HALKBANK A.D. BELGRADE

REPORT ON DISCLOSURE OF DATA AND INFORMATION BY BANKS AS OF 31.12.2018

Disclosure in accordance with: Basel III Pillar 3

Belgrade, May 2019

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 31.12.2018.

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. After obtaining an approval for compliance of the report with legal regulations by the Compliance and AML Department, it was 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.

Turkiye 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. Turkiye 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 seventh largest bank in Turkey, with a strong and stable position in all sectors of banking operations and high capital adequacy. As of December 31, 2018, Turkish Halkbank operates a total of 994 branches, consisting of 988 domestic and 6 foreign ones, five of them in Cyprus and one in Bahrain. The Bank also has 3 representative offices: in England, Iran and Singapore.

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, 2018, the Bank had 24 branches - in Belgrade (8 branches), Čačak (2 branches), Jagodina, Gornji Milanovac, Kraljevo, Užice, Kragujevac, Kruševac, Aranđelovac, Valjevo, Šabac, Niš, Novi Sad, Pančevo, Novi Pazar and Subotica, as well as 9 sub-branches (2017: 9 sub-branches) in Paraćin, Požega, Topola, Ivanjica, Vrnjačka Banja, Leskovac, Mladenovac, Čačak and Tutin and 4 counters. In 2018, the Bank opened a new branch in Belgrade in King Alexander's Boulevard 108.

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 quality management system documentation governing the control and consistent implementation of all Bank's 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.

- ***Internal Audit Department*** - risk management process in the Bank is audited at least annually by the Internal audit, which examines the adequacy of the procedures and the

Bank's compliance with such procedures. Internal audit discusses the results of their work with the management of the Bank and reports to the Audit Committee on its findings and recommendations.

- ***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 through the Operating Report 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 Corporate and SME Department and Retail Credit Department monitor 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 potentially problematic, problematic and doubtful 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 and the calculation of reserves for estimated losses shall be carried out in accordance with the decisions of National bank of Serbia (hereinafter: NBS) and the Bank’s Guidelines 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 Business policy in the event of a liquidity crisis are taken.

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 quarterly 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.

Policy of securities portfolio management defines principles for managing a portfolio of securities and individual positions in the trading book of the Bank, as well as the duties and responsibilities of individual bodies and organizational units of the Bank in the process of the management of positions in the trading book of the Bank.

The principles are defined that must be respected by Trading department when deciding on entry and exit from positions that are subject to the trading book.

The Bank, on the basis of relevant sources of market information, perform active monitoring of the value of trading book positions and their compliance with the limits laid down in this policy and strategy of trading.

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.

Identifying and measuring of exposure to the interest rate risk is described in detail.

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. Managing and mitigating of strategic risk is defined in this document.

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 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, procedures and 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 the internal acts of the Bank makes statement whether the procedures and acts are in line with the law and make suggestions and recommendations to remedy identified deficiencies;
- Follow the implementation of the recommendations.

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 conducted daily and regular checks of compliance, non-compliance is not identified, Head of compliance and AML department quarterly reports to the Executive Board and the Audit Committee;
- If during the control, department has established the existence of acceptable risk due to non-compliance of business, or non-compliance that during the control remedied, it must be included in the report on the inspection and on at the next session reports to the Executive Board and the Audit Committee;
- 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 and the Audit Committee.

Risk monitoring is carried out also by checking the measures taken for the elimination of identified non-compliance of the controlled organizational unit of the Bank.

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 Board of Directors of the Bank has adopts Risk Appetite Framework, which defines the limits of the following indicators:

Description	Value of the Indicator	
	Limit	**Value of the indicator as of December 31st, 2018**
Capital adequacy ratio	Higher or equal to 19.00%	27.82%
Indicator of capital adequacy of common tier 1 equity	Higher or equal to 15.00%	27.81%
Indicator of the share capital adequacy ratio	Higher or equal to 13.00%	24.60%
Liquidity indicator	Min 1.10	1.69
Narrow liquidity indicator	Min 0.80	1.42
Liquidity Coverage Ratio	Min 105%	259.27%

Description	Value of the Indicator	
	Limit	Value of the indicator as of December 31st, 2018
Aggregate indicator of total exposure in relation to the Bank's capital	Max 300%	89.69%
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 18%	0.63%
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 -20% to +20%	1.01%
Coverage of NPL with value adjustments	Min 35%	47.97%
The NPL rate in relation to the Bank's portfolio	Max 10%	6.42%
Penalty measures i.e. fined fines imposed on the Bank, which represents the ratio of the amount of the penalties and the total gross income of the Bank at the level of the calendar year.	Max up to 0.1% of gross annual income of the bank	0%

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, internal control and management in the Bank. In this way, an independent and objective certificate of the situation in the controlled organizational parts of the Bank is provided and the reports and necessary recommendations are submitted to the management of the Bank. The internal audit is independent of the activities being controlled, as well as in relation to the daily internal control processes within the Bank, which enables it to carry out its function objectively and impartially.

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 Turkiye Halk bankasi, as well as to international financial institutions EFSE, KFW 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.

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 accordance with the legal regulative, Bank calculates reserves for estimated losses on balance sheet assets and 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 Securities management are defined principles that Department for trading of securities must respect when making decisions on entering and exiting positions that are subject to the trading book.

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):

(RSD thousand)

No	Item	Amount	DCA reference*
	Common Equity Tier 1: elements		
1	CET1 capital instruments and the related share premium accounts	**7,771,263**	
1.1.	*of which: shares and other capital instruments which fulfil the requirements as laid out in Section 8 of the DCA*	5,658,940	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*	2,112,323	Section 7, paragraph 1, item 2)
2	Profit from preceding years free of any future liabilities, to be allocated to CET 1 capital according to the decision of the bank's assembly	0	Section 10, paragraph 1
3	Profit of the current year or profit from the preceding year which the bank's assembly still has not decided to allocate in CET 1 capital which fulfil the requirements as laid out in Section 10, paras 2 and 3 on inclusion into CET 1 capital	0	Section 10, paras 2 and 3
4	Revaluation reserves and other unrealised losses	438,377	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 CET1**	**0**	
8	**Common Equity Tier 1 capital before regulatory adjustments and deductibles** (sum of rows from 1 to 7)	**9,522,071**	
	Common Equity Tier 1 capital: regulatory adjustments and deductibles		
9	Additional value adjustments (-)	-7,168	Section 12, paragraph 5
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	-273,138	Section 13, paragraph 1, item 2)
11	Deferred tax assets that rely on future profitability of the bank, excluding those arising from temporary differences (net of related deferred tax liability where the conditions referred to in Section 14, paragraph 1 of the DCA are met)	-62,393	Section 13, paragraph 1, item 3)
12	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows	0	Section 12, paragraph 1, item 1)
13	IRB Approach: Negative amount of difference resulting from the calculation in accordance with Section 134 of the DCA (-)	0	Section 13, paragraph 1, item 4)
14	Any increase in equity that results from securitisation exposures (-)	0	Section 11
15	Gains or losses on bank's liabilities valued at fair value resulting from changes in own credit standing	0	Section 12, paragraph 1, item 2)
16	Defined benefit pension fund assets on the balance sheet of the bank(-)	0	Section 13, paragraph 1, item 5)
17	Direct, indirect and synthetic holdings by a bank of own Common Equity Tier 1 instruments, including own CET 1 instruments that a bank is under an actual or contingent obligation to purchase by virtue of an existing contractual 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.	*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

PI-KAP Form (Continued)

No	Item	Amount	DCA reference*
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 (-)	0	Section 13, paragraph 1, item 1)
25	Any tax charge relating to CET1 elements foreseeable at the moment of its calculation, except where the bank suitably adjusts the amount of CET1 elements insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (-)	0	Section 13, paragraph 1, item 12)
26	Amount of items required to be deducted from the bank's Additional Tier 1 items that exceeds Additional Tier 1 capital of the bank (-)	0	Section 13, paragraph 1, item 10)
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)	-342,700	
29	**Common Equity Tier 1 capital** (difference between 8 and 28)	**9,179,371**	
	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)	**10,379,371**	
	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)	**10,380,711**	

PI-KAP Form (Continued)

No	Item	Amount	DCA reference*
52	**Total risk-weighted assets**	**37,317,799**	Section 3, paragraph 2,
	Capital adequacy ratios and capital buffers		
53	Common Equity Tier 1 capital ratio (%)	24.60%	Section 3, paragraph 1, item 1)
54	Tier 1 capital ratio (%)	27.81%	Section 3, paragraph 1, item 2)
55	Total capital ratio (%)	27.82%	Section 3, paragraph 1, item 3)
56	Total requirements for capital buffers (%)***	4.59%	Section 433
57	Common Equity Tier 1 capital available for capital buffers coverage (%)****	16.60%	

* 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.

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	917,937
10% CET1 threshold calculated in accordance with Section 21, paragraph 2 of the Decision on Capital Adequacy of Banks	917,937
17.65 % CET1 threshold calculated in accordance with Section 21, paragraph 3 of the Decision on Capital Adequacy of Banks	1,620,159
Eligible capital under Section 13, paragraph 8 of the Decision on Capital Adequacy of Banks	10,380,711

Holdings of CET1 capital of financial sector entities where the bank does not have a significant investment are in the amount of 3,288 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)	*7,771,263*	*1,200,000*	*1,340*
6.	Nominal amount of instrument	*5,658,940*	*600,000*	*1,340*
6.1.	Issue price	*2,112,323*	*600,000*	*0*
6.2.	Redemption price			
7.	Accounting classification	*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 March 7, 2019, 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;
- Amount of the required reserve for estimated losses on balance-sheet assets and off-balance sheet items of the bank.

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, as well as deferred tax assets that rely on the bank's future profitability in accordance with regulations.
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).

