Raiffeisen Bank

Annual Report 2020

Survey of key data

Raiffeisen banka a.d.			
Monetary values are in thousands RSD	2020	Change	2019
Income Statement			
Net interest income after provisioning	7,978,685	-18.44%	9,782,060
Net commission income	3,980,746	-8.37%	4,344,535
Net trading income	352,905	34.00%	263,368
General administrative expenses	(9,013,553)	-6.94%	(9,686,230)
Profit before tax	6,180,387	-11.62%	6,992,894
Profit after tax	5,529,348	-9.56%	6,113,883
Balance Sheet			
Loans and advances to banks	24,620,212	81.69%	13,550,612
Loans and advances to customers	186,914,250	8.93%	171,584,719
Amounts owed to other banks	4,926,799	14.91%	4,287,532
Amounts owed to customers	303,752,087	20.63%	251,813,778
Equity (incl. minorities and profit)	63,563,586	9.80%	57,891,193
Balance-sheet total	377,709,412	18.44%	318,903,137
Regulatory information			
Total own funds	51,019,530	0.08%	50,980,553
Own funds requirement	18,787,361	2.78%	17,448,427
Core capital ratio	20.51%	-3.60%	23.37%
Own funds ratio	20.51%	-3.60%	23.37%
Performance			
Return on equity (ROE) before tax	10.63%	-17.60%	12.90%
Return on equity (ROE) after tax	9.51%	-15.62%	11.27%
Cost/income ratio	51.69%	-4.98%	54.40%
Return on assets (ROA) before tax	1.64%	-25.28%	2.19%
Risk/earnings ratio	14.39%	351.17%	3.19%
Resources			
Number of staff on balance-sheet date	1.429	-6.42%	1,527
Business outlets	84	-2.33%	86

Pregled najvažnijih podataka

Raiffeisen banka a.d.			
Vrednosti su izražene u hiljadama dinara	2020	Promena	2019
Bilans uspeha			
Neto dobitak po osnovu kamata posle rezervisanja	7.978.685	-18,44%	9.782.060
Neto dobitak po osnovu naknada i provizija	3.980.746	-8,37%	4.344.535
Neto prihodi od trgovanja	352.905	34,00%	263.368
Administrativni troškovi	(9.013.553)	-6,94%	(9.686.230)
Dobitak pre oporezivanja	6.180.387	-11,62%	6.992.894
Dobitak posle oporezivanja	5.529.348	-9,56%	6.113.883
Bilans stanja			
Plasmani bankama	24.620.212	81,69%	13.550.612
Plasmani klijentima	186.914.250	8,93%	171.584.719
Obaveze prema bankama	4.926.799	14,91%	4.287.532
Obaveze prema klijentima	303.752.087	20,63%	251.813.778
Kapital	63.563.586	9,80%	57.891.193
Bilans stanja (ukupno	377.709.412	18,44%	318.903.137
Kontrolne informacije			
Ukupni sopstveni kapital	51.019.530	0,08%	50.980.553
Potreban sopstveni kapital	18.787.361	2,78%	17.448.427
Adekvatnost kapitala (osnovni kapital)	20,51%	-3,60%	23,37%
Adekvatnost kapitala (ukupni kapital)	20,51%	-3,60%	23,37%
Pokazatelji poslovanja			
Stopa povraćaja kapitala pre oporezivanja	10,63%	-17,60%	12,90%
Stopa povraćaja kapitala posle oporezivanja	9,51%	-15,62%	11,27%
Odnos rashoda i prihoda	51,69%	-4,98%	54,40%
Stopa povraćaja aktive	1,64%	-25,28%	2,19%
Učešće ispravke vrednosti u neto prihodima od kamate	14,39%	351,17%	3,19%
Izvori			
Broj zaposlenih na dan bilansa	1.429	-6,42%	1.527
Broj poslovnica	84	-2,33%	86

Contents

Sadržaj

Report of the Board of Directors

Ladies and Gentlemen,

It is a pleasure to report that Raiffeisen banka a.d. Beograd ended the 2020 financial year with good results. The bank was not only able to respond well to the challenging market environment, but also to the unprecedented difficulties presented by the outbreak of the COVID-19 pandemic in March 2020. The great resilience and adaptability of the bank were confirmed by the swift adaptation of its business model to the entirely changed environment. Thanks to this, the bank was able to successfully respond to the necessity of providing a safe, yet prompt and tailored service to its clients.

In 2020, the bank also capitalized on its previous investments in the digital transformation as well as in the education of its staff, by offering cutting-edge services, such as the first fully online loan in the market for new-to-bank customers and utilizing AI-based technology. Furthermore, the bank continued its comprehensive branch transformation with the aim of ensuring additional service digitalization and optimization in future.

During the 2020 financial year, the members of the Board of Directors held eight meetings. The overall attendance rate for the meetings of the Board of Directors was around 90 per cent.

The Board of Directors regularly and comprehensively monitored the business performance and risk developments at Raiffeisen banka. Discussions were regularly held with the Management Board on the adequacy of capital and liquidity, as well as on the direction of the bank's business and risk strategies. The Board of Directors also dealt at length with further developments within corporate governance and monitored the implementation of corresponding policies. In the course of its monitoring and advisory activities, the Board of Directors maintained direct contact with the responsible Management Board members, the auditor and heads of the internal control functions. It also maintained a continuous exchange of information and views with representatives from supervisory authorities on topical issues.

Moreover, the Management Board provided the Board of Directors with regular and detailed reports on relevant matters concerning performance in the respective business areas. Between meetings, the Board of Directors maintained close contact with the Chairman and members of the Management Board. The Management Board was available when required for bilateral or multilateral discussions with members of the Board of Directors, where applicable with the involvement of experts on matters being addressed.

The work undertaken together with the Management Board was based on a relationship of mutual trust and conducted in a spirit of efficient and constructive collaboration. Discussions were open and critical, and the Board of Directors passed resolutions after fully considering all aspects. If additional information was required in order to consider individual issues in more depth, this was provided to members of the Board of Directors without delay and to their satisfaction.

In order to fulfil statutory duties regarding the supervision of the financial reporting process and reporting practices, which includes the review and adoption of the financial statements and review of external audit reports, the Board of Directors regularly discussed financial reporting matters and external audit reports, as well as the findings and recommendations thereof with the Audit Committee and external auditors.

Keeping in mind the significance of an adequate capital base for the fulfilment of the overall strategy, the capital management strategy and plan was one of the focus topics for the monitoring activities of the Board of Directors in 2020. These activities included the review and adoption of the ICAAP report, but also discussions with the Managing Board on the SREP requirement and preliminary SREP review results which were issued by the regulator in November 2019.

Considering what can honestly be described as an unprecedented year due to the challenges resulting from the COVID-19 pandemic, I would like to take this opportunity to sincerely thank the Management Board and all employees of Raiffeisen banka for their unwavering efforts, and also our customers for their continued trust during these exceptional times.

On behalf of the Board of Directors

Peter Lennkh,
Chairman of the Board of Directors

Izveštaj predsednika Upravnog odbora

Dame i gospodo,

Zadovoljstvo nam je što možemo da objavimo da je Raiffeisen banka a.d. Beograd završila finansijsku 2020. godinu sa dobrim rezultatima. Banka je odlično odgovorila ne samo na izazovno tržišno okruženje, već takođe i na teškoće bez presedana u modernoj istoriji – početak pandemije u martu 2020. godine. Veliku rezilijentnost i prilagodljivost banka je potvrdila brzim prilagođavanjem svog poslovnog modela potpuno izmenjenom okruženju. Zahvaljujući tome, banka je uspešno odgovorila na neophodnost obezbeđivanja sigurne, ali i brze i prilagođene usluge svojim klijentima.

Tokom 2020. godine banka je u potpunosti iskoristila svoju prethodnu investiciju u digitalnu transformaciju i u obrazovanje svojih zaposlenih, nudeći najmodernije usluge, kao što su prvi u potpunosti onlajn kredit na tržištu za nove klijente, kao i koristeći tehnologiju zasnovanu na veštačkoj inteligenciji. Takođe, banka je nastavila sa sveobuhvatnim projektom transformacije poslovnica, sa ciljem da i ubuduće obezbedi dalju digitalizaciju i optimizaciju usluga.

Tokom 2020. godine, članovi Upravnog odbora održali su osam skupština. Ukupna stopa učešća na sastancima Upravnog odbora u finansijskoj 2020. godini bila je 90%.

Upravni odbor je redovno i sveobuhvatno pratio poslovni učinak i razvoj rizika u poslovanju Raiffeisen banke a.d. Beograd. Redovno su održavane diskusije sa Izvršnim odborom u pogledu adekvatnosti kapitala i likvidnosti, kao i u pogledu usmerenja poslovanja Raiffeisen banke i njenih strategija u vezi sa upravljanjem rizicima. Upravni odbor se takođe detaljno bavio daljim razvojem u segmentu korporativnog upravljanja i pratio implementaciju odgovarajuće poslovne politike. Tokom svojih nadzornih i savetodavnih aktivnosti, Upravni odbor održavao je direktne kontakte sa nadležnim članovima Izvršnog odbora, revizorima i rukovodiocima internih funkcija kontrole. Takođe, održavao je stalnu razmenu informacija i mišljenja sa predstavnicima Upravnih tela banaka na teme od interesa.

Pored toga, Izvršni odbor je redovnim i detaljnim izveštajima obaveštavao Upravni odbor o relevantnim pitanjima koja se tiču datih poslovnih segmenata. Između sastanaka, Upravni odbor je takođe održavao kontakt sa predsednikom Izvršnog odbora i članovima Izvršnog odbora. Izvršni odbor bio je dostupan kada je to bilo potrebno za bilateralne ili multilateralne diskusije sa članovima Upravnog odbora, po potrebi uz uključivanje stručnjaka za pitanja kojima se bavio Upravni odbor.

Posao koji je obavljen zajedno sa Izvršnim odborom zasnovan je na odnosima međusobnog poverenja i obavljen u duhu efikasne i konstruktivne saradnje. Diskusije su bile otvorene i kritične, a Upravni odbor doneo je odluke nakon razmatranja svih stavova. Ukoliko su bile potrebne dodatne informacije kako bi se pojedinačna pitanja dublje razmotrila, to je članovima Upravnog odbora obezbeđeno bez kašnjenja i na njihovo zadovoljstvo.

Kako bi se ispunile zakonom propisane obaveze u pogledu supervizije procesa finansijskog izveštavanja i praksi izveštavanja, što uključuje razmatranje i usvajanje finansijskih izveštaja i razmatranje izveštaja eksterne revizije, Upravni odbor je pitanja od značaja za finansijsko izveštavanje, izveštaje, nalaze i preporuke eksterne revizije razmatrao sa Odborom za reviziju i sa eksternim revizorima.

Imajući u vidu značaj adekvatne kapitalne baze za ispunjenje celokupne strategije, strategija upravljanja kapitalom i plan bili su jedna od vodećih tema aktivnosti nadzora Upravnog odbora u 2020. godini. Ove aktivnosti uključivale su pregled i usvajanje izveštaja ICAAP, ali i diskusiju sa Izvršnim odborom u pogledu zahteva procesa supervizorskog nadgledanja i procene (SREP), kao i preliminarne SREP rezultate koje je objavio regulator u novembru 2019. godine.

Imajući u vidu ono što zaista možemo da opišemo kao godinu bez presedana zbog izazova pandemije virusa kovid-19, želeo bih da iskoristim ovu priliku i zahvalim se Izvršnom odboru, ujedno i svim zaposlenima Raiffeisen banke a.d. Beograd na njihovom nesmanjenom zalaganju, kao i svim našim klijentima na njihovom kontinuiranom poverenju u ovim izazovnim vremenima.

U ime Upravnog odbora,

Predsednik Upravnog odbora
Peter Lennkh

Introductory Address by the Chairman of the Managing Board

Dear shareholders, business associates and colleagues,

On behalf of the Managing Board of Raiffeisen banka a.d. Beograd, I wish to inform you that we have achieved very satisfactory results in the business year 2020, despite being faced with the largest health crisis in modern history. A detailed overview across all segments, as well as key business indicators will be presented in the following pages of this report. They will confirm that the bank was successful in all business segments. This is especially significant considering they were accomplished in clearly adverse conditions. It is therefore paramount to point out several factors that contributed to these accomplishments. Above all, I would say that the "words of the year" for our bank were flexibility and the ability to adapt rapidly to changing circumstances. This mindset has also enabled us to further the transformation and digitalization of operations, that were already in development prior to Covid-19.

We have been talking for years about the significance of the transformation of business into modern models, about the altered requirements of the market and an agile approach to business processes. It is therefore quite significant for us that this was not just a plan, but something that we have been intensively working on implementing in previous years.

Although no one was ready for what was to come in March 2020, I can say with certainty that the pandemic did not catch us completely off-guard. At least, not to the extent that we could not act quickly and deploy defense mechanisms. This is reflected in the vigor with which we shifted to the new way of working.

To ensure the health and safety of employees and clients, we facilitated nearly 80% of our employees to work from home, whilst those that must have contact with clients by the nature of their work, did so in absolute accordance with all recommendations from health authorities. At the same time, we enabled our clients, during the toughest epidemiologic restrictions, to access a wide array of online services such as our m-banking and e-banking solutions, our AI-based virtual assistant Rea, as well as our multifunctional ATMs in the 24/7 secure zones in our branches. This was true for both retail and business clients.

Furthermore, we promptly offered a unique product in the Serbian market in the form of a 100% online cash loan. The excellent response confirmed that this was exactly what the clients required in this time of great uncertainty. Our efforts were also recognized yet again by Global Finance and the awarding of the title of "Best Digital Bank in Serbia" and further fortified the outstanding parameters regarding client satisfaction, that resolutely lead us to fulfil our Group's Vision for 2025 – to be the most recommended financial institution.

I would like to point out another important factor of success – the competence and professionalism of our employees, who once again proved to be among the very best. Every employee individually, and as part of a team, gave their utmost to overcome all the challenges and to engage all disposable resources to ensure uninterrupted operations, while never losing focus of what is most important – the clients and their needs and expectations.

Despite the challenges in 2020, we made significant steps in the implementation of our branch digitalization project and the further shifting of services to the digital realm. This is no longer just a necessity for improving our business, but an imperative of modern banking which was further induced by the pressures of the pandemic.

Further digitalization will also be implemented in our Corporate segment, where we presented a completely new online factoring platform at the end of the year, and we will continue to drive innovation and introduce offers in the small business segment as well.

Uvodna reč predsednika Izvršnog odbora

Poštovani akcionari, poslovni partneri i kolege,

U ime Izvršnog odbora Raiffeisen banke a.d. Beograd, obaveštavam vas da smo u poslovnoj 2020. godini ostvarili veoma zadovoljavajuće rezultate, uprkos tome što smo bili suočeni sa najvećom zdravstvenom krizom u modernoj istoriji. Detaljan pregled ostvarenja po svim segmentima, kao i ključne poslovne pokazatelje, naći ćete na narednim stranama ovog izveštaja. One će potvrditi da je banka poslovala uspešno u svim sektorima. Ovo je posebno važno ukoliko se uzme u obzir da su oni ostvareni u izrazito nepovoljnim uslovima. Stoga je važno istaći nekoliko faktora koji su doprineli ovakvim postignućima. Pre svih, rekao bih da su „reči godine" za našu banku bile fleksibilnost i sposobnost brze adaptacije na izmenjene okolnosti. Ovakav stav nam je takodje omogućio da nastavimo sa transformacijom i digitalizacijom poslovanja, koje su se uveliko razvijale i pre izbijanja pandemije virusa kovid-19.

Govorili smo godinama unazad o značaju transformisanja poslovanja u savremenije modele rada, o prilagođavanju izmenjenim zahtevima tržišta i o agilnom pristupu poslovnim procesima. Stoga je veoma značajno što za nas to nisu ostali samo „planovi na papiru", već smo tokom ranijih godina na njihovoj implementaciji i intezivno radili.

Iako niko nije bio spreman za ono što je usledilo u martu 2020. godine, sa velikom sigurnošću mogu reći da nas pandemija nije dočekala potpuno nespremnima. Barem ne tako da nismo mogli brzo i adekvatno da reagujemo i uposlimo mehanizme odbrane. To se vidi u brzini kojom smo se „prebacili" na novi način rada.

Kako bismo zaštitili zdravlje i sigurnost zaposlenih i klijenata, omogućili smo da gotovo 80% zaposlenih radi od kuće, dok oni koji po prirodi posla moraju da imaju kontakt s klijentima, to čine u skladu sa apsolutno svim zdravstvenim i higijenskim preporukama medicinskih autoriteta. Mi smo takođe već tokom perioda najrestriktivnijih epidemioloških mera u Srbiji omogućili i klijentima da gotovo celokupnu uslugu dobiju onlajn – putem naših aplikacija za mobilno i elektronsko bankarstvo, od naše elektronske asistentkinje Ree koja radi na principu veštačke inteligencije, kao i na našim višenamenskim uređajima u 24-časovnim sigurnim zonama u filijalama. I to važi kako za klijente u segmentu stanovništva, tako i za privredu.

Promptno smo ponudili i jedinstveni proizvod na tržištu – 100% onlajn keš kredit! Odličan odziv potvrđuje da je upravo to ono što je klijentima bilo potrebno u periodu velike nesigurnosti. Naše napore još jednom je prepoznao časopis Global Finance dodelivši nam titulu „Najbolja digitalna banka u Srbiji", čime smo dodatno učvrstili sjajne parametre kad je reč o stepenu zadovoljstva klijenata uslugom, a što nas sigurno vodi ka ostvarenju vizije naše grupacije da do 2025. godine budemo najpreporučivanija banka na tržištu.

Istakao bih drugi ali jednako važan faktor uspeha – stručnost i profesionalnost naših zaposlenih, koji su još jednom potvrdili da su među najboljima. Svaki zaposleni ponaosob i u okviru svog tima dao je maksimum da uspešno prebrodimo sve izazove, da angažujemo sve raspoložive resurse da se posao nesmetano odvija, ali nikad ne gubivši iz fokusa ono što je najvažnije – klijenta, njegove potrebe i zahteve.

Uprkos izazovima tokom 2020. godine, preduzeli smo značajne korake na implementaciji projekta digitalizacije filijala i dodatnog premeštanja usluge u digitalnu sferu. Ovo više nije samo potreba unapređenja poslovanja, već je i imperativ savremenog bankarstva, dodatno pojačan pritiscima usled pandemije.

Dalju digitalizaciju takođe nastavljamo i u segmentu ponude za privrednike, kojima smo krajem godine ponudili potpuno novu onlajn platformu za faktoring, a nastavljamo sa uvođenjem inovacija i ponuda i kada je reč o maloj privredi.

Contributing to the community in which we operate has always been one of the CSR priorities of our bank and especially in times like this, solidarity and altruism are needed more than ever. For this reason, I am especially proud of the fact that we were one of the first companies in Serbia to react to the outbreak of the pandemic by donating funds for the procurement of ventilators for hospitals. Our support to the medical system continued throughout the year and we were also providing other equipment vital in the hospital care of patients, as well as for protecting the health and lives of the citizens of Serbia.

I would also like to point out that the bank fully supports the operations of Raiffeisen Leasing, Raiffeisen Future Voluntary Pension Management Company, as well as Raiffeisen Invest Investment Fund Management Company. Our funds have accomplished outstanding results and are among the market leaders in their respective segments.

In 2021, we mark a full two decades of doing business in Serbia. We may not be able to celebrate this jubilee as we would have prior to the pandemic, but there is certainly no reason not to reflect with pride on all that we have achieved in the past twenty years and perhaps none the more so than in the previous year. Going forward, we will push forward with undiminished tempo to acquire new skills and implement them in our business processes, as well as to further develop our corporate culture and innovate our offer and services to match the evolving requirements of our society. In 2020 we have proved that we are more than able to accomplish all of this with flying colors, therefore contributing to the realization of our Group’s Vision.

Zoran Petrović
Chairman of the Managing Board

Vraćanje zajednici u kojoj poslujemo oduvek je bio jedan od CSR prioriteta naše banke, a posebno u vremenima kao što su ova, solidarnost i humanost bili su potrebni više nego ikad. Zato mi je drago da smo mi bili jedna od prvih kompanija u Srbiji koja je reagovala po izbijanju pandemije i donirala novac za nabavku respiratora za bolnice. Naša podrška zdravstvenom sistemu nastavljena je kontinuirano tokom cele godine, nabavkom i druge vrste neophodne opreme za zbrinjavanje pacijenata i očuvanje zdravlja i života građana Srbije.

Želim da istaknem da banka u velikoj meri pruža podršku radu kompanija Raiffeisen Leasing, Raiffeisen Future Dobrovoljnom društvu za upravljanje penzionim fondovima, kao i Raiffeisen Invest Društvu za upravljanje investicionim fondovima. Naši fondovi su ostvarili odlične rezultate i među vodećima su na tržištu u svojim segmentima.

U 2021. godini obeležavamo pune dve decenije poslovanja u Srbiji. Možda nećemo biti u mogućnosti da ovaj jubilej obeležimo onako kako bismo to učinili pre pandemije, ali to svakako nije razlog da se ne osvrnemo i s ponosom pogledamo na sve što smo uradili tokom ovih 20 godina, a možda posebno u protekloj godini. I u narednom periodu zato nastavljamo nesmanjenim tempom – da stičemo nova znanja, implementiramo ih u poslovne procese, da razvijamo dodatno korporativnu kulturu i inoviramo ponudu i uslugu na način da prati promenjene zahteve društva. U 2020. godini dokazali smo da smo više nego kadri da sve ovo učinimo uspešno, doprinoseći tako ostvarenju vizije naše grupacije.

Zoran Petrović
Predsednik Izvršnog odbora

Vision, Mission & Values Statement of Raiffeisen banka a.d. Beograd

SHAPING FUTURE TOGETHER

VISION 2025

We are the most recommended financial services group.

MISSION

We transform continuous innovation into superior customer experience.

VALUES

COLLABORATION
We work together – If we work with each other, talk to each other, listen to each other and support each other, we can achieve so much more. We create an environment of mutual understanding, respect and trust.
We encourage diversity. Together with our colleagues, our partners and our customers we achieve more than individually.

PROACTIVITY
We are proactive – We believe in looking ahead. We drive change. Concentrating on the possibilities rather than the impossibilities. Replacing indecision with decision. Action instead of reaction. By being courageous and determined, we can make a difference. Even a little progress every day leads to big results.

LEARNING
We are eager to learn – Learning means personal progress. We learn from experience, education and sharing. Experimenting and applying new knowledge may involve failure, but failure can be a great teacher if we learn from it. Curiosity and learning help us innovate.

RESPONSIBILITY
We act responsibly – If each of us takes responsibility, we can change a lot. Individually and together, we own our decisions. We are accountable for the results of our work. We always think about the consequences of our actions. We are responsible members of society and build sustainable business.

Vizija,misija i vrednosti Raiffeisen banke a.d. Beograd

ZAJEDNO STVARAMO BUDUĆNOST

VIZIJA 2025

Mi smo najpreporučivanija finansijska grupacija.

MISIJA

Kontinuirane inovacije oblikujemo u superiorno korisničko iskustvo.

VREDNOSTI

SARADNJA
Radimo zajedno – ako sarađujemo, razgovaramo jedni sa drugima, slušamo i podržavamo jedni druge, možemo da postignemo mnogo više. Stvaramo okruženje uzajamnog razumevanja, poštovanja i poverenja.
Ohrabrujemo raznolikost. Sarađujući sa našim kolegama, našim partnerima i našim klijentima ostvarujemo više nego kao pojedinci.

PROAKTIVNOST
Mi smo proaktivni – verujemo u budućnost. Iniciramo promene. Usmereni smo na mogućnosti. Neodlučnost zamenjujemo odlučnošću. Akcija umesto reakcije. Hrabrošću i odlučnošću možemo da napravimo razliku. Čak i mali svakodnevni napredak dovodi do velikih rezultata.

UČENJE
Želimo da učimo – učiti znači lični napredak. Učimo iz iskustva, kroz obrazovanje i razmenu znanja. Eksperimentisanje i primena novih znanja može da podrazumeva i neuspeh, ali neuspeh može da bude veliki učitelj ako iz njega naučimo. Radoznalost i učenje pomažu nam da budemo inovativni.

ODGOVORNOST
Ponašamo se odgovorno – ako svako od nas preuzme odgovornost, možemo mnogo da promenimo. Pojedinačno i zajedno, stojimo iza svojih odluka. Odgovorni smo za rezultate svog rada. Uvek razmišljamo o posledicama našeg delanja. Odgovorni smo članovi društva i gradimo održivo poslovanje.

Raiffeisen Bank International at a Glance

RBI regards Austria, where it is a leading corporate and investment bank, as well as Central and Eastern Europe (CEE) as its home market.

Subsidiary banks cover 13 markets across the region. In addition, the Group includes numerous other financial service providers active in areas such as leasing, asset management and M&A.

In total, around 45,000 RBI employees serve 17.2 million customers from more than 1,800 business outlets, the vast majority of which are in CEE. RBI AG shares have been listed on the Vienna Stock Exchange since 2005.

At year-end 2020, RBI's total assets stood at around € 166 billion. The regional Raiffeisen banks hold approximately 58.8 per cent of RBI shares, with the remaining approximately 41.2 per cent in free float.

Kratak pregled Raiffeisen Bank International

Raiffeisen Bank International AG (RBI), svojim matičnim tržištem smatra Austriju, gde je vodeća privredna i investiciona banka, kao i srednju i istočnu Evropu.

Mreža poslovnica pokriva 13 tržišta širom ovog regiona. Pored toga, grupacija obuhvata brojne druge kompanije pružaoce finansijskih usluga aktivnih u segmentima kao što su lizing, upravljanje sredstvima, kao i pripajanja i akvizicije.

Ukupno oko 45.000 zaposlenih u mreži RBI uslužuje 17,2 miliona klijenata u preko 1.800 poslovnica, prvenstveno u srednjoj i istočnoj Evropi. Deonice RBI AG listirane su na Bečkoj berzi od 2005. godine.

Krajem 2018. godine, ukupna aktiva RBI iznosila je 166 milijardi evra. Regionalne Raiffeisen banke drže oko 58,8% deonica RBI-a, do je ostatak od 41,2% u slobodnoj prodaji.

Macroeconomic Environment, Opportunities for Foreign Investors and Perspectives

In 2020, the world faced an unprecedented health crisis due to the spreading of Covid-19 virus. Most governments, the Serbian government included, brought restrictive measures with the aim of preventing the spreading of this virus: restriction of movement, restrictions regarding mass gatherings, mandatory face masks in enclosed spaces and working from home. Furthermore, the government of the Republic of Serbia brought two Corona measures packages in the value of € 5.6 billion in order to support the corporate segment and help in sustaining employment and liquidity of the economy, while the National Bank of Serbia (NBS) lowered the key interest rate by 125 basis points to the historic low of 1 per cent, introduced a debt moratorium and other monetary instruments and, together with the Serbian government, supported the economy to weather this crisis as smoothly as possible.

In the course of 2020, no chapter in the negotiation process of joining the European Union was opened, because the focus of the government was entirely directed to managing the health crisis.

Due to the outbreak of the pandemic and the proclamation of a state of emergency, the date of regular parliamentary elections was postponed to July 21st, instead of the previously set date of April 26th, 2020. The Serbian Progressive Party won the majority of votes (60.65 per cent), the Socialist Party of Serbia was ranked second (10.38 per cent) and Aleksandar Šapić - Victory for Serbia was third (3.83 per cent).

The Executive Board of the International Monetary Fund (IMF) brought a decision on the successful completion of the fifth and last consideration of results of the economic program of the Republic of Serbia. This program was supported by the Policy Coordination Instrument (PCI) and was approved for Serbia in July 2018 for a period of 30 months; it is of a counselling nature and did not foresee the usage of financial means. The IMF concluded that, in the time of program duration, its implementation was successful. The Executive Board of the IMF stressed that in the following period the priorities remain to continue structural and institutional reforms. Mid-term priorities include also the development of capital markets and management improvement, including strengthening the rule of law.

Rating agencies "Fitch" and "Standard and Poor's" confirmed the credit rating BB+ with stable outlook, while "Moody's" confirmed the credit rating Ba3 with a positive outlook. The rating confirmation by all three agencies is the result of the Serbian government's success in maintaining finacial stability, fast implementation of two Corona measures packages, which enabled a slighter GDP decline than expected. A stable outlook was also confirmed as regards further rating improvement in case the inflow of FDIs should continue and thus give additional support to improving import and foreign currency reserves, which will additionally increase the resilience of our external position. Further, according to "Moody's", the government's measures for reducing public debt can also affect rating improvement, in the mid-term, of course, after the crisis is over.

Macroeconomic Trends

According to the Republic Statistics Bureau, the GDP decline in 2020 was estimated at 1.1 per cent, after a growth of 4.2 per cent in 2019. Compared to the region, this decline in the Serbian economy was much lower, thanks to the quick and efficient implementation of two Corona measures packages to support the economy (minimal wage payout, payout of one hundred euros to all citizens of legal age, guarantee scheme of the state for loans approved through commercial banks, etc), but also thanks to the fact that the share of the services industry, which was the most severely hit by this crisis, is a lot lower in GDP creation compared to other economies. Agriculture also contributed to better GDP performance, as its physical production volume grew by 4.4 per cent after a decline by 1.2 per cent in 2019, industrial production, whose physical production volume in 2020 (plus 0.2 per cent) was close to the result realized in 2019 (plus 0.3 per cent), as well as retail trade volume (plus 5.5 per cent).

Makroekonomsko okruženje, mogućnosti za strane investitore i perspektive

U 2020. godini svet je zahvatila zdravstvena kriza nezapamćenih razmera usled širenja virusa kovid-19. Većina vlada u svetu, pa i kod nas, donele su restriktivne mere, a u cilju sprečavanja širenja ovog virusa: ograničenja kretanja, ograničenje masovnog okupljanja ljudi, obaveza nošenja maski u zatvorenom prostoru i rad od kuće. Dalje, Vlada Republike Srbije je donela dva korona paketa pomoći privredi u vrednosti od 5,6 milijardi evra, kako bi pomogla zadržavanje zaposlenosti i likvidnost ekonomije, dok je Narodna banka Srbije smanjila referentnu kamatnu stopu za 125 baznih poena na istorijski minimum od 1%, uvela moratorijum na dug i ostalim monetarnim instrumentima zajedno sa Vladom pomagala privedi da što lakše prebrodi ovu krizu.

U toku 2020. godine nije otvoreno nijedno poglavlje u okviru pregovaračkog procesa pridruživanja Evropskoj uniji, jer je fokus Vlade u celosti bio usmeren na upravljanje zdravstvenom krizom.

Usled izbijanja pandemije i proglašenja vanrednog stanja, termin održavanja redovnih parlamentarnih izbora je pomeren za 21. jun umesto prvobitno zakazanog termina 26. april 2020. Srpska napredna stranka je osvojila većinu glasova (60,65%), druga po brojnosti glasova je Socijalistička partija Srbije (10,38%) i treća, Aleksandar Šapić – pobeda za Srbiju (3,83%).

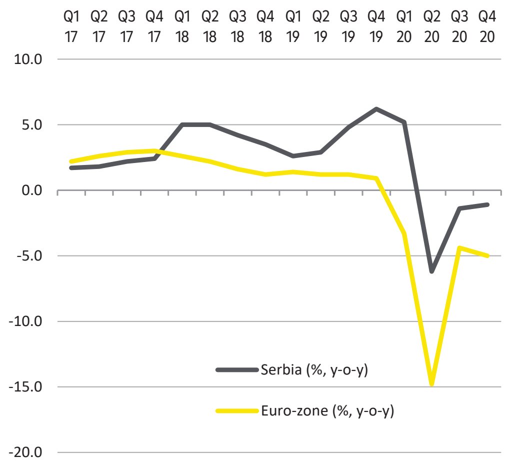
Odbor izvršnih direktora Međunarodnog monetarnog fonda (MMF) doneo je odluku o uspešnom završetku petog, poslednjeg razmatranja rezultata ekonomskog programa Republike Srbije. Program podržan Instrumentom za koordinaciju politike (The Policy Coordination Instrument – PCI) odobren je Srbiji u julu 2018, na period od 30 meseci, savetodavnog je karaktera i nije predviđao korišćenje finansijskih sredstava. MMF je ocenio da je tokom trajanja programa njegovo sprovođenje bilo uspešno. Odbor MMF-a ističe da u narednom periodu prioriteti ostaju vezani za nastavak strukturnih i institucionalnih reformi. Srednjoročni prioriteti obuhvataju i razvoj tržišta kapitala, unapređenje upravljanja, uključujući i jačanje vladavine prava.

Rejting agencije „Fitch" i „Standard and Poor's" potvrdile su kreditni rejting BB+ sa stabilnim izgledima, dok je „Moody's" potvrdio kreditni rejting Ba3 sa pozitivnim izgledom. Potvrda rejtinga sve tri rejting agencije rezultat je uspeha Vlade u očuvanju finansijske stabilnosti, brze implementacije dva korona paketa zahvaljući kojima je omogućen manji pad BDP-a od očekivanog. Potvrđeni su i stabilni izgledi za dalje poboljšanje rejtinga u slučaju da se nastavi priliv stranih direktnih investicija i na taj način pruži dodatna podrška rastu izvoza i deviznih rezervi, što će dodatno povećati otpornost naše eksterne pozicije. Dalje, prema agenciji „Moody's", na poboljšanje rejtinga mogu da utiču i mere Vlade za smanjenje javnog duga, naravno u srednjem roku, po završetku ove krize.

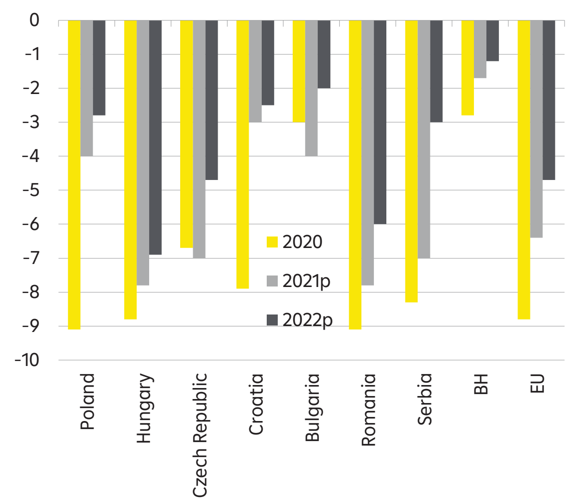
Makroekonomski trendovi

Prema Republičkom zavodu za statistiku, pad BDP-a u 2020. godini je procenjen na 1,1%, nakon rasta od 4,2% u 2019. godini. U odnosu na region, pad domaće ekonomije je bio mnogo manji zahvaljujući veoma brzoj i efikasnoj primeni dva korona paketa pomoći privredi (isplate minimalne zarade, isplata sto evra svim punoletnim građanima, garantna šema države za kredite odobrene preko komercijalnih banaka itd), ali i činjenici da je učešće sektora usluga, koji je u najvećoj meri bio pogođen ovom krizom, u stvaranju BDP-a mnogo niži u odnosu na ostale ekonomije. Takođe, boljem performansu BDP-a doprinela je i poljoprivreda, čiji fizički obim proizvodnje je porastao za 4,4% posle pada od 1,2% u 2019. godini, industrijska proizvodnja čiji fizički obim proizvodnje u 2020. (+0,2%) je bio približan onom u 2019. godini (+0,3%), kao i promet u trgovini na malo (+5,5%).

GDP



Consolidated budget deficit/surplus compared to GDP

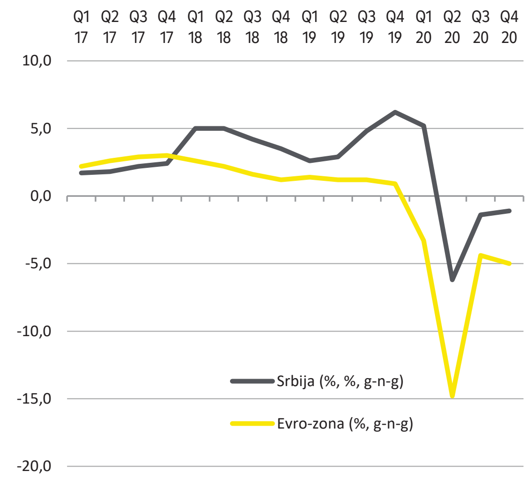


GDP (in real terms) declined by 1.1 per cent in the fourth quarter, after a slump of 6.2 per cent in the second quarter and growth by 5.2 per cent realized in the third quarter. Thanks to the government's measures program (€ 5.6 billion), a greater economic slump was avoided and consumption was supported to a certain extent. The GDP's expenditures structure indicates that almost all positions slowed down their downward dynamics, except state consumption, which, after both packages were implemented and after growing by 8.5 per cent in the second quarter, declined by 1 per cent in the third quarter and then grew by 4.6 per cent in the last quarter. Personal consumption declined by 2.7 per cent in the fourth quarter, after 1.10 per cent in the third and minus 8.4 per cent in the second quarter, while investments declined by 4.10 per cent in the fourth quarter, after a decline of 4.5 per cent in the third and 11.8 per cent in the second quarter of the year. Furthermore, foreign trade dynamics improved, so that export increased by 2.10 per cent in the last quarter of 2020, after having declined by 8.3 per cent in the third quarter and minus 20.3 per cent in the second quarter, while import grew by 0,8 per cent in the fourth quarter, after a decline by 2.6 per cent in the third quarter and minus 19.5 per cent in the second quarter.

Regarded through the lens of the production principle, the main contributor to GDP creation, the processing industry, finally shifted into positive territory (plus 3.2 per cent) in the second quarter and reduced its growth dynamic somewhat in the fourth quarter (plus 1.5 per cent), after a decline by 7.7 per cent in the second quarter. The other segment significant for GDP creation, wholesale and retail trade, also slowed down its negative dynamics to minus 3.6 per cent in the fourth quarter, after minus 3.4 per cent in the third quarter and minus 15.8 per cent in the second quarter. Even the segment of art, entertainment and recreation improved its dynamic to minus 10.5 per cent, after having slumped by 32.1 per cent, partly due to the opening of cinemas and theaters, only to decline again by 14.1 per cent in the fourth quarter after new restrictive measures were introduced. Information and communications, as well as the financial sector, maintained their stable growth dynamics of 5.6 per cent and 4.1 per cent, respectively, in the period from March to December. A better meteorological season and increased demand for local products contributed to agriculture achieving better results this year, compared to 2019, with an average growth rate of 4.2 per cent in 2020, compared to the decline by 1.6 per cent in 2019. Construction declined on average by 1.5 per cent in 2020 after an increase by 31.1 per cent in 2019.

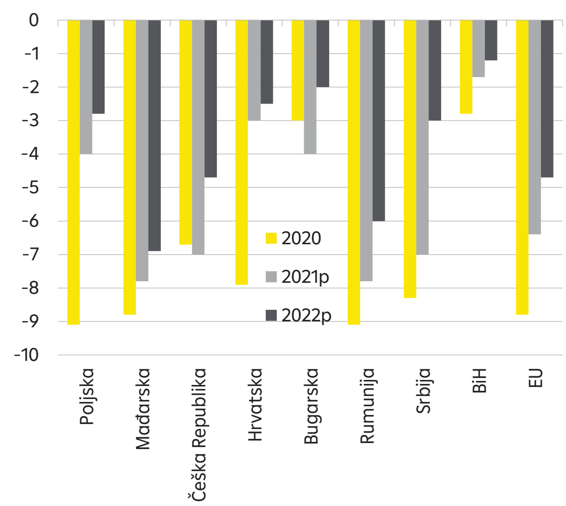
Thanks to the government's economy support measures and the disbursement of the minimal net salary in several instances, unemployment growth was prevented, so that the unemployment rate in 2020 declined to 9 per cent from 10.4 per cent in 2019, as a result of the decline in the number of the unemployed by 49,300 compared to 2019. Simultaneously, new employment declined slightly by 6,200 (minus 0.2 per cent). As a result, the total number of active citizens amounted to 2,894,800.

BDP



BDP (u realnom iznosu) je pao za 1,1% u četvrtom kvartalu, posle 1,4% u trećem kvartalu, 6,2% u drugom kvartalu i rasta od 5,2% ostvarenog u prvom kvartalu. Zahvaljujući Vladinom programu mera (5,6 milijardi evra), izbegnut je i veći pad ekonomije i u određenoj meri podstaknuta potrošnja. Rashodna struktura BDP-a ukazuje da su gotovo sve pozicije smanjile dinamiku pada, izuzev potrošnje države koja je posle primene oba paketa i rasta od 8,5% u drugom kvartalu, pala za 1% u trećem, a potom porasla za 4,6% u poslednjem kvartalu. Lična potrošnja je pala za 2,7% u četvrtom kvartalu posle 1,10% u trećem i -8,4% u drugom kvartalu, a investicije su pale za 4,10% u četvrtom kvartalu, nakon pada od 4,5% u trećem i 11,8% u drugom kvartalu godine. Dalje, poboljšana je i dinamika spoljne trgovine, tako da je izvoz porastao za 2,10% u poslednjem kvartalu 2020. godine nakon pada od 8,3% u trećem kvartalu i -20,3% u drugom kvartalu, a uvoz je porastao za 0,8% u četvrtom kvartalu, posle pada od 2,6% u trećem kvartalu, i -19,5% u drugom kvartalu.

Konsolidovani budžetski deficit/suficit u odnosu na BDP



Gledano sa strane proizvodnog principa, glavni kontributor stvaranju BDP-a, prerađivački sektor, prešao je konačno u pozitivnu teritoriju (+3,2%) u drugom kvartalu i donekle smanjio dinamiku rasta u četvrtom kvartalu (+1,5%), posle pada od 7,7% u drugom kvartalu. Druga grana po značaju stvaranja BDP-a, trgovina na veliko i malo, takođe je smanjila negativnu dinamiku na -3,6% u četvrtom kvartalu, posle -3,4% u trećem kvartalu i -15,8% u drugom kvartalu. Čak je i sektor umetnosti, zabave i rekreacije poboljšao dinamiku na -10,5% nakon pada od 32,1%, delimično usled otvaranja bioskopa i pozorišta, da bi ponovo pao za 14,1% u četvrtom kvartalu sa uvođenjem novih mera restrikcija. Informacija i komunikacije, kao i finansijski sektor, držali su stabilnu dinamiku rasta od 5,6% i 4,1%, respektivno u periodu od marta do decembra meseca. Bolja vremenska sezona i povećana tražnja za domaćim proizvodima, doprineli su da poljoprivreda ostvari bolje rezultate ove godine u odnosu na 2019. godinu, sa prosečnom stopom rasta od 4,2% u 2020. godini u odnosu na pad od 1,6% 2019. Građevinarstvo je palo u proseku za 1,5% u 2020. godini posle rasta od 31,1% u 2019. godini.

Zahvaljujući Vladinim merama podrške privredi i isplati minimalne neto zarade u nekoliko navrata, sprečen je rast nezaposlenosti, tako da je stopa nezaposlenosti u 2020. godini pala na 9% sa 10,4% u 2019. godini, a kao rezultat pada broja nezaposlenih za 49.300 u odnosu na 2019. godinu. Istovremeno, novo zapošljavanje je blago palo za 6.200 (-0,2%). Kao rezultat, ukupan broj zaposlenog stanovništva iznosio je 2.894.800.

The rate of informal employment in 2020 fell to 16.4 per cent (2019: 18.3 per cent), while the youth unemployment rate (aged 15-24) declined to 26.6 per cent (2019: 27.4 per cent), due to the implementation of the program of encouraging employment of young people "My first salary". A stagnation in the labor market (the share of the unemployed, those employed who work less than full time and who would like to work more, those who are looking for a job but cannot work and those who can work but are not looking for a job), declined to 18.7 per cent in the third quarter, after 19.9 per cent in the second quarter, due to lower restrictions from the second half of August and an increased return to office work, and it grew to 19 per cent in the fourth quarter as restrictive measures were introduced again. Further, the indicator of work from home (the number of employed persons who worked from home out of the total number of employed persons) amounted to 9.9 per cent in 2020, after 8 per cent in 2019.

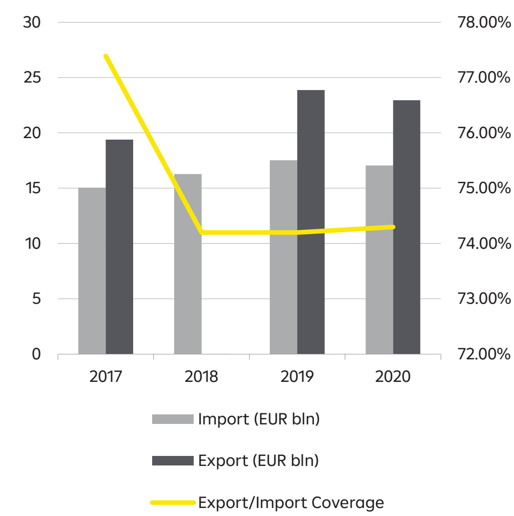
Even with the spreading of the coronavirus, a slump in export demand and working from home, industrial production increased by 0.4 per cent in 2020, compared to the growth of 0.3 per cent in 2019, which indicates the conclusion that it is possible for a substitution to have happened in both final and semi-finished products, having in mind that import of the same fell partially due to the closing of borders during a certain period, and after the opening of borders - slowed-down recovery of production in countries from which we import key products. As a consequence, the processing industry maintainted its growth in the positive zone (plus 0.1 per cent), after having grown by 0.2 per cent in 2019. As concerns segments within the processing industry, 11 out of 24 segments were in the positive zone, compared to 13 in 2019. The energy sector realized a growth of 2.6 per cent (mining) and 1 per cent (electricity production).

Although retail trade slowed down growth to 4.3 per cent, compared to 9.7 per cent in 2019, it succeeded in achieving a positive sentiment despite the huge crisis. The consumption of non-alimentary products grew by 9.9 per cent (2019: plus 11 per cent), due to the growth of online sales and reallocation of the budget for touristic travel for these purposes. Consumption of food, tobacco and drinks grew by 2.8 per cent (2019: 9.5 per cent), while consumption of motor fuels fell by 2.6 per cent (2019: plus 7.8 per cent), due to reduced business and tourist traveling.

Due to the global recession caused by the spreading of the virus, export fell by 2.8 per cent, after a growth of plus 7.7 per cent y-o-y in 2019, because of a slowdown in export demand by the European Union, whose economy slowed down by 6.8 per cent in 2020, according to estimates. However, even with the reduction of total export, growth in export of certain products was realized, more precisely, grains, fruit and vegetables, as well as tobacco. Import fell by 3.8 per cent after a growth of 8.9 per cent y-o-y in 2019. The greatest export slump was evident with iron and steel, non-ferrous metals, natural rubber, vehicles, shoes and clothing.

Import fell by 3.8 per cent, after a growth of 8.9 per cent in 2019, due to the significant slump in investment activity, which caused a slump in imports of iron and steel, as well as metal ores and power machines, gas and black coal. The slump in business and touristic travels contributed to the decline in consumption of oil and oil derivatives, as well as reduced import of these products as well as vehicles. Simultaneously, significant growth in imports of medical and pharmaceutical products, general purpose industrial machinery, electrical machines and appliances was realized.

Foreign Trade



Foreign trade deficit was reduced by 6.8 per cent in 2020, after its growth in 12.5 per cent in 2019. Export coverage by import grew slightly to 74.3 per cent, compared to 73.4 per cent in 2019.

Foreign direct investments (FDI) were reduced by 18.3 per cent in 2020 and amounted to € 2.9 billion, compared to € 3.6 billion in 2019. However, the FDI structure shows that the position of reinvested returns showed the greatest slump, and after the exclusion of this position, the value of FDI inflows in 2020 is even greater when compared to 2019.

In 2019, inflation grew by 1.9 per cent, due to the increase in prices of electricity for households, while in 2020 the growth dynamics was significantly reduced to 1.3 per cent, which was caused by the health crisis generated by the recession. The greatest contribution to the slowdown of inflation was given by transport prices (minus 5.4 per cent), due to the reduction of oil prices on global markets on the one hand, and on the other, lower fuel consumption due to less business and touristic travel. Further, accommodation prices halved their growth in 2020, due to the base effect, the above-mentioned increase in electricity prices.

Stopa neformalne zaposlenosti u 2020. godini pala je na 16,4% (2019: 18,3%), dok je stopa nezaposlenosti kod mladih (15-24 godine) pala na 26,6 (2019: 27,4%), usled implementacije programa podsticanja zapošljavanja mladih „Moja prva plata". Zastoj na tržištu rada (učešće nezaposlenih, zaposlenih koji rade kraće od punog radnog vremena, a želeli bi da rade više, onih koji traže posao ali ne mogu da rade i oni koji mogu da rade, ali ne traže posao), pao je na 18,7% u trećem kvartalu, posle 19,9% u drugom, usled smanjenja restrikcija od druge polovine avgusta i povećanog povratka na rad u kancelarijama, da bi u četvrom kvartalu beležio rast na 19% usled ponovnog uvođenja restriktivnih mera. Dalje, pokazatelj rada od kuće (broj zaposlenih koji su radili od kuće u ukupnom broju zaposlenih) iznosio je 9,9% u 2020. godini, posle 8% u 2019. godini.

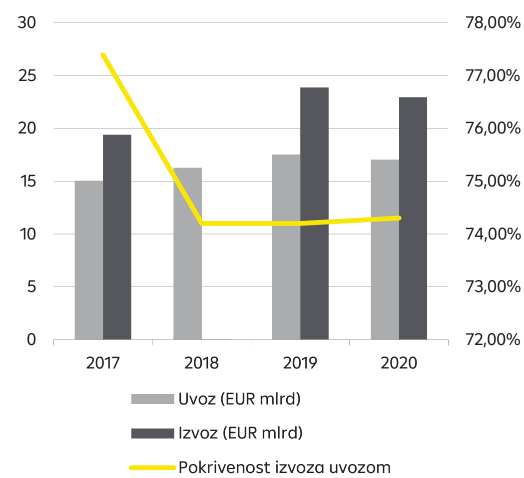
I pored širenja korona virusa, pada izvozne tražnje i rada od kuće, industrijska proizvodnja porasla je za 0,4% u 2020. godini, u poređenju sa rastom od 0,3% u 2019. godini, što upućuje na zaključak da je moguće da se desila supstitucija uvoza kako finalnih, tako i poluproizvoda, s obzirom da je uvoz istih pao delimično usled zatvaranja granica u jednom periodu, a nakon otvaranja granica – usporenog oporavka proizvodnje u zemljama iz kojih uvozimo ključne proizvode. Posledično, prerađivački sektor zadržao je rast u pozitivnoj zoni (+0,1%,) posle rasta od 0,2% u 2019. godini. Kada su u pitanju grane u okviru prerađivačkog sektora, 11 od ukupno 24 sektora bili su u pozitivnoj zoni u poređenju sa 13 u 2019. godini. Energetski sektor ostvario je rast od 2,6% (rudarstvo) i 1,0% (proizvodnja električne energije).

Iako je promet u trgovini na malo usporio rast na 4,3% u odnosu na 9,7% u 2019. godini, uspeo je da ostvari pozitivan sentiment uprkos velikoj krizi. Potrošnja neprehrambenih proizvoda porasla je za 9,9% (2019: +11%) usled rasta onlajn prodaje i realokacije budžeta izdvojenih za turistička putovanja za ove namene. Potrošnja hrane, duvana i pića porasla je za 2,8% (2019: 9,5%), dok je potrošnja motornih goriva, usled smanjenih službenih i turističkih putovanja, pala za 2,6% (2019: +7,8%).

Usled globalne recesije izazvane širenjem virusa, izvoz je pao za 2,8%, nakon rasta od +7,7% g-n-g u 2019. godini, zbog usporavanja izvozne tražnje Evropske unije čija ekonomija je pala prema procenama za oko 6,8% u 2020. godini. Međutim, i pored pada ukupnog izvoza, ostvaren je i rast izvoza određenih proizvoda, tačnije žitarica, voća i povrća i duvana. Uvoz je pao za 3,8% posle rasta od 8,9% g-n-g u 2019. godini. Najveći pad izvoza je ostvaren kod gvožđa i čelika, obojenih metala, kaučuka, vozila, te odeće i obuće.

Uvoz je pao za 3,8%, nakon rasta od 8,9% u 2019. godini, usled značajnog pada investicione aktivnosti, što je uzrokovalo pad uvoza gvožđa i čelika, kao i metalnih ruda i pogonskh mašina, gasa i kamenog uglja. Pad službenih i turističkih putovanja doprineo je padu potrošnje nafte i naftnih derivata, te smanjenom uvozu ovih proizvoda kao i drumskih vozila. Istovremeno, ostvaren je značajan rast uvoza medicinskih i farmaceutskih proizvoda, industrijskih mašina za opštu upotrebu, električnih mašina i aparata.

Spoljna trgovina



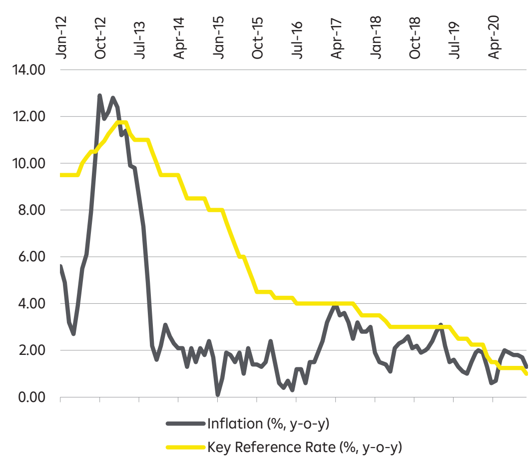
Deficit spoljne trgovine smanjen je za 6,8% u 2020. godini posle njegovog širenja od 12,5% u 2019. godini. Pokrivenost uvoza sa izvozom blago je porasla na 74,3% u odnosu na 73,4% u 2019. godini.

Strane direktne investicije (SDI) pale su za 18,3% u 2020. godini i iznosile su 2,9 milijarde evra u poređenju sa 3,6 milijarde evra u 2019. godini. Međutim, struktura stranih direktnih investicija pokazuje da je najveći pad bio na poziciji reinvestirane dobiti, i po isključenju ove pozicije, vrednost priliva SDI u 2020. godini čak je i viša u odnosu na 2019. godinu.

