Yearly report on quantitative and qualitative data on the capital and risks of the Bank

31.12.2015

Contents

1. INTRODUCTION AND BASIC INFORMATION ABOUT THE BUSINESS NAME, REGISTERED OFFICE AND MANAGEMENT OF THE BANK

The founder of Mirabank a.d. Belgrade (hereinafter: the Bank), Duingraaf Financial Investments B.V., Kabelweg 37, 1014BA Amsterdam, the Netherlands (hereinafter: The Founder), has obtained a preliminary approval for the establishing of the Bank by virtue of a Decision of the National Bank of Serbia IO NBS no. 32 as of 18.08.2015.

By virtue of a Decision IO NBS no. 58 as of 16.12.2014, the National Bank of Serbia has granted its consent for the work of the Bank.

After obtaining the consent from the National Bank of Serbia for the acts of the Bank's Founding Assembly (decision on the appointment of the chairperson and the members of the Bank's Board of Directors, decision on the appointment of the appointment of the chairperson and the members of the Bank's Executive board, decision on the adoption of the Statute of the Bank, decision on the first issue of the shares of the Bank, decision on the adoption of the strategy and the business policy of the Bank), the Bank was registered in the Register of companies by virtue of a decision of the Serbian Business Registers Agency BD 8779/2015 as of February 5th 2015.

The Founder of the Bank and the Bank are not part of a banking group. The founding capital of the Bank amounted to EUR 15 million in dinar equivalent, where the conversion of capital was performed on April 6th 2015 when an account of the Bank was opened with the National Bank of Serbia, after which the Bank started operating through the said account and performing the payment operations, whereas at the same time has started the process of reporting to the National Bank of Serbia.

The members of the Bank's Executive Board, as at December 31st 2015, are:
Ilinca Rosetti, Chairperson,
Saša Mićević, member.

The members of the Bank's Board of Directors, as at December 31st 2015, are:
Majed Fuad Mohammad Odeh, Chairperson,
Hesham Ahmed Mohamed Elsayed Heikal, a member,
Vladimir Radić, member,
Dejan Nikolić, member,
Danica Popović, member.

The registered office of the Bank is in Belgrade, Bulevar Španskih boraca Street no. 1, New Belgrade, whereas the Bank performs its business activities through 1 branch on the territory of the Republic of Serbia, located at the same address. On December 31st 2015, the Bank had 38 employees.
The registration number of the Bank is 21080608. Bank's Tax Identification Number is 108851504.

In accordance with the Law on Banks and the Decision on Disclosure of Data and Information by Banks, the Bank hereby publishes a report that contains all the data and information prescribed by the said Decision for the period from January 1st until December 31st 2015.
The Report is available at the Bank's website (http://www.mirabankserbia.com/.).

The disclosure pertains solely to the Bank's data.

Mirjana Garapic Zakanyi	Dr. Ilinca Rosetti
Member of the Executive Board	President of the Executive Board
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2. RISK MANAGEMENT STRATEGY AND POLICIES

2.1. All risk management strategy and policy

During 2015, the Bank has adopted a Risk management strategy, as well as a set of Risk management policies.
The Bank has established a comprehensive and reliable risk management system which is included in all its business activities and ensures that the risk profile of the Bank is always in line with its risk appetite.

The risk management process has been clearly defined and documented throughout, taking into consideration the stage of Bank's development, the type and nature of risks the bank is willing and capable to take in order to meet its business goals. In this sense, each business activity is guided by a general strategy of the Bank and regulated by the legal regulations and internal acts.

At the strategic level, the risk management goals of the Bank are the following:

- Identification of the material risks of the Bank and making sure that the business profile and plans are harmonized with the risk appetite;
- The optimisation of risk/return decisions by making them as close as possible to the business model, accompanied by the establishing of a strong and independent testing and control structure;
- Ensuring that business growth plans are appropriately supported with efficient infrastructure for risk management;
- Managing the risk profile so that the specific financial products remain acceptable in various business environments;
- To help management improve control and coordination of risks in the operations.

The Bank actively takes into account the risks associated with business activities and in this respect, the following principles represent the risk management within the bank:

- The risks are taken within the defined risk appetite;
- Each taken risk has to be approved within the framework of risk management;
- Accepted risks have to be adequately compensated;
- The risk has to be continuously monitored;
- Therefore, the risk management culture helps with strengthening of the Bank's stability.

The risk management system consists of the following:

- Risk management strategy, policy and procedure;
- Internal organization (organizational structure for managing of special types of risks);
- Effective and efficient process of managing all risks that the Bank is or may be exposed to in its activities;
- Adequate internal control system;
- Adequate information system;
- Adequate internal capital adequacy assessment system.

The risk management strategy has been harmonized with the business policy and strategy of the bank. A risk management strategy includes an overview and definitions of all the risks the Bank is or may be exposed to, long-term goals established by the business policy and strategy of the Bank, the basic principles of risk taking and risk management and the basic principles of the internal capital adequacy assessment process within the Bank.

The goal of risk management policies is to define the manner in which the Bank actively manages the risks it is exposed or could be exposed to, i.e. to define the principles, guidelines and rules for risk identification, measurement and risk assessment, control of individual risks and establishing of limit system within the Bank

Strategies and policies are in accordance with the size and organizational structure of the Bank. The said documents have been adopted by the Bank's Board of Directors, whereas the Bank's Executive Board is in charge of their implementation. The policies define and delineate the responsibilities of the employees in the risk management process, taking into account the size of the Bank. The responsibilities in terms of risk-taking are strictly separated from the part that deals with risk management, including the level of the Executive Board.

Internal control system within the Bank

The internal control system within the bank is a set of processes and procedures that are an integral part of the business activities of the bank, that provide for the collection of relevant and accurate information in relation to risk management and the creation of databases in relation to such information, and timely and effective monitoring of all activities related to risk management and control of the system compliance with the rules and procedures of the Bank.

The following are defined as main goals of the internal control framework:

- Efficiency and effectiveness of the activity (targeted performances);
- Reliability, completeness and timeliness of financial and management information (targeted informations); and
- Compliance with relevant laws and regulations (targeted compliance).

Internal controls consist of five related elements:

- Supervision of managers and control culture;
- The risk and assessment recognition;
- Control activities and segregation of duties;
- Information and communication, and
- Monitoring of activities and correction of shortcomings.

Efficient functioning of these elements is essential for achieving the Bank's performances and goals in terms of awareness and compliance.

2.2. Credit risk management and management of risks related to the credit risk

The basic goal of credit risk management within the Bank is to minimize the possibility of occurrence of negative effects on the financial result and capital of the bank due to the failure of the debtors to meet their obligations towards the Bank. In order to control the acceptance of the credit risk and adequate management of such risks, the Bank has established an adequate credit process which includes the approval of placements and credit risk management, which are regulated in detail by virtue of the Bank's procedures.

During 2015, the Bank has adopted the Policy for credit risk management for legal entities.
The credit risk management policy defines the risks to which the Bank is exposed in its operations.

The credit risk is the possibility of occurrence of negative effects on financial result and the capital of the bank due to the inability of the debtor to meet its obligations towards the Bank in accordance with the conditions of the contract.

