0	0	-123	124	68,726	65,680
1.2 Consumer and Cash Loans	339,072	286,098	0	-72,076	-28,918	0	-228	-3	2,957	556,048	362,466
1.3 Overdrafts and Credit Cards	8,178	10,149	0	-4,645	-7,418	0	-9	0	955	14,637	11,687
1.4 Other Retail Exposures	3,746	85	0	-4	0	0	0	0	0	3,827	100
2. Corporate Exposures	**1,701,163**	**621,995**	**0**	**-1,111,935**	**-615,588**	**-87,483**	**-408,864**	**-846**	**4,168**	**1,214,545**	**826,956**
2.1 Large Enterprises	142,147	16,911	0	-2,152	-2,152	0	0	-22	-115,994	40,890	24,953
2.2 Small and Medium Enterprises	434,810	409,934	0	-329,797	-237,934	-87,483	-4,380	-271	100,371	615,047	462,635
2.3 Micro Enterprises and Entrepreneurs	1,109,870	169,866	0	-775,292	-370,808	0	-404,484	-536	19,554	523,462	315,363
2.4 Agriculture Producers	14,332	25,279	0	-4,690	-4,690	0	0	-17	214	35,118	23,977
2.5 Public Enterprises	4	5	0	-4	-4	0	0	0	23	28	28
3. Other Clients	**26,430**	**242**	**0**	**-170**	**0**	**0**	**0**	**-55**	**921**	**27,368**	**705**
Total exposures:	**2,144,205**	**931,188**	**0**	**-1,198,340**	**-664,325**	**-87,483**	**-409,101**	**-1,027**	**9,125**	**1,885,151**	**1,267,594**

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Table 8.9 Credit quality of performing receivables and value of collateral securing such receivables

In 000 RSD

Credit Quality Level of Exposures	Credit Quality Level of Performing Exposures			NPE	Collateral value*	
	High	Medium	Low		Preforming Exposures	Non-Performing Exposures
1. Retail Exposures	**19,746,366**	**106,581**	**0**	**643,238**	**-102,775**	**102,775**
1.1 Housing Loans	9,237,328	33,357	0	68,726	-59,686	59,686
1.2 Consumer and Cash Loans	9,842,951	68,052	0	556,048	-43,089	43,089
1.3 Overdrafts and Credit Cards	665,729	5,172	0	14,637	0	0
1.4 Other Retail Exposures	358	0	0	3,827	0	0
2. Corporate Exposures	**69,491,262**	**15,644,837**	**0**	**1,214,545**	**-729,180**	**729,180**
2.1 Large Enterprises	14,579,490	1,725,335	0	40,890	-25,166	25,166
2.2 Small and Medium Enterprises	42,043,571	10,298,247	0	615,047	-384,287	384,287
2.3 Micro Enterprises and Entrepreneurs	10,198,059	2,912,052	0	523,462	-311,184	311,184
2.4 Agriculture Producers	1,960,472	14,344	0	35,118	-8,543	8,543
2.5 Public Enterprises	709,670	694,859	0	28	0	0
3. Other Clients	**6,547,910**	**37**	**0**	**27,368**	**0**	**0**
Total Exposure	**95,785,538**	**15,751,455**	**0**	**1,885,151**	**-831,955**	**831,955**

* Market or fair value up to the gross value of the collateralised receivable

Credit quality of non-performing exposures is determined on the basis of classification of the bank's in assets in line with IFRS 9 standard following way:

- High credit quality – receivables classified in Stage 1
- Medium credit quality – receivables classified in Stage 2 and
- Low credit quality – receivables classified in Stage 3

Table 8.10 Forborne receivables

In 000 RSD

Forborne Exposures	Gross Total Exposure	Accumulated Allowances	Gross Forborne Exposures	Of which Non-Performing Exposures	Accumulated Allowances for Forborne Exposures	% of forborne exposures	Value of Collateral *
	1	2	3	4	5	6 (3/1)	7
1. Retail Exposures	**22,936,658**	**304,287**	**52,947**	**40,240**	**14,081**	**0.23%**	**23,540**
1.1 Housing Loans	9,239,518	6,265	9,700	0	11	0.10%	9,700
1.2 Consumer and Cash Loans	12,777,010	268,221	43,246	40,240	14,070	0.34%	13,839
1.3 Overdrafts and Credit Cards	888,629	4,983	0	0		0.00%	0
1.4 Other Retail Exposures	31,501	24,818	0	0		0.00%	0
2. Corporate Exposures	**105,650,988**	**874,755**	**342,489**	**304,036**	**81,439**	**0.32%**	**301,400**
2.1 Sector A	4,736,277	42,479	19,846	2,273	1,622	0.42%	7,835
2.2 Sector B, C i E	30,990,864	265,011	253,065	232,186	71,617	0.82%	252,675
2.3 Sector D	1,036,643	20,996	0	0	0	0.00%	0
2.4 Sector F	27,207,278	255,317	0	0	0	0.00%	0
2.5 Sector G	20,473,699	173,248	35,386	35,386	5,689	0.17%	7,156
2.6 Sectors H, I i J	9,569,770	63,751	34,191	34,191	2,511	0.36%	33,734
2.7 Sectors K do U	11,636,457	53,953	0	0		0.00%	0
3. Other Clients	**9,624,373**	32,403	**0**	0	**0**	**0.00%**	**0**
Total Exposure	**138,212,018**	**1,211,445**	**395,435**	**344,277**	**95,520**	**0.29%**	**324,940**