U 2019. godini inflacija je porasla za 1,9% usled povećanja cena električne energije za domaćinstva, dok je u 2020. godini dinamika rasta značajno smanjena na 1,3%, uzrokovano zdravstvenom krizom generisanom recesijom. Najveći doprinos usporavanju rasta inflacije dale su cene transporta (-5,4%) usled pada cena nafte na globalnim tržištima sa jedne strane, a sa druge strane manje potrošnje goriva zbog manje kako službenih, tako i turističkih putovanja. Dalje, cene stanovanja su prepolovile rast u 2020. godini usled efekta baze, gorepomenutog povećanja cena električne energije.

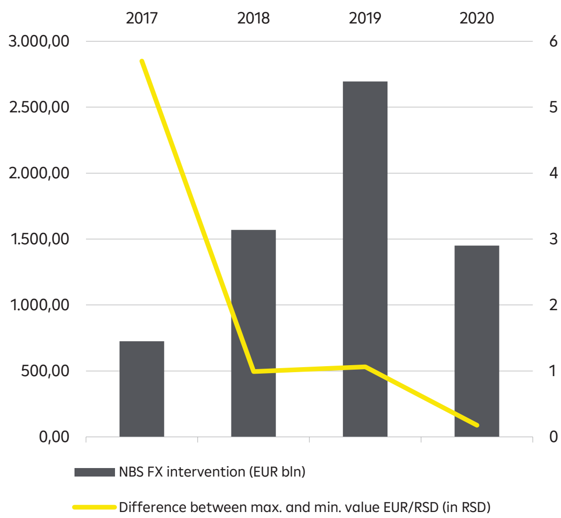
Work from home boosted an increase in communication prices by 7.9 per cent, compared to 1.3 per cent in 2019, as well as prices of recreation and culture by 5.2 per cent, after 2.2 per cent in 2019. In 2020, inflation was outside the corridor of targeted inflation (3 per cent plus/minus 1.5 pp). Base inflation increased by 2.1 per cent compared to 1.1 per cent in 2019, due to the growth in prices of processed foods and industrial prices. During 2020, the NBS lowered the key interest rate four times for a total of 125 basis points to 1 per cent with the aim of increasing credit activity and consumption.

Key Reference Rate and Inflation



Even in conditions of the enormous health crisis, the dinar had a stable movement trend compared to the euro, thanks to foreign currency interventions of the National Bank of Serbia, which amounted to € 1.4 billion (net sales), so as to prevent currency depreciation in conditions of lower inflow of foreign direct investments and payments directed to Serbia.

EUR/RSD



Even so, incoming payments based on these grounds showed a positive effect: FDIs amounted to € 2.9 billion in 2020, while payments amounted to € 2.1 billion in the same period. Further, increased issuing of loans by banks in conditions when the government was issuing guarantee schemes also had a positive effect on the currency's strengthening. In 2020, the dinar strengthened by 0.01 per cent in relation to the euro. Foreign currency reserves of the NBS in December grew by € 656.4 million and amounted to € 13.5 billion, due to the inflow of privatized income amounting to € 395 million (privatization of Komercijalna banka), foreign currency market interventions (€ 244 million) and donations (€ 122.4 million).

The total deficit of the non-consolidated budget in 2020 amounted to 459.1 billion dinars, after a surplus was achieved in 2019 amounting to 12.8 billion dinars, while the deficit realized was below the amount planned by the Budget Law (483 billion dinars). In relation to the GDP, the budget deficit amounted to 8.3 per cent of the GDP. The worsening of both fiscal ratios was exclusively the result of the health crisis of an unprecedented scale generated by the spreading of Covid-19 virus. Namely, with the aim of helping the production segment in maintaining employment and liquidity, the government brought two packages of supporting measures valued at 5.6 billion dinars, which affected the growth of budget expenditures of 36 per cent y-o-y. On the other hand, the decline in budget revenue was lower than expected (minus 1.3 per cent), taking into account the scale of this crisis, thanks to the efficiency of tax collection and the decision of a certain number of companies not to make use of tax relaxations provided by the Corona measures packages.

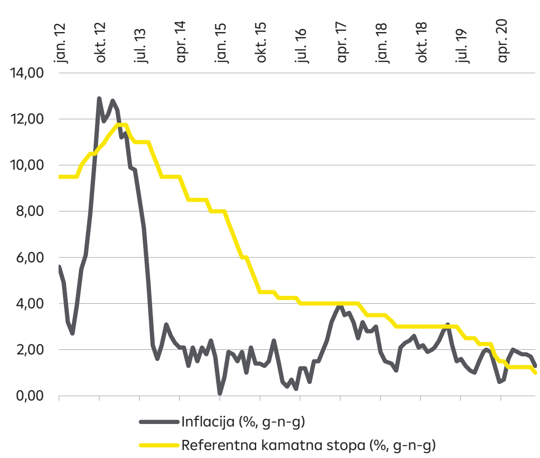
Public debt growth in 2020 amounted to € 2.7 billion since the start of the year, boosted by the issue of eurobonds, as well as the issue of debt in the local market with the aim of financing the economy support program. In relation to the GDP, public debt grew to 56.8 per cent, after 52 per cent in 2019.

Issues of treasury bills of the Ministry of Finance in the local market during 2020 (€ 2.72 billion) significantly exceeded the needs of debt refinancing (€ 1.6 billion). The health crisis caused investors' time focus to shift to longer maturities, so that as much as 30 per cent of new investments into T-bills of the Ministry of Finance were 12-year maturities, offered for the first time in 2020. Apart from this maturity, interest also developed for 5-year securities, the share of which increased by 20 per cent in the total issue of new securities in 2020, with 10 per cent in 2019.

Further, maturities most interesting to investors in 2019 (three and seven years) were not in focus in 2020, so that the share of 3-year securities out of the totally issued securities dropped from 33 per cent to 15 per cent in 2020, while in the case of 7-year securities, the share dropped from 46 per cent to 0 per cent in 2020, because the Public Debt Authority did not offer this maturity the year before.

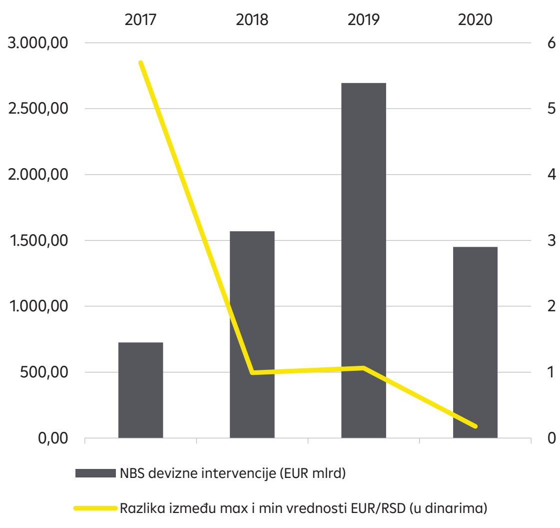
Rad od kuće je podstakao rast cena komunikacija za 7,9%, u odnosu na 1,3% u 2019. godini, kao i cena rekreacije i kulture za 5,2% posle 2,2% u 2019. godini. U 2020. godini inflacija je bila izvan koridora targetirane inflacije (3% +/- 1,5pp). Bazna inflacija je porasla na 2,1% u odnosu na 1,1% u 2019. godini, zbog rasta cena prerađene hrane i industrijskih proizvoda. U toku 2020. godine NBS je smanjila referentnu kamatnu stopu četiri puta za ukupno 125 baznih poena na 1,0%, u cilju podsticanja kreditne aktivnosti i potrošnje.

Inflacija i referentna kamatna stopa



Čak i u uslovima izuzetno velike zdravstvene krize, dinar je imao stabilan trend kretanja u odnosu na evro zahvaljujući deviznim intervencijama Narodne banke Srbije, koje su iznosile 1,4 milijardu evra (neto prodaja), kako bi se sprečila depresijacija valute u uslovima manjih priliva stranih direktnih investicija i doznaka.

EUR/RSD



Ipak prilivi koji su došli po ovom osnovu, dali su pozitivan efekat: SDI su iznosile 2,9 milijardi evra u 2020. godini, dok su doznake u istom periodu iznosile 2,1 milijardu evra. Dalje, pojačano kreditiranje banaka u uslovima izdavanja garantnih šema od strane Vlade, imao je pozitivan efekat na jačanje valute. U 2020. godini dinar je ojačao u odnosu na evro za 0,01%. Devizne rezerve NBS u decembru su porasle za 656,4 miliona evra na 13,5 milijardi evra, usled priliva privatizacionih prihoda u iznosu od 395,0 miliona evra (privatizacija Komercijalne banke), intervencija na deviznom tržištu (244 miliona evra) i donacija (122,4 miliona eva).

Ukupan deficit nekonsolidovanog budžeta u 2020. godini iznosio je 459,1 milijardi dinara, nakon što je u 2019. godini ostvaren suficit u iznosu od 12,8 milijardi dinara, dok je realizovan deficit bio ispod iznosa planiranog Zakonom o budžetu (483 milijardi dinara). U odnosu na BDP, deficit budžeta je iznosio 8,3% BDP-a. Pogoršanje oba fiskalna racija bila su isključivo rezultat zdravstvene krize nezapamćenih razmera generisane širenjem virusa kovid-19. Naime, Vlada je u cilju podrške realnom sektoru u održavanju zaposlenosti i likvidnosti, donela dva korona paketa u vrednosti od 5,6 milijarde dinara, što je uticalo na rast rashoda budžeta od 36% g-n-g. Sa druge strane, pad prihoda budžeta je bio niži (-1,3%) od očekivanog, uzevši u obzir razmere krize, a zahvaljujući efikasnosti naplate poreza i odluke određenog broja kompanija da ne koriste poreske olakšice obezbeđene korona paketom.

Rast javnog duga u 2020. godini je iznosio 2,7 milijarde evra od početka godine, podstaknut emitovanjem evroobveznica, kao i emitovanjem duga na domaćem tržištu u cilju finansiranja programa pomoći privredi. U odnosu na BDP, javni dug je porastao na 56,8%, nakon 52% u 2019. godini.

Emisije blagajničkih zapisa Ministarstva finansija na domaćem tržištu tokom 2020. godine (2,72 milijarde evra) značajno su premašile potrebe refinansiranja duga (1,6 milijarda evra). Zdravstvena kriza doprinela je da se vremenski fokus investitora pomeri na duge ročnosti, tako da je čak 30% novih investicija u B-zapise Ministarstva finansija bilo u ročnosti 12 godina, koja je prvi put ponuđena u 2020. godini. Pored ove ročnosti, interesovanje je poraslo i za 5-godišnje hartije od vrednosti (HOV), čije učešće u ukupnoj emisiji novih HOV je povećano na 20% u 2020, sa 10% u 2019. godini.

Dalje, ročnosti koje su u 2019. godini bile najinteresantnije investitorima (3 godine i 7 godina), nisu bile u fokusu u 2020. godini, tako da je učešće 3-godišnjih HOV u ukupno izdatim HOV palo sa 33% na 15% u 2020, dok je u slučaju 7-godišnjih HOV učešće palo sa 46% na 0% u 2020. godini, jer Uprava za javni dug nije ni ponudila ovu ročnost prethodne godine.

With the aim of increasing the share of dinar debt in the total public debt, issues of dinar-denominated securities made up 87 per cent of the total debt issued, their value reaching € 2.4 billion. Average returns on dinar-denominated securities dropped to 2.74 per cent in 2020 from 3.69 per cent in 2019.

Banking Industry Trends

The total credit activity in the banking industry had a somewhat higher growth rate (plus 9.7 per cent) after 9.1 per cent in 2019, due to greater corporate credit issuing, but also more consumer loans issued, despite the health crisis of an unprecedented scale and the economic slump. Namely, credit growth was boosted by monetary policy mitigation performed by the National Bank of Serbia, enabled by the moratorium on loan repayment and by approving the guarantee scheme of the government of the Republic of Serbia in the amount of € 2 billion approved to corporates, all with the aim of supporting the economy to weather the crisis as best possible, to maintain employment and liquidity.

Corporate credits increased by 8 per cent, after 7.9 per cent in 2019, while consumer loans increased growth to 11.8 per cent, compared to the growth of 9.3 per cent in 2019. The volume of newly issued corporate loans increased during 2020 by € 786.6 million, compared to 2019 (plus € 715.5 million), mostly due to the growth of loans for liquidity and working capital, while investment credits increased slightly compared to 2019, having in mind the unfavorable health situation. As regards the structure of industries, a great number of industries was in need of liquidity credits, primarily the services sector which was hit the most by the crisis (services of accommodation and food, art, entertainment and other services).

Consumer loan issuing increased by € 1,083 million (2019: plus € 843.1 million), boosted by the growth of cash loans (plus 14.6 per cent), after the growth of 23.9 per cent in 2019, then also mortgage loans (plus 13.6 per cent), after having grown 2.8 per cent in 2019. This growth was supported by the implementation of three moratoriums on credit repayment, as well as measures of the National Bank of Serbia.

Namely, banks were enabled to refinance or prolong the maturity term for additional two years for cash, consumer and other loans, except for mortgage loans and current account overdrafts: the repayment terms of existing mortgage loans can be prolonged by five years, and requirements as regards the degree of completion of the building have been relaxed in certain cases in the procedure of mortgage loan approval. Access to short-term dinar loans was also made easier, since banks will be able to approve loans up to 90,000 dinars to clients for terms up to two years only with a signed statement on employment, i.e. retirement.

Thanks to credit growth, as well as the strategy of dealing with non-performing loans (NPL) and the implementation of the moratorium on credit repayment, the NPL ratio continued its decline to 3.7 per cent in 2020, after 4.1 per cent in 2019. The corporate NPL ratio continued declining to 3.1 per cent after 3.2 per cent in 2019, and in the case of private individuals, it remained stable at 3.6 per cent in 2020. The coverage of NPLs by value corrections was at an extremely high level and amounted to 93.2 per cent in 2020.. Also, capital adequacy was still quite above the prescribed 12 per cent; this ratio was 22.4 per cent in September 2020 (September 2019: 23.6 per cent).

In the course of 2020, banks were placing their liquidity surplus into corporate credits and consumer loans, but also into securities of the Ministry of Finance and foreign currency deposits with the NBS. The credit/deposit coverage ratio fell to 88.7 per cent in 2020, after 95 per cent in 2019, because deposits had a faster growth dynamic than credits. Total deposits increased significantly in 2020 (plus € 3.8 billion), after a growth of € 1.8 billion in 2019, due to the increase in deposits of private individuals, but also corporate deposits. Corporate deposits increased in the previous year by € 1,424.5 million, after € 939.8 million in 2019. Also, deposits of private individuals realized a record growth in 2020 amounting to € 1,494.9 million, compared to € 1,464.8 million collected in 2019.

U cilju povećanja učešća dinarskog duga u ukupnom javnom dugu, emisije dinarski denominovanih HOV su činile 87% ukupno emitovanog duga, a njihova vrednost je dostigla 2,4 milijarde evra. Prosečni prinosi na HOV denominovane u dinarima, pali su na 2,74% u 2020. godini sa 3,69% u 2019. godini.

Kretanja u bankarskoj industriji

Ukupna kreditna aktivnost bankarskog sektora imala je nešto višu stopu rasta (+9,7%) posle 9,1% u 2019. godini, usled većeg plasmana kredita privredi, ali i stanovništvu, uprkos zdravstvenoj krizi nezapamćenih razmera i padu ekonomije. Naime, rast kredita je bio podstaknut ublažavanjem monetarne politike Narodne banke Srbije (NBS), omogućenim zastojem u otplati kredita i odobravanjem garantne šeme Vlade Republike Srbije u iznosu od dve milijarde evra koja je odobrena za privredu, a u cilju pomoći privredi da lakše prebrodi krizu, zadrži zaposlenost i likvidnost.

Krediti privredi su porasli za 8%, nakon 7,9% u 2019. godini, dok su krediti stanovništvu ubrzali rast na 11,8% u odnosu na rast od 9,3% u 2019. godini. Volumen novoplasiranih kredita privredi je porastao tokom 2020. godine za 786,6 miliona evra u poređenju sa 2019. godinom (+715,5 miliona evra), najviše usled rasta kredita za likvidnost i obrtna sredstva, dok su investicioni krediti porasli u neznatnoj meri u odnosu na 2019. godinu, s obzirom na nepovoljnu zdravstvenu situaciju. Posmatrajući sektorsku strukturu, veliki broj sektora bio je u potražnji za kreditima za likvidnost, a najviše sektor usluga koji je najviše bio pogođen krizom (usluge smeštaja i ishrane, umetnost, zabava, ostale uslužne delatnosti).

Plasman kredita stanovništvu je povećan za 1.083 miliona evra (2019: +843,1 miliona evra), podstaknut rastom gotovinskih kredita (+14,6%), posle rasta od 23,9% u 2019. godini, a potom i stambenih kredita (+13,6%), nakon rasta od 2,8% u 2019. godini. Rast je bio podržan primenom tri moratorijuma na otplatu kredita, kao i merama Narodne banke Srbije.

Naime, bankama je omogućeno da refinansiraju ili produže rok dospeća za dodatne dve godine za gotovinske, potrošačke i druge kredite, izuzev stambenih kredita i minusa po tekućem računu; rokovi otplate postojećih stambenih kredita mogu se produžiti do pet godina, a ublaženi su zahtevi u pogledu stepena završenosti objekta u određenim slučajevima prilikom odobravanja stambenih kredita. Olakšan je i pristup dinarskim kratkoročnim kreditima, pošto će banke klijentima moći da odobre kredit do 90.000 dinara na rok do dve godine samo s potpisanom izjavom o zaposlenju, odnosno penziji.

Zahvaljujući rastu kredita, strategiji rešavanja problematičnih kredita i primeni moratorijuma na otplatu kredita, racio problematičnih kredita nastavio je da pada na 3,7% u 2020. godini, posle 4,1% u 2019. godini. Racio problematičnih kredita privrede nastavio je da pada na 3,1% posle 3,2% u 2019. godini, a u slučaju stanovništa ostao je stabilan na 3,6% u 2020. godini. Pokrivenost problematičnih kredita ispravkama vrednosti bila je na izuzetno visokom nivou i iznosila je 93,2% u 2020. godini. Takođe, adekvatnost kapitala je i dalje dosta iznad propisanih 12%, a visina ovog racija u septembru 2020. godine iznosila je 22,4% (septembar 2019: 23,6%).

Tokom 2020. godine banke su viškove likvidnosti plasirale u kreditiranje privrede i stanovništva, ali i u hartije od vrednosti Ministarstva finansija i devizne depozite kod NBS. Racio pokrivenosti kredita depozitima pao je na 88,7% u 2020, posle 95,0% u 2019. godini jer su depoziti rasli bržom dinamikom od kredita. Ukupni depoziti su značajno porasli u 2020. godini (+3,8 milijarde evra), nakon rasta od 1,8 milijarde evra u 2019. godini, usled rasta depozita stanovništva, ali i privrednih društava. Depoziti privrede su porasli u prethodnoj godini za 1.424,5 miliona evra posle 939,8 miliona evra u 2019. godini. Takođe, depoziti stanovništva zabeležili su rekordan rast u 2020. godini od 1.494,9 miliona evra u odnosu na 1.464,8 miliona evra prikupljenih u 2019. godini.

Social Responsibility

Commitment to promoting socially responsible behavior and sustainable business are among the most important business guidelines of Raiffeisen banka in Serbia.

The bank endeavours to offer its support in the form of financial aid, as well as voluntary activities of its employees, to the most vulnerable or the weakest parts of the community, such as children, the sick, or individuals with special needs, etc. The bank's corporate social responsibility activities also include a responsible attitude towards its employees, which the bank shows in nurturing and developing their talents and knowledge, but also in listening to their needs and taking into account the issue of equality. Also, the bank nurtures the principle of loyalty to the market where it does business, and implements good business practices and a proper attitude towards its competitors. Last, but not least, since the very beginning the bank has been fostering a responsible attitude to the natural environment where it belongs and operates, through a range of measures relating to saving energy and natural resources.

In 2020, when the whole world faced the pandemic crisis caused by the Covid-19 virus, Raiffeisen banka was among the first companies in Serbia to react and offer the necessary financial support to the medical system hit by the crisis. By doing so, it demonstrated that solidarity, altruism and a swift reaction in crisis situations were of key importance for protecting the lives of people and the medical staff of Serbia. The bank donated money to UNICEF for the purchase of ten ventilators for hospitals in Serbia. Continued support to the medical system was provided in the following months as well. So, the bank helped in procuring 20 oxygen flowmeters, 50 protective boxes for patient intubation, three hospital beds and five oxygen masks for Covid hospitals.

Socially responsible behaviour of the bank includes activities through two humanitarian funds: "Budimir Boško Kostić" (founded in memory of the first Chairman of Raiffeisen banka) and "H. Stepic CEE Charity" (founded by the Chairman of Raiffeisen Bank International, dr Herbert Stepic).

In the course of 2019, the "H. Stepic CEE Charity", cooperating with Raiffeisen banka in Serbia, continued to offer financial support to projects realized in our country. They included support for Day Care Centers for children who live and/or work in the streets of the three greatest cities in Serbia, Belgrade, Novi Sad and Niš.

Raiffeisen banka in Serbia was particularly helping children who live and/or work in the streets of Niš, by financing the necessary computer equipment for online education in the period when schools were closed during the state of emergency in Serbia. This was not the only support the bank was providing. At the end of the year, at the hight of the financial crisis caused by the pandemic, which hit the most vulnerable segments of society the worst – the bank donated money to the project "Wheel of Life", which provided support to families whose financial status significantly deteriorated in the year of the pandemic, but it also focused on important issues of environmental protection and sustainability. The donation helped in providing personalized electric bicycles for families living in the Roma settlement in Belgrade, whose children are visiting the Day Care Center. Having in mind that for most families living in this settlement, collecting and selling of recyclable materials is the only income source, these electric bicycles have containers for recyclable materials, thereby saving time and energy of the persons who use them.

In the past year, traditional projects were continued where the bank's employees are voluntary blood donors, and their number exceeded 60 in 2020.

Continuing the very successful voluntary activities realized during the previous ten years prior to the New Year's and Christmas holidays, employees of Raiffeisen banka organized a somewhat different charity project at the end of the year, adjusted to epidemic conditions. Our staff collected money donations to help children without parental care who are living in the SOS Children's Village in Kraljevo. The bank doubled the amount collected by employees, which helped to provide that the needs of children who live in this unique institution of social welfare in Serbia were taken care of during the wintertime.

Apart from helping vulnerable social groups, the bank has traditionally been supporting sports and culture, as important pillars of any society. Through support offered to sports clubs and associations, as well as esteemed cultural institutions and events, the bank wishes to promote true values that strengthen and enrich individuals, and consequently the society as a whole.

Društvena odgovornost

Posvećenost promovisanju prakse društveno odgovornog ponašanja i održivog poslovanja, mogu se uvrstiti među najvažnije postulate rada Raiffesien banke u Srbiji.

Banka teži da se podrška koju pruža u formi finansijske pomoći, ali i volonterskog rada zaposlenih, uvek odnosi na najugroženije ili najslabije delove zajednice, kao što su to deca i pojedinci sa posebnim potrebama, deca bez roditeljskog staranja... U društveno odgovorno ponašanje banke takođe treba uvrstiti i odgovoran odnos prema zaposlenima, koji banka pokazuje kroz negovanje i razvijanje njihovih talenata i znanja, ali i slušanje njihovih potreba i brigu o ravnopravnosti i jednakosti. Takođe, banka se strogo pridržava principa lojalnosti na tržištu na kome posluje, te brine o dobroj poslovnoj praksi i korektnom odnosu prema konkurenciji. Na kraju, ali svakako ne najmanje važno, banka od samog početka poslovanja u Srbiji odgovorno pristupa i prirodnom okruženju u kome posluje, kroz niz mera koje se odnose na uštedu energije i prirodnih resursa.

U 2020. godini, u kojoj se čitav svet suočio sa pandemijskom krizom izazvanom virusom kovid-19, Raiffeisen banka je bila među prvim kompanijama u Srbiji koja je reagovala i pružila preko potrebnu finansijsku pomoć za podršku zdravstvenom sistemu pogođenom krizom. Time je pokazala na delu da su solidarnost, humanost i brzo reagovanje u kriznim situacijama, od ključnog značaja za očuvanje života ljudi i medicinskog osoblja Srbije. Doniran je novac UNICEF-u kojim je nabavljeno 10 respiratora za bolnice u Srbiji. Kontinuirana pomoć zdravstvenom sistem nastavljena je i u narednim mesecima. Banka je tako nabavila još 20 kiseoničkih protokomera, 50 zaštitnih kutija za intubaciju pacijenata, tri bolnička kreveta i pet maski za kiseonik za kovid bolnice.

U društveno odgovorno ponašanje treba uvrstiti i delovanje banke preko dve humanitarne fondacije: „Budimir Boško Kostić“ (osnovane u znak sećanja na prvog direktora banke) i „H. Stepic CEE Charity“ (čiji osnivač je bivši predsednik Raiffeisen Bank International-a, dr Herbert Stepic).

U toku 2020. godine, humanitarna fondacija „H. Stepic CEE Charity“, uz podršku Raiffeisen banke u Srbiji, nastavila je da pruža finansijsku pomoć projektima koji se realizuju u našoj zemlji. U okviru njih podržan je rad Svratišta za decu koja žive i/ili rade na ulicama naša tri najveća grada, Beograda, Novog Sada i Niša.

Raiffeisen banka u Srbiji je posebno pomogla decu koja žive i/ili rade na ulici u Nišu, nabavkom potrebne kompjuterske opreme za onlajn nastavu u periodu kada su škole bile zatvorene tokom trajanja vanrednog stanja u Srbiji. Ovime se podrška banke nije zaustavila. Krajem godine, u jeku finansijske krize izazvane pandemijom, a kojom su najviše pogođeni upravo najugroženiji delovi društva - banka donirala novac projektu „Točak života“, u okviru koga je pomogla porodicama čiji je materijalni status znatno pogoršan u godini pandemije, ali se i fokusirala na bitno pitanje ekološke zaštite i održivosti. Donacijom su nabavljeni personalizovani električni bicikli za porodice nastanjene u romskom naselju u Beogradu, a čija deca su korisnici usluge Svratišta. S obzirom na to da je većini porodica iz ovog naselja jedini izvor prihoda skupljanje i prodaja reciklažnog materijala - ovi električni bicikli imaju korpe za reciklažu i time štede vreme i snagu ljudi koji ih koriste.

I protekle godine nastavljene su tradicionalne akcije u okviru kojih zaposleni banke dobrovoljno daju krv, a broj davalaca je u 2020. premašio je 60.

Nastavljajući veoma uspešne volonterske akcije realizovane tokom prethodnih deset godina uoči novogodišnjih i božićnih praznika, zaposleni Raiffeisen banke su krajem godine organizovali donekle različitu humanitarnu akciju, prilagođenu epidemijskim uslovima. U okviru nje su prikupili novčane donacije za pomoć deci bez roditeljskog staranja u SOS Dečijem selu u Kraljevu. Banka je udvostručila iznos koji su zaposleni prikupili, čime je omogućeno da se u značajnoj meri pokriju potrebe mališana – štićenika ove jedinstvene ustanove socijalne zaštite u Srbiji tokom zimskog perioda.

Pored pomoći ovim ranjivim društvenim grupama, banka tradicionalno pruža podršku i sportu i kulturi, kao važnim stubovima svakog društva. Kroz pomoć sportskim klubovima i savezima, te istaknutim kulturnim institucijama i događajima, banka želi da promoviše prave vrednosti koje jačaju i oplemenjuju pojedince, a time i celokupno društvo.

In addition to its philanthropic and socially responsible activities, the bank also recognizes the importance of responsible human resources management and strives to provide a working environment where employees will be satisfied and work in positions corresponding to their knowledge and skills, with the possibility of further professional and personal development.

The ecological dimension relates to the efforts the bank is investing in order to create a balance between the need for economic growth on the one hand, and maintaining a healthy environment on the other. Special attention is focused on saving energy, paper and electronic waste recycling, further, in designing installation systems of the bank's new headquarters, the principles of saving energy by applying modern energy recuperation systems and optimization of technical parameters for ventilation and cooling were taken into account.

The issue of business ethics and keeping in line with good business practices is certainly one of the most important, so the bank strives to make the following basic business principles: transparency and work ethics, quality service and a comprehensive product offer, constant client care and responsible marketing, as well as respecting the current legislative framework and competition integrity.

In accordance with one of the basic values of the vision and mission of the RBI Group – responsibility, Raiffeisen banka is especially dedicated to the issue of responsible financing. So, ecologic and social aspects are also taken into account, especially in the process of credit analysis for corporates, with the aim of supporting long-term sustainable activities and projects.

Pored filantropskog i društveno odgovornog delovanja, banka prepoznaje i značaj odgovornog upravljanja ljudskim resursima, te se trudi da obezbedi radno okruženje u kome će zaposleni biti zadovoljni i raditi na pozicijama koje odgovaraju njihovim znanjima i veštinama, uz mogućnost daljeg profesionalnog i ličnog razvoja.

Ekološka dimenzija poslovanja odnosi se na napore koje banka ulaže kako bi uspostavila ravnotežu između potrebe za ekonomskim rastom sa jedne strane, i očuvanja zdravog okruženja sa druge. Vodi se računa o uštedi energije, reciklaži papira i elektronskog otpada, a instalacioni sistemi upravne zgrade banke funkcionišu po principima uštede energije primenom savremenih sistema rekuperacije energije i optimizacije tehničkih parametara za ventilaciju i hlađenje.

Pitanje poslovne etike i pridržavanje principa dobre poslovne prakse je svakako jedno od najvažnijih, tako da su osnovni principi bančinog poslovanja budu transparentnost i etičnost u radu, kvalitetna usluga i raznovrsna ponuda proizvoda, konstantna briga o klijentima i odgovoran marketing, uz poštovanje važeće regulative i integriteta konkurencije.

U skladu sa jednim od osnovnih vrednosti vizije i misije RBI grupacije - odgovornosti, Raiffeisen banka veliku pažnju posvećuje i pitanju odgovornog finansiranja. Banka, tako, prilikom analize kreditiranja pre svega privrednih subjekata, u obzir uzima kako ekološke, tako i socijalne aspekte - posebna pažnja je na proceni uticaja aktivnosti klijenata na životnu sredinu, a sa ciljem da se podrže dugoročno održive aktivnosti i projekti.

Corporate Banking

In 2020, which was a very specific and challenging year for the whole economy and corporate market due to the Covid-19 prolonged effect, Corporate Banking managed to record a successful business year, with growing assets and stable performance in all major product lines contributing to solid bottom-line profitability. At the same time, considering the new environment, the bank has shown a high degree of flexibility and adaptability to the new way of work, particularly related to enabling growth of digital channels/ new platforms and a new way of communication with the bank's clients.

Development of Key Products

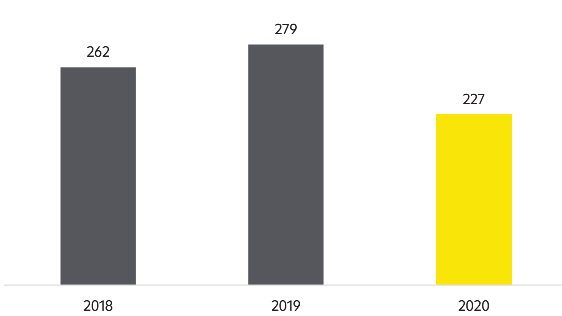
In terms of our key product assets, in line with the strategy to focus on top market performers and industries, the corporate segment grew its asset portfolio (+10 per cent y-o-y) and built up its market share to 8.7 per cent. Maintaining long-term partnerships with primary credit portfolio clients, focusing on well-structured deals and fully exploiting the cross-border potential and international strength of RBI Group represent our key success factors. Internal RBI awards which RBRS received in 2020, related to important quality customer acquisitions in 2020, confirm this approach.

The corporate segment continued to grow cross-border business with large multinational corporates active in more countries, with special focus on tailor-made products and services (e.g. escrow accounts, syndication deals, project finance, etc) by using RBI Group tools, such as: "Aqui" tool, Group-wide sales competition, cross-selling workshops and account manager rotations.

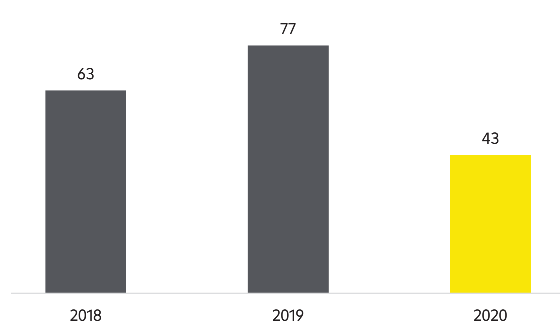
At the same time, client margins remained stable despite the competitive market environment characterized by low interest rates. Performance related to new customer acquisition was solid, particularly considering the crisis environment in 2020. Results achieved in new customer acquisition are as follows: € 56.3 million of new loans coming from new customers and 227 new corporate customers acquired by the bank.

Regarding risk parameters, the prudent risk approach applied in the past years continued to result in excellent portfolio quality (PD of 1.9 per cent) and strong reduction of NPLs (currently 1.8 per cent). In parallel, the Corporate segment actively supported state measures related to moratorium on loan repayment and the corporate guarantee scheme – until the end of December 2020, € 22 million was disbursed to 60 customers, thus providing support to clients, especially the ones who had suffered some negative effects of the pandemic.

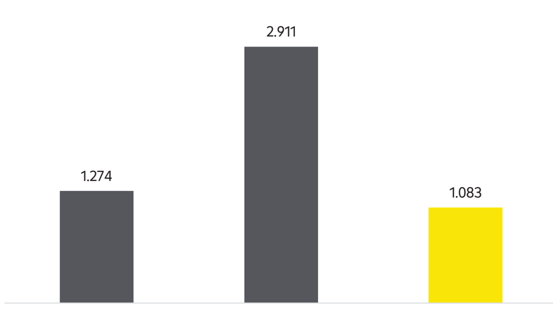
Number of newly acquired clients (GI>500 EUR)



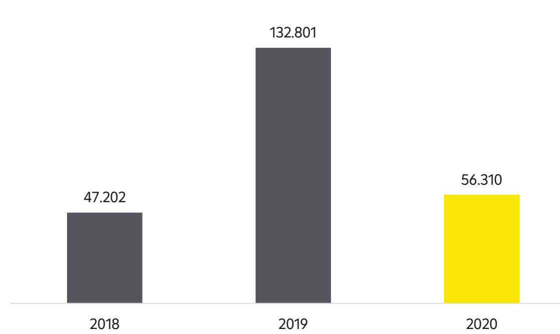
Number of new loan clients



GI New Clients



Volume of loans to new clients



Poslovanje sa privredom

U 2020. godini, koja je bila veoma specifična i izazovna za čitavu ekonomiju i privredno tržište usled prolongiranog efekta krize izazvane pandemijom virusa kovid-19, Sektor za poslovanje sa privredom uspeo je da zabeleži uspešnu poslovnu godinu, sa rastom aktive i pozitivnim performansama u svim važnijim segmentima proizvoda, doprinoseći dobrom konačnom poslovnom rezultatu. Istovremeno, uzevši u obzir izmenjeno okruženje, banka je pokazala visok stepen fleksibilnosti i adaptabilnosti na nove vidove rada, a posebno u pogledu rasta digitalnih kanala/ novih platformi i novih načina komunikacije sa klijentima.

Razvoj ključnih proizvoda

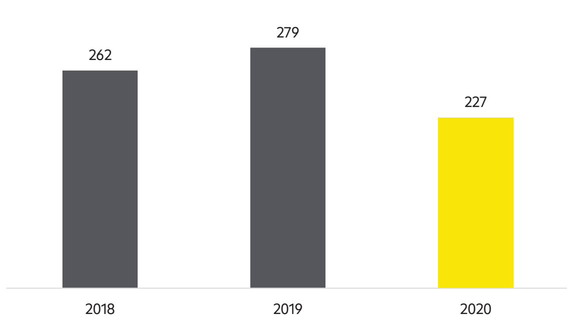
Kad je reč o ključnim proizvodima, u skladu sa strategijom da fokus bude na vodećim industrijama i kompanijama sa najboljim performansama na tržištu, Sektor za poslovanje sa privredom ostvario je rast svog portfolija aktive (+10% g-n-g) i povećao tržišno učešće na 8,7%. Održavanje dugoročnih partnerstava sa klijentima iz svog primarnog kreditnog portfolija, usmerenje na dobro strukturisane poslove, kao i korišćenje prekograničnog potencijala/ međunarodne snage Raiffeisen Bank International grupacije, predstavljaju ključne faktore uspeha. Interne nagrade RBI-a koje je banka dobila u 2020, a koje su vezane za značajne akvizicije kvalitetnih klijenata, dodatna su potvrda ovog pristupa.

Segment poslovanja sa privredom nastavio je da jača svoje prekogranično poslovanje sa velikim multinacionalnim kompanijama u više zemalja, sa posebnim fokusom na proizvode i usluge skrojene po meri ovih kompanija (npr. računi za posebne namene, sindiciranje, projektno finansiranje, itd), i to korišćenjem alata RBI grupacije, poput „Aqui" alata, prodajnog takmičenja na nivou grupacije, radionica na temu unakrsne prodaje i rotacija saradnika za poslovanje sa privredom.

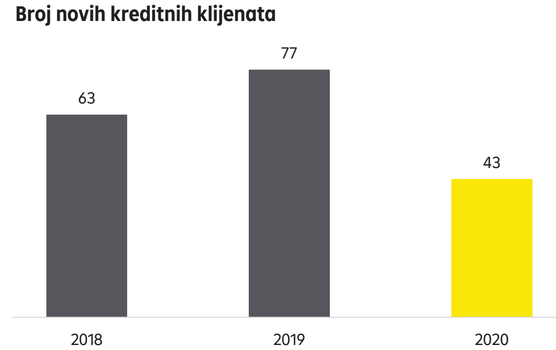
U isto vreme, margine klijenata ostale su stabilne uprkos veoma konkurentnom tržišnom okruženju koje karakterišu niske kamatne stope. Kad je reč o performansama u domenu akvizicije novih klijenata, one su bile solidne, posebno ukoliko se u obzir uzme krizno okruženje u 2020. Rezultati ostvareni na polju akvizicije novih klijenata su: 56,3 miliona evra novih kredita datih novim klijentima, kao i 227 novih korporativnih klijenata koje je banka akvizirala.

Što se tiče parametara rizika, strogi pristup riziku primenjen tokom prethodnih godina, nastavljen je i u 2020. godini, a rezultirao je odličnim kvalitetom portfolija (verovatnoća neizvršenja obaveza 1,9%), kao i značajnim umanjenjem loših kredita (trenutno 1,8%). Uz to, segment poslovanja sa privredom aktivno je podržao mere države u vezi sa moratorijumom na otplatu kreditnih obaveza i garantnu šemu za privredu. Do kraja decembra 2020. godine realizovano je 22 miliona evra kredita za 60 klijenata, te su time posebno podržani oni klijenti koje su najviše pogodile negativne posledice pandemije.

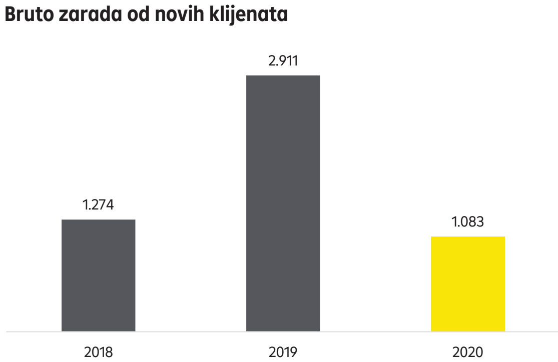
Broj novoakviziranih klijenata



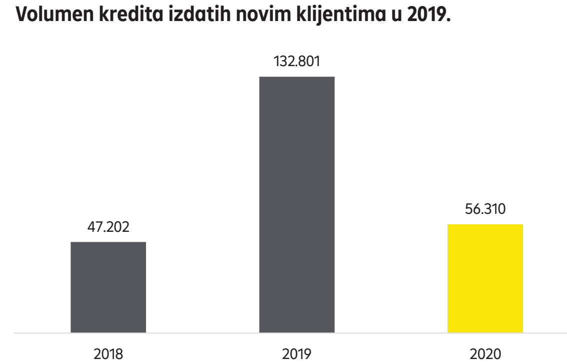
Broj novih kreditnih klijenata



Bruto zarada od novih klijenata



Volumen kredita izdatih novim klijentima u 2019.



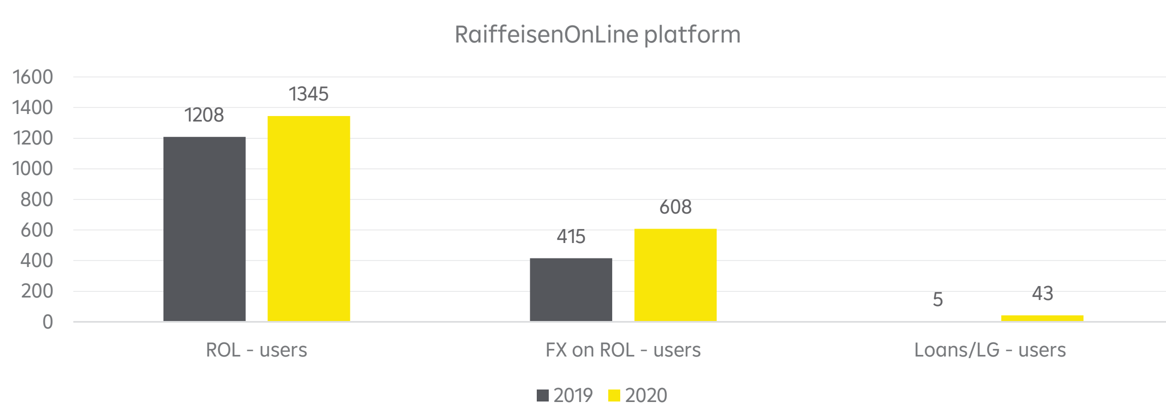
New Innovations and Initiatives

On the innovation side related to new initiatives in 2020, RBRS placed a special focus on implementation of digital strategy and roll-up of new client digital platforms. Here, we focused on three key elements:

- **New modern Factoring platform** launched in 11/2020, with focus on Supply chain factoring module (Traditional factoring and bank module expected to go live in Q1 2021). Platform has already received positive client feedback and acceptance, since all factoring services are now online: insight into approved and available limits, invoice upload and verification process, submission of requests for financing, overview of all uploaded invoices and their status, insight into commercial conditions of factoring Agreement, administration of new suppliers, reporting and many more
- **Infoportal** - new digital communication platform between clients and the bank with automatized KYC process was launched in 11/2020. More than 200 clients already signed into platform in the first two months
- **Active client acquisition to existing Raiffeisen-online platform** functionalities with special focus on FX platform and Credit/Guarantee platform:
    - Number of FX platform users increases by +47% in 2020
    - Number of Loan/Guarantee platform users increases by +700% in 2020
- Further development of **Cash management products**
- **Advanced Data Analytics/ data-driven approach** for customer acquisition and profitability optimization of existing customers. Creation of Corporate Datamart/ implementation of Microsoft Power BI
    - Pursuing the concept of systematic and proactive sales management approach for planning and execution, incl. systematic sales campaigns and pricing actions.
    - Advanced Data Analytics/ data-driven approach for customer acquisition and profitability optimization of existing customers. Creation of client 360 portal on Power BI.
    - Automation of existing reporting and reallocation of these resources to data analytics.
- Initiatives aiming to **improve customer experience** and speed up existing processes and increase efficiency; adapting to the new environment caused by the Covid-19 pandemic (e.g. electronic signature: Raiffeisen banka accepts single-sided documents signed by the client with an issued electronic certificate obtained from the Certification Authorities. An application which will verify electronic signatures in a simple way is being developed.)

Client Relationship Quality

High trust and stability of cooperation between the bank and its corporate clients were the key factor in overcoming challenges caused by the still unstable and complex market environment. By its committed approach, based primarily on quality, Raiffeisen banka will remain a reliable long-term partner to its clients in the future as well.



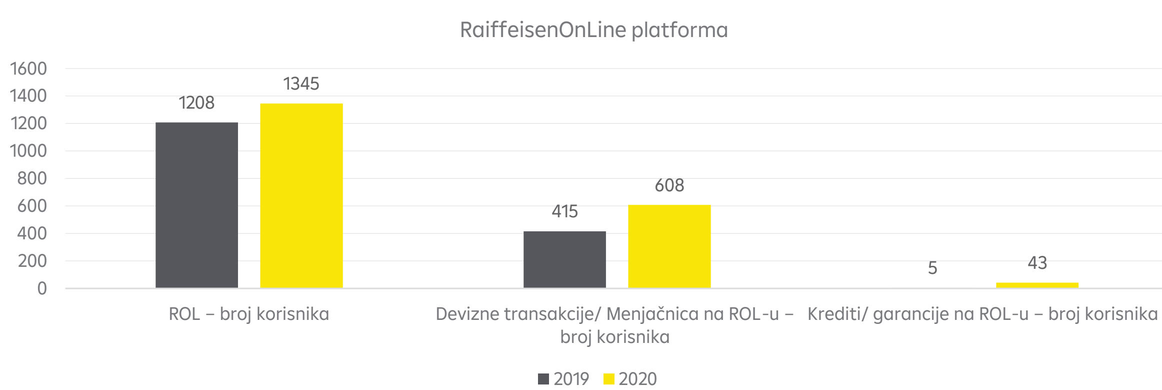
Inovacije i inicijative

Kad je reč o inovacijama u 2020. godini, Raiffeisen banka je poseban fokus stavila na implementaciju digitalne strategije i uvođenje novih digitalnih platformi za klijente. Posebna pažnja bila je usmerena na tri ključna elementa:

- **Nova moderna faktoring platforma** uvedena je u novembru 2020, sa specijalnim fokusom na Supply Chain faktoring modul (tradicionalni faktoring i bančin modul će biti dostupni u prvom kvartalu 2021. godine). Platforma je već dobila pozitivne reakcije klijenata, budući da su sve faktoring usluge sada onlajn: uvid u odobrene i raspoložive limite, unos faktura i proces verifikacije, dostava zahteva za finansiranje, pregled svih unetih faktura i njihovih statusa, uvid u uslove faktoring ugovora, administriranje novih dobavljača, izveštavanje, kao i mnoge druge.
- **Infoportal** – nova digitalna platforma za komunikaciju između klijenata i banke, sa automatizovanim procesom „upoznaj svog klijenta" (KYC), uvedena je u novembru 2020. godine. Više od dvesta klijenata registrovalo se na ovu platformu tokom prva dva meseca njenog funkcionisanja.
- **Aktivna akvizicija klijenata na postojeće funkcionalnosti RaiffeisenOnLine platforme,** sa posebnim fokusom na FX platformu i platformu za kredite/garancije:
  - Broj korisnika FX platforme porastao za 47% u 2020,
  - Broj korisnika platforme za kredite/garancije povećan za čak 700% u 2020. godini.
- Dalji razvoj proizvoda u domenu **upravljanja gotovinom**
- **Napredna analitika podataka/pristup usmeren na podatke za akviziciju klijenata** i optimizaciju profitabilnosti za postojeće klijente. Kreiranje Corporate Datamart-a/ implementacija Microsoft Power BI
  - Primenjivanje koncepta sistematskog i proaktivnog pristupa upravljanju prodajom za planiranje i praćenje izvršavanja, uključujući sistematske prodajne kampanje i cenovne akcije.
  - Napredna analitika podataka, pristup usmeren na podatke za akviziciju klijenata i optimizaciju profitabilnosti za postojeće klijente. Kreiranje portala 360 za klijente na aplikaciji Power BI
  - Automatizacija postojećeg izveštavanja i realokacija ovih resursa na analitiku podataka.
- Inicijative usmerene ka **unapređenju korisničkog iskustva** i povećanju efikasnosti postojećih procesa; adaptiranje na nove uslove izazvane kovid-19 pandemijom (npr. elektronski potpis – banka prihvata jednostrane dokumente potpisane od strane klijenata sa elektronskim sertifikatom izdatim od strane relevantnih državnih institucija. Aplikacija koja će na jednostavan način verifikovati elektronske potpise je u pripremi).

Kvalitet odnosa sa klijentima

Izraženo poverenje i stabilnost saradnje između banke i njenih klijenata iz privrede bili su ključni faktor u prevazilaženju izazova prouzrokovanih još uvek nestabilnim i složenim tržišnim okruženjem. Svojim posvećenim pristupom, zasnovanim prvenstveno na kvalitetu, Raiffeisen banka će i u budućnosti ostati pouzdan dugoročni partner svojim klijentima.



Retail Banking

Retail banking continued the positive trend from the preceding years in 2020 as well. Apart from the fast response to the newly-arisen circumstances due to the pandemic in the form of adjusting its business activities with clients, but also the internal working environment, further development of the bank's digital offer was continued, focusing on digital sales of cash loans, as well as increasing the usage of mobile banking. The intensity of development of new services and improvements was additionally strengthened by shifting to the agile mode of work in the segment of development of products and services for private individuals, as well as for small and medium enterprises. The branch office transformation process continued, 24-hour self-service zones with multifunctional devices were introduced and the range of transactions that can be performed on them was broadened.

Digitalization and Innovations

Intensive work was done on the implementation and mass promotion of innovative loan products, especially the "iKeš loan" – the first model of its kind in the market and in the region, enabling the loan to be realized in full without the need for the client to visit the bank. Besides excellent sales results, "iKeš" also won the prestigious "Finovate 2020" global award as the best loan platform.

Following the example of iKeš and in cooperation with partner online stores that are market leaders in their field, the first fully online "WEB" loan was made available in July 2020, with the aim of additionally easing and boosting online shopping. Special attention has been paid to making the mobile banking application simpler and more sophisticated to use, where biometric authentication has been enabled, receiving notifications as an alternative to the SMS, as well as instant payment by QR code.

Further activities were continued to improve artificial intelligence operation in the process of offering services to clients by enabling voice interactions.
All these activities were followed by continued work on quality improvement of the bank's services. The results of these efforts were visible in the fact that in 2020, the share of clients who realized a loan by using digital channels practically doubled, the number of mobile bank users recorded growth by 50 per cent, while the number of active users grew by 4.3 per cent compared to the year before, despite strong competition in the banking industry.

Small Enterprises and Entrepreneurs

Despite all the challenges caused by the Covid-19 virus pandemic, the segment of small enterprises and entrepreneurs had another very successful business year. Thanks primarily to the economy support program through the Guarantee Scheme of the Republic of Serbia, but also thanks to the organized campaigns and well-organized and highly dedicated sales network, loan volumes increased by 14.7 per cent comapred to the previous year.

Simultaneously, the number of clients increased by 7.5 per cent and deposits by 33 per cent y-o-y. All this resulted in a revenue increase by 6.3 per cent.

The segment achieved profit growth by 15.4 per cent y-o-y by reducing OPEX by 1.5 per cent. The approach to this business segment once again proved to be correct, first in the best result of the NPS parameter in the market, then also through the fact that this segment is the market leader as regards the number of opened accounts of newly-formed enterprises in Serbia. Raiffeisen banka has a market share of 17.7 per cent in this parameter.

The small enterprises and entrepreneurs business segment continues to show constant improvement of the quality of products and services with a special focus on digitalization, which proved to be the only right strategy, with the aim of further increasing the number of active clients by introducing new sales channels and new client segments.

Premium and Private banking

The Premium Banking service focused on further development and improvement of Premium DIRECT service in 2020, with the aim of providing high-quality, comfortable and secure service to clients in the pandemic environment as well, so they need not visit the bank. The year was finished with 20 per cent of clients who were actively using Premium DIRECT with video communication, electronic signing of documents and other digital services provided by our bank.

The continuous work on affirming and promoting internet banking and the mobile application, multifunctional devices and other digital products and services brought about an extremely high rate of client self-service in the Premium segment, which was 96 per cent at the end of 2020.

Poslovanje sa stanovništvom

Poslovanje sa stanovništvom nastavilo je i u 2020. godini pozitivan trend iz prethodnih godina. Pored brzog odgovora na novonastale okolnosti usled pandemije u vidu prilagođavanja poslovanja sa klijentima, ali i internog radnog okruženja, u 2020. godini nastavljen je dalji razvoj digitalne ponude banke sa fokusom na digitalnu prodaju keš kredita i sve veće korišćenje mobilnog bankarstva. Intenzitet razvoja novih usluga i unapređenja dodatno je pojačan prelaskom na agilni načina rada u domenu razvoja proizvoda i usluga za stanovnišvo i mala i srednja preduzeća. Nastavljen je i rad na daljoj transformaciji mreže ekspozitura, uz uvođenje 24-časovnih samouslužnih zona sa višenamenskim uređajima i proširenje opsega transakcija koje se mogu na njima obaviti.

Digitalizacija i inovacije

Intezivno se radilo i na uvođenju i omasovljavanju inovativnih kreditnih proizvoda, pri čemu se posebno izdvaja „iKeš kredit" - prvi model te vrste na tržištu i u regionu, koji omogućava da se kredit u potpunosti realizuje bez odlaska u banku. Pored odličnih prodajnih rezultata, „iKeš" je dobitnik i prestižne „Finovate 2020" globalne nagrade kao najbolja platforma za kreditiranje.

Po uzoru na „iKeš" i u saradnji sa partnerskim internet prodavnicama vodećim u svojoj oblasti na tržištu, od jula 2020. godine dostupan je i prvi potpuno onlajn potrošački „WEB" kredit, koji ima za cilj da dodatno olakša i podstakne internet kupovinu. Posebna pažnja posvećena je jednostavnijem i sofisticiranijem korišćenju aplikacije za mobilno bankarstvo, gde je omogućena primena biometrijske autentifikacije, dobijanje notifikacija kao alternativa SMS porukama i instant plaćanje QR kodom. Nastavljen je i dalji rad na unapređenju rada veštačke inteligencije u procesu pružanja servisa klijentima, uz omogućavanje glasovne interakcije.