The foreign currency credit risk represents the probability that the Bank shall suffer a loss due to the debtor's failure to meet its obligation resulting from the negative impact of the change of the foreign exchange rate for dinars to the financial condition and the creditworthiness of the debtor.

The concentration risk directly or indirectly results from the exposure of the Bank to a same or similar source of risk, i.e. the same or similar type of risk. The concentration risk pertains to: major exposures, groups of exposures with same or similar risk factors (such as commercial sectors, geographical regions, types of products, etc.).

Credit Risk Management

The goal of the credit risk management is to reduce the negative effects of the credit risk on the capital and financial result of the Bank.

The credit risk management process includes: identification, evaluation and measuring, monitoring and reporting about the credit risk.

The credit risk identification is the basic step in the credit risk management aiming to detect such risk in a timely manner.

The identification of exposure to a specific risk starts at the moment of submitting of the loan application. The analysis of individual placements includes the analysis of the qualitative and quantitative business indicators of the client, the identification of the client's risk factor. The placement approval process within the Bank consist of the defined steps which may differ depending on the type of the client, the type, characteristics and the purpose of placement, the security instruments for the placement, and include:

- the preparation of the proposals for the credit placement;
- the collection and verification of credit documents;
- Credit analysis;
- Risk assessment;
- control of the accompanying documents and other conditions;
- Placement approval;
- Disbursement of the funds.

The assessment of the credit risk is being performed during the review of the requirements for a specific placement, the requests for the change of conditions, the deadlines for the use and return of a specific placement, as well as during the drafting of the regular annual report about the business operations of the client.

It is based on the analysis of indicators of the financial situation of the debtor, the timeliness of settlement of the obligations towards the Bank, the measuring of the effect of the change of the exchange rate for dinars on the financial condition of the debtor, qualitative data collected about the client and the quality of security instruments.

In order to mitigate the credit risk, during the approval of the placement or during the use of the approved placement, specific security instruments are requested. The amount and type of the requested security instrument depends on the evaluated credit risk of each client. The security conditions that follow each placement depend on the credit rating of the debtor, the type and the degree of exposure to the credit risk, the maturity and the amount of placement.

After the approval of the placement, the placement and business operations of the client are being monitored through regular and extraordinary monitoring aiming to ensure timely identification of the warning signals.

Credit risk Management Department monitors the credit portfolio on the monthly basis.
By monitoring the portfolio, the Bank performs a comparison with the previous periods, identifies the tendencies and the causes of changes in the level of exposure to the credit risk.

The reporting process about the credit risk includes:

- Reporting to the Executive Board and the Board of Directors of the Bank;
- Regulatory reporting to the National Bank of Serbia in accordance with the regulations prescribed by the National Bank of Serbia.

2.3. Market Risk Management

Market risks include the interest rate and foreign exchange risk, as well as the market risks.
The policy for managing liquidity risk and market risk defines the risks to which the Bank is exposed in its operations.

The interest rate risk is the risk of the possibility of occurrence of negative effects on financial result and the capital of the bank due to the changes in the interest rates. The responsibilities for managing of market risk, as well as the liquidity risk, are defined by the Policy. The exposures to the interest rate risk are monitored by the Risk management department and presented to the ALCO Committee on a quarterly basis in the form of a report that indicates the degree of exposure to the stated risk. Since the Bank has recently started operating, it has been concluded that more frequent reporting at this stage of development of the Bank is not required. The Bank manages its assets and liabilities in a way that it is not significantly exposed to interest rate risk, and therefore so far had no need to apply the risk mitigation techniques.

The foreign exchange risk is the risk of the possibility of occurrence of negative effects on financial result and the capital of the bank due to the changes in the foreign exchange rate. Other market risks include the price risk on debt securities, price risk on equity securities, etc.

The responsibilities for foreign exchange risk management are the same as for the liquidity risk defined by the Policy. The foreign exchange risk exposure is monitored on a daily basis by the

Treasury Department, as well as by the Risk Management Department. In addition, foreign exchange risk is monitored within the ALCO Committee, where the movement of this risk is being analysed and, if necessary, certain measures are being adopted in order to reduce this risk.

While reporting on the market risks, the movement of the foreign currency risk indicators, as well as the fluctuations if any, are being monitored on a monthly basis. During 2015, the maximum value of the foreign currency risk indicator amounted to 11.64 %, the average value was 0.94%, and minimal value was 0.40 %. The foreign exchange risk indicator amounted to 0.40% as at December 31st 2015.

The Bank holds the position nearly closed, so that it is not significantly exposed to foreign exchange risk, and therefore, in accordance with the above, the Bank currently does not apply techniques to mitigate foreign exchange risk.

2.4. Operational Risk Management

Given the level of development of the Bank and the internal organization and complexity of operations, the Bank pays special attention to the management and control of operational risk.

The bank defines the operational risk as a risk of potential occurrence of negative effects on the financial result and the capital of the Bank due to intentional and unintentional failures of the employees, inadequate internal procedures and processes, inadequate management of informational and other systems within the Bank, as well as due to the occurrence of unforeseen external events.

The operational risk management framework includes all the adopted written documents, procedures and organizational structure, as defined in accordance with the internal and regulatory requirements.

The Bank measures, i.e. evaluates the operational risk exposure taking into consideration the possibility, i.e. the frequency of occurrence of such risk, as well as its potential effect on the Bank, with special attention to the events whose occurrence is less likely, but which may potentially cause significant material losses.

In order to achieve long-term goals, the Bank has established a corporate culture guided by the risk management principles, which supports and ensures appropriate standards and incentives for professional and responsible behaviour of employees and develops a framework for operational risk management, and which is fully integrated into a comprehensive risk management process at the level of the Bank.

The Bank records the events occurring based on operational risks by classifying them according to the business lines, types, causes and the significance of impact. The Bank uses the central data base for recording of events. The employees are responsible to report any event occurring due to operational risks to the Operational risk management department.

The process of gathering the data about the events is centralized and is performed by the Operational risk management department which unifies and analyses all the reported events and enters the data into the event recording system based on operational risk. The Operational and Market Risk management department monitors the exposure to operational risks per types, causes and significance of the event and is under the obligation to inform the management of the Bank thereof on regular basis, as well as about the measures taken for mitigation of such risks.

Self-assessment of operational risks and processes represents a process of identification and determining the priorities of potential operational risks that may prevent the Bank from achieving its business goals. This process is performed on the principle of residual (remaining) risk, i.e. it is focused on the assessment of operational risk exposure and risks for embezzlement after taking into consideration all the internal controls being used.

The Bank uses the Key Risk Indicators (KRI) as a tool for assessing, monitoring and controlling of operational risks, as a preventive mechanism for prevention of losses based on operational risks and as a management mechanism in the adoption of decisions for the improvement of business processes performances and efficiency of controls.

For the purpose of operational risk management, the Operational Risk management department submits adequate reports on the Bank's exposure to the operational risks to the Bank's Executive Board.