Designation of item	Item	Balance sheet	References
A	**ASSETS**		
A.I	Cash and assets with the central bank	7,643,117	
A.II	Pledged financial assets	0	
A.III	Financial assets recognised at fair value through income statement and held for trading	29,526	
A.IV	Financial assets initially recognised at fair value through income statement	0	
A.V	Financial assets available for sale	6,690,619	
A.VI	Financial assets held to maturity	0	
A.VII	Loans and receivables from banks and other financial organisations	2,281,251	
A.VIII	Loans and receivables from clients	38,765,127	
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	273,138	**z**
A.XIV	Property, plant and equipment	851,041	
A.XV	Investment property	123,883	
A.XVI	Current tax assets	0	
A.XVII	Deferred tax assets	62,393	**i**
A.XVIII	Non-current assets held for sale and discontinued operations	0	
A.XIX	Other assets	184,995	
	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)**	**56,905,090**	
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	0	
PO.IV	Deposits and other liabilities to banks, other financial organisations and central bank	6,180,692	
PO.V	Deposits and other liabilities to other clients	39,165,999	
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	97,677	
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	309,037	
PO.XIV	TOTAL LIABILITIES (ADP items from 0401 to 0413 in the consolidated balance sheet)	45,753,405	

PI-UPK Form (Continued)

Designation of item	Item	Balance sheet	References
	CAPITAL		
PO.XV	Share capital	8,972,603	
	Of which par value of paid-in shares, except for cumulative preferential shares	*5,658,940*	**a**
	Of which share premium on share capital, except for cummulative preferential shares	*2,712,323*	**b**
	Of which par value of non-cumulative preferential shares	*600,000*	**m**
	Of which share premium on non -cumulative preferential shares	*0*	**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	414,098	
	Of which retained earnings from previous years	*52,373*	
	Of which profit of the current year	*361,725*	
PO.XVIII	Loss	0	**p**
	Of which losses from previous years	*0*	
	Of which loss in the current year	*0*	
PO.XIX	Reserves	1,764,984	
	Of which reserves from profit which represent element of core capital	*1,312,431*	**q**
	Of which other positive consolidated reserves	*0*	
	Of which other negative consolidated reserves	*0*	
	Of which other net negative revaluation reserves	*0*	
	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	*452,553*	**d**
PO.XX	Unrealised losses	*0*	**r**
	Of which unrealised losses based on securities available for sale	*0*	
PO.XXI	Non-controlling participation	0	
	Of which minority participation in subordinated companies	*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**	11,151,685	
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)**	**56,905,090**	
В.П.	**OFF-BALANCE SHEET ITEMS**		
В.П.А.	Off-balance sheet assets	59,092,659	
	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	59,092,659	

PI-UPK - Matching items in the decomposed balance sheet and items in PI–KAP Form
(amounts in 000 RSD)

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	**7,771,263**	
1.1.	*of which: shares and other capital instruments which fulfil the requirements as laid out in Section*	5,658,940	**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*	2,112,323	**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	**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	438,377	**d**
5	Reserves from profit and other bank reserves, except for reserves for general banking risks	1,312,431	**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	**9,522,071**	
	Common Equity Tier 1 capital: regulatory adjustments and deductibles		
9	Additional value adjustments (-)	-7,168	
10	Intangible assets, including goodwill (net of deferred tax liabilities) (-)	-273,138	**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)	-62,393	**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 allowexerting 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 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.	*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	

PI-UPK (Continued) - 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
24	Losses for the current and previous years, and unrealised losses (-)	0	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	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)	-342,700	
29	**Common Equity Tier 1 capital** (difference between 8 and 28)	**9,179,371**	
	Additional Tier 1 capital: elements		
30	Shares and other capital instruments which fulfil the requirements as laid out in Section 23 of the D	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 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)	**10,379,371**	
	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)	**10,380,711**	

Capital structure of the Bank as of December 31st 2018 (amounts in 000RSD)

No	Item	Amount
1	**CAPITAL**	**10,380,711**
1.1	***TIER 1 CAPITAL***	***10,379,371***
1.1.1	**Common Equity Tier 1 Capital**	**9,179,371**
1.1.1.1	***Capital instruments eligible as CET1 Capital and share premium***	***7,771,263***
1.1.1.1.1	Paid-up amount of CET1 instruments	0
1.1.1.1.3	Share premium with CET1 Capital instruments	2,112,323
1.1.1.2	***Profit***	***0***
1.1.1.2.2.1	*Note: Earlier period profit not eligible for inclusion in CET1 Capital*	52,373
1.1.1.2.2.2	*Note: Current period profit not eligible for inclusion in CET1 Capital*	361,725
1.1.1.3	***(-) Loss***	
1.1.1.4	***Revaluation reserves and other unrealized gains/losses***	*438,377*
1.1.1.4.1	*Revaluation reserves and other unrealized gains/losses*	*438,377*
1.1.1.5	***Reserves from profit, other reserves and reserves for general banking risks***	***1,312,431***
1.1.1.5	*Reserves from profit*	*1,312,431*
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***	**-7,168**
1.1.1.7.5	***(+/-) Additional adjustments to CET1***	*-7,168*
1.1.1.9	***(-) Other intangible assets net of associated deferred tax liabilities***	***-273,138***
1.1.1.9.1	*(-) Other intangible assets net of associated deferred tax liabilities*	*-273,138*
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***	**-62,393**
1.1.1.25	***(-) Amount of required reserve for estimated losses under balance sheet assets and off-balance sheet items deducted from CET1 Capital***	***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 2018 was 27.82%.

Capital requirements as of December 31st 2018 (amounts in 000 RSD):

No	Item	Amount
1	**RISK-WEIGHTED ASSETS**	37,317,799
1.1	***RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY AND DILUTION RISKS AND FREE DELIVERIES***	33,594,005
1.1.1	**Risk-weighted exposures - Standardised Approach**	33,594,005
1.1.1.1	***Exposure classes (excluding securitised positions)***	33,594,005
1.1.1.1.2	Territorial autonomies and local government units	177,497
1.1.1.1.6	Banks	902,990
1.1.1.1.7	Companies	6,611,053
1.1.1.1.8	Retail	14,955,277
1.1.1.1.9	Secured by mortgages on immovable property	8,131,425
1.1.1.1.10	Exposures in default	1,601,779
1.1.1.1.15	Equity	23,248
1.1.1.1.16	Other items	1,190,736
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***	0
1.3.1	Exposure to foreign exchange risk	0
1.4	***RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK***	3,723,794
1.4.1	Basic indicator approach	3,723,794
2	**CET1 CAPITAL ADEQUACY RATIO**	24.60%
2.1	Surplus(+) or deficit(-) of CET1 Capital	7,500,070
2.2	Minimum CET1 Capital adequacy ratio determined for a bank	4.50 %
3	**T1 CAPITAL ADEQUACY RATIO**	27.81%
3.1	Surplus(+) or deficit(-) of T1 Capital	8,140,303
3.2	Minimum T1 Capital adequacy ratio determined for a bank	6.00 %
4	**CAPITAL ADEQUACY RATIO**	27.82%
4.1	Surplus(+) or deficit(-) of capital	7,395,287
4.2	Minimum capital adequacy ratio determined for a bank	8.00 %

PI-AKB Form (amounts in 000 RSD)

No	Name	Amount
		1
I	CAPITAL	*10,380,711*
1.	TOTAL COMMON EQUITY TIER 1 CAPITAL	9,179,371
2.	TOTAL ADDITIONAL TIER 1 CAPITAL	1,200,000
3.	TOTAL TIER 2 CAPITAL	1,340
II	CAPITAL REQUIREMENTS	*37,317,799*
1.	CAPITAL REQUIREMENT FOR CREDIT RISK, COUNTERPARTY RISK, DILUTION RISK AND SETTLEMENT/DELIVERY RISK TO FREE DELIVERIES	*33,594,005*
1.1.	Standardised Approach (SA)	33,594,005
1.1.1.	*Exposures to central governments and central banks*	*0*
1.1.2.	*Exposures to territorial autonomies or local government units*	*177,497*
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*	*902,990*
1.1.7.	*Exposures to companies*	*6,611,053*
1.1.8.	*Retail exposures*	*14,955,277*
1.1.9.	*Exposures secured by mortgages on immovable property*	*8,131,425*
1.1.10.	*Exposures in default*	*1,601,779*
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*	*23,248*
1.1.17.	*Other items*	*1,190,736*
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*

PI-AKB Form (Continued)

No	Name	Amount
		1
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*
	of which capital requirement for position risk in respect of securitisation items	*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*
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	*3,723,794*
4.1.	Capital requirement for operational risk calculated under the Basic Indicator Approach	3,723,794
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 (%)	*24.60%*
IV	TIER 1 CAPITAL RATIO (%)	*27.81%*
V	TOTAL CAPITAL RATIO (%)	*27.82%*

Below is an overview of the Retail exposures:

Retail Exposures	Capital Requirement (in 000 RSD)
Exposures secured by mortgages	181,041
Exposures to SMEs classify as retail exposures	613,604
Total retail exposures	1,196,422

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 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

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

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, geographical areas, types of products and activities, hedging instruments, financial instruments, etc	The Bank calculates internal capital requirements for this risk using the VaR methodology with a confidence threshold of 95%, which determines the possible loss due to the improper distribution of the Bank's portfolio by regions, product types, business activities of clients, and exposure amounts to individual clients.	The Bank stresses this risk by using the VaR methodology with a confidence threshold of 99%, which determines the possible loss due to the improper distribution of the Bank's portfolio by regions, product types, business activities of clients, and exposure amounts to individual clients.
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	By regression analysis, the bank determines and analyzes the dependence of the	By regression analysis, the bank determines and analyzes the dependence of the

	creditworthiness of the borrower.	change in the NPL by individual currencies from the movement of foreign exchange 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 trends in foreign exchange rates.	change in the NPL by individual currencies from the movement of foreign exchange rates. If a strong positive correlation is established, 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 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 a strong positive correlation is identified, 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 a strong positive correlation is identified, 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	The Bank's open foreign exchange position in EUR, USD and CHF increases by the percentage obtained as	Open currency positions in EUR, USD and CHF are increased by additional percent representing depreciation

	based on the items carried in the banking book and the trading book.	an appreciation of the exchange rate of these currencies in the 365-day course in the data series for the last ten years with a probability of 95% that the actual change in the course in those 365 days will not be higher than estimated.	of dinar exchange rate due to worsening of the economic situation in the country. This scenario recognizes factors influencing the movements in the exchange rate of dinar.
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 changing interest rates on the economic value of the Bank is assessed using the standard interest rate shock of + or -200 basis points (bp). Depending on which scenario has an unfavorable effect on capital, we determine this.	Additional interest rate shock is applied for currency (or currencies) which is identified based on potential inflation expectations. The inflatory assumptions consequentially have impact to increase of interest rates for certain currencies, which is evaluated based on the current macroeconomic information.
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%.

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 are calculated on the value of immovable property acquired by collection that are not sold by the bank in the period defined by the Methodology.	Internal capital requirements are calculated on the value of immovable property acquired by collection that are not sold by the bank in the period more restrictive than in the baseline approach.
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% 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% of all other stressed internal capital requirements.

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):

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No		General credit exposures		Trading book exposure		Securitisation exposure		Capital requirements				Capital requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.
1.	Breakdown by country												
1.1	Serbia	99,230,429	0	0	0	0	0	31,137,544	0	0	31,137,544	95.91%	0.000%
1.2	Turkey	1,357,391	0	0	0	0	0	1,244,667	0	0	1,244,667	3.83%	0.000%
1.3	Macedonia	53	0	0	0	0	0	40	0	0	40	0.00%	0.000%
1.4	Germany	0	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.5	Slovenia	14	0	0	0	0	0	11	0	0	11	0.00%	0.000%
1.6	Hungary	0	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.7	Croatia	4,224	0	0	0	0	0	1,496	0	0	1,496	0.00%	0.000%
1.8	Belgium	0	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.9	Austria	41	0	0	0	0	0	9	0	0	9	0.00%	0.000%
1.10	Slovakia	6	0	0	0	0	0	5	0	0	5	0.00%	1.250%
1.11	Cyprus	1	0	0	0	0	0	1	0	0	1	0.00%	0.000%
1.12	Montenegro	3	0	0	0	0	0	2	0	0	2	0.00%	0.000%
1.13	Bosnia and Herzegovina	1	0	0	0	0	0	1	0	0	1	0.00%	0.000%
1.14	Great Britain	290	0	0	0	0	0	217	0	0	217	0.00%	1.000%
1.15	British Virgin Islands	1	0	0	0	0	0	1	0	0	1	0.00%	1.000%
1.16	Hong Kong	0	0	0	0	0	0	0	0	0	0	0.00%	1.875%
1.17	United States of America	81,679	0	0	0	0	0	81,352	0	0	81,352	0.25%	0.000%
1.18	Albania	0	0	0	0	0	0	0	0	0	0	0.00%	0.000%
1.19	Greece	2	0	0	0	0	0	2	0	0	2	0.00%	0.000%
1.20	Bulgaria	4	0	0	0	0	0	3	0	0	3	0.00%	0.000%
1.21	Poland	200	0	0	0	0	0	150	0	0	150	0.00%	0.000%
2.	**Total**	**100,674,339**	**0**	**0**	**0**	**0**	**0**	**32,465,499**	**0**	**0**	**32,465,499**	**100.00%**	**0**

* 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):

1.	**Total risk exposure amount**	**32,465,499**
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 performs credit risk exposure is done during analysis of customer request.

