AGRI EUROPE CYPRUS LIMITED, CYPRUS

Consolidated Financial Statements
For the Year Ended December 31, 2021

CONTENTS

Board of Directors:	
	Andreas Thomas Moustras (Cypriot) Miodrag Kostić (Cypriot) Nikolas Neophytou (Cypriot) Aleksandar Aleks Kostić (Cypriot) Richard Sharko (US) – appointed as of January 1, 2022 Lambros Papadopoulos (Cypriot) – appointed as of January 1, 2022 Jelena Galić (Serbian) – appointed as of January 1, 2022 George Syrichas (Cypriot) – appointed as of January 1, 2022
Company Secretary:	Trident Trust Company (Cyprus) Limited, Limassol
Independent Auditors:	BDO Ltd Certified Public Accountants and Registered Auditors 236 Strovolou Avenue 2048 Strovolos, Nicosia, Cyprus
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 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

MANAGEMENT REPORT

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 2021**.**

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 activity is banking.

Details regarding subsidiaries of the Group as of December 31, 2021 and 2020 are disclosed in note 2.4.

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.

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 40 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.

Dividends

In 2021, the Parent Company's Board of Directors did not approved the payment of dividends. Payment of other dividends in 2021, entirely relates to payment to minority shareholders of the subsidiary AIK Banka a.d., Belgrade.

In 2020, the Parent Company's Board of Directors approved the payment of dividends, in the amount of EUR 47,140,000. Payment of other dividends in 2020, entirely relates to payment to minority shareholders of the subsidiary AIK Banka a.d., Belgrade.

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, 2021 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 36 to the consolidated financial statements.

Board of Directors

The members of the Group's Board of Directors as of December 31, 2021 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, BDO Ltd, 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, April 21, 2022

BDO

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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 104 and comprise the consolidated statement of financial position as at 31 December, 2021, 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, 2021, 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.

(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.

(Continued)

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.

Comparative figures

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 April 2021.

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Terence Kiely
Certified Public Accountant and Registered Auditor
for and on behalf of

BDO Ltd
Certified Public Accountants (CY) and Registered Auditors

Nicosia, April 21 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year Ended December 31, 2021
(Thousands of EUR)

	Note	2021	2020
Interest income	7	114,396	116,612
Interest expenses	7	(20,132)	(21,545)
Net interest income	7	94,264	95,067
Fee and commission income	8	35,616	30,173
Fee and commission expenses	8	(6,421)	(5,306)
Net fee and commission income	8	29,195	24,867
Net gains on changes in the fair value of financial instruments	9	19,503	275
Net gains on derecognition of the financial assets measured at fair value	10	667	6,159
Net foreign exchange (losses) / gains and currency (losses) / gains on financial instruments	11	(961)	990
Net gains on derecognition of the financial assets measured at amortized cost	12	209	2,600
Other operating income	13	11,972	12,635
Net gains on impairment of financial assets not measured at fair value through profit or loss	14	6,669	6,812
Total operating income, net		161,518	149,405
Salaries, salary compensations and other personnel expenses	15	(35,422)	(32,764)
Depreciation and amortization charge	16	(9,388)	(8,857)
Other income	17	7,381	5,330
Other expenses	18	(40,390)	(42,776)
Profit before taxes		83,699	70,338
Current income tax expense	19	(9,234)	(8,507)
Deferred tax gains	19	4,994	3,423
Deferred tax losses	19	(3,548)	(2,630)
Profit for the year from continuing operations		**75,911**	**62,624**
- *of which attributable to NCI*		*238*	*238*
Profit for the year		**75,911**	***62,624***

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
Year Ended December 31, 2021
(Thousands of EUR)

	2021	2020
Profit for the year	**75,911**	**62,624**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Losses on revaluation of properties	(710)	(189)
Fair value gains/(losses) on equity investments measured at FVTOCI	5,366	(2,889)
Actuarial gains on defined benefit plans	2	34
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	153	(1,174)
Fair value (losses)/gains on debt investments measured at FVTOCI	(6,004)	3,702
Income tax relating to components of other comprehensive income	423	(112)
Other comprehensive income for the year, net of tax	**(770)**	**(628)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**75,141**	**61,996**
Owners of the Group	74,903	61,758
Non-controlling interest	238	238

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2021
(Thousands of EUR)

	Note	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash funds held with the central bank	20	705,491	728,609
Receivables under derivative financial instruments		168	377
Securities	21	768,484	726,124
Loans and receivables due from banks and other financial institutions	22	456,610	252,772
Loans and receivables due from customers	23	2,238,308	2,122,307
Investments in associates and joint ventures	24	16,467	5,752
Intangible assets	25	8,211	8,355
Property, plant and equipment	26.a, 26.b	38,729	47,219
Investment property	27	95,977	134,877
Non-current assets held for sale and assets from discontinued operations	28	11,042	572
Current tax assets	34.a	9,928	4,831
Deferred tax assets	29	7,792	8,331
Other assets	30	22,453	31,012
TOTAL ASSETS		**4,379,660**	**4,071,138**
LIABILITIES AND EQUITY			
Liabilities under derivative financial instruments		-	102
Deposits and other liabilities due to banks, other financial institutions and the central bank	31	208,913	313,671
Deposits and other liabilities due to customers	32	3,325,035	2,983,099
Provisions	33	8,725	10,675
Current tax liabilities	34.b	892	-
Deferred tax liabilities	29	2,897	5,493
Other liabilities	35	34,028	33,607
TOTAL LIABILITIES		**3,580,490**	**3,346,647**
EQUITY	36		
Issued (share) capital		1	1
Profit		581,133	503,181
Reserves		213,728	217,001
Non - controlling interest		4,308	4,308
TOTAL EQUITY		**799,170**	**724,491**
TOTAL LIABILITIES AND EQUITY		**4,379,660**	**4,071,138**

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

These consolidated financial statements have been approved for issue by the management of Agri Europe Cyprus Limited, Cyprus, on April 21, 2022 and are signed on their behalf by:

DocuSigned by:
Andreas Moustras
C83FC94FE522459...

Nicolas Neophytou,
Director

Andreas Thomas Moustras,
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2021
(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, 2020	**1**	**-**	**253,434**	**12,846**	**439,284**	**-**	**705,565**	**4,308**	**709,873**
Profit for the year	-	-	-	-	62,386	-	62,386	238	62,624
Other comprehensive income, net of income tax	-	-	-	(370)	(258)	-	(628)	-	(628)
Total comprehensive income for the year	**-**	**-**	**-**	**(370)**	**62,128**	**-**	**61,758**	**238**	**61,996**
Transactions with shareholders:									
- Dividends (Note 36)	-	-	-	-	(47,140)	-	(47,140)	(238)	(47,378)
Transfer from reserves to retained earnings	-	-	(50,019)	-	50,019	-	-	-	-
Transfer from profit to reserves	-	-	1,110	-	(1,110)	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Balance at December 31, 2020	**1**	**-**	**204,525**	**12,476**	**503,181**	**-**	**720,183**	**4,308**	**724,491**

(Continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2021
(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, 2021	**1**	**-**	**204,525**	**12,476**	**503,181**	**-**	**720,183**	**4,308**	**724,491**
Profit for the year	-	-	-	-	75,673	-	75,673	238	75,911
Other comprehensive income, net of income tax	-	-	-	(821)	51	-	(770)	-	(770)
Total comprehensive income for the year	**1**	**-**	**-**	**(821)**	**75,724**	**-**	**74,903**	**238**	**75,141**
Transactions with shareholders:					-		-	-	-
- Dividends	-	-	-	-	-	-	-	(238)	(238)
Transfer from reserves to retained earnings	-	-	-	(2,228)	2,228	-	-	-	-
Other	-	-	-	(224)	-	-	(224)	-	(224)
					-		-		-
Balance at December 31, 2021	**1**	**-**	**204,525**	**9,203**	**581,133**	**-**	**794,862**	**4,308**	**799,170**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2021
(Thousands of EUR)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated by operating activities	**168,478**	**151,356**
Interest receipts	120,105	105,848
Fee and commission receipts	33,994	29,202
Receipts of other operating income	12,957	16,212
Dividend and profit sharing receipts	1,422	94
Cash used in operating activities	**(93,229)**	**(83,881)**
Interest payments	(16,785)	(17,540)
Fee and commission payments	(6,415)	(5,135)
Payments to, and on behalf of employees	(46,724)	(42,672)
Taxes, contributions and other duties paid	(1,674)	(1,648)
Payments for other operating expenses	(21,631)	(16,886)
Net cash inflows from operating activities prior to increases/decreases in loans and deposits and other liabilities	**75,249**	**67,475**
Decrease in loans and increase in deposits received and other liabilities	**208,535**	**285,258**
Decrease in loans and receivables due from banks, other financial institutions, the central bank and customers	-	69,646
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	37,730	78,768
Increase in deposits and other liabilities due to banks, other financial institutions, the central bank and customers	170,805	136,844
Increase in loans and decrease in deposits received and other liabilities	**(165,951)**	**(28,781)**
Increase in loans and receivables due from banks, other financial institutions, the central bank and customers	(138,745)	(12,211)
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	(27,206)	(16,570)
Net cash generated by operating activities before income taxes	**117,833**	**256,477**
Income taxes paid	(13,510)	(23,942)
Dividend payments	(238)	(47,378)
Net cash generated by operating activities	**104,085**	**252,632**
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash generated by investing activities	**261,293**	**366,934**
Proceeds from investments in investment securities	222,136	341,412
Proceeds from the sales of intangible assets, property, plant and equipment	15,677	17,232
Proceeds from the sales of investment property	23,480	8,326
Cash used in investing activities	**(294,895)**	**(544,011)**
Cash used for investments in investment securities	(281,232)	(521,259)
Cash used for the purchases of intangible assets, property, plant and equipment	(10,943)	(6,523)
Cash used for the purchases of investment property	(285)	(15,355)
Other outflows from investing activities	(2,435)	(874)
Net cash used by investing activities	**(33,602)**	**(177,041)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash generated by financing activities	**104,835**	**103,704**
Borrowings, inflows	104,835	103,704
Cash used in financing activities	**(7,012)**	**(3,523)**
Borrowings, outflows	(5,297)	(1,857)
Other outflows from financing activities	(1,715)	(1,666)
Net cash generated by financing activities	**97,823**	**100,181**
TOTAL CASH INFLOWS	**743,141**	**907,288**
TOTAL CASH OUTFLOWS	**(574,835)**	**(731,516)**
TOTAL NET CASH INCREASE / (DECREASE)	**168,306**	**175,772**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**727,847**	**553,233**
FOREIGN EXCHANGE GAINS	**3,819**	**1,719**
FOREIGN EXCHANGE LOSSES	**(722)**	**(2,877)**
CASH AND CASH EQUIVALENTS, END OF YEAR (Note 20)	**899,250**	**727,847**

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

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") and associates Sveti Stefan Hoteli a.d. Budva and HG Budvanska Rivijera a.d. Budva. The consolidated financial statements for the year ended December 31, 2021 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.

Details regarding subsidiaries of the Group as of December 31, 2021 and 2020 are disclosed in note 2.4.

The main subsidiaries of Agri Europe as of December 31, 2021 are the following:

Nord Agri

Nord Agri N.V., Netherlands 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 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).

M&V Investments is headquartered in Belgrade, at the address of Bulevar Mihajla Pupina 115e. As of December 31, 2021, 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.

1. GENERAL INFORMATION ON THE GROUP (Continued)

M&V Investments (Continued)

As of December 31, 2021, M&V Investments had 14 employees (December 31, 2020: 14 employees).The M&V Investments' 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 (hereinafter: "AIK Bank") was established in accordance with the Articles of Association on August 10, 1993. The AIK 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 AIK 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, 2021, the AIK Bank's sole shareholder with 100% shares was M&V Investments a.d., Beograd (December 31, 2020: M&V Investments a.d., Beograd with 100%).

The AIK 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 AIK 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 (twelve branches), Niš (four branches), Novi Sad (two branches), Lazarevac, Obrenovac, Pančevo, Požarevac, Smederevo, Šabac, Valjevo, Pirot, 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, Zrenjanina, Sombora, which makes the total of 1 Head Office and 50 branches throughout Serbia.

As of December 31, 2021, AIK Bank had 618 employees (December 31, 2020: 585 employees). AIK Bank' tax identification number (fiscal code) is 100618836, and its corporate ID is 06876366.

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.

1. GENERAL INFORMATION ON THE GROUP (Continued)

Gorenjska Bank (Continued)

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, 2021, Gorenjska Bank had 400 employees (2020: 410 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.

As of December 31, 2021, Imobilia has no employees (2020: 6 employees).

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, 2021, GB Leasing had 79 employees (2020: 66 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).

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

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

2.1. Basis of preparation and presentation of the consolidated financial statements (Continued)

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. Initial Application of New Amendments to the Existing Standards Effective for the Current Reporting Period

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Bank as of 1 January 2021:

- **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2**

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

- **Amendments to IFRS 16 "Leases" – Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual reporting periods beginning on or after 1 April 2021)**

This amendment extends, for one year, the May 2020 amendment - Covid-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020), which provides for an exemption from the assessment whether the lease concession under the influence of the COVID-19 epidemic is a modification of the leasing contract.

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.

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

2.3. Standards issued but not yet effective and not early adopted

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” updating a Reference to the Conceptual Framework in IFRS (effective for annual reporting periods beginning on or after 1 January 2022)
- Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use (effective for annual reporting periods beginning on or after 1 January 2022).
- Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual reporting periods beginning on or after 1 January 2022).
- Annual Improvements to IFRSs, 2018–2020 Cycle, make amendments to the following standards: IFRS 1, IFRS 9 IFRS 16 and IAS 41 (effective for annual reporting periods beginning on or after 1 January 2022).
- IFRS 17 “Insurance Contracts“ and subsequent amendments to this standard (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 4 “Insurance Contracts“ - Extension of the deadline for temporary exemption from the application of IFRS 9 extending the fixed deadline for temporary exemption from the application of IFRS 9 “Financial Instruments” in IFRS 4 “Insurance Contracts”, requiring of an entity to apply IFRS 9 for the annual periods beginning on or after 1 January 2023.
- Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 - “Definition of Accounting Estimates” (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities Arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).
- 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 2024).

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.

2.4. 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 2021 are prepared under the full consolidation method for the subsidiaries controlled by the Parent and under equity consolidation method for the associate of 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.

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:

Subsidiary	Industry	Type of equity Dec 31, 2021	Type of equity Dec 31, 2020	Interest	Consolidation Method
Nord Agri, Netherlands	Holding company	100.00%	100.00%	Direct	Full consolidation method
M&V Investments, Serbia	Brokerage	100.00%	100.00%	Indirect	Full consolidation method
AIK Bank, Serbia	Banking	100.00%	100.00%	Indirect	Full consolidation method
Gorenjska Bank, Slovenia	Banking	100.00%*	100.00%*	Indirect	Full consolidation method
Imobilia, Slovenia	Real estate	100.00%*	100.00%*	Indirect	Full consolidation method
GB Leasing, Slovenia	Leasing	100.00%*	100.00%*	Indirect	Full consolidation method
HAA Leasing, Slovenia	Rental	100.00%*	100.00%*	Indirect	Full consolidation method
Sveti Stefan Hoteli a.d. Budva	Hotels	29.57%	29.43%	Indirect	Equity method
HG Budvanska Rivijera a.d. Budva	Hotels	21.38%	15.99%	Indirect	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% (2020: the real equity interest is 91.70% while own shares are 8.30%).

As of December 31, 2021, the Parent Company, throughout the AIK Bank as its subsidiary, owned 100.00% (December 31, 2020: 100.00%) 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, 2021 (2020: 355,723 shares with the total value of EUR 106,536 thousand). The Group held 100.00% of voting rights (December 31, 2020: 100.00%).

2.5. Going Concern

From the current point of view, COVID-19 and Russian – Ukrainian conflict has produced no significant effects on the operations of individual Group entities as well as the Group on the whole. 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.

Main factors taken into account by the Management of the Group in relation to the application 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 18.25% of total assets of the Group whereas the reserves and profit represent 18.15%.
- **COVID-19** – no significant effects on the Group's operations

Having in mind all abovementioned, 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.

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.

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 consolidated financial statements for 2020.

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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 currency of Parent Company, Gorenjska Bank and its subsidiaries – Imobilia, GB leasing and Hypo Alpe-Adria Leasing is euro (EUR) while for AIK Bank and MV Investments is dinars (RSD).

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. 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.

Starting from 2020, in the case of financial assets that become impaired after initial recognition, interest income is calculated using the effective interest rate to the amortized (net) value of a financial asset. If the asset ceases to be impaired, the basis for calculating interest income again becomes the gross carrying value of the financial asset. In addition, the Group did not applied this change of accounting policy retrospectivly due to immateriality of the effect.

In the case of financial assets purchased or originally impaired at initial recognition ("POCI"), interest income is calculated using the effective interest rate adjusted for credit risk to the amortized (net) value of a financial asset and never at the gross carrying value of the financial asset.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Interest Income and Expenses (Continued)

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 on an accrual basis and pursuant to the terms defined by contracts signed between the Group and its customers.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. 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 2021 and 2020 there were no changes in depreciation and amortization rates applied.

