Registrar of Companies

AGRI EUROPE CYPRUS LIMITED, CYPRUS

Consolidated Financial Statements
For the Year Ended December 31, 2019

Board of Directors:	Andreas Thomas Moustras (Cypriot) Miodrag Kostić (Cypriot) Nikolas Anastasis Neophytou (Cypriot) Aleksandar Aleks Kostić (Cypriot) (appointed on August 28, 2018)
Company Secretary:	Trident Trust Company (Cyprus) Limited, Limassol
Independent Auditors:	Deloitte Limited Certified Public Accountants and Registered Auditors Maximos Plaza, Tower 1, 3rd Floor 213 Arch. Makariou, 3030 Limassol
Registered office:	Street Krinou, 3 THE OVAL, Flat/Office 502 Agios Athanasios 4103 Limassol, Cyprus
Bankers:	Komercijalna banka Serbia Sberbanka Serbia European Central Bank Banca Intesa Serbia Societe Generale Serbia Erste bank Serbia Erste bank Austria Erste bank Montenegro Vojvođanska banka Serbia Addiko Bank Serbia Direktna banka Serbia OTP Bank Serbia Piraeus Bank Serbia Unicredit bank Serbia Raiffeisen banka Serbia Credit Agricole Serbia Hipotekarna banka Montenegro ABM Amro Bank Amsterdam, Netherlands Eurobank, Serbia Deutsche Investitions-und Entwicklungsgesellschaft MBH - DEG UBS AG Switzerland Credit Suisse AG, Switzerland J.P. Morgan Bank Luxembourg S.A. Eurobank, Cyprus Sberbank d.d., Slovenia Addiko bank d.d., Slovenia Intesa San Paolo d.d., Slovenia SKB banka d.d., Slovenia Sparkasse bank d.d., Slovenia Zagrebačka banka d.d., Zagreb
Registration number:	HE283435

CONSOLIDATED MANAGEMENT REPORT
For the Year Ended December 31, 2019

The Board of Directors of Agri Europe Cyprus Limited (the "Company") presents to the members its Management Report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group" for the year ended 31 December 2019.

Incorporation

The Company Agri Europe Cyprus Limited was incorporated in Cyprus on 16 March 2011 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113.

Principal activities

Agri Europe Group's core activities up to the December 2019 included farming (agricultural production), trading with agriculture commodities, sugar processing and meat processing as well as banking business and hotel business.

Namely, AEC as of December 31, 2018 contained four subsidiaries/subgroups:
- NordAgri N.V. (holding company for subsidiaries operating in the banking sector);
- AEC Agrinvestment Limited (holding company for subsidiaries operating in the agriculture sector);
- Oseane Holding Limited (holding company for subsidiaries operating in the real estate sector); and
- AEC Hotels Limited (holding company for subsidiaries operating in the hotel sector);

As of December 2019 the AEC has transferred 3 out of 4 subsidiaries (all except NordAgri N.V.) to the newly established company Erythrina Limited (hereinafter "Erythrina"), whereas both AEC and Erythrina are wholly owned by the common owner- Agri Holding AG.

The primary aim of this transfer was to separate the subsidiaries operating in different business sectors, whose activities, operations and functions are subject to different regulatory requirements.

Details regarding subsidiaries as of December 31, 2019 and 2018 as well as of January 1, 2018 of the Group are disclosed in note 2.1.

Review of the development and current position of the Group and description of the major risks and uncertainties

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

As of December 2019, the Group was reorganized in order to separate the banking business from agri-division and hotel division of the Group.

Principal risks and uncertainties

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in note 4 to the consolidated financial statements.

Results

The Group's results for the year are set out on pages 8 and 9.

Significant events after the end of the financial year

Significant events that occurred after the end of the reporting period are described in note 45 to the consolidated financial statements.

Expected future developments of the Group

The Board of Directors does not expect major changes in the principal activities of the Group in the foreseeable future.

Existence of branches

The Group does not maintain any branches.

CONSOLIDATED MANAGEMENT REPORT (Continued)
For the Year Ended December 31, 2019

Dividends

In 2019, the Parent Company's Board of Directors approved the payment of dividends, in the amount of EUR 99.500.000. Payment of other dividends in 2019, entirely relates to payment to minority shareholders of the subsidiary AIK Banka a.d., Belgrade.

During 2018 the Board of Directors of the Parent Company did not approve the payment of dividends. Payment of dividends in 2018 entirely relates to payment to minority shareholders of the subsidiary AIK Banka a.d., Belgrade and Agroglobe d.o.o. Novi Sad.

Share capital

Authorised capital

Upon the date of incorporation of the Parent Company on March 16, 2011, the authorized share capital of the Parent Company was EUR 5,000 divided into 5,000 ordinary shares of EUR 1 each.

Issued capital

On the date of incorporation the Parent Company issued to the subscriber of its Memorandum of Association (Agri Holding AG) 1,000 ordinary shares of EUR 1 each at par.

As of December 31, 2019 the Parent Company had 1,213 issued and fully paid ordinary shares at the nominal value of 1 EUR per share. For detailed information regarding share capital, see disclosures in note 40 to the consolidated financial statements.

Board of Directors

The members of the Group's Board of Directors as of December 31, 2019 and at the date of this report are presented on page 2.

In accordance with the Parent Company's Articles of Association all directors presently members of the Board retire and offer themselves for re-election.

There were no significant changes in the assignment of the responsibilities and remuneration of the Board of Directors.

Independent Auditors

The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Trident Trust Company (Cyprus) Limited
Secretary

Limassol, September 18, 2020

Deloitte.

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Independent Auditor's Report

To the Members of Agri Europe Cyprus Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Agri Europe Cyprus Limited (the "Parent Company") and its subsidiaries (together: the "Group"), which are presented in pages 8 to 129 and comprise the consolidated statement of financial position as at 31 December, 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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 consolidated financial statements in Cyprus, 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report in pages 3 and 4, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Deloitte.

Independent Auditor's Report (Continued)

To the Members of Agri Europe Cyprus Limited (Continued)

Auditor's Responsibilities for the Audit of the Consolidated 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 ISAs 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

Deloitte.

Independent Auditor's Report (Continued)

To the Members of Agri Europe Cyprus Limited (Continued

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the consolidated management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

....

Nicos Charalambous
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors
Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus

Limassol, 18 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year Ended December 31, 2019
(Thousands of EUR)

	Note	2019	2018
Interest income	8	116,153	87,017
Interest expenses	8	(24,251)	(15,348)
Net interest income	8	91,902	71,669
Fee and commission income	9	29,815	19,443
Fee and commission expenses	9	(4,961)	(4,209)
Net fee and commission income	9	24,854	15,234
Net gains on changes in the fair value of financial instruments	10	13,848	7,425
Net gains on derecognition of the financial assets measured at fair value	11	1,926	848
Net gains/(losses) from hedging		2	-
Net foreign exchange gains and positive currency clause effects	12	1,555	2,591
Net gains on derecognition of the financial assets measured at amortized cost	13	906	1,486
Other operating income	14	12,866	6,551
Net gains / (losses) on impairment of financial assets not measured at fair value through profit or loss	15	30,727	342
Total operating income, net		178,586	106,146
Salaries, salary compensations and other personnel expenses	16	(34,429)	(19,663)
Depreciation and amortization charge	17	(9,120)	(4,004)
Other income	18a	14,169	7,618
Share of profits from associates	18b	-	1,161
Bargain purchase gain	43	-	39,920
Other expenses	19	(39,936)	(35,163)
Profit before taxes		109,270	96,015
Current income tax expense	20.1	(13,431)	(6,858)
Deferred tax gains	20.1	1,170	323
Deferred tax losses	20.1	(6,186)	(419)
Profit for the year from continuing operations		**90,823**	**89,061**
- of which attributable to NCI		*238*	*5,474*
Net profit of discontinuing operations	20.2	***20,296***	**38,502**
of which attributable to NCI		*5,411*	*5,032*
Profit for the year		***111,119***	**127,563**

Notes on the following pages
form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year Ended December 31, 2019
(Thousands of EUR)

	2019	2018
Profit for the year	**111,119**	**127,563**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gain on revaluation of properties	2,727	44,966
Actuarial gains / (losses) on defined benefit plans	60	(17)
Gains on the share in the other comprehensive income of associates		-
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(1,125)	(197)
Cumulative exchange differences relating to disposal of foreign operations		-
Fair value gains/(losses) on equity investments measured at FVTOCI	4,063	64
Income tax relating to components of other comprehensive income	(584)	(6,147)
Other comprehensive income for the year, net of tax	5,141	38,669
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**116,260**	**166,232**
Owners of the Group	110,186	151,425
Non-controlling interest	6,074	14,807
	116,260	166,222

Notes on the following pages
form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2019
(Thousands of EUR)

	Note	December 31, 2019	December 31, 2018	January 1, 2018
ASSETS				
Cash and cash funds held with the central bank	21	571,287	562,066	280,453
Pledged financial assets	22	1,436	13,674	8,450
Receivables under derivative financial instruments	23	190	239	177
Securities	24	594,860	590,803	271,762
Loans and receivables due from banks and other financial institutions	25	153,107	358,620	158,650
Loans and receivables due from customers	26	2,178,598	2,120,936	1,094,476
Investments in associates and joint ventures	27	-	242	25,749
Goodwill	28.a	-	4,717	4,706
Intangible assets	28.b	7,730	10,943	6,761
Property, plant and equipment	29.a, 29.b	49,884	629,584	555,934
Investment property	30	143,520	133,775	138,239
Non-current assets held for sale and assets from discontinued operations	31	1,132	2,199	696
Current tax assets		-	2,497	1,990
Deferred tax assets	32	8,078	14,473	4,132
Other assets	33	40,033	236,616	293,233
TOTAL ASSETS		**3,749,855**	**4,681,384**	**2,845,408**
LIABILITIES AND EQUITY				
Liabilities under derivative financial instruments	34	52	113	67
Deposits and other liabilities due to banks, other financial institutions and the central bank		228,757	587,464	478,234
Deposits and other liabilities due to customers	36	2,757,562	2,642,415	1,249,099
Provisions	37	9,716	12,366	6,285
Current tax liabilities	38	6,504	6,134	2,643
Deferred tax liabilities	32	5,920	38,909	26,842
Other liabilities	39	31,471	90,834	75,846
TOTAL LIABILITIES		**3,039,982**	**3,378,235**	**1,839,016**
EQUITY	40			
Issued (share) capital		1	73,005	73,005
Profit		439,284	815,542	702,868
Reserves		266,280	208,592	175,949
Non - controlling interest		4,308	206,010	54,570
TOTAL EQUITY		**709,873**	**1,303,149**	**1,006,392**
TOTAL LIABILITIES AND EQUITY		**3,749,855**	**4,681,384**	**2,845,408**

These consolidated financial statements have been approved for issue by the management of Agri Europe Cyprus Limited, Cyprus, on September 18, 2020 and are signed on their behalf by:

Andreas Thomas Moustras,
Director

Nicolas Anastasis Neophytou,
Director

Notes on the following pages
form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2019
(Thousands of EUR)

	Issued and Other Capital	Share Premium	Reserves from Profit and Other Reserves	Revaluation Reserves	Profit	Loss	Equity attributable to Owners of the Group	Non-controlling interests	Total
Balance at December 31, 2017	**1**	**73,004**	**75,830**	**100,119**	**796,950**	**(94,082)**	**951,822**	**54,570**	**1,006,392**
First time adoption IFRS 9 effects (Note 15)	-	-	-	518	-	(6,005)	(5,487)	(156)	**(5,643)**
Balance at January 1, 2018	1	73,004	75,830	100,637	796,950	(100,087)	946,335	54,414	1,000,749
Profit for the year	-	-	-	-	117,057	-	117,057	10,506	**127,563**
Other comprehensive income, net of income tax	-	-	-	34,638	-	-	34,368	4,301	**38,669**
Total comprehensive income for the year	**-**	**-**	**-**	**34,638**	**117,057**	**-**	**151,425**	**14,807**	**166,232**
Purchase of shares from non-controling interest – NK Mlin	-	-	-	3	-	(2)	1	(6)	**(5)**
Acquistion of Gorenjska bank	-	-	-	-	-	-	-	138,961	**138,961**
Change in ownership interest in AIK bank - ordinary shares	-	-	814	11	544	-	1,369	(1,953)	**(584)**
Purchase of shares from non-controlling interest - Gorenjska	-	-	-	-	102	-	102	(279)	**(177)**
Change in the scope of consolidation	-	-	-	69	-	(786)	(717)	796	**79**
Transfers	-	-	897	(4,122)	3,225	-	-	-	**-**
Deffered tax adjustment based on property sales and derecognition	-	-	-	78	-	-	78	68	**146**
Payment of dividends	-	-	-	-	-	-	-	(2,085)	**(2,085)**
Acquistion of Aerodrom Portoroz	-	-	-	-	-	-	-	1,287	**1,287**
Other	-	-	-	7	-	(1,461)	(1,454)	-	**(1,454)**
Balance at December 31, 2018	**1**	**73,004**	**77,541**	**131,051**	**917,878**	**(102,336)**	**1,097,139**	**206,010**	**1,303,149**

(Continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2019
(Thousands of EUR)

	Issued and Other Capital	Share Premium	Reserves from Profit and Other Reserves	Revaluation Reserves	Profit	Loss	Equity attributable to Owners of the Group	Non-controlling interests	Total
Balance at January 1, 2019	**1**	**73,004**	**77,541**	**131,051**	**917,878**	**(102,336)**	**1,097,139**	**206,010**	**1,303,149**
Profit for the year	-	-	-	-	105,470	-	105,470	5,649	111,119
Other comprehensive income, net of income tax	-	-	-	7,782	(3,066)	-	4,716	425	5,141
Total comprehensive income for the year	**-**	**-**	**-**	**7,782**	**102,404**	**-**	**110,186**	**6,074**	**116,260**
Transactions with shareholders:									
- Changes in equity interest held in AIK & GB	-	-	-	-	76,401	-	76,401	(144,186)	(67,785)
- Dividends	-	-	-	-	(99,500)	-	(99,500)	(244)	(99,744)
Transfer from profit to reserves	-	-	2,159	-	(2,159)	-	-	-	-
Dividend/distribution in kind through demerger effects:									
- share premium transfer	-	(73,004)	-	-	-	-	(73,004)	-	(73,004)
- NCI transfer	-	-	-	-	-	-	-	(63,346)	(63,346)
- Equity att. to Owners of the Group transfer	-	-	173,734	(125,987)	(557,847)	102,336	(407,764)	-	(407,764)
Other	-	-	-	-	2,107	-	2,107	-	2,107
Balance at December 31, 2019	**1**	**-**	**253,434**	**12,846**	**439,284**	**-**	**705,565**	**4,308**	**709,873**

Notes on the following pages
form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2019
(Thousands of EUR)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated by operating activities	**183,995**	**804,599**
Interest receipts	122,804	665,955
Fee and commission receipts	28,841	18,833
Receipts of other operating income	16,367	119,598
Dividend and profit sharing receipts	15,983	213
Cash used in operating activities	**(90,593)**	**(731,894)**
Interest payments	(19,972)	(652,956)
Fee and commission payments	(4,775)	(4,017)
Payments to, and on behalf of employees	(41,978)	(22,768)
Taxes, contributions and other duties paid	(1,947)	(19,290)
Payments for other operating expenses	(21,921)	(32,863)
Net cash inflows from operating activities prior to increases/decreases in loans and deposits and other liabilities	**93,402**	**72,705**
Decrease in loans and increase in deposits received and other liabilities	**164,744**	**87,360**
Decrease in loans and receivables due from banks, other financial institutions, the central bank and customers	97,871	-
Decrease in financial assets initially recognized at fair value through profit and loss, financial assets held for trading and other securities not held for investments	66,873	16,528
Increase in deposits and other liabilities due to banks, other financial institutions, the central bank and customers	-	70,832
Increase in loans and decrease in deposits received and other liabilities	**(138,748)**	**(125,295)**
Increase in loans and receivables due from banks, other financial institutions, the central bank and customers	(49,923)	(103,804)
Increase in financial assets initially recognized at fair value through profit and loss, financial assets held for trading and other securities not held for investments	(88,825)	(21,491)
Net cash used in operating activities before income taxes	**25,996**	**(37,935)**
Income taxes paid	(9,429)	(13,584)
Dividend payments	(99,744)	(1,743)
Net cash generated / (used) in operating activities	**10,225**	**19,443**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash generated by investing activities	**293,758**	**672,981**
Proceeds from investments in investment securities	281,424	246,861
Proceeds from the sales of intangible assets, property, plant and equipment	10,405	58,855
Proceeds from the sales of investment property	1,845	17,036
Other inflows from investing activities (Note 43.5)	84	350,229
Cash used in investing activities	**(451,277)**	**(312,236)**
Cash used for investments in investment securities	(318,313)	(202,217)
Cash used for the purchases of intangible assets, property, plant and equipment	(8,698)	(22,556)
Cash used for the purchases of investment property	(23,321)	(1,406)
Other outflows from investing activities (Note 43.5)	(100,945)	(86,057)
Net cash (used) / generated by investing activities	**(157,519)**	**360,745**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash generated by financing activities	**38,806**	**233,726**
Borrowings, inflows	38,806	233,656
Other inflows from financing activities	-	70
Cash (used in)/generated by financing activities	**(7,507)**	**223,636**
Borrowings, outflows	(7,507)	218,278
Other outflows from financing activities	-	5,358
Net cash generated by financing activities	**31,299**	**10,090**
TOTAL CASH INFLOWS	**681,303**	**1,798,666**
TOTAL CASH OUTFLOWS	**(797,298)**	**1,408,388**
TOTAL NET CASH DECREASE	**(115,995)**	**390,278**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**667,360**	**276,144**
FOREIGN EXCHANGE GAINS	**2,907**	**2,255**
FOREIGN EXCHANGE LOSSES	**(1,039)**	**1,317**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 21)	**553,233**	**667,360**

Notes on the following pages
form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

1. GENERAL INFORMATION ON THE GROUP

The Group, Banking division of Agri Europe Cyprus Limited (Global Ultimate Parent) is comprised of the parent entity Agri Europe Cyprus Limited, Cyprus (hereinafter: the "Parent Company," "Company", "Agri Europe" or "AEC") and its subsidiaries: Nord Agri N.V., Netherlands (hereinafter: "Nord Agri "), M&V Investments a.d., Beograd (hereinafter: "M&V Investments"), AIK banka a.d., Beograd (hereinafter: "AIK Bank"), Gorenjska Banka d.d., Kranj (hereinafter: "Gorenjska Bank"), Imobilia-GBK, d.o.o., Kranj (hereinafter: "Imobilia"), GB Leasing, d.o.o., Ljubljana (hereinafter: "GB Leasing") and Hypo Alpe Adria leasing, d.o.o., Ljubljana (hereinafter: "HAA Leasing"). The consolidated financial statements for the year ended December 31, 2019 include the financial statements of the Parent Company and its abovementioned subsidiaries, as disclosed in more detail in Note 2.4.

Agri Europe is a legal entity incorporated and domiciled in Cyprus. Its parent and ultimate holding company is Agri Holding AG, Switzerland. Its ultimate controlling party is Mr. Miodrag Kostić. The Parent Company's registered office is at Street Krinou 3, The Oval, Flat 502, 4103 Agios Athanasios, Limassol, Cyprus.

Agri Europe Group's core activities up to the December 2019 included farming (agricultural production), trading with agriculture commodities, sugar processing and meat processing as well as banking business and hotel business.

Namely, AEC as of December 31, 2018 contained four subsidiaries/subgroups:

- NordAgri N.V. (holding company for subsidiaries operating in the banking sector);
- AEC Agrinvestment Limited (holding company for subsidiaries operating in the agriculture sector);
- Oseane Holding Limited (holding company for subsidiaries operating in the real estate sector); and
- AEC Hotels Limited (holding company for subsidiaries operating in the hotel sector);

As of December 2019 the AEC has transferred 3 out of 4 subsidiaries (all except NordAgri N.V.) to the newly established company Erythrina Limited (hereinafter "Erythrina"), whereas both AEC and Erythrina are wholly owned by the common owner- Agri Holding AG. Transfer was performed as dividend/distribution in kind through demerger (hereinafter "demerger").

The primary aim of this transfer was to separate the subsidiaries operating in different business sectors, whose activities, operations and functions are subject to different regulatory requirements.

Details regarding subsidiaries as of December 31, 2019 and 2018 as well as of January 1, 2018 of the Group are disclosed in note 2.1.

The main subsidiaries of Agri Europe as of December 31, 2019 are the following:

Nord Agri

Nord Agri is a Dutch public company with limited liability, incorporated in Amsterdam on May 30, 2005, having its office address at Jan van Goyenkade 8, 1075 HP Amsterdam, and registered with the trade register under number 34227270. The Company mainly acts as a holding and finance company.

M&V Investments

Investment Company M&V Investments a.d., Beograd was licensed by the Federal Commission for Securities on October 17, 1995 under Decision numbered 03/491/2-95 and duly registered with the Commercial Court of Novi Sad on November 7, 1995 under Decision numbered Fi-4809/95. On March 4, 1998, under Decision no. Fi-4809/95 583/98, the M&V Investments aligned its operations and bylaws with the Company Law and expanded its operations to the dealer trade. On February 27, 1996 the Parent Company became and has since been a member of the Belgrade Stock Exchange and since March 7, 1996 it has joined the Montenegro Stock Exchange in Podgorica (however, the membership was frozen in 1999).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

1. GENERAL INFORMATION ON THE GROUP (Continued)

M&V Investments (Continued)

M&V Investments is headquartered in Belgrade, at the address of Bulevar Mihajla Pupina 115e. As of December 31, 2019, the Parent Company operated through its single branch office (head office) in Belgrade, at the address of Bulevar Mihajla Pupina 115e, Novi Beograd, operating in rented premises pursuant to the terms of the Rental Agreement numbered II 1078/09 of May 1, 2009 closed with the entity MK Group d.o.o., Beograd.

Pursuant to Decision on Legal Form Change no. 2663-4/06 dated November 29, 2006, M&V Investments changed its legal form from a limited liability company to that of a shareholding company. The nominal value of its permanent equity investments was converted to the nominal (par) value of shares. The transformation from a limited liability company to a closed shareholding company was registered with the Serbian Business Registers Agency under Decision no. BD. 208426/2006 dated December 25, 2006.

As of December 31, 2019, M&V Investments had 14 employees (December 31, 2018: 14 employees).The M&V Investments's tax identification number (fiscal code) is 100448611, and its corporate ID is 08614938.

M&V Investments is licensed to perform investment services and activities related to the financial instruments as follows: receipt and transfer of orders to purchase or sell financial instruments, execution of such orders on behalf and for the account of customers, purchase and sale of securities in its own name and for its own account, portfolio management, custodial services for purchase and sales of financial instruments with obligation of repurchase, services for purchase and sales of financial instruments without obligation of repurchase, as well as additional services defined by the Law on the Capital Market, Article 2, paragraph 1, item 9), sub-items (1), (2), (3), (5), (6) and (7).

In accordance with the Decision of the National Bank of Yugoslavia on the Method of Managing the Central Register, Central Depository and the Manner of Calculating Securities (Official Gazette of the Federal Republic of Yugoslavia, numbered 57/2001 and 60/2001), in November 2001, the Company entered into an Agreement with the National Bank of Yugoslavia with respect to its Membership in the Central Securities Depository and Clearing House and effected a payment of EUR 60,000 (RSD equivalent) into the Guarantee Fund thus becoming entitled to trade in the Federal Republic of Yugoslavia bonds issued for settlement of debt per citizens" foreign currency. In 2012 the M&V Investments aligned its operations, organization and issued capital with the Law on the Capital Market (Official Gazette of RS, no. 31/2011) and the Company Law (Official Gazette of RS, nos. 36/2011 and 99/2011).

AIK Bank

Agro-industrial Commercial Bank AIK banka a.d., Beograd was established in accordance with the Articles of Association on August 10, 1993. The Bank harmonized its operations and organizational structure with the Law on Banks and Other Financial Organizations in 1995 and was registered with the Commercial Court of Niš as a shareholding company under Decision no. Fi 1291/95 dated June 22, 1995.

At its regular session held on June 29, 2015 the Bank's Shareholder Assembly enacted the Decision on Change of the Registered Seat of the Bank. The change was registered with the Serbian Business Registers Agency under Decision no. BD 57565/2015 dated July 2, 2015. Consequently, Agroindustrijsko komercijalna banka AIK banka a.d., Niš changed its legal name to Agroindustrijsko komercijalna banka AIK banka a.d., Beograd.

As of December 31, 2019, the Bank's sole shareholder with 100% shares was M&V Investments a.d., Beograd (December 31, 2018: M&V Investments a.d., Beograd with 100%).

The Bank is registered in the Republic of Serbia by the National Bank of Serbia to provide banking services of payment transfers and lending and depositary operations performed domestically and abroad. As stipulated by the Law on Banks, the Bank is obligated to operate based on principles of liquidity, safety and profitability.

AIK Bank is domiciled in Belgrade, at no. 115đ, Mihajla Pupina Street and operates through its Head Office in Belgrade and branch offices in Belgrade (thirteen branches), Niš (five branches), Novi Sad (three branches), Lazarevac, Obrenovac, Pančevo, Vršac, Požarevac, Smederevo, Šabac, Valjevo, Pirot, Aleksinac, Prokuplje, Kruševac, Vrnjačka Banja, Leskovac, Vranje, Jagodina, Paraćin, Zaječar, Bor, Negotin, Kragujevac, Čačak, Gornji Milanovac, Užice, Prijepolje, Novi Pazar, Kraljevo, Ruma, Inđija, Subotica, Kikinda, Vrbasa, Bečeja, Zrenjanina, Sombora, which makes the total of 1 Head Office, 56 branches, and one cash desk throughout Serbia.

As of December 31, 2019, AIK Bank had 670 employees (December 31, 2018: 742 employees). AIK Bank' tax identification number (fiscal code) is 100618836, and its corporate ID is 06876366.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

1. GENERAL INFORMATION ON THE GROUP (Continued)

Gorenjska Bank

The origins of Gorenjska Bank date back to the 19th century, when some forms of organized banking first appeared in Gorenjska, Slovenia. On March 25, 1955 the first bank in Gorenjska Region was established in Kranj, and then in Škofja Loka, followed by banks in Radovljica, Tržič and Bled in the following years. In time a joint bank was created, which was incorporated into the system of Ljubljanska Banka in 1972, initially as an affiliate, and as from December 27, 1989 as a shareholding company within the system of related banks of Ljubljanska Banka.

In 1994 a process of separation from the system of Ljubljanska Banka commenced and through purchase of shares Nova Ljubljanska banka, d.d., Ljubljana and Gorenjska banka, d.d., Kranj were founded.

Gorenjska Bank holds a license for provision of the banking products and services in accordance with the effective Law on Banks. Gorenjska Bank is a leading regional retail and SME bank in North-East Slovenia. Gorenjska Bank is headquartered at Bleiweisova 1, 4000 Kranj, Slovenia.

Gorenjska Bank provides its clients with all types of banking products and services and represent an important financial stakeholder in Gorenjska Region, which is among the most developed regions in Slovenia.

As of December 31, 2019, Gorenjska Bank had 418 employees (2018: 415 employees).

Its tax identification number (fiscal code) is SI42780071, and the corporate ID is 5103061000.

Imobilia

Gorenjska Bank holds a 100 % stake in the subsidiary Imobilia, with its head office in Kranj at Bleiweisova cesta 1.

The principal activities of the Imobilia include the management of a real estate portfolio and the realization of procedures for the brokerage of the founder's real estate, movables (especially equipment and machines), as well as securities and shares in companies.

Imobilia has no employees with specialized knowledge and competencies for the real estate trade, for real estate project development or for preparing project documentation. Imobilia is hiring external contractors to perform such and similar services.

Its tax identification number (fiscal code) is SI50544144, and the corporate ID is 5461138000.

GB Leasing

Gorenjska Bank holds a 100% stake in the subsidiary GB Leasing. GB Leasing is operating at the address Dunajska cesta 152, 1000 Ljubljana, with affiliates in Koper and Maribor.

GB Leasing is carrying out services for the bank in the area of the financial leasing of movables. It began operating in 2016 when the Gorenjska Bank received a consensus from the Bank of Slovenia for financial leasing operations.

As of December 31, 2019, GB Leasing had 67 employees.

Its tax identification number (fiscal code) is SI84604859, and the corporate ID is 6996191000.

HAA Leasing

Gorenjska Bank holds a 100% stake in the subsidiary HAA Leasing as of 2017. HAA Leasing has no employees and no portfolio (in 2016 the majority has been transferred to Gorenjska Bank).

HAA Leasing is inoperable and will shut down at the end of all its leasing contracts because it is only necessary up to the conclusion of the purchased portfolio.

Its tax identification number (fiscal code) is SI16573579, and the corporate ID is 6395970000.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1 BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law Cap 113.

These financial statements have been prepared at historical cost principle, except for the measurement of the following significant statement of financial position items:

- Securities FVtPL and FVtOCI,
- derivative financial instruments stated at fair value,
- investment property,
- buildings,
- assets held for sale and
- tangible assets acquired in lieu of debt collection

Historical cost is generally based on the fair value of consideration paid in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Upon estimating the fair value of assets or liabilities, the Group takes into account characteristics of assets or liabilities that other market participants would also consider upon determining the price of assets or liabilities at the measurement date. Fair value for measurement and/or disclosure purposes in the accompanying consolidated financial statements was determined in the aforesaid manner, except for share-based payment transactions, which are in the scope of IFRS 2, leasing transactions, which are in the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as the net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

In the preparation of the accompanying consolidated financial statements, the Group adhered to the accounting policies described in Note 3.

2.2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.2. Standards and Interpretations Effective in the Current Period

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) were effective for annual periods beginning on or after January 1, 2019:

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after January 1, 2019);
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019);
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019);

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.b) APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.2. Standards and Interpretations Effective in the Current Period (Continued)

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2019);
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after January 1, 2019); and
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after January 1, 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material impact on the disclosures or on the amounts reported in the Group's financial statements, except for the effects of IFRS 16 implementation, as disclosed further in Note 2.9 of these financial statements.

2.3. a) New Standards and Amendments to the Existing Standards Issued but not yet Effective

At the date of authorization of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period);
- **Amendments to IFRS 9, IAS 39 and IFRS 7:** Interest Rate Benchmark Reform (effective for annual periods beginning on or after January 1, 2020)
- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after January 1, 2020); and
- **Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after January 1, 2020).**

The Group's management has elected not to adopt these new standards, amendments to the existing standards and new interpretations in advance of their effective dates. The Group anticipates that the adoption of these standards, amendments to the existing standards and new interpretations will have no material impact on the financial statements of the Group in the period of initial application.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.b) APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.3.b) Standards and Interpretations issued by the International Accounting Standards Board (IASB) but not yet effective and not yet endorsed by the EU

At the date of authorization of these consolidated financial statements, standards and interpretations as adopted by the EU do not significantly differ from regulations adopted by IASB, except from the following new standards and amendments to the existing standards, which were not endorsed for use in EU:

- **IFRS 17 "Insurance Contracts" including Amendments to IFRS 17** (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to 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** (effective for annual periods beginning on or after 1 January 2022).
- **Amendment to IFRS 16 "Leases" Covid 19-Related Rent Concessions** (effective for annual periods beginning on or after 1 June 2020),
- **Amendments to IAS 1 "Presentation of Financial Statements": Classification of Liabilities as Current or Non-current** (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 4 "Insurance Contracts" – deferral of IFRS 9** (effective for annual periods beginning on or after 1 January 2021).

The management of the Group is currently in the process of assessing the impact of the abovementioned standards on the consolidated financial statements.

2.4. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company Agri Europe Cyprus Limited, Cyprus and entities (including consolidated entities) controlled by the Parent Company (its "subsidiaries"). The Group's consolidated financial statements for FY 2019 are prepared under the full consolidation method for the subsidiaries controlled by the Parent. Control over a subsidiary is achieved when the Parent Company has power over investee, is exposed, or has rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of returns.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition, and up to the effective date of disposal, as appropriate. Total statement of comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests have a deficit balance.

All intra-group transactions, balances, income and expenses are eliminated in full on preparation of the consolidated financial statements. Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.4. Basis of Consolidation (Continued)

The consolidated financial statements include the activities of the Parent Company and its following subsidiaries and associates:

Banking

Subsidiary	Industry	% of equity interest held December 31, 2019	December 31, 2018	January 1, 2018	Type of equity Interest	Consolidation Method
Nord Agri	Holding company	100.00%	100.00%	100.00%	Direct	Full consolidation method
M&V Investments, Serbia	Brokerage	100.00%	100.00%	100.00%	Indirect	Full consolidation method
AIK Bank, Serbia	Banking	100.00%	100.00%	99.55%	Indirect	Full consolidation method
Gorenjska Bank, Slovenia	Banking	100.00%*	36.05%*	20.99%	Indirect	Full consolidation method as of Sep 1, 2018, before Equity method
Imobilia, Slovenia	Real estate	100.00%*	36.05%*	-	Indirect	Full consolidation method as of Sep 1, 2018, before Equity method
GB Leasing, Slovenia	Leasing	100.00%*	36.05%*	-	Indirect	Full consolidation method as of Sep 1, 2018, before Equity method
HAA Leasing, Slovenia	Rental	100.00%*	36.05%*	-	Indirect	Full consolidation method as of Sep 1, 2018, before Equity method

* The effective % of equity interest held without adjustment for own shares of Gorenjska Bank. The real equity interest is 91.70% while own shares are 8.30% (2018: the real equity interest is 35.96% while own shares are 8.30%).

As of December 31, 2019, the Parent Company, and AIK Bank as its subsidiary, owned 100.00% (December 31, 2018: 33.06%) of equity interests held in Gorenjska Bank. AIK Bank owns 355,723 shares with the total value of EUR 106,536 thousand as of December 31, 2019 (2018: 128,255 shares with the total value of EUR 38,123 thousand). The Group held 100.00% of voting rights (December 31, 2018: 61.17%).

As of August 31, 2018 the Group had majority of representatives in the Supervisory Board of Gorenjska Bank which along with previously mentioned % of voting rights led to control influence. Accordingly, Group take into account equity investment held in Gorenjska Bank with full consolidation method as of December 31, 2018, in accordance with the requirements of IFRS 10, as explained in more detail in Note 5.2, *"Accounting judgment related to the assessment whether the Bank has control over another legal entity"*. Furthermore, Income and expenses of Gorenjska Bank are included in the consolidated statement of comprehensive income as of that date (August 31, 2018).

Agri-business

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group December 31, 2019	December 31, 2018	Janury 1, 2018
Agrounija d.o.o., Inđija	Agriculture	Serbia	0.00%	86.94%	86.94%
MK Lake Resort d.o.o., Inđija	Hotels and similar accomm. business	Serbia	0.00%	86.94%	86.94%
Kuća vina Krcedin d.o.o., Inđija	Agriculture	Serbia	0.00%	86.94%	86.94%
Selekcija ad Zavod za šećernu repu, Aleksinac	Cultivation of cereals legumes and oil plants	Serbia	0.00%	86.94%	86.94%
Granexport d.o.o., Pančevo	Trade in cereals and production of corn products	Serbia	0.00%	86.94%	86.94%
MK Commerce d.o.o., Novi Sad	Trade	Serbia	0.00%	86.94%	86.94%
FSH Maxiprotein d.o.o., Požega	Trade in cereals and cattle feed production	Serbia	0.00%	0.00%	86.94%
Silo Corp d.o.o., Novi Sad	Trade in cereals and flour production	Serbia	0.00%	86.94%	86.94%

All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.4. Basis of Consolidation (continued)

Agri-business **(continued)**

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group: December 31, 2019	December 31, 2018	January 1, 2018
Žito Bačka d.o.o., Kula	Trade	Serbia	0.00%	86.94%	86.94%
Silosi Miloševo d.o.o., Novo Miloševo	Trade	Serbia	0.00%	86.94%	86.94%
Agro Crnja d.o.o., Srpska Crnja	Trade	Serbia	0.00%	86.94%	52.16%
Agroradičević d.o.o., Radičević	Wholesale in wheat, raw tobacco, seeds and cattle feed	Serbia	0.00%	86.94%	86.94%
Agrium d.o.o., Sremska Mitrovica	Trade	Serbia	0.00%	70.24%	70.24%
PD Vojvodina d.o.o., Novo Miloševo	Agriculture	Serbia	0.00%	86.94%	86.94%
Agri Trading SA, Switzerland	Trade	Switzerland	0.00%	86.94%	86.94%
Ashmore Carnex Holdings Limited	Holding company activities	Cayman Island$	0.00%	86.94%	86.94%
Carnex d.o.o., Vrbas	Meat processing and canning	Serbia	0.00%	86.94%	86.94%
Carnex-Farm d.o.o., Vrbas	Veterinary medicine	Serbia	0.00%	86.94%	86.94%
Ashmore Carnex LTD, Cayman Islands	Holding company activities	Cayman Islands	0.00%	86.94%	86.94%
Carnex Holdings d.o.o., Vrbas	Holding company	Serbia	0.00%	86.94%	86.94%
Carnex Centar za reprodukciju zivotinja i vestacko osemenjivanje d.o.o. Vrbas	Veterinary medicine	Serbia	0.00%	86.94%	0.00%
PP Erdevik d.o.o., Erdevik	Horticulture and viticulture	Serbia	0.00%	86.94%	86.94%
MK Group d.o.o., Beograd	Holding company	Serbia	0.00%	86.94%	86.94%
MK Agriculture d.o.o., Novi Sad	Agriculture	Serbia	0.00%	86.94%	86.94%
Agroglobe Agrar d.o.o., Apatin	Agriculture	Serbia	0.00%	53.55%	53.55%
Nikšićki mlin a.d., Nikšić	Agriculture	Montenegro	0.00%	50.48%	50.48%
Agroglobe d.o.o., Novi Sad	Trade	Serbia	0.00%	53.55%	53.55%
"Fabrika stočne hrane Spuž" a.d., Danilovgrad	Cattle feed trade	Montenegro	0.00%	25.34%	25.34%
Banat Seme d.o.o., Zrenjanin	Agricultural production	Serbia	0.00%	70.24%	70.24%
Sunoko d.o.o., Novi Sad	Sugar refining	Serbia	0.00%	97.57%	97.57%
Kristal Sunoko d.o.o., Celje	Sugar refining	Slovenia	0.00%	97.57%	97.57%
Star Šećer d.o.o., Senta	Sugar refining	Serbia	0.00%	97.57%	97.57%
MK Land SPV d.o.o., Beograd	Purchase and sale of own real estate	Serbia	0.00%	100%	100%
Agroglobe Investment LTD	Holding company	British Virgin Islands	0.00%	100%	100%
Wheat Corn Holding B.V.	Holding company	Netherlands	0.00%	100%	100%
Nord Agri Sugar B.V.	Holding company	Netherlands	0.00%	100%	100%
Nord Agri Sunoko B.V.	Holding company	Netherlands	0.00%	100%	100%
Jagotin Holding B.V.	Holding company	Netherlands	0.00%	100%	100%
North Fund Becede B.V.	Dormant company	Netherlands	0.00%	100%	-
MK Mountain Resort d.o.o., Kopaonik	Hotels and accommodation	Serbia	0.00%	86.94%	86.94%
PIK Bečej a.d., Bečej	Horticulture and viticulture	Serbia	0.00%	86.94%	86.94%
PIK Bečej Agrobečej d.o.o., Bečej	Trade in meat production	Serbia	0.00%	86.94%	86.94%
PIK Bečej Veterina d.o.o., Bečej	Veterinary services	Serbia	0.00%	86.94%	86.94%
PIK Bečej Hotel Bela Lađa a.d., Bečej – in liquidation	Hotels and accommodation	Serbia	0.00%	73.18%	73.18%
Radio Active d.o.o., Bečej	Broadcasting TV programme	Serbia	0.00%	0.00%-	44.58%
AEC Agrinvestment Limited	Holding company	Cyprus	0.00%	100%	100%
Melentya Limited	Holding company	Cyprus	0.00%	100%	100%
Pleston Limited`	Holding company	Cyprus	0.00%	100%	100%
Mormont Limited	Holding company	Cyprus	0.00%	100%	100%
Wirfil Limited	Holding company	Cyprus	0.00%	100%	100%

All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.4. Basis of Consolidation (continued)

***Agri-business* (continued)**

On April 20, 2018, subsidiary PIK Bečej a.d., Bečej sold its stakeholding interest in company Radio Active d.o.o., Bečej.