Corporate and SME Credit Department and Credit Monitoring Department identify, control and monitor 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 and recording of reserves for potential losses, 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	A	B	V	G	D	Total
1. Retail Exposures	**11,024,798**	**664,505**	**66,097**	**51,933**	**137,216**	**11,944,549**
1.1 Housing Loans	4,037,398	269,512	16,006	16,685	18,872	4,358,473
1.2 Consumer and Cash Loans	6,665,226	383,974	48,926	33,976	104,923	7,237,025
1.3 Overdrafts and Credit Cards	316,667	10,980	1,165	1,272	9,649	339,733
1.4 Other Retail Exposures	5,507	39	0	0	3,772	9,318
2. Corporate Exposures	**17,956,509**	**19,943,501**	**5,633,652**	**432,119**	**2,585,649**	**46,551,430**
2.1 Large Enterprises	1,099,104	3,826,400	846,960	382	508,591	6,281,437
2.2 Small and Medium Enterprises	10,046,009	12,400,858	2,782,290	388,676	1,545,854	27,163,687
2.3 Micro Enterprises and Entrepren	6,515,329	3,710,231	1,944,378	43,061	529,583	12,742,582
2.4 Agriculture Producers	275,451	0	0	0	1,621	277,072
2.5 Public Enterprises	20,616	6,012	60,024	0	0	86,652
3. Other Clients	0	0	0	0	0	**0**
Total Exposure	**28,981,307**	**20,608,006**	**5,699,749**	**484,052**	**2,722,865**	**58,495,979**

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

Classes of exposure	Balance Sheet Exposure	Average Balance Sheet Exposure	Off-Balance Exposure	Average Off-Balance Exposure
Exposure to central governments and central banks	13,044,859	10,904,292	0	0
Exposure to territorial autonomies and local self-government	181,173	348,008	55	28
Exposure to banks	1,888,841	1,672,049	487,113	439,042
Exposures to companies	5,274,618	4,035,515	10,164,533	7,311,934
Exposure to retail	19,119,820	16,167,024	6,588,285	5,496,279
Exposure to mortgages	11,765,692	10,408,508	1,896,222	1,651,260
Defaulted exposures	2,767,633	3,883,528	5,221,443	6,125,383
Ownership investment exposures	26,537	27,086	0	0
Other exposures	4,934,950	4,493,894	33,155,666	34,032,126
TOTAL	**59,004,123**	**51,939,904**	**57,513,317**	**55,056,052**

* Financial derivatives in the amount of 30,972 thousand RSD are not included in table above

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

in 000 RSD

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	6,725,434	1,057,719	520,668	0	2,851,082	1,920,927
Exposure to territorial autonomies and local self-government	1	0	0	0	152,374	28,854
Exposure to banks	1,962,723	0	398,160	0	15,072	0
Exposures to companies	3,416,711	1,579,635	1,609,274	3,685,416	4,342,377	805,737
Exposure to retail	2,627,066	1,023,540	2,008,701	3,932,896	11,414,618	4,701,283
Exposure to mortgages	118,508	881,825	109,200	441,726	4,552,404	7,558,251
Defaulted exposures	5,734,069	12,358	5,381	93,405	770,312	1,373,552
Ownership investment exposures	26,537	0	0	0	0	0
Other exposures	36,223,528	209,734	444,709	280,613	691,899	240,135
TOTAL	**56,834,577**	**4,764,811**	**5,096,093**	**8,434,056**	**24,790,138**	**16,628,739**

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

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	Collectivelly Assessed	
Per Sector														
1. Retail Exposures	**10,532,401**	**1,150,775**	**0**	**0**	**0**	**18,152**	**135,596**	**34,801**	**29,297**	**43,528**	**11,944,550**	**6,631**	**64,924**	**11,872,995**
Belgrade Region	3,540,714	267,686	0	0	0	1,793	58,407	12,582	4,804	10,204	3,896,190	257	20,958	3,874,975
Vojvodina Region	986,063	80,777	0	0	0	0	8,922	2,906	8,398	5,660	1,092,726	1,448	7,344	1,083,934
Šumadija and Western Serbia	5,532,537	726,436	0	0	0	16,359	60,158	15,506	13,537	25,621	6,390,154	4,926	31,324	6,353,904
South and Eastern Serbia	473,087	75,876	0	0	0	0	8,109	3,807	2,558	2,043	565,480	0	5,298	560,182
Foreign Exposures	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Corporate Exposures	**36,131,628**	**1,542,824**	**0**	**0**	**0**	**5,966,465**	**632,278**	**1,347,477**	**20,167**	**910,590**	**46,551,429**	**1,200,018**	**181,491**	**45,169,920**
Belgrade Region	12,742,366	399,764	0	0	0	3,228,242	136,367	1,975	7,478	159,545	16,675,737	97,738	79,038	16,498,961
Vojvodina Region	2,602,076	124,703	0	0	0	257,105	18,766	3	8	10,412	3,013,073	4,516	10,026	2,998,531
Šumadija and Western Serbia	15,748,510	879,646	0	0	0	2,414,105	471,534	1,161,661	12,676	721,903	21,410,035	1,031,105	80,599	20,298,331
South and Eastern Serbia	1,410,784	138,662	0	0	0	67,013	5,598	183,797	5	18,286	1,824,145	66,659	5,562	1,751,924
Foreign Exposures	3,627,892	49	0	0	0	0	13	41	0	444	3,628,439	0	6,266	3,622,173
3. Other Clients	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total Exposure	46,664,029	2,693,599	0	0	0	5,984,617	767,874	1,382,278	49,464	954,118	58,495,979	1,206,649	246,415	57,042,915

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 1% of the bank's individual exposure to the debtor, but not less than 1,000 dinars for the debtor who is a private individual or 10,000 dinars for the debtor who is a legal entity. In other words, this means that only outstanding materially significant amounts are included in delayed receivables.

When assessing the fulfilment of the conditions leading to default status, the Bank considers in particular the following circumstances:

- The bank puts interest income and commission and fees income owed by the borrower on non-accrued status in the income statement;
- The bank recognizes a specific adjustment for credit risk resulting from a significant decline in credit quality;
- The material loss created by the sale of the receivable;
- Restructured receivables caused by borrowers financial difficulties with the decrease of receivables by the write-off of a part of debt, or postponement of repayment of principal, interest or fees;
- Submitting a bank proposal to initiate a bankruptcy proceeding over the debtor, due to the outstanding exposure of the bank, or the parent or subordinated companies of the bank;
- Initiating the bankruptcy procedure over the debtor, which leads to default or untimely settlement of the obligation towards the bank, or its parent or subsidiary companies.

Defaulted status for legal entities is determined on the client level for all exposures to the same debtor. The defaulted status is determined on the level of individual exposure for exposures to private individuals, agriculture producers and entrepreneurs.

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) the Bank is to identify and recognize for all financial assets within the scope of the standard. 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, including all POCI assets 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.

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;
    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) FBE NPE;
4) POCI.

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.

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

in 000 RSD

Exposure per geographical regions	Serbia	Turkey	Macedonia	Germany	Slovenia	Croatia	Belgium	Austria	Slovakia	Cyprus	Montenegro	Bosnia and Herzegovina	Great Britain	British Virgin Islands	United States of America	Albania	Greece	Bulgaria	Poland
Exposure to central governments and central banks	13,075,831	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposure to territorial autonomies and local self-government	181,229	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exposure to banks	164,656	1,107,995	335,688	389,745	0	0	12,409	247,268	0	0	0	0	0	0	0	118,195	0	0	0
Exposures to companies	14,024,109	1,333,364	0	0	0	0	0	0	0	0	0	0	0	0	81,678	0	0	0	0
Exposure to retail	25,694,265	13,130	53	0	14	132	0	0	6	1	3	1	290	1	1	0	2	4	200
Exposure to mortgages	13,649,617	8,306	0	0	0	3,991	0	0	0	0	0	0	0	0	0	0	0	0	0
Defaulted exposures	7,986,445	2,590	0	0	0	0	0	41	0	0	0	0	0	0	0	0	0	0	0
Ownership investment exposures	26,537	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other exposures	38,090,515	0	0	0	0	101	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	112,893,204	2,465,385	335,741	389,745	14	4,224	12,409	247,309	6	1	3	1	290	1	81,679	118,195	2	4	200

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.

All non-performing exposures have status of defaulted exposures according to Decision on Capital Adequacy by Banks.

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.

Deductions based on application of credit protection instruments are applied to the net exposure.

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 does not practice balance and off-balance sheet netting, nor standardized netting agreements.

In the course 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**	**883,212**	**0**	**1,077,249**	**0**	**653,300**	**1,250**	**2,615,010**	**1,143,086**
0%	0	73,881	0	0	0	0	0	**73,881**	0
20%	0	0	0	0	0	19,924	0	**19,924**	3,985
50%	0	0	0	0	0	393,281	0	**393,281**	196,641
100%	0	809,330	0	1,077,249	0	240,095	1,250	**2,127,924**	942,460
Exposures to central governments or central banks	**13,074,933**	**0**	**0**	**0**	**0**	**0**	**0**	**13,074,933**	**0**
0%	0	0	0	0	0	0	0	**0**	0
100%	13,074,933	0	0	0	0	0	0	**13,074,933**	0
Retail exposures	**0**	**0**	**0**	**0**	**26,576,855**	**0**	**0**	**26,576,855**	**15,662,046**
0%	0	0	0	0	3,882,598	0	0	**3,882,598**	0
20%	0	0	0	0	1,531,734	0	0	**1,531,734**	229,760
50%	0	0	0	0	1,172,286	0	0	**1,172,286**	439,607
100%	0	0	0	0	19,990,238	0	0	**19,990,238**	14,992,678
Exposures secured by mortgages	35,300	604	4,819,342	1,864,173	650,293	6,386,706	0	**13,756,416**	**8,246,194**
0%	0	0	0	0	108,167	392,930	0	**501,098**	0
20%	0	0	264,319	130,409	20,004	670,352	0	**1,085,084**	168,614
50%	0	0	149,598	11,623	38,108	110,639	0	**309,968**	98,695
100%	35,300	604	4,405,424	1,722,142	484,013	5,212,785	0	**11,860,267**	7,978,885
Other exposures	**1,376,749**	**0**	**0**	**0**	**0**	**33,910,333**	**0**	**35,287,082**	**1,123,434**
0%	0	0	0	0	0	32,754,329	0	**32,754,329**	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	25,831	0	**25,831**	5,166
50%	0	0	0	0	0	23,811	0	**23,811**	11,906
100%	1,376,749	0	0	0	0	1,106,362	0	**2,483,111**	1,106,362
Exposures to companies	**0**	**0**	**0**	**0**	**0**	**15,870,504**	**0**	**15,870,504**	**7,065,171**
0%	0	0	0	0	0	5,539,810	0	**5,539,810**	0
20%	0	0	0	0	0	3,180,159	0	**3,180,159**	636,032
50%	0	0	0	0	0	1,442,790	0	**1,442,790**	721,395
100%	0	0	0	0	0	5,707,744	0	**5,707,744**	5,707,744
Exposures in default	**0**	**0**	**0**	**0**	**0**	**1,455,415**	**5,266,250**	**6,721,664**	**1,668,870**
0%	0	0	0	0	0	292,147	4,929,067	**5,221,214**	0
20%	0	0	0	0	0	0	0	**0**	0
50%	0	0	0	0	0	0	229	**229**	172
100%	0	0	0	0	0	1,163,268	336,954	**1,500,221**	1,668,698
Exposures to territorial autonomies or local government units	**0**	**55**	**0**	**0**	**0**	**177,491**	**0**	**177,547**	**177,492**
100%	0	1	0	0	0	177,491	0	**177,492**	177,492
Equity exposures	**0**	**0**	**0**	**0**	**0**	**23,248**	**0**	**23,248**	**23,248**
100%	0	0	0	0	0	23,248	0	**23,248**	23,248
Total	**14,486,982**	**883,871**	**4,819,342**	**2,941,422**	**27,227,148**	**58,476,996**	**5,267,499**	**114,103,260**	**35,109,539**

