

**Agency for Export Insurance and
Financing of the Republic of Serbia A.D.,
UŽICE**

**NOTES TO FINANCIAL STATEMENTS
FOR 2019**

BELGRADE, 29 May 2020



(All amounts are expressed in RSD thousand, unless otherwise stated)

Notes on pages 7 of 68
make an integral part of these financial statements.

BALANCE SHEET
As at 31 December 2019
(All amounts are expressed in RSD thousand, unless otherwise stated)

	Note	31 December 2019	End-balance 31 December 2018	Opening balance as at 01 January 2019
ASSETS				
Fixed assets		3,082,470	2,867,723	1,832,861
Intangible assets	18	134,516	109,639	89,767
Property, plant and equipment	19	10,667	14,268	16,679
Long-term financial investments	20	2,937,287	2,743,816	1,726,415
Deferred tax assets			1,041	
Operating assets		6,925,068	7,141,195	6,315,967
Inventories		738	78	26,060
Receivables from sale		39,752	2,067	
Receivables from specific operations	21	800,224	885,873	737,190
Other receivables	22	181,028	151,693	105,359
Short-term financial investments	23	5,320,847	5,566,834	4,989,348
Cash and cash equivalents	24	492,196	460,749	411,086
Prepayments and accrued income	25	90,283	73,901	46,924
TOTAL ASSETS		10,007,538	10,009,959	8,148,828
OFF-BALANCE ASSETS	34	35,004,067	29,088,795	24,900,712
LIABILITIES				
Capital		7,385,233	7,348,938	7,306,644
Share capital/equity	26	6,191,145	6,191,145	6,191,145
Provisions	26	1,069,104	1,012,047	946,353
Unrealised losses on securities and other components of comprehensive income		10,977	(6,125)	
Retained profit	26	114,007	151,871	169,146
Long-term provisions and liabilities		2,242,266	2,255,304	463,555
Long-term provisions	27	169,578	173,288	213,555
Long-term liabilities	28	2,072,688	2,082,016	250,000
Deferred tax liabilities		1,470		333
Short-term liabilities		378,296	405,717	378,296
Short-term financial liabilities	29	103,751	103,462	100,000
Advances received, deposits and bails		5,513	4,233	
Liabilities from operations	30	10,386	9,194	32,255
Other short-term liabilities	31	163,161	238,971	215,244
Liabilities for other taxes, contributions and other duties	32			
Accruals and deferred income	33	95,759	49,857	30,797
TOTAL LIABILITIES		10,007,539	10,009,958	8,148,828
OFF-BALANCE RECORDS	34	35,004,067	29,088,795	24,900,712

Notes on pages 7 of 68
make an integral part of these financial statements.



CAPITAL CHANGE STATEMENT

In the period from 1 January to 31 December 2019

(All amounts are expressed in RSD thousand, unless otherwise stated)

	Share capital/equity	Provisions	Retained profit	Gains or losses based on securities available- for-sale	Total capital
Opening balance for the previous year as at 01 January 2018	6,191,145	946,353	169,146	-	7,306,644
Capital increase					-
Profit in the current year			114,114		114,114
Payment of dividends			(65,695)		(65,695)
Transfer to reserves		65,694	(65,694)		-
Gains (or losses) based on securities available-for-sale				(6,125)	(6,125)
Balance as at the end of previous year as at 31 December 2018	6,191,145	1,012,047	151,871	(6,125)	7,348,938
Capital increase					-
Profit in the current year			76,250		76,250
Payment of dividends			(57,057)		(57,057)
Transfer to reserves		57,057	(57,057)		-
Gains (or losses) based on securities available-for-sale				17,102	17,102
Balance as at the end of the current year as at 31 December 2019	6,191,145	1,069,104	114,007	10,977	7,385,233

Notes on pages 7 of 68
make an integral part of these financial statements.



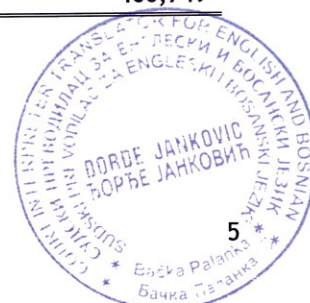
CASH FLOW STATEMENT

In the period from 1 January to 31 December 2019

(All amounts are expressed in RSD thousand, unless otherwise stated)

	2019	2018
CASH FLOWS FROM BUSINESS ACTIVITIES		
Cash inflows from business activities	529,205	536,543
Cash outflows from business activities	(554,085)	(441,648)
Net cash inflow from business activities	(24,880)	94,895
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Cash inflows from investment activities	10,800,017	12,033,233
Cash outflows from investment activities	(10,683,519)	(13,835,488)
Net cash inflow from investment activities		
Net cash outflow from investment activities	116,498	(1,802,255)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities	176,726	2,062,103
Cash outflows from financing activities	(233,325)	(301,950)
Net cash inflow from financing activities	-	1,760,153
Net cash outflow from financing activities	(56,599)	-
CASH INFLOW TOTAL	11,505,948	14,631,879
CASH OUTFLOW TOTAL	(11,470,929)	(14,579,086)
NET CASH INFLOW	35,019	52,793
NET CASH OUTFLOW	-	-
CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	460,749	411,086
POSITIVE FOREIGN EXCHANGE CURRENCY DIFFERENCES (FOREIGN EXCHANGE CURRENCY GAINS) BASED ON CASH RECALCULATION	43,968	100
NEGATIVE FOREIGN EXCHANGE DIFFERENCES (FOREIGN EXCHANGE LOSSES) BASED ON CASH RECALCULATION	(47,540)	(3,230)
CASH AT THE END OF THE ACCOUNTING PERIOD	492,196	460,749

Notes on pages 7 of 68
make an integral part of these financial statements.



STATEMENT ON REMAINING RESULT

In the period from 1 January to 31 December 2019

(All amounts are expressed in RSD thousand, unless otherwise stated)

	2019	2018
NET OPERATING RESULT		
Net profit	76,250	114,114
OTHER COMPREHENSIVE INCOME OR LOSS		
Items that will not be reclassified to the Income Statement (Profit and Loss Account) in the future periods		
Items that can subsequently be reclassified to the Income Statement (Profit and Loss Account) in the future periods		
	12,115	4,824
Gains based on securities available-for-sale	(25,190)	(10,949)
Losses based on securities available-for-sale		
Other gross comprehensive income	(13,075)	(6,125)
Tax on other comprehensive income or loss for the period	(1,961)	(488)
Other net comprehensive income	(15,036)	(6,613)
TOTAL COMPREHENSIVE NET RESULT FOR THE PERIOD		
Total net comprehensive income	61,214	107,501
Total net comprehensive income for the period	61,214	107,501

Notes on pages 7 of 68
make an integral part of these financial statements.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***1. ESTABLISHMENT AND CORE ACTIVITY**

The establishment of the Agency for Export Insurance and Financing of the Republic of Serbia a.d. Užice (hereinafter referred to as: the Agency) was carried out in accordance with the special Law on the Agency for Export Insurance and Financing of the Republic of Serbia ("Official Gazette of the Republic of Serbia", No. 61/2005).

The Agency was established on 26 July 2005 for an indefinite period. The Agency data were registered on 16 August 2005 at the Serbian Business Registers Agency, by which the Agency gained the status of a legal entity. The legal form of the Agency is a closed joint stock company that was established by the Republic of Serbia, with a subscribed capital of EUR 25,000,000, of which EUR 12,507,469.50 was paid in 2005 (50.03% of total subscribed capital) and the rest was paid in 2006 in the dinar counter value according to the median exchange rate prevailing on the date of payment.

Payment transactions linked to the performance of activities of the Agency are done through sub-account (sub-account for regular operations and sub-account for own revenues) opened within the consolidated treasury account kept at the Treasury Administration. Subsequent to the merger with the Fund SMECA on 22 May 2009, the Agency took over the RSD and foreign currency accounts with commercial banks the Fund had at the moment of merger.

Amendments to the Law on Agency ("Official Gazette of the Republic of Serbia", No. 88/10) from 01 December 2010 occurred amendments to activities of the Agency as follows:

The core activity of the Agency remained insurance, including:

- insurance and reinsurance of foreign export activities and investments of domestic legal entities and entrepreneurs against commercial and non-commercial risks, as well as insurance of collection of claims of exporters in the domestic market up to the amount of the export arrangement, either independently or in cooperation with other insurance companies i.e., agencies;
- Financing of export arrangement of domestic legal entities and entrepreneurs, co-financing of export arrangements with commercial banks and other financial institutions, refinancing of export loans granted by commercial banks;
- financing the export preparation of domestic legal entities and entrepreneurs upon conclusion of an export agreement;
- financing the investments of domestic legal entities and entrepreneur in foreign markets for the purpose export promotion;
- Insurance of export preparation by domestic legal entities and entrepreneurs against the non-commercial and commercial risks upon conclusion of an export agreement, either independently or in cooperation with other insurance companies i.e., agencies;
- financing a foreign buyer or its bank in connection with export of a domestic legal entity or entrepreneur;
- Insurance of domestic banks in connection with loans and guarantees for export arrangements and investments abroad and contracted credit lines with foreign banks;
- issuance of guarantees and other sureties for export arrangements and investments abroad;
- Provision of other services in connection with financing, guaranteeing and insurance of export arrangements and investments in domestic and foreign market.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***1. ESTABLISHMENT AND CORE ACTIVITY (Continued)**

Following the adoption of amendments to the Law on Agency ("Official Gazette of the Republic of Serbia", No. 88/10), the registered seat of the Agency was changed. On 26 January 2011 the change was registered with the Serbian Business Registers Agency. As of that date, the seat of the Agency is at Užice, Nikole Pašića 30.

In April 2014, the registered seat address was changed to Ljube Stojanovića 5, also in Užice, and the change was registered in the Business Registers Agency on 01 August 2014.

As at 31 December 2019, the Agency employed 70 employees (in 2018: 70 employees).

The registration number of the Agency is 20069244.

The tax identification number of the Agency is 103982111.

By entering into force of the Law on Termination the Law on Insurance Fund and Export Financing - SMECA (hereinafter referred to as: The Fund) ("Official Gazette of the Republic of Serbia", No. 36) on 22 May 2009 the Export Credit and Insurance Agency took over all employees, rights and obligations, cash, items, equipment, tools and archives.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND COMPARATIVE DATA

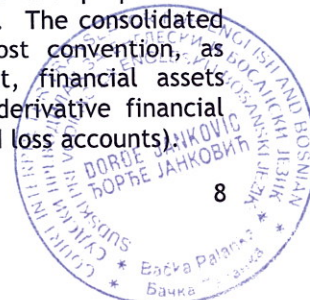
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise indicated.

2.1. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND COMPARATIVE DATA (Continued)

The financial statements have been prepared and presented in accordance with:

- Law on Auditing ("Official Gazette of the Republic of Serbia", No. 62/2013),
- Law on Auditing ("Official Gazette of the Republic of Serbia", No. 62/2013),
- International Financial Reporting Standards ("Official Gazette of the Republic of Serbia", Nos. 77/10 and 35/14),
- Rulebook on Layout of Chart of Accounts and Content of Accounts in Layout of Chart of Accounts for companies, cooperatives and sole entrepreneurs ("Official Gazette of the Republic of Serbia", Nos. 114/06 and 95/14),
- Rulebook amending Layout of Chart of Accounts and Content of Accounts in Layout of Chart of Accounts for companies, cooperatives and entrepreneurs ("Official Gazette of the Republic of Serbia", No. 119/08, 9/09, and 3/11),
- Rulebook on forms and contents of positions in financial statement forms for companies, cooperatives and entrepreneurs ("Official Gazette of the Republic of Serbia", No. 114/06),
- Rulebook amending Rulebook on forms and contents of positions in financial statement forms for companies, cooperatives and entrepreneurs (Official Gazette of the Republic of Serbia, Nos. 5/07, 119/08, and 2/10).

