QUARTERLY REPORT OF KOMERCIJALNA BANKA AD BEOGRAD FOR Q3 2021

Belgrade, November 2021

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KOMERCIJALNA BANKA AD BEOGRAD
NLB GROUP

REPORT ON BANK OPERATIONS FOR THE THIRD QUARTER 2021

Belgrade, November 2021

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1. REVIEW OF KEY PERFORMANCE RATIOS FROM 01.01 TO 30.09.2021

The quarterly report for the third quarter of 2021 presents a credible overview of the development and business results of KOMERCIJALNA BANKA AD Beograd achieved in the third quarter, as well as in the first nine months of 2021.

POSITION	30.09.2021.	31.08.2021.	31.07.2021.	30.06.2021.	31.03.2021.	2020.	2019.
INCOME STATEMENT (000 RSD)							
Profit / loss before taxes	3.131.783	1.727.348	1.019.489	787.925	182.828	4.192.846	8.268.685
Profit after tax	3.268.558	1.864.123	1.156.264	924.700	196.438	2.928.761	8.955.759
Net interest income	9.008.995	8.028.151	7.005.662	5.978.393	2.951.973	12.069.290	12.605.384
Net fee income	3.982.038	3.523.002	3.077.452	2.590.069	1.206.108	4.875.408	5.328.996
Operating costs	8.506.726	7.543.850	6.600.173	5.572.413	2.702.617	11.510.471	11.064.609
Net income / expenses from impairment of financial assets which are not measured at fair value through profit or loss	(14.522)	(904.532)	(1.110.225)	(853.523)	(1.252.837)	(1.072.032)	2.425.931

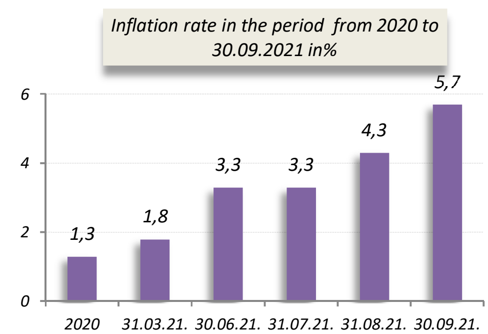
POSITION	30.09.2021.	31.08.2021.	31.07.2021.	30.06.2021.	31.03.2021.	2020.	2019.
BALANCE SHEET (000 RSD)							
Balance sheet assets	484.044.572	480.833.196	481.002.456	480.552.997	465.060.275	459.427.723	432.380.443
Off-balance sheet operations	518.128.899	493.336.085	491.566.239	485.395.792	475.144.894	489.305.071	460.440.031
RETAIL							
Loans[1]	115.478.603	114.202.326	113.593.543	113.260.249	109.291.653	108.585.889	99.057.214
Deposits[2]	334.696.609	330.685.942	329.533.113	326.011.220	314.660.775	309.268.562	280.484.488
CORPORATE							
Loans	80.590.352	81.774.385	81.754.093	80.590.661	78.327.459	78.833.152	81.504.403
Deposits	50.860.050	50.797.847	52.958.053	52.350.360	50.650.072	47.765.467	47.879.400

RATIOS	30.09.2021.	31.08.2021.	31.07.2021.	30.06.2021.	31.03.2021.	2020.	2019.
LOAN / DEPOSIT RATIO							
Gross loans / deposits	53,85%	54,90%	55,38%	55,00%	54,79%	53,37%	57,7%
Net loans / deposits	51,86%	52,87%	53,37%	53,06%	52,09%	51,04%	54,9%
CAPITAL (000 RSD)	77.282.905	76.252.224	75.756.968	75.290.844	74.260.420	74.086.863	75.852.173
Capital adequacy	30,68%	30,66%	30,59%	31,44%	29,96%	32,50%	30,83%
Number of employees	2.353	2.345	2.401	2.436	2.661	2.669	2.744
PROFITABILITY PARAMETERS							
ROA	0,88%	0,55%	0,37%	0,34%	0,16%	0,93%	2,00%
ROE - on total capital	5,55%	3,46%	2,34%	2,11%	0,98%	5,59%	11,71%
Net interest margin on total assets	2,54%	2,56%	2,56%	2,56%	2,56%	2,67%	3,04%
Cost / income ratio	65,48%	65,31%	65,46%	65,03%	65,00%	67,93%	61,70%
Operating cash flows	8.191.291	7.533.133	6.509.357	7.211.186	4.867.892	7.119.498	9.859.741
Assets per employee (000 EUR)	1.750	1.744	1.704	1.678	1.486	1.464	1.340
Assets per employee (000 RSD)	205.714	205.046	200.334	197.271	174.769	172.135	157.573

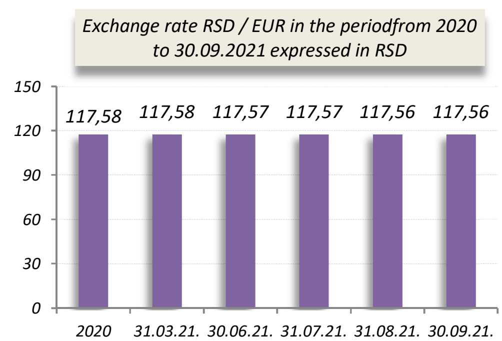
1 The position loans (retail and corporate) does not include other loans and receivables
2 The position deposits does not include other liabilities and funds received through credit lines

2. MACROECONOMIC BUSINESS CONDITIONS IN THE PERIOD FROM 01.01 TO 30.09.2021[3]

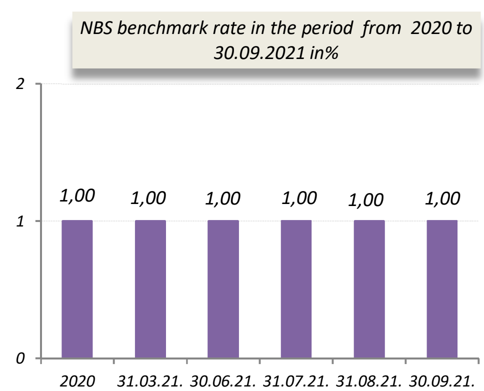
At the end of September 2021, the year-on-year (mg) inflation rate was 5.7%, while at the monthly level in September, consumer prices rose by 0.8% on average. The inflation rate was driven by rising vegetable prices in the domestic market, due to the drought, as well as rising prices of oil and other primary products in the world.
According to the expectations of the National Bank of Serbia, year-on-year inflation should move above the upper limit of the target corridor in the coming months (3 ± 1.5%), and in the second half of 2022 it is expected to return to the target range, and then below the central target .



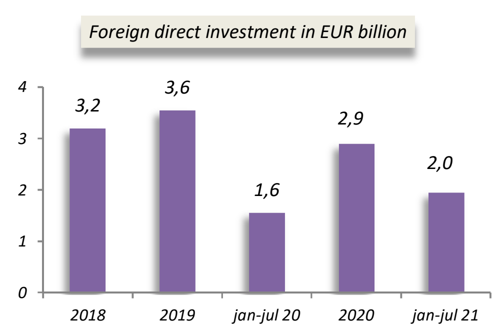
Since the beginning of the current year, the dinar has not oscillated against the euro. The dinar exchange rate was around 117.6 dinars for one euro. The volume of realized foreign exchange trade on the foreign exchange market (MDT) in September of the current year amounted to EUR 577.7 million. Since the beginning of 2021, the National Bank of Serbia has intervened in the MDT with a net purchase of EUR 1,100.0 million in order to maintain relative stability. Gross foreign exchange reserves at the end of September this year amounted to EUR 16,802.5 million.



At the September session of the Executive Board, the National Bank of Serbia (NBS) made a decision to keep the benchmark interest rate at the level of 1.00%. In October, the NBS took the first measures to tighten monetary conditions, the average repurchase rate at the first reverse repurchase auction in October increased by 13 b.p. to 0.24%. The higher level of inflation compared to the beginning of the year is a consequence of last year's low core inflation, but also the growth of the world price of oil and other primary products. The aforementioned, along with delays in global supply chains, has led to higher cost pressures in the global and domestic markets. The growth of vegetable prices is more pronounced on the domestic market, due to the drought, which affected the growth of August and September inflation.



Foreign direct investment (FDI), during 2020, reached EUR 2.9 billion, net. Net FDI, in the first seven months of 2021, reached a volume of EUR 2.0 billion. Most of the FDI was directed towards the manufacturing industry, of which especially in the metal, automobile, food and car tire industries.

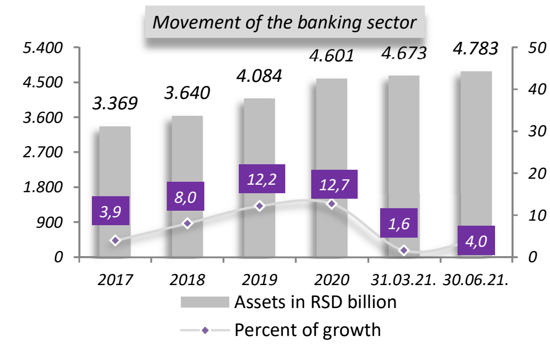


[3] NBS, Macroeconomic trends in Serbia, September 2021, Press release of the NBS EB, October 7, 2021

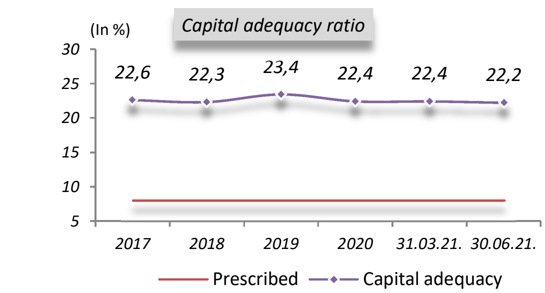
3. BANKING SECTOR AND FINANCIAL POSITION OF THE BANK

At the end of July 2021, the banking sector of the Republic of Serbia consisted of a total of 24 banks, 2 less than at the beginning of the year due to previously announced mergers, which were realized in 2021. At the end of July 2021, the banking sector employed 22,551 workers, 272 less than at the beginning of the current year. In the same period, the number of branches of the banking sector was reduced from 1,576 at the end of 2020 to 1,551 at the end of July 2021[4].

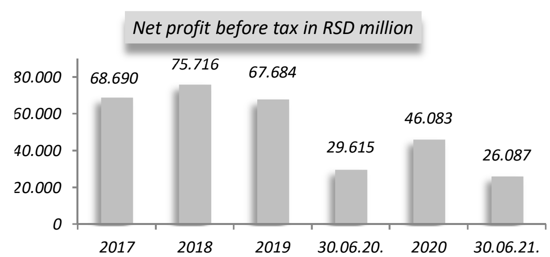
The total assets of the banking sector reached the amount of RSD 4,783 billion and compared to the beginning of the current year increased by RSD 182 billion or 4.0%. At the end of the first half of 2021, the Bank participated in the assets of the banking sector with 10.0%. The total capital of the banking sector, at the end of the first half of 2021, amounted to RSD 706 billion and compared to the beginning of the current year decreased by RSD 11 billion or 1.6%.



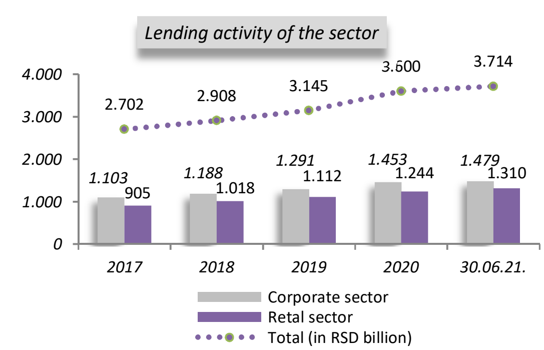
The value of the capital adequacy ratio of the banking sector at the end of the first half of 2021 is 22.2%. The realized value of 22.2% in relation to the new prescribed minimum indicator of 8.0%, shows that the banking sector is adequately capitalized.
In addition to adequate capitalization, the banking sector is characterized by a stable and low share of non-performing loans (NPLs) in total loans. At the end of July 2021, gross NPL loans accounted for 3.5% of total loans (31.12.2020, the share was 3.7%).



During the first half of 2021, the banking sector recorded a decline in profitability compared to the same period in 2020.
During the first half of 2021, a profit before tax in the amount of RSD 26 billion was realized, while in the same period of the previous year, a profit of RSD 29 billion was realized.
At the level of the banking sector, the rate of return on capital (ROE), at the end of July 2021, was 7.7%, while the rate of return on assets (ROA) was 1.2%.



At the level of the banking sector during the first six months of 2021, the trend of growth in lending activity continued compared to the end of 2020. Total loans to the banking sector in the same period increased by 3.2%.



[4] NBS, Macroeconomic Trends in Serbia, September 2021

4. ORGANIZATIONAL STRUCTURE AND BODIES OF THE BANK

The Board of Directors of the Bank is formed in accordance with the Law on Banks, the Bank's Articles of Association and consists of at least 5 (five) members, including the Chairman, of which at least one third of the members must be persons independent of the Bank. The members of the Board of Directors of the Bank are appointed by the General Meeting of Shareholders of the Bank to a period of four years. The proposal of the decision on the appointment of the Bank's Board of Directors' Chairman is determined by the the Bank's Board of Directors, at the proposal of the shareholders.
The competencies of the Bank's Board of Directors are defined in Article 73 of the Law on Banks and Article 27 of the Bank's Articles of Association. The members of the the Bank's Board of Directors as of September 30, 2021 are:

NAME AND SURNAME	SHAREHOLDER / MEMBER INDEPENDENT OF THE BANK	FUNCTION
Archibald Kremser	NLB dd Slovenia	Chairman
Blaž Brodnjak	NLB dd Slovenia	Member
Uršula Kovačič Košak	NLB dd Slovenia	Member
Igor Zalar	NLB dd Slovenia	Member
Marko Jerič	NLB dd Slovenia	Member
Vesna Vodopivec	NLB dd Slovenia	Member
Nenad Filipović	Member independent of the Bank	Member
Prof. Dragan Đuričin	Member independent of the Bank	Member

A quorum for the work and decision-making of the Board of Directors of the Bank exists if the meeting is attended by a majority of the total number of members of the Board of Directors of the Bank. The Chairman and each member have the right to one vote.

The Executive Board consists of at least three members, one of whom is the President of the Executive Board and the other the Deputy President of the Executive Board. The term of office of the members of the Executive Board of the Bank, including the President and Deputy President, is four years from the date of appointment.
The competencies of the Executive Board are defined in Article 76 of the Law on Banks and Article 31 of the Bank's Articles of Association. The members of the Executive Board of the Bank as of September 30, 2021 are:

NAME AND SURNAME	FUNCTION
Vlastimir Vuković	President
Dejan Janjatović	Vice President
Dragisa Stanojević	Member

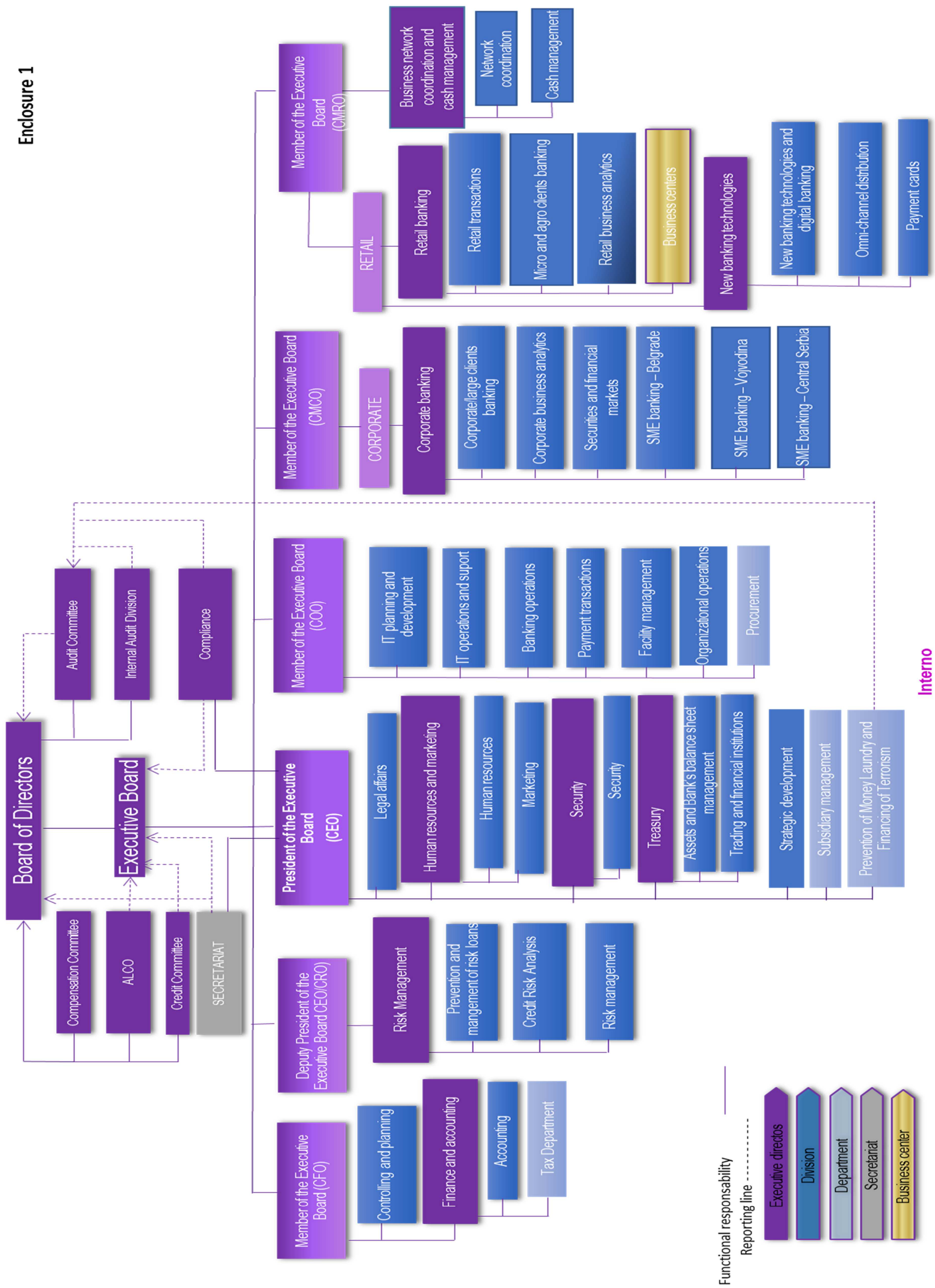
A quorum for the work and decision-making of the Executive Board exists if the session is attended by a majority of the total number of members of the Executive Board. The Executive Board makes decisions by a majority vote of the total number of members.

The Audit Committe of the Bank consists of at least three members, of which at least two are members of the Bank's Board of Directors who have relevant experience in the field of finance. At least one member of the Audit Committee is a person independent of the Bank. The Committee's members are elected to a period of four years. The duties of the Audit Committee are defined in Article 80 of the Law on Banks and Article 34 of the Bank's Articles of Association. The members of the Audit Committee, as of September 30, 2021, are:

NAME AND SURNAME	FUNCTION
Prof. Dragan Đuričin	Chairman
Marko Jerič	Member
Igor Zalar	Member
Polona Kurtevski	Member
Barbara Deželak	Member

A quorum for the work and decision-making of the Audit Committee exists if the session is attended by a majority of the total number of members of the Audit Committee.

4.1 Organizational structure



Note: Organizational chart of the Bank as of 30.09.2021

5. FINANCIAL POSITION AND RESULTS OF THE BANK'S OPERATIONS IN THE PERIOD FROM 01.01 TO 30.09.2021

POSITION	30.09.2021.	31.08.2021.	31.07.2021.	30.06.2021.	31.03.2021.	2020.	2019
BALANCE SHEET (000 RSD)							
Balance sheet assets	484.044.572	480.833.196	481.002.456	480.552.997	465.060.275	459.427.723	432.380.443
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Deposits	50.860.050	50.797.847	52.958.053	52.350.360	50.650.072	47.765.467	47.879.400

At the end of the third quarter of 2021, the Bank's balance sheet assets amounted to RSD 484,044.6 million and increased by RSD 24,616.8 million compared to the end of the previous year.

Off-balance sheet assets, at the end of the third quarter of 2021, increased by 5.9% or 28,823.8 million dinars and at the end of September this year amounted to 518,128.9 million dinars. The increase was caused by an increase in the position of other off-balance sheet assets.

At the end of September 2021, corporate and retail loans amounted to 196,069.0 million dinars and compared to the beginning of the year increased by 8,649.9 million dinars or 4.6%. On the other hand, corporate and retail deposits at the end of the third quarter of 2021 reached the amount of 385,556.7 million dinars and compared to the beginning of the year increased by 28,522.6 million dinars or 8.0%.

The mentioned changes also contain the effect of dinar depreciation in relation to the US dollar (5.6%) and the Swiss franc (0.1%). In relation to the euro, the dinar remained unchanged from the beginning of the year until the end of the third quarter of 2021.

POSITION	30.09.2021.	31.08.2021.	31.07.2021.	30.06.2021.	31.03.2021.	2020.	2019.
INCOME STATEMENT (000 RSD)							
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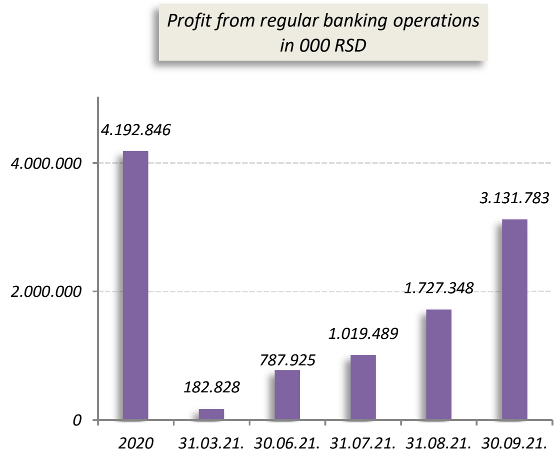
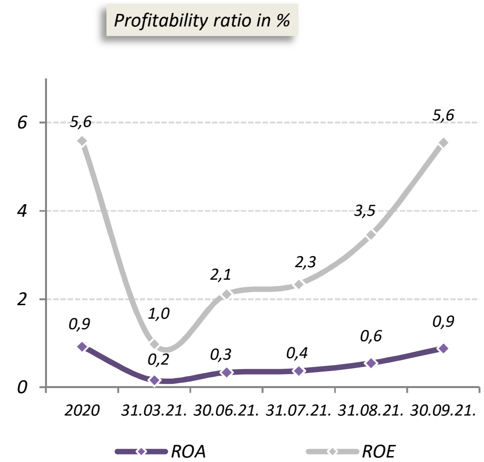
PROFITABILITY RATIOS							
ROA	0,88%	0,55%	0,37%	0,34%	0,16%	0,93%	2,00%
ROE - on total capital	5,55%	3,46%	2,34%	2,11%	0,98%	5,59%	11,71%
Net interest margin on total assets	2,54%	2,56%	2,56%	2,56%	2,56%	2,67%	3,04%
Cost / income ratio	65,48%	65,31%	65,46%	65,03%	65,00%	67,93%	61,70%
Operating cash flows	8.191.291	7.533.133	6.509.357	7.873.878	4.867.892	7.119.498	9.859.741
Assets per employee (000 EUR)	1.750	1.744	1.704	1.678	1.486	1.464	1.340
Assets per employee (000 RSD)	205.714	205.046	200.334	197.271	174.769	172.135	157.573





In the first three quarters of 2021, the bank made a profit from regular operations. In the period from 01.01 to 30.09.2021 The Bank's profit amounted to 3,131.8 million dinars, which is a decrease of 1,327.5 million dinars compared to the same period last year. At the end of the third quarter of 2021, generated profit enabled the Bank a return on total capital of 5.6%, i.e. a return on balance sheet assets of 0.9%.

Net interest income for the three quarters of 2021 amounted to 9,009.0 million dinars, which is 18.2 million dinars less compared to the same period last year. Net income from fees, for the observed period in 2021, amounted to 3,982.0 million dinars and is higher by 330.5 million dinars than realized in the same period of the previous year.

For the first three quarters of 2021, the bank recorded net expenses based on indirect write-offs of loans and provisions in the amount of 14.5 million dinars, while in the same period last year they amounted to 71.4 million dinars. During the three quarters of the current year, operating expenses amounted to 8,506.7 million dinars, which is 78.7 million dinars or 0.9% more than the amount realized in the same period last year. The movement of profits in the first three quarters of 2021, compared to the same period last year, was also affected by the decrease in the amount of other income. Other income for the three quarters of the current year amounted to 558.2 million dinars, while in the same period last year they amounted to 1,140.4 million dinars. At the same time, there was an increase in other expenditures from 856.8 million dinars, for the three quarters of the previous year, at the amount of 1,940,8 million dinars for the three quarters in 2021.

Due to the growth of business volume as well as the reduction of the number of employees in the first nine months of 2021, the assets per employee in the Bank increased from 172.1 million dinars at the end of 2020 to 205.7 million dinars at the end of the third quarter of 2021.

At the end of the third quarter of the current year, the "Cost income ratio" (CIR) is 65.5%, while at the end of 2020 it was 67.9%.

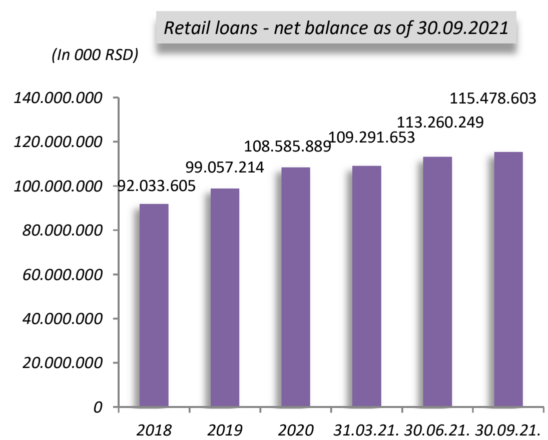
5.1 Retail banking

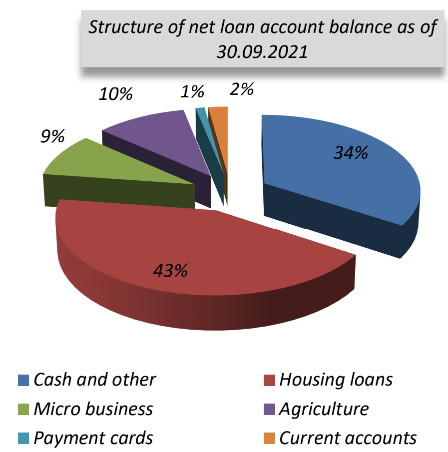
In the first nine months of the current year, retail banking continued its growth trend, and achieved, according to most indicators, significant results. The most important goal of the business was the growth of lending in all segments and the creation of a basis for even greater growth in the coming period.

Loans

In all segments (individuals, agriculture and micro business), the Bank performed a comprehensive redesign of credit products, which significantly raised the attractiveness and competitiveness of its offer. In addition to product changes, technological solutions have been innovated, which has led to faster and easier loan approval. In the segment of natural persons, the possibility of remote signing of contractual documentation with two-factor authentication (mail address / SMS OTP code) for cash loans in the amount of up to 600,000 dinars has been introduced.
All of the above resulted in a 25% higher realization than in the same period in 2020. March, April and June were the months with the highest realization in the last 10 years.

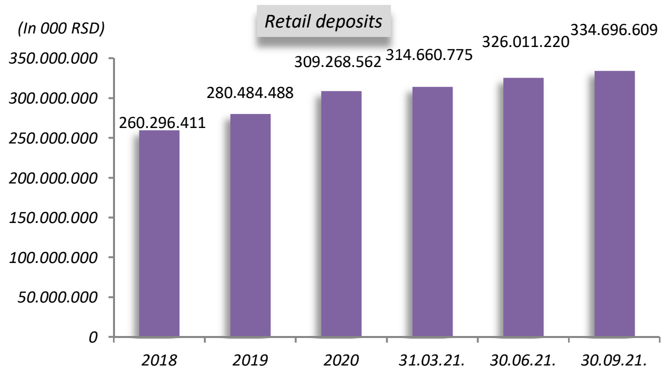
As a result of the growth of sales, the net balance of retail loans increased by 6,893 million dinars compared to the end of 2020. In the structure of net balance on 30.09.2021, the share of housing loans is 43%, and the share of other products is 57%.





Deposits[5]

The bank is the institution that enjoys the greatest trust of clients, therefore deposits are constantly growing. In the first nine months of 2021, deposits increased by 25,428 million dinars compared to the end of 2020.



Other products

The Bank has a respectable base of 1.4 million clients in the retail segment. In the most important segment -individuals with regular salaries and pensions, the Bank has 420,000 clients, which is a quality basis for further dynamic business growth. The number of clients who use the "set account" as a higher quality product compared to the basic current account is constantly increasing. Out of a total of 345,000 "Account sets", 43,000 are the "start sets" intended for the youngest clients, which means that the Bank develops a long-term client base.

In the micro business segment as well, there is an increase in the number of the “account set" users. A total of 19,000 micro clients use the "set account", and about 17,000 micro clients regularly use the Bank's electronic services.

The number of payment cards has slightly increased. The Bank's clients have about a million cards, half of which are regularly used.

Electronic banking of natural persons

At the end of September 2021, the Bank will provide a service for more than 253,000 individual clients through electronic channels. The constant growth of users continued in the third quarter of 2021, where the "mBank" channel had an increase in users by 29% annually.
On the "eBank" channel, the growth in the number of users as of the third quarter of 2021 amounted to 11% annually. The growth in the number of users of electronic channels is a consequence of the intensive activities of the business network to animate clients, given the numerous benefits that "eBanka" and "mBanka" provide.

The number of transactions increased significantly on the "mBank" channel, it is higher by 62% compared to the same period last year. The number of transactions on the "eBank" channel is approximately the same as in the same period in 2020.

Business network

The Bank operated in the retail segment in 190 branch offices, making us one of the market leaders. 281 ATMs and about 13,500 POS terminals are available to customers, which makes us one of the leaders in the market. Having in mind the needs of clients, the Bank continued with the activities of improving the user experience by improving the appearance of branch offices, adjusting working hours and the like.

Profitability

Retail banking in the first nine months of 2021 generated total net income from interest and fees in the amount of 7,830 million dinars, which is 5.3% more than in the same period in 2020. Conditions have been created for the realization of even higher net profit in the coming period.