The operational risk management framework has been documented in detail and adequately in the approved documents of the Bank and includes the monitoring of operational risks and operational losses. The most important documents that include operating risks management are the risk management strategy, capital management strategy, information system strategy, operational risk management policy, user password policy, policy on the classification and protection of information, policy on the ownership of data, recovery plan, outsourcing policy, and the business plan in the event of unforeseen circumstances.

The Bank defines governance structures for operational risk management, including the reporting lines and responsibilities, establishes a risk reporting system and monitors the inherent and residual risks.

The Bank pays special attention to the assessment and identification of operational risks when introducing new products, activities and processes, as well as to whether the outsourcing of activities to third parties leads to increased operational risk.

The Bank seeks to mitigate the operational risks, among other things by constant identification and monitoring of operational risks, proposing of corrective measures and action plans to eliminate or reduce the risks involved, as well as by forecasting a plan for securing business continuity and recovery plan activities in the event of disaster.

2.5. Compliance risk management

There is an organizational unit within the Bank that is responsible for the compliance control within the Bank. The manager of the organizational unit is appointed and dismissed by the

Bank’s Board of Directors.

The Compliance Department was established within the Bank's by virtue of adoption of the Rulebook on the internal organization of the Bank as of April 6th 2015. At the same time, the Head of compliance department was also appointed, whereby the regulatory requirements set forth in Article 83 of the Law on Banks have been met.

The compliance control function within the Bank is an integral part of the internal controls system within the Bank, aiming to provide continuous monitoring of compliance risk to which the Bank is or may be exposed in its business operations.

In accordance with the Law on Banks, the compliance risk specifically includes the following:
1) Risk of sanctions applied by regulatory bodies,
2) Risk of financial losses, and
3) Reputation risk.

The compliance risk is essentially a regulatory risk, and therefore the assessment of the Bank's exposure to compliance risk is based on an analysis of compliance with the regulatory requirements.

The compliance risk of the Bank is the possibility of occurrence of adverse effects on the financial result and capital of the bank due to the failure to harmonize its operations with the law and other regulations, business standards, ML and TF prevention procedures, as well as other laws regulating banking operations, and in particular includes the risk of regulatory sanctions, risk of financial loss and reputational risk.

2.6. Strategic Risk Management

The strategic risk is the possibility of occurrence of negative effects on the financial result or capital of the bank due to lack of appropriate policies and strategies, and their adequate implementation, as well as due to the changes in the environment in which the bank operates or the lack of appropriate response to these changes by the bank.
The Bank has adopted a set of documents that define the area of the Bank's strategy, the most important being the Strategy, Corporate policy of the Bank, the Bank's risk management strategy, Capital management strategy and the information system development strategy.

2.7. Liquidity risk management

The liquidity risk is the possibility of occurrence of negative effects on financial result and the capital of the bank due to incapability of the Bank to fulfil its matured obligations due to:

- Withdrawing of the existing sources of finance, i.e. inability to obtain new sources of finance
- Difficult conversion of property into liquid assets due to disturbances on the market

Responsibilities for Liquidity risk management within the Bank have been precisely defined in the policy. The Risk Management Department monitors the exposure to liquidity risk on a daily basis and presents it to the ALCO Committee at the regular monthly session, and more often if necessary. The Asset-Liability Committee (ALCO committee) is responsible for monitoring the Bank's exposure to liquidity risk, as well as the decision-making process and implementation of measures aimed at reducing the exposure to the said risk. Apart from the Bank's management, the ALCO Committee is attended by the Risk Management department and the Treasury Department, as well as the Corporate Banking Department. In this way, different participants share relevant information that may be important when considering the Bank's risk exposure, as well as when making decisions related to the liquidity risk management within the Bank. The Executive Board regularly informs the Board of Directors on all the elements significant for the management of the Bank's liquidity risk.

While reporting on the liquidity risk, the movement and tendencies of the daily liquidity indicators and narrow liquidity indicators are being monitored on the monthly basis. The maximum value of the daily liquidity indicator during 2015 amounted to 1787.54; the average value amounted to 347.16; the minimum value amounted to 20.39. The liquidity ratio amounted to 62.41 as at December 31st 2015. The maximum value of the narrow liquidity indicator during 2015 amounted to 1787.54; the average value amounted to 344.43; a minimum value amounted to 16.99. The narrow liquidity ratio amounted to 62.41 as at December 31st 2015. In addition to the said liquidity indicator monitoring, a part of the regular set of reports on liquidity consists of the analysis of Bank's liquidity gaps, as well as of additional analyses and reports that are made when necessary, with the aim to contribute to the adequate liquidity management process.

Given the current level of development of the Bank, it can be said that it is not significantly exposed to liquidity risk, taking into account that the funding during 2015 was performed from the funds of the Shareholders. Therefore, there was no need to apply certain advanced risk mitigation techniques. As the Bank continues to develop, and in accordance with the level of development, the risk mitigation techniques would be applied accordingly.

mirabank

3. BANK'S CAPITAL MANAGEMENT

3.1. BANK'S CAPITAL

The total capital of the Bank consists of the **core and supplementary capital**.
The core capital of the Bank consists of: *the nominal value of paid-in shares* (excluding the cumulative preference shares) in the amount of RSD 1,790,700 thousand, reduced by: *the loss of the current year* in the amount of RSD 261,158 thousand, *intangible assets* in the amount of RSD 217,825 thousand and *required provisions from profit for estimated losses* on balance sheet assets and off-balance sheet items of the bank in the amount of RSD 24,772 thousand.

Supplementary capital consists of subordinated liabilities of the Bank in the amount of RSD 608,130 thousand.

The following **Table 1** shows the structure of Bank's capital as at December 31st 2015.

Table 1 **PI-KAP**

Data on bank's capital position

(In RSD thousand)

Item no.	Position title	Amount
I	TOTAL CORE CAPITAL	2,294,455
1.	CORE CAPITAL BEFORE DEDUCTIONS	1,790,700
1.1.	Per value of paid-in shares, except cumulative preferential shares	1,790,700
1.2.	Share premium	-
1.3.	Reserves from profit	-
1.4.	Retained earnings from previous years	-
1.5.	Profit from the current year	-
1.6.	Minority participations in the subordinate companies	-
1.7.	Other positive consolidated reserves	-
2.	DEDUCTIBLES FROM CORE CAPITAL	503,755
2.1.	Losses from previous years	-
2.2.	Loss of the current year	261,158
2.3.	Intangible assets	217,825
2.4.	Acquired own shares, except cumulative preferential shares	-
2.5.	Amount of shares received in pledge, except cumulative preferential shares	-
2.6.	Regulatory value adjustments:	24,772
2.6.1.	Unrealised losses on securities available for sale	-
2.6.2.	Other net negative revaluation reserves	-
2.6.3.	Gains on bank liabilities measured at fair value due to the change in bank's credit rating	-
2.6.4.	Required reserve from profit for estimated losses on balance-sheet assets and off-balance sheet items of the bank	24,772
2.7.	Other negative consolidated reserves	-
II	TOTAL SUPPLEMENTARY CAPITAL	608,130
1.	SUPPLEMENTARY CAPITAL BEFORE DEDUCTIONS	608,130
1.1.	Par value of paid in cumulative preferential shares	-
1.2.	Share premium on cumulative preferential shares	-
1.3.	Part of revaluation reserves of the bank	-
1.4.	Hybrid instruments	-
1.5.	Subordinated liabilities	608,130
1.6.	Overallocation of impairment allowances, provisions and required reserves from profit relative to expected losses	-
2.	DEDUCTIBLES FROM THE SUPPLEMENTARY CAPITAL	-
2.1.	Acquired own cumulative preferential shares	-
2.2.	Receivables in respect of balance-sheet assets and off-balance sheet items of the bank secured by a hybrid instrument or subordinated liability	-
2.3.	Amount of cumulative preferential shares received in pledge	-
2.4.	Amount of capital in excess of limitations on supplementary capital	-

