HIPOTEKARNA BANKA A.D., PODGORICA

FINANCIAL STATEMENTS
31 DECEMBER 2020

CONTENTS

Društvo za reviziju Crowe MNE d.o.o. Podgorica

Žiro račun: 520-34559-91; **Reg. broj:** 5-0803037/1 **PIB:** 03152324; **PDV:** 30/31-17725-0
Vučedolska 7, 81 000 Podgorica

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Hipotekarna banka AD Podgorica

Opinion

We have audited the accompanying financial statements of Hipotekarna Banka AD, Podgorica (hereinafter: "the Bank"), which comprise the balance sheet as at 31 December 2020, income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other disclosures (hereinafter 'financial statements'.)

In our opinion, the accompanying financial statements present truly and objectively, in all material respects, the Bank's financial position as of December 31, 2020, as well as its operating results and cash flows for the year ended that day, in accordance with the accounting regulations applicable in Montenegro and the regulations of the Central Bank of Montenegro governing the financial reporting of banks.

Basis for opinion

We conducted our audit in accordance with Law on Audit of Montenegro, Law on Accounting of Montenegro and International Standards on Auditing (ISA) applicable in Montenegro. Our responsibilities under these standards are described in more detail in the report section entitled *Auditor's Responsibility for the Audit of Financial Statements.* We are independent of the Bank in accordance with the Code of Ethics for Professional Accountants of the Committee on International Ethics for Accountants (IESBA Code) and the ethical requirements relevant to our audit of financial statements in Montenegro, and 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.

Key Audit Matters

Key audit questions are those matters that, in our professional judgment, were of paramount importance for auditing the financial statements of the current period. We have addressed these issues in the context of our audit of the financial statements as a whole and in forming our opinion on them, and we do not give a separate opinion on these issues.

Key Audit Matters	Appropriate audit procedure
Impairment of given loans and receivables from clients and provisions for off-balance sheet items	
As at December 31 2020 the gross value of given loans and receivables from clients amounted EUR 229.963 thousand (31. December 2019.:EUR 243,316 thousand), while the total amount of impairment of given loans and receivables from clients amounted EUR 14,568 thousand as od December 31 2020. thousand (31. December 2019: EUR 14,404 thousand).	Based on our risk assessment and industry knowledge we examined the cost of impairment of given loans, receivables from clients and provisions for off-balance sheet items and evaluated the applied methodology as well as used assumptions and in accordance with the key audit matter.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key Audit Matters	Appropriate audit procedure
Impairment of given loans and receivables from clients and provisions for off-balance sheet items	
The measurement of the cost of impairment of given loans and receivables from clients and provision for off-balance sheet items is considered key audit matter considering that the determination of the amount of provision for impairment requires the significant assessment by the management to determine the moment when the impairment is recognized as well as the impairment amount. The most significant consideration relate to: • Assumption that are used in the model of expected credit loss for the assessment od credit risk related to exposure and expected credit losses for future cash flow of the client. • Timely identification of the exposure with significant increase of exposure to the credit risk and credit impairment. • Valuation of collateral and assumptions of the future cash flow on individually estimated credit exposures. • the potential impact on these assumptions, the increase in credit risk and impairment, the valuation of collateral and future cash flows as a result of the socio-economic consequences of the COVID 19 crisis including the moratorium and other events. The management disclosed the additional information about the impairment cost of the given loans and receivables from clients for off-balance sheet items in Notes 3.8, 5.2, 7, 17.2 and 23 of the financial statements.	Our audit procedures included: • The assessment of key controls over assumptions which are used in expected credit loss model for the assessment of the credit risk related to exposure and future expected cash flows of the client. • detailed testing of the calculation of risk parameters, based on the official methodology of the Bank, which is the subject of assessment of compliance with accounting requirements. This testing also includes the assessment of model assumptions with special reference to assumptions concerning the impact of the crisis caused by the COVID 19 virus on expected credit losses; • Assessment of key controls over the timely identification of exposure with significant increase of the credit risk and exposure identification of the impairment. • Collection and detailed testing which support the appropriate determination of the impairment cost of the loans and receivables including valuation of collateral and assumptions of future cash flow for individually assessed exposure of the loan impairment. • Assessment of key development of high-risk portfolio from the previous period with regard to industry standards and historical data. • Assessing the adequacy of various identified decisions of the Management regarding to assumptions related to the calculation of expected credit losses for individually assessed loans, as well as decisions on the approach to assessment of expected credit losses for collectively assessed loans, as well as evaluating applied methodologies using our industry knowledge; • assessment of the adequacy of management analysis and correction as a result of the impact of the COVID 19 crisis on all aspects of the assessment of expected credit losses. Impact analysis includes management assessment of different scenario analysis and sensitivity analysis and • Assessment of the accuracy and completeness of disclosure in financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law of Montenegro and other regulations of Central Bank of Montenegro governing the financial reporting of the banks, as well as for those internal controls that management considers it necessary to prepare financial statements that are free from material misstatement, whether due to fraud or error.

When preparing financial statements, management is responsible for assessing the Bank's ability to continue operating in accordance with the going concern principle, disclosing, if necessary, issues relating to going concern principle and applying the principle of going concern as an accounting basis, unless management intends to liquidate The bank either discontinues its business or has no other realistic option other than the above. The persons responsible for management are responsible for managing the financial reporting process that is established by the Bank.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is 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 contains our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law on Audit, Law on Accounting of Montenegro and ISAs applicable in Montenegro will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or as a group, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law on Audit of Montenegro, Law on Accounting in Montenegro and ISAs applicable in Montenegro, we apply professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or avoiding 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 Company's internal control.
- Evaluate the applied accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Banks's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the basic transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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. We also provide those charged for managing with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be expected to affect on our independence, and where applicable, related protection measures.

From the matters communicated with those charged with managing, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation excludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be included in our report because it is reasonable to expect the adverse consequences to be greater than benefits of such communication.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on other legal and law requirements

Management of the Bank is responsible for the preparation and presentation of the Annual Management Report.

Our opinion on financial statements does not include the Annual Management Report and except to that extent that is explicitly stated in our report we do not express any form of conclusion with the expression of an assurance about them.

In connection with our audit of the financial statements, our responsibility is to read the Annual Management Report and, in doing so, consider whether the Annual Management Report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

In accordance with the requirements of the Law on Accounting in Montenegro we considered whether the Annual Management Report has been prepared in accordance with the requirements of Articles 11, 12, 13 and 14 of that Law.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and the procedure above, in our opinion:

- the information given in the Annual Management Report for the financial year for which the financial statements are prepared, is consistent with the financial statements;
- the Annual Management Report has been prepared in accordance with the requirements of Articles 11, 12, 13 and 14 of the Law on Accounting in Montenegro.

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are also required to report if we have identified material misstatements in the Annual Management Report. We have nothing to report in this respect.

The auditing partner on the basis of which this independent auditor's report was prepared is Pero Đuričković.

Crowe MNE d.o.o. Podgorica
May 20, 2021

DRUŠTVO ZA REVIZIJU "CROWE MNE" PODGORICA

Pero Đuričković, Certified Auditor

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INCOME STATEMENT
For the period from January 1 to December 31, 2020

(in thousand EUR)

	Notes	2020	2019
Interest income and similar income	3.1, 6	18,239	19,741
Interest expenses and similar expenses	3.1, 6	(3,200)	(3,091)
NET INTEREST INCOME		**15,039**	**16,650**
Fee income	3.2, 9	12,821	16,989
Fee expenses	3.2, 9	(7,893)	(10,775)
NET FEE INCOME		**4,928**	**6,214**
Net profit/loss from derecognition of financial instruments not measured at fair value through income statement.		212	150
Net profit/loss based on financial instruments held for trade		153	-
Net foreign exchange gains		461	788
Net profit/(loss) based on derecognition of other assets		152	311
Other income	13	645	246
Staff costs	10	(5,551)	(5,486)
Depreciation/amortization cost	12	(2,542)	(1,077)
General and administrative costs	11	(6,069)	(7,802)
Net income/(expenses) based on impairment of financial instruments not valued at fair value through income statement	3.14, 7	(3,518)	(3,723)
Provision cost	3.14, 8	(6)	(96)
Other expenses	14	(70)	(786)
OPERATING PROFIT		**3,834**	**5,389**
Income tax	3.6, 15	(346)	(526)
NETO PROFIT		**3,488**	**4,863**
Earnings per share	32	111,42	155,34

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

These financial statements are approved on behalf of Board of Directors of Hipotekarna banka A.D., Podgorica, as at February 1, 2021. In Podgorica..

Signed and approved on behalf of Hipotekarne banke A.D., Podgorica:

Esad Zaimović
Chief executive officer

Ana Golubović
Executive Director for Corporate

Jelena Vuletić
Executive Director for Risks

Nikola Špadijer
Executive director for retail

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STATEMENT OF OTHER COMPREHENSIVE INCOME
For the period from January 1 to December 31, 2020

	Notes	2020	2019
		(In thousand EUR)	
Net profit		**3,488**	**4,863**
Other comprehensive income			
The effects of changes in the value of securities measured at fair value through other comprehensive income		(2.051)	1,625
Income tax based on the item of other comprehensive income		186	(166)
Total other result for current year		**(1,865)**	**1,459**
TOTAL OTHER RESULT		**1,623**	**6,322**

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BALANCE SHEET
As of December 31, 2020

(In thousand EUR)

	Notes	December 31, 2020	December 31, 2019
ASSETS			
Cash and deposit accounts held with Central Banks	3.7, 16	**163,390**	**137,133**
Financial assets at amortized cost		**240,348**	**251,741**
Loans and receivables from banks	3.8.3, 17.1	22,060	20,864
Loans and receivables from clients	3.8.3, 17.2	215,395	228,912
Securities	17.3	1,107	-
Other financial receivables		1,786	1,965
Financial assets at fair value through other comprehensive income		**128,150**	**134,758**
Securities	18.1	128,150	134,758
Investments in associates and joint ventures at equity method		-	**5**
Property, Plants and Equipment	3.10, 19	**6,214**	**2,352**
Intangible assets	3.10, 20	**2,019**	**2,037**
Deferred tax assets	15c	**27**	**24**
Other assets	21	**2,433**	**2,428**
TOTAL ASSETS		**542,581**	**530,478**
LIABILITIES			
Financial liabilities at amortized cost		**451,662**	**443,122**
Deposits due to banks and Central banks	22.1	1,214	1,148
Deposits due to clients	22.2	428,346	419,592
Borrowings from clients which are not banks	22.3	22,048	22,335
Other financial liabilities		54	47
Reserves	23	**1,453**	**1,535**
Current tax liabilities		**342**	**514**
Deferred tax liabilities	15c	**23**	**209**
Other liabilities	24	**13,301**	**11,148**
Subordinated debt	26	**22,256**	**22,050**
TOTAL LIABILITIES		**489,037**	**478,578**
EQUITY			
Share equity	25	16,006	16,006
Share issue premium		7,444	7,444
Retained earnings		25,425	20,541
Current year Profit/(Loss)		3,488	4,863
Other reserves		1,181	3,046
TOTAL EQUITY		**53,544**	**51,900**
TOTAL EQUITY AND LIABILITIES		**542,581**	**530,478**
OFF – BALANCE SHEET	28	**753,678**	**766,334**

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STATEMENT OF CHANGES IN EQUITY
For the period from January 1 to December 31, 2020

In thousand EUR	Share capital	Share issue premium	Profit of the year	Other reserves	Total
Balance as of January 1, 2019	**16,006**	**7,444**	**20,545**	**1,587**	**45,582**
Effect on the fair value of financial assets through other comprehensive income	-	-	-	1,459	**1,459**
Other effects of securities on equity	-	-	(4)	-	**(4)**
Profit of the current year	-	-	4,863	-	**4,863**
Balance as at 31 December 2019	**16,006**	**7,444**	**25,404**	**3,046**	**51,900**
					-
Balance as of January 1, 2020	**16,006**	**7,444**	**25,404**	**3,046**	**51,900**
Effect on the fair value of financial assets through other comprehensive income	-	-	-	(1,865)	(1,865)
Other impact of securities to the Equity	-	-	21	-	**21**
Profit of the current year	-	-	3,488	-	**3,488**
Balance as at 31 December	**16,006**	**7,444**	**28,913**	**1,181**	**53,544**

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STATEMENT OF CASH FLOWS
In the period from 1 January to 31 December 2020
(In thousand EUR)

DESCRIPTION	Notes	2020	2019
Cash flows from operating activities			
Inflows from interest and similar income		18,363	19,829
Outflows from interest and similar expense		(3,240)	(2,993)
Inflows from fees and commissions		12,821	16,988
Outflows from fees and commissions		(7,893)	(10,775)
Outflows based on earnings of the employees and costs for suppliers		(21,909)	(22,664)
Increase/decrease of the loans and other assets		13,568	(52)
Inflow/outflow based on deposits and other liabilities		8,550	18,995
Paid tax		(1,037)	(1,052)
Other income		(20,950)	(46,039)
Net cash inflow / outflow from operating activities		**(1,727)**	**(27,763)**
Cash flows from investing activities			
Purchase of property and equipment		(573)	(1,176)
Purchase of intangible assets		(475)	(768)
Treasury bills		30,104	35,616
Income from sale of tangible and fixed assets		87	26
Net cash inflow / outflow from investing activities		**29,143**	**33,698**
Cash flows from financing activities			
Increase in borrowings		(283)	(2,887)
Net cash (outflow)/inflow from financing activities		**(283)**	**(2,887)**
Effects of foreign exchange in cash and cash equivalents		461	788
Net (decrease)/increase in cash and cash equivalents		**27,594**	**3,836**
Cash and cash equivalents, beginning of year		**153,005**	**149,169**
Cash and cash equivalents, end of year	29	**180,599**	**153,005**

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1. BANK'S FOUNDATION AND ACTIVITY

Hipotekarna banka AD, Podgorica (hereinafter: the "Bank") was registered in 1991 as a shareholding company with the Central Registry of the Commercial Court under reg. number 4-0004632. The Bank is included in the Register of Security Issuers maintained by the Securities Commission under the number 3 (Decision no. 02/3-1/2-01). As at December 18, 2002, the Central Bank of Montenegro issued a Decision no. 0101-75/1-2002 thereby granting the Bank an operating license.

In accordance with the Law on Banks, and the Bank's Articles of Incorporation, Statute and Decision of the Central Bank of Montenegro, the Bank is involved in activities of reception of cash deposits and approval of loans for its own account. In addition, the Bank is also registered to perform the following activities:

- issuance of guarantees and undertaking of other off-balance sheet commitments;
- the purchase, sale and collection of receivables (factoring, forfeiting and other);
- issuance, processing and recording of payment instruments;
- perform payment transactions in the country and abroad in accordance with the regulations governing payment transfer;
- financial leasing;
- engage in operations involving securities in accordance with the relevant regulations;
- trading in its own name and for its own account or on behalf of the customer:
  a) with foreign payment instruments including exchange operations and
  b) with financial derivatives;
- perform depositary operations;
- prepare analyses and provide information and advice on the company and entrepreneur creditworthiness and other business matters;
- rental of safe deposit boxes;
- perform other ancillary operations and activities related to the Bank's core operations in accordance with the Articles of Incorporation;
- the Bank may perform other operations in accordance with the Law upon obtaining prior approval from the Central Bank of Montenegro.

The Bank's governing bodies are: Shareholder Assembly and Board of Directors. The Board of Directors has two standing committees – Audit committee and Credit risk Management Committee. Members of the Board of directors are appointed by the Shareholder Assembly. The Board of Directors has 5 (five) members, most of whom are not employees of the Bank.

The Bank is headquartered in Podgorica, at no. 67, Josipa Broza Tita Street. As at December 31, 2020, the Bank had 218 employees of which 16 are provided by the employment agencies (December 31, 2019: 218 employees of which 25 were provided by the employment agencies).

2. BASIS FOR PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS

2.1. Basis for preparation and presentation of the separate financial statements

The Bank prepares its financial statements (hereinafter „the financial statements") in conformity with the Law on Accounting of Montenegro (Official Gazette of Montenegro no. 52/16,) which requires implementation of International Accounting Standards and International Financial Reporting Standards and the Decision of the Central Bank of Montenegro regulation the financial reporting of the banks.

The accompanying financial statements of the Bank are prepared in accordance with the Decision on content, terms and manner of compiling the and submitting the financial statements of the Bank (Official Gazette of Montenegro no 15/12, 18/13 and 24/18).

In the preparation of the accompanying financial statements, the Bank has applied the accounting policies which are based- with the accounting, banking and tax regulations prevailing in Montenegro.

In accordance with Law on Accounting, International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) published by the (International Accounting Standards Board) IASB, have to be adopted and published by the appropriate authority in Montenegro which possesses the right to translate and to publish accounting standards, approved by the International Federation of Accountants (IFAC). Therefore, only IFRS and IAS officially adopted and published by the relevant competent authorities of Montenegro may be applicable. Last officially translated IFRS and IAS are those translated in 2009 (excluding IFRS 7) and new adeptly IFRS 10, 11, 12, and 13 which are applicable from 2013. In the Decision on Minimum Standards for Credit Risk Management in Banks (Official Gazette of Montenegro, Nos. 22/12, 55/12, 57/13, 44/17 and 82/17), the Central Bank of Montenegro prescribed the mandatory application of IFRS 9 for banks starting from January 1, 2018. Additionally, the application of IFRS 16 - Leasing, in accordance with the decision of the Central Bank of Montenegro, is mandatory for annual periods beginning on January 1, 2020.

Taking into consideration the effects that the above-mentioned departures of the Montenegro accounting regulations from IFRS and IAS can have on the presentation of the Bank's financial statements, the accompanying financial statements differ and depart from IFRS and IAS in that regard.

Financial statements are prepared in accordance with historical cost unless otherwise stated in accounting policies. In compiling these financial statements the Bank applied accounting policies disclosed in Note 3 which are based on accounting, banking and tax regulations of Montenegro.

2.2. Rules of estimate

Financial statements are prepared based on historical cost, except for the following positions measured at fair values:

- Financial instruments at fair values in income statement,
- Financial instruments at fair value in other comprehensive income
- Financial liabilities at fair value through income statement.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

2.3. Official currency of the reports

The Bank's financial statements are stated in thousands of euros (EUR) which is the official reporting currency in Montenegro. Except if stated otherwise all amounts are presented in thousands of EUR.

2.4. Use of estimates

The presentation of financial statements requires the Bank's management to make the best possible estimates and reasonable assumptions that affect the presented values of assets and liabilities, as well as the disclosure of contingent liabilities and receivables as at the date of the preparation of the financial statements, and the income and expenses arising during the reporting period. These estimations and assumptions are based on information available to us as at the financial statements preparation date. However, the actual results may differ from the values estimated in this manner.

The estimates as well as the assumptions on the basis of which the estimates are made are the result of regular controls. If during the control establishes that there were changes in the estimated value of the assets and liabilities the determined effects are recognized in financial statements in the period when the change in estimation occurred, if the change in estimation effects only on that accounting period or in the period when the change in estimation occurred and in following accounting period if the change in estimation and future accounting periods.

Note 4 provides information about the areas where the level of assessment is the largest and may have the most significant effect on the amounts recognized in financial statements of the Bank.

2.5. Going concern

Taking into account the circumstances arising from the COVID 19 pandemic as well as the uncertainty surrounding the economic recovery, the Bank's management continues to estimate with reasonable certainty that the Bank will continue to operate profitably in the foreseeable future. Accordingly, the financial statements of the Bank have been prepared in accordance with the going concern principle, which implies that the Bank will continue to operate in the future.

2.6. Reconciliation of receivables and liabilities

In accordance with the applicable legal regulations the Bank has performed reconciliation of receivables and liabilities with creditors and debtors of the Bank as at 31, December 2020.