3.8. Taxation

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% (2020: 12.5%). Under certain conditions interest income may be subject to defense contribution at the rate of 30% (2020: 30%). In such cases this interest will be exempt from corporation tax. In certain cases dividends received from abroad may be subject to defense 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% (2020: 15%) to the amount of profit before taxes, as adjusted for permanent differences that adjust the statutory tax rate to the effective tax rate.

The standard Current income tax rate applied for NordAgri (incorporated in Netherlands) is 25% (2020: 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% (2020: 19%).

In 2013, the tax on financial services was introduced in Slovenia that is a levy on commission fees paid for the prescribed financial services rendered. The tax rate is 8.5% (2020: 8.5%) and the tax is paid monthly. The financial services tax reduces fee and commission income.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Taxation (Continued)

Deferred Income Taxes (Continued)

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.

3.9. Financial Assets and Liabilities

Those accounting policies are in accordance to IFRS 9 requirements, which are imposed as of January 1, 2018.

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).

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Classification (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

Modification and Derecognition of Financial Assets (Continued)

The effects of the Moratoriums, imposed both in Slovenia and Serbia, on the present value of the cash flows from the affected financial assets were not recorded in the AIK Bank's nor in Gorenjska Bank's financial statements due to the immateriality of such effects.

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.

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.

If the basis for determining the contractual cash flows of a financial asset or financial liabilities measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Financial Assets and Liabilities (Continued)

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)

3.9. 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)

3.9. 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 IFRS 9, 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.

3.10. 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.

3.11. 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 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 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)

3.11. Loans and Receivables (Continued)

Approved RSD loans are economically 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. The Group does not apply hedge accounting under IFRS 9.

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.

3.12. 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.

3.13. 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, are recognized in OCI until derecognition. Upon derecognition, the accumulated gains or losses previously recognized within the other comprehensive income are reclassified to the profit or loss if those are debt instruments or in retained earnings if those are equity instruments.

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)

3.14. 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.

3.15. 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.

3.16. 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)

3.16. 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. Right-of-use assets

Beginning January 1, 2019, the Group begins applying IFRS 16 Leasing using a modified retrospective approach (the so-called cumulative catch-up approach) in accordance with IFRS 16: C5 (b) and IFRS 16: C8 (b) (ii). Therefore, the Group did not adjust the comparative information but recognized the right to use the asset in an amount equal to the amount of the lease liability at the date of initial application. The accounting policies for the recognition and measurement of leases applied to the current and prior periods are set out below.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17. Right-of-use assets (Continued)

i. Group as a lessee <u>(Continued)</u>

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.

3.18. 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.

3.19. 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.

3.20. 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 initially recognized in accordance with the value at which the debt is replaced by the transfer of ownership rights, or the transfer of movable property and goods at the value of receivables charged, or at the net selling value, depending on the lower one or the sales price of the mortgaged real estate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20. Inventories (Continued)

Subsequent measurement of material values acquired by collection of receivables in accordance with IAS 2-Inventories by balancing to the net realizable value, if it is lower than the purchase cost. Net realizable value is the estimated sales price in the ordinary course of business minus cost to sell determined by the independent appraiser through the fair value assignment.

3.21. 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.

3.22. 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.

3.23. 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.

3.24. 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.

3.25 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 33.

3.26. 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 paid up capital.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.27. 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 Agri Holding AG, 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.

3.28. 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.

3.29. 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 initially recognized 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 recognize 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 recognizing 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)

3.29. 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 recognized 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 recognized directly in the consolidated statement of other comprehensive income of the Group.

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.

Non-controlling interests (NCI)

NCI are measured initially at the proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.30. Cash and cash equivalents reported in the statement of cash flows

As a cash and cash equivalents in the terms of statements of cash flow presentation, the Group considers the total amount of Cash and cash funds held with Central Bank decreased for the Obligatory foreign currency reserve held with NBS and increased for the Foreign currency accounts held with foreign and domestic banks which are classified under Loans and receivables due from banks and other financial institutions (Note 22). The calculation is presented in the end of Note 20.

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, the Group is exposed to the following risks: credit risk and risks associated with the credit risk, liquidity risk, interest rate risk, market risks, operational risks, exposure/concentration risk, country risk and other risks.

4. RISK MANAGEMENT (Continued)

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 Risk Appetite Statement,
- Group ICAAP and ILAAP Framework,
- Group Impairment Calculation Framework_IFRS 9,
- Group Underwriting Framework,
- Group Policy on Non-performing and forborne exposures,
- Group Default Detection Policy,
- Group Collateral Management Policy,
- Group Policy on Connected Clients,
- Group Credit Risk Monitoring Framework
- Group Liquidity Contingency Plan Framework,
- Group Trading and Banking Book Framework,
- Group IRRBB Framework
- Group Stress Test Policy.
- other Group risk management internal acts

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 Business Strategy.

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,
- 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. The Group 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.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

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, 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 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 as well as on the Group level, 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.

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 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 assess on-balance and off-balance sheet receivables for impairment in accordance with its accounting policies and Group Impairment Calculation Framework.

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.

Off balance sheet exposures are included in EAD calculation using the credit conversion factors (CCF) prescribed by EBA Regulation 575/2013 (CRR regulation: CCFs used for credit risk RWA calculation).
of RWA.

On a monthly 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)

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Impairment assessment of loans and receivables (Continued)

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 stage, 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.

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

In the course of 2021, in the process of impairment calculation, the AIK bank applied internal ratings for client classification by credit risk level. The internal rating model defines the level of the individual client's credit quality and, accordingly, the appropriate level of probable non-performance of obligations. AIK bank uses the rating scale that includes 10 rating categories, 9 representing non-default status, while rating 10category marks default status.
The expert rating model has been developed for clients with specific characteristics for which the AIK bank was unable to develop an adequate statistical PD model, primarily due to the lack of a statistically relevant total number of clients and/or an insignificant number of defaults among these clients. AIK bank has applied expert ratings for the following portfolios: local self-government, public enterprises, financial institutions, newly-established enterprises and project financing. For other segments, AIK bank has developed a statistical PD model consisting of financial and behavioural components. Both components are calculated through the statistical modelling procedure.

In 2021, Gorenjska bank upgraded its credit rating model and for assessing the possibility of default by legal entities (PD) and therefore new credit scale which was completely implemented in the second half of the year. Similarly bank updated its rating scale for retail portfolio and is now in line with corporate (i.e. A1, A2, A3, B1, B2, B3, C1, C2, C3, D, E) .Gorenjska Bank additionally defined a new algorithm for taking into account the non-financial credit rating score, additionally described and defined the criteria of the non-financial credit rating, defined a new translation matrix between the ratings of external credit rating agencies and internal credit rating classes. The materiality threshold at which the bank assigns a credit rating to a customer or investment was reduced from EUR 1,000 to EUR 100 gross exposure. In 2021, Gorenjska bank also started to develop a new scoring model for approving SME business transactions under EUR 200.000 which will be finished and implemented in Q3 2022.

PD - probability of default

PD is estimated by observing 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. For purposes of calculating impairment, probability of default (PD) is estimated by using transition matrices that show transition of debtors from different performing ratings to default in the period between two dates.

Starting point are migration matrices calculated for each sub-segment individually by observing migration of clients by rating in the default category. For the calculation of PD, the obtained TTC (through the cycle) matrix is multiplied as many times as there are years left until the remaining maturity of the placement.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Forward looking PD

In order to determine correlation between default rate and macroeconomic variables, Group members develop regression model separately for Retail and Corporate segment. By analyzing the assumptions, they determined the variables that have a significant impact on the movement of the default rate. Group tests the correlation between default rate and the following macroeconomic indicators: GDP, unemployment rate, inflation rate, exchange rate RSD/EUR (applicable only in subsidiaries outside euro zone), reference interest rate, public debt, etc.

Group includes a "forward looking" component through adjustments of PD i.e. to show movement of PD depending on the movement of macroeconomic variables. For these purposes, Group defines values of macroeconomic variables for three possible scenarios: basic, optimistic and pessimistic. Group estimates relationship between the observed parameters once a year.

To consider consequences of the COVID 19 pandemic, Group adjusted PD parameters by taking into account the macroeconomic projection that include effects of COVID 19. Considering that the Group members operate on the different markets, for the calculation of impairment each subsidiary used the official projection available for the specific country, overview is in the table below.

AIK Bank:

AIK Bank defines the values of macroeconomic indicators in three scenarios: basic, optimistic and pessimistic. As a consequence of the COVID 19 pandemic, the Bank increased the share of the pessimistic scenario from 20% to 30% for the purpose of adjusting the PD parameter, while the share of the baseline scenario was reduced from 70% to 60%.

For the Retail model, AIK bank uses the following weighted values:

Macroeconomic variable	Weighted values/rates
Nominal GDP	540,810*

**in million RSD per month*

These values were obtained using the following values of independent variables and corresponding weights:

	Basic scenario	Optimistic scenario	Pessimistic scenario
Scenario share	60%	10%	30%
Nominal GDP	546,272	573,586	518,959

For the Corporate model, AIK bank uses the following weighted rates:

Macroeconomic variable	Weighted rates
FX rate	119
Unemployment	11%
Producer prices	16%

These values were obtained using the following values of independent variables and corresponding weights:

	Basic scenario	Optimistic scenario	Pessimistic scenario
Scenario share	60%	10%	30%
FX rate	117.57	111.34	124.05
Unemployment	10.50%	8.95%	12.64%
Producer prices	16.7%	3.64%	18.37%

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Forward looking PD (Continued)

Gorenjska bank, on portfolio level: The Bank took into account following forecast of macroeconomic variables in the calculation of impairments as at December 31, 2021:

Macroeconomic variable	Rates
GDP, real growth	6.4%

These values were obtained using the following values of independent variables and corresponding weights:

	Year	Basic scenario	Optimistic scenario	Pessimistic scenario
Scenario share		60%	20%	20%
GDP	2021	6.4	7.2	5.5
	2022	3.7	6.8	0.6
	2023	1.2	4.5	-2.2

For scenarios longer than three years and less than six years (i.e. 2024 and 2025), the GDP forecast is the average between the 14-year average (2007-2020) and the previous year's forecast. For year 2026 and all subsequent years, the average of the forecasts for the last 14 years (2007-2020) is taken.

LGD – Loss Given Default

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.

Additionally, the Group members performed analysis based on the publically available data or used analysis provided by external official appraisal in order to assess the impact of COVID 19 on local real estate market and potentially impact on applied haircuts and LGDs applied. The analysis showed that COVID 19 did not have significant impact on the real estate market, therefore the Group did not include adjustments to LGD calculation.

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.

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.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

LGD – Loss Given Default (Continued)

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.

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

Default, i.e. a default status is defined as a material delay in liability settlement of at least 90 days at the level of individual financial asset.

Default status may be identified even before 90 days past due occurs if other quantitative or qualitative criteria are identified that indicates the existence of objective evidence of impairment of a financial asset:

- Significant deterioration in financial status of the client
- Significantly changed terms of the repayment of placements due to the financial difficulties of the borrower (FNPE or NPE)
- Initiating bankruptcy proceedings or initiating another type of financial reorganization
- Other available qualitative information.

Non-performing exposures are exposures where the payment of principal or interest is past due over 90 days, or the Group assessed that the borrower’s repayment ability has deteriorated and doubts that the payments will be made in full.

Identification of a Significant Increase in Credit Risk

Stage 2 includes receivables for which there has been a significant increase in credit risk compared to the moment of initial recognition. The criteria for a significant increase in credit risk are:

- material delay in liability settlement over 30 days,
- significant deterioration of borrower’s internal rating,
- restructuring of receivable due to the financial difficulties of the borrower (forborne status),
- deterioration in the rating of an external rating agency (applies in the case of exposures to financial institutions and countries), and/or
- Watch list/Decision of the Watch loan Committee

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Identification of a Significant Increase in Credit Risk (Continued)

Due to the COVID 19 pandemic, Group identified industries that are the most affected by COVID 19. Further, in monitoring process, Group identified clients operating in those industries and those clients were reclassified to Stage 2.

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

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.

Provisions for off balance sheet items

In AIK bank, the calculation of provisions for off balance sheet items is performed in the same manner as for balance sheet items, except for the application of credit conversion factors (CCF). AIK bank is using CCF as defined by the Annex 1 of EBA Regulation 575/2013 (CRR).

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Group Assessment (Continued)

Gorenjska bank is calculating the actual conversion factor if it has a sufficient number of drawdowns under the off-balance-sheet exposures and representative data for individual types of off-balance-sheet items. Based on the sufficiently large sample in limits of natural persons, Gorenjska bank started using its own CCF for the transaction accounts of natural persons and the payment cards of natural persons, whereas it is still using the CCF in accordance with Annex 1 of EBA Regulation 575/2013 (CRR) for the remaining transactions due to the sample being too small.

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).

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.

Maximum credit risk exposure before collateral or other credit enhancements

Assets			**December 31, 2021**
	Gross Exposure	**Impairment Allowance**	**Net Amount**
I Balance sheet items	4,230,044	(54,112)	4,175,932
Cash and cash funds held with the central bank	705,550	(59)	705,491
Receivables under derivatives	168	-	168
Securities	769,916	(1,432)	768,484
Loans and receivables due from banks and other financial institutions	457,231	(621)	456,610
Loans and receivables due from customers	2,289,160	(50,852)	2,238,308
Other assets	8,019	(1,148)	6,871
II Off-balance sheet items	597,748	(2,658)	595,090
Guarantees issued, unsecured letters of credit and acceptances	315,532	(1,548)	313,984
Irrevocable commitments – per framework loans	282,216	(1,110)	281,106
Total	**4,827,792**	**(56,770)**	**4,771,022**

Assets			**December 31, 2020**
	Gross Exposure	**Impairment Allowance**	**Net Amount**
I Balance sheet items	3,897,345	(57,707)	3,839,638
Cash and cash funds held with the central bank	728,653	(44)	728,609
Receivables under derivatives	377	-	377
Securities	729,350	(3,226)	726,124
Loans and receivables due from banks and other financial institutions	254,781	(2,009)	252,772
Loans and receivables due from customers	2,173,660	(51,353)	2,122,307
Other assets	10,524	(1,075)	9,449
II Off-balance sheet items	547,704	(3,071)	544,633
Guarantees issued, unsecured letters of credit and acceptances	261,700	(596)	261,104
Irrevocable commitments – per framework loans	286,004	(2,475)	283,529
Total	**4,445,049**	**(60,778)**	**4,384,271**

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, 2019	**571,330**	-	-	-	**571,330**
Movements of the gross carrying value					
Transfer to Stage 1	571,330	-	-	-	571,330
Newly acquired/originated assets	157,740	-	-	-	157,740
Decreases due to derecognition	(18)	-	-	-	(18)
Other adjustments	(399)	-	-	-	(399)
Gross carrying value at December 31, 2020	**728,653**	-	-	-	**728,653**
Accumulated impairment at December 31, 2020	(44)	-	-	-	(44)

Cash and balances with the central bank	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value at December 31, 2020	**728,653**	-	-	-	**728,653**
Movements of the gross carrying value					
Transfer to Stage 1	728,653	-	-	-	728,653
Newly acquired/originated assets	44,291	-	-	-	44,291
Decreases due to derecognition	(70,200)	-	-	-	(70,200)
Other adjustments	2,806	-	-	-	2,806
Gross carrying value at December 31, 2021	**705,550**	-	-	-	**705,550**
Accumulated impairment at December 31, 2021	(59)	-	-	-	(59)

Securities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value at December 31, 2019	**595,174**	**317**	**1,695**	-	**597,186**
Movements of the gross carrying value					
Transfer to Stage 1	590,077	317	231	-	590,625
Transfer to Stage 2	5,024	-	-	-	5,024
Transfer to Stage 3	73	-	1,464	-	1,537
Newly acquired/originated assets	334,886	6,194	73	-	341,153
Decreases due to derecognition	(236,698)	(317)	(238)	-	(237,253)
Other adjustments	28,264	-	-	-	28,264
Gross carrying value at December 31, 2020	**721,626**	**6,194**	1,530	**-**	**729,350**
Accumulated impairment at December 31, 2020	(950)	(815)	**(1,461)**		(3,226)

Securities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value at December 31, 2020	**721,626**	**6,194**	1,530	**-**	**729,350**
Movements of the gross carrying value					
Transfer to Stage 1	720,265	6,194	521	-	726,980
Transfer to Stage 3	1,361	-	1,009	-	2,370
Newly acquired/originated assets	164,497	-	-	-	164,497
Decreases due to derecognition	(87,200)	(6,194)	(8)	-	(93,402)
Other adjustments	(30,009)	-	(520)	-	(30,529)
Gross carrying value at December 31, 2021	**768,914**	**-**	**1,002**	-	**769,916**
Accumulated impairment at December 31, 2021	(492)	-	(940)	-	(1,432)

Loans and receivables due from banks and other financial institutions	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying value at December 31, 2019	**154,017**	**66**	**852**	-	**154,935**
Movements of the gross carrying value					
Transfer to Stage 1	154,014	-	174	-	154,188
Transfer to Stage 2	3	66	-	-	69
Transfer to Stage 3	-	-	678	-	678
Newly acquired/originated assets	178,440	2	904	-	179,346
Decreases due to derecognition	(129,352)	(38)	(174)	-	(129,564)
Other adjustments	50,027	37	-	-	50,064
Gross carrying value at December 31, 2020	**253,132**	**67**	**1,582**	**-**	**254,781**
Accumulated impairment at December 31, 2020	(1,543)	(3)	(463)	-	(2,009)