Except as described below, the company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historic cost convention, as modified by the revaluation of property, plant and equipment, financial assets available for sale and financial assets and liabilities (including derivative financial instruments) at fair value through the income statements (profit and loss accounts).



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND COMPARATIVE DATA (Continued)****2.1. Basis of preparation and presentation of financial statements (Continued)**

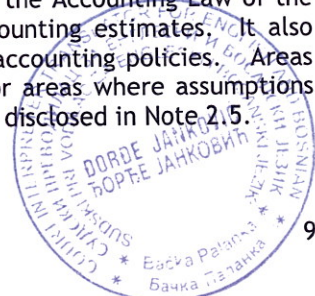
The Company has prepared these financial statements in accordance with the Law on Accounting Law of the Republic of Serbia (hereinafter referred to as: the "Law") published in the "Official Gazette of the Republic of Serbia" No. 61/2013, which stipulates that financial statements are prepared in accordance with all IFRS translated until 31 July 2013. Specific requirements of the Law differ from IFRS due to the fact that they are adopted only translated standards and these financial statements include the effects of IFRS as published by 31 July 2013. In addition to the above, the Law requires certain impressions and specific treatment accounts and balances, which resulted in additional departures from IFRS as follows:

- 1 The Company's financial statements are prepared in format prescribed by the Ministry of Finance of the Republic of Serbia, which is not in accordance with the requirements of IAS 1 (revised) - "Presentation of Financial Statements" and IAS 7 - "Cash Flow Statements".
- 2 "Off-balance sheet assets and liabilities" are shown in the balance sheet. These items in accordance with the definition of the IFRS do not represent either assets or liabilities.
- 3 Errors from previous years are not reflected in the financial statements for 2017 have already been recorded as adjustment of the opening balance of retained earnings in the financial statements for 2018.
- 4 The decision of the Ministry of Finance of the Republic of Serbia No. 401-00-896/2014-16 dated 13 March 2014 ("Official Gazette of the Republic of Serbia", No. 35/2014) stipulates that the official standards constitute official translations of International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) issued the International Accounting Standards Board (IASB) and interpretations issued by the Committee for International Financial Reporting Interpretations (IFRIC) until 31 July 2013. Until the date of preparation of the financial statements is not translated any amendment or supplement existing or revised standards, as well as any new interpretations issued by the IASB and IFRIC after 31 July 2013. Standards and interpretations for which there is no official translation in the Republic of Serbia are: IFRS 15 - Revenue from contracts with customers; IFRS 9 R - Financial Instruments.

In view of the foregoing, the attached financial statements do not fully comply with IFRS and may not be considered financial statements prepared and presented in accordance with IFRS.

In preparing these financial statements, the company used accounting policies further described below in Notes 2 and 3, which are based on the applicable accounting and tax regulations of the Republic of Serbia. These policies have been consistently applied to all the years presented.

The preparation of financial statements in accordance with the Accounting Law of the Republic of Serbia requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying accounting policies. Areas that require a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.5.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND COMPARATIVE DATA (Continued)****2.2. Comparative data**

The comparative data represent financial statements of the Agency for 2017 prepared in accordance with accounting regulations of the Republic of Serbia, which were audited by an independent auditor, on which in its report of 18 June 2018 the auditor expressed a opinion with a reserve.

The management of the Agency estimated that the effects of error adjustments from previous periods are not materially significant, so no adjustment of comparative data was made, but they are recorded in the current reporting period.

2.3. Application of the presumption of continuity of operations

In the period after the date of the financial statements, the state of emergency was declared in the Republic of Serbia because of the COVID-19 virus epidemic, which resulted in the decision of the Agency's managing body to calculate regular interest on all loans instead of default interest (loans and factoring operations), as well as to delay maturity for all loans disbursed after the date of the declaration of the state of emergency until 31 December 2020, which will have an impact on the payment of principal. For all loans approved after 31 March 2020, there are no changes to the basic elements of the contract in this sense. In the part of factoring operations and insurance there are also no changes in terms of maturity, and the collection takes place normally. In the assessment of the management, this decision will result in a reduced volume of business revenue in 2020, but will also have an impact on liquidity, as well the assumptions and estimates that are used in determining the recoverability of receivables. At this moment, there are no reliable estimates which can quantify the effects of undertaken measures on the profitability and liquidity of the Agency. Regardless of the foregoing, as at the date of publication of these financial statements, the Agency continues to meet its obligations within maturity, and therefore continues to apply the principle of continuity of operations as the accounting basis for the preparation of financial statements.

2.4. Utilisation of estimates

The preparation and presentation of financial statements requires from the Agency's management to use the best possible estimates and reasonable assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent receivables and liabilities at the date of the financial statements, and revenues and expenditures during the reporting period.

These estimates and assumptions are based on information available at the date of the financial statements. Actual results may differ from those stated estimates. Estimates and assumptions are considered on an ongoing basis, and once adjustments become necessary, they are presented in the income statement (profit and loss account) for the periods in which they become known.

Below are crucial estimates and assumptions that contain a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND COMPARATIVE DATA (Continued)****2.4. Utilisation of estimates (Continued)****(a) Impairment of financial assets**

The Agency assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial asset or a group of financial assets is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of an asset (loss event) and when the loss event affects the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

When it comes to the assessment of impairment losses on short-term investments and other receivables, the Agency reviews its loan portfolio at least quarterly in order to assess impairment.

In determining whether an impairment loss should be recorded in the balance sheet, the Agency makes an evaluation as to whether there is any reliable evidence indicating that there is a measurable decrease in estimated future cash flows from a loans portfolio before decrease that can be identified with an individual loan in the portfolio. The evidence may include available data indicating an unfavourable change in the payment status of borrowers toward the Bank, or national and local economic conditions that correlate with defaults on assets of the Agency.

The management of the Agency performs estimates based on historical loss experience of generated losses on short-term investments and other receivables from prior periods for assets with credit risk characteristics and objective evidence of impairment similar to that in the loan portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between estimated and actual losses.

(b) Determining the fair value of financial instruments

The fair value of financial instruments traded in an active market at the balance sheet date is based on quoted market bid prices or demand, without any deduction for transaction costs.

The fair value of financial instruments not listed in an active market is determined using appropriate valuation techniques, which include net present value technique, comparison to similar instruments for which market observable prices exist and other relevant models.

When market inputs are not available, they are determined by estimates that include a certain degree of assumption in the assessment of the "fair" value. Valuation models reflect current market conditions at the measurement date and do not necessarily reflect market conditions before or after the measurement date. Therefore, valuation techniques are revised periodically, in order to appropriately reflect current market conditions.

(c) Impairment of equity investments

The Agency considers equity investments available for sale to be impaired when there is a documented (market data) or estimated decline in the fair value of the asset below its cost.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS AND COMPARATIVE DATA (Continued)****3.4. Utilisation of estimates (Continued)****(d) Useful life of intangible assets and fixed assets**

The determination of the useful lives of intangible assets and fixed assets is based on historical experience with similar assets as well as on any anticipated technological development and changes influenced by wide range of economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication that there have been significant changes which constituted the basis for the determination of useful life.

(e) Impairment of non-financial assets

At the balance sheet date, the management of the Agency reviews the carrying amounts of its intangible assets and fixed assets of the Agency. If there is any indication that an asset is impaired, the recoverable amount of the asset is estimated in order to determine the amount of impairment. If the recoverable amount of an asset is estimated to be less than the value at which the asset is presented, the carrying value of the asset is reduced to its recoverable amount.

An impairment review requires from the management to make subjective judgments concerning the cash flows, growth rates and discount rates of the cash generating units under review.

(f) Provision for legal proceedings

The Agency is involved in several legal proceedings arising from daily operations that relate to commercial and contractual matters as well as issues related to labour relations, which are resolved and considered in the course of regular business activity.

The Agency estimates the probability of negative outcomes to these matters, as well as amounts of probable or reasonable estimated losses.

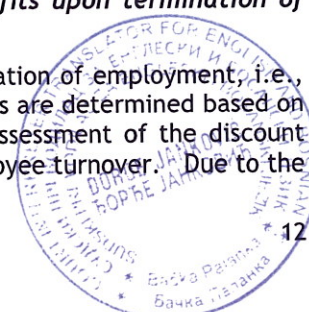
Reasonable estimates involve judgment made by the management after considering information including notifications, settlements, estimates performed by legal department, available

facts, identification of other potentially responsible parties and their ability to contribute, as well as prior experience.

Provision for legal proceedings is recognised when it is probable that an obligation exists for which a reliable estimation can be made of the obligation after careful analysis of the individual matter. The required provision may change in the future due to new developments and as a result of obtaining additional information. Matters that are either contingent liabilities or do not meet the criteria for a provision are disclosed, unless there is a very low probability of an outflow of resources involving economic benefits.

(h) Severance payments/retirement benefits and other benefits upon termination of employment

The cost of defined employee benefits payable upon termination of employment, i.e., retirement in accordance with the fulfilled legal requirements are determined based on actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and employee turnover. Due to the



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

long-term nature of these plans, significant uncertainties influence the outcome of the assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**3.1. Other operating income**

Other operating income is income originated from service rendered. Their recognition is made entirely at the time of receiving for income.

Rental charges

Rental charges relate to the rental of business premises. These costs are recognised in the income statement (profit and loss account) as incurred in accordance with the relevant operating lease agreements.

3.3. Operating expenses

Operating expenses are cost of materials, wages, salaries and other personnel expenses, depreciation charges, impairment and provisions, production and non-material costs. Operating expenses are recognised and recorded at the time they are incurred.

3.4. Financial income

Financial income relates to interest income on the basis of approved short-term loans granted to clients, the interest income on the basis of short-term deposits with commercial banks, the interest income from purchase of receivables (international and domestic factoring), commission for processing requests for approval short-term loans and demand for factoring, insurance premiums, as well as foreign exchange gains and income arising from currency clause (Note 11).

Interest income, including penalty interest and other income related to interest bearing assets are accounted for on an accrual basis of revenue and expenditure and the obligatory terms defined by a contract between the agency and the client.

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale, interest income is recorded at the agreed interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or when appropriate, a shorter period, to the net carrying value of financial assets or financial liabilities.

3.5. Financial expenditures

Financial expenditures relate to payment of damages in respect of insurance and other costs arising from insurance contracts, foreign exchange losses and interest expense (Note 12).



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.6. Foreign currency translation and accounting treatment of exchange rate differences and the effects of foreign currency clause**

Items included in the financial statements of the Agency are measured using the currency of the primary economic environment in which the Agency operates (functional currency). The financial statements are stated in thousands of dinars, which represents the functional and reporting currency of the Agency.

All assets and liabilities in foreign currencies at the balance sheet date are translated into RSD at the official median exchange rate of the National Bank prevailing at that date.