2.7. Long term employee provision

The cost of Long-term employee provision is determined based on the actuarial report. The Actuarial calculation includes assumptions on discount rates, future growth of salaries and changes in the number of employees. Considering the long-term nature of these plans, the amount of provision is subjected to significant uncertainty.

2.8. Consolidation

The Bank has no control over any entity.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

2.9. Effects on first implementation of IFRS 16

As of January 2016, the International Accounting Standards Board (IASB) issued IFRS 16 Leasing, which aims to replace IAS 17 Leasing, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transaction in the Legal Form of a Lease. IFRS 16 introduces a unified approach of accounting for leases in the lessee's books, which requires that liabilities and assets are recognized in the balance sheet for all leases, with practical benefits associated with short-term and small value leases. At the date beginning of the lease, the lessee will recognize a lease payment obligation (i,e. a lease obligation) and an asset that represents the right to use the asset for the duration of the lease (i.e. the right to use the asset). The lessee is required to separately recognize the cost of interest on the lease liability and the depreciation charge for the right to use the asset.

Lessee will also need to re-evaluate the lease liability upon the occurrence of certain events (e.g., a change in the duration of the lease, a change in future lease payments due to a change in the index or rate used to determine those payments). The lessee will generally recognize the amount of the revaluation of the lease liability as an adjustment to the right to use the asset.

The lessor's accounting in accordance with IFRS 16 is essentially unchanged from the accounting in accordance with IAS 17. Lessors will continue to classify all leases agreement using the same classification principle as in IAS 17 and differentiate between two types of leases: operating and finance leases.

In accordance with the decision of the Central Bank of Montenegro, all banks in Montenegro are required to apply IFRS 16 for annual periods beginning as of or after January 1, 2020 for local reporting purposes.

The Bank made a decision to apply the new standard from 1 January 2020 using a modified retrospective approach. In accordance with the transitional requirements of IFRS 16, the comparative information has not changed.

Leasing liabilities at the date of first implementation are recognized as the present value of the remaining lease payments discounted at the incremental borrowing rate. The weighted average incremental borrowing rate as of January 1, 2020 was 2.55%.

Based on the calculated effects of the first implementation of IFRS 16, on the date of first implementation, as of January 1, 2020, there was an increase in assets and liabilities under leasing contracts in the amount of EUR 4,289 thousand.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

2.10. Impact of the crisis caused by Covid 19 on the Bank's operations

During 2020, due to the negative impact of the COVID 19 pandemic on the business operations of the economy, the Central Bank of Montenegro and the Government of Montenegro prescribed a set of measures to mitigate this negative impact. First, in March 2020, the Decision on Temporary Measures for Mitigating the Negative Impacts of the new Coronavirus on the Financial System ("Official Gazette of Montenegro" No. 19/20) entered into force (Moratorium I). In accordance with the Decision, both individuals and legal entities have the right to apply for a moratorium on the repayment of credit debts upon submission of a request. The moratorium can be activated for loans approved before March 23, 2020. The moratorium on repayment of credit obligations could be activated for a period of 3 months with interest capitalization, while interest for the period was calculated in accordance with the repayment plan and added to the principal at the end of the moratorium.

During the year, the measures were changed several times. The main requirement for applying for moratoriums were the following:

As of December 31, 2019, the debtor is not in delay for more than 90 days;
As at 31 December 2019, the loan was not classified as "non-performing";
The loan to which the moratorium is applied was not restructured during 2020.

The second set of CBM measures, Moratorium II, started on June 1, 2020. Commercial banks were in charge of defining criteria for clients who could apply for the moratorium. The Bank's terms and conditions were mainly related to clients who lost their jobs due to the consequences of the pandemic, or whose earnings were reduced. Also, sailors could apply for Moratorium II, with the submission of appropriate documentation. Moratorium III started as of September 1, 2020. As part of these measures, clients from the tourism, agriculture, forestry and fisheries sectors were able to apply for a moratorium on loan repayments in the period from September 1, 2020, to August 31, 2021.

Starting from November 6, 2020, clients could apply for Moratorium IV for 6 months if they lost their jobs in the period after March 2020 due to the impact of the crisis caused by COVID 19 on the economic system, or loan restructuring if due to the impact of this crisis reduced the amount of earnings in the same period.

2. BASIS FOR PREPARATION AND PRESENTATION OF THE SEPARATE FINANCIAL STATEMENTS (continued)

2.10. Impact of the crisis caused by Covid 19 on the Bank's operations (continued)

Loans that were the subject of the moratorium are shown in the following table (balance in thousand of EUR as of December 31, 2020):

CBCG Classification	Total:			Legal entities			Individuals and cards		
	Gross loans	Moratorium used	Moratorium active	Gross loans	Moratorium used	Moratorium active	Gross loans	Moratorium used	Moratorium active
A	89.306	35.015	1.244	7.208	866	-	82.098	34.149	1.244
B	121.308	25.968	1.729	106.860	19.276	1.253	14.448	6.692	476
C	16.479	3.225	784	14.184	2.051	78	2.295	1.174	706
D	237	121	-	110	65	-	127	56	-
E	2.633	374	-	1.377	219	-	1.256	155	-
Total:	229.963	64.703	3.757	129.739	22.477	1.331	100.224	42.226	2.426

The impact of the crisis caused by COVID 19 on the Bank's liquidity was assessed as follows: 1) potential outflow of deposits; 2) expected lower credit activity; 3) projection of availability of funding sources; 4) effects of CBM measures related to the moratorium on loans. It was concluded that, even with a high level of deposit outflows, the Bank is able to maintain a high level of liquidity and sustainable and stable operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank consistently applies the adopted accounting policies in all the periods presented in financial statements. The basic accounting policies applicable when compiling the financial statements for 2020 are listed below.

3.1. Income and Expenses on the basis of Interests

Interest income and expense are recognized in the income statement using the effective interest method. The effective interest rate represents the rate that discounts future inflows and outflows during the expected deadline of financial instrument:

- The gross accounting value of financial asset or
- Amortized value of financial liability

The effective interest rate method is a method of calculating the amortized cost of a financial assets or financial liabilities and allocating interest income or interest expense over the relevant periods. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the present value of financial assets or financial liabilities. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of financial instruments (e.g. prepayment options) but does not consider future credit losses arising from credit risk. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Amortized cost of the financial asset or financial liability represents the amount by which the financial asset or financial liability are valuated in the moment of initial recognition less for repayment of principal and increased or decreased for cumulative depreciation calculated using effective interest rate, the difference between initial amount and the amount of the maturity and for financial assets, corrected for expected credit loss.

Gross carrying amount of financial asset is amortized value of financial asset before the impairment for expected credit loss

The effective interest rate for financial assets and financial liabilities is calculated at initial recognition of the financial asset or liability. When calculating the interest income and expense the effective interest rate is applied on gross carrying amount of the assets (if the amount is not credit – impaired) or amortized value of liability. For the financial instruments with variable interest rate the effective interest rate is fluctuated due to periodic estimation of cash flow to reflect market interest rate trend.

For financial assets which became credit – impaired after initial recognition the interest rate is calculated by applying effective interest rate method at amortized value of the financial asset. If the financial assets are no longer credit – impaired the calculation of the income is calculated again on a gross basis i.e. the interest is calculated applying effective interest rate on gross carrying amount of the financial asset.

For financial assets which are credit-impaired at the time of initial recognition, interest income is calculated for using a loan-adjusted interest rate on the amortized value of a financial asset. The calculation of interest income does not return to gross basis even when credit risk is improved.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2. Fee and commission income and expenses

Income and expenses fee which are part of the effective interest rate of the financial asset or financial liability are included in the calculation of the income and expenses from interest by applying effective interest rate method.

Fee and commission income are recognized at the time when the correspondent service is done. Fee and commission income include fees that the Bank calculates and charges for performance of payment services in the country and abroad, guarantees and letters of credit, as well as other services.

Fee and commission expenses generally relates to fees for domestic and foreign payment operations and other services which are recognized as an expense in the moment when the service is provided.

3.3. Net profit / (loss) based on financial instruments held for trade

Net profit / (loss) based on financial instruments held for trade includes profit less losses based on financial assets and financial liabilities held for trade, including all realized and unrealized changes in fair value.

3.4. Foreign exchange translation

Transactions denominated in foreign currencies are translated into EUR at the official exchange rate prevailing on the Interbank Market, at the date of each transaction.

Assets and liabilities denominated in a foreign currency are translated into EUR by applying the official exchange rate, as determined on the Interbank Market, prevailing at the statement of financial position date.

Net foreign exchange gains or losses arising upon the foreign exchange transactions, and in the conversion of balance sheet items denominated in foreign currency are credited or charged to the income statement as gains or losses based on foreign exchange.

Commitments and contingent liabilities denominated in foreign currencies are translated into EUR by applying the official exchange rates prevailing on the Interbank Market, at the statement of financial position date.

3.5. Leasing

Accounting recording of leasing up to January 1, 2020

Based on the leasing contract, the Company appears as a lessee. The Company classifies leasing as financial in the case when the contract regulates that basically all risks and benefits on the basis of ownership over the subject of leasing are transferred to the lessee. All other leases contracts are classified as operating leases.

Leasing contracts related to the lease of business premises are mainly operating leases. All payments during the year under operating leases are recorded as an expense in the income statement on a straight-line basis over the term of the lease

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Leasing (continued)

Accounting recording of leasing from January 1, 2020

Assets held based on a contract of finance leases are recognized as assets of the Company at their fair value or if that value is lower than the present value of the minimum lease installments determined at the inception of the lease. At the balance sheet date, leasing liabilities are stated at the present value of the minimum leasing payments.

Leasing rates are divided into the part related to the financial cost and the part that reduces the liability under financial leasing so as to achieve a constant interest rate on the remaining part of the liability. Financial expense is recognized directly as an expense in the period.

IFRS 16 requires the Bank to calculate the present value of a lease obligation taking into account the contractual lease payments, the lease term and the discount rate.

For the calculation of the present value of the assets with the right of use and calculation of the liability based on leasing the contractual net amount is considered. The amounts of non-deductible VAT on the basis of lease agreements concluded with legal entities and personal income tax on lease agreements concluded with individuals are recorded as an expense of the period.

From the perspective of measuring and recording leasing, IFRS 16 requires various estimates, and the most significant relate to the duration of the lease as well as the discount rate used in calculating the present value of the liability.

When calculating the duration of the leasing contract, it is necessary to take into account:

Period without cancellation (which includes the period covered by the option to terminate the lease, if only the lessor has the right to terminate the lease).

An option period to extend the lease, if the lessee is relatively certain that he will use that option.
Periods covered by the option to terminate the lease, if the lessee is relatively certain that he will not use that option.

As for the discount rate, it is allowed to use the rate implicit for leasing or incremental lending rate of the lessee. The Bank has decided to apply an incremental borrowing rate, which is based on the price of its own sources of financing increased by a risk premium of 1%. The rates obtained in this way are interpolated in such a way as to cover the entire portfolio of the contract duration.

The Bank has chosen to use the facilities proposed by the standard and accordingly:

- Lease agreements whose newly book value of the leased facility or equipment is less than EUR 5,000.00; and
- Leases whose lease term is less than 12 months on the date of first implementation are not recognized in accordance with the requirements of IFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5. Leasing (continued)

Accounting recording of leasing from January 1, 2020 (continued)

The Bank recognizes rights to use under leases contract as part of the balance sheet as a separate category of leased property, plant and equipment.

Liabilities under leasing contracts are recognized within other liabilities and classified by maturity in accordance with the agreed payments.

The cost of accruing interest for leasing contracts is shown within interest expense. The depreciation expense of the right to use is shown as the depreciation expense of the period.

The lessor's accounting in accordance with IFRS 16 is essentially unchanged from the accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and differentiate between two types of leases: operating and finance leases.

3.6. Taxes and Contributions

Income Taxes

Current Income Taxes

Income taxes are calculated and paid in conformity with the Law on Corporate Income Tax article 28 (Official Gazette of Montenegro, No.65/01, 12/02, 80/04, 40/08, 86/09, 73/10, 40/11, 14/12, 61/13 and 55/16). The profit tax rate is proportional and amounts to 9% of the tax base.

Taxable income is determined based on the profit stated in the Bank's income statement after the adjustments of income and expenses performed in accordance with Corporate Income Tax Law (Articles 8 and 9, regarding the adjustment of income and Articles 10 to 20 pertaining to the adjustment of expenses) and Central Bank of Montenegro's Decision on Chart of Accounts for Banks (Official Gazette of Montenegro, no. 82/17).

Capital losses may be offset against capital gains realized in the same year. Where, upon offsetting capital loss against capital gains realized in the same year capital loss remains, the taxpayer may carry it forward and set against the next gains over a five-year period.

The Montenegrin tax regulations do not envisage the possibility of using the current period tax loss as a basis for the recovery of tax paid in prior periods. However, current period losses presented in the tax balance sheet may be used to reduce the future tax base for up to 5 years.

Deferred income taxes

Deferred income tax is determined using the balance sheet liability method, for the temporary differences arising between the tax bases of assets and liabilities, and their book values. The tax rates effective at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for the deductible temporary differences, and the tax effects of income tax losses and credits available for carry forward, to the extent that it is probable that future taxable profit will be available against which deferred tax assets may be utilized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6. Taxes and Contributions (continued)

Taxes, contributions and other duties not related to operating results

Taxes, contributions and other duties that are not related to the bank's operating result, include property taxes and other various taxes, fees and contributions paid pursuant to republic and municipal regulations.

3.7. Cash and cash equivalents

Cash and cash equivalents comprise cash (EUR and foreign currencies), balances with the Central Bank of Montenegro and other banks.

Cash equivalents are short term highly liquid investments which are quickly converted into well-known cash amounts and are not under the significant impact of the risk change in value. Cash equivalents represent term deposits with commercial banks for the period up to three months.

3.8 Financial instruments

3.8.1. Recognition

The purchase or sale of a financial asset or liability is recorded using accounting coverage at the settlement date of the transaction.

Financial instruments are initially measured at fair value plus transaction costs for all financial assets or liabilities other than those that are valued at fair value through income statement. Financial assets at fair value, which effect of changes in fair value are recognized in income statements, initially recognized at fair value, and transaction cost are charged to operating expenses in the income statement.

3.8.2. Classification

The Bank classifies all its financial assets on the basis of a business model for property management and contractual asset provisions.

The Bank classifies financial assets into the following four categories:

- Financial assets valued at amortized cost (AC),
- Financial assets valued at fair value through other comprehensive income (FVOCI),
- Financial assets that are compulsorily valued at fair value through income statement (mandatory under FVTPL)
- Financial assets that are optionally measured at fair value through income statement

Financial liabilities, other than loan liabilities and financial guarantees, are measured at amortized cost or FVPL when held for trading and derivative instruments or fair value assignment applies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

3.8.3. Financial assets and liabilities

3.8.3.1 Due from banks, Loans and advances to customers, Financial investments at amortized cost

The Bank only measures placements of the Bank, loans and advances to customers and other financial investments at amortized cost, if the both of following conditions are met:

- Financial asset is held within a business model with the aim of holding the financial asset for the purpose of collecting contracted cash flow;
- The contractual terms of financial assets give the cash flows on specific dates which are exclusively principal and interest payment (SPPI) on the amount of outstanding principal.

3.8.3.2 Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on the basis of each individual instrument, but at a higher level of grouped portfolios and is based on the observed factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3.8.3.3 SPPI test

The second step in the classification process is that the Bank assesses contractual terms of funding to identify whether they meet the SPPI test.

'Principal' for the purposes of this test is defined as the fair value of a financial asset on initial recognition and may change over the lifetime of the financial asset (for example, if there are principal repayments or premium / discount depreciation).

The most important elements of the interest for loan arrangement are usually taking into account the time value of the money and credit risk. In order to implement the SPPI rating, the Bank applies assessment and considers relevant factors such as currency in which is denominated financial asset and the period for which the interest rate is determined.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

3.8.3. Financial assets and liabilities (continued)

3.8.3.4 Debt instruments valued at FVOCI

The Bank applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. ECL calculation for debt instruments at FVOCI is explained in Note 3.8.8. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to income statement.

3.8.3.5 Equity instruments at FVOCI

Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial Instruments:* Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognized in profit or loss as other operating income when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.8.3.6 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Such classification is determined when one of the following conditions are met:

- The classification eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis or
- The liabilities are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

3.8.3. Financial assets and liabilities (continued)

3.8.3.6 Financial assets and financial liabilities at fair value through profit or loss (continued)

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established

3.8.4. Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

3.8.5. Derecognition of financial assets and liabilities

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Recognition of financial liability terminates when the liability is met i.e. when the debt is paid, cancelled or expired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

3.8.6. Write off

The financial assets are written off partly or in total only if the Bank withdraws from collection. If the amount that should be written off is greater than accumulated provision for credit losses the difference is initially calculated as additional provision which conflicts with gross carrying amount. Any other additional collection reduces the costs for credit losses.

3.8.7. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties instead of taking possession or otherwise collecting collateral. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Financial difficulty indicators include outstanding liabilities to covenants, or significant concerns from the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Bank's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

When the loan is re-negotiated or amended, but has not ceased to be recognized, the Bank again assesses whether there has been a significant increase in credit risk. The Bank also considers whether assets will need to be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contract that is more than 30 days past due

3.8.8 Impairment of financial assets and provision

Impairment of financial assets

The Bank's valuation procedure defines a framework for adequately measuring impairment due to credit losses in accordance with International Financial Reporting Standards 9 ("IFRS 9") and the Decision of the Central Bank of Montenegro on Minimum Standards for Credit Risk Management in Banks.

It specifically defines:

- General definition of the type of impairment,
- The scope of the changes in the terms of client's exposure,
- Indicators for impairment test,
- Key principles for calculation of impairment: assessment of cash flow, assets differentiation in relation to cash flow assessment,
- Exception in the calculation impairment,
- Recognition of the interest and revenues after impairment (unwinding),
- Budgeting process, prediction and monitoring
- Roles and responsibilities of key organizational units.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

3.8.8 Impairment of financial assets and provision (continued)

The total portfolio is divided into three stages:

At stage 1 there are clients which are approved with the days of delay less than 30 days. At Stage 1 in collective assessment the expected credit loss is calculated for the period of 12 months as a part of expected credit loss in a lifetime of the asset arising from the case of default of financial asset during 12 months after the reporting period or shorter period if the expected credit loss of the financial instruments is less than 12 months.

At stage 2 there are clients with the days of delay 31-90 days with a worsen qualification at Central Bank of Montenegro between two quarters and watch list. At collective assessment at Stage 2 the expected credit loss is calculated for the duration period of financial asset. Note: The watch list is independent of who is on the collective and who is on the individual assessment, i.e. the clients who are monitored with special attention.
At stage 2 are clients which fulfill any of following 4 criteria:

1. Delay from 31-90 days,
2. Relation of initial lifetime PD and a lifetime PD as of the date of reporting period > 200%
3. 12-months PD as of the reporting period > 20%
4. The client is on watch list or has PRK status (restructured loan)

Also, at stage 2 are clients which fulfill any of following 3 criteria:

1. Significant financial difficulties (this criteria is met if the Stage 2 and Stage 3 trigger are met)
   - Trigger 1 – The equity is reduced 50% in the last 12 months
   - Trigger 2 – Decrease in total operating income in the last 12 months > 30%
   - Trigger 3 – Decrease in EBITDA i.e. cash flows from operating activities > 30%
2. Delay over 90 days

2. The client has label POCI.
3.

Client can migrate between stages except POCI (must be stage 3 by the end of financial lifetime).

The Bank performs the division of portfolio on: I) individual assessment and II) collective assessment.

I) Individual assessment (IA) is performed for all debt instruments (government or corporate bonds) for which there is no rating of an internationally recognized rating agency, as well as for all funds / deposits given to banks or other financial institutions for which there is no rating of an internationally recognized rating agency.