On June 29, 2018 a status change of merger and acquisition was performed, whereby entity FSH Maxiprotein d.o.o., Požega was acquired by and merged with subsidiary MK Group d.o.o. Belgrade as the Acquirer.

On November 19, 2018, new subsidiary Carnex Center for Reproduction and Artificial Insemination Ltd., Vrbas was incorporated as a limited liability company, headquartered in Vrbas. The entity's core business activity is cattle breeding.

On December 11, the AEC Agrinvestment Limited, as a buyer, concluded the Agreement on the sale of one ordinary share of North Fund Becede B.V., Netherlands with Stichting Holding North Fund Becede, Netherlands, as a seller. The AEC Agrinvestment Limited became the sole owner of North Fund Becede B.V., Netherlands while consideration paid for the acquisition amounted to EUR 1.

In December 2018, the Group increased its shareholding interest in subsidiary Agro Crnja d.o.o., Srpska Crnja from 52.16% to 86.94%.

Hotels

			Proportion of ownership interest and voting power held by the Group		
Name of subsidiary	**Principal activity**	**Place of incorporation and operation**	**December 31, 2019**	**December 31, 2018**	**January 1, 2018**
AEC Hotels Limited	Holding company	Cyprus	0.00%	100%	100%
Tampten Limited	Holding company	Cyprus	0.00%	100%	100%
Tandexon Limited	Holding company	Cyprus	0.00%	100%	100%
Lopeda Limited	Holding company	Cyprus	0.00%	100%	100%
Hotel Palace Portoroz d.o.o.	Hotels and accommodation	Slovenia	0.00%	100%	100%
Aerodrom Portoroz d.o.o. Secovlje	Airport services	Slovenia	0.00%	53.50%	38.28%
Tampten Nekretnine d.o.o. (previously Istrian Hotels d.o.o.)	Holding company	Croatia	0.00%	100%	100%
Rezidencija Skiper d.o.o.	Hotels and accommodation	Croatia	0.00%	100%	100%
Skiper Operacije d.o.o.	Hotels and accommodation	Croatia	0.00%	0.00%	100%
Skiper Hoteli d.o.o.	Real Estate	Croatia	0.00%	100%	100%
Kemco d.o.o.	Trade	Croatia	0.00%	100%	100%
X Turist d.o.o.	Real Estate	Croatia	0.00%	0.00%	100%
Y Turist d.o.o.	Real Estate	Croatia	0.00%	0.00%	100%
Beater Limited	Holding company	Cyprus	0.00%	100%	100%
Ermaged Limited	Holding company	Cyprus	0.00%	100%	100%

Hotel division

As of December 31, 2018 companies X Turist d.o.o. and Y Turist d.o.o. merged with Rezidencija Skiper d.o.o. and Skiper Operacije d.o.o. merged with Skiper Hoteli d.o.o..

On December 31, 2018, Hotel Palace Portorož d.o.o. obtained control over Aerodrom Portorož d.o.o. (note 43). As of December 31, 2017 shareholding interest in Aerodrom Portorož was classified as investment in associates (note 27).

All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.4. Basis of Consolidation (continued)

Holding

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group December 31, 2019	December 31, 2018	January 1, 2018
Agri Europe LTD	Holding Company	Cyprus	0.00%	100%	100%
Oseane Real Estate	Hotels and accommodation	Serbia	0.00%	100%	100%
Oseane Holding Limited	Holding company	Cyprus	0.00%	100%	100%

Details of the Group's associates included in the consolidated financial statements at the end of the reporting period are as follows.

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group December 31, 2019	December 31, 2018	January 1, 2018
Agrobrest d.o.o., Bački Brestovac	Wholesale in wheat, raw tobacco, seeds and cattle feed	Serbia	0.00%	50%	50%
PIK Energie d.o.o., Bečej	Production of electricity	Serbia	0.00%	35%	35%
Link FTO d.o.o., Bečej	Security system services	Serbia	0.00%	30%	30%
Aerodrom Portoroz d.o.o. Sečovlje	Supporting air transport services	Slovenia	0.00%	0.00%	38.28%
Gorenjska banka dd, Kranj	Banking	Slovenia	0.00%	0.00%	20.99%

2.5. Going Concern

The Group's consolidated financial statements have been prepared on a going concern basis, which entails that the Group will continue to operate in the foreseeable future. Main triggers corresponding the going concern basis of the Group's consolidated financial statements are:

- **Liquidity** – The Group has all liquidity ratios above the regulatory prescribed ones as disclosed within the Note 4.2
- **Capital** – The Group has very strong capital position and accordingly high capital adequacy ratio as disclosed within the Note 4.9
- **Reserves and Profit** – The Group's capital represent 17.45% of total assets of the Group whereas the reserves and profit represent 16.80%.
- **Operating environment** – Primarily Serbian and Slovenian market.
  Banking sector stability in Serbia has been preserved and further reinforced. Encouraged by the NBS measures, the share of NPLs in total loans declined from 22.2% in August 2015 to 4.58 % at end-November 2019. Capital adequacy indicators are even stronger after the application of Basel III standards. Banks possess significant capital reserves, which enable them to successfully deal with credit risk even in the case of worst-case stress scenario. In addition to the high level, the capitalization of the banking sector is characterized by a strong structure, with CET1 around 95% of total capital.
  Slovenian banking system remains stable, the profitability is increasing again, while latest figures present also growth in the total balance sheet assets and overall bank lending activity. The quality of the credit portfolio is continuing to improve, which is mostly evident in the corporate segment (the NPE ratio declined to 2.6% overall in first eight months of year 2019, and to 5.0% in the corporate segment). The capital adequacy of the Slovenian banking system remains comparable to the euro area average.
- **COVID-19** – no significant effects on the Group's operations as further disclosed within the Note 44.

2.6. Use of Estimates

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make the best possible estimates and reasonable judgement that affect the application of the accounting policies and the reported amounts of assets and liabilities, as well as income and expenses arising during the accounting period. Actual amounts of assets and liabilities may vary from these estimates.
These estimations and underlying assumptions are subject to regular review. The revised accounting estimates are presented for the period in which they are revised as well as for the ensuing periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.7. Comparative Information

Comparative information comprises the data from the Group's audited financial statements for 2018, prepared in accordance with presentation and measurement criteria as required by International Financial Reporting Standards (IFRS). In accordance with IAS 1.46, a significant acquisition or disposal, suggest that the financial statements need to be presented differently as compared to previously issued financial statements of the Entity or a Group.

The disposal of the non-banking operations in 2019 represents a significant change in the nature of the AEC's operations which may justify that the financial statements need to be presented differently. We assume that the changed presentation provides information that is reliable and more relevant to users of the financial statements and that the revised structure is likely to continue, as long as our assumption is correct, the change in structure of financial statements of AEC would be in line with IAS 1 and IAS 8 principles. To ensure that the comparability is not impaired, both IAS 1 and IAS 8 requires reclassification of comparative information and minimum disclosures, as required by IAS 1. 41-42 and IAS 8.29.

Following tables represent the reclassification of comparative information presented within Balance sheet as of December 31, 2018 and December 1, 2018:

December 31, 2018

Balance sheet line Banking COA vs Balance sheet line Industrial COA	CASH AND CASH FUNDS HELD WITH THE CENTRAL BANK	Receivables under derivatives	Pledged financial assets	SECURITIES	LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	LOANS AND RECEIVABLES DUE FROM CUSTOMERS	Investments in associates	Goodwill	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INVESTMENT PROPERTY	NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	CURRENT TAX ASSETS	DEFERRED TAX ASSETS	OTHER ASSETS	Total
Property, plant and equipment	-	-	-	-	-	-	-	-	-	623,983	-	-	-	-	-	623,983
Investment property	-	-	-	-	-	-	-	-	-	-	133,775	-	-	-	-	133,775
Biological assets	-	-	-	-	-	-	-	-	-	5,601	-	-	-	-	-	5,601
Goodwill	-	-	-	-	-	-	-	4,717	-	-	-	-	-	-	-	4,717
Intangible assets	-	-	-	-	-	-	-	-	10,943	-	-	-	-	-	-	10,943
Investments in associates	-	-	-	-	-	-	242	-	-	-	-	-	-	-	-	242
Other financial assets - non current	-	-	-	428,684	157,409	999,222	-	-	-	-	-	-	-	-	-	1,585,315
Defered tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	11,765	-	11,765
Total non current assets	-	-	-	428,684	157,409	999,222	242	4,717	10,943	629,584	133,775	-	-	11,765	-	2,376,341
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	186,640	186,640
Trade and other receivables	-	-	-	-	5	933,731	-	-	-	-	-	-	-	-	1,965	935,701
Other financial assets - curent	-	239	13,674	162,119	-	187,983	-	-	-	-	-	-	-	-	30,478	394,493
Current tax assets	-	-	-	-	-	-	-	-	-	-	-	-	2,497	-	-	2,497
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,526	17,526
Cash and bank balances	562,066	-	-	-	201,206	-	-	-	-	-	-	-	-	-	7	763,279
Total current assets	562,066	239	13,674	162,119	201,211	1,121,714	-	-	-	-	-	-	2,497	-	236,616	2,300,136
Assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	2,199	-	-	-	2,199
Total assets	562,066	239	13,674	590,803	358,620	2,120,936	242	4,717	10,943	629,584	133,775	2,199	2,497	11,765	236,616	4,678,676

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.7. Comparative Information (Continued)

December 31, 2018

Balance sheet line Banking COA vs Balance sheet line Industrial COA	Liabilities under derivatives	Deposits and other liabilities due to banks, other financial institutions and the central bank	Deposits and other liabilities due to customers	Provisions	Current tax liabilities	Deferred tax liabilities	Other liabilities	Total
Borrowings non current	-	(383,288)	(366,265)	-	-	-	(4,210)	**(753,763)**
Deferred tax liabilities	-	-	-		-	(36,201)	-	**(36,201)**
Provisions	-	-	-	(12,366)	-	-	-	**(12,366)**
Total non current liabilities	**-**	**(383,288)**	**(366,265)**	**(12,366)**	**-**	**(36,201)**	**(4,210)**	**(802,330)**
Borrowings current	-	(154,327)	(36,612)	-	-	-	(1,188)	**(192,127)**
Trade payables and other liabilities	(113)	(49,849)	(2,239,538)	-	-	-	(49,141)	**(2,338,641)**
Other financial liabilities	-	-	-	-	-	-	(6,412)	**(6,412)**
Current tax liabilities	-	-	-	-	(6,134)	-	-	**(6,134)**
Other liabilities	-	-	-	-	-	-	(29,883)	**(29,883)**
Total current liabilities	**(113)**	**(204,176)**	**(2,276,150)**	**-**	**(6,134)**	**-**	**(86,624)**	**(2,573,197)**
Total liabilities	**(113)**	**(587,464)**	**(2,642,415)**	**(12,366)**	**(6,134)**	**(36,201)**	**(90,834)**	**(3,375,527)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.7. Comparative Information (Continued)

January 1, 2018

Balance sheet line Banking COA vs Balance sheet line Industrial COA	CASH AND CASH FUNDS HELD WITH THE CENTRAL BANK	Receivables under derivatives	Pledged financial assets	SECURITIES	LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	LOANS AND RECEIVABLES DUE FROM CUSTOMERS	Investments in associates	Goodwill	INTANGIBLE ASSETS	PROPERTY, PLANT AND EQUIPMENT	INVESTMENT PROPERTY	NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS	CURRENT TAX ASSETS	DEFERRED TAX ASSETS	OTHER ASSETS	Total
Property, plant and equipment	-	-	-	-	-	-	-	-	-	549,857	-	-	-	-	-	549,857
Investment property	-	-	-	-	-	-	-	-	-	-	138,239	-	-	-	-	138,239
Biological assets	-	-	-	-	-	-	-	-	-	6,077	-	-	-	-	-	6,077
Goodwill	-	-	-	-	-	-	-	4,706	-	-	-	-	-	-	-	4,706
Intangible assets	-	-	-	-	-	-	-	-	6,761	-	-	-	-	-	-	6,761
Investments in associates	-	-	-	-	-	-	25,749	-	-	-	-	-	-	-	-	25,749
Other financial assets - non current	-	-	-	169,728	20,157	498,420	-	-	-	-	-	-	-	-	5,964	694,269
Defered tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	1,992	-	1,992
Total non current assets	-	-	-	169,728	20,157	498,420	25,749	4,706	6,761	555,934	138,239	-	-	1,992	5,964	1,427,650
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	254,074	254,074
Trade and other receivables	-	-	-	-	33,184	536,132	-	-	-	-	-	-	-	-	11,285	580,601
Other financial assets - curent	-	177	8,450	102,034	-	59,924	-	-	-	-	-	-	-	-	7,473	178,058
Current tax assets	-	-	-	-	-	-	-	-	-	-	-	-	1,990	-	-	1,990
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,437	14,437
Cash and bank balances	280,453	-	-	-	105,309	-	-	-	-	-	-	-	-	-	-	385,762
Total current assets	280,453	177	8,450	102,034	138,493	596,056	-	-	-	-	-	-	1,990	-	287,269	1,414,922
Assets classified as held for sale	-	-	-	-	-	-	-	-	-	-	-	696	-	-	-	696
Total assets	280,453	177	8,450	271,762	158,650	1,094,476	25,749	4,706	6,761	555,934	138,239	696	1,990	1,992	293,233	2,843,268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.7. Comparative Information (Continued)

January 1, 2018

Balance sheet line Banking COA vs Balance sheet line Industrial COA	Liabilities under derivatives	Deposits and other liabilities due to banks, other financial institutions and the central bank	Deposits and other liabilities due to customers	Provisions	Current tax liabilities	Deferred tax liabilities	Other liabilities	Total
Borrowings non current	-	(323,992)	(159,410)	-	-	-	(1,481)	**(484,883)**
Deferred tax liabilities	-	-	-	-	-	(24,702)	-	**(24,702)**
Provisions	-	-	-	(6,285)	-	-	-	**(6,285)**
Total non current liabilities	**-**	**(323,992)**	**(159,410)**	**(6,285)**	**-**	**(24,702)**	**(1,481)**	**(515,870)**
Borrowings current	-	(143,427)	(15,841)	-	-	-	(741)	**(160,009)**
Trade payables and other liabilities	-	(10,815)	(1,073,848)	-	-	-	(16,370)	**(1,101,033)**
Other financial liabilities	-	-	-	-	-	-	(1,641)	**(1,641)**
Current tax liabilities	-	-	-	-	(2,643)	-	-	**(2,643)**
Other liabilities	(67)	-	-	-	-	-	(55,613)	**(55,680)**
Total current liabilities	**(67)**	**(154,242)**	**(1,089,689)**	**-**	**(2,643)**	**-**	**(74,365)**	**(1,321,006)**
Total liabilities	**(67)**	**(478,234)**	**(1,249,099)**	**(6,285)**	**(2,643)**	**(24,702)**	**(75,846)**	**(1,836,876)**

Establishment of the MK Group Global is a transaction under common control, which is scoped out from IFRS 3 Business combinations and accounting policy had to be developed under IAS 8 and IAS 1.

As IFRS 5 does not scope out transactions under common control, all transactions which meet criteria of IFRS 5 shall be accounted accordingly. As criteria set by IFRS 5 are met (AEC disposed separate major lines of businesses), the disposal represent a discontinued operations. As all assets and liabilities of the discontinued operations were transferred before the year end, there are no assets or disposal groups to be classified under IFRS 5 on the statement of financial position as at 31 December 2019.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.8. Statement of Compliance

The Group's accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law Cap 113.

The accounting policies set in Note 3 have been consistently applied by the Group to all periods presented in these consolidated financial statements.

The Group's consolidated financial statements are stated in thousands of euros (EUR). All financial information is presented in euros rounded to the nearest thousand. The accounting policy regarding translation is presented within note 3.3. Furthermore, functional and presentation currencies of Parent Company, Gorenjska Bank and its subsidiaries – Imobilia, GB leasing and Hypo Alpe-Adria Leasing d.o.o. are EUR while for AIK Bank and MV Investments are dinars (RSD).

2.9. First-Time Adoption of IFRS 16

i. ***General impact of application of IFRS 16 "Leases"***

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 becomes effective for accounting periods beginning on or after 1 January 2019 and will supersede the current lease guidance including IAS 17 'Leases' and related interpretations: IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC 15 'Operating Leases – Incentives' and SIC 27 'Evaluating the Substance of Transactions in the Legal Form of a Lease'.

The purpose of the new standard is to ease the comparability of the financial statements, presenting both financial and operating leases in the statement of financial position of the lessees, and providing corresponding information to the users of the financial statements about the risks associated with the agreements. In contrast to a lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The date of initial application of IFRS 16 for the Group was January 1, 2019.

The Group has chosen the **modified retrospective application** (cumulative catch-up approach) of IFRS 16 in accordance with IFRS 16:C5(b) and IFRS 16:C8(b)(ii). Consequently, the Group did not restate its comparative figures but recognized the right-of-use asset in the amount equal to the amount of the lease liability at the first-time adoption date.

ii. ***Impact of the new definition of a lease***

The essential element differentiating the definition of a lease under IAS 17 and under IFRS 16 is the concept of control. Pursuant to IFRS 16, an agreement is a lease or contains a lease if it transfers the rights to control the use of an identified asset for a given period in exchange for compensation. Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

Each member firm of the Group has implemented activities of developing rules, principles and software solutions for appropriate assessment of the new assets and liabilities and subsequent calculation of the related performance to ensure adequate initial application of the standard. The Group assessed all its lease contracts to identify those that will be in the scope of the new standard's first-time adoption given the new definition of a lease

The Group will apply the new definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019.

In preparation for the first-time application of IFRS 16, the Bank has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of the Bank's contracts that meet the definition of a lease under IFRS 16.

All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.9. First-Time Adoption of IFRS 16 (Continued)

ii. Impact on lessee accounting

On initial application of IFRS 16, for leases previously classified as operating leases (except as noted below), the Group will recognize right-of-use assets and lease liabilities in the statement of financial position (balance sheet). The paragraphs below explain the measurement methods that will be applied to those leases. On initial application of IFRS 16, for each lease separately, the lease liability will be initially measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. Additionally, the Group decided to use following practical expedients in respect of the measurement of these lease liabilities:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- no changes in accounting will be made in case of operating leases which at January 1, 2019 will have the remaining lease period of 12 months or less, and leases of low-value assets compared to IAS 17.

On initial application of IFRS 16, the right-of-use assets, will be initially measured at the amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application. The elected method will be applied to all the Group's leases within the scope of IFRS 16. In addition, upon initial measurement of the right-of-use assets, the Group will exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application. Subsequently, the Group will:

- recognize depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss (income statement); and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

No changes in accounting will be made in case of operating leases which at January 1, 2019 will have the remaining lease period of 12 months or less, and leases of low-value assets (such as personal computers and office furniture and the like). In those cases, the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

As of December 31, 2018, the Group had non-cancellable operating lease commitments of EUR 10,165 thousand (Note 41.2). These liabilities include value added tax payable and personal income taxes and mostly relate to the rentals of business premises for the Group's branches and sub-branches and spaces for ATMs. A preliminary contract analysis indicates that the major portion of the above stated amount refers to the other than short-term lease contracts and other than low-value leases. Therefore, as of January 1, 2019, the Group recognized a right-of-use (ROU) asset and the corresponding lease liability in the amount of EUR 6,810 thousand.

	In EUR thousand January 1, 2019
Buildings	6,404
Parking lots	96
Vehicles	-
ATM's	310
Total	**6,810**

Maturity analysis of lease liabilities are presented in the table below:

	In EUR thousand January 1, 2019
Maturity:	
- less than one year	1,887
- up to 2 years	1,566
- up to 3 years	1,249
- up to 4 years	1,008
- up to 5 years	930
- more than five years	170
Total	**6,810**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements represent the consolidated financial statements of the Group. The following accounting policies relate to all the companies within the Group.

3.1. a) Interest Income and Expenses

Interest income and expenses are recognized in the income statement in the period they relate and are calculated using the effective interest method for all interest-bearing financial instruments measured at amortized cost (AC) and at fair value through profit or loss (FVtPL). Interest income on the interest-bearing instruments measured at fair value through other comprehensive income (FVtOCI) is also recognized and calculated following the effective interest method under IFRS 9.

The effective interest rate is the rate that precisely discounts estimated future payments or receipts over the expected life of the financial instrument or over a shorter period, where appropriate, to the net carrying value of the financial asset or financial liability. In calculation of the effective interest rate, the Group estimates cash flows taking into account all the contractually agreed terms of the financial instrument but does not consider future credit losses.

Effective interest rate includes all fees and amounts paid or received between the counterparties that form an integral part of the effective interest rate, transaction costs and other premiums or discounts. The effective interest rate calculation includes the following types of the Group's fees, which by their nature are an integral part of the effective rate: loan application processing fees, fees for processing authorized account overdraft applications, fees for investment project assessment and evaluation, fees for obligatory loan extension, when it is probable that a financial asset will be issued, fees for loan term modification, etc.

Fees that are an integral part of the effective interest rate are deferred and amortized as interest income over the loan term using the effective interest rate.

Interest income and expenses presented within the Group's income statement include: interest on financial assets and liabilities measured at AC calculated using the effective interest method, interest on securities at FVtOCI (or securities previously classified as available for sale under IAS 39), calculated using the effective interest method, and interest on coupon securities held for trading.

Interest income and expenses are recognized in the income statement as per matching principle on an accrual basis and pursuant to the terms defined by contracts signed between the Group and its customers.

3.1. b) Revenue Recognition – Revenues from contracts with customers

IFRS 15 supersedes the current revenue recognition guidance according to IAS 18 Revenue. The Group recognises revenue in accordance with IFRS 15, which became effective as of January 1, 2018.

Revenue is income that arises in the course of ordinary activities of the Group and includes variety of different types of income (excluding operation under lease contracts).

Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account. Amounts collected on behalf of third parties such as sales taxes and value added taxes are not economic benefits which flow to the Group and do not result in increases in equity and these amounts are excluded from revenue.

Performance Obligation is a promise (or a group of promises) to transfer goods or services to a customer.

When (or as) a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation.

The core principle is that the Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

Conventional measurement of sales revenue is recognized using all available reliable information and takes into account a possible change in price at the time of its final agreement, experience of previous periods (how significant the deviation of actual proceeds from the conventional revenue was in previous periods).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. b) Revenue Recognition – Revenues from contracts with customers (Continued)

The Group has several major types of sale transactions as follows:

1. regular sale of goods and products with immediate delivery - revenue is recognized at the moment of delivery (at the point of time) when the control over goods is transferred to customer;
2. sale of goods and products on bill and hold basis - revenue from sale is recognized at the moment of sale or at the moment of delivery (at the point of time) depending on satisfaction of revenue recognition criteria as specified in Note 5.3;
3. warehousing and handling services – revenue is recognized over the period of time during which the performance obligation is performed (the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs);
4. services of corn seed production – revenue is recognized over the period of time based on the stage of completion of the performance obligation. The stage of completion is determined as the proportion between incurred costs and total expected costs necessary to complete performance obligation. Contract asset is recognised over the period during which the production services are performed representing the entity's right to consideration for the services performed to date;
5. hotel and accommodation services - revenue is recognized over the period of time during which the performance obligation is performed (the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs);
6. fees and commission primarily comprise considerations for banking services of payment transfers in the country and abroad, services per payment cards, issuance of guarantees and letters of credit and other banking services.

Revenue from sale of goods is determined taking into account the discounts and mark-ups. This means that the final amount of revenues from sale of goods, to which discounts or mark-ups are applicable, is measured after the related settlements have been completed, i.e. the amount of revenue and trade receivables need to be increased or decreased (reversed) by the amount of discounts or mark-ups.

Sales revenue is recognised net of excise taxes, value added tax (VAT) and other similar compulsory payments. Customs duties are included into gross sales revenue recognised in the consolidated statement of comprehensive income.

Consideration payable to a customer

Consideration payable to a customer includes cash amounts that the Group pays, or expects to pay, to the customer (or to other parties that purchase the entity's goods or services from the customer). The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

If consideration payable to a customer is accounted for as a reduction of the transaction price, the Group recognises the reduction of revenue when (or as) the later of either of the following events occurs:

(a) the Group recognises revenue for the transfer of the related goods or services to the customer; and
(b) the Group pays or promises to pay the consideration (even if the payment is conditional on a future event).

If consideration payable to a customer is a payment for a distinct good or service from the customer, then the Group accounts for the purchase of the goods or services in the same way that it accounts for other purchases from suppliers.

The Group recognized marketing and advertising expenses paid to the customers as reduction of revenues from sales of products as the Group concluded that those payments were not made in exchange for distinct services.

3.2. Fee and Commission Income and Expenses

Fees and commission primarily comprise considerations for banking services of payment transfers in the country and abroad, services per payment cards, issuance of guarantees and letters of credit and other banking services. Fee and commission income and expenses are recognized on an accrual basis, when such services are rendered.

Fees for issuance of guarantees and letters of credit are deferred and recognized as income proportionately to the outstanding loan maturities, or guarantee and letter of credit validity terms.

All amounts expressed in thousands of EUR, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Foreign Exchange Translation

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency (being Serbian dinar (RSD) for entities in Serbia). In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's presentation currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the presentation of consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into euros using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

3.4. Dividend Income

Dividend income is recognized when the Group's entitlement to dividend receipt is established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). Dividend income is presented within the item of other operating income.

3.5 Net Gains/(Losses) on Changes in the Fair Value of Financial Instrument

Net gains/(losses) on changes in the fair values of the financial instruments comprise the net effects of changes in the fair values of derivatives (other than derivatives designated as risk hedging instruments) as well as of changes in the fair values of financial instruments measured at FVtPL.

3.6. Net Gains/(Losses) on Derecognition of Financial Instruments

Net gains/(losses) on derecognition of financial instruments and investments comprise the net effect of derecognition of financial instruments in line with IFRS 9.

3.7. Net Gains/(Losses) on Risk Hedges

Net gains/(losses) on risk hedges include net gains on the value adjustment of financial derivatives designated as risk hedging instruments as well as on the fair value adjustment of loans, receivables and securities as hedged items, these adjustments arising from the risk against which the item is hedged.

3.8. Depreciation and Amortization

Depreciation of property, plant and equipment/amortization of intangible assets is computed on a straight-line basis in order to fully write off the cost of assets over their estimated useful lives. The depreciation rates applied for the main groups of assets were as follows:

Major groups of assets	In %
Buildings	1.3% - 3.3%
Telephones, switchboards and other related equipment (except for mobile phones: 33.33%)	7% - 20%
Office furniture	11% – 20%
Photocopiers	14.3% - 20%
Automobiles	15.5% – 33.3%
Computer equipment	20%

Calculation of depreciation of property and equipment and that of amortization of intangible assets commence in the month following the month when an asset is placed into use. The useful life of an asset is reviewed at least at each financial year-end and, and if expectations based on the new assessments are significantly different from the previous ones, the calculation of depreciation/amortization for the current and future periods is adjusted as appropriate. In 2019 and 2018 there were no changes in depreciation and amortization rates applied.

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All amounts expressed in thousands of EUR, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Tax Expenses

Tax expenses comprise current taxes and deferred taxes. Current taxes and deferred taxes are recognized in income statement except to the extent that they relate to items recognized directly in equity or in other comprehensive income.

Current Income Taxes

In the Republic of Cyprus the Corporation tax rate is 12.5% (2018: 12.5%). Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2018: 30%). In such cases this interest will be exempt from corporation tax. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 17% for 2014 and thereafter.

Current income tax is an amount payable calculated applying the legally prescribed tax rate in Republic of Serbia of 15% (2018: 15%) to the amount of profit before taxes, as adjusted for permanent differences that adjust the statutory tax rate to the effective tax rate.

In Croatia, current tax is the expected payable on taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Income tax is calculated at the rate of 18% (2017: 18%) of the taxable profit.

The standard Current income tax rate applied for NordAgri (incorporated in Netherlands) is 25% (2018: 25%). A lower rate of 20% applies to taxable income up to EUR 200 thousand. If the criteria are met, fiscal investment funds are taxed at a Current income tax rate of 0%. Under conditions, certain investment funds are eligible to opt for an exempt status for Dutch Current income tax purposes.

The standard Current income tax rate applied for Gorenjska Bank and its subsidiaries (incorporated in Slovenia) is 19% (2018: 19%).

The ultimate amount of the income tax payable is determined by applying the legally prescribed tax rate to the tax base determined within the tax statement and reported in the annual corporate income tax return.

The Corporate Income Tax Law of the Republic of Serbia and Republic of Slovenia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, current period tax losses stated in tax return may be used to reduce or eliminate taxes to be paid in future periods but only for duration of no longer than five ensuing years.

Deferred Income Taxes

Deferred tax liabilities are recognized as at the reporting date for all taxable temporary differences between the carrying values of assets used for financial reporting purposes and their tax bases. The currently enacted tax rates or the substantively enacted rates at the balance sheet date are used to determine the deferred income tax amount.

Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized.

Carrying values of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable income will be realized against which the total deferred assets or a portion thereof can be utilized. Unrecognized deferred tax assets are reviewed at each reporting date and recognized to the extent that it has become probable that a sufficient level of expected future taxable income will be realized against which deferred tax assets can be utilized.

Current and deferred tax assets and liabilities are offset when levied by the same tax authority on the same taxable entity, when related to the same tax authority and if there is a legally enforceable right to offset tax liabilities against tax assets.

Current and deferred income taxes are either charged or credited to the income statement and included in the profit for the capital and allocated within equity in the current or another period. Indirect taxes and contributions are included in other operating expenses.

Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, municipal fees and charges and other taxes and contributions payable pursuant to effective republic and local tax regulations. These taxes and contributions are recognized as expenses in the period in which they are assessed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Financial Assets and Liabilities

Those accounting policies are in accordance to IFRS 9 requirements, which are imposed as of January 1, 2018. The accounting policies used for the respective year (2017) were in accordance with IAS 39 requirements. Accounting policies in accordance to IAS 39 are presented within audited Financial Statements of the Group as of December 31, 2017.

Recognition

The Group initially recognizes financial assets and liabilities as at the settlement date.

A financial asset or liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets and liabilities measured at fair value through profit or loss (FVtPL), whose initial measurement does not include such costs.

Classification

In accordance with IFRS 9 classification and measurement of financial assets depend on the following two main criteria:
a) business model based on which the Group manages a financial asset; and
b) characteristics of the contractual cash flows of a financial assets (the so-called SPPI criterion).

The business model reflects the manner in which the Group manages its financial assets in order to collect the cash flows therefrom, i.e., the business model determines whether the cash flows will result from collection of cash flows, sales of assets or both. The Group performed detailed analysis and defined the following business models:
a) hold to collect cash flows;
b) hold to collect cash flows and to sell; and
c) other business models (e.g. hold for sales).

Classification (Continued)

In instances of business models "hold to collect" or "hold to collect and sell" it is assessed whether the cash flows represent solely payments of principal and interest (the so-called SPPI test).

In accordance with the basic loan arrangement, interest includes the time value of money, the accepted level of counterparty credit risk and other basic lending risks and adequate profit margin. If the contractual terms include risk exposures that are not in line with the basic loan arrangement, such a financial asset is classified and measured at fair value through profit or loss irrespective of the business model to which it belongs.

Based on the performed analysis of the business models and characteristics of the contractual cash flows, in line with IFRS 9 the Group classifies its financial assets in one of the following three categories:
1) financial assets at amortized cost (AC);
2) financial assets at fair value through other comprehensive income (FVtOCI); and
3) financial assets through profit or loss (FVtPL).

The Group measures its financial liabilities at amortized cost or classifies them as liabilities held for trading.

Reclassification

If a change occurs to the model underlying a financial asset management, the financial assets is reclassified. Reclassification is made prospectively, i.e., as of the first day of the following reporting period. The Group does not expect frequent changes of its business models.

Upon reclassification of a financial asset from the category of measurement as amortized cost (AC) the category of measurement at fair value through profit or loss (FVtPL), the asset's fair value is measured at the reclassification date, while any gain or loss on the difference between the previously amortized cost the fair value is recognized in the profit or loss.

In case of a contrary reclassification, from an asset measured at FVtPL to the category of assets measured at AC, the asset's fair value as of the reclassification date will become its gross carrying value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Financial Assets and Liabilities (Continued)

Reclassification **(Continued)**

Upon reclassification of a financial asset from the category of measurement as amortized cost (AC) the category of measurement at fair value through other comprehensive income (FVtOCI), the asset's fair value is measured at the reclassification date, while any gain or loss on the difference between the previously amortized cost the fair value is recognized in the other comprehensive income.

In case of a contrary reclassification, from an asset measured at FVtOCI to the category of assets measured at AC, the financial asset will be reclassified at its fair value. However, the accumulated gains or losses previously recognized within the other comprehensive income will cease to be recognized within equity and the value of the financial asset will be adjusted by the amount thereof as of the reclassification date. As a result, the financial asset is measured as of the reclassification date as if it had always been measured at amortized cost.

Upon reclassification of a financial asset from the category of measurement at FVtPL the category of assets measured at FVtOCI, the financial asset will continue to be measured at fair value.

In case of a contrary reclassification, from an asset measured at FVtOCI to the category of assets measured at FVtPL, the financial asset will continue to be measured at fair value. The accumulated gains or losses previously recognized within the other comprehensive income will be reclassified to the profit or loss.

Modification and Derecognition of Financial Assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and / or timing of the contractual cash flows either immediately or at a future date.
The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment) and reduction in the amount of cash flows due (principal and interest forgiveness).
When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition. Where a modification does not lead to derecognition the Group calculates the modification gain or loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Thereafter, the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.
In some circumstances renegotiation or modification of the contractual cash flows of a financial assets may lead to derecognition of the existing financial asset in line with IFRS 9. When modification of a financial assets results in derecognition of the existing asset and subsequent recognition of a modified asset, the modified asset will be deemed a "new" financial asset for the purposes of IFRS 9.

In such situations, the Group makes quantitative and qualitative analyses and assesses whether there is a significant difference (more than 10%) between the contractual cash flows of the original financial asset and the contractual cash flows of the modified or replacement asset. If there is a significant difference, the contractual rights pertaining to the original financial asset will be considered as expired and the new asset, issued under new terms, is to be recognized. Furthermore, the Group also takes into account qualitative factors in order to assess whether there is significant differences in conditions or whether the two instruments are significantly different. Qualitative factors are: changes in currencies, changes in debtors and consolidation of the loans.

Accordingly, the reclassification date will be treated as the date of the initial recognition date of such a financial asset upon implementation of the impairment requirements to the modified asset.

In the event of a significant modification of a financial instrument, IFRS 9 stipulates derecognition of the original financial asset and recognition of the new one at fair value at the recognition date.

Derecognition results in a permanent gain or loss, which must be recognized within the profit or loss statement, in the amount of the difference between the amortized cost of the original financial asset and the fair value of the new financial asset net of expected credit losses recognized as impairment allowance of the new financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Financial Assets and Liabilities (Continued)

Purchased or Originated Credit Impaired Assets (POCI Assets)

A financial asset is credit impaired when one or more events have occurred with adverse effects on the estimated contractual cash flows of the financial asset.

At the moment of initial recognition such financial assets will be recognized at fair value and will have no impairment but the lifetime expected credit losses need to be included in the calculation of their effective interest rate. Therefore, the Group includes the initial expected credit losses into the estimate of the future cash flows upon calculation of the credit-adjusted effective interest rate of the financial assets impaired at initial recognition.

Upon initial recognition, expected credit losses (ECL) for POCI assets are always measured as lifetime ECL. However, at the reporting date, the Group recognizes only cumulative changes in lifetime ECL since the initial recognition as the provision for losses on POCI assets. In other words, at each reporting date, in the income statement the Group recognizes changes in lifetime ECL as gains or losses on impairment.

Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risk and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualifies for derecognition that is created or retained by the Group is recognized as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that was previously recognized in other comprehensive income is recognized in profit or loss.

The Group enters in transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized. Transfers of assets with retention of all or substantially all risks and rewards include, for example, repurchase transactions.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the recognized amounts and it intends either to settle a liability on a net basis or to realize 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 those in the Group's trading activity.

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 in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and other optional models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent to the financial instrument. The Group 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Financial Assets and Liabilities (Continued)

***Fair Value Measurement* (Continued)**

Assets and long positions are measured at bid prices and liabilities and short positions are measured at ask prices. When the Group has a risk offsetting position, median market prices are used for measuring offsetting or risk-weighted assets, while adjustment to bid or ask prices is applied only to the net open positions. Here the fair value reflects the credit risk of the instrument and includes adjustments reflecting the credit risk of the Group and the counterparty, where relevant. Fair value assessments based on the valuation models are adjusted for all other factors, such as liquidity risk or uncertainty models, to the extent that the Group believes that third party market participants may take them into consideration upon determining transaction cost.

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. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is recognized in profit or loss. Otherwise, the difference is not recognized in profit or loss immediately but over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Impairment of the Financial Assets, lease receivables, financial guarantees and loan commitments

In accordance with IFRS 9, upon impairment of the financial instruments existence of objective evidence of impairment is not necessary for recognition of credit losses. Expected credit losses are also recognized for unimpaired financial assets. In other words, the Group calculates provisions for credit losses for credit exposures except for those already measured at fair value through profit or loss (FVtPL) (including both performing and non-performing financial assets).

Expected credit losses are recalculated at each reporting date in order to reflect changes occurred in the credit risk since the initial recognition of the financial instrument. Such an approach results in earlier identification of credit losses.

Upon calculating expected credit losses, the Group uses forward-looking information and macroeconomic inputs, i.e., the Group considers not only historical information adjusted so as to reflect the effects of the present conditions and information providing objective evidence of the financial assets being impaired for actual losses incurred, but reasonable and supportable information as well, which includes projections of the future economic conditions upon calculation of expected credit losses, both at individual and at collective levels. The amount of provisions for credit losses will increase with deterioration of the projected economic conditions and decrease with their improvement.

The Group's basic principles and rules upon calculation of provisions under IFRS 9 are as follows:

The Group calculates 12-month expected credit loss or a lifetime expected credit loss of a financial instruments depending on the significance of the change in its credit risk occurred since the instrument's initial recognition. For these purposes, the Group uses the following three stages of impairment:

- Stage 1 includes all new financial assets at initial recognition and instruments without significant credit quality deterioration since their initial recognition;
- Stage 2 includes financial instruments with significant credit quality deterioration since their initial recognition yet with no objective evidence of impairment based on credit losses;
- Stage 3 includes financial instruments where objective evidence of impairment exists at the reporting date.