* 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

Table 6b. Exposure after 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	Capital requirement for credit risk
Exposures to banks	**0**	**883,212**	**0**	**1,077,249**	**0**	**413,205**	**1,250**	**2,374,915**	**902,991**	**72,239**
0%	0	73,881	0	0	0	0	0	**73,881**	0	0
20%	0	0	0	0	0	19,924	0	**19,924**	3,985	319
50%	0	0	0	0	0	393,281	0	**393,281**	196,641	15,731
100%	0	809,330	0	1,077,249	0	0	1,250	**1,887,829**	702,365	56,189
Exposures to central governments or central banks	**13,074,933**	**0**	**0**	**0**	**0**	**0**	**0**	**13,074,933**	**0**	**0**
0%	0	0	0	0	0	0	0	**0**	0	0
100%	13,074,933	0	0	0	0	0	0	**13,074,933**	0	0
Retail exposures	**0**	**0**	**0**	**0**	**25,634,497**	**0**	**0**	**25,634,497**	**14,955,282**	**1,196,423**
0%	0	0	0	0	3,882,598	0	0	**3,882,598**	0	0
20%	0	0	0	0	1,531,734	0	0	**1,531,734**	229,760	18,381
50%	0	0	0	0	1,172,286	0	0	**1,172,286**	439,607	35,169
100%	0	0	0	0	19,047,880	0	0	**19,047,880**	14,285,915	1,142,873
Exposures secured by mortgages	0	0	4,819,342	1,864,173	650,293	6,272,057	0	**13,605,865**	**8,131,425**	**650,514**
0%	0	0	0	0	108,167	392,930	0	**501,098**	0	0
20%	0	0	264,319	130,409	20,004	670,352	0	**1,085,084**	168,614	13,489
50%	0	0	149,598	11,623	38,108	110,639	0	**309,968**	98,695	7,896
100%	0	0	4,405,424	1,722,142	484,013	5,098,136	0	**11,709,716**	7,864,116	629,129
Other exposures	**2,837,549**	**346,431**	**0**	**0**	**0**	**33,908,348**	**0**	**37,092,328**	**1,190,736**	**95,259**

Risk weight / Credit Conversion factor (CCF)	0%	20%	35%	50%	75%	100%	150%	Total net exposure *	Risk weighted asset after application CCF	Capital requirement for credit risk
0%	0	0	0	0	0	32,754,329	0	**32,754,329**	0	0
20%	0	0	0	0	0	25,831	0	**25,831**	5,166	413
50%	0	0	0	0	0	23,811	0	**23,811**	11,906	952
100%	2,837,549	346,431	0	0	0	1,104,378	0	**4,288,358**	1,173,664	93,893
Exposures to companies	**0**	**0**	**0**	**0**	**0**	**15,416,386**	**0**	**15,416,386**	**6,611,053**	**528,884**
0%	0	0	0	0	0	5,539,810	0	**5,539,810**	0	0
20%	0	0	0	0	0	3,180,159	0	**3,180,159**	636,032	50,883
50%	0	0	0	0	0	1,442,790	0	**1,442,790**	721,395	57,712
100%	0	0	0	0	0	5,253,626	0	**5,253,626**	5,253,626	420,290
Exposures in default	**0**	**0**	**0**	**0**	**0**	**1,535,226**	**5,168,315**	**6,703,541**	**1,601,779**	**128,142**
0%	0	0	0	0	0	292,147	4,929,067	**5,221,214**	0	0
20%	0	0	0	0	0	0	0	**0**	0	0
50%	0	0	0	0	0	0	229	**229**	172	14
100%	0	0	0	0	0	1,243,078	239,019	**1,482,098**	1,601,607	128,129
Exposures to territorial autonomies or local government units	**0**	**55**	**0**	**0**	**0**	**177,491**	**0**	**177,547**	**177,492**	**14,199**
100%	0	1	0	0	0	177,491	0	**177,492**	177,492	14,199
Equity exposures	**0**	**0**	**0**	**0**	**0**	**23,248**	**0**	**23,248**	**23,248**	**1,860**
100%	0	0	0	0	0	23,248	0	**23,248**	23,248	1,860
Total	**15,912,482**	**1,229,698**	**4,819,342**	**2,941,422**	**26,284,790**	**57,745,961**	**5,169,565**	**114,103,260**	**33,594,005**	**2,687,520**

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	1,515,534
Immaterial credit protection instruments	0
Total:	**1,515,534**

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	240,095	0	0	0	48,019	0	0	0
Exposures to companies	454,118	0	0	0	200	0	0	0
Exposure to retail	942,358	0	0	0	17,643	0	0	0
Exposure to mortgages	150,552	0	0	0	121	0	0	0
Defaulted exposures	18,124	0	0	0	3,303	0	0	0
Ownership investment exposures	0	0	0	0	0	0	0	0
Other exposures	1,984	0	0	0	0	0	0	0
TOTAL	**1,807,231**	**0**	**0**	**0**	**69,286**	**0**	**0**	**0**

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

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, ALM Department, Securities Trading 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 2018, 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

Bank manages different types of interest rate risk:

- **Repricing risk** - risk which the Bank is exposed due to a maturity mismatch (for items with fixed interest rate) and the revaluation of interest rate (for items with variable interest rate) and off-balance sheet banking book.
- **Basis risk** - the risk to which the Bank is exposed due to different reference interest rates for interest rate sensitive items with similar characteristics as far as the maturity or repricing.
- **Optionality risk** - risk arising from the contractual provisions relating to interest-sensitive positions or arising from contractual interest optionality.
- **Yield curve risk** - risk arising from the influence of the change in shape and / or slope of the yield on the economic value of the Bank.

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 2018 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	3,349
Allowances for impairment	3,349
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 2018, 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 2018 was 16.13.

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

As of December 31st 2018 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 2018

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 five-year 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 five-year 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 2018, the Bank did not implement changes in the risk management goals defined in the previous paragraph, but by improving and introducing new strategies, policies, procedures, methodologies and guidelines, the Bank has significantly improved the risk management framework and adequately articulated goals in managing all risks.

During 2018, the Bank has improved risk management processes in a way that:

- Adopted new policies, methodologies and procedures related to:
- The risk appetite framework
- Statement of appetite for risk taking
- Identification of materially significant risks
- 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 imapirment 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 the Bank recognizes for the purposes of Stage and Stage 3 impairment allowances whereas 12-month ECL as the portion of the lifetime ECL is recognized for Stage 1 financial instruments.

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 2012 to December 31st 2018.

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 factors identified as material: internally assessed PD rate per segment at the given point in time, GDP movements, unemployment rate, inflation rate, M3 monetary aggregate and movements in RSD/EUR exchange rate.

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 1.5 million at the retail loan facility level and RSD 2.5 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 rating category	Days past due
1	0
2	1 to 30
3	31 to 60
4	61 to 90
5	Over 90

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

Differences in the carrying values of the financial assets as a result of the first-time adoption of IFRS 9 were recognized within equity as of January 1, 2018.

The first-time adoption of IFRS 9 as of January 1st 2018 did not cause any decrease in the capital adequacy ratio since the effects gave rise to the adjustment of an equity item that is not included in the regulatory capital.

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 2018 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 2018, write-off in accordance with the decision of the NBS amounted to RSD 1,324,444 thousands, while write-offs related to debt release amounted to RSD 98,906 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 2018, 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 2018 amounted to RSD 2,068,379 thousands, of which RSD 1,763,949 thousands is related to interest income from loans.

Summary of revenue from interest on loans is given in the table 7.16 for year 2018 and 8.16 for year 2017.

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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	7,644,011	894	7,643,117	0	7,643,117
Pledged financial assets	0	0	0	0	0
Receivables from derivatives	6,278	0	6,278	0	6,278
Securities	6,733,449	19,582	6,713,867	0	6,713,867
Loans and other exposures to banks and financial institutions	2,283,173	1,922	2,281,251	0	2,281,251
Loans and other exposures to clients	40,194,945	1,429,818	38,765,127	0	38,765,127
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	462,104	188,966	273,138	0	273,138
Real-estate and fixed assets	1,791,275	940,234	851,041	0	851,041
Investment real-estate	152,814	28,931	123,883	0	123,883
Current tax assets	0	0	0	0	0
Deferred tax assets	62,393	0	62,393	0	62,393
Non-current assets held for sale and discontinued	0	0	0	0	0
Other assets	224,036	39,041	184,995	0	184,995
Balance sheet exposure	**59,554,478**	**2,649,388**	**56,905,090**	**0**	**56,905,090**
Issued guarantees	7,879,393	0	7,879,393	0	7,879,393
Contingent liabilities	7,906,937	0	7,906,937	0	7,906,937
Other off-balance exposures	0	0	0	33,533,170	33,533,170
Off-Balance Exposure	**15,786,330**	**0**	**15,786,330**	**33,533,170**	**49,319,500**
Total Exposure	**75,340,808**	**2,649,388**	**72,691,420**	**33,533,170**	**106,224,590**