The assessment on an individual basis for clients whose exposure (EAD) is greater than EUR 50 thousand is performed in three steps:

a. Client analysis on an individual basis (Mandatory IA) is performed for all clients who meet one of the mandatory 4 criteria:
   - CBCG classification - C,D and E (if at least one party is classified in category C, D or E),
   - Delays over 90 days (if at least one party has a delay of more than 90 days),
   - PRK status, (if at least one party has the status of restructured loans (PRK),
   - Number of blocked days (internal or judicial) for more than 90 days (if the client's account is blocked for more than 90 days).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

3.8.8 Impairment of financial assets and provision (continued)

b. Analysis of clients (preferably IA - Assessment Form) who do not meet any of the 4 mandatory criteria, but meet at least one additional criterion.
   Additional criteria for a group of clients - Preferred IA for legal entities are:
   - Net profit / loss less than 0 (from the last financial statements),
   - Total liabilities / total assets greater than 70% (from the last financial statements),
   - Current assets - short-term liabilities - deferred tax liabilities less than 0 (from the last financial statements).

Additional criteria for a group of clients - Preferred IA for individuals:
   - The client has not received a salary through an account in the Bank in the last 12 months.

c. Analysis of clients (Soft facts - Assessment Form) who do not meet any of the mandatory 4 criteria, but also none of the additional criteria.

For these clients, the competent commercialist is obliged to state in the Assessment Form in the form of comments some information that he holds (so-called soft facts), which is why he believes that this client should still be viewed on an individual basis.

The collective assessment is made based on:

II) The collective assessment is made based on:

- For all the clients which are not on individual assessment,
- If the impairment for credit losses on individual basis less that calculation on collective based - except for specific clients, parties and where there are clear and easily determinable facts that it is the reality of a particular placement

If the client is assessed individually, he can not be returned to the collective assessment in the following quartal. The "cooling" period of 6 months is applied.

Within the collective assessment we have a division and subdivision:

- Legal entities
- Individuals (cash, consumer and housing)

The exposure at the time of the default status (EAD) which is applied when calculating the expected credit loss depends on characteristic of financial instrument:

- Loans with fixed repayment plan – the assessment of EAD curve of the lifetime of financial instrument as the loan approaches the maturity date
- Guarantees and Letters of Credit - fixed EAD on the maturity date
- Placements (loans) without clear repayment plan where the average expiration date is calculated

At the date of initial recognition of the financial asset the Bank should determinate if the asset is impaired. The responsibility for qualification is on commercial sector that launches the initiative. When reprograming client in the forced collection the responsibility for classification is at the Department for Risk Management placements. POCI label is assigned on a level ID (account – party) when opening the new account – party. Definition of POCI assets: Reprogramed loans with a delay of more than 90 days or a loan reprogram with a C classification or worse, according to the Central Bank of Montenegro classification (A, B1, B2, C1, C2, D and E) or the purchase of impaired financial assets from other banks.
The calculation and approval of the impairment for individual risks, as well as the bookkeeping of approved impairment on a collective basis, can and should be performed continuously.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Financial instruments (continued)

3.8.8 Impairment of financial assets and provision (continued)

The bookkeeping is done in the Core System of the Bank. After bookkeeping of impairment for expected credit losses, reports are generated.

The impairment of the ECL in the balance sheet is presented as follows:

- For financial assets valued at amortized cost, the impairment decreases gross carrying amount of the financial asset;
- For off – balance sheet exposures (irrevocable commitments for undrawn loans and financial guarantees) impairment is recognized as reserve in the liabilities and equity of the balance sheet;
- For debt instruments classified as FVOCI the impairment is not recognized in the balance sheet, due to the carrying amount of these assets must be equal to their fair value

Reprogrammed loans

For placements where there are problems with repayment, the Bank always tries to reprogram them first, if there are any conditions for it, as it considers it a better solution than the collateral takeover. The reprogram may include extension of repayment and agreement on new loan conditions. Once the conditions are reprogrammed, the loan is no longer considered to be due, but is monitored with special attention to ensure that all criteria are met and that future payments are certain. The loan is still a subject of individual or collective assessment and impairment, which is calculated using the original effective interest rate on the loan and is treated as a default for the next six months.

3.8.9 Impact of the COVID 19 pandemic on the calculation of ECL

Considering the quantitative and qualitative criteria related to adequate measurement of expected credit risk, which are related to the impact of the COVID 19 pandemic on the operations of companies, in 2020 the Bank worked on improving the internal methodology for valuing financial assets and defining stricter criteria for transition to stage 2 and stage 3. Accordingly, it was adopted and applied as of September 30, 2020. Financial valuation procedure that takes a number of criteria when calculating the ECL.

In accordance with the above, the basic criteria for stage 2 and stage 3 are:
- in stage 2 there are clients who meet any of the following 4 criteria:
    1. delay from 31-90 days,
    2. ratio of initial lifetime PD and lifetime PD at the reporting date> 200%
    3. 12-month PD at the reporting date> 20%
    4. The client is on the watch list or has PRK status (restructured loan)
- in stage 3 are clients who meet any of the following 3 criteria:
    1. Significant financial difficulties (this criterion is met if 2 of the 3 triggers are met)
        • Trigger 1 - Capital decreased by 50% in the last 12 months
        • Trigger 2 - Decrease in total operating income in the last 12 months> 30%
        • Trigger 3 - Decrease in EBITDA, ie. cash flows from operating activities> 30%
    2. Delay over 90 days
    3. The client has POCI label.

The following criteria resulted in a large number of clients in Stage 2 and Stage 3 which led to increase in ECL and larger impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9. Provisions and impairment of loans and receivables

Calculation of Provisions for Potential Losses

The Bank is required to classify balance sheet and off-balance sheet exposures to credit risk in the appropriate classification group as well as to calculate the provisions for potential losses in accordance with the applicable Decision on Minimum Standards for Credit Risk Management in Banks (Official Gazette of Montenegro no. 22/12, 55/12, 57/13, 44/17, 82/17, 86/18 and 42/19). In accordance with the above-mentioned Decision, the Bank implemented the following percentages and numbers of days in default per risk category in calculation of potential losses:

	As of December 31, 202	
Risk Category	% provision	Days of delay
A	0.5	<30
B1	2	31-60
B2	7	61-90
C1	20	91-150
C2	40	151-270
D	70	271-365
E	100	>365

The Bank is required to determine the difference between the amount of provision for potential losses and the sum of allowance for losses on items of the balance sheet assets and provisions for off-balance sheet items calculated in accordance with the Bank's internal methodology by applying the International Accounting Standard 9.

The positive difference between the amount of provisions for potential losses and the sum of impairment on items of the balance sheet assets and provisions for off-balance sheet items represents a deductible item of own funds.

3.10. Property, Plant, Equipment and Intangible Assets

Property, Plant and Equipment

Property, plant and equipment are valued at cost less accumulated depreciation and accumulated impairment, if any. The cost comprises the price billed by the supplier, as well as other costs related to the purchase and the costs of putting the assets into use.

Residual value and useful life of the asset are revised, and as needed, corrected at the reporting date. The Bank assesses if there is objective evidence of the assets being impaired. If there is objective evidence of impairment, the Bank will assess the recoverable amount. The recoverable amount is the higher amount of net realizable value and the value in use. If the recoverable amount is higher than the carrying amount, the asset is not impaired.

Subsequent expenses: replacement of parts of equipment (installation of new spare parts), overhauls and general repairs of business premises are recognized as increases in the carrying value of business premises and equipment if it is probable that the future economic benefits will flow to the Bank and if such costs can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10. Property, Plant, Equipment and Intangible Assets (continued)

Regular maintenance of equipment: replacement and installation of small spare parts and consumable materials and daily repairs are expensed as incurred.

Gains or losses arising on disposal or write off of business premises and equipment are determined as the difference between the sales price and the current carrying value of business premises and equipment, and are recognized in the income statement of the period in which the sale or disposal occurred.

Depreciation/amortization is calculated on a straight-line basis applying the following depreciation and amortization rates to the cost of business premises and equipment in order to write them off over their expected useful lives. The depreciation and amortization rates in use are as follows:

Major groups of assets	Depreciation/Amortization rates (%)
Buildings	2.00
Vehicles	15.00
Furniture and other equipment	15.00 – 20.00
Computer equipment	33.33
Tools and fixtures	50

Period of depreciation of fixed assets begins when they are available for use. Gains and losses on disposals are determined as a difference between cash proceeds with carrying amount and are recognized in the income statement

Intangible Assets

Intangible assets comprise of software and licenses. Intangible assets acquired are measured at cost value on the transaction date. After initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Expense directly attributable to a particular software and which are expected to generate economic benefits in the period longer than one year are capitalized and treated as intangible assets. Maintenance and development costs are recognized as expense as they are incurred.

Amortization is evenly calculated to cost value of intangible assets over a period of 5 years, with the aim that intangible assets be fully written off during their useful life. The calculation of amortization of intangible assets begins when the assets are put into use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11. The Bank's Equity

The Bank's equity includes share capital, share premium, the Bank's reserves, as well as accumulated result.

The shareholders' equity of the Bank includes funds invested by the founders and shareholders of the Bank in the monetary or non-monetary form. The Law on Securities defines that securities shall be dematerialized and shall exist in an electronic form in the system of the Central Depositary Agency. The excerpt obtained from the Registry of the Central Depositary Agency is the only and exclusive proof of ownership over securities.

3.12. Employee benefits

Taxes and Contributions for Social Security of Employees

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

Retirement Benefits or Other Long-Term Employee Benefits

In accordance with the Report of the Actuary, the Bank has calculated obligation to pay retirement benefits to an employee upon his/her regular retirement in the amount of 3 net average salaries.

Total expense of long-term provisions relating to the future outflows arising from the retirement of employees are assessed on the basis of an actuarial calculation. In assessing, the Bank engaged an authorized actuary who calculates future obligations, discounting estimated future outflows using actuarial methods projected unit.

Liabilities are measured in the amount of the present value of future expenditure, taking into account the growth of future earnings and other conditions, which are allocated to employee benefits on the basis of past and future working life.

3.13. Fair Value

The fair value is defined as a price which would be received for transaction of selling assets or payments for the transfer of liability in a regular transaction between market participants at the valuation date. The determination of fair value is based on the assumption that the transaction has taken place in a primary market of the asset or liability, or, in the absence of the primary market, on the most favourable market.

In the case that there is primary market for the asset or liability, fair value is the price on that market.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13. Fair Value (continued)

Fair value of the asset or a liability is determined based on the assumption that, when determining the price on the market, participants act in their best economic interest.

Fair value of a non-financial asset takes in to account the possibility of the participant in the market transaction to generate the highest economic benefits from the use of the asset or sell to another participant who would make the best use of the asset.

The Bank uses valuation techniques that are appropriate to circumstances and for which data for the determination of fair value are available and the use of relevant observable input data is maximized and the use of non – observable data is minimized. Valuation techniques are revised periodically to ensure that they reflect current market conditions.

All assets and liabilities that are valued at fair value or whose fair value is disclosed in the financial statements are classified into three levels of hierarchy of fair value:

Level 1 – Quoted prices (uncorrected) on active markets for identical prices and liabilities
Level 2 – Valuation techniques in which the smallest level of the input data significant for the determination of fair value is directly or indirectly observable
Level 3 - Valuation techniques in which the smallest level of the input data significant for the determination of fair value is directly or indirectly non - observable.

For assets or liabilities that are continuously measured at fair value in the financial statements, the Bank establishes re-evaluation of categorization at each balance sheet date to determine whether transitions between levels of the hierarchy occurred.

3.14. Provisions

Provisions are recognized when:

- the Bank has a present legal or a constructive obligation as a result of the previous events
- if it is probable that a settlement of the obligation will require outflow of the assets and
- and a reliable estimate of its amount can be made

Provisions are measured by the net present value of the economic outflows necessary to settle the obligation.

Provisions are revised at the balance sheet date and corrected so to reflect the best possible current estimate. If it is no longer probable that the economic outflow will be required to settle the obligation, the provision will be reversed over the profit and loss statement.

3.15. Financial guarantees

Financial guarantees are contracts by which the Bank is obligated to make payments to its users for losses incurred due to non-fulfillment of the obligation to pay a certain debtor upon maturity, in accordance with the terms of the debt instrument. Liabilities under financial guarantees are initially recognized at fair value, and the initial fair value is amortized over the lifetime of the financial guarantee. The liability under the guarantee is subsequently measured in the amount higher than amortized cost and the present value of the expected future payment (when payment under the guarantee is probable). Financial guarantees are recorded under off-balance sheet items.
The fee received is recognized in the income statement.

4. ACCOUNTING POLICIES AND ASSUMPTIONS

The management performs assessment and makes assumptions which affects to the value of the assets and liabilities in the following financial year. Accounting policies and assumptions are continuously valued and based on historical experience and other factors, including expectations of the future events for which it is believed that they will be reasonable in the given circumstances.

The management performs assessment and assumptions which refer to the future. The resulting accounting assumptions will by the definition rarely be equal with the archived results. Assessment and assumptions which contain the risk that will cause materially significant corrections of the carrying value of the assets and liabilities during the following year which are presented below.

Losses from impairment of the financial assets

The measurement of the impairment in accordance with IFRS 9 for all categories of financial assets requires the assessment of the amount and the time of the future cash flows and value of the collateral in determining losses of impairment and assessment of the significant increasement of the credit risk. These assessments are prompted by a number of factors and changes that may result in different levels provisions for impairment. The calculation of ECL of the Bank represents the output data of the complex model with a set of assumptions regarding the choice of variables and their interdependencies.
The elements of ECL model which are considered accounting policies include:

- Classification of the financial assets: assessment of the business model for management of financial assets and assessment if the contracted conditions of the financial assets meet the SPPI test;
- Definition of the criteria of the Bank for assessment whether there has been a significant increase of the financial asset in relation on initial recognition, defining a methodology for including prospective information for ECL calculation and the selection and approval of the model which are used for the calculation of ECL;
- The development of ECL model, including different formulas and choice of input data.

Fair Value

Determining the fair value of financial assets and liabilities for which there is no observable market price requires the use of various valuation techniques. For financial instruments that are not traded frequently and have low price transparency, fair value is less objective and requires some degree of variation in valuation depending on liquidity, concentration, uncertainty of market factors, price assumptions and other risks affecting a particular instrument.

Contingent liabilities

Contingent liabilities include provisions for severance pay and litigations. For purpose of the calculation and valuation of contingent liabilities the management of the Bank defines assumptions about probability and amount of the outflow of the resources i.e. contingent outcome and the amount of liabilities based on litigations. The management of the Bank assesses the amount of provision for outflow of the assets based on litigations on the basis of assessment by the Banks legal representatives, the probability that the outflow of the assets will occur according to contractual or legal obligation from previous period.

Lifetime of intangible assets, properties, plants and equipment

Determining the lifetime of intangible assets, properties, plants and equipment is based on previous experience with similar assets as well as anticipated technical development and changes that are influenced by a large number of economic and industrial factors. The adequacy of a certain useful lifetime is reconsidered at an annual level or whenever there is an indication that there has been a significant change of the factors which presented the basis for determining the lifetime. The Bank reviews the useful lives of intangible assets, property, plant and equipment in each annual reporting period.

5. RISK MANAGEMENT

5.1 Risk management - introduction

The Bank has established a comprehensive risk management system which includes a defined strategy for risk management, adopted policies and processes for risk management, defined powers and responsibilities for risk management, efficient and reliable information technology system, procedures for unforeseen situations, stress testing.

Bank is exposed in its operation to a various risk, including the most important:

- credit risk;
- market risk;
- liquidity risk;
- operational risk.

Risk management strategy includes: overview, objectives and criteria for all risks to which the Bank is or may be exposed. The risk management procedures are designed to identify and analyses risks, to define limits and controls required for risk management and to monitor the Bank's exposure to each individual risk. The risk management procedures are subject to regular review in order to allow adequate response to the changes in the market, products and services.

The Risk Management Department is responsible for monitoring the Bank's exposures to certain risks, and compliance with procedures for managing risks and prescribed limits, which is reported to the Board of Directors on a monthly basis. In addition, monitoring of the Bank's exposures to certain risks is the responsibility of Credit Risk Management Committee. Also, the Bank follows changes in regulation and analyses impact of the risk in order to timely align its operations with the regulations.

Bank tests the sensitivity of the Bank to certain types of risk and aggregate basis, using several types of stress scenarios. Stress scenario include assumptions about changes in market and other factors which may have a material impact on its operations.

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk

In its operations, the Bank seeks to do business with customers of good financial position, in order to reduce as much as possible exposure to credit risk which is a risk that counterparty will be unable to settle liabilities to the bank in full and as due. The Bank makes provisions for impairment losses related to the losses incurred as at the statement of financial position date. While making decisions on borrowing, the Bank takes into account the changes in the economy and certain industries comprising a part of the Bank's loan portfolio could result in the losses different from losses that gave rise to provisions formed as at the statement of financial position date.

The Central Bank of Montenegro adopted the Decision on Minimum Standards for Credit Risk Management in Banks ("Official. Gazette of Montenegro" no. 22/12, 55/12, 57/13, 44/17, 82/17 and 86/18), which was implemented as at January 1, 2013, and which involves the use of International financial reporting standards on measurement and disclosure of off-balance sheet items of assets and off-balance sheet items. Pursuant to the above decision, the Bank has established a methodology for assessment of impairment of balance sheet assets and probable losses on off- balance sheet items. The Bank has consistently applied the methodology, reviewed at least annually and, if necessary, adjusted the results of the review, and adjusted the assumptions upon which the methodology is based.

Credit risk mitigation entails maintenance of risk at an acceptable level of the Bank, i.e. maintaining acceptable loan portfolio. Credit risk mitigation is carried out through contracting of adequate collaterals for receivables.

5.2.1. Credit risk management

Credit risk exposure is a risk of a financial loss resulting from the borrower's inability to meet all the contractual obligations toward the Bank. The bank manages the risk assumed by setting limits in respect of large loans, single borrowing entities and groups of related borrowing entities. Such risks are monitored and reviewed on a yearly basis or even more frequently. All loans exceeding the defined limits are approved by the Credit Risk Management Committee.

Industry loan concentrations are continuously monitored in accordance with the limits prescribed by the Central Bank of Montenegro.

Risk exposure per single debtor, including other banks and financial institution is further limited by determining sub-limits relative to the balance sheet and off-balance sheet exposures. Actual exposure relative to the limits defined is subject to regular monitoring.

Credit risk exposure is managed by means of regular analyses of the ability of borrowers and potential borrowers to pay off liabilities. Customers with specific problems in business, the Bank reschedules receivables, in order to maximize the opportunities available for the settlement of receivables, and at the same time the ability of the borrower to regularly service the debt is sustainable.

Irrevocable and contingent commitments based on loan

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, and therefore carry the same credit risk as loans. Documentary and commercial letters of credit, which represent written undertakings of the Bank on behalf of a customer authorizing a third party to draw bills of exchange on the Bank up to the amount agreed under specific terms are secured by the underlying deliveries of goods that they relate to and therefore carry less risk than loans.

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.2. Provision for impairment losses

As of the date of preparation of the financial statements, the Bank assesses whether there is any objective evidence that a financial asset or a group of financial assets are impaired in accordance with IFRS 9. The indicators that the Bank applies in identifying a significant increase in credit risk, in accordance with IFRS 9, and on the basis of which it classifies assets as stage 1, 2 or 3 are:

- the change in the probability of occurrence of the default status, ie the PD over the life of the exposure is higher than its PD over the life of the initial recognition by more than 200%
- absolute level of PD, ie 12-month PD of exposure on the reporting date is higher than 20%
- late payment of interest or principal;
- placement restructuring and / or PRK status;
- watch list
- default status at the level of a group of related parties;

as well as a set of additional criteria that may indicate financial difficulties in the business of legal entities.