Table 1 (continued)

III	**TOTAL CAPITAL**	**1,895,075**
1.	**TOTAL CAPITAL BEFORE DEDUCTIONS**	**1,895,075**
2.	**DEDUCTIBLES FROM CAPITAL**	-
	Of which reduction in core capital	-
	Of which reduction in supplementary capital	-
2.1.	**Direct or indirect investment in banks and other financial sector persons that exceed 10% of the capital of such banks and/or other financial sector persons**	-
2.2.	**Investment in hybrid instruments and subordinated liabilities of other banks and financial sector entities in which the bank has direct or indirect investment that exceeds 10% of the capital of such entities**	-
2.3.	**The total amount of direct and indirect investments in banks and other financial sector entities in the amount of up to 10% of their capital, as well as investment in their hybrid instruments and subordinated liabilities that exceeds 10% of the sum of core and supplementary capital of the bank for which the capital is being calculated**	-
2.4.	**The amount by which qualified participation in non-financial sector entities has been exceeded**	-
2.5.	**Underallocation of impairment allowances, provisions and required reserves from profit relative to expected losses**	-
2.6.	**The amount of exposure to free deliveries if the counterparty failed to fulfil its obligation within four working days**	-
2.7.	**Receivables from and potential liabilities toward persons related to a bank or employees in the bank which the bank has negotiated under the terms that are more favourable than the terms negotiated with other parties**	-
IV	**NOTES**	
	Positive/negative difference between total impairment allowances for balance sheet assets, provisions for losses on off-balance sheet items and required reserves from profit on the one hand, and total estimated losses under IRB approach on the other	-
	Amount of impairment allowances, provisions and required reserves from bank's profit	-
	Of which on a group basis	-
	Of which on an individual basis	-
	Amount of expected losses under IRB approach	-
	Gross amount of subordinated liabilities	**608,130**

The following **Table 2** shows the basic features of all the elements being included in the calculation of Bank’s capital as at December 31st 2015.

Table 2 **PI–FIKAP**

Data on main features of financial instruments included in calculation of bank's capital

Item no.	Instrument features	Description
1.	Issuer	Duingraaf Financial Investments B.V., Kabelweg 37, 1014BA Amsterdam, the Netherlands
2.	Treatment as per legislation	
2.1.	Treatment as per the Decision on capital adequacy of Banks	Core capital instrument
2.2.	Individual/group/individual and group level of inclusion of instrument in capital at a group level	-
2.3.	Type of instrument	Ordinary shares
3.	Amount recognised for the purpose of calculating regulatory capital (in RSD thousand, as at the last reporting date)	The amount recognised for regulatory purposes does not differ from the one obtained at the issuance of instrument
4.	Nominal value of instrument	Total nominal value of shares amounts to RSD 1,790,700,000 (1,790,700 * 1,000=RSD 1,790,700,000)
5.	Accounting classification	Share capital
6.	Date of initial issuance	The founding capital of the Bank amounted to EUR 15,000,000 in dinar equivalent, where the conversion of capital was performed on April 6th 2015 when an account of the Bank was opened with the National Bank of Serbia.
7.	Instrument with or with no maturity date	No maturity date
7.1.	Original maturity	-
8.	With or with no issuer call option	No
8.1.	First date of call option activation	-
8.2.	Subsequent dates of call option activation (if applicable)	-
9.	*Coupons/dividends*	-
9.1.	Fixed or variable dividends/coupons	-
9.2.	Full, partial or no discretion regarding the time of payment of dividends/coupons	-
9.3.	Full, partial or no discretion regarding the amount of dividends/coupons	-
9.4.	Step up option	-
9.5.	Non-cumulative or cumulative dividends/coupons	-
10.	Convertible or non-convertible instrument	Non-convertible
10.1.	If convertible, terms under which conversion may take place	-
10.2.	If it is convertible, specify if it is partially or fully convertible	-
10.3.	If it is convertible, rate of conversion	-
10.4.	If it is convertible, mandatory or voluntary conversion	-
10.5.	If it is convertible, specify instrument to which it is converted	-
10.6.	If it is convertible, the issuer of the instrument to which it is converted	-
11.	Write-off option	No
11.1.	If there is write-off option, specify terms under which the write-off may take place	-
11.2.	If there is write-off option, specify if partial or full	-
11.3.	If there is write-off option, specify if temporary or permanent write-off	-
11.4.	If the write-off is temporary, specify terms of re-recognition	-
12.	Type of an instrument which will be paid off directly before the said instrument during liquidation	-

The following **Table 3a** provides data and information about matching the Bank's capital positions from the balance sheet with the Bank's capital positions from the report on capital drawn up in accordance with the decision on reporting on Bank's capital adequacy as at December 31st 2015.

PI–UPK

Table 3a

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

2. Breakdown of elements in the balance sheet

Item designation	Position title	Balance sheet	References
A	**ASSETS**		
A.I	Cash and assets with the central bank	1,147,386	
A.II	Pledged financial assets	-	
A.III	Financial assets recognised at fair value through income statement and held for trading	-	
A.IV	Financial assets initially recognised at fair value through income statement	-	
A.V	Financial assets available for sale	-	
A.VI	Financial assets held to maturity	-	
A.VII	Loans and receivables from banks and other financial organisations	201,783	
A.VIII	Loans and receivables from clients	510,161	
A.IX	Change in fair value of hedged items	-	
A.X	Receivables arising from hedging derivatives	-	
A.XI	Investments in associated companies and joint ventures	-	
	Of which direct or indirect investments in banks and other financial sector persons	-	u
A.XII	Investments into subsidiaries	-	
	Of which direct or indirect investments in banks and other financial sector persons	-	f
A.XIII	Intangible assets	217,825	i
A.XIV	Property, plant and equipment	163,370	
A.XV	Investment property	-	
A.XVI	Current tax assets	-	
A.XVII	Deferred tax assets	-	
A.XVIII	Non-current assets held for sale and discontinued operations	-	
A.XIX	Other assets	8,202	
	Of which direct or indirect investments in banks and other financial sector persons that exceed 10% of the capital of such banks i.e. such persons	-	h
A.XX	**TOTAL ASSETS (EDP items from 0001 to 0019 in the consolidated balance sheet)**	**2,248,727**	
P	**LIABILITIES**		
PO	**LIABILITIES**		
PO.I	Financial liabilities recognised at fair value through income statement and held for trading	-	
PO.II	Financial liabilities initially recognised at fair value through income statement	-	
PO.III	Liabilities arising from hedging derivatives	-	
PO.IV	Deposits and other liabilities to banks, other financial organisations and central bank	82	
PO.V	Deposits and other liabilities to other clients	76,939	
PO.VI	Change in fair value of hedged items	-	
PO.VII	Own securities issued and other borrowings	-	
	Of which liabilities arising from hybrid instruments	-	r
PO.VIII	Subordinated liabilities	608,130	
	Of which subordinated liabilities included in bank's supplementary capital	608,130	s
PO.IX	Provisions	2,892	
PO.X	Liabilities under assets held for sale and discontinued operations	-	
PO.XI	Current tax liabilities	-	
PO.XII	Deferred tax liabilities	11,910	
PO.XIII	Other liabilities	19,232	
PO.XIV	**TOTAL LIABILITIES (EDP items from 0401 to 0413 in the consolidated balance sheet)**	**719,185**	