[5] The position deposits does not include other liabilities and funds received through credit lines

5.2 New banking technologies - digital banking and cards

Market - basic tendencies

In line with the development of the regulatory framework, the market is moving in the direction of increasing digitalization of products and services in the field of finance. In addition to services that allow customers to communicate with the bank through digital channels, the last few years have rapidly developed services that allow customers to apply and immediately receive basic banking products. With the implementation of instant payment, the country's payment system now functions 24x7, which has contributed to the increase in the number of users on electronic channels, especially mobile banking, the next "big thing" is video identification where customers will have the opportunity to open an account or apply for credit without arriving at the bank. Several banks on the market have already introduced this opportunity and focused on one product which means that in the future, more and more products and services will be possible to this way of applying.
From the end of 2018, the "Law on Multilateral Interchange Fees and Special Operating Rules for Card-Based Payment Transactions " is applied, according to which the reduction of interchange fees is prescribed, which in the transitional period (first six months) amounted to a maximum of 0.5% for debit cards and 0.6% for credit cards. The additional fee reduction, which has been applied since June 18, 2019, has been harmonized with the European level of 0.2% for debit and 0.3% for credit cards.
The National Bank of Serbia also directed banks to use the national card scheme and support the domestic brand "Dina" card, pointing to lower costs. The promotion of the national "Dina" card had a positive effect on the ratio of reissued payment cards in favour of the "Dina" card.

The trend of adopting cashless payment methods and digital service provision continues, as indicated by the key market parameters:

- the number of cash payment and withdrawal transactions has a multi-year downward trend,
- at the same time, orders initiated electronically record increasing annual growth rates accompanied by growth in turnover, the number of transactions at online points of sale of merchants is growing, cards are still the dominant payment instrument, but the use of electronic money is on the rise,
- the receiving network is expanding with the increase of internet points of sale, POS terminals and ATM devices,
- The number of active users of internet and mobile banking is increasing.

Bank's digital banking

The existing "RTDM" campaign intended for individuals has been adapted for display on the mobile application. From March 2020, all users of the mobile application are able to "see" "RTDM".

Activation of the "Self Learner" model, which based on the history of acceptance/rejection of offers and customer characteristics, and thanks to advanced analytics, predicts customer behaviour, was completed in the third quarter of 2020, which is expected to maximize sales of services and products users of digital channels.

"RTDM" ("Real Time Decision Management") campaign was created to send the best offer to micro legal entities and entrepreneurs through the KOMBANK BIZ WEB application and released to the production environment in the second quarter of 2021. Analytical CRM (RTDM) and a campaign for individuals have been created and are ready for release into the production environment, through the Bank's branches (bankaP application). We expect that this new functionality will be in the production environment by the end of the third quarter of 2021, and that it will significantly ease the way for our colleagues from the branches to achieve their goals, as well as affect the satisfaction of our clients.

The regulatory requirement for the introduction of instant payments at the merchant's point of sale has directed digital development activities towards enabling the acceptance of instant payments from the angle of the Bank as an acceptor and the Bank as an issuer of payment instruments.

- ✓ As an acceptor, the Bank provided the service of accepting instant payments on the infrastructure that relies on the existing system for accepting payment cards, and the option of using an independent infrastructure was introduced, which does not require the merchant to have a POS terminal.
- ✓ As an issuer of payment instruments, the Bank provided its clients with a fast and simple service of non-cash execution of payment transactions at the merchant's point of sale via the Bank's mobile application using a QR code.
- ✓ In the NBS TestLab, the Bank tests the functionality of instant payment "e-commerce" (e-commerce) on the web, as well as instant payments on a mobile device via "deeplink" technology. We expect this functionality to be available to customers and merchants in the third quarter of 2021.

- The redesign and improvement of the internet and mobile application for individuals were carried out, where the application was optimized in order to improve the user experience.
  - ✓ The number of electronic banking users of natural persons has increased, as well as outgoing transactions and the number of electronic banking transactions for natural persons.
  - ✓ The number of users of the mobile application for individuals has also increased, accompanied by an increase in the number of transactions and an increase in traffic.
  - ✓ The total number of electronic banking users of legal entities increased, as well as the total number of electronic banking transactions of legal entities, followed by the growth of eBank's share in the total number of transactions and the volume of the Bank's payment operations.
- The digital branch of the Bank "KOMeCENTAR" continued to operate successfully, and the number of requests for products is growing compared to the previous year. Of the Bank's products offered through "KOMeCENTER", the greatest interest of clients was for the allowed overdraft.
- The project is to lower the functionality of the digital branch of the Bank "KOMeCENTAR" to a mobile application for natural persons, in order to make it available to even more clients.
- The "remote signature" option has been implemented at the "KOMeCENTAR" digital branch, and at the same time the conditions of online cash loans have been improved, where the Bank is among the three most favourable on the market in this segment.
- The implementation of the "Transfer" service is in progress in accordance with the NBS regulations; this service will enable clients to transfer funds to another account in the Bank and outside the Bank using only one data (telephone number of the recipient of funds).

Payment card development activities

- KomBank Pay application - digital wallet has been put into production. The notice with the User's Guide on the Bank's website is highlighted. Further preparation of materials for the marketing campaign, video presentations and notifications for social networks is in progress.
- A prize campaign for MasterCard card users is being prepared. After determining the conditions of the campaign and selecting the users and the prize fund, a promotion will be launched in order to inform the clients.
- Acceptance of UNION pay cards at POS terminals and ATMs of Komercijalna Banka has been put into production and put into operation.
- DinaCard prize campaign, planned for the period October 2021- January 2022. The goal of the campaign is to promote the national DinaCard brand, increase the share of active cards and increase the number of transactions per user.
- New DCC functionality has been introduced for VISA cards by foreign issuers.

5.3 Corporate banking

Market-basic tendencies

The business operations of the corporate sector in the third quarter of 2021 were still under the influence of certain restrictive measures in the Republic of Serbia due to the COVID-19 virus pandemic. In 2021, the trend of lowering dinar interest rates in the banking sector continued, regardless of the fact that the NBS reference interest rate level stagnated, while interest rates on foreign currency loans stabilized.

Banks' standards for newly approved corporate loans remained unchanged in 2021, primarily for small and medium-sized enterprises, as well as for large enterprises.

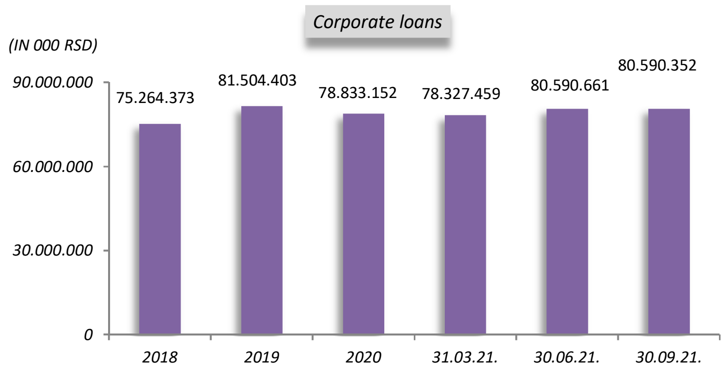
Observed by maturity and currency, a slight easing of standards is present in short-term and long-term dinar corporate lending, as well as short-term corporate lending in foreign currency.

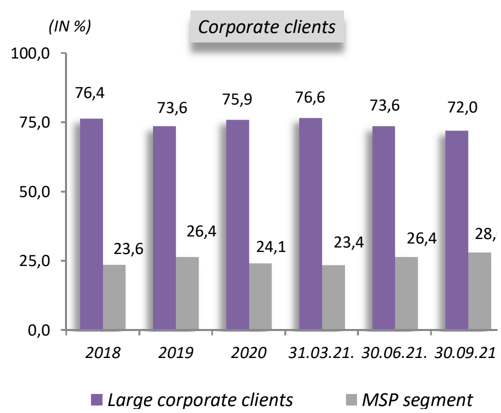
In 2021, there was an increase in the level of corporate loans. At the level of the banking sector, the level of loans is higher compared to the end of 2020 (total companies, public enterprises and local government recorded a growth of 4.2%, or RSD 62.01 billion)[6].

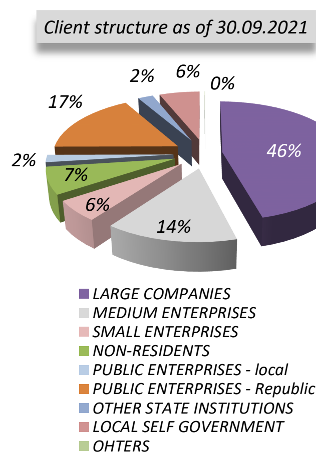
[6] NBS, Consolidated Balance Sheet of the Banking Sector

Loans[7]

Realization of newly approved loans as of September 30, 2021 is higher by 16% compared to the same period in 2020. Compared to the same period last year, there was a decline in the segment of large corporate clients, while in the SME segment there was an increase in sales. Gross performance loans increased by 6.2% compared to the beginning of the year, and in the portfolio structure the share of large corporate clients decreased from 75.9% (at the end of 2020) to 72.0%.







The average weighted interest rates on disbursed loans in RSD are at a slightly lower level, and in EUR they are at the same level compared to disbursed loans in 2020.

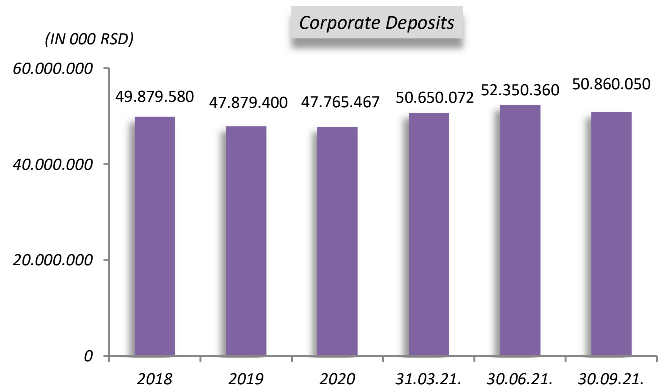
The interest rate on loans indexed in EUR is still lower in relation to loans in dinars, which in the conditions of a stable exchange rate was the determining factor of the market for higher demand for loans with a currency sign in relation to dinar loans. Of the total amount of realized loans in 2021, 12% were realized in dinars, while 88% were realized through loans with a currency sign in EUR. Accordingly, in 2021, there was an increase in the share of dinar loans in the total portfolio.

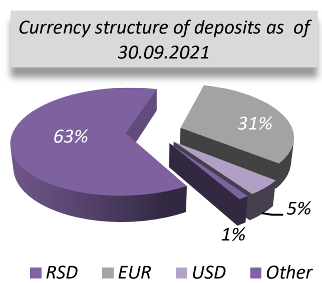
In terms of competition during 2021, the most active were Banca Intesa ad Beograd, UniCredit Banka Srbija ad Beograd, Raiffeisen Banka ad Beograd, OTP Banka ad Novi Sad.

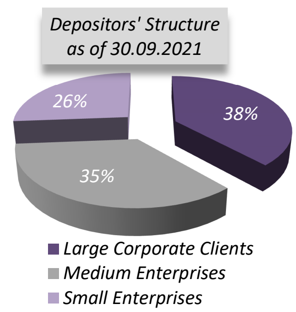
[7] The position of granted loans does not include other loans

Deposits[8]

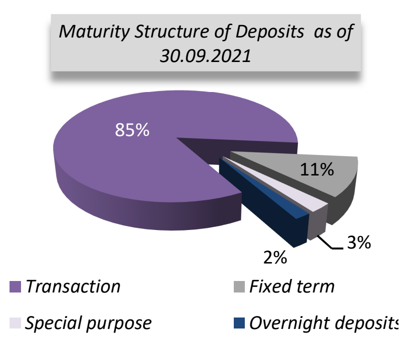
High share of transaction deposits of 85% of the total corporate deposits results in lower interest expenses and has a positive impact on Bank's business result.

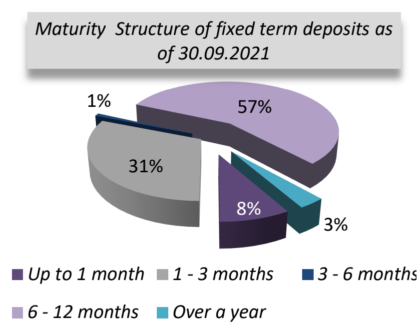






Note: The structure of depositors is presented on the basis of internal segmentation of clients





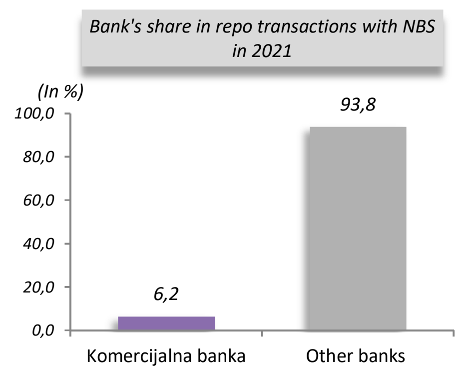
8 Position deposits does not inlude other liabilities and assets received through credit lines

5.4 Asset Management

Starting from the strategic orientation of the Bank, the activity of the Treasury business function is focused on active management of funds and liquidity while ensuring the smooth functioning of the Bank and meeting the business needs of clients.

The environment in which the Treasury function operated during the first three quarters of 2021 was marked by the stabilization of interest rates at a relatively low level and negative interest rates on EUR and CHF in foreign markets, which, given the available funds, was a truly significant challenge in managing liquidity.

Bank's liquidity position was stable, and the largest portion of short-term dinar liquidity was invested through short-term loans and advances on the interbank market and through operations with the National Bank of Serbia.



The strategy of the Treasury function in investment activities in the first three quarters of 2021 is focused on the prudent employment of liquid assets in risk-free and low-risk financial instruments and the diversification of the securities portfolio.

5.5 Securities Division

The Securities Division is an organizational form of the Bank in which operations and transactions with financial instruments on the capital market and investment banking are performed and it consists of the Broker-Dealer Department - Authorized Bank and the Depository and Custody Department, with the permissions of the Securities Commission for providing investment and additional, i.e., "custody" services and depository services. For the first three quarters of 2021, in operations with financial instruments, the Bank achieved the following results:

- The Bank is among the leading members of Beogradska berza AD Beograd (Belgrade Stock Exchange) in terms of total turnover, second in number of transactions, seventh in value of transactions;
- Continuation of the development of online stock trading services on foreign and domestic stock exchanges - improvement of the web application "Kombank Trader" which provides access to all major world stock exchanges, from all types of devices (desktop, laptop, tablet, mobile phone, from various operating systems , Android, IOS…);
- Inflow of new clients with the right to foreign currency bonds of the Republic of Serbia on the basis of restitution;
- The integration process within the NLB Group has started along with the adoption of the NLB Group's business standards.

6. BALANCE SHEET AS OF 30.09.2021

6.1 Bank's Assets as of 30.09.2021

(IN 000 RSD)

No.	BALANCE SHEET POSITION	30.09.2021.	31.12.2020.	INDEX
1	2	3	4	5=3/4*100
1	Cash and balances with central bank	76.332.701	80.045.107	95,4
2	Pledged financial assets	-	-	-
3	Receivables from derivatives	-	-	-
4	Securities	146.215.554	153.776.323	95,1
5	Loans and receivables from banks and other financial organizations	46.526.696	18.142.070	256,5
6	Loans and receivables from customers	197.719.823	189.296.089	104,5
7	Changes in fair value of items that are subject to hedging	-	-	-
8	Receivables from derivatives intended for hedging	-	-	-
9	Investments in associates and joint ventures	-	-	-
10	Investments in subsidiaries	4.193.989	3.433.697	122,1
11	Intangible assets	356.698	510.669	69,8
12	Property, plant and equipment	5.930.014	6.045.330	98,1
13	Investment property	1.940.026	1.819.507	106,6
14	Current tax assets	18.911	12.237	154,5
15	Deferred tax assets	2.172	-	-
16	Non-current assets intended for sale and assets of discontinued operations	109.682	130.426	84,1
17	Other assets	4.698.306	6.216.268	75,6
	TOTAL ASSETS (from 1 to 17)	**484.044.572**	**459.427.723**	105,4

At the end of the third quarter of 2021 Bank's balance sheet assets equal 484.044,6 million dinars and relative to the beginning of the year they are increased by 24.616,8 million dinars, or 5,4%.

During the first nine months of the current year, the position cash and balances with central bank has recorded a reduction in amount of 3.712,4 million dinars, or 4,6%.

Investments in securities at the end of the third quarter 2021 amount to 146.215,6 million dinars. Compared to the beginning of the year the investments in securities have been reduced by 7.560,8 million dinars or 4,9%. At the end of month of September of the current year investments in securities account for 30,2% of total Bank's balance sheet assets, the same as at the end of the first half.

Loans and receivables from customers amount to 197.719,8 million dinars and compared to the balance recorded on 31.12.2020 they have been increased by 8.423,7 million dinars. Loans and receivables from customers at the end of September 2021account for 40,8% of balance sheet assets.
Loans and receivables from banks and other financial organizations amount to 46.526,7 million dinars and they have been increased by 28.384,6 million dinars during the three quarters of 2021.

Total loans and receivables from customers and banks as of 30.09.2021amount to 244.246,5 million dinars, which makes for 50,5% of total Bank's balance sheet assets.

The assets position deferred tax assets as of 30.09.2021 is explained in more details in Item 3.16 of the Notes to Financial Statements for the third quarter of 2021.

6.2 Bank's Liabilities as of 30.09.2021

(IN 000 RSD)

No.	BALANCE SHEET POSITION	30.09.2021.	31.12.2020.	INDEX
1	2	3	4	5=3/4*100
1	Liabilities from derivatives	-	-	-
2	Deposits and other financial liabilities to banks, other financial organizations and central bank	3.022.969	4.989.315	60,6
3	Deposits and other financial liabilities to other customers	397.196.950	372.699.401	106,6
4	Liabilities from derivatives intended for hedging	-	-	-
5	Changes in fair value of items that are subject to hedging	-	-	-
6	Liabilities from securities	-	-	-
7	Subordinated liabilities	-	-	-
8	Provisions	2.850.579	2.529.268	112,7
9	Liabilities from assets intended for sale and assets of discontinued operations	-	-	-
10	Current tax liabilities	-	-	-
11	Deferred tax liabilities	-	147.400	-
12	Other liabilities	3.691.169	4.975.476	74,2
	TOTAL LIABILITIES (from P 1 to P 12)	**406.761.667**	**385.340.860**	105,6
	CAPITAL			
13	Share capital	40.034.550	40.034.550	100,0
14	Own shares	-	-	-
15	Profit	8.587.909	5.319.351	161,4
16	Loss	-	-	-
17	Reserves	28.660.446	28.732.962	99,7
18	Unrealized losses	-	-	-
19	Non-controlling interest	-	-	-
20	**TOTAL CAPITAL (from 13 to 19)**	**77.282.905**	**74.086.863**	104,3
	TOTAL LIABILITIES (from P 1 to P 19)	**484.044.572**	**459.427.723**	105,4

Total liabilities of the Bank at the end of the third quarter 2021 amount to 406.761,7 million dinars and account for 84,0% of total liabilities (as of 31.12.2020 total liabilities participated with 83,9% in liabilities). Concurrently, the total capital of the Bank amounts to 77.282,9 million dinars and accounts for 16,0% in total liabilities (as of 31.12.2020 the share was 16,1%). Total liabilities have increased relative to the end of previous year by 21.420,8 million dinars, or 5,6%, while the total capital of the Bank has increased by 3.196,0 million dinars, or 4,3%.

Total deposits and other financial liabilities to banks and customers, at the end of the third quarter of 2021amount to 400.219,9 million dinars, which accounts for 82,7% of total balance sheet liabilities. Total deposits and other financial liabilities have recorded an increase relative to the end of previous year of 22.531,2 million dinars, or 6,0%.

The position deposits and other financial liabilities to customers has been increased in reporting period by 24.497,5 million dinars, or by 6,6%, while the position deposits and other financial liabilities to banks has been reduced in comparison to the end of previous year by 1.966,3 million dinars, or by 39,4%.

The position other liabilities, during three quarters of 2021, has been reduced by 1.284,3 million dinars, or 25,8%, mainly due to reduction of liabilities towards suppliers by 659,3 million dinars.

The position provisions at the end of the third quarter 2021 increased by 321,3 million dinars due to increase of other provisions. Changes in the position provisions are further explained in Item 3.18 of the Notes to Financial Statements.

Liabilities arising from foreign credit lines at the end of the month of September 2021 amount to 780,0 million dinars and compared to the beginning of the year have been reduced by 197,3 million dinars.

Change in the position deferred tax liabilities is further explained in Items 3.16 and 3.19 of the Notes to Financial Statements.

6.3 Loans Granted to Customers and Deposits of Customers as of 30.09.2021

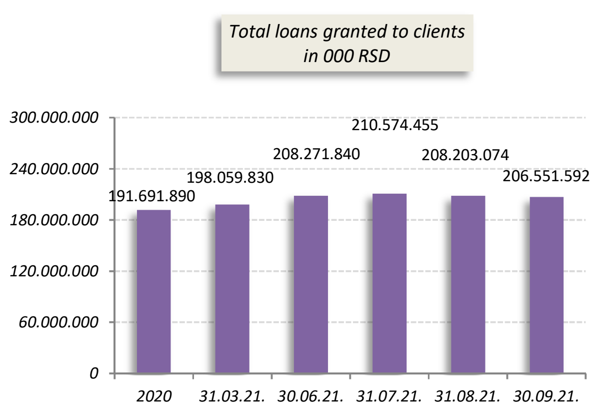
At the end of the third quarter of 2021 the Bank disbursed to customers (corporate, retail, banks and financial organizations) loans in total amount of 206.551,6 million dinars, while the received deposits of customers reached the amount of 398.250,4 million dinars.

(IN 000 RSD)

No.	POSITION	BALANCE AS OF 30.09.2021.	BALANCE AS OF 31.12.2020.	INDEX
1	2	3	4	5= (3:4)*100
I	*LOANS GRANTED TO CUSTOMERS (1+2+3)*	206.551.592	191.691.890	107,8
1.	Corporate	80.590.352	78.833.152	102,2
2.	Retail	115.478.603	108.585.889	106,3
3.	Banks and financial organizations	10.482.637	4.272.849	245,3
II	*RECEIVED DEPOSITS OF CUSTOMERS (1.+2.+3.)*	398.250.377	375.587.295	106,0
1.	Corporate	50.860.050	47.765.467	106,5
2.	Retail	334.696.609	309.268.562	108,2
3.	Banks and financial organizations	12.693.718	18.553.266	68,4

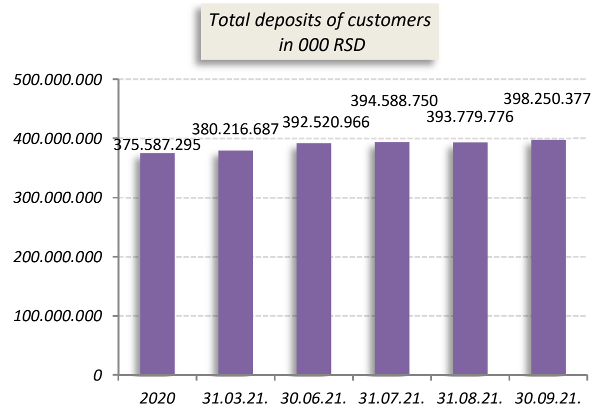
NOTE: granted loans excluding other advances and receivables, received deposits excluding other liabilities and received assets in a form of credit lines

The most significant individual category of balance sheet assets, loans granted to customers, at the end of the third quarter 2021, when compared to the beginning of the year have increased by 14.859,7 million dinars, or by 7,8 %. Loans granted to customers have a share of 42,7% in Bank's total assets.

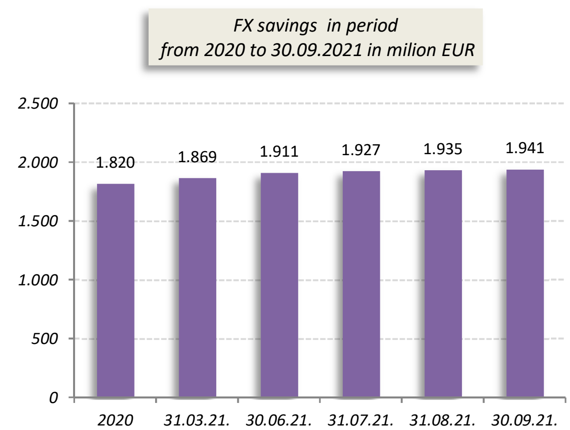


At the end of the third quarter 2021, loans and advances to corporate clients reached the amount of 80.590,4 million dinars, which is a growth of 2,2% relative to the end of 2020. Loans and advances to retail clients reached the amount of 115.478,6 million dinars and have increased by 6,3% compared to the end of last year. Relative to the beginning of the year a considerable increase is recorded in loans and advances to banks and financial organizations, and at the end of the third quarter of 2021, they reached the amount of 10.482,6 million dinars, which is an increase of 145,3%.

At the end of the third quarter 2021 total deposits of customers amount to 398.250,4 million dinars and account for 82,3% of total liabilities, or 97,9% of total Bank's commitments.



Total deposits of customers, relative to the beginning of the year, have increased by 22.663,1 million dinars, or by a 6,0%.
In structure of deposits predominant are retail deposits which reached the amount of 334.696,6 million dinars and account for 84,0% of total deposits of customers, while corporate deposits amount to 50.860,1 million dinars and account for 12,8% of total deposits. Compared to the beginning of the year deposits of banks and financial organizations have reduced by 5.859,5 million dinars, or by 31,6%. Share of deposits of banks and financial organizations in total deposits is 3,2% as of 30.09.2021.



Despite the reduction of debit interest rates of both the banking sector and the Bank, foreign currency savings of the Bank's clients have been preserved and at the end of the third quarter of 2021 they amount to 1.941 million euros, which is a growth of 6,7% since the start of the year.

The trust of depositors enabled the Bank to maintain its leading position within the banking sector of the Republic of Serbia in terms of the volume of collected foreign currency savings, image and recognizability.

6.4 Off-Balance Sheet Items as of 30.09. 2021

(IN 000 RSD)

No	ITEM	BALANCE AS OF 30.09.2021.	BALANCE AS OF 31.12.2020.	INDEX
1	2	3	4	5=(3:4)*100
1	TRANSACTIONS IN THE NAME AND ON BEHALF OF THIRD PARTIES	4.060.165	4.097.143	99,1
2	FUTURE COMMITMENTS	50.750.890	42.879.760	118,4
3	RECEIVED SURETIES FOR FUTURE COMMITMENTS	0	0	-
4	DERIVATIVES	0	0	-
5	OTHER OFF-BALANCE SHEET ITEMS	463.317.844	442.328.167	104,7
	TOTAL	**518.128.899**	**489.305.071**	105,9

Total off-balance sheet assets of the Bank, during three quarters of 2021, have increased by 28.823,8 million dinars, or by 5,9% relative to the end of 2020.

As of 30.09.2021 future commitments including guarantees given and other sureties amount to total of 50.750,9 million dinars, which compared to the end of last year is an increase by 7.871,1 million dinars or by 18,4%, mainly due to an increase of irrevocable commitments for undrawn loans and advances.

Transactions in the name and on behalf of third parties, at the end of the third quarter of 2021 amount to 4.060,2 million dinars and have been reduced by 37,0 million dinars, or by 0,9% relative to the end of 2020.

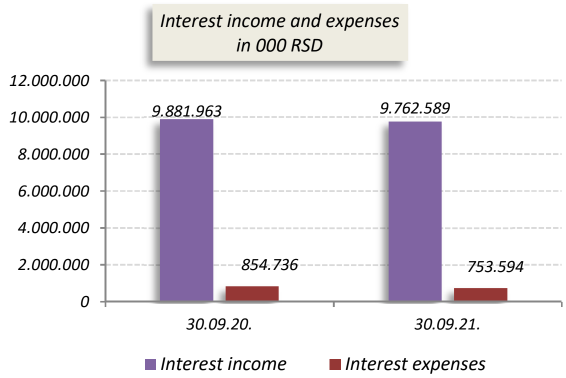
Other off-balance sheet items have increased by 20.989,7 million dinars, or by 4,7% compared to the end of last year, as a result of changes on other off-balance sheet assets.

7. P&L FOR PERIOD FROM 01.01 UNTIL 30.09.2021

(IN 000 RSD)

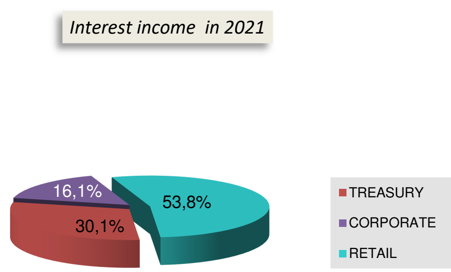
No.	BALANCE SHEET POSITION	30.09.2021.	30.09.2020.	INDEX
1	2	3	4	5=(3:4)*100
	OPERATING INCOME AND EXPENSES			
1.1.	Interest income	9.762.589	9.881.963	98,8
1.2.	Interest expenses	(753.594)	(854.736)	88,2
1.	**Net interest income/expenses**	**9.008.995**	**9.027.227**	99,8
2.1.	Fee and commission income	5.375.094	4.957.048	108,4
2.2.	Fee and commission expenses	(1.393.056)	(1.305.488)	106,7
2.	**Net fee and commission income /expenses**	**3.982.038**	**3.651.560**	109,1
3.	Net gain/loss from changes in fair value of FI	2.905	62.659	4,6
4.	Net gain / loss from FI reclassification	-	-	-
5.	Net gain / loss from derecognition of FIs measured at fair value	180.577	121.510	148,6
6.	Net gain / loss on hedging	-	-	-
7.	Net income / expense from rate of exchange differences s and the effects of the contracted currency clause	44.609	(3.634)	-
8.	Net income /expense from impairment of financial assets not measured at fair value through P&L	(14.522)	(71.447)	20,3
9.	Net gain / loss on derecognition of FIs that are measured at amortized cost	-	-	-
10.	Net gain / loss on derecognition of investments in associates and joint ventures	-	-	-
11.	Other operating income	166.358	171.152	97,2
12.	**TOTAL NET OPERATING INCOME**	**13.370.960**	**12.959.027**	103,2
13.	**TOTAL NET OPERATING EXPENSE**	-	-	-
14.	Salary costs, salary compensation and other personal expenses	(3.443.130)	(4.215.167)	81,7
15.	Depreciation costs	(709.003)	(735.301)	96,4
16.	Other income	139.112	742.178	18,7
17.	Other expenses	(6.226.156)	(4.291.447)	145,1
18.	**PROFIT BEFORE TAX**	**3.131.783**	**4.459.290**	70,2
19.	**LOSS BEFORE TAX**	-	-	-
20.	Income tax	-	-	-
21.	Profit from deferred taxes	182.952	17.252	1.060,5
22.	Deferred tax loss	(46.177)	(158.749)	29,1
23.	**PROFIT AFTER TAX**	**3.268.558**	**4.317.793**	75,7
24.	**LOSS AFTER TAX**	-	-	-
25.	Net operating profit of discontinued operations	-	-	-
26.	Net operating loss of discontinued operations	-	-	-
27.	**PERIOD RESULT - PROFIT**	**3.268.558**	**4.317.793**	75,7
28.	**PERIOD RESULT - LOSS**	-	-	-

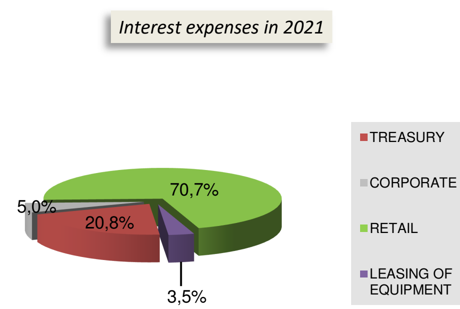
7.1 Interest income and expenses



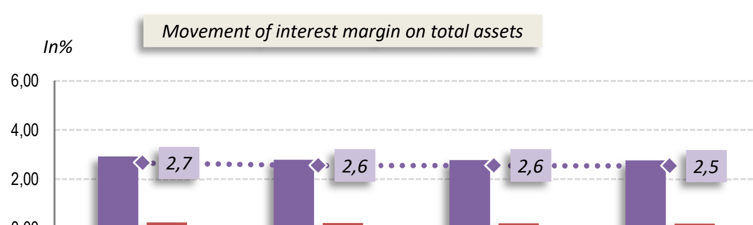
During the first three quarters of 2021 net interest income has been generated in the amount of 9.009,0 million dinars, which is, compared to the same period last year, a reduction of 18,2 million dinars, or 0,2%.