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, 2020	**253,132**	**67**	**1,582**	**-**	**254,781**
Movements of the gross carrying value					
Transfer to Stage 1	252,807	47	1,582	-	254,436
Transfer to Stage 2	193	20	-	-	213
Transfer to Stage 3	132	-	-	-	132
Newly acquired/originated assets	295,115	355	-	-	295,470
Decreases due to derecognition	(139,530)	(53)	(926)	-	(140,509)
Write-offs	(864)	-	(214)	-	(1,078)
Other adjustments	48,808	-	(241)	-	48,567
Gross carrying value at December 31, 2021	**456,661**	**369**	**201**	**-**	**457,231**
Accumulated impairment at December 31, 2021	(607)	(3)	(11)	-	(621)

Loans and receivables due from customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2019	**1,999,058**	**144,003**	**93,198**	**3,808**	**2,240,067**
Movements of the gross carrying value					
Transfer to Stage 1	1,777,444	63,070	33,081	-	1,873,595
Transfer to Stage 2	217,310	74,101	2,445	-	293,856
Transfer to Stage 3	4,304	6,832	57,672	-	68,808
POCI	-	-	-	3,808	3,808
Newly acquired/originated assets	828,423	270,055	12,566	8	1,111,052
Decreases due to derecognition	(1,040,965)	(72,802)	(34,103)	(1,826)	(1,149,696)
Write-offs	(4)	-	(1,641)	-	(1,645)
Other adjustments	(25,925)	6	(199)	-	(26,118)
Gross carrying value at December 31, 2020	**1,760,587**	**341,262**	**69,821**	**1,990**	**2,173,660**
Accumulated impairment at December 31, 2020	(24,221)	(10,873)	(16,209)	(50)	(51,353)

Loans and receivables due from customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**1,760,587**	**341,262**	**69,821**	**1,990**	**2,173,660**
Movements of the gross carrying value					
Transfer to Stage 1	1,610,440	108,215	14,222	6	1,732,883
Transfer to Stage 2	142,711	195,101	1,506	-	339,318
Transfer to Stage 3	7,422	37,946	52,351	67	97,786
POCI	14	-	1,742	1,917	3,673
Newly acquired/originated assets	1,006,066	139,752	52,243	1,007	1,199,068
Decreases due to derecognition	(845,598)	(184,647)	(44,268)	(759)	(1,075,272)
Write-offs	(469)	(287)	(7,579)	-	(8,335)
Other adjustments	65	(1)	(25)	-	39
Gross carrying value at December 31, 2021	**1,920,651**	**296,079**	**70,192**	**2,238**	**2,289,160**
Accumulated impairment at December 31, 2021	(22,869)	(10,050)	(17,921)	(12)	(50,852)

Other assets	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2019	**12,115**	**174**	**2,886**	**-**	**15,175**
Movements of the gross carrying value					
Transfer to Stage 1	12,024	129	1,840	-	13,993
Transfer to Stage 2	77	36	50	-	163
Transfer to Stage 3	14	9	996	-	1,019
Newly acquired/originated assets	4,529	95	283	-	4,907
Decreases due to derecognition	(7,310)	(98)	(943)	-	(8,351)
Write-offs	-	-	(866)	-	(866)
Other adjustments	69	-	(33)	-	36
Gross carrying value at December 31, 2020	**9,403**	**171**	**1,327**	**-**	**10,901**
Accumulated impairment at December 31, 2020	(347)	(7)	(721)	-	(1,075)

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, 2020	**9,403**	**171**	**1,327**	**-**	**10,901**
Movements of the gross carrying value					
Transfer to Stage 1	9,329	75	238	-	9,642
Transfer to Stage 2	44	81	5	-	130
Transfer to Stage 3	30	15	1,084	-	1,129
Newly acquired/originated assets	3,483	271	77	-	3,831
Decreases due to derecognition	(5,987)	(125)	(369)	-	(6,481)
Write-offs	(2)	(2)	(42)	-	(46)
Other adjustments	(23)	-	5	-	(18)
Gross carrying value at December 31, 2021	**6,874**	**315**	**998**	**-**	**8,187**
Accumulated impairment at December 31, 2021	(346)	(16)	(786)	-	(1,148)

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2019	**465,674**	**11,247**	**995**	-	**477,916**
Movements of the gross carrying value					
Transfer to Stage 1	458,584	6,265	220	-	465,069
Transfer to Stage 2	7,032	4,976	300	-	12,308
Transfer to Stage 3	58	6	475	-	539
Newly acquired/originated assets	327,151	11,585	406	-	339,142
Decreases due to derecognition	(257,960)	(10,800)	(568)	-	(269,328)
Other adjustments	(25)	1	(2)	-	(26)
Gross carrying value at December 31, 2020	**534,840**	**12,033**	**831**	**-**	**547,704**
Accumulated impairment at December 31, 2020	(2,754)	(264)	(53)	-	(3,071)

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value at December 31, 2020	**534,840**	**12,033**	**831**	**-**	**547,704**
Movements of the gross carrying value					
Transfer to Stage 1	531,869	5,043	12	-	536,924
Transfer to Stage 2	2,930	6,985	1	-	9,916
Transfer to Stage 3	41	5	818	-	864
Newly acquired/originated assets	397,701	4,187	103	-	401,991
Decreases due to derecognition	(343,527)	(8,103)	(312)	-	(351,942)
Other adjustments	(5)	-	-	-	(5)
Gross carrying value at December 31, 2021	**589,009**	**8,117**	**622**	-	**597,748**
Accumulated impairment at December 31, 2021	(2,356)	(166)	(136)	-	(2,658)

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
Impairment allowance at December 31, 2019	**(43)**	-	-	-	**(43)**
Movements of the impairment allowance					
Transfer to Stage 1	(43)	-	-	-	(43)
Newly acquired/originated assets	(42)	-	-	-	(42)
Decreases due to derecognition	41	-	-	-	41
Impairment allowance at December 31, 2020	**(44)**	-	-	-	**(44)**

Cash and balances held with the central bank	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2020	**(44)**	-	-	-	**(44)**
Movements of the impairment allowance					
Transfer to Stage 1	(44)	-	-	-	(44)
Increases due to changes in the credit risk	(16)	-	-	-	(16)
Newly acquired/originated assets	(39)	-	-	-	(39)
Decreases due to derecognition	40	-	-	-	40
Impairment allowance at December 31, 2021	**(59)**	-	-	-	**(59)**

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Securities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Impairment allowance at December 31, 2019	**(852)**	**(10)**	**(1,464)**	**-**	**(2,326)**
Movements of the impairment allowance					
Transfer to Stage 1	(816)	(10)	-	-	(826)
Transfer to Stage 2	(36)	-	-	-	(36)
Transfer to Stage 3	-	-	(1,464)	-	(1,464)
Increases due to changes in the credit risk	-	(815)	-	-	(815)
Decreases due to changes in the credit risk	36	-	-	-	36
Newly acquired/originated assets	(816)	(8)	(28)	-	(852)
Decreases due to derecognition	555	18	31	-	604
Other adjustments	127	-	-	-	127
Impairment allowance at December 31, 2020	**(950)**	**(815)**	**(1,461)**	**-**	**(3,226)**

Securities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Impairment allowance at December 31, 2020	**(950)**	**(815)**	**(1,461)**	**-**	**(3,226)**
Movements of the impairment allowance					
Transfer to Stage 1	(950)	(815)	(521)	-	(2,286)
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	(940)	-	(940)
Increases due to changes in the credit risk	(1)	-	-	-	(1)
Decreases due to changes in the credit risk	42	-	-	-	42
Newly acquired/originated assets	(438)	-	-	-	(438)
Decreases due to derecognition	243	154	-	-	397
Write-offs, transfer to off balance, sales	-	-	521	-	521
Changes in model / risk parameters	513	661	-	-	1,174
Other adjustments	99	-	-	-	99
Impairment allowance at December 31, 2021	**(492)**	**-**	**(940)**	**-**	**(1,432)**

Loans and receivables due from banks and other financial institutions	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Impairment allowance at December 31, 2019	**(1,209)**	**(2)**	**(617)**	**-**	**(1,828)**
Movements of the impairment allowance					
Transfer to Stage 1	(1,209)	-	(156)	-	(1,365)
Transfer to Stage 2	-	(2)	-	-	(2)
Transfer to Stage 3	-	-	(461)	-	(461)
Newly acquired/originated assets	(1,216)	(1)	(61)	-	(1,278)
Decreases due to derecognition	797	-	198	-	995
Foreign exchange effects	3	-	17	-	20
Other adjustments	82	-	-	-	82
Impairment allowance at December 31, 2020	**(1,543)**	**(3)**	**(463)**	**-**	**(2,009)**

Loans and receivables due from banks and other financial institutions	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Impairment allowance at December 31, 2020	**(1,543)**	**(3)**	**(463)**	**-**	**(2,009)**
Movements of the impairment allowance					
Transfer to Stage 1	(1,542)	(2)	(463)	-	(2,007)
Transfer to Stage 2	-	(1)	-	-	(1)
Transfer to Stage 3	(1)	-	-	-	(1)
Increases due to changes in the credit risk	(138)	(3)	-	-	(141)
Decreases due to changes in the credit risk	170	1	-	-	171
Newly acquired/originated assets	(697)	(3)	(12)	-	(712)
Decreases due to derecognition	612	2	25	-	639
Write-offs, transfer to off balance, sales	864	-	455	-	1,319
Changes in model / risk parameters	133	3	-	-	136
Foreign exchange effects	(8)	-	(16)	-	(24)
Impairment allowance at December 31, 2021	**(607)**	**(3)**	**(11)**	**-**	**(621)**

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, 2019	**(34,266)**	**(4,033)**	**(23,153)**	(17)	**(61,469)**
Movements of the impairment allowance					
Transfer to Stage 1	(30,978)	(1,199)	(11,298)	-	(43,475)
Transfer to Stage 2	(3,251)	(2,685)	(622)	-	(6,558)
Transfer to Stage 3	(37)	(149)	(11,233)	-	(11,419)
Increases due to changes in the credit risk	(3,334)	(4,474)	(1,977)	-	(9,785)
Decreases due to changes in the credit risk	3,033	2,149	1,250	-	6,432
Newly acquired/originated assets	(47,682)	(7,826)	(5,922)	(78)	(61,508)
Decreases due to derecognition	52,538	3,315	11,767	45	67,665
Write-offs	4	-	1,625	-	1,629
Changes in model / risk parameters	1,835	-	-	-	1,835
Other adjustments	3,651	(4)	201	-	3,848
Impairment allowance at December 31, 2020	**(24,221)**	**(10,873)**	**(16,209)**	**(50)**	**(51,353)**

Loans and receivables due from customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Impairment allowance at December 31, 2020	**(24,221)**	**(10,873)**	**(16,209)**	**(50)**	**(51,353)**
Movements of the impairment allowance					
Transfer to Stage 1	(23,424)	(3,204)	(5,488)	-	(32,116)
Transfer to Stage 2	(726)	(6,724)	(252)	-	(7,702)
Transfer to Stage 3	(71)	(945)	(9,899)	-	(10,915)
POCI	-	-	(570)	(50)	(620)
Increases due to changes in the credit risk	(1,305)	(2,695)	(2,691)	-	(6,691)
Decreases due to changes in the credit risk	2,265	3,204	1,350	-	6,819
Newly acquired/originated assets	(39,911)	(9,926)	(12,482)	(2)	(62,321)
Decreases due to derecognition	41,030	8,886	4,590	41	54,547
Write-offs	380	273	7,518	-	8,171
Changes in model / risk parameters	(1,111)	1,085	-	-	(26)
Foreign exchange effects	4	(4)	3	(1)	2
Impairment allowance at December 31, 2021	**(22,869)**	**(10,050)**	**(17,921)**	**(12)**	**(50,852)**

During 2021, changes in impairment allowance by levels are the consequences of the following business changes:

- decrease of impairment in Stage 1 is a consequence of decrease of exposure of certain clients with a significant amount of impairment, and also due to improvement of internal rating for some clients;
- amount of impairment allowance in Stage 2 is slightly decreased as a result of lower amount of Stage 2 exposures , and increase of impairment in Stage 3 is a result of new non-performing exposures with higher impairment coverage (exposure amount in Stage 3 is on similar level as in Q4/2020).

Other assets	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Impairment allowance at December 31, 2019	**(344)**	**81)**	**(1,700)**	**-**	**(2,052)**
Movements of the impairment allowance					
Transfer to Stage 1	(343)	(6)	(1,012)	-	(1,361)
Transfer to Stage 2	(1)	(1)	(44)	-	(46)
Transfer to Stage 3	-	(1)	(644)	-	(645)
Increases due to changes in the credit risk	-	-	(3)	-	(3)
Newly acquired/originated assets	(167)	(61)	(8)	-	(236)
Decreases due to derecognition	191	62	92	-	345
Write-offs / Other adjustments	(27)	-	898	-	871
Impairment allowance at December 31, 2020	**(347)**	**(7)**	**(721)**	**-**	**(1,075)**

Other assets	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Impairment allowance at December 31, 2020	**(347)**	**(7)**	**(721)**	**-**	**(1,075)**
Movements of the impairment allowance					
Transfer to Stage 1	(347)	(4)	(118)	-	(469)
Transfer to Stage 2	-	(2)	(2)	-	(4)
Transfer to Stage 3	-	(1)	(601)	-	(602)
Increases due to changes in the credit risk	(7)	-	(41)	-	(48)
Decreases due to changes in the credit risk	13	-	1	-	14
Newly acquired/originated assets	(360)	(42)	(124)	-	(526)
Decreases due to derecognition	419	31	66	-	516
Write-offs / Other adjustments	(64)	-	103	-	39
Foreign exchange effects	-	2	(70)	-	(68)
Impairment allowance at December 31, 2021	**(346)**	**(16)**	**(786)**	**-**	**(1,148)**

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, 2019	**(2,039)**	**(276)**	**(48)**	-	**(2,363)**
Movements of the impairment allowance					
Transfer to Stage 1	(1,968)	(113)	(14)	-	(2,095)
Transfer to Stage 2	(71)	(162)	-	-	(233)
Transfer to Stage 3	-	(1)	(34)	-	(35)
Increases due to changes in the credit risk	(714)	(105)	(1)	-	(820)
Decreases due to changes in the credit risk	108	116	2	-	226
Newly acquired/originated assets	(4,517)	(197)	(16)	-	(4,730)
Decreases due to derecognition	3,724	198	10	-	3,932
Changes in model / risk parameters	661	-	-	-	661
Foreign exchange effects	23	-	-	-	23
Impairment allowance at December 31, 2020	**(2,754)**	**(264)**	**(53)**	**-**	**(3,071)**

Off-balance sheet items	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment allowance at December 31, 2020	**(2,754)**	**(264)**	**(53)**	**-**	**(3,071)**
Movements of the impairment allowance					
Transfer to Stage 1	(2,746)	(56)	(1)	-	(2,803)
Transfer to Stage 2	(8)	(208)	(1)	-	(217)
Transfer to Stage 3	-	-	(51)	-	(51)
Increases due to changes in the credit risk	(659)	(95)	(73)	-	(827)
Decreases due to changes in the credit risk	1,352	155	-	-	1,507
Newly acquired/originated assets	(4,153)	(85)	(26)	-	(4,264)
Decreases due to derecognition	3,214	76	17	-	3,307
Changes in model / risk parameters	617	46	-	-	663
Foreign exchange effects	27	1	(1)	-	27
Impairment allowance at December 31, 2021	**(2,356)**	**(166)**	**(136)**	**-**	**(2,658)**

Loans and receivables from customers, banks and other financial institutions by risk level

								December 31, 2021
	Exposure				**Impairment**			
	Stage1	**Stage 2**	**Stage 3 including POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	1,408,192	209,214	56,738	1,674,144	20,995	7,833	11,754	40,582
Entrepreneurs	4,654	1,129	673	6,456	60	87	250	397
Total Corporate	**1,412,846**	**210,343**	**57,411**	**1,680,600**	**21,055**	**7,920**	**12,004**	**40,979**
Cash loans	293,433	66,352	9,739	369,524	1,538	1,877	4,359	7,774
Credit cards	7,368	579	142	8,089	55	37	123	215
Current accounts-overdraft	13,242	643	116	14,001	45	17	84	146
Housing loans	190,684	17,409	4,591	212,684	166	143	1,183	1,492
Agricultural loans	3,078	753	431	4,262	10	56	180	246
Total Retail	**507,805**	**85,736**	**15,019**	**608,560**	**1,814**	**2,130**	**5,929**	**9,873**
Total	**1,920,651**	**296,079**	**72,430**	**2,289,160**	**22,869**	**10,050**	**17,933**	**50,852**
Receivables from banks	**456,661**	**369**	**201**	**457,231**	**607**	**3**	**11**	**621**
Not coved by models	**201**	**-**	**9**	**210**	**-**	**-**	**8**	**8**