Table 3a (continued)

	CAPITAL		
PO.XV	Share capital	1,790,700	
	Of which nominal value of paid-in shares, except cumulative preferential shares	1,790,700	a
	Of which share premium on share capital, except cumulative preferential shares	-	b
	Of which nominal value of cumulative preferential shares	-	nj
	Of which share premium on cumulative preferential shares	-	o
PO.XVI	Own shares	-	
	Of which acquired own shares, except cumulative preferential shares	-	j
	Of which acquired own cumulative preferential shares	-	t
PO.XVII	Profit	-	
	Of which retained earnings from previous years	-	g
	Of which profit of the current year	-	d
PO.XVIII	Loss	261,158	
	Of which losses from previous years	-	ž
	Of which losses from the current year	261,158	z
PO.XIX	Reserves	-	
	Of which reserves from profit which represent element of core capital	-	v
	Of which other positive consolidated reserves	-	e
	Of which other negative consolidated reserves	-	n
	Of which other net negative revaluation reserves	-	lj
	Of which gains on bank liabilities measured at fair value due to the change in bank's credit rating	-	m
	Of which positive revaluation reserves created on the basis of effects of changes in fair value of fixed assets, securities and other assets which are, in accordance with IFRS/IAS, credited to these reserves	-	p
PO.XX	Unrealized losses	-	
	Of which unrealised losses on securities available for sale	-	l
PO.XXI	Non-controlling participation	-	
	Of which minority participation in subordinated companies	-	đ
PO.XXII	**TOTAL CAPITAL** **(the result of adding, i.e. subtracting the following consolidated balance sheet items: 0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) ≥ 0**	1,529,542	
PO.XXIII	**TOTAL CAPITAL SHORTFALL** **(the result of adding, i.e. subtracting the following consolidated balance sheet items: 0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) < 0**	-	
PO.XXIV	**TOTAL LIABILITIES** **(the result of adding, i.e. subtracting the following consolidated balance sheet items: 0414 + 0422 - 0423)**	**2,248,727**	
V.P.	**OFF-BALANCE SHEET ITEMS**		
V.P.A.	Off-balance sheet assets	258,977	
	Of which amount of shares received in pledge, except cumulative preferential shares	-	k
	Of which amount of cumulative preferential shares received in pledge	-	ć
V.P.P.	Off-balance sheet liabilities	258,977	

Table 3b

3. Matching the items in the decomposed balance sheet and items in PI–KAP Form

Item no.	Position title	Amount	Data source in accordance with references from step 2
I	**TOTAL CORE CAPITAL**	**1,286,945**	
1.	**CORE CAPITAL BEFORE DEDUCTIONS**	**1,790,700**	
1.1.	**Per value of paid-in shares, except cumulative preferential shares**	1,790,700	**a**
1.2.	**Share premium**	-	**b**
1.3.	**Reserves from profit**	-	**v**
1.4.	**Retained earnings from previous years**	-	**g**
1.5.	**Profit from the current year**	-	**d**
1.6.	**Minority participations in the subordinate companies**	-	**đ**
1.7.	**Other positive consolidated reserves**	-	e
2.	**DEDUCTIBLES FROM CORE CAPITAL**	**503,755**	
2.1.	**Losses from previous years**	-	**ž**
2.2.	**Loss of the current year**	261,158	**z**
2.3.	**Intangible assets**	217,825	**i**
2.4.	**Acquired own shares, except cumulative preferential shares**	-	**j**
2.5.	**Amount of shares received in pledge, except cumulative preferential shares**	-	**k**
2.6.	**Regulatory value adjustments:**	**24,772**	
2.6.1.	Unrealised losses on securities available for sale	-	**l**
2.6.2.	Other net negative revaluation reserves	-	**lj**
2.6.3.	Gains on bank liabilities measured at fair value due to the change in bank's credit rating	-	m
2.6.4.	Required reserve from profit for estimated losses on balance-sheet assets and off-balance sheet items of the bank	24,772	
2.7.	**Other negative consolidated reserves**	-	**n**
II	**TOTAL SUPPLEMENTARY CAPITAL**	**608,130**	
1.	**SUPPLEMENTARY CAPITAL BEFORE DEDUCTIONS**	**608,130**	
1.1.	**Par value of paid in cumulative preferential shares**	-	nj
1.2.	**Share premium on cumulative preferential shares**	-	**o**
1.3.	**Part of revaluation reserves of the bank**	-	**p**
1.4.	**Hybrid instruments**	-	**r**
1.5.	**Subordinated liabilities**	608,130	**s**
1.6.	**Overallocation of impairment allowances, provisions and required reserves from profit relative to expected losses**	-	
2.	**DEDUCTIBLES FROM THE SUPPLEMENTARY CAPITAL**	**-**	
2.1.	**Acquired own cumulative preferential shares**	-	t
2.2.	**Receivables in respect of balance-sheet assets and off-balance sheet items of the bank secured by a hybrid instrument or subordinated liability**	-	
2.3.	**Amount of cumulative preferential shares received in pledge**	-	**ć**
2.4.	**Amount of capital in excess of limitations on supplementary capital**	-	

Table 3b (continued)

III	**TOTAL CAPITAL**	**1,895,175**	
1.	**TOTAL CAPITAL BEFORE DEDUCTIONS**	1,895,075	
2.	**DEDUCTIBLES FROM CAPITAL**	-	
	Of which reduction in core capital	-	
	Of which reduction in supplementary capital	-	
2.1.	**Direct or indirect investment in banks and other financial sector persons that exceed 10% of the capital of such banks and/or such persons**	**-**	**(u+f+h)**
2.2.	**Investment in hybrid instruments and subordinated liabilities of other banks and financial sector entities in which the bank has direct or indirect investment that exceeds 10% of the capital of such entities**	-	
2.3.	**The total amount of direct and indirect investments in banks and other financial sector entities in the amount of up to 10% of their capital, as well as investment in their hybrid instruments and subordinated liabilities that exceeds 10% of the sum of core and supplementary capital of the bank for which the capital is being calculated**	-	
2.4.	**The amount by which qualified participation in non-financial sector entities has been exceeded**	-	
2.5.	**Underallocation of impairment allowances, provisions and required reserves from profit relative to expected losses**	-	
2.6.	**The amount of exposure to free deliveries if the counterparty failed to fulfil its obligation within four working days**	-	
2.7.	**Receivables and potential liabilities toward persons related to a bank or employees in the bank which the bank has negotiated under the terms that are more favourable than the terms negotiated with other parties**	-	
IV	**NOTES**	-	
	Positive/negative difference between total impairment allowances for balance sheet assets, provisions for losses on off-balance sheet items and required reserves from profit on the one hand, and total estimated losses under IRB approach on the other	-	
	Amount of impairment allowances, provisions and required reserves from bank's profit	-	
	Of which on a group basis	-	
	Of which on an individual basis	-	
	Amount of expected losses under IRB approach	-	
	Gross amount of subordinated liabilities	608,130	

