

HALKBANK A.D. BELGRADE

**REPORT ON DISCLOSURE OF DATA AND INFORMATION BY
BANK AS OF 30.06.2018.**

Disclosure in accordance with Pillar 3 of Basel III

Belgrade, September 2018.

Contents

INTRODUCTION	3
1. Information about the bank.....	4
2. Bank's capital.....	4
3. Capital requirements and Capital adequacy of the bank	18
4. Leverage ratio.....	27

INTRODUCTION

In accordance with Pillar 3 of Basel 3 and the Decision on Disclosure of Information and Bank Information, Halkbank a.d. Belgrade publishes a report as of June 30, which contains information about:

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

The report is published on the Bank's website (www.halkbank.rs).

In accordance with item 24 of the Decision on Disclosure of Data and Information by Banks ("Official Gazette of the Republic of Serbia" No. 103/2016) and the internal procedure, the Executive Board on 26.09.2018. has assessed the frequency of disclosure of data and information of the bank taking into account:

- Volume of business operations;
- Banking products offered to clients;
- Presence only in different countries;
- Participation in the banking sector;
- Participation in international financial markets;
- Participation in the international payment, billing and clearing system;

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

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

1. INFORMATION ABOUT THE BANK

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

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

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

The Bank's registration number is 07601093.

The tax identification number of the Bank is: 100895809.

The largest share in the Bank's equity on June 30, 2018 has the parent bank Turkiye Halk Bankasi A.S. with 99.99% of equity participation (as of December 31, 2016: Turkiye Halk Bankasi AS was 99.88%)

Total regulatory capital on June 30, 2018 is RSD 8,103,454 thousand and consists of share capital in the total amount of RSD 8,102,114 thousand and additional capital in the amount of RSD 1,304 thousand.

The total capital requirements for covering the risks amounted RSD 2,697,710 thousand for:

- credit risk, counterparty risk, and settlement/delivery risk RSD 2,399,806 thousand and
- operational risk RSD 297,904 thousand.

Capital adequacy ratio as at 30.06.2018. amounts to 24.03%.

Indicator of leverage of the Bank as at 30.06.2018. amounts to 14.51%.

On June 30, 2018, the Bank had a business network consisting of 32 branches and sub-branches, as well as 464 employees (at the end of 2017 there were 435 employees).

The bank on February 20, 2018 has the capital increase by issuing a new issue of shares, from RSD 4,248,483 thousand to RSD 6,612,603 thousand (about EUR 20 million).

2. BANK'S CAPITAL

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

PI-KAP

Data on Bank Capital

(In RSD thousand)

No	Item	Amount	DCA reference ¹
	Common Equity Tier 1: elements		
1	CET1 capital instruments and the related share premium accounts	5,411,263	
1.1.	<i>of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA</i>	4,183,940	Section 7, paragraph 1, item 1) and

¹ DCA - Decision on Capital Adequacy of Banks.

No	Item	Amount	DCA reference ¹
			Section 8
1.2.	<i>of which: relevant share premium with the instruments referred to in item 1.1, i.e. the amount paid above par value of those instruments</i>	1,227,323	Section 7, paragraph 1, item 2)
2	Profit from preceding years free of any future liabilities, to be allocated to CET 1 capital according to the decision of the bank's assembly	0	Section 10, paragraph 1
3	Profit of the current year or profit from the preceding year which the bank's assembly still has not decided to allocate in CET 1 capital which fulfil the requirements as laid out in Section 10, paras 2 and 3 on inclusion into CET 1 capital	0	Section 10, paras 2 and 3
4	Revaluation reserves and other unrealised losses	415,684	Section 7, paragraph 1, item 4)
5	Reserves from profit and other bank reserves, except for reserves for general banking risks	1,312,431	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 CET ¹²	0	
8	Common Equity Tier 1 capital before regulatory adjustments and deductibles (sum of rows from 1 to 7)	7,139,378	
	Common Equity Tier 1 capital: regulatory adjustments and deductibles		
9	Additional value adjustments (-)	-5,697	Section 12, paragraph 5
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	-169,174	Section 13, paragraph 1, item 2)
11	Deferred tax assets that rely on future profitability of the bank, excluding those arising from temporary differences (net of related deferred tax liability where the conditions referred to in Section 14, paragraph 1 of the DCA are met)	-62,393	Section 13, paragraph 1, item 3)
12	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows	0	Section 12, paragraph 1, item 1)
13	IRB Approach: Negative amount of difference resulting from the calculation in accordance with Section 134 of the DCA (-)	0	Section 13, paragraph 1, item 4)
14	Any increase in equity that results from securitisation exposures (-)	0	Section 11
15	Gains or losses on bank's liabilities valued at fair value resulting from changes in own credit standing	0	Section 12, paragraph 1, item 2)
16	Defined benefit pension fund assets on the balance sheet of the bank(-)	0	Section 13, paragraph 1, item 5)