Relative to the first three quarters of last year, realized interest income is lower by 119,4 million dinars, or by 1,2%, while interest expenses are lower by 101,1 million dinars, or by 11,8%.





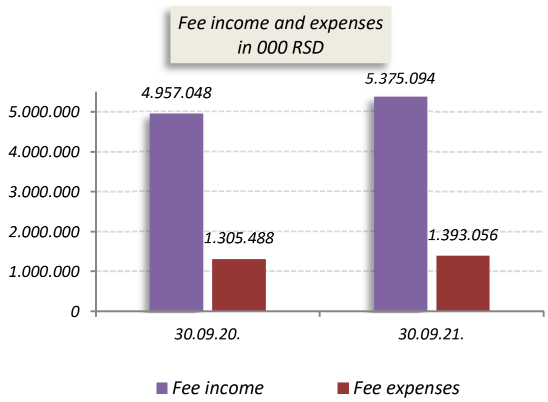
Within interest income, the largest share is allocated to interest income from retail banking operations (5.254,3 million dinars, or 53,8%). Within interest expenses predominant are also interest expenses from retail banking operations (532,7 million dinars or 70,7%), which is mainly a result of interest expenses from collected retail foreign currency savings.



	2020	mart	jun	sept
Average lending interest rate	2,92	2,79	2,78	2,76
Average debit interest rate	0,25	0,23	0,22	0,21
Average interest margin	2,67	2,56	2,56	2,54

Average lending interest rate at the end of the third quarter of 2021 was 2,76%, while average debit interest rate was 0,21%, and/or average Bank's interest margin at the end of the third quarter of 2021 was 2,54%.

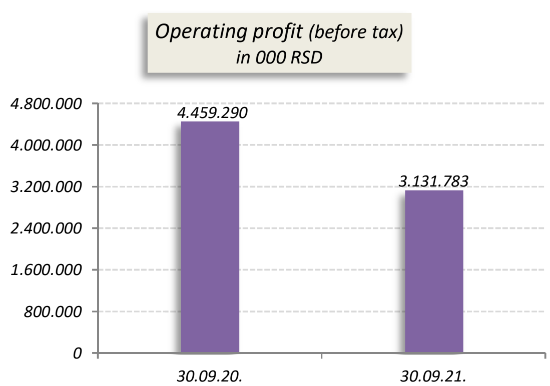
7.2 Fee income and expenses



During the first three quarters of 2021 relative to the same period last year, realized fee and commission income for banking services are higher by 418,0 million dinars or by 8,4%. Concurrently, the fee and commission expenses are higher by 87,6 million dinars, or by 6,7%.

Fee and commission profit for the three first quarters of 2021 amounts to 3.982,0 million dinars and is higher by 330,5 million dinars, or by 9,1% relative to the same period last year.

7.3 Realized operating profit (before tax)



In period from 1 January to 30 September 2021 the operating income was realized in amount of 3.131,8 million dinars, which is a reduction relative to the same period last year.

Realized operating profit provided the Bank, at the end of the third quarter of 2021, return on total equity of 5,55%, or return on average assets of 0,88%.

7.4 Performance indicators prescribed by the Law on Banks

No.	IITEM	PRESCRIBED	30.09.2021.	2020.
1.	CA;ITAL ADEQUACY RATIO (CAPITAL / RISK ASSETS); *REQUIREMENT FOR COMBINED CAPITAL BUFFER	MIN 12,8%+rccb*	30,68%	32,50%
2.	RATIO OF INVESTMENT IN ENTITIES OUTSIDE THE FINANCIAL SECTOR AND FIXED ASSETS	MAX 60%	11,52%	11,53%
3.	BANK'S LARGE EXPOSURE RATIO	MAX 400%	11,39%	2,21%
4.	FX RISK RATIO	MAX 20%	1,72%	1,95%
5.	LIQUIDITY RATIO (monthly, the last day of the month)	MIN 0,8	4,37	4,06

Note: In accordance with the regulations of the NBS, the Bank calculates the capital conservation buffer, capital buffer for systemically significant banks and capital buffer for structural systemic risk.

8. DESCRIPTION OF MAIN RISKS AND THREATS TO WHICH THE COMPANY IS EXPOSED

A detailed description of the main risks and threats to which the Bank is exposed in the forthcoming period is presented in Chapter 5. Risk Management, Notes to the Financial Statements for the third quarter of 2021.

9. ALL SIGNIFICANT TRANSACTIONS WITH RELATED PERSONS

As of 30.09.2021persons related to the Bank are as follows

1. Nova Ljubljanska banka d.d. Ljubljana
2. NLB Banka a.d. Beograd
3. NLB Banka a.d. Banja Luka
4. Komercijalna banka a.d. Podgorica, Montenegro,
5. Komercijalna banka a.d. Banja Luka, Bosnia and Herzegovina,
6. KomBank Invest a.d. Beograd,
7. One legal entity and a number of private individuals, in accordance with the provisions of the Article 2 of the Law on Banks in part regulating the term „persons related to the Bank".

Total exposure to persons related to the Bank as at 30.09.2021 amounted to 7.778,8 million dinars, which in relation to the regulatory capital[9] of 68.310,7 million dinars represented 11.4% (the maximum value of total loans and advances to all persons related to the Bank under the Law on Banks is 25% of capital).

The largest individual exposure to persons related to the Bank (in line with the NBS methodology for presenting exposures to persons related to the Bank), as of 30.09.2021 is the exposure amounting to RSD 6.160,3 million, or 9,0% of the regulatory capital of the Bank.

In accordance with Article 37 of the Law on Banks, the Bank did not approve loans to persons related to the Bank on terms that are more favourable than the conditions for granting loans to other persons not related to the Bank.

10. DESCRIPTION OF ALL SIGNIFICANT EVENTS AFTER THE END OF THE BUSINESS YEAR

After the end of 2020, and during the first three quarters of 2021 of the most important business events, we single out that on 28.01.2021 the extraordinary General Meeting of Bank's Shareholders was held.
At the extraordinary General Meeting of Bank's Shareholders of 28.01.2021 the following decisions were passed:

1. Decision on Amendments and Supplements to the Articles of Association of Komercijalna banka AD Beograd.
2. Decision on Release from Duty of the Chairperson of the General Meeting of Shareholders of Komercijalna banka AD Beograd.
3. Approval of the General Meeting of Bank's Shareholders for increase of ownership share in Komercijalna banka AD Banja Luka to 100%.
4. Decision on Determining the Remuneration for the members of the Bank's Board of Directors and other Boards and Committees of the Bank.

On 28.04.2021 regular General Meeting of Bank's Shareholders was held. At the regular General Meeting of Bank's Shareholders the following decisions were passed:

1. Decision on Adoption of the Annual Business Report and Regular Financial Statements of the Bank for the year 2020 with the opinion of the external auditor.
2. Decision on Adoption of the Annual Business Report of the Group and Consolidated Financial Statements of the Group for the year 2020 with the opinion of the external auditor.
3. Decision on the distribution of profits from 2020, as well as undistributed profits from previous years.
4. Decision on repealing the Bank's Dividend Policy.
5. Decision on adoption of the Rules of Procedure of the General Meeting of Shareholders.
6. Decision on Release from Duty of the member of the Board of Directors -Guy Richard Steel Stevens.
7. Decision on Appointment of the member of the Board of Directors -Veljko Kuštrov.

On 16.08.2021 the extraordinary General Meeting of Bank's Shareholders was held. At the extraordinary General Meeting of Bank's Shareholders the following decisions were passed:

1. Decision on Appointment of the Bank's external auditor for the year 2021.

[9] Capital calculated in accordance with the regulations of the NBS

Serbia, like other countries in Europe, is still facing a pandemic caused by the coronary virus COVID-19 during the three quarters of 2021. During the first three quarters of 2021, the Republic of Serbia is conducting an intensive process of immunization of the domestic population as well as citizens of other countries under certain conditions.

In accordance with legal regulations and recommendations of public health institutions, the Bank continues to take all necessary measures to ensure that business activities, in the changed conditions, are carried out unhindered with the full protection of the Bank's employees and clients.

The new extraordinary General Meeting of Bank's Shareholders was held on 26.10.2021at which the Decision on Granting the Consent for the Sale of Komercijalna banka AD Banja Luka was adopted.
On 27.10.2021 Komercijalna banka AD Beograd and Poštanska štedionica ad Beograd signed the Contract on Purchase and Sale of 100% ordinary shares of Komercijalna banka AD Banja Luka. It is anticipated that the entire transaction will be realized by March 31, 2022 at the latest, subject to obtaining the approvals of all regulatory institutions.

In accordance with the legal regulations, the Agreement on the Merger of NLB banka AD Beograd to Komercijalna banka AD Beograd was published on the website of the Business Registers Agency (APR/BRA).

On 12.11.2021, the merger of Komercijalna banka AD Podgorica to NLB banka AD Podgorica will be carried out.

The description of events after the balance sheet is presented in Item 6 of the Notes to Financial Statements for the third quarter of 2021.

11. BASIC INFORMATION ON THE IMPLEMENTATION OF THE BUSINESS PLAN FOR 2021

The business year 2020 and the first three quarters of 2021 were marked by the still present pandemic of the COVID-19 corona virus, but also by the achieved macroeconomic and financial stability[10], which is in line with the expectations that the Bank had when preparing the Bank's Budget for 2021.

The economic activity of the main foreign trade partners of Serbia, as well as other member countries of the euro zone, during 2020 decreased. According to Eurostat data, Germany's GDP fell by 4.8%, Italy's by 8.9% and the Eurozone's by 6.5%[11]. Serbia's GDP in 2020, according to the RSO report, fell by 1.0%[12], which is in line with previous NBS projections. The most significant negative contribution to fall in GDP was made by the service sector which recorded a decline of 1,4%, construction industry recorded a decline of 5,1% while agriculture made a positive contribution with a growth of 4,2%[13]. Thanks to the recovery in the second half of 2020, the industry avoided negative trends. Considering the achieved good production results in the first half of the current year, the recorded GDP growth of 1,8% y-o-y in the first quarter, the realized GDP growth of 13,7% y-o-y in the second quarter of 2021, the Ministry of Finance revised the estimate of GDP growth in 2021 from 6,0% to 6,5%[14]. It is expected that the additional package of financial aid of the Government of the Republic of Serbia, for overcoming the problems caused by the pandemic of the COVID-19 virus of EUR 2.2 billion[15] will contribute to further GDP growth. According to Eurostat estimate, a growth of GDP of 14,3% y-o-y was recorded in euro zone in the second quarter of 2021, after a recorded decline in the first quarter (1,3%)[16].

During 2020 the inflation was low and stable and averaged at 1,6%. In August of the current year the inflation increased to 4,3% y-o-y.[17], while in September it equalled 5.7% y-o-y.[18] and is a consequence of temporary factors, rising vegetable prices due to drought and rising prices of other primary products and oil on the international market. Year-on-year inflation in the next few months could move above the upper limit of the target range (3 ± 1.5%), due to the effect of temporary factors, and a return is expected in the second half of next year first to the target range and then below the central target value[19].

10 NBS, Macroeconomic trends In Serbia, September 2021
11 MFIN, Currrent macroeconomic trends, September 2021
12 MFIN, Current macroeconomic trends, September 2021
13 MFIN, Current macroeconomic trends, September 2021
14 NBS, Macroeconomic trends in Serbia, September 2021
15 NBS, Macroeconomic trends in Serbia, September 2021
16 MFIN, Current macroeconomic trends, September 2021
17 RSO, Communication, September 2021
18 RSO, Communication, October 2021
19 NBS, RSO, Communication, 7.10. 2021

Observed on an annual basis, the National Bank of Serbia sold net sales on the interbank foreign exchange market (IFEM) in 2020 of EUR 1.450,0 million[20] by which it contributed to maintaining the relative stability of the dinar exchange rate against the euro. Since the beginning of 2021, the National Bank of Serbia has been a net buyer of foreign currency on IFEM in the total amount of EUR 1.100,0 million[21]. Balanced supply and demand for foreign exchange on the foreign exchange market, with occasional interventions by the National Bank of Serbia, is present in the first three quarters of 2021, which resulted in the value of the dinar against the euro remaining at around 117.6 dinars for 1 Euro.

Serbia's good economic prospects have been confirmed by the assessments of three leading rating agencies. In March 2021, Moody's upgraded Serbia's credit rating from Ba3 to Ba2 with a stable outlook for further rating growth. In September, the rating agency Fitch Ratings confirmed Serbia's credit rating at BB +, with stable prospects for its further increase. In June 2021, the S&P Agency reaffirmed Serbia's credit rating at BB + with a stable outlook for further increase. The agency pointed out that the level of Serbia's credit rating is the result of long-term macroeconomic stability, a high level of foreign exchange reserves and regulated public finances[22].

11.1 Planned and Realized Values of Balance Sheet for the Third Quarter 2021

At the end of the third quarter of 2021 the total balance sheet assets of the Bank amount to 484.045 million dinars and relative to the planned value for the year end it is higher by 15.703 million dinars, or 3,4%.

As of 30.09.2021 the investments in securities amount to 146.216 million dinars and they are by 6.736 million dinars, or by 4,8% above the planned amount for the current year. The reasons for higher investment in securities compared to the plan come as the consequence, among other things, of credit activity that is lower than planned given the present pandemic of the COVID-19 virus and related problems.

Loans to customers at the end of the third quarter of 2021amount to 206.552 million dinars. In order to achieve the planned annual level of loans granted to customers it is necessary that the Bank by the end of the current year invests funds in amount of 15.424 million dinars, and/or to realize the growth of 6,9%.

Total deposits at the end of the third quarter of 2021 reached the value of 398.250 million dinars and are above the annual planned value by 15.448 million dinars, or by 4,0%. As of 30.09.2021, the retail deposits reached the amount of 334.697 million dinars and are higher than the planned amount by 26.037 million dinars. Growth is expected with respect to deposits of banks and financial organizations, the growth is also expected of 7.806 million dinars, or 38,1% with regard to corporate deposit, where the expected growth is that of 2.782 million dinars, or 5,2%.

Other liabilities at the end of the third quarter of 2021 are below the annual planned value by 2.053 million dinars.

Realized and Planned Positions of Assets and Liabilities in Balance Sheet as of 30.09.2021 have the following values:

(IN million RSD)

No.	POSITION	Plan 31.12.2021.	Realized 30.09.2021.	INDEX
1	2	3	4	5=4/3*100
	ASSETS			
1.	Cash and cash equivalent	72.624	76.333	105,1
2.	Securities	139.480	146.216	104,8
3.	**Loans Granted (3.1.+3.2.+3.3.)**	**221.976**	**206.552**	93,1
3.1.	Corporate	84.570	80.590	95,3
3.2.	Retail	120.051	115.479	96,2
3.3.	Banks and financial organizations	17.355	10.483	60,4
4.	Other assets	34.262	54.945	160,4
5.	**TOTAL ASSETS (1.+2.+3.+4.)**	**468.341**	**484.045**	103,4

20 NBS, Inflation Report, February 2021
21 NBS, Balance of FX reserves and trends on IFEM in September, 11.10.2021
22 MFIN, Current macroeconomic trends, September 2021

	LIABILITIES			
1.	**Deposits (1.1.+1.2.+1.3.)**	**382.802**	**398.250**	104,0
1.1.	Corporate	53.642	50.860	94,8
1.2.	Retail	308.660	334.697	108,4
1.3.	Banks and financial organizations	20.500	12.694	61,9
2.	Other liabilities	10.564	8.511	80,6
3.	**Total liabilities (1.+2.)**	**393.366**	**406.762**	103,4
4.	**Total capital**	**74.975**	**77.283**	103,1
5.	TOTAL LIABILITIES (3.+4.)	**468.341**	**484.045**	103,4

11.2 Planned and Realized Values of P&L for the period from 01.01-30.09.2021

(IN million RSD)

No	POSITION	Plan 01.01.-30.09.2021.	Realized 01.01.-30.09.2021.	INDEX
1	2	3	4	5=4/3*100
1.1.	Interest income	9.791	9.763	99,7
1.2.	Interest expenses	(837)	(754)	90,0
1.	**Interest Gain (1.1.+1.2.)**	**8.954**	**9.009**	100,6
2.1.	Fee and commission income	5.148	5.375	104,4
2.2.	Fee and commission expenses	(1.237)	(1.393)	112,6
2.	**Fee and Commission Gain (2.1. +2.2.)**	**3.911**	**3.982**	101,8
3.	Net exchange rate differences and changes in value (foreign exchange clause))	0	45	-
4.	Net other operating income /expenses	(1.352)	(1.383)	102,2
5.	Net expenses/income from reduction of impairment of financial assets not measured at fair value through P&L	(2.480)	(15)	0,6
6.	Operating expenses	(8.684)	(8.507)	98,0
7.	**OPERATING PROFIT (1+2+3+4+5+6)**	**349**	**3.132**	896,6

Over the period 01.01.-30.09.2021 the Bank generated the profit before tax in amount of 3.132 million dinars, which is above the planned value for the reporting period.

The realized net interest income is higher than planned by 55 million dinars, or by 0,6%. The realized net fee and commission income, for the first nine months of the current year, is higher than planned amount by 71 million dinars, or by 1,8%.

For the first nine months of 2021 the Bank realized operating expenses in the amount of 8.507 million dinars, which is by 177 million dinars lower than the planned amount for the same period.

Net expenses from reduction of impairment of financial assets not measured at fair value through P&L have been realized in the amount of 15 million dinars and they are lower than the planned amount by 2.465 million dinars, or by 99,4%.

Net other operating expenses are higher than the planned amount by 30 million dinars, or by 2,2% for the first three quarters of the current year.

Signed on behalf of Komercijalna banka ad Beograd

Светлана Тодоровић

Svetlana Todorović
Director of Financial Reporting Department

Dejan Janjatović
Deputy President of Executive Board

BALANCE SHEET

on 30.09.2021.

(in RSD thousand)

POSITION	ADP code	Amount	
		Current year ammount	Previous year ammount
1	2	3	4
ASSETS			
ASSETS Cash and assets held with central bank	0001	76.332.701	80.045.107
Pledged financial assets	0002	-	-
Receivables under derivatives	0003	-	-
Securities	0004	146.215.554	153.776.323
Loans and receivables from banks and other financial organisations	0005	46.526.696	18.142.070
Loans and receivables from clients	0006	197.719.823	189.296.089
Change in fair value of hedged items	0007	-	-
Receivables under hedging derivatives	0008	-	-
Investments in associated companies and joint ventures	0009	-	-
Investments into subsidiaries	0010	4.193.989	3.433.697
Intangible investments	0011	356.698	510.669
Property, plant and equipment	0012	5.930.014	6.045.330
Investment property	0013	1.940.026	1.819.507
Current tax assets	0014	18.911	12.237
Deferred tax assets	0015	2.172	-
Non-current assets held for sale and discontinued operations	0016	109.682	130.426
Other assets	0017	4.698.306	6.216.268
TOTAL ASSETS (from 0001 to 0017)	0018	484.044.572	459.427.723
LIABILITIES			
LIABILITIES Liabilities under derivatives	0401	-	-
Deposits and other liabilities to banks, other financial organisations and central bank	0402	3.022.969	4.989.315
Deposits and other financial liabilities to clients	0403	397.196.950	372.699.401
Liabilities under hedging derivatives	0404	-	-
Change in fair value of hedged items	0405	-	-
Liabilities under securities	0406	-	-
Subordinated liabilities	0407	-	-
Provisions	0408	2.850.579	2.529.268
Liabilities under assets held for sale and discontinued operations	0409	-	-
Current tax liabilities	0410	-	-
Deferred tax liabilities	0411	-	147.400
Other liabilities	0412	3.691.169	4.975.476
TOTAL LIABILITIES (from 0401 to 0412)	0413	406.761.667	385.340.860
CAPITAL			
CAPITAL Share capital	0414	40.034.550	40.034.550
Own shares	0415	-	-
Profit	0416	8.587.909	5.319.351
Loss	0417	-	-
Reserves	0418	28.660.446	28.732.962
Unrealized losses	0419	-	-
Non-controlling participation	0420	-	-
TOTAL CAPITAL (0414 - 0415 + 0416 - 0417 + 0418 - 0419) ≥ 0	0421	77.282.905	74.086.863
TOTAL CAPITAL SHORTFALL (0414 - 0415 + 0416 - 0417 + 0418 - 0419) < 0	0422	-	-
TOTAL LIABILITIES (0413 + 0421 - 0422)	0423	484.044.572	459.427.723

INCOME STATEMENT

from 01.01.2021. to 30.09.2021.

(in RSD thousand)

POSITION	ADP code	Amount			
		Current year		Previous year	
		01.07.-30.09.	01.01.-30.09.	01.07.-30.09.	01.01.-30.09.
1	2	3*	4**	5*	6*
Interest income	1001	3.268.727	9.762.589	3.356.277	9.881.963
Interest expenses	1002	238.124	753.594	280.594	854.736
Net interest gains (1001-1002)	1003	3.030.603	9.008.995	3.075.683	9.027.227
Net interest losses (1002-1001)	1004	-	-	-	-
Income from fees and commissions	1005	1.928.234	5.375.094	1.731.343	4.957.048
Expenses on fees and commissions	1006	536.265	1.393.056	459.719	1.305.488
Net gains from fees and commissions (1005 - 1006)	1007	1.391.969	3.982.038	1.271.624	3.651.560
Net losses on fees and commissions (1006 - 1005)	1008	-	-	-	-
Net gains from changes in fair value of financial instruments	1009	1.541	2.905	27.574	62.659
Net losses from changes in fair value of financial instruments	1010	-	-	-	-
Net gains on reclassification of financial instruments	1011	-	-	-	-
Net losses on reclassification of financial instruments	1012	-	-	-	-
Net gains from derecognition of the financial instruments measured at fair value	1013	50.823	180.577	13.203	121.510
Net losses on derecognition of the financial instruments measured at fair value	1014	-	-	-	-
Net gains from hedging	1015	-	-	-	-
Net losses on hedging	1016	-	-	-	-
Net exchange rate gains and gains from agreed currency clause	1017	13.372	44.609	4.527	-
Net exchange rate losses and losses on agreed currency clause	1018	-	-	-	3.634
Net income from reduction in impairment of financial assets not measured at fair value through income statement	1019	839.001	-	27.712	-
Net expenses on impairment of financial assets not measured at fair value through income statement	1020	-	14.522	-	71.447
Net gains from derecognition of the financial instruments measured at amortised cost	1021	-	-	-	-
Net losses on derecognition of the financial instruments measured at amortised cost	1022	-	-	-	-
Net gains from derecognition of investments in associated companies and joint ventures	1023	-	-	-	-
Net losses on derecognition of investments in associated companies and joint ventures	1024	-	-	-	-
Other operating income	1025	51.363	166.358	45.966	171.152
TOTAL NET OPERATING INCOME (1003 - 1004 + 1007 - 1008 + 1009 - 1010 + 1011 - 1012 + 1013 - 1014 + 1015 - 1016 + 1017 - 1018 + 1019 - 1020 + 1021 - 1022 + 1023 - 1024 + 1025) ≥ 0	1026	5.378.672	13.370.960	4.466.289	12.959.027
TOTAL NET OPERATING EXPENSES (1003 - 1004 + 1007 - 1008 + 1009 - 1010 + 1011 - 1012 + 1013 - 1014 + 1015 - 1016 + 1017 - 1018 + 1019 - 1020 + 1021 - 1022 + 1023 - 1024 + 1025) < 0	1027	-	-	-	-
Salaries, salary compensations and other personal expenses	1028	1.070.632	3.443.130	1.104.711	4.215.167
Depreciation costs	1029	241.451	709.003	242.459	735.301
Other income	1030	31.338	139.112	7.500	742.178
Other expenses	1031	1.754.069	6.226.156	1.577.150	4.291.447
PROFIT BEFORE TAX (1026 - 1027 - 1028 - 1029 + 1030 - 1031) ≥ 0	1032	2.343.858	3.131.783	1.549.469	4.459.290
LOSSES BEFORE TAX (1026 - 1027 - 1028 - 1029 - 1030 + 1031) < 0	1033	-	-	-	-
Profit tax	1034	-	-	-	-
Gains from deferred taxes	1035	-	182.952	-	17.252
Losses on deferred taxes	1036	-	46.177	-	158.749
PROFIT AFTER TAX (1032 - 1033 - 1034 + 1035 - 1036) ≥ 0	1037	2.343.858	3.268.558	1.549.469	4.317.793
LOSSES AFTER TAX (1032 - 1033 - 1034 + 1035 - 1036) < 0	1038	-	-	-	-
Net profit from discontinued operations	1039	-	-	-	-
Net losses on discontinued operations	1040	-	-	-	-
RESULT FOR THE PERIOD – PROFIT (1037 - 1038 + 1039 - 1040) ≥ 0	1041	2.343.858	3.268.558	1.549.469	4.317.793
RESULT FOR THE PERIOD – LOSSES (1037 - 1038 + 1039 - 1040) < 0	1042	-	-	-	-
Profit belonging to a parent entity	1043	-	-	-	-
Profit belonging to non-controlling owners	1044	-	-	-	-
Losses belonging to a parent entity	1045	-	-	-	-
Losses belonging to non-controlling owners	1046	-	-	-	-
EARNINGS PER SHARE					
Basic earnings per share (in dinars, without paras)	1047	-	-	-	-
Diluted earnings per share (in dinars, without paras)	1048	-	-	-	-

Column 3 for 1. quartal 01.01.-31.03.; 2. quartal 01.04.-30.06.; 3. quartal 01.07.-30.09.
Column 4 for 1. quartal 01.01.-31.03.; 2. quartal 01.01.-30.06.; 3. quartal 01.01.-30.09.

Bemić D.

STATEMENT OF OTHER COMPREHENSIVE RESULT

from 01.01.2021. to 30.09.2021.

(in RSD thousand)

POSITION	ADP code	Amount			
		Current year		Previous year	
		01.07.-30.09.	01.01.-30.09.	01.07.-30.09.	01.01.-30.09.
1	2	3*	4**	5	6
PROFIT FOR THE PERIOD	2001	2.343.858	3.268.558	1.549.469	4.317.793
LOSS FOR THE PERIOD	2002	-	-	-	-
Other comprehensive income for the period **Components of other comprehensive income which cannot be reclassified to profit or loss:** Increase in revaluation reserves based on intangible assets and fixed assets	2003	-	-	-	-
Decrease in revaluation reserves based on intangible assets and fixed assets	2004	-	-	-	-
Actuarial gains	2005	-	-	-	-
Actuarial losses	2006	-	-	-	-
Positive effects of change in value of equity instruments measured at fair value through other comprehensive income	2007	-	146.490	22.411	47.487
Negative effects of change in value of equity instruments measured at fair value through other comprehensive income	2008	54.041	-	-	863
Unrealised gains from equity hedges measured at fair value through other comprehensive income	2009	-	-	-	-
Unrealised losses from equity hedges measured at fair value through other comprehensive income	2010	-	-	-	-
Unrealised gains from bank's financial liabilities measured at fair value through profit or loss attributable to changes in bank's creditworthiness	2011	-	-	-	-
Unrealised losses from bank's financial liabilities measured at fair value through profit or loss attributable to changes in bank's creditworthiness	2012	-	-	-	-
Positive effects of changes in value arising from other items of other comprehensive income that may not be reclassified to profit or loss	2013	-	-	-	-
Negative effects of changes in value arising from other items of other comprehensive income that may not be reclassified to profit or loss	2014	-	-	-	-
Components of other comprehensive income that may be reclassified to profit or loss: Positive effects of change in value of debt instruments measured at fair value through other comprehensive income	2015	-	-	-	-
Negative effects of change in value of debt instruments measured at fair value through other comprehensive income	2016	359.838	231.803	417.311	1.162.809
Gains from cash flow hedges	2017	-	-	-	-
Losses from cash flow hedges	2018	-	-	-	-
Unrealised gains from calculation of foreign currency transactions and balances and translation of result and financial position of foreign operation	2019	-	-	-	-
Unrealised losses from calculation of foreign currency transactions and balances and translation of result and financial position of foreign operation	2020	-	-	-	-
Unrealised gains from hedge of net investments in foreign operations	2021	-	-	-	-
Unrealised losses from hedge of net investments in foreign operations	2022	-	-	-	-
Unrealised gains from other hedging instruments	2023	-	-	-	-
Unrealised losses from other hedging instruments	2024	-	-	-	-
Positive effects of changes in value arising from other items of other comprehensive income that may be reclassified to profit or loss	2025	-	-	-	-
Negative effects of changes in value arising from other items of other comprehensive income that may be reclassified to profit or loss	2026	-	-	-	-
Tax gains relating to other comprehensive income for the period	2027	62.082	34.771	62.597	174.551
Tax losses relating to other comprehensive income for the period	2028	-	21.974	3.362	8.307
Total positive other comprehensive income (2003 - 2004 + 2005 - 2006 + 2007 - 2008 + 2009 - 2010 + 2011 - 2012 + 2013 - 2014 + 2015 - 2016 + 2017 - 2018 + 2018 - 2020 + 2021 - 2022 + 2023 - 2024 + 2025 - 2026 +2027 - 2028) ≥ 0	2029	-	-	-	-
Total negative comprehensive income 2003 - 2004 + 2005 - 2006 + 2007 - 2008 + 2009 - 2010 + 2011 - 2012 + 2013 - 2014 + 2015 - 2016 + 2017 - 2018 + 2018 - 2020 + 2021 - 2022 + 2023 - 2024 + 2025 - 2026 +2027 - 2028) < 0	2030	351.797	72.516	335.665	942.047
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE PERIOD (2001 - 2002 + 2029 - 2030) ≥ 0	2031	1.992.061	3.196.042	1.213.804	3.375.746
TOTAL NEGATIVE COMPREHENSIVE INCOME FOR THE PERIOD (2001 - 2002 + 2029 - 2030) < 0	2032	-	-	-	-
Total positive comprehensive income for the period attributable to the parent entity	2033	-	-	-	-
Total positive comprehensive income for the period attributable to non-controlling owners	2034	-	-	-	-
Total negative comprehensive income for the period attributable to the parent entity	2035				
Total negative comprehensive income for the period attributable to non-controlling owners	2036				

Coloumn 3 for 1. quartal 01.01.-31.03.; 2. quartal 01.04.-30.06.; 3. quartal 01.07.-30.09.
Coloumn 4 for 1. quartal 01.01.-31.03.; 2. quartal 01.01.-30.06.; 3. quartal 01.01.-30.09.