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	**11,630,775**	**52,400**	**24,301**	**237,071**	**11,944,547**	**6,631**	**64,925**	**11,872,991**	**5,027,785**	**67,752**
1.1 Housing Loans	4,289,905	7,174	22,155	39,239	4,358,473	6,374	4,216	4,347,883	4,357,210	57,219
1.2 Consumer and Cash Loans	7,028,592	31,203	2,146	175,084	7,237,025	257	54,146	7,182,622	667,692	10,533
1.3 Overdrafts and Credit Cards	306,863	13,892	0	18,976	339,731	0	2,827	336,904	151	0
1.4 Other Retail Exposures	5,415	131	0	3,772	9,318	0	3,736	5,582	2,732	0
2. Corporate Exposures	**37,509,113**	**165,341**	**2,585,187**	**6,291,793**	**46,551,434**	**1,200,019**	**181,492**	**45,169,923**	**13,563,532**	**8,428,652**
2.1 Large Enterprises	5,448,721	1,819	473,545	357,352	6,281,437	208,183	17,582	6,055,672	351,279	744,214
2.2 Small and Medium Enterprises	21,558,613	73,115	1,598,934	3,933,030	27,163,692	777,662	92,136	26,293,894	8,648,930	5,674,037
2.3 Micro Enterprises and Entrepreneurs	10,201,614	88,494	512,708	1,939,766	12,742,582	214,174	70,493	12,457,915	4,478,320	2,008,780
2.4 Agriculture Producers	273,604	1,846	0	1,621	277,071	0	717	276,354	80,757	1,621
2.5 Public Enterprises	26,561	67	0	60,024	86,652	0	564	86,088	4,246	0
3. Other Clients	0	0	0	0	**0**	0	0	**0**	0	0
Per Category	0	0	0	0		0	0		0	0
Performing	49,133,970	217,512	31,538	6,369,236	**55,752,256**	4,262	174,615	**55,573,379**	18,589,565	5,253,290
of which forborne	0	0	0	240,335	240,335	0	4,696	235,639	0	241,342
Non-Performing	5,918	227	2,577,948	159,630	**2,743,723**	1,202,388	71,800	**1,469,535**	1,752	3,243,113
of which forborne	0	0	2,344,785	17,387	2,362,172	1,072,602	6,644	1,282,926	0	2,974,743
Total Exposure	**49,139,888**	**217,741**	**2,609,488**	**6,528,864**	**58,495,981**	**1,206,650**	**246,417**	**57,042,914**	**18,591,317**	**8,496,404**

* 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	**6,761,241**	**365,164**	**9,445**	**6,865,174**	**4,933**	**-140**	**0**	**261,371**	**198,154**
1.1 Housing Loans	1,832,563	21,838	7,299	1,793,100	39	-92	0	61,394	51,914
1.2 Consumer and Cash Loans	4,883,964	115,658	2,146	4,822,405	4,767	-12	0	177,230	129,962
1.3 Overdrafts and Credit Cards	40,977	227,667	0	249,669	127	0	0	18,976	16,241
1.4 Other Retail Exposures	3,737	0	0	0	0	-35	0	3,772	37
2. Corporate Exposures	**24,928,995**	**6,897,350**	**2,491,514**	**22,954,529**	**2,202,335**	**-5,165**	**0**	**8,876,980**	**7,581,576**
2.1 Large Enterprises	2,140,900	731,063	472,130	2,041,080	14,795	-14	0	830,897	616,564
2.2 Small and Medium Enterprises	15,624,937	4,359,647	1,567,482	14,455,723	1,750,468	-3,103	0	5,531,964	4,713,028
2.3 Micro Enterprises and Entrepren	7,119,259	1,762,775	451,902	6,431,606	437,071	-2,046	0	2,452,474	2,191,427
2.4 Agriculture Producers	21,070	737	0	20,188	0	-2	0	1,621	1,061
2.5 Public Enterprises	22,829	43,128	0	5,933	0	0	0	60,024	59,495
3. Other Clients	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total exposure:	**31,690,236**	**7,262,514**	**2,500,959**	**29,819,703**	**2,207,268**	**-5,305**	**0**	**9,138,351**	**7,779,730**

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Table 7.4 Changes in allowances for impairment of receivables

In 000 RSD

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	**51,009**	**50,378**	**29,832**	**71,555**
1.1 Housing Loans	3,416	8,383	1,161	10,638
1.2 Consumer and Cash Loans	27,789	40,408	13,795	54,402
1.3 Overdrafts and Credit Cards	16,168	1,301	14,688	2,781
1.4 Other Retail Exposures	3,636	286	188	3,734
2. Corporate Exposures	**2,645,528**	**364,590**	**1,628,608**	**1,381,510**
2.1 Large Enterprises	201,106	31,023	6,443	225,686
2.2 Small and Medium Enterprises	1,938,245	236,638	1,302,928	871,955
2.3 Micro Enterprises and Entrepreneur	505,700	95,997	319,107	282,590
2.4 Agriculture Producers	397	385	66	716
2.5 Public Enterprises	80	547	64	563
3. Other Clients	**0**	**0**	**0**	**0**
Per Category				
Performing	83,193	145,287	57,462	171,018
of which forborne	2,534	2,293	131	4,696
Non-Performing	2,613,343	265,375	1,600,980	1,277,738
of which forborne	1,933,833	204,490	1,058,109	1,080,214
Total	**2,696,537**	**414,968**	**1,658,440**	**1,453,065**

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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	**3,862,676**	**33,512**	**1,075,737**	**16,990**	**6,318,822**	**71,331**	**556,408**	**9,069**	**0**	**0**
1.1 Housing Loans	2,007,953	0	368,738	4,722	1,903,603	23,379	50,077	0	0	0
1.2 Consumer and Cash Loans	1,819,962	25,272	696,376	11,851	4,144,140	39,908	491,205	8,312	0	0
1.3 Overdrafts and Credit Cards	26,403	8,240	10,623	417	270,120	8,044	15,126	757	0	0
1.4 Other Retail Exposures	8,358	0	0	0	959	0	0	0	0	0
2. Corporate Exposures	**16,501,767**	**173,971**	**2,999,433**	**13,636**	**19,187,384**	**2,222,656**	**1,621,871**	**202,275**	**3,628,151**	**288**
2.1 Sector A	98,341	869	175,789	40	424,731	744	60,392	0	0	0
2.2 Sector B, C i E	4,487,151	153,672	1,105,655	8,858	6,708,278	1,730,743	870,675	183,780	594,135	0
2.3 Sector D	31,289	0	0	0	151,695	0	0	0	0	0
2.4 Sector F	3,543,489	55	191,666	0	2,056,785	441,321	210,065	0	0	0
2.5 Sector G	3,685,304	12,841	1,088,420	3,849	5,812,385	37,977	228,989	311	0	0
2.6 Sectors H, I i J	1,561,510	5,548	286,030	0	2,224,358	11,603	156,133	18,029	0	0
2.7 Sectors K do U	3,094,683	986	151,873	889	1,809,152	268	95,617	155	3,034,016	288
3. Other Clients	0	0	0	0	0	0	0	0	0	0
Total Exposure	**20,364,443**	**207,483**	**4,075,170**	**30,626**	**25,506,206**	**2,293,987**	**2,178,279**	**211,344**	**3,628,151**	**288**

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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	**10,532,401**	**1,150,774**	**0**	**0**	**0**	**18,152**	**135,596**	**34,801**	**29,296**	**43,527**
1.1 Housing Loans	4,136,408	160,671	0	0	0	14,180	31,547	0	8,935	6,732
1.2 Consumer and Cash Loans	6,082,766	977,029	0	0	0	3,840	95,627	33,200	17,626	26,937
1.3 Overdrafts and Credit Cards	307,931	12,824	0	0	0	132	8,422	1,601	2,735	6,086
1.4 Other Retail Exposures	5,296	250	0	0	0	0	0	0	0	3,772
2. Corporate Exposures	**36,131,630**	**1,542,825**	**0**	**1**	**0**	**5,966,463**	**632,278**	**1,347,477**	**20,168**	**910,591**
2.1 Large Enterprises	5,444,370	6,170	0	0	0	574,235	861	255,781	0	20
2.2 Small and Medium Enterprises	20,994,525	637,205	0	0	0	3,790,444	198,181	903,538	8,605	631,195
2.3 Micro Enterprises and Entrepreneurs	9,411,038	879,069	0	1	0	1,541,760	433,236	188,158	11,563	277,755
2.4 Agriculture Producers	255,069	20,381	0	0	0	0	0	0	0	1,621
2.5 Public Enterprises	26,628	0	0	0	0	60,024	0	0	0	0
3. Other Clients	0	0	0	0	0	0	0	0	0	0
Per Category	0	0	0	0	0	0	0	0	0	0
Performing	46,662,601	2,688,881	0	0	0	5,704,619	679,201	291	534	6,960
of which forborne	0	0	0	0	0	236,848	3,487	0	0	0
Non-Performing	1,428	4,718	0	0	0	279,998	88,673	1,381,986	48,930	947,158
of which forborne	0	0	0	0	0	254,448	50,429	1,343,389	15,057	702,133
Total Exposure	**46,664,031**	**2,693,599**	**0**	**1**	**0**	**5,984,615**	**767,874**	**1,382,278**	**49,464**	**954,118**

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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	**11,944,546**	**71,555**	**130,903**	**21,297**	**49,960**	**6.96%**	**27,202**
1.1 Housing Loans	4,358,473	10,590	28,101	14,769	8,495	0.64%	24,893
1.2 Consumer and Cash Loans	7,237,025	54,402	85,343	6,528	38,732	1.18%	2,309
1.3 Overdrafts and Credit Cards	339,731	2,827	17,459	0	2,733	5.14%	0
1.4 Other Retail Exposures	9,317	3,736	0	0	0	0.00%	0
2. Corporate Exposures	**46,551,434**	**1,381,508**	**2,612,821**	**2,340,875**	**1,224,228**	**21.54%**	**3,217,663**
2.1 Sector A	760,906	3,218	1,652	40	688	0.22%	1,621
2.2 Sector B, C i E	15,842,946	969,660	2,077,048	1,862,941	911,409	13.11%	2,622,960
2.3 Sector D	182,984	835	0	0	0	0.00%	0
2.4 Sector F	6,443,382	282,464	441,376	439,869	274,131	6.85%	529,477
2.5 Sector G	10,870,077	65,605	54,979	16,223	23,206	0.51%	33,551
2.6 Sectors H, I i J	4,263,211	35,888	35,179	21,109	13,307	0.83%	28,204
2.7 Sectors K do U	8,187,928	23,838	2,587	693	1,487	0.03%	1,850
3. Other Clients	0	0	0	0	0	-	0
Total Exposure	**58,495,980**	**1,453,063**	**2,743,724**	**2,362,172**	**1,274,188**	**4.69%**	**3,244,865**

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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	**156,556**	**59,762**	**0**	**84,797**	**84,184**	**0**	**614**	**119**	**0**	**131,401**	**81,441**
1.1 Housing Loans	49,109	1,798	0	22,698	22,698	0	0	108	0	28,101	19,606
1.2 Consumer and Cash Loans	86,556	44,609	0	45,811	45,198	0	614	11	0	85,343	46,611
1.3 Overdrafts and Credit Cards	16,880	13,201	0	12,621	12,621	0	0	0	0	17,459	14,726
1.4 Other Retail Exposures	4,011	154	0	3,667	3,667	0	0	0	0	498	498
2. Corporate Exposures	**4,855,289**	**96,238**	**0**	**2,333,312**	**729,694**	**294,695**	**1,308,924**	**5,892**	**0**	**2,612,323**	**1,388,096**
2.1 Large Enterprises	491,092	2,523	0	45,701	45,701	0	0	700	0	447,214	241,096
2.2 Small and Medium Enterprises	3,363,704	24,551	0	1,782,838	561,587	60,895	1,160,356	3,771	0	1,601,646	821,169
2.3 Micro Enterprises and Entrepreneurs	999,001	69,164	0	504,682	122,315	233,800	148,568	1,421	0	562,062	324,914
2.4 Agriculture Producers	1,492	0	0	91	91	0	0	0	0	1,401	917
2.5 Public Enterprises	0	0	0	0	0	0	0	0	0	0	0
3. Other Clients	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total exposures:	**5,011,845**	**156,000**	**0**	**2,418,109**	**813,878**	**294,695**	**1,309,538**	**6,011**	**0**	**2,743,724**	**1,469,537**