Business changes in foreign currencies during the year are translated into RSD at the official median exchange rates of the National Bank of Serbia prevailing at the transaction date.

Positive and negative foreign exchange differences (gains and losses) arising upon the translation of assets and liabilities denominated in foreign currencies and from the translation of transactions during the year are recorded in the income statement (profit and loss account), as financial income or expense.

Positive and negative effects of contracted foreign currency clause of financial assets and liabilities, incurred by applying the agreed rate, are also credited or debited as appropriate, to the income statement (profit and loss account) as financial income or expense.

3.7. Other income and expenses

Other income is revenue incurred from valuation adjustment of short-term investments at the market (fair) value on the balance sheet due to change in fair value compared to their net book value, as well as income from reversal of provisions.

Other expenses mostly relate to expenses from impairment of loans and placements (Note 12), and to other expenses not mentioned.

3.8. Equipment

Equipment is considered as assets with an expected useful life over a year, and a single value is greater than the average gross salary in Serbia at the time of purchase in accordance with the latest data published by the Statistics Office of the Republic of Serbia. Equipment is stated at cost value, less accumulated depreciation and accumulated impairment loss.

Equipment acquired under finance leases is recognised as asset and related liabilities are recognized for amounts that are equal to the value of the leased asset at the inception of the lease. Any gains or losses arising on disposal of the asset are credited or debited as appropriate, to the income statement (profit and loss account) as other income or expenses. Investments that increase the useful life of fixed assets are recorded as part of the property, while investment in maintenance and repairs that extend the useful life are burden for operating expenses.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.9. Impairment of non-financial assets**

In accordance with adopted accounting policy, at each balance sheet date, the management of the Agency reviews the carrying amounts of the property, plant and intangible assets and assesses whether there is any indication of impairment of an asset. If there is any indication that an asset is impaired, the recoverable amount of the asset is estimated in order to determine the amount of impairment. If the recoverable amount of an asset is estimated to be less than its carrying value at which the asset is disclosed, the carrying amount of the asset is reduced to its recoverable amount, being the higher of net selling price and value in use.

3.10. Amortisation

Write-off of equipment is calculated using the straight-line method applied the cost of fixed assets using prescribed annual rates in order to write them off over their estimated useful lives. The amortisation base is the cost of asset less residual value.

The write-off is provided at rates which are based on the estimated useful life of assets, estimated by the management and approved by the Governing Board of the Agency. Review of useful life is carried by the Agency's relevant department.

The depreciation rates for the main categories of equipment are listed below:

Passenger motor vehicles	10%
Computers and related equipment	20%
Other equipment	10% - 30%

The annual amortisation rates that the Agency applied for computing the depreciation of the annual account for 2018 for financial reporting purposes are different from depreciation rates prescribed and recognized in the tax return for determining taxable profit. The calculation of depreciation for tax purposes is determined in accordance with the Law on Corporate Income Tax and the Rulebook on the Manner of Fixed Assets Classification by Groups and Depreciation for Tax Purposes, which resulted in deferred taxes (Note 17).



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.11. Unearned premiums**

Calculation of unearned premium is done in accordance with the Rulebook on forming and calculating and amounts of unearned premiums, which determines the amount of unearned premiums and the amount of the bonus policy for the next period, as well as the participation of unearned reinsurance and mutual insurance premiums.

Unearned premium is the portion of premiums used to cover insurance liabilities that arise in the next accounting period. The basis for founding and computing unearned premium is invoiced gross premiums.

The calculation of unearned premium is done on the number of days of insurance in the next accounting period (pro rata temporis).

The basis for calculating insurance premiums is multiplied by the number of days that insurance exists in the next accounting period, and obtained result is divided by the total number of days of insurance. Duration of insurance with insurance receivable is a contractual term of payment for each customer within each insurance policy on the basis of reported data on transactions and maturities that are contained therein.

Unearned premium is calculated at pro rata temporis method, at each insurance policy, whereby exactly time separation between past and remaining period of the policy is done (applies to policies where the amount of insurance coverage does not change during the insurance period). Such calculated unearned insurance premium, does not contain only carried forward premium for covering liabilities in the next accounting period, but also includes a proportionate share of the profits arising from insurance, which is transferred to the next accounting period.

The parameter used in calculating of unearned premium is only the remaining period of insurance policy, and it is not the criterion whether the premium will be sufficient for damage payments, nor possibility of computing the reserve for unexpired risks, which would ensure the adequacy of unearned premiums. The computing method does not entirely comply with the requirements that as a minimum, should be met in performing the adequacy of liabilities test.

3.12. Outstanding damage claims

The method of calculating damage claims incurred and reported but not settled by the end of the current maintenance period and claims incurred but not reported by the end of the current maintenance period is regulated by the Rulebook on Detailed Criteria and Manner of Calculating Outstanding Claims.

Outstanding damage claims in terms of this Rulebook, shall be:

- Claims incurred and reported but settled by the end of the current accounting period,
- Claims incurred but not reported by the end of the current accounting period.

Reported, but not settled damage claims are damage claims that are reported to the Agency, but not calculated and settled by the end of the accounting period.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.12. Outstanding damage claims (Continued)**

Incurred but not reported claims are damages that are incurred but not reported to the Agency by the end of the accounting period.

The Agency is obliged to provide a sufficient amount of funds to cover liabilities in respect of claims incurred and reported but not settled by the end of the current accounting period and in respect of claims incurred but not reported claims by the end of the current accounting period. The Agency is obliged to calculate in respect of claims reported but not settled, and claims incurred but not reported, on the last day of the current accounting period ending on 31 December.

The amount of provisions for reported damages is assessed for each individual damage.

Damages that were reported and reserved at the end of the previous financial year and have not been finally settled in the current year are again reserved.

Reserved amount of damages upon registered and unpaid damage claims, according to the periodical account, shall be determined by an individual assessment of each claim. Specific amount for claims reported from 1 January to the end of the accounting period is determined by multiplying the number of such damage with the average amount of all claims settled from 1 January until the end of the accounting period, and not settled but outstanding claims as at 31 December of the previous year in the liability claim at 31 December of the previous year.

Claims incurred but not reported are liabilities incurred by 31 December of the current year or a prior period, reported and for which the Agency has an obligation. Book of the damages is done according to the information on resolved and reserved incurred, reported and pending claims as well as the application of recognised actuarial methods. The provisioned amount of incurred but unreported claims by interim reports is determined by multiplying the total amount of outstanding damages reported with the coefficient of participation of incurred but not reported claims in the total provisioned amount as at 31 December of the previous year.

The amount of outstanding claims is determined by the Agency by multiplying calculated reserve reported outstanding claims and incurred but not reported claims incurred with ratio related to the settlement of damages.

The effects of changes in outstanding claims are credited or debited in the profit and loss account as appropriate through recognition of revenue and expenses in the amount of the change in status of outstanding amounts on all types of insurance rates, separately.

Such method is inconsistent with the prescribed requirements stipulated by the liability adequacy test.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.13. Reserves (provisions) for risk equalisation**

The Rulebook on detailed criteria and manner of calculating risk equalisation reserves regulates the criteria and the manner of calculation of equalisation reserves for risk and calculate the upper limit of liability for the formation of these reserves, the calculation amount and the increase and decrease of the reserves, the basic data for the calculation of the annual authoritative technical results and the standard deviation of the results from the average of the applicable technical result of the period.

Equalisation reserves are created based on annual standard deviation of the claims ratio of the claims ratio relative to the average claim ratio achieved during the period observed for each type of non-life insurance (hereinafter referred to as standard deviation). The bases for the calculation of equalisation reserves is the net retained premium in the current year and the standard deviation

Equalisation reserves are calculated as of 31 December of the current year.

In each calculation, the Agency makes additional transfer in for each calculation of its equalization reserves for each type of insurance for which the annual claims ratio for the respective type of insurance in the current year is below the average claims ratio for the respective type of insurance in the period observed. Such additional transfer in calculated by multiplying the difference between the average claims ratio and the annual claims ratio by the net retained premium for that type of insurance in the current year.

In case that the difference exceeds average of the applicable technical result of the period, the Agency should reduce the reserve. Reduction is calculated by dividing annual difference with the applicable technical results in the period multiplied by technical retained premium realized in the current year for type of insurance.

The recognition of liability for future payments, i.e. liability that has not appeared at the reporting date (in the event of a disaster or an equalizer), is not allowed by IFRS 4. The Agency is required under the applicable regulations issued by the competent authority, to calculate equalisation reserves. Risk equalisation reserves are an expression of deviations from standard annual technical results of the company compared to the average of the standard technical results over many years.

3.14. Short-term financial investments

Short-term financial investment are financial instruments and relate to short-term loans disbursed by Agency, receivables from specific transactions, held-to-trade and to maturity securities and term cash deposits placed with commercial banks.

All financial instruments are initially recognized at fair value including transaction costs (other than financial assets or financial liabilities that are measured at fair value through profit or loss), which are directly attributable costs of acquisition or issue of financial asset or liability.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.14. Short-term financial investments (continued)**

Financial assets and liabilities are recorded in the balance sheet of the Agency, as at the date upon which the Agency becomes counterparty to the contractual provisions of a specific financial instrument. The purchases and sales of financial assets "in a regular way" are recognised on the settlement date, i.e., the date the asset is delivered to the counterparty.

Financial asset is derecognized when the Agency loses control over the contractual rights of such instruments, which occurs when the rights of use are realised, expired, abandoned or relinquished. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

The Agency classifies its financial assets in the following categories: financial assets at fair value through income statement (profit and loss account), loans and receivables, securities held-to-maturity and securities available for sale. The management of the Agency determines the classification of its investments at the time of initial recognition.

3.14.1. Financial assets at fair value through income statement (profit and loss account)

This category includes financial assets held for trading and those designated at fair value through income statement (profit or loss account).

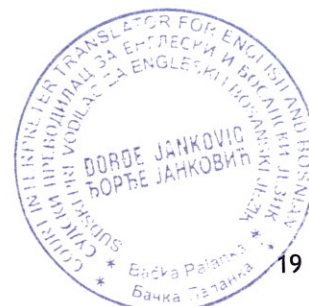
Financial assets are classified as held for trading if acquired or incurred principally for the purpose of selling or repurchasing in the near term and generating profit from short-term price fluctuations. These assets are stated at fair value in the balance sheet.

All gains and losses arising upon valuation and sale of financial assets at fair value are recorded in the income statement (profit and loss account).

3.14.2. Loans and receivables

Loans and other investments to clients (including receivables from factoring) approved by the Agency are recorded in the balance sheet when they are disbursed. At each balance sheet date, loans and other investments are measured at amortised cost using the contractual interest rates, net of accumulated depreciation and impairment amounts written off.

The effects of non-application of the effective interest rate in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", in which loans are measured at amortised cost using the effective interest method are not material significant on disclosed loans to customers and financial statements taken as a whole by the management assessment, due the agency fee which is an integral part of the effective interest rate is charged in advance and the loans have been granted on the short term.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.14. Short-term financial investments (continued)****3.14.2. Loans and receivables (continued)**

The Agency, in accordance with its internal policy, assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of an asset and when the same impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Indicators on the basis of which the Agency determines that there is objective evidence of impairment of loans and advances include the following: delays in the payment of principal or interest, financial difficulties of the debtor, including the possibility of bankruptcy or some other form of financial reorganisation of the debtor, breach of contractual obligations, the deterioration of the competitive position of debtors, reduction of the value of collateral loans, as well as other indicators suggest that there is a measurable reduction in future cash flows, such as changes in national and economic conditions that are directly related to the non-performance of contractual obligations.