CASH FLOW STATEMENT

from 01.01.2021. to 30.09.2021.

(in RSD thousand)

	POSITION	ADP code	Amount 01.01.-30.09.2021	Amount 01.01.-30.09.2020
	1	2	3	4
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
I.	**Cash inflow from operating activities (from 3002 to 3005)**	3001	19.517.124	14.606.083
1.	Interest	3002	11.886.937	9.190.041
2.	Fees	3003	5.419.789	5.015.197
3.	Other operating income	3004	2.196.573	391.789
4.	Dividends and profit sharing	3005	13.825	9.056
II.	**Cash outflow from operating activities (from 3007 to 3011)**	3006	11.325.833	8.522.230
5.	Interest	3007	658.972	578.773
6.	Fees	3008	1.394.244	1.339.014
7.	Gross salaries, salary compensations and other personal expenses	3009	3.540.707	2.966.743
8.	Taxes, contributions and other duties charged to income	3010	624.075	619.466
9.	Other operating expenses	3011	5.107.835	3.018.234
III.	**Net cash inflow from operating activities before an increase or decrease in financial assets and financial liabilities (3001 - 3006)**	3012	8.191.291	6.083.853
IV.	**Net cash outflow from operating activities before an increase or decrease in financial assets and financial liabilities (3006 - 3001)**	3013	-	-
V.	**Decrease in financial assets and increase in financial liabilities (from 3015 to 3020)**	3014	30.051.727	36.984.560
10.	Decrease in loans and receivables from banks, other financial organisations, central bank and clients	3015	-	-
11.	Decrease in receivables under securities and other financial assets not intended for investment	3016	7.862.758	283.032
12.	Decrease in receivables under hedging derivatives and change in fair value of hedged items	3017	-	-
13.	Increase in deposits and other financial liabilities to banks, other financial organisations, central bank and clients	3018	22.188.969	36.701.528
14.	Increase in other financial liabilities	3019	-	-
15.	Increase in liabilities under hedging derivatives and change in fair value of hedged items	3020	-	-
VI.	**Increase in financial assets and decrease in financial liabilities (from 3022 to 3027)**	3021	9.594.519	3.026.312
16.	Increase in loans and receivables from banks, other financial organisations, central bank and clients	3022	9.594.519	3.026.312
17.	Increase in receivables under securities and other financial assets not intended for investment	3023	-	-
18.	Increase in receivables under hedging derivatives and change in fair value of hedged items	3024	-	-
19.	Decrease in deposits and other financial liabilities to banks, other financial organisations, central banks and clients	3025	-	-
20.	Decrease in other financial liabilities	3026	-	-
21.	Decrease in liabilities under hedging derivatives and change in fair value of hedged items	3027	-	-
VII.	**Net cash inflow from operating activities before profit tax (3012 - 3013 + 3014 - 3021)**	3028	28.648.499	40.042.101
VIII.	**Net cash outflow from operating activities before profit tax (3013 - 3012 + 3021 - 3014)**	3029	-	-
22.	Profit tax paid	3030	6.674	8.899
23.	Dividends paid	3031	92.619	14.230.957
IX.	**Net cash inflow from operating activities (3028 - 3029 - 3030 - 3031)**	3032	28.549.206	25.802.245
X.	**Net cash outflow from operating activities (3029 - 3028 + 3030 + 3031)**	3033	-	-
B.	**CASH FLOWS FROM INVESTMENT ACTIVITIES**			
I.	**Cash inflow from investing activities (from 3035 to 3039)**	3034	22.826.693	16.504.969
1.	Investment in investment securities	3035	22.826.693	16.504.969
2.	Sale of investments into subsidiaries and associated companies and joint ventures	3036	-	-
3.	Sale of intangible investments, property, plant and equipment	3037	-	-
4.	Sale of investment property	3038	-	-
5.	Other inflow from investing activities	3039	-	-
II.	**Cash outflow from investing activities (from 3041 to 3045)**	3040	24.922.747	37.452.235
6.	Investment into investment securities	3041	24.810.042	37.345.501
7.	Purchase of investments into subsidiaries and associated companies and joint ventures	3042	71	-
8.	Purchase of intangible investments, property, plant and equipment	3043	112.634	106.734
9.	Purchase of investment property	3044	-	-
10.	Other outflow from investing activities	3045	-	-
III.	**Net cash inflow from investing activities (3034 - 3040)**	3046	-	-
IV.	**Net cash outflow from investing activities (3040 - 3034)**	3047	2.096.054	20.947.266
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
I.	**Cash inflow from financing activities (from 3049 to 3054)**	3048	270.087.708	217.096.441
1.	Capital increase	3049	-	-
2.	Subordinated liabilities	3050	-	-
3.	Loans taken	3051	270.087.708	217.096.441
4.	Issuance of securities	3052	-	-
5.	Sale of own shares	3053	-	-
6.	Other inflow from financing activities	3054	-	-
II.	**Cash outflow from financing activities (from 3056 to 3060)**	3055	271.177.878	216.071.089
7.	Purchase of own shares	3056	-	-
8.	Subordinated liabilities	3057	-	-
9.	Loans taken	3058	270.845.546	215.739.602
10.	Issuance of securities	3059	-	-
11.	Other outflow from financing activities	3060	332.332	331.487
III.	**Net cash inflow from financing activities (3048 - 3055)**	3061	-	1.025.352
IV.	**Net cash outflow from financing activities (3055 - 3048)**	3062	1.090.170	-
D.	**TOTAL CASH INFLOWS (3001 + 3014 + 3034 + 3048)**	3063	342.483.252	285.192.053
E.	**TOTAL CASH OUTFLOWS (3006 + 3021 + 3030 + 3031 + 3040 + 3055)**	3064	317.120.270	279.311.722
F.	**NET INCREASE IN CASH (3063 - 3064)**	3065	25.362.982	5.880.331
G.	**NET DECREASE IN CASH (3064 - 3063)**	3066	-	-
H.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR**	3067	51.637.298	40.866.651
I.	**EXCHANGE RATE GAINS**	3068	695.705	398.717
J.	**EXCHANGE RATE LOSSES**	3069	506.988	407.253
K.	**CASH AND CASH EQUIVALENTS, AT THE END OF PERIOD (3065 - 3066 + 3067+ 3068 - 3069)**	3070	77.188.997	46.738.446

Column 3 for 1. quartal 01.01.-31.03., 2. quartal 01.01.-30.06., 3. quartal 01.01.-30.09.

STATEMENT OF CHANGES IN EQUITY

from 01.01.2021 to 30.09.2021

(in RSD thousand)

ITEM	ADP code	Share capital and other equity (accounts 300, 301, 303, 309)	ADP code	Own shares (account 125)	ADP code	Issue premium (account 302)	ADP code	Reserves from profit and other reserves (account group 31)	ADP code	Revaluation reserves (account group 32 credit balance)	ADP code	Revaluation reserves (account group 32 debit balance)	ADP code	Profit (group of accounts 34)	ADP code	Loss (accounts 350, 351, 352)	ADP code	Non-controlling participation	ADP code	Total (columns 2-3+4+5+6-7+8-9+10)≥0	ADP code	Total (columns 2-3+4+5+6-7+8-9+10)<0
1		2		3		4		5		6		7		8		9		10		11		12
Opening balance as at 1 January of the previous year	4001	17 191 466	4033		4065	22 843 084	4097	18 565 207	4129	6 826 518	4147		4165	10 425 898	4203		4241		4285	75 852 173	4291	
Effects of the first implementation of new IFRS - increase	4002		4034		4066		4098		4130		4148		4166		4204		4242			x		
Effects of the first implementation of new IFRS – decrease	4003		4035		4067		4099		4131		4149		4167		4205		4243			x		
Changes in accounting policies and correction of prior period error – increase	4004		4036		4068		4100		4132		4150		4168		4206		4244			x		
Changes in accounting policies and correction of prior period error – decrease	4005		4037		4069		4101		4133		4151		4169		4207		4245			x		
The adjusted opening balance as at 1 January of the previous year (No 1+2-3)	4006	17 191 466	4038	0	4070	22 843 084	4102	18 565 207	4134	6 826 518	4152		4170	10 425 898	4208		4246		4286	75 852 173		
Total positive other comprehensive income for the period		x				x		x	4135		4153			x	x		4247			x		
Total negative other comprehensive income for the period		x				x		x	4136	240 763	4154			x	x		4248			x		
Profit for the current year		x				x		x		x			4171	2 928 761	x		4249			x		
Loss for the current year		x				x		x		x				x	4209		4250			x		
Transfer from provisions to retained earnings due to provisions reversal – increase		x				x		x		x			4172		4210		4251			x		
Transfer from provisions to retained earnings due to provisions reversal – decrease		x				x		x		x			4173		4211		4252			x		
Transactions with owners recognized directly in equity – increase	4007		4039		4071		4103			x			4174		4212		4253			x		
Transactions with owners recognized directly in equity – decrease	4008		4040		4072		4104			x			4175		4213		4254			x		
Distribution of profit – increase	4009		4041		4073		4105	3 582 000		x			4176		4214		4255			x		
Distribution of profit and/or coverage of losses – decrease	4010		4042		4074		4106			x			4177	3 582 000	4215		4256			x		
Dividend payments	4011		4043		4075		4107			x			4178	4 477 879	4216		4257			x		
Other – increase	4012		4044		4076		4108			x			4179	24 571	4217		4258			x		
Other – decrease	4013		4045		4077		4109			x			4180		4218		4259			x		
Total transactions with owners (No 11-12+13-14-15+16-17) ≥ 0	4014		4046		4078		4110	3 582 000		x			4181		4219		4260			x		
Total transactions with owners (No 11-12+13-14-15+16-17) < 0	4015		4047		4079		4111			x			4182	8 035 308	4220		4261			x		
Balance as at 31 December of the previous year (No 4+5-6+7+8+9-10+18-19 for columns 2,3,4,5,6,8,9), for column 7 (No 4+6-5)	4016	17 191 466	4048		4080	22 843 084	4112	22 147 207	4137	6 585 755	4155		4183	5 319 351	4221		4262		4287	74 086 863	4293	
Opening balance as at 1 January of the current year	4017	17 191 466	4049		4081	22 843 084	4113	22 147 207	4138	6 585 755	4156		4184	5 319 351	4222		4263		4288	74 086 863	4294	
Effects of the first implementation of new IFRS - decrease	4018		4050		4082		4114		4139		4157		4185		4223		4264			x		
Effects of the first implementation of new IFRS - decrease	4019		4051		4083		4115		4140		4158		4186		4224		4265			x		
Changes in accounting policies and correction of prior period error – increase	4020		4052		4084		4116		4141		4159		4187		4225		4266			x		
Changes in accounting policies and correction of prior period error – decrease	4021		4053		4085		4117		4142		4160		4188		4226		4267			x		
Adjusted opening balance as at 1 January of the current year (No 21+22-23)	4022	17 191 466	4054		4086	22 843 084	4118	22 147 207	4143	6 585 755	4161		4189	5 319 351	4227		4268		4289	74 086 863	4295	
Total positive other comprehensive income for the period		x				x		x	4144		4162			x	x		4269			x		
Total negative other comprehensive income for the period		x				x		x	4145	72 516	4163			x	x		4270			x		
Profit for the current year		x				x		x		x			4190	3 268 558	x		4271			x		
Loss for the current year		x				x		x		x				x	4228		4272			x		
Transfer from provisions to retained earnings due to provisions reversal – increase		x				x		x		x			4191		4229		4273			x		
Transfer from provisions to retained earnings due to provisions reversal – decrease		x				x		x		x			4192		4230		4274			x		
Transactions with owners recognized directly in equity – increase	4023		4055		4087		4119			x			4193		4231		4275			x		
Transactions with owners recognized directly in equity – decrease	4024		4056		4088		4120			x			4194		4232		4276			x		
Distribution of profit – increase	4025		4057		4089		4121			x			4195		4233		4277			x		
Distribution of profit and/or coverage of losses – decrease	4026		4058		4090		4122			x			4196		4234		4278			x		
Dividend payments	4027		4059		4091		4123			x			4197		4235		4279			x		
Other – increase	4028		4060		4092		4124			x			4198		4236		4280			x		
Other – decrease	4029		4061		4093		4125			x			4199		4237		4281			x		
Total transactions with owners (No 31-32+33-34-35+36- 37) ≥ 0	4030		4062		4094		4126			x			4200		4238		4282			x		
Total transactions with owners (No 31-32+33-34-35+36- 37) < 0	4031		4063		4095		4127			x			4201		4239		4283			x		
Balance as at 30 September of the current year (No 24+25-26+27+28+29-30+38-39 for columns 2,3,4,5,6,8,9), for column 7 (No 24+26-25)	4032	17 191 466	4064		4096	22 843 084	4128	22 147 207	4146	6 513 239	4164		4202	8 587 909	4240		4284		4290	77 282 905	4296	

NOTES

TO FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2021

Belgrade, November 2021

1. INCORPORATION AND OPERATION OF THE BANK

Komercijalna Banka a.d., Beograd (hereinafter referred to as "Bank") was incorporated on 1st December 1970, and transformed into a joint-stock company on 6th May 1992. The Bank was registered at the Commercial Court in Belgrade on July 10th, 1991 and was legally reregistered at the Business Registers Agency on April 14th, 2006. The Bank was granted a license for banking activity by the National Bank of Yugoslavia on July 3rd, 1991.

The largest stake in the Bank's controlling shares is owned by:

NLB d.d. Ljubljana 88.28%

The Bank has started the integration process with NLB Banka AD, Beograd and is working on providing conditions for adequate implementation of the integration, which will be completed in the first half of 2022.

The Bank has three subsidiaries with the following percentage holdings in their respective ownership:

- 100% - Komercijalna banka AD Podgorica, Montenegro
- 100% - Company for managing UCITS fund KomBank INVEST a.d., Beograd, Serbia
- 100% - Komercijalna banka AD Banja Luka, Bosnia and Herzegovina.

The Financial Statements and the Notes thereto represent the data of the Bank as an individual parent legal entity.

The Bank's activities involve lending, deposit and guarantee related operations, and payment transactions in the country and abroad in compliance with the Law on Banks. The Bank is bound to operate upon the principles of liquidity, safety and profitability.

As of September 30th 2021, the Bank consists of the Head Office in Belgrade at 14, Svetog Save Street, 6 business centers, three sectors for work with small and medium-sized enterprises, 1 branch and 191 sub-branches.

As of September 30th 2021 the Bank had 2,353 employees, and as of 31 December 2020 it had 2,669 employees. Tax ID number of the Bank is 100001931.

2. BASES FOR FINANCIAL STATEMENTS PREPARATION AND PRESENTATION

2.1. Statement of Compliance

The Bank keeps books of accounts and prepares the financial statements in accordance with the applicable Law on Accounting of the Republic of Serbia (RS Official Gazette, 62/2013, 30/2018 and 73/2019), the Law on Banks (RS Official Gazette, numbers 107/2005, 91/2010 and 14/2015) and other relevant by-laws of the National Bank of Serbia, as well as other applicable legal regulations in the Republic of Serbia.

Pursuant to the Law on Accounting, legal entities and entrepreneurs in the Republic of Serbia prepare and present the financial statements in accordance with legal, professional and internal regulations. Professional regulations involve the applicable Framework for preparation and presentation of financial statements ("Framework"), International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") and interpretations that are an integral part of the standards, or the text of applicable IAS and IFRS which does not include the bases for conclusions, illustrative examples, guidelines, comments, contrary opinions, worked-out examples and other supplementary material.

By implemented IFRS 9 standard, legal regulations of the NBS have been amended, which complied the banks to apply to new forms of financial statements in effect as of the 1st of January 2018. These changes were applied when preparing and presenting the financial statements of the Bank as of January 1, 2018.

The Bank implemented the new IFRS 16 from the date of its coming into effect on 01 January 2019 and adjusted the Accounting policies that are adopted by the Board of Directors of the parent Bank in September 2019.

New Accounting policies in relation to previous ones, in addition to performed supplements to the requirements of the accounting standard IFRS 16 – Leases, contain also supplements that specify the fees which make an integral part of EIR and method of accrual of fees, in compliance with the requirements of IFRS 9.

International Financial Reporting Standard 16 Leasing is in force for annual periods that start on the day or after 01 January 2019. IFRS 16 defines the principles for recognition, measurement, presentation and disclosure of leasing for both contractual parties, and/or for the leaseholder /lessee and leasing provider/lessor and it requires from the leaseholders to calculate all the leases within one balance sheet model similar to accounting for financial leasing in accordance with IAS 17. Standard includes two exemptions from recognition for leaseholders – lease of “low-value assets” and short-term leases (that is, the leases with the lease term of 12 months or less). The Bank opted for using the exemptions that are enabled by the standard.

At drawing-up quarterly financial statements for 2020, the Bank applied the Accounting policies to the part referring to financial instruments and possibility of allocation of credit losses for all accounting periods which record benefits from assets, which is a prerequisite for determining an accurate result.

The Bank prepares and presents regular financial statements for the current business year ending on 31st December of the current year as well as reports in a shorter period for its needs, at the request of the Bank’s competent body or competent state authorities.

The enclosed financial statements are prepared in the format prescribed by the Rulebook on the content, form and manner of publishing annual, semi-annual and the quarterly financial statements of the public companies (RS Official Gazette no. 5/2015, 14/2015 and 24/2017) on the basis of which public companies and certain companies related with them present information to the Securities Commission in conformity with the Law on Capital Market (RS Official Gazette, number 31/2011, 112/2015, 108/2016 and 9/2020). The prescribed set of quarterly financial statements includes: Balance Sheet, Income statement, Statement of Other Comprehensive Income, Cash Flow Statement, Statement of Changes in Equity, and Notes to Quarterly Financial Statements.

2.2. Rules of assessment of financial instruments

In terms of classification and measurement, IFRS 9 introduces criteria for the classification of financial assets, except for equity instruments and derivatives, which are based on the assessment of the business model for managing specific financial assets and agreed characteristics of cash flows of financial instruments in accordance with the Bank’s accounting policies.

IFRS 16 regulates that on the day of start of the lease, the leaseholder recognizes the obligation for payment of leasing (that is, the obligation for leasing) and the asset that represents the right to use the subject asset during the lease term (i.e. the right to use the asset). The leaseholders are required to separately recognize the cost of interest on leasing liability and the costs of depreciation arising from the right to use the asset.

Subsequent valuation of lease asset and liability:

In accordance with IFRS 16 the Bank as leaseholder/lessee recognizes the asset with the right to use and the lease liability on the date of the lease start. The date of the start of leasing is the date on which the leasing provider/lessor makes the underlying asset (that is, the asset which is the subject of leasing) available to the lessee.

The Bank as the lessee, *initially* (on the date of the start of the lease) measures the value of the asset with the right to use at purchase value.

Subsequently, recognized purchase value is reduced by:

- Accumulated depreciation (whereby the depreciation is calculated under straight-line method) and
- Accumulated losses from reduction of value, pursuant to IAS 36.

The Bank as the lessee, should combine two or more contracts concluded at the same time or close in time with the same contractual party (or persons related to the contractual party), and should also calculate/anticipate the contracts as one contract, if the contracts are negotiated as a package with the general commercial objective that cannot be understood without their mutual review, the amount of fee that is paid in one contract depends on price or execution of the other contract or the right to use the underlying assets that are transferred by contracts (or some rights to use the underlying asset that are transferred in each of the contracts) make for unique component of the lease.

The Bank as the lessee, initially (on the date of the start of the lease) and subsequently, measures the value of the lease liability as follows:

Initially at the present value of the future lease payments which will be performed during the lease period and includes:

- Present value of leasing installments and
- Present value of expected payments at the end of the lease agreement

When calculating the present value of lease payments three parameters must be determined: lease period, lease payments and applicable interest (discount) rate

Accordingly, the lease liability is accumulated by using the amount which provides for constant periodical discount rate on the remaining amount of liability (or the discount rate is established at the beginning of the lease period, until a reassessment is conducted which requires a change in discount rate). The lease payment reduces the lease liability once it is disbursed.

Subsequently, the Bank measures the value of the lease liability, also at the present value of the future lease payments that will be performed during the lease period, as follows:

- By increasing the present value of the future lease payments from previous period for the interest expenses by using the effective interest method, through applying the discount rate determined at the beginning of the lease period (provided it was not subsequently changed) and
- By reduction for performed payments under the lease.

2.2.1. Financial assets

The Bank is making an assessment of the objectives of business models for managing financial assets at the portfolio level, since such an assessment best presents the manner of managing business activities and the manner of reporting to the management.

The classification of financial assets is based on the application of an appropriate business model for managing financial assets and fulfillment of the test of characteristics of agreed cash flows.

The business model determines whether cash flows result from the collection of agreed cash flows, sale of financial assets, or both. The business model for the classification of financial assets is determined at an appropriate level of aggregation.

The fulfillment of the test of characteristics of agreed cash flows implies that cash flows consist exclusively of the payment of the principal and the interest rate on the remaining principal (SPPI criterion).

Financial assets may be classified into the following categories:

a) Financial assets calculated at amortized costs (AC)
b) Financial assets valued at fair value through profit and loss (FVTPL)
c) Financial assets valued at fair value through other comprehensive income, with recognition through the Income statement – “recycling“(FVOCI)
d) Financial assets valued at fair value through other comprehensive income, without recognition through the Income statement (FVOCI)

In accordance with the classification of the assets referred to in the previous paragraph, the Bank categorizes all placements from its portfolio that refer to:

- Loans and receivables as non-derivative financial assets with fixed or determinable payments that are not quoted in the active market, and which the Bank does not intend to sell in a short period of time,
- Securities that are valued at fair value through profit and loss, which represent instruments obtained for the purpose of generating profit from the fluctuation of prices and margin,
- Securities which include debt securities and proprietary securities (equity instruments), and
- Financial derivatives that include forward and swap transactions.

2.2.2. Financial liabilities

Financial liability is any contracted liability of the Bank:

- To deliver cash or another financial asset to another legal entity,
- To exchange financial instruments with another legal entity under the conditions which are potentially unfavorable ones.

2.3. Functional and Reporting Currency

Financial statements of the Bank are shown in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia and functional currency of the Bank.

3. STRUCTURE OF BALANCE SHEET AND INCOME STATEMENT, OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ASSESSMENTS AND ASSUMPTIONS

BALANCE SHEET

The structure of the Bank's balance sheet as of September 30th 2021, with comparative data for 2020, prepared in the format prescribed by the Decision on Forms and the Contents of Items in the Forms for Financial Statements of Banks (RS Official Gazette 101/2017, 38/2018 and 103/2018), apples from 1st January 2018 and can be seen in more detail from the following overview:

In thousand RSD

	30.09.2021		31.12.2020.	
ASSETS	Amount	%	Amount	%
Cash and cash funds held with the central bank	76,332,701	15.77	80,045,107	17.42
Securities	146,215,554	30.21	153,776,323	33.47
Loans and receivables due from banks and other financial organizations	46,526,696	9.61	18,142,070	3.95
Loans and receivables from customers	197,719,823	40.85	189,296,089	41.20
Investments in subsidiaries	4,193,989	0.87	3,433,697	0.75
Intangible assets	356,698	0.07	510,669	0.11
Property, plant and equipment	5,930,014	1.23	6,045,330	1.32
Investment property	1,940,026	0.40	1,819,507	0.40
Current tax assets	18,911	-	12,237	-
Deferred tax assets	2,172	-	-	-
Non-current assets held for sale and assets from discontinued operations	109,682	0.02	130,426	0.03
Other assets	4,698,306	0.97	6,216,268	1.35
TOTAL ASSETS	**484,044,572**	**100.00**	**459,427,723**	**100.00**

LIABILITIES	Amount	%	Amount	%
Deposits and other financial liabilities to banks, other financial organizations and the Central Bank	3,022,969	0.62	4,989,315	1.09
Deposits and other financial liabilities to other customers	397,196,950	82.06	372,699,401	81.12
Provisions	2,850,579	0.59	2,529,268	0.55
Deferred tax liabilities	-	-	147,400	0.03
Other liabilities	3,691,169	0.76	4,975,476	1.08
Total liabilities	**406,761,667**	**84,03**	**385,340,860**	**83.87**
Capital				
Share capital	40,034,550	8.27	40,034,550	8.71
Profit	8,587,909	1.78	5,319,351	1.16
Reserves	28,660,446	5.92	28,732,962	6.25
Total capital	**77,282,905**	**15.97**	**74,086,863**	**16.13**
TOTAL LIABILITIES	**484,044,572**	**100.00**	**459,427,723**	**100.00**

INCOME STATEMENT

Income and expense structure for 2021 is as follows:

In thousand RSD

	30.09.2021.	30.09.2020.
INCOME	Total	Total
Interest income	9,762,589	9,881,963
Interest expenses	(753,594)	(854,736)
Net interest income	**9,008,995**	**9,027,227**
Fee and commission income	5,375,094	4,957,048
Fee and commission expenses	(1,393,056)	(1,305,488)
Net fee and commission income	**3,982,038**	**3,651,560**
Net gain from changes in fair value of financial instruments	2,905	62,659
Net loss from the change in the fair value of financial instruments	-	-
Net gain based on derecognition of financial instruments that are measured at fair value	180,577	121,510
Net income from exchange differentials and the effects of agreed currency clause	44,609	-
Net expense from exchange differentials and the effects of agreed currency clause	-	(3,634)
Net income from reduced impairment of financial assets that are not measured at fair value through Income statement	-	-
Net expense from impairment of financial assets that are not measured at fair value through Income statement	(14,522)	(71,447)
Other operating income	166,358	171,152
Total net operating income	**13,370,960**	**12,959,027**
Cost of salaries, allowances and other personnel expenses	(3,443,130)	(4,215,167)
Depreciation cost	(709,003)	(735,301)
Other income	139,112	742,178
Other expenses	(6,226,156)	(4,291,447)
Profit /loss before tax	**3,131,783**	**4,459,290**
Profit from deferred tax	**182,952**	**17,252**
Loss from deferred tax	**(46,177)**	**(158,749)**
Result for the period (profit /loss)	**3,268,558**	**4,317,793**

CASH FLOW STATEMENT

Cash flows achieved in 2021 are shown in the table below:

In thousand RSD

	30.09.2021.	30.09.2020.
Item	Total	Total
Cash inflows from operating activities	**19,517,124**	**14,606,083**
Inflow from interest	11,886,937	9,190,041
Inflow from fees	5,419,789	5,015,197
Inflow from other operating activities	2,196,573	391,789
Inflow from dividends and share in profit	13,825	9,056
Cash outflows from operating activities	**(11,325,833)**	**(8,522,230)**
Outflow from interest payments	(658,972)	(578,773)
Outflow from fee payments	(1,394,244)	(1,339,014)
Outflows from payments for gross salaries, allowances and other personnel expenses	(3,540,707)	(2,966,743)
Outflow from taxes, contributions and other duties charged to expense	(624,075)	(619,466)
Outflows for other operating expenses	(5,107,835)	(3,018,234)
Net cash inflow from operating activities before increase or decrease in financial assets and financial liabilities	**8,191,291**	**6,083,853**
Decrease in financial assets and increase in financial liabilities	**(30,051,727)**	**(36,984,560)**
Decrease in receivables from securities and other financial assets not intended for investment	(7,862,758)	(283,032)
Increase in deposits and other financial liabilities towards banks and other financial organizations, central bank and customers	(22,188,969)	(36,701,528)
Increase in financial assets and decrease in financial liabilities	**9,594,519**	**3,026,312**
Increase in loans and receivables from banks, other financial organizations, central bank and customers	9,594,519	3,026,212

Item	30.09.2021. Total	30.09.2020. Total
Net inflow of cash from operating activities before profit tax	**28,648,499**	**40,042,101**
Net outflow of cash from operating activities before profit tax	**-**	**-**
Paid profit tax	6,674	8,899
Paid dividends	92,619	(14,230,957)
Net inflow of cash from operating activities	**28,549,206**	**25,802,245**
Net outflow of cash from operating activities	**-**	**-**
Cash inflow from investment activities	**22,826,693**	**16,504,969**
Inflow from investment securities	22,826,693	16,504,969
Cash outflow from investment activities	**(24,922,747)**	**(37,452,235)**
Outflow from investing in investment securities	(24,810,042)	(37,345,501)
Outflows for the purchase of investments in subsidiaries and and joint ventures	(71)	-
Outflow for purchase of intangible assets, property, plants and equipment	(112,634)	(106,734)
Net inflow of cash from investment activities	**-**	**-**
Net outflow of cash from investment activities	**(2,096,054)**	**(20,947,266)**
Cash inflow from financing activity	**270,087,708**	**217,096,441**
Inflow from borrowings	270,087,708	217,096,441
Cash outflow from financing activity	**(271,177,878)**	**(216,071,089)**
Outflow of cash from borrowings	(270,845,546)	(215,739,602)
Other outflows from financing activity	(332,332)	(331,487)
Net inflow of cash from financing activity	**-**	**1,025,352**
Net outflow of cash from financing activity	**(1,090,170)**	**-**
Total cash inflow	**342,483,252**	**285,192,053**
Total cash outflow	**(317,120,270)**	**(279,311,722)**
Net increase in cash	**25,362,982**	**5,880,331**
Net decrease in cash	**-**	**-**
Cash and cash equivalents at the start of the year	**51,637,298**	**40,866,651**
Exchange rate gains	695,705	398,717
Exchange rate loss	(506,988)	(407,253)
End of period cash and cash equivalents	**77,188,997**	**46,738,446**

INCOME STATEMENT

3.1. Interest Income and Expenses

Interest income and expenses, including default interest and other income and other expenses relating to interest-bearing assets, and/or interest-bearing liabilities, were calculated according to accrual concept and according to the conditions from the contractual relationship defined by the agreement between the Bank and the client.