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

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

No	Item	Amount	DCA reference ¹
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)
27	Amount of required reserve for estimated losses on balance-sheet assets and off-balance sheet items of the bank	0	Section 13, paragraph 1, item 13)
28	Total regulatory adjustments and deductibles from CET1 capital (sum of rows from 9 to 27)	-237,264	
29	Common Equity Tier 1 capital (difference between 8 and 28)	6,902,114	
	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 ³	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)	8,102,114	
	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	1,340	Section 27, paragraph 1, items 1) and 2)

³ To be completed by the ultimate parent company, obliged to calculate the banking group's capital based on the data from the consolidated financial statements, in accordance with the decision on consolidated supervision of a banking group. The Bank does not have a subsidiary and is not subject to consolidation.

No	Item	Amount	DCA reference ¹
	the DCA and related share premium accounts related to instruments		
42	Capital instruments issued by subsidiaries, which are recognised as Tier 2 capital ⁴	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)	8,103,454	
52	Total risk-weighted assets	33,721,371	Section 3, paragraph 2,
	Capital adequacy ratios and capital buffers		
53	Common Equity Tier 1 capital ratio (%)	20.47%	Section 3, paragraph 1, item 1)
54	Tier 1 capital ratio (%)	24.03%	Section 3, paragraph 1, item 2)
55	Total capital ratio (%)	24.03%	Section 3, paragraph 1, item 3)

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

No	Item	Amount	DCA reference ¹
56	Total requirements for capital buffers (%) ⁵	4.57%	Section 433
57	Common Equity Tier 1 capital available for capital buffers coverage (%) ⁶	12.47%	

Thresholds for common equity Tier 1 deductions	Amount In RSD thousand
Threshold non deductible of holdings in financial sector entities where the bank does not have a significant investment	690,211
10% CET1 threshold calculated in accordance with Section 21, paragraph 2 of the Decision on Capital Adequacy of Banks	690,211
17.65 % CET1 threshold calculated in accordance with Section 21, paragraph 3 of the Decision on Capital Adequacy of Banks	1,218,223
Eligible capital under Section 13, paragraph 8 of the Decision on Capital Adequacy of Banks	8,103,454

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

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

PI-FIKAP

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

No	Instrument features	Instrument 1	Instrument 2	Instrument 3
1.	Issuer	Halkbank a.d. Belgrade	Halkbank a.d. Belgrade	Halkbank a.d. Belgrade
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	<i>Common Equity Tier 1 instrument</i>	<i>Additional Tier 1 instrument</i>	<i>Tier 2 instrument</i>
3.	Eligible at solo/(sub-)consolidated/ solo&(sub-) consolidated	<i>Solo</i>	<i>Solo</i>	<i>Solo</i>

⁵ As a percentage of risk-weighted assets.

⁶ 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.