								December 31, 2020
	Exposure				**Impairment**			
	Stage1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	1,274,023	281,862	58,798	1,614,683	23,078	8,920	12,097	44,095
Entrepreneurs*	3,654	1,854	548	6,056	41	72	57	170
Total Corporate	**1,277,677**	**283,716**	**59,346**	**1,620,739**	**23,119**	**8,992**	**12,154**	**44,265**
Cash loans	286,192	40,894	8,337	335,423	858	1,423	3,195	5,476
Credit cards	6,966	793	88	7,847	51	51	60	162
Current accounts-overdraft	13,830	490	63	14,383	26	17	45	88
Housing loans	167,663	11,858	3,391	182,912	128	308	581	1,017
Agricultural loans	2,658	881	522	4,061	20	57	195	272
Other	5,601	2,630	64	8,295	19	25	29	73
Total Retail	**482,910**	**57,546**	**12,465**	**552,921**	**1,102**	**1,881**	**4,105**	**7,088**
Total	**1,760,587**	**341,262**	**71,811**	**2,173,660**	**24,221**	**10,873**	**16,259**	**51,353**
Receivables from banks	**253,132**	**67**	**1,582**	**254,781**	**1,543**	**3**	**463**	**2,009**

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

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

Cash and balances held with the central bank	December 31, 2020 Stage 1	Stage 2	Stage 3
Low credit risk level	728,653	-	-
Total gross carrying value	728,653	-	-
Impairment allowance	(44)	-	-

Cash and balances held with the central bank	December 31, 2021 Stage 1	Stage 2	Stage 3
Low credit risk level	705,550	-	-
Total gross carrying value	705,550	-	-
Impairment allowance	(59)	-	-

Securities	December 31, 2020 Stage 1	Stage 2	Stage 3
Low credit risk level	694,777	-	-
Medium credit risk level	26,807	6,194	-
High credit risk level	42	-	1,530
Total gross carrying value	721,626	6,194	1,530
Impairment allowance	(950)	(815)	(1,461)

Securities	December 31, 2021 Stage 1	Stage 2	Stage 3
Low credit risk level	756,335	-	-
Medium credit risk level	11,523	-	-
High credit risk level	1,056	-	1,001
Total gross carrying value	768,914	-	1,001
Impairment allowance	(492)	-	(940)

Loans and receivables due from banks and other financial institutions	December 31, 2020 Stage 1	Stage 2	Stage 3
Low credit risk level	127,357	2	1,143
Medium credit risk level	125,775	45	-
High credit risk level	-	20	439
Total gross carrying value	253,132	67	1,582
Impairment allowance	(1,543)	(3)	(463)

Loans and receivables due from banks and other financial institutions	December 31, 2021 Stage 1	Stage 2	Stage 3
Low credit risk level	332,285	-	25
Medium credit risk level	123,788	13	176
High credit risk level	588	356	-
Total gross carrying value	456,661	369	201
Impairment allowance	(607)	(3)	(11)

Loans and receivables due from customers	December 31, 2020 Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	605,491	2,770	9
Medium credit risk level	939,227	218,629	26
High credit risk level	215,869	119,863	71,776
Total gross carrying value	1,760,587	341,262	71,811
Impairment allowance	(24,221)	(10,873)	(16,259)

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Loans and receivables due from customers	December 31, 2021 Stage 1	Stage 2	Stage 3 incl POCI
Low credit risk level	939,505	56,865	3,220
Medium credit risk level	750,742	83,499	22,471
High credit risk level	230,404	155,715	46,739
Total gross carrying value	1,920,651	296,079	72,430
Impairment allowance	(22,869)	(10,050)	(17,933)

Other assets	December 31, 2020 Stage 1	Stage 2	Stage 3
Low credit risk level	879	12	372
Medium credit risk level	7,964	64	24
High credit risk level	560	95	931
Total gross carrying value	9,403	171	1,327
Impairment allowance	(347)	(7)	(721)

Other assets	December 31, 2021 Stage 1	Stage 2	Stage 3
Low credit risk level	3,099	7	148
Medium credit risk level	3,096	187	48
High credit risk level	679	121	802
Total gross carrying value	6,874	315	998
Impairment allowance	(346)	(16)	(786)

Off-balance sheet items	December 31, 2020 Stage 1	Stage 2	Stage 3
Low credit risk level	244,491	1,994	-
Medium credit risk level	279,718	6,140	-
High credit risk level	10,631	3,899	831
Total gross carrying value	534,840	12,033	831
Impairment allowance	(2,754)	(264)	(53)

Off-balance sheet items	December 31, 2021 Stage 1	Stage 2	Stage 3
Low credit risk level	368,568	1,532	7
Medium credit risk level	212,067	414	4
High credit risk level	8,374	6,171	611
Total gross carrying value	589,009	8,117	622
Impairment allowance	(2,356)	(166)	(136)

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.

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Loans with renegotiated initially agreed terms (Continued)

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, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Corporate	95,631	140,535	1,201	1,970
Retail	1,354	1,670	192	256
Total	**96,985**	**142,205**	1,393	2,226

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 institutions and Group level.

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

	December 31, 2021	**December 31, 2020**
Finance and insurance sector	456,610	252,772
Public companies	75,641	68,556
Corporate customers	1,435,649	1,432,912
Entrepreneurs	39,887	40,970
Public sector	39,514	46,579
Retail customers	559,393	506,573
Non-residents	78,662	16,240
Private households with employed members and registered agricultural producers	6,060	3,789
Other customers	3,502	6,688
Total	**2,694,918**	**2,375,079**

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

				December 31, 2021
	Serbia	**Europe**	**Other**	**Total**
Loans and receivables from banks and other financial institutions	199,731	225,589	31,290	456,610
Loans and receivables from customers	981,149	1,256,011	1,148	2,238,308
TOTAL LOANS AND RECEIVABLES	**1,180,880**	**1,481,600**	**32,438**	**2,694,918**

				December 31, 2020
	Serbia	**Europe**	**Other**	**Total**
Loans and receivables from banks and other financial institutions	84,013	135,722	33,036	252,771
Loans and receivables from customers	949,003	1,150,915	22,389	2,122,307
TOTAL LOANS AND RECEIVABLES	**1,033,016**	**1,286,637**	**55,425**	**2,375,078**

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Concentration risk (Continued)

Loans and receivables due from customers per industry sector:

	December 31, 2021			December 31, 2020		
Industry sector	**Gross carrying value**	**%**	**Impairment allowance**	**Gross carrying value**	**%**	**Impairment allowance**
Manufacturing	340,599	14.88%	6,638	325,469	14.97%	7,453
Real estate activities	335,389	14.65%	4,866	236,697	10.89%	7,139
Wholesale and retail trade, repair of motor vehicles and motorcycles	287,197	12.55%	14,689	242,856	11.17%	16,526
Construction	163,788	7.15%	3,223	160,967	7.41%	2,942
Transportation and storage	118,858	5.19%	2,357	99,559	4.58%	1,200
Accommodation and food service activities	99,235	4.33%	2,770	130,859	6.02%	1,363
Administrative and support service activities	68,236	2.98%	2,009	76,170	3.50%	2,936
Professional, scientific and technical activities	60,211	2.63%	699	73,091	3.36%	878
Information and communication	58,855	2.57%	765	19,765	0.91%	373
Electricity, gas, steam and air conditioning supply	50,833	2.22%	625	68,660	3.16%	423
Arts, entertainment and recreation	24,242	1.06%	1,268	22,188	1.02%	888
Public administration and defence, compulsory social security	14,297	0.62%	104	22,747	1.05%	269
Financial and insurance activities	12,758	0.56%	452	81,024	3.73%	980
Agriculture, forestry and fishing	11,842	0.52%	243	16,626	0.76%	621
Education	9,997	0.44%	38	10,295	0.47%	19
Other service activities	7,632	0.33%	96	10,363	0.48%	128
Human health and social work activities	7,615	0.33%	42	7,673	0.35%	65
Water supply, sewerage, waste management and remediation activities	5,913	0.26%	86	7,611	0.35%	44
Mining and quarrying	3,314	0.14%	17	8,119	0.37%	18
Retail	608,349	26.58%	9,865	552,921	25.44%	7,088
Total	**2,289,160**	**100%**	**50,852**	**2,173,660**	**100%**	**51,353**

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.

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, 2021 and 2020 are provided in the table below:

4. RISK MANAGEMENT (Continued)

4.1. Credit risk (Continued)

Credit risk hedges (Collaterals) (Continued)

				December 31, 2021	
	Mortgages	**Guarantees**	**Deposits**	**Other**	**Total**
Corporate loans	1,302,544	39,522	77,986	413,156	1,833,208
Loan to entrepreneurs	14,870	389	727	33,826	49,812
Total corporate	***1,317,414***	***39,911***	***78,713***	***446,982***	***1,883,020***
Cash loans	10,855	-	5,655	260,761	277,271
Credit cards	2	-	2,441	-	2,443
Current account overdrafts	-	-	61	-	61
Housing loans	283,891	-	4,814	124,350	413,055
Agricultural loans	1,650	-	253	2	1,905
Other	636	-	325	8	969
Total retail	297,034	***-***	***13,549***	***385,121***	***695,704***
Total	**1,614,448**	**39,911**	**92,262**	**832,103**	**2,578,724**

				December 31, 2020	
	Mortgages	**Guarantees**	**Deposits**	**Other**	**Total**
Corporate loans	1,276,077	54,140	56,223	546,095	1,932,535
Loan to entrepreneurs	20,737	566	859	30,970	53,132
Total corporate	***1,296,814***	***54,706***	***57,082***	***577,065***	***1,985,667***
Cash loans	10,774	-	4,306	230,157	245,237
Credit cards	29	-	2,262	-	2,291
Current account overdrafts	-	-	83	-	83
Housing loans	249,836	-	2,228	43,739	295,803
Agricultural loans	2,290	-	3	7	2,300
Other	375	-	75	8	458
Total retail	263,304	-	***8,957***	***273,911***	***546,172***
Total	**1,560,118**	**54,706**	**66,039**	**850,976**	**2,531,839**

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, 2021	**December 31, 2020**
<50%	56,234	46,488
51% - 70%	63,756	53,847
71% - 100%	37,786	39,687
100% - 150%	3,618	3,979
>150%	5,275	3,248
Other	45,927	35,526
Total	**212,596**	**182,775**
Average LTV ratio	54%	55%

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, 2021	**December 31, 2020**
Business premises (Note 30)	6,192	7,110
Equipment (Note 30)	1,003	499
Total	**7,195**	**8,609**

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 fulfilment 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 analyses the behaviour 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.

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 2021 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	197%
Gorenjska Bank	319%
Group level	**375%**
Internal limit	120%
Regulatory limit	100%

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 2021 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	**151%**
Internal limit	110%
Regulatory limit	100%

As a result of adjustments for calculation of CET 1 that are included to give effect for post balance sheet events regarding the distribution of profit/retained earnings of subsidiaries (Note 40) in line with CRR requirements of own funds, consolidated NSFR now amounts to 156% (AIK Bank 139%, GB 155%).
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 December 31, 2021 cumulative liquidity gaps remains positive in all time buckets and consolidated Liquidity GAP is presented below:

In million EUR

Liquidity GAP	1D	7D	30D	3M	6M	6-12M	1Y-5Y	> 5Y	Total
Total Assets	1,070.1	121.1	168.0	212.0	202.2	342.2	1,588.4	583.1	4,287
Total Liabilities	493.1	30.3	174.7	355.0	258.4	474.8	1,739.7	35.8	3,562
Off B/S Net Outflows	2.6	0.4	1.8	5.5	8.2	16.3	0.0	0.0	35
NET POSITION	574.4	90.4	-8.5	-148.5	-64.4	-148.9	-151.3	547.3	690
CUMULATIVE	574.4	664.7	656.1	507.7	443.2	294.3	143.0	690.3	
GAP/Total Asset	13%	15%	15%	12%	10%	7%	3%	16%	

4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

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:

- Maturity ladder time bucket
- Concentration of funding by counterparty
- Concentration of funding by product type
- Prices for various lengths of funding
- Roll-over of funding
- Concentration of counterbalancing capacity by issuer/counterparty

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, 2021 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	446.8	727.7	1,102.1
	The volume of free reserves	1,374.8	1,305.5	1,272.1
	Surplus/Deficit of liquidity reserves	**928.0**	**577.8**	**170.0**
3 month	Total impact on liquidity position	492.9	791.6	1,203.6
	The volume of free reserves	1,374.8	1,305.5	1,272.1
	Surplus/Deficit of liquidity reserves	**881.9**	**513.9**	**68.5**
12 month	Total impact on liquidity position	611.8	975.5	1,461.0
	The volume of free reserves	1,374.8	1,305.5	1,272.1
	Surplus/Deficit of liquidity reserves	**763.0**	**330.0**	**-188.9**

Each credit institution subsidiary conducts stress tests on a solo level as well according to its prescribed methodology which is in line with Group Risk Management Policy.

At least annually each credit institution subsidiary must review 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, 2021 and 2020 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.

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

4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

							December 31, 2021
	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	705,491	-	-	-	-	-	705,491
Receivables under derivatives	168	-	-	-	-	-	168
Securities	109,905	30,918	10,603	29,231	262,843	324,983	768,483
Loans and receivables due from banks and other financial institutions	379,928	7,177	29,552	462	27,096	12,395	456,610
Loans and receivables due from customers	95,086	121,189	168,404	284,095	1,161,743	407,791	2,238,308
Other assets	3,102	1,011	1,172	2	612	972	6,871
TOTAL ASSETS	**1,293,680**	**160,295**	**209,731**	**313,790**	**1,452,294**	**746,141**	**4,175,931**
Deposits and other liabilities due to banks, other financial institutions and the central bank	117,937	8,282	16,885	18,146	25,310	22,353	208,913
Deposits and other liabilities due to customers	2,279,058	277,905	172,546	316,421	266,557	12,548	3,325,035
Other liabilities	25,164	2,247	589	1,196	4,285	547	34,028
TOTAL LIABILITIES	**2,422,159**	**288,434**	**190,020**	**335,763**	**296,152**	**35,448**	**3,567,976**
Net liquidity GAP as at December 31, 2021	**(1,128,479)**	**(128,139)**	**19,711**	**(21,973)**	**1,156,142**	**710,693**	**607,955**
Cumulative liquidity GAP as at December 31, 2021	**(1,128,479)**	**(1,256,618)**	**(1,236,907)**	**(1,258,880)**	**(102,738)**	**607,955**	**-**

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

4. RISK MANAGEMENT (Continued)

4.2. Liquidity risk (Continued)

							December 31, 2020
	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	728,609	-	-	-	-	-	728,609
Receivables under derivatives	-	-	377	-	-	-	377
Securities	79,764	21,136	32,990	68,441	259,073	264,720	726,124
Loans and receivables due from banks and other financial institutions	122,054	83,681	611	3,522	32,715	10,189	252,772
Loans and receivables due from customers	104,529	122,829	151,055	319,185	1,113,450	311,259	2,122,307
Other assets	7,523	835	6	26	142	917	9,449
TOTAL ASSETS	**1,042,479**	**228,481**	**185,039**	**391,174**	**1,405,380**	**587,085**	**3,839,638**
Liabilities under derivatives	5	-	-	97	-	-	102
Deposits and other liabilities due to banks, other financial institutions and the central bank	149,159	7,142	10,118	16,308	107,374	23,570	313,671
Deposits and other liabilities due to customers	1,939,987	279,781	151,030	307,365	295,026	9,910	2,983,099
Other liabilities	27,983	603	437	801	3,757	26	33,607
TOTAL LIABILITIES	**2,117,134**	**287,526**	**161,585**	**324,571**	**406,157**	**33,506**	**3,330,479**
Net liquidity GAP as at December 31, 2019	**(1,074,655)**	**(59,045)**	**23,454**	**66,603**	**999,223**	**553,579**	**509,159**
Cumulative liquidity GAP as at December 31, 2019	**(1,074,655)**	**(1,133,700)**	**(1,110,246)**	**(1,043,643)**	**(44,420)**	**509,159**	

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 2021 the Group was exposed to the foreign exchange risk and position risk in equities per items in the trading book.

In 2021 the Group was not exposed to the commodity risk.

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 2021, Group were calculating foreign exchange risk ratio, and it was within the internally and legally prescribed limits. As of December 31, 2021 and 2020 foreign exchange risk ratio was:

	2021	2020
As of December 31	3.18%	1.95%
Regulatory limit	Max 20%	Max 20%

FX risk ratio on Group level as of December 31, 2021 is 3.18%, therefore own funds requirements for foreign exchange risk were allocated in the amount of EUR 1.47 million. Subsidiaries on Serbian market whose reporting currency is Serbian dinar RSD (AIK bank and M&V Investments) are mainly exposed to the FX risk in EUR currency and to a lesser extent in other foreign currencies (USD, CHF and others). Subsidiaries on Slovenian market (Gorenjska bank and GB Leasing) whose reporting currency is EUR are less exposed to the FX risk and only non-EUR amounts are taken into consideration when calculating exposure towards FX risk. Nord Agri and AEC do not have exposures in foreign currencies and therefore are not taken into account when exposure towards FX risk.