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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	**11,678,418**	**129,329**	**5,898**	**130,903**	**5,068,335**	**27,202**
1.1 Housing Loans	4,295,327	34,078	967	28,101	4,389,536	24,893
1.2 Consumer and Cash Loans	7,057,091	93,435	1,156	85,343	675,916	2,309
1.3 Overdrafts and Credit Cards	320,454	1,816	3	17,459	151	0
1.4 Other Retail Exposures	5,546	0	3,772	0	2,732	0
2. Corporate Exposures	**37,673,065**	**6,196,580**	**68,968**	**2,612,821**	**18,774,519**	**3,217,663**
2.1 Large Enterprises	5,450,539	326,761	56,919	447,218	661,024	434,469
2.2 Small and Medium Enterprises	21,631,724	3,926,320	3,987	1,601,660	12,254,678	2,068,287
2.3 Micro Enterprises and Entrepreneu	10,288,723	1,883,475	7,842	562,542	5,773,814	713,286
2.4 Agriculture Producers	275,451	0	220	1,401	80,757	1,621
2.5 Public Enterprises	26,628	60,024	0	0	4,246	0
3. Other Clients	0	0	0	0	0	0
Total Exposure	**49,351,483**	**6,325,909**	**74,866**	**2,743,724**	**23,842,854**	**3,244,865**

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

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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	**8,515,112**	**51,087**	**24,081**	**22,912**	**281**	**0.28%**	**0**
1.1 Housing Loans	3,071,317	3,477	15,115	15,115	421	0.49%	15,115
1.2 Consumer and Cash Loans	5,104,504	27,793	8,966	7,797	281	0.18%	319
1.3 Overdrafts and Credit Cards	321,134	16,181	0	0	0	0.00%	0
1.4 Other Retail Exposures	18,157	3,636	0	0	0	0.00%	0
2. Corporate Exposures	**35,092,483**	**2,650,503**	**4,018,880**	**3,507,802**	**1,903,637**	**11.45%**	**3,256,833**
2.1 Sector A	559,078	2,324	511	511	25	0.09%	0
2.2 Sector B, C i E	14,574,415	1,847,940	2,846,226	2,492,313	1,230,817	19.53%	2,153,129
2.3 Sector D	119,344	395	0	0	0	0.00%	0
2.4 Sector F	4,713,444	257,497	445,238	445,238	252,126	9.45%	425,087
2.5 Sector G	7,888,613	318,638	409,257	256,224	232,952	5.19%	394,673
2.6 Sectors H, I i J	3,162,170	209,957	313,201	313,201	187,655	9.90%	279,812
2.7 Sectors K do U	4,075,419	13,752	4,447	315	62	-	4,132
3. Other Clients	0	0	0	0	0	-	0
Total Exposure	**43,607,595**	**2,701,590**	**4,042,961**	**3,530,714**	**1,903,918**	**9.27%**	**3,256,833**

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

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Table 7.11 Changes in 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	**11,944,546**	**71,555**	**29,796**	**21,297**	**2,686**	**0.25%**	**0**
1.1 Housing Loans	4,358,473	10,590	17,300	14,769	4,301	0.40%	17,387
1.2 Consumer and Cash Loans	7,237,025	54,402	12,496	6,528	2,686	0.17%	7,242
1.3 Overdrafts and Credit Cards	339,731	2,827	0	0	0	0.00%	0
1.4 Other Retail Exposures	9,317	3,736	0	0	0	0.00%	0
2. Corporate Exposures	**46,551,434**	**1,381,508**	**2,572,710**	**2,340,875**	**1,077,372**	**5.53%**	**3,191,456**
2.1 Sector A	760,906	3,218	40	40	32	0.01%	0
2.2 Sector B, C i E	15,842,946	969,660	2,094,776	1,862,941	794,368	13.22%	2,625,990
2.3 Sector D	182,984	835	0	0	0	0.00%	0
2.4 Sector F	6,443,382	282,464	439,869	439,869	273,604	6.83%	529,477
2.5 Sector G	10,870,077	65,605	16,223	16,223	4,549	0.15%	13,745
2.6 Sectors H, I i J	4,263,211	35,888	21,109	21,109	4,579	0.50%	21,551
2.7 Sectors K do U	8,187,928	23,838	693	693	240	-	693
3. Other Clients	0	0	0	0	0	-	0
Total Exposure	**58,495,980**	**1,453,063**	**2,602,506**	**2,362,172**	**1,080,058**	**4.45%**	**3,191,456**

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	**45**	**22,245**	**0**	**7,507**	**29,797**
1.1 Housing Loans	0	14,180	0	3,121	17,301
1.2 Consumer and Cash Loans	45	8,065	0	4,386	12,496
1.3 Overdrafts and Credit Cards	0	0	0	0	0
1.4 Other Retail Exposures	0	0	0	0	0
2. Corporate Exposures	**4,420**	**2,198,338**	**201,002**	**168,950**	**2,572,710**
2.1 Large Enterprises	0	679,050	0	0	679,050
2.2 Small and Medium Enterprises	0	1,207,043	17,229	166,952	1,391,224
2.3 Micro Enterprises and Entrepreneurs	4,420	312,245	183,773	1,998	502,436
2.4 Agriculture Producers	0	0	0	0	0
2.5 Public Enterprises	0	0	0	0	0
3. Other Clients	0	0	0	0	**0**
Total Exposure	**4,465**	**2,220,583**	**201,002**	**176,457**	**2,602,507**

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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									
	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	**226,034**	**1,074**	**4,165,259**	**283,870**	**0**	**419,299**	**0**	**0**	**0**	**0**
1.1 Housing Loans	12,332	0	4,109,652	131,808	0	160,637	0	0	0	0
1.2 Consumer and Cash Loans	210,819	1,074	55,607	152,062	0	258,662	0	0	0	0
1.3 Overdrafts and Credit Cards	151	0	0	0	0	0	0	0	0	0
1.4 Other Retail Exposures	2,732	0	0	0	0	0	0	0	0	0
2. Corporate Exposures	**2,129,337**	**143,579**	**1,999,855**	**11,798,533**	**0**	**4,220,009**	**0**	**532,221**	**0**	**1,168,654**
2.1 Large Enterprises	246,693	0	0	835,206	0	13,594	0	0	0	0
2.2 Small and Medium Enterprises	1,242,445	114,204	1,452,487	7,354,439	0	2,709,657	0	429,888	0	1,019,850
2.3 Micro Enterprises and Entrepreneu	640,199	29,375	541,421	3,563,343	0	1,461,626	0	102,333	0	148,804
2.4 Agriculture Producers	0	0	5,947	45,545	0	30,886	0	0	0	0
2.5 Public Enterprises	0	0	0	0	0	4,246	0	0	0	0
3. Other Clients	0	0	0	0	0	0	0	0	0	0
Per Category	0	0	0	0	0	0	0	0	0	0
Performing	2,335,288	144,653	5,785,418	9,811,356	0	4,065,265	0	532,220	0	1,168,653
of which forborne	0	0	6,019	235,323	0	0	0	0	0	0
Non-Performing	20,083	0	34,381	198,342	0	17,317	0	0	0	0
of which forborne	0	0	345,314	2,072,705	0	556,725	0	0	0	0
Total Exposure	2,355,371	144,653	6,165,114	12,082,403	0	4,639,308	0	532,221	0	1,168,654

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

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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%	519,993
From 50% to 70%	418,740
From 70% to 90%	218,613
From 90% to 100%	15,356,594
From 100% to 120%	204,781
From 120% to 150%	173,602
Over 150%	1,227,249
TOTAL	**18,119,572**
Average LTV Ratio	**97%**

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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	10,221	9,040	0	0	19,261
Acquired during the period	2	0	10,961	0	0	10,961
Sold during the period	3	0	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)	10,221	20,001	0	0	30,222
Accumulated allowances for impairment 8 Of which: allowances for impairment during	8	0	-556	0	0	-556
Of which: allowances for impairment during the period	9	0	256	0	0	256
Net value at end of period	10 (7+8)	10,221	19,445	0	0	29,666

* 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	**773,993**	**755,745**	**6,436**	**13,072**
1.1 Housing Loans	150,832	146,393	1,520	1,704
1.2 Consumer and Cash Loans	621,874	608,010	4,901	11,277
1.3 Overdrafts and Credit Cards	1,287	1,342	15	91
1.4 Other Retail Exposures	0	0	0	0
2. Corporate Exposures	**989,449**	**887,620**	**110,198**	**49,078**
2.1 Large Enterprises	154,857	55,661	15,987	13,462
2.2 Small and Medium Enterprises	480,852	468,099	61,380	25,066
2.3 Micro Enterprises and Entrepreneurs	349,183	356,316	32,676	10,550
2.4 Agriculture Producers	3,357	6,213	155	0
2.5 Public Enterprises	1,200	1,331	0	0
3. Other Clients	**507**	**493**	**0**	**0**
Per Category	**1,729,154**	**1,643,858**	**116,634**	**62,150**
Performing	1,599,810	1,591,800	7,456	11,986
of which forborne	23,675	25,918	2,278	4,207
Non-Performing	129,344	52,058	109,178	50,164
of which forborne	96,907	40,719	89,893	40,719
Total Exposure	**1,763,442**	**1,643,365**	**116,634**	**62,150**

8. APPENDIX II – DISCLOSURES IN LINE WITH GUIDELINES FOR DISCLOSURE OF BANK DATA AND INFORMATION RELATED TO THE QUALITY OF ASSETS FOR 2017

Table 8.1 Total exposure to credit risk

in 000 RSD

Balance Sheet Positions	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	4,839,851	4,839,851
Pledged financial assets	0	0	0	0	0
Financial assets under fair value through profit and loss	24,287	0	24,287	471	24,758
Financial assets initially recognized under fair value through profit and loss	0	0	0	0	0
Financial assets available for sale	44,283	166	44,117	4,315,733	4,359,850
Financial assets kept till maturity	0	0	0	472,892	472,892
Loans and other exposures to banks and finansial institutions	1,403,773	80	1,403,693	120,920	1,524,613
Loans and other exposures to clients	31,573,726	2,678,820	28,894,906	0	28,894,906
Changes in fair value of risk mitigation instruments	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	98,947	98,947
Real-estate and fixed assets	0	0	0	817,842	817,842
Investment real-estate	0	0	0	127,727	127,727
Current tax assets	0	0	0	0	0
Deferred tax assets	0	0	0	62,393	62,393
Fixes assets available from sale and from activities being stopped	0	0	0	0	0
Other assets	231,683	17,471	214,212	11,186	225,398
Balance sheet exposure	**33,277,752**	**2,696,537**	**30,581,215**	**10,867,962**	**41,449,177**
Issued guarantees	5,141,452	59	5,141,393	0	5,141,452
Contingent liabilities	5,188,391	4,994	5,183,397	0	5,188,391
Other off-balance exposures	0	0	0	42,304,967	42,304,967
Off-Balance Exposure	**10,329,843**	**5,053**	**10,324,790**	**42,304,967**	**52,634,810**
Total Exposure	**43,607,595**	**2,701,590**	**40,906,005**	**53,172,929**	**94,083,987**