In accordance with the adopted methodology, the Bank performs individual assessment as to whether there is objective evidence of impairment of individually significant financial assets. By calculating the present value of estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from excluding reduction of costs for obtaining and selling the collateral, regardless of whether the exclusion is probable or not.

For the purpose of collective impairment assessment, financial assets that are not individually significant are grouped based on similar credit risk features.

5.2.3. Maximum Credit Risk Exposure per Balance Sheet and Off-Balance Sheet Items

The following table presents gross maximum exposure to the credit risk of balance and off-balance sheet position:

	31 December 2020		31 December 2019	
	Gross	Net	Gross	Net
I. Review of the assets				
Financial assets at amortized value				
-Loans and receivables from banks	22,217	22,060	20,871	20,864
-Loans and receivables from clients	229,963	215,395	243,316	228,912
-Securities	1,108	1,107	-	-
Financial assets at fair value through other comprehensive income				
-Securities	128,150	128,150	134,758	134,758
	381,438	**366,712**	**398,945**	**384,534**
II. Off-balance sheet items				
Payable guarantees	27,311	27,052	36,488	36,201
Performance guarantees	27,567	27,497	25,097	25,039
Irrevocable commitments	36,608	35,900	35,665	34,989
Other	19,680	19,622	21,296	21,225
	111,166	**110,071**	**118,546**	**117,454**
Total (I+II)	**492,604**	**476,783**	**517,491**	**501,988**

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.3. Maximum Credit Risk Exposure per Balance Sheet and Off-Balance Sheet Items (continued)

The Bank's management believes that cash and deposit accounts with central banks, as well as other financial and business receivables, are not exposed to credit risk and are therefore not shown in the table above. The same relate to cash and cash equivalents, as well as funds for settlement and obligatory reserve with CBM, as well as other receivables.
Exposure to credit risk is controlled by obtaining collateral and guarantees of legal entities and individuals.
Financial assets at fair value through other comprehensive income - securities are classified in Stage 1, because within them there are no delays in settling receivables, and there are no other indicators of stage changes (no restructuring, no on watch lists). The fair value of the mark to market is applied only to liquid, marketable and ranked securities (S&P, Moodys, Fitch), while the Mark to model is applied to other securities. Impairment is calculated on the basis of Collective Assessment for liquid, marketable and ranked securities, and for all other impairment is calculated on the basis of Individual Assessment.

Before approving loans and other investments, the Bank assesses the debtor's creditworthiness, taking into account the criteria established by the internal regulation, and the validity of the estimated value of collateral.

Collateral value is calculated as its net value, by which is meant the market value less any costs relating to the realization of collateral.

Types of collaterals are as follows:

- deposits;
- pledge liens constituted over industrial machinery, securities, inventories and vehicles;
- mortgages assigned over property and fiduciary transfer of ownership;
- bills of exchange;
- collection authorizations;
- administrative bans;
- endorsers;
- insurance policies;
- guarantees

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements

The quality of financial assets exposed to credit risk is presented as follows:

LOANS AND RECEIVABLES FROM CLIENTS, BANKS AND OTHER FINANCIAL ORGANIZATIONS

In thousand EUR

31 December 2020	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total impairment	Net
Housing loans	129	184	17	**330**	-	(2)	-	**(2)**	**328**
Cash loans	66,737	17,562	9,137	**93,436**	(1,404)	(1,368)	(1,960)	**(4,732)**	**88,704**
Vehicle purchase	351	76	16	**443**	(3)	(2)	(6)	**(11)**	**432**
Adaptation of residential or business premises	-	-	1	**1**	-	-	-	-	**1**
Other	3,693	1,674	647	**6,014**	(38)	(63)	(181)	**(282)**	**5,732**
Total retail	**70,910**	**19,496**	**9,818**	**100,224**	**(1,445)**	**(1,435)**	**(2,147)**	**(5,027)**	**95,197**
Large enterprises	3,509	2,914	973	**7,396**	(31)	(29)	(92)	**(152)**	**7,244**
Medium enterprises	3,695	17,529	11,072	**32,296**	(22)	(1,905)	(1,313)	**(3,240)**	**29,056**
Small enterprises	21,419	41,142	27,486	**90,047**	(378)	(2,276)	(3,495)	**(6,149)**	**83,898**
State	-	-	-	-	-	-	-	-	-
Corporate clients	**28,623**	**61,585**	**39,531**	**129,739**	**(431)**	**(4,210)**	**(4,900)**	**(9,541)**	**120,198**
Total	**99,533**	**81,081**	**49,349**	**229,963**	**(1,876)**	**(5,645)**	**(7,047)**	**(14,568)**	**215,395**
Banks	**22,217**	-	-	**22,217**	**(157)**	-	-	**(157)**	**22,060**

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

The quality of financial assets exposed to credit risk is presented as follows:

LOANS AND RECEIVABLES FROM CLIENTS, BANKS AND OTHER FINANCIAL ORGANIZATIONS

In thousand EUR

31 December 2019	S1	S2	S3	Total	Impairment S1	Impairment S2	Impairment S3	Total impairment	Net
Housing loans	798	77	87	**962**	(18)	(1)	(19)	**(38)**	**924**
Cash loans	81,795	10,930	2,416	**95,141**	(1,326)	(927)	(954)	**(3,207)**	**91,934**
Vehicle purchase	527	38	-	**565**	(4)	(4)	-	**(8)**	**557**
Adaptation of residential or business premises	-	-	1	**1**	-	-	-	**-**	**1**
Other	4,932	652	268	**5,852**	(53)	(25)	(114)	**(192)**	**5,660**
Total retail	**88,052**	**11,697**	**2,772**	**102,521**	**(1,401)**	**(957)**	**(1,087)**	**(3,445)**	**99,076**
Large enterprises	11,360	-	10,578	**21,938**	(302)	-	(2,702)	**(3,004)**	**18,934**
Medium enterprises	21,178	809	7,678	**29,665**	(1,515)	(79)	(1,326)	**(2,920)**	**26,745**
Small enterprises	65,578	12,316	4,295	**82,189**	(2,371)	(666)	(1,996)	**(5,033)**	**77,156**
State	7,003	-	-	**7,003**	(2)	-	-	**(2)**	**7,001**
Corporate clients	**105,119**	**13,125**	**22,551**	**140,795**	**(4,190)**	**(745)**	**(6,024)**	**(10,959)**	**129,836**
Total	**193,171**	**24,822**	**25,323**	**243,316**	**(5,591)**	**(1,702)**	**(7,111)**	**(14,404)**	**228,912**
Banks	**20,871**	**-**	**-**	**20,871**	**(7)**	**-**	**-**	**(7)**	**20,864**

TRANSLATION NOTE: This is a translation of the original document issued in the Montenegrin language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Montenegrin version of the document shall prevail.

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

Receivables from clients at Stage 1 is presented in the tables below:

In thousand EUR

31 December 2020	Not in delay	Delay up to 30 days	31-60 days	61-90 days	Total
Housing loans	129	-	-	-	129
Cash loans	66,485	252	-	-	66,737
Vehicle purchase	351	-	-	-	351
Other	3,407	286	-	-	3,693
Total retail	70,372	538	-	-	70,910
Large enterprises	3,509	-	-	-	3,509
Medium enterprises	3,695	-	-	-	3,695
Small enterprises	21,370	49	-	-	21,419
Corporate clients	28,574	49	-	-	28,623
Total	98,946	587	-	-	99,533
Restructured	-	-	-	-	-
Receivables from Banks	22,217	-	-	-	22,217

In thousand EUR

31 December 2019	Not in delay	Delay up to 30 days	31-60 days	61-90 days	Total
Housing loans	798	-	-	-	798
Cash loans	81,378	417	-	-	81,795
Vehicle purchase	527	-	-	-	527
Other	4,506	426	-	-	4,932
Total retail	87,209	843	-	-	88,052
Large enterprises	11,360	-	-	-	11,360
Medium enterprises	21,178	-	-	-	21,178
Small enterprises	65,471	107	-	-	65,578
State	7,003	-	-	-	7,003
Corporate clients	105,012	107	-	-	105,119
Total	192,221	950	-	-	193,171
Restructured	18,702	-	-	-	18,702
Receivables from Banks	20,871	-	-	-	20,871

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

Receivables from clients at Stage 2 is presented in the tables below:

In thousand EUR

31 December 2020	Not in delay	Delay up to 30 days	31-60 days	61-90 days	Over 90 days	Total
Housing loans	166	18	-	-	-	184
Cash loans	13,077	2,521	1,845	119	-	17,562
Vehicle purchase	72	4	-	-	-	76
Other	1,193	279	150	52	-	1,674
Total retail	**14,508**	**2,822**	**1,995**	**171**	**-**	**19,496**
Large enterprises	2,914	-	-	-		2,914
Medium enterprises	17,529	-	-	-	-	17,529
Small enterprises	39,515	316	1,276	35	-	41,142
Corporate clients	**59,958**	**316**	**1,276**	**35**	**-**	**61,585**
Total	**74,466**	**3,138**	**3,271**	**206**	**-**	**81,081**
Restructured	**10,065**	**50**	**381**	**-**	**-**	**10,496**
Receivables from Banks	**-**	**-**	**-**	**-**	**-**	**-**

In thousand EUR

31 December 2019	Not in delay	Delay up to 30days	31-60 days	61-90 days	Over 90 days	Total
Housing loans	-	28	49	-	-	77
Cash loans	6,952	2,469	1,456	53	-	10,930
Vehicle purchase	19	-	19	-	-	38
Other	338	199	91	24	-	652
Total retail	**7,309**	**2,696**	**1,615**	**77**	**-**	**11,697**
Medium enterprises	711	37	61	-	-	809
Small enterprises	8,769	1,136	2,279	132	-	12,316
Corporate clients	**9,480**	**1,173**	**2,340**	**132**	**-**	**13,125**
Total	**16,789**	**3,869**	**3,955**	**209**	**-**	**24,822**
Restructured	**1,204**	**380**	**240**	**-**	**-**	**1,824**
Receivables from Banks	**-**	**-**	**-**	**-**	**-**	**-**

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

Receivables from clients at Stage 3 is presented in the tables below:

In thousand EUR

31 December 2020	Not in delay	Delay up to30 days	31-60 days	61-90 days	Over 90 days	Total
Housing loans	17	-	-	-	-	**17**
Cash loans	6,085	321	289	7	2,435	**9,137**
Vehicle purchase	-	-	-	-	16	**16**
Adaptation of residential or business premises	-	-	-	-	1	**1**
Other	240	88	14	11	294	**647**
Total retail	**6,342**	**409**	**303**	**18**	**2,746**	**9,818**
Large enterprises	973	-	-	-	-	**973**
Medium enterprises	10,993	-	16	-	63	**11,072**
Small enterprises	22,005	246	1,084	50	4,101	**27,486**
Corporate clients	**33,971**	**246**	**1,100**	**50**	**4,164**	**39,531**
Total	**40,313**	**655**	**1,403**	**68**	**6,910**	**49,349**
Restructured	**7,095**	**-**	**188**	**-**	**563**	**7,846**
Receivables from Banks	**-**	**-**	**-**	**-**	**-**	**-**

In thousand EUR

31 December 2019	Not in delay	Delay up to30 days	31-60 days	61-90 days	Over 90 days	Total
Housing loans	-	-	-	-	87	**87**
Cash loans	93	37	150	11	2,125	**2,416**
Vehicle purchase	-	-	-	-	1	**1**
Adaptation of residential or business premises	54	34	13	10	157	**268**
Other	**147**	**71**	**163**	**21**	**2,370**	**2,772**
Total retail	6,141	-	1,881	-	2,556	**10,578**
Large enterprises	7,678	-	-	-	-	**7,678**
Medium enterprises	1,087	528	687	-	1,993	**4,295**
Small enterprises	**14,906**	**528**	**2,568**	**-**	**4,549**	**22,551**
Corporate clients	**15,053**	**599**	**2,731**	**21**	**6,919**	**25,323**
Total	**7,678**	**114**	**2,568**	**-**	**2,349**	**12,709**
Restructured	**-**	**-**	**-**	**-**	**-**	**-**

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

Receivables from clients at Stage 3 as follows:

In thousand EUR

31.12.2020.	Gross exposure	Impairment	S 3 receivables	Restructured S3 receivables	Impairment S3	Percentage of S3 receivables in gross exposures	Amount of collateral for S3
Retail	**100,224**	**(5,027)**	**9,818**	**50**	**(2,147)**	**9,80%**	**18,490**
Housing loans	330	(2)	17	-	-	5,15%	71
Cash loans	93,436	(4,732)	9,137	34	(1,960)	9,77%	17,465
Vehicle purchase	443	(11)	16	-	(6)	3,61%	18
Adaptation of residential or business premises	1	-	1	-	-	100,00%	104
Other	6,014	(282)	647	16	(181)	10,76%	832
Corporate	**129,739**	**(9,541)**	**39,531**	**7,796**	**(4,900)**	**30,47%**	**85,575**
Agriculture	3,355	(100)	435	410	(28)	12,97%	140
Manufacturing industry	10,311	(316)	3,578	188	(179)	34,70%	11,070
Electricity	1,393	(114)	-	-	-	0,00%	-
Construction	28,747	(2,619)	10,779	4,505	(1,738)	37,50%	22,959
Wholesale and retail trade	33,845	(1,674)	9,053	952	(879)	26,75%	16,175
Service activities	1,012	(26)	-	323	-	0,00%	-
Activates related to real estate	3,952	(230)	1,853	42	(101)	46,89%	6,251
Other	47,124	(4,462)	13,833	1,376	(1,975)	29,35%	28,980
Total	**229,963**	**(14,568)**	**49,349**	**7,846**	**(7,047)**	**21,46%**	**104,065**
Receivables from Banks	**22,217**	**(157)**	**-**	**-**	**-**	**0,00%**	**-**

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

Receivables from clients at Stage 3 as follows:

In tnousand EUR

31 December 2019	Gross exposure	Impairment	S 3 receivables	Restructured S3 receivables	Impairment S3	Percentage of S3 receivables in gross exposures	Amount of collateral for S3
Retail		**(3,445)**	**2,772**	**42**	**(1,087)**	**2,70%**	**4,991**
Housing loans	962	(38)	87	29	(19)	9,04%	423
Cash loans	95,141	(3,207)	2,416	13	(954)	2,54%	4,420
Vehicle purchase	565	(8)	-	-	-	0,00%	-
Adaptation of residential or business premises	1	-	1	-	-	100,00%	104
Other	5,852	(192)	268	-	(114)	4,58%	44
Corporate	**140,795**	**(10,959)**	**22,551**	**12,667**	**(6,024)**	**16,02%**	**45,657**
Agriculture	3,393	(69)	33	-	(13)	0,97%	58
Manufacturing industry	8,969	(155)	177	7	(41)	1,97%	372
Electricity	1,505	(109)	-	-	-	0,00%	-
Construction	24,270	(2,142)	1,254	-	(353)	5,17%	2,997
Wholesale and retail trade	37,612	(1,590)	766	268	(451)	2,04%	3,733
Service activities	914	(26)	19	-	(11)	2,08%	-
Activates related to real estate	3,569	(480)	687	687	(405)	19,25%	3,288
Other	60,563	(6,388)	19,615	11,705	(4,750)	32,39%	35,209
Total	**243,316**	**(14,404)**	**25,323**	**12,709**	**(7,111)**	**10,41%**	**50,648**
Receivables from Banks	**20,871**	**(7)**	**-**	**-**	**-**	**0,00%**	**-**

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

The tables below show the changes in Stage 3, ie problematic receivables:

In thousand EUR

	Gross December 31, 2019	New S3 clients	Decrease of existing S3 clients	Increase of existing S3 clients	ClosedS3 clients	Gross December 31, 2020
Housing loans	87	17	(71)	-	(16)	**17**
Cash loans	2,416	7,334	(256)	1	(358)	**9,137**
Vehicle purchase	-	16	-	-	-	**16**
Adaptation of residential or business premises	1	-	-	-	-	**1**
Other	268	447	(31)	75	(112)	**647**
Retail	**2,772**	**7,814**	**(358)**	**76**	**(486)**	**9,818**
Large enterprises	10,578	973	-	-	(10,578)	**973**
Medium enterprises	7,678	11,072	-	-	(7,678)	**11,072**
Small enterprises	4,295	25,828	(242)	12	(2,407)	**27,486**
State	-	-	-	-	-	-
Other	-	-	-	-	-	-
Corporate	**22,551**	**37,873**	**(242)**	**12**	**(20,663)**	**39,531**
Other	**25,323**	**45,687**	**(600)**	**88**	**(21,149)**	**49,349**
Receivables from Banks	**-**	**-**	**-**	**-**	**-**	**-**

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

The tables below show the changes in Stage 3, ie problematic receivables:

U hiljadama EUR

	Gross December 31, 2019.	New S3 clients	Decrease of existing S3 clients	Increase of existing S3 clients	ClosedS3 clients	Gross December 31, 2020
Housing loans	(19)	-	3	-	16	-
Cash loans	(954)	(985)	76	(214)	117	**(1,960)**
Vehicle purchase	-	(6)	-	-	-	**(6)**
Adaptation of residential or business premises	(114)	(81)	13	(23)	24	**(181)**
Other	**(1,087)**	**(1,072)**	**92**	**(237)**	**157**	**(2,147)**
Retail						
	(2,702)	(92)	-	-	2,702	**(92)**
Large enterprises	(1,326)	(1,313)	-	-	1,326	**(1,313)**
Medium enterprises	(1,996)	(2,239)	90	(111)	761	**(3,495)**
Small enterprises	**(6,024)**	**(3,644)**	**90**	**(111)**	**4,789**	**(4,900)**
State						
Other	**(7,111)**	**(4,716)**	**182**	**(348)**	**4,946**	**(7,047)**
Corporate						
	-	-	-	-	-	-

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

5.2.4.1. Restructured loans and placements

The table below gives an overview of the restructured receivables:

In thousand EUR

31 December 2020	Restructured receivables – gross exposure	S1 restructured receivables	S2 restructured receivables	S3 restructured receivables	Impairment of restructured receivables	Impairment of S1 restructured receivables	Impairment of S2 restructured receivables	Impairment of S3 restructured receivables	Percentage of restructured receivables in gross exposure	Amount of collateral for restructured receivables
Retail	**664**	**-**	**614**	**50**	**(78)**	**-**	**(74)**	**(4)**	**1%**	**848**
Housing loans	635	-	601	34	(77)	-	(74)	(3)	1%	516
Other	29	-	13	16	(1)	-	-	(1)	0%	332
Corporate	**17,678**	**-**	**9,882**	**7,796**	**(2,834)**	**-**	**(1,670)**	**(1,164)**	**14%**	**41,493**
Agriculture	410	-	-	410	(11)	-	-	(11)	12%	140
Manufacturing industry	720	-	532	188	(66)	-	(55)	(11)	7%	1,809
Construction	4,524	-	19	4,505	(563)	-	-	(563)	16%	10,442
Wholesale and retail trade	1,806	-	854	952	(328)	-	(95)	(233)	5%	4,310
---------Activates related to real estate	42	-	-	42	-	-	-	-	1%	38
Other	10,176	-	8,477	1,699	(1,866)	-	(1,520)	(346)	22%	24,754
Total	**18,342**	**-**	**10,496**	**7,846**	**(2,912)**	**-**	**(1,744)**	**(1,168)**	**8%**	**42,341**
Receivables from Banks	-	-	-	-	-	-	-	-	**0%**	-

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

5.2.4.1. Restructured loans and placements (continued)

The table below gives an overview of the restructured receivables:

In thousand EUR

31 December 2019	Restructured receivables – gross exposure	S1 restructured receivables	S2 restructured receivables	S3 restructured receivables	Impairment of restructured receivables	Impairment of S1 restructured receivables	Impairment of S2 restructured receivables	Impairment of S3 restructured receivables	Percentage of restructured receivables in gross exposure	Amount of collateral for restructured receivables
Retail	**1,097**	**999**	**56**	**42**	**(57)**	**(40)**	**-**	**(17)**	**1%**	**3,426**
Housing loans	54	25	-	29	(16)	-	-	(16)	6%	572
Other	1,043	974	56	13	(41)	(40)	-	(1)	1%	2,854
Corporate	**32,138**	**17,703**	**1,768**	**12,667**	**(5,605)**	**(674)**	**(85)**	**(4,846)**	**23%**	**60,502**
Agriculture	302	302	-	-	(9)	(9)	-	-	9%	199
Manufacturing industry	585	-	578	7	-	-	-	-	7%	1,271
Construction	4,731	4,482	249	-	(383)	(364)	(19)	-	19%	13,182
Wholesale and retail trade	1,869	1,373	228	268	(269)	(51)	(14)	(204)	5%	10,899
Activates related to real estate	1,308	73	548	687	(458)	(6)	(47)	(405)	37%	3,408
Other	23,343	11,473	165	11,705	(4,486)	(244)	(5)	(4,237)	39%	31,543
Total	**33,235**	**18,702**	**1,824**	**12,709**	**(5,662)**	**(714)**	**(85)**	**(4,863)**	**14%**	**63,928**
Receivables from Banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**0%**	**-**

TRANSLATION NOTE: This is a translation of the original document issued in the Montenegrin language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Montenegrin version of the document shall prevail.