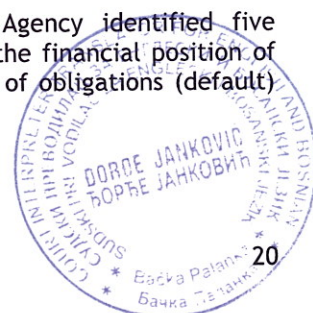
Pursuant to internal policy, the Agency first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Agency identifies that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it is included in a group of financial assets with similar credit risk characteristics that are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (discounted by contractual interest rate). The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may arise from the realisation of collateral payments.

The Agency has made the policies and procedures in order to obtain adequate and effective credit risk management to which Agency is exposed in its operations. This act established the methodology and procedures for identification, measurement and assessment of the credit risk on certain receivables and investments (products) and the method of calculation and recording of reserves for potential losses that may arise in respect of balance sheet assets.

The Agency is committed to, on an individual basis (individual assessment) book impairment of balance sheet assets and off-balance sheet items.

For the measurement and assessment of receivables the Agency identified five categories based on the following parameters: assessment of the financial position of the debtor in the last two operating years, timely settlement of obligations (default) and obtained collaterals.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.14. Short-term financial investments (continued)****3.14.2. Loans and receivables (continued)**

For the classification of receivables from the internal factoring operations and calculation of the provision as stipulated by the policies and Procedures for Credit Risk Management, the Agency has identified five categories: assessment of debtor financial rating, timely payment of purchased receivables (arrears) and obtained collaterals.

The basis for the calculation of potential losses and specific reserves for factoring the Agency determines for each borrower (insured), considering the total amount of the receivable.

The valuation adjustment is calculated on the base that is equal to the amount of receivable, applying the following percentages: category A - 0%, category B - 2%, category C - 15%, category D - 30% and E - 100%. The Agency adopted these percentages in 2013, and upon changes and amendments to Policies and Procedures for Credit Risk Management at the end of 2019, there has been no change of the same percentages.

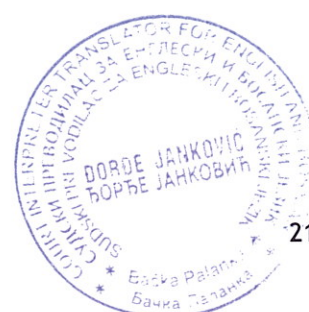
Investments in deposits (in RSD and in foreign currency) deposited with banks over seven days are classified in Category A, except in cases where during the period of deposit the bank lost its work licence (i.e., it is under temporary measures), as well as for banks in bankruptcy and liquidation, when they are classified in category D.

The losses arising from impairment of loans and receivables and other financial assets, are recorded in the income statement (profit and loss account) as the impairment of receivables (Note 14).

In the event that the Agency has no real possibilities for debt collection and when all securing instruments activated, the write-off is done in accordance with the decisions of the court and of the Administrative Board of the Agency. If in a subsequent period, the amount of the impairment loss decreases due to credit events that occurred after recognition of the impairment loss previously recognised, impairment loss is adjusted by changes in the allowance account and the amount of the reversal is recognised in profit or loss as a reversal of impairment.

Loans in dinars, which are hedged by exchange rate, are revalued in accordance with the contract signed for each loan. The difference between the carrying amount and the amount calculated by applying the currency clause is disclosed within the client's investments. The currency clause is an embedded derivative that is not accounted for separately from the base contract, with respect to the economic characteristics and risks of the embedded derivative are closely related to the base contract.

Gains/losses arise from the revaluation applying foreign currency clause is recognised in the income statement (profit and loss account) as gains/losses on foreign currency clause.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.14. Short-term financial investments (continued)****3.14.3. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3.15. Liabilities from operations

Trade payables and other current liabilities are stated at their nominal value.

3.16. Provisions

Provisions are recognised when the Agency has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for insurance of commercial risks, which are recorded in off-balance records of the Agency are formed in accordance with established criteria and methodologies defined by the Rules of forming and the manner of calculating and the amounts of unearned premiums, the Rules on detailed criteria and methods of calculating damages, as well as the Rulebook on detailed criteria and manner of calculating risk equalization reserves.

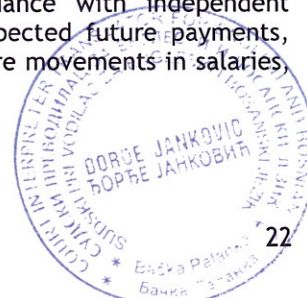
The Agency calculates provisions for estimated losses whose basis for calculation is the gross book value of the receivables, less:

- non-utilised amount of frame for guarantees and revolving loans which the Agency may unconditionally and without notice cancel or for which there is the Agency's contracted right to unilaterally terminate the contract due to the deterioration of the financial condition and credit worthiness of the borrower;
- 80% of the unused amount of frame for guarantees and revolving loans with an effective maturity of one year;
- 50% of unused amount of framework for guarantees and revolving loans with an effective maturity of more than one year;
- 50% of value of performance bonds/guarantees;
- collected receivables based on recourse resulting payment of claims arising from insurance operations.

The previously mentioned gross book value consists of balance sheet and off-balance sheet records per each contract.

Provisions for litigations are booked in the amount of management's best estimates in respect of the expenditure to be incurred to settle such obligations.

Provisions for severance payments are booked in accordance with independent actuarial report and are stated in the present value of expected future payments, taking into account the assessment of the discount rate, future movements in salaries, mortality rates and employee turnover.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.17. Leasing***Operating leases - Agency as a Lessee*

A lease of assets where all the risks and rewards relative to ownership are held with the lessor, i.e., were not transferred to the lessee, is recorded as operating lease.

Payments under operating leases are recognized as an expense in the income statement (profit and loss account) on a straight-line basis (when they occur) during the period of the lease (Note 7).

Financial leasing

Leases are classified as financial lease, when all significant risks and benefits incidental to ownership of the leased item are transferred to the lessee, where formal ownership may not be transferred.

Assets taken under finance leases are initially recognised at the present value of the minimum lease payments.

Lease liabilities are initially recognised for the present value of the minimum lease payments. At the balance sheet lease liabilities are measured at the amount initially recognised less repayments of lease obligations in respect of principal and interest expense included in the lease, or in obligations under finance lease liabilities are not liabilities for non-due interest, the repayment schedule.

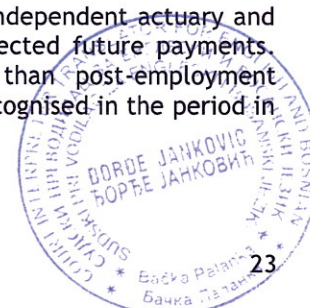
3.18. Employee benefits**a) *Taxes and contributions for compulsory social insurance***

In accordance with the regulations prevailing in the Republic of Serbia, the Agency is obligated to pay contributions to various state social security funds. These obligations include contributions payable by the employee and by the employer in an amount computed by applying the specific, legally-prescribed rates. The Agency is also legally bound to withhold calculated contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. Contributions paid by the employee and the employer are charged to expenses in the period to which they relate.

b) *Obligations for severance payments (retirement benefits)*

In accordance with the Rules of Procedure, the Agency is obligated to pay retirement benefits in the amount of two times the average salary in the Republic in the month preceding the month in which the retirement benefit is paid. The entitlement to these benefits is usually conditional on the employee remaining in service until the prescribed age for retirement and the minimum service period. The expected costs of these benefits are accrued over the period of employment.

Long-term provisions for retirement benefits are made by an independent actuary and are recognised in the balance sheet at present value of expected future payments. Since this concerns long-term employee benefits, rather than post-employment benefits, actuarial gains and losses and past service cost are recognised in the period in which they arise.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****3.19 Income taxes****a) Current tax**

Current income tax represents an amount that is calculated and paid in accordance with the provisions of the Law on Corporate Income Tax of the Republic of Serbia.

Income tax is payable at the rate of 15% on the tax base reported in the corporate income tax return, and can be reduced by any applicable tax credits. The taxable base includes taxable profit, determined by adjusting the taxpayer's result (profit or loss) reported in the income statements (profit and loss accounts) in the manner prescribed by the tax regulations in the Republic of Serbia.

The tax regulations in the Republic of Serbia do not allow for any tax losses of the current period to be used to recover taxes paid within a specific carry back period. However, losses of the current period may be transferred to the account of profit determined in the annual tax return for future accounting periods, but not longer than five ensuing years.

b) Deferred tax

Deferred income tax is calculated for all temporary differences between the tax bases of assets and liabilities and their carrying values. The currently applicable tax rates at the balance sheet date are used to determine the amount of deferred taxes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits, to the extent that it is probable taxable profits will be available against which the deferred tax asset can be utilised.

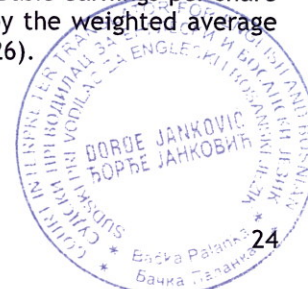
Current and deferred taxes are recognised as expenses and income and are included in the net profit of the reporting period.

3.20. Fair value

The business policy of the Agency is to disclose information on the fair value of assets and liabilities for which there are official market data and whose fair value is materially different from the carrying value. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are not available at present. As a result, fair value cannot reliably be determined in the absence of an active market. The management of the Agency makes a risk assessment and makes a valuation adjustment in cases where it estimates that the value of assets stated in its books may not be realised. In the opinion of the Agency, the amounts in these financial statements reflect the value that is in given circumstances the most credible and useful for reporting purposes.

3.21 Earnings per share

The Agency calculates and discloses basic earnings per share. Basic earnings per share is calculated by dividing net profit for the accounting period by the weighted average number of ordinary shares outstanding during the period (Note 26).



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***4. FINANCIAL RISK MANAGEMENT**

The Agency is, in its regular course of operations, exposed to the following major risks: market risk (foreign currency risk and interest rate risk), liquidity risk and credit risk.

Risk management in the Agency is focused on minimizing the potential adverse effects on the financial condition and operations of the Agency in the situation of unpredictability of financial markets.

4.1. Market risk**(a) The risk of changes in exchange rates of foreign currencies**

Foreign currency risk is the risk of negative effects on financial result and capital of the Agency due to exchange rate changes.

The Agency is exposed to the foreign currency risk originated from performed transactions locally and abroad, and from various currency exposures, primarily in EUR.

The Agency has receivables and liabilities denominated in foreign currencies, and hence the compliance of inflows and outflows in the same currency is maximised in order to protect the agency against changes in exchange rates. Otherwise, the Agency has not used hedge against foreign exchange risk with respect to the existing regulations and underdeveloped financial markets.