4. CAPITAL REQUIREMENTS AND INTERNAL CAPITAL ADEQUACY ASSESSMENT

4.1. Regulatory capital requirements

In accordance with the Decision on capital adequacy, the Bank calculates the minimal capital requirements for the following risks:

- interest rate risk - by applying the standardized approach;
- foreign exchange risk - by applying the standardized approach;
- Operational risk - by applying the basic indicator approach;

and maintains the capital adequacy in accordance with the regulatory requirements at the level above 12%.

The following Table 4 shows the data on total capital requirements and capital adequacy ratio of the Bank as at December 31st 2015

Table 4 **PI–AKB**

Data on total capital requirements and capital adequacy ratio

(In RSD thousand)

Item no.	Name	Amount	Coverage by core capital	Coverage by supplementary capital
		1	2	3
1.	TOTAL CORE CAPITAL	1,286,945		
2.	TOTAL SUPPLEMENTARY CAPITAL	608,130		
II	CAPITAL REQUIREMENTS	102,060		
1.	CAPITAL REQUIREMENT FOR THE CREDIT RISK, COUNTERPARTY RISK AND SETTLEMENT/DELIVERY RISK ON THE BASIS OF FREE DELIVERIES	99,811	99,811	-
1.1.	Standardised approach (SA)	831,759		
1.1.1.	Exposures to governments and central banks	-		
1.1.2.	Exposures to territorial autonomies and local self-government units	-		
1.1.3.	Exposures to public administrative bodies	-		
1.1.4.	Exposures to multilateral development banks	-		
1.1.5.	Exposures to international organisations	-		
1.1.6.	Exposures to banks	39,384		
1.1.7.	Exposures to corporates	713,819		
1.1.8.	Retail exposures	-		
1.1.9.	Exposures secured on real estate collateral	-		
1.1.10.	Past due items	-		
1.1.11.	High-risk exposures	-		
1.1.12.	Exposures in the form of covered bonds	-		
1.1.13.	Exposures in the form of open-end investment funds	-		
1.1.14.	Other exposures	78,556		
1.2.	Internal Ratings Based Approach (IRB)	-		
1.2.1.	Exposures to governments and central banks	-		
1.2.2.	Exposures to banks	-		
1.2.3.	Exposures to corporates	-		
1.2.4.	Retail exposures	-		
1.2.4.1.	Retail exposures secured by real estate collateral	-		
1.2.4.2.	Qualifying revolving retail exposures	-		
1.2.4.3.	Other retail exposures	-		
1.2.5.	Equity exposures	-		
1.2.5.1.	Applied approach:	-		
1.2.5.1.1.	Simple Risk Weight Approach	-		
1.2.5.1.2.	PD/LGD approach	-		
1.2.5.1.3.	Internal models approach	-		
1.2.5.2.	Types of equity exposures	-		
1.2.5.2.1.	Exchange traded equity exposures	-		
1.2.5.2.2.	Non-exchange traded equity exposures in sufficiently diversified portfolios	-		
1.2.5.2.3.	Other equity exposures	-		
1.2.5.2.4.	Equity exposures to which a bank applied Standardised Approach to credit risk	-		
1.2.6.	Exposures to other assets	-		
2	CAPITAL REQUIREMENT FOR THE SETTLEMENT/DELIVERY RISK BASED ON UNSETTLED TRANSACTIONS	-	-	-

Table 4 (continued)

3	CAPITAL REQUIREMENT FOR MARKET RISKS	-	-	-
3.1.	Capital requirements for price, foreign exchange and commodity risks calculated under standardised approaches	-	-	-
3.1.1.	Capital requirements for price risk arising from debt securities	-	-	-
3.1.2.	Capital requirements for price risk arising from equity securities	-	-	-
3.1.3.	Capital requirement for foreign exchange risk	-	-	-
3.1.4.	Capital requirements for commodity risk	-	-	-
3.2.	Capital requirements for price, foreign exchange and commodity risks calculated under the Internal Models Approach	-	-	-
4	CAPITAL REQUIREMENT FOR OPERATIONAL RISKS	2,249	2,249	-
4.1.	Capital requirements for operational risk calculated under the Basic Indicator Approach	2,249	2,249	-
4.2.	Capital requirements for operational risk calculated under the Standardised Approach	-	-	-
4.3.	Capital requirements for operational risk calculated under the Advanced Approach	-	-	-
5	COVERAGE OF CAPITAL REQUIREMENTS	102,060	102,060	-
III	CAPITAL ADEQUACY RATIO (%)	222.82%		

4.2. Internal capital adequacy assessment

The Bank conducts a process of internal capital adequacy assessment, which includes the following phases:

1) identification of materially significant risks;
2) The calculation of internal capital requirements for individual risks;
3) Determination of total internal capital requirements;
4) Stress-tests for internal capital requirements and effect on the internal capital adequacy assessment;
5) The comparison of the following elements:
    - the capital calculated in accordance with the decision of the NBS that regulates the adequacy of bank's capital and the available internal capital,
    - the minimum capital requirements calculated in accordance with the decision of the NBS that regulates the adequacy of bank's capital and internal capital requirements for individual risks,
    - The sum of the minimum capital requirements calculated in accordance with the decision of the NBS which regulates the adequacy of bank's capital and the total internal capital requirements.

When determining the materially significant risks to which the Bank is exposed to and which are involved in the process of internal capital adequacy assessment, the type, scope and complexity of the business are taken into account, as well as specific characteristics of the market in which the Bank operates. Assessment is being made against the risks for which the capital requirements are being calculated in accordance with the decision of the NBS that regulates the adequacy of capital, as well as risks that are not fully or at all covered by the above mentioned decision.

The risk management department, as well as other organizational units involved in the process of internal capital adequacy assessment process, shall regularly, but at least once a year, check and review the methodology for internal capital adequacy assessment process, and if necessary, propose the necessary changes and make adequate adjustments to the process.

In addition to regular annual audit process, the Bank examines and adjusts the process whenever it is exposed to new risks and significant changes, both in its strategic goals and operational plans, as well as in its external environment.