Sve ove aktivnosti praćene su kontinuiranim radom na unapređenju kvaliteta usluga banke. Rezultati ovih napora vidljivi su u činjenici da je u 2020. udeo klijenata koji su realizovali kredit korišćenjem digitalnih kanala praktično udvostručen, broj korisnika mobilnog bankarstva beleži rast od 50%, dok je broj aktivnih korisnika porastao za 4,3% u odnosu na prethodnu godinu, uprkos snažnoj konkurenciji u bankarskom sektoru.

Mala preduzeća i preduzetnici

Uprkos svim izazovima prouzrokovanim pandemijom virusa kovid-19, segment poslovanja sa malim preduzećima i preduzetnicima imao je još jednu u nizu vrlo uspešnih poslovnih godina. Zahvaljujući prvenstveno programu podrške privredi preko Garantne šeme Republike Srbije, ali i organizovanim kampanjama i dobro organizovanoj i vrlo posvećenoj prodajnoj mreži, kreditni volumeni povećani su za 14,7% u odnosu na prethodnu godinu.

Istovremeno, broj klijenata povećan je za 7,5%, a depoziti za 33% g-n-g. Sve ovo rezultiralo je povećanjem ukupnih prihoda za 6,3%. Uz smanjenje OPEX-a od 1,5%, segment je ostvario rast profita od 15,4% g-n-g.

Pristup ovom segmentu poslovanja se još jednom pokazao kao ispravan, najpre kroz najbolji rezultat parametra NPS (Net Promoter Score) na tržištu, a zatim i kroz činjenicu da je ovaj segment lider na tržištu u broju otvorenih računa novoosnovanih preduzeća u Srbiji. Raiffeisen banka ima tržišno učešće od 17,7% kod ovog parametra.

Segment poslovanja sa malim preduzećima i preduzetnicima nastavlja sa kontinuiranim poboljšanjem kvaliteta proizvoda i usluga sa akcentom na digitalizaciju, što se pokazalo kao jedina ispravna strategija, sa ciljem daljeg povećanja broja aktivnih klijenata kroz uvođenje novih kanala prodaje i novih segmenata klijenata.

Premium i privatno bankarstvo

Usluga Premium bankarstva je i u 2020. godini u svom fokusu imala dalji razvoj i unapređenje Premium DIRECT usluge kako bi i u uslovima pandemije klijenti imali kvalitetnu, komfornu i sigurnu uslugu bez dolaska u banku. Godina je završena sa 20% klijenata koji su aktivno koristili Premium DIRECT uz video komunikaciju, elektronski potpis dokumenata i naše ostale digitalne usluge.

Kontinuirani rad na afirmaciji i promociji internet bankarstva i mobilne aplikacije, višenamenskih uređaja i ostalih digitalnih proizvoda i usluga, doveo je do izuzetno visoke stope samousluživanja klijenata u Premium segmentu, a koja je na kraju 2020. godine iznosila 96%.

Uprkos specifičnostima 2020. godine, vrlo aktivno tržište stambenih kredita dovelo je do rasta nove prodaje za 32% u odnosu na 2019. godinu, što je najviše

Despite the specific features of the year 2020, the very active mortgage loan market resulted in new sales growth by 32 per cent compared to 2019, which mostly contributed to the loan portfolio growing by 16 per cent. Sales of investment products in 2020 were intense, so, despite significant withdrawals (especially in March), this resulted only in a slight portfolio decline by 3 per cent, so the year was finished with a portfolio of 107 million euros. The Premium segment finished the year 2020 with 95 per cent of active clients, 83 per cent of clients using more than two products and mobile banking penetration of 86 per cent.

Starting June 1st, 2020, Raiffeisen banka also included the Private Banking service in its offer using the brand name "Friedrich Wilhelm Raiffeisen", as the highest service level offered by the bank to clients from the private individuals segment. Apart from support relating to everyday banking business, the Private Banking core service is investment councelling based on defining the client's needs as regards investing, the investment horizon and risk profile of the client.

The investment product offer still mostly relies on funds managed by Raiffeisen INVEST, but in 2020 it was expanded to include certificates, a product issued by Raiffeisen Centrobank. The offer itself is based on the so-called "model portfolio" – an adequate combination of products that will harmonize investment risk to the client's risk profile. Exclusively for Private Banking clients, the bank issued the first metal card in our market – the prestigious Visa Infinite card with numerous benefits adjusted to this client segment. The Private Banking service was given high marks in an inicial client satisfaction questionnaire, with a Net Promoter Score index of 100 per cent.

Card Business

The bank continues with the growth trend in the card business segment as well, both in terms of card issuing, as well as payment card acceptance. In 2020, Raiffeisen banka offered the metal Visa Infinite card for Private Banking clients, a unique move in the local market. This prestigious card includes a range of attractive services, such as the concierge service, investment counseling, various types of insurance, global access to airport lounges, etc.

There was constant development and improvement of digital payments for users of Android and iOS mobile phones and devices. The bank offered its own payment solution for Android mobile phones named RaiPay, but also enabled the registration and usage of payment cards through the Apple Pay wallet. By introducing these services, the bank positioned itself at the very top in digital payments in the Serbian market.

The bank offers many benefits to credit card users, one of the most important is "Instant Card Issuing", which is also unique in this market – the complete process of approval and credit card issuing takes place in 15 minutes, requiring the client to visit the bank only once. Strong focus on credit card users brought the bank a 22 per cent market share as regards funds approved on credit cards.

The number of POS terminals in the bank's acceptance network is constantly growing. The internet acceptance network marked a huge expansion compared to the previous year. Also, the bank offered a "Universal Web Shop", as a complete solution for merchants wishing to introduce online sales. Aiming to make this type of sales more popular, the bank organized a promotion where the top 50 merchants were given a free implementation of the internet shop with a bonus of 12 months free of charge maintenance.

uticalo na rast kreditnog portfolija od 16%. Prodaja investicionih proizvoda je i u 2020. bila intenzivna, te je uprkos značajnim povlačenjima sredstava (posebno u martu), dovela samo do blagog pada portfolija za 3%, tako da je godina završena sa portfoliom od EUR 107 miliona. Premium segment je 2020. godinu završio sa 95% aktivnih klijenata, 83% klijenata sa više od dva proizvoda u korišćenju i penetracijom mobilnog bankarstva od 68%.

Počev od 1. juna 2020. godine, Raiffeisen banka u svojoj ponudi ima i uslugu Privatnog bankarstva pod brendom „Friedrich Wilhelm Raiffeisen", kao najviši nivo usluge koji banka pruža za klijente koji pripadaju segmentu fizičkih lica. Pored podrške u vezi sa svakodnevnim bankarskim poslovima, osnova usluge privatnog bankarstva je investiciono savetovanje bazirano na utvrđivanju potreba klijenata u pogledu investiranja, investicionog horizonta i profila rizika klijenata.

Ponuda investicionih proizvoda se i dalje u najvećem delu oslanja na fondove kojima upravlja Raiffeisen INVEST, ali je u 2020. godini proširena sertifikatima, proizvodom koje izdaje Raiffeisen Centrobank. Sama ponuda se bazira na takozvanom „model portfoliju" - adekvatnoj kombinaciji proizvoda koja će obezbediti usklađenost rizika ulaganja i profila rizika klijenta. Za klijente privatnog bankarstva banka je izdala i prvu metalnu karticu na nasem tržištu - prestižnu Visa Infinite karticu sa mnogobrojnim benefitima prilagođenim ovom segmentu klijenata. Usluga privatnog bankarstva dobila je visoke ocene u okviru inicijalne ankete zadovoljstva klijenata, sa vrednošću Net Promoter Score (NPS) indikatora od 100%.

Kartično poslovanje

Banka nastavlja sa trendom rasta i u segmentu kartičnog poslovanja, kako u pogledu izdavanja kartica, tako i u pogledu prihvata platnih kartica. U 2020. Raiffeisen banka je ponudila metalnu Visa Infinite karticu za klijente privatnog bankarstva, po čemu je jedinstvena na domaćem tržištu. Ova prestižna kartica uključuje niz atraktivnih servisa kao sto je konsijerž, investiciono savetovanje, različite vidove osiguranja, pristup aerodromskim ložama širom sveta i dr.

Konstantno se radilo i na razvoju i usavršavanju digitalnog plaćanja za korisnike Android i iOS mobilnih telefona i uređaja. Banka je ponudila je sopstveno rešenje za plaćanje putem Android mobilnih telefona pod nazivom RaiPay, ali je takođe omogućila registraciju i korišćenje platnih kartica kroz Apple Pay novčanik, Uvođenjem ovih rešenja banka je dospela u sam vrh digitalnih plaćanja na tržištu Srbije.

Banka ima u ponudi mnoge pogodnosti za korisnike kreditnih kartica, a kao jedna od najznačajnijih je "Instant Card Issuing", koja je ujedno i jedinstvena usluga na tržistu – kompletan proces odobravanja i izdavanja kreditne kartice se odvija u roku od 15 minuta, sa samo jednim dolaskom klijenta u banku. Snažan fokus na korisnike kreditnih kartica doveo je banku do 22% tržišnog učešća u pogledu plasmana po kreditnim karticama.

Broj POS terminala u prihvatnoj mreži banke beleži konstantan rast. Internet prihvatna mreža doživela je ogromnu ekspanziju sa 88% rasta u odnosu na prethodnu godinu. Takođe, banka je ponudila „Univerzalnu veb prodavnicu" , kao gotovo rešenje za trgovce koji žele da uvedu internet prodaju. U cilju popularizacije ovog vida prodaje banka je organizovala promociju, te je 50 najboljih trgovaca dobilo besplatnu implementaciju internet prodavnice, uz 12 meseci besplatnog održavanja.

Treasury and Investment Banking

The Treasury and Investment Banking Division greatly contributed to the achievement of the bank's total results and maintaining one of the leading positions in the market in 2020. The bank realized a high level of dinar and foreign currency liquidity during the entire year, as a result of professional management of the bank's assets.

Money Market, Foreign Exchange Trading and Managing the Bank's Assets and Liabilities

The National Bank of Serbia (NBS) continued the monetary policy of inflation rate targeting in 2020 as well. The NBS' Executive Board lowered the key interest rate in the course of the year four times from 2.25 per cent to 1 per cent, in order to support the economy and citizens by more beneficial financing terms, so as to mitigate the effect of the crisis caused by the Covid-19 virus pandemic. In addition, the NBS brought a decision on introducing three moratoriums on loan debt (the first two were so-called opt-out options, while the last one was opt-in), which, together with measures brought by the government, enabled the successful maintaining of employment and liquidity of the production segment. Inflation slowed down growth to the level of 1.3 per cent in 2020, compared to the growth in 2019 of 1.9 per cent. The slowing down was a consequence of the downward economic turn, caused by a drop in demand, but also by the reduced oil price due to price corrections in global markets. Consequently, inflation was at a level lower than the bottom rank of the targeted inflation corridor (3 per cent plus/minus 1.5 percentage points).

The dinar exchange rate in 2020 was stable and ranged from 117.54 to 117.60. The dinar had a stable trend even in conditions of the extreme health crisis. Thanks to the NBS' foreign currency interventions which amounted to € 1.45 billion (net sales), currency depreciation was prevented in conditions of reduced inflows of foreign direct investments and incoming foreign currency payments. Still, payments coming in on those grounds had a positive effect: FDIs amounted to € 2.2 billion in the period January – November 2020, while incoming FX payments amounted to € 1.9 billion in the same period. Further, more pronounced crediting by banks in conditions of the government issuing guarantee schemes, had a positive effect on currency strengthening.

The total turnover on the interbank market decreased from € 10.12 billion in 2019 to € 9.11 billion in 2020. The NBS intervened in the course of 2020 with € 2.05 billion (of which € 1,750 million relates to buying, and € 300 million to the sale of foreign currency).

Raiffeisen banka was among the leading banks in foreign currency trading and foreign currency banknote trading on the interbank foreign currency market. The Treasury and Investment Banking Division of Raiffeisen banka realized a market share of 16.21 per cent in trading products with corporate clients, thereby confirming its leading position in the market.

In the pandemic crisis environment, and with the aim of supporting the financial system, the NBS organized two-week and three-month FX swap auctions, as well as repo buying auctions of dinar securities, thereby providing additional foreign currency and dinar liquidity at more beneficial interest rates. Also, this way the NBS was acting in prevention to stabilize rates on the money market as well.

The continuity shown by the NBS in maintaining the stability of the dinar exchange rate also contributed to a greater demand for dinar bonds, since currency risk did not present an obstacle to foreign investors.

Financial Institutions Correspondence

In the course of 2019, Raiffeisen banka continued maintaining and further developing the cooperation with international and local financial institutions, with the aim of nurturing long-term partnerships, considering them to be essential for the development and success of mutual business activities.

With the support of Raiffeisen Bank International AG, the bank was a trustworthy partner and responded to the needs and requirements of clients with its holistic approach.

As a result of cooperation with the European Investment Fund (EIF), the bank continued supporting small and medium-sized enterprises in 2020 as well through the InnovFin guarantee scheme, financed by the EU, expanding the offer in the segment of business processes digitalization, Covid-19 support, as well as supporting large companies. In addition, the bank signed its participation in COSME and COSME Digitalization programs, in order to continue its successful response to the requirements and needs of the market.

Sektor sredstava i investicionog bankarstva

Sektor sredstava i investicionog bankarstva značajno je doprineo ostvarenju ukupnih rezultata banke i očuvanju pozicije među liderima na tržištu u 2020. godini. Banka je tokom cele godine imala visok nivo dinarske i devizne likvidnosti kao rezultat profesionalnog upravljanja sredstvima banke.

Tržište novca, trgovanje devizama i upravljanje aktivom i pasivom banke

Narodna banka Srbije (NBS) je i u 2020. godini nastavila sa monetarnom politikom targetiranja stope inflacije. Tokom godine referentna kamatna stopa korigovana je četiri puta, sa 2,25% na 1%, kako bi se podržali privreda i stanovništvo povoljnim uslovima finansiranja, a sve u cilju ublažavanja efekata krize uzrokovane pandemijom virusa kovid-19. Dodatno, NBS je donela odluku o uvođenju tri moratorijuma na dug (prva dva takozvana „opt- out" opcija, dok je poslednji „opt- in"), što je, uz mere Vlade, omogućilo da se uspešno održi zaposlenost i likvidnost realnog sektora. Inflacija je usporila rast na nivo od 1,3% u 2020. godini u poređenju sa rastom 2019. od 1,9%. Usporavanje rasta je posledica pada ekonomije, uzrokovano smanjenjem tražnje, ali i padom cene nafte usled korekcije cene na globalnim tržištima. Posledično, inflacija je bila na nivou nižem od donjeg ranga targetiranog inflacionog koridora (3% +/- 1,5pp).

Kurs dinara prema evru je u 2020. godini bio stabilan i kretao se u rasponu od 117,54 do 117,60. Čak i u uslovima izuzetno velike zdravstvene krize, dinar je imao stabilan trend. Zahvaljujući deviznim intervencijama Narodne banke Srbije, koje su iznosile 1,45 milijardu evra (neto prodaja), sprečena je depresijacija valute u uslovima manjih priliva stranih direktnih investicija i doznaka. Ipak, prilivi koji su došli po ovom osnovu dali su pozitivan efekat: SDI su iznosile 2,2 milijarde evra u periodu januar-novembar 2020, dok su doznake u istom periodu iznosile 1,9 milijardu evra. Dalje, pojačano kreditiranje banaka u uslovima izdavanja garantnih šema od strane Vlade, imalo je pozitivan efekat na jačanje valute.

Ukupan promet na međubankarskom tržištu smanjen je sa 10,12 milijardi evra u 2019. godini na 9,11 milijardi evra u 2020. godini. NBS je u toku 2020. godine intervenisala sa 2,05 milijarde evra (od čega se 1.750 miliona evra odnosi na prodaju, a 300 miliona evra na kupovinu deviza).

Raiffeisen banka je bila među vodećim bankama u trgovanju devizama i efektivnim stranim novcem na međubankarskom deviznom tržištu. Sektor sredstava Raiffeisen banke ostvario je tržišno učešće od 16,21% u trgovanju sa korporativnim klijentima, čime je tradicionalno potvrdio jednu od liderskih pozicija na tržištu.

Narodna banka Srbije je u uslovima pandemijske krize, a u cilju podrške finansijskom sistemu, organizovala dvonedeljne i tromesečne devizne svop aukcije, kao i repo aukcije kupovine dinarskih hartija od vrednosti, te time obezbedila dodatnu deviznu i dinarsku likvidnost po povoljnijim kamatnim stopama. Takodje, ovim je Narodna banka Srbije preventivno delovala i na stabilizaciju stopa na novčanom tržištu.

Kontinuitet koji je NBS pokazala u održavanju stabilnosti kursa dinara doprineo je i većoj tražnji za dinarskim obveznicama, budući da valutni rizik nije predstavljao prepreku za strane investitore.

Odnosi sa finansijskim institucijama

Tokom 2020. godine Raiffeisen banka je nastavila da održava i dodatno unapređuje saradnju sa međunarodnim i domaćim finansijskim institucijama, u cilju negovanja dugoročnog partnerstva čiji značaj smatra suštinskim za razvoj i uspešnost zajedničkog poslovanja.

Uz podršku Raiffeisen Bank International AG, banka je bila pouzdan partner, te holističkim pristupom odgovorila na potrebe i zahteve klijenata.

Kao rezultat saradnje sa Evropskim investicionim fondom (EIF), banka je i u 2020. godini nastavila da kroz garancijsku šemu InnovFin, finansiranu od strane EU, obezbeđuje značajnu podršku malim i srednjim preduzećima, proširivši ponudu u oblasti digitalizacije poslovnih procesa, kovid-19 podrške, kao i podrške velikim preduzećima. Dodatno, banka je potpisala učešće u COSME i COSME Digitalization programima, kako bi nastavila uspešno da odgovara zahtevima i potrebama tržišta.

In 2020, the bank became a partner of the Republic of Serbia in implementing the Contract on Guarantee for Corporate Crediting with the aim of mitigating negative consequences of the pandemic.

Brokerage Operations

The start of 2020 was marked by a strong demand for state bonds both in primary auctions and in the secondary market. Apart from reopening benchmark auctions maturing on July 30, 2025 and on August 20, 2032, the state issued bonds denominated in euros for the first time, with 20-year maturity. After the outbreak of the pandemic of Covid-19 disease, the market was faced with great challenges, mostly concerning liquidity.

Raiffeisen banka continued to show up as a reliable and credible partner, and in cooperation with Raiffeisen Bank International AG, it was the first to list prices in new circumstances, and so enabling foreign investors to reposition their portfolios.

The support package aimed at the economy and citizens, which the government brought in the second quarter, supported by measures of teh NBS with the aim of boosting system liquidity, was followed by dinar auctions of shorter maturities in the amount of RSD 140 billion. At these auctions with maturities of one to three years, Raiffeisen banka was one of the most active local banks. The positive effect of the above-mentioned measures resulted in stabilized returns in the market which, at the end of the year, returned to the same levels or levels close to the ones at the start of the year.

After the successful issue of eurobonds in June 2019, as well as in 2020, Serbia issued bonds twice on the interbank market. In May, € 2 billion eurobonds were issued with maturity May 2027, while USD 1.2 billion eurobonds were issued in December with maturity December 2030.

Trading at the Belgrade Stock Exchange was much lower than in 2019, while both stock exchange indices marked a decline, Belex15 by 6.62 per cent and BelexLine by 9.31 per cent.

Custody Services

In the market of Central and Eastern Europe, special focus is devoted to service quality at Group level, especially having in mind the changed mode of business activities in the course of 2020.

After assessing service quality in the whole region, the renowned publication in the segment of custody business "Global Custodian" awarded the Raiffeisen Group the title of excellence for the region of Central and Eastern Europe ("2020 Global Custodian Award for Multi-Market-Excellence in Central and Eastern Europe"). The final assessment of service quality is based on responses of banks' clients who expressed their satisfaction with the service offered.

Research

The "Raiffeisen Research" analyst network of Raiffeisen Group continued its work on improving the general understanding of economic trends in the period of the outbreak of the health crisis of unprecedented scale caused by the spreading of Covid-19 virus. By sending regular COVID-19 Economic Update CEE reports, we were informing our clients about the measures (financial and regulative) brought by the governments both in Serbia and across the region. Also, through reports (COVID and Economic Update for individual countries, COVID-19 Compendium Global Markets, COVID-19 CEE Compendium), we were regularly providing information regarding the movements in global financial markets caused by this crisis, as well as a more comprehensive understanding of economic trends in publications ("Short Note", quarterly and monthly "Economic Report").

By regular monitoring and a thorough analysis of key indicators, key events on the macroeconomic scene were promptly reported on ("Research Alert") and then, in accordance with new tendencies, models developed for the forecast of future economic trends were suitably adjusted.

U 2020. godini banka je postala partner države Republike Srbije u sprovođenju Ugovora o garanciji za kreditiranje privrede sa ciljem ublažavanja negativnih posledica pandemije.

Brokersko-dilerski poslovi

Početak 2020. godine je obeležila jaka tražnja za državnim obveznicama kako na primarnim aukcijama, tako i na sekundarnom tržištu. Pored reotvaranja benchmark aukcija sa dospećima 30. jula 2025. i 20. avgusta 2032, država je prvi put emitovala obveznice denominovane u evrima, ročnosti 20 godina. Nakon izbijanja pandemije bolesti kovid-19, tržište je bilo suočeno sa velikim izazovima, ponajviše sa aspekta likvidnosti.

Raiffeisen banka je nastavila da nastupa kao dokazan i kredibilan partner, i u saradnji sa Raiffeisen Bank International AG, prva je u novonastalim okolnostima počela da kotira cene, i time omogućila stranim investitorima da repozicioniraju svoje portfolije.

Paket pomoći privredi i građanima koji je Vlada donela u drugom kvartalu, potpomognut merama NBS u cilju povećanja likvidnosti sistema, bio je praćen održavanjem dinarskih aukcija kraćih ročnosti u iznosu od 140 milijardi dinara. Na ovim aukcijama ročnosti od jedne do tri godine, Raiffeisen banka je bila jedna od najaktivnijih lokalnih banaka. Pozitivan efekat gorepomenutih mera doveo je do stabilizovanja prinosa na tržištu koji su se na kraju godine vratili na iste ili nivoe približne onima sa početka godine.

Nakon uspešne emisije evroobveznica u junu 2019, kao i u 2020, Srbija je na međunarodnom tržištu dva puta emitovala obveznice. U maju je emitovano EUR 2 milijarde evroobveznica sa dospećem maja 2027, dok je u decembru emitovano USD 1,2 milijarde evroobveznica sa dospećem decembra 2030.

Promet na Beogradskoj berzi je bio znatno manji nego u 2019, dok su oba indeksa berze zabeležila pad, i to Belex15 za 6,62% i BelexLine za 9,31%.

Kastodi usluge

Na tržištu centralne i istočne Evrope posebna pažnja posvećuje se obezbeđenju kvaliteta usluga na nivou grupe, posebno imajući u vidu izmenjen način poslovanja tokom 2020. godine.

Renomirana publikacija u oblasti kastodi poslova "Global Custodian" dodelila je Raiffeisen grupi, procenjujući kvalitet ovih usluga u celom regionu, priznanje za izvrsnost u poslovanju za region centralne i istočne Evrope ("2020 Global Custodian Award for Multi-Market-Excellence in Central and Eastern Europe"). Konačna ocena kvaliteta usluga bazira se na odgovorima klijenata banaka koji su u upitniku iskazali zadovoljstvo pruženom uslugom.

Istraživanja

Mreža analitičara Raiffeisen grupacije – „Raiffeisen Research" nastavila je sa radom na unapređenju opšteg razumevanja ekonomskih tokova u periodu izbijanja zdravstvene krize nezapamćenih razmera uzrokovane širenjem virusa kovid-19. Redovnim slanjem COVID-19 Economic Update CEE, izveštavali smo klijente o merama (finansijskim i regulativnim) koje su donosile Vlade kod nas i u regionu. Dalje, kroz izveštaje (COVID and Economic Update po zemljama, COVID-19 Compendium Global Markets, COVID-19 CEE Compendium), redovno smo izveštavali o dešavanjima na globalnim finansijskim tržištima uzrokovanim ovom krizom, kao i celishodnijem sagledavanju lokalnih ekonomskih trendova u okviru publikacija („Short Note" i kvartalni izveštaj i mesečni izveštaj "Ekonomski izveštaj").

Redovnim praćenjem i temeljnom analizom ključnih indikatora, promptno se izveštavalo o ključnim makroekonomskim indikatorima („Research Alert"), a zatim su se, u skladu sa novim tendencijama, adekvatno prilagođavali modeli razvijeni za procenu budućih ekonomskih tokova.

Raiffeisen Leasing

The leasing industry marked a decline in business realized due to the effect of the Coronavirus pandemic onto the global economy.

Raiffeisen Leasing demonstrated in 2020 a clear commitment to nurturing and developing long-term relationships with its clients, reflected in the constant improvement of products and services. To offer even more attractive terms to its clients, Raiffeisen Leasing focused special attention to the further development of strengthening partnerships with the network of the most important dealers, as well as to developing strategic partnerships with the best-selling vehicle brands in Serbia through an array of mutual projects.

In accordance with the decisions of the National Bank of Serbia, in the course of 2020, Raiffeisen Leasing enabled to its clients the option of using benefits in repaying their financial obligations.

In accordance to market demands, Raiffeisen Leasing was primarily focused on vehicle financing in 2020. The total value of new sales at the end of the year amounted to € 47.74 million.

Raiffeisen Leasing was dedicated to the further improvement of procedures and organization in the segment of risk management. Through professional risk management, a stable and sustainable portfolio growth was realized, reaching € 115 million. Also, special attention was focused on the constant improvement of processes with the aim of increasing efficiency and cost reduction.

Maintaining one of the leading positions in the market, reaching the optimum balance between the growth of business volume and keeping the costs of risk and profitability at an adequate level, strengthening cooperation with existing clients, dealers and insurance companies, as well as constant improvement and designing products in accordance with high standards, remain key goals set by Raiffeisen Leasing for the year 2020.

Raiffeisen Leasing

Lizing industrija je u 2020. godini zabeležila pad plasmana usled uticaja pandemije korona virusa na globalnom ekonomskom nivou.

Raiffeisen Leasing pokazao je i tokom 2020. godine jasnu opredeljenost ka negovanju i razvijanju dugoročnih odnosa sa svojim klijentima, koja se ogleda u konstantnom unapređenju proizvoda i usluga. Kako bi svojim klijentima ponudio još atraktivnije uslove, Raiffeisen Leasing je posebnu pažnju posvetio daljem jačanju partnerskih odnosa sa mrežom najznačajnijih dilera, kao i razvijanju strateške saradnje sa najprodavanijim automobilskim brendovima u Srbiji kroz niz zajedničkih akcija.

Raiffeisen Leasing je klijentima tokom 2020. godine ponudio mogućnost korišćenja olakšica u otplati obaveza – moratorijum, a u skladu sa odlukama Narodne banke Srbije.

Prateći zahteve tržišta, Raiffeisen Leasing je i tokom 2020. godine pre svega bio usmeren na finansiranje vozila. Ukupna vrednost novih plasmana na kraju godine iznosila je 47,74 miliona evra.

Napori su i tokom 2020. godine bili usmereni ka daljem unapređenju procedura i organizacije u segmentu upravljanja rizicima. Kroz profesionalno upravljanje rizicima obezbeđen je stabilan i održiv rast portfolija, koji je dostigao nivo od 115 miliona evra. Takođe, posebna pažnja posvećena je konstantnom unapređenju procesa, sa ciljem povećanja efikasnosti i smanjenja troškova.

Očuvanje jedne od vodećih pozicija na tržištu, postizanje optimalnog balansa između rasta obima poslovanja i održavanja troškova rizika i profitabilnosti na adekvatnom nivou, jačanje saradnje sa postojećim klijentima, dilerima i osiguravajućim kućama, te stalno unapređenje i kreiranje proizvoda u skladu sa visokim standardima, predstavljaju ključne ciljeve koje je Raiffeisen Leasing odredio za 2021. godinu.

Raiffeisen Future

Voluntary Pension Fund Management Company

Raiffeisen FUTURE a.d. Beograd, VPFAMC manages two voluntary pension funds: Raiffeisen FUTURE VPF and Raiffeisen EURO FUTURE VPF.

Raiffeisen FUTURE VPF has a variable currency structure of assets and invests mainly into debt securities. The fund has been successfully operating since 2007 with the rate of return since inception at 8.61 per cent on an annual basis. The annual rate of return in 2020 was 1.73 per cent. The value of the fund's investment unit as at Dec. 31, 2020, amounted to RSD 3,177.06. The net assets of the fund as at Dec. 31, 2020, were RSD 5.9 billion, which represented an annual growth of 8 per cent.

Raiffeisen EURO FUTURE VPF started operating in 2015. The fund is most suitable for those clients who prefer their long-term savings to be invested in euro-denominated securities. In accordance with the fund's investment policy, 99 per cent of the assets are invested in euro-denominated investment instruments, while one per cent of the assets consists of dinar money deposits in the fund's account. The annual rate of return in 2020 was 0.61 per cent in EUR. Realized rate of return since inception as at Dec. 31, 2020, was 2.48 per cent in EUR on an annual basis. Considering that the fund's assets are invested exclusively in euro-denominated securities, the relevant return for the fund's members is the return expressed in euro. The net assets of the fund amounted to RSD 290 million on Dec. 31, 2020.

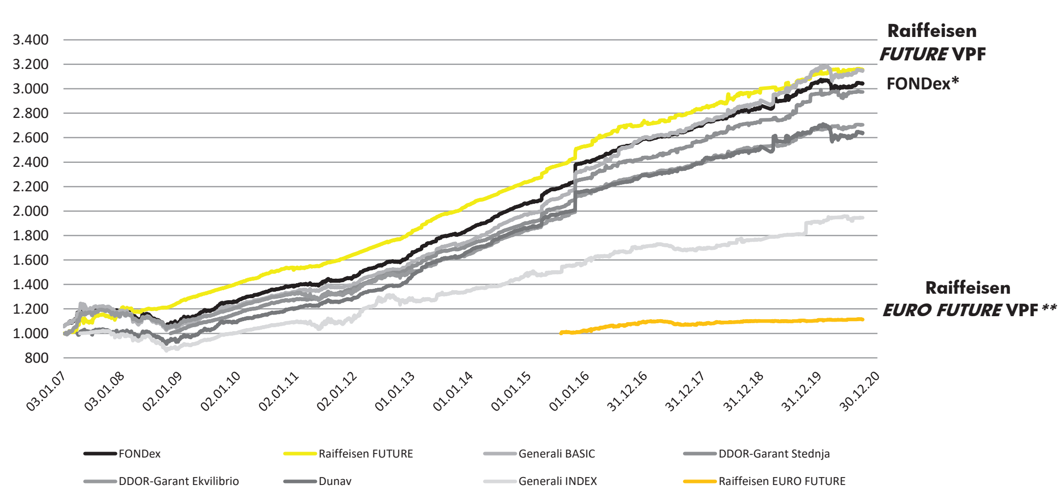
The number of members saving in both funds is 40,664. In 2020, the company's business model, with a focus on increasing the share of individual payments, has shown the greatest resilience to negative effects of the COVID-19 pandemic in the industry. The highest annual growth of assets managed by the Company (8.5 per cent) was achieved in relation to the industry (3.9 per cent).

Market share measured by total assets under management in both funds is 13.1 per cent.

High quality service is provided to the members of both Raiffeisen FUTURE VPF and Raiffeisen EURO FUTURE VPF by the team of professionals with extensive experience in the VPF industry. In addition, there are 379 professionals licensed by the National Bank of Serbia at 86 Raiffeisen Bank branches throughout Serbia at the members' disposal.

Members may choose between the two funds with different investment policies, in terms of the currency structure, or they can pay contributions simultaneously into both funds.

Movement of FONDex* index value and Investment Unit values of VPFs in the period of Jan. 03, 2007 - Dec. 31, 2020



Source of the values of VPFs' investment units and FONDex: the National Bank of Serbia, www.nbs.rs

***Indeks FONDex – unique movement trends indicator of investment units of all VPFs**
****The fund began its business operations on July 24, 2015. The investment unit's starting value of RSD 1,000 is prescribed by the National Bank of Serbia.**

Raiffeisen Future
Društvo za upravljanje dobrovoljnim penzijskim fondom

Raiffeisen FUTURE a.d. Beograd, DUDPF upravlja sa dva dobrovoljna penzijska fonda-DPF: Raiffeisen FUTURE i Raiffeisen EURO FUTURE.

Raiffeisen FUTURE DPF ima promenljivu valutnu strukturu i pretežno ulaže imovinu u dužničke hartije od vrednosti. Fond uspešno posluje od 2007. godine sa prinosom od početka poslovanja od 8,61% na godišnjem nivou. U 2020. godini ostvaren je prinos od 1,73%. Vrednost investicione jedinice fonda na dan 31.12.2020. godine iznosi 3.177,06 dinara. Neto imovina fonda na dan 31.12.2020. iznosi 5,9 milijardi dinara, što predstavlja godišnji rast od 8%.

Raiffeisen EURO FUTURE DPF počeo je sa radom 2015. godine. Fond je namenjen svim klijentima koji žele da njihova dugoročna štednja bude investirana u hartije od vrednosti denominovane u evrima. U skladu sa investicionom politikom, 99% imovine ulaže se u investicione instrumente denominovane u evrima, dok 1% imovine čine dinarska sredstva na računu fonda. U 2020. godini fond je ostvario prinos od 0,61% u evrima. Ostvareni prinos od početka poslovanja fonda na dan 31.12.2020. godine iznosi 2,48% u evrima na godišnjem nivou. S obzirom na to da se imovina fonda ulaže isključivo u hartije od vrednosti denominovane u evrima, relevantan prinos za članove fonda je prinos izražen u evro valuti. Neto imovina fonda na dan 31.12.2020. iznosi 290 miliona dinara.

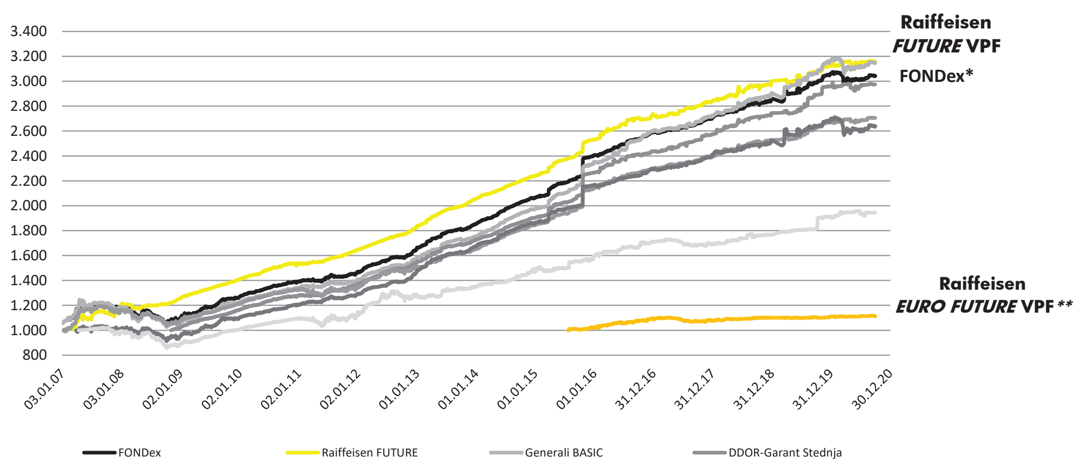
Ukupan broj članova koji štedi u oba fonda iznosi 40.664. U 2020. godini poslovni model Društva sa fokusom na rast učešća individualnih uplata, pokazao je najveću otpornost na negativne efekte pandemije virusa kovid-19 u industriji. Ostvaren je najveći godišnji rast imovine kojom Društvo upravlja (8,5%) u odnosu na industriju (3,9%).

Tržišno učešće neto imovine oba fonda kojima društvo upravlja iznosi 13,1%.

Visok kvalitet usluge članovima DPF Raiffeisen FUTURE i Raiffeisen EURO FUTURE pruža tim profesionalaca sa dugogodišnjim iskustvom u industriji. Takođe, članovima je na raspolaganju 379 profesionalaca licenciranih od strane Narodne banke Srbije u 86 filijala Raiffeisen banke širom Srbije.

Članovi mogu da biraju između dva fonda sa različitom investicionom politikom u pogledu valutne strukture, ili pak mogu da ulažu u oba fonda istovremeno.

Kretanje vrednosti FONDEX-a* i investicionih jedinica fondova u periodu od 03.01.2007. - 31.12.2020.



Izvor podataka za vrednosti FONDex-a i investicionih jedinica: Narodna banka Srbije www.nbs.rs

* Indeks FONDex – jedinstveni pokazatelj trenda kretanja investicionih jedinica svih DPF

**Fond je počeo da posluje 24.07.2015. godine. Početnu vrednost investicione jedinice od RSD 1.000 propisuje Narodna banka Srbije.

Raiffeisen INVEST

In the course of 2020, Raiffeisen INVEST a.d. Belgrade Investment Fund Management Company professionally managed assets of UCITS funds (Undertakings for Collective Investment in Transferable Securities) – Raiffeisen CASH, Raiffeisen WORLD and Raiffeisen EURO CASH, despite the great impact of the pandemic caused by the virus Covid-19, which was affecting the withdrawal of cash and the funds' returns, maintaining thereby its leading position in the investment funds market in Serbia. At the end of 2020, the value of assets under management amounted to approx. € 300 million, i.e. a market share of 70 percent was realized, in relation to the total value of net assets of all UCITS funds in Serbia.

The UCITS fund Raiffeisen CASH – a money market fund, by investing funds into cash deposits and short-term debt securities, realized good returns for its members in 2020 – the fund's investment unit (in dinars) rose by 1.30 per cent (p.a.) conclusive with December 31, 2020, while the fund's net assets, even after large withdrawals of funds during the first and second quarter, amounted to the dinar countervalue of almost € 140 million at the end of the year, i.e. it stayed at the level of the year before.

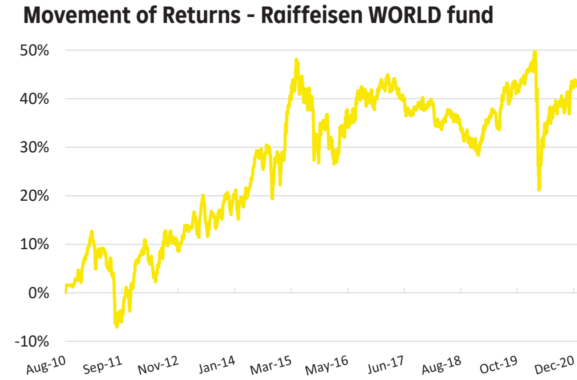
The UCITS fund Raiffeisen EURO CASH – a money market fund, by investing funds into money deposits with banks and short-term debt securities denominated in euros, was able to secure liquidity at the highest level possible for its members and thus realized stable returns in euros - the fund's investment unit grew by approximately 0.63 per cent (in euros) in 2020, while the fund's net assets grew by 24.5 percent and amounted to approx. € 153 million at the end of 2020, positioning this UCITS fund as the largest one in Serbia.

The UCITS fund Raiffeisen WORLD, established in August 2010 as an equity fund, but changed into a balanced fund in September 2015, with a multi-asset strategy of investing mostly into shares and bonds of developed and developing countries with the aim of realizing positive returns in the long term, but with accepting moderate risk. The returns of this UCITS fund were strongly affected by the negative macroeconomic environment, especially in the capital market and the economic crisis caused by the pandemic, so that in 2020, thanks to professional management, this fund was able to recover from losses to a great extent at the end of the year and so was able to realize annual returns of minus 1.3 percent (in euros). However, having in mind the recommended long-term investing horizon, a positive effective annual return amounting to 1.75% (in euros) was realized in the past five years. The fund's net asset value amounted to approx. € 11 million at the end of 2020.

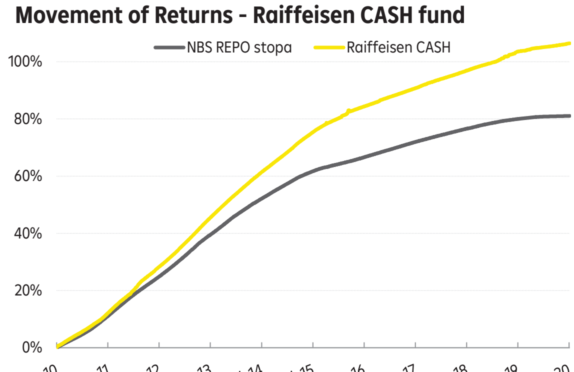
In the course of 2020, the Law on Open Investment Funds with a Public Offer came into effect, i.e. asset management companies harmonized their business operations and funds with EU regulations, which created even better conditions for the further development of this market, for attracting new participants and investment funds organization. The investment fund market in Serbia saw a significant growth in the net asset amount of UCITS funds of 17 percent, so it amounted to almost € 440 million at the end of 2020.

Raiffeisen INVEST plans to continue its investing activities in 2020 as well, in order to make it possible for the clients of Raiffeisen banka, through investing into investment funds, to realize returns corresponding to their investment goals, depending on their risk appetite and the investment horizon.

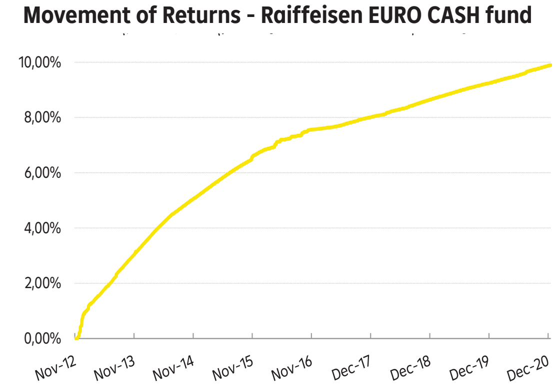
Movement of Returns - Raiffeisen WORLD fund



Movement of Returns - Raiffeisen CASH fund



Movement of Returns - Raiffeisen EURO CASH fund



Raiffeisen INVEST

Raiffeisen INVEST a.d. Beograd Društvo za upravljanje je u 2020. godini, i pored velikog uticaja pandemije izazvane virusom kovid-19 na povlačenje sredstava i prinose fondova, profesionalnim upravljanjem imovinom UCITS fondova – Raiffeisen CASH, Raiffeisen WORLD i Raiffeisen EURO CASH, zadržalo lidersku poziciju na tržištu investicionih fondova u zemlji. Krajem 2020. godine vrednost imovine pod upravljanjem iznosila je oko 300 miliona evra, odnosno zadržano je tržišno učešće od oko 70% u odnosu na ukupnu vrednost neto imovine svih UCITS fondova u zemlji.

UCITS fond Raiffeisen CASH - novčani fond je ulaganjem u instrumente tržišta novca i dinarske novčane depozite u 2020. godini ostvario dobar prinos za svoje članove – investiciona jedinica fonda je, zaključno sa 31.12.2020. godine, porasla oko 1,30% (u dinarima), a neto imovina fonda je i pored značajnih povlačenja sredstava tokom prvog i drugog kvartala, na kraju godine iznosila skoro 140 miliona evra u dinarskoj protivvrednosti, odnosno ostala je na prošlogodišnjem nivou.

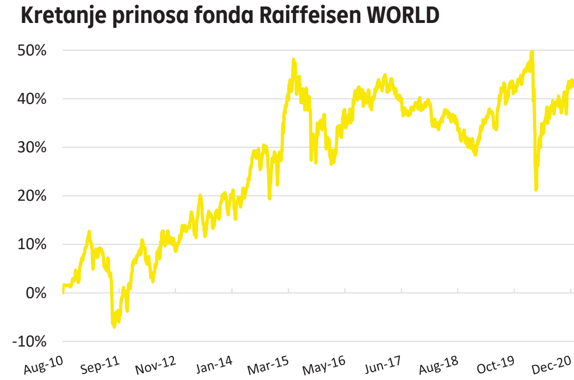
UCITS fond Raiffeisen EURO CASH - novčani fond je ulaganjem u instrumente tržišta novca i novčane depozite kod banaka denominovane u evrima, profesionalnim upravljanjem za svoje članove obezbedio likvidnost na najvišem mogućem nivou, te ostvarenje stabilnog prinosa u evrima - investiciona jedinica fonda je u 2020. godini porasla 0,63% (u evrima), a neto imovina fonda je porasla 24,5%, i na kraju 2020. godine iznosila pribiližno 153 miliona evra, dok se ovaj fond pozicionirao kao najveći UCITS fond u zemlji.

UCITS fond Raiffeisen WORLD organizovan je avgusta 2010. godine kao fond akcija, ali je u septembru 2015. godine promenjena vrsta fonda u balansirani fond, sa strategijom ulaganja u različite klase imovine, odnosno „multi-asset" strategijom investiranja većinom u akcije i obveznice razvijenih zemalja i zemalja u razvoju, a u cilju ostvarivanja pozitivnog prinosa u dugom roku, ali i uz prihvatanje umerenog rizika. Prinos ovog UCITS fonda je tokom 2020. godine bio pod snažnim uticajem negativnih makroekonomskih kretanja, posebno na tržištu kapitala i ekonomske krize izazvane pandemijom, tako da je fond u 2020, i pored značajnih negativnih kretanja tokom godine, profesionalnim upravljanjem uspeo da se krajem godine u velikoj meri oporavi od gubitaka i ostvari godišnji prinos od -1,3% (u evrima). Medjutim, imajući u vidu preporučeni dugoročni period investiranja, ostvaren je pozitivan efektivni godišnji prinos od 1,75% (u evrima) u prethodnih pet godina. Vrednost neto imovine fonda je na kraju 2020. godine iznosila približno 11 miliona evra.

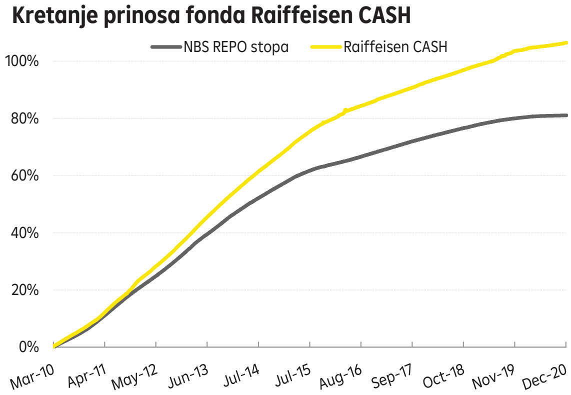
Tokom 2020. godine je počela primena Zakona o otvorenim investicionim fondovima sa javnom ponudom, odnosno Društva za upravljanje su uskladila poslovanje i fondove sa EU regulativom, čime su stvoreni još bolji uslovi za dalji razvoj ovog tržišta, privlačenje učesnika i organizovanje investicionih fondova. Na tržištu investicionih fondova u zemlji došlo je da porasta visine neto imovine UCITS fondova od 17%, tako da je na kraju 2020. godine iznosila skoro 440 miliona evra.

Raiffeisen INVEST planira da i u 2021. godini nastavi sa investicionim aktivnostima kako bi, odgovornim i profesionalnim upravljanjem, klijentima Raiffeisen banke omogućio da kroz ulaganje u investicione fondove ostvare odgovarajući prinos u skladu sa investicionim ciljevima, zavisno od stepena rizika koji su spremni da prihvate i vremenskog horizonta investiranja.