No	Instrument features	Instrument 1	Instrument 2	Instrument 3
4.	Instrument type	<i>Ordinary shares</i>	<i>Non-cumulative preferential shares</i>	<i>Cumulative preferential shares</i>
5.	Amount recognised in regulatory capital (in RSD thousand, as of most recent reporting date)	5,411,263	1,200,000	1,340
6.	Nominal amount of instrument	4,183,940	600,000	1,340
6.1.	Issue price	1,227,323	600,000	0
6.2.	Redemption price			
7.	Accounting classification	<i>Shareholders' equity</i>	<i>Shareholders' equity</i>	<i>Shareholders' equity</i>
8.	Original date of issuance	1992.	2015.	1992.
9.	Perpetual or dated	<i>Perpetual</i>	<i>Perpetual</i>	<i>Perpetual</i>
9.1.	Original maturity date	<i>No maturity</i>	<i>No maturity</i>	<i>No maturity</i>
10.	Issuer call subject to prior supervisory approval	No	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	Floating	Fixed	Fixed
12.	Coupon rate and any related index		5.00%	5.00%
13.	Existence of a dividend stopper	No	Yes	Yes
14.1.	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Partially discretionary	Partially discretionary
14.2.	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
15.	Existence of step up or other incentive to redeem	No	No	No
16.	Noncumulative or cumulative dividend/coupon	<i>Noncumulative</i>	<i>Noncumulative</i>	<i>Cumulative</i>
17.	Convertible or non-convertible	<i>Nonconvertible</i>	<i>Nonconvertible</i>	<i>Convertible</i>
18.	If convertible, conversion trigger(s)			<i>In accordance with the decision of the Assembly</i>
19.	If convertible, fully or partially			<i>In accordance with the decision of the Assembly</i>

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

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

PI-UKP

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

Breakdown of elements in the balance sheet

(RSD thousand)

Position mark	Item	Balance sheet	References
A	ASSETS		
A.I	Cash and assets with the central bank	5,311,995	
A.II	Pledged financial assets	0	
A.III	Financial assets recognised at fair value through income statement and held for trading	23,084	

Position mark	Item	Balance sheet	References
A.IV	Financial assets initially recognised at fair value through income statement	0	
A.V	Financial assets available for sale	5,207,614	
A.VI	Financial assets held to maturity	59,433	
A.VII	Loans and receivables from banks and other financial organisations	2,634,100	
A.VIII	Loans and receivables from clients	33,953,129	
A.IX	Changes in fair value of hedged items	0	
A.X	Receivables arising from financial derivatives intended for hedging	998	
A.XI	Investments in associated companies and joint ventures	0	
	<i>Of which direct or indirect investments in banks and other financial sector persons</i>	0	
A.XII	Investments into subsidiaries	0	
	<i>Of which direct or indirect investments in banks and other financial sector persons</i>	0	
A.XIII	Intangible assets	169,174	e
A.XIV	Property, plant and equipment	833,868	
A.XV	Investment property	125,805	
A.XVI	Current tax assets	0	
A.XVII	Deferred tax assets	62,393	f
A.XVIII	Non-current assets held for sale and discontinued operations	0	
A.XIX	Other assets	234,020	
	<i>Of which direct or indirect investment in banks and other financial sector persons that exceed 10% of the capital of such banks and/or other financial sector persons</i>	0	
A.XX	TOTAL ASSETS (ADP items from 0001 to 0019 in the consolidated balance sheet)	48,615,613	
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	0	
PO.III	Liabilities arising from financial derivatives intended for hedging	1,461	
PO.IV	Deposits and other liabilities to banks, other financial organisations and central bank	8,305,978	
PO.V	Deposits and other liabilities to other clients	31,455,422	
PO.VI	Changes in fair value of hedged items	0	
PO.VII	Own securities issued and other borrowings	0	
	<i>Of which liabilities arising from hybrid instruments</i>	0	