The following table presents the Agency's foreign exchange risk as at 31 December 2019. The table includes assets and liabilities at their carrying values:



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

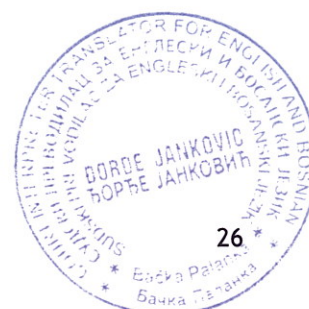
Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market risk (Continued)

(a) The risk of changes in exchange rates of foreign currencies (Continued)

	EUR	Total in foreign currency	Total in RSD	31 December 2019
ASSETS				
Fixed				
assets	1,302,719	1,302,719	1,779,751	3,082,470
Intangible				
assets	-	-	134,516	134,516
Property,				
plant and				
equipment	-	-	10,667	10,667
Long-term				
financial				
investments	1,302,719	1,302,719	1,634,568	2,937,287
Deferred				
tax assets	-	-	-	-
Operatin				
g assets	6,078,825	6,078,825	846,244	6,925,069
Inventorie				
s	-	-	738	738
Receivable				
s from sale	38,838	38,838	914	39,752
Receivable				
s from				
specific				
operations	657,407	657,407	142,817	800,224
Other				
receivables	2,146	2,146	178,882	181,028
Short-term				
financial				
investments	5,046,939	5,046,939	273,909	5,320,848
Cash and				
cash				
equivalents	328,042	328,042	164,154	492,196
Prepayme				
nts and				
accrued				
income	5,453	5,453	84,830	90,283
TOTAL				10,007,53
ASSETS	7,381,544	7,381,544	2,625,995	9



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market risk (Continued)

(a) The risk of changes in exchange rates of foreign currencies (Continued)

	EUR	Total in foreign currency	Total in RSD	31 December 2019
LIABILITIES				
Capital	-	-	7,385,233	7,385,233
Share capital/equity		-	6,191,145	6,191,145
Provisions		-	1,069,104	1,069,104
Unrealised losses on securities and other components of comprehensive income		-	10,977	10,977
Retained profit			114,007	114,007
Long-term provisions and liabilities	1,822,688	1,822,688	419,578	2,242,266
Long-term provisions		-	169,578	169,578
Long-term liabilities	1,822,688	1,822,688	250,000	2,072,688
Deferred tax liabilities		-	1,470	1,470
Short-term liabilities	155,259	155,259	223,311	378,570
Short-term financial liabilities		-	103,751	103,751
Advances received, deposits and bails			5,513	5,513
Liabilities from operations	14	14	10,372	10,386
Other short-term liabilities	119,359	119,359	43,803	163,161
Liabilities for other taxes, contributions and other duties				-
Accruals and deferred income	35,887	35,887	59,872	95,759
TOTAL LIABILITIES	1,977,948	1,977,948	8,029,592	10,007,539
Net foreign currency position as at 31 December 2019	5,403,597	5,403,597	(5,403,597)	(0)



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market risk (Continued)

(b) The risk of changes in interest rates

Interest rate risk is the risk of the occurrence of adverse effects on the Agency's financial result and equity due to changes in market interest rates. The Agency is exposed to interest rate risk in case of maturity mismatch of interest-bearing assets and liabilities with fixed interest rates and in case of date mismatch of interest-bearing assets and liabilities with variable interest rates.

The interest rate risk arises from the possibility that changes in interest rates affect the future profitability of market values of financial instruments. The Agency is exposed to interest rate risk associated with the effects of changes in market interest rates on its financial position and cash flows, as a result of maturity mismatches of assets and liabilities with contractual fixed interest rate.

The Agency is exposed to various risks associated which affects its financial position and cash flows through changes in the level of market interest rates. According to the established Rules of Operations, the Agency is obliged to apply pre-determined interest rates in line with its core activity, to support and encourage local exporters.

Organisation of the Agency's work and Policies on risk management by the Executive Board of the Agency lays down the rules and procedures of risk management. Risk Management Policies define the basic principles and objectives of the individual types of risks to which the Agency is exposed in its operations, as well as the risk management system. The management of the Agency, in cooperation with the organisational units where the transactions take place, identifies, measures, monitors and controls the risks that the Agency is exposed to.

The following table shows the Repricing Gap report, i.e., the Agency's exposure to the interest rate risk as at 31 December 2019. The table includes the Agency's assets and liabilities at their carrying amounts, categorised by the earlier of contractual re-pricing or maturity date.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

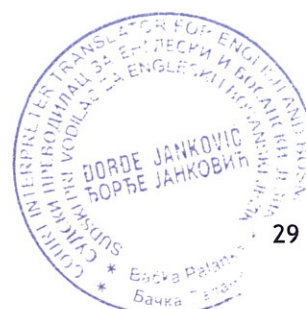
Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market risk (Continued)

(b) The risk of changes in interest rates (Continued)

	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	More than one year	Non- interest- bearing assets	Total
ASSETS						
Fixed						
assets	1,055,831	-	1,866,080	-	160,560	3,082,471
Intangible					134,516	134,516
assets						
Property,					10,667	10,667
plant and						
equipment						
Long-term						
financial						
investments	1,055,831		1,866,080		15,377	2,937,288
						-
Deferred						
tax assets						-
						-
						-
Operatin						
g assets	6,115,993	-	-	-	809,075	6,925,068
Inventorie					738	738
s						
Receivabl					39,752	39,752
es from sale						
Receivabl						
es from						
specific						
operations	800,224					800,224
Other						
receivables					181,028	181,028
Short-						
term						
financial						
investments	5,315,769				5,078	5,320,847
Cash and						
cash						
equivalents					492,196	492,196
Prepayme						
nts and						
accrued						
income					90,283	90,283
TOTAL						
ASSETS	7,171,824	-	1,866,080	-	969,635	10,007,539



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

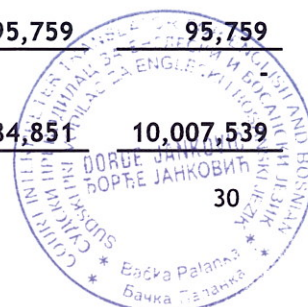
Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market risk (Continued)

(b) The risk of changes in interest rates (Continued)

	Up to 1 month	From 1 month to 3 months	From 1 months to 3 months	More than one year	Non- interest- bearing liabilities	Total
LIABILITIES						
Capital	-	-	-	-	7,385,233	7,385,233
Share capital/equity					6,191,145	6,191,145
Provisions					1,069,104	1,069,104
Unrealised losses on securities and other components of comprehensive income					10,977	10,977
Retained profit					114,007	114,007
Long-term provisions and liabilities	-	-	1,822,688	-	419,578	2,242,266
Long-term provisions					169,578	169,578
Long-term liabilities					250,000	2,072,688
			1,822,688			
Deferred tax liabilities					1,470	1,470
Short-term liabilities	-	-	-	-	378,570	378,570
Short-term financial liabilities					103,751	103,751
Advances received, deposits and bails					5,513	5,513
Liabilities from operations					10,386	10,386
Other short-term liabilities					163,161	163,161
Liabilities for other taxes, contributions and other duties						-
Accruals and deferred income					95,759	95,759
TOTAL LIABILITIES	-	-	1,822,688	-	8,184,851	10,007,539



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***4. FINANCIAL RISK MANAGEMENT (Continued)****4.1. Liquidity Risk (Continued)**

Liquidity risk is the risk of adverse effect on the financial results due the Agency would not be able to discharge its liabilities when they fall due.

Liquidity management is centralised in the Agency. The Agency manages with its assets and liabilities in a way that ensures fulfilments of its liabilities properly and on time.

By providing liquidity at any time, the Agency monitors liquidity through a review of expected cash inflows and outflows on time in the future, as well as the monitoring of established indicators of liquidity.

The Agency does not use financial derivatives.

Liquidity and solvency risks management is provided through regular monitoring of the maturities of assets and investments, as well as liabilities incurred.

The Agency has not established policies and procedures for liquidity management. The liquidity is followed through various produced reports on assets quality: daily report on cash, daily report on loans and receivables, report on planned outflows and inflows for certain types of receivables and investments prepared weekly, monthly and quarterly.

4.2. Credit risk

Credit risk is the risk that the client will not be able to fully or partially settle its outstanding liabilities to the Agency in a timely manner.

The Agency regularly monitors the risk and check them at least quarterly or more frequently, if necessary. The Agency manages credit risk through regular analysis of the ability of clients and potential clients to meet their repayment obligations (interest, fees and other receivables), as well as through providing allowance for impairment of receivables.

Through its internal acts, policies and procedures, the Agency implements an adequate system of credit risk management and reduces credit risk to an acceptable level.

The Agency's credit risk is conditional upon the creditworthiness of the debtor, regular settlement of its liabilities, and by the quality of collaterals placed. The risk is identified, evaluated and monitored according to internal credit risk management and in line with decisions governing the classification of balance sheet and off-balance sheet items of the Agency.

Credit-related risks

The Agency is involved in insurance activities from commercial risks and issues guarantees to its customers, based on which the Agency has the potential liability to make payments on behalf of third parties. In this way, the Agency is exposed to risks related to credit risk, which can be mitigated by the same control processes and policies used for credit risk.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Credit risk (Continued)

Concentration risk

The Agency is involved in various allocation of investments and the loss risk of can occur due to an excessive volume of investments in a particular type: loans, international and internal factoring.

Concentration risk is the risk of incurring losses due to an excessive volume of investments to a certain group of debtors. Concentration occurs when a significant number of customers belong to a similar industry or the same geographic territory, or have similar economic characteristics that may influence the settlement of their contractual obligations in the event of changes in economic, political or other conditions that affect them equally. In order to provide more safety and stability loan portfolio and to minimize the risk of a credit transaction, the security measures are established over the definition of the exposure level and credit limits. The Agency is exposed to credit risk to a limited extent. Taking certain measures and activities the credit risk is managed. In case of default liability payments, the Agency uses the following measures: activation of collaterals (bank guarantees, bills of exchange, pledge), suits, out-of-court settlements and others. In addition, the Agency has no significant concentration of credit risk for accounts receivable, due the majority of customers are non-related parties with individually small amounts of debt.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

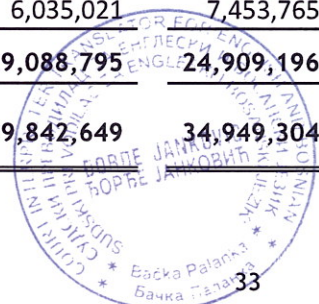
4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Credit risk (Continued)

Concentration risk (Continued)

(a) The maximum exposure to credit risk for balance sheet and off-balance sheet items

	2019	2018	2017
Receivables from foreign	39,752	2,067	-
Total receivables from sale	39,752	2,067	-
Receivables from ordering party based on protest of guarantees	148,335	76,917	71,417
Receivables in respect of advance paid - international factoring	740,399	962,974	815,254
Recourse receivables from factoring	121,930	122,062	127,935
Total receivables from specific operations	1,010,664	1,161,953	1,014,606
Interest receivables	286,112	262,669	234,938
Receivables from compensations	305	5,814	6,922
Receivables from insurance premiums	21,115	12,451	18,495
Receivables for overpaid income tax	94,949	94,949	64,281
Miscellaneous - other receivables	8,570	4,618	4,052
Total other receivables	411,052	380,502	328,688
Granted short-term loans in the Republic of Serbia with maturity	7,575,719	8,257,249	7,554,513
Recourse receivables based on paid losses (Note 17)	188,184	331,522	338,186
Receivables in respect of advance paid - internal factoring	370,834	380,172	268,274
Receivables from deposits			300,000
Other short-term financial investments	385,979	242,456	235,841
Total short-term financial investments	8,520,716	9,211,399	8,696,814
Total balance sheet exposure	9,942,432	10,753,854	10,040,108
Insurance from commercial risks	25,081,780	19,216,793	12,783,190
Given guarantees	4,307,529	3,836,981	4,663,756
Other off-balance records	5,614,759	6,035,021	7,453,765
Total off-balance sheet	35,004,067	29,088,795	24,900,711
Total exposure as at 31 December	44,946,500	39,842,649	34,949,304



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Credit risk (Continued)

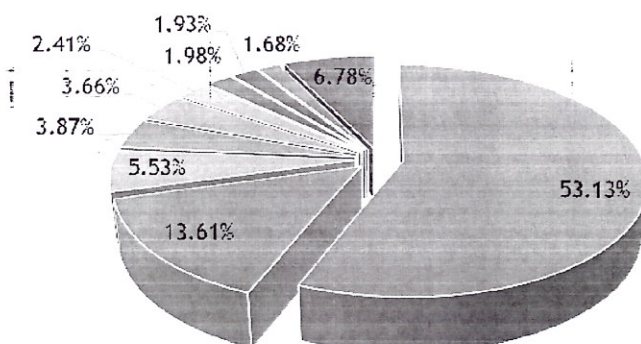
Credit risk exposure - loans

The most significant financial assets of the Agency, which represent the principal of loans in the amount of RSD 7,803,128, before taking into account collaterals and other credit risk security instruments, may be analysed by geographical areas in the Republic of Serbia, the activities of clients, the type of collateral and finally the countries of export.