Interest income also includes income based on financial risk protection instruments, mainly by pegging the annuities to the exchange rate of the Dinar against the EUR, another foreign currency or to the retail price growth index, and are calculated at the close of each month during the repayment and on the date on which the annuity is due for payment.

Fees that are part of effective interest rate of financial instrument, pursuant to IFRS 9, comprise the following types of fees:

- Fee charged by the Bank in relation to issuing or acquiring the financial asset. Such fees can include compensations for activities of assessment of the financial standing of the borrower, the assessment and recording the guarantees, collaterals and other security arrangements, negotiations regarding conditions of the financial instrument, preparation and processing of documents and closing the transaction;
- Fee received by the Bank for approval of loan when it is probable that the credit arrangement will be realized;
- Fees that are paid on the basis of issuing the financial liabilities that are measured at amortized cost.

At the time of initial recognition of loans approved to private individuals and legal entities, the Bank as a part of effective interest rate which is included in amortized value of loans, includes the fees for loan application processing that are charged to clients, private individuals or legal entities, when approving the loan, and which are accrued by EIR method during the period of loan term and are recognized as interest income.

Exceptionally, if the fee for loan application processing is received on the basis of revolving loan or approved overdrafts on current accounts, given the fact that it is not possible to foresee the level and dynamics of utilizing the approved assets, the fee is accrued at straight-line method during the period of loan term and is recognized as interest income.

Fees for loan approval are deferred according to period of duration and are recognized in profit and loss account in proportion to duration, within the interest income position.

Net interest income in the period January - September 2021 amounts to RSD 9,008,995 thousand and is higher by RSD 18,232 thousand or 0.20% compared to the same period last year.

Realized net interest income is higher than determined by the business plan for the first nine months of 2021, by 54,597 thousand dinars.

3.2. Fee and Commission Income and Expenses

Income and expenses based on fees and commissions are recognized according to accrual concept.

Income from fees for banking services and expenses based on fees and commissions are established at the time when they are due for collection or when realized. They are recognized in the Income statement at the time when they incur and/or when due for collection.

Pursuant to the Accounting Policies if the fee for client's loan application processing is received on the basis of given guarantees, letters of credit, guarantees of a bill, discount of factoring, the same is accrued at straight-line method during the period of duration of the instrument and is recognized as fee income.

In case of syndicated loan it is important to differentiate on which basis such fee is received, and if the fee is received:

- For service of service arranger /agent– it is recorded as fee income, it is not a part of effective interest rate and is accrued during the period of loan term;
- For service of creditor – it is recorded as interest income; it forms a part of effective interest rate and is accrued during the period of loan term by EIR method.

Net income from fees and commissions in the period January - September 2021 amounts to RSD 3,982,038 thousand and is higher compared to the same period in 2020 by 9.05% or RSD 330,478 thousand

3.3. Net profit from the change in fair value of financial instruments and net income from derecognition of financial instruments measured at fair value

Realized or unrealized gains and losses based on the change in the market value of trading securities and which are measured at fair value through the Income statement are recognized within this item, while unrealized profit and loss from the change in the value of debentures and proprietary securities measured at fair value through other comprehensive income are recognized within revaluation reserves included in the Bank's capital. .

In the observed period in 2021 the Bank reported net profit on the basis of the change in the fair value of financial instruments held for trading in the amount of RSD 2,905 thousand (bonds of the Republic of Serbia and investment units of Kombank money fund).

When derecognizing the securities at fair value through other comprehensive income with recognition through Income statement (sale or permanent decrease in the value), corresponding amounts of the previously formed revaluation reserves are shown in the Income statement as gains or losses based on the derecognition, whereas when derecognizing the securities at fair value through Income statement the previously formed amounts that relate to the change in the value are also recognized in the Income statement as gains or loss from derecognition.

On the basis of derecognition of financial instruments that are measured at fair value through Income statement and other comprehensive income net gains from sale were recorded in the amount of RSD 180,577thousand (bonds of the Republic of Serbia, foreign treasury bills, foreign bank bonds and Kombank MMF investment units).

Gains/losses based on the agreed currency clause and changes in the exchange rate of securities, and interest income from securities, except for securities at fair value through the Income statement, are presented in the Income statement.

3.4. Re-statement of FX Amounts – Income and Expenses from Exchange Rate Differentials and the Effects of Exchange Rate Differentials from Agreed Currency Clause

Business transactions made in foreign currency were re-stated in the Dinars at mid-exchange rate on the inter-bank FX market, applicable on the transaction date.

Assets and liabilities shown in foreign currency as at the balance sheet date were restated in dinars at mid-exchange rate fixed on the inter-bank FX market, applicable on that date.

Net FX gains or losses arising from business transactions in foreign currency and when restating the balance sheet items shown in foreign currency, were booked as credited or charged to the Income statement as gains or losses from exchange rate differentials.

Loans and deposits in RSD, for which protection against risk was agreed by linking the RSD exchange rate to the EUR, to other foreign currency or to the growth of retail price index, were re-valued in accordance with each specific loan contract. The difference between the nominal value of unpaid principal for loans or unpaid deposits and re-valued amount is shown within receivables from loans or liabilities from deposits. Effects of this revaluation are recorded as income and expenses from FX differences arising from the agreed currency clause.

Net income from exchange rate differentials in the reporting period January– September 2021 amounts to RSD 44,609 thousand. The stated net expense is mainly under direct impact of movement of RSD exchange rate against currency basket (currencies EUR, USD and CHF) between the two observed reporting periods as a form of protection against risk and management of the Bank's FX position – balanced FX position.

Assumed and contingent liabilities in foreign currency were re-stated in dinars at middle exchange rate on the inter-bank FX market applicable as at the balance sheet date.

3.5. Net income/expenses from impairment of financial assets not measured at fair value through profit and loss account

Net income/expenses from impairment refer to the financial assets classified by the Bank into the following categories: loans and receivables measured at amortized cost, and securities measured at fair value through other comprehensive income.

Amortized cost of a financial asset or liability is the amount according to which assets or liabilities are initially valued, deduced by the payment of the principal, and increased or deduced by accumulated depreciation using the method of effective interest rate for the spread between the initial value and nominal value on the date of maturity of the instrument, deduced by impairment.

For impairment identification and valuation, the Bank applies the concept of expected credit loss. The Bank calculates and recognizes the impairment provision for all financial instruments measured at the amortized cost, as well as for financial assets measured at fair value through other comprehensive income.

The method of identification, calculation and recognition of impairment provision is defined by the Methodology for the calculation of impairment provision in accordance with IFRS 9.

Loans and other receivables are presented in the amount reduced by the group or individual calculation of impairment. Individual and group provisions are deduced from the book value of loans identified as impaired in order to deduce their value to their reimbursable value.

If impairment is reduced in the following period, and reduction may be objectively ascribed to the event that occurred after the recognition of loss due to impairment (such as improvement of the debtor's credit rating), then impairment provision for impairment is terminated for the previously recognized loss due to impairment.

In the period January - September 2021, the Bank reported net expenses based on impairment of financial assets and credit risk off-balance sheet items that are not measured at fair value through profit or loss in the amount of RSD 14,522 thousand, while in the same period in 2020 net expenses on this basis amounted to 71,447 thousand dinars

In the current reporting period 2021, the most significant effects are presented below.

Net negative effect of group and individual calculation of impairments for loans, other receivables and off-balance sheet items in the period January – September 2021amounts to RSD 1,714,417 thousand.

Net expense based on reduction of debt securities measured at fair value through other comprehensive income amounts in third quarter 2021 to RSD 330,265 thousand.

The positive effect relates to the collection of written-off receivables in the amount of RSD 2,030,160 thousand. Of the total amount of collected written-off receivables, the bulk relates to the collection of loans to legal entities in the amount of RSD 1,891,460 thousand.

3.6. Other operating income

In the overall other operating income amounting to RSD 166,358 thousand the most considerable share of 90.56% represents income from operating activities (the same period last year 93.21%), which mostly relate to income realized from lease of property amounting to RSD 87,932 thousand. Other operating income is realized from reimbursement of expenses based on: court and utility costs, income from collected expenses of official mobile phones as per authorization of the employees, income from the use of an official vehicle for private purposes, as well as income from long-term insurance..

Income from dividends is part of the item Other Operating Income. Dividends received based on investments in shares of other legal entities in the amount of RSD 15,711 thousand are presented as dividend income at the time of their collection. The total amount of collected dividends of RSD 15,711 thousand refers to dividends received from VISA Inc USA in the amount of RSD 4,723 thousand and MasterCard USA in the amount of RSD 1,563 thousand. In the third quarter of 2021, dividend income was collected based on investments in shares of Dunav osiguranje in the amount of RSD 9,425 thousand.

3.7. Costs of Salaries, Allowances and other Personnel Expenses

Costs of salaries, allowances and other personnel expenses in amount of RSD 3,443,130 thousand are lower by RSD 772,037 thousand or 18.32% relative to the same period last year.

3.8. Depreciation Costs

Depreciation costs amounting to RSD 709,003 thousand, are lower than in period January – September 2020 by RSD 26,298 thousand, or 3.58%.

3.9. Other Income

In total other income in the amount of RSD 139,112 thousand the most significant share of 29.13% is that of the release of unused provisions for court disputes in the amount of RSD 40,522 thousand (reference note 3.18.). Other income has a share of 58.00%, and/or RSD 80,681 thousand of which amount the most important item relates to income generated by interest from previous years, which was collected from corporate clients, entrepreneurs, farmers and retail customers in total amount of RSD 59,961 thousand.

3.10. Other Expenses

Other expenses are stated in the amount of RSD 6,226,156 thousand and are higher compared to the same period last year by RSD 1,934,709 thousand, or 45.08%. Other expenses comprise:

a) operating expenses amounting to RSD 4,310,838 thousand,
b) cost of provisions for court proceedings liabilities amounting to RSD 630,781 thousand,
c) cost of provisions for compensations / severance pay under the programs in the amount of RSD 905,402 thousand,
d) losses from disposal and write-off of fixed assets and intangible assets in amount of RSD 10,611 thousand
e) other expenses amounting to RSD 368,524 thousand

The following items account for the largest share of other expenses:

a) Operating expenses in the total amount of RSD 4,310,838 thousand, namely:

intangible costs totaling RSD 2,098,928 thousand with the highest individual item being the cost of deposit insurance in the amount of RSD 793,019 thousand. The structure of other expenses in the operating expenses item consists, among other things, of the following: costs of material in amount of RSD 207,239 thousand, costs of advertising in the country in the amount of RSD 233,671thousand, cost of property security in the amount of RSD 189,250 thousand, costs for managing and maintaining ATMs for payment cards in amount of RSD 180,042 thousand, costs of maintenance of IT equipment and software amounting to RSD 114,602 thousand, cost of lawyers' services in the amount of RSD 176,751 thousand, costs of maintenance of IT equipment and software in the amount of 168,104 thousand dinars, expenses for postal services in the amount of RSD 143,036 thousand dinars, costs of intellectual services in the amount of 139,909 thousand dinars, costs of management and maintenance of POS network and others equipment for payment cards in the amount of RSD 128,029 thousand, costs of SMS service in the amount of RSD 108,922 thousand, costs of current maintenance of business premises and other equipment in the amount of RSD 90,234 thousand, costs of electricity in the amount of RSD 82,328 thousand, costs of utility fee for signage display in the amount of RSD 56,480 thousand, costs of transporting money in the amount of RSD 68,563 thousand, tax costs in the amount of RSD 120,592 thousand, contribution costs in the amount of RSD 520,815 thousand and other costs in the amount of RSD 28,875 thousand.

Operating expenses of the current period are higher compared to the same period last year by RSD 797,066 thousand (mostly due to higher costs of advertising and promotion in the country, costs of intellectual services and costs of management and maintenance of POS network and other payment card equipment).

b) *Costs of provisions* for court liabilities in the amount of RSD 630,781 thousand which relate to increase of provisions for Bank's court liabilities in 2021 (reference Note 3.18.),

c) Expenses for provisions for restructuring costs based on the program of voluntary redundancy of employees in amount of RSD 905,402 thousand which relate to expenses of establishing provisions for severance pay under the program (voluntary redundancy of employees),

d) losses from disposal and write-off of fixed assets and intangible assets in the amount of RSD 10,352 thousand pursuant to the report of the competent commission and the decision of the Bank's body.

e) Other expenses in the amount of RSD 368,524 thousand

Out of total amount of other expenses for period January – September 2021 in amount *of* RSD *368,524* thousand the largest part relates to costs of the insurance policies for receivables of the loan users in the amount of RSD 177,230 thousand. Other expenses on this basis in the same period of 2020 amounted to RSD 159,801 thousand.

Compared to the same period in 2020, other expenses are higher by 117,431 thousand dinars, primarily as a result of an increase in the costs of expenses on lost litigation (an increase of 94,186 thousand dinars), an increase in costs under the insurance policy of borrowers (an increase of 17,429 thousand), increase in costs of expenses based on litigation costs (increase by 10,581 thousand dinars) and increase in costs of other expenses based on interest for litigation from previous years (increase by 8,422 thousand dinars and on the other hand decrease in other expenses (decrease by 12,589 thousand dinars).

3.11. Profit/loss from deferred tax

As of 30.09.2021 the Bank posted in Income statement a net profit from the effect of deferred tax in the amount of RSD 136,775 thousand.

BALANCE SHEET

Overall balance sheet total as of 30.09.2021 amounts to RSD 484,044,572 thousand, and represents an increase by RSD 24,616,849 thousand or 5.36% against 31.12.2020.

ASSETS

The dominant share in the total assets of the Bank is that of the loans and deposits to customers and banks of 50.46% (2020: 45.15%), securities with a share of 30.21% (2020: 33.47%), cash and balances with the central bank with share of 15.77% (2020: 17.42%), real estate, plant and equipment with a share of 1.23% (2020: 1.32%), other assets with a share of 0.97% (2020: 1.35%), and investment in subsidiaries 0.87% (2020: 0.75%).

3.12. Cash and Balances with Central Bank

Cash and balances with the central bank as at 30.09.2021 amount to RSD 76,332,701 thousand, and account for 15.77% of Bank's total assets (17.42% as at 31.12.2020). Compared to 31.12.2020, the position is lower by RSD 3,712,406 thousand.

In the cash flow statement the Bank shows cash on the drawing account at the National Bank of Serbia, cash on accounts with foreign banks, funds on the account at the Central Securities Depository and Clearing House and cash at hand.

3.13. Securities

Investments in securities in the amount of RSD 146,215,554 thousand represent a percentage of share of 30.21% in relation to total assets (2020: 33.47%) and comprise of securities that are measured at fair value through profit and loss in the amount of RSD 510,983 thousand, securities measured at fair value through other comprehensive income in the amount of RSD 144,768,578 thousand and securities measured at amortized value in the amount of RSD 935,993 thousand.

The decrease is the result on the one hand of a decrease in securities valued at fair value through profit or loss by RSD 7,797,123 thousand, and on the other hand an increase in securities valued at fair value through other result by RSD 142,601 thousand, as well as an increase securities valued at amortized cost in the amount of RSD 93,753 thousand.

The largest share in the securities structure in RSD is that of the Republic of Serbia bonds (98.35%), corporate bonds of public enterprises (0.96%) and investment units of KomBank Money Fund, Beograd (0.58%) and discounted corporate bills (0,11%).. Regarding securities in foreign currency, these are made up of the Republic of Serbia bonds (78.28%), bonds of foreign banks and states (17.84%), T-bills of foreign countries (3.41%), and bonds based on earlier FX savings (0.47%).

3.14. Loans and Receivables from Banks and Other Financial Organizations and Loans and Receivables from Customers

Loans are shown in the balance sheet at the level of approved loans and advances, less repaid principal, increased for accrued unpaid interest, less collected accrued fee and less the impairment provision based on the assessment of specific identified risks for certain loans and risks that are empirically included in the loan portfolio. In assessing the mentioned risks, the management applies the methodology based on full application of IFRS 9.

Loans in Dinars, for which the protection against risk has been contracted by pegging the exchange rate of the Dinar against the EUR, another foreign currency or the retail price index growth rate, were re-valued in accordance with the specific agreement for each loan. The difference between the nominal value of outstanding principal and the re-valued amount is shown within the loan receivables. The effects of this revaluation are recorded within income and expenses from the effects of the agreed currency clause.

Net positive or negative exchange rate differentials resulting from business transactions in foreign currency and from restating the balance sheet items in foreign currency, were credited or debited, and/or charged to profit and loss account as exchange rate gains or losses.

As at 30.09.2021 the loans and receivables from banks and other financial organizations amount to RSD 46,526,696 thousand with percentage of share of 9.61% of total assets (2020: RSD 18,142,070 thousand) and are higher by RSD 28,384.626 thousand. An increase compared to 31.12.2020 is mostly the result of an increase in: regular FX current accounts abroad of RSD 19,175,440 thousand, non-purpose time deposits in dinars for 6,149,323 thousand dinars and NBS investments per repo transactions in dinars of RSD 2,998,650 thousand.

Loans and receivables from customers as at 30.09.2021 amount to RSD 197,719,823 thousand and with percentage of share of 40.59% of total assets (2020: RSD 189,296,089 thousand) have dominant share in structure of assets. Total loans to customers are higher by 4.45% compared to 2020, or by RSD 8,423,734 thousand.

The stated net increase is a result of increase in new lending and newly approved loans in accordance with the Decree of the Government of the Republic of Serbia on establishing a guarantee scheme as a measure of economic support to mitigate the consequences of the COVID-19 pandemic caused by SARS-CoV-2 virus on the one hand, as well as decrease in lending due to early and regular repayments, on the other hand and the impact of net effect of the calculation and recognition of impairment provisions.

In the period January – September 2021 in accordance with the NBS Decision on accounting write-off of balance-sheet assets of banks, the Bank did a permanent write-off by transferring the balance-sheet assets to off-balance-sheet records in the amount of RSD 3,711,283 thousand. The permanent write-off did not result in a decrease in balance-sheet assets, given that the write-off was done for the receivables that had been 100% impaired i.e. in full gross amount of carrying value. According to the NBS decision, balance-sheet assets include NPLs that fit the description in the Decision on the classification of balance-sheet assets and off-balance-sheet items.

3.15. Investment in Subsidiaries

Investments in subsidiaries are RSD 4,193,989 thousand and account for 0.87% of total assets.
The ownership structure is shown in item 1 of the Notes. A certain number of banking transactions are carried out with subsidiaries, as a part of regular operations. These include primarily loans and deposits.

Investments in subsidiaries as of 30.09.2021 amount to RSD **5,480,959 thousand** (gross amount excluding impairment provision) individually per members:

	In **thousand RSD**
KomBank INVEST a.d., Beograd	140,000
Komercijalna banka a.d., Banja Luka	2,974,686
Komercijalna banka a.d., Podgorica	2,366,273
TOTAL GROSS	**5,480,959**
Impairment provision	(1,286,970)
NET	**4,193,989**

On 30.09.2021, the net value of shares in dependent legal entities amounts to RSD 4,193,989 thousand. In relation to the situation stated on 31.12.2020, the net value of stakes in subsidiaries is higher by 22.14% or 760,292 thousand dinars, mostly as a result of adjusting the market value of the Bank's stake in Komercijalna banka a.d. Banja Luka by 760,221 thousand dinars, as well as according to the purchased 1 share of Komercijalna banka a.d. Banja Luka from NLB d.d. Ljubljana in the dinar equivalent of 71 thousand dinars.

3.16. Other Assets, Intangible Assets, Property and Investment Property, Current and Deferred Tax Assets and Non-Current Assets Held for Sale

All of the above items account for 2.69% of total assets, of which the highest percentage relates to property, plant and equipment in the amount of 1.23%, other assets amounting to 0,97% and investment property equaling 0.40%.

Investments in equity of banks, foreign and local legal entities as of 30.09.2021 amount to RSD 2,216,451 thousand measured at fair value through other comprehensive income. The largest amount refers to the share in the equity of foreign entities of RSD 2,113,138 thousand and these are the shares in the companies MASTER Card International and VISA INC.

As of 30.09.2021 the netting of deferred tax assets and deferred tax liabilities was carried out. Upon conducted netting as of 30.09.2021 the deferred tax assets amount to zero, while in the balance sheet liabilities the deferred tax liabilities are stated in the amount of RSD 2,172 thousand. Observed by gross principle (before the conducted netting),the deferred tax assets amount to RSD 979,758 thousand, and largely consist of deferred tax assets under the temporary unrecognized expenses based on impairment of property in the amount of RSD 398,722 thousand and based on provisions for court disputes amounting to RSD 305,655 thousand. The deferred tax assets based on tax losses carried forward as of 31.12.2020 were cancelled in the entire amount and on the basis of the plan of taxable profit for the year 2021.

The set deadline for the use of tax losses carried forward is 5 years from when they were generated, so the deadline for their use is the year 2021, inclusive.

Deferred tax assets based on
tax losses carried forward

In RSD thousand

Year	Increase (creation)	Decrease (use)	Balance
2017.	1,235,813	(368,667)	867,146
2018.	641,193	(630,339)	878,000
2019.	1,107,438	(726,088)	1,259,350
2020.	1,654	(1,261.004)	0
30.09.21.	-	-	0

On the basis of filed tax return and tax balance for 2019, the Bank paid profit tax in advance for 2020, until it files the tax balance for 2020. After it filed the tax return and tax balance for 2020 on 18.06.2021, and given that for 2020 the Bank is not obliged to pay profit tax, the bank has an overpayment for profit tax. The advance payments can be used for the following periods or a request will be made for their refund, or the same will be used to cover other tax liabilities. By 30.09.2021 the Bank made a payment in advance of RSD 18,911 thousand.

LIABILITIES

In period January – September 2021 in the structure of liabilities deposits and other financial liabilities to banks and customers still have a dominant share with total percentage of 82.68% (2020: 82.21%) in total liabilities. The share of capital in total liabilities stands at 15.63% (2020: 16.13%).

Other positions make for 1.35% of total liabilities, which mainly refers to other liabilities with the percentage of 0.76%.

3.17. Deposits and Other Financial Liabilities to Banks, Other Financial Organizations and Central Bank and Deposits to Other Customers

Deposits are shown at the level of deposited amounts, which can be increased by calculated interest, which depends on the contractual relationship between the depositor and the Bank. The Bank agreed the interest rates on deposits depending on the currency, maturity and type of deposits.

FX deposits are shown in Dinars at middle exchange rate of currencies applicable as at the balance sheet date.
In the balance sheet, deposits are shown as transaction and other deposits of the financial sector and deposits from other customers.

The most important share in the structure of liabilities is that of the deposits and other financial liabilities to customers in the amount of RSD 397,196,950 thousand which make for 82.06% of total liabilities (2020: 81.12%) and deposits and other financial liabilities towards banks, other financial organizations and the central bank in the amount of 3,022,969 thousand with share of 0.62% (2020: 1.09%).

Total deposits to customers, banks, other financial organizations and central bank amount to RSD 400,219,919 thousand and compared to 2020 they are higher by RSD 22,531,203 thousand: transaction deposits are higher by RSD 14,025,987 thousand, and other deposits are higher by RSD 8,505,216 thousand.

Net increase in transaction deposits is a result of an increase of dinar transaction deposits by RSD 11,783,944 thousand, as well as transaction deposits in foreign currency by RSD 2,242,043 thousand in relation to 31.12.2020. In structure of transaction deposits still prevailing are the deposits in local currency with a share of 70.46%, while the remaining 29.54% relate to deposits in foreign currency.

Net increase in other deposits is the result, on the one hand of the decrease in other deposits in dinars in the amount of RSD 5,546,426 thousand, while, on the other hand, the other deposits in a foreign currency recorded an increase of RSD 14,051,642 thousand.

In the case of other deposits, deposits in foreign currency are dominant with a share of 91.21% while dinar deposits have a share of 8.79%. Foreign currency savings increased by approximately EUR 121.15 million.

Borrowings

Borrowings, as part of the deposit and other liabilities towards banks and other customers' position, amounted to RSD 779,964 thousand with a percentage of shares in the total liabilities of 0.16% and they relate to received credit lines in foreign currency. The total position is lower in relation to 2020 by RSD 197,261 thousand mostly as a result of regular repayments of foreign credit lines in foreign currency, as follows:

- EIB in amount of EUR 1,642 thousand
- Government of the Republic of Italy in the amount of EUR 22 thousand and
- EAR in the amount of EUR 12 thousand

As of 30.09.2021 the most considerable share in the structure of received loans relates to obligation towards the:

- European Investment Bank (EIB) with percentage of share of 99.65%

Other credit lines have a share of 0.35 and relate entirely to the credit line of the Government of the Republic of Italy.

3.18. Provisions

Provisions in the amount of RSD 2,850,579 thousand consist of the provisions for:

- covering of potential liabilities (litigations) in the amount of RSD 1,839,867 thousand,
- long-term employee earnings in the amount of RSD 557,717 thousand and
- provisions for losses on off-balance sheet assets in the amount of RSD 321,164 thousand
- other provisions amounting to RSD 449,883 thousand,

In the observed period in comparison to 2020 there occurred a net increase in provisions amounting to RSD 321,311 thousand, as a result of net increase of other provisions in the amount of RSD 449,882 thousand, net increase of provisions for court disputes of RSD 132,566 thousand, increase of provisions for losses on off-balance sheet assets in the amount of RSD 15,204 thousand, on one hand and decrease of provisions for long-term employee earnings in the amount of RSD 276,341 thousand, on the other hand.

Provisions for court disputes

Recognition of the provisions was made on the basis of estimation of future outflows in the amount of claims, including interest and expenses.

For seventeen thousand two hundred and thirty four court disputes as of 30.09.2021, total provisions amount to RSD 1,839,867 thousand.

Compared to 31.12.2020 there was a change in the total level of provisions in the net amount of RSD 132,566 thousand. Out of this amount, the change relating to the net cost of provisioning for court cases is RSD 630,781 thousand, recognized within the positions of the profit and loss account (reference Notes 3. 9 and 3. 10) while the decrease in the provisions in the amount of RSD 498,215 thousand refers to the use of the provisions for making payments and release of provisions as per final judgments. Increase of the provisions is the result of additional calculation of interest and exchange rate differences for the existing disputes and allocation of new provisions for 9,200 new cases.

In connection with the court disputes/litigation initiated on the ground of fees the Bank has charged when approving the loan, in the meantime, at the session of the Civil Department of the Supreme Court of Cassation held on September 16, 2021, the Legal Position on the Admissibility of Contracting Loan Costs (adopted on May 22, 2018) was amended by the provision that the bank is not obliged to prove the structure and amount of costs that are included in the total amount of loan costs, specified in the offer accepted by the borrower upon concluding the loan agreement.

At the same session on September 16, 2021, the position on the admissibility of contracting insurance premiums, as an obligation of the borrower to NMIC, was taken, so that it was said that the legally valid provision of the loan agreement obliges the borrower to pay the bank the insurance premium to NMIC, provided that this obligation has been clearly presented to the borrower in the pre-contractual phase by stating this type of loan cost and its percentage and nominal amount in the offer. The bank is not obliged to acquaint the borrower with the structure and method of calculating the loan insurance premium.

Other provisions

Recognition of provisions for costs of restructuring was made based on adopted Program of voluntary redundancy of Bank's employees, estimated expected number of employees who would be interested in voluntary leaving the Bank, as well as estimated approximate cost, in order to reduce the number of full time employees and to optimize the Bank's operations.

In the first half of 2021 the provisions were established in the amount of RSD 905,402 thousand, while under the Program of voluntary redundancy of employees the total of RSD 687,878 thousand was paid out until 30.09.2021.

Provisions for other short-term employee benefits (provisions for unused annual vacation) amount to RSD 232,358 thousand.

3.19. Deferred tax liabilities

As at 30.09.2021 netting was carried out of deferred tax assets and deferred tax liabilities. After the conducted netting in balance sheet liabilities the declared deferred tax liabilitie were zero RSD. Observed by gross principle (before the netting) the deferred tax liabilities amount to RSD 983,244 thousand, which mostly consist of deferred tax liabilities based on revaluation of securities in the amount of RSD 962,910 thousand.

3.20. Other liabilities

Other liabilities amount to RSD 3,691,169 thousand and in comparison to 2020 they are lower by RSD 1,284,307 thousand. The percentage of share of other liabilities in total liabilities is 0.76% (2020: 1.08%). The most significant items of other liabilities are: lease liabilities in the amount of 849,792 thousand dinars, liabilities for the calculation in dinars in the amount of 394,870 thousand dinars, calculated liabilities on the invoices of suppliers in the amount of 329,682 thousand dinars, liabilities in the calculation in foreign currency in the amount of 309,105 thousand dinars, liabilities for subscriptions on loans to households in RSD and in the amount of 300,677 thousand dinars and liabilities for net salaries charged against the expenses in the amount of RSD 256,257 thousand dinars

The decrease in other liabilities by RSD 1,284,307 thousand mainly relates to the decrease in liabilities calculated in dinars, amounting to RSD 641,172 thousand and liabilities calculated in foreign currency in the amount of RSD 521,305 thousand..

3.21. Capital

The Bank's capital comprises the original founding capital, reserves from profit, revaluation reserves, accumulated result and income as the current period result.

The Bank's capital was formed from cash invested by the founders of the Bank. The founder cannot withdraw the funds invested in the Bank's capital.

In conformity with the Bank's founding acts, the Bank's capital consists of the share capital and Bank reserves. The Bank's share capital was formed by initial investments made by the shareholders and later issues of new shares. The shareholders have the right to manage the Bank, as well as the right to participate in the profit distribution.