Position mark	Item	Balance sheet	References
PO.VIII	Subordinated liabilities	0	
	<i>Of which subordinated liabilities included in bank's supplementary capital</i>	0	
PO.IX	Provisions	43,744	
PO.X	Liabilities under assets held for sale and discontinued operations	0	
PO.XI	Current tax liabilities	0	
PO.XII	Deferred tax liabilities	0	
PO.XIII	Other liabilities	241,240	
PO.XIV	TOTAL LIABILITIES (ADP items from 0401 to 0413 in the consolidated balance sheet)	40,047,845	
	CAPITAL		
PO.XV	Share capital	6,612,603	
	<i>Of which par value of paid-in shares, except for cumulative preferential shares</i>	4,183,940	a
	<i>Of which share premium on share capital, except for cumulative preferential shares</i>	1,227,323	b
	<i>Of which par value of non-cumulative preferential shares</i>	600,000	g
	<i>Of which share premium on non -cumulative preferential shares</i>	600,000	h
	<i>Of which par value of cumulative preferential shares</i>	1,340	i
	<i>Of which share premium on cumulative preferential shares</i>	0	
PO.XVI	Own shares	0	
	<i>Of which acquired own shares, except for cumulative preferential shares</i>	0	
	<i>Of which acquired own cumulative preferential shares</i>	0	
PO.XVII	Profit	214,965	
	<i>Of which retained earnings from previous years</i>	52,373	
	<i>Of which profit of the current year</i>	162,592	
PO.XVIII	Loss	0	
	<i>Of which losses from previous years</i>	0	
	<i>Of which loss in the current year</i>	0	
PO.XIX	Reserves	1,740,200	
	<i>Of which reserves from profit which represent element of core capital</i>	1,312,431	d
	<i>Of which other positive consolidated reserves</i>	0	
	<i>Of which other negative consolidated reserves</i>	0	
	<i>Of which other net negative revaluation reserves</i>	0	
	<i>Of which gains on bank liabilities measured at fair value due to the change in bank's credit rating</i>	0	

Position mark	Item	Balance sheet	References
	<i>Of which positive revaluation reserves created on the basis of effects of changes in fair value of fixed assets, securities and other assets which are, in accordance with IFRS/IAS, credited to these reserves</i>	427,769	c
PO.XX	Unrealised losses	0	
	<i>Of which unrealised losses based on securities available for sale</i>	0	
PO.XXI	Non-controlling participation	0	
	<i>Of which minority participation in subordinated companies</i>	0	
PO.XXII	TOTAL CAPITAL (result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) ≥ 0	8,567,768	
PO.XXIII	TOTAL CAPITAL SHORTFALL (result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) < 0		
PO.XXIV	TOTAL LIABILITIES (result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0414 + 0422 - 0423)	48,615,613	
B.П.	OFF-BALANCE SHEET ITEMS		
B.П.A.	Off-balance sheet assets	54,709,652	
	<i>Of which amount of shares received in pledge, except for cumulative preferential shares</i>	0	
	<i>Of which amount of cumulative preferential shares received in pledge</i>	0	
B.П.П.	Off-balance sheet liabilities	54,454,330	

Matching items in the decomposed balance sheet and items in PI-KAP Form:

No	Item	Amount	Data source in accordance with references
	Common Equity Tier 1: elements		
1	CET1 capital instruments and the related share premium accounts	5,411,263	
1.1.	<i>of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA</i>	4,183,940	a
1.2.	<i>of which: relevant share premium with the instruments referred to in item 1.1, i.e. the amount paid above par value of those instruments</i>	1,227,323	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	

No	Item	Amount	Data source in accordance with references
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	
4	Revaluation reserves and other unrealised losses	415,684	c*
5	Reserves from profit and other bank reserves, except for reserves for general banking risks	1,312,431	d
6	Reserves for general banking risks	0	
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)	7,139,378	
	Common Equity Tier 1 capital: regulatory adjustments and deductibles		
9	Additional value adjustments (-)	-5,697	
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	-169,174	e
11	Deferred tax assets that rely on future profitability of the bank, excluding those arising from temporary differences (net of related deferred tax liability where the conditions referred to in Section 14, paragraph 1 of the DCA are met)	-62,393	f
12	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows	0	
13	IRB Approach: Negative amount of difference resulting from the calculation in accordance with Section 134 of the DCA (-)	0	
14	Any increase in equity that results from securitisation exposures (-)	0	
15	Gains or losses on bank's liabilities valued at fair value resulting from changes in own credit standing	0	
16	Defined benefit pension fund assets on the balance sheet of the bank(-)	0	
17	Direct, indirect and synthetic holdings by a bank of own Common Equity Tier 1 instruments, including own CET 1 instruments that a bank is under an actual or contingent obligation to purchase by virtue of an existing contractual obligation (-)	0	
18	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have a reciprocal cross holding with the bank, designed to inflate artificially the capital of the bank (-)	0	
19	Applicable amount of direct, indirect and synthetic holdings by the bank of the CET1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)	0	
20	Applicable amount of direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities (-)	0	