*Market or fair value up to the gross value of the collateralised receivable

Table 8.11 Changes in forborne receivables

In 000 RSD

Changes of foreborne exposures	Gross exposure at the begining of period	Forborne exposures during the period	Canceled forborne exposures during the period	Impact of exchange rate changes	Other changes	Gros ecposure at the end of the period	Net exposure at the end of the period
	1	2	3	4	5	6 (1+2+3-4+5)	7
1. Retail Exposures	**22,080**	**21,403**	**-1,261**	**0**	**-2,041**	**40,181**	**36,139**
1.1 Housing Loans	10,745	0	0	0	-438	10,307	10,296
1.2 Consumer and Cash Loans	11,335	21,403	-1,261	0	-1,603	29,874	25,843
1.3 Overdrafts and Credit Cards	0	0	0	0	0	0	0
1.4 Other Retail Exposures	0	0	0	0	0	0	0
2. Corporate Exposures	**420,663**	**108,406**	**-132,263**	**0**	**-62,326**	**334,480**	**296,435**
2.1 Large Enterprises	116,049	14,840	0	0	-105,462	25,427	23,558
2.2 Small and Medium Enterprises	180,890	57,524	-72,383	0	60,027	226,058	205,826
2.3 Micro Enterprises and Entrepreneurs	122,525	32,302	-59,880	0	-16,309	78,638	63,221
2.4 Agriculture Producers	1,199	3,740	0	0	-582	4,357	3,830
2.5 Public Enterprises	0	0	0	0	0	0	0
3. Other Clients	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total exposure:	**442,743**	**129,809**	**-133,524**	**0**	**-64,367**	**374,661**	**332,574**

Table 8.12 Data on the structure of forborne receivables according to the restructuring measures

In 000 RSD

Forborne Exposures per type of restructuring	Decrease if Interest Rate	Prolongation of maturity	Partial Write-Off	Other measures	Total
1. Retail Exposures	**21,120**	**18,960**	**0**	**101**	**40,181**
1.1 Housing Loans	10,307	0	0	0	10,307
1.2 Consumer and Cash Loans	10,813	18,960	0	101	29,874
1.3 Overdrafts and Credit Cards	0	0	0	0	0
1.4 Other Retail Exposures	0	0	0	0	0
2. Corporate Exposures	**193,501**	**82,613**	**0**	**58,366**	**334,480**
2.1 Large Enterprises	10,272	15,155	0	0	25,427
2.2 Small and Medium Enterprises	173,232	67	0	52,759	226,058
2.3 Micro Enterprises and Entrepreneurs	9,997	64,049	0	4,592	78,638
2.4 Agriculture Producers	0	3,342	0	1,015	4,357
2.5 Public Enterprises	0	0	0	0	0
3. Other Clients	**0**	**0**	**0**	**0**	**0**
Total Exposure	214,621	101,573	0	58,467	374,661

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Table 8.13 Type and value of collaterals and guarantors by sector and category of receivables