Stages 1 and 2 include only performing financial assets. Stage 3 includes only non-performing financial assets

In accordance with the foregoing, the Group calculates an impairment allowance (provision) for a particular instrument in the amount of lifetime expected credit losses if the credit risk of the instrument has increased significantly since its initial recognition or if there is objective evidence of impairment identified (a financial asset classified into Stage 2 or Stage 3, respectively). Impairment allowance is calculated up to the amount of 12-month expected credit losses for all financial instruments with no significant credit risk increase since the initial recognition (financial assets classified into Stage 1).

For impairment allowance calculation purposes, the 12-month expected credit losses are part of the life-time expected credit losses identified and represent cash shortages over the life of an instrument that will occur in the event of default within 12 months from the reporting date or a shorter period, if the expected lifetime of an instrument is shorter than 12 months.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Financial Assets and Liabilities (Continued)

Impairment of the Financial Assets, lease receivables, financial guarantees and loan commitments (Continued)

Financial assets are transferred from Stage 1 to Stage 2 when the credit risk has increased significantly since the instruments' initial recognition. The transfer logic is based on quantitative and qualitative criteria and must be applied to all the financial instruments. Deterioration of the instrument's initial classification is the key parameter underlying the quantitative criterion of the transfer logic. The Group has defined parameters that, when identified, indicate or may indicate that there has been a significant increase in credit risk:

- days past due in liability settlement longer than 30 days,
- deteriorated borrower/exposure classification (rating) compared to the initial approval,
- restructuring of the receivable/exposure due to the financial difficulties of the borrower,
- deterioration in the rating of an external rating agency (applies in the case of exposures to banks and countries), and/or
- additional if applied on the single Group member.

In the impairment process, the Group applies a special treatment to the purchases of already impaired assets from the so-called NPL portfolios and to the approval of new loans to the borrowers with already impaired loans within its portfolio, i.e. those already in NPL status. In accordance with the Standard, such assets are defined as POCI (purchased and originated impaired credit assets) and are separately measured through cumulative changes in lifetime expected credit losses of the instruments after their initial recognition. Positive changes in the lifetime expected credit losses of the instrument are recognized as gains on the impairment of instruments if the expected credit loss in lower than the amount of expected credit losses included in the estimated cash flows upon initial recognition.

Write-Off and Transfer of Receivables from the On-Balance Sheet to the Off-Balance Sheet Items

(In accordance with the Procedure on the Write-Off and Transfer of Receivables from the On-Balance Sheet to the Off-Balance Sheet Items) the Group writes off certain loans and receivables and securities that have been determined as irrecoverable.

3.11. Cash and Balances Held with the Central Bank

Cash and balances held with the central Bank comprise cash on hand, the Group's gyro account balance, other cash funds and the obligatory foreign currency reserve held with the central Bank. Cash and balances held with the central Bank are stated at amortized cost in the Group's statement of financial position.

Within the statement of cash flows cash and cash equivalents also encompass balances on accounts held with foreign Banks, whereas the obligatory foreign currency reserves held with the central Bank are not included therein.

3.12. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. They arise when the Group provides money or services directly to a customer with no intention of trading the receivable. Loans and receivables comprise loans and receivables to groups and customers.

Loans and receivables are initially measured at fair value. Upon initial recognition, based on the analysis of the business model and characteristics of the contractual cash flows, loans and receivables are measured at amortized cost (AC), fair value through other comprehensive income (FVtOCI) and at fair value through profit or loss (FVtPL).

Following the initial recognition and measurement, loans and receivables due from Groups and customers are measured at amortized cost and are stated at the amounts outstanding, taking into account all the discounts and premiums granted upon acquisition, net of the impairment allowances.

Income and receivables per interest calculated on such instruments are recorded within interest income and interest receivables. Fees that are part of the effective interest on these instruments are deferred and recognized within the profit or loss statements under interest income over the life of the instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Loans and Receivables (Continued)

Approved RSD loans hedged using a contractual currency clause linked to the RSD/EUR exchange rate, to another foreign currency or consumer price index are converted into dinars at the reporting date in accordance with the terms of the particular loan agreement. The effects of the currency conversion are reported foreign exchange gains and positive currency clause effects.

In accordance with its internally adopted methodology, at each reporting date, the Group assesses whether there has been a significant increase in credit risk of all of its financial assets and calculated impairment allowance in the amount of lifetime expected credit losses for the financial assets whose credit risk has increased significantly since their initial recognition or if there is objective evidence of their impairment, and, on the other end, in the amount of 12-month expected losses for all those financial assets where the credit risk has not increased significantly since their initial recognition.

For the purposes of the Group's calculation of impairment allowance, 12-month ECL represent a portion of the lifetime ECL and are in fact losses that will arise if the asset (loan) defaults (if the default status occurs) within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months), weighted by the probability of default (PD).

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the borrower's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement under the item of net gains/losses on impairment of financial assets not measured at FVtPL.

3.13. Financial Assets Measured at Amortized Cost (AC)

This category includes financial assets meeting the two below listed criteria, if they are not designated upon initial recognition as financial assets measured at FVtPL:

- the objective of the business model in which the assets are held is achieved by collecting the contractual cash flows; and
- 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.

After initial recognitions, such assets are measured at amortized cost using the effective interest rate, net of expected credit losses.

Interest income from these instruments is calculated using the effective interest and presented in the income statement. Impairment losses on financial instruments measured at AC are recognized within the income statement under losses on impairment of financial assets. Interest income is recognised on the amortised cost of the loan net of allowances.

3.14. Financial Assets Measured at Fair Value through Other Comprehensive Income (FVtOCI)

This category includes financial assets meeting the two below listed criteria, if they are not designated upon initial recognition as financial assets measured at FVtPL:

- the objective of the business model within which the Group holds the assets is achieved by collection of the contractual cash flows and by sale of the assets; and
- the contractual terms of the assets give rise to the cash flows at specific future dates that represent solely payments of the principal and interest on the principal amount outstanding.

Following their initial recognition, these financial assets are measured at fair value. The fair value of the assets is determined in line with the Group's internally adopted fair value assessment methodology. Gains or losses on the changes in their fair value of these assets, except for impairment losses and foreign exchange gains/losses, until derecognition. Upon derecognition, the accumulated gains or losses previously recognized within the other comprehensive income are reclassified to the profit or loss.

Interest accrued on such assets is recognized under the effective interest method within interest income in the income statement.

The calculated impairment losses (ECL) on these assets are recognized within the other comprehensive income and they do not reduce the carrying value of the financial assets (as is the case with financial assets measured at AC), in other words, the impairment allowance does not affect the carrying value of these assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15. Financial Assets Measured at Fair Value through Profit or Loss (FVtPL)

Financial assets measured at FVtPL are all those financial assets that are not measured at AC or FVtOCI. In line with IFRS 9, such assets are measured at fair value, with the effect of changes in their fair value recorded within profit or loss (income statement).

A financial asset classified into this category is a financial asset held for trading, i.e., an asset acquired primarily for sale or repurchase in the near future, with the aim to earn a profit from short-term price fluctuations and/or dealer's margin.

Financial instruments (including shares held for trading) in the Group's trading book are initially recognized at their purchase price. Transaction costs are not included in their value but represent expenses for the period of acquisition. The financial assets held for trading are remeasured- adjusted to the fair value on a daily basis. Gains and/or losses on the sale of such assets are recognized within income or expenses for the period.

Derivative Instruments

Financial derivatives comprise forward and swap transactions. Financial derivatives are initially recognized at cost and are subsequently measured at market value. Market values are obtained using different valuation techniques, including discounted cash flows. Financial derivatives are accounted for under assets if their market value is positive, and under liabilities if their market value is negative.

Unless designated as hedging instruments, derivatives are treated as held for trading and measured at FVtPL under IFRS 9. Fluctuations in market value of financial derivatives are reported in the income statement within net gains or losses on the changes in the fair value of financial instruments.

3.16. Equity Instruments

All investments in equity instruments are measured at FVtPL under IFRS 9, with the changes in their fair values recognized in the profit or loss (income) statement, except for those equity investments for which the Group has elected to recognize fair value changes within OCI.

Dividend income on the equity instruments for which the Group has elected to recognize fair value changes within OCI, is recognized within the profit or loss (income) statement. Upon derecognition, gains or losses accumulated within OCI are not reclassified to PL. In accordance with IFRS 9, such financial instruments are not tested for impairment.

Moreover, under IFRS 9, if an equity instrument is not held for trading, the Group may make an irrevocable election, upon initial recognition, to measure such an instrument at FVtOCI, with only dividend income recognized within the profit or loss (income) statement. Such instruments are not subject to impairment assessment in accordance with IFRS 9.

3.17. i) Property and Equipment

Items of property and equipment qualifying for recognition are measured at cost or purchase price. Subsequent expenditure such as modification or adaptation to the assets is recognized as an increase in cost of the respective assets, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequently incurred expenses are charged in the period in which these are incurred.

Following the initial recognition, property (land and buildings) is recognized at its revalued amount being its fair value as of the revaluation date net of any accumulated depreciation and accumulated impairment losses. Fair value is the market value determined in an appraisal. Revaluation is performed when the fair value of an asset differs substantially from its carrying value. After initial recognition, items of equipment are stated at cost or purchase price net of net of any accumulated depreciation and impairment losses.

Fixed assets (property and equipment) are assets with useful lives of over a year and value in excess of the minimum amount defined by the Group's Accounting Rulebook and accounting policies. Any gains or losses arising on the disposal or retirement of an asset as the difference between the estimated net sales proceeds and the carrying value of the assets are recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17. i) Property and Equipment (Continued)

Property, equipment items are derecognized from the balance sheet upon disposal or permanent retirement, when future economic benefits from asset disposal are no longer expected. Any gains or losses arising on the disposal or retirement of an asset as the difference between the estimated net sales proceeds and the carrying value of the assets are recognized in the income statement.

3.17. ii) Livestock

Livestock relates to biological assets that represent living animals and plants intended for biological transformation which comprises the processes of growth, degeneration, production, and procreation that cause qualitative or quantitative changes in a biological asset.

Livestock is recorded at fair value being the price of livestock at the relevant market net of estimated transport costs and other costs of livestock delivery to the market.

3.17. iii) Bearer plants

Bearer plants are defined as a living plant that is: used in the production or supply of agricultural produce; expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants are measured at cost, accumulated until maturity. After the bearer plants mature, the bearer plants are measured at cost less any subsequent accumulated depreciation and impairment, if any.

The estimated useful life of bearer plants is 10-30 years.

3.18. Right-of-use assets

Beginning January 1, 2019, the Group begins applying IFRS 16 Leasing using a modified retrospective approach, as explained in more detail in Note 2.9. Comparative data are presented under IAS 17 and other relevant international leasing guidance and interpretations. The accounting policies for the recognition and measurement of leases applied to the current and prior periods are set out below.

<u>*Accounting policy effective on January 1, 2019*</u>

i. Group as a lessee

In accordance with IFRS 16, a lease is defined as a contract or part of a contract that transfers the right to use the property for a specified period of time in exchange for a fee. A qualifying asset is recognized if the following conditions are cumulatively fulfilled:

- if the leased asset can be identified explicitly or implicitly,
- when all material economic benefits from the use of the asset can be realized during the leasing period and
- if the use of the asset can be managed, that is, deciding how and for what purposes the asset will be used throughout the leasing period.

The Group does not apply IFRS 16 requirements for assets with, short-term leases (up to one year) and intangible assets. These leases are recognized as an expense on a proportional basis in the income statement.

When an analysis of a contract determines that the contract is a lease, the asset with the right to use is recognized in the assets and the liability for the leasing in the liabilities of the balance sheet. An asset with a right of use is initially measured at cost, consisting of:

- the initial amount of the lease liability adjusted for all lease payments incurred on or before the lease begins,
- increased by any initial direct costs incurred and the estimated cost of dismantling and removing the asset or restoring the asset or location to its original condition, and
- reduced for received leasing allowances.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Right-of-use assets (Continued)

Accounting policy effective on January 1, 2019 (Continued)

i. Group as a lessee (Continued)

After the initial recognition, the asset is measured at cost reduced for impairment loss and adjusted for re-measuring leasing liabilities.

Right-of-use assets are amortized on a straight-line basis. Depreciation starts from the first day of the next month in relation to the month in which the asset is available for use.

The lease liability is initially measured at the present net worth of all future lease payments (excluding value added tax), discounted at the interest rate implicit in the lease, and in the absence thereof, at the incremental borrowing rate. The incremental borrowing rate is determined based on the cost of financing a liability of similar duration and similar security to that provided for in the leasing contract.

Future leasing payments that are included in the value of the lease liability after discounting include:

- fixed payments less any lease incentives received,
- variable leasing payments, that is, index- or rate-dependent payments,
- payments under the residual value guarantee clause of the leased item,
- the purchase price of the redemption option, if there is reasonable possibility for redemption,
- penalties for termination of the contract, if there is reasonable possibility for termination.

After initial recognition, the lease liability is reduced by the lease liability payments made, increased by the imputed interest and adjusted based on:

- changes in future lease payments resulting from a change in the rate or index used to determine the initial lease liability,
- changes in the valuation of the use of the option to purchase the property,
- changes in the amount expected to be paid under the residual value guarantee,
- changes in the leasing period.

Adjusting the value of the lease liability also requires adjusting the asset to its right of use. On a lease basis, the Group recognizes depreciation expense and interest expense in the income statement.

ii. Group as a leasing provider

When the Group appears as a leasing provider, it is assessed whether it is a financial lease or an operating lease. If the Group estimates that the contract transfers all the risks and benefits arising from the ownership, the lease is classified as financial. Otherwise, it is operating leasing. IFRS 16 does not make any material changes to the accounting treatment of leases with a lessor compared to IAS 17.

Accounting policy effective until January 1, 2019

In accordance with IAS 17, leasing is classified as financial when all the benefits and risks arising from the ownership of the leased asset are transferred to the Group. Leasing is classified as operating when the benefits and risks arising from the ownership of the leased asset are not transferred to the Group.

i. *The Group as a Lessee*

Leases of assets where all the rewards and risks of ownership are retained by the lessor, i.e., are not transferred to the lessee, are classified as operating leases. Lease payments under an operating lease are recognized as an expense within the income statement on a straight-line basis (when they arise) over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18. Right-of-use assets (Continued)

Accounting policy effective until January 1, 2019 (Continued)

i. *The Group as a Lessee (Continued)*

A lease is an arrangement under which the lessor transfers to the lessee an entitlement to the use of an asset over an agreed term in exchange for one or more payments. When an asset is issued under operating lease, such an asset is presented within the statement of financial position, depending on the asset type. The rental income is recognized on a straight-line basis over the lease term.

ii. *The Group as a Lessor*

A lease is an arrangement under which the lessor transfers to the lessee an entitlement to the use of an asset over an agreed term in exchange for one or more payments. When an asset is issued under operating lease, such an asset is presented within the statement of financial position, depending on the asset type. The rental income is recognized on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

3.19. i) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group`s cash-generating units (of groups of cash-generating units) that is expected to benefit from the synergies of the combinations.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.19. ii) Intangible Assets

Intangible assets comprise of software, licenses and other intangible assets. Intangible assets acquired by the Group are stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Amortization of intangible assets is calculated on a straight-line basis in order to write off the assets over their estimated useful lives of five years. For intangible assets with contractually defined period of usage amortization rates are determined based on such contractually defined terms. Amortization methods, useful lives and residual values are reassessed at each financial year-end and adjusted as appropriate.

Membership in CSDCH is accounted for within other intangible assets and in its substance represents the amount placed with the Guarantee Fund of the Central Securities Depository and Clearing House, which is refunded after discontinuation of operations. In accordance with the amendments to the Law on Accounting and Rules on the Layout of Chart of Accounts and Financial Statements for Broker-Dealer Companies (Official Gazette of RS, nos. 15/14, 137/14 and 143/14 - corrected), the Group reclassified the opening balances of cash and cash equivalents to intangible assets – as membership in CSDCH – in the amount of EUR 40,000.

Intangible assets are derecognized from the balance sheet upon disposal or permanent retirement, when future economic benefits from asset disposal are no longer expected. Any gains or losses arising on the disposal or retirement of an asset as the difference between the estimated net sales proceeds and the carrying value of the assets are recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.19. iii) Intangible Assets acquired in a Business Combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Trademark acquired in a business combination represents intangible asset with indefinite useful life, because it is expected that trademark will contribute to net cash inflows indefinitely based on the analysis of market, competitive and environmental trends as well as brand extension opportunities. In accordance with legal regulations, the trademark has legal life of ten years but it may be renewed unlimited number of times for the next ten years at a little cost. Therefore, trademark is not amortized, but it is tested for impairment in accordance with IAS 36 "Impairment of assets" annually and whenever there is an indication that it may be impaired.

3.20. Investment Property

Investment property is property (land or a building, part of building or both) held by the owner (or lessee) either to earn rental income or for capital appreciation or for both (IAS 40 "Investment Property").

Upon acquisition, investment property is measured at cost. Upon initial measurement, all acquisition related costs are included in the cost or purchase price of investment property.

For subsequent measurement of investment property the Group uses the fair value model. 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. Gains or losses arising from the fair value adjustment of investment property are recognized as income or expenses in the period when realized/incurred.

3.21. Inventories

Inventories include tangible assets acquired in lieu of debt collection. Tangible assets acquired in lieu of debt collection represent properties initially assigned under mortgage liens in favor of the Group as collaterals securitizing loan repayment, which the Group foreclosed in lieu of debt collection.

Such properties are measured at the lower of the carrying values of the respective loans collected from their foreclosure and market prices determined by certified appraisers.

The value of work in progress and finished products – biological assets (agricultural produce) are measured at fair value less estimated costs to sell at the point of harvest. A gain on initial recognition of agricultural produce at fair value less costs to sell is included in net profit or loss for the period in which it arises. The value of work in progress and finished products – livestock, wine and meat production and other include all direct production costs, as well as, the allocated portion of overhead expenses.

Goods in warehouses are stated at cost and inventories of goods in retail are stated at retail prices. At the end of the accounting period, their value is adjusted to cost by an apportionment of the related selling margin, calculated on an average basis, between the cost of goods sold and the inventories held at the year end.

3.22. Managed Funds

The Group manages funds on behalf of and for the account of third parties and charges fees for these services. These items are not included in the Group's statement of consolidated financial position.

3.23. Deposits and Borrowings

Deposits are stated in the amount of deposited funds, which may be increased by interest accrued, depending on the contractual terms agreed between depositors and the Group.

Deposits and borrowings are initially measured at fair value increased for all directly attributable transaction costs, while they are subsequently measured at amortized cost using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.24. Provisions

A provision is recognized if, as a result of a past event, the Group 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.

3.25. Financial Guarantees

Financial guarantees are contracts that require the Group 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.

An issued financial guarantee contract is a financial liability and is initially recognized at fair value. Subsequently, the financial guarantee contract is measured at the 'higher of':
- The IFRS 9 Expected Credit Loss (ECL) allowance, and
- The amount initially recognized (i.e. fair value) less any cumulative amount of income/ amortization recognized.

Financial guarantees are reported under off-balance sheet items.

3.26 Obligations for Retirement Benefits and Jubilee Awards

In accordance with the regulations effective in the Republic of Serbia, the Group is obliged to pay contributions to various state social security funds, which guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in the amounts computed by applying the specific, legally prescribed rates, which are withheld from the gross salaries.

The Group also calculates and pays social security contributions charged to the employer. In accordance with the effective Labor Law, the Group is under obligation to pay its employees retirement benefits and, pursuant to its bylaws, to disburse jubilee awards for completed 10, 20, 30 and 40 consecutive years of service with the Group.

Long-term liabilities for retirement benefit provisions and jubilee awards in accordance with IAS 19 represent the present value of the expected future payments to employees as determined by actuarial assessment using assumptions disclosed in Note 38.

3.27. Equity

The Group's equity consists of founders' capital, subsequent issue shares, share premium, reserves, fair value reserves, and retained earnings for the current and prior years. The Group's equity was formed from monetary contributions invested by the Group's founders. A founder cannot withdraw funds invested in the Group's equity.

3.28. Related Party Disclosures

For the purpose of these consolidated financial statements, legal entities are considered as related parties where one legal entity exercises control over the other or exerts significant influence on the financial and operating decisions of the other party pursuant to the provisions of IAS 24 "Related Party Disclosures."

Related parties within the meaning of the aforesaid standard are considered to be all members of MK Holding d.o.o., Beograd, its subsidiaries and related parties, as well as those legal entities in which Group holds ownership interest.

Related parties may enter into mutual transactions that third parties might not perform. Related party transactions may be performed under terms and in the amounts different from those included in same transactions performed at arm's length.

The Group provides services to and at the same time uses services of its related parties. Relations between the Group and its related parties are governed by contracts and market terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.29. Business Combinations

At its regular session held on November 20, 2017, the Assembly of AIK banka a.d., Beograd made a decision on the merger and acquisition of Jubanka a.d., Beograd to the Bank. The status change of merger and acquisition of Jubanka a.d., Beograd was performed as of December 22, 2017 and duly registered with the Serbian Business Registers Agency. Merger and acquisition of Jubanka a.d., Beograd was accounted for in accordance with IFRS 3 "Business Combinations".

Business combinations are accounted for using the acquisition method, which entails identification of the acquirer, definition of the acquisition date, recognition and measurement of identifiable assets and liabilities assumed and recognition and measurement of goodwill or bargain purchase gains. The identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date. Goodwill is recognized when the amount of the consideration transferred exceeds the net amount of the acquired assets and liabilities assumed in the business combination. Otherwise, bargain purchase gains are recognized.

When a business combination is achieved in stages, the Group`s previously held equity interest in the acquire is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from the interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which that combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Furthermore, as disclosed in Note 2.4 to the consolidated financial statements AIK Bank took control over Gorenjska Bank as of August 31, 2018 and consequently in those consolidated financial statements the Gorenjska Bank along with its subsidiaries is consolidated with full consolidation method. Recognized effects along with bargain purchase gains are presented in Note 43.

3.30. Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor any interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group uses equity accounting for accounting interests in associates. Under the equity method the Group does the following steps:

- The investment is stated as one line item in the Consolidated statement of financial position (as a part of non-current assets), initially recognised at cost. Any difference between the cost of the investment and the Group's share in the net fair values of the associate's identifiable assets and liabilities is goodwill (however, It is not disclosed separately and not regarded as a separate asset).

- The carrying amount of the investment is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses.

In general when an associate is making losses, there may be a significant diminution in the associate's value.

- Any distributions received from the associate reduce the investment's carrying amount. If dividends paid by the associate are in excess of the carrying amount of the investment, the carrying value is reduced to nil, but does not become negative.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.30. Investments in Associates (Continued)

- Adjustments to the associate's carrying amount may be carried out in the investor's proportionate interest in the associate in case of changes in the associate's other comprehensive income, that have not been recognised in the associate's profit or loss. Such changes includes those arising from foreign exchange translation differences. The investor's share of such changes is recognised directly in the Consolidated statement of other comprehensive income of the Group.

The equity method of accounting is not applied to investments in associates classified as held-for-sale in accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations'.

Transactions and balances with associates are not eliminated as they are not part of the Group and not consolidated.

Profits and losses resulting from 'upstream' and 'downstream' transactions between the Group (including its consolidated subsidiaries) and an associate are eliminated to the extent of the Group's interest in the associate.

4. RISK MANAGEMENT

Risk represents a possibility of adverse effects on the Group's equity and financial result arising from the transactions performed by the Group and the macroeconomic environment in which the Group operates. The Group's long-term objective in risk management is to minimize the adverse effects on its financial performance and equity resulting from the Group's risk exposure.

Risk is inherent in banking business and cannot be completely eliminated. It is important however to manage risks in such a manner that they are restricted to the levels acceptable for all stakeholders: owners, i.e., shareholders, creditors, depositors and the regulator.

The risk management process entails continued risk identification, measurement, monitoring, minimizing and control through setting of risk limits as well as reporting on risks in accordance with the internal bylaws and the regulator's decisions. An adequate risk management system represents a key element in ensuring stability of the operations.

Group has in place a comprehensive and reliable risk management system, which is fully integrated into all of the Group's activities, ensuring that the Group's risk profile is in accordance with its risk appetite.

In order to ensure adequate risk management, Group members has in place an adequate organizational structure that corresponds to the volume, type and complexity of operations they perform and in order to prevent conflict of interest, risk assumption function (front office) is separated from the risk management function (middle office) and support activities (back office). Such organizational structure enables achievement of the goals set and risk management principles in practice.

The risk management process of the Group involves both Group's and each Group Member's bodies and organizational units with either direct or supporting risk management function. Each Group Member more closely defines the roles and responsibilities of the governing bodies according to the principles defined in Group Risk Management Strategy and local regulations.

In its regular course of business, each Group member is particularly exposed to the following risks: credit risk and risks associated with the credit risk, liquidity risk, interest rate risk, market risks, operational risks, investment risk, exposure/concentration risk, country risk and other risks.

Risk Management System

The basic principles of risk management that the banking Group is exposed to or may be exposed to in its operations are set on the Group level. Risk governance and management are in more details described in the following Group documents:

- Group Risk Management Strategy,
- Group Risk Management Policy,
- Group Policy on Internal Corporate Governance,
- Group ICAAP and ILAAP Framework, and
- Group Risk Appetite Statement.

- The Group's Risk Management Strategy defines the principles of risk management in order to ensure an adequate assessment of all risks that the Group is exposed to or may be exposed to in its operations and the appropriate capital needed to support the realization of the Group's strategic objectives in accordance with the Group Financial stream strategy (GFSS).

4. RISK MANAGEMENT (Continued)

Risk Management System (Continued)

With Risk Management Strategy, as part of a comprehensive risk management system, the Group:
- defines all risks that the Group is exposed to or may be exposed to in its business,
- defines long-term risk management objectives set forth in the GFSS,
- determines the basic principles of risk management,
- determines the obligation of regular reporting on risk management.

In order to satisfy the principle of risk taking, each Group subsidiary follows principles of risk management set on Group level. Group Risk Management Policy provides guidelines for the risk management process that the Group members apply in accordance with the nature, scope and complexity of their business activities. Members of the banking Group will further define in more details the principles of risk management according to its specifics but adhering to this Policy.

Group members define in more details the principles of risk management according to its specifics but adhering to Group Risk Management Policy. Each Group member has locally defined risk management policies and procedures that prescribe the responsibilities, method of individual risk management process, the method and methodology for identifying, measuring, evaluating, mitigating and monitoring these risks and the principles of the internal control system.

Risk management policies and procedures are reviewed at least once a year, or more often if there are significant changes in the risk profile of the Group.

4.1. Credit risk

Credit risk represents the risk of negative effects on the Group's financial result and capital arising from borrowers' inability to settle the matured liabilities to the Group. The strategy, business model and current risk profile arising from mostly traditional banking operations shows that the most important risk for the Group is credit risk.

The objective of managing credit risk is to minimize the possibility of adverse effects on the financial result and the capital of the Group due to non-fulfilment of the obligations of the debtor. In pursuing the stated goal, Group subsidiaries are guided by the principles defined in Group Risk Management Policy. Subsidiaries manage credit risk at the level of individual receivables, at the level of individual debtor, at the level of group of related debtors, as well as at the level of its entire portfolio of receivables.

All subsidiaries are obliged to adhere both to rules and principals set in Group internal acts as well as regulations in the countries in which each subsidiary operates.

The process of credit risk management is carried out through the following phases:
- identification of the risk,
- measurement and assessment of the risk,
- mitigation of risk,
- risk monitoring and control,
- risk reporting.

The process of identifying credit risk involves determination of the current level of exposure to credit risk based on historical data, as well as the exposure to credit risk that may arise during the period of repayment of placements. The identification of credit risk is carried out at the stage of establishing the initial contact with the client, which is established by the sales function.

Subsidiaries measure and assess credit risk by applying quantitative and qualitative criteria on the basis of which debtors and their claims are classified into the appropriate risk categories. The credit risk assessment is performed when considering the request for a particular loan, the request to change the terms and conditions for the use and repayment of particular loans, during monitoring of the loan/client and calculate the rating/classification, as well as during the preparation of a regular annual review on the client's business until the final collection of a particular placement.

Level of credit risk is measured also by the level of provisions and allowances calculated based on IFRS 9 requirements. The Group Risk Control function monitors quarterly the calculation of allowances for balance sheet assets and off-balance sheet items at the level of each subsidiary and in accordance with data submitted by each subsidiary.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

The Group Credit risk management function is involved in the credit risk measurement and assessment as defined in the Group Underwriting Framework. In addition, measurement and assessment of credit risk is performed further by assessing and following various internally defined credit risk related indicators.

Credit risk mitigation involves the establishment of measures and rules for the application of these measures, relating to the acquisition, reduction, diversification, transfer and avoidance of risks. In order to maintain risk at an acceptable level, each subsidiary applies credit risk mitigation techniques at the level of individual placements by respecting internally set limits, diversifying placements/investments and acquiring acceptable security instruments (collaterals).

The process of monitoring credit risk involves determining the rules, frequency and methods for monitoring credit risk so that eventual deterioration in the financial condition and creditworthiness of the debtor and credit provider can be identified in time to avoid or reduce losses on this basis. Credit risk monitoring is carried out at the level of each subsidiary, both at the level of individual receivables, i.e. debtors / groups of related parties, as well as at the level of the total loan portfolio. Monitoring of credit risk and the analysis of changes in the loan portfolio at the level of each subsidiary is presented quarterly and discussed at the meeting of the Group Risk and Audit Committee.

Reporting on credit risk at the level of each subsidiary includes an external and internal reporting system as well as reporting to the Group relevant functions for credit risk management/control. External reporting of each subsidiary is carried out in accordance with the requirements of the regulator, and internal reporting in accordance with internal acts. Regulatory reporting is also done on Group level (consolidated basis) in accordance with relevant regulation.

Impairment assessment of loans and receivables

Group recognizes impairment, in accordance with Group Impairment Framework which is in line with IFRS 9 regulation, for all financial instruments that are measured at amortized cost.

In accordance with the requirements of IFRS 9, the Group defines concept of expected credit losses, which provides calculation of impairment for all financial instruments that are measured at amortized cost. The banks have defined criteria for staging of its on-balance sheet assets and off-balance sheet items (to Stages 1, 2 and 3) depending on the level of credit risk increase since the initial recognition, as well as criteria for transfers of assets/receivables from one stage to another.

On a quarterly basis, for all of its financial instruments, Group:

- assesses the asset quality and determines whether there is objective evidence of impairment;
- assesses whether there has been a significant increase in the credit risk since the initial recognition; and
- calculates the amount of impairment per expected credit losses (ECL).

Process and rules of classification of financial assets are regularly monitored. Key criteria for asset classification is derived from the applicable regulatory requirements and IFRS 9. Financial instruments are classified into following three stages: Stages 1 and 2 for performing receivables and Stage 3 for non-performing receivables. Classification criteria are defined in the Group's internal act.

Impairment calculation is based on expected credit losses arising from the classification of assets into a specific group (Stages 1 and 2 for performing receivables and Stage 3 for non-performing receivables), the estimated probability of default (PD) in the following 12 months (Stage 1) or over the lifetime of the asset if the credit risk for that financial instrument has significantly increased from initial recognition or there is objective evidence of impairment (financial assets in Stage 2 and Stage 3). The Group has defined criteria for significant increase in probability of default, defined by segment on the basis of qualitative and quantitative information and analyses made on the basis of past information, experiences and expert credit assessments and forward-looking information.

When assessing expected credit losses for the purposes of calculating impairment, Group assesses for all financial instruments (at the level of a single exposure) whether there has been a significant increase in credit risk or default, and on the basis of this, performs the distribution of exposures by stages. Classification takes place in several steps: first, it is checked whether a financial asset was bought or originally impaired. Then, it is checked whether a default has occurred in a financial asset, in which case the asset is allocated to Stage 3. In the following step, criteria for significant increase of credit risk is checked, whereby the fulfilment of any of them implies classification of the asset to Stage 2.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Impairment assessment of loans and receivables (Continued)

Group at least quarterly assesses whether there has been a significant increase in credit risk for all financial instruments.

PD is assessed by observing the behavior of a particular population that is not in default for a specified period of time and by calculating the percentage of the population that entered in default during that period. PD in the loss identification period is estimated using transition matrices that show the loan/debtor's transition from performing ratings to default in a period between two dates.

Starting point are migration matrices calculated for each sub-segment individually by observing migration of clients by rating (Corporate) or dpd bucket (Retail) in the default category. For the PD calculation TTC matrix is multiplied as many times as the remaining period until maturity (months/years).

For the purpose of calculating the impairment for Stage 1, the expected twelve-month credit losses are part of the expected credit losses over the lifetime of financial asset. EAD represents an estimate of the exposure at the moment of default, taking into account the profile of contracted cash flows as well as possible additional withdrawals from approved lines before the default moment. The off balance sheet exposures are included in the EAD calculation using the credit conversion factor (CCF) that are used in the calculation of RWA.

In Stage 2, expected credit loss represents the probability weighted assessments of credit losses over the expected lifetime of financial instrument, while the cash shortage itself is the difference between cash flows that are contracted to the Group and cash flows that the Group expects to receive.

LGD parameter represents an estimate of the loss at default, or the default status. LGD is one of the key components for calculating expected losses. In its assessment of credit losses, Group strives to reflect the possibility of collecting cash flows from regular cash flows, as well as from collaterals. In that sense, the Group calculates LGD for secured part of the portfolio ("LGDsecured") and LGD for unsecured part of portfolio ("LGDunsecured") for calculation of expected loss for Stage 1 and Stage 2.

Calculation of impairment for exposures in Stage 3 is done for all exposures with the identified default status. Assessment of impairment could be done on individual and group basis depending on the individual significance of the exposure.

Individual assessment is performed for individually significant clients. Expected credit losses represent the probability weighted assessment of expected credit loss and the Group recognizes several possible collection scenarios when assessing expected future cash flows.
Scenarios that are taken into account are:

- realization of collateral,
- restructuring,
- bankruptcy,
- sale of receivables,
- collection from cash and
- other that is considered relevant.

When defining scenarios, Group takes into account the collection strategy defined for particular client.

When determining probability for certain scenarios, Group is guided by the history of realization and collection of default loans, as well as the specifics exposures as well as all other available information that may be relevant in assessing the probability of realizing a particular collection strategy. Probability of all scenarios in the sum must be 100%.

For all other exposures in Stage 3 impairment is calculated on the group level, which implies grouping of remain financial instruments in Stage 3 by the sub-segments depending on the portfolio structure.

Impairment value is calculated by using the residual LGD (PD is 100%). Residual LGD is calculated based on the number of months in default and recovery that has been discounted with EIR. LGD residual is applied to unsecured part of the exposure. When calculating the secured part of the exposure, only part of the exposure covered with hard collateral is taken into account.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Objective Evidence of Impairment and Significant Increase in Credit Risk

Upon assessing the expected credit losses (impairment allowance calculation), Group assesses individual financial instruments (at the loan facility level) to determine whether there has been a significant increase in credit risk or default, and performs the following staging accordingly:

- Stage 1 includes all financial assets without a significant increase in credit risk since initial recognition at the reporting date; PY
- Stage 2 includes financial assets with a significant increase in credit risk since initial recognition, but without objective evidence of impairment based on the credit losses; and PY
- Stage 3 includes financial assets with objective evidence of impairment at the reporting date.

Default, i.e. a default status (failure to settle liabilities), is defined as a material delay in liability settlement of at least 90 days at the exposure level. Default may be identified before the days past due reach 90 days if other quantitative and/or qualitative criteria are identified that indicate that there is objective evidence of impairment of a financial asset. For such purposes, a list of indicators to be considered in order to be able to identify the default status is defined.

Identification of a Significant Increase in Credit Risk

The Group has defined parameters that, when identified, indicate or may indicate that there has been a significant increase in credit risk:

- days past due in liability settlement longer than 30 days,
- deteriorated borrower/exposure classification (rating) compared to the initial approval,
- restructuring of the receivable/exposure due to the financial difficulties of the borrower,
- deterioration in the rating of an external rating agency (applies in the case of exposures to banks and countries), and/or
- additional if applied on the single Group member.

Calculation of Impairment – Stage 1

For the purpose of calculating the impairment in Stage 1, the expected twelve-month credit losses are part of the expected credit losses over the entire term of the financial asset and represent cash shortages over the term that will result if default occurs within 12 months after the reporting date, weighted by the likelihood of such non-execution.

Calculation of Impairment – Stage 2

The expected loss represents the probability weighted assessment of credit losses (i.e., the present value of all cash shortages) over the expected life of financial instrument, while the cash shortage itself is the difference between cash flows that belong to the Group and under the contract and cash flows that the Group expects to receive.
Expected Credit Loss here represent probability-weighted estimates of credit losses (i.e., the present value of all cash shortages) that will arise over the expected life of a financial instrument, while the cash shortage itself is the difference between cash flows that belong to the Group under the contract and cash flows that the Group expects to receive.

Calculation of Impairment – Stage 3

For impairment allowance calculation, all exposures in Stage 3 entail:

- all exposures with identified default status; and
- all financial instruments meeting the definition of POCI assets under IFRS 9.

Assessment on an individual basis

The individual assessment is performed for individually significant clients and threshold is defined on the Group level (credit institution subsidiaries may define more conservative threshold depending on local specifics, local regulations, etc.).

Since, under IFRS 9, expected credit losses (ECL) represent probability weighted assessment of expected credit losses, the Group recognizes several possible collection scenarios when assessing expected future cash flows. When defining the scenario, Group takes into account the collection strategy defined for particular client. When determining probability for certain scenarios, Group is guided by the history of realization and collection of default loans, as well as individual exposure specifics and all other available information that may be relevant in assessing the probability of realizing a particular collection strategy

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Group Assessment

For all other exposures, impairment is calculated on the group level, which implies the grouping of the remaining financial instruments in Stage 3 by the sub-segments depending on the portfolio structure.

Exposure to government and financial institutions

Since the Group does not have adequate history of migrations and default for exposures to governments and financial institutions, it relies on the data of an external credit rating agency for impairment calculation.

For banks that does not have external rating, the Group uses as input the ratings of the countries of their domicile.

Maximum credit risk exposure

The table below represents the maximum credit risk exposure without collaterals or other means that improve securities' credit rating. The exposure is based on the carrying amounts from the statement of financial position (balance sheet):

Maximum credit risk exposure before collateral or other credit enhancements

Assets		December 31, 2019	
	Gross Receivables	Impairment Allowance	Net Amount
I Balance sheet items	3,578,693	(67,718)	3,510,975
Cash and cash funds held with the central bank	571,330	(43)	571,287
Pledged financial assets	1,436	-	1,436
Receivables under derivatives	190	-	190
Securities	597,186	(2,326)	594,860
Loans and receivables due from banks and other financial institutions	154,935	(1,828)	153,107
Loans and receivables due from customers	2,240,067	(61,469)	2,178,598
Other assets	13,549	(2,052)	11,497
II Off-balance sheet items	477,916	(2,363)	475,553
Guarantees issued, unsecured letters of credit and acceptances	230,712	(1,404)	229,308
Irrevocable commitments – per framework loans	247,204	(959)	246,245
Total	**4,056,609**	**(70,081)**	**3,986,528**

Assets		December 31, 2018	
	Gross Receivables	Impairment Allowance	Net Amount
I Balance sheet items	**3,804,154**	**(133,528)**	**3,670,566**
Cash and cash funds held with the central bank	562,105	(39)	562,066
Pledged financial assets	13,674	-	13,674
Receivables under derivatives	239	-	239
Securities	594,518	(3,715)	590,803
Loans and receivables due from banks and other financial institutions	361,224	(2,604)	358,620
Loans and receivables due from customers	2,245,816	(124,880)	2,120,936
Other assets	26,578	(2,290)	24,228
II Off-balance sheet items	**408,806**	**(3,022)**	**405,784**
Guarantees issued, unsecured letters of credit and acceptances	189,010	(1,796)	187,214
Irrevocable commitments – per framework loans	219,796	(1,226)	218,570
Total	**4,212,960**	**(136,550)**	**4,076,350**

In case of financial instruments measured at fair value (market value), the amounts presented relate to the current credit risk exposure, but not the maximum credit risk exposure that may arise in the future as a result of fair value adjustments.