No	Item	Amount	Data source in accordance with references
21	Exposure amount of the following items which qualify for a risk weight of 1.250%, where the bank deducts that exposure amount from the amount of CET1 items as an alternative to applying a risk weight of 1.250%	0	
21.1.	<i>of which: holdings in entities outside the financial sector in the amount of over 10% of capital of those entities, i.e. holdings that allow exerting a significant impact on managing of a legal entity or on the business policy of that legal entity (-)</i>	0	
21.2.	<i>of which: securitisation positions (-)</i>	0	
21.3.	<i>of which: free deliveries (-)</i>	0	
22	Deferred tax assets that rely on the bank's future profitability arising from temporary differences (amount above 10% of bank's CET1 capital referred to in Section 21, paragraph 2, reduced by the amount of related tax liabilities where the requirements referred to in Section 14, paragraph 1 of the DCA are met (-)	0	
23	Sum of deferred tax assets and holdings of financial sector entities where the bank has a significant investment referred to in Section 21, paragraph 1 of the DCA in such entities, which exceeds the threshold referred to in Section 21, paragraph 3 of the DCA (-)	0	
23.1.	<i>of which: Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the bank has a significant investment in those entities</i>	0	
23.2.	<i>of which: Deferred tax assets arising from temporary differences</i>	0	
24	Losses for the current and previous years, and unrealised losses (-)	0	
25	Any tax charge relating to CET1 elements foreseeable at the moment of its calculation, except where the bank suitably adjusts the amount of CET1 elements insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (-)	0	
26	Amount of items required to be deducted from the bank's Additional Tier 1 items that exceeds Additional Tier 1 capital of the bank (-)	0	
27	Amount of required reserve for estimated losses on balance-sheet assets and off-balance sheet items of the bank	0	
28	Total regulatory adjustments and deductibles from CET1 capital (sum of rows from 9 to 27)	-237,264	
29	Common Equity Tier 1 capital (difference between 8 and 28)	6,902,114	
	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	g + h
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	

No	Item	Amount	Data source in accordance with references
	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 which the bank has reciprocal cross holdings, designed to inflate artificially the capital of the bank (-)	0	
35	Applicable amount of direct, indirect and synthetic holdings by a bank of the Additional Tier 1 instruments of financial sector entities where the bank does not have a significant investment in those entities (-)	0	
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 29 and 39)	8,102,114	
	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	i
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	

No	Item	Amount	Data source in accordance with references
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)	8,103,454	

d* In calculating the position of the revaluation reserve and other unrealized losses as a part of regulatory capital, the value adjustments of debt securities in the amount RSD 12,084 thousand were not taken into account.

3. CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY OF THE BANK

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

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

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

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

Capital adequacy ratios as of 30.06.2018. amounts:

Capital adequacy ratios	
Common equity Tier 1 capital ratio (%)	20.47%
Tier 1 capital ratio (%)	24.03%
Total capital ratio (%)	24.03%

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

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

Data on Total Capital Requirements and Capital Adequacy Ratio

(RSD thousand)