As of 30.09.2021 the Bank's capital consists of:

In thousand RSD	2021.	2020.
Share capital	17,191,466	17,191,466
Issue premium	22,843,084	22,843,084
Capital	40,034,550	40,034,550
Reserves from the profit	22,147,207	22,147,207
Revaluation reserves	2,846,808	2,722,291
Profit/loss from changes in the value of debt and equity instruments	3,551,209	3,748,242
Actuarial gains	115,222	115,222
Reserves	28,660,446	28,732,962
Accumulated profit	5,319,351	2,390,590
Profit	3,268,558	2,928,761
Balance as at date	**77,282,905**	**74,086,863**

Based on the Decision of the Securities Commission of 17 March 2011, the Bank substituted the shares (and/or a stock split) of the nominal value of 10.000,00 Dinars with the shares of a nominal value of 1.000,00 Dinars.

The shares were substituted in order to increase the liquidity of the securities and make them more easily accessible to a broader circle of small investors.

The capital adequacy ratio of the Bank as of September 30th, 2021, calculated according to the financial statements, by applying the effective decisions of the National Bank of Serbia equals 30.68%

Moreover, the Bank is bound to maintain the pecuniary portion of the capital at the level of EUR 10,000 thousand. As at 30.09.2021 the pecuniary part of capital is above the prescribed level.

The structure of the share capital – ordinary shares as at 30.09.2021 is as follows:

Name of the shareholder	% share
NLB d.d. Ljubljana	88.28
OTP BANKA SRBIJA (custody račun)	2.74
BDD M&V INVESTMENTS AD BEOGRAD	2.27
Jugobanka a.d., Beograd u stečaju	1.91
Kompanija Dunav osiguranje a.d., Beograd	1.73
OTP BANKA SRBIJA (custody račun)	0.51
TEZORO BROKER AD	0.34
BDD M&V INVESTMENTS AD BEOGRAD (zbrini račun)	0.28
KRIMINALISTIČKO-POLICIJSKA AKADEMIJA	0.20
TANDEM FINANCIAL a.d. Novi Sad	0.13
DUNAV RE AD	0.10
MERA INVEST DOO BEOGRAD	0.10
TEZORO BROKER AD	0.07
ERSTE BANK CUSTODY	0.07
FIZIČKO LICE	0.07
KRUNA KOMERC D.O.O.	0.06
ELEKTRODISTRIBUCIJA SRBIJE DOO	0.05
FIZIČKO LICE	0.04
OTP BANKA SRBIJA (omnibus account)	0.02
Others	1.03
	100.00

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4. RELATIONS WITH SUBSIDIARIES

RECEIVABLES FROM AND LIABILITIES TO SUBSIDIARIES

Balance as of 30.09.2021

RECEIVABLES

In thousand RSD

Subsidiaries	Advances and loans	Interest and fees	Other assets	Impairment provision	Net	Off-balance	Total
1. Kom. banka AD Podgorica	6,750	869	-	10	7,609	-	7,609
2. Kom.banka AD Banja Luka	258,417	25	1,055	345	259,152	2,351,190	2,610,342
3. KomBank INVEST	-	279	-	-	279	-	279
TOTAL:	**265,167**	**1,173**	**1,055**	**355**	**267,040**	**2,351,190**	**2,618,230**

LIABILITIES

In thousand RSD

Subsidiaries	Deposits and loans	Interest and fees		Other liabilities	Total
1. Kom. banka AD Podgorica	128,752	-	-	-	128,752
2. Kom.banka AD Banja Luka	287,558	-	-	-	287,558
3. KomBank INVEST	120	-	-	-	120
TOTAL:	**416,430**	**-**	**-**	**416,430**	**416,430**

INCOME AND EXPENSES for period 01.01. – 30.09.2021

In thousand RSD

Subsidiaries	Interest income	Fee and commission income and other income	Interest expenses	Fee and commissi on expenses	Net income / expenses
1. Kom. banka AD Podgorica	4,718	6,814	(280)	(3)	11,249
2. Kom.banka AD Banja Luka	3,626	2,295	-	(956)	4,965
3. KomBank INVEST	-	2,054	-	-	2,054
TOTAL:	**8,344**	**11,163**	**(280)**	**(959)**	**18,268**

Komercijalna banka AD Beograd realized net foreign exchange losses in the amount of RSD 26,546 thousand on the basis of transactions with subsidiaries.

Balance as of 31.12.2020

RECEIVABLES

In thousand RSD

Subsidiaries	Advances and loans	Interest and fees	Other assets	Impairment provision	Net	Off-balance	Total
1. Kom. banka AD Podgorica	535,833	871	960	379	537,285	1,763,703	2,300,988
2. Kom.banka AD Banja Luka	305,569	25	284	208	305,670	2,939,505	3,245,175
3. KomBank INVEST	-	251	-	-	251	200	451
TOTAL:	**841,402**	**1,147**	**1,244**	**587**	**843,206**	**4,703,408**	**5,546,614**

LIABILITIES

In thousand RSD

Subsidiaries	Deposits and loans	Interest and fees	Other liabilities	Total
1. Kom. banka AD Podgorica	1,031,864	-	-	1,031,864
2. Kom.banka AD Banja Luka	223,493	-	-	223,493
3. KomBank INVEST	228	-	-	228
TOTAL:	**1,255,585**	**-**	**-**	**1,255,585**

INCOME AND EXPENSES for period 01.01. – 30.09.2020

In thousand RSD

Subsidiaries	Interest income	Fee and commission income and other income	Interest expenses	Fee and commissi on expenses	Net income / expenses
1. Kom. banka AD Podgorica	7,590	3,272	(1,039)	-	9,823
2. Kom.banka AD Banja Luka	2,757	933	-	(147)	3,543
3. KomBank INVEST	-	1,675	-	-	1,675
TOTAL:	**10,347**	**5,880**	**(1,039)**	**(147)**	**15,041**

Based on transactions with subsidiaries, Komercijalna Banka AD Beograd recorded net foreign exchange gains in the amount of RSD 26,619 thousand.

5. RISK MANAGEMENT

The Bank has recognized risk management process as the key element of business since exposure to risks stems from all business activities, as an inseparable part of banking operations, managed through identification, measurement, evaluation, monitoring, control and mitigation, or the establishment of risk limits , as well as reporting in accordance with strategies and policies.

The Bank has established a comprehensive and reliable risk management system that includes: risk management strategies, policies and procedures, individual risk management methodologies, appropriate organizational structure, effective and efficient process of managing all risks to which the Bank is exposed, or may be exposed in its operations, adequate internal control system, adequate information system and adequate process of internal capital adequacy assessment. Since the Bank became a member of the NLB Group at the end of the year, in the following period, additional adjustments will be made to the risk management system with the risk management system of the banking Group. The process of strategic risk management acts harmonization with the corresponding acts of NLB Group was performed during the first 9 months of 2021 (risk appetite – statement, internal limits system, fair value methodology, risk management strategy and policies for managing of individual risks, internal ratings system, Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), etc.).

The risk management process includes clearly defining and documenting the risk profile, as well as its alignment with the Bank's preference for risk and risk tolerance, in accordance with adopted strategies and policies.

With Risk Management Strategy the Bank has set the following key objectives within the risk management: regular identification, assessment and consideration of risks within ICAAP and ILAAP processes; management, monitoring, control and reporting on risks that the Bank is exposed to; definition of limits in the Bank's risk appetite and their inclusion in risk management strategy, ICAAP, ILAAP, Recovery plan and business strategy; continuous development and improvement of risk management models and methodologies, including stress testing and early warning system (EWS); assessment and measurement of individual risks; establishment of appropriate decision making system; management of restructuring and resolution of disputed claims activities in a professional and efficient manner.

Following the need to harmonize risk management process and system with the corresponding systems, processes and practices of the parent Bank NLB dd, including the need for continuous improvement of the risk management process, recommendations of the external auditor, as well as the newly-formed situation caused by the COVID-19 virus pandemic, the Bank performed adequate changes in the risk management internal acts during the first 9 months of 2021.

Risk Management System

The risk management system is defined by the following acts:

- Risk Management Framework
- Risk Management Strategy and Capital Management Strategy;
- Risk Management Policies;
- Risk Management Procedures;
- Methodologies for Managing Individual Risks; and
- Other acts.

The Bank's Risk Appetite Framework – Statement defines the basic principles of managing the Bank's risk appetite, as well the set of indicators which best represent the Bank's exposure toward the materially significant risks (credit risk, liquidity risk, interest rate risk, foreign currency risk, operational risk, as well as capital adequacy). The Risk Appetite Framework – Statement defines the set of limits and targets for the mentioned risk exposure indicators. The Bank's risk appetite is harmonized with the risk appetite of NLB dd, in accordance with the defined plan.

Risk Management Strategy defines the key risks to which the Bank is or may be exposed to, as well the basic principles of identification, monitoring, measurement, control and management of these risks, along with the propensity to risks (risk appetite). Risk Management Strategy establishes the comprehensive and realiable risk management system, which is included in all of the Bank's activities and which ensures that the risk appetite and profile always remain aligned with the defined propensity to risks. Risk management system is proportional to the nature, scope and complexity of the Bank's operations, i.e. its risk profile..

Also, the Risk Management Strategy defines the criteria for determining, as well as the basic principles of bas asset management and the highest acceptable level of bad assets for the Bank, as well as the basic principles of risk management arising from exposure in dinars with foreign currency clause and exposure in foreign currency.

Key principles that refer to risk taking, and are an integral part of business decision making, are expressed by the following criteria:

- establishment of targeted business activities and activities which are not acceptable for the Bank, in terms of assumed risks,
- establishment of maximum level of the assumed risk,
- monitoring of profitability of individual transactions related with the assumed risks.

The Bank's Risk management strategy is based on:

- strategic goals defined in the Business Strategy of Komercijalna banka AD Beograd,
- guidelines on readiness for risk assumption defined in the Risk Appetite of Komercijalna banka AD Beograd,
- regular annual review of strategic goals, business planning process and capital planning,
- internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP),
- activities and measures in the situation of activation of Recovery plan,
- other internal stress tests and risk analyses,
- regulatory and internal reporting,
- risk appetite and risk management strategy of NLB Group.

The Bank is guided by the main risk management principles in its operations by:

- considering the basic concept of the risk appetite and limits defined in the Bank's risk appetite;
- inclusion of risks analyses in the decision making process, on strategic and operational level, in order to prevent the risks posed by volatile exposures with a potentially negative outcome;
- applies diversification to avoid concentration at the portfolio level;
- includes and optimally uses capital and manages its allocation through business segments;
- creates an adequately balanced risk-weighted (adjusted) price;
- ensures overall compliance of operations through internal acts / documents;
- provides an adequate system of internal controls based on the "three lines of defense" model.

The Bank has identified the basic principles of risk management in order to fulfill its long-term goals:

- Risk assumption and management is adjusted to the realization of the Bank's business strategy and plans;
- Risk assumption and management is based on a risk management system that is in accordance with the legislation in the Republic of Serbia, standards in the NLB Group and good business practice in this area;
- Risk assumption and management is one of the key management functions in the Bank. This function is integrated into all business activities of the Bank, so that the phases of identifying, measuring and monitoring risks, on the one hand, and taking and managing risks, on the other hand, are clearly separated, while respecting the principle of independence;
- Risk assumption and management is based on the Risk Management Strategy and Policies. It is a documented process with clearly defined goals, activities, powers and responsibilities;
- Assumption and management of risks is determined in accordance with the defined legal and internally prescribed limits by risk categories, with clearly defined procedures in case of exceeding the limits;
- Risk assumption and management implies the establishment and implementation of an appropriate system of internal controls. These controls are a set of processes and procedures that include continuous verification, reporting and changes in order to develop or improve risk management systems.

Within the management of NPE (default exposures), depending on the assessment of the potential repayment capacity and business viability of clients, the Bank has the following options available:

- agreement with the client on voluntary (out-of-court and court) payment of obligations;
- centralized collection before the court by the telephone;
- debt restructuring without discounts;
- discounted debt restructuring;
- debt collection (collateral liquidation – sale of real estate, movable property, securities, shares, receivables, etc.);
- taking over adequate assets (especially real estate - a solution based on the foundations of special purpose entities, whose goal is comprehensive management of mortgaged real estate);
- write-off of remaining receivables in case all legal possibilities have been exhausted;
- sale of receivables, if possible, in a package;
- active management of issued guarantees for construction companies in bankruptcy in cooperation with contractual partners;
- application of other measures to achieve maximum debt repayment.

Principles of risk management arising from RSD exposures with a foreign currency clause and foreign currency exposures include:

- The Bank manages FX exposures by setting limits,
- As a long-term target, the Bank strives to reduce the share of FX exposures,
- The Bank establishes a limit in a way that optimizes the risk that may arise from the level of FX exposure and the realization of business strategy,
- FX exposure risk assessment is included in the credit process and clients are presented with the risks that may arise due to changes in foreign exchange rates as well as proposed risk mitigation measures,
- When assessing the creditworthiness of the debtor, the Bank takes into account the risk of exchange rate changes in accordance with the defined rules,
- The level of risk arising from FX exposure is subject to regular reporting to the Bank's competent committees,
- The Bank calculates the internal capital requirement for FX exposures.

Management policies for certain types of risk define in more detail:

- The way of organizing the Bank's risk management process and clear delineation of the responsibilities of employees at all stages of the process, including the process of managing bad assets or risk placements;
- The method of assessing the risk profile of the Bank and the methodology for identification and measurement, or risk assessment;
- Ways of monitoring and controlling risks and establishing a system of limits, that is, the type of limits that the Bank uses and their structure;
- The manner of deciding and acting in case of exceeding established limits, while defining exceptional circumstances in which the approval of overdraft is possible within the legal framework;
- Measures to mitigate risks and rules for the implementation of these measures;
- Method and methodology for implementing the process of internal capital adequacy assessment of the Bank;
- Principles of functioning of the internal control system;
- The framework and frequency of stress testing, as well as treatment in cases of adverse stress test results.

With the Risk Management Procedures the Bank defines the risk management process and the responsibilities and responsibilities of all organizational parts of the Bank in the risk management system.

The individual methodologies of the Bank set out in more detail the methods and approaches used in the risk management system.

Jurisdiction

The Board of Directors is in charge and responsible for the adoption of risk management strategy and strategy and capital management strategy, establishing a system of internal controls in the Bank and supervising its effectiveness, overseeing the work of the Executive Board, adopting quarterly reports on risk management, adopting the Recovery Plan, and implementation of the process of internal capital adequacy assessment, and others.

The Executive Board is responsible and accountable for the implementation of risk management strategy and policies and capital management strategies by adopting risk management procedures, ie identifying, measuring and assessing risks, and ensuring their implementation and reporting to the Governing Board in relation to those activities. Also, the Executive Board analyzes the risk management system and at least quarterly reports the Board of Directors on the level of risk exposure and risk management and decides, with the prior approval of the Board of Directors, of any increase in the Bank's exposure to a person related to the Bank, and shall inform the Management Board thereof.

The Audit Committee (the Banking Supervision Committee) is responsible and accountable for the analysis and supervision of the application and adequate implementation of adopted strategies and policies for risk management and internal control systems of the Bank. At least once a month, the Board of Directors reports on its activities and irregularities and proposes the way in which they will be removed, proposes improvement of policies and procedures for risk management and implementation of the internal control system.

The Assets and Liabilities Management Committee is competent and responsible for monitoring the Bank's exposure to risks arising from the structure of its balance sheet receivables, liabilities and off-balance sheet items, as well as proposing measures for managing interest rate risk and liquidity risk.

The Credit Committee decides on credit requirements within the framework of the Bank's regulations, analyzes the Bank's exposure to credit, interest and currency risk, analyzes the loan portfolio, and also proposes measures to the Executive Board of the Bank.

The risk management function defines and proposes to adopt the strategy, policies, procedures and risk management methodologies, identify, measure, mitigate, monitor and control and report on the risks to which the Bank is exposed in its operations. It is also responsible for developing models and methodologies for identifying, measuring, mitigating, monitoring and controlling risks, as well as for reporting to the competent authorities of the Bank.

The asset management sector is responsible for managing assets and liquidity, as well as in managing the assets and liabilities of the Bank. It also participates in the management of liquidity risk, interest rate risk and foreign exchange risk.

The internal audit function is responsible for the continuous implementation of an independent evaluation of the risk management system, as well as for the regular assessment of the adequacy, reliability and efficiency of the internal control system. The Internal Audit reports the Audit Committe and the Board of Directors on its findings and recommendations.

The business compliance control function is obliged to identify and evaluate the risks of such compliance at least annually and to submit risk management plans, on which it draws up a report to the Executive Board and the Board for monitoring the operations of the Bank.

Risk Management Process

The Bank regularly measures, or estimates, the risks it identifies in its business. Measurement implies the application of qualitative and quantitative methods and measurement models that enable the detection of changes in the risk profile and the assessment of new risks.

For all identified risks, the Bank determines their significance based on a comprehensive risk assessment inherent in certain Bank's products, products, activities and processes.

Risk mitigation involves diversification, transfer, reduction and / or avoidance of risks, and the Bank implements it in accordance with risk profile, risk aversion and risk tolerance.

Monitoring and control of risk is carried out through continuous monitoring of exposure according to different criteria, as well as through monitoring and control of the limits established by the Bank, which depend on the business strategy and market environment, as well as on the level of risk that the Bank is willing to accept.

The Bank has established a system of regular reporting on risk exposure and risk profile that enables relevant employees at all levels in the Bank to provide timely, accurate and sufficiently detailed information that is necessary for making business decisions and efficient risk management, ie safe and stable operation.

Risk management reports are regularly submitted to: the Board of Directors, the Executive Board, the Audit Committee, the Assets and Liabilities Management Committee and the Credit Committee, which contain all the information necessary for the risk assessment and risk conclusions of the Bank.

In its regular course of business, the Bank is particularly exposed to the following risks: credit risk and risks associated with the credit risk, liquidity risk, market risk, operational risks, investment risk, exposure risk and country risk as well as to all other risks that may arise from the Bank’s regular operations.

5.1. Credit risk

Credit risk is the risk of possible negative effects on the financial result and capital of the Bank due to non-fulfillment of obligations of debtors to members of the Bank.

During 2020, as well as the first 9 months of 2021, a special challenge for credit risk management is posed by the conditions caused by the COVID-19 pandemic, which are completely different from the previous business circumstances that the industry and financial sectors have faced.

The Bank has defined criteria for granting loans, changing conditions, extending the deadline and restructuring the receivables, which are prescribed by procedures and methodologies for placement approval and risk management.

Prior to the approval of placements, the Bank assesses the creditworthiness of the debtor as the primary source of repayment of loans based on internally defined criteria and the collateral offered as a secondary source of collection. Based on the identified and measured level of credit risk (assessment of the financial condition and creditworthiness of the debtor, as well as the value and legal security of credit protection and other relevant factors) and independent risk assessment, competent persons, committees and bodies of the Bank, make a decision on approval / changes of placements, in accordance with the defined decision system.

The Bank defined the decision on the exposure to credit risk through the decision-making system, depending on the type of clients and the level of exposure. Credit decision makers are: persons with special powers from the Risk Management function, the Credit Committee, the Executive Board and the Board of Directors.

When making decisions, the principle of double control (the so-called "four-eye principle") is respected, which ensures that there is always a side which proposes and a side which approves a particular placement.

For placements contracted in foreign currency or in dinars with a currency clause, the Bank assesses the impact of changes in the dinar exchange rate on the financial condition and creditworthiness of the debtor, and in particular analyzes the adequacy of the debtor's cash flows in relation to the changed level of credit obligations due to changes in exchange rates.

Since the Bank became a member of the NLB Group at the end of the year 2020, in the upcoming period, loan origination and approval process will be additionaly aligned with the established system at the level of the Banking Group.

The organizational model of the Bank's credit risk management system ensures adequate communication, information exchange and cooperation at all organizational levels, and also provides a clear, operational and organizational separation of the function of independent risk management and support activities on the one hand, from risk-taking activities, competencies and responsibilities on the other hand. The Bank has established an adequate information system that includes full information of persons involved in the credit risk management system.

Credit risk management

In accordance with the scope, type and complexity of the operations it performs, the Bank has organized a credit risk management process and clearly delineates the responsibilities of employees at all stages of the process. The acceptable level of exposure to the Bank's credit risk is in line with the defined risk appetite framework and risk management strategy and depends on the structure of the Bank's portfolio, which limits the potential impact of negative effects on the financial result and capital adequacy.

The basic principles of credit risk management are:

- Credit risk management at the level of individual placements and at the level of the Bank's entire portfolio;
- Maintaining the level of credit risk that minimizes the negative impact on the financial result and equity;
- Ranking of placements according to their risk;
- Performance in accordance with good practices for approving loans;
- Providing adequate controls for credit risk management.

With the aim of credit risk management, the Bank strives to deal with clients with good creditworthiness and obtain appropriate collaterals. The Bank assess the creditworthiness of each client at the time of filing the application and monitor debtors, placements and collaterals in order to be able to undertake appropriate activities for the purpose of collecting receivables.

The Bank perform quantitative and / or qualitative measurement, i.e. an assessment of the identified credit risk. The process of measuring credit risk is based on measuring the risk level of individual placements based on the internal rating system.

A rating system is an instrument for making individual decisions and assessing the level of risk of individual placements. In addition, the rating system serves to assess the level of risk of the total portfolio, and is also used in the process of impairment of placements in order to rank the level of risk and to show the real value of the receivables. Internal rating system is subject to regular audit and improvement. As part of the process of harmonization of the Bank's risk management system with the appropriate system at the level of the NLB Group, during the first 9 months of 2021 the process of harmonization of the internal rating system was initiated, which will be the subject to additional improvements in the future.

In the credit risk analysis, in addition to the internal rating system, the Bank uses the principles prescribed by the regulations of the National Bank of Serbia, which require the classification of each placement based on the prescribed criteria and the calculation of the reserve for estimated losses. In December 2018, the National Bank of Serbia adopted an amendment to the regulations which, as of January 1, 2019 confirms the abolition of the calculation of reserves for estimated losses and required reserves.

Credit risk mitigation involves maintaining the risk at an acceptable level for the Bank's risk profile, or maintaining an acceptable level of quality of the Bank's loan portfolio.

The basic techniques of credit risk mitigation are:

- Exposure Limits - concentration risk,
- Diversification of investments,
- Security instruments.

Exposure limits based on a single debtor are based on an assessment of the debtor's creditworthiness, and exposure limits at the portfolio level are focused on the concentration limit of exposure in the portfolio. The Bank continuously control the credit risk changes within a defined risk profile.

The concentration risk includes: large exposures (exposure to one person or Bank of related persons and persons associated with the Bank), exposure Banks with the same or similar risk factors such as economic sectors, product types, geographical areas and similar, and collaterals.

The Bank monitors exposure to defined limits with the same or similar risk factors and, depending on the general economic trends, trends in particular activities and geographical areas, the values set forth in the Business Plan of the Bank, regularly reviews the defined limits and proposes redefinition of these in the event of a change in risk factors.

By the Decision on risk concentration management based on the exposure of the bank to certain types of products, the National Bank of Serbia, from January 1, 2019 banks were obliged to monitor the risk of concentration or exposure of the bank towards group of products, primarily exposure to cash, consumer and other loans granted to retail sector of agreed maturity over 8 years in 2019, over 7 years in 2020 and 6 years from 2021.

Monitoring of quality of placements at the individual debtor level is primarily based on providing up-to-date information on financial condition and creditworthiness of the debtor and the market value of collateral, while monitoring credit risk at the portfolio level is done by identifying changes at the level of client Banks of a certain level of risk, required reserves for expected and unexpected losses, in order to determine and manage the condition and quality of assets.

Credit risk control implies the process of continuous monitoring of operations with a defined system of limits, especially when exposure to credit risk tends to the upper limit of the defined risk profile, especially when introducing new business products and activities.

In order to protect against the risk of non-fulfilment of liabilities in dealing with clients, the Bank members take the following measures for regulating receivables: extension of the deadline, restructuring, settlement, takeover of collateral for the collection of receivables, conclusion of a contract with the interested third party, initiation of court proceedings and other measures.

If the measures taken to regulate the placements, i.e. the forced collection and the court procedure did not give the expected results or when there is no possibility of collecting the receivables in full, a proposal for the permanent write-off of the remaining receivables or transfer from the balance sheet to the off-balance sheet is initiated.

A Bank, besides credit exposure, also has an off-balance sheet exposure (payable and performance guarantees, guarantees, letters of credit) on the basis of which it has a potential obligation to make payments on behalf of third parties. For off-balance sheet exposure, the Bank members use the same control processes and procedures that are used for credit risk.

The credit risk reporting includes the internal and external reporting system, which is implemented according to the established dynamics in accordance with the defined reporting system.

IFRS 9 Financial instruments

The Bank continuously applies IFRS 9. In accordance with IFRS 9, the financial assets can be classified and measured as:

- Financial instruments at amortized cost (AC), a business model for collecting contractual cash flows of principal and interest, and fulfilled SPPI criterion;
- Financial instruments at fair value through other comprehensive income (FVOCI), SPPI fulfilled, but the business model is the collection of contractual cash flows and sales;
- Financial instruments at fair value through profit and loss account (FVTPL).

Considering that the Bank became a member of the NLB Group at the end of the year, during the first 9 months of the 2021 , the process of farmonizing impairment methodologies with the established rules at the level of the Banking Group began. In the first 9 months of 2021, the values of hair cut for individual impairment of placements were adjusted, the material significance threshold for impairment of NPE clients of individuals was changed (the threshold was increased from RSD 2.5 million to EUR 50,000), the calculation of impairment for placements that have a guarantee of the Republic of Serbia has been changed, the PD for the calculation of impairment of securities of the Republic of Serbia was changed and the formula for the application of LGD was changed. In the following period, the process of harmonization will continue in the part of application of the Impairment Methodology in accordance with the rules of the Group.

The Bank's business model is defined as holding for the purpose of collecting cash on the basis of principal and interest, which is supported by an analysis that indicates that there are no facts that the Bank has defined a different business model. From the aspect of classification and measurement, IFRS 9 requires that all financial assets, other than equity instruments and derivatives, are estimated on the basis of the business model of managing specific financial assets and contractual characteristics of cash flows of the instruments themselves (based on the SPPI criteria test). Cash flows of financial instruments that are measured by amortized cost consist of principal and interest payments whose components are fees for the time value of money, credit risk, administrative costs and profit margin.

Equity instruments, in entities other than subsidiaries that are not held for trading, are classified as assets whose value is measured at fair value through other comprehensive income, with a reclassification of profit and loss through the income statement.

Also, by applying IFRS 9, the Bank calculates impairment for credit placements given to the countries and Central Banks of the Bank's members (for assets not available on demand) recorded at the expense of the income statement, as well as impairment based on the securities recorded through other comprehensive result.

Identification of problematic and restructured receivables

The Bank monitor the quality of the portfolio based on identifying and analysing early warning signals from clients. Warning signals are monitored on a regular basis and on the basis of their analysis, clients are classified as Standard, Potentially risky (Watch List) and NPL clients (clients with problematic receivables).

In accordance with the application of IFRS 9, starting from January 1, 2018, the Bank also introduced impairment stages (Stage 1, Stage 2 and Stage 3) that monitor the status of the client. Standard clients ranked as stage 1, clients identifying credit risk increase (Watch List clients, days past due from 31 days to 90 days) are ranked as stage 2, and NPL clients rank as stage 3. Impairment allowances for Stage 1 and Stage 2 clients are calculated on collective basis, while for Stage 3 clients, with the fulfilment of the criteria of material significance, impairment is calculated on individual basis. NPL clients at stage 3, with less material exposure, are impaired on a Bank basis, while respecting the requirements of IFRS 9 for at least two collection scenarios.

Additionally, due to the newly-formed situation caused by the COVID-19 pandemic, for clients classifed as Stage 1 and 2, an additional protective layer of impairment has been introduced, with an increase in the number of clients classifed as Stage 2, as a result of the analysis of significance of the increase in credit risk of individual clients in current circumstances.

Restructured unproblematic clients are classified as potentially risky clients, that is, to Stage 2 category, while restructured problematic are classified as problematic clients, and are categorized into Stage 3.

The purpose of monitoring the quality of the portfolio is to prevent the direct transfer of Standard clients into the category of clients with problematic receivables without prior identification of clients as potentially risky and without implementing measures to prevent the occurrence of risky placements, i.e. mitigating and reducing credit risk through the implementation of an adequate strategy and action plans. Potentially risky clients are more closely monitored than Standard clients, and if further credit risk is identified, clients are reclassified to category of problematic receivables.

Problematic receivables include all receivables that have more than 90 past due days, for any material liability to the Bank, its parent or subordinated companies, receivables in which it is estimated on the basis of the financial condition that the debtor will not be able to settle its obligations in full without taking into account the possibility of the realization of credit protection instruments (regardless of whether they are late in settling liabilities), receivables for which the amount of the impairment was determined on an individual basis. Problems are also deemed to arise from: the cessation of the recording of interest income, fees and charges in the income statement, specific adjustments for credit risk that are calculated due to significant deterioration of credit quality following the occurrence of exposure, significant loss effected by the transfer of receivables, restructuring receivables made due to the financial difficulties of the debtor, as well as filing a motion for initiating bankruptcy proceedings against the debtor. Problematic receivables are all receivables from the debtor, if one receivable is classified as problematic receivable.

Restructuring of receivable is the approval, due to the financial difficulties of the debtor, the concessions in connection with the repayment of individual receivable that would not be approved to the debtor if he were not in such difficulties, irrespective of whether there are any due liabilities, whether the receivable was impaired and whether it was in the status of default. Restructuring is carried out in one of the following ways: by changing the conditions under which the receivable was originated, especially if the subsequent contractual terms of repayment are more favourable than originally agreed (interest rate reduction, write-off of principal and / or interest, change in maturity dates, etc.) as well as refinancing of receivables. Such circumstances are often called in practice 'forbearance'. In addition, the category of restructured receivables also includes receivables in which:

- changes in the contractual conditions for repayment of problematic receivables or which, in the absence of the above mentioned changes, would be classified as problematic receivables,
- a change in the contractual conditions for the repayment of receivables leading to total or partial write-off in a material amount,
- the Bank members activated the contractual restructuring clauses on the basis of which the terms of repayment change due to occurrence of certain events (embedded clauses) against the debtor from which the receivable has already been classified into a Bank of problematic receivables or would have been so classified if those clauses were not activated,
- if the debtor, at the same time as the new receivable was approved (or in the short period before or after that approval), paid on the basis of another receivable of the Bank (or other legal entity under which the receivable was transferred to that debtor), which has been classified or fulfilled conditions to be classified in a Bank of problematic ones or, in the absence of a new receivable, would be classified in the said Bank, that is, fulfil those conditions.
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In accordance with the IFRS 9 requirements, any restructuring of receivables due to financial difficulties is considered as a modified financial asset.