Below is the structure of the loan portfolio at 31 December 2019, by regions:

Region	Amount in 000 RSD	Amount in EUR	Sub-account number	Percentage
City of	4,382,738	37,270,460	70	53.13%
Pčinja	1,123,011	9,550,000	6	13.61%
Zlatibor	456,281	3,880,175	8	5.53%
Rasina	319,243	2,714,821	11	3.87%
Bačka South	302,231	2,570,146	6	3.66%
Podunavlje	198,872	1,691,192	9	2.41%
Nišava	163,524	1,390,593	9	1.98%
Srem	158,879	1,351,090	6	1.93%
Moravica	138,760	1,180,000	7	1.68%
Jablanica	559,591	4,758,716	28	6.78%
Other				53.13%
Total	7,803,128	66,357,194	160	
	4,382,738	37,270,460	70	100.00%

Diversification of loan portfolio by regions



- City of Belgrade
- Pčinja District
- Zlatibor District
- Rasina District
- Jablanica District
- Bačka South District
- Srem District
- Moravica District
- Bačka North District
- Other



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

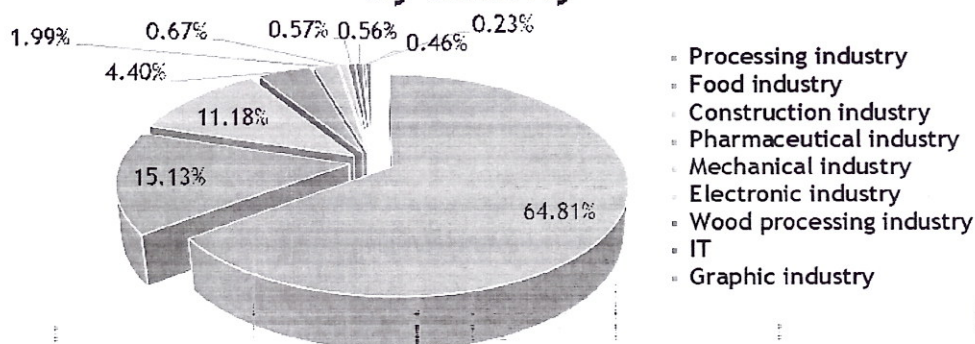
4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Credit risk (Continued)

An analysis of the portfolio of the Agency's granted loans by industry sectors, before and after taking into account collateral held or other credit enhancements is shown in the following table:

Activity	Amount in 000 RSD	Amount in EUR	Sub-account number	Percentage
Processing	5,057,432	43,008,004	81	64.81%
Food processing	1,180,946	10,042,676	50	15.13%
Construction	872,558	7,420,167	8	11.18%
Pharmaceuticals	343,170	2,918,292	3	4.40%
Machinery	155,222	1,320,000	5	1.99%
Electronic	52,270	444,500	3	0.67%
Wood processing	44,803	380,999	4	0.57%
IT	43,509	370,000	1	0.56%
Graphic	17,639	150,000	1	0.23%
Other	35,578	302,556	4	0.46%
Total	7,803,128	66,357,194	160	100.00%

Diversification of loan portfolio by activity



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Credit risk (Continued)

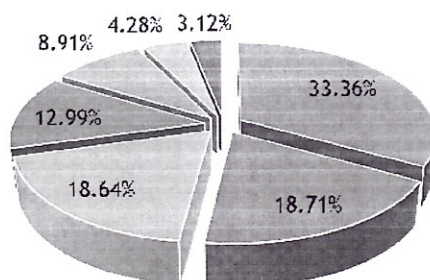
Depending on the estimated credit risk of each customer, the Agency determines the type and level of collateral.

Terms of collateral with respect to each investment are determined by an analysis of the client's solvency, the type of credit risk exposure, the term of the investment as well as the amount itself. Contractual authorisation, as well as bills of exchange are provided by customers as standard collaterals, while depending on the assessment, additional collaterals may be required, such as real estate mortgage, movable property pledges, partial or entire coverage of investments with deposits, guarantees issued by another bank or another legal entity. In the case of real estate mortgages or movable property pledges, the agency always obtains a valuation of the assets, as carried out by a certified appraiser, in order to minimise potential risk.

The Agency manages with the quality of financial assets using internal investments' classification. The following table shows credit quality by types of collateral from the balance sheet, based on classification system of the Agency:

Collateral/security instruments	Amount in 000 RSD	Amount in EUR	Number of loan sub-accounts	Percentage
Company bills of exchange	2,603,480	22,139,788	39	33.36%
Mortgage	1,459,732	12,413,447	20	18.71%
Pledge on goods	1,454,421	12,368,285	36	18.64%
Pledge on equipment	1,013,271	8,616,776	25	12.99%
Guarantor's bills of exchange	694,971	5,909,981	22	8.91%
Corporate guarantee	333,964	2,840,000	3	4.28%
Personal promissory notes	243,290	2,068,917	15	3.12%
Total	7,803,128	66,357,194	160	100.00%

Diversification of loan portfolio by security instruments



- Companies' bonds
- Mortgage
- Pledge on goods
- Pledge on equipment
- Guarantor's bonds
- Corporate guarantee
- Personal promissory notes



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

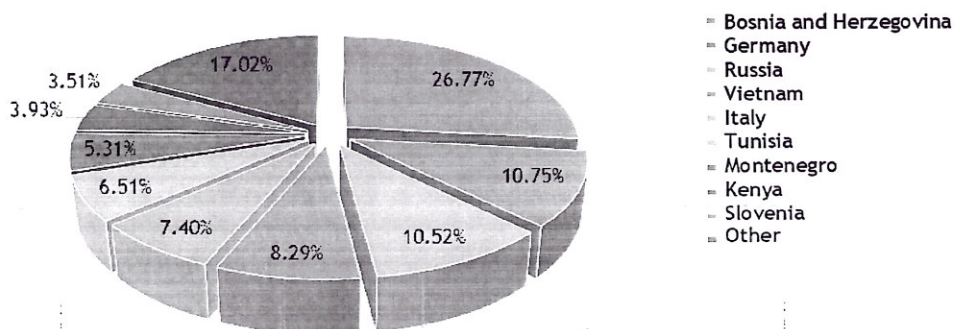
4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit risk (Continued)

Below is an overview of placed loans by the country of export of the client:

Country of export	Amount in 000 RSD	Amount in EUR	Number of loan sub-accounts	Percentage
Bosnia and Herzegovina	2,088,785	17,762,862	26	26.77%
Germany	838,617	7,131,530	25	10.75%
Russia	821,229	6,983,665	18	10.52%
Vietnam	646,760	5,500,000	2	8.29%
Italy	577,098	4,907,593	16	7.40%
Tunisia	508,021	4,320,167	3	6.51%
Montenegro	414,019	3,520,784	12	5.31%
Kenya	306,718	2,608,304	1	3.93%
Slovenia	273,589	2,326,579	7	3.51%
Other	1,328,294	11,295,709	50	17.02%
Total	7,803,128	66,357,194	160	100.00%

**Diversification of loan portfolio
by country of export**



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit risk (Continued)

Credit risk exposure - loans

The age structure of the entire portfolio of loans in the country (short-term, those maturing after 31 December 2020, as well as those covered by the pre-prepared reorganization plan), whose balance as at 31 December 2019 is given in the following table:

	Amount in EUR	Amount in RSD thousand
Short-term loans in the country		
undue	58,854,046	6,920,812
up to 30 days	514,838	60,541
31-60	1,009,059	118,658
61-90	595,417	70,017
91-180	540,627	63,574
more than 180	4,843,206	569,526
Balance as at 31 December 2019	<u>66,357,194</u>	<u>7,803,128</u>

Credit risk exposure - international and internal factoring

In managing risk exposures arising from international factoring, the Agency distinguishes the following types of factoring as at 31 December 2019:

	Gross amount	Valuation adjustment	Net amount
Receivables from international factoring	645,302	(10)	645,292
Receivables from international factoring - SMECA	95,097	(95,097)	(0)
Receivables from international factoring - other	77,358	(65,243)	12,115
Balance as at 31 December 2019	<u>817,757</u>	<u>(160,350)</u>	<u>657,407</u>



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit risk (Continued)

Exposure to credit risk - internal and international factoring (Continued)

The age structure of gross receivables from international factoring is given in the following table:

Receivables from international factoring (Note 21)	Amount in EUR	Amount in RSD thousand
undue	3,200,715	376,381
up to 30	2,237,807	263,150
31-60	49,076	5,771
61-90		
91-180		
More than 180	1,466,544	172,455
Balance as at 31 December 2019	6,954,142	817,757

The age structure of gross receivables from internal factoring is given in the following table:

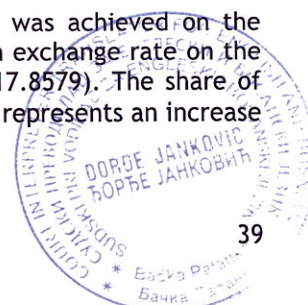
Receivables from the internal factoring and discounted bills of exchange (Notes 21 and 23)	Amount in RSD thousand
undue	172,294
up to 30	120,389
31-60	12,724
61-90	
91-180	
more than 180	109,999
Balance as at 31 December 2019	415,406

In the period from 1 January to 31 December 2019, the Agency through the factoring transactions repurchased receivables in the amount of EUR 44,478,136.

The focus of the Agency during 2019 remained the same as in the previous year, and that is the sector of small and medium enterprises that are export-oriented.

Receivables in the amount of EUR 29.96 million were purchased in international factoring. The share of international traffic in total transactions decreased by close to 33% in relation to 2018 and amounts to 67.35%.