In 000 RSD

Types of collateral per sectors	Vrste sredstava obezbeđenja*									
	Deposits	Securities	Residential Mortgages	Other Mortgages	pledge of warehouse receipt and farm animals	Other	Guarantees whose issuer is:			
							State	Banks	Entityrelated to the client	Other entities
Per Sector										
1. Retail Exposures	**281,051**	**0**	**9,087,170**	**153,065**	**0**	**631,604**	**0**	**0**	**0**	**0**
1.1 Housing Loans	2,448	0	8,976,332	51,468	0	1,807	0	0	0	0
1.2 Consumer and Cash Loans	277,562	0	110,838	101,597	0	629,797	0	0	0	0
1.3 Overdrafts and Credit Cards	1,041	0	0	0	0	0	0	0	0	0
1.4 Other Retail Exposures	0	0	0	0	0	0	0	0	0	0
2. Corporate Exposures	**4,112,800**	**400,729**	**1,749,619**	**18,441,589**	**0**	**8,104,524**	**1,359,765**	**4,307,501**	**154,995**	**659,485**
2.1 Large Enterprises	413,077	0	227,174	2,118,292	0	3,180,631	68,890	758,850	0	7,693
2.2 Small and Medium Enterprises	2,459,311	0	935,119	13,526,412	0	3,844,030	996,255	2,840,114	154,914	161,140
2.3 Micro Enterprises and Entrepreneurs	1,199,878	400,729	517,375	2,655,839	0	859,929	294,620	708,537	81	377,090
2.4 Agriculture Producers	40,534	0	69,951	141,046	0	177,731	0	0	0	113,562
2.5 Public Enterprises	0	0	0	0	0	42,203	0	0	0	0
3. Other Clients	**18,118**	**0**	**0**	**0**	**0**	**0**	**91**	**0**	**0**	**2,604**
Per Category	0	0	0	0	0	0	0	0	0	0
Performing	**4,391,548**	**400,729**	**10,640,882**	**18,277,967**	**0**	**8,611,830**	**1,295,165**	**4,307,501**	**49,396**	**657,737**
of which forborne	0	0	10,307	111,111	0	18,719	0	0	0	0
Non-Performing	**20,421**	**0**	**195,907**	**316,687**	**0**	**124,298**	**64,691**	**0**	**105,599**	**4,352**
of which forborne	0	0	17,715	160,107	0	20,685	0	0	0	0
Total Exposure	**4,411,969**	**400,729**	**10,836,789**	**18,594,654**	**0**	**8,736,128**	**1,359,856**	**4,307,501**	**154,995**	**662,089**

*Market or fair value up to the gross value of the collateralised receivable

Table 8.14 Receivables secured by mortgage on immovable property by LTV ratio Value

In 000 RSD

The Value of LTV Ratio	Exposures covered by Mortgages
Below 50%	9,966,264
From 50% to 70%	10,811,105
From 70% to 90%	6,127,997
From 90% to 100%	319,267
From 100% to 120%	1,151,864
From 120% to 150%	438,998
Over 150%	2,689,182
TOTAL	**31,504,677**
Average LTV Ratio	**49.32%**

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Table 8.15 Changes in assets acquired through collection of receivables

In 000 RSD

Types of assets acquired through collection of receivables		Residential property	Other property	Financial assets	Other assets acquired through collection	Total
Gross value at the start of the period*	**1**	**21,062**	**57,311**	**0**	**0**	**78,373**
Acquired during the period	2	0	0	0	0	**0**
Sold during the period	3	3,668	9,104	0	0	**12,772**
Put to use during the period (e.g. fixed asset or investment property)	4	0	0	0	0	**0**
Reclassified as assets intended for sale	5	0	0	0	0	**0**
Of which: sold during the period	6	0	0	0	0	**0**
Gross value at the end of the period	**7(1+2-3-4-5)**	**17,394**	**48,207**	**0**	**0**	**65,601**
Accumulated allowances for impairment 8 Of which: allowances for impairment during	8	0	0	0	0	**0**
Of which: allowances for impairment during the period	9	0	0	0	0	**0**
Net value at end of period	**10(7+8)**	**17,394**	**48,207**	**0**	**0**	**65,601**

* The term "period" means the calendar year for which a regular annual financial statement is compiled, or a shorter period of time, depending on the frequency of the publication of data and information by the Bank.

Table 8.16 Accrued interest income and interest collected

In 000 RSD

Accrued interest income and interest collected	Interest income	Collected interest	Interest collected from impaired receivables	Interest income from impaired receivables
Per Sector				
1. Retail Exposures	**1,665,717**	**1,607,775**	**8,935**	**15,983**
1.1 Housing Loans	523,902	510,368	594	535
1.2 Consumer and Cash Loans	994,009	1,097,382	8,306	15,425
1.3 Overdrafts and Credit Cards	147,776	25	35	23
1.4 Other Retail Exposures	30	0	0	0
2. Corporate Exposures	**4,021,742**	**3,144,946**	**14,454**	**31,545**
2.1 Large Enterprises	522,934	434,588	461	1,850
2.2 Small and Medium Enterprises	2,444,830	1,796,344	6,472	16,742
2.3 Micro Enterprises and Entrepreneurs	871,481	766,654	6,994	11,908
2.4 Agriculture Producers	149,976	133,072	527	1,045
2.5 Public Enterprises	32,521	14,288	0	0
3. Other Clients	**16,302**		**0**	
Per Category	**5,703,761**	**4,752,721**	**23,389**	**47,528**
Performing	5,559,210	4,648,838	0	0
of which forborne	4,128	3,376	0	0
Non-Performing	144,551	103,883	23,389	47,528
of which forborne	31,095	17,189	12,697	16,896
Total Exposure	**5,703,761**	**4,752,721**	**23,389**	**47,528**