Results of the internal capital adequacy assessment process

Based on the ICAAP risk assessment, the following risks are recognized as materially significant risks that have been quantified, and for which the internal capital requirements have been calculated:

- Operational risk
- Credit risk
- Concentration risk

The materially significant risks that cannot be precisely quantified, but for which internal capital requirements have been calculated:

- Strategic risk
- Compliance risk
- Prevention of money laundering and terrorist financing
- Information system risk

Total internal capital requirements

The following Table 5 shows the amounts of calculated internal capital requirements of the Bank as at December 31st 2015.

Table 5 - Presentation of internal capital requirements

in RSD thousand

Type of risk	Internal capital requirements
Credit risk	99,810.96
Operational risk	5,253.20
Concentration risk	19,962.00
Strategic risk	1,595.90
Compliance risk	27,119.63
Information system risk	2,203.70
Total:	**155,945.39**

5. RISK EXPOSURE

5.1. Credit Risk

Data on exposures per exposure classes as at December 31st 2015:

Table 6: The amount of exposure per classes prior to mitigation technique

in RSD thousand

CLASS	Risky balance sheet assets	Risky off-balance items	Off-balance sheet items in respect of which no payments can be made
Governments and central banks	1,065,278	-	47
Territorial autonomies and local self-government units	-	-	-
Public administrative bodies	-	-	-
International development banks	-	-	-
International organizations	-	-	-
Banks	196,919	-	-
Companies	591,053	149,742	-
Private individuals	-	-	-
High-risk exposures	-	-	-
Covered bonds	-	-	-
Investments in open-end investment funds	-	-	-
Other exposures	160,662	-	101,406
Total	**2,013,912**	**149,742**	**101,453**

5.1.1. Geographic distribution of exposure based on asset classes

The following tables represent the summary of credit risk exposure per geographical distribution by classes of exposure as at December 31st 2015:

Table 7 - Exposures to governments and central banks

in RSD thousand

CLASS	Risky balance sheet assets	Risky off-balance items	Off-balance sheet items in respect of which no payments can be made
Serbia	1,065,278	-	47
Total	**1,065,278**	**-**	**47**

Table 8 - Exposures to banks

in RSD thousand

CLASS	Risky balance sheet assets	Risky off-balance items	Off-balance sheet items in respect of which no payments can be made
Luxemburg	196,919	-	-
Total	**196,919**	**-**	**-**

Table 9 - Exposures to corporates

in RSD thousand

CLASS	Risky balance sheet assets	Risky off-balance items	Off-balance sheet items in respect of which no payments can be made
Vojvodina	133,320	-	-
Belgrade	305,967	149,742	-
Šumadija and Western Serbia	274	-	-
Southern and Eastern Serbia	151,492	-	-
Kosovo and Metohija	-	-	-
Total	**591,053**	**149,742**	**-**

Table 10 - Other exposures

in RSD thousand

CLASS	Risky balance sheet assets	Risky off-balance items	Off-balance sheet items in respect of which no payments can be made
Vojvodina	-	-	-
Belgrade	160,662	-	101,406
Šumadija and Western Serbia	-	-	-
Southern and Eastern Serbia	-	-	-
Kosovo and Metohija	-	-	-
Total	**160,662**	**-**	**101,406**

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5.1.2. Sectorial distribution of exposure based on asset classes

The sectorial distribution of all exposures per classes of exposure is given in the following tables:

Table 11 - Exposures to banks

in RSD thousand

CLASS	Risky balance sheet assets	Risky off-balance items	Off-balance sheet items in respect of which no payments can be made
Domestic banks and other monetary intermediation	-	-	-
Insurance	-	-	-
Foreign banks	196,919	-	-
Retirement funds	-	-	-
Total	**196,919**	**-**	**-**

Table 12 - Exposures to corporates

in RSD thousand

CLASS	Risky balance sheet assets	Risky off-balance items	Off-balance sheet items in respect of which no payments can be made
Entrepreneurs	-	-	-
Mining, processing industry, water supply and similar activities	185,025	-	-
Power, gas, steam supply and air-conditioning	-	-	-
Transport and warehousing, housing and catering services, information and communication	75,275	32,464	-
Real estate, professional, scientific and technical activities, administrative and support service activities	1,500	-	-
Agriculture, forestry, fishery	151,492	-	-
Building construction	11,842	-	-
Foreign legal persons other than banks	-	-	-
Wholesale and retail trade, repaid of motor vehicles and motorcycles	160,533	117,278	-
Other	5,385	-	-
Total	**591,053**	**149,742**	**-**

5.1.3. Distribution of exposures on the remaining maturity

The following table gives a survey of exposures by residual maturity by classes of exposure as at December 31st 2015:

Table 13 - Exposures according to the remaining maturity

in RSD thousand

CLASS	Risky balance sheet assets	Risky off-balance items	Off-balance sheet items in respect of which no payments can be made
Governments and central banks	**1,065,278**	**-**	**47**
up to 90 days	-	-	-
from 91 to 180 days	-	-	-
from 181 to 365 days	-	-	-
over 365 days	-	-	-
no deadline	1,065,278	-	47
Territorial autonomies and local self-government units	**-**	**-**	**-**
up to 90 days	-	-	-
from 91 to 180 days	-	-	-
from 181 to 365 days	-	-	-
over 365 days	-	-	-
no deadline	-	-	-
Banks	**196,919**	**-**	**-**
up to 90 days	196,919	-	-
from 91 to 180 days	-	-	-
from 181 to 365 days	-	-	-
over 365 days	-	-	-
no deadline	-	-	-
Companies	**591,053**	**149,742**	**-**
up to 90 days	5,082	81,218	-
from 91 to 180 days	-	5,000	-
from 181 to 365 days	146,750	63,524	-
over 365 days	346,439	-	-
no deadline	92,782	-	-
Private individuals	**-**	**-**	**-**
up to 90 days	-	-	-
from 91 to 180 days	-	-	-
from 181 to 365 days	-	-	-
over 365 days	-	-	-
no deadline	-	-	-
Other exposures	**160,662**	**-**	**101,406**
up to 90 days	-	-	-
from 91 to 180 days	-	-	-
from 181 to 365 days	-	-	-
over 365 days	-	-	-
no deadline	160,662	-	101,406
Total	**2,013,912**	**149,742**	**101,453**

5.1.4. Distribution of exposures for which impairment was assessed

Bank's portfolio without the impairment allowances as at December 31st 2015.