The turnover of RSD 1,711,639,820.58, i.e., EUR 14.52 million was achieved on the domestic market (conversion performed according to the median exchange rate on the date of payment of the assigned receivables of EUR 1 = RSD 117.8579). The share of domestic factoring in the total turnover amounted to 32.65% and represents an increase of close to 6% compared to 2018.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit risk (Continued)

Exposure to credit risk - internal and international factoring (Continued)

According to the data of the Department for the Development of Factoring in the Chamber of Commerce Serbia - Belgrade on the basis of data collected from 19 factors (ten banks and nine factoring companies including the Agency), the factoring industry in Serbia during 2019 achieved the turnover in the amount of EUR 988 million, which represents a growth of 25.6% compared to the previous year. The first five places after the generated transactions are held by banks with an increasing share, while the Agency is in the sixth place.

Domestic factoring amounts to EUR 706 million the structure of total turnover, recording a growth of 25.4%. Banks kept a primary position in the transactions achieved on the domestic market, which makes 89.9% of the total turnover.

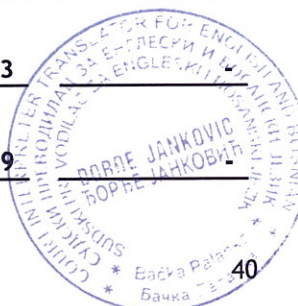
Out of the total international factoring turnover realised in Serbia in 2019 in the amount of EUR 103 million, the Agency realised close to 30% of the total international turnover, which still puts it in the leading position in this business segment.

4.4. Capital Risk Management

The Agency chose a financial capital concept and its maintenance according to which the capital has been defined on the basis of nominal cash units. By way of establishment the Agency is a closed joint stock company.

The objective of capital management is that the Agency keeps the ability to continue its operations for an indefinite period in the foreseeable future in order to maintain an optimal capital structure to reduce the cost of capital.

	2019	2018	2017
Borrowings - Total	1,822,688	1,832,016	-
Minus: Cash and cash equivalents (Note 24)	492,196	460,749	411,086
Net debts (receivables)	1,330,493	1,371,268	(411,086)
Basic capital	6,050,851	6,050,851	6,050,851
Total capital	7,385,233	7,348,938	7,306,644
Leverage ratio (net indebtedness / share capital/equity)	0.22	0.23	
Leverage ratio (net indebtedness / capital - total)	0.18	0.19	



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5. Insurance risk

The risk of any insurance contract is the possibility that a certain situation will happen and the uncertainty of liquidated settled amount. By its very nature each single insurance risk is a random and unpredictable one. In 2017, the Agency entered into insurance contracts in respect of receivables collection whereby it has taken a certain risk determined by the insurance contract. The Agency takes risks using various techniques including risk diversification.

The basic method of risk diversification is the risk transfer to reinsurance. Each year the Agency enters into a reinsurance contract with a reinsurance panel defining the principles of risk-taking in the insurance and risk transfer in the reinsurance whereby a certain percentage of the risk is transferred to reinsurers. Applying adequate procedures for charging a variety of risks, the Agency protects itself against a disproportionally high amount of claims in term of unsettled insured receivables.

The development of insurance activities and establishment of adequate operation statistics, from which it is possible to carry out appropriate risk quantification and its tracking in the future, led to the creation of risk management policies and procedures.

Insurance risk management is determined, starting from the financial statements for the year 2010, on the basis of the statistic of appropriate average claims ration originated from prior years, such as movements of premiums and conditions of settled and outstanding claims.

The methodology of provisions for insurance operations consists of the following segments:

- claims that are reported, but unpaid,
- claims incurred, but unreported,
- provisions for risk equalisation, and
- unearned premium.

The manner of calculation of reported but not settled and incurred, but not reported claims, is regulated by the Rulebook on detailed criteria and manner of calculating outstanding claims. The calculation of risk equalisation reserves is defined by the Rulebook on detailed criteria and manner of calculating reserves for risk equalisation. The amount of unearned premiums provided for by the Rulebook on forming and the manner of calculating and amounts of unearned premium.

The off-balance sheet item includes the figure relates to the maximum possible exposure in respect of approved limits by each policy. This amount is obtained when the total approved limits are deducted by the amount of self-insured retention and the amount transferred to reinsurance.

This method of calculation of provisions for risks from insurance activities is in line with the practice used by other credit insurers, and is fully in compliance with the Law on Insurance.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5. Insurance risk (Continued)

A detailed explanation is provided in connection with the Rulebook on detailed criteria and manner of calculating claims, which regulates the manner, criteria and standards for calculating outstanding claims - the technical part of the premiums for incurred but not settled outstanding claims to the policyholders or beneficiaries of insurance.

Outstanding claims are:

1. Damage claims incurred and reported but settled by the end of the current accounting period,
2. Claims incurred but not reported by the end of the current accounting period.

The Agency is obliged to provide a sufficient amount of funds to cover liabilities in respect of claims incurred and reported but not settled by the end of the current accounting period and in respect of claims incurred but not reported claims by the end of the current accounting period.

On the last day of the accounting period (31 December), a part of the insurance premium for reported, but not settled and incurred but not reported claims, is recorded. Reported, but not settled damage claims are damage claims that are reported to the Agency, but not calculated and settled by the end of the accounting period. Incurred but not reported claims are damages that are incurred but not reported to the Agency by the end of the accounting period. The amount of provisions for reported damages is assessed for each individual damage. Damages that were reported and reserved at the end of the previous financial year and have not been finally settled in the current year are again reserved. An analysis of the outstanding provisions is made by the Claim Department.

When determining the amount for provisions for reported and not paid damage claims, the following will be considered:

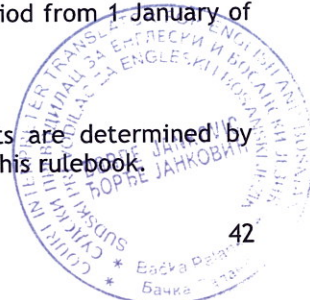
- type of concluded insurance agreement,
- contractual obligations of the Agency,
- the cause of adverse case,
- the claim amount,
- participation of the reinsurer,
- as well as other elements that affect the scope of responsibilities of the Agency.

In determining the amount of provisions for damage claims, it is necessary to estimate the amount of recourse in foreign currency amount that can be charged and the deadline within which it can be settled. In all other cases, determining the premiums for incurred but not settled claims, requires estimation of the amount sufficient for allowance considering all relevant criteria and standards in order to obtain the amount of real liability. The level of reinsurers and co-insurers in outstanding claims is determined on the basis of signed contracts and premium participation.

The amount of outstanding claims at the end of maintenance period less than a year is determined:

- for unsettled or partially settled claims as at 31 December of the previous year,
- for unsettled or partially settled claims reported in the period from 1 January of the current year to the end of the accounting period,
- for incurred but not reported claims.

Provisioned outstanding claims in respect of interim statements are determined by individual assessment of each claim in the manner prescribed by this rulebook.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5. Insurance risk (Continued)

Specific amount for claims reported from 01 January to the end of the accounting period is determined by multiplying the number of such damage with the average amount of all claims settled from 01 January until the end of the accounting period, and not settled but outstanding claims as at 31 December of the previous year in the liability claim at 31 December of the previous year.

Incurred but not reported claims are the Agency's liability incurred up to 31 December of the current year or of prior period, that were not reported but the Agency has real liability for them. Book of the damages is done according to the information on resolved and reserved incurred, reported and pending claims as well as the application of recognised actuarial methods.

The provisioned amount of incurred but not reported claims according to the interim report is determined by multiplying the total amount of outstanding reported claims with coefficient of participation incurred but not reported claims within the total reserves as of 31 December of the previous year. The calculation is performed by applying the following formula:

$$Rt\ ibnr = at \times (St + Rt), \text{ where}$$

Rt IBNR - is the amount of claims incurred, not reported

at - is the coefficient for calculation of claims not reported

St - is the amount of settled claims in self-insured retention in the current year

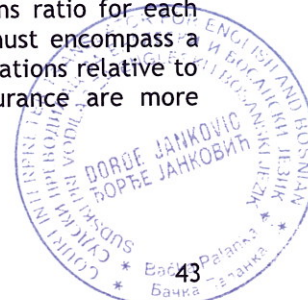
Rt - is the amount of self-insured retained claims incurred and reported but not settled.

The coefficient for calculation of damages incurred but not reported at is determined on the basis of an analysis of probability of risks assumed and/or statistical data published by other institutions that are involved in that type of insurance. The statistics for calculation of the coefficient is made on 31 December of the current year, when the coefficient is calculated as the arithmetic mean of *ki* coefficient for the last accounting period. When the coefficient is less than 0.1, when calculating the outstanding claims incurred but instead that the coefficient uses a minimal amount of 0.1.

When equalisation reserves calculation is concerned, it is regulated by the Rulebook on the manner of equalisation reserves calculation, prescribing detailed criteria and the manner of calculating the amount of reserves, i.e., calculating the upper limit of liability for the formation of the reserves, settlement amounts, as well as increase and decrease of the reserves, basic data for the calculation of the annual valid technical results and standard deviations of those results from the average valid result of the observed period.

Above all, certain terms used herein have the following meanings:

1) The **period observed** shall be the period for which the claims ratios and the standard deviation of the claims ratios relative to the average claims ratio for each type of non-life insurance are determined. The period observed must encompass a period of at least ten years, unless if during that period, the risk deviations relative to the average claims ratio for the respective type of non-life insurance are more significant, when the period may be longer;



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

2) The **annual claims ratio** shall be a quotient of incurred claims and net retained earned premiums in that year, disclosed as a decimal number rounded to four decimal places;

3) The **average claims ratio** is the period observed shall be the arithmetic mean of the annual claims ratios in the period observed;

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5. Insurance risk (Continued)

4) **Net retained earned premium** separately for each type of non-life insurance and for the total of all types shall be the net retained premium in the current year increased by an amount equal to the net retained unearned premium at the end of the previous year and reduced by the amount of the net retained unearned premium at the end of the current year.

5) **Retained incurred claims** separately for each type of non-life insurance and for the total of all types shall be the total retained claims settled in the current year increased by the total retained outstanding claims at the end of the current year, and reduced by the retained outstanding claims at the end of the previous year and and by the amount of collected recourses in the current year. Retained incurred claims are also containing allocated loss adjustment;

6) **Technical self-retained premium** shall be the technical premium of a company's own portfolio, increased by the technical premium relating to the assumed co-insurance and reduced by the technical premiums transferred to co-insurance and reinsurance;

7) **self-retained damages** shall be damages of a company's own portfolio increased by damages from assumed co-insurance reduced by the damages transferred to co-insurance and reinsurance;

8) The **current year** shall be the period from 1 January to 31 December of the year for which equalization reserves are calculated.

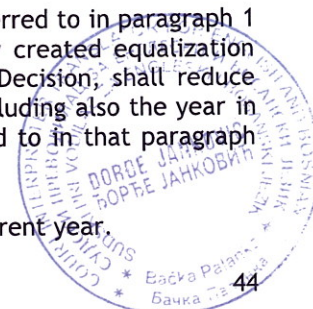
Equalisation reserves are created based on annual standard deviation of the claims ratio of the claims ratio relative to the average claim ratio achieved during the period observed for each type of non-life insurance (hereinafter referred to as standard deviation).

The bases for the calculation of equalisation reserves is the net retained premium in the current year and the standard deviation

The Agency is obliged to create reserves for risk equalisation in accordance with Articles 6 and 7 of this rulebook, if the standard deviation amounts to at least 0.05 or if the annual claims ratio for the respective type of insurance within that period has, at least once, been higher than one.