Modifications that result in the derecognition of the old financial asset and recognition of the new one, which were motivated by a decline in creditworthiness and repayment capacity, lead to the initial recognition of financial assets that the standard defines as "POCI" purchased or originated credit-impaired, initially valued at fair value. At the time of initial recognition, they have no impairment, but it is necessary to include the expected credit losses over the life of the asset in the calculation of the effective interest rate.

Consequently, the Bank includes initial expected credit losses in the assessment of cash flows when calculating the credit-adjusted effective interest rate of a financial asset that is deemed to have been impaired at the time of initial recognition. Also, for the purpose of calculating impairment, these assets will remain at stage 3 for the entire period of time.

IFRS 9 indicates that in the event of a significant modification of a financial instrument, derecognition of old financial asset and recognition of the new one should be made at fair value at the date of recognition.

Derecognition leads to a permanent gain or loss recognized in the income statement and is equal to the difference between the amortized cost of an old financial asset and the fair value of a new financial asset deducted for the amount of expected credit losses recognized as impairment on a new financial asset.

In each change of credit conditions, in placements that are not in the status of problematic (PL) clients, as with bad (NPL) clients, the Bank calculates 10% test in order to determine whether it is a significant or less significant modification.

The Bank in its system logs every modification of the asset, regardless of whether it is a less or more significant modification, and whether the modification is caused by the change of market conditions in good (PL) clients or caused by problems in the (NPL) clients.

The Bank regularly follows the measures taken to restructure risky placements and control the timeliness of undertaking these measures. Monitoring of the measures taken, ie realization of them, such as, for example, settlement of matured liabilities is done on a daily basis. The monitoring of the operations of the restructured clients is done regularly every 6 months, or more often, if necessary. The analysis of the financial statements, the analysis of indebtedness, the checking of the adequacy of the provision of monitoring the overall performance of strategies towards debtors are the key points of the mentioned monitoring.

Restructured receivable classified in the Bank of problematic receivable of a member of the Bank after one year from the date of its restructuring are classified into a Bank of receivables that are not considered problematic if the following conditions are met:

- the amount of impairment for restructured receivable has not been determined and the status of default has not occurred;
- in the last 12 months, payments were made in due time or with a delay not exceeding 30 days, in accordance with the changed terms of repayment;
- Based on the analysis of the financial condition, ie the creditworthiness of the debtor, it was estimated that the debtor will be able to settle the liabilities in full in accordance with the changed terms of repayment.

Risk of asset quality change

During the first 9 months of 2021, the process of harmonizing the internal rating system with the appropriate system at the level of the NLB Group began, which will be subject to additional improvements in the coming period.

The quality of the Bank's assets is measured by the degree of exposure to particular risk categories according to the criteria defined by the internal rating system. The internal rating system is based on quantitative and qualitative parameters for determining the rating of the debtor. The rating scale contains five risk categories, divided into 19 sub-categories. Different exposures to the same debtor define the same rating category, regardless of the specificity of the different types of loans.

The Bank uses different rating models for credit risk depending on the type of clients. The calculation of the rating is done on a monthly basis based on qualitative and quantitative parameters and timely settlement of liabilities.

A low level of risk involves dealing with clients with good creditworthiness and is acceptable to the Bank (rating categories 1 and 2), a higher level of risk is the business with clients who have certain business problems and which can negatively affect the settlement of liabilities and whose business is intensively monitored (rating category 3 and 4) and a high level of risk denotes clients with negative business results and bad credit history (risk categories 4D, 4DD, and 5). Risk Category 4 is divided into three sub-categories: 4+, 4 and 4- - Non-risk clients (PE), 4D risk clients (NPE) with delay of up to 90 days and 4DD risky clients (NPE) with a delay of 91 to 180 days.

The Bank protects itself against the risk of asset quality changes through continuous monitoring of client's operations, identifying changes that may result from deterioration of the debtor's balance, delay in repayments or changes in the environment, and the provision of appropriate collateral.

Risk of asset quality change – impairment of assets

The impairment of the placement is aimed at ensuring a reasonable, careful and timely determination of losses in order to protect the Bank's capital in the period when the loss is and is definitely confirmed (realized) due to the inability to collect the agreed amounts or the outflow of funds to settle the potential liabilities.

Impairment of placements and provisions are made only when there is a reasonable basis, ie when there is objective evidence of impairment as a result of events that occurred after the initial recognition of the loan, which adversely affect the future cash flows from the loan.

The main elements in assessing the impairment of placements are the following: exceeding the principal or interest payment period, difficulties in the cash flows of the debtor (financial difficulties), decline in the credit rating or the change in the original terms from the contract, and others.

Impairment of placements is based on an estimate of expected future cash flows from client's operations or the realization of collateral, if it is estimated that, realistically, the loan will be settled from these assets. The Bank assesses the impairment of receivables on a group and individual basis.

Individual and Group Assessment at Stage 3

The Bank estimates impairment allowance for each individually significant placement with default status (risky placement, under a risk category 4D, 4DD and 5 according to the internal rating system), i.e. placements that are classified in stage 3 in accordance with IFRS 9. For this purpose, financial position of the loan beneficiary is taken into account, the sustainability of the business plan, its ability to improve its performance in case of financial difficulties, projected revenues, the availability of other types of financial support and the value of collateral that can be realized, as well as the expected cash flows. If new information that according to the assessment significantly changes the creditworthiness of the client, the value of the collaterals and the certainty of fulfilment of the client's obligations towards the Bank, a new assessment of the impairment of the placements is made.

The materiality threshold of the Bank is determined on the basis of an analysis of the value structure of the portfolio by types of clients and products.

An impairment allowance on an individual basis is accounted for if there is objective evidence of impairment resulting from one or more events occurring after the initial recognition of a financial asset and if there is a measurable decrease in future cash flows.

Individual assessment

Objective evidence that indicates the need for impairment of placements is considered to be:

- when the financial condition of the debtor points to significant problems in his business;
- when there are data on default, frequent delay in repayment or non-fulfilment of other contractual provisions;
- when the Bank , due to the financial difficulties of the debtor, substantially change the terms of receivables repayment in relation to those initially contracted;
- the debtor cannot settle his obligations in full without the realization of the collateral
- continuous blocking of the current account over 60 days;
- when there are significant financial difficulties in the client's business (bankruptcy, liquidation, bankruptcy or some other type of financial reorganization of debtors) etc.

Evidence can be documented by analysis in the Watch process, information on the increased level of risk of the debtor.

In addition, the documentation required as evidence for the impairment of placements is also evidence of an estimate of the expected inflows on the placement, which primarily relate to the documentation of the planned future cash flows of the debtor.

When there is objective evidence, the impairment amount is calculated as the difference between the gross carrying amount of the assets and the present value of the estimated future cash flows, whereby the Bank recognizes the existence of multiple collection scenarios when estimating the expected future cash flows in accordance with IFRS 9. On that occasion, a scenario that can be considered are scenarios from operations (restructuring/ agreements, etc.), the scenario of the realization of collateral (non-judicial / court / bankruptcy, etc.) and the sale of receivables. The probability of a particular scenario is assessed by the Bank on the basis of historical realization and collection of problematic cases, the specifics of the individual client, and the forecasting of future possible outcomes, whereby the sum of all scenarios is 100%.

For a group of smaller material receivables in stage 3, when calculating the impairment, there are also several collection scenarios that are applied with certain probabilities, where these probabilities are calculated on the basis of statistical models using historical collection information.

Group assessment

Impairment is assessed on a group level for all placements where no objective evidence of impairment has been identified and are stage 1 - standard clients and stage 2 - clients with identified credit risk increase, as well as receivables based on commissions and other receivables that are not reduced to the present value.

Group estimates are carried out by the Bank according to similar credit risk characteristics that are formed based on the internally prescribed methodology (by types of clients in the corporate sector and by rating by type of placements in the retail sector), based on the internal rating system at the monthly level. The impairment methodology has significantly changed and instead of the approach to the incurred credit loss in accordance with IAS 39, the principle of future expected credit loss is applied in accordance with IFRS 9 through the inclusion of the impact of the expected movement of macroeconomic variables on the future trend of loss probability on the basis of statistically proven interdependencies.

In accordance with IFRS 9, the impairment is measured as follows:

- Stage 1 - Loans in which no deterioration in credit risk has been identified in relation to the moment of initial recognition. The Bank calculates the impairment charge based on the 12-month expected credit losses;
- Stage 2 - Loans in which a significant deterioration in credit risk has been identified in relation to the moment of initial recognition. The Bank calculates the impairment charge based on the expected credit losses for the lifetime of the instrument.

The cost of impairment of financial instruments that are not considered to have significant credit risk deterioration are calculated on the basis of 12-month expected losses (ECL). Stage 1 includes exposures to the State and Central Banks of the Bank's members and other exposures with a credit risk weight of zero, in accordance with the Bank's Capital Adequacy Resolution, except for the exposure on the reserve requirement and similar exposures, on the basis of which the expected credit losses tend to zero.

All financial instruments in which significant increase in credit risk has been carried out are classified into Stage 2 and impairment costs are calculated on the basis of expected losses for the lifetime of the instrument. In addition to qualitative and quantitative criteria for the classification to Stage 2, due to the conditions caused by the COVID-19 pandemic, the Bank has transferred a significant number of clients from industries which are affected by the COVID-19 virus pandemic the most (catering, tourism, transport ...) to Stage 2 for the purpose of preventive action and a realistic view of impairment, given the possible negative consequences of the COVID-19 pandemic on the mentioned clients' operations. This was conducted through an structural analysis of portfolio per industry, as well as the analysis of individual clients of legal entities.

An analysis was carried out for all clients with the exposure above the defined threshold which are operating in industries exposed the most to negative effects caused by the COVID-19 pandemic. All clients that are deemed to be exposed to, or may be exposed to the effects of the COVID-19 virus pandemic, although they do not have previously defined criteria for transfer to Stage 2, in accordance with the IFRS 9, are immediately classified as Stage 2. Also, an analysis was conducted for clients in the retail segment who are employed in non-state-owned companies and non-public sectors and who are not pensioners. If the absence of earnings has been identified for these clients, or is reduced by an amount above the defined threshold, such clients have been transferred to Stage 2. Consequently, lifetime expected credit losses have been calculated for the specified clients.

During the first 9 months of 2021, the Bank continued to grant benefits to clients affected by the COVID 19 pandemic in accordance with the NBS Decision (moratorium 3) and in accordance with the decision of the Government of the Republic of Serbia (Guarantee Schemes 1 and 2).

The Bank considers whether there is a significant increase in credit risk from initial recognition of the asset in relation to the default risk at the end of each reporting period. The identification of a significant deterioration in credit risk is based on defined quantitative and qualitative criteria (such as early warning signals, more than 30 days pas due, etc.).

The Bank calculates the impairment of debt securities that are valued at fair value through other comprehensive income (FVOCI), as the accumulated amount of impairment that also affects the Income Statement. However, the expected credit losses do not reduce the amount of gross financial assets in the balance sheet.

For retail and corporate sector, the Bank calculates the expected credit losses (impairment) in the following way:

$$\boldsymbol{ECL} = \sum_{\boldsymbol{t=1}}^{\boldsymbol{T}} (\boldsymbol{EAD_t} * \boldsymbol{MPD_t} * \boldsymbol{LGD_t} * \boldsymbol{DF_t})$$

ECL	Expected credit loss
EAD	Exposure at default
MPD	Marginal Probability of default
LGD	Loss given default
DF	EIR based discount factor

This formula is used to calculate the expected credit losses (impairments) at stages 1 and 2, along with respect to the time horizon.

EAD, that is, the exposure at default, represents an estimate of the carrying amount in accordance with IFRS 9 at the time of default, taking into account the profile of contracted cash flows and the possible use of funds from approved credit lines before the default moment.

Exposure at default (EAD) represents the gross carrying amount of financial instruments is subject to impairment calculation, taking into account the ability of the client to increase its exposure at default.

For the calculation of EAD for stage 1, the Bank assesses the possibility of default within 12 months for the calculation of a twelve month expected credit loss (ECL), that is, the impairment for a loan in the stage 1 is calculated, which is expected to result in payment inability of obligations in the period of 12 months from the balance sheet date. For stage 2, exposure to non-fulfilment of payment liabilities is required to be considered over the life of instrument.

PD represents an estimation of the probability of default in a given period of time. Failure to fulfil obligations may occur only at a specified time during the estimated period, unless it has previously ceased to recognize the instrument, and the Bank is still exposed. Based on historical data, the Bank calculates the PD parameter, especially in the corporate and retail sectors. In the corporate sector, PD is calculated by type of entity (large enterprises, medium-sized enterprises, small enterprises ...), and in the retail sector by type of product (housing loans, cash loans, agricultural loans ...).

After calculating historical PDs, the Bank includes forward looking component through a Beta factor that predisposes the impact of the movement of macroeconomic variables (the movement of the GDP, unemployment, inflation rate, industrial production ...) to the future PD. The beta factor is calculated using statistical and econometric models.

For the purpose of including the forward looking component, the Bank includes three scenarios of the movement of macroeconomic variables (optimistic, realistic and pessimistic) when calculating the Beta factor value, after which the annulment is performed with the probability of the anticipated realization of the above scenarios, in order to obtain the final Beta Factor that contains all three scenarios (optimistic, realistic, pessimistic).

Macroeconomic factors used in the impairment process

As part of the process of annual drafting of the Strategy and Business Plan, individual members of the Bank project the values of macroeconomic factors for the period of three subsequent years, respecting the characteristics of the markets in which they operate. When defining macroeconomic assumptions, Bank members use a set of different relevant external sources, as well as internal assessments.

According to the estimate of Statistical Office of the Republic of Serbia (SORS), in the first 9 months of 2021, Serbia recorded a GDP growth of 7,5% in relation to the same period in 2020.

In accordance with the above, during the development of the Bank's strategy and business plan for the next period, the crisis of the combined form of Latin letters V (V) and in (U) was assumed. This also affected the projected level of impairment, especially in a group basis, but also to revise expectations in the part of the collection of risky placements.

Movements in the international environment continue to be characterized by uncertainty, primarily regarding the global recovery from the effects of the COVID-19 virus pandemic and developments in the international financial and commodity markets. Numerous central banks in the world have reacted in the previous period by easing their monetary policies, conventional and unconventional measures, in order to mitigate the negative effects of the crisis. The recovery of the Eurozone, with which the Republic of Serbia has the most important trade and financial connections, should be encouraged by the measures taken by the European Central Bank aimed at increasing liquidity and providing support for more favorable financing conditions.

Calculation of credit risk impairment for stages 1 and 2

For levels of impairment for stage 1, the Bank uses annual PDs for the first 12 months, which represent the product of historical PD and beta factors.

In terms of devaluing for stage 2, where the impairment is calculated for each year of financial assets, the Bank uses marginal PD, which represents the difference between two cumulative PD, between t + 1 and t, where t represents a period of one year. Cumulative PD refers to default probability that will happen in conclusion with the period t.
The probability that default will be realized before or concluding with the maturity of t, the lifetime PD, ie the probability of default for the entire period of life of the financial instrument.

LGD represents Loss given default and is an estimate of losses that arise in the event of default at a specified time. It is calculated as the difference between the contracted cash flows and the cash flows the creditor expects to receive, including the realization of any collateral. This is usually expressed as a percentage of EAD. The Bank, in its assessment of credit losses assessed in accordance with the Impairment Assessment Methodology and IFRS 9, wishes to reflect the possibility of collecting cash flows from regular cash flows, but also from the realization of collateral and other collateral, which are directly related to a financial instrument.

In that sense, the Bank applies the general concept of a separate LGD secured and LGD unsecured parameter, depending on the degree of securing individual placements. For the purpose of calculating the LGD Secured, or the expected loss rate after collateral, the Bank takes into account all internally available collaterals where there is an estimate of the probability of collectability.

The final step in calculating the impairment is the discount factor - **DF** for the purpose of reducing to the present value. For discounting, the initial effective interest rate is used, which includes only those interest and fees that can be identified as direct income of the Bank. At stage 2, the period of discounting depends on the duration of the financial asset, while at stage 1, the time factor is always equal to one year (12 months).

For the purpose of calculating impairment for exposures to countries, financial institutions and impairment of securities, the Bank uses a different method of calculating impairment. The Bank does not have an adequate history in terms of migration and default exposure to countries and financial institutions.

When assessing the impairment and default risk exposure of financial instruments of the state, its bodies, central banks and financial institutions, it relies on surveys and external rating data of Moody's agency.

It then uses all available resources that can be obtained with undue cost and effort, in order to adequately determine the probability of default for the purposes of impairment calculation. The probability of default for a period of one year is determined as the probability of migration from the specified external rating of the counterparty (or a rating of the related counterparty if no external rating is available) in the default status. The cumulative PD is determined simply by exponential elevation to the degree of one-year defaults, in the following way:

$$CPD_t = 1 - e^{-(default\ rate*t)}$$

The values of the annual rate of PD used in the calculation of the impairment of securities and financial institutions are reduced to monthly level. For LGD unsecured the parameter used is prescribed for exposures to countries and financial organizations, in accordance with Basel standards. LGD secured (if there is a collateral) is used in the same way as in the corporate and retail sector.

Impairment of placements to the corporate and retail, countries and financial institutions reduces the value of placements and is recognized as an expense within the income statement, and impairment of securities is recorded through other comprehensive income.

Determining the probable loss on off-balance sheet items

Determining the individual probable loss on off-balance sheet items (contingent liabilities - payable and performance guarantees, letters of credit, and other off-balance sheet items) is carried out when there is estimated that there is a sufficient certainty that an outflow of funds will be made to settle the contingent liability and the debtor is classified at stage 3. Also, for stages 1 and 2, the Bank establishes an estimate of the probable loss on off-balance sheet items for all off-balance sheet items, including unused commitments. The method of impairment of off-balance sheet items for stage 1 and stage 2 is the same as the impairment of balance sheet receivables other than in the part of recognition of EAD. When estimating the probable loss on off-balance items, the Bank reduces exposure for the Conversion Factor (CCF). In accordance with IFRS 9, the Bank calculated credit conversion factors (CCFs) based on experience that represent the likelihood of conversion of off-balance sheet exposures into balance sheet exposures and concluded that it does not have sufficient historical data to define CCF. Therefore, the Bank uses the best approximation of CCF, and these are the conversion factors defined by the regulations of the Central Banks of the Bank's members. For unused commitments for which the Bank has contracted an unconditional cancellation of a contract or the possibility of terminating a contractual obligation if the client violates the contractual obligations, the Bank does not account for provisions based on unused commitments.

The probable loss on off-balance sheet items is recognized as an expense in the income statement.

Means of protection against credit risk (collateral)

In order to protect against exposure to credit risk, the most common practice that the Bank uses, in addition to regular monitoring of clients' operations, is to obtain security instruments (collaterals), which secure the collection of receivables and minimizes credit risk. The amount and type of collateral required depends on the credit risk assessment of the other counterparty.

As standard security instruments, the Bank provides contracting authorities and bills of exchange to clients, while as additional instruments, depending on the assessment of credit risk, and types of placements, other collaterals can be contracted:

- For commercial loans or corporate loans and loans for small businesses - mortgages on movable and immovable items (mortgages), deposits, banking, corporate and government guarantees, guarantees, stocks on securities, shares and receivables;
- For retail loans - mortgages on real estate, deposits, guarantees of a solidary debtor, insurance of the National Corporation for securing housing loans at the Parent bank, and others;
- For borrowed securities and repurchase agreements - money or securities.

When assessing real estate or mortgages on movable property, the Bank requires a professional and independent assessment of the value of immovable property by authorized appraisers in order to minimize the potential risk of unrealistic valuation. Property, goods, equipment and other movable items that are the subject of inventory must be and are insured by an insurance company acceptable to the Bank, and the policies are vinculated for the benefit of the Bank.

In order to protect against the change in market values of collateral (mortgages, pledges, securities, etc.), the estimated collateral value is corrected for a defined percentage (haircut) depending on the type of collateral and location, which are regularly reviewed and revised. In this way, the Bank protects against potential losses due to inability to collect collateral.

The correction factor (haircut) represents the difference between the estimated value of the collateral and the cash inflow that can be realized by selling collateral in the collection process. Haircut brings down the estimated market value of each collateral instrument to the expected value that will be collected by its realization in the future, taking into account the volatility of market value, the possibility of realization and cash outflows based on activation and sales costs (court fees, tax costs that fall under the burden of the seller, costs of consultants and advertising and other costs), the expected decline in market value from the moment of estimation to the moment of the planned realization, as well as the inherent uncertainty in determining the value.

The Bank pays attention to the regular valuation of collaterals. For non-risk placements (standard clients) - stage 1 and clients on the Watch list - stage 2, mortgages on residential and business properties are assessed at least once in three years by an authorized appraiser. For risky placements (NPE) - stage 3, mortgages on residential buildings are estimated at least once in three years, mortgages on business premises (business premises, premises, warehouses, construction land with and without building permit, agricultural land, other) at least once in 18 months, and mortgages on industrial facilities are estimated at least once a year (12 months) by an authorized appraiser. Securities are assessed on a monthly basis for all placements.

Regular monitoring of the value of real estate implies checking the value of the real estate based on available data and information, comparing the values of the real estate with the values on the market of the member countries of the Bank (realized sales, supply and demand) by the regions specified in the collateral catalogue, using the statistical model, etc. For all business real estate, the Bank conducts a check of value at least once a year, and for residential and other real estate at least once in three years.

The value of collateral and the trend of movement is monitored and updated by the Bank in order to minimize the potential risk of unrealistic estimation and, if necessary, may require additional collateral in accordance with the concluded contract. Collaterals represent a secondary source of collection of receivables.

5.1.1. Total exposure to credit risk

The total exposure to credit risk as at September 30, 2021 and December 31, 2020 is shown in the table below, without taking into account any collateral or other credit protection. The stated values are expressed in gross and net book value (after impairment effects).

In thousands of RSD

	30.09.2021.		31.12.2020.	
	Gross	Net	Gross	Net
I. Assets	**507,313,180**	**484,044,572**	**483,990,125**	**459,427,723**
Cash and balances with the central bank	76,332,701	76,332,701	80,045,107	80,045,107
Loans and advances to banks and other financial institutions	46,547,150	46,526,696	18,146,238	18,142,070
Loans and receivables from customers	208,052,624	197,719,823	200,690,207	189,296,089
Financial assets (securities and derivatives)	146,223,566	146,215,554	153,780,536	153,776,323
Other assets	6,884,696	4,698,306	8,510,717	6,216,270
Non monetary assets	23,272,444	12,551,493	22,817,320	11,951,865
II. Off-balance sheet items	**48,545,567**	**48,305,892**	**42,691,687**	**42,467,225**
Payable guarantees	4,595,316	4,522,718	4,014,943	3,952,927
Performance guarantees	7,138,710	7,078,603	6,116,729	6,051,112
Irrevocable liabilities	36,629,036	36,566,530	32,332,800	32,279,122
Other	182,505	138,041	227,215	184,064
Total (I+II)	**555,858,748**	**532,350,465**	**526,681,812**	**501,894,948**

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

In thousands of RSD

30.09.2021.	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Impairment allowance Stage 1**	**Impairment allowance Stage 2**	**Impairment allowance Stage 3**	**Impairment allowance**	**Net**
Housing Loans	49,237,840	537,971	781,859	50,557,670	21,370	4,337	532,300	558,007	49,999,662
Cash Loans	39,239,782	578,347	449,562	40,267,691	154,388	28,792	411,285	594,465	39,673,226
Agricultural Loans	11,802,489	247,007	270,089	12,319,585	103,968	10,507	175,084	289,560	12,030,025
Other Loans	4,053,773	76,770	208,120	4,338,663	22,780	4,386	199,527	226,693	4,111,970
Micro Business	9,449,920	1,243,249	375,552	11,068,721	174,764	46,275	170,182	391,221	10,677,500
Total retail	**113,783,804**	**2,683,344**	**2,085,183**	**118,552,330**	**477,271**	**94,298**	**1,488,377**	**2,059,946**	**116,492,384**
Large corporate clients	32,949,220	3,384,793	6,003,461	42,337,474	217,793	259,132	4,292,763	4,769,688	37,567,786
Middle corporate clients	12,121,189	550,528	341,230	13,012,947	95,364	4,781	233,470	333,615	12,679,332
Small corporate clients	4,154,695	363,058	603,114	5,120,867	49,718	6,424	206,051	262,192	4,858,675
State owned clients	17,758,036	712,964	3,125,677	21,596,677	135,294	38,699	1,149,364	1,323,357	20,273,320
Other	5,931,116	0	1,501,213	7,432,329	113,530	0	1,470,473	1,584,003	5,848,325
Total corporate	**72,914,256**	**5,011,342**	**11,574,695**	**89,500,294**	**611,700**	**309,035**	**7,352,120**	**8,272,855**	**81,227,438**
Total	**186,698,060**	**7,694,686**	**13,659,878**	**208,052,624**	**1,088,970**	**403,333**	**8,840,498**	**10,332,801**	**197,719,823**
Due from banks	**46,547,150**	**-**	**-**	**46,547,150**	**20,453**	**-**	**-**	**20,453**	**46,526,696**

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

In thousands of RSD

31.12.2020.	Stage 1	Stage 2	Stage 3	Total	Impairment allowance Stage 1	Impairment allowance Stage 2	Impairment allowance Stage 3	Impairment allowance	Net
Housing Loans	45,177,028	688,692	905,200	46,770,920	16,848	4,057	416,440	437,345	46,333,575
Cash Loans	37,136,903	637,940	277,545	38,052,388	121,729	32,729	223,138	377,596	37,674,792
Agricultural Loans	11,475,146	222,594	282,684	11,980,424	92,244	21,850	122,071	236,165	11,744,259
Other Loans	4,277,483	82,170	198,889	4,558,542	23,469	4,846	178,465	206,780	4,351,762
Micro Business	8,318,090	1,429,708	440,735	10,188,533	115,242	38,180	219,625	373,047	9,815,486
Total retail	**106,384,650**	**3,061,104**	**2,105,053**	**111,550,807**	**369,532**	**101,662**	**1,159,739**	**1,630,933**	**109,919,874**
Large corporate clients	24,164,279	6,231,195	6,429,321	36,824,795	72,656	62,304	3,675,082	3,810,042	33,014,753
Middle corporate clients	7,876,894	740,097	531,659	9,148,650	41,383	6,090	194,402	241,875	8,906,775
Small corporate clients	2,959,089	298,297	823,753	4,081,139	27,425	4,937	393,345	425,707	3,655,432
State owned clients	21,815,385	764,054	3,588,648	26,168,087	70,593	37,864	1,087,247	1,195,704	24,972,383
Other	8,717,394	1,075	4,198,260	12,916,729	220,446	58	3,869,353	4,089,857	8,826,872
Total corporate	**65,533,041**	**8,034,718**	**15,571,641**	**89,139,400**	**432,503**	**111,253**	**9,219,429**	**9,763,185**	**79,376,215**
Total	**171,917,691**	**11,095,822**	**17,676,694**	**200,690,207**	**802,035**	**212,915**	**10,379,168**	**11,394,118**	**189,296,089**
Due from banks	**18,146,238**	**-**	**-**	**18,146,238**	**4,168**	**-**	**-**	**4,168**	**18,142,070**

5.1.2 Problematic receivables

Participation of problematic receivables, Stage 3 in total loan ***In thousands of RSD***

30.09.2021.	Gross exposure	Impairment allowance of gross amount	Stage 3	Stage 3 restructered receivables	Stage 3 Impairment allowance	Share of Stage 3 in total loans (%)	Collateral value Stage 3
Total retail	**118,552,330**	**2,059,946**	**2,085,183**	**198,920**	**1,488,377**	**1,76%**	**1,624,455**
Housing Loans	50,557,670	558,007	781,859	106,308	532,300	1,55%	770,436
Cash Loans	40,267,691	594,465	449,562	9,288	411,285	1,12%	143,830
Agricultural Loans	12,319,585	289,560	270,089	51,909	175,084	2,19%	258,710
Other	4,338,663	226,693	208,120	10,570	199,527	4,80%	11,133
Micro Businesses	11,068,721	391,221	375,552	20,844	170,182	3,39%	440,346
Corporate clients	**89,500,294**	**8,272,855**	**11,574,695**	**7,639,416**	**7,352,120**	**12,93%**	**9,652,354**
Agriculture	3,159,473	14,085	40	-	30	0,00%	40
Manufacturing Industry	16,554,293	1,733,210	2,533,162	2,451,780	1,550,013	15,30%	2,532,613
Electric Energy	3,050,720	166,953	162,569	-	146,800	5,33%	-
Construction	13,716,998	637,757	729,519	43,801	587,369	5,32%	735,235
Wholesale and Retail	18,736,416	274,351	170,162	16,904	97,832	0,91%	163,751
Service Activities	12,804,504	2,749,614	4,703,917	4,094,657	2,492,882	36,74%	4,704,197
Real Estate Activities	8,308,958	639,640	1,319,549	979,310	607,385	15,88%	1,334,210
Other	13,168,933	2,057,245	1,955,777	52,964	1,869,811	14,85%	182,308
Total	**208,052,624**	**10,332,801**	**13,659,878**	**7,838,336**	**8,840,498**	**6,57%**	**11,276,809**
Due from banks	**46,547,150**	**20,453**	**-**	**-**	**-**	**0,00%**	**-**

Participation of problematic receivables, Stage 3 in total loans

In thousands of RSD

31.12.2020.	Gross exposure	Impairment allowance of gross amount	Stage 3	Stage 3 restructered receivables	Stage 3 Impairment allowance	Share of Stage 3 in total loans (%)	Collateral value Stage 3
Total retail	**111,550,807**	**1,630,933**	**2,105,053**	**340,790**	**1,159,739**	**1,89%**	**1,733,364**
Housing Loans	46,770,920	437,345	905,200	145,700	416,440	1,94%	895,187
Cash Loans	38,052,388	377,596	277,545	5,823	223,138	0,73%	103,692
Agricultural Loans	11,980,424	236,165	282,684	48,649	122,071	2,36%	264,313
Other	4,558,542	206,780	198,889	16,384	178,465	4,36%	18,916
Micro Businesses	10,188,533	373,047	440,735	124,234	219,625	4,33%	451,256
Corporate clients	**89,139,400**	**9,763,185**	**15,571,641**	**8,781,379**	**9,219,429**	**17,47%**	**13,971,723**
Agriculture	2,876,122	13,199	9,002	-	4,928	0,31%	9,170
Manufacturing Industry	12,077,559	1,162,333	2,847,426	2,796,569	1,095,828	23,58%	2,846,877
Electric Energy	3,529,051	15,861	-	-	-	0,00%	-
Construction	12,650,343	547,050	669,404	7,057	525,043	5,29%	669,539
Wholesale and Retail	17,314,441	435,322	672,784	503,610	354,573	3,89%	666,399
Service Activities	11,828,689	2,313,040	4,632,020	4,582,130	2,253,170	39,16%	4,631,098
Real Estate Activities	8,092,592	491,452	1,356,389	687,488	474,825	16,76%	1,371,167
Other	20,770,603	4,784,928	5,384,616	204,525	4,511,062	25,92%	3,777,473
Total	**200,690,207**	**11,394,118**	**17,676,694**	**9,122,169**	**10,379,168**	**8,81%**	**15,705,087**
Due from banks	**18,146,238**	**4,168**	**-**	**-**	**-**	**0,00%**	**-**

5.1.3. Nonproblematic receivables (Stage 1 and Stage 2)

In thousands of RSD

	30.09.2021.				31.12.2020.			
	Low (IR 1,2)	**Medium and High (IR 3, 4)**	**Total**	**Value of collaterals**	**Low (IR 1,2)**	**Medium and High (IR 3, 4)**	**Total**	**Value of collaterals**
Housing Loans	49,740,987	34,824	49,775,811	49,233,238	45,757,208	108,512	45,865,720	45,451,796
Cash Loans	39,714,016	104,112	39,818,129	8,497,803	37,579,003	195,840	37,774,843	10,494,298
Agricultural Loans	12,019,348	30,148	12,049,496	11,504,019	11,611,627	86,113	11,697,740	11,065,548
Other Loans	4,112,221	18,322	4,130,543	201,936	4,332,597	27,056	4,359,653	206,082
Micro Businesses	9,911,528	781,641	10,693,169	16,896,444	9,247,799	499,999	9,747,798	9,737,277
Retail	**115,498,101**	**969,047**	**116,467,148**	**86,333,440**	**108,528,234**	**917,520**	**109,445,754**	**76,955,001**
Large corporate clients	33,048,467	3,285,545	36,334,013	36,801,953	24,713,727	5,681,747	30,395,474	30,401,513
Middle corporate clients	12,654,103	17,614	12,671,717	15,714,014	8,536,154	80,837	8,616,991	8,619,042
Small corporate clients	4,341,336	176,417	4,517,753	6,469,903	3,059,170	198,216	3,257,386	3,243,678
State owned clients	12,971,486	5,499,514	18,471,000	19,261,054	17,249,553	5,329,886	22,579,439	22,742,430
Other	3,746,607	2,184,509	5,931,116	4,568,667	4,404,927	4,313,542	8,718,469	6,899,846
Corporate Clients	**66,761,999**	**11,163,599**	**77,925,598**	**82,815,591**	**57,963,531**	**15,604,228**	**73,567,759**	**71,906,509**
Total	**182,260,100**	**12,132,646**	**194,392,746**	**169,149,031**	**166,491,765**	**16,521,748**	**183,013,513**	**148,861,510**
Due from banks	**46,547,150**	**-**	**46,547,150**	**-**	**18,146,238**	**-**	**18,146,238**	**-**

5.1.4. Restructured receivables

Measures that the Bank implements in the restructuring of receivables

The bank implements different restructuring measures depending on the needs of clients, respecting the Bank's interest in taking into account the complete business, financial and collateral position of clients.