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

5.2.4.1. Restructured loans and placements (continued)

The table below gives an overview of the restructured receivables:

In thousand EUR

CHANGES OF S1 RESTRUCTURED RECEIVABLES	Gross 31 December 2019	New restructured S1 receivables	Reduction of S1 restructured receivables	foreign exchange impact	Other changes	Gross 31 December 2020	Net 31 December 2020
Housing loans	25	-	(6)	-	(19)	-	-
Cash loans	974	-	(974)	-	-	-	-
Retail	**999**	**-**	**(980)**	**-**	**(19)**	**-**	**-**
		-					
Medium enterprises	2,073	-	(918)	-	(1,155)	-	-
Small enterprises	8,627	-	(7,893)	-	(734)	-	-
State	7,003	-	(7,003)	-	-	-	-
Corporate	**17,703**	**-**	**(15,814)**	**-**	**(1,889)**	**-**	**-**
Total	**18,702**	**-**	**(16,794)**	**-**	**(1,908)**	**-**	**-**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

5.2.4.1. Restructured loans and placements (continued)

The table below gives an overview of the restructured receivables:

PROMJENE RESTUKTUIRANIH S2 POTRAŽIVANJA	Gross 31 December 2019	New restructured S2 receivables	Reduction of S2 restructured receivables	foreign exchange impact	Other changes	Gross 31 December 2020	Net 31 December 2020
Cash loans	56	553	(8)	-	-	601	545
Other	-	13	-			13	13
Retail	**56**	**566**	**(8)**	**-**	**-**	**614**	**558**
Large enterprises	-	-	-	-	-	-	-
Medium enterprises	558	8,373	-	-	-	8,931	8,373
Small enterprises	1,210	771	(472)	-	-	1,509	299
Other	-	-	-		(558)	(558)	(558)
Corporate	**1,768**	**9,144**	**(472)**	**-**	**(558)**	**9,882**	**8,114**
Total	**1,824**	**9,710**	**(480)**	**-**	**(558)**	**10,496**	**8,672**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**

5. RISK MANAGEMENT (CONTINUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placements (continued)

5.2.4.1. Restructured loans and placements (continued)

The table below gives an overview of the restructured receivables:

In thousand EUR

CHANGES OF S3 RESTRUCTURED RECEIVABLES	Gross 31 December 2019	New restructured S3 receivables	Reduction of S3 restructured receivables	foreign exchange impact	Other changes	Gross 31 December 2020	Net 31 December 2020
Housing loans	29	-	(29)	-	-	-	(29)
Cash loans	13	-	-	-	21	34	21
Other	-	5	-	-	11	16	16
Retail	**42**	**5**	**(29)**	**-**	**32**	**50**	**8**
Large enterprises	3,814	-	(3,814)	-	-	-	(3,814)
Medium enterprises	7,678	4,315	(6,302)	-	-	5,691	(1,987)
Small enterprises	1,175	991	(61)	-	-	2,105	930
Corporate	**12,667**	**5,306**	**(10,177)**	**-**	**-**	**7,796**	**(4,871)**
Total	**12,709**	**5,311**	**(10,206)**	**-**	**32**	**7,846**	**(4,863)**
Receivables from banks	**-**	**-**	**-**	**-**	**-**	**-**	**-**

5. RISK MANAGEMENT (CONTINIUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placement (continued)

5.2.4.2. Loans and receivables from customers covered by collateral

December 31, 2020	S 1 clients				S 2 clients				S 3 clients			
	Properties	Deposits	Other collateral	Total	Properties	Deposits	Other collateral	Total	Properties	Deposits	Other collateral	Total
Housing loans	129	-	-	**129**	184	-	-	**184**	17	-	-	**17**
Cash loans	13,825	1,532	51,380	**66,737**	5,571	858	11,133	**17,562**	5,186	371	3,580	**9,137**
Vehicle purchase	15	-	336	**351**	-	-	76	**76**	-	-	16	**16**
Adaptation of residential or business premises	-	-	-	-	-	-	-	-	1	-	-	**1**
Other	385	182	3,126	**3,693**	281	101	1,292	**1,674**	81	45	521	**647**
Retail	**14,354**	**1,714**	**54,842**	**70,910**	**6,036**	**959**	**12,501**	**19,496**	**5,285**	**416**	**4,117**	**9,818**
Large enterprises	1,704	-	1,805	**3,509**	145	-3	2,772	**2,914**	855	-	118	**973**
Medium enterprises	128	2	3,565	**3,695**	14,352	83	3,094	**17,529**	10,935	-	137	**11,072**
Small enterprises	14,726	252	6,441	**21,419**	31,837	580	8,725	**41,142**	22,892	713	3,881	**27,486**
Corporate	**16,558**	**254**	**11,811**	**28,623**	**46,334**	**660**	**14,591**	**61,585**	**34,682**	**713**	**4,136**	**39,531**
Total	**30,912**	**1,968**	**66,653**	**99,533**	**52,370**	**1,619**	**27,092**	**81,081**	**39,967**	**1,129**	**8,253**	**49,349**
Receivables from banks	-	-	**22,217**	**22,217**	-	-	-	-	-	-	-	-

5. RISK MANAGEMENT (CONTINIUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placement (continued)

5.2.4.2. Loans and receivables from customers covered by collateral (continued)

In thousand EUR

December 31, 2020	S 1 clients					S 2 clients				S 3 clients				
	Properties	Deposits	Guarantee	Other collateral	Total	Properties	Deposits	Other collateral	Total	Properties	Deposits	Guarantee	Other collateral	Total
Housing loans	798	-	-	-	798	77	-	-	77	87	-	-	-	87
Cash loans	19,735	3,276	-	58,784	81,795	4,314	96	6,520	10,930	946	18	-	1,452	2,416
Vehicle purchase	19	-	-	508	527	-	-	38	38	-	-	-	-	-
Adaptation of residential or business premises	-	-	-	-	-	-	-	-	-	1	-	-	-	1
Other	534	247	-	4,151	4,932	6	71	575	652	-	15	-	253	268
Retail	21,086	3,523	-	63,443	88,052	4,397	167	7,133	11,697	1,034	33	-	1,705	2,772
Large enterprises	2,051	4		9,305	11,360	-	-	-	-	1,881	6,141	623	1,933	10,578
Medium enterprises	16,329	93	-	4,756	21,178	72	-	737	809	7,678	-	-	-	7,678
Small enterprises	48,368	1,657	1	15,552	65,578	11,037	410	869	12,316	3,673	-	-	622	4,295
State	-	-	-	7,003	7,003	-	-	-	-	-	-	-	-	-
Corporate	66,748	1,754	1	36,616	105,119	11,109	410	1,606	13,125	13,232	6,141	623	2,555	22,551
Total	87,834	5,277	1	100,059	193,171	15,506	577	8,739	24,822	14,266	6,174	623	4,260	25,323
Receivables from banks	-	-	4	20,867	20,871	-	-	-	-	-	-	-	-	-

5. RISK MANAGEMENT (CONTINIUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placement (continued)

5.2.4.2. Loans and receivables from customers covered by collateral (continued)

Fair value of collateral

In thousand EUR

	December 31, 2020	December 31, 2019
Deposits	31,407	39,045
Pledge	69,538	87,030
Mortgages and fiduciaries	377,024	369,298
Police	9,797	7,544
Guarantees	350	2,741
Total	**488.116**	**505.658**

In thousand EUR

Grupno procijenjeni plasmani	December 31, 2020	December 31, 2029
Deposits	29,392	31,629
Pledge	24,279	43,243
Mortgages and fiduciaries	181,648	215,177
Police	9,722	7,544
Guarantees	350	2,294
	245,391	**299,887**

In thousand EUR

Individually assessed placements	December 31, 2020	31. decembar 2019.
Deposits	2,015	7,416
Pledge	45,259	43,787
Mortgages and fiduciaries	195,376	154,121
Police	75	-
Guarantees	-	447
Total	**242,725**	**205,771**

5. RISK MANAGEMENT (CONTINIUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placement (continued)

5.2.4.3. Geographic concentration

The geographical concentration of the Bank's exposure to credit risk is shown in the following table:

In thousand EUR

December 31, 2020	Receivables from S1 and S2 clients				Receivables from S3 clients			
	Montenegro	EU	USA and Canada	Other	Montenegro	EU	USA and Canada	Other
Retail	**82,996**	**4,304**	**-**	**3,106**	**9,651**	**2**	**-**	**165**
Housing loans	313	-	-	-	17	-	-	
Cash loans	76,996	4,285	-	3,018	8,976	-	-	161
Vehicle loans	427	-	-	-	16	-	-	-
Adaptation of residential or business premises	-	-	-	-	1	-	-	-
Other	5,260	19	-	88	641	2	-	4
Corporate	**88,565**	**1,643**	**-**	**-**	**39,531**	**-**	**-**	**-**
Agriculture	2,920	-	-	-	435	-	-	-
Manufacturing industry	6,734	-	-	-	3,578	-	-	-
Electricity	1,393	-	-	-		-	-	-
Construction	17,969	-	-	-	10,779	-	-	-
Wholesale and retail	24,790	-	-	-	9,053	-	-	-
Service activities	1,012	-	-	-		-	-	-
Real estate activities	2,099	-	-	-	1,853	-	-	-
Other	31,648	1,643	-	-	13,833	-	-	-
Total	**171,561**	**5,947**	**-**	**3,106**	**49,182**	**2**	**-**	**165**
Receivables from banks	**5,003**	**16,400**	**-**	**814**	**-**	**-**	**-**	**-**
Securities	**85,556**	**32,359**	**1,565**	**9,768**	**-**	**-**	**-**	**-**

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5. RISK MANAGEMENT (CONTINIUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placement (continued)

5.2.4.3. Geographic concentration

The geographical concentration of the Bank's exposure to credit risk is shown in the following table:

In thousand EUR

December 31, 2019	Receivables from S1 and S2 clients				Receivables from S3 clients			
	Montenegro	EU	USA and Canada	Other	Montenegro	EU	USA and Canada	Other
Retail	**92,927**	**4,021**	**-**	**2,801**	**2,734**	**3**	**-**	**35**
Housing loans	875		-		87	-	-	
Cash loans	86,039	3,980	-	2,706	2,381	-	-	35
Vehicle loans	565	-	-	-	-	-	-	-
Adaptation of residential or business premises	-	-	-	-	1	-	-	-
Other	5,448	41	-	95	265	3	-	-
Corporate	**116,400**	**1,844**	**-**	**-**	**20,618**	**1,933**	**-**	**-**
Agriculture	3,360	-	-		33	-	-	-
Manufacturing industry	8,792	-	-		177	-	-	-
Electricity	1,505	-	-			-	-	-
Construction	23,016	-	-		1,254	-	-	-
Wholesale and retail	36,846	-	-		766	-	-	-
Service activities	10,663	-	-		8,611	-	-	-
Real estate activities	2,882	-	-		687	-	-	-
Other	29,336	1,844	-		9,090	1,933	-	-
Total	**209,327**	**5,865**	**-**	**2,801**	**23,352**	**1,936**	**-**	**35**
Receivables from banks	**5,002**	**15,351**	**-**	**518**	**-**	**-**	**-**	**-**
Securities	**96,691**	**24,449**	**542**	**13,076**	**-**	**-**	**-**	**-**

55. RISK MANAGEMENT (CONTINIUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placement (continued)

5.2.4.4. Industry concentration

The industrial concentration of the Bank's exposure to credit risk, net of impairment is shown in the following table:

In thousand EU

	Finance	Transportation, traffic and telecommunication	Services tourism and catering	Wholesale and retail trade and repair of motor vehicles and motorcycles	Construction	Energetics	Mining	Administration and service activities	Real estate trade	Agriculture forestry and fishing	Production	Other	Individuals	Tot
Financial assets at amortized value														
Loans and receivables from banks	4,856	-	-	-	-	-	-	-	-	-	-	17,204	-	22,060
Loans and receivables from clients	700	10,041	20,755	32,171	26,128	1,640	4,047	2,131	3,722	3,256	9,996	5,610	95,198	215,395
Securities	-	-	-	-	-	-	-	-	-	-	-	1,107	-	1,107
Financial asset at fair value through other result														
Securities	85,387	621	35	49	-	-	-	-	95	-	-	41,963	-	128,150
December 31, 2020	**90,943**	**10,662**	**20,790**	**32,220**	**26,128**	**1,640**	**4,047**	**2,131**	**3,817**	**3,256**	**9,996**	**65,884**	**95,198**	**366,712**
December 31, 2019	**103,488**	**11,552**	**18,685**	**36,080**	**22,128**	**1,396**	**4,817**	**2,709**	**3,184**	**3,324**	**8,813**	**69,282**	**99,076**	**384,534**

5. RISK MANAGEMENT (CONTINIUED)

5.2. Credit risk (continued)

5.2.4. Quality of financial placement (continued)

5.2.4.5. Off balance sheet items

The maturity of off-balance sheet items under which the Bank is exposed to credit risk is as follows:

In thousand EUR

	Undrawn credit lines	Guarantee	Letters of credit	Total
December 31, 2020				
Up to 1 year	32,726	61,138	249	**94,113**
From 1 to 5 years	3,042	13,170	-	**16,212**
Over 5 years	840	0	-	**840**
	36,608	**74,308**	**249**	**111,165**

In thousand EUR

	Undrawn credit lines	Guarantee	Letters of credit	Total
December 31, 2019				
Up to 1 year	29,406	65,729	533	**95,668**
From 1 to 5 years	5,672	15,194	-	**20,866**
Over 5 years	587	1,425	-	**2,012**
	35,665	**82,348**	**533**	**118,546**

5.3. Market risk

The Bank is exposed to market risks. Market risks arise from open positions due to changes in interest rates, foreign currency exchange rates and prices of securities which change according to the market volatility. Market risk exposure limits are prescribed internally and aligned with the limits prescribed by the Central Bank of Montenegro.

5.3.1. Currency Risk

The Bank's financial position and cash flows are exposed to the effects of the changes in foreign currency exchange rates. Foreign exchange currency risk exposure is continuously monitored and reconciled with the limits prescribed by the Central Bank of Montenegro.

5. RISK MANAGEMENT (CONTINIUED)

5.3. Market risk (continued)

5.3.1. Currency Risk (continued)

The exposure to exchange rate risk as at 31 December 2020 is shown in the following table:

In thousand EUR	USD	GBP	CHF	Other	Total
Foreign currency assets	16,337	1,658	525	84	18,604
Liabilities in foreign currencies	16,053	1,668	556	47	18,324
Net open position - December 31, 2020	**284**	**(10)**	**(31)**	**37**	**280**
- December 31, 2019	**264**	**2**	**(3)**	**50**	**313**
% core capital: - December 31, 2020	**1%**	**0%**	**0%**	**0%**	
- December 31, 2019	**1%**	**0%**	**0%**	**0%**	
Aggregate open position - December 31, 2020	**280**				
- December 31, 2019	**313**				
% core capital: - December 31, 2020	**0,67%**				
- December 31, 2019	**0,86%**				

5. RISK MANAGEMENT (CONTINIUED)

5.3. Market risk (continued)

5.3.1. Foreign exchange Currency Risk (continued)

The following table shows the exchange rate scenario in the range of + 10% to -10% in relation to the EUR.

			In thousand EUR Change of foreign exchange	
	Total	**Amount in foreign currency**	**10%**	**-10%**
Assets				
Cash and deposit accounts with central banks	163,390	1,133	113	(113)
Financial assets at amortized value				
Loans and receivables from banks	22,060	5,289	529	(529)
Loans and receivables from clients	215,395	-	-	-
Securities	1,107	-	-	-
Other financial assets	1,786	1,669	167	(167)
Financial assets at amortized value through other result				
Securities	128,150	10,354	1,035	(1,035)
Other operating receivables	2,433	159	16	(16)
Total assets	**534,231**	**18,604**	**1,860**	**(1,860)**
Liabilities				
Financial liabilities at amortized value				
Deposits from banks	1,214	-	-	-
Deposits from clients	428,346	16,850	1,685	(1,685)
Loans to non-bank customers	22,048	-	-	-
Provisions	1,453	-	-	-
Other liabilities- balance	13,301	1,474	147	(147)
Subordinated debt	22,256	-	-	-
Total liabilities	**488,618**	**18,324**	**1,832**	**(1,832)**
Other liabilities (guarantees and credentials) – off balance	74,558	1	-	-
Sensitivity of net exposure to foreign exchange risk to changes in foreign exchange rates:				
December 31, 2020			**28**	**(28)**
December 31, 2019			**5**	**(5)**

As at 31 December 2020, assuming that all other parameters remain unchanged by the change in the EUR exchange rate against other currencies by + 10% and -10%, the Bank's profit would increase or decrease by EUR 28 thousand (December 31, 2019: profit would increase or decrease by the amount of EUR 5 thousand). The reason for the Bank's low exposure to changes in foreign exchange rates is the fact that most of the Bank's receivables and liabilities are denominated in EUR.

5. RISK MANAGEMENT (CONTINIUED)

5.3. Market risk (continued)

5.3.2. Interest rate risk

The following table presents the Bank's interest bearing and non-interest-bearing assets and liabilities as of December 31, 2020:

In thousand EUR

	Interest bearing	Non-interest bearing	Total
ASSETS			
Cash and deposit accounts with central banks	11,426	151,964	163,390
Financial assets at amortized value			
Loans and receivables from banks	22,060	-	22,060
Loans and receivables from clients and other financial assets	215,395	-	215,395
Securities	1,107	-	1,107
Other financial assets	704	1,082	1,786
Financial assets at amortized value through other result			
Securities	118,667	9,483	128,150
Other operating receivables	-	2,433	2,433
Total assets	**369,359**	**164,962**	**534,321**
LIABILITIES			
Financial liabilities at amortized value			
Deposits from banks	-	1,214	1,214
Deposits from clients	384,751	43,595	428,346
Borrowed funds from other clients	22,048	-	22,048
Subordinated debt	22,256	-	22,256
Total liabilities	**429,055**	**44,809**	**473,864**
Exposure to interest rate risk:			
December 31, 2020	**(59,696)**	**120,153**	**60,457**
December 31, 2019	**(51,817)**	**112,752**	**60,935**

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5. RISK MANAGEMENT (CONTINIUED)

5.3. Market risk (continued)

5.3.2. Interest rate risk (continued)

The following tables show the annual active and passive interest rates of monetary financial instruments:

Lending interest rates applied to loans to legal entities and individuals during 2020 are as follows:

Type of loan	Interest rate
Corporate	
- short-term loans from the Bank's assets	0-11,5%p.a.
- short-term loans from other sources	3%-9,25%p.a.
- short-term loans to banks and other financial organizations	1,6%p.a.
1.3-10%p.a.4.2%-9.25%p.a. - long-term loans from the Bank's assets	1,3%-10%p.a.
- long-term loans from other sources	4,2%-9,25%p.a.
- loans to small and medium enterprises up to 24 months	approved at rates from the bank's assets
- loans to small and medium enterprises over 24 months	approved at rates from the bank's assets
- loans for entrepreneurs up to 24 months	4,5%-9,25%p.a.
- loans for entrepreneurs over 24 months	7%-9,25%p.a.