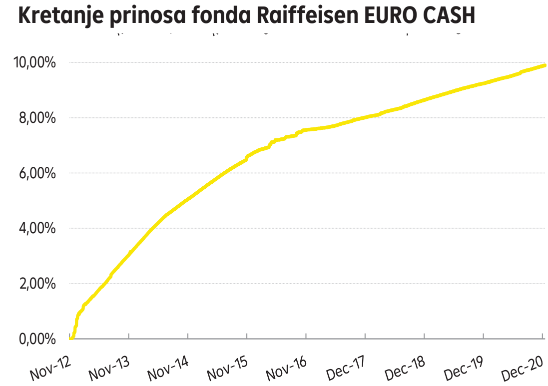
Kretanje prinosa fonda Raiffeisen WORLD



Kretanje prinosa fonda Raiffeisen CASH



Kretanje prinosa fonda Raiffeisen EURO CASH



Branch Network

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Fax: (+381 11) 2207 080
SWIFT Code:RZBSRSBG

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11070 Novi Beograd

Beograd III
Resavska 1
11000 Beograd

Beograd IV
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11070 Novi Beograd

Jug
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34000 Kragujevac

Sever
Bulevar oslobođenja 56a
21000 Novi Sad

Zapad
Gradsko šetalište bb
32000 Čačak

Belgrade I Region

Beograd
- Terazije 27
- Cara Dušana 78
- Vojvode Milenka 38
- 27. marta 31
- Kralja Petra 14
- Bulevar oslobođenja 7-9
- Maksima Gorkog 75
- Ruzveltova 10
- Grčko-srpskog prijateljstva 1-3
- Mirijevski venac 27
- Marijane Gregoran 58
- Kursulina 41
- Mladenovac, Kralja Petra I 241a

Belgrade II Region

Beograd
- Đorđa Stanojevića 16
- Jurija Gagarina 151
- Bulevar umetnosti 4
- Glavna 13m
- Prvomajska 101
- Bulevar Mihajla Pupina 181
- Bulevar Mihajla Pupina 4
- Partizanske avijacije 12
- Milutina Milankovića 1ž

Požarevac
Moše Pijade 10

Smederevo
Vojvode Đuše 13-17

Smederevska Palanka
Prvog srpskog ustanka 33

Belgrade III Region

Beograd
- Resavska 1
- Bulevar kralja Aleksandra 171
- Ustanička 64a
- Bratstva i jedinstva 73
- Bulevar kralja Aleksandra 328
- Grge Andrijanovića 2
- Vojvode Stepe 199
- Patrijarha Dimitrija 14
- Vidikovački venac 80b
- Crnotravska 7-9
- Lazarevac, Dimitrija Tucovića 1

Vršac
Trg Svetog Teodora Vršačkog 37

Pančevo
Generala Petra Aračića 4 - 6

Zrenjanin
Kralja Aleksandra Karađorđevića 4

Belgrade IV Region

Beograd
- Bulevar Zorana Đinđića 64a
- Sarajevska 3
- Trgovačka 5
- Radnička 9
- Bulevar vojvode Mišića 37
- Požeška 81a
- Obrenovac, Kneza Mihajla 6

Mreža filijala

Šabac
Masarikova 7

Stara Pazova
Kralja Petra I 1

Loznica
Kneza Miloša 2

Inđija
Novosadska 9

Ruma
Orlovićeva 4

Sremska Mitrovica
Kralja Petra I 20

Region „North"

Novi Sad
- Bulevar oslobođenja 56a
- Bulevar cara Lazara bb
- Trg slobode 3
- Veselina Masleše 30

Bačka Palanka
Kralja Petra I 11

Temerin
Novosadska 348

Subotica
Trg slobode 5

Senta
Glavni trg 8

Sombor
Avrama Mrazovića 1

Vrbas
Ive Lole Ribara 16

Kikinda
Trg srpskih dobrovoljaca 28

Region „South"

Kragujevac
- Srete Mladenovića 2
- Nikole Pašića 7

Niš
- Balkanska 13
- Vizantijski bulevar bb
- Obrenovićeva 35

Vranje
Stefana Prvovenčanog 58

Pirot
Pirotskih oslobodilaca bb

Leskovac
Bulevar oslobođenja 154

Zaječar
Krfska 16

Bor
Trg Nikole Pašića 5

Region „West"

Čačak
- Gradsko šetalište bb
- Braće Spasića bb

Valjevo
Karađorđeva 114

Prijepolje
Valterova 20

Novi Pazar
AVNOJ-a 7/3

Kraljevo
Hajduk Veljkova 16

Paraćin
Vožda Karađorđa 31

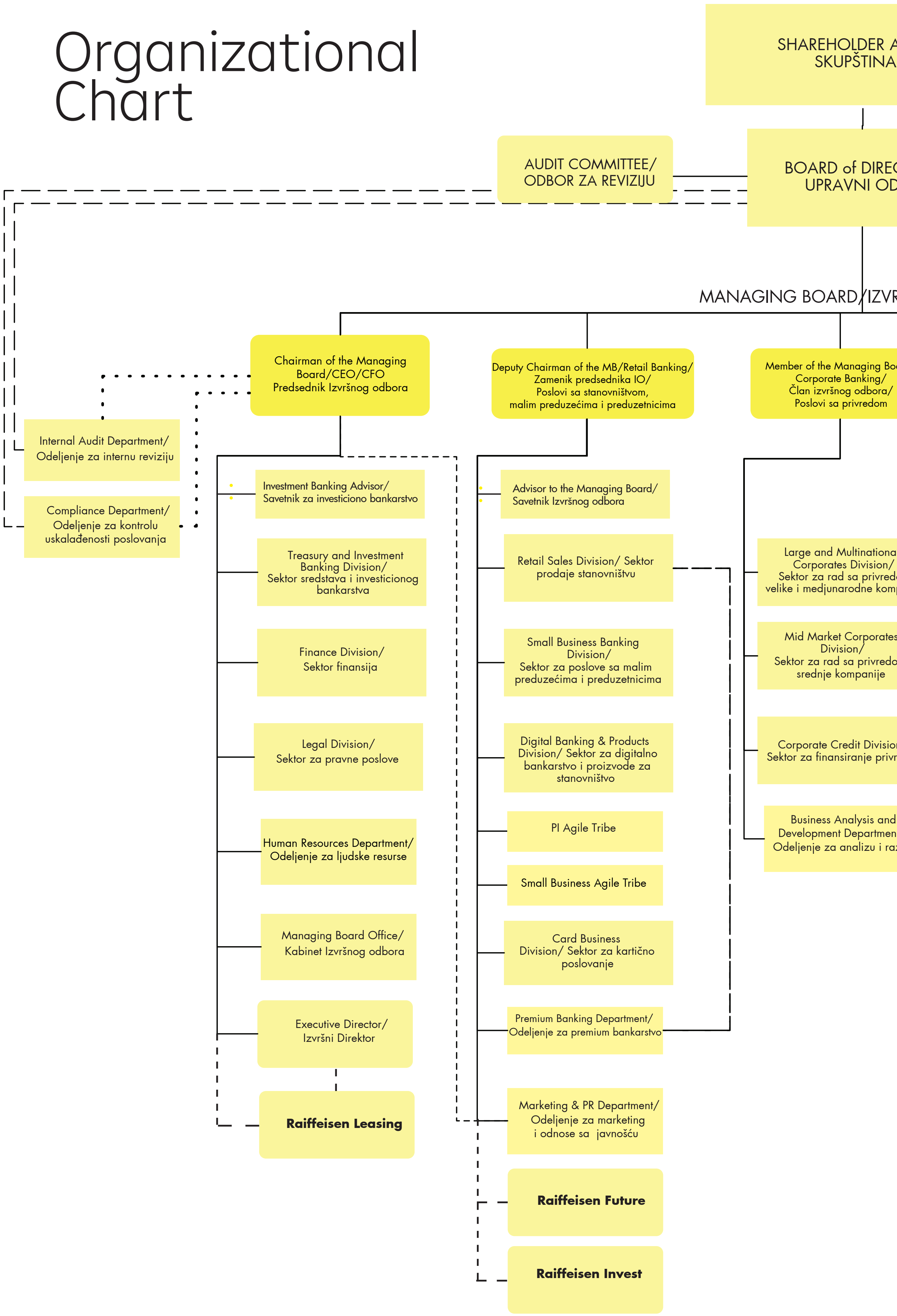
Užice
Dimitrija Tucovića 91

Aranđelovac
Knjaza Miloša 259

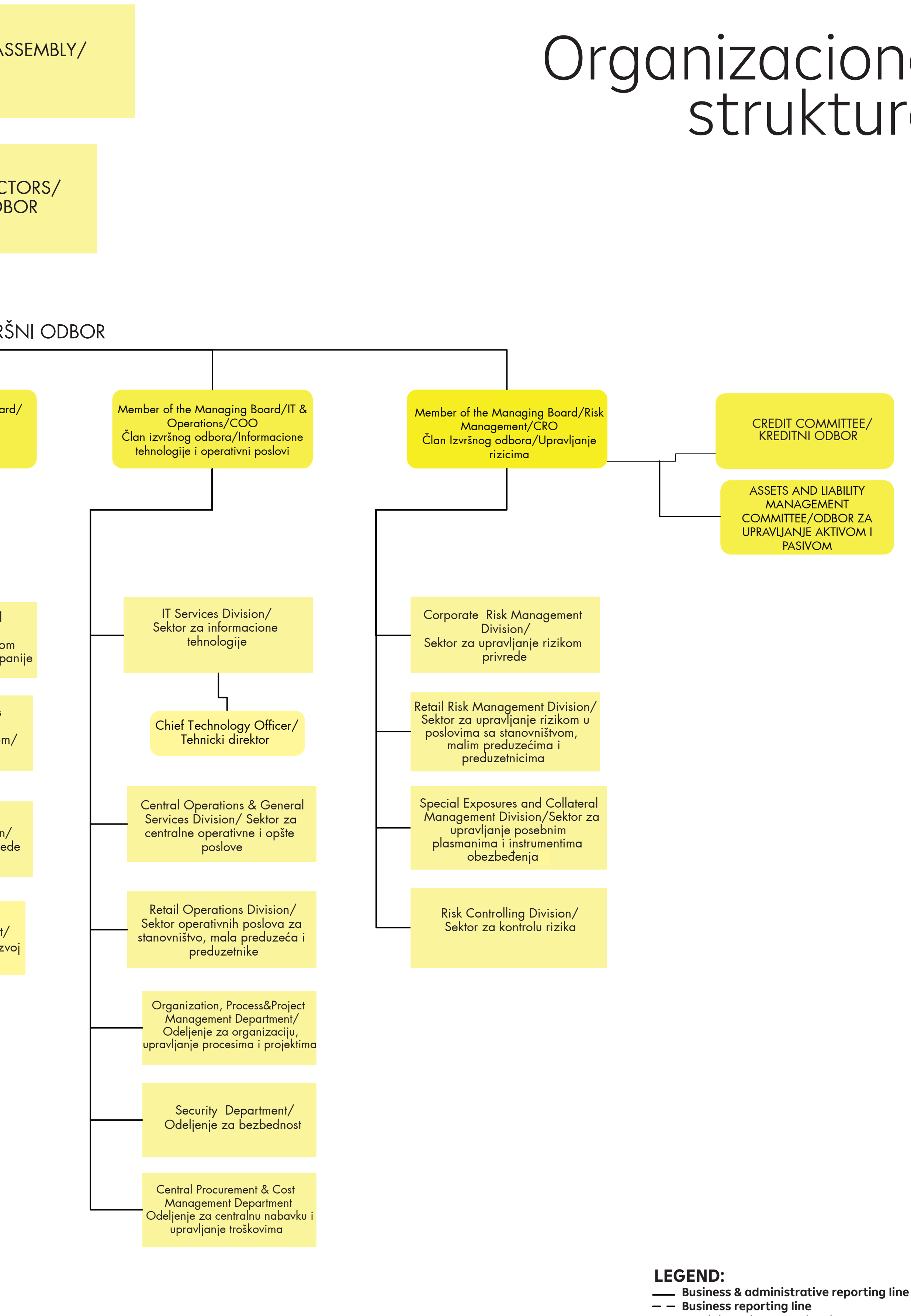
Jagodina
Kneginje Milice 16a

Kruševac
Majke Jugovića 8

Organizational Chart



Organizaciona struktura



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SWIFT/BIC: PJCBBY2X
www.priorbank.by

Bosnia and Herzegovina
Raiffeisen Bank d.d.
Bosna i Hercegovina
Zmaja od Bosne bb
71000 Sarajevo
Tel: +387-33-75 50 10
SWIFT/BIC: RZBABA2S
www.raiffeisenbank.ba

Bulgaria
Raiffeisenbank (Bulgaria) EAD
55 Nikola I. Vaptzarov Blvd.
Business Center EXPO 2000 PHAZE III
1407 Sofia
Tel: +359-2-91 985 101
SWIFT/BIC: RZBBBGSF
www.rbb.bg

Croatia
Raiffeisenbank Austria d.d.
Magazinska cesta 69
10000 Zagreb
Tel: +385-72-626 262
SWIFT/BIC: RZBHHR2X
www.rba.hr

Czech Republic
Raiffeisenbank a.s.
Hvězdova 1716/2b
14078 Prague 4
Tel: + 420-412 440 000
SWIFT/BIC: RZBCCZPP
www.rb.cz

Hungary
Raiffeisen Bank Zrt.
Váci út 116-118
1133 Budapest
Tel: +36-1-48 444-00
SWIFT/BIC: UBRTHUHB
www.raiffeisen.hu

Kosovo
Raiffeisen Bank Kosovo J.S.C.
Robert Doll St. 99
10000 Pristina
Tel: +383-38-222 222
SWIFT/BIC: RBKOXKPR
www.raiffeisen-kosovo.com

Romania
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014476 Bucharest
Tel: +40-21-30 610 00
SWIFT/BIC: RZBRROBU
www.raiffeisen.ro

Russia
AO Raiffeisenbank
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129090 Moscow
Tel: +7-495-777 99 00
SWIFT/BIC: RZBMRUMM
www.raiffeisen.ru

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SWIFT/BIC: RZBSRSBG
www.raiffeisenbank.rs

Slovakia
Tatra banka, a.s.
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Tel: +421-2-59 19-1000
SWIFT/BIC: TATRSKBX
www.tatrabanka.sk

Ukraine
Raiffeisen Bank Aval JSC
Vul Leskova 9
01011 Kiev
Tel: +38-044-490 8888
SWIFT/BIC: AVALUAUK
www.aval.ua

Adrese

Leasing companies

Austria
Raiffeisen-Leasing Gesellschaft m.b.H.
Mooslackengasse 12
1190 Vienna
Tel: +43-1-71 601-0
www.raiffeisen-leasing.at

Albania
Raiffeisen Leasing Sh.a.
European Trade Center
Bulevardi "Bajram Curri"
Tirana
Tel: +355-4-22 749 20
www.raiffeisen-leasing.al

Belarus
"Raiffeisen-Leasing" JLLC
V. Khoruzhey 31-A
220002 Minsk
Tel: +375-17-28 9-9394
www.rl.by

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Raiffeisen Leasing d.o.o. Sarajevo
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32A Cherni Vrah Blvd. Fl.6
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Raiffeisen Leasing Kosovo LLC
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811 06 Bratislava
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Letališka cesta 29a
1000 Ljubljana
Tel: +386-8-281-6200
www.raiffeisen-leasing.si

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LLC Raiffeisen Leasing Aval
Stepan Bandera Av. 9
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www.rla.com.ua

Branches and representative offices – Europe

France
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9-11 Avenue Franklin D. Roosevelt
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RBI Frankfurt Branch
Wiesenhüttenplatz 26
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Branches and representative offices – Asia

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Selected specialist companies

Austria
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Raiffeisen Bausparkasse Gesellschaft m.b.H.
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www.bausparen.at

Raiffeisen Centrobank AG
Tegetthoffstraße 1
1015 Vienna
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www.rcb.at

Raiffeisen Factor Bank AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-21 974-57
www.raiffeisen-factorbank.at

Raiffeisen Kapitalanlage-Gesellschaft m.b.H.
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1190 Vienna
Tel: +43-1-71 170-0
www.rcm.at

Raiffeisen Wohnbaubank Aktiengesellschaft
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1190 Vienna
Tel: +43-1-71 707-0
www.raiffeisen-wohnbaubank.at

Valida Holding AG
Mooslackengasse 12
1190 Vienna
Tel: +43-1-31 648-0
www.valida.at

Financial Statements

RAIFFEISEN BANKA A.D. BEOGRAD

Separate financial statements
for the year ended 31 December 2020
prepared in accordance with
International Financial Reporting Standards

16 April 2020

Finansijski izveštaj

Ernst & Young d.o.o. Beograd
Antifašističke borbe 13A
11070 Beograd, Srbija

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Building a better working world

INDEPENDENT AUDITORS' REPORT

TO THE OWNERS OF RAIFFEISEN BANKA A.D. BEOGRAD

Opinion

We have audited the financial statements of Raiffesien banka a.d. Beograd (the Bank), which comprise the balance sheet as at 31 December 2020, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with Standards on Auditing applicable in the Republic of Serbia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Serbia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and Audit Committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Auditing Standards applicable in Republic of Serbia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Auditing Standards applicable in Republic of Serbia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belgrade, 16 April 2021

Danijela Mirković
Authorized Auditor
Ernst & Young d.o.o. Beograd

All amounts expressed in thousand of RSD, unless otherwise stated

SEPARATE STATEMENT OF PROFIT OR LOSS

Year Ended December 31

	Note	2020	2019
Interest income	6, 3(c)	9,893,894	10,290,066
Interest expense	6, 3(c)	(231,366)	(183,775)
Net interest income		**9,662,528**	**10,106,291**
Fee and commission income	7, 3(d)	5,746,576	6,122,470
Fee and commission expense	7, 3(d)	(1,765,830)	(1,777,935)
Net fee and commission income		3,980,746	4,344,535
Net gain on change in fair value of financial instruments	5, 3(e)	116,415	123,542
Net gain / (loss) on derecognition of financial assets measured at fair value	3(k)	462,512	147,187
Net gains / (losses) on hedging	3(f)	(378,186)	(42,402)
Net gains on foreign exchange differences and effects of foreign currency clause	8, 3(b)	2,647,782	2,275,486
Net impairment gain/(loss) on financial assets	9, 3(k)	(1,683,843)	(324,231)
Net gain / (loss) on derecognition of financial instruments measured at amortized cost	10	74,434	(306,892)
Other operating income	10	78,073	175,043
Operating income, net		**14,960,461**	**16,498,559**
Personnel expenses	11	(3,217,916)	(3,307,829)
Depreciation and amortisation	20, 21, 3(w), 3(q), 3(r)	(1,208,933)	(1,111,942)
Other income	12.1	233,459	180,565
Other expenses	12.2	(4,586,684)	(5,266,459)
Profit before income tax		**6,180,387**	**6,992,894**
Income tax expense	13, 3(j)	(651,039)	(879,011)
Profit for the year		**5,529,348**	**6,113,883**

The accompanying notes form an integral part
of these separate financial statements

Belgrade, 16 April 2021

For and on behalf of the Management Raiffeisen banka a.d., Beograd

Zoran Petrović
Chairman of the Managing Board

Petar Jovanović
Deputy Chairman of the Managing Board

All amounts expressed in thousand of RSD, unless otherwise stated

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

Year Ended December 31

	Note	2020	2019
Profit for the year		**5,529,348**	**6,113,883**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Equity instruments at FVOCI – net change in fair value		(58,929)	265,227
Items that are or may be reclassified subsequently to profit or loss			
Debt investment at FVOCI – net change in fair value		251,921	321,897
Cash flow hedging - valuation		(13,975)	(49,704)
Changes in deferred tax assets arising from other comprehensive income		(35,642)	(40,829)
Other comprehensive income, net of tax		**143,045**	**496,591**
Total other comprehensive income for the period		**5,672,393**	**6,610,474**

The accompanying notes form an integral part
of these separate financial statements

All amounts expressed in thousand of RSD, unless otherwise stated

SEPARATE STATEMENT OF FINANCIAL POSITION

As of December 31

	Note	31.12.20	31.12.19
Assets			
Cash and balances with central banks	14, 3(l)	86,432,095	69,905,262
Receivables arising from derivatives	15, 3(k)	51,496	21,442
Securities	16, 3(k), 3(p)	70,342,791	54,502,443
Loans and receivables to banks and other financial institutions	17, 3(k), 3(o)	24,620,212	13,550,612
Loans and receivables to customers	18, 3(k), 3(o)	186,914,250	171,584,719
Receivables from derivatives held for hedging against risks	3(k), 3(n)	13,211	152,072
Investments in subsidiaries	19	1,234,622	1,293,551
Intangible assets	21, 3(q)	831,133	731,144
Property, plant and equipment	20, 3(i), 3(r)	6,095,587	6,172,623
Current tax assets	3(j)	-	11,682
Deferred tax assets	22, 3(j)	414,675	266,268
Other assets	23	759,340	711,319
Total assets		**377,709,412**	**318,903,137**
Liabilities and equity			
Liabilities arising from derivatives	3(k)	2,014	18,516
Deposits and other liabilities from banks, other financial institutions and central bank	24, 3(t)	4,926,799	4,287,532
Deposits and other liabilities from other customers	25, 3(t)	303,752,087	251,813,778
Liabilities arising from derivatives held for hedging against risks	3(k), 3(n)	498,508	234,945
Provisions	26, 3(u)	2,143,270	1,744,789
Current tax liabilities	3(j)	28,452	-
Other liabilities	27	2,794,696	2,912,384
Total liabilities		**314,145,826**	**261,011,944**
Share capital	28, 3(x)	27,466,158	27,466,158
Profit for the year	28, 3(x)	11,742,560	6,213,212
Reserves	28, 3(x)	24,354,868	24,211,823
Total equity	**28, 3(x)**	**63,563,586**	**57,891,193**
Total		**377,709,412**	**318,903,137**

The accompanying notes form an integral part of these separate financial statements

All amounts expressed in thousand of RSD, unless otherwise stated

SEPARATE STATEMENT OF CHANGES IN EQUITY

Year Ended December 31

	Share capital	Profit reserves	Revaluation reserves	Profit	Total
Balance as at 1 January 2019	**27,466,158**	**23,353,465**	**361,767**	**6,727,538**	**57,908,928**
Profit for the year	-	-	-	6,113,882	6,113,882
Total comprehensive income			496.591		496.591
Transactions with owners of the Bank					
Dividends paid	-	-	-	(6,628,208)	(6,628,208)
Balance as at 31 December 2019	**27,466,158**	**23,353,465**	**858,358**	**6,213,212**	**57,891,193**
Balance as at 1 January 2020	**27,466,158**	**23,353,465**	**858,358**	**6,213,212**	**57,891,193**
Profit for the year	-	-	-	5,529,348	5,529,348
Total comprehensive income	-	-	143,045	-	143,045
Transactions with owners of the Bank					
Dividends paid	-	-	-	-	-
Balance as at 31 December 2020	**27,466,158**	**23,353,465**	**1,001,403**	**11,742,560**	**63,563,586**

The accompanying notes form an integral part
of these separate financial statements

All amounts expressed in thousand of RSD, unless otherwise stated

SEPARATE STATEMENT OF CASH FLOWS

Year Ended December 31

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	**16,558,207**	**17,994,096**
Inflow from interest	9,951,733	10,297,458
Inflow from fees and commissions	5,737,610	6,091,371
Inflow from other operating activities	898,864	1,605,267
Cash outflow in operating activities	**(11,090,346)**	**(10,628,767)**
Outflow from interest	(232,555)	(184,538)
Outflow from fees and commission	(1,715,273)	(1,778,755)
Outflow from gross salaries, benefits and other personal expenses	(3,263,632)	(3,239,732)
Outflow from taxes, contributions and other duties charged to income, excluding corporate income tax	(617,103)	(950,118)
Outflow from other operating expenses	(5,261,783)	(4,475,614)
Net cash inflow from operating activities before increase or decrease in financial placements and deposits	**5,497,861**	**7,365,329**
Cash inflow from placements, deposits taken and other liabilities	**56,419,499**	**27,036,158**
Net inflow from receivables based on derivatives designed to protect against risks and changes in the fair value of items that are subject to risk protection	138,861	-
Net inflow from deposits and other liabilities to banks, other financial institutions, central bank and customers	56,017,055	26,860,888
Net infrom from other financial liabilities	-	11,557
Net inflow from financial derivatives held for hedging against risks and change in fair value of hedged items	263,583	163,713
Cash outflow from placements, deposits taken and other liabilities	**(58,469,027)**	**(37,052,480)**
Net outflow from loans and receivables to banks, other financial institutions, central banks and clients	(42,171,284)	(27,770,278)
Net outflow from securities and other financial investment not intended to be invested	(16,281,241)	(9,207,519)
Net outflow from receivables from derivatives held for hedging against risks and change in fair value of hedged items	-	(74,693)
Net outflow from liabilities arising from derivatives held for hedging against risks and change in fair value of hedged items	(16,502)	-
Net cash inflow from operating activities before profit tax	**3,448,333**	**(2,650,993)**
Profit tax paid	(794,954)	(957,212)
Dividends paid	-	(6,296,798)
Net cash inflow from operating activities	**2,653,379**	**(9,905,003)**

All amounts expressed in thousand of RSD, unless otherwise stated

SEPARATE STATEMENT OF CASH FLOWS

Year Ended December 31 (continued)

	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	**6,961,650**	**16,264,567**
Inflow from investments in investment securities	6,961,310	16,254,981
Inflow from sale of intangible assets, property, plant and equipment	340	9,586
Cash outflow from investing activities	**(8,219,655)**	**(11,966,930)**
Outflow from investments in investment securities	(6,987,170)	(10,574,570)
Outflow for purchase of intangible assets, property, plant and equipment	(1,232,485)	(1,392,360)
Net cash inflow from investing activities	**(1,258,005)**	**4,297,637**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash outflow from financing activities	**(1,657,383)**	**(1,586,705)**
Cash outflows from borrowings	(1,657,383)	(1,586,705)
Net cash outflow from financing activities	**(1,657,383)**	**(1,586,705)**
TOTAL CASH INFLOW	**79,969,356**	**61,294,821**
TOTAL CASH OUTFLOW	**(80,231,365)**	**(68,488,892)**
NET INCREASE IN CASH	**(262,009)**	**(7,194,071)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 14.2)	**44,258,319**	**51,206,527**
POSITIVE / (NEGATIVE) EXCHANGE RATE DIFFERENCES	**171,035**	**245,863**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 14.2)	**44,167,345**	**44,258,319**

The accompanying notes form an integral part
of these separate financial statements

1. THE BANK'S ESTABLISHMENT AND ACTIVITY

Raiffeisenbank Jugoslavija a.d. Beograd (hereinafter: "the Bank") was established in 2001 and was registered with the Commercial Court in Belgrade on 10 April 2001 (decision no. VFi-3724/01). In 2003, Raiffeisenbank Jugoslavija a.d. Beograd has changed its name to Raiffeisenbank a.d. Beograd. This change was registered in Commercial Court in Belgrade od 24 April 2003, under number XI Fi 4800/03. On 9 October 2006, the Bank changed its name from Raiffeisenbank a.d. to Raiffeisen banka a.d, in accordance with the Decision of Serbian Business Register Agency no. BD 159711/2006.

In accordance with the Law on Banks, the Act on Incorporation and the Statute, the Bank is registered to perform the following activities:

- deposit and credit operations;
- foreign exchange and currency exchange operations;
- payment transactions;
- issuing payment cards;
- Securities transactions (issuing securities and custody bank operations, etc.);
- broker dealer business;
- issuance of guarantees, bills of exchange and other forms of guarantees;
- purchase, sale and collection of receivables (factoring, forfeiting, etc.);
- insurance brokerage;
- mediation activities for related parties founded by the Bank and rendering services to related parties founded by the Bank, in areas for which those entities do not have their own organizational units.

By the decision of the National Bank of Yugoslavia no. 86/2001 from 11 April 2001, the Bank was granted a license to conduct payment transactions and credit operations with foreign countries ("the great authority").

The Bank's managing bodies are: Shareholders'Assembly, Board of Directors and Managing Board. Members of the Board of Directors are appointed by the Shareholders' Assembly. At least one-third of the members of the Board of Directors are persons independent from the Bank, that is, persons who do not have direct or indirect ownership in the Bank, nor in the members of the banking group which is the ultimate owner of the Bank. Legal representative of the Bank is the Chairman of the Management. The Bank also formed the following committees: the Board for monitoring the Bank's operations (Audit Committee), the Credit Committee and the Assets and Liabilities Management Committee.

The Bank performs its operations with headquarters in New Belgrade, at Djordje Stanojevic Street no. 16 and through its regional centers - Regional Center Belgrade 1 (8 branches and 6 outlets), Regional Center Belgrade 2 (with one local branch, 6 branches and 5 outlets), Regional Center Belgrade 3 (9 branches and 5 outlets), Regional Center Belgrade 4 (with one regional branch, one local branch, 6 branches and 4 outlets), Regional Center North (with two local branches, 7 branches and 2 outlets), Regional Center West (with one regional branch, 4 local branches, 4 branches, 2 outlets) and Regional Center South (with one regional branch, one local branch, 3 branches, 5 outlets).

As at 31 December 2020 the Bank has 1,496 employees (31 December 2019: 1,595)

Tax identification number of the Bank is 100000299.

2. BASIS OF PREPARATION

(a) Statements of compliance

These separate financial statements (hereinafter: separate financial statements or financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and the regulations of the National Bank of Serbia governing the financial reporting of banks.

These financial statements are separate (unconsolidated) statements of the Bank. The Bank has prepared consolidated financial statements in accordance with IFRS at the same issuing date as separate financial statements.

The accompanying financial statements are presented in the form prescribed by the Decision on the Forms and Contents of Items in Financial Statement Forms for Banks (Official Gazette of the Republic of Serbia No. 101/2017, 38/2018 and 103/2018).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following position which are valued at fair value:

- derivative financial instruments,
- financial instruments at fair value through profit or loss,
- financial instruments through other comprehensive result,
- liabilities from trading activities.

(c) Functional and presentation currency

The financial statements are presented in thousands of Serbian Dinars ("RSD") which is the Bank's functional and presentation currency. All financial information is presented in Serbian Dinars rounded to the nearest thousand, unless stated otherwise.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical estimates in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 3.1.

2. BASIS OF PREPARATION (continued)

(e) Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Bank as of 1 January 2020:

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. Its objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- **IFRS 3: Business Combinations (Amendments)**
  The IASB issued amendments in Definition of a Business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The Amendments are effective for business combinations for which the acquisition date is in the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period, with earlier application permitted. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'material' (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2020 with earlier application permitted. The Amendments clarify the definition of material and how it should be applied. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. In addition, the explanations accompanying the definition have been improved. The Amendments also ensure that the definition of material is consistent across all IFRS Standards. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **Interest Rate Benchmark Reform - IFRS 9, IAS 39 and IFRS 7 (Amendments)**
  In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

2. BASIS OF PREPARATION (continued)

(e) Change in accounting policies (continued)

There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

(f) Standards issued but not yet effective and not early adopted

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. These Amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

2. BASIS OF PREPARATION (continued)

(f) Standards issued but not yet effective and not early adopted (continued)

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)**
  The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:
  - IFRS 3 Business Combinations (Amendments) update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - IAS 16 Property, Plant and Equipment (Amendments) prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments) specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
  - Annual Improvements 2018-2020 make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases

  The amendments have not yet been endorsed by the EU. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

- **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**
  The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:
  - The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
  - Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
  - There is no substantive change to other terms and conditions of the lease.

  The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

2. BASIS OF PREPARATION (continued)

(f) Standards issued but not yet effective and not early adopted (continued)

Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)
In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The requirements of this standard are not expected to have a material impact on the Bank's financial statements.

(g) Going concern

The financial statements are prepared in accordance with the going concern concept, which assumes that the Bank will continue in operation for the foreseeable future.

(h) Reconciliation of receivables and liabilities

In accordance with effective legislation, the Bank reconciled its receivables and liabilities with its customers and borrowers as at 31 October 2020. Not confirmed receivables amount RSD 38,143 thousand, while not confirmed liabilities amounts RSD 782 thousand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Bank.

(a) Separate financial statements and consolidation

The Bank has control over following entities, which are not consolidated in these financial statements:

Company	Equity investment
Društvo za upravljanje dobrovoljnim penzijskim fondom Raiffeisen Future a.d., Beograd	100%
Društvo za upravljanje investicionim fondovima Raiffeisen Invest a.d., Beograd	100%
Raiffeisen Leasing d.o.o., Beograd	100%

The Bank prepared consolidated financial statements in accordance with IFRS at the same issuing date as separate financial statements. Consolidated financial statements of the Bank represents sub-consolidated financial statements since the Parent company of the Bank prepares ultimate consolidated financial statements (Note 2.a).

In accordance with the Law on Accounting, article 41, the Bank decided to merge an individual annual business report and consolidated business report into a single report. In accordance with the above, the Bank, as a parent, decided to present the annual individual business report and consolidated annual business report as one report, which will contain information of importance for the economic entity within the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency

Transactions in foreign currencies are translated into Dinars at the middle exchange rate of the National bank of Serbia ("NBS") prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies which are stated at cost, are translated at the middle exchange rate of NBS ruling at the reporting date. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income. Non-monetary assets denominated in foreign currency are translated at the middle exchange rate of NBS ruling at the date of transaction.

Foreign currency difference arising on payment transaction during the year, as well as foreign currency differences arising on translation on the balance sheet date are recognized in Statement of profit or loss as Net gains/(losses) on foreign exchange differences and effect of foreign currency clause.

Contingent liabilities at balance sheet date are translated into Dinars at the middle exchange rate of NBS prevailing at the balance sheet date.

Receivables and liabilities with foreign currency clause are translated into Dinars at the middle exchange rate of NBS prevailing at the balance sheet date. Foreign currency difference arising on such transactions are recognized in Statement of profit or loss as Net gains/(losses) on foreign exchange differences and effect of foreign currency clause.

Official exchange rates for major currencies used in the translation of the statement of financial position items denominated in foreign currencies were as follows:

Currency	31.12.2020	31.12.2019
CHF	108.4388	108.4004
USD	95.6637	104.9186
EUR	117.5802	117.5928

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Interest income and expense

(i) Effective Interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Fees that are an integral part of the effective interest rate of a financial instrument include:

- Any origination fees received by the Benk relating to the creation or acquisition of a financial asset. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction. These fees are an integral part of generating an involvement with the resulting financial instrument;
- Any commitment fees received by the entity to originate a loan when the loan commitment is not measured at FVTPL and it is probable that the Bank will enter into a specific lending arrangement. These fees are regarded as compensation for an ongoing involvement with the acquisition of a financial instrument. If the commitment expires without the entity making the loan, the fee is recognised as revenue on expiry;
- Any origination fees paid on issuing financial liabilities measured at amortised cost. These fees are an integral part of generating an involvement with a financial liability. The Bank distinguishes fees and costs that are an integral part of the effective interest rate for the financial liability from origination fees and transaction costs relating to the right to provide services, such as investment management services.

Fees that are part of the effective interest rate are recognized in the income statement at effective interest rate model, except for financial instrument with no predefined annuity plan, such as loan facilities, credit cards and overdrafts, where linear model of recognition is used.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Interest income and expense (continued)

Fees that are not an integral part of the effective interest rate of a financial instrument and are accounted for in accordance with IFRS 15 include:

- Fees charged for servicing a loan;
- Commitment fees to originate a loan when the loan commitment is not measured at FVTPL and it is unlikely that a specific lending arrangement will be entered into; and
- Loan syndication fees received by an entity that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

(ii) Amortized costs and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) Calculation of interest income and expenses

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset.The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves

For information on when financial assets are credit-impaired, see Note 3 (k) (viii).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Interest income and expense (continued)

(iv) Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

- Interest on financial assets and financial liabilities measured at amortised cost;
- Interest on debt instruments measured at FVOCI;
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense, calculated by using effective interest rate, presented in the statement of profit or loss and OCI includes:

- Financial liabilities measured at amortised cost; and
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Fee and commission income and expense

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. Fee and commission income include transfer payments in foreign currency, domestic payments transactions, loan administration, guarantee, letter of credit business and other banking services.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Net gains/(losses) on financial assets held for trading

Net gains/(losses) on financial assets held for trading comprise gains fewer losses related to trading assets and liabilities and includes all realised and unrealised fair value changes.

(f) Net gains/(losses) on hedging

Net gains/(losses) on hedging comprise gains fewer losses related to change in fair value of derivatives held for hedging against risks.

(g) Net gains/(losses) on financial assets designated at fair value through profit or loss

Net gains/(losses) on financial assets designated at fair value through profit or loss comprise gains minus losses related to financial assets designated at fair value through profit or loss, and includes all realised and unrealised fair value changes.

(h) Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are presented in Other operating income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, which includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, estimated costs of dismantling and removing the underlying asset or restoring the site, less any lease incentives received.

For subsequent measurement of right-of-use, the Bank uses the cost model. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within Note 20 at the balance sheet position Property, plant and equipment.

Right-of-use assets are subject to impairment in line with the Bank's policy as described in Note 3(s) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

After initial recognition, lease liabiliteise are measured at amortized costs, using effective interest rate method.

(ii) Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Tax

(i) Current income tax

Tax on profit represents an amount calculated and payable under the Serbian Corporate Income Tax Law. The income tax rate for 2020 is 15% (2019: 15%), In accordance with effective regulation, tax payer is obliged to calculate income tax for reporting period and to file tax return.

Taxable profit includes the profit shown in the statutory Statement of income and adjustments for permanent differences, as defined by the Serbian Tax Law. Such adjustments comprise mainly adding back certain disallowed expenses and deducting certain capital expenditure and investments incurred during the year.

(ii) Deferred income tax

Deferred income tax is provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and the tax effects of income tax losses available for carry forward and tax credits, to the extent that it is probable that the future taxable profits will be available against which the deductible temporary differences and tax losses carry forward can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. At as 31 December 2020, deferred tax is measured at tax rate of 15% (31 December 2019: 15%). Deferred tax is recognized in Statement of profit or loss, except for deferred tax related to position recognised in equity, when deferred tax is also recognized in equity.

(iii) Other taxes and contributions

According to the relevant legislation in the Republic of Serbia, the Bank pays various taxes and contributions, such as service tax, tax on investments in equity and contributions on salaries and wages. These are included under other expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

(i) Recognition

Settlement date accounting has been adopted to record transactions except FX transactions which are accounted at trade date.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. Financial assets at fair value through profit or loss are initially recognized at fair value, while transaction costs are recognize as expense in Statement of profit or loss.

(ii) Classification

IFRS 9 contains new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics.

For the Bank four classification categories for financial assets are applied:

- Financial assets measured at amortized cost (AC)
- Financial assets measured at fair value through OCI (FVOCI)
- Financial assets mandatory measured at fair value through profit or loss (FVTPL) and
- Financial assets designated measured at fair value through profit or loss (FVTPL).

A financial asset are measured at amortized cost if both of the following conditions are met and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A business model's objective can be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur. IFRS 9 gives the following examples of sales that may be consistent with the hold-to-collect business model:

- The sales are due to an increase in the credit risk of a financial asset;
- The sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent);
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

For the Bank, the sale and of more than 10% of the portfolio (carrying value) during a rolling 3 year period will potentially be considered 'more than infrequent' unless these sales are immaterial as a whole.

'Close to maturity' will be applied similarly to the guidance for held to maturity financial assets under IAS 39. A maturity less than 3 month can be seen as close to maturity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification (continued)

A financial asset is classified as subsequently measured at FVOCI if it is held within a business model whose objective is both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment–by–investment basis for each investment and essentially covers strategic interests that are not fully consolidated.

All other financial assets – i.e. financial assets that do not meet the criteria for classification as subsequently measured at either amortised cost or FVOCI – are classified as subsequently measured at fair value, with changes in fair value recognised in profit or loss. In addition, the Bank has the option at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency – i.e. an 'accounting mismatch' – that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

A financial asset is classified into one of these categories on initial recognition.

Business model assessment

The Bank make an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The following is considered as evidence when assessing which business model is relevant:

- How the performance of the business model (and the financial assets held within that business model) are evaluated and reported to the Bank's key management personnel;
- How the risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed;
- How managers of the business are compensated – e.g. whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- The frequency, value and timing of sales in prior periods, the reasons for such sales, and its expectations about future sales activity and
- Whether sales activity and the collection of contractual cash flows are each integral or incidental to the business model ("hold-to-collect" versus "hold and sell" business model).

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification (continued)

Analysis of Contractual Cash Flow Characteristics

Once the Bank determines that the business model of a specific portfolio is to hold the financial assets to collect the contractual cash flows (or by both collecting contractual cash flows and selling financial assets), it must assess whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For this purpose, principal is defined as the fair value of the financial assets on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. This assessment is carried out on an instrument by instrument basis on the date of initial recognition of the financial asset.

In assessing whether the contractual cash flows are solely payments of principal and interest the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features
- Prepayment, extension terms
- Leverage features
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Contractually linked instruments.

Non-recourse loans - In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgment in assessing whether the non-recourse loans meet the SPPI criterion. The Bsank typically considers the following information when making this judgement:

- Whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- The fair value of the collateral relative to the amount of the secured financial asset;
- The ability and willingness of the borrower to make contractual payments, notwithstanding a decline in the value of collateral;
- Whether the borrower is an individual or a substantive operating entity or is a special-purpose entity;
- The Bank's risk of loss on the asset relative to a full-recourse loan;
- The extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- Whether the Bank will benefit from any upside from the underlying assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(ii) Classification (continued)

Contractually linked instruments - Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- The contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;

- The underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and

- The exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

In 2018 IASB issued an IFRS 9 amendment regarding prepayment features with negative compensation. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract". In contrary, financial instruiments are measured mandatorily at FVTPL.

Modification of Time Value of Money and the Benchmark Test

Time value of money is the element of interest that provides consideration for only the passage of time (IFRS 9.B4.1.9A). It does not take into account other risks (credit, liquidity etc.) or costs (administrative etc.) associated with holding a financial asset.

In some cases, the time value of money element may be modified (imperfect). That would be the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case the Bank must assess the modification as to whether the contractual cash flows still represent solely payments of principal and interest, i.e. the modification term does not significantly alter the cash flows from a 'perfect' benchmark instrument. This assessment is not an accounting policy choice and cannot be avoided simply by concluding that an instrument, in the absence of such an assessment, will be measured at fair value. For the following main contractual features that can potentially modify the time value of money a benchmark test will be applied:

- Reset rate frequency does not match interest tenor
- Lagging indicator
- Smoothing clause
- Grace period
- Secondary market yield reference.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iii) Reclassification

Financial assets are not reclassified after initial recognition, except in periods after the change of Bank's business model used for management of financial assets.

(iv) Modification

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (Note 3 (k) (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(iv) Modification (continued)

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method

Financial liabilities

The Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(v) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(vi) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if it is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique. The objective of using a valuation technique is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Three widely used valuation techniques are the market approach, the cost approach and the income approach.
In some cases a single valuation technique will be appropriate, in other cases, multiple valuation techniques will be adequate to applied. If multiple valuation techniques are used to measure fair value, the results (i.e., respective indications of fair value) shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument of based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment

The Bank recognises loss allowances for expected credit losses (hereinafter: ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality since initial recognition. This model requires that a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as "Stage 1" financial instruments.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as "Stage 2" financial instruments.

Financial instruments in Stage 1 have their expected credit loss measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their expected credit losses measured based on expected credit losses on a lifetime basis. According to IFRS 9 when measuring expected credit losses it is necessary to consider forward-looking information. Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis (Stage 3).

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and

- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

In Bank, as practical expedient, it is assumed that securities with investment grade should not be assessed to see whether the credit risk on a security has increased significantly. Here investment grade is defined by recognised external rating agencies as a rating between AAA-BBB (Standard's & Poor's, Fitch) and Aaa-Baa (Moody's). If information from recognised external rating agencies is not available the equivalent internal ratings can be mapped to the external ratings. This mapping should consider the market participant perspective taking into account all of the terms and conditions of the security. In cases where there is no external or internal rating the probability of default which is equivalent to investment grade can be used if available.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Measurement of Expected Credit Losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses these are:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

For the Bank credit risk comes from the risk of suffering financial loss, should any of our customers, clients or market counterparties fail to fulfil their contractual obligations to us. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as, financial guarantees, letters of credit, and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities, including trading portfolio assets and derivatives, as well as settlement balances with market counterparties and reverse repurchase agreements.

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using probability of default (PD), exposure at default (EAD) and loss given default (LGD). This is the predominant approach which will be used for the purposes of measuring expected credit losses under IFRS 9.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties;
- Purchase or origination of financial assets with deep discount that reflects the incurred credit losses.

Significant Increase in Credit Risk

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative Criteria

The Bank uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios. For quantitative staging the Bank compares the lifetime PD curve at measurement data with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition assumptions are made about the structure of the PD curve. On the one hand, in the case of highly rated financial instruments, it is assumed that the PD curve will deteriorate over time. On the other hand, for low rated financial instruments, it is assumed that the PD curve will improve over time. The degree of improvement or deterioration depends on the level of the initial rating. In order to make the two curves comparable the PDs are scaled down to annualized PDs.

Given the different nature of products between non-retail and retail, the methods for assessing potential significant increases also slightly differ. In general, a significant increase in credit risk is considered to have occurred with a relative increase in the PD of up to 250% although this amount can be lower due to several limiting factors such as closeness to maturity and portfolios of products.

For retail exposures on the other hand, the remaining cumulative PDs are compared as the logit difference between "Lifetime PD at reporting date" and "Lifetime PD at origination conditional to survival up to the reporting date". A significant increase in credit risk is considered to have occurred once this logit difference is above a certain threshold. The threshold levels are calculated separately for each portfolio which is covered by individual rating-based lifetime PD models. Based on historical data, the thresholds are estimated as the 50th quantile of the distribution of the above-mentioned logit differences on the worsening portfolio. This way, 50% of the worsening in the lifetime PDs with the highest magnitude is deemed significant. That usually translates to PD increase between 150% - 300%, dependent on the default behavior of the different portfolios.

A financial instrument must be transferred to stage 2 with regard to the below mentioned threshold.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Qualitative Criteria

The Bank uses qualitative criteria as a secondary indicator of significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators;
- Changes in contract terms;
- Changes to management approach;
- Expert judgement.

The assessment of significant increase in credit risk incorporates forward-looking information and will be performed on a quarterly basis at a deal level for all non-retail portfolios held by the Bank.

For retail portfolios, if the borrower meets one or more of the following criteria:

- Forbearance
- Default of other exposure of the same customer (PI segment),
- Holistic approach - Applicable for cases where new forward-looking information becomes available for a segment or portion of the portfolio and this information is not yet captured in the rating system. Upon identifying such cases the Management shall measure this portfolio with lifetime expected credit losses (as collective assessment).

The assessment of significant increase in credit risk incorporates forward-looking information and will be performed on a monthly basis at a deal level for all retail portfolios held by the Bank.

Backstop

The financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. In some limited cases the presumption that financial assets which are more than 30 days past due are to be shown in Stage 2 is rebutted. Those cases relate to breaching the threshold of 30 days past due, a financial instrument will be considered to indicate a significant increase in credit risk. As this is rebuttable presumption, there will be no automatic transfer to stage 2, but the update of the customer's rating will be requested from the Credit Analyses/SE Risk Management Department. After rating review, quantitative criteria will determine whether transfer to stage 2 is necessary. If until next reporting period rating review is not performed, exposure will be transferred to stage 2.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Definition of Default and Credit-Impaired Assets

The Bank will define a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenants;
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy;
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank expected loss calculations.

An instrument will be considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of a minimum of 3 months or longer for distressed restructured exposures. This period of 3 months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Probability of Default

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory 12 month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, local and regional governments, insurance companies and collective investment undertakings the default profile is generated using a transition matrix approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model;
- Corporate customers, project finance and financial institutions the default profile is generated using a parametric survival regression (Weibull) approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model;
- Retail mortgages and other retail lending the default profile is generated using parametric survival regression in competing risk frameworks. Forward looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

Loss Given Default

Loss given default represents the Bank's expectation of the extent of loss on a defaulted exposure. Loss given default varies by type of counterparty and product. Loss given default is expressed as a percentage loss per unit of exposure at the time of default. Loss given default is calculated on a 12-month or lifetime basis, where 12-month loss given default is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime loss given default is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models will be used to estimate the loss given default of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign the loss given default is found by using market implied sources. Market sources are external data on losses related to sovereign defaults (debts write offs during restructuring processes and similar).;
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies the loss given default is generated by discounting cash flows collected during the workout process. Forward looking information is incorporated into the loss given default using the Vasicek model;
- Retail mortgages and other retail lending the loss given default is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory loss given default. Forward looking information is incorporated into the loss given default using various satellite models;
- In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgement is used for the calculation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Exposure at Default

Exposure at default is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12month or lifetime basis. Where relevant early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the exposure at default is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. Parameters calculated for regulatory purposes, e.g. LDG and CCF used for RWA calculation, are calculated including margins of conservatism. For IFRS9 purposes, same parameters are used but without margins of conservatism. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

Discount Factor

In general for on balance sheet exposure which is not POCI the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

Calculation

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward looking scenario.

Different models have been used to estimate the Stage 3 provisions of outstanding lending amounts and these can be grouped into the two different categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings the Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate;
- Retail lending: Stage 3 provision is generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Forward Looking Information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the probability of default, loss given default and exposure at default vary by category type. Expert judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by Raiffeisen Research on a quarterly basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate or a long run average growth rate until maturity. The impact of these economic variables on the probability of default, loss given default and exposure at default has been determined by performing statistical regression to understand the impact changes in these variables have had historically on default rates and on the components of loss given default and exposure at default.

In addition to the base economic scenario, Raiffeisen Research also provide a best case and worst case scenario along with scenario weightings to ensure non-linearities are captured. The Bank has concluded that three scenarios or less appropriately captured non-linearity.

The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of. The probability-weighted expected credit losses are determined by running each scenario through the relevant expected credit loss model and multiplying it by the appropriate scenario weighting.
For the basic, and also for the pessimistic and optimistic scenarios the methodology has been adapted due to the COVID 19 pandemic.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and cover any potential non-linearities and asymmetries within the Bank different portfolios.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Post-model adjustments

Post-model "adjustments" (based on IFRS 9.B5.5.16 and EBA / GL / 2017/06) for expected estimates of credit loss adjustments are adjustments used in circumstances where existing inputs, assumptions and model techniques do not cover all relevant risk factors. The emergence of new macroeconomic, microeconomic or policy developments, together with expected changes in parameters, models or data that are not incorporated into current parameters, internal migration of risk assessments or forward-looking information are examples of such circumstances. RBI Group banks use the post-model adjustment for the allowance model for expected credit losses only as a temporary solution. All material adjustments are approved by the Group Risk Committee.

Reasonable reasons for post-model adjustment as a temporary solution include:

- transient circumstances (such as natural disasters, diseases, armed conflicts);
- insufficient time to include relevant new information in the existing credit risk assessment and modeling process that has materialized but is not yet covered by the model parameters;
- re-segmentation of existing exposure groups, where it takes more time to update the parameters to cover all effects;
- situations in which exposures react to factors or events differently than initially expected.

Post-model adjustments must meet the following characteristics, in order to reduce potential bias:

- Temporary: Adjustments are temporary in nature and generally not valid for more than 1-2 years;
- Governance: Competent risk management committees approve the post-model adjustment taking into account the level of impact;
- Documentation: reasons for adjustments, in relation to macroeconomic forecasts, credit risk drivers, detailed budget and expected duration;
- Remediation: A realistic plan is developed for how new information is incorporated into models and applied in the near future;
- Consistency: adjustments aligned with information on future trends;
- Overview: Holistic reservation decisions are reviewed quarterly and qualitative "back-testing" is performed;
- Control: established documented controls and processes to ensure compliance.

The Bank made adjustments to the portfolio of large, medium and small companies ("non-retail") and the portfolio of individuals and micro enterprises ("retail").

Post-model adjustment in the portfolio of companies ("non-retail")

As the effects of the COVID crisis cannot be fully included in the statistical IFRS9 models as early as 2020, and the transition to Stage 3 has been postponed by state aid measures and moratoriums, it is necessary to implement a post-model adjustment to more realistically recognize expected credit losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Post-model adjustments (continued)

The Bank implemented the following post-model adjustments in its corporate portfolio:

- The so-called "PreWorkout COVID" status by which clients from certain industrial sectors most affected by the crisis were treated as high-risk clients and exposures to them were classified in Stage 2, which led to an increase in the impairements (exposures in industries such as tourism, car and air transport, oil and gas, real estate and some consumer industries). In granting PWO COVID status, in addition to the industrial sector, the financial condition of debtors, customers / suppliers, requests for deferral of payment and other available information were analyzed, in order to realistically consider the effects of demand disruptions, supply chain disruptions and regulatory measures.
- For clients rated by the Corporate and SMB rating model, which are in Workout or Pre-Workout status with identified liquidity difficulties and not in PWO COVID status, an additional value adjustment is determined as a percentage of exposure after the application of conversion factors and / or collateral.
- After the application of new macroeconomic expectations in the fourth quarter of 2020, which would reduce the correction, and in conditions when other parameters did not fully cover the effect of the crisis (primarily PD parameter - financial client reports that will fully cover the effect of the crisis will be available only in 2021, when internal ratings based on these reports will be assigned), a post-model adjustment was made which ensured that an adequate level of adjustment was maintained at the level of the corporate portfolio. The effect is allocated to claims that are not included in the post-model adjustment from the second item .

Post-model adjustment in the portfolio of individuals and micro enterprises and entrepreneurs ("retail")

The Bank implemented the following post-model adjustment in the retail portfolio:

- Clients employed in companies operating in certain industrial sectors most affected by the crisis are treated as high-risk clients (due to increased risk of reduced earnings and / or job loss) and exposures to them are classified in Stage 2, which led the growth of the impairements (exposures in branches such as tourism, car and air transport, oil and gas, real estate and some consumer industries).
- Clients employed in companies that are beneficiaries of the aid package of the Republic of Serbia, which is reflected in the subsidization of 3 monthly salaries in the amount of RSD 30,000 were treated as clients with increased risk and exposures to them are classified in Stage 2, which led to growth adjustment.
- Clients employed in companies where, due to system limitations and / or data quality, it is not possible to identify in which industrial sector it operates were treated as clients with increased risk and exposures to them were classified in Stage 2, which led to an increase in the correction.
- Clients who applied for Moratorium # 3 were treated as clients with increased risk and exposures to them were classified in Stage 2, which led to the growth of the impairements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Post-model adjustments (continued)

The Bank implemented the following post-model adjustments in the portfolio of micro-enterprises and entrepreneurs:

- Clients operating in certain industrial sectors most affected by the crisis were treated as clients with increased risk and exposures to them were classified in Stage 2, which led to an increase in the impairements (exposures in industries such as tourism, car and air transport, oil and gas, real estate and some consumer industries).
- Clients who direct less than 30% of the turnover through the account in Raiffeisen Bank were treated as clients with increased risk and exposures to them were classified in Stage 2, which led to the growth of the impairements.
- Clients who applied for Moratorium # 3 were treated as clients with increased risk and exposures to them were classified in Stage 2, which led the growth of the impairements.

Sensitivity analysis

The most significant assumptions affecting the expected credit loss allowance are as follows:

- Corporate portfolios;
  - Gross domestic product;
  - Unemployment rate;
  - Long term government bond rate;
  - Inflation rate;

- Retail portfolios;
  - Gross domestic product;
  - Unemployment rate;
  - Real estate prices.

Presentation

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

(viii) Impairment (continued)

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

(l) Cash and cash equivalents

For the purpose of preparation of Statement of Cash flows, cash and cash equivalents include notes and coins on hand, unrestricted balances held with banks and other cash equivalents.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

(m) Financial assets and liabilities at fair value through profit and loss held for trading

Financial assets and liabilities at fair value through profit or loss held for trading are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised directly to profit or loss, All changes in fair value are recognised as part of Net gains/(losses) on financial assets held for trading in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition, except that non-derivative trading assets, other than those designated at fair value through profit or loss upon initial recognition, may be reclassified out of the fair value through profit or loss (i.e., trading) category if they are no longer held for the purpose of being sold or repurchased in the near term and the following conditions are met:

- If the financial asset would have met the definition of loans and receivables (if the financial asset had not been required to be classified as held for trading at initial recognition), then it may be reclassified if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity,
- If the financial asset would not have met the definition of loans and receivables, then it may be reclassified out of the trading category only in 'rare circumstances'.

Derivatives are also classified as trading assets or liabilities, except for derivatives held for risk management purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Derivatives held for risk management purpose and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position.

The Bank designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%. The Bank makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Hedge accounting principles are discussed below:

(i) Cash flow hedges

Cash flow hedge represents a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability and could affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

(ii) Fair value hedges – portfolio hedges

Fair value hedge represents a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. The Bank entered in portfolio hedge i.e., macro fair value hedge.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Derivatives held for risk management purpose and hedge accounting (continued)

The Banks measure change in the fair value of the hedged item that are attributable to the hedged risk. An effect is recognised in profit or loss. In the statement of financial position this amount is disclosed as asset or liability. The Bank measure change of fair value of hedge instrument, with recognition of change in fair value in profit or loss, Fair value of hedge instrument is recognised as asset or liability in the statement of financial position.

(o) Loans and receivables

Loans and advances in the statement of financial position include:

- Loans and advances measured at amortised cost: they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and
- Loans and advances mandatorily measured at FVTPL or designated as at FVTPL: these are measured at fair value with changes recognised immediately in profit or loss.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.

Loans that are disbursed in RSD and index-linked to RSD/EUR, RSD/CHF or RSD/USD exchange rates are revalued at the mid exchange rate of the National Bank of Serbia as at reporting date. The effects of such revaluation are included under Net gains/(losses) on foreign exchange differences and effects of foreign currency clause.

(p) Investment securities

The investment securities in the statement of financial position includes:

- Debt investment securities measured at amortised cost (Note 3 (k) (ii); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Debt and equity investment securities mandatorily measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss;
- Debt securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method;
- ECL and reversals; and
- Foreign exchange gains and losses.

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Investment securities (continued)

The Bank elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis and is irrevocable. Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss (Note 3 (h)) unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in OCI. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment.

(q) Intangible assets

Intangible assets are stated at cost decreased for accumulated amortisation and accumulated impairment losses. Intangible assets at reporting date include computer software licenses and other intangible assets.

Intangible assets are non-monetary assets, such as goodwill, patents, licences, concessions, trademarks, brands, accounting software, franchises, design and implementation of new processes or systems, intellectual property etc. For these assets, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity in the period longer than one year and that such inflows are above cost of asset.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is calculated at the cost decreased for residual value. In case that residual value is not materially significant, it is not taken in consideration for calculation of amortization i.e., in that case, basis for calculation of amortization is not decreased for residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the intangible asset, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Recommended depreciation period for standard software is from 4 to 6 years and any deviation for this recommended period should be based on exactly documented details about the useful life. The estimated useful life for all intangible assets is five years and amortisation rate used is 20%.

Amortisation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

All amounts expressed in thousand of RSD, unless otherwise stated

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Property and equipment of the Bank comprises land, buildings, equipment, investments in leased assets and asset under construction.

Initially items of property and equipment are measured at cost.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

For subsequent measurement of property and equipment, the Bank uses the cost model.

(ii) Subsequent expenses

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives for the current and comparative periods are as follows:

Description	Estimated useful life (in years)	% p.a.
Buildings	25 - 50	2 – 4
IT equipment	3 - 5	20 - 33
Telephone switch-boards	5 - 15	6.67 - 20
Motor vehicles	6.4 - 7	14.3 – 15.6
Furniture and other equipment	5 - 10	10 – 20
Investment in leased buildings	5 - 10	10 - 20

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

Maintaining costs of property, plant and equipment are recognized as expenses as occurred.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item or property and equipment, and are recognised net within other operating income in statement of profit or loss. Book value of derecognised assets is recegnized as other expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in statement of profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

(t) Deposits and subordinated liabilities

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental directly attributable transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

From 1 January 2019, when the Bank designates a financial liability as at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve. On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- The expected changes in the fair value of the liability related to changes in the credit risk; with
- The impact on profit or loss of expected changes in fair value of the related instruments.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

Deposits, debt securities issued and subordinated liabilities in foreign currency are translated in dinars at middle foreign exchange rate effective at balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(v) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Bank recognises a loss allowance in accordance with IFRS 9 (Note 3 (k) (viii));

Financial guarantees and loan commitments are included within off-balance sheet items. Liabilities arising from financial guarantees and loan commitments are included within provisions.