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4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

The following tables present the movements of the gross carrying values of assets per class of assets:

Cash and balances with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2017	280,453	-	-	-	280,453
Movements of the gross carrying value					
Transfer to Stage 1	280,453	-	-	-	280,453
Newly acquired/originated assets	324,327	-	-	-	324,327
Decreases due to derecognition	(42,675)	-	-	-	(42,675)
Gross carrying value at December 31, 2018	**562,105**	**-**	**-**	**-**	**562,105**
Accumulated impairment at December 31, 2018	(39)	-	-	-	(39)

Cash and balances with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2018	**562,105**	**-**	**-**	**-**	**562,105**
Movements of the gross carrying value					
Transfer to Stage 1	562,105	-	-	-	562,105
Newly acquired/originated assets	71,012	-	-	-	71,012
Decreases due to derecognition	(63,693)	-	-	-	(63,693)
Other adjustments	1,906	-	-	-	1,906
Gross carrying value at December 31, 2019	**571,330**	**-**	**-**	**-**	**571,330**
Accumulated impairment at December 31, 2019	(43)	-	-	-	(43)

Securities	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2017	272,952	-	4,844	-	277,796
Change to scope of consolidation	330,351	-	-	-	330,351
Movements of the gross carrying value					
Transfer to Stage 1	233,402	-	-	-	233,402
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	39,550	-	4,844	-	44,394
Newly acquired/originated assets	128,929	-	-	-	128,929
Decreases due to derecognition	(139,171)	-	(3,387)	-	(142,558)
Gross carrying value at December 31, 2018	**593,061**	**-**	**1,457**	**-**	**594,518**
Accumulated impairment at December 31, 2018	(2,258)	-	(1,457)	-	(3,715)

Securities	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2018	**594,518**	**-**	**1,457**	**-**	**594,518**
Movements of the gross carrying value					
Transfer to Stage 1	593,835	-	-	-	593,835
Transfer to Stage 2	681	-	-	-	681
Transfer to Stage 3	2	-	1,457	-	1,459
Newly acquired/originated assets	172,291	316	231	-	172,838
Decreases due to derecognition	(166,351)	-	(1)	-	(166,352)
Change in scope of consolidation - demerger	(3,030)	-	-	-	(3,030)
Other adjustments	(2,254)	1	8		(2,245)
Gross carrying value at December 31, 2019	**595,174**	**317**	**1,695**	**-**	**597,186**
Accumulated impairment at December 31, 2019	(852)	(10)	(1,464)	-	(2,326)

Loans and receivables due from banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2017	128,995	793	31,889	-	161,677
Change to scope of consolidation	57,039	486	3,784	-	61,309
Movements of the gross carrying value					
Transfer to Stage 1	128,995	793	4,644	-	134,432
Transfer to Stage 3	-	-	27,245	-	27,245
Newly acquired/originated assets	210,497	-	41	-	210,538
Decreases due to derecognition	(38,578)	(794)	(31,400)	-	(70,772)
Write-offs	-	-	(1,528)	-	(1,528)
Other adjustments	-	-	-	-	-
Gross carrying value at December 31, 2018	**357,953**	**485**	**2,786**	**-**	**361,224**
Accumulated impairment at December 31, 2018	(1,742)	(55)	(807)	-	(2,604)

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4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and receivables due from banks and other financial institutions	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value at December 31, 2018	**357,953**	**485**	**2,786**	**-**	**361,224**
Movements of the gross carrying value					
Transfer to Stage 1	357,921	432	2,141	-	360,494
Transfer to Stage 2	32	53	-		85
Transfer to Stage 3	-	-	645	-	645
Newly acquired/originated assets	171,619	33	330	-	171,982
Decreases due to derecognition	(279,073)	(452)	(2,269)	-	(281,794)
Change in scope of consolidation - demerger	(97,148)	-	-	-	(97,148)
Write-offs	-	-	-	-	-
Other adjustments	666	-	5	-	671
Gross carrying value at December 31, 2019	**154,017**	**66**	**852**	**-**	**154,935**
Accumulated impairment at December 31, 2019	(1,209)	(2)	(617)	-	(1,828)

Loans and receivables due from customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value at December 31, 2017	906,294	91,346	205,475	-	1,203,115
Change to scope of consolidation	802,970	84,872	119,126	-	1,006,968
Movements of the gross carrying value					
Transfer to Stage 1	864,699	50,613	160,482	-	1,705,794
Transfer to Stage 2	38,500	37,897	1,590	-	77,987
Transfer to Stage 3	3,095	2,836	43,403	-	49,334
Modifications not resulting in derecognition	7,032	9,244	1,551	-	17,827
Newly acquired/originated assets	578,581	22,018	7,051	-	607,650
Decreases due to derecognition	(381,215)	(47,200)	(97,389)	-	(525,804)
Write-offs	(147)	(46)	(67,130)	-	(67,323)
Other adjustments	2,522	367	494	-	3,383
Gross carrying value at December 31, 2018	**1,916,037**	**160,601**	**169,178**	**-**	**2,245,816**
Accumulated impairment at December 31, 2018	(53,251)	(5,249)	(66,380)	-	(124,880)

Loans and receivables due from customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value at December 31, 2018	**1,916,037**	**160,601**	**169,178**	**-**	**2,245,816**
Movements of the gross carrying value					
Transfer to Stage 1	1,838,530	82,937	71,387	-	1,992,854
Transfer to Stage 2	69,024	75,514	1,065	-	145,603
Transfer to Stage 3	8,483	2,150	96,727	-	107,360
Modifications not resulting in derecognition	94,714	13,859	2,695	-	111,268
Newly acquired/originated assets	1,057,620	72,526	8,391	3,799	1,142,336
Decreases due to derecognition	(897,713)	(103,032)	(81,196)	-	(1,081,941)
Change in scope of consolidation - demerger	(175,373)	-	-	-	(175,373)
Write-offs	(137)	(112)	(3,765)	-	(4,014)
Other adjustments	3,910	161	(2,106)	9	1,974
Gross carrying value at December 31, 2019	**1,999,058**	**144,003**	**93,198**	**3,808**	**2,240,067**
Accumulated impairment at December 31, 2019	(34,266)	(4,033)	(23,153)	(17)	(61,469)

Other assets	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value at December 31, 2017	18,794	269	13,689	-	32,752
Change to scope of consolidation	4,707	-	278	-	4,985
Movements of the gross carrying value					
Transfer to Stage 1	18,675	129	7,503	-	26,307
Transfer to Stage 2	18	135	6	-	159
Transfer to Stage 3	100	5	6,180	-	6,285
Newly acquired/originated assets	13,580	38	149	-	13,767
Decreases due to derecognition	(7,200)	(146)	(3,393)	-	(10,739)
Write-offs	(13)	(1)	(259)	-	(273)
Gross carrying value at December 31, 2018	**29,867**	**160**	**10,464**	**-**	**40,491**
Accumulated impairment at December 31, 2018	(215)	(1)	(2,074)	-	(2,290)

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4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Other assets	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2018	**29,867**	**160**	**10,464**	**-**	**40,491**
Movements of the gross carrying value					
Transfer to Stage 1	28,667	46	8,614	-	37,327
Transfer to Stage 2	38	33	2	-	73
Transfer to Stage 3	1,162	80	1,848	-	3,090
Newly acquired/originated assets	5,676	143	1,429	-	7,248
Decreases due to derecognition	(14,783)	(128)	(8,837)	-	(23,748)
Change in scope of consolidation - demerger	(10,175)	-	-	-	(10,175)
Write-offs	(10)	-	(206)	-	(216)
Other adjustments	1,560	-	36	-	1,596
Gross carrying value at December 31, 2019	**12,115**	**174**	**2,886**	**-**	**15,175**
Accumulated impairment at December 31, 2019	(344)	(8)	(1,700)	-	(2,052)

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2017	102,851	4,327	1,566	-	108,744
Change to scope of consolidation	267,276	1,862	1,550	-	270,688
Movements of the gross carrying value					
Transfer to Stage 1	102,579	2,715	1,074	-	106,368
Transfer to Stage 2	247	1,611	84	-	1,942
Transfer to Stage 3	25	1	408	-	434
Newly acquired/originated assets	91,775	867	338	-	92,980
Decreases due to derecognition	(60,188)	(2,287)	(1,131)	-	(63,606)
Gross carrying value at December 31, 2018	**401,714**	**4,769**	**2,323**	**-**	**408,806**
Accumulated impairment at December 31, 2018	(2,611)	(200)	(211)	-	(3,022)

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2018	**401,714**	**4,769**	**2,323**	**-**	**408,806**
Movements of the gross carrying value					
Transfer to Stage 1	393,970	2,667	1,412	-	398,049
Transfer to Stage 2	7,569	2,096	6	-	9,671
Transfer to Stage 3	175	6	907	-	1,088
Newly acquired/originated assets	293,515	8,695	271	-	302,481
Decreases due to derecognition	(205,937)	(2,236)	(1,604)	-	(209,777)
Change in scope of consolidation - demerger	(24,257)	-	-	-	(24,257)
Other adjustments	639	19	3		661
Gross carrying value at December 31, 2019	**465,674**	**11,247**	**995**	**-**	**477,916**
Accumulated impairment at December 31, 2019	(2,039)	(276)	(48)	-	(2,363)

The following tables present the movements of the impairment allowance of assets per class of assets:

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Change to scope of consolidation	(3)	-	-	-	(3)
Newly acquired/originated assets	(373)	-	-	-	(373)
Decreases due to derecognition	338	-	-	-	338
Foreign exchange effects	(1)	-	-	-	(1)
Impairment allowance at December 31, 2018	**(39)**	**-**	**-**	**-**	**(39)**

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2018	**(39)**	**-**	**-**	**-**	**(39)**
Movements of the impairment allowance					
Transfer to Stage 1	(39)	-	-	-	(39)
Newly acquired/originated assets	(49)	-	-	-	(49)
Decreases due to derecognition	45	-	-	-	45
Foreign exchange effects	-	-	-	-	-
Impairment allowance at December 31, 2019	**(43)**	**-**	**-**	**-**	**(43)**

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4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Securities	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2017	(1,258)	-	(4,776)	-	(6,034)
First-time adoption of IFRS 9	25	-	(2)	-	23
Impairment allowance at January 1, 2018	(1,283)	-	(4,778)	-	(6,057)
Change to scope of consolidation	(562)	-	-	-	(562)
Movements of the impairment allowance					
Transfer to Stage 1	(1,283)	-	(3,304)	-	(4,578)
Transfer to Stage 3	-	-	(1,474)	-	(1,474)
Newly acquired/originated assets	(551)	-	(10)	-	(561)
Decreases due to derecognition	156	-	31	-	187
Write-offs	-	-	3,300	-	3,300
Foreign exchange effects	(18)	-	-	-	(18)
Impairment allowance at December 31, 2018	**(2,258)**	**-**	**(1,457)**	**-**	**(3,715)**

Securities	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2018	(2,258)	-	(1,457)	-	(3,715)
Movements of the impairment allowance					
Transfer to Stage 1	(2,244)	-	-	-	(2,244)
Transfer to Stage 2	(14)	-	-	-	(14)
Transfer to Stage 3	-	-	(1,457)	-	(1,457)
Newly acquired/originated assets	(592)	(24)	(6)	-	(622)
Decreases due to derecognition	716	14	6	-	736
Change in scope of consolidation - demerger	1,298	-	-	-	1,298
Foreign exchange effects	-	-	(7)	-	(7)
Other adjustments	(16)	-	-	-	(16)
Impairment allowance at December 31, 2019	**(852)**	**(10)**	**(1,464)**	**-**	**(2,326)**

Loans and receivables due from banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2017	(1,012)	(3)	(1,911)	-	(3,026)
First-time adoption of IFRS 9	(55)	3	599	-	547
Impairment allowance at January 1, 2018	(1,067)	-	(1,312)	-	(2,479)
Change to scope of consolidation	(426)	(56)	(4,163)	-	(4,645)
Movements of the impairment allowance					
Transfer to Stage 1	(1,067)	-	(1,111)	-	(2,278)
Transfer to Stage 3	-	-	(201)	-	(201)
Newly acquired/originated assets	(343)	-	(1,238)	-	(1,581)
Decreases due to derecognition	195	-	4,321	-	4,516
Write-offs	-	-	1,589	-	1,589
Foreign exchange effects	1	-	(6)	-	(5)
Other adjustments	(2)	1	2	-	1
Impairment allowance at December 31, 2018	**(1,742)**	**(55)**	**(807)**	**-**	**(2,604)**

Loans and receivables due from banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2018	(1,742)	(55)	(807)	-	(2,604)
Movements of the impairment allowance					
Transfer to Stage 1	(1,742)	(55)	(210)	-	(2,007)
Transfer to Stage 3	-	-	(597)	-	(597)
Increases due to changes in the credit risk	(5)	(1)	-		(6)
Newly acquired/originated assets	(1,052)	(1)	(152)	-	(1,205)
Decreases due to derecognition	1,322	55	345	-	1,722
Change in scope of consolidation - demerger	270	-	-	-	270
Foreign exchange effects	(2)	-	(3)	-	(5)
Impairment allowance at December 31, 2019	**(1,209)**	**(2)**	**(617)**	**-**	**(1,828)**

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4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Loans and receivables due from customers	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2017	(32,336)	(1,219)	(75,084)	-	(108,639)
First-time adoption of IFRS 9	(4,765)	(1,892)	727	-	(5,930)
Impairment allowance at January 1, 2018	(37,101)	(3,111)	(74,357)	-	(114,569)
Change to scope of consolidation	(9,291)	(3,086)	(56,207)	-	(68,584)
Movements of the impairment allowance					
Transfer to Stage 1	(36,552)	(1,687)	(60,818)	-	(99,057)
Transfer to Stage 2	(512)	(1,621)	(220)	-	(2,353)
Transfer to Stage 3	(37)	(155)	(6,507)	-	(6,699)
Increases due to changes in the credit risk	(1,229)	(809)	(11,484)	-	(13,522)
Decreases due to changes in the credit risk	1,331	1,162	4,717	-	7,210
Modifications not resulting in derecognition	(71)	(1)	(45)	-	(117)
Newly acquired/originated assets	(47,705)	(7,551)	(33,044)	-	(88,300)
Decreases due to derecognition	40,325	8,393	27,934	-	76,652
Write-offs	147	46	67,130	-	67,323
Foreign exchange effects	343	60	2,164	-	2,567
Impairment allowance at December 31, 2018	**(53,251)**	**(5,249)**	**(66,380)**	**-**	**(124,880)**

Loans and receivables due from customers	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2018	**(53,251)**	**(5,249)**	**(66,380)**	**-**	**(101,144)**
Movements of the impairment allowance					
Transfer to Stage 1	(52,623)	(2,192)	(41,971)	-	(96,786)
Transfer to Stage 2	(561)	(2,892)	(435)	-	(3,888)
Transfer to Stage 3	(67)	(164)	(23,974)	-	(24,205)
Increases due to changes in the credit risk	(1,533)	(574)	(2,937)	-	(5,044)
Decreases due to changes in the credit risk	1,465	1,376	3,717	-	6,558
Modifications not resulting in derecognition	(339)	(128)	2	-	(465)
Newly acquired/originated assets	(95,045)	(5,894)	(8,828)	(85)	(109,852)
Decreases due to derecognition	95,326	6,191	45,872	68	147,457
Write-offs	137	112	3,410	-	3,659
Change in scope of consolidation - demerger	23,736	-	-	-	23,736
Foreign exchange effects	(86)	(5)	(44)	-	(135)
Other adjustments	(4,676)	137	2,035	-	(2,504)
Impairment allowance at December 31, 2019	**(34,266)**	**(4,033)**	**(23,153)**	**(17)**	**(61,469)**

Other assets	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2017	(1,449)	(2)	(4,367)	-	(5,818)
First-time adoption of IFRS 9	27	(8)	38	-	57
Impairment allowance at January 1, 2018	(1,422)	(10)	(4,329)	-	(5,461)
Change to scope of consolidation	-	-	(278)	-	(278)
Movements of the impairment allowance					
Transfer to Stage 1	(1,422)	(7)	(105)	-	(1,534)
Transfer to Stage 2	-	-	(4)	-	(4)
Transfer to Stage 3	-	(2)	(4,209)	-	(4,211)
Newly acquired/originated assets	(380)	(18)	(594)	-	(992)
Decreases due to derecognition	1,588	26	2,852	-	4,466
Write-offs	13	1	260	-	274
Other adjustments	(14)	(1)	4	-	(11)
Impairment allowance at December 31, 2018	**(215)**	**(1)**	**(2,074)**	**-**	**(2,290)**

Other assets	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2018	**(215)**	**(1)**	**(2,074)**	**-**	**(2,290)**
Movements of the impairment allowance					
Transfer to Stage 1	(215)	(1)	(506)	-	(722)
Transfer to Stage 2	-	-	(1)	-	(1)
Transfer to Stage 3	-	-	(1,567)	-	(1,567)
Increases due to changes in the credit risk	(1)	-	(9)	-	(10)
Decreases due to changes in the credit risk	1	-	-	-	1
Newly acquired/originated assets	(469)	(18)	(257)	-	(744)
Decreases due to derecognition	244	12	443	-	699
Change in scope of consolidation - demerger	85	-	-	-	85
Write-offs	10	-	206	-	216
Foreign exchange effects	1	(1)	(9)	-	(9)
Impairment allowance at December 31, 2019	**(344)**	**(8)**	**(1,700)**	**-**	**(2,052)**

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4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2017	(938)	(13)	(106)	-	(1,057)
First-time adoption of IFRS 9	(190)	(128)	(22)	-	(340)
Impairment allowance at January 1, 2018	(1,128)	(141)	(128)	-	(1,397)
Change to scope of consolidation	(1,214)	(25)	(203)	-	(1,442)
Movements of the impairment allowance					
Transfer to Stage 1	(1,239)	(20)	(114)	-	(1,261)
Transfer to Stage 2	(1)	(121)	(2)	-	(124)
Transfer to Stage 3	-	-	(12)	-	(12)
Newly acquired/originated assets	(3,087)	(155)	(77)	-	(3,319)
Decreases due to derecognition	2,928	121	197	-	3,246
Foreign exchange effects	2	-	-	-	2
Impairment allowance at December 31, 2018	(2,611)	(200)	(211)	-	(3,022)

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2018	(2,611)	(200)	(211)	-	(3,022)
Movements of the impairment allowance					
Transfer to Stage 1	(2,623)	(174)	(201)	-	(2,998)
Transfer to Stage 2	12	(26)	(2)	-	(16)
Transfer to Stage 3	-	-	(8)	-	(8)
Increases due to changes in the credit risk	(246)	(98)	(8)		(352)
Decreases due to changes in the credit risk	237	14	159		410
Newly acquired/originated assets	(3,588)	(159)	(11)	-	(3,758)
Decreases due to derecognition	4,042	184	23	-	4,249
Foreign exchange effects	(3)	-	-	-	(3)
Other adjustments	130	(17)	-	-	113
Impairment allowance at December 31, 2019	(2,039)	(276)	(48)	-	(2,363)

The following tables provide movements of exposures per class of assets and risk level:

		December 31, 2018	
Cash and balances held with the central bank	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	562,105	-	-
Total gross carrying value	562,105	-	-
Impairment allowance	(39)	-	-

		December 31, 2019	
Cash and balances held with the central bank	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	571,330	-	-
Total gross carrying value	571,330	-	-
Impairment allowance	(43)	-	-

		December 31, 2018	
Securities	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	589,895	-	3
Medium credit risk level	3,033	-	-
High credit risk level	133	-	1,454
Total gross carrying value	591,488	-	1,457
Impairment allowance	(2,258)	-	(1,457)

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4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

		December 31, 2019	
Securities	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	556,962	-	-
Medium credit risk level	38,208	317	231
High credit risk level	4	-	1,464
Total gross carrying value	595,174	317	1,695
Impairment allowance	(852)	(10)	(1,464)

		December 31, 2018	
Loans and receivables due from banks and other financial institutions	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	357,821	471	41
Medium credit risk level	132	14	2,534
High credit risk level	-	-	211
Total gross carrying value	255,789	485	2,786
Impairment allowance	(1,742)	(55)	(807)

		December 31, 2019	
Loans and receivables due from banks and other financial institutions	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	7,320	-	-
Medium credit risk level	146,692	40	241
High credit risk level	5	26	611
Total gross carrying value	154,017	66	852
Impairment allowance	(1,209)	(2)	(617)

		December 31, 2018	
Loans and receivables due from customers	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	1,377,749	65,376	242
Medium credit risk level	534,942	90,890	118,153
High credit risk level	3,346	4,335	50,783
Total gross carrying value	1,916,037	160,601	169,178
Impairment allowance	(53,251)	(5,249)	(66,380)

		December 31, 2019	
Loans and receivables due from customers	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	804,650	13,226	3,322
Medium credit risk level	1,035,514	78,552	9,002
High credit risk level	158,894	52,225	84,682
Total gross carrying value	1,999,058	144,003	97,006
Impairment allowance	(34,266)	(4,033)	(23,170)

		December 31, 2018	
Other assets	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	19,037	100	280
Medium credit risk level	10,721	42	72
High credit risk level	109	18	10,112
Total gross carrying value	29,867	160	10,464
Impairment allowance	(215)	(1)	(2,074)

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4. RISK MANAGEMENT (Continued)

4.1. Credit Risk (Continued)

	December 31, 2019		
Other assets	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	2,595	7	550
Medium credit risk level	9,027	53	684
High credit risk level	493	114	1,652
Total gross carrying value	12,115	174	2,886
Impairment allowance	(344)	(8)	(1,700)

	December 31, 2018		
Off-balance sheet items	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	353,714	1,547	392
Medium credit risk level	47,449	3,153	270
High credit risk level	551	69	1,661
Total gross carrying value	401,714	4,769	2,323
Impairment allowance	(2,611)	(200)	(211)

	December 31, 2019		
Off-balance sheet items	**Stage 1**	**Stage 2**	**Stage 3**
Low credit risk level	195,726	684	204
Medium credit risk level	267,615	4,728	204
High credit risk level	2,333	5,835	587
Total gross carrying value	465,674	11,247	995
Impairment allowance	(2,039)	(276)	(48)

Loans with renegotiated initially agreed terms

Loans with renegotiated initially agreed terms are loans rescheduled and/or restructured due to the borrowers' deteriorating financial situation or difficulties in servicing liabilities as these fall due.

Restructuring loan agreements stipulate terms significantly different from those originally defined and agreed and all the previous receivables (or their major portion) due from the borrower are replaced by a new loan. Significantly different terms are deemed to be particularly the following: extension of repayment due date for principal and interest, reduction of interest rate or amount receivable, change in valuation manner and other changes facilitating the borrower's position.

Loan restructuring is acceptable to the Group only if pertaining to loans otherwise not likely collectable and if the loan restructuring according to the financial consolidation program enables, within a period acceptable to the Group, significant improvement in the financial situation of the borrower, with high probability of loan collection in the agreed amount and upon newly defined maturity, and additional collaterals or security – in the form of co-sureties adhering to debt or in the form of pledge lien registered over movable and immovable property of third parties, improving the quality of assets.

Upon loan restructuring, the Group performs financial analysis of the borrowers, and if it estimates that, after restructuring, the borrower will realize cash flows sufficient for principal and interest repayment, the Group decides on loan restructuring.

	Restructured		**Rescheduled**	
	December 31, 2019	**December 31, 2018**	**December 31, 2019**	**December 31, 2018**
Corporate	116,182	138,008	2,490	12,648
Retail	1,943	3,430	426	617
Total	**118,125**	**141,438**	**2,916**	**13,265**

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4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Concentration risk

The Group manages concentration risk by establishing a system of limits to the exposures with the same or similar risk factors (industry sectors/activities, product types, geographic regions, single borrowing entities or groups of related entities, collaterals etc.) on credit institution and Group level.

Loans and receivables due from customers, banks and other financial institutions per industry sector, net of allowances:

	December 31, 2019	December 31, 2018
Finance and insurance sector	148,438	350,683
Public companies	100,895	408,064
Corporate customers	1,496,302	677,094
Entrepreneurs	38,272	163,888
Public sector	33,028	294,012
Retail customers	468,800	365,390
Non-residents	25,029	41,823
Private households with employed members and registered agricultural producers	4,591	4,316
Other customers	16,350	174,286
Total	**2,331,705**	**2,479,556**

Loans and receivables due from customers, banks and other financial institutions per geographic area:

				December 31, 2019
	Serbia	Europe	Other	Total
Loans and receivables from banks and other financial institutions	38,332	94,615	20,160	153,107
Loans and receivables from customers	1,034,219	1,103,015	41,364	2,178,598
TOTAL LOANS AND RECEIVABLES	**1,072,551**	**1,197,630**	**61,524**	**2,331,705**

				December 31, 2018
	Serbia	Europe	Other	Total
Loans and receivables from banks and other financial institutions	126,007	223,913	8,700	358,620
Loans and receivables from customers	1,131,378	954,833	34,725	2,120,936
TOTAL LOANS AND RECEIVABLES	**1,257,385**	**1,178,746**	**43,425**	**2,479,556**

Credit risk hedges (Collaterals)

For the purpose of protection against credit risk, in addition to regular monitoring of the customer business operations, the Group most commonly obtains security instruments (collaterals) to secure the collection of receivables and minimize credit risk.

As a standard type of loan security instrument, the Group demands and receives from clients contractual authorizations for account withdrawals and bills of exchange, whereas, depending on the credit risk assessment and loan type, additional collaterals agreed upon include the following: mortgages assigned over property; pledge liens assigned over movable assets; partial or full loan coverage with deposits; obtaining guarantees from another bank or a legal entity, adequate securities, arranging co-surety or debt adherence whereby another legal entity becomes a co-debtor; and other.

In the event that the Group arranges for mortgage or pledge lien, assigned over property or movable assets, the Group always demands an appraisal performed by a certified independent appraiser in order to minimize potential risks.

In the following breakdown the value of collaterals is presented as fair value of collaterals so that it is presented only up to the extent of the gross loan amount (when collateral value exceeds the loan amount). In instances of collateral values below the gross loan amounts, the fair value of collateral is stated.

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4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Credit risk hedges (Collaterals) (Continued)

The values of collaterals and guarantees received in order to mitigate credit risk exposure inherent in the loans approved to customers as of December 31, 2019 and 2018 are provided in the table below:

					December 31, 2019
	Mortgages	**Guarantees**	**Deposits**	**Other**	**Total**
Corporate loans	1,031,689	32,267	39,152	582,329	1,685,437
Loan to entrepreneurs	16,869	361	1,100	30,557	48,887
Total corporate	***1,048,558***	***32,628***	***40,252***	***612,886***	***1,734,324***
Cash loans	8,834	-	5,760	209,248	223,842
Credit cards	42	-	2,240	-	2,282
Current account overdrafts	-	-	108	1,910	2,018
Housing loans	229,425	-	1,530	55,917	286,872
Agricultural loans	2,895	-	3	88	2,986
Other	288	-	45	14	347
Total retail	241,484	-	9,686	267,177	518,347
Total	**1,290,042**	**32,628**	**49,938**	**880,063**	**2,252,671**

					December 31, 2018
	Mortgages	**Guarantees**	**Deposits**	**Other**	**Total**
Corporate loans	931,619	50,312	33,736	458,973	1,474,640
Loan to entrepreneurs	15,134	346	873	16,392	32,745
Total corporate	***946,753***	***50,658***	***34,609***	***475,365***	***1,507,385***
Cash loans	10,148	-	5,230	99,289	114,667
Credit cards	42	-	3,709	-	3,751
Current account overdrafts	-	-	178	-	178
Housing loans	216,452	-	1,047	40,278	257,777
Agricultural loans	2,436	-	3	19	2,458
Other	264	-	42	217	523
Total retail	***229,342***	-	***10,209***	***139,803***	***379,354***
Total	**1,176,095**	**50,658**	**44,818**	**615,168**	**1,886,739**

Other collaterals include pledge liens assigned over goods, receivables, equipment, shares and precious metals.

The loan amount relative to the revalued amount of the property held as collateral is monitored as loan to value ratio (LTV ratio).

Breakdown of housing loans per LTV ratio spread

	December 31, 2019	**December 31, 2018**
<50%	44,788	43,990
51% - 70%	49,563	40,362
71% - 100%	38,141	44,291
100% - 150%	3,380	8,253
>150%	1,689	2,533
Other	33,017	31,654
Total	**170,578**	**171,083**
(Average LTV ratio	54%	56%

Assets acquired in lieu of debt collection

Assets representing security instruments (collaterals) acquired by the Group in the process of debt collection are provided in the table below:

	December 31, 2019	**December 31, 2018**
Business premises (Note 33)	11,170	12,640
Non-current assets held for sale (Note 31)	1,132	2,086
Equipment (Note 33)	561	173
Total	**12,863**	**14,899**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk

Liquidity risk management objective is managing of assets and liabilities in each subsidiary in a way that enables fulfillment of all obligations at any time in order to eliminate the possibility of negative effects on the financial result and capital taking into the consideration the specific business activities, strategic goals and organizational structure of the Group. Each subsidiary has established an appropriate organizational structure that corresponds to the scope, type and complexity of the tasks it performs. Liquidity risk measurement is performed through the calculation and monitoring of liquidity ratios which have to meet internally and regulatory defined limits. In order to protect itself against liquidity risk and for its measurement, the Group performs GAP analysis and stress testing.

Liquidity risk is mitigated through diversification, transfer, reduction and/or avoidance of risks that may arise from the Group's liquidity risk exposure. In order to minimize liquidity risk, the Group uses long-term and short-term protection measures against liquidity risk. In addition, the Group analyzes the behavior of depositors and identifies sources of funds that are stable under various circumstances, as well as those that will be gradually drawn with the problems arising and those that will be drawn down as soon as the first problem signals appear. Accordingly, the Group reduces reliance on sources of funds that are unstable or volatile.

Each Group subsidiary credit institution, Gorenjska Bank and AIK Bank, is calculating liquidity ratios according to prescribed central bank regulation in order to meet required values.

AIK Bank calculates liquidity ratios and rigid liquidity ratios prescribed by the regulator National Bank of Serbia. During 2019, AIK Bank's liquidity ratios and rigid (cash) liquidity ratios were well above the prescribed limits and as of 31st of December are:

	Liquidity ratio		Rigid (cash) liquidity ratio	
	2019	**2018**	**2019**	**2018**
As of December 31	2.16	2.15	1.90	1.95
Regulatory limit	1.00		0.70	

Gorenjska Bank calculates first-class and second-class liquidity ratio prescribed by the regulator National Bank of Slovenia. In 2019, National bank of Slovenia brought amendment of the regulation regarding First class liquidity ratio (KL1) and prescribed recommendation that KL1 should be above 1 instead of the hard limit. For liquidity risk monitoring, the primary liquidity risk ratio is Liquidity coverage ratio LCR. As of 31st of December Gorenjska Bank's liquidity ratios were:

	First-class liquidity ratio		Second-class liquidity ratio	
	2019	**2018**	**2019**	**2018**
As of December 31	1.12	1.20	1.07	1.06
Regulatory recommendation	1.00		-	

The Group also monitors the LCR (Liquidity coverage ratio) which has to be above 100% according to regulatory requirements. Credit institution subsidiaries calculate LCR on a solo basis and also Group calculates LCR on a consolidated basis. During 2019 there were no limit breaches of either internally or regulatory defined LCR limits on a solo or consolidated basis.

As of 31st of December	**Liquidity coverage ratio (LCR)**
AIK Bank	157%
Gorenjska Bank	314%
Group level	**191%**
Internal limit	115%
Regulatory limit	100%

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

The Group calculates a standardized net stable funding ratio (NSFR) on a quarterly basis. It aims to provide stable, medium and long-term financing for adequate structure and maturity. During 2019 there were no limit breaches of either internally or regulatory defined NSFR limits on consolidated basis.

As of 31st of December	Net Stable Funding Ratio (NSFR)
NSFR on consolidated level	**133%**
Internal limit	105%
Regulatory limit	100%

In the process of liquidity risk measurement the Group uses GAP analysis by grouping balance-sheet and off-balance sheet items per time buckets according to the contractually defined maturity dates, i.e., expected time for generating cash flows that may be manifest as inflows or outflows. Upon preparation of the internal liquidity GAP report, the Group considers the overall assets, liabilities and off-balance sheet items giving rise to potential outflows of funds an sorts those into several time buckets. Each credit institution subsidiary allocates expected inflows and outflows according to a set of assumptions which are based on historical movements, the characteristics of the markets in which it operates or expert judgment and experience. As of 31.12.2019 cumulative liquidity gaps remains positive in all time buckets and consolidated Liquidity GAP is presented below:

In million EUR

Liquidity GAP	1D	7D	30D	2M	3M	6M	6-12M	1G-5G	> 5G	Total
Total Assets	472.7	136.6	140.4	98.6	116.4	231.3	407.5	1,505.9	391.5	3,501
Total Liabilities	93.4	99.2	230.9	158.8	155.4	296.2	409.1	1,598.7	42.0	3,084
NET POSITION	379.3	37.4	-90.5	-60.2	-39.0	-64.9	-1.5	-92.9	349.5	417.2
CUMULATIVE	379.3	416.7	326.2	265.9	226.9	162.0	160.5	67.6	417.2	
GAP/Total Asset	**10%**	**11%**	**9%**	**7%**	**6%**	**4%**	**4%**	**2%**	**11%**	

The Group also prepares Additional monitoring metrics regulatory reports for liquidity risk on consolidated level a monthly basis which include the required reports listed below:

- C 66.00 – Maturity ladder time bucket
- C 67.00 - Concentration of funding by counterparty
- C 68.00 - Concentration of funding by product type
- C 69.00 - Prices for various lengths of funding
- C 70.00 - Roll-over of funding
- C 71.00 - Concentration of counterbalancing capacity by issuer/counterparty

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

Each credit institution subsidiary conducts stress tests on a solo level according to its prescribed methodology which is in line with Group Risk Management Policy. Also, Gorenjska bank and AIK bank have to comply with defined internal limits when monitoring stress tests results and as of 31.12.2019 there are no limit breaches in both subsidiaries. For the purpose of stress tests on consolidated level, the Group conducts 3 levels of stress tests:

- medium stress scenario
- severe stress scenario
- very severe stress scenario

The minimum volume of required liquidity reserves on a Group level must cover liabilities of severe stress test over a period of 1 month, and the optimal volume of the required liquidity reserves must cover the liabilities of severe stress test for a period of 3 months. Compliance with the internally defined limit related to Group liquidity stress scenario as of December 31, 2019 is provided in the table below:

In million EUR

Time horizon	Position after applied stress scenario	Stress test level		
		Medium	Severe	Very Severe
1 month	Total impact on liquidity position	309.8	506.3	782.6
	The volume of free reserves	954.2	931.9	893.7
	Surplus/Deficit of liquidity reserves	**644.4**	**425.7**	**111.1**
3 month	Total impact on liquidity position	339.5	549.5	845.2
	The volume of free reserves	954.2	931.9	893.7
	Surplus/Deficit of liquidity reserves	**614.7**	**382.5**	**48.6**

At least annually each credit institution subsidiary must reviews and tests the Liquidity Contingency Plan and checks the survival period, manner of accessing available or potential liquidity sources, particularly the sources not used in the regular course of business. The Liquidity Contingency Plans contain procedures for early detection of possible problems with regard to the Group's liquidity, including early warning signals, names and functions of the persons responsible for problem identification and persons that need to be informed thereof.

The breakdown of maturity structure of monetary assets and monetary liabilities as of December 31, 2019 and 2018 is provided in the following tables. The monetary items are grouped as per the outstanding maturity. The Group applied a rather conservative assumption on the transaction deposits and demand deposits, which, accordingly, were allocated to the time bucket of up to 1-month maturity.

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4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

							December 31, 2019
	Up to 1 month	From 1 - 3 months	From 3 - 6 months	From 6 -12 months	From 1 - 5 years	Over 5 years	Total
Cash and cash funds held with the central bank	571,287	-	-	-	-	-	571,287
Pledged financial assets	-	-	-	194	1,242	-	1,436
Receivables under derivatives	63	-	127	-	-	-	190
Securities	137,827	26,530	33,457	21,189	214,242	161,615	594,860
Loans and receivables due from banks and other financial institutions	125,067	1,843	8,149	2,853	12,331	2,864	153,107
Loans and receivables due from customers	132,140	134,801	168,255	322,634	1,110,411	310,357	2,178,598
Other assets	8,703	773	140	11	40	1,830	11,497
TOTAL ASSETS	**975,087**	**163,947**	**210,128**	**346,881**	**1,338,266**	**476,666**	**3,510,975**
Liabilities under derivatives	40	-	12	-	-	-	52
Deposits and other liabilities due to banks, other financial institutions and the central bank	30,334	11,110	16,197	16,332	122,875	31,909	228,757
Deposits and other liabilities due to customers	1,724,102	240,055	208,521	330,660	242,914	11,310	2,757,562
Other liabilities	28,732	666	452	818	4,428	57	35,153
TOTAL LIABILITIES	**1,783,208**	**251,831**	**225,182**	**347,810**	**370,217**	**43,276**	**3,021,524**
Net liquidity GAP as at December 31, 2019	**(808,121)**	**(87,884)**	**(15,054)**	**(929)**	**968,049**	**433,390**	**489,451**
Cumulative liquidity GAP as at December 31, 2019	**(808,121)**	**(896,005)**	**(911,059)**	**(911,988)**	**56,061**	**489,451**	

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4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

							December 31, 2018
	Up to 1 month	From 1 - 3 months	From 3 - 6 months	From 6 -12 months	From 1 - 5 years	Over 5 years	Total
Cash and cash funds held with the central bank	562,066	-	-	-	-	-	562,066
Pledged financial assets	170	-	-	-	13,504	-	13,674
Receivables under derivatives	239	-	-	-	-	-	239
Securities	86,682	23,274	47,137	26,986	290,681	116,043	590,803
Loans and receivables due from banks and other financial institutions	240,837	16,005	52,644	15,447	19,823	13,864	358,620
Loans and receivables due from customers	167,729	183,560	249,697	372,950	876,396	270,604	2,120,936
Other assets	24,094	134	-	-	-	-	24,228
TOTAL ASSETS	**1,081,817**	**222,973**	**349,478**	**415,383**	**1,200,404**	**400,511**	**3,670,566**
Liabilities under derivatives	109	4	-	-	-	-	113
Deposits and other liabilities due to banks, other financial institutions and the central bank	171,696	144,733	145,126	17,354	98,274	10,281	587,464
Deposits and other liabilities due to customers	863,967	315,935	236,030	214,086	1,004,135	8,262	2,642,415
Other liabilities	49,393	221	2,702	104	576	6	53,002
TOTAL LIABILITIES	**1,085,165**	**460,893**	**383,858**	**231,544**	**1,102,985**	**18,549**	**3,282,994**
Net liquidity GAP as at December 31, 2018	(3,348)	(237,920)	(34,380)	183,839	97,419	381,962	387,572
Cumulative liquidity GAP as at December 31, 2018	(3,348)	(241,268)	(275,648)	(91,809)	5,610	387,572	

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risks

Market risk represents the possibility of occurrence of negative effects on the financial result and equity due to changes in values of balance sheet and off-balance sheet items due to the movements in market prices. Market risks include foreign exchange risks for all banking operations, position risk per items in the trading book and commodity risk. In the broader sense, market risk also includes the risk of changes in interest rates within the banking book.