The measures that the Bank members most often implement during the restructuring of placements are:

- The extension of the maturity period, which is mainly followed by the adjustment of the interest rate, which is in line with the financial position of the clients,
- The introduction of a grace period or moratorium on the settlement of obligations within a specified period
- Capitalization of days past due, if there are matured liabilities due to maturity, they are returned to unexpected liabilities during the implementation of the restructuring, or a new initial balance of claims is formed,
- Refinancing of receivables - in justified cases it is possible to refinance receivables from other creditors in order to improve the position of the Bank (collateral or financial approval of favorable repayment terms),
- partial write-offs - in the past period, the Bank members did not carry out partial write-offs in the course of restructuring,
- The conversion of debt into equity - has not been carried out in the past period

These measures can be implemented individually or by implementing a number of measures depending on each individual restructuring process.

5.1.5. Risk of concentration

The Bank manages the risk of concentration through a set limit system that includes exposure limits with the same or similar risk factors (according to sectors / activities, geographical areas, individual debtors or groups of related parties, credit protection instruments ...). Establishing appropriate exposure limits is the basis for risk concentration control in order to diversify the loan portfolio. Bank on an annual basis depending on market trends, appetite for risk, business policy Bank and the annual business plan, reviewed and, if necessary, changes internally set limits.

5.2. Liquidity risk

Liquidity risk is the possibility of negative effects on the Banks's financial result and capital due to the Bank's inability to settle its liabilities, and in the situation of insufficient liquidity reserves and inability to cover unexpected outflows and other liabilities.

The Bank respects the basic principles of liquidity in its business, achieving sufficient level of funds to cover short-term liabilities, ie. the Bank respects the solvency principle by forming an optimal structure of own and borrowed funds and establishing a sufficient level of liquidity reserves that do not jeopardize the realization of the planned return on capital.

The liquidity risk is manifested in the difference between the inflow of funds on the one hand and the maturity of liabilities on the other hand, including the possibility of delaying planned inflows as well as unexpected outflows. Liquidity risk can arise in the form of risk of sources of funds and market liquidity risk. The problem of liquidity from the aspect of sources of funds refers to the structure of liabilities and is expressed through the potentially significant share of unstable sources, short-term sources or their concentration. On the other hand, the risk of liquidity is manifested through the deficit of reserves and the difficult or impossible acquisition of liquid assets at acceptable market prices.

The Bank has established an appropriate organizational structure, which clearly delineates the process of taking liquidity risk out of the process of its management. The primary role in the liquidity risk management process is performed by the Assets and Liabilities Management Committee of the Parent aank within its competencies, as well as other relevant committees of the Bank members, whose decisions may influence the Banks's exposure to this risk.

In order to minimize liquidity risk, the Bank:

- diversifies sources of funds, by currency and maturity;
- form and maintain sufficient level of liquidity reserves;
- manages funds;
- monitor future cash flows and liquidity on a daily basis;
- limits the basic sources of credit risk that have the most significant impact on the liquidity risk;
- defines and periodically tests the Liquidity Management Plans in Crisis Situations.

Liquidity risk management process consists of identification, measurement, mitigation, monitoring, controlling and reporting on liquidity risk.

During the first half of 2021, the Bank harmonized its liquidity management process with the standards of the NLB Group.

Liquidity risk identification implies comprehensive and timely identification of the causes that lead to liquidity risk and implies determination of current liquidity risk exposure, as well as liquidity risk exposure based on new business products and activities.

Measurement, or liquidity risk assessment, is a quantitative and / or qualitative assessment of the identified liquidity risk, using the following methods:

- GAP analysis;
- Ratio analysis;
- Stress test.

Mitigation involves maintaining the liquidity risk at an acceptable level for the Bank's risk profile by defining a system of limits that includes regulatory and internal limits, as well as the timely undertaking of risk mitigation measures and operations within these limits.

Liquidity risk control and monitoring includes the process of monitoring compliance with internally determined limits, as well as monitoring the defined measures for mitigating the Bank's liquidity risk exposure, which includes control at all levels of liquidity risk management, as well as an independent control system implemented by organizational units responsible for internal audit and compliance control business.

Liquidity risk reporting includes the internal and external reporting system and is carried out on a daily basis and according to the established dynamics, in accordance with the defined system.

In order to adequately manage liquidity risk, in 2021 the Bank established an internal liquidity adequacy assessment process (ILAAP), which is conducted at least once a year. The internal liquidity adequacy assessment process provides comprehensive liquidity risk management and the establishment of a comprehensive internal assessment taking into account qualitative and quantitative elements. Qualitative elements describe strategies, procedures, methodologies, the established system of limits used in the Bank for the purpose of managing and controlling liquidity risk, as well as liquidity management in crisis situations. Quantitative aspects of ILAAP are related to qualitative elements including insight into the fulfillment of prescribed limits, stress tests, gap analysis, liquidity ratios and other tools in order to successfully assess the liquidity position of the Bank.The Bank adjusts its operations with the liquidity indicator, as follows: 0.8 calculated for one business day; then a minimum of 0.9 for no more than three consecutive working days, i.e. a minimum of 1 as the average of all working days of the month. In addition to harmonization with the externally defined liquidity limit, the Group adjusts its operations with a narrower liquidity ratio, as follows: 0.5 calculated for one working day; then a minimum of 0.6 not more than three consecutive working days, i.e. a minimum of 0.7 as the average of all working days of the month.

During the first nine months of 2021 the Bank has aligned its operations with a liquidity coverage ratio in all currencies, which maintains at a level not lower than 100%.

Compliance with externally defined liquidity limits:

	Liquidity Ratio		**Rigid Liquidity Ratio**		**Liquidity coverage ratio**	
	30.9.2021	**2020**	**30.9.2021**	**2020**		**30.9.2021 2020**
On the day	4.37	4.06	4.13	3.94	705%	405%
Average for the period	4.31	4.17	4.05	4.00	635%	385%
Maximum for the period	4.68	4.73	4.42	4.50	757%	413%
Minimum for the period	3.92	3.42	3.67	3.27	425%	295%

During the first nine months of 2021 liquidity ratio, rigid liquidity indicator and the liquidity coverage ratio ranged above the defined limits, as well as within the defined risk tolerance.

The Bank has established a system of internal limits and the Risk Appetite Framework, in accordance with the Group's standards for structural liquidity indicators, as well as with the nature of the Bank's operations.

The Bank maintains a stable liquidity position and a sufficient and adequate level of liquidity reserves. Liquidity reserves are mostly in the form of cash and highly liquid debt government securities, which can be redeemed in a relatively short period of time. At the same time, the minimum amount of unsecured liquidity reserves to cover potential outflows in the event of stress is continuously monitored and maintained. In addition, the Bank is compliant with the limits of structural liquidity indicators, which are set in accordance with the Standards in the field of risk management in the NLB Group, and relate to the minimum level of available and unsecured liquidity reserves. The Bank also actively manages daily liquidity, in order to ensure timely settlement of due liabilities, taking into account the normal course of business and the emergency liquidity situation.

In addition, the Bank limits and adjusts the operations with the limits defined by the maturity aspect of significant currencies as well as defined targets for diversification of funding sources.

The report on the maturity structure of monetary assets and liabilities contains monetary balance positions arranged according to the remaining maturity, i.e. a conservative assumption is made that all transaction and avista deposits will be withdrawn within one month.

The Bank collects deposits of corporate and retail sector, which usually have shorter maturities and can be withdrawn on demand. The short-term nature of these deposits increases the Bank's liquidity risk and requires the active management of this risk, as well as the constant monitoring of market trends.

The Bank manages liquidity risk in short-term by monitoring and controlling positions in all significant currencies in order to timely consider the need for additional sources of financing in the event of maturity of the respective positions, i.e. in the long-term plans the structure of its sources and placements in order to provide sufficiently stable sources and sufficient liquidity reserves.

The management believes that the appropriate diversification of the portfolio of deposits by the number and type of depositors, as well as the previous experience, provide a good precondition for the existence of a stable and long-term deposit base, which is why no significant outflows are expected on this basis.

The Bank regularly reviews the Liquidity Management Plan in crisis situations and checks the survival and solvency period, the availability of sources for covering the liabilities that would possibly arise, or assess the support under the assumed conditions of the crisis.

5.3 Market risks

Market risk is the possibility of negative effects on the Bank's financial result and equity due to changes in market variables and includes interest rate risk in the banking book, foreign exchange risk for all business activities it performs and price risk of trading book positions.

The Bank is exposed to price risk, foreign exchange risk, counterparty risk, and the risk of settlement delivery based on items listed in the trading book. The trading book contains balance sheet and off-balance sheet items of assets and liabilities based on financial instruments held for trading purposes or for the protection of positions in other financial instruments held in a trading book.

The Bank has established an appropriate organizational structure, which clearly delineates the process of taking over market risks from the process of its management. The primary role in the market risk management process is performed by the Assets and Liabilities Management Committee, as well as other relevant committees of the Bank, whose decisions may influence the Bank's exposure to this risk.

5.3.1. Interest rate risk

Interest rate risk is the risk of negative effects on the Bank's financial result and equity based on positions in the banking book due to adverse changes in interest rates. Exposure to this type of risk depends on the ratio of interest-sensitive assets and interest-sensitive liabilities.

The Bank manages the following types of interest rate risk:

- Risk of time mismatch of repayment and repricing risk;
- Yield curve risk - to whom it is exposed due to change in yield curve shape;
- Base risk - to which it is exposed due to different reference interest rates in interest-sensitive positions with similar characteristics in terms of maturity or re-pricing;
- Optionality risk - to whom it is exposed because of contracted options - loans with the possibility of early repayment, deposits with the possibility of early withdrawal, and others.

The main objective of interest rate risk management is to maintain an acceptable level of exposure to interest rate risk from the aspect o impact on the financial result, by maintaining an adequate policy of maturity adjustment of the period for re-forming the interest rate, matching the appropriate sources with placements according to the type of interest rate and maturity, as well as the projection of the movement of the yield curve on the foreign and domestic market. Primarily, the Bank manages the internal yield margin through the cost of loans and deposits, focusing on the interest margin.

The Bank particularly examines the impact of changes in interest rates and the structure of interest-bearing assets and liabilities from the aspect of maturity, re-forming interest rates and currency structure and managing their impact on the economic value of capital.

The Bank processes the impact that could have interest rate shock (parallel positive and negative interest rate shockson the reference crisis yield) for each significant value individually and for all other values individually

The process of managing interest rate risk is carried out through identification, measurement, mitigation, monitoring, control and reporting of interest rate risk.

During the first half of 2021, the Bank harmonized the interest rate risk management process with the standards of the NLB Group.

Identification of interest rate risk involves a comprehensive and timely identification of the causes that lead to the creation of risks and involves determining current exposure as well as exposure to interest rate risk based on new business products and activities.

Measurement, or interest rate risk assessment, is a quantitative assessment of the identified interest rate risk using the following methods:

- GAP analysis and duration;
- IRR sensivityanalysis;
- Basis risk analysis;
- Credit spread analysis (the impact of the sensitivity of the change in the credit spread of the securities portfolio.);

Interest rate risk mitigation involves maintaining the risk at an acceptable level for the Bank's risk profile and implies the process of defining the Bank's exposure limits, as well as defining and implementing measures to mitigate interest rate risk.

The monitoring and monitoring of interest rate risk includes the process of monitoring compliance with the established system of limits, as well as monitoring the defined measures for reducing the Bank's interest rate risk. Interest rate risk control involves control at all levels of governance as well as an independent control system implemented by organizational units responsible for internal audit and compliance monitoring.

Interest rate risk reporting involves a clearly defined system of internal reporting to the competent committees and bodies of the Bank's members on interest rate risk management.

Internal limits are determined on the basis of the internal interest report GAP, which includes all balance sheet items.

Internal limits are set within the Risk Appetite and refer to the indicator of the economic value of capital, the indicator of the credit spread on the securities portfolio and the indicator of interest income.

During the nine months of 2021, interest rate risk indicators moved within internally defined limits.

In addition, the Bank has defined target valueson interest rate risk exposure in significant currencies.

Compliance with internally defined limits of economic value of capital:

	30.09.2021	**2020**
As of September 30/December 31	2.99%	2.89%
Average for period	2.72%	3.83%
Maximum for period	3.13%	5.21%
Minimum for period	1.44%	2.89%
Limit	**8%**	**10%**

The management of the Bank believes that the appropriate position matching by type of interest rate and re-establishment period provides a good precondition for existence with the required financial result while preserving the economic value of the capital.

5.3.2. Foreign exchange risk

The process of managing foreign currency risk is carried out through identification, measurement, mitigation, monitoring, control and reporting on foreign exchange risk.

During the first half of 2021 The Bank has harmonised the foreign exchange risk management process with NLB Group standards.

The Bank comprehensively identifies in a timely manner the causes that lead to the creation of foreign currency risk, which implies determining the current exposure to foreign exchange risk, as well as the exposure to foreign exchange risk based on new business products and activities.

Measurement, or foreign exchange risk assessment, is a quantitative assessment of the identified foreign currency risk, using the following techniques:

- GAP analysis and foreign exchange risk indicator;
- VaR;
- Stress test;
- Backtesting.

Foreign exchange risk mitigation involves maintaining the risk at an acceptable level for the Bank's risk profile by setting a transparent system of limits and defining measures to mitigate foreign exchange risk.

Foreign exchange risk control and monitoring includes monitoring and the compliance of positions with internally and externally defined limits, as well as monitoring of defined and undertaken measures. Continuous monitoring and control of foreign currency risk enables timely measures to be taken to maintain foreign exchange risk within defined limits. Foreign exchange risk control involves control at all levels of governance, as well as an independent control system implemented by organizational units responsible for internal audit and compliance monitoring.

Foreign exchange risk reporting includes the internal and external reporting system and is carried out on a daily basis and according to the established dynamics, and in accordance with the defined system.

The Bank coordinates its operations with the regulated foreign currency risk indicator, which represents the ratio of the open foreign exchange position and position in gold and regulatory capital.

Overview of the total risk foreign currency position and the regulated foreign currency risk indicator as at 30 September, 2021:

	September 30, 2021	**December 31, 2020**
Total risk foreign exchange position	1,173,930	1,327,082
Foreign exchange risk indicator	1.72%	1.95%
Regulatory limit	20%	20%

5.4. Operational risk

Operational risk is the risk of loss resulting from deficiencies or errors in the functioning of internal processes, systems and people or due to external events. Operational involves legal risk, but not strategic and reputational risk. However, due to importance, reputational risk is taken into account in operational risk management.

Operational risk is defined as an event that occurs as a result of inappropriate or failed internal processes, actions of employees and systems or systemic and other external events, internal and external fraud, employment and workplace safety practices, customer claims, product distribution, fines and penalties for injuries, damage to tangible assets, business disruptions and systemic failures and process management.

The Bank also monitors operational risk events along the following lines of business: financing of legal entities, trade and sales, brokerage operations with individuals, banking operations with companies, banking operations with individuals, payment operations, client account services and asset management.

The Bank monitors daily operational risk events and manage operational risks. In order to efficiently monitor operational risk, in each organizational part of the Bank, employees for operational risks are appointed, who are responsible for the accuracy and promptness of data on all operational risk events, as well as for recording all incurred events in the operational risk database. The organizational part of the Bank in charge of risk management monitors and reports on operational risks to the Bank's Board of Directors, the Bank's Executive Board and the Audit Committee.

The Bank performs measurement and / or assessment of operational risks through quantitative and / or qualitative assessment of the identified operational risks. The Bank measures operational risk exposure through event logging, monitoring of the key risk indicators and determination of the Bank´s operational risk profile. Key risk indicators are an early warning to signal changes in the Bank's risk profile. They relate to specific operational risk and present greater exposure in the occurrence of operational risk events. Their purpose is to reduce losses and operational risks through proactive consideration of risk factors.

The Bank's operational risk profile represents the Bank's exposure to operational risk and serves as a basis for making additional decisions, which would improve the existing operational risk profile and bring it closer to the targeted profile. The existing operational risk profile is the result of the identification and assessment of operational risks within the certain processes (performed at least once a year by the relevant organizational units of the Bank). The existing operational risk profile includes operational risks identified by the employees responsible for monitoring operational risks / other employees in the Bank.

During 2021 , the Bank conducted an assessment of operational risk exposure in the context of the Covid 19 virus pandemic and identified operational risks. Appropriate risk mitigation measures have been defined for the identified operational risks.

During the first quarter of 2021, the Bank complied its internal acts (which formalize the comprehensive operational risk management process) with the standards of the NLB Group. Additionally, in the second quarter of 2021, the Bank implemented new software (LER) which is used within the NLB Group for the purpose of documenting, monitoring and analyzing of the operational risks and loss events and the Bank complied with the ICAAP of the Group.

The Bank can't eliminate all operational risks, but by introducing an appropriate control framework, monitoring and mitigating potential risks, it establishes a process for managing operational risk and the Bank takes measures to mitigate operational risks and proactively respond to potential operational risk events through permanent monitoring of all activities, implementation of adequate and a reliable information system and orientation to the project approach, whose implementation improves business practice and optimizes business processes.

Through reliable reporting on the implementation of measures to mitigate operational risks, the Bank has established a monitoring system for activities undertaken by the organizational units of the Bank in order to reduce operational risks and preventive responses to emerging operational events. The Bank assesses the risk of relying on third parties for performing certain activities related to business, based on a contract concluded with those persons that clearly define the terms, rights, obligations and responsibilities of the contracted parties.

For the purpose of smooth and continuous operation of all significant Bank's systems and processes, as well as limitation of losses in emergencies, the Bank adopted the Business Continuity Plan, with the goal of restoring the recovery of the information technology system in case of termination of operations. The Bank has adopted the Disaster Recovery Plan.

5.5. Risks of investment

The risk of the Bank's investment represents the risk of investments in other legal entities and in fixed assets and investment property. The Bank's investment in a entity which is not a entity in the financial sector may be up to 10% of the Bank's capital, whereby this investment implies an investment by which members of the Bank acquire a holding or shares of a person other than a person in the financial sector. The Bank's total investments in entities which are not entities in the financial sector and in fixed assets and investment property of the Bank may be up to 60% of the Bank's capital, except that this restriction does not apply to the acquisition of shares for their further sale within six months of the date of acquisition.

5.6. Risk of exposure

The Bank's large exposure to a single entity or a Bank of related parties, including entities related to the Bank, is an exposure that exceeds 10% of the Bank's capital.

In its business, the Bank takes care of compliance with the regulatory defined exposure limits:

- Exposure to a single client or a Bank of related parties must not exceed 25% of the Bank's capital;
- The sum of all large Bank exposures must not exceed 400% of the Bank's capital.

Defined limits of exposure to one client or a Bank of related parties also applies to clients related to the Bank.

The Bank's exposure to one entity or Bank of related parties, as well as the exposure to clients related to the Bank, was within the prescribed limits.

5.7. Country risk

The risk of the country is a risk that relates to the country of origin of the entity to which the Bank is exposed, or the risk of the possibility of negative effects on the Bank's financial result and capital due to the inability of the Bank members to collect receivables from the debtor for reasons arising from political, economic or social country of origin of the debtor. The country's risk includes the following risks:

- Political and economic risk, which implies the likelihood of a loss due to the inability of members of the Group to collect receivables due to restrictions established by the acts of the state and other authorities of the country of origin of the debtor, as well as the general and systemic circumstances in that country;
- Transfer risk, which implies the likelihood of a loss due to the inability to collect receivables denominated in a currency other than the official currency of the country of origin of the debtor, due to the limitation of the payment of obligations towards creditors from other countries in a particular currency as determined by the acts of the state and other authorities of the debtor country.

The Bank manages the country's risk at the level of individual placements and at the level of portfolio. The Bank measure and control the exposure of individual placements to country risk by determining the category of the internal rating of the debtor's country, based on the rating assigned by internationally recognized rating agencies and determining the exposure limit as a percentage of the Bank's capital depending on the country's internal rating category. The Bank performs measurement and control of the exposure of the country risk portfolio based on the grouping of receivables according to the degree of risk of the debtor countries.

In order to adequately manage the country's risk, the Bank defines the exposure limits individually by country of origin of the debtor.

The Bank's placements approved to debtors domiciled outside the Republic of Serbia for financing operations in the Republic of Serbia, whose financial obligations to the Bank are expected to be settled from the source of operations realized in the Republic of Serbia, represent the Bank's receivables.

5.8. Capital management

The Bank has established a risk management system in accordance with the scope and structure of its business activities, and the objective of capital management is the smooth realization of the Bank's business objectives.

The calculation of capital and capital adequacy ratios has been in accordance with Basel III standard as of June 30, 2017.

The main goals of managing the capital are:

• Preservation of the minimum regulatory requirement (EUR 10 million);

• Maintenance of individual capital buffers;

• Respect of the minimum regulatory capital adequacy ratios increased for the combined capital buffer;

• Maintaining confidence in security and business stability;

• Realization of business and financial plans;

• Supporting the expected growth in placements;

• Enabling the optimism of future sources of funds and their use;

• Achieving dividend policy.

The regulatory capital of the Bank is the sum of the Tier 1 capital (consisting of the Common Equity Tier 1 capital and additional Tier 1 capital) and Tier 2 capital, reduced for the deductible items. Capital adequacy ratios represent the ratio of capital of the Bank (total, Tier 1 or Common Equity Tier 1) and the sum of: risk weighted exposure amounts for credit, counterparty and dilution risks and free deliveries, settlement / delivery risk except on the basis of free delivery), market risks, operational risk, risk exposure amount for credit valuation adjustment and risk exposure amount related to exposure limit excesses in the trading book. Risk weighted exposure amounts for credit, counterparty and dilution risks and free deliveries of the banking Bank shall be determined in accordance with the prescribed risk weight for all exposure classes. Risk exposure amount for operational risk is calculated by multiplying the reciprocal value of the prescribed capital adequacy and capital requirements for operational risk, determined as the three-year average of the product of the exposure indicator in all lines of business and the prescribed capital requirements for each business line.

Capital adequacy ratios		***In thousands of RSD***
	Septembar 30, 2021	**December 31, 2020**
Tier 1 capital	68,694,996	68,767,512
Common Equity Tier 1 capital	68,321,486	68,394,002
Additional Tier 1 capital	373,510	373,510
Deductible items of capital	(384,273)	(547,809)
Capital	**68,310,723**	**68,219,703**
Risk weighted exposure amounts for credit, counterparty and dilution risks and free deliveries	188,106,075	172,470,230
Risk exposure amount for operational risk	34,534,805	34,167,575
Risk exposure amount for market isks	-	3,268,120
Capital adequacy ratio	**30.68%**	**32.50%**
Tier 1 capital adequacy ratio	**30.68%**	**32.50%**
Common Equity Tier 1 capital adequacy ratio	**30.51%**	**32.32%**

During the third quarter of2021, all prescribed capital adequacy ratios were above regulatory limits increased for SREP capital buffer.

By the Capital Management Strategy and Plan, the Bank ensures the maintenance of the level and structure of internal capital that provides adequate support for the growth of placements, future sources of funds and their use at the banking group level, the implementation of dividend policy, and adjustment to changes in regulatory requirements.

During the third quarter of 2021, the Bank calculated the leverage ratio in accordance with the regulatory requirement, which represents the ratio of the Tier 1 capital and the amount of exposures that are included in the calculation of the ratio.

The Capital Management Plan, as part of the capital management system, includes:

- Strategic goals and the period for their realization;
- A description of the process of managing the available internal capital, planning its adequate level and responsibility for this process;
- Procedures for planning an adequate level of available internal capital;
- The way to reach and maintain an adequate level of available internal capital;
- Restrictions on available internal capital;
- Demonstrating and explaining the effects of stress testing on internal capital requirements;
- Allocation of capital;
- Business plan in case of occurrence of unforeseen events.

On a continuous basis, the Bank conducts the process of internal capital adequacy assessment in accordance with the nature, scope and complexity of its business activities, in accordance with the Risk Management Strategy, Individual Risk Management Policies and the Capital Management Strategy.

The process of internal capital adequacy assessment, as a documented and continuous process, meets the following requirements:

- is based on identification and risk measurement;
- provides a comprehensive assessment and monitoring of the risks to which the Bank is exposed or may be exposed;
- Provides adequate available internal capital in accordance with the risk profile of the Bank;
- is involved in the banking Bank management system and decision making;
- Subject to regular analysis, monitoring and verification.

The stages of the internal capital adequacy assessment process at the Bank include:

- Determination of materially significant risks, in accordance with qualitative and quantitative criteria;
- Calculation of the amount of internal capital requirements;
- Calculation of stressed internal capital requirement for individual risks;
- Determining the total internal capital requirement;
- Comparison of the following elements:
  - capital and available internal capital;
  - minimum capital requirements and internal capital requirements for individual risks;
  - the sum of minimum capital requirements and total internal capital requirements.

6. EVENTS AFTER THE BALANCE SHEET DATE

On 20.10.2021, the Business Register Agency published on its website the Draft Contract on Merger of NLB Banka a.d. with Komercijalna Banka a.d, Beograd.

At the session of the General Meeting of Shareholders of Komercijalna Banka ad Podgorica held on 11.10.2021, the Decision on Adoption of the Contract on Merger through the merger of Komercijalna Banka ad Podgorica with NLB Banka A.D. Podgorica

At the session of the General Meeting of Shareholders held on 26.10.2021, the Decision on Granting Approval for Sale of Komercijalna Banka a.d. Banja Luka was passed. The positive financial effects of the transaction are presented in the financial statements for September 2021 when the binding offer was submitted. On 27.10.2021, Komercijalna Banka AD Beograd and Poštanska Štedionica ad Beograd signed the Sale and Purchase Agreement of 100% ordinary shares of Komercijalna Banka AD Banja Luka. It was anticipated for the transaction to be realized at latest by 31.03.2022, under condition of obtaining the approvals of all regulatory institutions.

Apart from the events described in the previous paragraphs, there were no other significant events after the balance sheet date that would need to be disclosed in the Notes to the financial statements for the third quarter of 2021.

7. FOREIGN EXCHANGE RATES

Foreign exchange rates established on the interbank meeting of the FOREX market applied in re-calculation of the balance sheet positions in Dinars (RSD) on September 30th, 2021 and December 31st, 2020 for certain main currencies are as follows:

Currencies	Official NBS exchange rate	
	2021.	2020.
USD	101.2920	95.6637
EUR	117.5595	117.5802
CHF	108.5098	108.4388

In Belgrade,

On 10.11..2021

Persons responsible for drafting the financial statements

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KOMERCIJALNA BANKA
NLB Group

STATEMENT

In our opinion, quarterly financial statements for the period 01.01.2021. to 30.09.2021. present fairly, in all material respects, the financial position of Komercijalna banka AD Beograd, its assets, liabilities, gains and losses as well as results of its operations, and have been prepared in accordance with the Law on Accounting, Law on Banks and other relevant by-laws of the National Bank of Serbia as well as the International Accounting Standards and International Financial Reporting Standards (IAS and IFRS).

Persons responsible for the preparation of financial statements

Sanja Đeković	Dejan Janjatović
Executive Director for Finance and Accounting	Deputy Chief Executive Officer

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KOMERCIJALNA BANKA
NLB Group

STATEMENT

Individual financial statements of Komercijalna banka AD Beograd for the period 01.01.2021. until 30.09.2021. published in accordance with Law on Capital Market have not been audited.

The statement is made in accordance with Article 52, paragraph 7 of the Law on the Capital Market.

Persons responsible for the preparation of financial statements

Sanja Đeković
Executive Director for Finance and Accounting

Dejan Janjatović
Deputy Chief Executive Officer