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	Value of Collateral	
	Not Due	Past Due	Individually Assessed	Collectivelly Assessed		Individually Assessed	Collectivelly Assessed		Unimpaired Exposure	Impaired Exposure
Per Sector										
1. Retail Exposures	**1,741,859**	**12,012**	**83,162**	**6,678,079**	**8,515,112**	**20,373**	**30,714**	**8,464,025**	**1,462,656**	**1,815,166**
1.1 Housing Loans	1,228,134	10,621	32,027	1,800,535	3,071,317	2,840	637	3,067,840	1,237,025	1,577,004
1.2 Consumer and Cash Loans	219,163	1,376	50,921	4,833,044	5,104,504	17,460	10,333	5,076,711	218,511	238,083
1.3 Overdrafts and Credit Cards	280,142	15	214	40,763	321,134	73	16,108	304,953	12	79
1.4 Other Retail Exposures	14,420	0	0	3,737	18,157	0	3,636	14,521	7,108	0
2. Corporate Exposures	**10,120,357**	**43,131**	**4,731,787**	**20,197,208**	**35,092,483**	**2,578,103**	**72,400**	**32,441,980**	**5,622,380**	**9,764,554**
2.1 Large Enterprises	1,566,614	12	490,904	1,650,025	3,707,555	194,797	6,392	3,506,366	16,908	1,044,995
2.2 Small and Medium Enterprises	6,981,623	18,114	3,332,719	12,292,199	22,624,655	1,904,091	37,010	20,683,554	4,461,274	6,424,774
2.3 Micro Enterprises and Entrepreneurs	1,570,546	25,005	906,672	6,212,577	8,714,800	478,837	28,896	8,207,067	1,144,198	2,268,775
2.4 Agriculture Producers	0	0	1,492	19,578	21,070	378	19	20,673	0	21,070
2.5 Public Enterprises	1,574	0	0	22,829	24,403	0	83	24,320	0	4,940
3. Other Clients	0	0	0	0	**0**	0	0	**0**	0	0
Per Category	0	0	0	0		0	0		0	0
Performing	11,778,901	31,515	595	26,784,737	**38,595,748**	89	74,425	**38,521,234**	6,988,245	7,710,624
of which forborne	137,692	2,576	519	371,462	512,249	13	2,516	509,720	140,268	252,778
Non-Performing	83,315	23,628	4,814,353	90,550	**5,011,846**	2,598,387	28,690	**2,384,769**	96,791	3,869,096
of which forborne	34,359	3,019	3,492,019	1,317	3,530,714	1,901,171	221	1,629,322	37,239	2,841,983
Total Exposure	**11,862,216**	**55,143**	**4,814,949**	**26,875,287**	**43,607,595**	**2,598,476**	**103,114**	**40,906,005**	**7,085,036**	**11,579,720**

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

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Table 8.3 Changes in impaired receivables

Changes of impaired exposures	Gross exposure at the begining of the year	Impaired exposures during the year	of which: impaired on individual basis	Exposures that have ceased to be impaired during the year	of which: impaired on individual basis	Impact of exchange rate	Other changes	Gross exposure at the end of the year	Net exposure at the end of the year
1. Retail Exposures	**5,019,342**	**3,758,415**	**10,029**	**2,016,516**	**29,349**	**0**	**0**	**6,761,241**	**6,710,393**
1.1 Housing Loans	1,558,316	578,295	4,626	304,049	12,389	0	0	1,832,563	1,829,086
1.2 Consumer and Cash Loans	3,412,363	3,164,821	5,402	1,693,220	16,686	0	0	4,883,964	4,856,511
1.3 Overdrafts and Credit Cards	44,986	15,239	1	19,247	274	0	0	40,977	24,796
1.4 Other Retail Exposures	3,677	60	0	0	0	0	0	3,737	0
2. Corporate Exposures	**21,152,713**	**16,151,345**	**38,348**	**12,296,840**	**442,641**	**78,154**	**0**	**24,928,995**	**22,278,253**
2.1 Large Enterprises	1,746,657	1,099,170	582	639,362	50,816	65,565	0	2,140,900	1,939,581
2.2 Small and Medium Enterprises	13,229,270	10,404,024	18,037	7,998,718	252,140	9,571	0	15,624,937	13,683,742
2.3 Micro Enterprises and Entrepren	6,167,579	4,605,743	19,728	3,651,045	139,657	3,018	0	7,119,259	6,611,512
2.4 Agriculture Producers	2,247	19,579	1	756	28	0	0	21,070	20,673
2.5 Public Enterprises	6,960	22,829	0	6,959	0	0	0	22,829	22,745
3. Other Clients	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total exposures	**26,172,055**	**19,909,760**	**48,377**	**14,313,356**	**471,990**	**78,154**	**0**	**31,690,236**	**28,988,646**

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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	**84,623**	**33,946**	**67,483**	**51,086**
1.1 Housing Loans	10,391	2,649	9,563	3,477
1.2 Consumer and Cash Loans	60,818	21,101	54,126	27,793
1.3 Overdrafts and Credit Cards	13,414	6,560	3,794	16,180
1.4 Other Retail Exposures	0	3,636	0	3,636
2. Corporate Exposures	**2,743,757**	**411,508**	**504,761**	**2,650,504**
2.1 Large Enterprises	167,178	115,141	81,129	201,190
2.2 Small and Medium Enterprises	2,103,186	234,211	396,265	1,941,132
2.3 Micro Enterprises and Entrepreneur	472,171	62,053	26,522	507,702
2.4 Agriculture Producers	1,203	20	826	397
2.5 Public Enterprises	19	83	19	83
3. Other Clients				
Per Category				
Performing	155,820	59,019	140,322	74,517
of which forborne	50,133	265	47,869	2,529
Non-Performing	2,672,560	386,436	431,921	2,627,075
of which forborne	1,751,255	318,539	168,409	1,901,385
Total	**2,828,380**	**445,454**	**572,244**	**2,701,590**

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. Retail Exposures	**2,311,521**	**27,267**	**739,322**	**14,900**	**4,877,228**	**102,638**	**430,487**	**11,748**	**0**	**0**
1.1 Housing Loans	1,184,391	3,096	269,115	5,052	1,530,566	40,960	38,137	0	0	0
1.2 Consumer and Cash Loans	1,106,197	18,341	462,092	9,180	3,070,698	47,993	378,962	11,041	0	0
1.3 Overdrafts and Credit Cards	17,456	1,819	8,115	668	265,295	13,685	13,388	707	0	0
1.4 Other Retail Exposures	3,477	4,011	0	0	10,669	0	0	0	0	0
2. Corporate Exposures	**12,129,315**	**720,862**	**1,134,178**	**142,475**	**14,595,308**	**3,785,855**	**1,062,794**	**205,640**	**1,315,596**	**461**
2.1 Sector A	107,709	752	35,385	837	412,605	848	943	0	0	0
2.2 Sector B, C i E	4,112,117	155,867	383,818	61,324	5,974,913	3,225,973	478,378	182,025	0	0
2.3 Sector D	22,019	2	0	0	97,323	0	0	0	0	0
2.4 Sector F	2,294,866	154	71,918	25	1,539,295	447,669	358,167	1,350	0	0
2.5 Sector G	2,726,149	247,337	507,033	74,832	4,116,581	60,639	155,334	708	0	0
2.6 Sectors H, I i J	913,909	306,173	84,060	908	1,795,950	14,931	25,925	20,315	0	0
2.7 Sectors K do U	1,952,546	10,577	51,964	4,549	658,641	35,795	44,047	1,242	1,315,596	461
3. Other Clients	0	0	0	0	0	0	0	0	0	0
Total Exposure	**14,440,836**	**748,129**	**1,873,500**	**157,375**	**19,472,536**	**3,888,493**	**1,493,281**	**217,388**	**1,315,596**	**461**

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	**1,516,895**	**190,923**	**35,707**	**61**	**10,284**	**5,626,760**	**1,039,096**	**35,527**	**21,695**	**38,162**
1.1 Housing Loans	1,047,117	148,903	34,558	0	8,176	1,688,359	130,093	5,052	39	9,019
1.2 Consumer and Cash Loans	195,131	22,985	678	0	1,746	3,924,044	898,761	28,467	19,375	13,318
1.3 Overdrafts and Credit Cards	260,627	18,911	470	61	88	14,357	10,242	2,008	2,281	12,088
1.4 Other Retail Exposures	14,020	124	1	0	274	0	0	0	0	3,737
2. Corporate Exposures	**9,517,130**	**557,735**	**66,823**	**2,062**	**19,741**	**20,320,661**	**1,471,359**	**264,691**	**7,537**	**2,864,746**
2.1 Large Enterprises	1,566,459	92	67	0	8	2,089,705	9,917	0	0	41,307
2.2 Small and Medium Enterprises	6,515,075	435,464	48,239	0	963	12,189,376	1,053,281	234,588	1,485	2,146,188
2.3 Micro Enterprises and Entrepreneurs	1,434,022	122,179	18,517	2,062	18,770	5,999,173	408,161	30,103	6,052	675,759
2.4 Agriculture Producers	0	0	0	0	0	19,578	0	0	0	1,492
2.5 Public Enterprises	1,574	0	0	0	0	22,829	0	0	0	0
3. Other Clients	0	0	0	0	0	0	0	0	0	0
Per Category	0	0	0	0	0	0	0	0	0	0
Performing	10,990,293	748,137	71,974	14	0	24,790,789	1,990,894	3,572	0	76
of which forborne	109,043	31,225	0	0	0	369,476	2,506	0	0	0
Non-Performing	43,731	521	30,556	2,109	30,025	1,156,632	519,560	296,646	29,232	2,902,832
of which forborne	33,910	0	0	0	3,468	1,129,230	261,378	249,752	2,198	1,850,778
Total Exposure	11,034,025	748,658	102,530	2,123	30,025	25,947,421	2,510,455	300,218	29,232	2,902,908

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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	**8,515,112**	**51,087**	**156,556**	**22,912**	**40,860**	**30.64%**	**42,867**
1.1 Housing Loans	3,071,317	3,477	49,109	15,115	2,959	1.60%	39,990
1.2 Consumer and Cash Loans	5,104,504	27,793	86,556	7,797	19,309	1.70%	2,846
1.3 Overdrafts and Credit Cards	321,134	16,181	16,880	0	14,956	5.26%	31
1.4 Other Retail Exposures	18,157	3,636	4,011	0	3,636	22.09%	0
2. Corporate Exposures	**35,092,483**	**2,650,503**	**4,855,289**	**3,507,802**	**2,586,216**	**51.82%**	**3,923,020**
2.1 Sector A	559,078	2,324	2,436	511	444	0.44%	1,492
2.2 Sector B, C i E	14,574,415	1,847,940	3,625,185	2,492,313	1,822,688	24.87%	2,935,787
2.3 Sector D	119,344	395	2	0	0	0.00%	0
2.4 Sector F	4,713,444	257,497	449,198	445,238	252,879	9.53%	426,397
2.5 Sector G	7,888,613	318,638	383,516	256,224	301,351	4.86%	266,063
2.6 Sectors H, I i J	3,162,170	209,957	342,327	313,201	201,746	10.83%	288,928
2.7 Sectors K do U	4,075,419	13,752	52,625	315	7,108	1.29%	4,353
3. Other Clients	0	0	0	0	0	-	0
Total Exposure	**43,607,595**	**2,701,590**	**5,011,845**	**3,530,714**	**2,627,076**	**11.49%**	**3,965,887**