The objective of market risk management entails maintenance of the level of exposure to the aforesaid risks acceptable to the institution and simultaneous maximizing of the financial performance through establishing market positions in respect of the existing and new products. For adequate market risk management, the Group has established an organizational structure suitable to the volume, type and complexity of its operations, and ensured the separation of functions assuming the risk from those in charge of support and control.

During 2019 the Group was exposed to the foreign exchange risk and position risk in equities per items in the trading book.

In 2019 the Group was not exposed to the commodity price risk as it did not possess items in kind.

4.3.1. Foreign exchange risk

Foreign exchange risk represents the possibility of negative effects on the Group's financial result and equity due to fluctuations in exchange rates. All the Group's items denominated in a foreign currency different from reporting currency and gold, including reporting currency items indexed to foreign currency clause are exposed to the foreign exchange risk.

The process of foreign exchange risk management entails identifying, measuring, minimizing, monitoring, control and foreign exchange risk reporting. The Group identifies its exposure to the foreign exchange risk by means of open positions in certain currency and for all currencies it operates with in the aggregate. The Group's open foreign currency position represents the difference between foreign currency assets and liabilities in a particular currency as well as between reporting currency assets and liabilities indexed to a currency clause (including the absolute value of the net open positions in gold).

Measurement of foreign exchange risk entails assessment of the exposure thereto using the regulatory limits (foreign exchange risk ratio) and internally defined methods. Basis of measurement and assessment of the exposure to the foreign exchange risk is the calculation of the foreign currency position per all individually significant currencies and all other currencies stated in the aggregate. Foreign exchange risk monitoring includes projections of foreign exchange risk in order to reduce the exposure thereto. Such projections allow defining precaution measures for reducing the exposure to the foreign exchange risk. Foreign exchange risk measurement and monitoring in banks is performed on a daily basis with obligatory preparation of detailed reports on the foreign exchange risk ratio in accordance with the regulations

Throughout 2019, the banking sector members of the Group were calculating foreign exchange risk ratio on a daily basis which was within the internally and legally prescribed limits. As of December 31, 2019 and 2018 foreign exchange risk ratio was:

	2019		2018	
	AIK Bank	Gorenjska Bank	AIK Bank	Gorenjska Bank
As of December 31	4.18%	0.45%	13.55%	0.30%
Regulatory limit	Max 20%	Max 20%	Max 20%	Max 20%

The largest net open FX position is in currency EUR since this is the most significant foreign currency for M&V Investment and AIK Bank, on the other hand Agri Europe Cyprus, Nord Agri and Gorenjska bank have low FX risk. The foreign exchange risk ratio of Gorenjska Bank did not exceed 2% of total own funds, and therefore Gorenjska Bank did not calculate own funds requirements for foreign exchange risk and due to low FX risk did not perform regular stress testing. Consolidated FX risk ratio as of December 31, 2019 is 3.22 %.

The Group performs regular stress testing of foreign exchange risk in order to estimate the impact of extraordinary circumstances and stress events on the financial result, equity and foreign exchange risk ratio.

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risks (Continued)

4.3.1. Foreign exchange risk (Continued)

In order to ensure efficient foreign exchange risk control the Group pays close attention to the compliance of the foreign exchange ratio, monitors the foreign currency position and departures from the internally and regulatory limits.

The table below illustrates the Group's foreign exchange risk exposure and its net open foreign currency position per currency as at December 31, 2019:

					December 31, 2019
	EUR	USD	CHF	Other currencies	FX Total
Cash and cash funds held with the central bank	107,417	1,262	1,334	523	110,536
Pledged financial assets	194	-	-	-	194
Securities	133,125	5,004	-	14,690	152,819
Loans and receivables due from banks and other financial institutions	60,337	28,831	10,419	3,103	102,690
Loans and receivables due from customers	614,806	12,559	375	-	627,740
Other assets	12,407	1	-	-	12,408
TOTAL ASSETS	**928,286**	**47,657**	**12,128**	**18,316**	**1,006,387**
Deposits and other liabilities due to banks, other financial institutions and the central bank	107,804	22,406	93	279	130,582
Deposits and other liabilities due to customers	785,549	41,050	24,393	2,619	853,611
Provisions	209	22	-	5	236
Other liabilities	6,035	858	13	33	6,939
TOTAL LIABILITIES	**899,597**	**64,336**	**24,499**	**2,936**	**991,368**
Off-balance sheet items – net spot foreign currency position	(31,250)	16,949	12,298	30	(1,973)
Long foreign currency position	2,637	500	-	15,411	18,548
Short foreign currency position	5,198	230	73	1	5,502
Net open foreign currency position at December 31, 2019	**(5,198)**	**500**	**(73)**	**15,411**	**18,548**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risks (Continued)

4.3.1. Foreign exchange risk (Continued)

The table below illustrates the Group's foreign exchange risk exposure and its net open foreign currency position per currency as at December 31, 2018:

					December 31, 2018
	EUR	**USD**	**CHF**	**Other currencies**	**FX Total**
Cash and cash funds held with the central bank	105,628	1,410	1,549	412	108,999
Pledged financial assets	1,136	-	-	-	1,136
Securities	117,988	11,809	-	-	129,797
Loans and receivables due from banks and other financial institutions	129,586	59,056	9,368	2,716	200,726
Loans and receivables due from customers	492,375	14,321	20,571	-	527,267
Other assets	8,456	-	26	-	8,482
TOTAL ASSETS	**855,169**	**86,596**	**31,514**	**3,128**	**976,407**
Deposits and other liabilities due to banks, other financial institutions and the central bank	49,906	1,911	1	-	51,818
Deposits and other liabilities due to customers	754,063	97,775	21,699	2,413	875,950
Provisions	954	32	-	8	994
Other assets	1,414	498	12	62	1,986
TOTAL LIABILITIES	**806,337**	**100,216**	**21,712**	**2,483**	**930,748**
Off-balance sheet items – net spot foreign currency position	(470)	12,481	(9,799)	37	2,249
Long foreign currency position	48,362	-	3	732	49,097
Short foreign currency position	-	1,139	-	50	1,189
Net open foreign currency position at December 31, 2018	**48,362**	**(1,139)**	**3**	**682**	**47,908**

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risks (Continued)

4.3.2. Interest rate risk

Interest rate risk represents the probability of negative effects on the Group's financial result and equity through items of the banking general ledger due to adverse interest rate fluctuations. Movements in interest rates directly affect the generation of interest income due to mismatching between the aggregate interest-bearing assets and interest-bearing liabilities or fixed prices of interest-bearing instruments.

The Group manages the following types of interest rate risk:

- Repricing risk of temporal mismatch between maturity and repricing;
- Yield curve risk – to which is exposed due to changes in yield curve shape;
- Basis risk – to which is exposed due to different reference interest rates for interest rate sensitive items with similar maturity or repricing characteristics; and
- Optionality risk – to which is exposed due to contractually agreed optional terms – loans with an option of early repayment, deposits with an option of early withdrawal, etc.

The process of interest rate risk management consists of identification, measurement, minimizing, monitoring, control and interest rate risk reporting.

The Group identifies, measures and manages interest rate risk on a quarterly basis per all significant currencies in the banking book. Credit institution subsidiaries monitor interest rate risk on a monthly basis.

Identification of the interest rate risk relates primarily to the identification of the form of the interest rate risk the Group is exposed to, extent of exposure to each individual form of the interest rate risk and establishing opportunities for measurement of each individual form of interest rate risk.

Interest rate risk measurement entails measuring the impact of the changes in interest rates on the net interest income and the economic value of equity.

Interest rate risk monitoring primarily includes analysis of the balances, movements and trends in the Group's interest rate risk exposure. The Group manages the interest rate risk using the defined limits and prescribed protection measures against interest rate risk.

Minimizing interest rate risk means maintaining this risk at a level that is acceptable for the Group's risk profile. Group credit institutions subsidiaries must adopt, on an individual basis, the minimum limits set by the Group internal acts or more conservatively. Interest rate risk management in the Group and in the Group members is based on the system of interest rate risk exposure limits. As of December 31, 2019 the Group complied with the internally defined limits.

	Limits	December 31, 2019
The impact on EVE of a sudden parallel +/- 200 basis points shift of the yield curve	Max 20% of regulatory capital	0.00%
Impact of + 100bp change in interest rates on NII over a one year period	Max 2% of equity	1.15%

Interest rate risk exposure is considered based on the report on interest rate GAP in monetary assets and liabilities, which is provided in the following tables:

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4. RISK MANAGEMENT (Continued)

4.3. Market risks (Continued)

4.3.2. Interest rate risk (Continued)

									December 31, 2019
	Up to 1 Month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total interest-bearing	Non-interest bearing	Total
Cash and cash funds held with the central bank	512,050	-	-	-	-	-	512,050	59,237	571,287
Pledged financial assets	-	-	-	192	1,216	-	1,408	28	1,436
Receivables under derivatives	-	-	-	-	-	-	-	190	190
Securities	101,533	22,535	30,467	18,392	212,882	139,309	525,118	69,742	594,860
Loans and receivables due from banks and other financial institutions	78,917	72,947	43	123	-	-	152,030	1,077	153,107
Loans and receivables due from customers	474,393	499,886	367,982	227,336	481,657	111,104	2,162,358	16,240	2,178,598
Other assets	-	-	-	-	-	-	-	11,497	11,497
TOTAL ASSETS	**1,166,893**	**595,368**	**398,492**	**246,043**	**695,755**	**250,413**	**3,352,964**	**158,011**	**3,510,975**
Liabilities under derivatives	-	-	-	-	-	-	-	52	52
Deposits and other liabilities due to banks, other financial institutions and the central bank	32,049	30,714	43,031	14,011	89,939	18,701	228,445	312	228,757
Deposits and other liabilities due to customers	946,669	335,647	251,951	390,237	821,661	3,476	2,749,641	7,921	2,757,562
Other liabilities	-	-	-	-	-	-	-	35,153	35,153
TOTAL LIABILITIES	**978,718**	**366,361**	**294,982**	**404,248**	**911,600**	**22,177**	**2,978,086**	**43,438**	**3,021,524**
Net interest rate GAP as at December 31, 2019	188,175	229,007	103,510	-158,205	-215,845	228,236	374,878	114,573	489,451
Cumulative interest rate GAP as at December 31, 2019	188,175	417,182	520,692	362,487	146,642	374,878		114,573	

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4. RISK MANAGEMENT (Continued)

4.3. Market risks (Continued)

4.3.2. Interest rate risk (Continued)

									December 31, 2018
	Up to 1 Month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Total interest-bearing	Non-interest bearing	Total
Cash and cash funds held with the central bank	510,049	-	-	-	-	-	510,049	52,017	562,066
Pledged financial assets	170	-	-	-	13,504	-	13,674	-	13,674
Receivables under derivatives	-	-	-	-	-	-	-	239	239
Securities	41,567	19,000	44,235	28,320	283,022	100,037	516,181	74,622	590,803
Loans and receivables due from banks and other financial institutions	258,012	24,930	52,291	6,806	12,456	1,975	356,470	2,150	358,620
Loans and receivables due from customers	588,529	548,093	398,567	198,214	347,467	39,246	2,120,116	820	2,120,936
Other assets	-	-	-	-	-	-	-	24,228	24,228
TOTAL ASSETS	1,398,327	592,023	495,093	233,340	656,449	141,258	3,516,490	154,076	3,670,566
Liabilities under derivatives	-	-	-	-	-	-	-	113	113
Deposits and other liabilities due to banks, other financial institutions and the central bank	201,354	148,149	163,278	1,081	72,703	789	587,354	110	587,464
Deposits and other liabilities due to customers	870,401	397,940	294,405	263,409	807,234	2,792	2,636,181	6,234	2,642,415
Other liabilities	-	-	-	-	-	-	-	23,569	23,569
TOTAL LIABILITIES	1,071,755	546,089	457,683	264,490	879,937	3,581	3,223,535	30,026	3,253,561
Net interest rate GAP as at December 31, 2018	326,572	45,934	37,410	(31,150)	(223,488)	137,677	292,955	124,050	417,005
Cumulative interest rate GAP as at December 31, 2018	326,572	372,506	409,916	378,766	115,278	292,955	292,955	124,050	

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.3. Market risks (Continued)

4.3.2. Interest rate risk (Continued)

In the process of interest rate risk measurement, the Group uses GAP analysis encompassing all interest-bearing assets and liabilities in accordance with:

- Re-fixing of interest rate (in instances of variable interest rates) – all assets and liabilities maturing prior to re-fixing interest rate date are grouped in time buckets based on the remaining maturity. In instances of administrative interest rates (e.g., key policy rate, discount rate) for which the re-fixing date is not known, classification into appropriate time buckets is performed based on historical data analysis;
- Remaining maturities of respective items (in instances of fixed interest rates) – classification in the time buckets is made according to the repayment schedule.

For some interest rate sensitive items, the contractual maturity is not known and therefore the Group classifies them into interest rate gaps according to the historical data and the characteristics of the markets in which credit institution operates. Sight deposits are classified in accordance with the Group rules for modelling of sight deposits, which defines a methodology for assigning of non-maturity deposits into time buckets, distinguishing between stable and unstable deposits and between core and non-core deposits.

One of elements of interest rate risk management entails considering interest rate risk exposure in stress circumstances. The credit institutions subsidiaries of the Group perform stress testing on a monthly basis in order to identify and measure interest rate risk in extraordinary circumstances, by analyzing possible impact on the financial result and equity. Group prepares on a quarterly basis several different interest rate shock scenarios for measuring net interest income and economic value of equity on consolidated level. Results of the conducted stress testing are considered against the internally set limits and in 2019 the Group was in full compliance with all the set limits.

Net interest income

Time buckets	1 m	1-3m	3-6m	6-9m	9-12m	TOTAL
+100bp change in interest rates on NII over a 1Y period	1,853.1	806.9	250.0	5.3	-34.7	8.1
Limit 2% of equity (000 EUR)						**14.1**
% of equity						**1.15%**

Economic Value of Equity

	Scenarios	In mio EUR	% of Reg. Cap.	Limit
INTEREST RATE SHOCKS	Parallel up +50 bp	0.0	0.0%	OK
	Parallel down +100 bp	0.0	0.0%	OK
	Parallel up +200 bp	0.0	0.0%	OK
	Parallel down -200 bp (Floor at -100 bp)	0.0	0.0%	OK
	Steepener	-13.2	-2.3%	OK
	Flattener	13.2	2.3%	OK
	Short rates shock up +250 bp	0.6	0.1%	OK
	Short rates shock down -250 bp	-0.6	-1.0%	OK
			Limit:	**20.0%**

In addition, the Group separately considers optionality risk, i.e., impact of the early loan repayment and early deposit withdrawal by analyzing historical behavior of the clients and using expert assessment. For certain items where there is no defined maturity date or interest rate repricing date, the Group assesses movements and trends and deploys appropriate models.

4.3.3. Equity Position Risk

As of December 31, 2019, the Group had in its trading book bank and corporate shares with the total market value of EUR 35.56 million (34.99 mio EUR refers to AIK bank, 564 thousands EUR refer to M&V Investments).

Throughout the year, the Group's trading book was in compliance with the Group's internally defined limits.

As of December 31, 2019, the Group's capital requirement for general and specific equity position risk amounted to EUR 5.69 million.

4. RISK MANAGEMENT (Continued)

4.4. Operational risk

Operational risk represents the possibility of negative effects on the Group's financial result and equity due to employee errors (intentional or accidental), inadequate procedures and processes in the Group, inadequate management of information and other systems in the Group, as well as occurrence of unforeseen external events. Operational risk includes legal risk.

Operational risks are identified for all significant products, service outsourcing, processes, systems, and external factors. Operational risk identification throughout the Group is performed through combination of mapping operational risks, performance of self-assessment and risk control as well as collection of information on the events deemed to constitute operational risks.

The Group monitors operational risk events per following business lines: corporate financing, trading and sales, broker-dealer operations with retail customers, banking operations involving corporate customers, banking operations involving retail customers, payment transfers, agency services and asset management services.

The Group classifies identified events into predefined categories of events giving rise to losses: internal and external fraud, omissions in relations with the employees and system of safety at work, omissions and irregularities in relations with the customers, in respect of the products and operating procedures, damages to tangible assets, interruptions in operations and errors in the Group's systems, omissions in performance of transactions and deliveries and process management in the Group.

The Group performs both quantitative and qualitative measurement of its operational risk exposure. The measurement includes risk assessment, risk early warning indicators, scenario analysis and collection of information and data on operational risk events.

The Group measures/assesses operational risk exposure taking into account possibility (frequency) of such risk occurrence, as well as its potential effects on the Group's financial result, with particular focus on the events assessed as almost unlikely to occur, but assumed or known to be able to cause huge material losses should they occur after all. Upon measurement and assessment of operational risk, the Group particularly estimates whether it is or may be exposed to this type of risk with regard to introduction of new products, activities, processes and systems and whether and how its outsourced activities (if any) may affect the operational risk level.

Control, monitoring of and reporting on the identified and assessed sources of risk, as well as undertaking measures to alleviate possible adverse effect of these risks are an integral part of the operational risk management process.

The Group's Board of Directors has adopted the Business Continuity Plan as well as the Disaster Recovery Plan and the Executive Board is responsible for their implementation, training and testing of employees and introducing the employees to their roles and responsibilities in the event of emergency occurrence.

In order to ensure the continuity of its operations, the Group has determined the key activities, resources and systems required for conducting business processes, critical times for certain processes, risk that may disrupt the continuity of operations and its Recover Strategy defines the key goals the Group need to achieve in the event of interrupted operations.

4.5. Investment risks

The Group's investment risks include risks of the Group's investments in other legal entities and capital expenditures, where:

- where the Group's investment in a single non-FSI entity may not exceed 10% of its own assets (the Group's acquisition of shares or equity interest in san non-FSI entity); and
- the sum of the total Group's investments in non-FSI entities and capital expenditures may not exceed 60% of the Group's equity; this restriction however does not apply to acquisition of shares for further sale within 6 months from the acquisition date.

The Group's exposure to the investment risk was within the prescribed limits throughout 2019.

4. RISK MANAGEMENT (Continued)

4.6. Concentration/Exposure risk

Concentration risk is the risk that directly or indirectly arises from the Group's exposure to the same or similar source of risk, or the same or similar type of risk. Concentration risk monitoring is carried out at the level of individual receivables, i.e. debtors, as well as at the level of a group of related parties and/or clients at the level of the sector, geographical structure (country risk) and credit protection provider.

Concentration risk monitoring and control is performed at the level of each subsidiary and on Group level by setting limits and monitoring compliance with regulatory and internally prescribed limits.

As of December 31, 2019 the Group's exposures to a single entity or a group of related entities were within the prescribed limits.

4.7. Country risk

Country risk relates to:

- the risk of the country of origin of the entity with which the Group has entered or is to enter into the business relationship;
- risk of negative effects on the Group's financial result and equity due to inability to collect receivables from abroad and is caused by political, economic and social conditions in the borrower's country of origin.

Country risk includes the following risks:

- Political and economic risk (inability of the Group to collect receivables due to due to limitations prescribed by government regulations or due to other general and system circumstance in the given country);
- Transfer risk relates to the probability of losses due to the inability to collect receivables in a currency which is not the official currency in the borrower's country of origin, due to limitations to liability settlement toward creditors from other countries in specific currency that is predetermined by the official state regulations and bylaws of state and other bodies of the borrower's country of origin.

Country risk is measured by determining the amount of the claim from the person to whom it is exposed, and whose country of origin is not the country of residence of the subsidiary, and by monitoring the utilization of the limit for each individual country. The country's risk is assessed when considering the limit for each individual country by looking at available country data (including country ratings), which may indicate an increased country risk.

The risk managers of each subsidiary at day-to-day level identify and measure exposure to country risk-utilization of limits.

The process of monitoring and controlling the country risk is defined as the monitoring of the limits and the adopted measures for decrease/mitigation of the country risk.

The Group's exposure to the country risk was within the prescribed limits throughout 2019.

4.8. Capital management

The Group has established a risk management system in accordance with the volume and structure of its business activities and the capital management is aimed at unhindered achievement of the Group's business strategy goals. The Group defines its business strategy goals and periods for their realization in its Business Policies and Business Strategy with a three-year strategic plan.

The calculation of the amount of capital and capital adequacy ratio is reconciled with the Basel III Standards.

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RISK MANAGEMENT (Continued)

4.8. Capital management (Continued)

The Group manages capital on an ongoing basis in order to:

- Comply with the minimum regulatory capital adequacy ratios in accordance with CRR;
- Maintain customer trust in the safety and stability of the Group's operations;
- Achieve business and financial plans that can support the expected increase in placements, future sources of funds and their usage; and
- Implement dividend policy.

The Group's strategic goal is to maintain the capital adequacy ratios at the level above the prescribed minimum (4.5% for the common equity Tier 1 capital adequacy ratio (CET1 ratio), 6% for the Tier 1 capital adequacy ratio (T1 ratio) and 8% for the total capital adequacy ratio (CAR) and not below the level that allows coverage of the requirement for the combined capital buffer in accordance with CRR regulation

As of December 31, 2019, the Group calculated CET1, T1 and CAR in accordance with the effective CRR regulation.

4.9. Capital Adequacy Ratios

	December 31, 2019	December 31, 2018
Common equity Tier 1 capital – CET 1	575,202	
Supplementary capital – T 2	-	
Total capital	**575,202**	
Credit risk-weighted assets	2,526,130	
Risk-weighted assets per market risk exposure	89,648	
Risk-weighted assets per operational risk exposure	295,606	
Risk-weighted assets per credit adjustment risk exposure	287	
Common equity Tier 1 capital – CET 1 adequacy ratio (minimum 4.5%)	19.76%	
Core capital Tier 1 – T 1adequacy ratio (minimum 6%)	19.76%	
Total capital adequacy ratio – CAR (minimum 8%)	**19.76%**	

In the course of 2019 the Group's capital adequacy ratio was well in excess of the prescribed regulatory limit of 8%.

The amount and structure of the Group's capital must at all times enable coverage of the minimum capital requirements and capital requirements regarding the risks the Group is exposed to in its operations and in full compliance with the Risk Management Strategy and policies.

The overall objective of the Group's capital management is that at any moment the Group has at its disposal adequate level and structure of available internal capital that ensures the fulfilment of legal obligations, maintaining the trust of shareholders and depositors in safety and stability of its business, the realization of business and financial plans that can support the expected growth of placements, future sources of funds and their use.

The Group by capital management implies:

- Organization of the internal capital management process, which includes determining competences and responsibilities of the Group's bodies, divisions and departments;
- Planning adequate internal capital levels;
- Definition of the Group's capital – core capital, supplementary capital and deductible items;
- Process of internal capital adequacy assessment (described in detail in the Group ICAAP and ILAAP Framework):
  - Calculation of capital requirements for credit risk (determining risk-weighted assets, capital 'requirements for settlement risk and counterparty risk);
  - Calculation of capital requirements for market risks;
  - Calculation of capital requirements for operational risks;
- Basic principles of the internal capital adequacy assessment; and
- Available internal capital management.

5. USE OF ESTIMATES AND JUDGMENTS

The preparation and presentation of the consolidated financial statements in accordance with IFRS requires the Group's management to make judgments, estimates and assumptions that affect the application of the accounting policies and amounts of assets and liabilities and income and expenses presented in the financial statements. Actual results may vary from these estimates.

Estimates and assumptions are subject to constant review and are based on previous (historical) experience and other factors, including anticipation of future events deemed reasonable under the current circumstances. Revised accounting estimates are recognized in the period in which the revisions were made, as well as in those future periods affected by the revisions of the estimates.

5.1. Key sources of estimation uncertainty

Biological assets

The particularity of agri-business is such that part of expenditures are incurred in the fall of the preceding year for any given harvest, and the remaining part is incurred during spring and summer in the same year as the harvest.

As part of the process of valuation of biological assets the management makes the following estimations: expected crop yield, expected costs to harvest, expected wastage percentage and expected selling expenses to be incurred in future.

Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at December 31, 2019 was zero (December 31, 2018 EUR 4,717 thousand, January 1, 2018 EUR 4,706 thousand).

Depreciation and Amortization Charge and Rates Applied

The calculation of depreciation and amortization, as well as depreciation and amortization rates are based on the economic useful life of property, plant, equipment and intangible assets. Once a year, the Group assesses the economic useful life based on the current estimates. In addition, due to the significance of fixed assets in the total Group's assets, any change in the aforementioned assumptions may lead to material effects on the Group's financial position, as well as in its financial performance.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax credits as arising from capital expenditures, to the extent that it is probable that taxable profit will be available against which these tax credit carry forwards can be utilized. The Group's management needs to make prudent assessments of deferred tax assets which may be recognized, based on the period when these arise and the amount of future taxable income and tax policy planning strategy.

Loss Allowance of financial assets deriving from non-banking streams (used as of December 31, 2018 and January 1, 2018)

The Group uses general 3 Stage approach for calculation for expected credit losses (ECL). However, as mostly receivables are short term (up to 12 months), ECL in the next one year period in Stage 1 (12-month ECL) is equal with ECL up to maturity in Stage 2 (lifetime ECL).

The Group calculates 12 month ECL and lifetime ECL as follows:

$$12\ month\ ECL = PD_{12m} \cdot LGD \cdot EAD$$
$$lifetime\ ECL = \sum_{t=1}^{N} \frac{PD_{12m} \cdot LGD \cdot EAD_t}{(1+i)^{t-1}}$$

For receivables with maturity over one year, the Group assesses if significant increase in credit risk is identified compared to date of initial recognition. This assessment is based on expert's assessment, due to the fact that these receivables are rare. The expert's assessment includes analyzing and comparison of basic financial indicators of business partners, with the aim to identify potential credit loss of financial asset compared to date of initial recognition, potential delinquency in payments (up to 90 days) or insolvency.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Loss Allowance of financial assets deriving from non-banking streams (used as of December 31, 2018 and January 1, 2018 (Continued)

For the purposes of ECL assessment and calculation of provisions (impairment allowances), the Group has classified all of its receivables into the following four groups:

1. **Non-performing receivables** - receivables that are over 90 days past due and the gross value of which exceeds EUR 30,000 (it is expected that over 80% of doubtful receivables is covered by using this criteria, Stage 3 – individual assessment)
2. **Non-performing receivables** - receivables that are over 90 days past due and the gross value of which is below EUR 30,000 (Stage 3 – collective assessment)
3. **Performing receivables** – receivables that are either not matured or less than 90 days past due. (Stage 1 and Stage 2)
4. **Purchased or originated credit impaired** (POCI) - receivables per purchased or originated credit-impaired financial assets.

For group 1 the Group performs individual impairment assessment. For group 2 and 3, the Group performs collective impairment assessment.

Individual impairment allowance calculation is based on the assessment of the customer's financial situation and possibility of collection of the receivables from the customer's operating cash flows (going concern) and/or from collateral foreclosure, depending on the collateral type , i.e., its marketability and value (gone concern).

Individual impairment allowance is determined as the difference between the aggregate customer's exposure to the Group and the present value of the expected future cash flows of the customer.

The calculation of ECL on a collective basis is based on the statistical Probability of Default (PD) of the business partner and the Loss Given Default (LGD) calculated in accordance with the requirements of IFRS 9.

Probability of default (PD) is a probability or likelihood of performing receivables becoming default status receivables in the following 12 months.

Loss given default (LGD) is calculated separately for the segments of individuals and entity customers, and separately for trade receivables and other financial receivables. Calculation is performed per individual document (invoice) and is based on the historical collections.

The Group is using the following formula for LGD calculation at the individual receivable level:

$$LGD_{12m} = \frac{Exp_1 + WriteOff}{Exp_0}$$

POCI assets are not part of stage change. Regardless of the change in the business partner's credit risk after the initial recognition of POCI assets, the POCI asset is subject to expected credit losses over the entire lifetime of the initial recognition until the full termination of recognition. Moreover, expected credit losses over the life of the initial recognition date of POCI assets must be taken into account when calculating the fair value of the asset (while subsequent changes in the original expectation lead to the recognition of value adjustments due to credit losses only if they lead to lower expectations compared to the date of creation, while those that lead to better expectations compared to the initial recognition date are recognized as an increase in the gross book value of the asset under the POCI). For all these reasons, the POCI has to be defined as a separate category since POCI funds never fully act as assets in Stage 3, Stage 2 or Stage 1, regardless of changes in credit risk of business partners after the initial recognition of the POCI resources. The Group determines the fair value of POCI receivables as a discount rate using CAEIR (*Credit Adjusted Effective Interest Rate*).

Detailed methodology for impairment of accounts receivables is adopted in separate document which is integral part of Accounting polices ("Methodology for individual and collective allowance for doubtful accounts calculation").

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Impairment of financial assets – banking stream

Impairment of assets carried at amortized cost is estimated in the manner described in accounting policy 3.10 – Identification and Measurement of Impairment.

A separate counterparty element in the aggregate impairment provision is applied to financial assets subject to individual-level impairment assessment, and is based on the management's best estimate of the present value of expected future cash flows. Upon estimating such cash flows, the management makes estimates on the financial standing of the counterparty and on the net realizable value of the existing collateral. Each impaired asset is assessed in terms of quality and output strategy, where the Group's Credit Risk Function independently approves the estimate of the cash flows considered to be recoverable.

Provisions assessed on a group-level cover credit losses inherent in the portfolios of loans and receivables and securities held to maturity sharing similar credit risk characteristics due to the objective evidence of impaired items that are no yet identifiable. Upon estimating the need for forming group-level provisions for losses, the management takes into accounts factors such as loan quality, assize of the portfolio, risk concentration and economic factors.

In order to estimate the required provision, the management makes assumptions to define the manner for modelling losses inherent in the portfolio and determine the necessary inputs, based on historical experience and current economic circumstances. The accuracy of provision depends on the estimated cash flows for individual counterparty provisions, as well as on the assumptions and inputs of the model used in determining the amount of group-level provision.

Loss Allowance of Equity Investments

The Group makes impairment allowance of equity investments (interests) measured at FVTOCI when there are indications that the recoverable value of an investment may be below its carrying value.

When the fair value is directly observable in a market, the determination is straightforward, otherwise valuation technique is used. The Group use the following valuation techniques

- *the market approach*, the Group uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities;

- *the income approach*, the Group converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount.

Impairment Allowance of Inventories

The Group makes impairment allowance of inventories when it is determined that the net realizable value of inventories is below their cost or purchase price. Upon assessment of the inventory net realizable value, which represents a price in a selling transaction within the normal course of business net of the costs necessary to realize the sale, the Group's management considers expected sales per market and selling prices expected to be achieved in those markets, taking into account historical sales data. This assessment of the management is based on the most reliable evidence available at the time of the assessment of the amounts at which the inventories may be realized.

Provisions for Employee Retirement Benefits

Costs of retirement benefits paid to employees upon retirement upon fulfillment of the retirement criteria are determined by actuarial assessment. Actuarial calculation involves the assessment of the discount rate, future salary growth rate, mortality rates and future growth of retirement benefits. Due to the long term nature of such plans, significant uncertainties affect the estimate outcome. Assumptions underlying the actuarial calculation of the employee benefits are disclosed in Note 37 to the consolidated financial statements.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Provisions for Litigations

There is a number of legal suits involving the Group that arise from the daily operations and relate to the commercial and labor issues that are addressed or considered in the course of regular business operations. The Group makes regular estimates of the probability of negative outcomes of such issues and amounts of probable or reasonable losses arising therefrom. The required provisions may vary in the future due to occurrence of new events or obtaining new information. Matters that either represent contingent liabilities or do not meet the criteria for provisioning are disclosed, except if the probability of outflow of resources containing economic benefits is rather remote.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments for which an active market does not exist is determined by applying alternative valuation methods. The Group applies its professional judgment in the selection of alternative methods and assumptions.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and other optional models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent to the financial instrument. The Group 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.

In the banking division, assets and long positions are measured at bid prices and liabilities and short positions are measured at ask prices. When the Group has a risk offsetting position, median market prices are used for measuring offsetting or risk-weighted assets, while adjustment to bid or ask prices is applied only to the net open positions. Here the fair value reflects the credit risk of the instrument and includes adjustments reflecting the credit risk of the Group and the counterparty, where relevant. Fair value assessments based on the valuation models are adjusted for all other factors, such as liquidity risk or uncertainty models, to the extent that the Group believes that third party market participants may take them into consideration upon determining transaction cost.

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. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is recognized in profit or loss. Otherwise, the difference is not recognized in profit or loss immediately but over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

Fair values of financial instruments which are rarely traded and the prices of which are not very transparent are less objective and require estimating to a greater extent, depending on the liquidity, concentration, uncertainty of the market factors, assumptions on pricing and other risks related to the specific instruments.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Fair Value (Continued)

It is a policy of the Group to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result of this, fair value cannot readily or reliably be determined in the absence of an active market. The Group's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

Estimation of fair value of land and buildings and investment properties

Fair values of land and buildings presented in Property, plant and equipment as well as land and buildings presented within Investment properties are estimated by qualified valuers.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Determining the fair value of financial assets and liabilities for which there is no observable market price requires uses estimation techniques described in accounting policy 3.10. – Fair Value Measurement. Fair values of financial instruments which are rarely traded and the prices of which are not very transparent are less objective and require estimating to a greater extent, depending on the liquidity, concentration, uncertainty of the market factors, assumptions on pricing and other risks related to the specific instruments.

Significant influence over associates

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. It is presumed that the entity has significant influence if it holds 20 per cent or more of the voting power of the investee, unless it can be clearly demonstrated that significant influence does not exist due to the inability of the investor to exercise its rights.

In assessing whether the Group has significant influence over associates management of the Group uses judgement and considers facts and circumstances that might affect the ability of the Group to exercise significant influence.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.2. Key accounting estimates in the application of the Group's accounting policies

The key accounting estimates in the application of the Group's accounting policies include:

Measurement of financial instruments

The Group's accounting policy on the fair value measurement is disclosed in Note 3.10.

The Group measures fair value of financial assets using the following fair value hierarchy of the quality of the inputs used in measurement of the inputs used in measurement:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques based on inputs other than quoted prices included within Level 1 that are observable either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes instruments measured by way of the official active market prices of instruments with similar characteristics, official market prices of identical or instruments with similar characteristics in a market deemed less active or using other valuation techniques with all significant inputs directly or indirectly available on the market.
- Level 3 - Valuation techniques involve unavailable or unobservable inputs. This level includes all instruments the fair values of which are assessed based on unavailable or unobservable input data, which therefore have significant effects on the instrument's fair value measurement. Such instruments are measured based on the official market prices for instruments with the similar characteristics, where significant adjustment or assumptions are required to reflect the differences between the instruments.

Fair values of financial assets and financial liabilities traded in an active market are based on the market prices. The Group determines the fair values of all other financial instruments using valuation techniques.

Valuation techniques include the net present value and discounted cash flows, comparison to similar instruments for which observable market prices are available and other methods. Assumptions and inputs used in valuation techniques include risk-free and key policy interest rates, credit spreads and other factors used in estimating discount rates, prices of bonds or equity, foreign exchange rates, equity and equity price indexes and the expected instability of prices and correlations. The objective of the use of valuation techniques is to determine the fair value that reflects the price of a financial instrument at the reporting date, which would be determined by market participants in an arm's length transaction.

The Group uses generally accepted models for determining the fair values of regular and common financial instruments such as interest and currency swaps, for which exclusively observable inputs are used, requiring less estimates and assumptions to be made by the management. Observable model inputs are mostly available on the market of the quoted debt and equity instruments, trading derivatives and simple derivatives such as interest rate swaps.

Availability of observable market prices and model inputs reduces the need for estimates and assumptions made by management and reduces uncertainty associated with determining fair value. Availability of observable market prices and inputs varies depending on the products and market; it is prone to changes caused by various events and general conditions prevailing in the future markets.

Accounting estimates related to the assessment whether the Group has control over another legal entity:

In accordance with the requirements of IFRS 10 and IFRS 12, the Group reassesses whether it truly exercises control over its investee and considers all the facts, events, and circumstances indicating that there may have been a change in one or more of the three elements of control. The Group also considers changes that affect its exposure to or rights to variable returns from its involvement with the investee. The Group 's initial assessment of control does not change merely due to the occurrence of different market conditions (e.g., change in the returns from the investee triggered by market conditions), unless such changes in market conditions cause changes in one or more of the three elements of control or the entire relationship with the investee has changed.

Under IFRS 10 "Consolidated Financial Statements" control over an investee is achieved when the investor has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of returns. Hence, the investor controls the investee only and only if the all of the following criteria are met:

(1) power over the investee,
(2) exposure, or rights, to variable returns from its involvement with the investee, and
(3) the ability to use its power over the investee to affect the amount of returns.

All amounts expressed in thousands of EUR, unless otherwise stated.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.3. Judgements in Determining the Timing of Satisfaction of Performance Obligations

The Group's accounting policy on revenue recognition is disclosed in Note 3.1.b). In addition, in accordance with the requirements of IFRS 15 – "Revenue from contracts with customers" the Group assesses existence of the criteria for recognition of revenues from the sales of goods and products to customers.

Pursuant to IFRS 15, revenues from the sales of goods stored at the customer's request in the Group's warehouse as third party goods, are recognized if the following conditions are met:

a. the reason for the bill-and-hold arrangement is substantive (the customer has requested the arrangement);
b. the products are identified separately as belonging to the customer;
c. the products are ready for physical transfer to the customer and
d. the Group does not have the ability to use the goods or to direct it to another customer

Given the above described requirements of IFRS 15 and based on the management's assessment, the Group has determined that the criteria have been met for recognition of revenues from the sale of products/goods stored in the Group's warehouses as third party goods in the consolidated financial statements for the year ended December 31, 2018 (except for inventories of sugar which cannot be identified separately as belonging to the customer). In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15, in particular, whether the Group had transferred control and risk of ownership of the products/goods to the customer.

6. FINANCIAL ASSETS AND LIABILITIES – ACCOUNTING CLASSIFICATION AND FAIR VALUE

The following table provides the breakdown of financial instruments measured at fair value at the end of the reporting period per fair value hierarchy levels, according to which fair value measurement is categorized:

				December 31, 2019
	Level 1	Level 2	Level 3	Total assets at fair value
Assets				
Pledged financial assets	-	1,436	-	1,436
Receivables under derivatives	-	-	190	190
Financial assets at FVtPL	124,138	1,736	4,080	129,954
Financial assets at FVtOCI	1,669	176,344	5,042	183,055
Total	**125,807**	**179,516**	**9,312**	**314,635**

				December 31, 2018
	Level 1	Level 2	Level 3	Total assets at fair value
Assets				
Pledged financial assets	-	13,674	-	13,674
Receivables under derivatives	-	-	239	239
Financial assets at FVtPL	38,838	35,032	-	73,870
Financial assets at FVtOCI	-	277,101	-	277,101
Total	**38,838**	**325,807**	**239**	**364,884**

Level 1 includes financial instruments traded on the stock exchange, while Level 2 includes securities the fair value of which are assessed based on the internally developed models based on the information from auctions on the secondary securities market. Fair value of assets determined based on the prices from the stock market for instruments with similar characteristics are allocated to Level 3.