(w) Equity

Equity of the Bank comprise initial shareholders investments, reserves and profit for the year.

Share capital of the Bank is formed from investment of shareholder in cash. Shareholder may not withdraw funds invested in the Bank's share capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits

Employee benefits comprise all types of considerations the Bank offers to its employees in exchange for the services rendered. Employee benefits include the following:

- Short-term employee benefits such as wages, salaries and social insurance contributions, paid vacations, paid sick leaves and bonuses (provided they are payable within 12 months upon the end of the accounting period) and nonmonetary benefits (e.g. use of cars);
- Other long-term employee benefits, such as jubilee awards and other considerations based on the years of service unless they are fully payable within 12 months upon the end of the accounting period.

(i) Short-term employee benefits

The Bank's short-term employee benefits comprised taxes and mandatory social insurance contributions, benefits related to unused employees' vacations and bonuses.

Short-term employee benefits in the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period should be recognized as expenses in that period.

In accordance with the regulations prevailing in the Republic of Serbia, the Bank has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and by the employer in an amount calculated by applying the specific, legally-prescribed rates. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf, to transfer the withheld portions directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

Accumulating compensated absences (annual leaves) may be carried forward and used in future periods if the current period's entitlement is not used in full. Expenses for compensated absences are recognized at the amount the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. In the case of non-accumulating compensated absences, an obligation or expense is recognized when the absences occur.

The Bank recognizes estimated bonus expenses when the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Present obligation exists when the Bank has no other alternative but to settle obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Employee benefits (continued)

(ii) Long-term employee benefits

Other Bank's long-term employee benefits comprised provisions for legally prescribed retirement benefits.

Other long-term employee benefits are recognized as expenses in the amount of the present value of liabilities arising from defined considerations as at the balance sheet date.

Pursuant to the Labour Law and Article 92 of the Bank's Rules of Procedure, the employees are entitled to retirement benefits in the amount of two salaries earned in the month preceding the month of retirement or in the amount or two average salaries paid in the Republic of Serbia according to the most recent published information of the Republic Statistical Office, whichever is more favourable for the vesting employee.

The Bank makes use of the best possible estimates of variables upon determining the total cost of provisions for employee retirement benefits. The basic assumptions underlying such estimates include the following:

For salaries denominated in EUR:

- Salary growth rate of 1%;
- Discount rate of 1.3%, representing the interest rate applied to corporate bonds.

For salaries denominated in RSD:

- Salary growth rate of 1% plus increase based on the inflation rate in 2021 - 2022;
- Discount rate of 4.8%, determined as the 12-month average of the value of securities of Ministry of Finance of Republic of Serbia to 10 years as increased by the liquidity cost over the longest period available (interest rates are to be changed monthly).

Post-employment benefits comprise defined contribution plans and defined benefit plans. The Bank has neither a defined contribution plan nor a defined benefit plan so as at December 31, 2020 the Bank had no identified liabilities in respect thereof. In addition, as there is no plan for employment termination prior to the common retirement date, there were no obligations for employment termination benefits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates and judgements

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances. Revisions to estimates are recognised prospectively.

Management makes estimates and assumptions that relates to the future. Actual results may differ from these estimates. Information about significant areas of estimation uncertainty and critical estimates in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below.

Establishing the criteria for ECL calculation (Note 3 (k) (viii))

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit losses these are:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses, where integral part of models are forward looking information;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated expected credit losses;
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

Fair values (Note 3 (k) (vii) and 5)

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

For determination of fair value of treasury bills issued by Ministry of Finance of the Republic of Serbia, which are included in trading book, the Bank applies alternative approach for valuation. Alternative approach implies determination of net present value of discounted future cash flows for related position and exposure, where discounted interest rate is determined as last available/realized interest rate on public auction for treasury bills for the same or similar remaining maturity.

Contingencies (Note 3 (v))

For the purpose recognition and measurement of contingencies, the management defines key assumptions about the likelihood and magnitude of an outflow of resources.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

In its business operations, the Bank is or may be exposed to the following types of risks:

- Credit risk, which represents a possibility of occurrence of adverse effects on the Bank's financial result and capital due to a default of the borrower towards the Bank, including the following:

  - Settlement/delivery risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital arising from unsettled transactions or due to non-execution of liabilities of the counterparty against free delivery transactions on the agreed settlement/delivery date;
  - Counterparty risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital arising from the counterparty's failure to fulfil his part of the deal in a transaction before final settlement of cash flows of the transaction;
  - Residual risk, which represents the likelihood of occurrence of adverse effects on the bank's financial result and capital due to the fact that the 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;
  - Dilution risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the debtor;
  - FX component of credit risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to deterioration of the debtor's financial capacity caused by change in foreign exchange rates;
  - Interest rate induced credit risk, which presents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the deterioration of the borrower's financial ability caused by the change in interest rates;
  - Concentration risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to the concentration of the Bank's exposure towards the same or similar source of risk origination (large exposures, economic sectors, geographic regions, product type etc. and credit mitigation instruments, including currency and maturity mismatch between large exposures and related credit protection instruments).

- Market risks, which represent the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the changes in value of balance sheet and off-balance sheet items of the Bank resulting from the price trends in the market. These risks include:

  - Foreign exchange risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the changes in values of foreign exchange rates;
  - Price risk on debt and equity securities, which represents risk from changes in the value of these securities due to changes of interest rates and includes specific and general price risks:

    - Specific price risk is risk from change of a security price due to the factors related to its issuer,
    - General price risk is risk from change of a security price due to change of general levels of interest rates/price of those securities;

4. FINANCIAL RISK MANAGEMENT (continued)

(a) Introduction and overview (continued)

- Commodity risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to changes of prices of commodities listed in the positions of the Bank;

- Interest rates risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital as a result of changes in the level of interest rates;

- Liquidity risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital as a result of the bank's inability to fulfil its due liabilities, due to the following:

  - Maturity mismatches between assets and liabilities;
  - Withdrawals of the existing funding sources and/or impossibility to obtain new funding sources (funding liquidity risk);
  - Aggravated conversion of assets into liquid funds due to market disturbances (market liquidity risk);

- Operational risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to omissions in the work of employees, inappropriate internal procedures and processes, inadequate management of information and other systems, as well as due to other unforeseeable external events. The definition includes the legal risk and excludes strategic and reputation risks;

- Country risks, which represent the possibility of occurrence of adverse effects on the Bank's financial result and capital as a result of inability to collect receivables from debtors due to the reasons arising from political, economic and social circumstances in the country of origin of that entity, including:

  - Political and economic risk, which implies the possibility of occurrence of losses due to the inability of the Bank to collect receivables as a result of constraints defined by the regulations of government and other authorities of the debtor's home country, as well as general and systemic environment in that country;
  - Transfer risk, which implies the possibility of occurrence of losses due to the inability of the Bank to collect receivables expressed in the currency which is not official currency of the debtor's home country, arising from the constraints in payments of liabilities toward creditors from other countries in certain currency which are defined by the regulations of government and other authorities of the debtor's home country;

- Compliance risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to incompliance of the Bank's operations with laws and other regulations, standards of operations, procedures governing prevention of money laundering and terrorism financing, as well as other enactments governing operations; compliance risk especially includes risk from sanctions imposed by a regulatory body, risk from financial loss, as well as the reputation risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to creation of a negative public image that affects market positioning of the Bank;

4. FINANCIAL RISK MANAGEMENT (continued)

(a) Introduction and overview (continued)

- The risk of money laundering and terrorist financing is the risk of having adverse effects on the financial result, equity or reputation of the Bank due to the usage of the Bank (direct or indirect usage of the business relationship with the Bank, transactions, services or products of the Bank) for money laundering and/or terrorist financing;
- Strategic risk, which represents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the lack of appropriate strategies and policies and their inadequate implementation, as well as due to changes in the environment in which the bank operates or the lack of appropriate response by the bank to such changes;
- Investment risks, which include risks of the Bank's investment into other legal entities and fixed assets.

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Asset and Liability Committee (ALCO), Credit Committee, as well as Operational Risk Committee, which are responsible for developing and monitoring Bank risk management policies in their specified areas.

The Bank's risk management policies are established to identify and analyse the risk faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Bank. The Bank's Audit Committee is assisted in by Internal Audit, Internal Audit undertakes both, regular and ad-hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

(i) Risk management in terms of pandemics Covid 19

On March 12, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, Serbian authorities have implemented a number of measures in an attempt to curb the spread and impact of COVID-19, such as travel bans and restrictions, quarantines, restrictions on business activities, including closure. The above measures were gradually relaxed during 2020 and 2021. These measures, among other things, severely limited economic activity in Serbia and had a negative impact, and could continue to negatively affect companies, market participants, the Bank's clients, as well as the Serbian and global economy indefinitely.

In order to mitigate the effects of COVID-19, the Government of the Republic of Serbia and the National Bank of Serbia have adopted a comprehensive package of assistance that is primarily aimed at companies and the population. The Republic of Serbia and the National Bank of Serbia have adopted a comprehensive aid package that is primarily aimed at companies and the population.

4. FINANCIAL RISK MANAGEMENT (continued)

(a) Introduction and overview (continued)

The Government of the Republic of Serbia adopted a package of measures which, among other things, included postponing the obligations of companies to pay taxes and contributions on salaries until January 2021, as well as paying them in a maximum of 24 monthly installments after that date . In addition, donations to institutions involved in the fight against COVID-19 are exempt from value added tax. Employees in entrepreneurial shops, micro, small and medium enterprises who applied were paid almost 6 minimum monthly salaries from the Budget of the Republic of Serbia, while employees in large companies were paid slightly more than one minimum monthly salary. Also, companies are enabled to take working capital loans in the total amount of EUR 200 million through the Development Fund, while banks operating in the territory of the Republic of Serbia are enabled to take loans secured by the state guarantee in the total amount of EUR 2 billion. In addition to the above measures, assistance was provided to the most vulnerable sectors. Assistance was also paid to all adult residents of the Republic of Serbia in the amount of 100 euros.

The National Bank of Serbia adopted two decisions obliging banks to allow a delay in repayment of liabilities of individuals and legal entities for a period of 5 to 6 months, whereby the mentioned users of financial services had the opportunity to submit a request not to use this opportunity. In addition, banks are obliged to provide individuals and legal entities that meet certain conditions, ie whose financial position is insignificantly worsened due to COVID-19, will allow refinancing or rescheduling of liabilities using a grace period of at least 6 months.

In order to mitigate the impact of COVID-19 on the liquidity position of banks, the National Bank of Serbia organized additional swap auctions and for the first time conducted quantitative easing. It also reduced the reference interest rate several times during 2020.

Moratorium 1 - In accordance with the Decision of the NBS which entered into force on March 18, 2020. year, binding for banks and voluntary for clients. Clients declare that they do not use the benefits from Moratorium 1. The decision defines the postponement of the debtor's obligations for a period of 90 days.

Moratorium 2 - in accordance with the Decision of the NBS, enters into force on 28.07.2020. year, binding for banks and voluntary for clients. Clients declare that they do not use the reliefs from Moratorium 2. The decision defines the postponement of the debtor's obligations for 2 months (installments due in August and September) with the possibility of postponing the installment due but unpaid in June.

Moratorium 3 - in accordance with the Decision of the NBS, enters into force on 14.12.2020. years. More details are given in the final part of the note - 31. Events after the balance sheet date.

The unstable situation caused by the COVID-19 pandemic, as well as the uncertainty of the assessment of the current situation, directed the Bank's management to a more detailed assessment of the risk of future credit losses, and therefore, the Bank took into account new events. For more details on adjusting the impairment model, see note 3 k viii - Post model adjustment.

The consequence of the application of the Moratorium is reflected in the delay in the repayment of loans approved by the Bank in response to the COVID-19 pandemic. The stated delay in loan repayment is treated as a contractual change, since there have been changes in cash flows in the repayment plans of the respective loans. These changes caused the effects of the modification, and their impact on the gross carrying amount (loss due to the modification) is presented in the income statement under Note 9. A more detailed explanation is given in Note 9; 3 (k) iv.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

In measuring credit risk at the level of borrowers, the Bank assesses the risk of possible losses due to deterioration in the creditworthiness of borrowers. Credit risk represents a possibility of occurrence of adverse effects on the Bank's financial result and capital due to a default of the borrower towards the Bank, including the following:

- Settlement/delivery risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital arising from unsettled transactions or due to non-execution of liabilities of the counterparty against free delivery transactions on the agreed settlement/delivery date;
- Counterparty risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital arising from the counterparty's failure to fulfil his part of the deal in a transaction before final settlement of cash flows of the transaction;
- Residual risk, which represents the likelihood of occurrence of adverse effects on the bank's financial result and capital due to the fact that the 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;
- Dilution risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the debtor;
- FX component of credit risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to deterioration of the debtor's financial capacity caused by change in foreign exchange rates;
- Interest rate induced credit risk, which presents the possibility of occurrence of adverse effects on the Bank's financial result and capital due to the deterioration of the borrower's financial ability caused by the change in interest rates;
- Concentration risk, which represents the possibility of occurrence of adverse effects on the bank's financial result and capital due to the concentration of the Bank's exposure towards the same or similar source of risk origination (debtors and/or groups of related debtors, economic sectors, geographic regions, etc.,).

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Bank applies the Corporate Rating System which has been developed/harmonized by RBI Group. The corporate Rating system considers quantitative and qualitative parameters for the economic customer rating.

The Corporate Rating system includes following grades:

- 1C - minimal risk;
- 2A, 2B, 2C - excellent credit standing;
- 3A, 3B, 3C - very good credit standing;
- 4A, 4B, 4C - good credit standing;
- 5A, 5B, 5C - sound credit standing;
- 6A, 6B, 6C - acceptable credit standing;
- 7A, 7B, 7C - marginal credit standing;
- 8A, 8B, 8C - weak credit standing;
- 9A, 9B, 9C - very weak credit standing and
- 10 – default/bankruptcy or similar proceedings.

Grade 10 is applied only for clients which are not able to settle their obligations (default).

Beside Corporate Rating system, separate rating systems are used for small companies, local and administrative bodies, financial institutions, insurance companies, project financing, as well as scoring model for micro and retail clients.

Below is disclosed connection between rating grades for Corporate and SMB clients and level of credit quality, used for disclosure purposes:

Credit quality	High quality	Medium quality	Low quality	Default
Corporate clients				
Rating	1C - 4C	5A - 7C	8A - 9C	10
PD range	0.0003 - 0.00405	0.00547 - 0.06265	0.08528 - 0.53328	1
Financial Institutions				
Rating	1A - 4C	5A - 7C	8A - 9C	10
PD range	0.00001 - 0.00407	0.00550 - 0.06274	0.08573 - 0.44885	1
SMB				
Rating	1C – 4C	5A - 7C	8A – 9C	10
PD range	0.0003 - 0.00406	0.00551 - 0.06274	0.08522 - 0.51353	1
Project Finance				
Rating	6.1 – 6.2	6.3	6.4	6.5
PD range	0.00229 - 0.00446	0.01641	0.19074	1
Insurances				
Rating	0.5 – 2.5	3.0 – 3.5	4.0 – 4.5	5.0
PD range	0.0003 - 0.00085	0.00166 - 0.01413	0.02781 - 0.08791	1
Sovereign				
Rating	A1 - B2	B3 - B4	B5 - C	10
PD range	0.0 - 0.00033	0.00109 - 0.00642	0.02626 - 0.10419	1
Private individuals (housing loans, cash loans, visa and visa revolving cards)				
Rating	0.5 – 2.5	3.0 – 3.5	4.0 – 4.5	5.0
PD range	0.0-0.027	0.027-0.1	0.1-0.18	1

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The Bank manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties and groups, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments, Such risks are monitored on a revolving basis and are subject to an annual or more frequent review, when considered necessary. The exposure to any borrower, including banks and brokers is further restricted by sub-limits covering on-and-off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts.

Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Limits defined in the Bank cover all exposures. Entering into transactions where no limits are established is not allowed and every limit excess has to be reported immediately to the relevant body.

Credit-related commitments

Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit which are written undertakings by the Bank on behalf of a customer authorizing a third party to thaw drafts on the Bank up to a stipulated amount under specific terms and conditions are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The total exposure to credit risk as at 31.12.2020 is presented below:

	Bank assets exposed to credit risk				
	Gross exposure	Accumulated allowances for impairment / provisions	Net exposure	Bank asset not exposed to credit risk	Total
	1	**2**	**(2-1) 3**	**4**	**(4+3) 5**
Cash and balances with central bank	29,647,992	8	29,647,984	56,784,111	86,432,095
Receivables arising from derivatives	-	-	-	51,496	51,496
Securities	69,754,784	9,652	69,745,132	597,659	70,342,791
Loans and receivables to banks and other financial institutions	24,620,988	528	24,620,460	(248)	24,620,212
Loans and receivables to other customers	193,496,466	6,383,918	187,112,548	(198,298)	186,914,250
Receivables from derivatives held for hedging against the risk	-	-	-	13,211	13,211
Investments in subsidiaries	1,234,622	-	1,234,622	-	1,234,622
Intangible assets	-	-	-	831,133	831,133
Property, plant and equipment	-	-	-	6,095,587	6,095,587
Deferred tax assets	-	-	-	414,675	414,675
Other assets	418,167	85,664	332,503	426,837	759,340
Balance sheet exposure	**319,173,020**	**6,479,770**	**312,693,250**	**65,016,163**	**377,709,412**
Issued guarantees and warranties	55,150,436	389,678	54,760,758	-	54,760,758
Contingent liabilities	100,730,617	478,539	100,252,078	1,337,443	101,589,521
Other off-balance sheet exposures*	-	-	-	807,054,712	807,054,712
Off-balance sheet exposure	**155,881,053**	**868,217**	**155,012,836**	**808,392,155**	**963,404,991**
Total exposure	**475,054,072**	**7,347,987**	**467,706,085**	**873,408,318**	**1,341,114,403**

* Other off-balance sheet exposures mostly relates to the Bank's evidence of received collaterals.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The total exposure to credit risk as at 31.12.2019 is presented below:

	Bank assets exposed to credit risk				
	Gross exposure	Accumulated allowances for impairment / provisions	Net exposure	Bank asset not exposed to credit risk	Total
	1	2	3 (1-2)	4	5 (3+4)
Cash and balances with central bank	21,565,954	4	21,565,950	48,339,312	69,905,262
Receivables arising from derivatives	-	-	-	21,442	21,442
Securities	53,180,306	6,801	53,173,505	1,328,938	54,502,443
Loans and receivables to banks and other financial institutions	13,551,669	738	13,550,931	(319)	13,550,612
Loans and receivables to other customers	176,712,158	4,938,276	171,773,882	(189,163)	171,584,719
Receivables from derivatives held for hedg-ing against the risk	-	-	-	152,072	152,072
Investments in subsidiaries	1,293,551	-	1,293,551	-	1,293,551
Intangible assets	-	-	-	731,144	731,144
Property, plant and equipment	-	-	-	6,172,623	6,172,623
Current tax assets	11,682	-	11,682	-	11,682
Deferred tax assets	-	-	-	266,268	266,268
Other assets	464,333	80,425	383,908	327,411	711,319
Balance sheet exposure	**266,779,653**	**5,026,244**	**261,753,409**	**57,149,728**	**318,903,137**
Issued guarantees and warranties	54,081,069	287,021	53,794,048	-	53,794,048
Contingent liabilities	101,660,727	371,852	101,288,875	5,952,907	107,241,782
Other off-balance sheet exposures*	-	-	-	781,649,518	781,649,518
Off-balance sheet exposure	**155,741,796**	**658,873**	**155,082,923**	**787,602,425**	**942,685,348**
Total exposure	**422,521,449**	**5,685,117**	**416,836,332**	**844,752,153**	**1,261,588,485**

* Other off-balance sheet exposures mostly relates to the Bank's evidence of received collaterals.

Regarding regional exposure, loans and advances and off-balance sheet items are placed almost exclusively on the territory of the Republic of Serbia. The Bank did not lend to the debtors from high-risk areas, so that the Bank is not exposed to concentration risk arising from investments in high-risk countries.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Transfer of loans and receivables to customers between stages in 2020 is presented below:

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2019	**243,183,378**	**16,861,442**	**5,422,748**	**265,467,568**
New loans granted	122,576,730	18,390,238	284,651	141,251,619
Decrease / repayment	(83,333,262)	(3,977,344)	(1,471,049)	(88,781,655)
Transfer from stage 1	(36,316,153)	35,242,186	1,073,967	-
Transfer from stage 2	1,431,658	(2,261,808)	830,150	-
Transfer from stage 3	38,449	215,727	(254,176)	-
Balance as at 31 December 2020	**247,580,770**	**64,470,441**	**5,886,291**	**317,937,502**

Change in allowance for impairment of loans and receivables to to customers between stages in 2020 is presented below:

	Stage 1	Stage 2	Stage 3	Total
Balance as at 31 December 2019	**678,683**	**474,875**	**3,872,686**	**5,026,244**
New loans granted	290,877	1,576,833	1,408,059	3,275,769
Decrease / repayment	(267,872)	(215,902)	(1,338,469)	(1,822,243)
Transfer from stage 1	(208,058)	196,240	11,818	-
Transfer from stage 2	6,788	(62,369)	55,581	-
Transfer from stage 3	504	12,179	(12,683)	-
Balance as at 31 December 2020	**500,922**	**1,981,856**	**3,996,992**	**6,479,770**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Data on sectorial and geographical concentration of balance sheet assets and off balance sheet items are shown below:

Balance sheet exposures	Belgrade Region 1			Belgrade Region 2			North Serbia Region			South Serbia Region				Total unimpaired receivables - Stage 1 & 2	Total impaired receivables - Stage 3	Loans mandatory at FVTPL	Total exposures, gross
	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***	POCI				
Retail receivables	**13,601,569**	**9,788,606**	**999,486**	**9,790,121**	**7,723,926**	**881,102**	**6,322,761**	**4,590,045**	**559,742**	**6,557,434**	**4,822,618**	**649,189**	**228,320**	**63,197,080**	**3,089,520**	**-**	**66,514,920**
Housing loans	5,849,239	4,458,430	226,741	4,425,933	3,225,173	189,618	2,201,314	1,782,453	126,230	1,420,918	1,159,042	50,768	-	24,522,501	593,357	-	25,115,858
Consumer and cash loans	6,358,818	3,580,788	565,317	4,148,265	3,439,505	494,250	3,175,462	2,084,162	288,767	3,787,228	2,778,165	381,091	-	29,352,393	1,729,425	-	31,081,818
Transaction loans and credit cards	1,258,704	1,079,278	183,654	1,099,101	685,020	179,774	850,645	426,924	129,431	1,223,165	557,995	195,816	-	7,180,833	688,675	-	7,869,508
Other receivables	134,808	670,110	23,774	116,822	374,228	17,460	95,340	296,506	15,314	126,123	327,416	21,514	228,320	2,141,353	78,063	-	2,447,736
Non-retail receivables	**23,645,055**	**7,871,275**	**284,018**	**89,314,842**	**14,611,542**	**371,311**	**17,804,993**	**8,858,309**	**1,128,972**	**14,627,868**	**6,103,818**	**845,575**	**-**	**182,837,705**	**2,629,877**	**-**	**185,467,582**
Agriculture, forestry and fishing	289,035	64,207	28	734,555	240,021	3,283	850,615	2,281,558	22	1,234,975	13,669	23,531	-	5,708,634	26,865	-	5,735,499
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	6,560,546	2,241,509	96,368	7,726,753	3,115,626	139,149	7,518,341	895,652	629,149	5,034,110	4,086,647	727,989	-	37,179,186	1,592,655	-	38,771,841
Electricity, gas, steam and air conditioning supply	1	30	2	29	-	16	7,047	-	-	15,392	41	-	-	22,539	18	-	22,558
Construction	1,287,696	279,598	24,959	1,209,020	3,620,008	5,635	799,025	120,284	138,389	279,067	352,022	75	-	7,946,721	169,059	-	8,115,780
Wholesale and retail trade, repair of motor vehicles and motorcycles	7,835,225	1,331,359	67,250	13,934,671	3,425,549	83,653	7,006,534	4,749,920	36,106	7,231,895	637,990	15,882	-	46,153,144	202,891	-	46,356,034
Transporting and storage, Accommodation and food service activities, Information and communication	230,989	1,126,121	3,030	1,582,211	973,657	82,905	373,488	359,232	10,714	181,802	363,313	16,659	-	5,190,813	113,308	-	5,304,121
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	855,882	451,329	6,477	1,898,267	842,007	18,344	442,170	137,840	173,549	110,253	220,398	5,566	-	4,958,146	203,935	-	5,162,081
Other	6,585,681	2,377,122	85,904	62,229,336	2,394,674	38,326	807,773	313,823	141,043	540,374	429,738	55,873	-	75,678,522	321,146	-	75,999,668
Receivables from other clients	**50,822,612**	**784**	**-**	**16,329,025**	**53**	**38,040**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**67,152,477**	**38,040**	**-**	**67,190,517**
Total exposure	**88,069,236**	**17,660,665**	**1,283,504**	**115,433,988**	**22,335,521**	**1,290,453**	**24,127,756**	**13,448,354**	**1,688,714**	**21,185,302**	**10,926,436**	**1,494,764**	**228,320**	**313,187,262**	**5,757,437**	**-**	**319,173,020**

* Stage 1 – Unimpaired exposures without significant detorition of credit risk
** Stage 2 – Unimpaired exposures with significant detorition of credit risk
*** Stage 3 – Impaired exposures

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet exposures	Belgrade Region 1			Belgrade Region 2			North Serbia Region			South Serbia Region			POCI	Total unimpaired receivables - Stage 1 & 2	Total impaired receivables - Stage 3	Loans mandatory at FVTPL	Total exposures, gross
	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***					
Retail receivables	**1,993,385**	**1,848,952**	**40,894**	**1,665,792**	**1,055,135**	**37,739**	**1,309,927**	**604,146**	**29,784**	**1,774,990**	**697,747**	**38,034**	**-**	**10,950,074**	**146,450**	**-**	**11,096,524**
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	1,992,797	1,848,364	40,894	1,665,792	1,022,677	37,739	1,309,927	604,146	29,784	1,774,990	696,571	38,034	-	10,915,264	146,450	-	11,061,714
Other receivables	588	588	-	-	32,458	-	-	-	-	-	1,176	-	-	34,810	-	-	34,810
Non-retail receivables	**24,435,074**	**6,169,152**	**5,868**	**57,989,757**	**11,671,434**	**539,549**	**14,374,640**	**1,473,698**	**455,916**	**19,834,749**	**1,770,644**	**3,254**	**-**	**137,719,153**	**1,004,587**	**-**	**138,723,739**
Agriculture, forestry and fishing	390,392	141	-	115,735	274	-	225,623	291,067	-	74,217	4,145	16	-	1,101,595	16	-	1,101,610
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	3,346,856	2,710,989	3,269	9,411,194	5,213,502	11,896	8,259,384	325,321	455,333	11,093,383	626,663	200	-	40,987,292	470,698	-	41,457,990
Electricity, gas, steam and air conditioning supply	-	-	-	35,449	5,575	-	36	-	-	-	364	-	-	41,423	-	-	41,423
Construction	3,000,845	84,244	429	9,902,000	1,006,938	47,893	1,440,746	112,498	-	5,785,105	404,576	-	-	21,736,953	48,322	-	21,785,275
Wholesale and retail trade, repair of motor vehicles and motorcycles	13,397,219	2,848,925	1,810	20,721,302	3,783,040	479,309	3,846,277	509,259	-	2,460,422	504,306	400	-	48,070,750	481,519	-	48,552,269
Transporting and storage, Accommodation and food service activities, Information and communication	710,982	331,326	-	5,553,649	381,396	-	124,474	148,139	574	87,151	137,505	2,287	-	7,474,623	2,861	-	7,477,484
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	2,972,251	170,574	265	3,059,706	148,105	-	393,082	54,498	-	81,608	41,089	-	-	6,920,915	265	-	6,921,180
Other	616,529	22,953	95	9,190,722	1,132,604	451	85,018	32,916	9	252,863	51,996	351	-	11,385,602	906	-	11,386,508
Receivables from other clients	**2,265,336**	**35,987**	**-**	**3,756,719**	**2,747**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,060,790**	**-**	**-**	**6,060,790**
Total exposure	**28,693,795**	**8,054,091**	**46,762**	**63,412,268**	**12,729,316**	**577,288**	**15,684,567**	**2,077,844**	**485,700**	**21,609,739**	**2,468,391**	**41,288**	**-**	**154,730,017**	**1,151,037**	**-**	**155,881,053**

* Stage 1 – Unimpaired exposures without significant detorition of credit risk
** Stage 2 – Unimpaired exposures with significant detorition of credit risk
*** Stage 3 – Impaired exposures

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Balance sheet exposures	Belgrade Region 1			Belgrade Region 2			North Serbia Region			South Serbia Region			POCI	Total unimpaired receivables - Stage 1 & 2	Total impaired receivables - Stage 3	Loans mandatory at FVTPL	Total exposures, gross
	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***	Stage1*	Stage 2**	Stage 3***					
Retail receivables	**18,468,880**	**2,512,950**	**866,185**	**15,246,706**	**1,796,732**	**789,251**	**9,149,263**	**1,195,100**	**507,372**	**9,737,901**	**1,081,299**	**616,618**	**248,486**	**59,188,829**	**2,779,426**	**-**	**62,216,743**
Housing loans	7,612,957	1,185,517	222,243	5,858,380	828,607	188,267	2,856,833	615,407	112,564	1,848,142	308,469	63,957	-	21,114,312	587,031	-	21,701,343
Consumer and cash loans	8,510,055	364,203	475,507	7,375,275	326,752	438,220	4,897,082	169,498	268,862	6,064,897	256,384	357,436	-	27,964,145	1,540,026	-	29,504,171
Transaction loans and credit cards	1,764,541	660,420	135,357	1,705,018	374,607	148,966	1,189,378	194,115	105,061	1,610,109	242,192	165,367	-	7,740,380	554,750	-	8,295,131
Other receivables	581,327	302,810	33,078	308,033	266,766	13,798	205,970	216,080	20,885	214,753	274,254	29,858	248,486	2,369,992	275,166	-	2,716,098
Non-retail receivables	**27,242,325**	**1,690,311**	**249,066**	**68,820,710**	**2,898,974**	**301,123**	**19,667,338**	**4,633,707**	**867,549**	**18,001,929**	**1,025,663**	**1,009,995**	**-**	**143,980,955**	**2,427,735**	**-**	**146,408,689**
Agriculture, forestry and fishing	662,837	27,081	9	1,117,390	47,755	3,273	3,462,934	26,556	11	745,899	75,330	15	-	6,165,783	3,308	-	6,169,090
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	7,662,488	492,933	99,030	7,830,360	1,152,885	174,329	5,618,356	436,105	25,399	7,695,016	465,265	882,238	-	31,353,408	1,180,996	-	32,534,404
Electricity, gas, steam and air conditioning supply	1	-	6	-	2	-	845	-	-	17,680	86	-	-	18,615	6	-	18,621
Construction	1,457,284	120,834	43,384	2,885,900	258,376	111	706,711	79,860	137,743	646,501	59,108	4,159	-	6,214,573	185,397	-	6,399,970
Wholesale and retail trade, repair of motor vehicles and motorcycles	9,261,535	759,955	52,687	14,440,108	953,679	82,434	7,827,689	3,822,650	33,698	7,312,970	283,263	12,989	-	44,661,848	181,808	-	44,843,657
Transporting and storage, Accommodation and food service activities, Information and communication	482,246	48,820	10,564	2,030,865	143,913	6,919	707,271	47,912	1,839	515,244	39,734	16,576	-	4,016,005	35,899	-	4,051,903
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	1,149,875	198,752	13,917	3,364,067	320,510	2,847	289,565	210,227	514,046	183,914	72,903	6,083	-	5,789,812	536,894	-	6,326,706
Other	6,566,059	41,936	29,469	37,152,020	21,854	31,210	1,053,967	10,397	154,813	884,705	29,974	87,935	-	45,760,911	303,427	-	46,064,338
Receivables from other clients	**43,140,262**	**22,549**	**-**	**14,953,084**	**270**	**38,040**	**8**	**-**	**-**	**6**	**-**	**-**	**-**	**58,116,180**	**38,040**	**-**	**58,154,220**
Total exposure	**88,851,467**	**4,225,810**	**1,115,251**	**99,020,500**	**4,699,758**	**1,128,414**	**28,816,609**	**5,828,807**	**1,374,921**	**27,739,836**	**2,106,962**	**1,626,613**	**248,486**	**261,285,964**	**5,245,201**	**-**	**266,779,653**

* Stage 1 – Unimpaired exposures without significant detorition of credit risk
** Stage 2 – Unimpaired exposures with significant detorition of credit risk
*** Stage 3 – Impaired exposures

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet exposures	Belgrade Region 1 Stage1*	Belgrade Region 1 Stage 2**	Belgrade Region 1 Stage 3***	Belgrade Region 2 Stage1*	Belgrade Region 2 Stage 2**	Belgrade Region 2 Stage 3***	North Serbia Region Stage1*	North Serbia Region Stage 2**	North Serbia Region Stage 3***	South Serbia Region Stage1*	South Serbia Region Stage 2**	South Serbia Region Stage 3***	POCI	Total unimpaired receivables - Stage 1 & 2	Total impaired receivables - Stage 3	Loans mandatory at FVTPL	Total exposures, gross
Retail receivables	**2,489,422**	**1,066,552**	**31,286**	**2,287,896**	**561,195**	**29,141**	**1,648,672**	**295,600**	**22,227**	**2,161,823**	**303,652**	**29,104**	**-**	**10,814,812**	**111,757**	**-**	**10,926,570**
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	2,474,182	1,066,552	31,286	2,286,109	61,195	28,553	1,648,642	295,600	22,227	2,158,829	303,652	29,104	-	10,794,761	111,169	-	10,905,931
Other receivables	15,240	-	-	1,787	-	588	30	-	-	2,994	-	-	-	20,051	588	-	20,639
Non-retail receivables	**29,617,751**	**1,464,141**	**153,750**	**64,889,601**	**2,064,686**	**542,476**	**17,851,491**	**1,073,114**	**5,718**	**21,347,579**	**643,112**	**978**	**-**	**138,951,475**	**702,920**	**-**	**139,654,395**
Agriculture, forestry and fishing	57,381	4,929	-	41,015	6,045	-	467,343	2,675	-	249,915	1,532	-	-	830,835	-	-	830,835
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	5,813,178	314,495	1	14,868,458	177,883	23,381	10,881,515	418,129	1,504	11,476,371	338,123	200	-	44,288,152	25,086	-	44,313,238
Electricity, gas, steam and air conditioning supply	-	-	-	41,028	-	-	219	-	-	-	319	-	-	41,566	-	-	41,566
Construction	3,050,263	47,873	150,916	10,038,763	1,014,894	48,393	1,573,278	11,658	-	5,968,239	151,956	-	-	21,856,924	199,309	-	22,056,233
Wholesale and retail trade, repair of motor vehicles and motorcycles	12,830,313	811,360	1	20,716,164	512,158	467,819	3,632,147	633,842	-	2,869,005	103,187	-	-	42,108,176	467,820	-	42,575,996
Transporting and storage, Accommodation and food service activities, Information and communication	1,264,760	5,293	315	6,762,225	131,066	468	370,573	1,710	315	260,788	44,678	490	-	8,841,093	1,587	-	8,842,680
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	3,155,160	274,992	2,176	2,570,693	182,666	-	250,558	-	-	217,379	-	260	-	6,651,448	2,435	-	6,653,883
Other	3,446,696	5,199	341	9,851,255	39,974	2,415	675,858	5,100	3,899	305,882	3,317	28	-	14,333,281	6,683	-	14,339,964
Receivables from other clients	**2,251,794**	**12,742**	**-**	**2,893,767**	**2,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,160,831**	**-**	**-**	**5,160,831**
Total exposure	**34,358,967**	**2,543,435**	**185,036**	**70,071,264**	**2,628,408**	**571,617**	**19,500,163**	**1,368,714**	**27,945**	**23,509,402**	**946,764**	**30,082**	**-**	**154,927,118**	**814,677**	**-**	**155,741,796**

* Stage 1 – Unimpaired exposures without significant detorition of credit risk
** Stage 2 – Unimpaired exposures with significant detorition of credit risk
*** Stage 3 – Impaired exposures

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Sector concentration, including information on the structure of NPLs is shown below. Under the non performing receivables, the Bank considers receivables from debtors who meet some of the "default" indicators, stated below in the table "Default Indicators" (according to the internal directives of RBI Group). Data on problematic balance sheet assets and off-balance sheet items are shown below:

Balance sheet receivables	Total exposures, gross	Accumulated allowances for impairment	Impaired (stage 3) exposures, gross	Out of which: forborne exposures	Accumulated allowances for impairment of impaired (stage 3) exposures	Impaired (stage 3) exposures in %	Collateral value for impaired (stage 3) exposures*
	1	2	3	4	5	(1/3) 6	7
Retail receivables	**66,514,920**	**3,306,498**	**3,218,375**	**278,326**	**1,999,977**	**4.8**	**522,574**
Housing loans	25,115,858	648,115	593,357	156,560	329,798	-	415,464
Consumer and cash loans	31,081,818	1,786,983	1,729,425	67,176	1,070,979	-	3,546
Transaction loans and credit cards	7,869,508	690,846	688,675	-	516,652	-	1,553
Other receivables	2,447,736	180,554	206,918	54,590	82,548	-	102,011
Non-retail receivables	**185,467,582**	**3,138,217**	**2,629,876**	**1,329,121**	**1,962,598**	**1.4**	**754,242**
Agriculture, forestry and fishing	5,735,499	77,672	26,865	21,512	20,171	-	19,148
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	38,771,841	1,578,947	1,592,655	1,083,973	1,229,869	-	376,927
Electricity, gas, steam and air conditioning supply	22,558	161	18	-	11	-	-
Construction	8,115,780	302,460	169,059	138,756	131,844	-	67,782
Wholesale and retail trade, repair of motor vehicles and motorcycles	46,356,034	396,812	202,891	42,017	159,242	-	30,297
Transporting and storage, Accommodation and food service activities, Information and communication	5,304,121	241,092	113,308	35,972	89,006	-	25,404
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	5,162,081	160,452	203,935	4,101	91,152	-	177,122
Other	75,999,668	370,968	321,146	2,790	241,304	-	57,562
Receivables from other clients	**67,190,517**	**35,056**	**38,040**	**-**	**34,417**	**-**	**-**
Total exposure	**319,173,019**	**6,479,770**	**5,886,291**	**1,607,447**	**3,996,992**	**1.8**	**1,276,816**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet receivables	Total exposures, gross	Accumulated allowances for impairment	Impaired (stage 3) exposures, gross		Accumulated allowances for impairment of impaired (stage 3) exposures	Impaired (stage 3) exposures in %	Collateral value for impaired (stage 3) exposures*
				Out of which: forborne exposures			
	1	2	3	4	5	6 (3/1)	7
Retail receivables	**11,096,524**	**158,042**	**146,450**	**-**	**85,296**	**1.3**	**480**
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transaction loans and credit cards	11,061,714	150,033	146,450	-	85,296	-	480
Other receivables	34,810	8,009	-	-	-	-	-
Non-retail receivables	**138,723,739**	**709,259**	**1,004,587**	**2,673**	**293,667**	**0.7**	**659,852**
Agriculture, forestry and fishing	1,101,610	5,338	16	-	-	-	16
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	41,457,990	234,975	470,698	2,673	61,841	-	168,887
Electricity, gas, steam and air conditioning supply	41,423	76	-	-	-	-	-
Construction	21,785,275	99,894	48,322	-	40,139	-	20,855
Wholesale and retail trade, repair of motor vehicles and motorcycles	48,552,269	310,386	481,519	-	189,167	-	470,094
Transporting and storage, Accommodation and food service activities, Information and communication	7,477,484	27,317	2,861	-	1,757	-	-
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	6,921,180	13,260	265	-	210	-	-
Other	11,386,508	18,013	906	-	553	-	-
Receivables from other clients	**6,060,790**	**916**	**-**	**-**	**-**	**-**	**-**
Total exposure	**155,881,053**	**868,217**	**1,151,037**	**2,673**	**378,963**	**0.7**	**660,332**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Balance sheet receivables	Total exposures, gross	Accumulated allowances for impairment	Impaired (stage 3) exposures, gross		Accumulated allowances for impairment of impaired (stage 3) exposures	Impaired (stage 3) exposures in %	Collateral value for impaired (stage 3) exposures*
				Out of which: forborne exposures			
	1	2	3	4	5	6 (3/1)	7
Retail receivables	**62,216,743**	**2.525.963**	**2,956,973**	**-**	**1,773,329**	**4.8**	**551,742**
Housing loans	21,701,343	485.674	587,031	-	352,755	-	402,593
Consumer and cash loans	29,504,171	1.257.748	1,540,026	-	908,328	-	2,954
Transaction loans and credit cards	8,295,131	550.490	554,750	-	391,054	-	480
Other receivables	2,716,098	232.051	275,166	-	121,192	-	145,715
Non-retail receivables	**146,408,689**	**2.464,863**	**2,427,735**	**-**	**2,064,937**	**1.7**	**210,675**
Agriculture, forestry and fishing	6,169,090	27.874	3,308	-	1,902	-	-
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	32,534,404	1.110.299	1,180,996	-	1,017,078	-	103,611
Electricity, gas, steam and air conditioning supply	18,621	41	6	-	4	-	-
Construction	6,399,970	163.469	185,397	-	136,813	-	66,351
Wholesale and retail trade, repair of motor vehicles and motorcycles	44,843,657	278.861	181,808	-	145,606	-	21,294
Transporting and storage, Accommodation and food service activities, Information and communication	4,051,903	46.115	35,899	-	22,323	-	-
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	6,326,706	543.456	536,894	-	511,658	-	-
Other	46,064,338	294.748	303,427	-	229,553	-	19,419
Receivables from other clients	**58,154,220**	**35.418**	**38,040**	**-**	**34,418**	**-**	**-**
Total exposure	**266,779,652**	**5.026.244**	**5,422,748**	**-**	**3,872,684**	**2.0**	**762,417**

* Weighted Collateral Value

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet receivables	Total exposures, gross	Accumulated allowances for impairment	Impaired (stage 3) exposures, gross		Accumulated allowances for impairment of impaired (stage 3) exposures	Impaired (stage 3) exposures in %	Collateral value for impaired (stage 3) exposures*
				Out of which: forborne exposures			
	1	2	3	4	5	6 (3/1)	7
Retail receivables	**10,926,570**	**125,568**	**111,757**	**-**	**65,341**	**1.0**	**695**
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transaction loans and credit cards	10,905,931	120,539	111,169	-	64,937	-	107
Other receivables	20,639	5,029	588	-	404	-	588
Non-retail receivables	**139,654,395**	**532,680**	**702,920**	**-**	**258,019**	**0.5**	**492,313**
Agriculture, forestry and fishing	830,835	2,673	-	-	-	-	-
Mining, Manufacturing, Water supply; sewerage; waste management and remediation activities	44,313,238	73,782	25,086	-	1,248	-	23,381
Electricity, gas, steam and air conditioning supply	41,566	38	-	-	-	-	-
Construction	22,056,233	262,523	199,309	-	178,207	-	10,429
Wholesale and retail trade, repair of motor vehicles and motorcycles	42,575,996	140,026	467,820	-	70,332	-	458,503
Transporting and storage, Accommodation and food service activities, Information and communication	8,842,680	21,323	1,587	-	1,201	-	-
Real estate activities, professional, scientific and technical activities, Administrative and support service activities, arts	6,653,883	11,968	2,435	-	1,642	-	-
Other	14,339,964	20,349	6,683	-	5,389	-	-
Receivables from other clients	**5,160,831**	**623**	**-**	**-**	**-**	**-**	**-**
Total exposure	**155,741,796**	**658,873**	**814,677**	**-**	**323,360**	**0.5**	**493,008**

* Weighted Collateral Value

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Impairment policy

The Bank recognises loss allowances for expected credit losses (hereinafter: ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.
IFRS 9 prescribes a three-stage model for impairment based on changes in credit quality since initial recognition. This model requires that a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored. If a significant increase in credit risk since initial recognition is not identified, allowance for impairment for such financial instrument is calculated as 12-month ECL. If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired. In case of significant increase of credit risk since initial recognition, allowance for impairement for such financial instrument is calculated as life-time ECL. If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss is always measured on a lifetime basis.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

In Bank, as practical expedient, it is assumed that securities with investment grade should not be assessed to see whether the credit risk on a security has increased significantly. Here investment grade is defined by recognised external rating agencies as a rating between AAA-BBB (Standard's & Poor's, Fitch) and Aaa-Baa (Moody's). If information from recognised external rating agencies is not available the equivalent internal ratings can be mapped to the external ratings. This mapping should consider the market participant perspective taking into account all of the terms and conditions of the security. In cases where there is no external or internal rating the probability of default which is equivalent to investment grade can be used if available.
During 2020, the bank focused on adjusting to the crisis caused by the pandemic, so in cooperation with the the parent bank, modifications were made to the methodology of calculating IFRS9 provisions in order to more realistically determine expected losses resulting in increased Stage 2. reservations.

Measurement of Expected Credit Losses

The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Expected credit losses are calculated as sum of marginal losses at balance sheet date. Marginal losses

Marginal losses are derived from risk parameters used for assessment of exposures and losses in case of default and marginal probabilities of defaults for each period. Calculation of expected credit losses is based on four parameters:

- The probability of default (PD), which represents the likelihood of a borrower defaulting on its financial obligation over defined period;
- The exposure at default (EAD), which is based on the amounts the Bank expects to be owed at the time of default, taking in the account repayment of principal and interest, as well as expected use of loan commitments funds;
- The loss given default (LGD), which represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD is based on difference between contracted cash flows and expected cash flows, taking in the account cash flows from realisation of collateras. Usually, LGD is presented as percentage of EAD; and
- Discount rate is used in the expected credit loss calculation. Diccount rate is the effective interest rate effective at the initial recognition date or an approximation thereof.

In the process of stimation of ECL, the Bank is not required to identify all possible scenarios. However, the Bank is obliged to assess risks or probability that credit loss will arise, even if probability of loss occurance is very low.

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive;
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for a security because of financial difficulties;
- Purchase or origination of financial assets with deep discount that reflects the incurred credit losses.

Identification of impaired financial assets in practice is performed through alignment of default definition and definition of credit-impaired financial assets. The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- The Bank consider that is highly unlikely that borrower will settle its obligaton in fully, without taking in consideration collection through collateral realisation; or
- The borrower is more than 90 days past due on its contractual payments.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

In accordance with internal procedures, following default indicators are defined for non-retail exposures:

1. Bankruptcy;
2. Direct write-off;
3. Claim writtem-off against provison;
4. Loan / facility called;
5. Restructuring;
6. Interest calculation cancellation;
7. Claim sold with loss;
8. Overdue payment;
9. License withdrawn;
10. Payment moratorium;
11. Expected economic loss;
12. Cross default.

In accordance with internal procedures, following default indicators are defined for retail exposures:

1. Loss over 90 days for any material credit obligation;
2. Confirmed cases of credit fraud which were committed by a customer of the bank will lead to default recognition for all active accounts. Threshold would not be considered;
3. The death of the borrower – the event will lead to default recognition for all active accounts. Threshold would not be considered;
4. A restructuring of an obligation if it results in NPV decrease at least by 2.5%, as weel as if the exposures with more than 60 days overdue are restructured ("distressed restructuring");
5. Borrower is in default in settlement of its obligation toward state, other lenders or employees for material amount (more than quarterly average in normal circumstances, with exemption of specific months or transactions, with clear explanation);
6. Lost job – in this case, all active accounts would be qualitied as default. Threshold would not be considered;
7. Cross default – default status would be marked on facility level. For example, if client has two cash loans and one of them is in deault (e.g. overdue obligation for more than 90 days for material amount), the other one will be marked as default, too;
8. Other.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Bank expected loss calculations.

An instrument will be considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of a minimum of 3 months or longer for distressed restructured exposures. This period of 3 months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

For financial instruments in Stage 3 i.e for credit-imapaired financial assets at balance sheet date (except POCI), the Bank measures expected credit loss as difference between gross carrying value of financial assets and present value of expected cash flows discounted at original effective interest rate. Each difference is recognized in profit or loss. For collateralized financial assets, this assessment includes expected cash flows from collateral realization decreased for costs related to obtaining of collateral and its realisation. At least two scenarios are should be used for calculation of expected credit loss (even if only one collection strategy is probable), where each scenario should be probability weighted. All relevant scenarios should be considered (not only the most probable scenarios). In the process of ECL calculation, these scenarios which are assessed as highly unlikely should not be taken in the calculation.

Significant Increase in Credit Risk

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative Criteria

The Bank uses quantitative criteria as the primary indicator of significant increase in credit risk for all material portfolios. For quantitative staging the Bank compares the lifetime PD curve at measurement data with the forward lifetime PD curve at the date of initial recognition. For the estimation of the lifetime PD curve at the date of initial recognition assumptions are made about the structure of the PD curve. On the one hand, in the case of highly rated financial instruments, it is assumed that the PD curve will deteriorate over time. On the other hand, for low rated financial instruments, it is assumed that the PD curve will improve over time. The degree of improvement or deterioration depends on the level of the initial rating. In order to make the two curves comparable the PDs are scaled down to annualized PDs.

In general, a significant increase in credit risk is considered to have occurred with a relative increase in the PD of up to 250% although this amount can be lower due to several limiting factors such as closeness to maturity and portfolios of products.

The threshold value of 250% is made time dependent. The value of 250% is valid if the remainder of the maturity is one year or less. For maturities greater than one year, the value is subject to an adjustment. This is necessary to offset a maturity effect. For example, for greater residual maturities a rating downgrade after a year since origination is less likely to trigger a stage 2, than for smaller residual maturities. This is because default probabilities converge over time towards the long-term average default probability. This behaviour of the default probability leads to that initial PD and current PD are built from default probabilities which become very similar after a certain period of time, regardless of the original starting point of the default probability. This means that stark differences of the default probabilities at the beginning diminish over time and a 250% increase becomes less likely to be "achieved" the longer maturities play a role in the calculation of PD.

To offset this maturity effect, the staging threshold of 250% is adjusted for different maturities and for longer maturities, PD threshold becomes smaller (a minimum is 150%).

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

For financial instruments, which do not possess a credit rating at reporting date, stage 2 applies. There are no exceptions from this rule. For financial instruments, which do not possess a credit rating at origination, stage 2 applies. A grace period of 6 months is allowed to assign a rating to a facility in case at the exact date of the origination no rating was found.

Qualitative Criteria

The Bank uses qualitative criteria as a secondary indicator of significant increase in credit risk for all material portfolios. A movement to Stage 2 takes place when the criteria below are met.

For sovereign, bank, corporate and project finance portfolios, if the borrower meets one or more of the following criteria:

- External market indicators;
- Changes to management approach;
- Changes in contract terms;
- Expert judgement;
- Default over 30 days.

The assessment of significant increase in credit risk incorporates forward-looking information and will be performed on a quarterly basis at a deal level for all non-retail portfolios held by the Bank.

For retail portfolios, if the borrower meets one or more of the following criteria:

- Forbearance
- Expert judgement.

The assessment of significant increase in credit risk incorporates forward-looking information and will be performed on a monthly basis at a deal level for all retail portfolios held by the Bank.

Determination of credit risk – exceptions

In the process of credit risk determination, the Bank applies following exceptions:

- Low credit risk exception: financial instrument for which is determined to have low credit risk at the reporting date will be assigned to stage 1. The Banks applies this exemption only for sovereign bonds with one-year default rates below 0.5% (including information of future movements);
- Newly orginated assets: All new assets will be assigned to stage 1 when reported for the first time;
- Asset owned by the Bank: Since deterioration of credit risk is not possible for these assets, these assets will be assigned to stage 1.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Explanation of inputs, assumptions and estimation techniques

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. Expected credit losses are the discounted product of the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor (D).

Probability of Default

The probability of default represents the likelihood of a borrower defaulting on its financial obligation either over the next 12 months or over the remaining lifetime of the obligation. In general the lifetime probability of default is calculated using the regulatory 12 month probability of default, stripped of any margin of conservatism, as a starting point. Thereafter various statistical methods are used to generate an estimate of how the default profile will develop from the point of initial recognition throughout the lifetime of the loan or portfolio of loans. The profile is based on historical observed data and parametric functions.

Different models have been used to estimate the default profile of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, local and regional governments, insurance companies and collective investment undertakings the default profile is generated using a transition matrix approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model;
- Corporate customers, project finance and financial institutions the default profile is generated using a parametric survival regression (Weibull) approach. Forward looking information is incorporated into the probability of default using the Vasicek one factor model;

General form for PD parameter function is:

pd(t)=exp(a+b*f(pd(1))+(c+d*g(pd(1)))*log(t))

where f(x) and g(x) are logoritam functions.

Parameters are assessed by using of non-linear minimal quadrant. Change in rating and related one-year default rate are dependance variable.

IRB approach is obtained for model used and models are validated annualy. Annual validation is subject of regulatory approval and is supervised by ECB and OeNB. Rating and related probability of default are unbiased. Any regulatory margin of conservatism is dropped.

- Retail mortgages and other retail lending the default profile is generated using parametric survival regression in competing risk frameworks. Forward looking information is incorporated into the probability of default using satellite models.

In the limited circumstances where some inputs are not fully available grouping, averaging and benchmarking of inputs is used for the calculation.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Loss Given Default (LGD)

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty and product. LGD is expressed as a percentage loss per unit of exposure at the time of default. LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

Different models are used to estimate the LGD and these can be grouped into the following categories:

- Sovereign: the LGD is found by using market implied sources. Market sources are external data on losses related to sovereign defaults (debts write offs during restructuring processes and similar).;
- Corporate customers, project finance, financial institutions, local and regional governments, insurance companies: the LGD is generated by discounting cash flows collected during the workout process. Forward looking information is incorporated into the LGD using the Vasicek model;
- Retail mortgages and other retail lending: the LGD is generated by stripping the downturn adjustments and other margins of conservatism from the regulatory LGD. Forward looking information is incorporated into the LGD using various satellite models;
- In the limited circumstances where some inputs are not fully available alternative recovery models, benchmarking of inputs and expert judgement is used for the calculation.