Type of loan	Interest rate
Retail	
- cash loans	0,6%p.m.-10,5%p.a.
- consumer loans	0-10%p.a.
- vehicle loans	4,99%p.a.

5. RISK MANAGEMENT (CONTINIUED)

5.3. Market risk (continued)

5.3.2. Interest rate risk (continued)

The passive interest rates applied to the receivables of legal entities in 2020 are as follows:

Type of deposit	**Interest rate**
Deposits at demand	-
Short-term deposits	0-1,4%p.a.
Long-term deposits	0-2,5%p.a.

Type of deposit	**Interest rate**
Individuals:	
Deposits at demand	
Savings demand deposits:	
- EUR	0,01%p.a.
- other currencies	-
Term deposits in EUR placed:	
- for a month	0,01%p.a.
- for 3 months	0-0,08%p.a.
- for 6 months	0,05%-1,2%p.a.
- for 12 months	0,25%-2%p.a.
- for 24 months	1,2%-1,8%p.a.
- for 36 months	1%-2,5%p.a.
Term deposits in foreign currencies (USD):	
- for 3 months	-
- for 6 months	-
- for 12 months	0,25%p.a-0,8%p.a.

5. RISK MANAGEMENT (CONTINIUED)

5.3. Market risk (continued)

5.3.2. Interest rate risk (continued)

Exposure to interest rate risk as at December 31, 2020 is presented in the following table:

In thousand EUR

Sensitive assets	Up to one month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
Cash and deposits accounts with central banks	11,426	-	-	-	-	**11,426**
Financial assets at amortized value						
Loans and receivables from clients	17,060	-	-	5,000	-	**22,060**
Loans and receivables from banks	19,724	19,109	19,133	41,546	115,884	**215,396**
Securities	1,107	-	-	-	-	**1,107**
Other financial assets	704	-	-	-	-	**704**
Financial asset at fair value through other result						
Securities	1,508	13,661	162	1,979	101,357	**118,667**
Total	**51,529**	**32,770**	**19,295**	**48,525**	**217,241**	**369,360**
% from total interest-bearing assets	14%	9%	5%	13%	59%	**100%**
Sensitive equity and liabilities						
Financial liabilities at amortized value						
Interest bearing deposits from banks	-	-	-	-	-	**-**
Interest bearing deposits from clients	59,181	47,347	49,477	97,740	131,006	**384,751**
Interest bearing clients borrowings	50	155	887	2,775	18,181	**22,048**
Subordinated debt	-	-	-	10,000	12,256	**22,256**
Total	**59,231**	**47,502**	**50,364**	**110,515**	**161,443**	**429,055**
% interest bearing liabilities	14%	11%	12%	26%	38%	**100%**
Interest rate risk exposure:						
- December 31,2020	**(7,702)**	**(14,732)**	**(31,069)**	**(61,990)**	**55,799**	**(59,695)**
- December 31,2019	**(17,859)**	**1,984**	**(42,214)**	**(29,653)**	**35,925**	**(51,817)**
Cumulative GAP:						
- December 31,2020	**(7,702)**	**(22,434)**	**(53,503)**	**(115,493)**	**(59,695)**	
- December 31,2019	**(17,859)**	**(15,874)**	**(58,089)**	**(87,742)**	**(51,817)**	

5. RISK MANAGEMENT (CONTINIUED)

5.3. Market risk (continued)

5.3.2. Interest rate risk (continued)

The following table shows the effect of changes in variable interest rates for claims and liabilities denominated in EUR in the range of + 0.4% pp. to -0.4% p.p.

In thousand EUR	2020.	+0.4 b.p. EUR KS	-0.4 b.p. EUR KS
Assets			
Cash and deposits accounts with central banks	**11,426**	-	-
With a fixed interest rate	-	-	-
With a variable interest rate	11,426	46	(46)
Financial assets at amortized value			-
Loans and receivables from banks	**22,060**	-	-
Loans and receivables from clients	**215,395**	-	-
With a fixed interest rate	215,395	-	-
With a variable interest rate	-	-	-
Financial assets at fair value through other result	**1,107**	-	-
Securities	1,107	-	-
With a fixed interest rate			
With a variable interest rate	**118,667**	-	-
Assets	118,667	-	-
Cash and deposits accounts with central banks	-	-	-
	368,655	**46**	**(46)**
Liabilities			
Financial liabilities at amortized value			
Deposits from banks	-	-	-
Deposits from clients	**384,751**	-	-
Borrowings from other clients	**22,048**	-	-
With a fixed interest rate	22,048	-	-
With a variable interest rate	-	-	-
Subordinated debt	**22,256**	-	-
	429,055	-	-
Interest rate risk net exposure:			
- December 31,2020	**(60,400)**	**46**	**(46)**

As at 31 December 2020, assuming all other parameters remain unchanged by the change in interest rates by 4 b.p. (+/- 0.4%), the Bank's profit would increase or decrease by the amount of EUR 46 thousand (December 31, 2019: profit would increase or decrease by the amount of EUR 64 thousand). The reason for the Bank's low exposure to changes in variable interest rates is the fact that most of the Bank's receivables and liabilities are contracted at a fixed interest rate.

5. RISK MANAGEMENT (CONTINIUED)

5.3. Market risk (continued)

5.3.2. Interest rate risk (continued)

The following table shows the effect of changes in interest rates on securities denominated in EUR in the range of 50 b.p. up to 200 b.p as at December 31, 2020.:

In thousand EUR

Securities – fixed rate	Amount	Change in interest rate	Average weighted bp	Change in EUR	Sign
Short-term	18,416	50 b.p.	8	92	+/-
Medium-term	2,987	100 b.p.	2	30	+/-
Long-term	98,371	200 b.p.	164	1,967	+/-
Total	**119,774**		**174**	**2,089**	**+/-**

5.4. Liquidity risk

Liquidity risk is the risk that the Bank will not be able to provide sufficient cash to meet its obligations as they fall due, or the risk that the Bank will be required to provide funds at a reasonable cost and in a timely manner to meet its obligations.

Compliance and controlled mismatch of maturities and interest rates based on assets and liabilities are of great importance to the Bank's management. It is not uncommon for the Bank to have a fully matched position, as business transactions often have an indefinite maturity and are of different types. An unmatched position potentially increases profitability, but also increases the risk of loss.

Maturities of assets and liabilities and the Bank's ability to provide sources of funds at eligible costs at maturity are important factors in assessing the Bank's liquidity and its exposure to changes in interest rates and exchange rates.

Liquidity needs to cover guarantees or activated letters of credit are significantly less than the amount of commitments, as the Bank does not expect a third party to withdraw the contracted funds. The total outstanding amount of a contractual obligation to extend an extended loan does not necessarily lead to future liquidity requirements, as many of these obligations will expire or be terminated without funding.

5. RISK MANAGEMENT (CONTINIUED)

5.4. Liquidity risk (continued)

The maturity compliance of financial assets and financial liabilities with the expected maturity date as of December 31, 2020 is shown in the review which follows:

In thousand EUR

	Up to one month	From 1 to 2 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial assets							
Cash and deposits accounts with central banks	151,964	-	-	-	11,426	-	**163,390**
Financial assets at amortized value							
Loans and receivables from banks	22,060	-	-	-	-	-	**22,060**
Loans and receivables from clients	10,878	18,110	18,630	40,934	98,823	28,020	**215,395**
Securities	1,107	-	-	-	-	-	**1,107**
Other financial assets	1,786	-	-	-	-	-	**1,786**
Financial asset at fair value through other comprehensive income							
Securities	8,010	13,661	162	4,967	59,424	41,926	**128,150**
Other business receivables	2,433	-	-	-	-	-	**2,433**
Total	**198,238**	**31,771**	**18,792**	**45,901**	**169,673**	**69,946**	**534,321**
Financial liabilities							
Financial liabilities at amortized value							
Deposits from banks	1,214	-	-	-	-	-	**1,214**
Deposits from clients	37,475	29,286	30,044	52,781	236,511	42,249	**428,346**
Borrowed fund from other clients	50	155	887	2,775	7,419	10,762	**22,048**
Subordinated debt	-	-	-	10,071	4,062	8,123	**22,256**
Total	**38,739**	**29,441**	**30,931**	**65,627**	**247,992**	**61,134**	**473,864**
Maturity incompatibility							
- December 31, 2020	**159,499**	**2,330**	**(12,139)**	**(19,726)**	**(78,319)**	**8,812**	**60,457**
- December 31, 2019	**108,984**	**7,537**	**(32,240)**	**(2,251)**	**(51,852)**	**30,757**	**60,935**
Cumulative GAP:							
- December 31, 2020	**159,499**	**161,829**	**149,690**	**129,964**	**51,645**	**60,457**	
- December 31, 2019	**108,984**	**116,521**	**84,281**	**82,030**	**30,178**	**60,935**	
% from total source of assets							
- December 31, 2020	**29.85%**	**0.44%**	**(2.27%)**	**(3.69%)**	**(14.66%)**	**1.65%**	
- December 31, 2019	**20.72%**	**1.43%**	**(6.13%)**	**(0.43%)**	**(9.86%)**	**5.85%**	

5. RISK MANAGEMENT (CONTINIUED)

5.4. Liquidity risk (continued)

The structure of assets and liabilities as of December 31, 2020 indicates the existence of maturity mismatch of the remaining maturity of assets and liabilities for 1-3 months, 3-6 months, 6-12 months and 1-5 years.
The Bank's liquidity, which is its ability to settle its liabilities as due, depends on one hand on the balance sheet structure, and on the other hand, on the matching between cash inflows and outflows. In the cumulative gap there is no maturity mismatching in maturity of assets and liabilities. As at December 31, 2020 demand deposits in the table above are presented by the expected maturity using the model based on the Bank's historical data. The Bank applies this approach to liquidity management as of December 31, 2012.

The maturity compliance of financial assets and financial liabilities with the remaining contractual maturity date (undiscounted cash flows)as of December 31, 2020 is shown in the review that follows:

In thousand EUR

	At demand	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
- December 31, 2020							
LIABILITIES							
Liabilities to banks	1,214	-	-	-	-	-	**1,214**
Liabilities to clients	322,524	9,891	13,494	45,839	35,067	1,531	**428,346**
Borrowed funds from other clients	50	155	887	2,775	7,419	10,762	**22,048**
Subordinated debt	-	-	-	10,071	4,062	8,123	**22,256**
	323,788	**10,046**	**14,381**	**58,685**	**46,548**	**20,416**	**473,864**

In thousand EUR

	At demand	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
- December 31, 2019							
LIABILITIES							
Liabilities to banks	1,418	-	-	-	-	-	**1,418**
Liabilities to clients	299,076	3,321	12,261	70,002	31,374	3,558	**419,592**
Borrowed funds from other clients	121	-	-	80	9,150	12,984	**22,335**
Subordinated debt	(105)	-	-		14,155	8,000	**22,050**
	300,510	**3,321**	**12,261**	**70,082**	**54,679**	**24,542**	**465,395**

5. RISK MANAGEMENT (CONTINIUED)

5.5. Operational risk

Operational risk is the risk of possible negative effects on the financial result and capital of the Bank due to omissions (unintentional and intentional) in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Bank, and due to unforeseen external events, including events with a low probability of occurrence.

Exposure to operational risk is regularly monitored through compliance with the limits prescribed by the Central Bank of Montenegro. The goal of operational risk management is to ensure that the level of operational risk exposure is in line with the Bank's risk management strategy and policies, ie to minimize losses based on operational risks.

Proactive risk identification and assessment is performed once a year and thus the exposure to operational risks is assessed, taking into account the possibility, ie frequency of occurrence, as well as their potential impact on the Bank.

5.6. Fair value of financial assets and liabilities

In thousand EUR

	Carrying value		Fair value	
	2020.	2019.	2020.	2019.
Financial assets				
Cash and deposits accounts with central banks	163,390	137,133	163,390	137,133
Financial assets at amortized value				
Loans and receivables from banks	22,060	20,864	22,060	20,864
Loans and receivables from clients	215,395	228,912	215,395	228,912
Securities	1,107	-	1,107	-
Other financial assets	1,786	1,965	1,786	1,965
Financial asset at fair value through other result				
Securities	128,150	134,758	128,150	134,758
Investments in associates and joint ventures by capital method	-	5	-	5
Other assets	2,433	2,428	2,433	2,428
	534,321	**526,065**	**534,321**	**526,065**
Financial liabilities				
Financial liabilities at amortized value				
Deposits from banks and central bank	1,214	1,148	1,214	1,148
Deposits from clients	428,346	419,592	428,346	419,592
Borrowed funds from other clients	22,048	22,335	22,048	22,335
Subordinated debt	22,256	22,050	22,256	22,050
	473,864	**465,125**	**473,864**	**465,125**

5. RISK MANAGEMENT (CONTINIUED)

5.6. Fair value of financial assets and liabilities (continued)

Hierarchy of fair value of financial instruments measured at fair value

Accounting regulations in force in Montenegro define a hierarchy of valuation techniques based on whether the inputs required by those valuation techniques are available or not. Available inputs reflect market data obtained from independent sources; inputs not available include the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted values (unadjusted) in an active market for the same assets and liabilities. This level includes listed equity instruments.
- Level 2 - Entries that do not represent quoted values ncluded in Level 1 and that are available and relate to a given asset or liability, either directly (ie in terms of prices / values) or indirectly (in terms of conclusions based on prices / values) .
- Level 3 - entries for assets and liabilities that are not based on available market data. This Level includes equity investments under the Bank's market assumptions (no data available).

This hierarchy requires the use of available market data when it exists. In estimating fair value, the Bank takes into account available market values whenever possible. As at 31 December 2020, market prices of securities valued at fair value in the Bank's Level 1 and Level 2 portfolios were available.

The estimated fair value of financial instruments, according to the fair value hierarchy, is given in the following table:

In thousand EUR

December 31, 2020	Level 1	Level 2	Level 3	Total
Financial assets				
-at fair value through other result	119.950	5.950	2.250	**128.150**
Total	**119.950**	**5.950**	**2.250**	**128.150**

December 31, 2019	Level 1	Level 2	Level 3	Total
Financial assets				
-at fair value through other result	124.265	5.984	4.509	**134.758**
Total	**124.265**	**5.984**	**4.509**	**134.758**

Valuation techniques and assumptions used to measure financial instruments measured at fair value

The fair value of securities (classified under Level 1 and Level 2) through other result is based on market prices. As at 31 December 2020, the stated market prices of the securities were available.

If prices are not observable either directly or indirectly for securities (classified under Level 3) through other result, a mark-to-model method is applied that represents the process of discounting the financial instrument's cash flows at the appropriate discount rate obtained through the yield curve construction.

5. RISK MANAGEMENT (CONTINIUED)

5.6. Capital management

The Bank's capital management objectives are:

- to comply with the capital requirements set by the regulator;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns to shareholders and ensure benefits for other stakeholders; and
- to maintain a strong capital base to support further growth of its business.

The Bank's management controls capital adequacy by applying the methodology and limits prescribed by the Central Bank of Montenegro (based on Decision on capital adequacy of banks Gazette of Montenegro, 38/11, 55/12, 82/17 and 86/18). The Bank submits quarterly reports on the balance and structure of capital to the Central Bank of Montenegro.

The Bank's own assets consist of:

- share capital (paid-in share capital, retained earnings from previous years, profit for the current year, less loss);
- additional capital (reserves formed at the expense of profit after its taxation: legal, statutory and other reserves, subordinated loan), and
- less intangible assets, missing reserves and direct or indirect investments in another bank or other credit or financial institution in the amount of more than 10% of the capital of those institutions.

The amount of own funds must always be equal to or greater than:

a) the minimum cash part of the principal amount of EUR 5 million, as prescribed by the Law on banks,
b) the total amount of capital required for all risks.

In accordance with the regulations of the Central Bank of Montenegro, the Bank is obliged to maintain a minimum degree of capital adequacy, expressed as a solvency ratio of 10%. The Bank is obliged to align its business with the prescribed indicators, i.e., to align the scope and structure of its risk placements with the Law on banks and the regulations of the Central Bank of Montenegro. As of December 31, 2020, the solvency ratio calculated by the Bank in financial statements is 17.62% (December 31,2019: 16.29%).

6. INTEREST INCOME AND EXPENSES AND SIMILAR INCOME AND EXPENSES

Interest income

In thousand EUR	2020.	2019.
Deposits:		
- Foreign banks	-	57
- Central bank	8	38
	8	**95**
Loans:		
- Banks	80	80
- State institutions	284	211
- Government of Montenegro	167	233
- Legal entities	6,330	7,502
- Individuals	7,641	7,440
Fee income recognized in interest income:	820	1,333
	15,322	**16,799**
Securities:	**2,901**	**2,797**
Purchase operations:	**-**	**22**
Other interest income	**8**	**28**
Total interest income	**18,239**	**19,741**

Interest expense

In thousand EUR	2020,	2019,
Deposits:		
- Banks	90	74
- Financial institutions	52	40
- State institutions	64	78
- Legal entities	157	244
- Individuals	973	1,262
	1,336	**1,698**
Loans and other borrowings	**485**	**512**
Subordinated debt:	**1,275**	**881**
Leases:	**104**	**-**
Total interest expense	**3,200**	**3,091**

7. NET INCOME/EXPENSE BASED ON IMPAIRMENT OF FINANCIAL INSTRUMENTS NOT VALUED AT FAIR VALUE THROUGH INCOME STATEMENT

In thousand EUR	2020.	2019.
Net provisions/ (reversal of provisions) based on:		
- loans	3,459	3,821
- deposits at banks	4	(3)
- securities	21	(207)
- off balance items	3	(335)
- other	31	447
	3,518	3,723

7.1. Changes at impairment accounts

	December 31,2019	New placements-increase of impairment	Existing - reduction of impairment	Existing placements - increase of impairment	Closed placements – reversal of impairment	December 31,2020
Retail	3,445	893	(519)	1,632	(424)	5,027
Corporate	10,959	5,654	(595)	1,144	(7,621)	9,541
Total	**14,404**	**6,547**	**(1,114)**	**2,776**	**(8,045)**	**14,568**
Receivables from banks	**7**	**146**	**(1)**	**6**	**(1)**	**157**

TRANSLATION NOTE: This is a translation of the original document issued in the Montenegrin language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Montenegrin version of the document shall prevail.

7. NET INCOME/EXPENSE BASED ON IMPAIRMENT OF FINANCIAL INSTRUMENTS NOT VALUED AT FAIR VALUE THROUGH INCOME STATEMENT (CONTINUED)

7.2. Changes on provisions

Changes in the impairment accounts of uncollectible receivables and provisions

31.12.2019.