All amounts expressed in thousands of EUR, unless otherwise stated.

6. FINANCIAL ASSETS AND LIABILITIES – ACCOUNTING CLASSIFICATION AND FAIR VALUE (Continued)

The carrying value and fair value of the financial assets and liabilities measured at other than fair value are presented in the table below:

					December 31, 2019
	Carrying value	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Loans and receivables due from banks and other financial institutions	153,107	153,542	-	-	153,542
Loans and receivables due from customers	2,178,598	2,206,123	-	-	2,206,123
Securities measured at AC	281,851	290,098	-	-	290,098
	2,613,556	2,649,763	-	-	2,649,763
Financial liabilities					
Deposits and other liabilities due to banks, other financial institutions and the central bank	(228,757)	(227,013)	-	-	(227,013)
Deposits and other liabilities due to customers	(2,757,562)	(2,764,875)	-	-	(2,764,875)
	(2,986,319)	(2,991,888)	-	-	(2,991,888)
	(439,290)	(408,652)	-	-	(408,652)

					December 31, 2018
	Carrying value	Fair Value	Level 1	Level 2	Level 3
Financial assets					
Loans and receivables due from banks and other financial institutions	358,620	361,654	-	-	361,654
Loans and receivables due from customers	2,120,936	2,125,916	-	-	2,125,916
Securities measured at AC	239,832	240,097	-	-	240,097
	2,719,388	2,727,667	-	-	2,727,667
Financial liabilities					
Deposits and other liabilities due to banks, other financial institutions and the central bank	(587,464)	(584,129)	-	-	(584,129)
Deposits and other liabilities due to customers	(2,642,415)	(2,647,242)	-	-	(2,647,242)
	(3,229,879)	(3,231,371)	-	-	(3,231,371)
	(510,491)	(503,704)			(503,704)

The methodology and assumptions used for calculating fair values of the aforesaid financial assets and liabilities not stated at fair value in the consolidated financial statements are as follows:

Assets whose fair values approximate their carrying values

For highly liquid financial assets and liabilities with short-term maturities (up to a year) it is assumed that their carrying values approximate their fair values. This assumption is also used for demand deposits, savings deposits without defined maturity and all financial instruments at variable interest rates.

Financial instruments at fixed interest rates

Fair value of financial assets and liabilities at fixed interest rates carried at amortized cost is assessed by comparing the market interest rates upon initial recognition to the current interest rates prevailing on the market for financial assets with similar characteristics.

The estimated fair values of financial instruments at fixed interest rates is based on the cash flows discounted using the interest rate prevailing on the money market for financial instruments with similar credit risk characteristics and maturities.

Financial assets held to maturity, loans and deposits include a portion of the fixed interest rate portfolio, which gives rise to the differences between their carrying values and fair values.

All amounts expressed in thousands of EUR, unless otherwise stated.

7. SEGMENT REPORTING

7.1. The Group's Income Statement per segment

Item	Corporate	Public	SME	Retail	Other*	Total
						December 31, 2019
Interest income	47,948	8,346	16,091	27,069	16,699	116,153
Interest expenses	(2,355)	(3,350)	(900)	(9,463)	(8,183)	(24,251)
Net interest income	45,593	4,996	15,191	17,606	8,516	91,902
Fee and commission income	6,342	1,012	7,331	11,236	3,894	29,815
Fee and commission expenses	(286)	(4)	(225)	(98)	(4,348)	(4,961)
Net fee and commission income/(expenses)	6,056	1,008	7,106	11,138	(454)	24,854
Net gains on changes in the fair value of financial instruments	271	5,658	41	131	7,747	13,848
Net gains on derecognition of the financial assets measured at fair value	-	-	-	-	1,926	1,926
Net gains/(losses) from hedging	-	-	-	-	2	2
Net foreign exchange gains and positive currency clause effects	(354)	6	(21)	(518)	2,442	1,555
Net gains on derecognition of the financial assets measured at amortized cost	705	154	(25)	49	23	906
Other operating income	2,811	151	3,190	339	6,375	12,866
Net gains/(losses) from impairment of financial assets and credit risk -weighted off-balance sheet assets	19,130	326	(1,063)	144	12,190	30,727
Total operating income, net	**74,212**	**12,299**	**24,419**	**28,889**	**38,767**	**178,586**
Salaries, salary compensations and other personal expenses	(1,745)	-	(1,064)	(4,435)	(27,185)	(34,429)
Depreciation and amortization charge	(23)	-	(11)	(839)	(8,247)	(9,120)
Other income	19	1	421	179	13,549	14,169
Other expenses	(321)	(55)	(427)	(4,130)	(35,003)	(39,936)
Profit before taxes	**72,142**	**12,245**	**23,338**	**19,664**	**(18,119)**	**109,270**

* Column "Other" includes all the income/expenses that do not relate to the separately presented segments, includes the Treasury and other items not directly allocated to the presented segments.

All amounts expressed in thousands of EUR, unless otherwise stated.

7. SEGMENT REPORTING (Continued)

7.1. The Group's Income Statement per segment (Continued)

December 31, 2018

Item	Corporate	Public	SME	Retail	Other*	Agribusiness segment	Hotels segment	Total
Interest income	37,890	8,825	7,782	18,183	13,965	574,111	22,061	682,817
Interest expenses	(830)	(3,067)	(521)	(7,100)	(2,404)	(11,266)	(1,383)	(26,571)
Net interest income	37,060	5,758	7,261	11,083	11,561	562,845	20,678	656,246
Fee and commission income	4,816	1,133	4,711	5,507	3,276	-	-	19,443
Fee and commission expenses	(180)	(106)	(116)	(116)	(3,613)	(3,622)	(511)	(8,264)
Net fee and commission income/(expenses)	4,636	1,027	4,595	5,391	(337)	(3,622)	(511)	11,179
Net gains on changes in the fair value of financial instruments	-	-	-	-	7,425	(7,129)	-	296
Net gains on derecognition of the financial assets measured at fair value	-	-	-	-	848	5	-	853
Net foreign exchange gains and positive currency clause effects	-	-	-	-	2,593	200	3,558	6,351
Net gains on derecognition of the financial assets measured at amortized cost	-	-	-	-	1,486	-	-	1,486
Other operating income	-	-	-	-	6,037	2,117	816	8,970
Net gains/(losses) from impairment of financial assets and credit risk-weighted off-balance sheet assets	1,402	2	1,029	(567)	(1,524)	(7,328)	(200)	(7,186)
Total operating income, net	**43,098**	**6,787**	**12,885**	**15,907**	**28,089**	**547,088**	**24,341**	**678,195**
Salaries, salary compensations and other personal expenses	-	-	-	-	(20,255)	(38,023)	(6,862)	(65,140)
Depreciation and amortization charge	-	-	-	-	(4,078)	(19,657)	(3,418)	(27,153)
Other income	-	-	-	-	7,176	42,227	541	49,944
Share of profits from associates	-	-	-	-	1,161	(22)	18	1,157
Bargain purchase gain	-	-	-	-	39,920	-	85	40,005
Other expenses	-	-	-	-	(35,463)	(485,868)	(11,589)	(532,920)
Profit before taxes	**43,098**	**6,787**	**12,885**	**15,907**	**16,550**	**45,745**	**3,116**	**144,088**

* Column "Other" includes all the income/expenses that do not relate to the separately presented segments, includes the Treasury and other items not directly allocated to the presented segments.

NOTE: Layout of the Income Statement items was made based on the Group's internal segmentation. The allocation of income and expenses to segments was performed only for the interest income and expense, fee and commission income and expenses and total operating income, net, and expenses or losses from impairment of financial assets and credit risk-weighted off-balance sheet assets.

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7. SEGMENT REPORTING (Continued)

7.2. The Group's Statement of Financial Position per segment

						December 31, 2019
Item	**Corporate**	**Public**	**SME**	**Retail**	**Other**	**Total**
Cash and cash funds held with the central bank	-	-	-	-	571,287	571,287
Pledged financial assets	-	-	-	-	1,436	1,436
Receivables under derivative financial instruments	-	-	-	-	190	190
Securities	22,682	253,361	-	-	318,817	594,860
Loans and receivables due from banks and other financial institutions	5,771	-	-	-	147,336	153,107
Loans and receivables due from customers	1,028,508	133,538	453,111	501,858	61,583	2,178,598
Intangible assets	-	-	-	-	7,730	7,730
Property, plant and equipment	-	-	-	-	49,884	49,884
Investment property	-	-	-	-	143,520	143,520
Non-current assets held for sale and assets from discontinued operations	-	-	-	-	1,132	1,132
Deferred tax assets	-	-	-	-	5,467	5,467
Other assets	12,639	120	847	1,005	29,104	43,715
TOTAL ASSETS	**1,069,600**	**387,019**	**453,958**	**502,863**	**1,336,415**	**3,749,855**
LIABILITIES AND EQUITY	**435,383**	**209,665**	**245,119**	**1,919,799**	**939,889**	**3,749,855**
Liabilities under derivative financial instruments	-	-	-	-	52	52
Deposits and other liabilities due to banks, other financial institutions and the central bank	50,035	-	10,580	-	168,142	228,757
Deposits and other liabilities due to customers	381,036	208,177	229,608	1,914,774	23,967	2,757,562
Provisions	1,154	902	701	1,375	5,584	9,716
Current tax liabilities	-	-	-	-	6,504	6,504
Deferred tax liabilities	-	-	-	-	5,920	5,920
Other liabilities	3,158	586	4,230	3,650	19,847	31,471
TOTAL LIABILITIES	**435,383**	**209,665**	**245,119**	**1,919,799**	**230,016**	**3,039,982**
EQUITY	**-**	**-**	**-**	**-**	**642,238**	**642,238**
Issued (share) capital	-	-	-	-	1	1
Profit	-	-	-	-	439,284	439,284
Reserves	-	-	-	-	266,280	266,280
Non-controlling interest	-	-	-	-	4,308	4,308

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7. SEGMENT REPORTING (Continued)

7.2. The Group's Statement of Financial Position per segment (Continued)

December 31, 2018

Item	Corporate	Public	SME	Retail	Other	Agribusiness segment	Hotels segment	Total
Cash and cash funds held with the central bank	-	-	-	-	559,150	456	2,460	562,066
Pledged financial assets	-	-	-	-	13,674	-	-	13,674
Receivables under derivative financial instruments	-	-	-	-	239	-	-	239
Securities	-	-	-	-	590,528	275	-	590,803
Loans and receivables due from banks and other financial institutions	-	-	-	-	188,132	163,734	6,754	358,620
Loans and receivables due from customers	938,210	103,615	433,600	432,291	56,107	156,380	733	2,120,936
	-	-	-	-	-	242	-	242
	-	-	-	-	-	4,717	-	4,717
Intangible assets	-	-	-	-	7,257	2,519	1,167	10,943
Property, plant and equipment	-	-	-	-	51,138	471,496	106,950	629,584
Investment property	-	-	-	-	121,467	11,841	467	133,775
Non-current assets held for sale and assets from discontinued operations	-	-	-	-	2,086	113	-	2,199
Current tax assets	-	-	-	-	4	2,493	-	2,497
Deferred tax assets	-	-	-	-	12,409	2,064	-	14,473
Other assets	9,346	8,778	4,817	1,418	20,469	189,824	1,964	236,616
TOTAL ASSETS	**947,556**	**112,393**	**438,417**	**433,709**	**1,622,660**	**1,006,154**	**120,495**	**4,681,384**
LIABILITIES AND EQUITY	**227,470**	**195,909**	**419,062**	**1,800,089**	**963,115**	**1,006,154**	**120,495**	**4,681,384**
Liabilities under derivative financial instruments	-	-	-	-	113	-	-	113
Deposits and other liabilities due to banks, other financial institutions and the central bank	-	-	-	-	164,511	376,234	46,719	587,982
Deposits and other liabilities due to customers	219,126	193,721	411,835	1,740,875	-	67,490	9,368	2,642,415
Provisions	2,736	891	1,816	1,381	3,610	1,860	72	12,366
Current tax liabilities	-	-	-	-	2,549	3,493	92	6,134
Deferred tax liabilities	-	-	-	-	4,655	33,763	491	38,909
Other liabilities	5,608	1,297	5,411	6,923	8,432	58,907	4,256	90,834
TOTAL LIABILITIES	**227,470**	**195,909**	**419,062**	**1,800,089**	**183,870**	**541,747**	**60,998**	**3,378,235**
EQUITY	**-**	**-**	**-**	**-**	**779,245**	**464,407**	**59,497**	**1,303,149**
Issued (share) capital	-	-	-	-	698	49,307	23,000	73,005
Profit	-	-	-	-	556,277	221,449	37,816	815,542
Reserves	-	-	-	-	76,666	134,532	(2,606)	208,592
Non-controlling interest	-	-	-	-	145,604	59,119	1,287	206,010

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7. SEGMENT REPORTING (Continued)

7.3. The Group's Income Statement per geographic segment

Item	Belgrade	Novi Sad	Kragujevac	Niš	Slovenia	Head office	December 31, 2019 Total
Interest income	11,645	5,396	2,573	5,802	44,492	46,245	116,153
Interest expenses	(3,219)	(1,758)	(908)	(2,541)	(5,818)	(10,007)	(24,251)
Net interest income	8,426	3,638	1,665	3,261	38,674	36,238	91,902
Fee and commission income	3,520	1,585	870	2,832	12,872	8,136	29,815
Fee and commission expenses	(72)	(22)	(16)	(99)	(681)	(4,071)	(4,961)
Net fee and commission income	3,448	1,563	854	2,733	12,191	4,065	24,854
Net gains on changes in the fair value of financial instruments	-	-	-	-	9,068	4,780	13,848
Net gains on derecognition of the financial assets measured at fair value	-	-	-	-	137	1,789	1,926
Net gains/(losses) from hedging	-	-	-	-	-	2	2
Net foreign exchange gains and positive currency clause effects	-	-	-	-	10	1,545	1,555
Net gains on derecognition of the financial assets measured at amortized cost	-	-	-	-	1,912	(1,006)	906
Other operating income	128	247	25	45	5,808	6,613	12,866
Net (losses)/gains from impairment of financial assets and credit risk-weighted off-balance sheet assets	-	-	-	-	18,690	12,037	30,727
Total operating income, net	**12,002**	**5,448**	**2,544**	**6,039**	**86,490**	**66,063**	**178,586**
Staff costs	-	-	-	-	(21,114)	(13,315)	(34,429)
Depreciation and amortization charge	-	-	-	-	(5,458)	(3,662)	(9,120)
Other operating income	-	-	-	-	2,402	11,767	14,169
Other expenses	-	-	-	-	(15,828)	(24,108)	(39,936)
Profit before taxes	**12,002**	**5,448**	**2,544**	**6,039**	**46,492**	**36,745**	**109,270**

All amounts expressed in thousands of EUR, unless otherwise stated.

7. SEGMENT REPORTING (Continued)

7.3. The Group's Income Statement per geographic segment (Continued)

December 31, 2018

Item	Belgrade	Novi Sad	Kragujevac	Niš	Slovenia	Head office	Agribusiness segment	Hotels segment	Total
Interest income	12,745	6,252	3,073	6,699	13,230	44,646	574,111	22,061	682,817
Interest expenses	(2,879)	(1,528)	(825)	(2,283)	(3,063)	(3,344)	(11,266)	(1,383)	(26,571)
Net interest income	9,866	4,724	2,248	4,416	10,167	41,302	562,845	20,678	656,246
Fee and commission income	3,289	1,541	830	2,605	4,146	7,032	-	-	19,443
Fee and commission expenses	(78)	(27)	(19)	(88)	(246)	(3,673)	(3,622)	(511)	(8,264)
Net fee and commission income	3,211	1,514	811	2,517	3,900	3,359	(3,622)	(511)	11,179
Net gains on changes in the fair value of financial instruments	-	-	-	-	1,781	5,644	(7,129)	-	296
Net gains on derecognition of the financial assets measured at fair value	-	-	-	-		848	5	-	853
Net foreign exchange gains and positive currency clause effects	-	-	-	-	(41)	2,634	200	3,558	6,351
Net gains on derecognition of the financial assets measured at amortized cost	-	-	-	-	1,486	-	-	-	1,486
Other operating income	-	-	-	-	2,013	4,024	2,117	816	8,970
Net (losses)/gains from impairment of financial assets and credit risk-weighted off-balance sheet assets	(744)	(245)	(122)	(250)	4,130	(2,427)	(7,328)	(200)	(7,186)
Total operating income, net	**12,333**	**5,993**	**2,937**	**6,683**	**23,436**	**55,384**	**547,088**	**24,341**	**678,195**
Staff costs	-	-	-	-	(7,507)	(12,748)	(38,023)	(6,862)	(65,140)
Depreciation and amortization charge	-	-	-	-	(1,615)	(2,463)	(19,657)	(3,418)	(27,153)
Other operating income	-	-	-	-	1,114	6,062	42,227	541	49,944
Share of profits from associates	-	-	-	-	-	1,161	(22)	18	1,157
Bargain purchase gain	-	-	-	-	-	39,920	-	85	40,005
Other expenses	-	-	-	-	(6,362)	(29,101)	(485,868)	(11,589)	(532,920)
Profit before taxes	**12,333**	**5,993**	**2,937**	**6,683**	**9,066**	**58,215**	**45,745**	**3,116**	**144,088**

All amounts expressed in thousands of EUR, unless otherwise stated.

7. SEGMENT REPORTING (Continued)

7.4 The Group's Statement of Financial Position per geographic segment

							December 31, 2019
Item	**Belgrade**	**Novi Sad**	**Kragujevac**	**Niš**	**Slovenia**	**Head office**	**Total**
Cash and cash funds held with the central bank	-	-	-	-	333,098	238,189	571,287
Pledged financial assets	-	-	-	-	-	1,436	1,436
Receivables under derivative financial instruments	-	-	-	-	127	63	190
Securities	-	-	-	-	316,033	278,827	594,860
Loans and receivables due from banks and other financial institutions	-	-	-	-	45,016	108,091	153,107
Loans and receivables due from customers	190,737	65,077	30,529	68,352	1,061,442	762,461	2,178,598
Intangible assets	-	-	-	-	4,124	3,606	7,730
Property, plant and equipment	-	-	-	-	26,272	23,612	49,884
Investment property	-	-	-	-	63,504	80,016	143,520
Non-current assets held for sale and assets from discontinued operations	-	-	-	-	1,085	47	1,132
Deferred tax assets	-	-	-	-	4,474	3,604	8,078
Other assets	605	141	154	669	17,087	25,059	43,715
TOTAL ASSETS	**191,342**	**65,218**	**30,683**	**69,021**	**1,872,262**	**1,525,011**	**3,749,855**
LIABILITIES AND EQUITY							
Liabilities under derivative financial instruments	-	-	-	-	12	40	52
Deposits and other liabilities due to banks, other financial institutions and the central bank	-	-	-	-	200,887	27,870	228,757
Deposits and other liabilities due to customers	405,364	153,179	100,001	301,728	1,505,384	291,906	2,757,562
Provisions	40	14	5	21	4,970	4,666	9,716
Current tax liabilities	-	-	-	-	3,208	3,296	6,504
Deferred tax liabilities	-	-	-	-	1,639	4,281	5,920
Other liabilities	3,149	737	497	1,481	18,519	7,088	31,471
TOTAL LIABILITIES	**408,553**	**153,930**	**100,503**	**303,230**	**1,734,619**	**339,147**	**3,039,982**
EQUITY	-	-	-	-	-	**709,873**	**709,873**
Issued (share) capital	-	-	-	-	-	1	1
Profit	-	-	-	-	-	439,284	439,284
Reserves	-	-	-	-	-	266,280	266,280
Non-controlling interest	-	-	-	-	-	4,308	4,308

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7. SEGMENT REPORTING (Continued)

7.4 The Group's Statement of Financial Position per geographic segment (Continued)

									December 31, 2018
Item	Belgrade	Novi Sad	Kragujevac	Niš	Slovenia	Head office	Agribusiness segment	Hotels segment	Total
Cash and cash funds held with the central bank	-	-	-	-	358,363	200,787	456	2,460	562,066
Pledged financial assets	-	-	-	-	-	13,674	-	-	13,674
Receivables under derivative financial instruments	-	-	-	-	150	89	-	-	239
Securities	-	-	-	-	346,356	244,172	275	-	590,803
Loans and receivables due from banks and other financial institutions	-	-	-	-	109,274	78,858	163,734	6,754	358,620
Loans and receivables due from customers	187,038	66,303	35,800	75,053	947,854	651,775	156,380	733	2,120,936
	-	-	-	-	-	-	242	-	242
	-	-	-	-	-	-	4,717	-	4,717
Intangible assets	-	-	-	-	4,239	3,018	2,519	1,167	10,943
Property, plant and equipment	-	-	-	-	22,363	28,775	471,496	106,950	629,584
Investment property	-	-	-	-	39,783	81,684	11,841	467	133,775
Non-current assets held for sale and assets from discontinued operations	-	-	-	-	1,915	171	113	-	2,199
Current tax assets	-	-	-	-	4	-	2,493	-	2,497
Deferred tax assets	-	-	-	-	10,076	2,333	2,064	-	14,473
Other assets	287	186	94	346	14,208	29,707	189,824	1,964	236,616
TOTAL ASSETS	**187,325**	**66,489**	**35,894**	**75,399**	**1,854,585**	**1,335,043**	**1,006,154**	**120,495**	**4,681,384**
LIABILITIES AND EQUITY	**403,392**	**141,992**	**100,271**	**282,342**	**1,629,650**	**995,146**	**1,006,154**	**120,495**	**4,681,384**
Liabilities under derivative financial instruments	-	-	-	-	37	76	-	-	113
Deposits and other liabilities due to banks, other financial institutions and the central bank	-	-	-	-	137,790	26,721	376,234	46,719	587,982
Deposits and other liabilities due to customers	401,990	141,591	100,089	281,377	1,466,348	174,162	67,490	9,368	2,642,415
Provisions	57	11	7	38	4,513	5,808	1,860	72	12,366
Current tax liabilities	-	-	-		627	1,922	3,493	92	6,134
Deferred tax liabilities	-	-	-		3,758	897	33,763	491	38,909
Other liabilities	1,345	390	175	927	16,577	8,257	58,907	4,256	90,834
TOTAL LIABILITIES	**403,392**	**141,992**	**100,271**	**282,342**	**1,629,650**	**217,843**	**541,747**	**60,998**	**3,378,235**
EQUITY	**-**	**-**	**-**	**-**	**-**	**779,245**	**464,407**	**59,497**	**1,303,149**
Issued (share) capital	-	-	-	-	-	698	49,307	23,000	73,005
Profit	-	-	-	-	-	556,277	221,449	37,816	815,542
Reserves	-	-	-	-	-	76,666	134,532	(2,606)	208,592
Non-controlling interest	-	-	-	-	-	145,604	59,119	1,287	206,010

NOTE: Allocation of the income statement and balance sheet item to geographic segments was made based on the criteria for customer segmentation: Corporate customers – large legal entities, public – government bodies and institutions, banks and financial institutions are under the remit of the head office. Other customers are distributed per territorial competence of organizational units.

All amounts expressed in thousands of EUR, unless otherwise stated.

8. INTEREST INCOME AND EXPENSES

Interest income and expenses per financial instrument classes are presented below:

	Year Ended December 31, 2019	2018
Interest income per:		
Loans and receivables due from customers	86,181	70,183
Loans and receivables due from banks	163	339
Deposits held with the National Bank of Serbia	1,598	1,438
Securities:		
- repo transactions	544	1,184
- Republic of Serbia RSD - denominated bonds	4,439	8,071
- Republic of Serbia foreign currency bonds	1,970	2,141
- foreign currency structured papers	7,568	3,383
Interest on financial leasing	12,188	-
Interest on investments in bills of exchange	297	278
Other interest income	1,205	-
Total	**116,153**	**87,017**
Interest expenses per:		
Borrowings received from banks	(4)	(10)
Borrowings received from customers	(5,246)	(2,479)
Deposits and liabilities due to customers	(13,122)	(10,435)
Deposits and liabilities due to banks	(1,102)	(219)
Lease liability	(105)	-
Securities	(4,554)	(2,203)
Other interest expenses	(118)	(2)
Total	**(24,251)**	**(15,348)**
Net interest income	**91,902**	**71,669**

9. FEE AND COMMISSION INCOME AND EXPENSES

	Year Ended December 31, 2019	2018
***Fee and commission* income**		
Fees arising from payment card operations	7,226	4,590
Fees for payment transfer operations	11,962	8,216
Fees on issued guarantees	2,456	1,908
Fees for loan agreement	1,070	384
Commission income arising from trading shares	1,162	236
Fees earned for corporate services rendered	297	118
Fees arising from custody services	-	23
Other fees and commissions	5,642	3,968
Total	**29,815**	**19,443**
Fee and commission expenses		
Fees arising from payment card operations	(2,643)	(2,632)
Fees for payment transfer operations	(1,568)	(1,103)
Fees for received guarantees	(306)	(127)
Fees for transaction costs	(37)	(33)
Other fees and commissions	(407)	(314)
Total	**(4,961)**	**(4,209)**
Net fee and commission income	**24,854**	**15,234**

All amounts expressed in thousands of EUR, unless otherwise stated.

10. NET GAINS ON CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS

	Year Ended December 31, 2019	2018
Gains/losses on the changes in the fair value of securities FVtPL	5,796	6,946
Gains on changes in the fair value of loans	5,991	-
Gains on the changes in the fair value of investment units	1,737	382
(Losses)/gains on changes in the fair value of other instruments	324	97
Net gains	**13,848**	**7,425**

Gains on the changes in the fair value of securities FVtPL realized in 2019 in total amount of EUR 5,796 thousand (December 31, 2018: EUR 6,946 thousand) mainly relate to the changes in fair value of: GDR instruments issued by NLB d.d. Ljubljana in the amount of EUR 1,625 thousand (loss) (December 31, 2018: EUR 4,603 thousand gain), investments in shares of Komercijalna banka a.d., Beograd in the amount of EUR 3,115 thousand (December 31, 2018: EUR 845 thousand) and investments in shares of entity Intereuropa d.d., Koper in the amount of EUR 2,762 thousand.

11. NET GAINS ON DERECOGNITION OF THE FINANCIAL ASSETS MEASURED AT FAIR VALUE

	Year Ended December 31, 2019	2018
Gains on the sales of securities measured at FVtPL	239	701
Gains on the sales of securities measured at FVtOCI	1,687	147
Net gains	**1,926**	**848**

12. NET FOREIGN EXCHANGE GAINS AND POSITIVE CURRENCY CLAUSE EFFECTS

	Year Ended December 31, 2019	2018
Foreign exchange gains		
Foreign exchange gains	30,371	32,020
Positive currency clause effects	3,982	9,068
Total foreign exchange gains	**34,353**	**41,088**
Foreign exchange losses		
Foreign exchange losses	(26,706)	(29,668)
Negative currency clause effects	(6,092)	(8,829)
Total foreign exchange losses	**(32,798)**	**(38,497)**
Net foreign exchange gains	**1,555**	**2,591**

13. NET GAINS ON DERECOGNITION OF THE FINANCIAL ASSETS MEASURED AT AMORTIZED COST (AC)

	Year Ended December 31, 2019	2018
Net gains from derecognition of the financial instruments recognized at amortized costs - credit sales	2,911	-
Net losses from derecognition of the financial instruments recognized at amortized costs - housing loans	(4,431)	-
Net gains from derecognition of the financial instruments recognized at amortized costs - other credits	2,426	1,486
Net gains	**906**	**1,486**

In accordance with the Law on conversion of housing loans indexed in CHF imposed in Serbia during 2019, the AIK Bank converted the remaining debt on housing loans indexed in CHF and on that basis realized a net loss in the amount of EUR 4,431 thousand.

All amounts expressed in thousands of EUR, unless otherwise stated.

14. OTHER OPERATING INCOME

	Year Ended December 31, 2019	2018
Rental income (Note 30)	8,427	5,049
Cost refunds	1,165	1,180
Dividend income	2,979	85
Other operating income	295	237
Total	**12,866**	**6,551**

Rental income from the lease of business premises totaling EUR 8,427 thousand (2018: EUR 5,049 thousand) entirely relates to the income from the lease of investment property to third parties (Note 30).

Income from cost refunds of EUR 1,165 thousand (2018: EUR 1,180 thousand) mostly, in the amount of EUR 499 thousand (2018: EUR 632 thousand), relates to the refunds of costs relating to the leased out real estate properties.

Dividend income in the total amount of EUR 2,979 thousand mainly relates to dividends received from: NLB dd, Ljubljana - EUR 2,182 thousand, Budvanska Rivijera ad, Budva - EUR 181 thousand, and Galenika Fitofarmacija ad, Zemun – EUR 158 thousand.

15. NET GAINS / (LOSSES) ON IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVtPL)

	Year Ended December 31, 2019	2018
Losses on impairment of balance sheet items		
Cash and balances held with the central bank (Note 21)	(50)	(373)
Securities measured at amortized cost (AC) (Note 24.3)	(969)	(386)
Loans and receivables due from banks (Note 25)	(1,383)	(1,551)
Loans and receivables due from customers (Note 26)	(92,244)	(84,574)
Impairment of long-term fin. investments (securities AFS)	(130)	(425)
Other assets (Note 33)	(838)	(992)
	(95,614)	**(88,301)**
Provisioning charge for off-balance sheet items (Note 37)	**(9,238)**	**(3,319)**
Losses on impairment of financial assets measured at FVtOCI	**(164)**	**(209)**
Losses on modification of financial instruments	**(1,045)**	**-**
Write-off of uncollectable receivables		
Loans and receivables due from banks	-	(1,533)
Loans and receivables due from customers	(13)	(2,707)
Other assets	(25)	(178)
	(38)	**(4,418)**
Total losses	**(106,099)**	**(96,247)**
Gains on the reversal of impairment of balance sheet items		
Cash and balances held with the central bank (Note 21)	46	338
Securities measured at amortized cost (AC) (Note 24.3)	1,287	187
Loans and receivables due from banks (Note 25)	1,001	4,516
Loans and receivables due from customers (Note 26)	109,128	76,652
Other assets (Note 33)	396	3,137
	111,858	**84,830**
Gains on the reversal of provisions for off-BS items (Note 37)	**9,901**	**3,246**
Gains on reversal of impairment of fin. assets at FVtOCI	**295**	**350**
Gains on modification of financial instruments	**2,283**	**-**
Collected receivables previously written off		
Loans and receivables due from customers	12,471	8,149
Other assets	18	14
	12,489	**8,163**
Total gains	**136,826**	**96,589**
Net gains/(losses) on impairment of financial assets not measured at fair value through profit or loss	**30,727**	**342**

All amounts expressed in thousands of EUR, unless otherwise stated.

15. NET GAINS / (LOSSES) ON IMPAIRMENT OF FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVtPL) (Continued)

MOVEMENTS ON IMPAIRMENT ALLOWANCE ACCOUNTS AND PROVISIONS FOR OFF-BALANCE SHEET ITEMS

	Cash (Note 21)	Securities at AC (Note 24.3)	Loans due from banks (Note 25)	Loans due from customers (Note 26)	Other assets (Note 33)	Off-balance sheet liabilities (Note 37)	Total
Balance at January 1, 2019	39	2,274	2,334	101,144	2,404	3,022	111,217
Charge for the year	50	969	1,383	92,244	838	9,238	104,722
Decrease – reversal	(46)	(1,287)	(1,001)	(109,128)	(396)	(9,901)	(121,759)
Write-offs	-	222	(897)	(18,509)	(217)	-	(19,401)
Transfer to off-balance sheet items	-	-	-	(2,607)	-	-	(2,607)
Foreign exchange effects	-	8	9	171	16	4	217
Other movements	-	-	-	(1,846)	(382)	-	(2,228)
Balance at December 31, 2019	43	2,186	1,828	61,469	2,263	2,363	70,161

16. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONNEL EXPENSES

	Year Ended December 31, 2019	2018
Net salaries	(19,138)	(10,378)
Net salary refunds and benefits	(2,740)	(1,651)
Payroll taxes and contributions per salaries, refunds and benefits	(8,943)	(5,801)
Other staff costs and considerations paid to seasonal and temporary staff	(2,427)	(737)
Provisioning charge for long-term employee benefits (Note 37)	(1,234)	(1,267)
Provisioning reversal for long-term employee benefits (Note 37)	53	171
Total	**(34,429)**	**(19,663)**

17. DEPRECIATION AND AMORTIZATION CHARGE

	Year Ended December 31, 2019	2018
Depreciation charge – buildings (Note 29.a)	(1,947)	(949)
Depreciation charge – equipment and other assets(Note 29.a)	(3,401)	(1,849)
Amortization charge – intangible assets (Note 28.b)	(1,975)	(1,206)
Depreciation charge – buildings - Right of use asset (Note 29.b)	(1,797)	-
Total	**(9,120)**	**(4,004)**

18.a) OTHER INCOME

	Year Ended December 31, 2019	2018
Reversal of provisions for litigations liabilities (Note 37)	462	196
Reversal of provisions for other liabilities	-	286
Gains on the sale of property, plant, equipment and fixtures	1,387	3,050
Write-off of liabilities	624	1,095
Recovery of purchased receivables	8,912	798
Other income	263	1,183
Gains on the valuation of property	2,521	1,010
Total	**14,169**	**7,618**

All amounts expressed in thousands of EUR, unless otherwise stated.

18.a) OTHER INCOME (Continued)

Gains on the sales of property, plant and equipment totaling EUR 1,387 thousand in 2019 (2018: EUR 3,050 thousand) mostly relate to the gains on the sales of investment property of EUR 125 thousand (Note 30) (2018: EUR 2,464 thousand) gains on the sales of buildings of EUR 792 thousand (Note 29.a) (2018: EUR 343 thousand) and gains on the sales of tangible assets acquired in lieu of debt collection of EUR 301 thousand (Note 33) (2018: EUR 183 thousand).

Gains on the valuation of property amounting to EUR 2,521 thousand in 2019 (2018: EUR 1,010 thousand) relate to the recording of positive investment property appraisal effects in the amount of EUR 2,173 thousand (Note 30) and positive effect arising from revaluation method of buildings in the amount of EUR 348 thousand.

18.b) SHARE OF PROFITS FROM ASSOCIATES

The amount of EUR 1,161 thousand realized in 2018 (up to the control acquisition date – as of August 31, 2018 (Note 2.4)) represents the sum of fair value adjustment of the equity interest (EUR 944 thousand) and share of profit of the equity interest held in Gorenjska Bank (EUR 206 thousand). EUR 217 thousand was recorded as an increase in the equity instruments (Note 27) representing the difference between EUR 1,161 thousand and sum of translation reserves (EUR 732 thousand) out of which EUR 721 thousand previously recorded through reserves and now recognized within P&L and dividend income received from Gorenjska Bank (EUR 212 thousand).

19. OTHER EXPENSES

	Year Ended December 31, 2019	2018
Cost of materials	(2,088)	(1,250)
Rental costs and other costs relating to leased business premises	(1,441)	(3,004)
Telecommunications and postage	(3,677)	(4,159)
Cost of other services	(4,120)	(243)
Property and equipment maintenance costs	(2,146)	(1,779)
Marketing and advertising	(1,419)	(1,430)
Donations and sponsorships	(606)	(153)
Entertainment	(288)	(194)
Auditing and expertise costs	(2,813)	(1,610)
Insurance premiums	(6,312)	(6,379)
Membership fees	(58)	(48)
Lawyer, appraiser and valuer fees	(1,094)	(879)
Court and other fees and costs	(418)	(329)
Broker and Central Depository fees	(371)	(223)
Security services	(1,363)	(998)
Additional employee insurance	(2)	-
Other non-material costs	(2,192)	(1,603)
Taxes and contributions payable	(1,450)	(3,500)
Re-invoiced costs	(523)	(677)
Provisions for litigations (Note 37)	(997)	(1,880)
Other expenses	(3,428)	(2,060)
Losses on the sale of other investments	(718)	(113)
Losses on the valuation of property	(2,412)	(2,652)
Total	**(39,936)**	**(35,163)**

Losses on the valuation of property totaling EUR 2,412 thousand in 2018 (2018: EUR 2,652 thousand) relate to the accounting for negative effects of investment property appraisal in the amount of EUR 1,760 thousand (2018: EUR 2,313 thousand) (Note 30), tangible assets acquired in lieu of debt collection appraisal in the amount of EUR 351 thousand (2018: EUR 141 thousand) (Note 33), own building properties in the amount of EUR 4 thousand (2018: EUR 12 thousand) (Note 29.a) and negative effect arising from revaluation method of buildings in the amount of EUR 297 thousand. In addition, in 2018 the Group incurred negative effects on assets held for sale in the amount of EUR 34 thousand.

All amounts expressed in thousands of EUR, unless otherwise stated.