No	Item	Amount
I	CAPITAL	8,103,454
1.	TOTAL COMMON EQUITY TIER 1 CAPITAL	6,902,114
2.	TOTAL ADDITIONAL TIER 1 CAPITAL	1,200,00
3.	TOTAL TIER 2 CAPITAL	1,340
II	CAPITAL REQUIREMENTS	2,697,710
1.	CAPITAL REQUIREMENT FOR CREDIT RISK, COUNTERPARTY RISK, DILUTION RISK AND SETTLEMENT/DELIVERY RISK TO FREE DELIVERIES	2,399,806
1.1.	Standardised Approach (SA)	2,399,806
1.1.1.	<i>Exposures to central governments and central banks</i>	0
1.1.2.	<i>Exposures to territorial autonomies or local government units</i>	15,452
1.1.3.	<i>Exposures to public administrative bodies</i>	0
1.1.4.	<i>Exposures to multilateral development banks</i>	0
1.1.5.	<i>Exposures to international organisations</i>	0
1.1.6.	<i>Exposures to banks</i>	55,340
1.1.7.	<i>Exposures to companies</i>	502,782
1.1.8.	<i>Retail exposures</i>	1,005,572
1.1.9.	<i>Exposures secured by mortgages on immovable property</i>	551,112
1.1.10.	<i>Exposures in default</i>	175,431
1.1.11.	<i>Exposures associated with particularly high risk</i>	0
1.1.12.	<i>Exposures in the form of covered bonds</i>	0
1.1.13.	<i>Exposures in the form of securitisation positions</i>	0
1.1.14.	<i>Exposures to banks and companies with a short-term credit assessment</i>	0
1.1.15.	<i>Exposures in the form of units in open-ended investment funds</i>	0
1.1.16.	<i>Equity exposures</i>	1,847
1.1.17.	<i>Other items</i>	92,270

No	Item	Amount
1.2.	Internal Ratings Based Approach (IRB)	0
1.2.1.	<i>Exposures to central governments and central banks</i>	0
1.2.2.	<i>Exposures to banks</i>	0
1.2.3.	<i>Exposures to companies</i>	0
1.2.4.	Retail exposures	0
1.2.4.1.	<i>of which: Exposures secured by mortgages on immovable property</i>	0
1.2.4.2.	<i>of which: Qualifying revolving retail exposures</i>	0
1.2.4.3.	<i>of which: Exposures to small and medium-sized enterprises classified as retail exposures</i>	0
1.2.5.	Equity exposures	0
1.2.5.1.	Approach applied:	0
1.2.5.1.1.	<i>Simple Risk-Weight Approach</i>	0
1.2.5.1.2.	<i>PD/LGD Approach</i>	0
1.2.5.1.3.	<i>Internal models approach</i>	0
1.2.5.2.	Types of equity exposures	0
1.2.5.2.1.	<i>Exchange traded equity exposures</i>	0
1.2.5.2.2.	<i>Non-exchange traded equity exposures in sufficiently diversified portfolios</i>	0
1.2.5.2.3.	<i>Other equity exposures</i>	0
1.2.5.2.4.	<i>Equity exposures to which a bank applies the Standardised Approach</i>	0
1.2.6.	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	0
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
	<i>of which capital requirement for position risk in respect of securitisation items</i>	0
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	0

No	Item	Amount
3.1.5.	<i>Capital requirement for commodities risk</i>	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	297,904
4.1.	Capital requirement for operational risk calculated under the Basic Indicator Approach	297,904
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 (%)	20.47%
IV	TIER 1 CAPITAL RATIO (%)	24.03%
V	TOTAL CAPITAL RATIO (%)	24.03%

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

The capital requirement for credit risk amounts to RSD 2,399,806 thousand.

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

Below is an overview of the exposure for a class of physical persons:

Retail exposures	Capital requirements (RSD thousand)
Secured by mortgages on immovable property	128,974
Exposures to small and medium-sized enterprises classified as retail exposures	526,934
Total retail exposures	1,005,572

The Bank does not have specialised lending exposures.

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

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

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

1. Material credit protection instruments in the form of financial assets,

2. Immaterial credit protection instruments, namely guarantees, other types of warranties and counter guarantees.

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

On 30 June, 2018 the Bank has used only material credit protection instrument i.e. cash deposits.