Exposure at Default (EAD)

EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months or over the remaining lifetime. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type. For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 months or lifetime basis. Where relevant early repayment/refinance assumptions are also considered in the calculation.

For revolving products, the EAD is predicted by taking current drawn balance and adding a credit conversion factor which allows for the expected drawdown of the remaining limit by the time of default. The prudential regulatory margins are removed from the credit conversion factor. Parameters calculated for regulatory purposes, e.g. LDG and CCF used for RWA calculation, are calculated including margins of conservatism. For IFRS9 purposes, same parameters are used but without margins of conservatism. In the limited circumstances where some inputs are not fully available benchmarking of inputs is used for the calculation.

Discount Factor

In general, for on balance sheet exposure which is not POCI, the discount rate used in the expected credit loss calculation is the effective interest rate or an approximation thereof.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Calculation

The expected credit loss is the product of PD, LGD and EAD times the probability not to default prior to the considered time period. The latter is expressed by the survivorship function S. This effectively calculates future values of expected credit losses, which are then discounted back to the reporting date and summed. The calculated values of expected credit losses are then weighted by forward looking scenario.

Different models have been used to estimate the Stage 3 provisions of outstanding lending amounts and these can be grouped into the following categories:

- Sovereign, corporate customers, project finance, financial institutions, local and regional governments, insurance companies and collective investment undertakings the Stage 3 provisions are calculated by workout managers who discount expected cash flows by the appropriate effective interest rate;
- Retail mortgages the Stage 3 provision is generated by calculating the discounted collateral realization value;
- Other retail lending the Stage 3 provision is generated by calculating the statistically derived best estimate of expected loss which has been adjusted for indirect costs.

No attempt is made to rebut the presumption that financial assets which are more than 90 days past due are to be shown in Stage 3.

Forward Looking Information

The assessment of significant increase in credit risk and the calculation of expected credit losses both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

Incorporaion of forward looking information into impairment calculation is done via the macroeconomic models, which leads to a direct adjustment of the default probabilities. Forward looking information is incorporated via the macroeconomic input parameters of the macroeconomic model. Since the Bank will not know future realizations of these macroeconomic parameters with certainty, the inherent uncertainty makes it necessary to consider a scenario calculation.

In addition to the base economic scenario, the Bank also provide a best case and worst case scenario along with scenario weightings to ensure non-linearities are captured. The Bank has concluded that three scenarios appropriately captured non-linearity. The base scenario has an attached weight of 50% in the calculation. The latter two scenarios are attached with a weight of 25%.

"Raiffeisen Research" delivers a set of values for the relevant macroeconomic variables for each scenario. The set of values is provided quarterly and covers a three-year period. For time horizon over 3 years, in order to project economic variables for the rest of the product life, a medium reversion approach was used - which means that economic variables converge to long-term average or average growth rate to maturity

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The impact of these economic variables on the probability of default, loss given default and the exposure at default are determined using statistical regression to find out what the impact of the mentioned variable had historically on the probability of default, loss given default and the exposure at default

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and cover any potential non-linearities and asymmetries within the Bank different portfolios.

Sensitivity analysis

The most significant assumptions affecting the expected credit loss allowance are as follows:

- Corporate portfolios;
    - Gross domestic product;
    - Unemployment rate;
    - Long term government bond rate;
    - Inflation rate;
- Retail portfolios;
    - Gross domestic product;
    - Unemployment rate;
    - Real estate prices.

In addition, in order to incorporate forward looking information, the Bank developed the "credit clock" approach, which is used to identify the current position in a credit cycle as well as a trend. Depending on the current position of EBITDA and Net debt over a median and a trend, the credit clock delivers a risk assessment (low, medium, high). Based on the assessment on the position in a credit cycle, parametars are adjusted, but only for these variations which are not explained by macroeconomic model (to avoid double counting with respect to the macro model) and only if these adjustments improve macro model performance.

Data on gross and net balance sheet assets and off-balance sheet exposures to credit risk by sectors and categories of exposure, according to the method of impairment determination and the value of collateral are shown below is shown in the table below:

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Balance sheet exposures	Unimpaired (stage 1&2()						Accumulated allowances for impairment			Value of collateral*	
	Without significant detoration of credit risk	significant detoration of credit risk	Impaired (stage 3)	Poci	Measured at FVTPL	Total exposures, gross	Individually estimated	Collectively estimated	Total exposures, net	Securing unimpaired exposures	Securing impaired exposures
By sector											
Retail receivables	**36,271,886**	**26,925,194**	**3,089,520**	**248.486**	**-**	**66,514,920**	**1,999,977**	**1,306,519**	**63,208,422**	**21,987,750**	**522,574**
Housing loans	13,897,404	10,625,098	593,357	-	-	25,115,858	329,798	318,316	24,467,743	20,117,888	415,464
Consumer and cash loans	17,469,773	11,882,620	1,729,425	-	-	31,081,818	1,070,979	716,003	29,294,835	29,350	3,546
Transaction loans and credit cards	4,431,616	2,749,217	688,675	-	-	7,869,508	516,652	174,194	7,178,662	23,291	1,553
Other receivables	473,093	1,668,259	78,063	248.486	-	2,447,736	82,548	98,006	2,267,182	1,817,221	102,011
Non-retail receivables	**145,392,761**	**37,444,945**	**2,629,877**	**-**	**-**	**185,467,583**	**1,962,598**	**1,176,621**	**182,329,364**	**60,142,681**	**754,242**
Large enterprises	74,295,298	28,843,790	1,900,572	-	-	105,039,660	1,412,243	769,159	102,858,258	33,527,119	580,044
Small and medium-sized enterprises	8,779,879	4,727,149	371,434	-	-	13,878,462	291,963	204,064	13,382,435	4,205,285	135,250
Micro enterprises and entrepreneurs	2,780,130	3,874,006	357,871	-	-	7,012,007	258,392	192,710	6,560,905	1,073,661	38,948
Financial institutions	59,537,454	-	-	-	-	59,537,454	-	9,688	59.527.766	21,336,616	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**67,151,639**	**837**	**38,040**	**-**	**-**	**67,190,517**	**34,417**	**639**	**67,155,461**	**-**	**-**
Total exposures	**248,816,286**	**64,370,976**	**5,757,437**	**228,320**	**-**	**319,173,020**	**3,996,992**	**2,482,779**	**312,693,250**	**82,130,430**	**1,276,815**
By category of receivables											
Performing exposures	248,815,898	64,369,153	1,796,270	162,606	-	313,439,112	9,252	2,482,780	310,947,080	82,130,430	57,518
Out of which: forborne	93,387	473,795	1,558,996	96,161	-	623,344	749	34,659	587,936	312,329	4,660
Non-performing exposures	388	1,823	3,961,167	65,714	-	5,733,907	3,987,740	-	1,746,167	-	1,219,297
Out of which: forborne	-	-	-	-	-	1,598,994	1,326,932	-	272,062	-	377,179
Total exposures	**248,816,286**	**64,370,976**	**5,757,437**	**228,320**	**-**	**319,173,020**	**3,996,992**	**2,482,779**	**312,693,250**	**82,130,430**	**1,276,815**

* Weighted Collateral Value

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet exposures	Unimpaired (stage 1&2) without significant detoration of credit risk	Unimpaired (stage 1&2) significant detoration of credit risk	Impaired (stage 3)	Poci	Measured at FVTPL	Total exposures, gross	Accumulated allowances for impairment Individually estimated	Accumulated allowances for impairment Collectively estimated	Total exposures, net	Value of collateral* Securing unimpaired exposures	Value of collateral* Securing impaired exposures
By sector											
Retail receivables	**6,744,094**	**4,205,980**	**146,450**	**-**	**-**	**11,096,524**	**85,296**	**72,746**	**10,938,482**	**89,973**	**480**
Housing loans	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	6,743,506	4,171,758	146,450	-	-	11,061,714	85,296	64,737	10,911,681	57,438	480
Other receivables	588	34,222	-	-	-	34,810	-	8,009	26,801	32,535	-
Non-retail receivables	**116,634,223**	**21,084,930**	**1,004,587**	**-**	**-**	**138,723,739**	**293,668**	**415,591**	**138,014,480**	**36,377,077**	**659,852**
Large enterprises	103,276,507	18,931,038	982,140	-	-	123,189,685	280,517	363,641	122,545,527	28,533,940	648,078
Small and medium-sized enterprises	4,664,074	1,315,337	15,960	-	-	5,995,371	8,900	16,437	5,970,034	936,766	11,774
Micro enterprises and entrepreneurs	902,741	666,939	6,487	-	-	1,576,166	4,251	35,023	1,536,892	111,352	-
Financial institutions	7,790,901	171,616	-	-	-	7,962,517	-	490	7,962,027	6,795,019	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**6,022,056**	**38,734**	**-**	**-**	**-**	**6,060,790**	**-**	**916**	**6,059,874**	**-**	**-**
Total exposures	**129,400,373**	**25,329,644**	**1,151,037**	**-**	**-**	**155,881,053**	**378,964**	**489,253**	**155,012,836**	**36,467,050**	**660,332**
By category of receivables											
Performing exposures	129,400,373	25,329,644	10,123	-	-	154,740,139	82	489,253	154,250,804	36,467,049	365
Out of which: forborne	8,405	251,477	-	-	-	259,882	-	13,132	246,750	36,603	-
Non-performing exposures	-	-	1,140,915	-	-	1,140,915	378,882	-	762,033	-	659,967
Out of which: forborne	-	-	2,673	-	-	2,673	-	-	2,673	-	-
Total exposures	**129,400,373**	**25,329,644**	**1,151,037**	**-**	**-**	**155,881,053**	**378,964**	**489,253**	**155,012,836**	**36,467,050**	**660,332**

* Weighted Collateral Value

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Balance sheet exposures	Unimpaired (stage 1&2()						Accumulated allowances for impairment			Value of collateral*	
	Without significant detoration of credit risk	significant detoration of credit risk	Impaired (stage 3)	Poci	Measured at FVTPL	Total exposures, gross	Individually estimated	Collectively estimated	Total exposures, net	Securing unimpaired exposures	Securing impaired exposures
By sector											
Retail receivables	**52,602,751**	**6,586,080**	**2,779,426**	**248,486**	**-**	**62,216,743**	**1,773,329**	**752,631**	**59,690,783**	**19,907,768**	**551,742**
Housing loans	18,176,312	2,938,000	587,031	-	-	21,701,343	352,755	132,918	21,215,670	17,842,233	402,593
Consumer and cash loans	26,847,309	1,116,836	1,540,026	-	-	29,504,171	908,328	349,419	28,246,424	25,931	2,954
Transaction loans and credit cards	6,269,047	1,471,334	554,750	-	-	8,295,131	391,054	159,436	7,744,641	26,512	480
Other receivables	1,310,083	1,059,910	97,619	248,486	-	2,716,098	121,192	110,858	2,484,048	2,013,092	145,715
Non-retail receivables	**133,732,301**	**10,248,654**	**2,427,734**	**-**	**-**	**146,408,689**	**2,064,938**	**399,926**	**143,943,825**	**51,789,213**	**210,675**
Large enterprises	85,501,676	8,119,948	1,870,335	-	-	95,491,959	1,654,873	218,845	93,618,241	26,545,593	61,219
Small and medium-sized enterprises	9,498,965	2,075,331	284,221	-		11,858,517	222,274	56,039	11,580,204	3,338,652	126,948
Micro enterprises and entrepreneurs	5,680,915	53,375	273,178	-	-	6,007,468	187,791	118,227	5,701,450	564,664	22,508
Financial institutions	33,050,745	-	-	-	-	33,050,745	-	6,815	33,043,930	21,340,304	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**58,093,361**	**22,819**	**38,040**	**-**	**-**	**58,154,220**	**34,418**	**1,000**	**58,118,802**	**-**	**-**
Total exposures	**244,428,413**	**16,857,553**	**5,245,200**	**248,486**	**-**	**266,779,652**	**3,872,685**	**1,153,557**	**261,753,410**	**71,696,981**	**762,417**
By category of receivables											
Performing exposures	244,409,878	16,857,553	25,663	72,726	-	261,365,818	1,749	1,153,557	260,210,512	71,696,981	2,662
Out of which: forborne	67,975	358,471	377	23,773		450,597	19	25,058	425,520	255,902	-
Non-performing exposures	18,535	-	5,219,537	175,760	-	5,413,834	3,870,936	-	1,542,898	-	759,755
Out of which: forborne	18,535	-	1,966,022	80,540		2,065,096	1,730,144	-	334,952	-	246,275
Total exposures	**244,428,413**	**16,857,553**	**5,245,200**	**248,486**		**266,779,652**	**3,872,685**	**1,153,557**	**261,753,410**	**71,696,981**	**762,417**

* Weighted Collateral Value

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet exposures	Unimpaired (stage 1&2)						Accumulated allowances for impairment			Value of collateral*	
	without significant detoration of credit risk	significant detoration of credit risk	Impaired (stage 3)	Poci	Measured at FVTPL	Total exposures, gross	Individually estimated	Collectively estimated	Total exposures, net	Securing unimpaired exposures	Securing impaired exposures
By sector											
Retail receivables	**8,587,813**	**2,226,999**	**111,757**	**-**	**-**	**10,926,570**	**65,341**	**60,228**	**10,801,001**	**68,358**	**695**
Housing loans	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	8,567,762	2,226,999	111,169	-	-	10,905,931	64,937	55,602	10,785,391	51,889	107
Other receivables	20,051	-	588	-	-	20,639	404	4,626	15,610	16,469	588
Non-retail receivables	**133,706,422**	**5,245,052**	**702,920**	**-**	**-**	**139,654,394**	**258,018**	**274,663**	**139,121,715**	**23,640,148**	**492,314**
Large enterprises	118,339,987	4,800,975	689,600	-	-	123,830,562	248,184	249,561	123,332,818	16,432,210	492,314
Small and medium-sized enterprises	5,539,514	412,747	2,348	-	-	5,954,609	2,000	5,667	5,946,942	667,996	-
Micro enterprises and entrepreneurs	2,100,853	216	10,972	-	-	2,112,041	7,834	19,307	2,084,900	143,804	-
Financial institutions	7,726,068	31,114	-	-	-	7,757,182	-	128	7,757,055	6,396,138	-
Other	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**5,145,562**	**15,269**	**-**	**-**	**-**	**5,160,831**	**-**	**623**	**5,160,208**	**-**	**-**
Total exposures	**147,439,797**	**7,487,320**	**814,677**	**-**	**-**	**155,741,795**	**323,359**	**335,514**	**155,082,924**	**23,708,506**	**493,009**
By category of receivables											
Performing exposures	147,439,797	7,487,320	4,564	-	-	154,931,682	48	335,514	154,596,121	23,708,506	-
Out of which: forborne	64,037	265,817	-	-	-	329,854	-	10,514	319,340	34,561	-
Non-performing exposures	-	-	810,113	-	-	810,113	323,311	-	486,803	-	493,009
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-
Total exposures	**147,439,797**	**7,487,320**	**814,677**	**-**	**-**	**155,741,795**	**323,359**	**335,514**	**155,082,924**	**23,708,506**	**493,009**

* Weighted Collateral Value

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Data on exposure to credit risk by sectors and categories of claims, according to the impairment status and number of days of delay are shown below:

Balance sheet exposures 31.12.2020.	Unimpaired exposures (stage 1 & 2) – past due status					Impaired exposures (stage 3) – past due status									
	Not past due	Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Not past due	Up to 90 days	91 - 180 days	181 - 360 days	Over 360 days	POCI	Measured at FVTPL	Total un-impaired exposures (stage 1&2)	Total impaired exposures (stage 3)	Total ex-posures, gross
By sector															
Retail receivables	**42,942,541**	**18,744,905**	**1,157,442**	**298,864**	**53,329**	**286,505**	**1,279,600**	**492,308**	**152,106**	**879,002**	**228,320**	**-**	**63,197,080**	**3,089,520**	**66,514,920**
Housing loans	19,386,651	4,865,723	186,814	38,266	45,047	126,574	366,137	60,653	4,478	35,515	-	-	24,522,501	593,357	25,115,858
Consumer and cash loans	17,606,955	10,837,161	721,374	182,551	4,352	105,105	687,099	265,837	89,581	581,804	-	-	29,352,393	1,729,425	31,081,818
Transaction loans and credit cards	4,785,958	2,115,428	206,095	69,478	3,875	31,465	180,627	164,101	56,644	255,838	-	-	7,180,833	688,675	7,869,508
Other receivables	1,162,977	926,593	43,159	8,569	55	23,361	45,737	1,717	1,403	5,845	228,320	-	2,141,353	78,063	2,447,736
Non-retail receivables	**133,178,327**	**48,790,616**	**830,892**	**36,879**	**993**	**1,533,462**	**450,266**	**41,578**	**88,952**	**515,620**	**-**	**-**	**182,837,706**	**2,629,877**	**185,467,583**
Large enterprises	101,860,462	520,256	757,474	-	896	1,384,116	259,719	112	9,875	246,751	-	-	103,139,088	1,900,572	105,039,660
Small and medium-sized enterprises	13,446,616	45,669	14,743	-	-	109,970	125,989	2,091	21,337	112,047	-	-	13,507,028	371,434	13,878,462
Micro enterprises and entrepreneurs	2,983,073	3,575,413	58,675	36,879	97	39,376	64,558	39,375	57,740	156,822	-	-	6,654,136	357,871	7,012,007
Financial institutions	14,888,176	44,649,278	-	-	-	-	-	-	-	-	-	-	59,537,454	-	59,537,454
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**67,152,477**	**-**	**-**	**-**	**-**	**38,040**	**-**	**-**	**-**	**-**	**-**	**-**	**67,152,477**	**38,040**	**67,190,517**
Total exposure	**243,273,345**	**67,535,521**	**1,988,334**	**335,743**	**54,322**	**1,858,007**	**1,729,866**	**533,886**	**241,058**	**1,394,622**	**228,320**	**-**	**313,187,263**	**5,757,436**	**319,173,020**
By category of receiv-ables															
Performing exposures	243,272,002	67,535,455	1,987,980	335,741	53,873	1,152,374	347,905	50,841	37,694	207,457	162,606	-	313,185,051	1,796,270	315,143,927
Out of which: forborne	262,978	274,442	18,412	532	10,817	1,043,914	245,713	42,855	33,516	192,998	96,161	-	567,181	1,558,996	2,222,338
Non-performing ex-posures	1,342	66	353	2	449	705,632	1,381,961	483,045	203,362	1,187,166	65,714	-	2,212	3,961,167	4,029,092
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposures	**243,273,345**	**67,535,521**	**1,988,334**	**335,743**	**54,322**	**1,858,007**	**1,729,866**	**533,886**	**241,058**	**1,394,622**	**228,320**	**-**	**313,187,263**	**5,757,436**	**319,173,020**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet exposures 31.12.2020.	Unimpaired exposures (stage 1 & 2) – past due status					Impaired exposures (stage 3) – past due status									
	Not past due	Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Not past due	Up to 90 days	91 - 180 days	181 - 360 days	Over 360 days	POCI	Measured at FVTPL	Total un-impaired exposures (stage 1&2)	Total impaired exposures (stage 3)	Total exposures, gross
By sector															
Retail receivables	**9,797,821**	**1,013,235**	**115,071**	**20,340**	**3,606**	**49,277**	**55,590**	**41,583**	**-**	**-**	**-**	**-**	**10,950,074**	**146,450**	**11,096,524**
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	9,763,011	1,013,235	115,071	20,340	3,606	49,277	55,590	41,583	-	-	-	-	10,915,264	146,450	11,061,714
Other receivables	34,810	-	-	-	-	-	-	-	-	-	-	-	34,810	-	34,810
Non-retail receivables	**128,654,093**	**9,063,018**	**1,291**	**749**	**-**	**582,275**	**420,272**	**346**	**1,646**	**47**	**-**	**-**	**137,719,152**	**1,004,587**	**138,723,739**
Large enterprises	114,029,262	8,178,282	-	-	-	564,142	417,998	-	-	-	-	-	122,207,545	982,140	123,189,685
Small and medium-sized enterprises	5,978,542	69	800	-	-	15,673	-	287	-	-	-	-	5,979,411	15,960	5,995,371
Micro enterprises and entre-preneurs	1,286,700	281,739	491	749	-	2,460	2,274	59	1,646	47	-	-	1,569,679	6,487	1,576,166
Financial institutions	7,359,589	602,928	-	-	-	-	-	-	-	-	-	-	7,962,517	-	7,962,517
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**6,060,790**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,060,790**	**-**	**6,060,790**
Total exposure	**144,512,704**	**10,076,253**	**116,362**	**21,089**	**3,606**	**631,552**	**475,862**	**41,929**	**1,646**	**47**	**-**	**-**	**154,730,016**	**1,151,037**	**155,881,053**
By category of receivables															
Performing exposures	144,484,566	10,076,241	116,121	21,089	3,606	22,896	2,264	270	-	-	-	-	154,701,624	25,430	154,727,054
Out of which: forborne	259,882	-	-	-	-	2,673	-	-	-	-	-	-	259,882	2,673	262,554
Non-performing exposures	28,138	13	241	-	-	608,657	473,598	41,659	1,646	47	-	-	28,392	1,125,607	1,153,999
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposures	**144,512,704**	**10,076,253**	**116,362**	**21,089**	**3,606**	**631,552**	**475,862**	**41,929**	**1,646**	**47**	**-**	**-**	**154,730,016**	**1,151,037**	**155,881,053**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Data on exposure to credit risk by sectors and categories of claims, according to the impairment status and number of days of delay are shown below:

Balance sheet exposures 31.12.2019.	Unimpaired exposures (stage 1 & 2) – past due status					Impaired exposures (stage 3) – past due status								
	Not past due	Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Not past due	Up to 90 days	91 - 180 days	181 - 360 days	Over 360 days	Measured at FVTPL	Total unimpaired exposures (stage 1&2)	Total impaired exposures (stage 3)	Total exposures, gross
By sector														
Retail receivables	**40,397,083**	**17,689,927**	**978,814**	**170,836**	**23,110**	**172,912**	**1,489,590**	**393,596**	**292,272**	**608,601**	**-**	**59,259,770**	**2,956,971**	**62,216,741**
Housing loans	15,749,332	5,009,080	280,507	54,786	20,606	51,464	423,080	41,460	15,661	55,365	-	21,114,311	587,030	21,701,341
Consumer and cash loans	17,528,145	9,839,512	524,712	69,509	2,268	55,533	682,320	236,102	177,164	388,906	-	27,964,146	1,540,025	29,504,171
Transaction loans and credit cards	5,852,351	1,744,981	110,167	32,868	14	32,260	183,599	81,541	98,184	159,166	-	7,740,381	554,750	8,295,131
Other receivables	1,267,255	1,096,354	63,428	13,673	222	33,655	200,591	34,493	1,263	5,164	-	2,440,932	275,166	2,716,098
Non-retail receivables	**140,052,586**	**3,867,293**	**20,590**	**21,878**	**18,610**	**1,024,664**	**705,565**	**117,140**	**183,033**	**397,332**	**-**	**143,980,957**	**2,427,734**	**146,408,691**
Large enterprises	92,880,976	722,114	-	-	18,535	919,210	605,139	2,098	41,059	302,829	-	93,621,625	1,870,335	95,491,960
Small and medium-sized enterprises	11,536,412	37,398	-	486	-	79,303	32,403	52,114	83,276	37,125	-	11,574,296	284,221	11,858,517
Micro enterprises and entrepreneurs	2,640,536	3,051,698	20,590	21,392	75	26,151	68,023	62,928	58,698	57,378	-	5,734,291	273,178	6,007,469
Financial institutions	32,994,662	56,083	-	-	-	-	-	-	-	-	-	33,050,745	-	33,050,745
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**58,116,180**	**-**	**-**	**-**	**-**	**38,040**	**-**	**-**	**-**	**-**	**-**	**58,116,180**	**38,040**	**58,154,220**
Total exposure	**238,565,849**	**21,557,220**	**999,404**	**192,714**	**41,720**	**1,235,616**	**2,195,155**	**510,736**	**475,305**	**1,005,933**	**-**	**261,356,907**	**5,422,745**	**266,779,653**
By category of receivables														
Performing exposures	238,565,849	21,557,220	999,404	192,714	23,184	8,199	19,246	1	-	3	-	261,338,370	27,449	261,365,819
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	18,535	1,227,418	2,175,910	510,736	475,305	1,005,930	-	18,535	5,395,299	5,413,834
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposures	**238,565,849**	**21,557,220**	**999,404**	**192,714**	**41,720**	**1,235,616**	**2,195,155**	**510,736**	**475,305**	**1,005,933**	**-**	**261,356,907**	**5,422,745**	**266,779,653**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet exposures 31.12.2019.	Unimpaired exposures (stage 1 & 2) – past due status: Not past due	Up to 30 days	31 - 60 days	61 - 90 days	Over 90 days	Impaired exposures (stage 3) – past due status: Not past due	Up to 90 days	91 - 180 days	181 - 360 days	Over 360 days	Measured at FVTPL	Total unimpaired exposures (stage 1&2)	Total impaired exposures (stage 3)	Total exposures, gross
By sector														
Retail receivables	**9,908,725**	**840,888**	**51,618**	**13,581**	**-**	**39,075**	**58,218**	**14,464**	**-**	**-**	**-**	**10,814,812**	**111,757**	**10,926,569**
Housing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	9,888,674	840,888	51,618	13,581	-	38,487	58,218	14,464	-	-	-	10,794,761	111,169	10,905,930
Other receivables	20,051	-	-	-	-	588	-	-	-	-	-	20,051	588	20,639
Non-retail receivables	**129,871,678**	**9,079,779**	**18**	**-**	**-**	**545,365**	**4,671**	**2,318**	**51**	**150,516**	**-**	**138,951,475**	**702,921**	**139,654,396**
Large enterprises	117,290,937	5,850,026	-	-	-	539,084	-	-	-	150,516	-	123,140,963	689,600	123,830,563
Small and medium-sized enterprises	5,851,633	100,628	-	-	-	348	-	2,000	-	-	-	5,952,261	2,348	5,954,609
Micro enterprises and entrepreneurs	1,701,012	400,039	18	-	-	5,933	4,671	318	51	-	-	2,101,069	10,973	2,112,042
Financial institutions	5,028,096	2,729,086	-	-	-	-	-	-	-	-	-	7,757,182	-	7,757,182
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**5,160,831**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,160,831**	**-**	**5,160,831**
Total exposure	**144,941,234**	**9,920,667**	**51,636**	**13,581**	**-**	**584,440**	**62,889**	**16,782**	**51**	**150,516**	**-**	**154,927,118**	**814,678**	**155,741,796**
By category of receivables														
Performing exposures	144,941,234	9,920,667	51,636	13,581	-	3,606	959	-	-	-	-	154,927,118	4,565	154,931,684
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	580,835	61,930	16,782	51	150,516	-	-	810,114	810,114
Out of which: forborne	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total exposures	**144,941,234**	**9,920,667**	**51,636**	**13,581**	**-**	**584,440**	**62,889**	**16,782**	**51**	**150,516**	**-**	**154,927,118**	**814,678**	**155,741,796**

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Loans with renegotiated terms

The Bank does not have Loans and receivables to banks and other financial institutions with renegotiated terms, nor investment securities with renegotiated terms.

Restructuring process for legal entity is initiated/implemented if the Bank estimates that the financial difficulties of the debtor are temporary i.e., if bank estimates that restructuring will provide a long-term sustainability of the borrowers' business. In the process of restructuring, the Bank shall be guided by the following principles:

- The activities are tailored in such a manner as to ensure survival of the company and not endanger liquidity plan (i.e., exposure reduction should be investigated carefully and applied only if it does not compromise the business plan);
- Design a financial restructuring plan: focus both towards stabilising immediate cash flow and towards performing balance sheet improvements (such as non-core asset disposal, equity in-crease, liability restructuring including intra-group loans and off-balance items), with a medium to long term purpose of achieving improved and sustainable EBITDA i.e., improve debt repayment capacity, as well as company value;
- Involve external consultants in complex cases, covering various aspects of restructuring efforts: IBR, legal, tax and operational advise and/or supervision, design and implementation of reorganisation/ restructuring scheme);
- Cooperate with other Financiers in order to keep the customer alive and overcome the temporary difficulties: the cooperation needs should be considered case by case (establishment of re-financing through syndicate, pooling collaterals, determine supporting vs, hostile banks, assigning a leader in the process or setting up a steering committee, reducing the number of Creditors involved etc.);
- If borrower shows openness, new Investor is to be searched for (in agreement/in cooperation/ jointly with the borrower);
- Request and support the reorganisation of the borrower, operational and strategic business improvements (changing the management and strategic concepts, modifying processes and organisational structures, (re) focusing on core business, reducing operational costs, prioritising investments and/or reducing investment related costs etc.,).

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

In the process of restructuring of the legal entities, the Bank implements various measures, always insisting on the principle of responsibility of creditor. Here are some of the restructuring measures implemented by the Bank (the list is not comprehensive, since the cases of restructuring are specific and always require an individual approach):

- Modify the product: (i) refinance the exposure in a different product, either more appropriate for the Borrower's business profile or presenting better risk profile for the Bank (e.g., factoring, leasing), (ii) request up-front payments, (iii) modify the instalment size and frequency, (iv) modify interest rates, (v) impose sanctions (e.g., rescheduling fees);
- Strengthen the contracts; adjust clauses and covenants, with the aim to (i) to ring-fence the Bank's position if it comes to enforcement and (ii) to serve the establishment of financial discipline, data service, (iii) to support the execution of restructuring plan, obtaining additional owners' commitment etc.,;
- Get in touch with creditors and set up a Creditors' Committee if needed, involve also other Stakeholders if the Strategy requires this (please note that this step should be carefully considered in accordance with the direct contractual frame established with the borrower, as well as with the purpose that should be achieved through such actions);
- Channel borrower's Cash Flow through the Bank, including checking existing pledges on receivables and updating them if relevant (if assignments are silent, undertake all efforts to change this status and notify the buyers);
- Explore the possibility of involving New Stakeholders (Investors/ Equity partners, Suppliers, and Customers).

Management of problematic exposures requires high pro-activity and strict monitoring of implementation of defined strategy with the aim to prevent loss for the Bank and maximum recovery of existing exposure, Having in mind these goals, internal (between several departments and divisions within the Bank) and external (between the Bank and the debtor or between several banks which are creditors, etc.,) flow of information must be set and ensured so that the Bank could have relevant and updated information on its disposal which shall be used to define restructuring strategy and relationship with the debtor in general. There is a clearly defined line of authority within competent Workout Division which indicates who is in charge of daily monitoring and relationship with the debtor as well as which bank decision body is responsible for approval or correction of proposed restructuring steps/measures,

Every aspect of the Bank-Debtor relationship is defined by signing of necessary legal documentation (which is prior to signing checked by the Bank legal department). This ensures the transparency of agreed restructuring strategy/ steps but also defines obligations of all contractual parties, Legal department of the Bank is charge of all legal issues related to the relationship between the Bank and the debtor no matter if they are related to pre or post restructuring phase.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Control of contracted and implemented restructuring measures is fulfilled through defining of the strategy implementation milestones and setting of control mechanism adequate to provide information if defined conditions are fulfilled. Parameters of permanent and solid control are defined ''case by case'' and with respect to specific characteristics of each individual case i.e. subject of restructuring and can involve (but not limited) to the following:

- Performing of the credit reviews (minimum on semi-annual basis) and presentation of review applications to decision making bodies of the bank. This application involves information on how successful is implemented restructuring strategy, does the debtor regularly repay its obligations towards the bank, current situation in the debtors business, etc., and if it is necessary correction strategy measures can be proposed;
- Regular monitoring of inflows/outflows from the debtors accounts opened with the bank (inflows/outflows from the business activity; comparing expected and agreed turnover through account opened with the bank, monitoring of inflows based on pledged/assigned receivables (in any); quick reaction in case of any non-standard or unusual transaction (or lack of them) etc.,;
- Monitoring of the debtors business activity (as well as the activities of the debtors connected parties, if any) based on information/reports presented by the debtor or other entity authorized by the debtor (or even an external supervisor if hired);
- Performing personal visit to the debtor (if it is necessary or if the complexity of the debtors business or defined restructuring strategy requires so);
- Regular monitoring and update of appraisals related to collateral;
- Regular monitoring of the public registers as well as publicly available information so that the bank could quickly respond to any unusual developments;
- Monitoring and quick response to possible debtors account blockade (bank is automatically informed by the National Bank of Serbia in case of account blockade);
- Monitoring of fulfilment of contractual or any other terms and conditions.

As a part of RBI group, Bank is obliged to respect and follow regulations set by the National Bank of Serbia but also regulations defined by the competent institution of the European Union (among which is the European Bank Authority). One of the highly important workout regulations is the one related to "forbearance" process which refers to all class of exposure.

The term "Forborne" relates to loans (exposures) to which "forbearance" measures have been applied (measures such as concessions provided to the debtor which has (or will have) difficulties in repayment of debt to the bank). Forbearance status is defined by two factors:

- Financial difficulties, and
- Amendment/modification of the general contractual conditions which are considered as concessions.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Forborne status of the exposure will be concluded i.e. cancelled only when all of the following conditions are met:

- The loan is considered "Performing" and this relates also to those which status was changed from "Non-Performing" to "Performing" after performed financial analysis of the debtor has shown that the loan cannot be considered as "Non-Performing";
- Two years of probation period has passed since the day:
  - Since the "Forborne" exposure was considered as "Performing" (for loans which changes their status from "Non-Performing" to "Performing");
  - Since "Forborne" measure has been approved (for loans which have not been defined as "Non-Performing" on the date of "forbearance" measures have been implemented or for loans which status was not changed to "Non-Performing" due to implementation of "forbearance" measures);
- That the debtor has repaid significant amount of principal or interest during at least the half of probation period;
- No exposure towards the debtor was not due more than 30 days at the end of probation period.

The restructuring of the debtor physical person is initiated /implemented if the Bank estimates that the financial difficulties of the debtor have temporary nature and that the measures approved will help the client to overcome the financial difficulties and they will restore his full creditworthiness.

In the process of restructuring the Bank shall be guided by the following principles:

- Provide better understanding of customer needs and current financial situation;
- Improving the motivation of the client to regularly pay their obligations.

The basic principles which the Bank respects when determines the basic elements of a new restructuring loan are:

- Cover all balance sheet receivables from clients in one contract, with the possible exceptions,
- New repayment plan should consist of monthly instalments, where final maturity is determined based on the exposure of the client and the products he uses. The extension of the repayment period, i.e., a new period of repayment of the restructuring loan, which comprise all other exposures (except mortgage loans and cash loans secured by mortgage) is defined depending on the type of products which are restructured (credit cards, loans) and according to the exposure;
- Interest rate - A detailed method of determining the interest rate, but also the fee for processing the loan for restructuring is subject to approval by the Commission for setting interest rates, tariffs and fees for services;
- Collaterals for the new loan should be at least equivalent to the existing collaterals;
- Total monthly obligations of the client after the restructuring should be reduced by at least 20% over the current monthly obligations of the client;
- Restructuring models that are used (in process of restructuring of cliets-private individuals, the Bank uses different models, where client responsibility is always emphasised).

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Here are the basic models (measures) of the restructuring that Bank applies (always insisting on the principle of responsibility of the client):

- Extension of the maturity and adjustments of monthly instalments according to the client's needs, possibilities of repayment, the above set conditions and credit policies of the Bank;
- '' Grace period' up to 12 months, for the existing housing loan or cash loan with mortgage (while maintaining the maturity). During the grace period, the customer only pays the agreed amount of interest;
- The temporary reduction of interest over a period of a maximum of 12 months,
- „Negative amortization", In these cases, the interest rate for housing loans remains unchanged, but in the 'grace period' of 9 months the client pays 50% of the interest. After the expiry of 'grace period' the arrears are capitalized, retaining the original currency of the loan.

The client receives a status of "cured" upon fulfilment of the following conditions:

- Full repayment of the restructured loans; or
- Two years after completion of the restructuring was not in default (if within a period of two years, the client enters the default and exit the default, two years observation period is restarted from the date of default end);
- The last two years following the restructuring client have not been in 30+ days past due on any credit product (if within a period of two years, the client enters 30+ and rolls back below 30 the default and exit the default, two years observation period is restarted from the date of roll back).

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Restructured loans and advances by restructuring measures are shown below:

Balance sheet exposure 31.12.2020	Interest rate de-crease	Extention of maturity	Moratorium	Capi-talisation of overdue amount	Refinancing	Partial write-off	Conversion of debt into equity	Other measures	Total
By sector									
Retail receivables	**-**	**326,281**	**336**	**9,357**	**262,383**	**-**	**-**	**12,919**	**611,276**
Housing loans	-	211,754	-	9,357	18,771	-	-	12,919	252,801
Consumer and cash loans	-	114,527	336	-	966	-	-	-	115,829
Transaction loans and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	242,646	-	-	-	242,646
Non-retail receivables	**18,809**	**800,898**	**-**	**-**	**353,926**	**-**	**-**	**437,430**	**1,611,063**
Large enterprises	-	598,716	-	-	346,680	-	-	289,517	1,234,913
Small and medium-sized enterprises	18,809	109,854	-	-	7,246	-	-	147,913	283,822
Micro enterprises and entrepreneurs	-	92,328	-	-	-	-	-	-	92,328
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**18,809**	**1,127,179**	**336**	**9,357**	**616,309**	**-**	**-**	**450,349**	**2,222,339**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Restructuring (continued)

Restructured loans and advances by restructuring measures are shown below:

Balance sheet exposure 31.12.2019	Interest rate decrease	Extention of maturity	Moratorium	Capitalization of overdue amount	Refinancing	Partial write-off	Conversion of debt into equity	Other measures	Total
By sector									
Retail receivables	**-**	**339,205**	**358**	**9,544**	**285,332**	**-**	**-**	**4,194**	**638,634**
Housing loans	-	240,667	-	9,544	24,044	-	-	4,194	278,450
Consumer and cash loans	-	98,538	358	-	1,021	-	-	-	99,917
Transaction loans and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	260,267	-	-	-	260,267
Non-retail receivables	**32,403**	**1,262,959**	**-**	**-**	**377,237**	**36,961**	**-**	**167,498**	**1,877,057**
Large enterprises	-	1,185,503	-	-	374,030	36,961	-	102,041	1,698,534
Small and medium-sized enterprises	32,403	40,137	-	-	3,207	-	-	65,457	141,204
Micro enterprises and entrepreneurs	-	37,319	-	-	-	-	-	-	37,319
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**32,403**	**1,602,164**	**358**	**9,544**	**662,569**	**36,961**	**-**	**171,692**	**2,515,691**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Restructuring (continued)

Off-balance sheet exposure 31.12.2020	Interesat rate decrease	Extention of maturity	Moratorium	Capi-talisation of overdue amount	Refinancing	Partial write-off	Conversion of debt into equity	Other measures	Total
By sector									
Retail receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Non-retail receivables	**-**	**591**	**-**	**-**	**-**	**-**	**-**	**261,964**	**262,555**
Large enterprises	-	-	-	-	-	-	-	230,005	230,005
Small and medium-sized enterprises	-	591	-	-	-	-	-	31,959	32,550
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-
Financial i nstitutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**591**	**-**	**-**	**-**	**-**	**-**	**261,964**	**262,555**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Restructuring (continued)

Off-balance sheet exposure 31.12.2019	Interesat rate decrease	Extention of maturity	Moratorium	Capitalisation of overdue amount	Refinancing	Partial write-off	Conversion of debt into equity	Other measures	Total
By sector									
Retail receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Non-retail receivables	**-**	**240**	**-**	**-**	**-**	**-**	**-**	**329,614**	**329,854**
Large enterprises	-	-	-	-	-	-	-	300,190	300,190
Small and medium-sized enterprises	-	240	-	-	-	-	-	29,424	29,664
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total exposure	**-**	**240**	**-**	**-**	**-**	**-**	**-**	**329,614**	**329,854**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Restructuring (continued)

Data on changes of forborne balance sheet assets and off balance sheet items during 2020 are presented below:

Balance sheet exposures	Opening balance as at 1 January 2020, gross exposure	Forborne during the period	Exited the forbearance category during the period	FX impact	Other changes	Closing balance as at 31 December 2020	Neto balance as at 31 December 2020
	1	2	3	4	5	6 (1+2-3+4+5)	7
Retail receivables	**638,635**	**45,759**	**48,793**	**252**	**(24,577)**	**611,276**	**420,100**
Housing loans	278,450	7,845	23,614	268	(10,148)	252,801	143,922
Consumer and cash loans	97,938	37,914	15,589	1	(4,435)	115,829	62,505
Transaction loans and credit cards	-	-	-	-	-	-	-
Other receivables	262,247	-	9,590	(17)	(9,994)	242,646	213,673
Non-retail receivables	**1,877,057**	**560,726**	**620,301**	**41**	**(206,462)**	**1,611,063**	**439,898**
Large enterprises	1,698,534	299,672	582,077	33	(181,249)	1,234,913	217,581
Small and medium-sized enterprises	141,204	197,253	32,970	8	(21,674)	283,822	143,761
	37,319	63,801	5,254	-	(3,539)	92,328	78,556
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Exposure	**2,515,692**	**606,485**	**669,094**	**293**	**(231,039)**	**2,222,339**	**859,998**

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Restructuring (continued)

Off-balance sheet exposures	Opening balance as at 1 January 2020, gross exposure	Forborne during the period	Exited the forbearance category during the period	FX impact	Other changes	Closing balance as at 31 December 2020	Neto balance as at 31 December 2020
	1	2	3	4	5	6 (1+2-3+4+5)	7
Retail receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transaction loans and credit cards	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Non-retail receivables	**329,854**	**2,635**	**-**	**-**	**(69,935)**	**262,555**	**249,423**
Large enterprises	300,190	2,635	-	-	(72,820)	230,005	216,882
Small and medium-sized enterprises	29,664	-	-	-	2,885	32,550	32,541
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Exposure	**329,854**	**2,635**	**-**	**-**	**(69,935)**	**262,555**	**249,423**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Restructuring (continued)

Data on changes of forborne balance sheet assets and off balance sheet items during 2019 are presented below:

Balance sheet exposures	Opening balance as at 1 January 2019, gross exposure	Forborne during the period	Exited the forbearance category during the period	FX impact	Other changes	Closing balance as at 31 December 2019, gross exposure	Closing balance as at 31 December 2019, net exposure
	1	2	3	4	5	6 (1+2-3+4+5)	7
Retail receivables	**990,534**	**320,041**	**632,684**	**1,688**	**(40,944)**	**638,634**	**424,991**
Housing loans	875,718	23,623	594,598	2,230	(28,523)	278,450	177,585
Consumer and cash loans	105,780	36,151	29,184	13	(12,843)	99,917	50,314
Transaction loans and credit cards	-	-	-	-	-	-	-
Other receivables	9,036	260,267	8,902	(555)	422	260,267	197,092
Non-retail receivables	**990,534**	**320,041**	**632,684**	**1,688**	**(40,944)**	**638,634**	**424,991**
Large enterprises	4,356,907	61,570	1,970,500	(2,958)	(746,484)	1,698,534	234,416
Small and medium-sized enterprises	131,792	61,816	32,754	(439)	(19,211)	141,204	71,047
Micro enterprises and entrepreneurs	25,012	29,190	6,808	(9)	(10,066)	37,319	30,017
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Exposure	**5,504,245**	**472,617**	**2,642,746**	**(1,718)**	**(816,705)**	**2,515,691**	**760,471**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Off-balance sheet exposures	Opening balance as at 1 January 2019, gross exposure	Forborne during the period	Exited the forbearance category during the period	FX impact	Other changes	Closing balance as at 31 December 2019, gross exposure	Closing balance as at 31 December 2019, net exposure
	1	2	3	4	5	6 (1+2-3+4+5)	7
Retail receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-
Transaction loans and credit cards	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
Non-retail receivables	**271,632**	**59,750**	**397**	**-**	**(1,131)**	**329,854**	**319,340**
Large enterprises	271,093	30,353	-	-	(1,256)	300,190	289,762
Small and medium-sized enterprises	539	29,397	397	-	125	29,664	29,578
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-
Financial institutions	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total Exposure	**271,632**	**59,750**	**397**	**-**	**(1,131)**	**329,854**	**319,340**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Write-off policy

The Bank writes off loans and receivables or investment securities, and any related allowances for impairment losses, when Bank Credit Department determines that the loan or security is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product specific past due status.

The table below shows analysis of counterparty credit exposures arising from derivative transactions:

	Over-the-counter	
	Nominal value	Fair value
31 December 2020		
Derivative assets	38,301,477	51,496
Derivative liabilities	(38,628,498)	2,014
31 December 2019		
Derivative assets	82,700,376	21,442
Derivative liabilities	(82,646,533)	18,516

Collateral as an instrument of credit risk mitigation

The Bank holds collateral for loans and advances to customers in the form of mortgages on real estate and other tangible and intangible assets of the credit protection. Estimates of market value are based on the value of collateral assessed at the time of borrowing and generally are updated annually. The minimum haircuts are applied on the existing collateral values. Where appropriate, additional haircuts laid down in RBI policy for individual types of credit protection instruments are applied. This policy takes into account the specific types of instruments, market fluctuations and local specificities.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Data on the type and value of collateral and guarantees providers by sector and categories of receivables at December 31, 2020 are shown below:

Stage 1 exposures

Balance sheet exposures 31.12.2020	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other immovable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**34,178**	**-**	**11,730,382**	**4,105**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	18,035	-	11,340,606	4,105	-	-	-	-	-	-
Consumer and cash loans	5,759	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	10,375	-	-	-	-	-	-	-	-	-
Other receivables	9	-	389,776	-	-	-	-	-	-	-
Non-retail receivables	**251,963**	**-**	**770,971**	**12,361,295**	**-**	**1,314,348**	**-**	**21,704,747**	**11,443,328**	**112,569**
Large enterprises	38,254	-	181,014	11,471,905	-	1,304,586	-	368,131	11,056,934	112,569
Small and medium-sized enterprises	192,169	-	404,118	865,054	-	9,762	-	-	372,504	-
Micro enterprises and entrepreneurs	21,540	-	185,839	24,336	-	-	-	-	13,890	-
Agriculture	-	-	-	-	-	-	-	21,336,616	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	286,139	-	12,501,352	12,365,399	-	1,314,348	-	21,704,746	11,443,329	112,569
Out of which: forborne	-	-	42,238	5,733	-	-	-	-	-	-
Non-performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**286,139**	**-**	**12,501,352**	**12,365,399**	**-**	**1,314,348**	**-**	**21,704,746**	**11,443,329**	**112,569**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 1 exposures

Off-balance sheet exposures 31.12.2020	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other immovable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**29,575**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Housing loans	-	-	-	-	-	-	-	-	-	
Consumer and cash loans	-	-	-	-	-	-	-	-	-	
Transaction loans and credit cards	29,987	-	-	-	-	-	-	-	-	
Other receivables	588	-	-	-	-	-	-	-	-	
Non-retail receivables	**501,906**	**-**	**206,976**	**3,340,041**	**-**	**297,594**	**-**	**6,716,108**	**18,047,538**	**555,968**
Large enterprises	134,240	-	64,383	3,118,408	-	291,928	-	92,706	17,981,151	555,968
Small and medium-sized enterprises	298,862	-	136,735	218,882	-	5,666	-	-	61,387	-
Micro enterprises and entrepreneurs	68,804	-	5,858	2,751	-	-	-	-	5,000	-
Agriculture	-	-	-	-	-	-	-	6,623,402	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	531,482	-	206,975	3,340,041	-	297,594	-	6,716,108	18,047,538	555,968
Out of which: forborne	-	-	8,405	-	-	-	-	-	-	-
Performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**531,482**	**-**	**206,975**	**3,340,041**	**-**	**297,594**	**-**	**6,716,108**	**18,047,538**	**555,968**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 2 exposures

Balance sheet exposures 31.12.2020	Collateral type*									
							Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other immovable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**80,118**	**-**	**10,116,732**	**20,167**	**-**	**1,317**	**-**	**-**	**-**	**752**
Housing loans	44,924	-	8,697,764	11,702	-	-	-	-	-	752
Consumer and cash loans	22,275	-	-	-	-	1,317	-	-	-	-
Transaction loans and credit cards	12,916	-	-	-	-	-	-	-	-	-
Other receivables	3	-	1,418,968	8,465	-	-	-	-	-	-
Non-retail receivables	**196,414**	**-**	**479,150**	**5,047,200**	**-**	**84,020**	**-**	**-**	**3,463,208**	**45,784**
Large enterprises	75,063	-	96,864	4,305,224	-	79,769	-	-	3,194,259	45,784
Small and medium-sized enterprises	109,953	-	210,581	700,164	-	2,950	-	-	244,216	-
Micro enterprises and entrepreneurs	11,398	-	171,705	41,812	-	1,301	-	-	24,733	-
Agriculture	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	276,222	-	10,595,883	5,067,367	-	85,338	-	-	3,463,208	46,536
Out of which: forborne	4,703	-	198,.309	57,054	-	1,947	-	-	2,104	-
Non-performing exposures	310	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**276,532**	**-**	**10,595,883**	**5,067,367**	**-**	**85,338**	**-**	**-**	**3,463,208**	**46,536**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 2 exposures

Off-balance sheet exposures 31.12.2020	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**60,398**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	28,451	-	-	-	-	-	-	-	-	-
Other receivables	31,947	-	-	-	-	-	-	-	-	-
Non-retail receivables	**596,569**	**-**	**107,687**	**977,839**	**-**	**67,391**	**-**	**171,616**	**2,714,460**	**2,061,298**
Large enterprises	563,005	-	37,689	864,276	-	66,119	-	-	2,688,685	2,061,298
Small and medium-sized enterprises	22,633	-	54,491	113,563	-	1,272	-	-	23,275	-
Micro enterprises and entrepreneurs	10,931	-	15,507	-	-	-	-	-	2,500	-
Agriculture	-	-	-	-	-	-	-	171,616	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	656,754	-	107,687	977,839	-	67,391	-	171,616	2,698,314	2,061,298
Out of which: forborne	-	-	-	16,911	-	3,768	-	-	7,519	-
Non-performing exposures	213	-	-	-	-	-	-	-	16,146	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**656,967**	**-**	**107,687**	**977,839**	**-**	**67,391**	**-**	**171,616**	**2,714,460**	**2,061,298**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 3 exposures

Balance sheet exposures 31.12.2020	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**7,549**	**-**	**498,910**	**15,636**	**-**	**479**	**-**	**-**	**-**	**-**
Housing loans	5,996	-	393,832	15,636	-	-	-	-	-	-
Consumer and cash loans	-	-	3,067	-	-	479	-	-	-	-
Transaction loans and credit cards	1,553	-	-	-	-	-	-	-	-	-
Other receivables	-	-	102,011	-	-	-	-	-	-	-
Non-retail receivables	**-**	**-**	**78,266**	**642,208**	**-**	**11,885**	**-**	**-**	**18,372**	**-**
Large enterprises	-	-	12	568,540	-	10,956	-	-	536	-
Small and medium-sized enterprises	-	-	47,869	69,968	-	929	-	-	13,573	-
Micro enterprises and entrepreneurs	-	-	30,385	3,700	-	-	-	-	4,263	-
Agriculture	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	-	-	57,518	-	-	-	-	-	-	-
Out of which: forborne	-	-	4,660	-	-	-	-	-	-	-
Non-performing exposures	7,549	-	519,658	657,845	-	12,364	-	-	18,372	-
Out of which: forborne	853	-	130,271	236,033	-	929	-	-	9,091	-
Total exposure	**7,549**	**-**	**577,176**	**657,844**	**-**	**12,364**	**-**	**-**	**18,372**	**-**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 3 exposures

Off-balance sheet exposures 31.12.2020	Collateral type*							Guarantees** issued by		
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**480**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	480	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Non-retail receivables	**20,855**	**-**	**20,219**	**313,461**	**-**	**-**	**-**	**-**	**305,316**	**-**
Large enterprises	20,855	-	20,203	301,703	-	-	-	-	305,316	-
Small and medium-sized enterprises	-	-	16	11,758	-	-	-	-	-	-
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	365	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	20,971	-	20,219	313,461	-	-	-	-	305,316	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**21,336**	**-**	**20,219**	**313,461**	**-**	**-**	**-**	**-**	**305,316**	**-**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)
Data on the type and value of collateral and guarantees providers by sector and categories of receivables at December 31, 2019 are shown below:

Stage 1 exposures

Balance sheet exposures 31.12.2019	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	91,804	-	16,496,623	24,496	-	1,795	-	-	-	903
Housing loans	43,406	-	15,349,366	19,957	-	-	-	-	-	903
Consumer and cash loans	22,569	-	-	-	-	1,795	-	-	-	-
Transaction loans and credit cards	25,825	-	-	-	-	-	-	-	-	-
Other receivables	4	-	1,147,257	4,539	-	-	-	-	-	-
Non-retail receivables	**453,501**	**-**	**1,221,070**	**12,688,348**	**-**	**1,251,958**	**-**	**21,358,929**	**-**	**600,022**
Large enterprises	188,913	-	272,874	11,363,980	-	1,221,639	-	18,625	-	373,652
Small and medium-sized enterprises	233,662	-	564,403	1,229,996	-	28,907	-	-	-	203,137
Micro enterprises and entrepreneurs	30,926	-	383,793	94,372	-	1,412	-	-	-	23,233
Agriculture	-	-	-	-	-	-	-	21,340,304	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	544,826	-	17,717,693	12,712,843	-	1,253,753	-	21,358,929	-	600,926
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	481	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**545,307**	**-**	**17,717,693**	**12,712,843**	**-**	**1,253,753**	**-**	**21,358,929**	**-**	**600,926**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 1 exposures

Off-balance sheet exposures 31.12.2019	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**68,358**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	51,889	-	-	-	-	-	-	-	-	-
Other receivables	16,469	-	-	-	-	-	-	-	-	-
Non-retail receivables	**1,150,095**	**-**	**281,412**	**2,960,532**	**-**	**571,777**	**-**	**6,472,802**	**9,274,773**	**2,249,512**
Large enterprises	856,451	-	104,511	2,687,127	-	566,901	-	105,872	9,271,300	2,214,118
Small and medium-sized enterprises	194,008	-	153,238	266,720	-	4,876	-	-	3,473	21,573
Micro enterprises and entrepreneurs	99,636	-	23,663	6,685	-	-	-	-	-	13,821
Agriculture	-	-	-	-	-	-	-	6,366,930	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	1,218,413	-	281,411	2,960,532	-	571,777	-	6,472,803	9,274,773	2,249,512
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	41	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**1,218,454**	**-**	**281,411**	**2,960,532**	**-**	**571,777**	**-**	**6,472,803**	**9,274,773**	**2,249,512**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 2 exposures

Balance sheet exposures 31.12.2019	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**26,668**	**-**	**3,241,600**	**23,879**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	24,414	-	2,380,307	23,879	-	-	-	-	-	-
Consumer and cash loans	1,567	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	687	-	-	-	-	-	-	-	-	-
Other receivables	-	-	861,293	-	-	-	-	-	-	-
Non-retail receivables	**57,139**	**-**	**264,571**	**1,541,432**	**-**	**29,121**	**-**	**-**	**1,721,486**	**8,119**
Large enterprises	17,794	-	104,636	1,009,187	-	25,570	-	-	1,626,594	-
Small and medium-sized enterprises	39,345	-	154,372	532,245	-	3,551	-	-	94,892	8,119
Micro enterprises and entrepreneurs	-	-	5,563	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	83,806	-	3,506,171	1,565,310	-	29,121	-	-	1,721,485	8,119
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	1	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**83,807**	**-**	**3,506,171**	**1,565,310**	**-**	**29,121**	**-**	**-**	**1,721,485**	**8,119**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 2 exposures

Off-balance sheet exposures 31.12.2019	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-	-
Non-retail receivables	**9,803**	**-**	**52,569**	**401,408**	**-**	**37,170**	**-**	**29,207**	**125,957**	**23,132**
Large enterprises	2,433	-	50,625	386,879	-	37,170	-	-	125,691	23,132
Small and medium-sized enterprises	7,370	-	1,944	14,529	-	-	-	-	266	-
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	29,207	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	9,491	-	52,570	401,408	-	37,170	-	29,207	125,956	23,132
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	312	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**9,803**	**-**	**52,570**	**401,408**	**-**	**37,170**	**-**	**29,207**	**125,956**	**23,132**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)
Stage 3 exposures

Balance sheet exposures 31.12.2019	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**6,351**	**-**	**543,604**	**1,787**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	5,795	-	396,798	-	-	-	-	-	-	-
Consumer and cash loans	62	-	2,892	-	-	-	-	-	-	-
Transaction loans and credit cards	480	-	-	-	-	-	-	-	-	-
Other receivables	14	-	143,914	1,787	-	-	-	-	-	-
Non-retail receivables	**-**	**-**	**57,722**	**149,246**	**-**	**66**	**-**	**-**	**3,230**	**411**
Large enterprises	-	-	-	61,219	-	-	-	-	-	-
Small and medium-sized enterprises	-	-	40,458	85,022	-	66	-	-	1,403	-
Micro enterprises and entrepreneurs	-	-	17,264	3,005	-	-	-	-	1,827	411
Agriculture	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	989	-	178,072	69,811	-	66	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	5,362	-	423,254	81,222	-	-	-	-	3,230	411
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**6,351**	**-**	**601,326**	**151,033**	**-**	**66**	**-**	**-**	**3,230**	**411**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued)

Stage 3 exposures

Off-balance sheet exposures 31.12.2019	Collateral type*						Guarantees** issued by			
	Depostis	Securities	Residential immovable property	Other im-movable property	Pledge on goods and amimals	Other	Governance	Bank	Related party of borrower	Other
By sector										
Retail receivables	**695**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Housing loans	-	-	-	-	-	-	-	-	-	-
Consumer and cash loans	-	-	-	-	-	-	-	-	-	-
Transaction loans and credit cards	107	-	-	-	-	-	-	-	-	-
Other receivables	588	-	-	-	-	-	-	-	-	-
Non-retail receivables	**10,429**	**-**	**19,250**	**189,468**	**-**	**28,287**	**-**	**-**	**244,879**	**-**
Large enterprises	10,429	-	19,250	189,468	-	28,287	-	-	244,879	-
Small and medium-sized enterprises	-	-	-	-	-	-	-	-	-	-
Micro enterprises and entrepreneurs	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-
Public companies	-	-	-	-	-	-	-	-	-	-
Receivables from other clients	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
By category of receivable										
Performing exposures	-	-	-	-	-	-	-	-	-	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Non-performing exposures	11,124	-	19,250	189,468	-	28,287	-	-	244,879	-
Out of which: forborne	-	-	-	-	-	-	-	-	-	-
Total exposure	**11,124**	**-**	**19,250**	**189,468**	**-**	**28,287**	**-**	**-**	**244,879**	**-**

* Market or fair value – maximum up to gross collatelarised exposure
** Guaranteed amount - maximum up to gross collatelarised exposure

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Collateral as an instrument of credit risk mitigation (continued

In the tables above, properties are disclosed at their weighted collateral value, which is used in impairment calculation, while value of guarantees is limited to the book value of collateralized loans and receivables. The Weighted Collateral Value (WCV) is calculated using the NCV minus valuation haircuts (discounts) and senior liens and is limited by the amount specified in the collateral agreement as well as by the limit amount secured by the respective collateral. The Nominal Collateral Value (NCV) is the fair market value (FMV), the value based on an expert appraisal or the purchase price of the real estate.