5.1.5. Distribution of exposures according to the classification categories

The following tables show the distribution of exposure per classification categories as of December 31st 2015, as well as the required provisions for estimated losses, calculated in accordance with the requirements of the Decision of the NBS on classification of balance sheet assets and off balance sheet items:

Table 14 - Distribution of gross balance sheet exposures according to the classification criteria

in RSD thousand

No.	Receivables	Classification category					Total
		A	B	V	G	D	
1.	Short-term loans	-	149,481	-	-	-	**149,481**
2.	Long-term loans	133,189	154,148	72,551	-	-	**359,888**
3.	Due receivables	-	-	-	-	-	**-**
4.	Interests, Fees and Commissions	3	2	-	-	-	**5**
5.	The participation of the Bank in other legal entities, except the participation that is a deductible item from capital in accordance with the decision on bank capital adequacy	-	-	-	-	-	**-**
6.	Other balance sheet assets being classified	11,362	1,555	22	-	-	**12,939**
I.	**BALANCE SHEET ASSETS BEING CLASSIFIED: BASE FOR CALCULATION OF PROVISIONS FOR ESTIMATED LOSSES**	**144,554**	**305,186**	**72,573**	**-**	**-**	**522,313**
II.	**CALCULATED PROVISIONS FOR ESTIMATED LOSSES**	**-**	**6,104**	**10,886**	**-**	**-**	**16,990**
III.	**ALLOWANCE FOR IMPAIRMENT OF BALANCE SHEET ASSETS**	-	-	-	-	-	**-**
IV.	**REQUIRED PROVISIONS FOR ESTIMATED LOSSES**	-	6,104	10,886	-	-	**16,990**

Table 15 - Distribution of off-balance sheet items according to the classification criteria

in RSD thousand

No.	Receivables	Classification category A	B	V	G	D	Total
1.	Payable guarantees	-	89,000	38,193	-	-	**127,193**
2.	Performance bonds	-	25,331	-	-	-	**25,331**
3.	Undrawn accepted liabilities	-	5,000	-	-	-	**5,000**
I.	**OFF-BALANCE SHEET ITEMS BEING CLASSIFIED**	**-**	**119,331**	**38,193**	**-**	**-**	**157,524**
I.1.	The undrawn amount of framework credit lines and other lending which the bank may cancel unconditionally and without prior notice or for which the contract provides for the bank's right to unilaterally cancel the contract if so provided by the decision regulating the balance sheet assets and off-balance sheet items of the Bank	-	-	-	-	-	**-**
I.2.	80% of the undrawn amount of credit lines and other placements with effective maturity up to one year	-	4,000	-	-	-	**4,000**
I.3.	50% of the undrawn amount of credit lines and other placements with effective maturity over one year	-	-	-	-	-	**-**
I.4.	50% of the value of bid and tender bonds, performance bonds, customs and tax bonds, as well as indemnity bonds	-	12,666	-	-	-	**12,666**
II.	**BASE FOR CALCULATION OF PROVISIONS FOR ESTIMATED LOSSES**	**-**	**102,665**	**38,193**	**-**	**-**	**140,858**
III.	**CALCULATED PROVISIONS FOR ESTIMATED LOSSES**	**-**	**2,053**	**5,729**	**-**	**-**	**7,782**
IV.	**PROVISIONS FOR THE LOSSES ON OFF-BALANCE SHEET ITEMS**	-	-	-	-	-	**-**
V.	**REQUIRED PROVISIONS FOR ESTIMATED LOSSES**	-	2,053	5,729	-	-	**7,782**

TOTAL REQUIRED PROVISIONS FOR ESTIMATED LOSSES	**24,772**

5.1.6. Credit rating and calculation of capital requirements for credit risk

The Bank applies the Standardised Approach to credit risk. The Bank uses credit ratings of the agency Moody's Investor Service Ltd., which received the approval of the National Bank of Serbia for the eligibility of external agency credit rating, in accordance with the Decision on capital adequacy.

5.1.7. Credit risk mitigation techniques

The following table shows the exposures covered by credit risk mitigation instruments, per classes of exposure as at December 31st 2015:

Table 16 - Exposures covered by credit risk mitigation instruments per exposure classes

in RSD thousand

Exposure classes	Founded credit protection		Unfounded credit protection
	the amount of exposure covered by financial assets	The amount of exposure covered by other material protection instruments	
Governments and central banks	-	-	-
Territorial autonomies and local self-government units	-	-	-
Public administrative bodies	-	-	-
International development banks	-	-	-
International organizations	-	-	-
Banks	-	-	-
Companies	10,597	-	-
Private individuals	-	-	-
High-risk exposures	-	-	-
Covered bonds	-	-	-
Investments in open-end investment funds	-	-	-
Other exposures	-	-	-
Total	**10,597**	**-**	**-**

5.2. Counterparty risk

As at December 31st 2015, the Bank has had no exposure to counterparty risk.

5.3. Market risk

In terms of market risks, in its operations, the Bank is currently exposed to interest rate risk and foreign currency risk.

5.3.1. The interest rate risk in the banking book

The interest rate risk is a risk that the changes in the interest rates at the market would have a negative effect on the financial result and the capital of the Bank. The main sources of interest rate risk are the repricing risk and the yield curve risk, basis risk and option risk.

The report on interest rate risk exposure is prepared by the Risk Management Department and it is presented and analysed on a quarterly basis at the ALCO Committee session. In addition, the expected Bank's exposure to interest rate risk is also being analysed during the drafting of a Bank’s business plan.

During the assessment of interest rate risk exposure, the Bank uses the following presumptions:

- All assets and liabilities from the Bank’s balance sheet are classified into specific periods of time depending on the moment of maturity (for items that have a fixed interest rate) or a period of following change in interest rates (for items that have a variable interest rate).

- Depending on the time period it belongs to, a corresponding weighted modified duration applies
- For the euro and other foreign currencies, as an interest rate shock (sudden change in interest rate), 200 BP is applied in accordance with the recommendation of the Basel standards. For the local currency, the Bank applies a more conservative approach during the determination of the interest rate shock.
- The assumption on the movement of non-term deposits is regarded as conservative and as if all non-term deposits become due within one month.
- Taking into account the level of development of the Bank and that the Bank has started operating in the third quarter of 2015, the analysis of risk exposure options, i.e. exposure to risk of premature cancellation of term deposit or loan prepayment has not been considered.

5.3.2. Foreign exchange risk

When it comes to the Bank's foreign exchange position, it is being monitored at the daily level through foreign exchange risk indicators. The foreign exchange risk indicator throughout the year was within the limits defined by the regulator. The Bank has strived to keep the position almost closed, and therefore was not significantly exposed to foreign exchange risk.

5.4. Operational risk

The Bank calculates the capital requirement for operational risks by applying the basic indicator approach.

Table 17 - Capital requirement for operational risks

No.	Description	31.12.2013	31.12.2014	31.12.2015
1	**Net interest income**	**-**	**-**	**8,829**
-	interest income	-	-	9,425
-	interest expenses	-	-	(596)
2	**Income from dividend and shares**	**-**	**-**	**-**
3	**Fees and commissions net income**	**-**	**-**	**294**
-	Incomes from commissions and fees	-	-	1,400
-	Expenses from commissions and fees	-	-	(1,106)
4	**Gains/losses from sale of securities found in the trading book**	**-**	**-**	**-**
5	**Incomes/expenses from the change of value of securities**	**-**	**-**	**-**
6	**Exchange rate differences**	**-**	**-**	**5,870**
-	Foreign exchange gains	-	-	33,370
-	Foreign exchange losses	-	-	(27,499)
7	**Other incomes**	**-**	**-**	**0**
	Risk indicator	-	-	14,993
	Risk indicator * 15%	-	-	2,249
	Capital requirements	**-**	**-**	**2,249**

5.5. Exposure in the form of equity exposures in the banking book

As at December 31st 2015, the Bank has had no equity exposures in the banking book.