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

Exposure before the application of credit mitigation techniques

RSD thousand

Risk weights / Credit conversion factors (CCF)	0%	20%	35%	50%	75%	100%	150%	Total net exposure *	Risk weighted asset after application of CCF
Exposures to banks	0	1,683,984	0	315,796	0	625,959	2,677	2,628,416	928,100
0%	0	0	0	0	0	0	0	0	0
20%	0	0	0	0	0	5,890	0	5,890	1,178
50%	0	0	0	0	0	383,715	0	383,715	191,857
100%	0	1,683,984	0	315,796	0	236,354	2,677	2,238,811	735,064
Exposures to central governments or central banks	9,895,052	0	0	0	0	0	0	9,895,052	0
0%	0	0	0	0	0	0	0	0	0
100%	9,895,052	0	0	0	0	0	0	9,895,052	0
Retail exposures	0	0	0	0	21,520,823	0	0	21,520,823	13,460,234
0%	0	0	0	0	1,834,624	0	0	1,834,624	0
20%	0	0	0	0	1,292,164	0	0	1,292,164	193,825
50%	0	0	0	0	1,410,978	0	0	1,410,978	529,117
100%	0	0	0	0	16,983,056	0	0	16,983,056	12,737,292
Exposures secured by mortgages	187,618	4,690	4,106,700	1,925,643	454,186	5,308,555	0	11,987,391	6,889,837
0%	0	0	0	0	89,146	690,492	0	779,638	0
20%	0	0	396,118	50,124	794	260,214	0	707,250	84,903
50%	0	0	41,282	35,686	4,028	91,689	0	172,685	63,501
100%	187,618	4,690	3,669,300	1,839,833	360,218	4,266,161	0	10,327,819	6,741,433
Other exposures	1,141,195	0	0	0	0	31,935,567	0	33,076,762	1,085,734
0%	0	0	0	0	0	30,849,604	0	30,849,604	0
50%	0	0	0	0	0	458	0	458	229
100%	1,141,195	0	0	0	0	1,085,505	0	2,226,699	1,085,505
Exposures to companies	0	0	0	0	0	12,051,320	0	12,051,320	6,289,933
0%	0	0	0	0	0	2,861,547	0	2,861,547	0
20%	0	0	0	0	0	3,176,871	0	3,176,871	635,374
50%	0	0	0	0	0	716,686	0	716,686	358,343

Exposure before the application of credit mitigation techniques

RSD thousand

Risk weights / Credit conversion factors (CCF)	0%	20%	35%	50%	75%	100%	150%	Total net exposure *	Risk weighted asset after application of CCF
100%	0	0	0	0	0	5,296,216	0	5,296,216	5,296,216
Exposures in default	0	0	0	0	0	1,850,519	8,463,255	10,313,774	2,195,924
0%	0	0	0	0	0	171,220	8,118,664	8,289,883	0
20%	0	0	0	0	0	0	4	4	1
50%	0	0	0	0	0	0	343	343	258
100%	0	0	0	0	0	1,679,299	344,244	2,023,543	2,195,665
Exposures to territorial autonomies or local government units	0	1	0	0	0	193,155	0	193,156	193,155
100%	0	1	0	0	0	193,155	0	193,156	193,155
Equity exposures	0	0	0	0	0	23,084	0	23,084	23,084
100%	0	0	0	0	0	23,084	0	23,084	23,084
Total:	11,223,865	1,688,674	4,106,700	2,241,439	21,975,009	51,988,159	8,465,932	101,689,778	31,066,000

* Gross exposure reduced for specific adjustments for credit risk, additional adjustments, amount of required reserve for estimated losses deducted from CET1 Capital and other deductions