The Bank's policy is to pursue timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations.

LTV ratio

LTV indicator represents the ratio of the gross value of receivables and the market value of the property that this claim is collateralized.

Data on receivables that are secured by real estate by the LTV ratio are shown below:

Exposure collateralized by immovable property	31 December 2020	31 December 2019
Below 50%	27,764,427	22,627,813
From 50% to 70%	14,324,541	14,933,977
From 70% to 90%	10,771,480	6,282,685
From 90% to 100%	647,117	3,199,763
From 100% to 120%	3,038,729	655,349
From 120% to 150%	4,229,658	1,955,540
Above 150%	4,738,731	6,342,994
Total	**65,514,683**	**55,998,121**
Average LTV ratio	**28%**	**26%**

Investment securities

The Bank manages limits and controls concentrations of credit risk and settlement risk on counterparty and (debt) security level. The investments in those securities and bills (National bank of Serbia and Ministry of Finance of Republic of Serbia - sovereign issuer) are viewed as a way to gain a better credit quality mapping and profit intentions.

The risks are monitored on a revolving basis and subject to annual review at least. The limits are analysed at the proposal of the Treasury and Investment Banking Division and recommendation of the Risk Management Division (after the analyses of the clients and receipt of the preliminary approval from RBI) and approved by the Credit Committee of the Bank as the maximum Bank exposure during the defined time period for the instrument, one client and group of connected clients. Actual exposures against limits are monitored daily.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

In 2020 and 2019 the Bank had in its portfolio the following debt securities and bills:

- Ministry of Finance of Republic of Serbia T-Bills (local currency and euro-indexed) and bonds,
- US Treasuries Bonds,
- Bonds issued by Erstebanka a.d. Novi Sad and
- Bonds from international financial organisations (IFC, EBRD and KfW).

In 2020 and 2019 the Bank entered in reverse-repo transaction with National bank of Serbia (based on the National bank of Serbia Bills).

Derivatives

In 2020 and 2019 the Bank was engaged in the following types of derivative transactions:

- Foreign Exchange Forward and similar contracts,
- Foreign Exchange Swap contracts and
- Interest Rate Swap.

The Bank uses these products for managing currency risk, as well as interest rate risk.

The foreign exchange forward and swap transactions create credit risk (risk that a counterparty will not settle an obligation in full, either when due or at any time thereafter) and settlement risk (risk that one party in a foreign exchange transaction will pay the currency it sold but not receive the currency it bought) exposures for the Bank.

Settlement risk arises in any situation where a payment is made in the expectation of a corresponding receipt. These risk exposures are managed as part of the overall lending limits with customers.

The Bank maintains strict control of limits on open derivative positions.

Hedge Accounting Methodology

In the course of ordinary business, the Bank uses carries out different transaction with derivatives in order to manage interest rate risk and the most frequent transaction is interest rate swap. In a „plain vanilla" interest rate swap transaction, twoparties agree to exchange payments based on an agreed notional amount and interest rates during the term of the IRS under terms and conditions specified in advance. Typically, one party makes fixed payments to counterparty in exchange for variable payments based on a fixed notional principal amount over a specified period of time. This instrument allows transformation of exposures with contracted fixed interest rates in exposures with floating interest rates and vice versa and as such, the instrument is highly effective in mitigation/neutralisation of interest rate risk. Hedge accounting seeks to correct usual accounting treatment of instrument (interest rate swap) and hedge item, and allows that gains and losses on instrument and hedge item are recognized in the Statement on profit and loss and other comprehensive income in the same accounting period and in such way these gains and losses are offset. This principle is known as „matching concept".

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Cash Flow Hedge

The Bank established cash flow hedge accounting in order to hedge the risk of changes in the cash flows paid attributable to changes in the variable rates on the liabilities.

The hedging objective was to eliminate the variability of the Bank's interest outflows that arise because of changes in the reference floating interest rate, for the designated interest payments.

More precisely the intention was to hedge interest risk related to the debt/borrowings, on which it pays floating interest and by doing so hedge interest rate gaps using IRS (receive float-pay fix). This way the interest rate on debt would switch to fix and would better match the asset side loans with fixed interest.

The method used by the Bank for checking hedge effectiveness is the dollar offset method. Both retrospective and prospective tests performed at the year end showed very high effectiveness of the hedge.

Unrealized gains recognised in other comprehensive income during the period in respect of cash flow hedge (net of deffered tax) amount RSD 11,879 thousand (2019: RSD 42,248 thousand).

The Bank did not have any amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.

Portfolio Hedge

Below is presented Portfolio hedge methodology (Macro Fair Value hedge).

The hedging objective of fair value hedge is to mitigate interest rate risk which arose on transactions with fixed interest rates agreed. As result of this methodology, fixed interest rate is transformed in variable interest rate based on interest rate swap use, Gains and losses on measurement of hedge instrument and hedge item are recognised in the Statement on profit and loss. Losses on hedging instuments in portfolio hedge for 2019 amounts RSD 1,178 thousand, while losses on hedged item attributable to the designed risk amount RSD 8,475 thousand. During 2020. Bank did not have Portfolio Hedge.

The hedge item in Macro Fair Value Hedge (portfolio hedge) is the whole portfolio or part of portfolio of financial instruments. The portfolio may include both assets and liabilities instruments. These methodology takes in the account two the most significant issues that are consequence of interest rate change:

- A change in interest rate changes present value cash flow of financial instruments and
- A change in interest rate has impact on dynamic of loan repayment by customers (prepayment risk or default risk).

The method used by the Bank for checking hedge effectiveness is the dollar offset method.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of its liquidity position, It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Bank has access to a diverse funding base. Funds are raised using:

- deposits with wide ranges of maturity (different number and different customers),
- long term borrowings,
- subordinated liabilities and
- share capital.

The Bank ensures steady and long-term funding through diversification of fund sources. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required meeting business goals and targets set in terms of the overall Bank's strategy.

The following table provides information on liquidity ratios:

%	2020	2019
Liquidity indicator-daily	2.31	1.96
Liquidity indicator-three daily	2.35	1.94
Liquidity indicator-monthly	2.39	2.01
Narrow liquidity indicator- daily	1.95	1.63
Narrow liquidity indicator-three daily	1.97	1.57
Narrow liquidity indicator-monthly	1.80	1.65
Liquidity Coverage Ratio (LCR)	196.34	170.74

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the financial assets and liabilities of the Bank into relevant maturity groupings as at 31 December:

	Carrying amount	Gross nominal inflow /(outflow)	up to 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Financial assets							
Cash and balances with central banks	86,432,095	86,432,103	86,432,103	-	-	-	-
Receivables arising from derivatives	51,496	51,496	51,496	-	-	-	-
Securities	70,342,791	70,352,441	1,985,487	3,457,322	17,553,528	43,211,206	4,144,898
Loans and receivables to banks and other financial institutions	24,620,212	24,620,739	20,128,749	178,895	755,446	3,557,649	-
Loans and receivables to customers	186,914,250	193,298,171	15,259,360	9,329,600	49,517,148	86,977,828	32,214,235
Receivables from derivatives held for hedging against risks	13,211	13,211	13,211	-	-	-	-
Investments in subsidiaries	1,234,622	1,234,622	-	-	-	-	1,293,551
Total	**369,608,677**	**376,002,783**	**123,870,406**	**12,965,817**	**67,826,122**	**133,746,683**	**37,593,755**
Liabilities							
Liabilities arising from derivatives	2,014	2,014	2,014	-	-	-	-
Deposits and other liabilities from banks, other financial institutions and central bank	4,926,799	4,926,799	4,753,803	-	172,996	-	-
Deposits and other liabilities from other customers	303,752,087	303,752,087	294,128,969	777,350	2,710,293	3,978,054	2,157,421
Liabilities arising from financial derivatives held for hedging against risks	498,508	498,508	498,508	-	-	-	-
Total	**309,179,408**	**309,179,408**	**299,383,294**	**777,350**	**2,883,289**	**3,978,054**	**2,157,421**
Net liquidity gap as of 31 December 2020	**60,429,269**	**66,823,375**	**(175,512,888)**	**12,188,467**	**64,942,833**	**129,768,629**	**35,436,334**
Net cumulative liquidity gap as at 31 December 2020	**-**	**-**	**(175,512,888)**	**(163,324,421)**	**(98,381,588)**	**31,387,041**	**66,823,375**

Net liquidity mismatch for a bucket up to 1 month relates to a fact that this bucket includes all a-vista deposits which the Bank doesn't expect to outflow in 1 month period and which have so called stickiness with outflow expected in 5 years period based on internal model. Also, the Bank has securities of Ministry of Finance of Republic of Serbia with counterbalancing capacity. These securities could be pledged for a short-term liquidity funds with National bank of Serbia, if needed.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Carrying amount	Gross nominal inflow /(outflow)	up to 1 months	1 month to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
Financial assets							
Cash and balances with central banks	69,905,262	69,905,266	69,905,266	-	-	-	-
Receivables arising from derivatives	21,442	21,442	21,442	-	-	-	-
Securities	54,502,443	54,509,244	489,205	611,140	9,985,443	40,786,841	2,636,615
Loans and receivables to banks and other financial institutions	13,550,612	13,551,352	8,110,733	256,317	991,737	4,046,777	145,788
Loans and receivables to customers	171,584,719	176,522,994	17,572,131	9,075,014	43,227,106	77,974,005	28,674,738
Receivables from derivatives held for hedging against risks	152,072	152,072	152,072	-	-	-	-
Investments in subsidiaries	1,293,551	1,293,551	-	-	-	-	1,293,551
Total	**311,010,101**	**315,955,921**	**96,250,849**	**9,942,471**	**54,204,286**	**122,807,623**	**32,750,692**
Financial liabilities							
Liabilities arising from derivatives	18,516	18,516	18,516	-	-	-	-
Deposits and other liabilities from banks, other financial institutions and central bank	4,287,532	4,287,532	3,768,473	-	346,198	172,861	-
Deposits and other liabilities from other customers	251,813,778	251,813,778	240,713,261	1,088,358	2,872,163	4,263,488	2,876,508
Liabilities arising from financial derivatives held for hedging against risks	234,945	234,945	234,945	-	-	-	-
Total	**256,354,771**	**256,354,771**	**244,735,195**	**1,088,358**	**3,218,361**	**4,436,349**	**2,876,508**
Net liquidity gap as of 31 December 2019	**54,655,330**	**59,601,150**	**(148,484,346)**	**8,854,113**	**50,985,925**	**118,371,274**	**29,874,184**
Net cumulative liquidity gap as at 31 December 2019	**-**	**-**	**(148,484,346)**	**(139,630,233)**	**(88,644,308)**	**29,726,966**	**59,601,150**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The table below sets out the carrying amounts of non-derivative financial assets and financial liabilities to be recovered or settled more than 12 months after the reporting date:

	2020	2019
Financial assets		
Loans and receivables to customers	67,722,187	64,935,976
Financial liabilities		
Deposits and other liabilities from other customers	297,616,612	244,673,782

The table below sets out the components of the Bank`s liquidity reserves:

	2020		2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Balances with central banks	47,531,210	47,531,210	41,974,882	41,974,882
Unencumbered debt securities issued by sovereigns	38,900,885	38,900,885	27,930,380	27,930,380

The table below sets out the availability of the Bank`s financial assets to support future funding as at 31 December 2020:

	Encumbered		Unencumbered	
	Pledged as collateral	**Other**	**Available as collateral**	**Other**
Cash and balances with central banks	-	-	-	86,432,095
Loans and receivables	-	-	-	211,534,462
Total assets	**-**	**-**	**-**	**297,966,557**

The table below sets out the availability of the Bank`s financial assets to support future funding as at 31 December 2019:

	Encumbered		Unencumbered	
	Pledged as collateral	**Other**	**Available as collateral**	**Other**
Cash and balances with central banks	-	-	-	69,905,262
Loans and receivables	-	-	-	185,135,331
Total assets	**-**	**-**	**-**	**255,040,593**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks

The Bank takes on exposure to market risks, which is the risk of losses on financial instruments arising from changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return of risk.

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

	Note	Carrying amount	Trading portfolios	Non-trading portfolios
31 December 2020				
Assets subject to market risks				
Cash and balances with central banks	14	86,432,095	-	86,432,095
Receivables arising from derivatives	15	51,496	51,496	
Securities	16	70,342,791	597,659	69,745,132
Loans and receivables to banks and other financial institutions	17	24,620,212	-	24,620,212
Loans and receivables to customers	18	186,914,250	-	186,914,250
Receivables from derivatives held for hedging against risks		13,211	-	13,211
Liabilities subject to market risks				
Liabilities arising from derivatives		2,014	2,014	-
Liabilities arising from derivatives held for hedging against risks		498,508	-	498,508
Deposits and other liabilities from banks, other financial institutions and central bank	24	4,926,799	-	4,926,799
Deposits and other liabilities from other customers	25	303,752,087	-	303,752,087
31 December 2019				
Assets subject to market risks				
Cash and balances with central banks	14	69,905,262	-	69,905,262
Receivables arising from derivatives	15	21,442	21,442	
Securities	16	54,502,443	1,328,938	53,173,505
Loans and receivables to banks and other financial institutions	17	13,550,612	-	13,550,612
Loans and receivables to customers	18	171,584,719	-	171584,719
Receivables from derivatives held for hedging against risks		152,072	-	152,072
Liabilities subject to market risks				
Liabilities arising from derivatives		18,516	18,516	-
Liabilities arising from derivatives held for hedging against risks		234,945	-	234,945
Deposits and other liabilities from banks, other financial institutions and central bank	24	4,287,532	-	4,287,532
Deposits and other liabilities from other customers	25	251,813,778	-	251,813,778

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

Interest rate risk

Interest rate risk is the risk that resulted from the changes in interest rates. The risk of changes in interest rates causes uncertainty in respect of the Bank's income due to the possibility that interest rate might alter. The Bank recognized the following risks:

- "outright" interest rate risk: risk that ensues from the sensitivity of interest rate to change in relation to the vertical shift of the yield curve;
- yield curve risk: risk that ensues from the sensitivity to the change of the shape and slope of the yield curve (horizontal shift); and
- basis risk: risk that ensues from the sensitivity to the change in spread between different interest rates.

Interest rate risk is identified on the level of every individual transaction as well as on the Bank level, The Bank separates exposures to interest rate risk into either trading or non-trading portfolios (Banking book).

(i) Trading portfolios (Trading book)

As at 31 December 2020 and 31 December 2019 Bank did not have interest sensitive instruments classified in the trading book.

(ii) Non-trading portfolios (Banking book)

The methodology used to assess the interest rate risk in non-trading portfolio is the Gap/Duration analysis.

The difference between the interest bearing assets and liabilities within the separate time "baskets" shows how two balance sheet sides react differently to interest rate changes:

- in case of positive GAP the Bank is exposed to the risk of loss if interest rates of the certain maturity of the observed currency fall;
- in case of negative GAP, bank is exposed to the risk of loss if interest rates of the certain maturity of the observed currency rise.

The number and the "baskets" schedule are defined on the ALCO.

Resulting short and long positions are weighted by factors designed to reflect the sensitivity of the positions in the different time baskets to an assumed change in interest rates, based on an assumed parallel shift of 200 basis points throughout the time spectrum, and on proxies of modified duration.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

Interest rate risk (continued)

	31 December 2020		31 December 2019	
	Nominal Gap	Effect of Interest Rate Parallel Shift 200 bp	Nominal Gap	Effect of Interest Rate Parallel Shift 200 bp
RSD	7,397,777	644,882	4,593,713	950,019
EUR	3,478,785	1,552,353	7,204,549	1,547,083
USD	6,009,380	157,883	4,474,019	166,186
CHF	452,364	293,391	4,721,825	232,698
Other	366,253	660	846,571	5,294
Total effect		**2,649,169**		**2,901,280**

In addition to the previously mentioned Gap analysis, the Bank uses the following three scenarios of interest rate sensitivity in the analysis:

- **Parallel shift up / down** - parallel positive and negative shift of interest rates on the reference yield curve, and implies moving the whole yield curve up or down by the same number of basis points on each maturity, using the scenario of 200 basis points as the magnitude of the shift points for all currencies as well as the scenario of shifting the curves by 200-400 basis points depending on the currency that is the subject of stress, all in accordance with international standards (BCBS / IRRBB 4/2016)
- **Short rates shift up / down** - non-parallel upward / downward curve shift with the highest shock for shorter maturities and a stable rate for longer maturities;
- **Rotational shift - Steepener and Flattener** - rotation of the curve with positive shock for longer (shorter) maturities and negative shock for shorter (longer) maturities

Sensitivity of projected net interest income as at 31 December 2020:

	+200bp	-200bp	Flattener	Steepener	Short+	Short-	IRRBB+	IRRBB
RSD	762,563	(961,496)	1,255,861	(539,291)	1,675,433	(686,517)	1,524,518	(696,668)
EUR	479,336	(1,515,883)	387,112	(309,847)	515,357	(331,762)	479,347	(329,771)
USD	96,458	(143,938)	43,448	(57,432)	64,352	(83,498)	96,458	(81,991)
CHF	18,547	(98,559)	5,224	(13,033)	8,985	(13,269)	9,206	(13,136)
Other	(23,595)	(30,046)	(33,326)	(16,524)	(40,077)	(16,387)	(26,296)	(16,496)
Total	**1,333,309**	**(2,749,922)**	**1,658,319**	**(936,127)**	**2,224,050**	**(1,131,433)**	**2,101,233**	**(1,138,062)**

Sensitivity of projected net interest income as at 31 December 2019:

	+200bp	-200bp	Flattener	Steepener	Short+	Short-	IRRBB+	IRRBB
RSD	527,006	(668,083)	950,596	(982,547)	1,230,040	(1,623,740)	1,055,632	(1,378,536)
EUR	412,928	(1,240,005)	326,013	(877,820)	439,988	(1,434,247)	412,928	(1,240,005)
USD	(19,066)	(78,812)	(22,781)	(70,253)	(28,887)	(113,516)	(19,066)	(78,812)
CHF	132,220	(200,592)	74,317	(88,124)	94,988	(143,302)	66,037	(98,588)
Other	26,201	(27,007)	32,349	(26,715)	41,108	(42,282)	33,846	(34,817)
Total	**1,079,289**	**(2,214,499)**	**1,360,494**	**(2,045,459)**	**1,777,237**	**(3,357,087)**	**1,549,377**	**(2,830,758)**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

The following tables provide an analysis of exposure to interest risk by period to maturity as at 31 December 2020:

	Carrying amount	Up to 1 months	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
Financial assets							
Cash and balances with central banks	86,432,095	44,877,929	-	-	-	-	41,554,166
Receivables arising from derivatives	51,496	-	-	-	-	-	51,496
Securities	70,342,791	1,975,836	3,457,322	17,553,528	43,211,207	4,144,898	-
Loans and receivables to banks and other financial institutions	24,620,212	20,280,101	178,895	602,592	3,557,649	-	975
Loans and receivables to customers	186,914,250	19,972,427	92,559,809	51,854,470	15,715,190	6,633,395	178,959
Receivables from financial derivatives held for hedging against risks	13,211	-	-	-	-	-	13,211
Investments in subsidiaries	1,234,662	-	-	-	-	-	1,234,662
Total	**369,608,677**	**87,106,293**	**96,196,026**	**70,010,590**	**62,484,046**	**10,778,293**	**43,033,429**
Financial liabilities							
Liabilities arising from derivatives	2,014	-	-	-	-	-	2,014
Deposits and other liabilities from banks, other financial institutions and central bank	4,926,799	4,739,121	-	172,843	172,861	-	14,835
Deposits and other liabilities from other customers	303,752,087	293,826,588	836,917	2,883,565	4,037,440	2,155,487	12,090
Liabilities arising from financial derivatives held for hedging against risks	498,508	-	-	-	-	-	498,508
Total	**309,179,408**	**298,565,709**	**836,917**	**3,056,408**	**4,037,440**	**2,155,487**	**527,447**
Off-balance sheet items							
Derivatives held for risk management	(486,851)	(1,030,646)	3,077,286	660	801,868	(3,336,019)	(486,851)
Interest sensitivity gap as of 31 December 2020	**59,942,418**	**(212,490,062)**	**98,436,395**	**66,954,842**	**59,248,474**	**5,286,787**	**42,505,982**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

The following tables provide an analysis of exposure to interest risk by period to maturity as at 31 December 2019:

	Carrying amount	Up to 1 months	From 1 month to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing
Financial assets							
Cash and balances with central banks	69,905,262	27,645,952	-	-	-	-	42,259,310
Receivables arising from derivatives	21,442	-	-	-	-	-	21,442
Securities	54,502,443	482,405	1,109,635	9,985,443	40,288,345	2,636,615	-
Loans and receivables to banks and other financial institutions	13,550,612	8,214,259	315,114	932,941	3,940,943	145,788	1,567
Loans and receivables to customers	171,584,719	22,890,695	72,950,737	51,804,396	16,777,859	6,980,990	180,042
Receivables from financial derivatives held for hedging against risks	152,072	-	152,072	-	-	-	-
Investments in subsidiaries	1,293,551	-	-	-	-	-	1,293,551
Total	**311,010,101**	**59,233,311**	**74,527,558**	**62,722,780**	**61,007,147**	**9,763,393**	**43,755,912**
Financial liabilities							
Liabilities arising from derivatives	18,516	-	-	-	-	-	18,516
Deposits and other liabilities from banks, other financial institutions and central bank	4,287,532	3,762,803	-	345,723	172,861	-	6,145
Deposits and other liabilities from other customers	251,813,778	240,611,474	1,038,102	2,961,982	4,302,653	2,875,431	24,136
Liabilities arising from financial derivatives held for hedging against risks	234,945	-	234,945	-	-	-	-
Total	**256,354,771**	**244,374,277**	**1,273,047**	**3,307,705**	**4,475,514**	**2,875,431**	**48,797**
Off-balance sheet items							
Derivatives held for risk management	(71,146)	22,740	3,711,420	13,878	-	(3,819,184)	-
Interest sensitivity gap as of 31 December 2019	**54,584,184**	**(185,118,226)**	**76,965,931**	**59,428,953**	**356,531,633**	**3,068,778**	**43,707,115**

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(iii) Pricing risk of equity securities

Shares which the Bank holds with intention to be sold in the near terms are classifies in trading book (Equity Trading Book) and are exposed to general and specific pricing risk.

General pricing risk represents exposure to risk of change in market prices of shares as a result of general conditions and changes on the market. Specific pricing risk represents the risk of change in market prices of shares as a consequence of change in factors related to issuer of shares.

Having in mind value and structure of equity securities trading portfolio, as well as movement in shares prices on Belgrade stock exchange – Belex, sensitivity analyses for this portfolio has not been performed based on the assessment that change in the shares prices will not have significant impact on the Bank's net profit.

(iv) Foreign currency risk

The foreign exchange risk is defined as the earnings sensitivity of an instrument or portfolio due to changes in foreign exchange rates. The Bank is exposed to foreign currency risk through its exposure in banking book and in trading book. Foreign currency risk is measured and disclosed through open foreign exchange position.

Open foreign exchange position of the Bank represents the difference between the Bank's receivables and liabilities in foreign currency, as well as receivables and liabilities in RSD that are indexed by foreign exchange clause (including absolute amount of open position for gold).

Sensitivity analysis consisting of two scenarios based on reasonable possible changes in foreign exchange rates, with all other variables held constant is preformed showing the possible effect on profit and loss:

a. proportional foreign exchange rate movements of +10% (FCY appreciation),
b. proportional foreign exchange rate movements of -5% (RSD appreciation).

	USD	EUR	CHF	Other currencies	Overall effect
Net currency gap as at 31 December 2020	**31,548**	**663,758**	**(740)**	**9,737**	**-**
effect + 10% (foreign currency appreciation)	3,154	66,376	(74)	974	70,430
effect -5% (RSD appreciation)	(1,577)	(33,188)	37	(487)	(35,215)
Net currency gap as at 31 December 2019	**35,954**	**(1,026,396)**	**12,606**	**20,413**	**-**
effect + 10% (foreign currency appreciation)	3,594	(102,640)	1,261	2,041	(95,744)
effect -5% (RSD appreciation)	(1,797)	51,320	(630)	(1,021)	47,872

Foreign currency risk arises in cases of mismatch in assets and liabilities denominated in foreign currencies. The Bank ensures that its foreign currency position as far as practical is minimized.

The Bank seeks to minimize exposure to foreign currency risk by disbursement of currency-link loans.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

The following tables summarizes the net foreign currency position of the Bank's assets and liabilities as at 31 December 2020:

	USD	EUR*	CHF	Other	RSD	Total
Financial assets						
Cash and balances with central banks	988,734	42,502,909	4,238,647	759,108	37,942,697	86,432,095
Receivables arising from derivatives	-	-	-	-	51,496	51,496
Securities	14,259,230	14,935,651	-	-	41,147,910	70,342,791
Loans and receivables to banks and other financial institutions	1,162,968	8,177,162	35,665	128,574	15,115,843	24,620,212
Loans and receivables to other customers	110,834	126,199,207	163,986	591	60,439,632	186,914,250
Receivables from financial derivatives held for hedging against risks	-	-	-	-	13,211	13,211
Investments in subsidiaries	-	-	-	-	1,234,622	1,234,6622
Total	**16,521,766**	**191,814,929**	**4,438,298**	**888,273**	**155,945,411**	**369,608,677**
Financial liabilities						
Liabilities arising from derivatives	-	-	-	-	2,014	2,014
Deposits and other liabilities from banks, other financial institutions and central bank	37,884	3,637,375	27,654	3,665	1,220,221	4,926,799
Deposits and other liabilities from other customers	18,142,768	171,123,226	11,421,719	3,219,461	99,844,913	303,752,087
Liabilities arising from financial derivatives held for hedging against risks	-	95,629	-	-	402,879	498,508
Total	**18,180,652**	**174,856,230**	**11,449,373**	**3,223,126**	**101,470,027**	**309,179,408**
Off-balance - net position						
FX Spot	(414,007)	460,260	(39,024)	(7,200)	-	29
FX SWAP	2,670,958	(13,528,345)	7,049,427	2,361,070	1,070,600	(376,290)
FX forward	(559,604)	(1,310,560)	-	-	2,246,425	376,261
Total	**1,697,347**	**(14,378,645)**	**7,010,403**	**2,353,870**	**3,317,025**	**-**
Net currency gap as of 31 December 2020	**38,461**	**2,580,054**	**(672)**	**19,017**	**57,792,409**	**60,429,269**

*EUR includes FX clause

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

The following tables summarizes the net foreign currency position of the Bank's assets and liabilities as at 31 December 2019:

	USD	EUR*	CHF	Other	RSD	Total
Financial assets						
Cash and balances with central banks	662,274	33,136,516	4,545,217	399,147	31,162,108	69,905,262
Receivables arising from derivatives	-	-	-	-	21,442	121,442
Securities	10,760,908	8,372,785	-	-	35,368,750	54,502,443
Loans and receivables to banks and other financial institutions	911,438	6,498,083	70,879	94,808	5,975,404	13,550,612
Loans and receivables to other customers	205,949	118,441,199	187,004	375	52,750,192	171,584,719
Receivables from financial derivatives held for hedging against risks	-	-	-	-	152,072	152,072
Investments in subsidiaries	-	-	-	-	1,293,551	1,293,551
Total	**12,540,569**	**166,448,583,**	**4,803,100**	**494,330**	**126,723,519**	**311,010,101**
Financial liabilities						
Liabilities arising from derivatives	-	-	-	-	18,516	18,516
Deposits and other liabilities from banks, other financial institutions and central bank	411,837	2,528,033	26,221	4,377	1,317,064	4,287,532
Deposits and other liabilities from other customers	16,988,195	148,260,936	9,974,188	3,041,294	73,549,165	251,813,778
Liabilities arising from financial derivatives held for hedging against risks	-	72,451	-	-	162,494	234,945
Total	**17,400,032**	**150,861,420**	**10,000,409**	**3,045,671**	**75,047,239**	**256,354,771**
Off-balance - net position						
FX Spot	363,484	2,135,404	(11,924)	(135,796)	(2,352,030)	(862)
FX SWAP	4,935,321	(16,095,977)	5,221,947	2,714,866	3,266,000	42,157
FX forward	(396,794)	(699,320)	-	(3,824)	1,058,643	(41,295)
Total	**4,902,011**	**(14,659,893)**	**5,210,023**	**2,575,246**	**1,972,613**	**-**
Net currency gap as of 31 December 2019	**42,548**	**927,270**	**12,714**	**23,905**	**53,648,893**	**54,655,330**

*EUR includes FX clause

4. FINANCIAL RISK MANAGEMENT (continued)

(e) Operational risk

Operational risk is defined as the risk of loss resulting from employees omissions and errors, inadequate or failed internal procedures and processes, inadequate information managementor other systems management, as well as from unexpected external events. This definition includes legal risk, but excludes strategic and reputation risk.

The goal of operational risk management is to balance cost and risk within the constraints of the risk appetite of the Bank, but to be consistent with the prudent management required of a financial organization.

Risk Management priorities are identified through a combination of experience and observation, internal audit assessment and knowledge, internal controls, detailed risk assessment work, change management procedures, incident reports and common sense.

Assessment of level of exposure to operational risk depends on event type, frequency of repetition and financial impact on the Bank business.

Control, monitoring, reporting on identified and assets sources of operational risk, as well as measures that are performed in order to mitigate negative impact, are integral part of operational risk management.

Risk management activities are aimed at identifying the existing sources of operational risk, as well as potential sources of such risk that may arise due to the introduction of new business products, systems or activities, Identification of sources of risk includes:

- Internal fraud and abuse;
- External fraud and abuse;
- Omissions in the recruitment and work safety systems;
- Problems in customer relations management, product launching and business procedures - if they are inadequate;
- Damage incurred to the Bank’s property due to natural disasters and other events;
- Disruptions in the Bank’s organization and errors in the functioning of existing systems;
- Implementation of business procedures and decisions.

The Bank monitors sources of operational risk determined in line with the Bank’s organization and activity, primarily comprising of: corporate finance, trading and sales, retail banking, commercial banking, payment and settlement, agency services, asset management, and retail brokerage.

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

The Bank's objectives in capital management are:

- To comply with the capital requirements set by the National Bank of Serbia, as supervisor and regulator of the banking markets;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the National bank of Serbia, for supervisory purposes. The Bank's regulator sets and monitors capital requirements for the Bank. The required information is filed with the regulator on a quarterly basis, The Bank is directly supervised by National bank of Serbia.

The Bank is obliged to comply with the provision of the Basel Committee framework, as implemented by National bank of Serbia. The Bank uses standardised approaches to credit and operational risk management. The Banks calculates requirements for market risk in accordance with local regulations defined in the Decision on Capital Adequacy.

The local regulations require each bank to:

- hold the minimum level of the monetary contributed capital of EUR 10 million;
- maintain a Common Equity Tier 1 (CET 1) capital ratio at or above the agreed minimum of 4,5%;
- maintain a Tier 1 ratio at or above the agreed minimum of 6%;
- maintain a ratio of total regulatory capital to the risk-weighted asset at or above the agreed minimum of 8%.

The Bank's regulatory capital is the sum total of its core capital (Tier-1 capital) and Tier-2 capital, where Tire 1 capital is the sum of Common Equity Tier 1 („CET 1") capital and Additional Tire 1 capital.

Common Equity Tier 1 capital of the Bank is the sum of the following elements, corrected by regulatory adjustments, less deductibles:

- Shares and other capital instruments which fulfil the requirements defined in the Methodology for CET 1 instruments;
- Share premium of CET 1 instruments;
- Profit of the bank;
- Revaluation reserves and other unrealised gain;
- Reserves from profit and other reserves of the bank;
- Funds for general banking risk.

Profit, revaluation reserves and other unrealised gains, reserves from profit and other reserves and funds for general banking risk shall be included in CET 1 capital only when they are available to the bank for unconditional, unrestricted and immediate use to cover risks or losses as soon as these occur.

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

Profit of the Bank included in CET 1 capital shall be made up of retained earnings from preceding years free of any future liabilities.

A Bank may include in CET 1 capital the interim profit free of any future liabilities only with prior consent of the Board of Directors. In such case, the amount of interim profit is reduced by the projected amount of income tax, liabilities for dividends and all other liabilities payable from profit (other participations in profit distribution, all liabilities or circumstances that occurred during the reporting period and are likely to lead to a reduction in the Bank's profit) which can be predicted at the moment of inclusion of the profit in CET 1 capital.

Regulatory adjustments of CET 1 capital are:

- Increase in its equity that results from the securitization of exposures;
- The fair value reserves related to gains and losses on cash flow hedges of financial instruments that are not valued at fair value, including projected cash flows;
- Gains and losses on liabilities on the Bank valued at fair value, that result from changes in the Bank's credit quality;
- Gains and losses on derivative liabilities valued at fair value, that result from the Bank's credit risk and the bank shall not offset these gains and losses with those arising from its counterparty credit risk.

Deductibles from CET 1 capital are:

- 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;
- Defined benefit pension fund assets on the balance sheet of the Bank;
- Direct, indirect and synthetic holdings by a Bank of own CET 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;
- Direct, indirect and synthetic holdings by a Bank of the CET 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 CET 1 instruments of financial sector entities where the Bank does not have a significant investment in those entities;
- The applicable amount of direct, indirect and synthetic holdings by the Bank of the CET 1 instruments of financial sector entities where the Bank has a significant investment in those entities;
- The amounts of items required to be deducted from the Additional Tier 1 capital that exceeds the Additional Tier 1 capital of the Bank;
- The exposure amounts of items which qualify for a risk weight of 1.250% where the Bank deducts that exposure amount from the amount of CET 1 items as an alternative to applying a risk weight of 1.250%;
- Any tax charge relating to CET 1 items foreseeable at the moments of its calculation, except where the Bank suitably adjust the amount of CET 1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risk of losses,

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

- Gross amount of receivables from the borrower–natural person (other than a farmer or an entrepreneur) arising from granted consumer, cash or other loans disclosed in accounts 102, 107 and 108 in accordance with the decision prescribing the Chart of Accounts and contents of accounts in the Chart of Accounts for Banks where the level of the borrower's debt-to-income ratio before loan approval was higher than the percentage defined in accordance with the decision governing the classification of bank balance sheet assets and off-balance sheet items or where this percentage will be higher due to loan approval. This deductible shall be applied regardless of whether following the loan approval the level of the borrower's debt-to-income ratio has dropped below that percentage;
- Gross amount of receivables from the borrower–natural person (other than a farmer or an entrepreneur) arising from granted consumer, cash or other loans disclosed in accounts 102, 107 and 108 in accordance with the decision prescribing the Chart of Accounts and contents of accounts in the Chart of Accounts for Banks where agreed maturity is:
    - Longer than 2920 days – if the loans were approved in the period from 01.01. until 31.12.2019,
    - Longer than 2555 days – if the loans were approved in the period from 01.01. until 31.12.2020,
    - Longer than 2190 days – if the loans were approved from 01.01.2021;

  This deductible item is reduced by the amount of loans for refinancing of loans approved by March 18, 2020, provided that the refinancing loan was approved in the period from March 19 to December 31, 2020, and that the agreed maturity of that loan is not longer than 3285 days or the refinancing loan was approved in the period from January 1 to December 31, 2021, and the agreed maturity of that loan is not longer than 2920 days; as well as that the refinancing loan amount does not exceed the remaining outstanding loan amount to be refinanced.
- Gross amount of receivables from the borrower–natural person (other than a farmer or an entrepreneur) arising from consumer loans approved for the purchase of motor vehicles, disclosed in account 102 in n accordance with the decision prescribing the Chart of Accounts and contents of accounts in the Chart of Accounts for Banks, where agreed maturity is longer than 2920 days, if these loans were approved after 01.01.2019.

  This deductible item is reduced by the amount of receivables based on consumer loan refinancing loans approved by March 18, 2020, provided that the refinancing loan is approved in the period from March 19, 2020 to December 31, 2021, and that the agreed maturity of that loan is not longer than 3650 days, as well as that its amount does not exceed the remaining outstanding amount of the loan that is being refinanced.

Additional Tier 1 capital is the sum of the following elements less deductibles:

- Shares and other capital instruments which fulfil the requirements defined in the Methodology for Additional Tier 1 capital;
- Share premium of Additional Tier 1 capital,.

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

Deductibles from Additional Tier 1 capital are:

- Direct, indirect and synthetic holdings by a Bank of own Additional Tier 1 instruments, including
- instruments that a Bank is obliged to purchase by virtue of an existing contractual obligation;
- Direct, indirect and synthetic holdings by a Bank of the Additional 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 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 the Bank of the Additional Tier 1 instruments of financial sector entities where the Bank has a significant investment in those entities, excluding underwriting positions with maturity of five working days or less;
- The amounts of items required to be deducted from the Tier 2 capital that exceeds the Tier 2 capital of the Bank;
- Any tax charge relating to Additional Tier 1 items foreseeable at the moments of its calculation, except where the Bank suitably adjust the amount of Additional Tier 1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risk of losses.

Tier 2 capital is the sum of the following elements less deductibles:

- Shares and other capital instruments and subordinated liabilities, which fulfil the requirements defined in the Methodology for Tier s capital;
- Share premium of Tier 2 capital;
- General credit risk adjustments, gross of tax effects, or up to 1,25% of risk-weighted exposures for credit risk.

The extent to which Tier 2 instruments and/or subordinated liabilities are included in the calculation of Tier 2 capital of the Bank during the final five years before the instruments mature is calculated as follows: the quotient of their nominal value and/or the principal amount, on the first day of the final five year period before their maturity and the number of calendar days in that period is multiplied by the number of the remaining calendar days of maturity of the instruments or subordinated liabilities on the day of the calculation.

Deductibles for Tier 2 capital are:

- Direct, indirect and synthetic holdings by a Bank of own Tier 2 instruments and subordinated liabilities, including instruments that a Bank is obliged to purchase by virtue of an existing contractual obligation;
- Direct, indirect and synthetic holdings by a Bank of the Tier 2 instruments and subordinated liabilities 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 Tier 2 instruments and subordinated liabilities of financial sector entities where the Bank does not have a significant investment in those entities;
- Direct, indirect and synthetic holdings by the Bank of the Tier 2 instruments and financial liabilities of financial sector entities where the Bank has a significant investment in those entities, excluding underwriting positions with maturity of five working days or less.

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specific requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position.

The Bank's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business, The impact on the level of capital on shareholder's return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with the advantages and security afforded by a sound capital position or with greater gearing.

The Bank has complied with all externally imposed capital requirements through the period.

The table below summarizes the composition of regulatory capital and the ratios of the Bank for the years ended 31 December:

	2020	2019
Share capital	27,466,158	27,466,158
Revaluation reserves and other unrealized gains/losses	1,001,403	858,359
Reserves from profit, other reserves and reserves for banking risks	23,353,465	23,353,465
Regulatory adjustments to the value of the regulatory capital	29,899	33,977
Other intangible assets decreased by deferred tax liabilities	(831,395)	(731,406)
Gross amount of receivables from clients with debt-to-income ratio higher then 60%	(2,428,259)	(1,913,096)
Gross amount of receivables from clients with contractual maturity over defined threshold	(417,815)	(450,800)
CET 1	48,173,456	48,616,657
Additional share capital	-	-
Tier 1 capital	48,173,456	48,616,657
Tier 2 capital	-	-
Total capital	**48,173,456**	**48,616,657**
Capital requirements		
Credit risk	16,312,488	15,795,704
Foreign currency risk	-	82,344
Pricing risk	18,279	24,501
Operational risk	2,456,594	2,375,876
Capital adequacy ratio	20.51%	21.28%

All amounts expressed in thousand of RSD, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

All prescribed statutory requirements for the years ended 31 December are presented in the table below:

	Regulatory requirements	2020	2019
CET 1	Min .5%	20.51%	21.28%
T1	Min 6%	20.51%	21.28%
Total capital adequacy ratio	Min 8%	20.51%	21.28%
Regulatory capital	Min EUR 10 million	EUR 410 mil	EUR 413 mil
Capital asset ratio	Max 60%	12.65%	12.70%
Ratio of large and the largest individual exposuresin relation to capital	Max 400%	77.55%	79.57%
Liquidity ratio- narrow	Min 0.7	1.79	1.64
Liquidity ratio - wider	Min 1	2.38	2.00
Foreign currency risk ratio	Max 20%	1.47%	2.12%
Exposure to a single party or a group of related parties *	Max 25%	16.64%	16.17%

*The largest exposure to a single entity

The Bank uses regulatory capital adequacy ratio in order to monitor its capital base. The National bank of Serbia approach to such measurement, based upon Basel methodology, is primarily based on monitoring the relationship of the capital requirements to available capital resources.

The allocation of capital between specific activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities, In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular activity not falling below the minimum required for regulatory purposes.

Although optimisation of the return on risk-adjusted capital is the principle basis used in determining how capital is allocated to particular activities, it is not the sole basis used for decision-making, Account is also taken of synergies with other activities, the availability of management and other resources, and the fit of the activity with the Bank's longer term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the management.

5. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair values stated for financial instruments are the amount for which the asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values are calculated using the market information available at the reporting date and individual Bank's valuation methods.

The fair values of certain financial instruments stated with their nominal values are approximately equivalent to their carrying amounts. These include cash as well as receivables and liabilities without a defined maturity or fixed interest rate, such as credit cards and current accounts. For other receivables and liabilities, future anticipated cash flows are discounted to their present value using appropriate interest rates, which reflect current market conditions and specifics of related sub-portfolios. Having in mind that variable interest rates are agreed for the majority of financial assets and liabilities of the Bank, changes in current interest rates lead to changes in agreed interest rates, Management of the Bank is of the opinion that, giving ordinary business activities of the Bank and its general policies, there are no significant differences between carrying amount of assets and liabilities and their fair values.

Quoted market prices are used for exchange-traded securities. The fair value of the remaining securities is calculated as the net present value of future anticipated cash flows.

The fair values of currency derivatives are calculated on the basis of discounted, anticipated future cash flows. In doing so, the Bank applies the market rates applicable for the remaining maturity of the financial instruments.

The fair values of irrevocable credit commitments and contingent liabilities are the same as their carrying amounts.

Valuation of financial instruments

The Bank's accounting policy on fair value measurement is disclosed in accounting policy 3(k) (vi).

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument,
- Level 2: Valuation techniques based on observable inputs other than quoted prices, either directly (i,e,, as prices) or indirectly (i,e,, derived from prices), This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data,
- Level 3: Valuation techniques that are based on unobservable inputs, This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation, This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

5. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable price exists and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter such as like interest rate swaps.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the future markets.

All amounts expressed in thousand of RSD, unless otherwise stated

5. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
31 December 2020				
Receivables arising from derivatives	64,707	-	-	64,707
Securities	19,594,232	30,895,621		50,489,853
Loans and receivables from customers	-	-	896	896
	19,658,939	**30,895,621**	**896**	**50,374,498**
Liabilities arising from derivatives	2,014	-	-	2,014
Liabilities arising from financial derivatives held for hedging against risks	498,508	-	-	498,508
	500,522	**-**	**-**	**500,522**
31 December 2019				
Receivables arising from derivatives	173,514		-	173,514
Securities	10,760,908	23,913,239		34,674,147
Loans and receivables from customers	-	-	18,535	18,535
	10,934,422	**23,913,239**	**18,535**	**34,866,196**
Liabilities arising from derivatives	18,516	-	-	18,516
Liabilities arising from financial derivatives held for hedging against risks	234,945	-	-	234,945
	253,461	**-**	**-**	**253,461**

The effects of changes in fair value of financial instruments measured at fair value through profit and loss are as follows:

	2020	2019
Gains from change in fair value of derivatives	8,929,682	5,301,104
Gains from change in fair value of financial assets measured at FVTPL	108,146	195,423
	9,037,828	**5,496,527**
Losses from change in fair value of derivatives	(8,883,127)	(5,307,360)
Losses from change in fair value of financial assets measured at FVTPL	(38,286)	(65,625)
	(8,921,413)	**(5,372,985)**
Net gain from change in fair value of financial instruments	**116,415**	**123,542**

All amounts expressed in thousand of RSD, unless otherwise stated

5. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total	Carrying Amount
Balance as at 31 December 2020					
Cash and balances with central banks	-	86,432,095	-	86,432,095	86,432,095
Loans and receivables to banks and other financial institutions	-	-	24,620,212	24,620,212	24,620,212
Loans and receivables to customers	-	-	181,944,414	181,944,414	186,913,354
Securities at amortized costs	-	20,314,641	-	20,314,641	19,852,939
	-	**106,746,736**	**206,564,626**	**313,311,362**	**317,818,600**
Deposits and other liabilities to banks, other financial institutions and central bank	-	-	4,926,799	4,926,799	4,926,799
Deposits and other liabilities to other customers	-	-	303,752,087	303,752,087	303,752,087
	-	**-**	**308,678,886**	**308,678,886**	**308,678,886**
Balance as at 31 December 2019					
Cash and balances with central banks	-	69,905,262	-	69,905,262	69,905,262
Loans and receivables to banks and other financial institutions	-	-	13,550,612	13,550,612	13,550,612
Loans and receivables to customers	-	-	176,663,198	176,663,198	171,566,184
Securities at amortized costs	-	20,106,285	-	20,106,285	19,828,296
	-	**90,011,547**	**190,213,810**	**280,225,357**	**274,850,354**
Deposits and other liabilities to banks, other financial institutions and central bank	-	-	4,287,532	4,287,532	4,287,532
Deposits and other liabilities to other customers	-	-	251,813,778	251,813,778	251,813,778
	-	**-**	**256,101,310**	**256,101,310**	**256,101,310**

Where available, the fair value of loans and receivables is based on observable market transactions. Where such data are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Inputs used in the valuation techniques include expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

5. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

To improve the accuracy of the valuation estimate for retail and smaller commercial loans, loans are grouped into portfolios with similar characteristics such as product and borrower type, currency, remaining maturity etc.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms, such as deposit type, currency, customer type and remaining maturity. The fair value of deposits payable on demand is the amount payable at the reporting date.

Below are disclosed methods and valuation and assumption used for determination of fair value for financial instruments which are not measured at fair value in financial statements.

Assets and liabilities with fair value approximately equivalent to their carrying amounts

For certain financial instruments without defined maturity of with short maturity (less than 1 year), the assumption is that their carrying amounts is approximately equivalent to their fair values. This assumption is also used for sight (demand) deposits, saving deposits without defined maturities, as well as for financial instruments with floating interest rates.

Financial instruments with fixed interest rates

Fair value of financial instruments with fixed interest rate measured at amortised costs is assessed based on comparison initially agreed interest rates and current interest rates for similar financial instruments. Determination of fair value of loans and deposits with fixed interest rates is based on discounting of future anticipated cash flows to their present value, using current interest rates for financial instruments with similar characteristics, such as product type, customer type, remaining maturity and currency.

All amounts expressed in thousand of RSD, unless otherwise stated

6. NET INTEREST INCOME

Net interest income comprises:

	2020	2019
Interest income		
Central Bank	146,276	310,325
Banks		
- local banks	1,785	15,272
- foreign banks	253	50,925
Corporate customers	2,858,965	2,482,443
Public sector	-	2
Private individuals	5,333,151	5,576,856
Securities	1,515,762	1,806,288
Foreign entities	37,702	47,955
	9,893,894	**10,290,066**
Interest expense		
Banks		
- local banks	(1,071)	(2,283)
- foreign banks	(115,094)	(44,875)
Corporate customers	(44,290)	(58,826)
Public sector	(6,072)	(15,660)
Private individuals	(23,847)	(23,861)
Securities	(4,771)	-
Foreign entities	(36,221)	(38,270)
	(231,366)	**(183,775)**
Net interest income	**9,662,528**	**10,106,291**

From the total interest income for the year ended 31 December 2020, an amount of RSD 12,446 thousand (2019: RSD 3,359 thousand) relates to accrued interest on impaired financial assets.

Interest income for 2018 also includes income from orginated fees which form an integral part of the effective interest rate in the amount od RSD 395,319 thousand (2019: RSD 544,838 thousand).