20.1. INCOME TAXES

20.1.a) Components of income taxes

	2019	2018
Current income tax expense	(13,431)	(6,858)
Deferred income tax benefits	1,170	323
Deferred tax expenses	(6,186)	(419)
Total	**(18,447)**	**(6,954)**

20.1.b) Reconciliation of the income tax and profit before taxes

	2019	2018
Profit for the year before taxes	110,154	96,015
Tax calculated using the statutory income tax rate (15%)	16,523	14,402
Tax effects of expenses not recognized for tax purposes	1,569	5,349
Tax effects of income not recognized for tax purposes	(890)	(10,515)
Tax effects of capital gains/(losses)	(162)	-
Tax effects of income adjustment	(462)	-
Tax loss carryforwards utilized	-	(866)
Tax credits utilized	(2,147)	(82)
Unrecognized tax losses	(35)	34
Tax effects per debt securities	86	(2,059)
Effects arising due to difference in the tax rates	3,254	363
Temporary difference due to impairment of assets	535	807
Other temporary differences	86	(479)
Tax effects presented within the income statement	**18,357**	**6,954**
Effective tax rate	***17.00%***	***7.24%***

20.2. NET PROFIT OF DISCONTINUING OPERATIONS

	Agribusiness segment	Hotels segment	Holding segment	2019 Total
Revenue	503,720	21,567	-	525,287
Finance income	3,218	652	(2)	3,868
Other income	9,099	1,644	120	10,863
Changes in inventories of finished products and work in progress	2,082	-	-	2,082
Losses on financial assets measured at FVTPL	(15)	-	-	(15)
Net impairment losses on financial assets	7,948	9	-	7,957
Other gains and losses	5,267	(2,398)	(7)	2,862
Cost of goods sold	(239,465)	(39)	-	(239,504)
Raw materials and consumables used	(146,648)	(3,928)	-	(150,576)
Employee benefit expenses	(38,509)	(7,393)	-	(45,902)
Depreciation and amortization expenses	(21,126)	(3,511)	-	(24,637)
Other production expenses	(20,669)	(1,477)	-	(22,146)
Non-production expenses	(19,235)	(6,402)	(184)	(25,821)
Finance costs	(12,284)	(1,795)	(842)	(14,921)
Other expenses	(4,620)	(436)	-	(5,056)
Profit before tax	**28,763**	**(3,507)**	**(915)**	**24,341**
Income tax expense	(3,917)	(128)	-	(4,045)
PROFIT FOR THE YEAR	**24,846**	**(3,635)**	**(915)**	**20,296**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

20.2. NET PROFIT OF DISCONTINUING OPERATIONS (Continued)

	Agribusiness segment	Hotels segment	Holding segment	2018 Total
Revenue	571,778	22,037	-	593,815
Finance income	2,377	24	1,235	3,636
Other income	8,983	1,085	7	10,075
Changes in inventories of finished products and work in progress	(41,549)	-	-	(41,549)
Gains/(losses) on financial assets measured at FVTPL	(560)	-	-	(560)
Net impairment losses on financial assets	(15,612)	-	-	(15,612)
Other gains and losses	32,778	3,890	10	36,678
Cost of goods sold	(227,580)	(41)	-	(227,621)
Raw materials and consumables used	(171,625)	(3,123)	(10)	(174,758)
Employee benefit expenses	(38,365)	(6,857)	(598)	(45,820)
Depreciation and amortization expenses	(19,657)	(3,418)	(74)	(23,149)
Other production expenses	(18,950)	(2,312)	(21)	(21,283)
Non-production expenses	(20,550)	(6,576)	(869)	(27,995)
Finance costs	(11,456)	(1,383)	(9)	(12,848)
Share of profits of associates	(22)	18	-	(4)
Other expenses	(4,245)	(228)	(21)	(4,494)
Profit before tax	**45,745**	**3,116**	**(350)**	**48,511**
Income tax expense	(9,832)	(177)	-	(10,009)
PROFIT FOR THE YEAR	**35,913**	**2,939**	**(350)**	**38,502**

In 12 September 2019, Agri Europe Cyprus Limited, Cyprus ("The Principal") and MK Holding Limited , Cyprus (formerly MK Group Global Limited) ("the Nominee") entered into a scheme of arrangement (the Scheme) which has been sanctioned by the Court and came into effect on December 10, 2019 (the Effective Date). The aim of the scheme was to separate the subsidiaries of the Agri Europe Cyprus Limited group engaged in the banking sector from other business sectors. As a result, Agri Europe Cyprus Limited, will act only as the holding company for the Group's activities in the banking sector through its holding in Nord Agri A.G., Netherlands. As part of the Scheme, on the Effective Date the Principal transferred the legal interest of the following assets held by the Principal to the Nominee:

i. ordinary shares of nominal value EUR 1 each in the issued share capital of Oseane Holding Limited, Cyprus, with book value of EUR 1,000.00, representing 100% of the issued share capital of the subsidiary ("nominee shares");
ii. 1,300 ordinary shares of nominal value EUR 1 each in the issued share capital of MKG Properties Limited, Cyprus with book value of EUR 23,000,300.00, representing 100% of the issued share capital of the subsidiary ("nominee shares");
iii. 1,001 ordinary shares of nominal value €1 each in the issued share capital of AEC Agrinvestment Limited, Cyprus with value of EUR 49,307,456.08, representing 100% of the issued share capital of the subsidiary ("nominee shares") and
iv. Cash and cash equivalents of an amount of EUR 695,393.

In consideration for the transfer of assets, MK Holding Limited allotted and issued the shares of MK Holdings Limited to Agri Holding AG, the sole shareholder of Agri Europe Cyprus Limited, credited as fully paid. The transfer of the Assets was provided for out of the share premium account of Agri Europe Cyprus Limited. For this purpose the share premium of Agri Europe Cyprus Limited, was reduced to nil and cancelled. The reduction and cancellation of the share premium account of Agri Europe Cyprus Limited, has been approved by the Court in accordance with sections 64 and 65 of the Law.

On December 10, 2019, The Nominee and the Principal entered into a nominee agreement to postpone the Effective Date to the Cut-Off Date, being December 31, 2019. In pursuance of the nominee agreement, the Nominee and the Principal have agreed that the Nominee will hold the beneficial interest in the Nominee Shares transferred on trust for the benefit of the Principal from the Effective Date until the Cut-Off Date.

All amounts expressed in thousands of EUR, unless otherwise stated.

21. CASH AND CASH FUNDS HELD WITH THE CENTRAL BANK

	December 31, 2019	December 31, 2018	January 1, 2018
In RSD			
Gyro account	106,983	73,365	141,349
Cash on hand	24,263	21,781	18,939
Prepayments per funds held with the central bank	23	34	56
Other cash funds	-	10	205
	131,269	**95,190**	**160,549**
In foreign currencies			
Gyro account	274,116	313,343	-
Cash on hand	37,376	30,140	10,232
Obligatory foreign currency reserve held with the central bank	96,860	95,998	109,617
Other cash funds	31,709	27,434	55
	440,061	**466,915**	**119,904**
Less: Allowance for impairment	**(43)**	**(39)**	**-**
Total	**571,287**	**562,066**	**280,453**

Adjustments to cash and cash equivalents for the purpose of preparing the statement of cash flows

	December 31, 2019	December 31, 2018	January 1, 2018
Cash and cash funds held with the Central Bank			
Foreign currency accounts held with foreign and domestic banks (Note 25)	78,829	201,326	105,364
Prepayments per funds held with the central bank	(23)	(34)	(56)
Obligatory foreign currency reserve held with NBS	(96,860)	(95,998)	(109,617)
	(17,926)	**105,294**	**(4,309)**
Cash and cash equivalents reported in the statement of cash flows	**553,233**	**667,360**	**276,144**

Movements on the impairment allowance	**2019**	**2018**
Balance at January 1	(39)	-
Change to the scope of consolidation GB	-	(3)
Charge for the year (Note 15)	(50)	(373)
Reversal of impairment allowance (Note 15)	46	338
Translation effects	-	(1)
Balance at December 31	**(43)**	**(39)**

The amount of EUR 106,983 thousand (2018: EUR 70,143 thousand) mostly relates to the funds of AIK bank on domestic gyro accounts. In addition, the amount of EUR 274,116 thousand (2018: EUR 313,343 thousand) mostly relates to the funds of Gorenjska Bank on foreign gyro accounts amounting to EUR 274,068 thousand (2018: EUR 313,343 thousand).

Obligatory foreign currency reserve held with the central bank in the amount of EUR 96,860 thousand (2018: EUR 95,998 thousand) fully relates to the funds of AIK bank.

Other cash funds in foreign currency as of December 31, 2019 in the amount of EUR 31,709 thousand mainly relate to the short - term deposits of Gorenjska Bank held with Bank of Slovenia (2018: EUR 27,434 thousand).

All amounts expressed in thousands of EUR, unless otherwise stated.

22. PLEDGED FINANCIAL ASSETS

	December 31, 2019	December 31, 2018	January 1, 2018
In RSD:			
Securities available for sale – par value	1,216	12,466	3,756
Securities available for sale – fair value adjustment	26	72	33
	1,242	**12,538**	**3,789**
In foreign currencies:			
Securities available for sale – par value	192	1,100	4,550
Securities available for sale – departure from the par value	2	36	111
	194	**1,136**	**4,661**
Total	**1,436**	**13,674**	**8,450**

As of December 31, 2019, in order to secure deposits received, the Group pledged the Republic of Serbia foreign currency-denominated bonds with the par value of EUR 192 thousand (2018: EUR 1,100 thousand) and RSD bonds with the par value of RSD 143,000 thousand (2018: RSD 1,473,360 thousand) (2019: EUR 1,216 thousand; 2018: EUR 12,466 thousand).

23. RECEIVABLES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2019	December 31, 2018	January 1, 2018
Receivables per derivatives – currency swap and forward	190	239	177
Total	**190**	**239**	**177**

Receivables per derivatives held for trading entirely pertain to the effect arisen from the fair value adjustment of instruments with nominal values presented within off-balance sheet items (Note 41.3).

24. SECURITIES

	December 31, 2019	December 31, 2018	January 1, 2018
Securities measured at fair value through profit or loss (FVtPL)	129,954	73,870	61,738
Securities measured at fair value through the other comprehensive income (FVtOCI)	183,055	277,101	206,069
Debt securities measured at amortized cost (AC)	281,851	239,832	3,955
Total	**594,860**	**590,803**	**271,762**

24.1 Financial assets initially recognized at fair value through profit and loss

	December 31, 2019	December 31, 2018	January 1, 2018
Securities at FVtPL – shares - trading	34,965	38,847	9
Securities initially recognized at fair value – investment units	88,903	27,229	40,336
Securities initially recognized at fair value – structured papers foreign currency	-	-	21,393
Securities initially recognized at fair value – shares foreign currency – non trading	6,086	7,794	-
Total	**129,954**	**73,870**	**61,738**

All amounts expressed in thousands of EUR, unless otherwise stated.

24. SECURITIES (Continued)

24.1 Financial assets initially recognized at fair value through profit and loss (Continued)

The Group's investments in shares - trading as of December 31, 2019 comprise of:

- investments in RSD shares in the amount of EUR 14,464 thousand (December 31, 2018: EUR 16,721 thousand) which refers to the purchased shares of the following companies: Komercijalna banka a.d., Beograd of EUR 7,812 thousand (December 31, 2018: EUR 5,951 thousand) and Fintel energija a.d., Beograd of EUR 6,652 thousand (December 31, 2018: EUR 5,559 thousand). As of December 31, 2018 the Group had also investments in Galenika fitofarmacija a.d., Zemun of EUR 5,211 thousand and
- investments in foreign currency securities held for trading totaling EUR 20,501 thousand (December 31, 2018: EUR 22,117 thousand) which entirely pertain to GDR instruments issued by NLB d.d., Ljubljana, based on which the Group acquired a an interest (shareholding) of 1.7% in NLB d.d., Ljubljana.

The Group's investments in investments units as of December 31, 2019 comprise of:

- investment units in RSD currency in the amount of EUR 31,408 thousand which mainly refer to AIK Bank's investment units of the Raiffeisen Cash and Kombank Cash Fund in the amount of EUR 26,842 thousand and EUR 4,137 thousand, respectively and
- investment units in foreign currencies in the amount of EUR 57,495 thousand (December 31, 2018: EUR 27,213 thousand) which mainly refer to AIK Bank's investment units of the Fund managed by Erste Asset Management d.o.o. Zagreb in the amount of EUR 57,411 thousand (December 31, 2018: EUR 24,286 thousand).

The Group's investments in shares non-trading in the amount of EUR 6,086 thousand as of December 31, 2019 mainly relate to Gorenjska Bank's investments in shares of entity GEN-EL naložbe d.o.o., Krsko and Hoteli Bernardin d.d., Portorož in the amount of EUR 4,059 thousand and EUR 1,736 thousand, respectively.

Moreover, as of December 31, 2018 the Group had investment in shares of entity Intereuropa d.d., Koper which are initially recognized at fair value in the amount of EUR 7,794 thousand. Based on those investments the Group had an interest (shareholding) of 18.23% in Intereuropa d.d., Koper.

24.2 Financial assets at fair value through other comprehensive income (FVtOCI)

	December 31, 2019	December 31, 2018	January 1, 2018
Securities			
In RSD:			
Republic of Serbia bonds	69,622	93,633	135,186
Equity investments in other legal entities and other securities available-for-sale	4,921	2,830	3,972
Municipal bonds	11	16	21
	74,554	**96,479**	**139,179**
In foreign currencies:			
Republic of Serbia bonds	67,351	77,963	66,007
Equity investments in other legal entities and other securities available-for-sale	2,548	1,324	1,020
Republic of Slovenia bonds	32,046	57,448	-
Other bonds issued by entities in Slovenia	6,696	44,030	-
	108,641	**180,765**	**67,027**
***Less**: Allowance for impairment – Equity investments*	(140)	(143)	(137)
Total securities	**183,055**	**277,101**	**206,069**

Movements on the impairment allowance	**2019**	**2018**
Balance at January 1	(143)	(137)
Charge for the year	(3)	(6)
Reversal of impairment allowance	7	-
Translation effects	(1)	-
Balance at December 31	**(140)**	**(143)**

All amounts expressed in thousands of EUR, unless otherwise stated.

24. SECURITIES (Continued)

24.2 Financial assets at fair value through other comprehensive income (FVtOCI) (Continued)

As of December 31, 2019 Group had investments in the Republic of Serbia RSD bonds only at fixed interest rate with maturities from 60 to 120 months and interest rates ranging from 3.30% to 12.34% p.a. (2018: maturities from 24 to 120 months and interest rates ranging from 3.88% to 12.34% p.a.).

Group investments in the Republic of Serbia foreign currency bonds have maturities from 36 months to 180 months at interest rates ranging from 1.05% to 4.20% p.a. (2018: 36 months to 180 months at interest rates ranging from 0.42% to 5% p.a.).PY

Group investments in the Republic of Slovenia foreign currency bonds have maturities from 4 months to 31 months at interest rates ranging from 1.10% to 5.50% p.a.

Equity investments in other legal entities and other securities available for sale net of all for impairment, both nominated in RSD and foreign currency, stated as of December 31, 2019 in the amount of EUR 7,329 thousand (December 31, 2018: EUR 4,011 thousand) mostly comprise securities available for sale on the markets of Serbia, Montenegro and Bosnia and Herzegovina.

Amount of EUR 6,696 thousand relates on equity instruments held by Gorenjska Bank and mainly refers to investments in equity of Slovenska industrija jekla, d.d., Ljubljana in the amount of EUR 4,990 thousand.

24.3 Debt securities measured at amortized cost (AC)

	December 31, 2019	December 31, 2018	January 1, 2018
Bonds	278,593	237,015	-
Commercial bills in foreign currency	-	797	-
Corporate bills of exchange – RSD currency	5,444	5,592	9,852
Less: Impairment allowance	(2,186)	(3,572)	(5,897)
Total	**281,851**	**239,832**	**3,955**

Movements on the impairment allowance	**2019**	**2018**
Balance at January 1	(3,572)	(5,897)
Effects of the first-time adoption of IFRS 9	-	23
Change to the scope of consolidation	1,298	(562)
Charge for the year (Note 15)	(969)	(655)
Reversal of impairment allowance (Note 15)	1,287	231
Translation effects	(8)	(12)
Write-off, foreign exchange effects	(222)	-
Transfer to off-balance sheet items	-	3,300
Balance at December 31	**(2,186)**	**(3,572)**

Interest rates used for discounting bills of exchange during 2019 ranged from 0.5% to 0.9% per month (2018: 0.5% to 0.9% per month).

Bonds in total amount of EUR 278,593 thousand as of December 31, 2019 (December 31, 2018: EUR 237,015 thousand) fully relate to debt securities measured at AC in Republic of Slovenia. In accordance to IFRS 3 those securities have been recognized in the Group's consolidated financial statements at fair value as of August 31, 2018 and subsequently measured at AC.

As of December 31, 2019, out of total amount EUR 221,836 thousand relates to investments in Bonds issued by the government, EUR 27,207 thousand of investments in Bonds issued by banks, EUR 22,721 thousand of investments in Bonds issued by other issuers and EUR 6,731 thousand of amortized fair value adjustment recognized as of August 31, 2018.

As of December 31, 2018, EUR 10,838 thousand represent amortized fair value adjustment recognized as of August 31, 2018, EUR 194,818 thousand of investments in Bonds issued by the government, EUR 3,495 thousand of investments in Bonds issued by banks and EUR 27,864 thousand of investments in Bonds issued by other issuers.

All amounts expressed in thousands of EUR, unless otherwise stated.

25. LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2019	December 31, 2018	January 1, 2018
RSD loans and receivables			
Domestic currency accounts held with domestic banks (Note 21)	-	70,905	43,524
Per repo transactions	25,512	-	21,102
Overnight loans	2,551		
Loans for liquidity maintenance and working capital	170	302	103
Investment loans	3,910	95	12
Other loans	129	403	156
Other general-purpose deposits	-	4,653	4,642
Other RSD receivables	743	1,676	1,434
Interest and fee receivables	1	30	47
Deferred income from fees	(39)	(2)	(265)
	32,977	**78,062**	**70,755**
Foreign currency loans and receivables			
Foreign currency accounts held with foreign banks (Note 21)	78,829	130,421	61,840
Per repo transactions	5,791	8,168	3,584
Overnight deposits	-	5,000	4,000
Other loans	5,975	8,838	4,500
Time deposits from Banks	15,145	39,319	-
Loans to other financial institutions	586	23,930	-
Other general-purpose deposits	-	-	5,000
Earmarked deposits	40	40	40
Other earmarked deposits	1,569	52,469	1,247
Other receivables	13,997	14,247	10,556
Interest and fee receivables	27	777	154
Deferred income from fees as part of the effective interest rate	(1)	(47)	-
	121,958	**283,162**	**90,921**
Loans and receivables, gross	**154,935**	**361,224**	**161,676**
Less: Impairment allowance	(1,828)	(2,604)	(3,026)
Balance as of December 31	**153,107**	**358,620**	**158,650**

Movements on the impairment allowance	**2019**	**2018**
Balance at January 1	(2,604)	(3,026)
Effects of the first-time adoption of IFRS 9	-	547
Change to the scope of consolidation	270	(4,645)
Charge for the year (Note 15)	(1,383)	(1,765)
Reversal of impairment allowance (Note 15)	1,001	4,516
Write-off, foreign exchange effects and other changes	897	1,712
Transfer to off-balance sheet items	-	61
Translation effects	(9)	(4)
Balance at December 31	**(1,828)**	**(2,604)**

As of December 31, 2018 domestic currency accounts held with domestic banks in the total amount of EUR 70,905 thousand fully relates to the Agribusiness segment, Hotels segment and Holding segment in the amount of EUR 65,799 thousand, EUR 5,095 thousand and EUR 11 thousand respectively.

Additionally, as of December 31, 2018, foreign currency accounts held with foreign banks in the total amount of EUR 130,421 thousand fully relates to the Banking segment, Agribusiness segment and Hotels segment in the amount of EUR 99,445 thousand, EUR 29,317 thousand and EUR 1,659 thousand respectively.

The Group other earmarked deposits totaling EUR 52,469 thousand as of December 31, 2018, mostly, in the amount of EUR 49,799 thousand, refer to the earmarked deposits placed with the Central Depository and Clearing House Ljubljana for acquisition of the share package of Gorenjska banka d.d., Slovenia.

All amounts expressed in thousands of EUR, unless otherwise stated.

26. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

	December 31, 2019	December 31, 2018	January 1, 2018
Corporate customers			
Transaction account overdrafts	18,396	10,100	11,127
Working capital loans	486,430	743,777	325,775
Investment loans	940,749	554,565	448,408
Deposits placed	1	2	2
Foreign currency loans FVtPL	14,126	18,400	-
Foreign currency loans	25,580	43,594	56,613
Receivables for financial leasing	79,393	94,017	-
Receivables for factoring	67,814	62,249	-
Receivables per guarantees and acceptances	357	736	1,821
Other loans and receivables	94,165	268,953	169,631
Interest and fee receivables	4,840	10,808	18,055
Deferred income from fees	(5,737)	(6,776)	(3,008)
	1,726,114	**1,800,425**	**1,028,424**
Retail customers			
Transaction account overdrafts	19,615	18,455	3,649
Consumer loans	407	68	341
Housing loans	170,578	171,598	67,889
Cash loans	133,186	129,566	80,252
Other loan and receivables	27,855	20,809	21,977
Receivables for financial leasing	164,212	105,318	-
Foreign currency real estate purchase loans	-	-	38
Interest and fee receivables	1,302	1,074	1,993
Deferred income from fees	(3,202)	(1,497)	(1,448)
	513,953	**445,391**	**174,691**
Loans and receivables, gross	**2,240,067**	**2,245,816**	**1,203,115**
Less: Impairment allowance	**(61,469)**	**(124,880)**	**(108,639)**
Balance at December 31	**2,178,598**	**2,120,936**	**1,094,476**

Movements on the impairment allowance	**2019**	**2018**
Balance at January 1	**(124,880)**	(108,639)
Effects of the first-time adoption of IFRS 9	-	(5,930)
Change to the scope of consolidation	23,736	(68,584)
Charge for the year (Note 15)	(92,244)	(91,028)
Reversal of impairment allowance (Note 15)	109,128	77,019
Write-off, foreign exchange effects	18,509	4,114
Transfer to off-balance items	2,607	68,369
Other changes / derecognition of financial instruments	1,846	(20)
Translation effects	(171)	(181)
Balance at December 31	**(61,469)**	**(124,880)**

As of December 31, 2018, other loans and receivables in the amount of EUR 268,953 thousand mainly refers to the loans and receivables due from corporate customers in the Agribusiness segment in the amount of EUR 176,924 thousand out of which receivables totaling EUR 31,752 thousand, net, due from Victoria Group and assumed from commercial banks; on June 27, 2018, subsidiary MK Group d.o.o., Beograd executed agreements on assignment of receivables with the following banks: Banca Intesa a.d. Beograd, Credit Agricole Srbija a.d., Novi Sad, Erste Group Bank AG, Eurobank a.d., Beograd, Komercijalna Banka a.d., Beograd, Societe Generale Banka Srbija a.d., Unicredit Bank Srbija a.d., Beograd, European Bank for Reconstruction and Development (EBRD) and International Corporation (IFC) on purchase of receivables due from Victoria Group arising from the relevant loan agreements of the said entities with those banks; these receivables were purchased at their fair value of EUR 117,612 thousand, while their aggregate nominal value amounted to EUR 294,861 thousand.

Futhermore, out of total amount of other loans and receivables EUR 56,310 thousand (December 31, 2018) relates to the Holding segment.

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27. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Agribusiness segment

Details of the Group's associates included in the consolidated financial statements at the end of the reporting period are as follows.

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group December 31, 2019	December 31, 2018
Agrobrest d.o.o., Bački Brestovac	Wholesale in wheat, raw tobacco, seeds and cattle feed	Serbia	-	50%
PIK Energie d.o.o., Bečej	Production of electricity	Serbia	-	35%
Link FTO d.o.o., Bečej	Security system services	Serbia	-	30%
Aerodrom Portoroz d.o.o. Sečovlje	Supporting air transport Services	Slovenia	-	-

Summarized financial information in respect of the Group's associates is set out below:

	December 31, 2019	December 31, 2018
Total assets	-	1,585
Total liabilities	-	(1,115)
Net assets	-	470
Group's share of net assets of associates	-	242
	Year ended December 31, 2019	**2018**
Total revenue	-	40,006
Total profit for the year	-	15,533
Group's share of profits/(losses) of associates	-	1,157
Group's share in other comprehensive income of associates	-	-

28.a) GOODWILL

	December 31, 2019	December 31, 2018
Cost	-	9,684
Accumulated impairment losses	-	(4,967)
	-	4,717

	2019	2018
Cost		
Balance, January 1	-	9,271
Effect of foreign currency exchange differences	-	390
Balance, December 31	-	9,661
Accumulated impairment losses		
Balance, January 1	-	(4,755)
Effect of foreign currency exchange differences	-	(200)
Balance, December 31	-	(4,955)
Carrying amount	**-**	**4,706**

All amounts expressed in thousands of EUR, unless otherwise stated.

28.a) GOODWILL (Continued)

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

- Granexport d.o.o., Pančevo
- Silo Corp d.o.o., Novi Sad
- Agrium d.o.o., Sremska Mitrovica
- PIK Bečej a.d. Bečej
- Kristal Sunoko d.o.o., Celje

The carrying amount of goodwill was allocated to the following cash-generating units:

	December 31, 2019	December 31, 2018
Purchase of entity Granexport d.o.o., Pančevo	-	487
Purchase of entity Silo Corp d.o.o., Novi Sad	-	2,332
Purchase of entity Agrium d.o.o., Sremska Mitrovica	-	929
Purchase of entity PIK Bečej a.d., Bečej	-	967
Purchase of entity Kristal Sunoko d.o.o., Celje	-	2
	-	**4,717**

Testing Goodwill for Impairment as of December 31, 2018

The recoverable value of goodwill is determined based on the expected synergy from the business combination and calculated based on projected cash flows of a subsidiary by whose acquisition goodwill was initially recognized. The future cash flows are in accordance with the financial budget of a subsidiary approved by senior management for a period of five years. The discount rate before taxation applied in the cash flow projections is the rate deemed relevant by the management and determined as the average weighted price of capitalof each subsidiary upon whose acquisition was initially recognized.

The applied growth rate is determined in accordance with the projections and plans of the Group's senior management.

The key assumptions used in the value in use calculations for the afore described cash-generating units are as follows.

- Budgeted gross margin – gross margin is based on the projected values in the year immediately before the budget period.
- Discount rates are based on management's estimates of the risks specific for each respective cash-generating unit. A discount rate is a reference value used by management in assessing operating results achieved and potential future investments. In determining adequate discount rates for each cash-generating unit, yields on long-term state bonds recorded at the beginning of the budget year are of outmost relevance. In determining discount rate before taxes which is applied to cash flow projections, management deems relevant and takes as a starting point the weighted average cost of capital of each of the subsidiaries through whose acquisition goodwill was initially recognized; Upon calculation of the recoverable amount of the cash-generating units, the Group used a discount rate of 8.70% per annum;
- Raw materials price inflation – actual prior prices are used, as adjusted for the consumer price indices during the budget period in the countries wherefrom raw materials are purchased.
- Budgeted market share – management believes that the Group's market share will remain stable during the budget period. The values assigned to the assumption reflect past experience.
- Growth rate – management believes that the Group's sales volume will remain stable during the budget period.

Sensitivity to Changes in Assumptions

In connection with the use of synergy, management believes that no reasonably expected change in the forgoing assumptions can bring about a situation where the carrying value of a unit would materially exceed its recoverable value.

All amounts expressed in thousands of EUR, unless otherwise stated.

28.b) INTANGIBLE ASSETS

	December 31, 2019	December 31, 2018	January 1, 2018
Patents, license and software	15,781	18,727	8,929
Trademark	-	1,034	-
Intangible assets in progress	1,965	1,884	1,487
Other intangible assets	2,012	3,386	3,882
	19,758	**25,031**	**14,298**
Accumulated amortization of intangible assets	(12,028)	(14,088)	(7,537)
Net book value	**7,730**	**10,943**	**6,761**

The Carnex trademark has indefinite useful life due to the strong market position of its meat products in both domestic and foreign markets. In order to determine the fair value of net assets of the company Carnex d.o.o., Vrbas, management decided to appraise and recognize the "Carnex" brand within intangible assets. The "Carnex" brand was valued by applying the surplus yield method by the external valuator. As of December 31, 2018, the Group's management conducted impairment testing of the "Carnex" trademark. The applied growth rate is determined in accordance with the projections and plans of the Group's senior management, which remain stable during the budget period. The recoverable value of trademark is calculated based on projected cash flows of business unit of meat industry.The future cash flows are projected in accordance with the financial budget of a business unit of meat industry approved by senior management for a period of eight years. According to the impairment test results, the recoverable value is greater than value in use, leading to the conclusion that the "Carnex" trademark had not suffered impairment.
According to the degree of availability of inputs for fair value assessment, the fair value of Carnex trademark belongs to Level 3 of the fair value hierarchy in accordance with IFRS 13.

Movements on the account of intangible assets in 2018 and 2019 are presented below:

	Total
Cost	
Balance at January 1, 2018	14,291
Change to the scope of consolidation GB (Note 43.3)	9,515
Change to the scope of consolidation Portoroz	4,653
Revaluation effects	(148)
Transferred from PPE (note 29.a)	127
Additions	1,620
Sales	(332)
Disposal and retirement	(4,725)
Translation effects	30
Balance at December 31, 2018	**25,031**
Balance at January 1, 2019	25,031
Change to the scope of consolidation	(7,740)
Additions	2,443
Disposal and retirement	(14)
Translation effects	38
Balance at December 31, 2019	**19,758**
Accumulated amortization	
Balance at January 1, 2018	7,530
Change to the scope of consolidation GB (Note 43.3)	5,053
Change to the scope of consolidation Portoroz	4,650
Charge for the year (Note 17)	1,590
Disposal and retirement	(4,658)
Sales	(97)
Translation effects	20
Balance at December 31, 2018	**14,088**
Balance at January 1, 2019	14,088
Change to the scope of consolidation	(4,046)
Charge for the year (Note 17)	1,975
Disposal and retirement	(14)
Translation effects	25
Balance at December 31, 2019	**12,028**
Net book value as at:	
- December 31, 2019	**7,730**
- December 31, 2018	**10,943**

All amounts expressed in thousands of EUR, unless otherwise stated.

29.a) PROPERTY, PLANT AND EQUIPMENT

	December 31, 2019	December 31, 2018	January 1, 2018
Property, plant and equipment			
Property – buildings	125,980	709,575	602,807
Equipment	40,627	354,058	326,648
Investment in progress	1,184	4,942	8,321
Right of use assets	7,754	-	-
Leasehold improvements	1,846	3,948	3,390
Biological assets - Live Stock	-	5,601	6,077
Cost	**177,391**	**1,078,124**	**947,243**
Accumulated depreciation	(127,507)	(448,636)	(391,770)
Net book value	**49,884**	**629,488**	**555,473**

Biological assets of the Group are measured at fair value within Level 2 of the fair value hierarchy based on market prices of livestock of similar age, breed and genetic characteristics, except for horses, which are measured at fair value within Level 3 of the fair value hierarchy. There were no transfers between any levels during the year.

As of December 31, 2019, the Group had no buildings assigned under mortgage as collateral securing repayment of borrowings.
As of December 31, 2018, the Group assigned under mortgage its land and buildings with the net book value amounting to EUR 383,944 thousand.
As a result of incomplete land (real estate cadaster) registers, as at December 31, 2019, the Group did not have title deeds as proof of ownership for buildings with the net book value of EUR 62 thousand (2018: EUR 425 thousand).

The Group's management is undertaking all actions necessary to obtain the appropriate property titles for these buildings. According to the degree of availability of inputs for fair value assessment, the fair value of the Group's properties as of December 31, 2019, belongs to Level 3 of the fair value hierarchy in accordance with IFRS 13, while as of December 31, 2018 the amount of EUR 166,452 thousand belongs to Level 2, and the amount of EUR 325,876 thousand belongs to Level 3 in accordance with IFRS 13.

In 2019, the Group sold 9 buildings along with the corresponding land plots with the total net book value of EUR 9,258 thousand and realized a total gain and a total loss on the sales of EUR 792 thousand (Note 18a) and EUR 127 thousand, respectively.

In accordance with IAS 36, based on the certified appraiser's reports, the Bank impaired building properties in the amount of EUR 4 thousand (Note 19).

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29.a) PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements on the account of property and equipment in 2018 and 2019 are presented below:

	Buildings	Equipment and other assets	Advances paid and investment in progress	Leasehold improveme-nts	Biological assets	Right of use assets	Total
Cost							
Balance at January 1, 2018	603,493	327,645	7,822	3,219	6,077	-	**948,256**
Change to the scope of cons – GB (Note 43)	62,600	21,924	232	675	-	-	**85,431**
Change to the scope of consolidation Portoroz (Note 43)	2,655	1,829	-	-	-	-	**4,484**
Additions	546	4,078	19,543	232	1,680	-	**26,079**
Impairment in acc. with IAS 36 (Note 19)	(12)	-	-	-	-	-	**(12)**
Appraisal effects due to acc. policy alignment	19,095	-	-	-	(153)	-	**18,942**
Transfer to intangible assets (Note 28.b)	(127)	-	-	-	-	-	**(127)**
Transfer from / to investment property (Note 30)	31,718	-	(540)	-	-	-	**31,178**
Transfer and activations	8,697	13,356	(22,053)	-	-	-	**-**
Sales, disposal and retirement	(23,174)	(14,756)	(6)	(185)	(2,017)	-	**(40,138)**
Translation effects	4,084	78	(56)	7	14	-	**4,127**
Balance at December 31, 2018	**709,575**	**354,154**	**4,942**	**3,948**	**5,601**	**-**	**1,078,220**
Effects of IFRS 16 FTA (Note 2.9)	-	-	-	-	-	6,810	6,810
Balance at January 1, 2019	**709,575**	**354,154**	**4,942**	**3,948**	**5,601**	**6,810**	**1,085,030**
Change to the scope of consolidation	(611,198)	(314,096)	(3,774)	(216)	(5,601)	-	**(934,885)**
Additions	1,046	6,725	18	129	-	940	**8,858**
Impairment in accordance with IAS 36 (Note 19)	(4)	-	-	-	-	-	**(4)**
Appraisal effects due to acc. policy alignment	39,507	-	-	-	-	-	**39,507**
Transfer from investment property (Note 30)	190	-	-	-	-	-	**190**
Disposal and retirement	(13,410)	(6,051)	(6)	(1,936)	-	(27)	**(21,430)**
Modifications increase / (decrease)	-	-	-	-	-	(1)	**(1)**
Other	103	(196)	-	(95)	-	-	**(188)**
Translation effects	171	91	4	16	-	32	**314**
Balance at December 31, 2019	**125,980**	**40,627**	**1,184**	**1,846**	**-**	**7,754**	**177,391**
Accumulated depreciation							
Balance at January 1, 2018	**182,739**	**206,404**	-	**2,718**	-	-	**391,861**
Change to the scope of cons. - GB (Note 43)	51,484	11,805	-	404	-	-	**63,693**
Change to the scope of consolidation Portoroz (Note 43)	1,314	1,228	-	-	-	-	**2,542**
Charge for the year (Note 17)	8,769	16,504	-	290	-	-	**25,563**
Appraisal effects due to acc. policy alignment	(23,867)		-	-	-	-	**(23,867)**
Sales, disposal and retirement	(4,438)	(8,486)	-	(176)	-	-	**(13,100)**
Translation effects	1,246	691	-	7	-	-	**1,944**
Balance at December 31, 2018	**217,247**	**228,146**	**-**	**3,243**	**-**	**-**	**448,636**
Balance at January 1, 2019	**217,247**	**228,146**	-	**3,243**	-	-	**448,636**
Change to the scope of consolidation	(154,782)	(201,665)	-	-	-	-	**(356,447)**
Charge for the year (Note 17)	1,769	3,401	-	178	-	1,797	7,145
Appraisal effects due to acc. policy alignment	36,832	-	-	-	-	-	36,832
Transfer from investment property	45	-	-	-	-	-	45
Disposal and retirement	(3,718)	(3,014)	-	(1,933)	-	(3)	(8,668)
Modifications increase / (decrease)	-	-	-	-	-	(1)	(1)
Other	-	(114)	-	(76)	-	-	(190)
Translation effects	55	82	-	15	-	3	155
Balance at December 31, 2019	**97,448**	**26,836**	**-**	**1,427**	**-**	**1,796**	**127,507**
Net book value as at:							
- December 31, 2019	**28,532**	**13,791**	**1,184**	**419**	**-**	**5,958**	**49,884**
- December 31, 2018	**492,328**	**126,008**	**4,942**	**705**	**5,601**	**-**	**629,584**

All amounts expressed in thousands of EUR, unless otherwise stated.

29.b) RIGHT OF USE ASSETS

29.b) 1. Right of use assets comprise:

	December 31, 2019	December 31, 2018	January 1, 2018
Buildings	5,578	-	-
Parking lots	77	-	-
Vehicles	48	-	-
ATM's	255	-	-
Total	**5,958**	**-**	**-**

Movements on the account of right of use assets in 2019 are presented below:

	Buildings	Parking lots	Vehicles	ATM's	Total
Gross carrying amount					
Balance at January 1, 2019	6,404	96	-	310	6,810
Additions	854	25	52	9	940
Disposals	-	(25)	-	(2)	(27)
Modifications increase / (decrease)	(1)	-	-	-	(1)
Translation effects	30	-	-	2	32
Balance at December 31, 2019	**7,287**	**96**	**52**	**319**	**7,754**
Accumulated depreciation					
Balance at January 1, 2019	-	-	-	-	-
Charge for the year (Note 17)	1,707	22	4	64	1,797
Disposals	-	(3)	-	-	(3)
Modifications increase / (decrease)	(1)	-	-	-	(1)
Translation effects	3	-	-	-	3
Balance at December 31, 2019	**1,709**	**19**	**4**	**64**	**1,796**
Net book value as at:					
- December 31, 2019	**5,578**	**77**	**48**	**255**	**5,958**

30. INVESTMENT PROPERTY

	December 31, 2019	December 31, 2018	January 1, 2018
Investment property	143,520	133,775	138,239
Total	**143,520**	**133,775**	**138,239**

Movements on the account of investment property in 2018 and 2019 are presented below:

Balance at January 1, 2018	**138,239**
Change to the scope of consolidation GB (Note 43)	40,739
Additions	3,980
Retirement and disposal	(17,434)
Transition from PPE (Note 29.a)	943
Transition to PPE (Note 29.a)	(32,121)
Valuation/appraisal effects	(818)
Translation effects	247
Balance at December 31, 2018	**133,775**
Balance at January 1, 2019	**133,775**
Change to the scope of consolidation	(12,416)
Additions	23,756
Retirement and disposal	(2,280)
Transition to PPE (Note 29.a)	(145)
Valuation/appraisal effects	413
Translation effects	417
Balance at December 31, 2019	**143,520**

All amounts expressed in thousands of EUR, unless otherwise stated.

30. INVESTMENT PROPERTY (Continued)

The total amount of investment properties as of December 31, 2019 fully relate to AIK Bank's and Gorenjska Bank's investment property.

During 2019, the Group sold 8 properties (2018: 23 properties) with the aggregate net book value of EUR 2,280 thousand (2018: EUR 16,143 thousand) and realized a total gain and a total loss on the sales of EUR 125 thousand (2018: EUR 2,464 thousand) (Note 18a) and EUR 137 thousand (2018: EUR 943 thousand), respectively.

Additions to the investment property made during the year entirely refer to the major investments made into the existing properties.

Based on the appraisals performed by a certified appraiser, the adjustment of the aggregate value of investment property for the current year amounted to EUR 1,760 thousand of negative appraisal effects (2018: EUR 2,313 thousand) (Note 19) and EUR 2,173 thousand (2018: EUR 1,010 thousand) of positive appraisal effects (Note 18a). According to the degree of availability of inputs for fair value assessment, the fair value of the Group's investment property belongs to Level 3 of the fair value hierarchy in accordance with IFRS 13. All of the Group's investment property is held under freehold interests.

There were no changes in the valuation techniques applied during the year.

The Group rental income for 2019 was EUR 8,427 thousand (2018: EUR 5,049 thousand) (Note 14).

As a result of incomplete land (real estate cadaster) registers, as at December 31, 2019, the Group did not have title deeds as proof of ownership for five properties classified as investment property with the total net book value of EUR 174 thousand. The Bank's management is undertaking all actions necessary to obtain the appropriate property titles for these buildings.

31. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS

	December 31, 2019	December 31, 2018	January 1, 2018
Balance at January 1	2,199	696	972
Change to the scope of consolidation	(113)	2,086	-
Change to the scope of consolidation – sale of MV Real Estate	-	-	(137)
Assets acquired in lieu of debt collection	755	2	111
Losses on value adjustment of assets	-	(34)	(17)
Sales during the year	(1,710)	(553)	(274)
Translation effects	1	2	41
Balance at December 31	**1,132**	**2,199**	**696**

The Group is in possession of valid title deeds as proof of ownership for all properties classified as non-current assets held for sale.

From total amount of non-current assets held for sale EUR 1,085 thousand relate to vehicles while the rest EUR 47 thousand relate to properties.

Throughout 2019, the Group actively announced the sales of such assets and managed to sell the total of 3 properties with the net book value of EUR 1,232 thousand. Furthermore, during 2019 the Group sold foreclosed leasing objects with the net book value of EUR 716 thousand.

Non-current assets held for sale acquired through the Gorenjska Bank fully relate to foreclosed leasing objects – vehicles held for sale.

All amounts expressed in thousands of EUR, unless otherwise stated.