In thousand EUR	Loans and receivables from clients (Note 17.2)	Interest (Note 17.2)	Acquired assets (Note 21)	Reserves for operational risk, country risk and court disputes (Note 23)	Other receivables (Note 17.2 and 21)	Other financial assets	Provisions for off balance sheet records (Note 23)	Impairment of securities (Note 18)	Loans and receivables from banks (Note 17.1)	Total
Balance at the beginning of the year	12,485	210	1,517	392	570	140	1,427	1,116	10	17,867
Impairment over the year, net	3,821	(4)	-	96	451	-	(335)	(207)	(3)	3,819
Reversal/ impairment that did not affect impairment and provision costs	(2,147)	(9)	(850)	(62)	3	-	-	(15)	-	(3,080)
Balance at the end of year	**14,159**	**197**	**667**	**426**	**1,024**	**140**	**1,092**	**894**	**7**	**18,606**

31.12.2020.

In thousand EUR	Loans and receivables from clients (Note 17.2)	Interest (Note 17.2)	Acquired assets (Note 21)	Reserves for operational risk, country risk and court disputes (Note 23)	Other receivables (Note 17.2 and 21)	Other financial assets	Provisions for off balance sheet records (Note 23)	Impairment of securities (Note 18)	Loans and receivables from banks (Note 17.1)	Total
Balance at the beginning of the year	14,159	197	667	426	1,024	140	1,092	894	7	18,606
Impairment over the year, net	3,318	8	-	6	19	(1)	3	21	150	3,524
Reversal/ impairment that did not affect impairment and provision costs	(3,032)	(146)	590	(95)	(16)	-	-	(3)	-	(2,702)
Balance at the end of year	**14,445**	**59**	**1,257**	**337**	**1,027**	**139**	**1,095**	**912**	**157**	**19,428**

8. PROVISION COSTS

In thousand EUR	2020.	2019.
Net provisions based on:		
- litigations	9	58
- other	(3)	38
	6	**96**

9. FEE INCOME AND EXPENSES

Fee income
In thousand EUR

	2020.	2019.
Loan fees	316	411
Fees from off-balance-sheet operations	917	1.130
Fees from payment transactions and e-banking	2.554	3.021
Fees for foreign payments	1.395	2.086
Fees on credit card operations	6.671	9.168
Other fees and commissions	968	1.173
	12.821	**16.989**

Fee expenses
In thousand EUR

	2020.	2019.
Fees payable to the Central Bank	722	739
Fees for foreign payment transactions	259	357
Deposit insurance premium fees	2.089	2.049
Fees paid for borrowings and guarantees	66	43
Fess based on card and ATMs operations	4.489	7.177
Other fees and commissions	268	410
	7.893	**10.775**

10. TROŠKOVI ZAPOSLENIH

In thousand EUR	2020.	2019.
Net salaries	2.822	2.597
Taxes and contributions on salaries	1.899	1.895
Other employee benefits, net	78	217
Retirement benefits	48	-
Remunerations to members of the Board of Directors	126	124
Remunerations to members of the Development committee	72	72
Remunerations to members of the Credit risk committee	36	35
Remunerations to members of the Investment Committee	7	7
Remuneration of members for auditing	42	42
Employee transportation allowance, net	40	35
Business travel costs and per diems	310	382
Employee training costs	15	24
Net provisions for severance pay and jubilee awards (Note 23)	4	10
Aid to employees	18	11
Other costs	34	35
	5.551	**5.486**

11. GENERAL AND ADMINISTRATIVE EXPENSES

In thousand EUR	2020	2019
Rental costs	311	1,153
Security services	514	550
Electricity and fuel bills	153	153
Cleaning services	168	121
Computer and other equipment maintenance	255	249
Premises-related taxes	4	12
Vehicle maintenance	45	48
Insurance costs	554	554
Audit expense	337	317
Court expenses	2	6
Other professional fees	32	50
Lawyer fees	40	58
Consultant services	291	431
Intellectual services	198	88
Telecommunication costs	95	101
Communication network costs	129	121
Postage	25	27
Office supplies	178	188
Utilities	19	21
Representation expenses	346	637
Advertising and marketing	378	497
Subscriptions and donations	327	243
Software maintenance	441	418
Equipment rentals	135	546
Data processing services	442	500
Payment card operations	120	130
Other expenses	530	583
	6,069	**7,802**

A significant reduction in the cost of renting business premises (31 December 2020: EUR 311 thousand, 31 December 2019: EUR 1,153 thousand) is due to the application of IFRS 16 - Leasing, while on the same basis the depreciation cost increased by EUR 1,204 thousand (31 December 2019: null) (Note 12).

12. DEPRECIATION COST

In thousand EUR	2020	2019
Property plant and equipment (Note 19)	849	685
Intangible assets (Note 20)	489	392
Property with the right of use (Note 19)	1,204	-
	2,542	**1,077**

13. OTHER INCOME

In thousand EUR	2020	2019
Dividend income	99	58
Other operating income	12	-
Collected receivables previously written off	113	20
Other income	421	168
	645	**246**

14. OTHER EXPENSES

In thousand EUR	2020.	2019.
Direct write off of receivables	8	701
Other charges	49	34
Extraordinary expenses	13	51
	70	**786**

15. INCOME TAXES

a) Components of Income Taxes

In thousand EUR	2020.	2019.
Calculated current income tax	349	520
Calculated deferred income tax	(3)	6
	346	**526**

b) Reconciliation between tax expense and the product of accounting results multiplied by the applicable tax rate

In thousand EUR	2020.	2019.
Profit before taxes	3,834	5,389
Income tax at statutory rate of 9%	324	456
Tax effects of expenses not recognized for tax purposes	12	64
Other	10	6
Current Income tax	**346**	**526**

The tax rate used in 2019 and 2018 equals 9% and is applied to the taxable profit of legal entities in Montenegro as in accordance with the Corporate Income Tax Law.

c) Deferred tax liabilities

In thousand EUR	December 31, 2020	December 31, 2019
Deferred tax based on unrealized gains on AFS securities	(23)	(209)
Differed tax based on temporary differences between book and tax value for property plant and equipment	27	24
	4	**(185)**

16. CASH AND DEPOSIT ACCOUNTS HELD WITH CENTRAL BANKS

In thousand EUR	December 31, 2020	December 31, 2019
Cash on hand:	**24,723**	**17,184**
- in EUR	23,590	15,795
- in foreign currencies	1,133	1,389
Gyro account	114,835	85,910
Obligatory reserves held with the Central Bank of Montenegro	22,853	31,819
Other	979	2,220
	163,390	**137,133**

As at December 31, 2019 the Bank's obligatory reserves were set aside in accordance with the Regulation of the Central Bank of Montenegro on Bank which refers on Reserve Requirement to Be Held with the Central Bank of Montenegro (Official Gazette of Montenegro no. 88/17). In accordance with the above, banks calculate the reserve requirement on demand deposits and term deposits.

Banks calculate the obligatory reserve applying the following rates:
- 5.5% to the base comprised of demand deposits and deposits maturing within a year. i.e. 365 days; and
- 4.5% to the base comprised of deposits with maturities of over a year. i.e. 365 days.

The rate of 5.5% is also applied to deposits with contractually defined maturities of over a year. i.e. 365 days, with contractual clause on early withdrawal option (within less than 365 days).

The obligatory reserve is to be calculated by applying the aforesaid rates to the appropriate part of the base during the previous week, two days before the expiry of the maintenance period. The maintenance period is a monthly period, from the third Wednesday of the month and lasts until the day preceding the third Wednesday of the following month.

The Bank sets aside the calculated reserves to the obligatory reserve accounts held with the Central Bank of Montenegro in the country and/or abroad and cannot be separated and held in a different form. Required reserves are allocated in EUR. Funds allocated to the accounts of the Central Bank abroad cannot be transferred to other accounts abroad, instead they can be transferred exclusively to the Bank's transaction account in the RTGS system.

On 50% of the required reserves allocated in accordance with the Decision, the Central Bank pays to the Bank until the eighth day of the month for the previous month a fee calculated at the rate of EONIA reduced by 10 basis points on an annual basis, but this rate cannot be less than zero.

16. CASH AND DEPOSIT ACCOUNTS HELD WITH CENTRAL BANKS (CONTINUED)

If the Bank is planning to withdraw funds from the account of required reserves of the Central Bank held abroad, in the amount of more than EUR 500,000 is obliged to announce and on written notice to the Central Bank no later than three working days before the withdrawal of the required reserve.

For the maintenance of daily liquidity, the Bank may use up to 50% of the required reserve. On the used amount of required reserves, which has returned on the same day, the bank does not pay a fee. In case the amount of the required reserve does not return on the same day, the Bank is obligated to pay a fee paid monthly at a rate determined by a special regulation of the Central Bank.

When the Central Bank determines that the Bank has incorrectly calculated and / or allocated a mandatory reserve or failed to do so within the prescribed deadline, that is that the Bank does not maintain the required reserve in the prescribed amount, the Bank shall, for a fixed amount of incorrectly calculated or untimely allocated reserve, pay a monthly fee at a rate determined by special regulation of the Central Bank.

17. FINANCIAL ASSETS AT AMORTIZED VALUE

17.1. Loans and receivables from banks

In thousand EUR	December 31, 2020	December 31, 2019
Correspondent accounts with foreign banks	17,209	15,871
Deposits with banks and other depository institutions, non - residents	5	-
Loans to banks	5,003	5,000
	22,217	**20,871**
Minus		
Impairment of loans and receivables from banks	(157)	(7)
	22,060	**20,864**

	Balance, December 31,2019	Changes during the year	Balance, December 31,2020
Impairment of loans and receivables from banks (Note 7.2)	(7)	(150)	(157)

17. FINANCIAL ASSETS AT AMORTIZED VALUE (CONTINUED)
17.2. Loans and receivables from clients

In thousand EUR	December 31, 2020	December 31, 2019
Due loans:		
- municipalities (public organizations)	2	-
- legal entities	2,293	1,843
- state owned companies	-	277
- individuals	1,303	1,040
- other	14	1,814
Short-term loans:		
- Government of Montenegro	-	-
- municipalities (public organizations)	103	-
- legal entities	27,047	17,816
- state owned companies	-	-
- individuals	3,192	2,517
- other	1,081	70
Long-term loans:		
- Government of Montenegro	-	7,000
- municipalities (public organizations)	95	255
- legal entities	93,718	98,586
- state owned companies	2,884	9,017
- individuals	95,326	98,706
- other	2,279	3,809
	229,337	**242,750**
Interest receivables:		
- loans	202	326
Accruals:		
- interest on loans	1,142	1,059
- fees	(733)	(819)
Factoring	5	-
Deposits with other depository institutions	-	-
Fallen guarantees	10	-
	626	**566**
	229,963	**243,316**
Minus:		
Impairment allowance of loans, activated guarantees and factoring (Note 7.2)	(14,445)	(14,159)
Impairment allowance of interest receivables (Note 7.2)	(59)	(197)
Impairment allowance of accruals	(64)	(48)
	(14,568)	**(14,404)**
	215,395	**228,912**

17. FINANCIAL ASSETS AT AMORTIZED VALUE (CONTINUED)

17.2. Loans and receivables from clients (continued)

The concentration by activities of the total net loans to customers by the Bank is as follows:

In thousand EUR	December 31,2020	December 31,2019
Agriculture, forestry and fishing	3,256	3,324
Mining	4,047	4,817
Processing industry	9,996	8,813
Water supply	361	736
Construction industry	26,128	22,128
Trade	32,171	36,022
Transport and storage	8,686	11,552
Accommodation and catering services	20,755	17,136
Information and communications	1,355	1,525
Finance and insurance sector	700	1,974
Real estate trade	3,722	3,089
Professional, scientific and technical activities	2,762	4,480
Administrative and support service activities	2,131	2,709
Public administration, defense and compulsory social security	-	7,002
Education	132	69
Health and social care	239	412
Art, entertainment and recreational activities	298	427
Other services	2,264	2,284
Non-resident legal entities	1,194	1,337
Retail customers	95,198	99,076
	215,395	**228,912**

17. FINANCIAL ASSETS AT AMORTIZED VALUE (CONTINUED)

17.2. Loans and receivables from clients (continued)

Changes in loans and receivables from clients and impairment are shown in the following tables:

LOANS	Level 1	Level 2	Level 3	POCI	Total
December 31,2019	**193,170**	**24,823**	**15,612**	**9,711**	**243,316**
New receivables	42,950	39,097	28,933	8,397	119,377
Transfer to level 1	-	35,407	15,018	-	50,425
Transfer to level 2	6,022	-	4,113	-	10,135
Transfer to level 3	41	516	-	-	557
Collection (reduction of existing)	(13,010)	(9,959)	(3,935)	(12)	(26,916)
Increase of existing	1,541	1,211	697	-	3,449
Closed	(80,753)	(7,915)	(8,320)	(7,678)	(104,666)
Written off	(3)	-	(2,713)	(1,881)	(4,597)
Transfers from other levels	(50,425)	(10,135)	(557)	-	(61,117)
December 31,2020	**99,533**	**73,045**	**48,848**	**8,537**	**229,963**

IMPAIRMENT	Level 1	Level 2	Level 3	POCI	Total
December 31,2018	**(5,591)**	**(1,703)**	**(4,411)**	**(2,699)**	**(14,404)**
New receivables	(601)	(1,878)	(2,533)	(1,536)	(6,548)
Transfer to level 1	-	(1,297)	(487)	-	(1,784)
Transfer to level 2	(384)	-	(358)	-	(742)
Transfer to level 3	(4)	(41)	-	-	(45)
Collection (reduction of existing)	294	496	324	-	1,114
Increase of existing	(61)	(926)	(1,771)	(17)	(2,775)
Closed	2,686	457	421	1,326	4,890
Written off	-	-	2,390	764	3,154
Transfers from other levels	1,785	742	45	-	2,572
December 31,2019	**(1,876)**	**(4,150)**	**(6,380)**	**(2,162)**	**(14,568)**

The Bank's portfolio on the individual impairment amounts to EUR 102,698 thousand, and on the collective impairment EUR 102,698 thousand.
As at December 31,2020, the impairment for loans that are on individual impairment amounts to EUR 9,515 thousand, and on collective impairment EUR 5053 thousand.
As at December 31,2020, there are 499 credit lots on the individual impairment, and 42,011 on the collective one.

17. FINANCIAL ASSETS AT AMORTIZED VALUE (CONTINUED)

17.3 Securities

In thousand EUR	December 31,2020	December 31,2019
Non-residents	1,107	-
	1,107	**-**

18. FINANCIAL ASSETS AT FAIR VALUE TROUGH OTHER COMPREHENSIVE INCOME

18.1. Securities

In thousand EUR	December 31,2020	December 31,2019
Debt Securities		
The Government of Montenegro	85,387	96,514
Non-residents	35,161	31,840
	120,548	**128,354**
Equity securities		
Residents	179	177
Non-residents	7,423	6,227
	7,602	**6,404**
	128,150	**134,758**

18.2 Impairment of securities

In thousand EUR	December 31,2020	December 31,2019
Debt Securities	(912)	(894)
	(912)	**(894)**

Securities classified as financial assets at fair value through other comprehensive as at 31 December 2020 in the amount of EUR 85,387 thousand relate to government bonds, government Eurobonds and Treasury bills with maturities of 182 days, the Ministry of Finance Government of Montenegro, with a nominal value of EUR 84,374 thousand.

Eurobonds whose maturity date is from 2021 to 2029, with a coupon interest rate of 5.75 % for a series that matures in 2021, 3.375% for a series that is due in 2021, 2,55% for a series that matures in 2025 , 2,875% for a series that matures in 2029, with a nominal value of EUR 45,318 thousand.

Debt securities - non-residents classified as financial assets at fair value through other result as at 31 December 2020 in the amount of EUR 35,161 thousand, maturing in the period from January 2021 to April 2032, with an interest rate ranging from 0.25% to 7.25%.

19. PROPERTIES, PLANTS AND EQUIPMENT

Movements on property, equipment and other assets for 2020 and 2019 are presented in the following table:

	Properties	Computer equipment	Other equipment	Investment in progress	Assets with the right of use	Total
Cost						
Balance, January 1, 2019	93	1,469	4,980	74	-	**6,616**
Additions	-	143	142	782	-	**1,067**
Transfers	-	12	692	(704)	-	**-**
Disposals	(93)	(59)	(252)	-	-	**(404)**
Balance, December 31, 2020	**-**	**1,565**	**5,562**	**152**	**-**	**7,279**
First implementation of IFRS 16	-	-	-	-	4,289	**4,289**
Balance, January 1, 2020	**-**	**1,565**	**5,562**	**152**	**4,289**	**11,568**
Additions	-	207	409	245	-	**861**
Modification of the lease period	-	-	-	-	931	**931**
Transfers	-	220	115	(335)	-	**-**
Disposals	-	(112)	(681)	-	(140)	**(933)**
Balance, December 31, 2020	**-**	**1,880**	**5,405**	**62**	**5,080**	**12,427**
Impairment						
Balance, January 1, 2019	8	1,184	3,362	-	-	**4,554**
Depreciation (Note 12)	2	143	540	-	-	**685**
Disposals	(10)	(58)	(244)	-	-	**(312)**
Balance, December 31, 2019	**-**	**1,269**	**3,658**	**-**	**-**	**4,927**
Depreciation (Note 12)	-	269	580	-	1,204	**2,053**
Disposals	-	(111)	(656)	-	-	**(767)**
Balance, December 31, 2020	**-**	**1,427**	**3,582**	**-**	**1,204**	**6,213**
Current value						
- December 31, 2020	**-**	**453**	**1,823**	**62**	**3,876**	**6,214**
- December 31, 2019	**-**	**296**	**1,904**	**152**	**-**	**2,352**

As at 31 December 2020, the Bank does not have any assets under the pledge in order to provide repayment of loans and other liabilities.

Investments in progress are mostly related to payments related to the purchase and installation of ATMs in the amount of EUR 47 thousand, as well as the purchase of racks for POS terminals in the amount of EUR 10 thousand.

20. INTANGIBLE ASSETS

Intangible assets are mostly comprised of licenses and software. The movements on intangible assets in the course of 2020 and 2019 were as follows:

	Other intangible assets	Licenses	Software	Intangible assets in progress	Total
Cost					
Balance, January 1, 2019	526	875	2,517	165	4,083
Additions		345	239	79	663
Transfers	-	-	179	(179)	-
Disposals	(205)	-	-		(205)
Balance, December 31, 2019	**321**	**1,220**	**2,935**	**65**	**4,541**
Additions	-	66	251	204	521
Transfers	-	-	107	(153)	(46)
Disposals	-	-	(43)	-	(43)
Balance, December 31, 2020	**321**	**1,286**	**3,250**	**116**	**4,973**
Impairment					
Balance, January 1, 2019	526	338	1,453	-	2,317
Depreciation (Note 12)	-	32	360	-	392
Disposals	(205)	-	-	-	(205)
Balance, December 31, 2019	**321**	**370**	**1,813**	**-**	**2,504**
Depreciation (Note 12)	-	98	391	-	489
Disposals	-	-	(39)	-	(39)
Balance, December 31, 2020	**321**	**468**	**2,165**	**-**	**2,954**
Current value					
- December 31, 2020	**-**	**818**	**1,085**	**116**	**2,019**
- December 31, 2019	**-**	**850**	**1,122**	**65**	**2,037**

The increases in intangible assets during 2019 are mainly related to the increase in software, i.e. implementation of new applications within the application software Dabar in the amount of EUR 244 thousand, as well as new services, functionalities and software improvements related to card and electronic banking (certification of unattended POS terminals, 3D Secure 2.0, UNAC POS concentrator) in amounting to EUR 84 thousand.

Investments in progress for intangible assets amount to EUR 116 thousand. These investments are mostly related to software projects related to card and ATM operations.