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, 2021:

						December 31, 2021
	RSD	**EUR**	**USD**	**CHF**	**Other currencies**	**Total**
Cash and cash funds held with the central bank	146,220	555,222	1,333	2,486	230	705,491
Receivables under derivatives	-	168	-	-	-	168
Securities	322,724	445,284	414	-	61	768,483
Loans and receivables due from banks and other financial institutions	82,206	318,393	39,727	11,886	4,398	456,610
Loans and receivables due from customers	289,625	1,937,751	10,714	218	-	2,238,308
Other assets	1,318	5,552	1	-	-	6,871
TOTAL ASSETS	**842,093**	**3,262,370**	**52,189**	**14,590**	**4,689**	**4,175,931**
Deposits and other liabilities due to banks, other financial institutions and the central bank	6,994	199,357	1,748	285	529	208,913
Deposits and other liabilities due to customers	558,623	2,673,895	51,278	37,646	3,593	3,325,035
Provisions	4,258	4,444	23	-	-	8,725
Other liabilities	11,341	22,376	284	14	13	34,028
TOTAL LIABILITIES	**581,216**	**2,900,072**	**53,333**	**37,945**	**4,135**	**3,576,701**

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, 2020:

						December 31, 2020
	RSD	EUR	USD	CHF	Other currencies	Total
Cash and cash funds held with the central bank	194,328	527,889	1,110	4,771	511	728,609
Securities	250,199	475,418	438	-	69	726,124
Loans and receivables due from banks and other financial institutions	14,676	190,541	29,487	13,624	4,444	252,772
Loans and receivables due from customers	333,390	1,777,458	11,111	348	-	2,122,307
Other assets	1,462	7,987	-	-	-	9,449
TOTAL ASSETS	**794,055**	**2,979,293**	**42,146**	**18,743**	**5,024**	**3,839,261**
Deposits and other liabilities due to banks, other financial institutions and the central bank	11,042	300,342	1,205	722	360	313,671
Deposits and other liabilities due to customers	515,303	2,386,607	46,188	30,977	4,024	2,983,099
Provisions	5,586	5,073	16	-	-	10,675
Other liabilities	12,355	20,548	679	14	12	33,607
TOTAL LIABILITIES	**544,286**	**2,712,570**	**48,088**	**31,713**	**4,396**	**3,341,052**

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, 2021 the Group complied with the internally defined limits (for Economic value of equity and Net interest income)..

	Limits	**December 31, 2021**
The impact on EVE of a sudden parallel +/- 200 basis points shift of the yield curve	Max 20% of regulatory capital	8.01%
Impact of + 100bp change in interest rates on NII over a one year period	*<15% of planned net interest income*	6.55%

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:

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)

									December 31, 2021
	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	508,139	-	-	-	-	-	508,139	197,352	705,491
Receivables under derivatives	-	-	-	-	-	-	-	168	168
Securities	74,880	63,511	7,973	24,985	224,124	311,783	707,256	61,227	768,483
Loans and receivables due from banks and other financial institutions	373,072	7,289	29,562	430	27,199	12,176	449,728	6,882	456,610
Loans and receivables due from customers	563,849	490,055	344,427	127,981	562,414	151,428	2,240,154	(1,846)	2,238,308
Other assets	-	-	-	-	-	-	-	6,871	6,871
TOTAL ASSETS	**1,519,940**	**560,855**	**381,962**	**153,396**	**813,737**	**475,387**	**3,905,277**	**270,654**	**4,175,931**
Deposits and other liabilities due to banks, other financial institutions and the central bank	117,506	8,251	30,809	16,723	15,755	19,438	208,482	431	208,913
Deposits and other liabilities due to customers	1,274,253	329,209	223,993	414,774	1,062,677	11,829	3,316,735	8,300	3,325,035
Other liabilities	2,340	674	-	-	520	-	3,534	30,494	34,028
TOTAL LIABILITIES	**1,394,099**	**338,134**	**254,802**	**431,497**	**1,078,952**	**31,267**	**3,528,751**	**39,225**	**3,567,976**
Net interest rate GAP as at December 31, 2021	**125,841**	**222,721**	**127,160**	**(278,101)**	**(265,215)**	**444,120**	**376,526**	**231,429**	**607,955**
Cumulative interest rate GAP as at December 31, 2021	**125,841**	**348,562**	**475,722**	**197,621**	**(67,594)**	**376,526**	**376,526**	**231,429**	**-**

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)

									December 31, 2020
	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	545,657	-	-	-	-	-	545,657	182,952	728,609
Receivables under derivatives	-	-	-	-	-	-	-	377	377
Securities	55,337	84,261	29,378	35,744	230,487	231,115	666,322	59,802	726,124
Loans and receivables due from banks and other financial institutions	154,596	83,649	6,586	400	3,900	(6)	249,125	3,647	252,772
Loans and receivables due from customers	347,030	426,895	331,857	215,026	673,026	114,530	2,108,364	13,943	2,122,307
Other assets	-	-	-	-	-	-	-	9,449	9,449
TOTAL ASSETS	**1,102,620**	**594,805**	**367,821**	**251,170**	**907,413**	**345,639**	**3,569,468**	**270,170**	**3,839,638**
Liabilities under derivatives	-	-	-	-	-	-	-	102	102
Deposits and other liabilities due to banks, other financial institutions and the central bank	149,773	7,146	42,072	9,508	87,575	17,307	313,381	290	313,671
Deposits and other liabilities due to customers	1,110,853	313,756	192,115	388,602	963,406	6,092	2,974,824	8,275	2,983,099
Other liabilities	-	-	-	-	-	-	-	33,607	33,607
TOTAL LIABILITIES	**1,260,626**	**320,902**	**234,187**	**398,110**	**1,050,981**	**23,399**	**3,288,205**	**42,274**	**3,330,479**
Net interest rate GAP as at December 31, 2020	**(158,006)**	**273,903**	**133,634**	**(146,940)**	**(143,568)**	**322,240**	**281,263**	**227,896**	**509,159**
Cumulative interest rate GAP as at December 31, 2020	**(158,006)**	**115,897**	**249,531**	**102,591**	**(40,977)**	**281,263**	**281,263**	**227,896**	

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. The above described methodology for modelling of non-maturing deposits is in line with Interest rate risk in the banking book Standards issued by the Basel Committee on Banking Supervision in April 2016 and Guidelines on the management of interest rate risk arising from non-trading book activities issued by the European Banking Authority (EBA/GL/2018/02).

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 analysing 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, considering different shock sizes for significant currencies EUR and RSD. Results of the conducted stress testing are considered against the internally set limits and in 2021 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	2,054.5	848.6	309.1	-175.7	-51.8	8.4
Planned NII for 2021						**128.1**
% of planned NII (limit 15%)						**6.55 %**

Economic Value of Equity

	Scenarios	In mio EUR	% of Reg. Cap.	Limit
INTEREST RATE SHOCKS	Parallel up +50 bp	-9.1	-1.58%	OK
	Parallel down +100 bp	-18.2	-3.15%	OK
	Parallel up (EUR +200 bp; RSD +300bp)	-46.2	-8.01%	OK
	Parallel down (EUR -200 bp Floor -100 bp; RSD -300bp)	18.9	3.28%	OK
	Steepener	-28.3	-4.91%	OK
	Flattener	10.0	1.74%	OK
	Short rates shock up (EUR +250 bp; RSD +400bp)	0.6	0.11%	OK
	Short rates shock down (EUR -250 bp; RSD -400bp)	-1.3	-0.22%	OK
			Limit:	**20 %**

In addition, the Group separately considers optionality risk, i.e., impact of the early loan repayment and early deposit withdrawal for fixed rate products 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. RISK MANAGEMENT (Continued)

4.3.3. Equity Position Risk

As of December 31, 2021, the Group had in its trading book bank and corporate equities with the total market value of EUR 40.39 million.

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

As of December 31, 2021, the Group's capital requirement for general and specific equity position risk amounted to EUR 6.46 million.

The Group performs regular stress testing of positions arising from trading book in order to estimate the impact of extraordinary circumstances and stress events on the financial result and equity.

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 considering 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 regarding 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.

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 2021.

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, 2021 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 2021.

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, 2021, the Group calculated CET1, T1 and CAR in accordance with the effective CRR regulation.

4.9. Capital Adequacy Ratios

	December 31, 2021 ADJ*	December 31, 2021	December 31, 2020
Common equity Tier 1 capital – CET 1	709,520	576,652	571,023
Total capital	**709,520**	**576,652**	**571,023**
Risk weighted exposure amount for credit risk	2,531,139	2,531,139	2,407,874
Risk exposure amount for market risk	99,133	99,133	60,794
Risk exposure amount for operational risk	294,693	294,693	286,351
Risk exposure amount for credit valuation adjustment risk	809	809	275
Total risk exposure amount	**2,925,774**	**2,925,774**	**2,755,294**
CET 1 adequacy ratio (minimum 4.5%)	24.25%	19.71%	20.72%
Tier 1adequacy ratio (minimum 6%)	24.25%	19.71%	20.72%
Total capital adequacy ratio – CAR (minimum 8%)	**24.25%**	**19.71%**	**20.72%**

ADJ - in this calculation of CET 1 are included post balance sheet events regarding the distribution of profit/retained earnings of subsidiaries (Note 40) in line with CRR requirements.*

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.

In the course of 2021 the Group's capital adequacy ratio was well in excess of the prescribed regulatory limit of 8%. Based on „Decision establishing prudential requirement" issued by ECB, Agri Europe Cyprus Limited Group shall at all times meet on a consolidated basis Overall Capital Requirement (consisting of Total SREP capital requirements (TSCR) and capital buffers) including Pillar 2 capital guidance (P2G) at the level of 15.75%.

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

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.

Impairment of financial assets

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.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Loss Allowance of Equity Investments (Continued)

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.

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 33 to the consolidated financial statements.

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.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Fair Value (Continued)

In the banking operations, 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.

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 and foreclosed assets or material values are estimated by certified appraisers.

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.

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

5.1. Key sources of estimation uncertainty (Continued)

Estimation of fair value of land and buildings and investment properties (Continued)

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.

5.2. 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.

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

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

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

Measurement of financial instruments (Continued)

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.

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, 2021
	Level 1	**Level 2**	**Level 3**	**Total assets at fair value**
Assets				
Receivables under derivatives	-	-	168	168
Financial assets at FVtPL	87,631	5,424	6,005	99,060
Financial assets at FVtOCI	8,218	339,279	-	347,497
Total	**95,849**	**344,703**	**6,173**	**446,725**

				December 31, 2020
	Level 1	**Level 2**	**Level 3**	**Total assets at fair value**
Assets				
Receivables under derivatives	-	377	-	377
Financial assets at FVtPL	60,228	7,514	14,496	82,238
Financial assets at FVtOCI	6,655	334,886	1,312	342,853
Total	**66,883**	**342,777**	**15,808**	**425,468**

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, 2021
	Carrying value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Loans and receivables due from banks	456,610	455,906	-	-	455,906
Loans and receivables due from customers	2,238,308	2,309,465	-	-	2,309,465
Securities measured at AC	321,927	327,553	-	-	327,553
	3,016,845	**3,092,924**	**-**	**-**	**3,092,924**
Financial liabilities					
Deposits and other liabilities due to banks	(208,913)	(211,548)	-	-	(211,548)
Deposits and other liabilities due to customers	(3,325,035)	(3,329,809)	-	-	(3,329,809)
	(3,533,948)	**(3,541,357)**	**-**	**-**	**(3,541,357)**
	(517,103)	**(448,433)**	**-**	**-**	**(448,433)**

					December 31, 2020
	Carrying value	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Loans and receivables due from banks	252,772	251,816	-	-	251,816
Loans and receivables due from customers	2,107,860	2,150,892	-	-	2,150,892
Securities measured at AC	301,033	314,048	-	-	314,048
	2,661,665	**2,716,756**	**-**	**-**	**2,716,756**
Financial liabilities					
Deposits and other liabilities due to banks	(313,671)	(314,293)	-	-	(314,293)
Deposits and other liabilities due to customers	(2,983,099)	(2,980,427)	-	-	(2,980,427)
	(3,296,770)	**(3,294,720)**	**-**	-	**(3,294,720)**
	(635,105)	**(577,964)**	**-**	-	**(577,964)**

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. INTEREST INCOME AND EXPENSES

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

	Year Ended December 31, 2021	2020
Interest income per:		
Loans and receivables due from customers	82,267	87,396
Loans and receivables due from banks	141	353
Deposits held with the National Bank of Serbia	106	457
Securities:		
- repo transactions	151	254
- Republic of Serbia RSD - denominated bonds	6,566	4,099
- Republic of Serbia RSD - denominated bills	-	108
- Corporate RSD-denominated bonds	1,503	477
- Republic of Serbia foreign currency bonds	2,119	2,102
- foreign currency structured papers	4,324	5,273
Interest on financial leasing	16,398	14,711
Interest on investments in bills of exchange	394	391
Other interest income	427	991
Total	**114,396**	**116,612**
Interest expenses per:		
Borrowings received from banks	(40)	(5)
Borrowings received from customers	(4,697)	(4,621)
Deposits and liabilities due to customers	(11,064)	(12,047)
Deposits and liabilities due to banks	(504)	(1,205)
Lease liability	(92)	(98)
Securities	(3,601)	(3,546)
Other interest expenses	(134)	(23)
Total	**(20,132)**	**(21,545)**
Net interest income	**94,264**	**95,067**

8. FEE AND COMMISSION INCOME AND EXPENSES

	Year Ended December 31, 2021	2020
***Fee and commission* income**		
Fees arising from payment card operations	8,792	7,084
Fees for payment transfer operations	14,269	12,731
Fees on issued guarantees	2,826	2,540
Fees for loan agreement	1,450	1,172
Commission income arising from trading shares	422	613
Fees earned for corporate services rendered	366	327
Other fees and commissions	7,491	5,706
Total	**35,616**	**30,173**
Fee and commission expenses		
Fees arising from payment card operations	(4,313)	(2,905)
Fees for payment transfer operations	(1,512)	(1,560)
Fees for received guarantees	(77)	(233)
Fees for transaction costs	(76)	(88)
Other fees and commissions	(443)	(520)
Total	**(6,421)**	**(5,306)**
Net fee and commission income	**29,195**	**24,867**

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

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

	Year Ended December 31, 2021	2020
Gains/(losses) on the changes in the fair value of securities FVtPL	12,960	(3,522)
Gains on changes in the fair value of loans	(2,098)	2,239
Gains on the changes in the fair value of investment units	276	663
Gains on changes in the fair value of other instruments	8,365	895
Net gains	**19,503**	**275**

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

	Year Ended December 31, 2021	2020
Gains on the sales of securities measured at FVtPL	(4)	(1,236)
Gains on the sales of securities measured at FVtOCI	671	7,395
Net gains	**667**	**6,159**

11. NET FOREIGN EXCHANGE (LOSSES) / GAINS AND CURRENCY (LOSSES)/GAINS ON FINANCIAL INSTRUMENTS

	Year Ended December 31, 2021	2020
Foreign exchange gains		
Foreign exchange gains	14,618	20,020
Positive currency clause effects	2,359	1,568
Total foreign exchange gains	**16,977**	**21,588**
Foreign exchange losses		
Foreign exchange losses	(16,482)	(18,007)
Negative currency clause effects	(1,456)	(2,591)
Total foreign exchange losses	**(17,938)**	**(20,598)**
Net foreign exchange gains	**(961)**	**990**

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

	Year Ended December 31, 2021	2020
Net gains from derecognition of the financial instruments recognized at amortized costs - credit sales	612	2,605
Net losses from derecognition of the financial instruments recognized at amortized costs - housing loans	(96)	(5)
Net losses from derecognition of the financial instruments recognized at amortized costs - other credits	(307)	-
Net gains	**209**	**2,600**

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

13. OTHER OPERATING INCOME

	Year Ended December 31, 2021	2020
Rental income (Note 27)	9,462	9,369
Cost refunds	831	830
Dividend income	1,520	2,033
Other operating income	159	403
Total	**11,972**	**12,635**

Rental income from the lease of business premises totaling EUR 9,462 thousand (2020: EUR 9,369 thousand) entirely relates to the income from the lease of investment property to third parties (Note 27).

Income from cost refunds of EUR 831 thousand (2020: EUR 830 thousand) mostly, in the amount of EUR 327 thousand (2020: EUR 387 thousand), relates to the refunds of costs relating to the leased out real estate properties.

Dividend income in the total amount of EUR 1,520 thousand (2020: EUR 2,033 thousand) mainly relate to dividend received from Ljubljanske Banke d.d.,Ljubljana, Slovenia in the amount of EUR 1,115 thousand. In 2020 dividend income in the total amount of EUR 2,033 thousand mainly relate to dividend received from Komercijalna banka a.d., Beograd in the amount of EUR 1,396 thousand.