Exposure before the application of credit mitigation techniques

RSD thousand

Risk weights / Credit conversion factors (CCF)	0%	20%	35%	50%	75%	100%	150%	Total net exposure	Risk weighted asset after application of CCF	Capital requirements for credit risk
Exposures to banks	0	1,683,984	0	315,796	0	389,605	2,677	2,392,061	691,745	55,340
0%	0	0	0	0	0	0	0	0	0	0
20%	0	0	0	0	0	5,890	0	5,890	1,178	94
50%	0	0	0	0	0	383,715	0	383,715	191,857	15,349
100%	0	1,683,984	0	315,796	0	0	2,677	2,002,456	498,710	39,897
Exposures to central governments or central banks	9,895,052	0	0	0	0	0	0	9,895,052	0	0
0%	0	0	0	0	0	0	0	0	0	0
100%	9,895,052	0	0	0	0	0	0	9,895,052	0	0
Retail exposures	0	0	0	0	20,333,381	0	0	20,333,381	12,569,652	1,005,572
0%	0	0	0	0	1,834,624	0	0	1,834,624	0	0
20%	0	0	0	0	1,292,164	0	0	1,292,164	193,825	15,506
50%	0	0	0	0	1,410,978	0	0	1,410,978	529,117	42,329
100%	0	0	0	0	15,795,614	0	0	15,795,614	11,846,711	947,737
Exposures secured by mortgages	0	0	4,106,700	1,925,643	454,186	5,308,555	0	11,795,084	6,888,899	551,112
0%	0	0	0	0	89,146	690,492	0	779,638	0	0
20%	0	0	396,118	50,124	794	260,214	0	707,250	84,903	6,792
50%	0	0	41,282	35,686	4,028	91,689	0	172,685	63,501	5,080
100%	0	0	3,669,300	1,839,833	360,218	4,266,161	0	10,135,511	6,740,496	539,240
Other exposures	2,426,497	338,237	0	0	0	31,935,567	0	34,700,301	1,153,381	92,270
0%	0	0	0	0	0	30,849,604	0	30,849,604	0	0
50%	0	0	0	0	0	458	0	458	229	18
100%	2,426,497	338,237	0	0	0	1,085,505	0	3,850,239	1,153,152	92,252
Exposures to companies	0	0	0	0	0	12,046,161	0	12,046,161	6,284,774	502,782
0%	0	0	0	0	0	2,861,547	0	2,861,547	0	0
20%	0	0	0	0	0	3,176,871	0	3,176,871	635,374	50,830

RSD thousand

Risk weights / Credit conversion factors (CCF)	0%	20%	35%	50%	75%	100%	150%	Total net exposure	Risk weighted asset after application of CCF	Capital requirements for credit risk
50%	0	0	0	0	0	716,686	0	716,686	358,343	28,667
100%	0	0	0	0	0	5,291,057	0	5,291,057	5,291,057	423,285
Exposures in default	0	0	0	0	0	1,849,763	8,461,734	10,311,497	2,192,886	175,431
0%	0	0	0	0	0	171,220	8,118,664	8,289,883	0	0
20%	0	0	0	0	0	0	4	4	1	0
50%	0	0	0	0	0	0	343	343	258	21
100%	0	0	0	0	0	1,678,543	342,723	2,021,266	2,192,627	175,410
Exposures to territorial autonomies or local government units	0	1	0	0	0	193,155	0	193,156	193,155	15,452
100%	0	1	0	0	0	193,155	0	193,156	193,155	15,452
Equity exposures	0	0	0	0	0	23,084	0	23,084	23,084	1,847
100%	0	0	0	0	0	23,084	0	23,084	23,084	1,847
Total:	12,321,549	2,022,222	4,106,700	2,241,439	20,787,567	51,745,890	8,464,411	101,689,778	29,997,577	2,399,806

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

RSD thousand

Credit protection instrument type	Amount
Material credit protection instruments	1,068,423
Immaterial credit protection instruments	0
Total:	1,068,423

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 Bank did not calculate the capital requirement for foreign exchange risk, since the sum of the total net open foreign currency position and the absolute value of the net open position in gold is not more than 2% of the bank's capital calculated in accordance with the provisions of chapter III of the NBS Decision on capital adequacy of the bank.

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

Exposure indicator is calculated based on the following elements:

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

In calculating the exposure indicator is not included:

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

4. LEVERAGE RATIO

The leverage ratio is calculating as ratio of Tier 1 capital – sum of Common Equity Tier 1 capital and Additional Tier 1 capital in accordance with the decision governing capital adequacy of banks and the bank's exposure. The ratio is expressed as a percentage.

Leverage ratio calculated in accordance with the decision governing reporting requirements for banks as of 30.06.2018. amounts 14.51%.