The Bank does not depreciate licenses with an indefinite useful life in accordance with IAS 38. The useful lives are reviewed at the end of each reporting period

21. OTHER ASSETS

In thousand EUR	December 31, 2020	December 31, 2019
Assets acquired through collection of receivables	1,275	686
Other operating receivables	771	813
Prepaid costs	46	40
Receivables from custody	203	203
Advances	247	223
Other receivables from fees and commissions	65	80
Receivables from state funds	224	185
Receivables from costumers	707	715
Credit card receivables	77	69
Receivables from employees	70	71
Other financial receivables	968	987
Impairment	(2,220)	(1,644)
	2,433	**2,428**

Assets acquired by collection in the amount of EUR 1,275 thousand as of December 31, 2020 (December 31, 2019: EUR 686 thousand) relates to assets acquired on the basis of activation of loan securitization funds, which are owned by the Bank for a period longer than 12 months. Assets acquired through collection of receivables are recorded at the lower of the total value of the receivables and the estimated value.

The impairment of other assets relates to the assets acquired in the amount of EUR 1,257 thousand (December 31, 2019: EUR 667 thousand) and EUR 963 thousand on the impairment from business relations (December 31, 2019: EUR 977 thousand).

22. FINANCIAL LIABILITIES AT AMORTIZED VALUE

22.1. DEPOSITS FROM BANKS AND CENTRAL BANKS

In thousand EUR	December 31, 2020	December 31, 2019
Demand deposits	1,169	1,103
Term deposits	45	45
	1,214	**1,148**

Deposits by banks in the amount of EUR 1,214 thousand as at 31 December 2020 (December 31, 2019 EUR 1,148 thousand) relate to term deposits and demand deposits, of which EUR 582 thousand refers to non-interest-bearing demand deposits from domestic banks, and EUR 587 thousand relate to non-interest-bearing demand deposits for foreign banks.

22. FINANCIAL LIABILITIES AT AMORTIZED VALUE (CONTINUED)

22.2. DEPOSITS FROM CLIENTS

In thousand EUR	December 31, 2020	December 31, 2019
Demand deposits:		
- financial institutions	1,174	1,065
- legal entities	121,188	101,728
- companies with majority state ownership	16,621	27,015
- municipalities (public organizations)	2,710	2,882
- funds	713	1,739
- individuals	146,016	142,510
- non-profit organizations	7,926	7,219
- The Government of Montenegro	3,775	2,562
- others	12,069	11,724
	312,192	**298,444**
Funds on escrow accounts	**2,188**	**309**
Short - term deposits:		
- financial institutions	1,200	500
- legal entities	5,490	1,363
- companies with majority state ownership	3,000	100
- municipalities (public organizations)	650	-
- funds	41,321	8,560
- individuals	5,108	
- non-profit organizations	1,450	1,461
	58,219	**11,984**
Long - term deposits:		
- financial institutions	3	1,006
- legal entities	20,271	18,640
- companies with majority state ownership	-	10,612
- municipalities (public organizations)	654	1,253
- individuals	32,887	71,716
- non-profit organizations	59	96
- The Government of Montenegro	251	350
- others	5	3,020
	54,130	**106,693**
Interest and other liabilities		
Accruals: deposits	**1,617**	**2,162**
	428,346	**419,592**

Demand deposits by individuals in EUR are deposited at an interest rate ranging from 0% to 0.01% per annum. Short-term and long-term time deposits of individuals in EUR are deposited at an interest rate ranging from 0% to 6.30% per annum, depending on the savings package to be selected and the amount to be charged (up to EUR 50 thousand and over EUR 50 thousand). Short-term and long-term time deposits of individuals in foreign currency are deposited depending on the currency, with an interest rate ranging from 0% to 1.50% annually.

Short-term and long-term time deposits of companies in EUR are deposited at an interest rate ranging from 0% to 2.50% annually, depending on the period of time deposits and the amount due (up to EUR 100 thousand and over EUR 100 thousand). Short-term and long-term time deposits in other currencies interest rates is 0.25%.

Interest deposits ranging from 0% to 0.40% annually are applied to sight deposits of legal entities.

22. FINANCIAL LIABILITIES AT AMORTIZED VALUE (CONTINUED)

22.3. LOANS FROM CLIENTS WHICH ARE NOT BANKS

In thousand EUR	Period (years)	Annual interest rate	December 31,2020	December 31,2019
European Investment Bank (2009.)	12	4.032%	297	583
European Investment Bank (2009.)	12	3.923%	165	325
European Investment Bank (2010.)	12	3.604%	695	1,137
European Investment Bank (2010.)	12	3.168%	454	670
European Investment Bank (2010.)	12	3.019%	447	661
European Investment Bank (2011.)	12	3.841%	889	1,222
European Investment Bank (2011.)	12	3.181%	288	378
European Investment Bank (2012.)	12	2.398%	822	1,015
European Bank for Reconstruction and Development (2020.)	2.5	2.880%	5,000	-
			9,057	**5,991**
Investment Development Fund of Montenegro A.D., Podgorica (2005. do 2015.)	2.11 – 15.3	1% - 5.78%	12,910	16,189
Directorate for Development of Small and Medium Enterprises (2007. and 2010)	7.6	1%	50	121
			12,960	**16,310**
			22,017	**22,301**
Accruals				
Unrealized interest			31	34
Total			**22,048**	**22,335**

As at 31 December 2020, the Bank has liabilities to the European Investment Bank ("EIB") on the basis of long-term loans in the amount of EUR 4,057 thousand (31 December 2019: EUR 5,991 thousand). The loans were approved to encourage the development of small and medium-sized companies in Montenegro, with a grace period of up to a maximum of two years. The guarantee of the Government of Montenegro is a means of ensuring the orderly repayment of the stated obligations towards the EIB.

In 2020, the bank signed an agreement with the EBRD, in the amount of 5 million euros, which provided assistance to small and medium enterprises affected by the pandemic of the new corona virus.

23. RESERVES

In thousand EUR	December 31,2020	December 31,2019
Provisions for potential losses for:		
- off-balance sheet exposures (note 7.2)	1,095	1,092
- operational risk and country risk (note 7.2)	310	363
- court disputes (note 7.2)	27	63
Provisions for employee retirement benefits and jubilee awards	21	17
	1,453	**1,535**

	Estimate at day	
	December 31,2020	December 31,2019
	%	%
Discount rate for retirement benefits	2,88	2,55
Employee turnover ratio	4,66	5,46
Inflation rate	(0,26)	0,35

Movements on the account of provisions for employee retirement benefits were as follows:

In thousand EUR	December 31,2020	December 31,2019
Balance at the beginning of the year	17	12
Provisions during the year (note 10)	4	10
Usage of provisions	-	(5)
Balance as at December 31, 2020	**21**	**17**

TRANSLATION NOTE: This is a translation of the original document issued in the Montenegrin language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Montenegrin version of the document shall prevail.

24. OTHER LIABILITIES

In thousand EUR	December 31,2020	December 31,2019
Liabilities from consignment operations	185	18
Advances received	2,820	3,657
Liabilities for other taxes	47	63
Liabilities relating to deductions from salaries	30	5
Trade payables	464	572
Accrued liabilities	393	404
Lease liabilities with the right of use	3,866	-
Custody operation liabilities	3,865	4,213
Suspense accounts	798	1,142
Other liabilities	833	1,074
	13,301	**11,148**

Lease liabilities (In thousand EUR)

	Business space	Technical equipment	Total
Balance as at January 1,2020	**3,056**	**1,190**	**4,246**
New purchases	-	-	-
Interest expense	81	23	104
Contract termination	(26)	(115)	(141)
Lease price modification	538	384	922
Leasing payments	(853)	(412)	(1,265)
Balance as at December 31,2020	**2,796**	**1,070**	**3,866**

Maturity of lease liabilities (In thousand EUR)

	Up to 3 months	From 3 to 12 months	From 1 to 5 years	Above 5 years	Total
Liabilities based on leasing	321	716	1,915	914	**3,866**

25. EQUITY

The ownership structure of the Bank's share capital as at December 31, 2020 and 2019 was as follows:

	December 31,2020			December 31,2019		
Shareholder	Number of shares	In thousand EUR	% share	Number of shares	In thousand EUR	% share
Generali Financial Holdings FCP-FIS - Sub-Fund 2	5,281	2,700	16.87	5,281	2,700	16.87
Cerere s.r.l	4,360	2,229	13.93	4,360	2,229	13.93
Gorgoni Lorenzo	4,063	2,077	12.98	4,063	2,077	12.98
Gorgoni Antonia	3,131	1,601	10.00	3,131	1,601	10.00
Todorović Miljan	2,316	1,184	7.40	2,316	1,184	7.40
Other	12,154	6,215	38.82	12,154	6,215	38.82
Total	**31,305**	**16,006**	**100.00**	**31,305**	**16,006**	**100.00**

26. SUBORDINATED DEBT

An overview of the balance of subordinated debt as at 31 December 2020 and 2019 is presented in the following overview:

In thousand EUR	Year of Debt	Period/ year	Annual interest rate	December 31,2020	December 31,2019
Subordinated bonds HB01	2014.	7	6.00%	10,022	10,014
Subordinated bonds HB02	2017.	6	5.90%	4,087	4,053
Subordinated bonds HB03	2019.	6	5.00%	8,147	7,983
				22,256	**22,050**

27. COMPLIANCE WITH THE REGULATIONS OF THE CENTRAL BANK OF MONTENEGRO

The Bank is required to maintain certain ratios pertaining to the volume of its activities and structure of risk assets in compliance with the Law on Banks and regulations of the Central Bank of Montenegro.

In accordance with the Decision on Capital Adequacy in Banks ("Official Gazette of Montenegro." no. 38/2011. 55/2012 and 82/17), the Bank's own funds are comprised of the Bank's core capital and additional capital, minus deductible items. The Bank's capital as at December 31, 2020 amounted to EUR 51,092 thousand (December 31, 2019: EUR 48,858 thousand).

The share capital of the Bank, formed in accordance with the Decision on Capital Adequacy in Banks, as at 31 December 2020 amounts to EUR 41,492 thousand (December 31, 2019: EUR 36,458 thousand). The share capital of the Bank as of December 31, 2020 consists of the basic elements of the Bank's own funds: paid share capital at nominal value, premiums collected, increased by the amount of unallotted profit from previous years, the amount that mitigates the negative effects on the Bank's own funds due to transition to the valuation of asset items in accordance with IFRS 9, determined in accordance with paragraphs 5 and 6 of Article 4 of the Decision on Capital Adequacy in banks, the amount of intangible assets and unrealized loss on the basis of the fair value adjustment of financial assets available for sale, as well as the positive difference between the amount of calculated provisions for potential losses and the accumulated amount of allowance for items of balance sheet assets and provisions for off-balance sheet items.

Additional elements of the Bank's capital that are included in the additional capital as at December 31, 2020 amounted to EUR 9,600 thousand relate to subordinated debt for which the requirements of Article 6 of the Decision on Capital Adequacy in Banks are fulfilled, i.e. subordinated bonds issued by the Bank with a face value of EUR 22,000 thousand, whereby, in accordance with Article 8 of the Decision, the Bank shall, in calculating Bank's capital, adhere to the following:

1) the total amount of additional capital may not exceed the amount of Bank's core capital;
2) the total sum of subordinated debt and cumulative preference shares may not exceed 50% of the Bank's core capital.

Pursuant to Decision on Capital Adequacy of Banks effective as at December 31, 2020 the Bank is required to maintain the minimum capital adequacy ratio of 10%. As at December 31, 2020 the Bank's capital adequacy ratio equalled 17,62% (December 31, 2019: 16,29%) and was above the prescribed minimum. As at December 31, 2020 all of the Bank's performance adequacy ratios were in compliance with the prescribed minimum values required by the regulations of the Central Bank of Montenegro.

In thousand EUR	The realized indicators of business performance		
	Prescribed limits	2020	2019
Capital	Minimum amount of EUR 5 million	53,544	51,900
The solvency ratio	Minimum 10%	17.62%	16,29%
The Bank's exposure to a single entity or group of related entities	limit 25% of regulatory capital of the Bank	15%	14%
The sum of large exposures	limit 800% of regulatory capital of the Bank	107%	112%
The total exposure to related parties of the Bank	limit 200% of regulatory capital of the Bank	14%	19%
Total exposure to a shareholder who does not have a qualified participation in the bank	limit 10% of regulatory capital of the Bank	7%	7%
Minimum liquidity ratio	0,9 on daily basis/1 on decade basis	RLS 2.42 / DPL 2.42	RLS 1.39 / DPL 1.39
Foreign exchange risk – net open position to a single currency	15% of Equity	1%	1%

28. OFF-BALANCE SHEET ITEMS

In thousand EUR	December 31,2020	December 31,2019
Undrawn credit lines	18,540	19,042
Irrevocable documentary letters of credit issued for payments abroad	-	277
Other letters of credit for payments abroad	249	256
Guarantees issued		
-Payment guarantees	27,311	36,488
-Performance guarantees	27,567	25,097
-Other types of guarantees	19,431	20,763
	93,098	**101,923**
Collateral based on receivables (Note 5.2.4.2.)	488,116	505,658
Other off-balance sheet items	171,829	157,399
Evident interest	635	1,354
Total	**660,580**	**664,411**
Total	**753,678**	**766,334**

Other types of guarantees include tender, customs and advance types of guarantees.
Other off-balance sheet items of the Bank mainly relate to received credit bonds by custody and brokerage operations in the amount of EUR 151,579 thousand (2019: EUR 138,545 thousand) and revocable credit bonds in the amount of EUR 18,068 thousand (2019: EUR 16,623 thousand) . Received credit bonds by custody and brokerage operations include obtained credit bonds by custody transactions in the amount of EUR 97,015 thousand (2019: EUR 70,285 thousand) and obtained credit bonds by brokerage transactions in the amount of EUR 54,564 thousand (2019: EUR 68,260 thousand) .

29. CASH AND CASH EKVIVALENTS

For the purposes of cash flow statement, cash and cash equivalents comprises of all assets with maturities of up to three months as follows: cash and available assets held with the Central Bank of Montenegro, other banks and depositary institutions.

In thousand EUR	December 31,2020	December 31,2019
Cash on hand	23,590	15,795
Cash on hand-foreign currency	1,133	1,389
Assets in the course of settlement	979	2,220
Gyro account	114,835	85,910
Correspondent accounts with foreign banks	17,209	15,872
Deposits placed with the Central Bank of Montenegro	22,853	31,819
	180,599	**153,005**

30. RELATED PARTY TRANSACTIONS

The Law on Banks ("Official Gazette of Montenegro" No. 17/08, 44/10, 40/11 and 73/17) defines that persons who appoint at least one representative on the Board of Directors or a similar body have a significant influence on the Bank's operations. , either through ownership of the shares, by agreement with the owners or in any other way. In accordance with the Law on Banks, transactions with related parties are shown in the following tables:

In thousand EUR	December 31,2020	December 31,2019
Assets		
Loans and receivables from banks		
Podravska Banka d.d., Koprivnica	15	128
	15	**128**
Loans and receivables from clients		
Montinari Dario	531	475
Montinari Andrea	3,526	3,385
Gorgoni Mario	8	10
	4,065	**3,870**
Investment securities – available for sale		
Podravska Banka d.d., Koprivnica	2,251	2,368
	2,251	**2,368**
Other financial receivables		
Sigilfredo Montinari	7	7
	7	**7**
Total assets	**6,338**	**6,373**
Liabilities		
Deposits from banks		
Podravska Banka d.d., Koprivnica	432	302
	432	**302**
Deposits from clients		
Miljan Todorović	332	281
Sigilfredo Montinari	47	7
Gorgoni Lorenzo	-	47
Cerere s.p.a.	1	3
Gorgoni Mario	21	24
Gorgoni Paolo	2	2
	403	**364**
Other liabilities		
Sigilfredo Montinari	24	-
Podravska Banka d.d., Koprivnica	-	1
	24	**1**
	859	**667**

Expenses from transactions with related parties during 2020 amounted to EUR 188 thousand (2019: EUR 218 thousand), while income is amounted to EUR 142 thousand (2019: EUR 490 thousand).

31. LITIGATIONS

As of December 31, 2020, there are 62 lawsuits against the Bank by legal entities and individuals. The total value of the disputes is EUR 1,227 thousand. For now, the outcome of disputes cannot be reliably estimated, but the Bank's management, based on the opinion of the legal advisor, does not expect negative outcomes of disputes that could have material effects on the Bank's financial statements for 2020. The total amount of litigation as of December 31, 2020 in which the Bank is the plaintiff is EUR 5,714 thousand.

32. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Bank divided by the weighted average number of ordinary shares outstanding for the period.

	2020.	2019.
Basic and diluted earnings per share		
Net profit	3,488	4,863
Weighted average number of ordinary shares outstanding	31,305	31,305
Earnings per share / in EUR	111.42	155.34

33. TAX RISK

Montenegrin tax laws are often interpreted differently and are subject to frequent changes. The interpretation of tax laws by the tax authorities in relation to the Bank's transactions and activities may differ from the interpretation of the Bank's management. As a result, transactions may be challenged by the tax authorities and an additional amount of taxes, penalties and interest may be imposed on the Bank. The statute of limitations for the tax liability is five years. This practically means that the tax authorities have the right to order the payment of outstanding liabilities within five years from the time the obligation arose. The Bank's management believes that the tax liabilities recorded in the accompanying financial statements are properly disclosed.

34. SUBSEQUENT EVENTS

At the date of these financial statements, the impact of the Covid pandemic continues. With a strong capital and liquidity position, the Bank actively monitors developments and assesses the impact on operations, financial results, financial position and cash flows.

At the date of these reports, the Bank has not identified significant events that would require adjustments to the accompanying financial statements.

35. EXCHANGE RATES

The official exchange rates used to convert foreign currency balance sheet items into EUR as at 31 December 2020 and 2019 were:

	2020.	2019.
USD	1.2281	1.1189
CHF	1.0857	1.0871
GBP	0.90307	0.852081

36. GENERAL INFORMATION ABOUT THE BANK

In accordance with the Decision on the content, deadlines and manner of preparation and submission of financial statements of banks ("Official Gazette of Montenegro", No. 15/12, 18/13 and 24/18), general data on the Bank are presented as follows:

Name of the Bank:	Hipotekarna banka AD, Podgorica
Adress:	Josipa Broza Tita No 67, 81000 Podgorica
Identification number:	02085020
Phone/Fax:	+382 77 700 001
Web adress:	http://www.hipotekarnabanka.com
E-mail:	hipotekarna@hb.co.me
Number of branches:	The bank has a head office and 21 branches
Number of employees as of December 31, 2020	218
Gyro-account:	907-52001-93

The ten largest shareholders of the Bank as at 31 December 2020 are:

Name and surname / company name	Shares data: Number of shares	Shares data: Percentage share
HIPOTEKARNA BANKA AD PODGORICA-ZBIRNI KASTODI RAČUN 2	5,281	16.87%
CERERE S.R.L.	4,360	13.93%
GORGONI LORENZO	4,063	12.98%
GORGONI ANTONIA	3,131	10.00%
TODOROVIĆ MILJAN	2,316	7.40%
IBIS SRL	1,524	4.87%
MONTINARI DARIO	1,445	4.62%
MONTINARI SIGILFREDO	1,445	4.62%
MONTINARI ANDREA	1,444	4.61%
MONTINARI PIERO	1,444	4.61%

Total amount of share capital as at 31 December 2020: EUR 16,006 thousand.

Data on members of the Board of Directors and the Management Board on 31.12.2020.

Board of directors	Name and surname
President	Sigilfredo Montinari
Member	Božana Kovačević
Member	Goran Varat
Member	Renata Vinković
Member	Esad Zaimović

Administration	Name and surname
Chief executive officer	Esad Zaimović
Executive Director for Risks	Jelena Vuletić
Executive Director for Corporate Affairs and Financial Markets	Ana Golubović
Executive Director for Retail and Advanced Sales Channels	Nikola Špadijer