All amounts expressed in thousand of RSD, unless otherwise stated

7. NET FEE AND COMMISSION INCOME

Net fee and commission income includes:

	2020	2019
Fee and commission income		
Insurance agency fees	204,441	305,490
Card business fees and fees for maintenance of current accounts	2,434,318	2,521,432
Payment transfer business	860,904	896,527
Loan administration and guarantee business	383,266	368,341
Fees for nostro and loro payments	497,318	528,370
Fees for loan granting, processing and administration (commitments) and prepayment fees	129,461	182,144
Fees for participation in sales on POS terminals	378,259	299,110
Fees for warnings sent to clients	56,303	88,719
Fees for cash payments	35,880	54,453
Agent fees - sale of leasing product and investment funds units	121,094	122,213
Fees for securiries transactions	50,572	47,770
Fees for Credit Bureau	44,290	71,123
Other fees and commissions	550,470	636,778
	5,746,576	**6,122,470**
Fee and commission expenses		
Payment transfer business in the country	(257,847)	(237,510)
Payment transfer business abroad	(1,076,196)	(1,027,259)
Loan insurance fees	(121,473)	(165,581)
Fees on MIGA guarantee	(96,001)	(96,586)
Fees for Credit Bureau	(81,865)	(102,688)
Fees for SMS massages setn to clients	(85,284)	(61,893)
Other fees and commissions	(47,164)	(86,418)
	(1,765,830)	**(1,777,935)**
Net fee and commission income	**3,980,746**	**4,344,535**

All amounts expressed in thousand of RSD, unless otherwise stated

8. NET GAINS ON FOREIGN EXCHANGE DIFFERENCES AND EFFECTS OF FOREIGN CURRENCY CLAUSE

Net gains on foreign exchange differences and effects of foreign currency clause include:

	2020	2019
Gains on foreign exchange differences and effects of foreign currency clause		
Derivatives	5,805,754	3,646,159
Spot transactions	2,258,675	2,046,972
Cash in vault, foreign currency accounts	719,329	819,310
Obligatory reserves	24,174	61,628
Loans and other receivables in foreign currency	205,640	866,709
Loans and other receivables linked to foreign currency	154,596	592,501
Deposits and borrowings in foreign currency	3,879,847	3,140,856
Securities	573,136	930,330
Other	3,168	14,361
	13,624,319	**12,118,826**
Losses on foreign exchange differences and effects		
of foreign currency clause		
Derivatives	(6,012,490)	(3,136,429)
Spot transactions	(545,865)	(442,195)
Cash in vault, foreign currency accounts	(449,629)	(422,748)
Obligatory reserves	(26,119)	(168,406)
Loans and other receivables in foreign currency	(235,986)	(791,857)
Loans and other receivables linked to foreign currency	(161,601)	(1,037,669)
Deposits and borrowings in foreign currency	(2,096,443)	(3,050,403)
Securities	(1,445,183)	(789,149)
Other	(3,221)	(4,484)
	(10,976,537)	**(9,843,340)**
Net gains on foreign exchange differences and effects of foreign currency clause	**2,647,782**	**2,275,486**

All amounts expressed in thousand of RSD, unless otherwise stated

9. NET IMPAIRMENT GAIN/(LOSS) ON FINANCIAL ASSETS

Net impairment gain/(loss) on financial assets consists of:

	2020	2019
Release of impairment allowance		
Release of impairment allowance for financial assets	6,450,446	6,339,661
Release of impairment allowance for contingent liabilities	1,388,204	778,424
Interest income of impaired assets	12,446	3,359
Income on collection of written-off receivables	587,912	819,765
Gains on the modification of financial instruments	-	617
	8,439,008	**7,941,826**
Impairment losses on financial assets		
Impairment allowance for financial assets	(8,207,633)	(6,916,359)
Impairment allowance for contingent liabilities	(1,597,814)	(952,401)
Impairment allowance for interest on impaired loans	(22,896)	(23,255)
Write-offs	(1,320)	(371,899)
Losses based on the modification of financial instruments	(293,188)	(2,143)
	(10,122,851)	**(8,266,057)**
Net impairment gain/(loss) on financial assets	**(1,683,843)**	**(324,231)**

During 2020, due to the COVID-19 pandemic and the negative impact on business operations, the Bank assessed and adjusted its impairment calculation models, resulting in an increase in expenses based on impairment of financial assets not measured at fair value.

In accordance with the provisions of the Moratorium implemented during 2020, and due to changes in contractual elements that caused changes in future cash flows in the repayment plans of appropriate loans, the Bank calculated modifications in the amount of RSD 293,188 thousand.

All amounts expressed in thousand of RSD, unless otherwise stated

10. NET GAIN/(LOSS) ON DERECOGNITION OF FINANCIAL INSTRUMENTS MEASURED AT AMORTIZED COST AND OTHER OPERATING INCOME

10.1 Net gains and losses on derecognition of financial instruments measured at amortized costs relate to:

	2020	2019
Net gain on sale of financial instriments	74,434	75,736
Net impact of CHF-indexed mortgage loans conversion	-	(382,628)
Net gains/(losses) on derecognition of financial instruments measured at amortized costs	**74,434**	**(306,892)**

Net loss on derecognition of financial instruments measured at amortized costs in the amount of RSD 382,628 thousand represent impact of derecognition of mortgage CHF-indexed loans which are converted in EUR-indexed mortgage loans in accordance with the Law on conversion of mortgage loans indexed in swiss francs, which become effective in April 2019. The Bank converted 1,359 loan accounts, out of which:

- 1,286 loan accounts disclosed in the balance-sheet, where the total exposure of the Bank amounted EUR 41.38 mio; and
- 73 written-off loan accounts, where the total exposure of the Bank amounted EUR 2.80 mio.

Conversion has been performed for 88% of the total CHF-indexed mortgage portfolio of the Bank, out of which 99% of balance-sheet exposure and 41% of off-balance sheet exposure was converted.

10.2 Other operating income comprises:

	2020	2019
Rental income	33,122	35,309
Refund of expenses from insurance of loans	5,712	38,920
Gain on sale of properties taken in process of loan collection	5,857	75,368
Other operating income	33,382	25,446
Total	**78,073**	**175,043**

All amounts expressed in thousand of RSD, unless otherwise stated

11. PERSONNEL EXPENSES

Personnel expenses include:

	2020	2019
Wages and salaries	2,348,900	2,369,239
Tax on wages and salaries	289,073	291,632
Contributions on wages and salaries	575,155	561,144
Provisions for bonus, pension, vacation and others employee benefits	249,973	261,887
Release of provisions for pension	(25,351)	(36,433)
Release of provisions for vacation	(187,209)	(105,181)
Release of provisions for bonus payment	(83,129)	(52,176)
Other personal expenses	50,504	17,717
Total	**3,217,916**	**3,307,829**

12. OTHER INCOME AND OTHER EXPENSES

12.1 Other income comprises of:

	2020	2019
Reversal of unused provisions for liabilities	55,950	150
Income from disposal of property and equipment	221	6,201
Income from reduction of liabilities	-	390
Surplus	743	738
Other income	176,545	173,086
Total	**233,459**	**180,565**

All amounts expressed in thousand of RSD, unless otherwise stated

12. OTHER INCOME AND OTHER EXPENSES (continued)

12.2 Other expenses comprise of:

	2020	2019
Rental expenses	98,592	118,329
Costs of indirect taxes and contributions	550,789	552,653
Advertising, PR and promotional expenses	174,670	237,965
Costs of fixed assets maintenance	598,940	619,833
Other immaterial costs	687,701	768,840
Training expenses for staff	17,995	38,480
The cost of office supplies	57,526	94,047
Advisory and consulting expenses	323,764	329,578
Communication expenses	154,406	148,360
Security expenses	122,318	139,420
Other material costs and services	125,508	105,028
The costs of business trips	6,617	48,116
The cost of postal services	19,377	20,999
Other materials costs	164,155	161,263
Insurance premiums	837,499	1,217,140
Tax expenses	65,914	66,868
The costs of bringing into operation of office space	17,176	16,338
Representation costs	9,034	34,720
Membership fees	6,317	6,105
Other	242,865	178,911
Increase in provisions for liabilities	305,521	291,088
Loss on sale of properties taken in process of loan collection	-	72,378
Total	**4,586,684**	**5,266,459**

Increase in provision for liabilities in the amount of RSD 291,088 thousand relates to provisions for litigations and claims (note 26.4 and 29.2).

13. INCOME TAX

13.1 Major components of income tax expenses as at 31 December are as follows:

	2020	2019
Current income tax	835,088	879,322
Deferred tax	(184,049)	(311)
Total	**651,039**	**879,011**

All amounts expressed in thousand of RSD, unless otherwise stated

13. INCOME TAX (continued)

13.2 Reconciliation of the effective tax rate is presented as follows:

	2020	2019
Profit for the year before tax	6,180,387	6,992,894
Income tax using the domestic corporation tax rate of 15%	927,058	1,048,934
Reconciliation of effective interest rate:		
Non-deductible expenses	5,585	7,493
Transfer prices adjustment	26,926	33,111
Non-taxable income	(201,730)	(233,287)
Difference in net carrying amount of asset for tax and financial reporting purpose	(9,774)	11,585
Employee benefits	8,108	12,234
Tax credit in amount of 2% of the remaining debt in accordancewith Article 4, paragraph 2 of the Law on the conversion of housing loans indexed in CHF	(104,873)	-
Other	261	(1,059)
Tax expenses	651,039	879,011
Effective tax rate	10.53%	12.57%

13.3 Change in deferred tax as at 31 December 2020 and 2019 is as follows:

	Balance as at 1 January 2020	**Recognized in profit or loss**	**Recognized in equity**	**Balance as at 31 December 2020**
Property and equipment	196,854	30,328	-	227,182
Employee benefits	50,685	475	-	51,160
Provision for legal cases	68,873	45,395	-	114,268
Valuation of CF hedge and financial assets at fair value through OCI	(51,404)	-	(35,642)	(87,046)
Tax credit	-	104,873	-	104,873
Other	1,260	2,978	-	4,238
Total	**266,268**	**184,049**	**(35,642)**	**414,675**
	Balance as at 1 January 2019	**Recognized in profit or loss**	**Recognized in equity**	**Balance as at 31 December 2019**
Property and equipment	191,456	5,398	-	196,854
Employee benefits	48,098	2,587	-	50,685
Provision for legal cases	81,000	(12,127)	-	68,873
Valuation of CF hedge and financial assets at fair value through OCI	(11,027)	452	(40,829)	(51,404)
Other	(2,741)	4,001	-	1,260
Total	**306,786**	**311**	**(40,829)**	**266,268**

Deferred tax is calculated by applying the tax rate of 15% for both presented periods,

All amounts expressed in thousand of RSD, unless otherwise stated

14. CASH AND BALANCES WITH CENTRAL BANKS

14.1 Cash and balances with central banks include:

	2020	2019
Cash and balances with central banks in dinar		
Giro account	17,833,281	20,408,929
Cash on hand	4,829,416	4,673,179
Deposits of liquidity surplus	15,230,000	6,080,000
	37,942,697	**31,162,108**
Cash and balances with central banks in foreign currency		
Obligatory reserves	29,647,929	21,565,952
Cash on hand	18,841,414	17,177,204
Cash deposits at the Central Registry of Securities	63	2
	48,489,406	**38,743,158**
Less: Allowance for impairment	(8)	(4)
Balance as at December 31	**86,432,095**	**69,905,262**

Changes in allowance for impairment are presented as follows:

	2020	2019
Collective allowances for impairment		
Balance as at 1 January	**4**	**8**
Expense	687	9
Releases	(683)	(13)
Balance as at December 31	**8**	**4**

The Bank also set aside in 2020 the obligatory reserve in accordance with the currently applicable NBS Decision on Obligatory Reserves of Banks with the National Bank of Serbia.

The rates of the obligatory Dinar reserves on Dinar deposits not indexed to a currency clause remained the same as in 2019 and were 5% on Dinar deposits maturing within two years and 0% on Dinar deposits maturing over two years.

Conversion rates were 38% for deposits maturing within two years and 30% for foreign currency deposits maturing beyond two years, and remained unchanged in 2020.

On the amount of the achieved average daily balance the Dinar obligatory reserves set aside in the accounting period not exceeding the amount of the calculated Dinar obligatory reserves the National Bank of Serbia calculated and paid interest at the rate of 0.75% p.a. up to 17 March 2020. In the period from 18 March to 17 April 2020, the interest rate was reduced to 0.50%, while in period from 18 April to 17 June that rate was reduced to 0.25%. From 18 June until the end of 2020, the NBS applied an interest rate of 0.10%. Exceptionally, in order to mitigate the economic consequences of the COVID-19 pandemic, the National Bank of Serbia pays part of these funds, if the prescribed conditions are met - interest at an interest rate of 0.60% per annum (0.10% + 0.50 b.p.).

All amounts expressed in thousand of RSD, unless otherwise stated

14. CASH AND BALANCES WITH CENTRAL BANKS (continued)

14.1 Cash and balances with central banks include (continued)

FCY obligatory reserve is set aside on FCY sources of funds and Dinar sources indexed to a currency clause, During 2020, following rates for allocation of FCY obligatory reserve are applied:

- the rate of allocation of the obligatory reserve on FCY liabilities maturing beyond two years was 20%,
- the rate of allocation of the obligatory reserve on FCY liabilities maturing over two years was 13%,
- Rate for the allocation of the obligatory reserves on Dinar liabilities indexed to a currency clause was 100%.

The National Bank of Serbia pays no interest on the foreign currency obligatory reserves. In 2020 on the amount of FCY obligatory reserve which exceeds calculated amount, the National Bank of Serbia calculated interest at rate equal to 3-month Euro LIBOR plus margin of 5% p.a. Such interest was not paid by the Bank in 2020 since FCY obligatory reserve never exceed limits which trigger interest payments.

14.2 Cash in Statement of cash flow includes:

	2020	2019
Giro account	17,883,281	20,408,929
Cash on hand in dinars	4,829,416	4,673,179
Cash on hand in foreign currency	18,841,414	17,177,204
Foreign currency accounts	2,613,234	1,999,007
Balance as atDecember 31	**44,167,345**	**44,258,319**

15. DERIVATIVE RECEIVABLES

Financial assets at fair value through Profit and Loss comprise:

	2020	2019
Derivative receivables in local currency	51,496	21,442
Balance as atDecember 31	**51,496**	**21,442**

Nominal value of trading derivatives is presented in the table below:

	2020				2019			
	Nominal (Bought)	**Nominal (Sold)**	**Net position**	**Fair value**	**Nominal (Bought)**	**Nominal (Sold)**	**Net position**	**Fair value**
Trading derivatives								
FX Spot	668,730	668,714	16	8	2,976,023	2,976,884	(862)	(822)
FX Forward	1,918,433	1,870,164	48,269	45,584	1,111,625	1,099,939	11,687	9,542
FX SWAP	17,483,483	17,478,825	4,658	3,898	41,597,129	41,601,631	(4,501)	(6,615)
Total	**20,070,646**	**20,017,703**	**52,943**	**49,489**	**45,684,777**	**(45,678,454)**	**6,324**	**2,105**

All amounts expressed in thousand of RSD, unless otherwise stated

16. SECURITIES

Financial assets available for sale comprise of:

	2020	2019
Shares in dinars	351,994	1,328,938
Bonds of foreign financial institutions	27,615,381	16,356,547
Bonds of other banks - EBRD	498,052	498,498
Treasury bills – Ministry of Finance	41,100,465	35,538,712
Treasury bills – Ministry of Finance-conversion from CHF to EUR	786,549	786,549
Less: Allowance for impairment	(9,650)	(6,801)
Balance as at December 31	**70,342,791**	**54,502,443**

Changes in allowance for impairment are presented as follows:

	2020	2019
Collective allowances for impairment S-1		
Balance as at 1 January	6,801	16,933
Expense	29,660	20,967
Releases	(26,653)	(31,095)
Effect of foreign currency movements	(158)	(4)
	9,650	**6,801**
Collective allowances for impairment S-2		
Balance as at 1 January	-	605
Expense	-	9
Releases	-	(614)
Effect of foreign currency movements	**-**	**-**
Balance as at December 31	**9,650**	**6,801**

All amounts expressed in thousand of RSD, unless otherwise stated

17. LOANS AND RECEIVABLES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Loans and receivables to banks and other financial institutions include:

	2020	2019
Foreign currency account - Raiffeisen Bank International AG	1,860,425	206,786
Foreign currency accounts – other banks	752,809	1,792,221
REPO transactions	15,000,000	5,470,690
Checks in foreign currency	-	12
Liquidity and working capital loans	385,434	-
Overnight deposits in local currency	-	500,000
Other loans and receivables	4,277,906	5,573,891
Short-term deposit up to 7 days in foreign currency	2,344,165	7,752
	24,620,739	**13,551,352**
Less: Allowance for impairment	(527)	(740)
Balance as at December 31	**24,620,212**	**13,550,612**

Changes in allowance for impairment are presented as follows:

	2020	2019
Collective allowances for impairment S-2		
Balance as at 1 January	740	14,093
Expense	740	-
Releases	(527)	(13,353)
Total	527	740
Balance as at December 31	**527**	**740**

All amounts expressed in thousand of RSD, unless otherwise stated

18. LOANS AND RECEIVABLES TO CUSTOMERS

Loans and receivables to customers consist of:

	Gross 31.12.2020	Allowance 31.12.2020	Net 31.12.2020	31.12.19
Foreign currency accounts and checks in foreign currency	4,116	-	4,116	7,120
Overdrafts	3,091,393	230,346	2,861,047	4,288,075
Consumer loans	276,521	20,747	255,774	242,678
Liquidity and working capital loans	62,819,150	1,273,077	61,546,073	51,100,557
Loans for working capital-at fair value	896	-	896	18,535
Investment loans	29,634,841	707,794	28,927,047	29,367,785
Housing loans	26,929,794	786,879	26,142,915	23,793,857
Cash loans	30,760,619	1,761,506	28,999,113	29,941,609
Other loans and credit cards	31,530,283	1,558,175	29,972,108	29,198,336
Factoring without recourse	341,576	37	341,539	477,503
Factoring with recourse	96,963	60	96,903	133,151
Other receivables and discount of bills of exchange	31,665	7,963	23,702	64,471
Credit for p/o of imports of goods and services from abroad	7,778,247	37,336	7,740,911	7,887,210
Deposits	2,107	1	2,106	2,107
	193,298,171	**6,383,921**	**186,914,250**	**176,522,994**
Less: Allowance for impairment	(6,383,921)			(4,938,275)
Balance as at December 31	**186,914,250**			**171,584,719**

Changes in allowance for impairment are presented as follows:

Specific allowances for impairment S-3	2020	2019
Balance as at 1 January	**3,802,470**	**5,268,765**
Expense	3,008,516	3,663,055
Releases	(2,595,092)	(3,212,966)
Write-off	(377,608)	(1,691,361)
Effect of foreign currency movements	(317)	(13,673)
Unwinding	74,528	37,425
Conversion of CHF-indexed loans	-	(248,775)
Other	(48)	-
Total	**3,912,449**	**3,802,470**
Collective allowances for impairment S-1		
Balance as at 1 January	**681,060**	**586,428**
Expense	1,295,276	1,436,285
Releases	(1,469,789)	(1,335,098)
Effect of foreign currency movements	(129)	(1,141)
Conversion of CHF-indexed loans	-	(5,414)
Total	**506,418**	**681,060**

All amounts expressed in thousand of RSD, unless otherwise stated

18. LOANS AND RECEIVABLES TO CUSTOMERS (continued)

Collective allowances for impairment S-2	2020	2019
Balance as at 1 January	**454,745**	**536,717**
Expense	3,844,019	1,742,407
Releases	(2,333,848)	(1,701,819)
Write off	-	(15)
Effect of foreign currency movements	138	(412)
Conversion CHF loans in EUR	-	(122,133)
Total	1,965,054	454,745
Balance as at December 31	**6,383,921**	**4,938,275**

In 2020 the Bank granted to corporate and small enterprises customers following loans:

- Short-term loans at annual interest rate depending on the customer credit rating range, up to EURIBOR / BELIBOR plus margin up to 3.65% / 2.9%;
- Long-term loans up to 10 years of maturity, at annual interest rate depending on the customer credit rating range, up to EURIBOR / BELIBOR plus margin up to do 4.45% / 2.5%.

For segment of SME customers, in 2020 the Bank granted following loans:

- Loans with monthly instalments, depending on the customer credit rating range, at fixed annual interest rate in the range from 4.4% to 9.00% and with floating interest rate in the range BELIBOR plus margin from 2.25 % to 5%, EUR-linked loans are granted at annual interest rate in the range EURIBORplus margin from 3.5% to 4.95%;
- For SE sub-segment, long-term loans up to 10 years of maturity, at annual interest rate up to EURIBOR plus margin in the range from 2.6% to 4.5%, These loans are granted mainly from internal funds of the Bank;
- For Micro sub-segment, loans with monthly instalments, depending on the customer credit rating range, at fixed annual interest rate in the range from 7.5% to 12% and with prevailing floating interest rate BELIBOR plus margin from 2.25% to 7%. For EUR-linked loans, loans are granted at fixed annual interest rate in the range from 3.95% to 6.95% and with prevailing floating interest rate EURIBOR plus margin from 3.5% to 6%. Long-term loans up to 10 years of maturity at annual interest rate for EUR-linked loans up to 6-month EURIBOR plus margin from 4% to 6% and at fixed annual interest rate from 3.95% to 6.95%. Dinar loans are granted at fixed annual interest rate in range from 8% to 10% or floating interest rate in the range 3-m BELIBOR plus margin 2.25% to 3.25%.

All amounts expressed in thousand of RSD, unless otherwise stated

18. LOANS AND RECEIVABLES TO CUSTOMERS (continued)

In 2020, the Bank granted to private individuals following loans:

- Short term loans with foreign currency clause at floating interest rate calculated as EURIBOR plus margin of 6.75% p.a, and BELIBOR plus margin in the range from 4.80% to 7.6% p.a, for loans in dinars;
- Short term loans with foreign currency clause and fixed interest rate of 9.90% p,a, and in the range from 7.75% to 30.00% for loans in dinars;
- Overdrafts at interest rates in the range from 0% to 29.76% on annual level;
- Long-term loans with foreign currency clause at floating interest rate calculated as EURIBOR plus margin of 5.75% p.a and BELIBOR plus margin of 7.60% p,a for loans in dinars;
- Long term loans (housing) with maximum maturity of 30 years with floating annual interest rate calculated as EURIBOR plus margin in the range from2,99% to 3,24 % for loans with foreign currency clause and BELIBOR plus margin in the range from 1,40% to 3,60% for loans in dinars;
- Long term loans with foreign currency clause and fixed interest rates of 9.90% and from 7.75% to 30.00% for loans in dinars;
- Long-term loans (housing) with maximum maturity of 30 years with fixed annual interest rate of 3.45% - 3.95% for loans with a currency clause.

19. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries comprise of equity investments in following entities:

	2020	2019
Equity investments:		
Raiffeisen Future a,d, Beograd, Asset Management Company for managing of voluntary pension fund	188,129	199,908
Raiffeisen Invest a,d, Beograd, Asset Management Company for managing of investment funds	540,869	564,445
Raiffeisen Leasing d,o,o, Beograd	505,594	529,168
Humanitarian Fund „Budimir Kostić“	30	30
Balance as at December 31	**1,234,622**	**1,293,551**

All amounts expressed in thousand of RSD, unless otherwise stated

20. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include:

	2020	2019
Land and buildings	3,265,489	3,337,281
Equipment	1,193,582	1,072,904
Investments in the leased assets	444,434	428,020
	4,903,505	**4,838,205**
Leased assets	1,192,082	1,334,418
Balance as at December 31	**6,095,587**	**6,172,623**

Movements in property and equipment were as follows:

	Land and buildings	Fixtures and fittings	Tangible assets under construction	Total
Cost				
Balance as at 1 January 2019	**3,891,986**	**5,089,135**	**-**	**8,981,121**
Acquisitions	-	-	539,387	539,387
Transfer	27,244	512,143	(539,387)	-
Disposals	-	(228,120)	-	(228,120)
Balance as at 31 December 2019	**3,919,230**	**5,373,158**	**-**	**9,292,388**
Balance as at 1 January 2020	**3,919,230**	**5,373,158**	**-**	**9,292,388**
Acquisitions	-	-	591,474	591,474
Transfers	10,962	580,512	(591,474)	-
Disposals	-	(208,923)	-	(208,923)
Balance as at 31 December 2020	**3,930,192**	**5,744,747**	**-**	**9,674,939**
Accumulated depreciation and impairment losses				
Balance as at 1 January 2019	**499,768**	**3,691,218**	**-**	**4,190,986**
Depreciation	82,181	404,076	-	486,257
Disposals	-	(223,060)	-	(223,060)
Balance as at 31 December 2019	**581,9498**	**3,872,234**	**-**	**4,454,183**
Balance as at 1 January 2020	**581,9498**	**3,872,234**	**-**	**4,454,183**
Depreciation	82,754	442,821	-	525,575
Disposals	-	(208,324)	-	(208,324)
Balance as at 31 December 2020	**664,703**	**4,106,731**	**-**	**4,771,434**
Carrying amount				
Balance as at 1 January 2019	**3,392,218**	**1,397,917**	**-**	**4,790,135**
Balance as at 31 December 2019	**3,337,281**	**1,500,924**	**-**	**4,838,205**
Balance as at 31 December 2020	**3,265,489**	**1,638,016**	**-**	**4,903,505**

There are no restrictions on title of assets neither property nor equipment pledged as a collateral.

All amounts expressed in thousand of RSD, unless otherwise stated

20. PROPERTY, PLANT AND EQUIPMENT (continued)

Movement on leased assets were as follow:

	Car	Business premises	Total
Acquisitions cost			
Balance as at 1 January 2019	**-**	**-**	**-**
Acquisitions	52,925	1,752,353	1,805,278
Termination of the contract	(4,767)	(117,938)	(122,705)
Balance as at 31 December 2019	**48,158**	**1,634,415**	**1,682,573**
Balance as at 1 January 2020	**48,158**	**1,634,415**	**1,682,573**
Acquisitions	3,013	210,875	213,888
Termination of the contract	(3,216)	(88,480)	(91,696)
Balance as at 31 December 2020	**47,955**	**1,756,810**	**1,804,765**
Accumulated depreciation and impairment losses			
Balance as at 1 January 2019	**-**	**-**	**-**
Depreciation	14,024	363,707	377,731
Termination of the contract	(1,082)	(9,299)	(10,381)
Modification of lease contact	-	(19,195)	(19,195)
Balance as at 31 December 2019	**12,942**	**335,213**	**348,155**
Balance as at 1 January 2020	**12,942**	**335,213**	**348,155**
Depreciation	14,238	370,890	385,128
Termination of the contract	(2,606)	(117,994)	(120,600)
Balance as at 31 December 2020	24,574	588,109	612,683
Carrying amount			
Balance as at 31 December 2019	**35,216**	**1,299,202**	**1,334,418**
Balance as at 31 December 2020	**23,381**	**1,168,701**	**1,192,082**

21. INTANGIBLE ASSETS

Intangible assets consist of:

	2020	2019
Software and purchased licences	831,133	731,144
Balance as at December 31	**831,133**	**731,144**

All amounts expressed in thousand of RSD, unless otherwise stated

21. INTANGIBLE ASSETS (continued)

Movements in intangible assets are presented as follows:

	Software and purchased licences	Other intangible assets	Total
Cost			
Balance as at 1 January 2019	**3,469,589**	**27,257**	**3,496,846**
Acquisitions	331,604	-	331,604
Balance as at 31 December 2019	3,801,193	27,257	3,828,450
Balance as at 1 January 2020	**3,801,193**	**27,257**	**3,828,450**
Acquisitions	398,220	-	398,220
Balance as at 31 December 2020	**4,199,413**	**27,257**	**4,226,670**
Amortisation and impairment losses			
Balance as at 1 January 2019	2,822,095	27,257	2,849,352
Amortisation for the period	247,954	-	247,954
Balance as at 31 December 2019	3,070,049	27,257	3,097,306
Balance as at 1 January 2020	**3,070,049**	**27,257**	**3,097,306**
Amortisation for the period	298,231	-	298,231
Balance as at 31 December 2020	3,368,280	27,257	3,395,537
Carrying amount			
Balance as at 1 January 2019	**647,494**	**-**	**647,494**
Balance as at 31 December 2019	**731,144**	**-**	**731,144**
Balance as at 31 December 2020	**831,133**	**-**	**831,133**

22. DEFERRED TAX ASSETS

Calculation of deferred tax assets as at 31 December 2020 is presented as follows:

	2020			2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Difference of the carrying amount of fixed assets	227,182	-	227,182	196,845	-	196,854
Provision for legal cases	114,260	-	114,260	68,873	-	68,873
The severance for retirement	51,160	-	51,160	50,685	-	50,685
Other	4,238	-	4,238	1,260	-	1,260
Tax credit	104,873	-	104,873	-	-	-
Valuation - cash flow hedge and securities at fair value through OCI	-	(87,046)	(87,046)	-	(51,404)	(51,404)
Deferred tax asset / liability	**501,721**	**(87,046)**	**414,675**	**317,672**	**(51,404)**	**266,268**

Deferred tax assets are calculated at tax rate of 15% for both presented periods,

All amounts expressed in thousand of RSD, unless otherwise stated

23. OTHER ASSETS

Other assets include:

	2020	2019
Receivables for fees for payment transactions and for others non-credit activities	75,572	69,860
Receivables from sales	1,629	4,482
Advance payments for working capital	3,061	3,781
Advance payments for tangible assets	1,433	262
Receivables from employees	4,965	4,514
Receivables for paid contributions to employees – sick leave	31,599	20,056
Other receivables from business transactions	112,000	100,951
Suspense and temporary accounts	188,159	145,494
Other receivables	11,410	9,869
Deferred interest expenses	11	12
Deferred other expenses	194,759	148,916
Other prepayments	201,353	262,729
Assets acquired through collection of receivables	19,130	20,892
Inventory	2,017	2,071
	847,098	**793,835**
Less: Allowance for impairment	(87,758)	(82,516)
Balance as at December 31	**759,340**	**711,319**

Changes in allowance for impairment are presented as follows:

	2020	2019
Specific allowances for impairment S-3		
Balance as at 1 January	68,466	51,340
Expense	15,844	34,678
Releases	(8,949)	(15,842)
Write-off	(66)	(1,653)
Effect of foreign currency movements	-	(57)
	75,295	**68,466**
Collective allowances for impairment S-1		
Balance as at 1 January	2,144	2,075
Expense	217	243
Releases	(198)	(250)
Effect of foreign currency movements	1	76
	2,164	**2,144**
Collective allowances for impairment S-2		
Balance as at 1 January	11,906	21,822
Expense	12,887	18,706
Releases	(14,494)	(28,611)
Effect of foreign currency movements	-	(11)
	10,299	**11,906**
Balance as at December 31	**87,758**	**82,516**

All amounts expressed in thousand of RSD, unless otherwise stated

23. OTHER ASSETS (continued)

Assets acquired through collection of receivables consist of:

	2020		2019	
	Surface (m2)	Value	Surface (m2)	Value
Smederevska Palanka, st. Neznanog junaka no. 47 -business and residential property	274.52	5,890	274.52	5,890
Novi Sad, Jovana Dučića 35, object of physical education, tennis courts,	541.00	13,240	613.00	15,002
Balance as at December 31	**815.52**	**19,130**	**887.52**	**20,892**

Changes in allowance for impairment are presented as follows:

	2020.	2019.
Allowances for impairment		
Balance as at 1 of January	76	-
Expense	-	76
Balance as at 31 of December	**76**	**76**

All amounts expressed in thousand of RSD, unless otherwise stated

24. DEPOSITS AND OTHER FINANCIAL LIABILITIES FROM BANKS, OTHER FINANCIAL INSTITUTIONS AND CENTRAL BANK

Deposits and other financial liabilities from banks, other financial institutions and central bank include:

	2020			2019		
	In dinars	**In foreign currency**	**Total**	**In dinars**	**In foreign currency**	**Total**
Sight deposits	1,206,628	959,367	2,165,995	1,306,764	401,275	1,708,039
Special purpose deposits	10,000	-	10,000	10,000	131,580	141,580
Other deposits	4,839	31,295	36,134	3,978	13,612	17,590
Borrowings	-	2,527,974	2,527,974	-	1,895,921	1,895,921
Other financial liabilities	-	171,709	171,709	-	518,258	518,258
	41	14,946	14,987	166	5,978	6,144
Balance as at December 31	**1,221,508**	**3,705,291**	**4,926,799**	**1,320,908**	**2,966,624**	**4,287,532**

Borrowings include:

	2020		2019	
The European Fund for Southeast Europe - EFSE	1,470	171,709	4,410	518,584
Balance as at December 31	**1,470**	**171,709**	**4,410**	**518,584**

Maturity of long term borrowings is up to 8 years. Borrowings are repaid in equal half annual instalments. Interest rates are calculated at the and 6-month EURIBOR plus a margin of 3.05% p.a.

All amounts expressed in thousand of RSD, unless otherwise stated

25. DEPOSITS AND OTHER FINANCIAL LIABILITIES FROM OTHER CUSTOMERS

Deposits and other financial liabilities from other customers include:

	2020			2019		
	In dinars	**In foreign currency**	**Total**	**In dinars**	**In foreign currency**	**Total**
Sight deposits	98,260,291	164,149,088	262,409,379	72,341,070	137,137,230	209,478,300
Savings deposits	260,110	28,356,727	28,616,837	277,220	27,482,442	27,759,662
Deposits as collateral for loans granted	67,712	915,366	983,078	69,845	794,603	864,448
Special purpose deposits	527,148	4,484,612	5,011,760	506,754	4,883,118	5,389,872
Other deposits	719,035	223,797	942,832	326,878	363,216	690,094
Overnight deposits	-	-	-	5,946	700,716	706,662
Borrowings	-	4,991,071	4,991,071	-	6,303,349	6,303,349
Other financial liabilities	10,617	786,513	797,130	21,469	599,922	621,391
Balance as at December 31	**99,844,913**	**203,907,174**	**303,752,087**	**73,549,182**	**178,264,596**	**251,813,778**

Borrowings in the amount of RSD 4,991,071 thousands (2019: RSD 6,303,349thousands) refer to loans granted by Ministry of Finance of Republic of Serbia:

- APEX loans with maturity up to 12 years, Borrowings are repaid in equal half annual and quarterly instalments. Interest rates are calculated at the 3-month and 6-month EURIBOR plus a margin in the range from 0.27% to 1.38% p.a.;
- Revolving loan fund with maturity up to 5 years, Borrowings are repaid in equal quarterly instalments. Interest rates are calculated at the 3-month LIBOR plus a margin of 0.75% p.a. Interest liabilities are repaid in quarterly instalments.

The Bank generally did not pay interest in 2020 to large and medium-sized enterprises, but optionally offered the services of Raiffeisen Invest Cash Fund, where average yields on dinar deposits were app. 1.31%, and for foreign currency deposits in EUR yields ranged from 0.63%.

All amounts expressed in thousand of RSD, unless otherwise stated

25. DEPOSITS AND OTHER FINANCIAL LIABILITIES FROM OTHER CUSTOMERS (continued)

In 2020, the Bank did not offer time deposits to small enterprises and entrepreneurs, but optionally offered the receivables to USITS fonds of Raiffeisen CASH and Raiffeisen EURO CASH, where average yields on dinar deposits were app. 1.3%, and for foreign currency deposits in EUR yields ranged from -0.6%.

The Bank did not calculate and pay interest on the foreign currency household accounts, except for deposits in EUR deposited insavings accounts opened before 2015, in the amount of 0.1% per annum. The Bank did not calculate and pay interest dinar current and saving household accounts.

Dinar short term deposits of households with maturity of 12 months have an annual interest rate of 1.00%, while all other models of dinar term deposits were withdrawn from the Banks offer from 2016.

For dinar and foreign currency deposits placed on term accounts opened before 2016, with the possibility of more successive payments and automatic re-payment, the interest was calculated at a rate of 0.11% when it was a deposit in the EUR currency, or 0.01% in the case of deposits in other currencies, regardless of the term of deposit.

	Note	2020	2019
Opening balance			
Deposits and other liabilities from banks, other financial institutions and central bank	24	4,287,532	3,038,158
Deposits and other liabilities from other customers	25	251,813,778	227,889,691
Opening balance 1 January		**256,101,310**	**230,927,849**
Net inflow – deposits		56,097,376	26,906,210
Net outflow – borrowings		(1,737,704)	(1,586,705)
Net outflow - interest		(232,555)	(184,538)
Net outflow – fees		(1,715,273)	(1,778,755)
Foreign exchange differences		(1,782,990)	(90,030)
Accrued interest and other non-cash transactions		1,948,722	1,952,601
Closing balance			
Deposits and other liabilities from banks, other financial institutions and central bank	24	4,926,799	4,287,532
Deposits and other liabilities from other customers	25	303,752,087	251,813,778
Closing balance 31 December		**308,678,886**	**256,101,310**

All amounts expressed in thousand of RSD, unless otherwise stated

26. PROVISIONS

26.1 Provisions consist of:

	2020	2019
Provision for employee benefits		
- provisions for retirement benefit	263,262	260,271
- provisions for other long termpayments	77,806	77,628
- other short term provisions (bonus, vacations)	172,199	222,810
	513,267	560,709
Provision for contingent liabilities	868,217	658,872
Provision for pending legal cases	703,547	443,595
Other provisions	58,239	81,613
Balance as at December 31	**2,143,270**	**1,744,789**

26.2 Movements in provisions for employee benefits are presented as follows:

	2020	2019
Balance as at 1 January	560,709	495,955
Provision for the year	249,973	261,887
Release during the year	(295,689)	(193,790)
Payments	(1,726)	(3,343)
Balance as at December 31	**513,267**	**560,709**

26.3 Movements in provision for contingent liabilities are presented as follows:

	2019	2019
Balance as at 1 January	**658,872**	**486,441**
Correction on the opening balance		
Balance as at 1 January	**658,872**	**486,441**
Provision for the year	1,597,814	952,401
Release during the year	(1,388,204)	(778,424)
Foreign exchange differences	(265)	(1,546)
Balance as at December 31	**868,217**	**658,872**

Provision for contingent liabilities in the amount of RSD 868,217 thousand (31 of December 2019: RSD 658,872 thousand) is made for guarantees and other off-balance sheet placements in accordance with Methodology on calculation of impairment provision of financial assets and off-balance sheet items.

All amounts expressed in thousand of RSD, unless otherwise stated

26. PROVISIONS (continued)

26.4 Movements in provision for pending legal cases are presented in the table below:

	2020	2019
Balance as at 1 January	443,595	526,641
Provision for the year	262,687	222,250
Other	(188)	(150)
Usage	(2,547)	(305,146)
Balance as at December 31	**703,547**	**443,595**

26.5 Movements in other provisions are presented as follows:

	2020	2019
Balance as at 1 January	81,613	13,361
Provision for the year	42,834	68,838
Foreign exchange differences	(66,208)	(586)
Balance as at December 31	**58,239**	**81,613**

27. OTHER LIABILITIES

Other liabilities consist of:

	2020	2019
Fee liabilities	62,144	12,557
Suppliers	243,647	318,509
Advances received	189,587	216,920
Lease liabilities	1,217,959	1,347,281
Other liabilities from business activities	49,990	47,089
Liabilities in settlement	119,290	22,265
Suspense and temporary accounts	448,237	476,871
Liabilities for to wages and salaries	3,355	10,497
Liabilities for VAT	49,865	48,707
Liabilities for other taxes and contributions	3,366	3,766
Other accruedexpenses	131,862	122,730
Accrued interest income	105,925	119,518
Other accrued income	168,994	164,782
Other accruals	475	892
Balance as at December 31	**2,794,696**	**2,912,384**

All amounts expressed in thousand of RSD, unless otherwise stated

28. EQUITY

28.1 Equity includes:

	2020	2019
Share capital	27,466,158	27,466,158
Profit reserves	23,353,465	23,353,465
Revaluation reserves from the change in the value of equity instruments – investment in subsidiaries	508,142	567,070
Hedging reserves	(80,960)	(69,082)
Revaluation reserves from the change in the value of debt instruments - bonds	574,221	360,370
Profit for the year	11,742,560	6,213,212
Balance as at December 31	**63,563,586**	**57,891,193**

Raiffeisen SEE Region Holding GmbH, Vienna holds 100% of the Bank's equity. Raiffeisen Bank International AG is ultimate parent of the Bank.

The shareholders of the Bank's ordinary shares are liable for the liabilities of the Bank and bear the risk of business activities of the Bank in proportion to number of shares which possess. Shares may be transferred on third parties in accordance with provisions of the Decision on founding. The shareholder of the Bank's ordinary shares has the right on dividend pay-out.

In 2020, due to COVID measures, dividend was not pait to shareholder of the Bank. Due to pandemic disease COVID-19 and crises which it has caused, the Bank has signed an Agreement on the maintenance of the stability of the financial system and prevention of the risk caused by the pandemic outbreak of Covid-19 disease with the National Bank of Serbia, the Ministry of Finance and all commercial banks operating in Serbia which is inter alia obliging the Bank, as well as all banks which are operating in Republic of Serbia, not to distribute the profit by paying out dividends to shareholder until the termination of all emergency measures which have been implemented due to pandemic caused by the COVID-19.

In 2019, based on the Shareholder's Assemble Decision dated 25 April 2019, retained earnings related to 2018 profit, are distributed through dividend pay-out in the amount of RSD 6,628,209 thousand.

28.2 Profit reserves include:

	2020	2019
Specific reserve from credit losses on balance-sheet assets and off-balance sheet items	23,353,465	23,353,465
Balance as at December 31	**23,353,465**	**23,353,465**

28.3 The Bank has complied with all externally imposed capital requirements to which it is subject (Note 4 (f).

All amounts expressed in thousand of RSD, unless otherwise stated

29. COMMITMENTS AND CONTINGENT LIABILITIES

29.1 Commitments and contingent liabilities as at 31 December comprise the following:

	2020	2019
Payment and performance guarantees	54,487,010	52,871,741
Letters of credit	663,426	1,209,328
Irrevocable credit lines	13,646,417	18,370,318
Revocable credit lines	87,084,200	83,290,409
Balance as at December 31	**155,881,053**	**155,741,796**

In respect of contingent liabilities, the Bank estimated and booked provision in the amount of RSD 868,217 thousand (2019: RSD 658,872 thousand).

Irrevocable credit lines comprise the following:

	2020	2019
Overdrafts to non-retail	20,000	19,982
Commitments related to short-term loans and guarantees	21,101	37,782
Commitments related to long-term loans and guarantees	1,553,734	6,554,894
Credit cards to non-retail	982,180	843,266
Overdraft to individuals	1,239,570	1,151030
Credit cards to individuals retail	9,829,832	9,763,364
Balance as at December 31	**13,646,417**	**18,370,318**

29.2 Legal proceedings

As of December 31, 2020 there were 6,234 litigations filed against the Bank (2019: 2,222), with the total value claimed in the amount of RSD 2,292,046 thousand (2019: RSD 2,034,119 thousand). For these court cases, the Bank created provisions in the amount of RSD 703,547 thousand (2019: RSD 443,595 thousand), based on the management's estimate of the probable positive outcome of the proceedings and the total losses that the Bank may suffer.

The Bank has filed a number of lawsuits against third parties, mostly for the purpose of collecting its receivables.

30. RELATED PARTIES

The Bank is controlled by the Raiffeisen SEE Region Holding GmbH, Vienna incorporated in Austria, which owns 100% of its ordinary shares. The ultimate parent of the Bank is the Raiffeisen Zentralbank Osterreich AG incorporated in Austria. In addition, the Bank has control over its subsidiaries Raiffeisen Future a.d. Beograd, Raiffeisen Invest a.d. Beograd and Raiffeisen Leasing d.o.o. Beograd.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, equity investments and derivative instruments.

All amounts expressed in thousand of RSD, unless otherwise stated

30. RELATED PARTIES (continued)

Outstanding balances of assets and liabilities as of December 31, 2020 and 2019, resulting from the Bank's related party transactions are summarized below:

	2020	2019
ASSETS		
Financial assets at fair value through profit or loss held for trading		
Raiffeisen Bank International AG, Wien	5,913	11,901
	5,913	**11,901**
Loans and advances to banks and other financial institutions		
Raiffeisen Bank International AG, Wien	1,860,715	206,944
Raiffeisen bank Kosovo	-	23
Raiffeisenbank Austria d.d., Zagreb	24,921	23,230
Raiffeisen Leasing d.o.o., Beograd	4,546,642	5,509,054
	6,432,278	**5,739,251**
Loans and advances to customers		
Raiffeisen Rent d.o.o., Beograd	1,153,359	1,207,220
	1,153,359	**1,207,220**
Receivables from financial derivatives held for hedging against risks		
Raiffeisen Bank International AG, Wien	13,211	152,072
	13,211	**152,072**
Property, plant and equipment – right-of-use		
Raiffeisen Rent d.o.o., Beograd	23,382	35,217
	23,382	**35,217**
Other assets		
Raiffeisen Bank International AG, Wien	34,474	27,844
Raiffeisen Leasing D.O.O.	1,822	1,880
Raiffeisen bank d,d,, Bosna i Hercegovina	34	108
Raiffeisenbank Austria d,d,, Zagreb	27	616
Raiffeisen Invest a.d. Beograd	12,076	12,115
Raiffeisen Future a.d. Beograd	1,463	2,055
Raiffeisen Rent d.o.o., Beograd	382	382
Raiffeisen bank ZRT	4	3
Tatra banka a.s.	2	-
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest	2,407	-
	52,691	**45,003**

All amounts expressed in thousand of RSD, unless otherwise stated

30. RELATED PARTIES (continued)

	2020	2019
LIABILITIES		
Financial liabilities at fair value through profit or loss held for trading		
Raiffeisen Bank International AG, Wien	2,014	18,516
	2,014	**18,516**
Liabilities arising from financial derivatives held for hedging against risks		
Raiffeisen Bank International AG, Wien	498,508	234,945
	498,508	**234,945**
Deposits and other liabilities from banks, other financial institutions and central bank		
Raiffeisen Bank International AG, Wien	8,027	24,915
Raiffeisen Bank d,d,, Bosna i Hercegovina	2,359	2,176
Raiffeisenbank Austria d,d,, Zagreb	91,667	11,031
Raiffeisen Invest a.d. Beograd	1,787	-
Raiffeisen Future a.d. Beograd	6,585	3,427
Raiffeisen Leasing d.o.o., Beograd	35,135	236,501
	148,560	**278,050**
Deposits and other liabilities from other customers		
Raiffeisen Rent d.o.o., Beograd	157,199	12,790
	157,199	**12,790**
Provisions		
Raiffeisen Bank International AG, Wien	13	11
Raiffeisen Leasing d.o.o., Beograd	347	293
Raiffeisen Rent d.o.o., Beograd	158	183
Raiffeisenbank Austria d,d,, Zagreb	1	1
Raiffeisen bank Kosovo	-	1
Raiffeisen bank DD Bosna i Hercegovina	149	-
Raiffeisenlandesbank Niederoesterreich-Wien AG	1	1
	669	**480**
Other liabilities		
Raiffeisen Bank International AG, Wien	73,611	68,751
Raiffeisen Leasing d.o.o., Beograd	-	17
Raiffeisen Rent d.o.o., Beograd	23,863	17
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest	1,393	1,587
Raiffeisen Bankd,d,, Bosna i Hercegovina	310	-
PJSC Ukrainian processing center, Ukraina	4,221	1,945
Raiffeisenbank Austria d,d,, Zagreb	28	27
Raiffeisen Bank Kosovo	43	22
Raiffeisen bank, A,S, Prague	30	-
AO Raiffeisen bank Moscow	-	56
Raiffeisenlandesbank Niederoesterreich-Wien AG	19	19
Regional Card Processing Centre s.r.o., Bratislava	37,527	33,258
	141,045	**105,699**

All amounts expressed in thousand of RSD, unless otherwise stated

30. RELATED PARTIES (continued)

The following table summarizes total income and expenses arising from related party transactions realized during the years ended December 31, 2020 and 2019:

	2020	2019
Interest income:		
Raiffeisen Bank International AG, Wien	7	245
Raiffeisen Leasing d.o.o., Beograd	16,536	33,094
Raiffeisen Rent d.o.o., Beograd	10,728	12,442
Raiffeisen Bank AS Prague	-	7,485
	27,271	**53,266**
Interest expenses:		
Raiffeisen Bank International AG, Wien	(31,150)	(30,489)
Raiffeisen Bank AS Prague	-	(3,658)
Raiffeisenbank Austria d,d,, Zagreb	(18)	-
Raiffeisen Rent d.o.o., Beograd	(565)	(706)
	(31,733)	**(34,853)**
Fee and commission income:		
Raiffeisen Rent d.o.o., Beograd	637	724
Raiffeisen Bank International AG, Wien	40,236	39,006
Raiffeisenbank Austria d,d,, Zagreb	1,499	1,520
Tatra Banka SA Prague	61	66
Raiffeisen Leasing d.o.o. Beograd	1,401	1,700
Raiffeisen Banka dd Bosna i Hercegovina	1,527	477
Raiffeisenbank Kosovo	355	303
AO Raiffeisen bank Moscow	160	176
Raiffeisen bank ZRT	90	26
Raiffeisen bank Bulgaria	-	1
Raiffeisenlandesbank Niederoesterreich-Wien AG	368	874
Raiffeisen Invest a.d. Beograd	129	250
Raiffeisen Future a.d. Beograd	118	223
Raiffeisen Bank AS Prague	158	215
	46,739	**45,561**
Fee and commission expenses:		
PJSC Ukrainian processing center, Ukraine	(39,774)	(6,072)
Raiffeisenbank Austria d,d,, Zagreb	(101)	(81)
Regional Card ProcessingCentre	(227,483)	(241,854)
Raiffeisen Bank International AG, Wien	(197,655)	(148,554)
Raiffeisen Invest a.d. Beograd	(1)	(2)
Raiffeisen Rent d.o.o., Beograd	(-)	(-)
	(456,013)	**(396,563)**

All amounts expressed in thousand of RSD, unless otherwise stated

30. RELATED PARTIES (continued)

	2020	2019
Net gains/(loss) on financial assets held for trading		
Raiffeisen Bank International AG, Wien	10,513	(6,315)
	10,513	**(6,315)**
Net losses on hedging		
Raiffeisen Bank International AG, Wien	(378,401)	(33,926)
	(378,401)	**(33,926)**
Other operating income		
Raiffeisen Rent d.o.o. Beograd	4,150	4,110
Raiffeisen Leasing d.o.o. Beograd	17,930	19,600
Raiffeisen Bank International AG, Wien	6,430	961
Raiffeisen Invest a.d. Beograd	4,305	4,618
Raiffeisen Future a.d. Beograd	5,482	5,485
Raiffeisenbank Bulgaria	-	721
Raiffeisenbank Austria d,d,, Zagreb	4,396	1,603
	42,693	**37,098**
Net impairment gain/(loss) on financial assets		
Raiffeisen Banka dd Bosnna i Hercegovina	(149)	1
Raiffeisenbank Austria d.d., Zagreb	-	4
Raiffeisen Rent d.o.o. Beograd	49	1,483
Raiffeisen bank ZRT	-	(6)
Raiffeisenlandesbank Niederoesterreich-Wien AG	-	6
Raiffeisen Bank SA Prague	-	130
Raiffeisen Leasing d.o.o. Beograd	151	21,587
Raiffeisen Bank International AG, Wien	(13)	16
	38	**23,221**
Other income		
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest	2,405	3,836
Raiffeisen Bank International AG, Wien	958	948
Raiffeisen Rent d.o.o., Beograd	187	34
Regional Card Processing Centre	797	64
PJSC Ukrainian processing center, Ukraine	944	-
	5,291	**4,882**
Other expenses		
Raiffeisen Rent d.o.o., Beograd	(3,149)	(3,653)
Raiffeisen Bank International AG, Wien	(356,747)	(343,132)
Centralised Raiffeisen International Services & Payments S.R.L., Bucharest	(40,930)	(40,452)
Raiffeisenbank Austria d.d., Zagreb	-	(7)
	(400,826)	**(387,244)**
Net as at 31 December	**(1,143,428)**	**(694,167)**

Total gross salaries and other personal expenses for the Managing board members and other key executives in 2020 amount to RSD 710,429 thousand (2019: RSD 739,570 thousand).

31. SUBSEQUENT EVENTS

At the end of 2020, in the Official Gazette No. 150/2020, the National Bank of Serbia adopted a Decision on measures prepared for banks in order to adequately manage credit risk in the context of the COVID-19 pandemic (hereinafter: the Decision) prescribing measures and activities to enable relief to debtors in repayment of obligations. Obligations include obligations of the debtor on the basis of loans and other credit products. The decision obliges banks to enable reprogramming and refinancing of liabilities at the client's request if they meet the defined criteria:

- the debtor is not able to settle its obligations to the bank, i.e. it may have difficulties in settling those obligations due to the COVID-19 pandemic;
- on 29.02.2020, as well as in the period of 12 months before that day, debtor was not in the NPL status, in terms of the decision which regulates the capital adequacy of the bank;
- on 29.02.2020, as well as in the period of 12 months before that day, no receivable from that debtor on the basis of liabilities was classified as a problem loan in the bank.

The special additional conditions defined by the Decision, the debtor must meet, depending on whether it is a individual or legal person, in order to obtain the conditions for obtaining a grace period of six months, during which the bank does not collect principal. The bank calculates the agreed interest attributable to the principal at the end of the grace period. The Decision obliges banks to extend the loan repayment period in such a way that the amount of annuities after the expiration of the grace period, and by the end of the new loan repayment period is not higher than that amount in the period before the application of facilities.

Based on this Decision, during 2021, the Bank received a total of 4,215 requests, of which 826 requests were realized (801 PI and 25 legal entities). The total number of realized credit parties until the day of compiling the notes was 1,164.

After the date of the reporting period, there were no other events that would require disclosure in the notes to the financial statements of the Bank as of and for the year ended 31 December 2020.

Belgrade, 16 April 2021

For and on behalf of the Management Raiffeisen banka a.d., Beograd

Zoran Petrović
Chairman of the Managing Board

Raiffeisen banka a.d. * BEOGRAD *

Petar Jovanović
Deputy Chairman of the Managing Board

Raiffeisen Bank

www.raiffeisenbank.rs