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	**138,086**	**94,049**	**0**	**75,538**	**24,130**	**0**	**51,408**	**41**	**0**	**156,556**	**115,695**
1.1 Housing Loans	37,892	21,301	0	10,085	5,065	0	5,020	0	0	49,109	46,149
1.2 Consumer and Cash Loans	82,782	65,626	0	61,851	16,815	0	45,037	0	0	86,556	67,247
1.3 Overdrafts and Credit Cards	13,522	6,942	0	3,584	2,232	0	1,351	0	0	16,880	1,924
1.4 Other Retail Exposures	3,890	180	0	18	18	0	0	41	0	4,011	375
2. Corporate Exposures	**5,822,294**	**118,412**	**0**	**1,082,783**	**751,674**	**82,921**	**248,188**	**2,635**	**0**	**4,855,289**	**2,269,074**
2.1 Large Enterprises	891,867	653	0	401,429	378,024	0	23,405	0	0	491,092	296,200
2.2 Small and Medium Enterprises	3,701,236	52,136	0	389,668	250,077	82,921	56,670	0	0	3,363,704	1,458,112
2.3 Micro Enterprises and Entrepreneurs	1,226,944	65,622	0	290,930	123,049	0	167,881	2,635	0	999,001	513,647
2.4 Agriculture Producers	2,247	1	0	756	524	0	232	0	0	1,492	1,115
2.5 Public Enterprises	0	0	0	0	0	0	0	0	0	0	0
3. Other Clients	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total exposures:	5,960,380	212,461	0	1,158,321	775,804	82,921	299,596	2,676	0	5,011,845	2,384,769

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			Problem Exposures	Vrednost sredstava obezbeđenja	
	High	Medium	Low		Preforming Exposures	Non-Performing Exposures
1. Retail Exposures	**7,624,185**	**642,900**	**91,473**	**156,556**	**3,234,957**	**42,867**
1.1 Housing Loans	2,749,979	245,475	26,755	49,109	2,774,039	39,990
1.2 Consumer and Cash Loans	4,562,599	391,905	63,444	86,556	453,749	2,846
1.3 Overdrafts and Credit Cards	297,615	5,367	1,273	16,880	61	31
1.4 Other Retail Exposures	13,992	153	1	4,011	7,108	0
2. Corporate Exposures	**15,410,067**	**12,211,065**	**2,616,060**	**4,855,289**	**11,463,912**	**3,923,020**
2.1 Large Enterprises	1,839,682	1,082,132	294,648	491,092	625,467	436,435
2.2 Small and Medium Enterprises	9,287,278	8,206,678	1,766,985	3,363,714	8,164,909	2,721,138
2.3 Micro Enterprises and Entrepreneu	4,239,126	2,922,255	554,427	998,991	2,649,018	763,955
2.4 Agriculture Producers	19,578	0	0	1,492	19,578	1,492
2.5 Public Enterprises	24,403	0	0	0	4,940	0
3. Other Clients	0	0	0	0	0	0
Total Exposure	**23,034,252**	**12,853,965**	**2,707,533**	**5,011,845**	**14,698,869**	**3,965,887**

Credit quality of non-performing exposures is determinated on the basis of classification of the bank's in categories A, B, V, G and D in the following way:

- High credit quality – receivables classified in category A
- Medium credit quality – receivables classified in category B and
- Low credit quality – receivables classified in categories V, G and D

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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	**8,515,112**	**51,087**	**24,081**	**22,912**	**281**	**0.28%**	**0**
1.1 Housing Loans	3,071,317	3,477	15,115	15,115	421	0.49%	15,115
1.2 Consumer and Cash Loans	5,104,504	27,793	8,966	7,797	281	0.18%	319
1.3 Overdrafts and Credit Cards	321,134	16,181	0	0	0	0.00%	0
1.4 Other Retail Exposures	18,157	3,636	0	0	0	0.00%	0
2. Corporate Exposures	**35,092,483**	**2,650,503**	**4,018,880**	**3,507,802**	**1,903,637**	**11.45%**	**3,256,833**
2.1 Sector A	559,078	2,324	511	511	25	0.09%	0
2.2 Sector B, C i E	14,574,415	1,847,940	2,846,226	2,492,313	1,230,817	19.53%	2,153,129
2.3 Sector D	119,344	395	0	0	0	0.00%	0
2.4 Sector F	4,713,444	257,497	445,238	445,238	252,126	9.45%	425,087
2.5 Sector G	7,888,613	318,638	409,257	256,224	232,952	5.19%	394,673
2.6 Sectors H, I i J	3,162,170	209,957	313,201	313,201	187,655	9.90%	279,812
2.7 Sectors K do U	4,075,419	13,752	4,447	315	62	-	4,132
3. Other Clients	0	0	0	0	0	-	0
Total Exposure	**43,607,595**	**2,701,590**	**4,042,961**	**3,530,714**	**1,903,918**	**9.27%**	**3,256,833**

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

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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	**6,891**	**22,036**	**4,846**	**0**	**0**	**24,081**	**23,379**
1.1 Housing Loans	0	15,115	0	0	0	15,115	14,694
1.2 Consumer and Cash Loans	6,891	6,921	4,846	0	0	8,966	8,685
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	**4,410,297**	**188,224**	**577,008**	**2,632**	**0**	**4,018,880**	**2,115,664**
2.1 Large Enterprises	717,244	135,811	80,686	0	0	772,369	578,726
2.2 Small and Medium Enterprises	3,008,105	43,503	397,981	0	0	2,653,626	1,163,863
2.3 Micro Enterprises and Entrepreneur	684,948	8,910	98,341	2,632	0	592,885	373,075
2.4 Agriculture Producers	0	0	0	0	0	0	0
2.5 Public Enterprises	0	0	0	0	0	0	0
3. Other Clients	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total exposure:	4,417,188	210,260	581,854	2,632	0	4,042,961	2,139,043

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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	**92**	**16,425**	**0**	**7,564**	**24,081**
1.1 Housing Loans	0	12,040	0	3,075	15,115
1.2 Consumer and Cash Loans	92	4,385	0	4,489	8,966
1.3 Overdrafts and Credit Cards	0	0	0	0	0
1.4 Other Retail Exposures	0	0	0	0	0
2. Corporate Exposures	**5,509**	**3,527,251**	**199,209**	**286,911**	**4,018,880**
2.1 Large Enterprises	0	772,369	0	0	772,369
2.2 Small and Medium Enterprises	0	2,142,635	17,269	286,911	2,446,815
2.3 Micro Enterprises and Entrepreneurs	5,509	612,247	181,940	0	799,696
2.4 Agriculture Producers	0	0	0	0	0
2.5 Public Enterprises	0	0	0	0	0
3. Other Clients	0	0	0	0	**0**
Total Exposure	**5,601**	**3,543,676**	**199,209**	**294,475**	**4,042,961**

Table 8.13 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	**1,500,253**	**3,891**	**1,685,755**	**9,733,382**	**0**	**1,763,670**	**0**	**731,287**	**0**	**432,490**
1.1 Housing Loans	189,641	3,891	49,976	121,143	0	91,943	0	0	0	0
1.2 Consumer and Cash Loans	91	0	0	0	0	0	0	0	0	0
1.3 Overdrafts and Credit Cards	7,108	0	0	0	0	0	0	0	0	0
1.4 Other Retail Exposures	1,303,413	0	1,635,779	9,612,239	0	1,671,727	0	731,287	0	432,490
2. Corporate Exposures	**1,297,583**	**0**	**1,624,702**	**8,572,450**	**0**	**1,666,522**	**0**	**731,288**	**0**	**432,491**
2.1 Large Enterprises	870,795	0	1,080,195	6,516,439	0	1,280,138	0	711,932	0	426,551
2.2 Small and Medium Enterprises	426,788	0	544,507	2,034,941	0	381,444	0	19,356	0	5,940
2.3 Micro Enterprises and Entrepreneu	0	0	0	21,070	0	0	0	0	0	0
2.4 Agriculture Producers	0	0	0	0	0	4,940	0	0	0	0
2.5 Public Enterprises	0	0	0	0	0	0	0	0	0	0
3. Other Clients	0	0	0	0	0	0	0	0	0	0
Per Category	1,496,755	3,891	4,097,914	6,461,419	0	1,701,871	0	731,287	0	205,733
Performing	0	0	82,119	310,926	0	0	0	0	0	0
of which forborne	8,242	0	64,686	1,007,145	0	6,592	0	0	0	0
Non-Performing	0	0	280,356	2,302,100	0	70,008	0	0	0	226,757
of which forborne	1,504,997	3,891	4,442,956	9,770,665	0	1,778,470	0	731,287	0	432,490
Total Exposure	**2,797,836**	**3,891**	**3,310,457**	**18,305,832**	**0**	**3,430,192**	**0**	**1,462,575**	**0**	**864,981**

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

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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%	4,969,324
From 50% to 70%	2,941,302
From 70% to 90%	3,154,232
From 90% to 100%	1,711,208
From 100% to 120%	685,345
From 120% to 150%	646,791
Over 150%	1,507,336
TOTAL	**15,615,539**
Average LTV Ratio	**93%**

Table 8.15 Changes in assets acquired through collection of receivables

in 000 RSD

Assets acquired through collection of receivables	Mark	Residential property	Other property	Financial assets	Other assets acquired through collection	Total
Gross value at the beginning of the period *	1	4,790	2,227	-	-	7,017
Acquired during the period	2	10,221	24,852	-	-	35,073
Sold during the period	3	4,790	18,039	-	-	22,829
Put in use during the period (eg fixed assets or investment property)	4	-	-	-	-	-
Reclassified to assets held for sale	5	-	-	-	-	-
Of which: sold during the period	6	-	-	-	-	-
Gross value at the end of the period	7 (1+2-3-4-5)	10,221	9,040	-	-	19,261
Accumulated depreciation	8	-	812	-	-	812
Of which: accumulated depreciation	9	-	-	-	-	-
Net value at end of period	10 (7-8)	10,221	8,228	-	-	18,449

* 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

Data on calculated income from interest and collection of interest	Interest income	Collected interest	Interest income on impaired exposures	Collected interest on impaired exposures
Per Sector				
1. Retail Exposures	**602,574**	**579,506**	**5,977**	**10,086**
1.1 Housing Loans	130,057	127,649	2,327	1,624
1.2 Consumer and Cash Loans	439,479	449,374	3,612	8,397
1.3 Overdrafts and Credit Cards	2,459	2,483	38	64
1.4 Other Retail Exposures	30,578	0	0	0
2. Corporate Exposures	**909,446**	**789,103**	**160,668**	**85,209**
2.1 Large Enterprises	69,297	66,102	35,554	34,897
2.2 Small and Medium Enterprises	498,722	426,672	86,783	41,317
2.3 Micro Enterprises and Entrepre	337,168	293,509	38,127	8,995
2.4 Agriculture Producers	1,907	550	204	0
2.5 Public Enterprises	1,942	1,864	0	0
3. Other Clients	410	406	0	0
Per Category	**1,512,019**	**1,368,609**	**166,645**	**95,295**
Performing	1,330,670	1,291,974	24,375	24,483
of which forborne	27,526	28,269	12,007	14,245
Non-Performing	181,349	76,635	142,270	70,812
of which forborne	119,662	46,847	99,591	46,597
Total exposures:	**1,512,019**	**1,368,609**	**166,645**	**95,295**