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

	Year Ended December 31, 2021	2020
Losses on impairment of balance sheet items		
Cash and balances held with the central bank (Note 20)	(58)	(42)
Securities measured at amortized cost (AC) (Note 21.3)	(335)	(1,731)
Loans and receivables due from banks (Note 22)	(1,538)	(1,690)
Loans and receivables due from customers (Note 23)	(83,229)	(81,211)
Other assets (Note 30)	(778)	(687)
	(85,938)	**(85,361)**
Provisioning charge for off-balance sheet items (Note 33)	**(7,643)**	**(9,701)**
Losses on impairment of financial assets measured at FVtOCI	**(1,127)**	**(664)**
Losses on modification of financial instruments	**(39)**	**-**
Write-off of uncollectable receivables		
Loans and receivables due from customers	(14)	(3)
Other assets	-	(18)
	(14)	**(21)**
Total losses	**(94,761)**	**(95,747)**
Gains on the reversal of impairment of balance sheet items		
Cash and balances held with the central bank (Note 20)	43	41
Securities measured at amortized cost (AC) (Note 21.3)	808	785
Loans and receivables due from banks (Note 22)	1,584	1,656
Loans and receivables due from customers (Note 23)	76,219	83,887
Other assets (Note 30)	731	957
	79,385	**87,326**
Gains on the reversal of provisions for off-BS items (Note 33)	**8,028**	**8,972**
Gains on reversal of impairment of fin. assets at FVtOCI	**1,498**	**980**
Collected receivables previously written off		
Loans and receivables due from customers	12,519	5,279
Other assets	-	2
	12,519	**5,281**
Total gains	**101,430**	**102,559**
Net gains on impairment of financial assets not measured at fair value through profit or loss	**6,669**	**6,812**

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

14. 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 20)	Securities at AC (Note 21.3)	Loans due from banks (Note 22)	Loans due from customers (Note 23)	Other assets (Note 30)	Off-balance sheet liabilities (Note 33)	Total
Balance at January 1, 2021	**44**	**3,134**	**2,009**	**51,353**	**1,281**	**3,071**	**60,892**
Charge for the year	58	335	1,538	83,229	778	7,643	93,581
Decrease – reversal	(43)	(808)	(1,584)	(76,219)	(731)	(8,028)	(87,413)
Interest income adjustment	-	-	-	352	-	-	352
Write-offs	-	(1,228)	(1,102)	(1,825)	(36)	-	(4,191)
Transfer to off-balance sheet items	-	-	(241)	(2,595)	-	-	(2,836)
Foreign exchange effects	-	(1)	1	(1)	(2)	(28)	(31)
Other movements	-	-	-	(3,442)	64	-	(3,378)
Balance at December 31, 2021	**59**	**1,432**	**621**	**50,852**	**1,354**	**2,658**	**56,976**

15. SALARIES, SALARY COMPENSATIONS AND OTHER PERSONNEL EXPENSES

	Year Ended December 31, 2021	2020
Net salaries	(20,377)	(19,160)
Net salary refunds and benefits	(2,900)	(3,093)
Payroll taxes and contributions per salaries, refunds and benefits	(8,610)	(8,654)
Other staff costs and considerations paid to seasonal and temporary staff	(1,156)	(1,355)
Provisioning charge for long-term employee benefits (Note 33)	(2,380)	(503)
Provisioning reversal for long-term employee benefits (Note 33)	1	1
Total	**(35,422)**	**(32,764)**

16. DEPRECIATION AND AMORTIZATION CHARGE

	Year Ended December 31, 2021	2020
Depreciation charge – buildings (Note 26.a)	(1,272)	(1,220)
Depreciation charge – equipment and other assets(Note 26.a)	(3,465)	(3,344)
Amortization charge – intangible assets (Note 25)	(2,757)	(2,411)
Depreciation charge – buildings - Right of use asset (Note 26.b)	(1,894)	(1,882)
Total	**(9,388)**	**(8,857)**

17. OTHER INCOME

	Year Ended December 31, 2021	2020
Reversal of provisions for litigations liabilities (Note 33)	636	1,387
Reversal of provisions for other liabilities	72	
Gains on the sale of property, plant, equipment and fixtures, other asset	2,503	1,816
Write-off of liabilities	681	579
Recovery of purchased receivables	790	193
Gains on the valuation of property	2,266	1,070
Other income	433	285
Total	**7,381**	**5,330**

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

18. OTHER EXPENSES

	Year Ended December 31, 2021	2020
Cost of materials	(2,162)	(2,336)
Rental costs and other costs relating to leased business premises	(1,779)	(1,655)
Telecommunications and postage	(6,006)	(4,972)
Cost of other services	(1,046)	(938)
Property and equipment maintenance costs	(3,748)	(3,417)
Marketing and advertising	(1,631)	(910)
Donations and sponsorships	(331)	(625)
Entertainment	(225)	(127)
Auditing and consulting costs	(3,108)	(1,773)
Insurance premiums	(5,069)	(5,006)
Membership fees	(59)	(67)
Lawyer, appraiser and valuer fees	(1,428)	(1,219)
Court and other fees and costs	(806)	(385)
Broker and Central Depository fees	(186)	(171)
Security services	(1,633)	(1,550)
Loss from equity method consolidation (Note 24)	(135)	-
Other non-material costs	(1,892)	(1,365)
Taxes and contributions payable	(1,004)	(7,395)
Re-invoiced costs	(320)	(413)
Provisions for litigations (Note 33)	(1,207)	(2,327)
Other expenses	(4,303)	(3,097)
Losses on the sale of other investments	(1,335)	(942)
Losses on the valuation of property	(977)	(2,086)
Total	**(40,390)**	**(42,776)**

19. INCOME TAXES

19.a) Components of income taxes

	2021	2020
Current income tax expense	(9,234)	(8,507)
Deferred income tax benefits	4,994	3,423
Deferred tax expenses	(3,548)	(2,630)
Total	**(7,788)**	**(7,714)**

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

	2021	2020
Profit for the year before taxes	83,699	70,338
Tax calculated using the statutory income tax rate (15%)	12,555	10,551
Tax effects of expenses not recognized for tax purposes	(961)	850
Tax effects of income not recognized for tax purposes	(1,089)	(808)
Tax effects of capital gains/(losses)	836	17
Tax effects of income adjustment	(93)	(817)
Tax credits utilized	(490)	(438)
Unrecognized tax losses	(3,168)	(2,826)
Tax effects per debt securities	(91)	187
Effects arising due to difference in the tax rates	1,228	935
Temporary difference due to impairment of assets	27	65
Other temporary differences	(966)	(2)
Tax effects presented within the income statement	**7,788**	**7,714**
Effective tax rate	***9.30%***	***10.97%***

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

20. CASH AND CASH FUNDS HELD WITH THE CENTRAL BANK

	December 31, 2021	December 31, 2020
In RSD		
Gyro account	113,007	99,470
Cash on hand	33,229	27,132
Balances with Central bank	-	68,039
Prepayments per funds held with the central bank	4	3
	146,240	**194,644**
In foreign currencies		
Gyro account	360,661	340,076
Cash on hand	44,726	52,018
Balances with Central bank	119,414	106,742
Other cash funds	34,509	35,173
	559,310	**534,009**
Less: Allowance for impairment	**(59)**	**(44)**
Total	**705,491**	**728,609**

	December 31, 2021	December 31, 2020
Cash and cash funds held with the Central Bank		
Foreign currency accounts held with foreign and domestic banks (Note 22)	313,118	173,978
Prepayments per funds held with the central bank	(4)	(3)
Surpluses of liquid assets held with the central bank	-	(68,039)
Obligatory foreign currency reserve held with NBS	(119,414)	(106,742)
	193,700	**(806)**
Cash and cash equivalents reported in the statement of cash flows	**899,191**	**727,803**

Movements on the impairment allowance	**2021**	**2020**
Balance at January 1	(44)	(43)
Charge for the year (Note 14)	(58)	(42)
Reversal of impairment allowance (Note 14)	43	41
Balance at December 31	**(59)**	**(44)**

The amount of EUR 113,007 thousand (2020: EUR 99,470 thousand) mostly relates to the funds of AIK bank on domestic gyro accounts. In addition, the amount of EUR 360,661 thousand (2020: EUR 340,076 thousand) fully relates to the funds of Gorenjska Bank on foreign gyro accounts (2020: EUR 339,671 thousand).

Obligatory foreign currency reserve held with the central bank in the amount of EUR 119,414 thousand (2020: EUR 106,742 thousand) fully relates to the funds of AIK bank.

Other cash funds in foreign currency as of December 31, 2021 in the amount of EUR 34,509 thousand mainly relate to the short - term deposits of Gorenjska Bank held with Bank of Slovenia (2020: EUR 35,173 thousand).

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

21. SECURITIES

	December 31, 2021	December 31, 2020
Securities measured at fair value through profit or loss (FVtPL)	99,060	82,238
Securities measured at fair value through the other comprehensive income (FVtOCI)	347,497	342,853
Debt securities measured at amortized cost (AC)	321,927	301,033
Total	**768,484**	**726,124**

21.1 Financial assets initially recognized at fair value through profit and loss

	December 31, 2021	December 31, 2020
Securities at FVtPL – shares - trading	40,362	36,108
Securities initially recognized at fair value – investment units	49,727	31,387
Securities initially recognized at fair value – shares foreign currency – non trading	8,971	14,743
Total	**99,060**	**82,238**

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

21. SECURITIES (Continued)

21.1 Financial assets initially recognized at fair value through profit and loss (Continued)

The Group's investments in shares - trading as of December 31, 2021 comprise of:

- investments in RSD shares in the amount of EUR 19,606 thousand (December 31, 2020: EUR 13,597 thousand) which refers to the purchased shares of the following companies: Komercijalna banka a.d., Beograd of EUR 13,458 thousand (December 31, 2020: EUR 6,950 thousand) and Fintel energija a.d., Beograd of EUR 6,148 thousand (December 31, 2020: EUR 6,647 thousand).
- investments in foreign currency securities held for trading totaling EUR 20,756 thousand (December 31, 2020: EUR 22,511 thousand) which mostly, in the amount of EUR 16,195 thousand (December 31, 2020: EUR 19,327 thousand) pertain to GDR instruments issued by NLB d.d., Ljubljana, based on which the Group acquired an interest (shareholding) of 1.08% (December 31, 2020: 2.16% in NLB d.d., Ljubljana.

The Group's investments in investments units as of December 31, 2021 mostly comprise of investment units in RSD currency in the amount of EUR 48,579 thousand (December 31, 2020: EUR 31,387 thousand) which refer to AIK Bank's investment units of the Raiffeisen Cash and Kombank Cash Fund in the amount of EUR 39,193 thousand (December 31, 2020: EUR 26,669 thousand) and EUR 9,386 thousand (December 31, 2020: EUR 4,200 thousand), respectively.

21.2 Financial assets at fair value through other comprehensive income (FVtOCI)

	December 31, 2021	December 31, 2020
Securities		
In RSD:		
Republic of Serbia bonds	202,257	146,081
Republic of Serbia treasury bills in RSD	-	8,481
Corporate bonds	39,064	39,075
Equity investments	6,558	4,370
Municipal bonds	-	5
	247,879	**198,012**
In foreign currencies:		
Republic of Serbia bonds	69,383	89,911
Equity investments and shares	1,660	3,689
Republic of Slovenia state owned bonds	23,152	15,073
Other bonds	5,423	36,260
	99,618	**144,933**
***Less**: Allowance for impairment – Equity investments*	-	(92)
Total securities	**347,497**	**342,853**

Movements on the impairment allowance	**2021**	**2020**
Balance at January 1	**(92)**	(140)
Charge for the year	-	-
Reversal of impairment allowance	92	48
Translation effects	-	-
Balance at December 31	**-**	**(92)**

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

21. SECURITIES (Continued)

21.2 Financial assets at fair value through other comprehensive income (FVtOCI) (Continued)

As of December 31, 2021 Group had investments in the Republic of Serbia RSD bonds only at fixed interest rate with maturities from 24 to 144 months and interest rates ranging from 1.6% to 12.34% p.a. (2020: maturities from 24 to 144 months and interest rates ranging from 1.95% to 12.34% p.a.).

Group investments in the Republic of Serbia foreign currency bonds have maturities from 60 months to 180 months at interest rates ranging from 1.6% to 3.38% p.a. (2020: 36 months to 180 months at interest rates ranging from 1.28% to 3.38% p.a.).

Group investments in the Republic of Slovenia state owned foreign currency bonds have maturities from 7 months to 9 years at interest rates ranging from 0.10% to 1.50% p.a. (2020: 4 months to 19 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, 2021 in the amount of EUR 8,218 thousand (December 31, 2020: EUR 7,967 thousand) mostly comprise securities available for sale on the markets of Serbia, Montenegro and Bosnia and Herzegovina.

Other bonds as of December 31, 2020 in the amount of EUR 36,260 thousand relates to equity instruments held by Gorenjska Bank (EUR 6,194 thousand) and AEC (EUR 30,066 thousand). The amount of EUR 6,194 thousand refers to investments in equity of Slovenska industrija jekla, d.d., Ljubljana (December 31, 2020: EUR 6,194 thousand), whereas amount of EUR 30,066 thousand relate to Credit Suisse's notes, with maturity date October 16, 2021 and coupon rate of 0.85% p.a.

21.3 Debt securities measured at amortized cost (AC)

	December 31, 2021	December 31, 2020
Bonds	314,988	295,238
Corporate bills of exchange	8,371	8,929
Less: Impairment allowance	(1,432)	(3,134)
Total	**321,927**	**301,033**

Movements on the impairment allowance	**2021**	**2020**
Balance at January 1	(3,134)	(2,186)
Charge for the year (Note 14)	(335)	(1,731)
Reversal of impairment allowance (Note 14)	808	785
Translation effects	1	(2)
Write-off, foreign exchange effects	1,228	-
Balance at December 31	**(1,432)**	**(3,134)**

Interest rates used for discounting bills of exchange during 2021 ranged from 0.5% to 0.64% per month (2020: 0.4% to 0.75% per month).

Bonds in total gross amount of EUR 314,988 thousand as of December 31, 2021 (December 31, 2020: EUR 295,238 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, 2021, out of total gross amount of EUR 314,988 thousand (December 31, 2020: EUR 295,238 thousand) EUR 270,654 thousand relates to investments in Bonds issued by the government (December 31, 2020: EUR 246,715 thousand), EUR 23,236 thousand (December 31, 2020: EUR 21,369 thousand) of investments in Bonds issued by banks, EUR 18,376 thousand (December 31, 2020: EUR 22,738 thousand) of investments in Bonds issued by other issuers and EUR 2,722 thousand (December 31, 2020: EUR 4,416 thousand) of amortized fair value adjustment recognized as of August 31, 2018.

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

22. LOANS AND RECEIVABLES DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2021	December 31, 2020
RSD loans and receivables		
Per repo transactions	42,523	13,739
Overnight loans	5,103	-
Domestic currency accounts held with domestic banks	24,169	-
Other general-purpose deposits	5,953	-
Other loans	848	286
Other RSD receivables	2,595	502
Interest and fee receivables	3	75
Deferred income from fees	(14)	(27)
	81,180	**14,575**
Foreign currency loans and receivables		
Foreign currency accounts held with foreign banks (Note 20)	313,118	173,965
Per repo transactions	8,811	8,126
Overnight deposits	3,535	3,254
Other loans	4,118	8,259
Time deposits from Banks	5,298	5,705
Loans to other financial institutions	20,352	22,513
Investment loans	3,900	3,916
Earmarked deposits	40	40
Other earmarked deposits	5,780	1,440
Other receivables	11,016	12,884
Interest and fee receivables	98	72
Deferred income from fees as part of the effective interest rate	(15)	32
	376,051	**240,206**
Loans and receivables, gross	**457,231**	**254,781**
Less: Impairment allowance	(621)	(2,009)
Balance as of December 31	**456,610**	**252,772**

Movements on the impairment allowance	**2021**	**2020**
Balance at January 1	(2,009)	(1,828)
Charge for the year (Note 14)	(1,538)	(1,690)
Reversal of impairment allowance (Note 14)	1,584	1,656
Write-off, foreign exchange effects and other changes	1,102	(146)
Translation effects	(1)	(1)
Transfer to off-balance sheet items	241	
Balance at December 31	**(621)**	**(2,009)**

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

23. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

	December 31, 2021	December 31, 2020
Corporate customers		
Transaction account overdrafts	6,114	13,097
Working capital loans	316,341	368,599
Investment loans	1,066,962	969,600
Deposits placed	7	7
Foreign currency loans FVtPL	-	14,474
Foreign currency loans	79,741	16,689
Receivables for financial leasing	99,525	100,420
Receivables for factoring	101,421	64,673
Receivables per guarantees and acceptances	199	220
Other loans and receivables	9,378	65,391
Interest and fee receivables	7,023	13,022
Deferred income from fees	(5,902)	(5,453)
	1,680,809	**1,620,739**
Retail customers		
Transaction account overdrafts	17,661	16,883
Consumer loans	495	573
Housing loans	212,136	182,697
Cash loans	135,185	131,047
Other loan and receivables	25,282	25,680
Receivables for financial leasing	217,275	194,153
Interest and fee receivables	2,997	4,647
Deferred income from fees	(2,680)	(2,759)
	608,351	**552,921**
Loans and receivables, gross	**2,289,160**	**2,173,660**
Less: Impairment allowance	**(50,852)**	**(51,353)**
Balance at December 31	**2,238,308**	**2,122,307**

Movements on the impairment allowance	**2021**	**2020**
Balance at January 1	(51,353)	**(61,469)**
Charge for the year (Note 14)	(83,229)	(81,211)
Reversal of impairment allowance (Note 14)	76,219	83,887
Interest income adjustment	(352)	(821)
Write-off, foreign exchange effects	1,825	7,188
Transfer to off-balance items	2,595	1,314
Other changes / derecognition of financial instruments	3,442	(238)
Translation effects	1	(3)
Balance at December 31	**(50,852)**	**(51,353)**

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

24. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	December 31, 2021	December 31, 2020
Equity investments in associates		
- Sveti Stefan Hoteli a.d. Budva	6,645	5,752
- Hotelska grupa Budvanska Rivijera a.d. Budva	9,822	-
Balance at December 31	16,467	5,752

The Parent Company indirectly through the investments held by its subsidiaries (AIK Bank and M&V Investments) owns 2,398,353 shares or 29.57% of equity interests in Sveti Stefan Hoteli a.d. Budva and 1,734,081 shares or 21.38% of equity interests in Hotelska grupa Budvanska Rivijera a.d. Budva.