32. DEFERRED TAX ASSETS AND LIABILITIES

32.1. Balances on the Accounts of Deferred Tax Assets and Liabilities

		December 31, 2019	
	Tax assets	Tax liabilities	Net tax effect
Effects of building property valuation	-	(3,245)	(3,245)
Impairment of assets	4,077	-	4,077
Financial assets at FVtOCI / Available for sale	-	(1,378)	(1,378)
Actuarial losses	132	-	132
Tax loss carryforwards	3,869	-	3,869
Financial assets at AC	-	(1,297)	(1,297)
Balance at year-end	**8,078**	**(5,920)**	**2,158**

		December 31, 2018	
	Tax assets	Tax liabilities	Net tax effect
Effects of building property valuation	-	(36,579)	(36,579)
Impairment of assets	4,391	-	4,391
Financial assets at FVtOCI / Available for sale	73	-	73
Actuarial losses	-	(265)	(265)
Tax loss carryforwards	10,009	-	10,009
Financial assets at AC	-	(2,065)	(2,065)
Balance at year-end	**14,473**	**(38,909)**	**(24,436)**

32.2. Movements on the Accounts of Deferred Tax Assets and Liabilities

Movement on deferred tax assets/liabilities were as follows:

						2019
	Opening balance	Change to scope of cons.	Within profit or loss	Within equity	Translation differences	Closing balance
Effects of building property valuation	(36,579)	33,935	(1,045)	444		(3,245)
Impairment of assets	4,391	(340)	5	-	21	4,077
Financial assets at FVtOCI / AFS	73	1	(420)	(1,025)	(7)	(1,378)
Actuarial losses	(265)	392	6	(1)		132
Tax loss carry forwards	10,009	(1,852)	(4,288)	-		3,869
Financial assets at AC	(2,065)	6	726	-	36	(1,297)
Total	**(24,436)**	**32,142**	**(5,016)**	**(582)**	**50**	**2,158**

						2018
	Opening balance	Change to scope of cons.	Within profit or loss	Within equity	Translation differences	Closing balance
Effects of building property valuation	(29,321)	(850)	(341)	(6,203)	136	(36,579)
Impairment of assets	4,889	-	(508)	-	10	4,391
Financial assets at FVtOCI / AFS	(514)	1,083	(331)	(184)	19	73
Actuarial losses	(396)	110	4	15	2	(265)
Tax loss carryforwards	2,632	8,157	(786)	-	6	10,009
Financial assets at AC	-	(2,272)	213	-	(6)	(2,065)
Total	**(22,710)**	**6,228**	**(1,749)**	**(6,372)**	**167**	**(24,436)**

All amounts expressed in thousands of EUR, unless otherwise stated.

33. OTHER ASSETS

	December 31, 2019	December 31, 2018	January 1, 2018
Other RSD receivables:			
Fee receivables per other assets	377	553	580
Interest receivables per other assets	84	83	83
Receivables per advances paid for working capital	549	4,653	3,059
Receivables per advances paid for capital expenditures	563	284	264
Other receivables from operating activities	1,808	15,340	11,587
Receivables in settlement	159	2	328
	3,540	**20,915**	**15,901**
Other foreign currency receivables:			
Fee receivables per other assets	614	710	-
Receivables per advances paid for working capital	2	697	235
Receivables in settlement	301	470	-
Other receivables from operating activities	5,410	3,786	7,989
	6,327	**5,663**	**8,224**
Other investments:			
Equity investments	19,172	15,831	16,693
	19,172	**15,831**	**16,693**
Prepayments:			
Deferred interest expenses	877	777	1,034
Deferred other expenses	567	11,123	6,069
	1,444	**11,900**	**7,103**
Inventories:			
Goods	-	29,876	55,070
Finished products	-	104,647	144,292
Work in progress	-	19,933	24,581
Other inventories	77	22,265	26,619
Assets acquired in lieu of debt collection	11,731	12,813	12,293
	11,808	**189,534**	**262,855**
Other receivables, gross	**42,291**	**243,843**	**310,776**
Less: Impairment allowances of:			
- other RSD receivables	(1,702)	(1,953)	(5,764)
- other foreign currency receivables	(350)	(337)	(54)
- equity investments	(206)	(368)	(2,945)
- inventories	-	(2,894)	(8,780)
- advances paid	-	(1,675)	-
	(2,258)	**(7,227)**	**(17,543)**
Balance at December 31, net	**40,033**	**236,616**	**293,233**

Movements on the impairment allowance	**2019**	**2018**
Balance at January 1	**(7,227)**	(17,543)
Effects of the first-time adoption of IFRS 9	-	57
Change to the scope of consolidation	4,823	(278)
Charge for the year (Note 15)	(838)	(2,196)
Reversal of impairment allowance (Note 15)	396	3,211
Write-off, foreign exchange effects	217	2,489
Transfer to the off-balance sheet items	-	167
Sales	-	6,874
Other changes	382	10
Translation effects	(11)	(18)
Balance at December 31	**(2,258)**	**(7,227)**

All amounts expressed in thousands of EUR, unless otherwise stated.

33. OTHER ASSETS (Continued)

As of 31 December, 2019 and 2018, the Group's tangible assets acquired in lieu of debt collection amounted to:

	December 31, 2019	December 31, 2018	January 1, 2018
Buildings	11,170	12,640	12,120
Equipment	561	173	173
Total	**11,731**	**12,813**	**12,293**

Movements on the Group's tangible assets acquired in lieu of debt collection were as follows:

	2019	2018
Balance at January 1	12,813	12,293
Change to scope of consolidation GB	-	217
Additions – assets acquired during the year	1,156	2,609
Sales	(1,948)	(2,193)
Retirement and disposal	(3)	-
Impairment of assets (Note 19)	(351)	(141)
Translation effects	64	28
Balance at December 31	**11,731**	**12,813**

Based on the independent appraiser's report, the Group's tangible assets acquired in lieu of debt collection were impaired and impairment losses charged to the current year income statement was EUR 351 thousand (Note 19).

The Group's management is undertaking all the necessary measures to complete the sales of the acquired assets.

In 2019, the Group sold properties acquired in lieu of debt collection with the net book value of EUR 1,948 thousand where realized a net gain on the sales of EUR 301 thousand (Note 18a).

As a result of incomplete land (real estate cadaster) registers, as at December 31, 2019, the Group did not have a valid title deed as proof of ownership for three items of property classified as tangible assets acquired in lieu of debt collection, with the total net book value of EUR 100 thousand.

The Group's management is undertaking all actions necessary to obtain the appropriate property title for these properties.

34. LIABILITIES UNDER DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2019	December 31, 2018	January 1, 2018
Liabilities per derivatives held for trading	52	113	67
Total	**52**	**113**	**67**

Financial liabilities per derivatives held for trading entirely relate to the effect arisen from the fair value adjustments of instruments the nominal values of which are presented within off-balance items (Note 41.3).

All amounts expressed in thousands of EUR, unless otherwise stated.

35. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, OTHER FINANCIAL INSTITUTIONS AND THE CENTRAL BANK

	December 31, 2019	December 31, 2018	January 1, 2018
Transaction deposits	24,463	5,078	2,710
Deposits for loans approved	390	-	3
Earmarked deposits	108	18	110
Other deposits	58,877	45,146	13,659
Overnight deposits	4,479	12,714	2,510
Borrowings	140,137	524,197	457,849
Other financial liabilities	33	53	758
Interest payable, accrued interest liabilities and fees	270	258	635
Total	**228,757**	**587,464**	**478,234**

As of December 31, 2019 total borrowings in the amount of EUR 140,137 thousand relate to Gorenjska Bank's borrowings from other banks in the amount of EUR 71,056 and European Central Bank for TLTRO - Targeted Long-Term Refinance Operation in the amount of EUR 69,216 thousand. As of December 31, 2018 total borrowings in the amount of EUR 524,197 thousand mainly, in the amount of EUR 376,101 thousand and EUR 46,719 thousand relates to borrowings from the banks in the Agribusiness segment and Hotels segment respectively, while the remaining amount of EUR 101,377 thousand relate to Gorenjska Bank's borrowings from:

- SID d.d. in the amount of EUR 31,916 thousand with maturity between 2019 and 2026 and with both fixed and variable interest rates in range between 0.62% and 1.64% (from 1 to 5 year in the amount of EUR 15,589 thousand and with maturity over 5 years in the amount of 16,327 thousand) and
- European Central Bank for TLTRO - Targeted Long-Term Refinance Operation in the amount of EUR 69,461 thousand with maturity as of March 24, 2021 and negative interest rate of 0.4%.

Financial covenants – applicable for 2018

In accordance with the relevant long-term loan agreements, the AEC Agrinvestment Group is required to maintain certain financial performance indicators at the levels stipulated by those agreements. These financial indicators are calculated at the level of the consolidated financial statements of the AEC Agrinvestment limited. As of December 31, 2018 the AEC Agrinvestment Group was in compliance with the covenants stipulated by the long-term loan agreements. Non-current borrowings are mostly secured by mortgages and related party surety bonds.

36. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

	December 31, 2019	December 31, 2018	January 1, 2018
Corporate customers			
Transaction deposits	343,004	401,495	156,452
Deposits for loans approved	57,634	27,610	22,190
Earmarked deposits	32,358	50,840	25,049
Other deposits	372,321	265,814	162,403
Overnight deposits	22,441	20,680	10,503
Borrowings	22,327	14,378	11,368
Other financial liabilities	989	67,239	40,148
Interest payable, accrued interest liabilities and fees	2,244	3,478	1,644
	853,318	**851,534**	**429,757**
Retail customers			
Transaction deposits	748,776	644,919	150,309
Savings deposits	1,129,448	1,114,272	627,946
Deposits for loans approved	15,620	22,875	25,790
Earmarked deposits	1,170	1,099	6,743
Other deposits	4,461	3,959	4,066
Other financial liabilities	289	74	164
Interest payable, accrued interest liabilities and fees	4,480	3,683	4,324
	1,904,244	**1,790,881**	**819,342**
Total	**2,757,562**	**2,642,415**	**1,249,099**

All amounts expressed in thousands of EUR, unless otherwise stated.

37. PROVISIONS

	December 31, 2019	December 31, 2018	January 1, 2018
Provisions for litigations (Note 41.1)	3,956	4,806	3,313
Provisions for employee benefits	3,325	4,468	1,444
Provisions for losses per off-balance sheet items	2,363	3,022	1,166
Other provisions	72	70	362
Total	**9,716**	**12,366**	**6,285**

Movements on provisions for litigations during the year are presented in the table below:

	2019	2018
Balance at January 1	4,806	3,313
Change to the scope of consolidation	(1,079)	-
Charge for the year (Note 19)	997	2,228
Reversal of provisions (Note 18a)	(462)	(251)
Other	-	-
Translation effects	19	6
Release of provisions	(325)	(490)
Balance at December 31	**3,956**	**4,806**

Movements on provisions for employee benefits (retirement benefits, jubilee awards and other benefits) during the year are presented in the table below:

	2019	2018
Balance at January 1	4,468	1,444
Change to the scope of consolidation	(853)	2,341
Charge for the year (Note 16)	1,234	1,832
Reversal of provisions (Note 16)	(53)	(651)
Actuarial losses	(56)	(14)
Translation effects	1	11
Release of provisions	(1,416)	(495)
Balance at December 31	**3,325**	**4,468**

The main actuarial assumptions used in calculation of provisions for retirement benefits were as follows:

	December 31, 2019			December 31, 2018		
	M&V Investments	AIK Bank	GB	M&V Investments	AIK Bank	GB
Discount rate	4%	4.25%	0.4%	4%	4.75%	1.1%
Salary growth rate	5%	4.5%	1%	5%	3%	2%
Employee turnover rate	4%	7%	2.7%	4%	6%	2.7%

Movements on provisions for losses per off-balance sheet items during the year are presented in the table below:

	2019	2018
Balance at January 1	3,022	1,166
Effects of the first-time adoption of IFRS 9	-	340
Change to the scope of consolidation GB	-	1,442
Charge for the year (Note 15)	9,238	3,319
Reversal of provisions (Note 15)	(9,901)	(3,246)
Foreign exchange effects	(3)	(2)
Translation effects	7	3
Balance at December 31	**2,363**	**3,022**

All amounts expressed in thousands of EUR, unless otherwise stated.

38. CURRENT TAX LIABILITIES

	December 31, 2019	December 31, 2018	January 1, 2018
Current tax liabilities	6,504	6,134	2,643
Total	**6,504**	**6,134**	**2,643**

39. OTHER LIABILITIES

	December 31, 2019	December 31, 2018	January 1, 2018
Other liabilities:			
Account trade payables	5,404	9,960	4,296
Advances received	2,228	37,832	10,865
Lease liabilities	6,017	-	-
Liabilities per guarantees and acceptances called on	2	2	2
Profit sharing liabilities	1,531	4,212	1,641
Liabilities per managed funds	99	98	436
Other liabilities from operating activities	5,781	7,005	4,758
Liabilities in settlement	2,139	1,947	1,337
Suspense and temporary accounts	57	1,506	98
Liabilities to employees	1,203	3,932	2,803
Other foreign currency liabilities	1,386	1,757	2,483
	25,847	**68,251**	**28,719**
Tax liabilities:			
Value added tax payable	1,081	5,232	2,917
Other taxes and contributions payable	1,135	2,397	2,149
	2,216	**7,629**	**5,066**
Accruals:			
Accrued liabilities per other accrued expenses	2,008	11,707	38,423
Deferred interest income	645	422	471
Deferred other income	755	2,825	3,171
	3,408	**14,954**	**42,065**
Total	**31,471**	**90,834**	**75,850**

39.1 Lease liabilities

Maturity analysis of lease liabilities in 2019 are presented in the table below:

	December 31, 2019	December 31, 2018	January 1, 2018
Maturity:			
- less than one year	1,789	-	-
- up to 2 years	1,505	-	-
- up to 3 years	1,377	-	-
- up to 4 years	1,060	-	-
- up to 5 years	190	-	-
- more than five years	96	-	-
Total	**6,017**	**-**	**-**

Maturity analysis of contractual undiscounted cash flows of lease payments including interest payments in 2019 are presented in the table below:

	December 31, 2019	December 31, 2018	January 1, 2018
Maturity:			
- less than one year	1,831	-	-
- up to 2 years	1,562	-	-
- up to 3 years	1,450	-	-
- up to 4 years	1,127	-	-
- up to 5 years	171	-	-
- more than five years	97	-	-
Total	**6,238**	**-**	**-**

All amounts expressed in thousands of EUR, unless otherwise stated.

39. OTHER LIABILITIES (Continued)

39.1 Lease liabilities (Contined)

Structure of total payments / outflows based on leasing in 2019 are presented in the table below:

	2019
Fixed lease payments	2,262
Variable lease payments	23
Total	**2,285**

Variable lease payments included in lease liability depends on index. Out of total amount of the lease outflows in the amount of EUR 2,285 thousand, the amount of EUR 2,180 thousand relates on principal portion of lease payments within financing activities, while EUR 105 thousand relates on interest portion within operating activities.

Income and expences structure based on leasing in 2019 is presented in the table below:

	2019
Depreciation of right - of - use assets (note 29.b)	(1,797)
Interest expense on lease liability (note 8)	(105)
Rental expenses (note 19)	(1,441)
Total	**(3,343)**

40. EQUITY

The structure of the issued capital of the Parent Company as of December 31, 2019, December 31, 2018 and January 1, 2018 was as follows:

	EUR	%
Foreign entities		
Agri Holding AG	1,213	100.00
	1,213	100.00

Movements in share capital can be presented as follows:

	2019 and 2018		2017	
	Number of shares	EUR	Number of shares	EUR
Authorised				
Ordinary shares of EUR 1 each	5,000	5,000	5,000	5,000
Issued and fully paid				
Balance at 1 January	1,213	1,213	1,172	1,172
Issue of shares	-	-	41	41
Balance December 31	**1,213**	**1,213**	**1,213**	**1,213**

Authorised capital

Upon the date of incorporation of the Parent Company on 16 March, 2011, the authorized share capital of the Parent Company was EUR 5,000 divided into 5,000 ordinary shares of EUR 1 each.

Issued capital and share premium

Upon incorporation the Parent Company issued to the subscriber of its Memorandum of Association (Agri Holding AG) 1,000 ordinary shares of EUR 1 each at par.

40. EQUITY (Continued)

During 2013 the Parent Company issued to its shareholders 100 shares of nominal value EUR 1 each at a premium of EUR 47.62 per share (Agri Holding AG) and 72 shares of nominal value EUR 1 at a premium of EUR 694,437.50 per share (EBRD). During 2016 Agri Holding AG transferred to EBRD 26 ordinary shares out of the Agri Holding AG shares, being the effect of an upward adjustment per the terms of Shareholders Agreement signed during 2013.

On September 7, 2017, the ultimate holding Company Agri Holding A.G., Switzerland signed a Capital Contribution Agreement for the transfer of 100% of the shares in the company Hotel Palace Portoroz d.o.o., Slovenia (hereinafter "HPP") with Agri Europe Cyprus Limited, Cyprus. As consideration payable for the contribution, Agri Europe Cyprus Limited issued 41 ordinary shares with the nominal value of EUR 1 in favour of Agri Holding AG, while the value of capital contribution amounted to EUR 23,000 thousand (the difference represents the share premium in the amount of EUR 22,999,959).

As already mentioned in Note 1, in December 2019 the AEC has transferred 3 out of 4 subsidiaries (all except NordAgri N.V.) to the newly established company MK Group Global, whereas both AEC and MK Group Global are wholly owned by the common owner - Agri Holding AG. As a part of this reconstruction the AEC transferred to the MK Group Global following:

- 1,000 ordinary shares of EUR 1.00 each in Oseane Holding Limited, with book value of EUR 1 thousand;
- 1,300 ordinary shares of EUR 1.00 each in AEC Hotels Limited, with book value of EUR 23,000 thousand;
- 1,101 ordinary shares of EUR 1.00 each in AEC Agrinvestment Limited, with book value of EUR 49,307 thousand;
- Cash and cash equivalents in the amount of EUR 695 thousand and
- Share premium in the amount of EUR 73,004 thousand.

41. CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ITEMS

41.1. Litigation

As legal proceedings involve the Group members individually, brief descriptions are provided for each Group member separately:

Parent Company

As of December 31, 2019 Agri Europe did not have any legal proceedings.

Nord Agri

As of December 31, 2019 Nord Agri N.V. did not have any legal proceedings.

M&V Investments

As of December 31, 2019, there were four legal suits (civil procedures) involving the Broker-Dealer as a defendant in the total amount of EUR 493 thousand. Outcomes for all legal suits are estimated as positive, and there made no provisions in this respect.

AIK Bank

As of December 31, 2019 there were 2,162 (December 31, 2018: 955) legal suits where the plaintiffs do seek monetary claims from the AIK Bank. The aggregate value of legal suits filed against the AIK Bank, which includes any monetary amounts the Bank would be obligated to pay in instances of lost cases (as damage compensation, debt payment and the like) amounted to EUR 100,303 thousand (December 31, 2018: EUR 115,114 thousand) (excluding any interest claims).

Based on the opinion of the attorneys, legal suits with a positive estimated outcome represents 90% of total amount of the legal suits with monetary claims of the plaintiffs against the AIK Bank as of December 31, 2019. Based on the opinion of the attorneys, legal suits with a negative estimated outcome and with monetary claims of the plaintiffs against the AIK Bank, as of December 31, 2019, in accordance with the requirements IAS 37 and methodology of the AIK Bank, AIK Bank made provisions in the amount of EUR 3,750 thousand (December 31, 2018: EUR 3,521 thousand).

All amounts expressed in thousands of EUR, unless otherwise stated.

41. CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ITEMS (Continued)

41.1. Litigation (Continued)

AIK Bank (Continued)

As of December 31, 2019, the claims filed against the AIK Bank with regard to CHF- indexed loans totaling EUR 3,665 thousand (December 31, 2018: EUR 3,775 thousand). As of December 31, 2019, legal suits with a negative estimated outcome amounted to EUR 959 thousand, represents legal suits with monetary claims in the amount of EUR 129 thousand for which are made provisions in the amount of EUR 134 thousand (December 31, 2018: EUR 106 thousand). The current level of provisions was assessed as adequate by the AIK Bank's management. However, the AIK Bank will closely monitor the market situation and outcomes of such litigation proceedings and, according to the best estimates, make adequate provisions in the future reporting periods in order to avoid unexpected effects on the AIK Bank's performance.

The AIK Bank was also involved in a number of lawsuits filed against third parties, mostly for debt collection.

Gorenjska Bank

Gorenjska banka d.d., Kranj as of December 31, 2019 had 5 legal suits (December 31, 2018: 6) involving the Bank as a defendant.

Plaintiffs' claims relate to a challenge of the guarantors obligations by the guarantors (2 cases), 1 case relates to a challenge of the shareholders decision passed at the shareholding meeting held in April 2019 and 2 cases relate to claims for payment of landlord costs, which are challenged by Gorenjska Bank. Given the aforesaid, except for two cases, monetary claims against Gorenjska Bank may refer only to the payment of litigation expenses (court fees and counterparty lawyer fees) in the event that the Bank should lose a case.

The aggregate value of legal suits filed against Gorenjska Bank (2 cases) (December 31, 2018: 2) amounted to EUR 227 thousand (December 31, 2018: EUR 6,032 thousand) (excluding any interest claims), which includes any monetary amounts Gorenjska Bank would be obligated to pay in instances of lost cases (as damage compensation, debt payment and the like). This amount however does not refer to the legal suits without monetary claims of the plaintiffs against Gorenjska Bank (3 cases) (December 31, 2018: 4) totaling EUR 201 thousand (December 31, 2018: EUR 4,580 thousand). As of December 31, 2018, there were no other lawsuits or claims filed by third parties against the Gorenjska Bank.

In addition Gorenjska Bank still faces a potential burden of cost from a closed case (court settlement), where an intervenient claims payment of costs despite the court settlement between the bank and the plaintiff.

Based on the opinion of the attorneys representing GB before court and estimated probability and amount of the potential losses Gorenjska Bank could incur, provisions were made in this respect in the amount of EUR 206 thousand (December 31, 2018: EUR 206 thousand).

GB was also involved in 6 cases of lawsuits filed by Gorenjska Bank against third parties, mostly for debt collection or in connection with debt collection, amounting to EUR 2,618 thousand.

41.2. Operating Lease Commitments

	December 31, 2018	January 1, 2018
Maturing within a year	4,288	5,704
Maturing within a period from 1 to 5 years	9,778	862
Maturing after 5 years	3,084	1,459
Total	**17,150**	**8,025**

All amounts expressed in thousands of EUR, unless otherwise stated.

41. CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ITEMS (Continued)

41.3. Other Off-Balance Sheet Items (assets and liabilities)

	December 31, 2019	December 31, 2018	January 1, 2018
Managed funds	12,434	-	-
Guarantees and other sureties issued	489,179	426,058	184,948
Financial assets securing liability settlement	1,436	13,674	8,450
Derivatives held for trading at contractually agreed value	67,203	88,338	61,953
Securities received as pledges	430,708	362,094	173,520
Other off-balance sheet assets	5,684,759	4,921,743	5,476,045
Total	**6,685,719**	**5,811,907**	**5,920,126**

	December 31, 2019	December 31, 2018	January 1, 2018
a) Managed funds			
Loans per managed funds in RSD			
- current	44	-	-
- non-current	12,390	-	-
	12,434	-	-
b) Contingent liabilities			
Payment guarantees			
- in RSD	34,961	41,375	27,806
- in foreign currencies	42,598	52,784	22,369
Performance guarantees			
- in RSD	89,653	53,812	55,285
- in foreign currencies	63,500	41,039	12,839
	230,712	**189,010**	**118,299**
Unsecured letters of credit	1,701	4,996	837
Undrawn loan facilities	245,503	214,800	21,101
	247,204	**219,796**	**21,938**
Irrevocable commitments per own guarantees and spot			
- in RSD	5,574	7,226	29,466
- in foreign currencies	5,690	10,026	30,455
	11,264	**17,252**	**59,921**
	489,180	**426,058**	**200,158**
c) Assets securing liabilities			
Financial assets securing liability settlement	1,436	13,674	8,450
	1,436	**13,674**	**8,450**
d) Derivatives			
Currency swap and forward (Notes 23 and 34)	67,203	88,338	61,953
	67,203	**88,338**	**61,953**
e) Sureties received to secure liabilities			
Securities received to secure loan repayment	430,708	362,094	173,520
	430,708	**362,094**	**173,520**
f) Other off-balance sheet items			
Tangible assets, guarantees and other sureties received to secure loan repayment	4,856,576	4,127,872	4,880,846
Unused revocable lines of credit	230,290	144,739	172,952
Depositary operations	3	3	7
Loro guarantees	42,884	69,544	69,765
Suspended interest	70,136	87,258	27,647
Receivables transferred to the off-balance sheet items	429,369	428,800	241,095
Other	55,500	63,528	83,733
	5,684,758	**4,921,744**	**5,476,045**
Total	**6,685,719**	**5,811,907**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

42. RELATED PARTY DISCLOSURES

a) Transactions with the Management Personnel

The remuneration to directors and other members of key management personnel during the year was as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
Short-term benefits	1,309	3,168	1,816
	1,309	**3,168**	**1,816**

The remuneration to directors and key executives is determined by the remuneration committee with regard to the performance of individuals and market trends.

b) Transactions with Entities Related to the Group

In the normal course of business, a number of banking transactions are performed with the Group's shareholders and other persons/entities related to the Group at arm's length.

The following table provides details of related party transactions (balances of receivables, payables, income, expenses and off-balance sheet items) as of the reporting date:

				December 31, 2019		
Entity	**Balance sheet exposure**	**Off-balance sheet exposure**	**Total**	**Liabilities**	**Income**	**Expenses**
MK Holding d.o.o., Beograd	48,000	2,000	50,000	(186)	-	-
MKG Properties Limited, Cyprus	30,151	-	30,151			
Chappano Management Inc., British Virgin Islands	23,787					
Aspara Limited, Cyprus	3,600					
Altrova Real Estate, Serbia	3,103					
MK Group d.o.o., Beograd	3	14,953	14,956	(29,288)	-	-
MK - Fintel Wind a.d., Beograd	-	2,911	2,911	-	-	-
MK Logistika d.o.o., Novi Sad	-	257	257	(201)	-	-
Žito - Bačka d.o.o., Kula	50	-	50	(1,787)	-	-
Agroglobe d.o.o., Novi Sad	-	29	29	(20,530)	-	-
MK Agriculture d.o.o., Novi Sad	1	14	15	(7)	-	-
Sunoko d.o.o., Novi Sad	10	-	10	(8,167)	-	-
Agrounija d.o.o., Inđija	-	5	5	(275)	-	-
Granexport d.o.o., Pančevo	-	4	4	(2,063)	-	-
PP Erdevik d.o.o., Erdevik	1	2	3	-	-	-
Pik - Bečej a.d., Bečej	-	2	2	(7,665)	-	-
MK Mountain Resort d.o.o., Kopaonik	-	-	-	(2,571)	-	-
Carnex d.o.o., Vrbas	-	-	-	(17,019)	-	-
Selekcija - zavod za šećernu repu d.o.o., Aleksinac	-	-	-	(563)	-	-
Tampten nekretnine d.o.o., Savudrija	19,349	-	19,349	-	-	-
Other	388	-	48	(731)	-	-
Total	**128,443**	**20,177**	**87,639**	**(91,053)**	**-**	**-**

				December 31, 2018		
Entity	**Balance sheet Exposure**	**Off-balance sheet exposure**	**Total**	**Liabilities**	**Income**	**Expenses**
MK Holding d.o.o., Beograd	50,276	-	50,276	(673)	319	(285)
Chapano	23,268	-	23,268	(112)	20	(329)
MK AS d.o.o., Novi Sad	4,019	-	4,019	(20)	207	(22)
Agromont d.o.o., Nikšić	1,197	-	1,197	-	2,125	-
Agrobrest d.o.o., Bački Brestovac	947	-	947	(45)	318	(302)
MK Aviation services d.o.o., Beograd	247	-	247	(3)	14	(15)
MK-Fintel Wind a.d., Beograd	73	2,921	2,994	-	23	-
MK Fintel Wind Holding d.o.o., Beograd	49	-	49	(15)	6	(1)
MK Logistika d.o.o., Novi Sad	46	35	81	(5,461)	47	(10,712)
PG Roksanda Kostić Novi Sad	9	-	9	(1,898)	75	(44)
MK IT Business Solutions d.o.o., Novi Sad	3	-	3	(266)	5	(760)
MK Invest d.o.o., Novi Sad	1	-	1	(125)	4	(197)
Bozidar Kostic	-	-	-	(451)	-	-
Other	7	-	7	(299)	40	(399)
Total	**80,142**	**2,956**	**83,098**	**(9,368)**	**3,203**	**(13,066)**

All amounts expressed in thousands of EUR, unless otherwise stated.

43. BUSINESS COMBINATIONS

Gorenjska Bank

43.1. Acquired Entities

During 2018, and up to the control acquisition date – as of August 31, 2018, the Parent Company through AIK Bank has increased its equity interests in Gorenjska Bank from 20.99% (as of December 31, 2017) to 32.98%. As of that date, due to suspension of voting rights of the major shareholder voting rights of AIK Bank and Parent Company was 61.17%.

Furthermore, as of August 31, 2018 the AIK had majority of representatives in the Supervisory Board of Gorenjska Bank which along with previously mentioned % of voting rights led to control influence. Accordingly, Group reclassified its equity investment held in Gorenjska Bank from investments in associates to the investments in subsidiaries, in accordance with the requirements of IFRS 10, as explained in more detail in Note 5.2, "*Accounting estimates related to the assessment whether the Bank has control over another legal entity*" as of that date.

Fair value adjustment of share in net assets in 2017 as well as of August 31, 2018 (the moment prior the control acquisition date) was calculated taking into account the price per share from the final sale and purchase agreement realized with consortium of sellers in mid-February 2019.

43.2. Shareholding Value

	In EUR thousand
Consideration transferred up to the December 31, 2017	19,340
Measurement of the equity interest upon consolidation in 2017	4,920
Consideration transferred during 2018, up to the August 31, 2018	13,646
Fair value measurement of equity interest prior to control acquisition date (Note 18b)	217
Total	**38,123**

43.3. Recognition and Measurement of the Acquired Identifiable Assets and Assumed Liabilities

As of the control acquisition date, Parent Company recognized at fair value the acquisition of the following assets and liabilities of Gorenjska Bank:

	FAIR VALUE
ACQUIRED ASSETS	
Cash and cash funds held with the central bank	335,727
Securities	329,789
Loans and receivables due from banks and other financial institutions	56,664
Loans and receivables due from customers	938,384
Intangible assets (Note 27)	4,462
Property, plant and equipment (Note 28)	21,739
Investment property (Note 30)	40,739
Current tax assets	403
Deferred tax assets	10,403
Other assets	16,030
Non-current assets held for sale and assets from discontinued operations	2,086
TOTAL ACQUIRED ASSETS	**1,756,426**
ASSUMED LIABILITIES	
Financial assets at fair value through profit and loss, held for trading	317
Deposits and other liabilities due to banks, other financial institutions and the central bank	102,104
Deposits and other liabilities due to customers	1,405,345
Provisions	3,786
Current tax liabilities	951
Subordinated liabilities	4,175
Other liabilities	22,744
TOTAL ASSUMED LIABILITIES	**1,539,422**
FAIR VALUE OF THE NET ASSETS AT THE ACQUISITION DATE	**217,004**

All amounts expressed in thousands of EUR, unless otherwise stated.

43. BUSINESS COMBINATIONS (Continued)

***Gorenjska Bank* (Continued)**

43.4. Recognition and Measurement of Goodwill of Bargain Purchase Gain

Parent Company, as the Acquirer, measured the value of the shareholding and the fair value of the net assets of the acquired entity:

Bargain Purchase Gain at the acquisition date of Gorenjska Bank	
Value of the investment at the control acquisition date (Note 43.2)	(38,123)
Parent Company share in Fair value of the capital of Gorenjska Bank	78,043
Bargain purchase gain at the acquisition date	**39,920**

The Acquirer determined that the consideration transferred (shareholding in the acquired entity) as of the acquisition date was below the fair value of the entity's net assets (Note 43.3). The difference of EUR 39,920 thousand represents a gain from the bargain purchase. Before recognition of this gain, the Acquirer's management confirmed that the acquired assets and assumed liabilities of Gorenjska Bank were properly identified. Parent Company, as the Acquirer, recognized the bargain purchase gain its consolidated income statement as of the acquisition date.

43.5. Net Cash Flow upon Purchase Transaction

Consideration transferred for acquisition in 2018	(13,657)
Translation effects	11
Less: Acquired cash and cash equivalents	363,052
Net cash inflow arising on acquisition	**349,406**

Aerodrom Portoroz d.o.o. Secovlje

43.6. Recognition and Measurement of the Acquired Identifiable Assets and Assumed Liabilities

The breakdown of the fair values of the acquired assets and assumed liabilities is presented in the following tables:

	Core activity	Acquired interest %
	Hotels	53.50%
ASSETS		**Fair Value**
Non-current assets		
Intangible assets		3
Property, plant and equipment		1,941
		1,944
Current assets		
Inventories		11
Trade and other receivables		26
Other assets		15
Cash and bank balances		973
		1,025
Total assets		2,969
Non-current liabilities		
Borrowings		5
Total		5
Current liabilities		
Borrowings		5
Trade payables and other liabilities		144
Other liabilities		47
Total		196
Total liabilities		201
Net assets		2,768

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019
All amounts expressed in thousands of EUR, unless otherwise stated.

43. BUSINESS COMBINATIONS (Continued)

Aerodrom Portoroz d.o.o. Secovlje (Continued)

43.7. Recognition and Measurement of Goodwill of Bargain Purchase Gain

Net assets acquired upon acquisition of a 53.50% equity interest	1,481
Consideration paid upon the acquisition date	(150)
Consideration paid prior to the acquisition date	(244)
Fair Value adjustments of equity investment acquired prior acquisition date	(1,002)
Bargain purchase gain at the acquisition date	**85**

43.8. Net Cash Flow upon Purchase Transaction

The net cash inflow on acquisition of Aerodrom Portoroz is presented in the table below:

Consideration paid	(150)
Less: Acquired cash and cash equivalents	973
Net cash inflow	823

44. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit for the year from continuing operations is stated after charging the following items:

a) The remuneration to directors and other members of key management personnel during the year was as follows:

	Year Ended December 31, 2019	2018
Directors' fees	1,309	3,168
	1,309	3,168

b) Auditors' remuneration during the year was as follows:

	Year Ended December 31, 2019	2018
Auditors' remuneration	275,179	457,500
Auditors' remuneration for tax services	2,812	-
	171,068	457,500

45. EVENTS AFTER THE REPORTING PERIOD

At the beginning of 2020, an epidemic developed caused by the COVID-19 virus, which was declared an international public health threat by the World Health Organization. The virus has spread globally and affected all economy sectors.

Due to COVID-19 pandemic, the parent Company and all the Group members have taken all the necessary measures to protect the health and safety of their employees, clients and business partners. All the business activities have been carried out in accordance with the preventive measures against the virus spread and the state of emergency declared by the Governments of the countries in which the Group members operate. In keeping with those measures, online provision of all the services to the clients has been enabled as well as unhindered communication with all the clients.

45. EVENTS AFTER THE REPORTING PERIOD (Continued)

As from the introduction of the state of emergency, the Governments of the countries of domicile of the Group members have prescribed economic incentive packages, among which the most significant is a temporary standstill in loan repayment for the borrowers (moratorium), a series of tax incentives and guarantee schemes to allow liquidity loans secured by the government guarantees in or der to mitigate the pandemic effects and preserve the financial system stability.

In Serbia, in accordance with the NBS regulations, debtors are allowed another delay in the repayment of liabilities to banks (moratorium) maturing in the period from August 1, 2020 to September 30, 2020, as well as a delay in the repayment of liabilities that are due in July this year if the debtor did not settle them. During the moratorium, the bank shall calculate the regular interest on the outstanding debt. In the case of default interest, the bank will not charge it on the outstanding claim due during the moratorium. In addition to the above, enforcement proceedings will not be initiated, as well as the procedure of forced collection against the debtor, ie no other legal actions will be taken in order to collect these claims.

The measure taken and proposed by the Slovenian government to address the adverse systemic economic impact of the COVID-19 pandemic in the form of general moratorium (public moratoria) is regulated by ZIUOPOK - The Emergency Deferral of Borrowers Liabilities Act and by ZDLGPE - Act on Additional Liquidity to the Economy to Mitigate the Effects of the COVID-19 Invectious Disease Epidemic.

According to ZIUOPOK, the bank should grant to the borrower (at its request) up to 12-month suspension of all payment obligations and a corresponding prolongation of repayment schedule (including final maturity date). During the moratorium, interest shall be calculated under the regular rate agreed upon conclusion of the loan agreement therefor there will be no effect on interest income during moratorium.

In order to achieve moratorium, a borrower must submit to the bank an application for moratorium. Those borrowers are obliged to include in their applications a description of their business position and plan for re-establishing liquidity and provide certain monthly reporting during the moratorium. As an exception, the borrowers whose activity has been temporarily barred under COVID-19 related measures (e.g. stores offering non-food products, providers of certain non-urgent services) do not need to provide the description of their business position / plan for re-establishing liquidity, and do not need to provide any reasoning for the moratorium. Provided that the above conditions are fulfilled, the banks should approve the described moratorium and conclude appropriate annexes with the borrowers, upon which the moratorium will take legal effect.

From the current point of view, COVID-19 has produced no significant effects on the Group's operations. In addition, at the date of these financial statements the Group continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation. However, further development of the COVID-19 virus and its social and economic impact in the countries of domicile of the Group members and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. At this stage management is not able to reliably estimate the full impact of COVID-19.

Nevertheless, management of the Parent Company and each Group members will continue to monitor the potential effects that may arise in order to be able to take appropriate steps aimed at avoidance of adverse impact on the operations of individual Group entities as well as the Group on the whole.

Brief descriptions of the events after the reporting period are provided for each Group member separately:

All amounts expressed in thousands of EUR, unless otherwise stated.

45. EVENTS AFTER THE REPORTING PERIOD (Continued)

Parent Company

During 2020, the Parent company declared and paid dividends to the shareholder in the amount pf EUR 47,140 thousand.

There have been no other significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2019.

NordAgri

There have been no significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2019.

M&V Investments

There have been no significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2019.

AIK Bank

As of January 1, 2020, the Bank has another member of the Executive Board, Aleksandra Vunjak, who is responsible for retail customers, SME customers and direct channels.

There have been no other significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2019.

Gorenjska Bank

In January 2020, the Bank bought shares of NLB d.d., Ljubljana in the amount of EUR 11 million, which it recorded among the financing assets measured under the fair value via the profit or loss.

In February 2020, the Bank issued a subordinate capital instrument (in the form of a subordinate loan) in the amount of EUR 20 million (the investor is the AIK Bank a.d., Belgrade), which, following the approval of the Bank of Slovenia, it will be able to include it in the calculation of additional capital.

There have been no other significant events after the reporting period that would require adjustments to or disclosures in the notes to the accompanying consolidated financial statements of the Group as of December 31, 2019.

46. EXCHANGE RATES

The official middle exchange rates for major currencies as determined at the interbank currency market and used in the translation of financial statements of the components in foreign currencies into EUR were as follows:

	December 31, 2019	December 31, 2018	January 1, 2018
RSD	117.5928	118.1946	118.4727
USD	1.1208	1.1432	1.1953
CHF	1.0848	1.1259	1.1697