Preliminary figures as of December 31, 2021	**Sveti Stefan**	**Budvanska Rivijera**
Balance sheet		
Assets	61,548	139,968
Liabilities	47	13,487
Equity	61,501	126,481
Profit & Loss		
Income	980	11,717
Expenses	(477)	(14,149)
Tax	(45)	195
Profit after tax	458	(2,237)

Having in mind that initial accounting for a business combination of Sveti Stefan Hoteli a.d. Budva at the moment of preparation of consolidated financial statements for 2020 could be determined only provisionally, the Group elect to use option to account for the business combination using provisional amounts. Adjustments to provisional amounts are made within the 'measurement period' (one year from the acquisition date) and are presented within those consolidated financial statements. Furthermore, the fair value adjustment of share in net assets as of December 31, 2021 in both of associates was calculated taking into account the price per share which was determined within the appraisal made by the external advisor. The effects are presented below:

December 31, 2021	**Sveti Stefan**	**Budvanska Rivijera**
Value of the equity interest prior to consolidation	5,592	11,010
Measurement of the equity interest upon consolidation		
- positive effect (Note 18)	1,053	-
- negative effect (Note 18)	-	(1,188)
Value in the consolidation	6,645	9,822

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

25. INTANGIBLE ASSETS

	December 31, 2021	December 31, 2020
Patents, license and software	22,941	20,738
Intangible assets in progress	557	412
Other intangible assets	1,522	1,644
	25,020	**22,794**
Accumulated amortization of intangible assets	(16,809)	(14,439)
Net book value	**8,211**	**8,355**

Movements on the account of intangible assets in 2020 and 2021 are presented below:

	Patents, licenses and software	Intangible assets in progress	Other intangible assets	Total
Cost				
Balance at December 31, 2019	**15,852**	**2,044**	**1,862**	**19,758**
Balance at January 1, 2020	15,852	2,044	1,862	19,758
Additions	1,845	1,434	-	3,279
Activation	3,064	(3,064)	-	-
Disposal and retirement	(24)	(2)	(218)	(244)
Transaltion effects	1	-	-	1
Balance at December 31, 2020	**20,738**	**412**	**1,644**	**22,794**
Balance at January 1, 2021	20,738	412	1,644	22,794
Additions	1,141	1,602	-	2,743
Activation	1,456	(1,456)	-	-
Disposal and retirement	(394)	(1)	(122)	(517)
Balance at December 31, 2021	**22,941**	**557**	**1,522**	**25,020**
Accumulated amortization				
Balance at January 1, 2020	10,625	-	1,403	12,028
Charge for the year (Note 16)	2,411	-	-	2,411
Disposal and retirement	-	-	-	-
Transaltion effects	-	-	-	-
Balance at December 31, 2020	**13,036**	**-**	**1,403**	**14,439**
Balance at January 1, 2021	13,036	-	1,403	14,439
Charge for the year (Note 16)	2,757	-	-	2,757
Disposal and retirement	(387)	-	-	(387)
Balance at December 31, 2021	**15,406**	**-**	**1,403**	**16,809**
Net book value as at:				
December 31, 2021	**7,535**	**557**	**119**	**8,211**
December 31, 2020	**7,702**	**412**	**241**	**8,355**

26.a) PROPERTY, PLANT AND EQUIPMENT

	December 31, 2021	December 31, 2020
Property, plant and equipment		
Property – buildings	82,231	127,949
Equipment	41,862	40,409
Investment in progress	968	1,263
Right of use assets	8,887	7,923
Leasehold improvements	1,850	1,901
Cost	**135,798**	**179,445**
Accumulated depreciation	(97,069)	(132,226)
Net book value	**38,729**	**47,219**

As of December 31, 2021, the Group had no buildings assigned under mortgage as collateral securing repayment of borrowings.

As a result of incomplete land (real estate cadaster) registers, as of December 31, 2021, the Group did not have title deeds as proof of ownership for two buildings with the net book value of EUR 60 thousand (2020: EUR 61 thousand).

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

26.a) PROPERTY, PLANT AND EQUIPMENT (Continued)

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, 2021 and 2020, belongs to Level 3 of the fair value hierarchy in accordance with IFRS 13.

Movements on the account of property and equipment in 2020 and 2021 are presented below:

	Buildings	Equipment and other assets	Adv paid and investment in progress	Leasehold improvements	Right of use assets	Total
Cost						
Balance at December 31, 2019	**125,980**	**40,627**	**1,184**	**1,846**	**7,754**	**177,391**
Effects of IFRS 16 FTA	-	-	-	-	-	-
Balance at January 1, 2020	**125,980**	**40,627**	**1,184**	**1,846**	**7,754**	**177,391**
Change to the scope of consolidation	-	-	-	-	-	-
Additions	607	6,486	81	287	1,901	**8,678**
Impairment in accordance with IAS 36 (Note 19)	-	-	-	-	-	**-**
Revaluation effects	4,215	-	-	-	-	**4,215**
Transfer from investment property (Note 27)	(337)	-	-	-	-	**(337)**
Disposal and retirement	(1,470)	(1,393)	-	(229)	(1,710)	**(4,802)**
Modifications increase / (decrease)	-	-	-	-	662	**662**
Other	(1,049)	(5,314)	(3)	(3)	-	**(6,369)**
Translation effects	3	3	1	-	-	**7**
Balance at December 31, 2020	**127,949**	**40,409**	**1,263**	**1,901**	**7,923**	**179,445**
Additions	25	6,149	1,587	55	1,480	9,296
Revaluation effects	(32,873)	-	-	-	-	(32,873)
Impairment in accordance with IAS 36	(202)	-	-	-	-	(202)
Disposal and retirement	(13,724)	(5,549)	-	(114)	(321)	(19,708)
Modifications increase / (decrease)	-	-	-	-	(195)	(195)
Other	1,056	853	(1,881)	8	-	36
Translation effects	-	-	(1)	-	-	(1)
Balance at December 31, 2021	**82,231**	**41,862**	**968**	**1,850**	**8,887**	**135,798**
Accumulated depreciation						
Balance at January 1, 2020	**97,448**	**26,836**	**-**	**1,427**	**1,796**	**127,507**
Change to the scope of consolidation	**-**	**-**	**-**	**-**	**-**	**-**
Charge for the year (Note 16)	1,186	3,237	-	141	1,882	6,446
Revaluation effects	4,013	-	-	-	-	4,013
Transfer from investment property	(255)	-	-	-	-	(255)
Disposal and retirement	(743)	(1,224)	-	(228)	(621)	(2,816)
Modifications increase / (decrease)	-	-	-	-	(713)	(713)
Other	(28)	(1,928)	-	-	-	(1,956)
Translation effects	-	-	-	-	-	-
Balance at December 31, 2020	**101,621**	**26,921**	**-**	**1,340**	**2,344**	**132,226**
Balance at January 1, 2021	101,621	26,921	-	1,340	2,344	132,226
Charge for the year (Note 16)	1,233	3,362	-	142	1,894	6,631
Revaluation effects	(31,343)	-	-	-	-	(31,343)
Disposal and retirement	(6,077)	(3,964)	-	(107)	(135)	(10,283)
Modifications increase / (decrease)	-	-	-	-	(161)	(161)
Other	-	-	-	(1)	-	(1)
Balance at December 31, 2021	**65,434**	**26,319**	**-**	**1,374**	**3,942**	**97,069**
Net book value as at:						
- December 31, 2021	**16,797**	**15,543**	**968**	**476**	**4,945**	**38,729**
- December 31, 2020	**26,328**	**13,488**	**1,263**	**561**	**5,579**	**47,219**

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

26.b) RIGHT OF USE ASSETS

26.b) 1. Right of use assets comprise:

	December 31, 2021	December 31, 2020
Buildings	4,739	5,377
Parking lots	40	39
Vehicles	22	35
ATM's	144	128
Total	**4,945**	**5,579**

Movements on the account of right of use assets in 2021 and 2020 are presented below:

	Buildings	Parking lots	Vehicles	ATM's	Total
Gross carrying amount					
Balance at January 1, 2020	**7,287**	**96**	**52**	**319**	**7,754**
Additions	1,194	-	-	23	1,217
Disposals	(1,678)	-	-	(32)	(1,710)
Modifications increase / (decrease)	699	(24)	-	(13)	662
Translation effects	-	-	-	-	-
Balance at December 31, 2020	**7,502**	**72**	**52**	**297**	**7,923**
Additions	1,366	70	-	44	1,480
Disposals	(311)	-	-	(10)	(321)
Modifications increase / (decrease)	(82)	(70)	-	(43)	(195)
Balance at December 31, 2021	**8,475**	**72**	**52**	**288**	**8,887**
Accumulated depreciation					
Balance at January 1, 2020	**1,709**	**19**	**4**	**64**	**1,796**
Charge for the year (Note 16)	1,741	14	13	114	1,882
Disposals	(609)	-	-	(12)	(621)
Modifications increase / (decrease)	(716)	-	-	3	(713)
Translation effects	-	-	-	-	-
Balance at December 31, 2020	**2,125**	**33**	**17**	**169**	**2,344**
Charge for the year (Note 16)	1,799	19	13	63	1,894
Disposals	(126)	-	-	(9)	(135)
Modifications increase / (decrease)	(62)	(20)	-	(79)	(161)
Balance at December 31, 2021	**3,736**	**32**	**30**	**144**	**3,942**
Net book value as at:					
- December 31, 2021	**4,739**	**40**	**22**	**144**	**4,945**
- December 31, 2020	**5,377**	**39**	**35**	**128**	**5,579**

27. INVESTMENT PROPERTY

	December 31, 2021	December 31, 2020
Investment property	95,977	134,877
Total	**95,977**	**134,877**

Movements on the account of investment property in 2020 and 2021 are presented below:

Balance at January 1, 2020	**143,520**
Change to the scope of consolidation	-
Additions	15,355
Retirement and disposal	(23,216)
Transition to PPE (Note 26.a)	82
Valuation/appraisal effects	(872)
Translation effects	8
Balance at December 31, 2020	**134,877**
Additions	286
Retirement and disposal	(30,054)
Transition to Non-current assets held for sale (Note 28)	(10,718)
Valuation/appraisal effects	1,587
Translation effects	(1)
Balance at December 31, 2021	**95,977**

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

27. INVESTMENT PROPERTY (Continued)

The total amount of investment properties as of December 31, 2021 and 2020 fully relate to AIK Bank's and Gorenjska Bank's investment property.

Additions to the investment property made during 2020 mainly refer to the purchase of 2 real estate in the amount of EUR 15,005 thousand made by Gorenjska Bank.

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 2021 was EUR 9,462 thousand (2020: EUR 9,369 thousand) (Note 13).

As a result of incomplete land (real estate cadaster) registers, as at December 31, 2021, 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 180 thousand. The Bank's management is undertaking all actions necessary to obtain the appropriate property titles for these buildings.

28. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS

	December 31, 2021	December 31, 2020
Balance at January 1	572	1,132
Assets acquired in lieu of debt collection	405	415
Transfer from investment property (Note 27)	10,718	-
Translation effects	34	-
Sales during the year	(687)	(975)
Balance at December 31	**11,042**	**572**

The Group is in possession of valid title deeds as proof of ownership for all properties classified as non-current assets held for sale.

29. DEFERRED TAX ASSETS AND LIABILITIES

29.1. Balances on the Accounts of Deferred Tax Assets and Liabilities

			December 31, 2021
	Tax assets	Tax liabilities	Net tax effect
Effects of building property valuation	-	(1,074)	(1,074)
Impairment of assets	3,373	-	3,373
Financial assets at FVtOCI	-	(1,311)	(1,311)
Actuarial losses	132	-	132
Tax loss carryforwards	4,287	-	4,287
Financial assets at AC	-	(512)	(512)
Balance at year-end	**7,792**	**(2,897)**	**4,895**

			December 31, 2020
	Tax assets	Tax liabilities	Net tax effect
Effects of building property valuation	-	(3,229)	(3,229)
Impairment of assets	3,894	-	3,894
Financial assets at FVtOCI / AFS	-	(1,425)	(1,425)
Actuarial losses	137	-	137
Tax loss carryforwards	4,300	-	4,300
Financial assets at AC	-	(839)	(839)
Balance at year-end	**8,331**	**(5,493)**	**2,838**

Tax loss carryforwards of Gorenjska bank amounted EUR 158,150 thousand as of December 31, 2021. Out of this amount, recognized DTA are EUR 4,287 thousand whereas unrecognized are EUR 25,762 thousand.

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

29. DEFERRED TAX ASSETS AND LIABILITIES

29.2. Movements on the Accounts of Deferred Tax Assets and Liabilities

Movement on deferred tax assets/liabilities were as follows:

2021

	Opening balance	Change to scope of cons.	Within profit or loss	Within equity	Translation differences	Closing balance
Effects of building property valuation	(3,229)	-	2,185	(30)	-	(1,074)
Impairment of assets	3,894	-	(520)	-	(1)	3,373
Financial assets at FVtOCI / AFS	(1,425)	-	(528)	642	-	(1,311)
Actuarial losses	137	-	5	-	(10)	132
Tax loss carry forwards	4,300	-	(13)	-	-	4,287
Financial assets at AC	(839)	-	317	-	10	(512)
Total	**2,838**	**-**	**1,446**	**612**	**(1)**	**4,895**

2020

	Opening balance	Change to scope of cons.	Within profit or loss	Within equity	Translation differences	Closing balance
Effects of building property valuation	(3,245)	-	(65)	81	-	(3,229)
Impairment of assets	4,077	-	(184)	-	1	3,894
Financial assets at FVtOCI / AFS	(1,378)	-	146	(192)	(1)	(1,425)
Actuarial losses	132	-	7	(1)	(1)	137
Tax loss carry forwards	3,869	-	431	-	-	4,300
Financial assets at AC	(1,297)	-	458	-	-	(839)
Total	**2,158**	**-**	**793**	**(112)**	**(1)**	**2,838**

30. OTHER ASSETS

	December 31, 2021	December 31, 2020
Other RSD receivables:		
Fee receivables per other assets	424	547
Receivables per advances paid for working capital	664	290
Receivables per advances paid for capital expenditures	122	29
Other receivables from operating activities	898	931
Receivables in settlement	-	429
	2,108	**2,226**
Other foreign currency receivables:		
Fee receivables per other assets	658	554
Receivables per advances paid for working capital	5	2
Receivables in settlement	4,719	3,170
Other receivables from operating activities	528	4,572
	5,910	**8,298**
Other investments:		
Equity investments	7,038	13,170
	7,038	**13,170**
Prepayments:		
Deferred interest expenses	215	407
Deferred other expenses	1,340	557
	1,555	**964**
Inventories:		
Other inventories	1	26
Assets acquired in lieu of debt collection	7,195	7,609
	7,196	**7,635**
Other receivables, gross	**23,807**	**32,293**

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

30. OTHER ASSETS (Continued)

	December 31, 2021	December 31, 2020
Less: Impairment allowances of:		
- other RSD receivables	(791)	(764)
- other foreign currency receivables	(357)	(311)
- equity investments	(206)	(206)
	(1,354)	**(1,281)**
Balance at December 31, net	**22,453**	**31,012**

Movements on the impairment allowance	**2021**	**2020**
Balance at January 1	(1,281)	(2,258)
Charge for the year (Note 14)	(778)	(686)
Reversal of impairment allowance (Note 14)	731	957
Write-off, foreign exchange effects	36	876
Other changes	(64)	(164)
Translation effects	2	(6)
Balance at December 31	**(1,354)**	**(1,281)**

As of 31 December, 2021 and 2020, the Group's tangible assets acquired in lieu of debt collection amounted to:

	December 31, 2021	December 31, 2020
Buildings	6,192	7,110
Equipment	1,003	499
Total	**7,195**	**7,609**

Movements on the Group's tangible assets acquired in lieu of debt collection were as follows:

	2021	2020
Balance at January 1	7,609	11,731
Additions – assets acquired during the year	1,509	985
Sales	(1,827)	(4,963)
Impairment of assets (Note 18)	(96)	(144)
Translation effects	-	1
Balance at December 31	**7,195**	**7,609**

The Group's management is undertaking all the necessary measures to complete the sales of the acquired assets.

As a result of incomplete land (real estate cadaster) registers, as at December 31, 2021, 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 88 thousand.

The Group's management is undertaking all actions necessary to obtain the appropriate property title for these properties.

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

31. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, OTHER FINANCIAL INSTITUTIONS AND THE CENTRAL BANK

	December 31, 2021	December 31, 2020
Transaction deposits	99,834	128,292
Deposits for loans approved	118	301
Earmarked deposits	523	12,095
Other deposits	58,820	41,968
Borrowings	49,186	130,737
Other financial liabilities	57	41
Interest payable, accrued interest liabilities and fees	375	237
Total	**208,913**	**313,671**

As of December 31, 2021 total borrowings in the amount of EUR 49,186 thousand (December 31, 2020: EUR 130,737 thousand) fully relate to Gorenjska Bank's borrowings from other banks. In 2020 it relate to Gorenjska Bank's borrowings from other banks in the amount of EUR 60,922 thousand and from European Central Bank for TLTRO - Targeted Long-Term Refinance Operation in the amount of EUR 69,815 thousand.

32. DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

	December 31, 2021	December 31, 2020
Corporate customers		
Transaction deposits	464,499	438,502
Deposits for loans approved	59,160	45,985
Earmarked deposits	15,391	28,952
Other deposits	439,445	377,402
Overnight deposits	34,599	29,126
Borrowings	17,779	20,269
Other financial liabilities	2,355	1,430
Interest payable, accrued interest liabilities and fees	1,262	2,281
	1,034,490	**943,947**
Retail customers		
Transaction deposits	1,142,120	909,255
Savings deposits	1,105,381	1,103,067
Deposits for loans approved	16,055	15,937
Earmarked deposits	939	887
Other deposits	21,307	5,377
Other financial liabilities	650	566
Interest payable, accrued interest liabilities and fees	4,093	4,063
	2,290,545	**2,039,152**
Total	**3,325,035**	**2,983,099**

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

33. PROVISIONS

	December 31, 2021	December 31, 2020
Provisions for litigations (Note 37.1)	2,783	4,695
Provisions for employee benefits	3,284	2,837
Provisions for losses per off-balance sheet items	2,658	3,071
Other provisions	-	72
Total	**8,725**	**10,675**

Movements on provisions for litigations during the year are presented in the table below:

	2021	2020
Balance at January 1	4,695	3,956
Charge for the year (Note 18)	1,205	2,327
Reversal of provisions (Note 17)	(636)	(1,387)
Release of provisions	(2,481)	(201)
Balance at December 31	**2,783**	**4,695**

Movements on provisions for employee benefits (retirement benefits, jubilee awards and other benefits) during the year are presented in the table below:

	2021	2020
Balance at January 1	2,837	3,325
Charge for the year (Note 15)	2,380	503
Reversal of provisions (Note 15)	(1)	(1)
Actuarial losses	(48)	(8)
Release of provisions	(1,884)	(982)
Balance at December 31	**3,284**	**2,837**

The main actuarial assumptions used in calculation of provisions for retirement benefits were as follows:

	December 31, 2021			December 31, 2020		
	M&V Investments	AIK Bank	GB	M&V Investments	AIK Bank	GB
Discount rate	4%	4.5%	0.65%	4%	4.5%	0.36%
Salary growth rate	5%	6.5%	2%	5%	5%	1.71%
Employee turnover rate	4%	11%	3.5%	4%	9%	3.07%

Movements on provisions for losses per off-balance sheet items during the year are presented in the table below:

	2021	2020
Balance at January 1	3,071	2,363
Charge for the year (Note 14)	7,643	9,701
Reversal of provisions (Note 14)	(8,028)	(8,972)
Foreign exchange effects	(28)	(21)
Balance at December 31	**2,658**	**3,071**

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

34 CURRENT TAX

34.a Current tax assets

	December 31, 2021	December 31, 2020
Current tax assets	9,928	4,831
Total	**9,928**	**4,831**

34.b Current tax liabilities

	December 31, 2021	December 31, 2020
Current tax liabilities	892	-
Total	**892**	**-**

35. OTHER LIABILITIES

	December 31, 2021	December 31, 2020
Other liabilities:		
Account trade payables	3,494	3,630
Advances received	2,456	1,494
Lease liabilities	5,101	5,678
Liabilities per guarantees and acceptances called on	1	1
Profit sharing liabilities	1,118	1,360
Liabilities per managed funds	100	99
Other liabilities from operating activities	7,788	9,492
Liabilities in settlement	5,240	1,333
Suspense and temporary accounts	57	57
Liabilities to employees	1,085	1,044
Other foreign currency liabilities	1,687	1,587
	28,127	**25,775**
Tax liabilities:		
Value added tax payable	339	3,219
Other taxes and contributions payable	1,086	1,145
	1,425	**4,364**
Accruals:		
Accrued liabilities per other accrued expenses	3,069	2,335
Deferred interest income	628	560
Deferred other income	779	573
	4,476	**3,468**
Total	**34,028**	**33,607**

35.1 Lease liabilities

Maturity analysis of lease liabilities in 2021 and 2020 are presented in the table below:

	December 31, 2021	December 31, 2020
Maturity:		
- less than one year	1,870	1,751
- up to 2 years	1,350	1,640
- up to 3 years	758	1,275
- up to 4 years	503	674
- up to 5 years	419	286
- more than five years	201	52
Total	**5,101**	**5,678**

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

35. OTHER LIABILITIES (Continued)

35.1 Lease liabilities (Continued)

Maturity analysis of contractual undiscounted cash flows of lease payments including interest payments in 2021 and 2020 are presented in the table below:

	December 31, 2021	December 31, 2020
Maturity:		
- less than one year	1,935	1,789
- up to 2 years	1,533	1,703
- up to 3 years	906	1,341
- up to 4 years	599	711
- up to 5 years	270	304
- more than five years	206	56
Total	**5,449**	**5,904**

Structure of total payments / outflows based on leasing in 2021 and 2020 are presented in the table below:

	2021	2020
Fixed lease payments	1,822	1,642
Variable lease payments	192	344
Total	**2,014**	**1,986**

Variable lease payments included in lease liability depends on index. Out of total amount of the lease outflows in the amount of EUR 2,014 thousand (December 31, 2020: EUR 1,986 thousand), the amount of EUR 1,715 thousand (December 31, 2020: EUR 1,914 thousand) relates on principal portion of lease payments within financing activities, while EUR 299 thousand (December 31, 2020: EUR 72 thousand) relates on interest portion within operating activities.

Income and expences structure based on leasing in 2021 and 2020 is presented in the table below:

	2021	2020
Depreciation of right - of - use assets (Note 26.b)	(1,894)	(1,882)
Interest expense on lease liability (Note 7)	(92)	(98)
Rental expenses (Note 18)	(1,779)	(1,655)
Total	**(3,765)**	**(3,635)**

36. EQUITY

The structure of the issued capital of the Parent Company as of December 31, 2021, and December 31, 2020 was as follows:

	December 31, 2021		December 31, 2020	
	In EUR	%	In EUR	%
Foreign entities				
Agri Holding AG	1,213	100.00	1,213	100.00
	1,213	100.00	1,213	100.00

Movements in share capital can be presented as follows:

	2021		2020	
	Number of shares	In EUR	Number of shares	In 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	1,213	1,213
Issue of shares	-	-	-	-
Balance December 31	**1,213**	**1,213**	**1,213**	**1,213**

36. EQUITY (Continued)

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.

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).

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.

Pursuant to the Board of Directors Decision June 2, 2020, on the use and distribution of distributable reserves from the Company’s profit not included in the Company's share capital is allocated to interim dividend in the amount of EUR 47,140 thousand to the Company's shareholder.

37. CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ITEMS

37.1. Litigation

As legal proceedings involve the Group members individually, brief descriptions are provided for each Group member separately:

Parent Company

As of December 31, 2021, Agri Europe did not have any legal proceedings.

37. CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ITEMS (Continued)

37.1. Litigation (Continued)

Nord Agri

As of December 31, 2021, Nord Agri N.V. did not have any legal proceedings.

M&V Investments

As of December 31, 2021, there were no legal suits with negative outcome involving the Broker-Dealer as a defendant.

AIK Bank

As of December 31, 2021 there were 13,231 (December 31, 2020: 6,565) 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 17,398 thousand (December 31, 2020: EUR 100,858 thousand) (excluding any interest claims).

Based on the opinion of the attorneys, legal suits with a positive estimated outcome represents 83% of total amount of the legal suits with monetary claims of the plaintiffs against the AIK Bank as of December 31, 2021. 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, 2021, in accordance with the requirements IAS 37 and methodology of the AIK Bank, AIK Bank made provisions in the amount of EUR 2,783 thousand (December 31, 2020: EUR 4,677 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, 2021 had 3 legal suits (December 31, 2020: 3) involving the Bank as a defendant.

Plaintiffs’ claims relate to a challenge of the guarantors obligations by the guarantors in 2 cases and 1 case relates to claim for payment of landlord costs, which are challenged by Gorenjska Bank. Given the aforesaid, except for one case with potential monetary outflow of EUR 29 thousand (payment of landlord costs), 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 lose a case.

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 no made in this respect (December 31, 2020: EUR 18 thousand).

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

37. CONTINGENT LIABILITIES AND OTHER OFF-BALANCE SHEET ITEMS (Continued)

37.2. Other Off-Balance Sheet Items (assets and liabilities)

	December 31, 2021	December 31, 2020
Managed funds	13,523	14,569
Guarantees and other sureties issued	628,144	574,175
Derivatives held for trading at contractually agreed value	126,600	62,398
Securities received as pledges	393,405	547,618
Other off-balance sheet assets	4,502,159	4,951,167
Total	**5,663,831**	**6,149,927**

	December 31, 2021	December 31, 2020
a) Managed funds		
Loans per managed funds in RSD		
- current	41	41
- non-current	13,482	14,528
	13,523	**14,569**
b) Contingent liabilities		
Payment guarantees		
- in RSD	65,373	58,212
- in foreign currencies	33,176	34,682
Performance guarantees		
- in RSD	135,653	99,871
- in foreign currencies	81,330	68,936
	315,532	**261,700**
Unsecured letters of credit	2,600	1,150
Undrawn loan facilities	279,616	284,854
	282,216	**286,004**
Irrevocable commitments per own guarantees and spot		
- in RSD	14,425	12,734
- in foreign currencies	15,971	13,736
	30,396	**26,470**
	628,144	**574,174**
c) Derivatives		
Currency swaps and forwards	126,600	62,398
	126,600	**62,398**
d) Sureties received to secure liabilities		
Securities received to secure loan repayment	393,405	547,617
	393,405	**547,617**
f) Other off-balance sheet items		
Tangible assets, guarantees and other sureties received to secure loan repayment	3,765,940	4,226,891
Unused revocable lines of credit	216,857	175,704
Depositary operations	4	3
Loro guarantees	50,607	49,525
Suspended interest	382	484
Receivables transferred to the off-balance sheet items	409,999	441,301
Other	58,370	57,260
	4,502,159	**4,951,168**
Total	**5,663,831**	**6,149,926**

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

38. 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, 2021	December 31, 2020
Short-term benefits	3,216	4,416
	3,216	**4,416**

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, 2021

Entity	Balance sheet exposure	Off-balance sheet exposure	Total	Liabilities	Income	Expenses
Čista voda projekt d.o.o., Savudrija	33,358	1,597	34,955	(1,073)	892	(494)
MK Holding d.o.o., Beograd	24	25,000	25,024	(28,901)	1,640	(367)
Pleston nekretnine d.o.o. Savudrija	23,134	-	23,134	(1)	831	-
MK Group d.o.o., Beograd	6	20,457	20,463	(12,511)	578	(63)
SJPT Non-Core d.o.o., Novi Sad	-	-	-	(6,485)	-	-
Monetic d.o.o., Ljubljana	25	-	25	(5,945)	115	(206)
MK Mountain Resort d.o.o., Kopaonik	1	-	1	(5,934)	11	(48)
Victoria project d.o.o., Novi Sad	-	-	-	(38,911)	-	(6)
Sunoko d.o.o., Novi Sad	-	-	-	(8,019)	21	(219)
Carnex d.o.o., Vrbas	-	-	-	(4,519)	12	(138)
Other	384	472	856	(10,589)	1,158	(535)
Total	**56,932**	**47,526**	**104,458**	**(122,888)**	**5,258**	**(2,076)**

December 31, 2020

Entity	Balance sheet exposure	Off-balance sheet exposure	Total	Liabilities	Income	Expenses
MK Holding d.o.o., Beograd	34,610	15,390	50,000	(3)	2,755	(318)
MKG Properties Limited, Cyprus	27,973	-	27,973	-	594	-
Pleston nekretnine d.o.o. Savudrija	23,865	-	23,865	(2)	199	-
Tampten nekretnine d.o.o. Savudrija	19,685	-	19,685	-	791	-
MK Logistika d.o.o., Novi Sad	-	1,078	1,078	(30)	8	(4)
Agroglobe d.o.o., Novi Sad	38	35	73	(17,768)	394	(28)
MK Group d.o.o., Beograd	2	50	52	(90)	55	(350)
DR Nikola Vunjak preduzetnik stomatološka ordinacija Vunjak, Beograd	20	-	20	-	1	(1)
Sojaprotein d.o.o., Bečej	-	17	17	(25,929)	2,755	(1,430)
Granexport d.o.o., Pančevo	-	4	4	(1,145)	3	(14)
Pik-Bečej a.d., Bečej	-	4	4	(2,045)	11	(64)
Žito - Bačka d.o.o., Kula	-	3	3	(1,073)	9	(1)
MK Mountain Resort d.o.o., Kopaonik	1	-	1	(502)	15	(57)
Victoria group d.o.o., Beograd	-	-	-	(38)	5	(1)
Sunoko d.o.o., Novi Sad	-	-	-	(11,978)	35	(104)
Carnex d.o.o., Vrbas	-	-	-	(14,184)	46	(368)
Other	332	17	349	(7,819)	175	(64)
Total	**106,526**	**16,598**	**123,124**	**(82,602)**	**7,851**	**(2,804)**

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

39. 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 in absolute EUR was as follows:

	Year Ended December 31, 2021	2020
Directors' fees	64,842	69,747
	64,842	69,747

b) Auditors' remuneration during the year in absolute EUR was as follows:

	Year Ended December 31, 2021	2020
Auditors' remuneration	169,000	259,775
Auditors' remuneration for tax services	416	-
	169,416	259,775

40. EVENTS AFTER THE REPORTING PERIOD

The Group is under direct regulatory supervision of ECB from January 1st, 2021.

Russian - Ukrainian conflict

As of February 24, 2022, Russia launched a military operation in Ukraine. Many governments are taking increasingly stringent measures against Russia and Belarus. These measures have already slowed down the economies globally as well with the potential of having wider impacts on the economies as the measures persist for a greater period of time. The main concern at the moment is the rise of inflation and the increase in the price of fuel, which could affect household incomes and business operating costs.

The Group has immaterial direct exposure to Russia, Ukraine, and Belarus and as such does not expect impact from direct exposures to these countries. Despite the limited direct exposure, the conflict is expected to negatively impact the global economy especially the energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Group. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Group and has concluded that there is no significant impact in the Group's profitability position. Management will continue to monitor the situation closely and will assess the need for specific actions in case the crisis becomes prolonged.

As at the date of authorizing these financial statements for issue, the conflict continues to evolve as military activity proceeds and additional sanctions are imposed. Depending on the duration of the conflict between Russia and Ukraine, and continued negative impact on economic activity, the Group might experience negative effects in 2022, which relate to new developments that occurred after the reporting period. The exact impact on the Group's activities in 2022 and thereafter cannot be predicted.

Parent Company

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, 2021.

Pursuant to the Decision on the Distribution of AEC's Retained earnings from the previous year results, the amount of EUR 64,952 thousand passed by the Board of Directors on 24 March 2022 is allocated to retained earnings that is available for unrestricted and immediate use to cover risks or losses as soon as these occur.

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

40. EVENTS AFTER THE REPORTING PERIOD (Continued)

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, 2021.

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, 2021.

AIK Bank

As of March 1, 2022 AIK Bank became the owner of Sberbank Srbija a.d. Belgrade by acquiring 100% of shares of Sberbank Srbija a.d. Belgrade. The transaction was realized on the basis of a signed agreement on the acquisition of shares of Sberbank Srbija a.d. Belgrade concluded between the National Bank of Serbia and AIK Bank.

In view of the newly emerged circumstances relating to the operation of the hitherto EU-based shareholder, the National Bank of Serbia first adopted a decision to initiate resolution procedure in respect of Sberbank Srbija, which enabled a direct sale of the bank's shares by the central bank.

As of date of aqusition the following table represents the highlevel breakdown of assets and liabilities acquired (unaudited):

In EUR thousand	**February 28, 2022**
Acquired assets	
Cash and cash funds held with the central bank	260,915
Securities	221,562
Loans and receivables	1,049,289
Property, plant and equipment and intangible assets	16,339
Other assets	9,315
Total acquired assets	**1,557,420**
Assumed Liabilities	
Deposits	1,271,462
Provisions	4,409
Other liabilities	53,304
Total assumed liabilities	**1,329,175**
Total net assets at acquisition date	**228,245**

As at the date of authorizing these financial statements the measurement of the fair value of the net assets of the acquired entity was still ongoing.

Pursuant to the Decision no. 05-LV/2022 on the Distribution of Bank's Generated Profit according to the Financial Statements for the Year Ended 31 December 2021 in the total amount of EUR 50,561 thousand passed by the Shareholders Assembly on 28 March 2022 is fully allocated to retained earnings that are included in share 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, 2021.

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

40. EVENTS AFTER THE REPORTING PERIOD (Continued)

Gorenjska Bank

Pursuant to the Decision on the Distribution of Bank's Retained earnings from the previous year results, the amount of EUR 17,217 thousand passed by the Shareholders Assembly on 29 March 2022 is allocated to retained earnings that is available for unrestricted and immediate use to cover risks or losses as soon as these occur.

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, 2021.

GB Leasing

Pursuant to the Decision on the Distribution of entities Generated Profit according to the Financial Statements for the Year Ended 31 December 2021 and for the retained earnings from the previous years, the amount of EUR 138 thousand passed by the Shareholders Assembly on 05 April 2022 is allocated to retained earnings that is available for unrestricted and immediate use to cover risks or losses as soon as these occur.

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, 2021.

41. 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, 2021	December 31, 2020
RSD	117.5821	117.5802
USD	1.1314	1.2291
CHF	1.0347	1.0843