If none of the conditions for the respective type of insurance referred to in paragraph 1 hereof have been met, an insurance company that has already created equalization reserves for the respective type of insurance in line with this Decision, shall reduce them by 1/5 at the end of each of the five succeeding years, including also the year in which it was determined that none of the requirements referred to in that paragraph were met.

Equalisation reserves are calculated as of 31 December of the current year.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5. Insurance risk (Continued)

The average claims ratio and standard deviation shall be calculated by applying the following statistical formula for the arithmetic mean and/or the standard deviation:

$$\bar{x}_j = \frac{1}{n} \sum_{i=1}^n x_{ij} \quad \text{that is}$$

$$S_{(x_j)_j} = \sqrt{\frac{1}{n-1} \sum_{i=1}^n (x_{ij} - \bar{x}_j)^2} \quad \text{where}$$

j - is a type of insurance ($j = 1, 2, 3, \dots, 19$),

n - the period observed ($i = 1, 2, 3, \dots, n$),

jx - is the average claims ratio for the type of insurance j in the period observed,

s_{xij} - is the standard deviation based on the sample,

ijx - is the annual claims ratio for respective type of insurance j in the year i .

The average claims ratio and standard deviation shall be disclosed as decimal numbers, rounded to four decimal places.

The annual and average claims ratios and corresponding standard deviations shall be established on 31 December only for each of the years within the period observed.

The maximum equalisation with credit insurance, guarantee insurance and financial loss insurance as well as with other property insurance - a product of triple standard deviation and corresponding annual net retained premium in the current year.

In each calculation, the Agency increases its equalization reserves by a set percentage of 3.5% of the permitted maximum calculated pursuant to aforementioned manner until the maximum reserve level is reached.

In each calculation, the Agency makes additional transfer in for each calculation of its equalization reserves for each type of insurance for which the annual claims ratio for the respective type of insurance in the current year is below the average claims ratio for the respective type of insurance in the period observed.

Such additional transfer in shall be calculated by multiplying the difference between the average claims ratio and the annual claims ratio by the net retained premium for that type of insurance in the current year.

In the event that the difference between the average claims ratio and the annual claims ratio in the current year is greater than 0.07, additional increase is calculated by the technical premium in retention generated in the current year multiplied by 0.07.

In case that the difference exceeds average of the applicable technical result of the period, the Agency should reduce the reserve.

Reduction is calculated by dividing annual difference with the applicable technical results in the period multiplied by technical retained premium realized in the current year for type of insurance.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***4. FINANCIAL RISK MANAGEMENT (Continued)****4.5. Insurance risk (Continued)**

Under the Rulebook on Specific Criteria and the Manner of Calculating Unearned Premiums, the Agency governs detailed criteria and the manner of calculating unearned premiums and the amount of part of the insurance premium that relates to the next period, as well as participation of the reinsurer and co-insurer in unearned premiums.

Accounting period in terms of the provisions from the preceding paragraph shall include annual accounts and interim accounts required by law.

Unearned premium is the portion of premiums used to cover insurance liabilities that arise in the next accounting period.

The basis for founding and computing unearned premium is invoiced gross premiums.

Unearned premium shall be calculated by the application of the separate calculation method for each insurance contract with correct time demarcation (pro rata temporis), i.e., the basis for calculating insurance premiums is multiplied by the number of days that insurance exists in the next accounting period, and obtained result is divided by the total number of days of insurance. Duration of insurance with insurance receivable is a contractual term of payment for each customer within each insurance policy on the basis of reported data on transactions and maturities that are contained therein.

$$PP = \frac{P \times d}{D}$$

PP = unearned premium of individual insurance,

P = aggregate premium of individual insurance,

d = number of days of insurance duration after the expiry of the accounting period,

D = aggregate number of days of individual insurance.

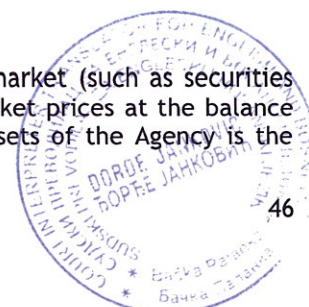
In the event of insurance contracts where the cover level is subject to change in the course of insurance duration, the method of calculation is applied in line with the change of cover levels in the period of insurance duration.

Aggregate unearned premium for all insurances belonging to a particular type of insurance shall be calculated as the sum of unearned premiums of individual insurances.

Unearned premium in retention of an insurance company is calculated by dividing the sum of unearned insurance premiums of their own portfolio and unearned premium coinsurance is reduced by the sum of unearned premium transferred to coinsurance and reinsurance. The participation of co-insurers and reinsurers in unearned premiums is determined on the basis of contractual relations of reinsurance and coinsurance contracts.

4.6 Assessment of fair value

The fair value of financial instruments traded in an active market (such as securities held for trade and available for sale) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets of the Agency is the current bid price.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

4. FINANCIAL RISK MANAGEMENT (Continued)

4.6 Assessment of fair value (Continued)

The carrying value less impairment losses of receivables and payables represents their approximate fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Agency for similar financial instruments.

5. COST OF MATERIALS AND COSTS OF FUEL AND ENERGY

	2019	2018
Low-value equipment	4,604	2,531
Material costs	1,691	2,685
Other costs	307	1,386
Spare parts	97	601
Total intangible costs	6,700	7,202
Fuel expenses	1,646	1,142
Costs of fuel and energy	1,646	1,142
Total costs of material and fuel and energy	8,346	8,344

6. COSTS OF SALARIES, SALARY COMPENSATIONS, AND OTHER PERSONAL EXPENSES

	2019	2018
Costs of salaries and salary compensations (gross)	168,395	153,954
Salary contributions borne by the employer	28,181	26,976
Costs of compensations under temporary service agreements	13,039	12,122
Costs of remunerations to members of the Executive Board	12,085	6,773
Other expenses and compensations	5,718	4,247
Travel costs for workers for travel to and from work	2,164	2,099
Costs of remunerations under single assignment agreements	1,936	2,544
Total	231,519	208,715



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

7. COSTS OF PRODUCTION SERVICES

	2019	2018
Rental of office space	13,399	10,656
Other costs for production services	1,939	701
Internet	1,657	1,662
Leasehold improvements/investments	1,637	7,246
Maintenance of fixed assets	1,347	2,583
Mobile phone network	1,322	1,312
Postal services costs	598	718
Advertising and propaganda costs	536	3,039
Translation costs	314	1,502
Total	22,749	29,418

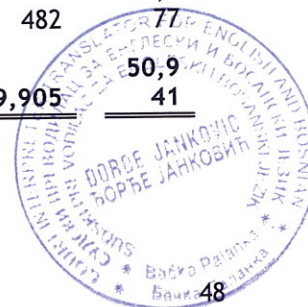
Rental costs for office space occurred in the largest part under the Office Space Lease Agreement with Srpska banka a.d. Beograd, concluded on 08 June 2015, No. 3858/15, and Annex No. 1, No. 4312/18 of 09 July 2018, under which the lease of 1,071 m2 of office space was taken at Savska 25, Savski Venac, Belgrade, until 10 July 2023. On this basis, the Agency paid rent in the amount of RSD 9,967 thousand.

8. COSTS OF DEPRECIATION

	2019	2018
Costs of depreciation of intangible assets	13,021	7,354
Costs of depreciation of property, plant and equipment	3,727	3,449
Total costs of depreciation	16,748	10,803

9. LONG-TERM PROVISIONS

	2019	2018
Provisions for unreported damage (Note 27)	31,509	
Provisions for unutilised frameworks for revolving loans (Note 27)	9,941	1,65
Provisions for losses for court disputes (Note 27)	4,264	0
Provisions for severance payments/retirement benefits (Note 27)	3,710	813
		48,4
Provisions for reported non-liquidated damage (Note 27)	482	77
Total	49,905	50,941



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

10. INTANGIBLE COSTS

	2019	2018
Reinsurance premium costs and other insurance expenses (a)	117,878	56,325
Cost of consultancy services	14,420	44,390
Costs of creditworthiness services	14,218	12,718
Tax costs	13,707	15,210
Payment transaction costs	6,334	7,814
Hospitality and entertaining costs	5,165	6,159
Cost for court and administrative duties	3,456	1,653
Other intangible costs	3,179	5,890
Membership costs	1,612	2,471
Cost of legal fees/lawyers' royalties	1,277	3,645
Contribution costs	516	516
Licensing and software upgrade costs	24	6,708
Total intangible costs	181,785	163,500

(a) Reinsurance premium costs and other insurance expenses relate mostly to reinsurance premiums in the total amount of RSD 52,781 thousand on the basis of the following contracts:

- Reinsurance agreement with AON Enpower Results, Great Britain dated 31 January 2018,
- Reinsurance contract with Credimundi, Belgium dated 30 October 2014,
- Reinsurance agreement with Sinasure, China dated 20 June 2018.

11. FINANCIAL INCOME

	2019	2018
Income from insurance premiums	209,360	211,798
Income from fees from guarantees	62,660	46,895
Income arising from claims for damages paid by recourse	47,291	2,627
Reinsurance income	29,159	12,966
Income from fees from loans	26,398	24,931
Income from fees from factoring	17,244	24,413
Other financial expenses not mentioned above	14,222	14,940
Income based on receivables from the contract of guarantee	-	5,500
Total other financial income	406,334	344,071
Loan interest income	294,672	288,746
Interest income on securities	97,963	85,873
Factoring interest income	51,736	53,779
Interest income from guarantees	15,690	14,981
Deposit interest income	3,271	1,553
Total interest income	463,332	444,932
Positive foreign exchange currency differences (foreign exchange currency gains)	17,739	9,277



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

Positive effects of currency clause		
Total positive foreign exchange currency differences (foreign exchange currency gains) and positive effects of currency clause	17,739	9,277
Total financial income	887,405	798,280



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

11. FINANCIAL INCOME (Continued)

Below is a table of the total financial income showing part of these revenues which represent the revenues from the core activity of the Agency.

	2019	2018
Income from core activity of the Agency:		
Interest income on:		
- short-term loans (a)	294,672	288,746
- factoring transactions (b)	51,736	53,779
- guarantees	15,690	14,981
Total interest income from operating activities	362,098	357,506
Income from fees and commissions to:		
- guarantees (c)	62,660	46,895
- short-term loans (d)	26,398	24,931
- factoring transactions (e)	17,244	24,413
Total income from fees related to core activity	106,302	96,239
Income from insurance premiums (e)	209,360	211,798
Total income from core activity	677,761	665,544
Other financial income:		
Interest income from securities bonds of the Republic of Serbia	97,963	85,873
Income arising from claims for damages paid by recourse	47,291	2,627
Reinsurance income	27,156	12,966
Positive foreign exchange currency differences (foreign exchange currency gains)	17,739	9,277
Income from pre-invoiced creditworthiness services	13,178	13,362
Income from interest on term deposits	3,271	1,553
Other financial income	3,046	1,578
Income under the Guarantee Agreement		5,500
Total other financial income	209,645	132,737
Total financial income	887,405	798,280

- a) Interest income on approved loans related to the revenue realised by the Agency in its crediting activities. The interest is calculated using fixed interest rates ranging from 2% to 6% per annum for short-term loans in the range of 3% to 6% for revolving loans. Accrued regular interest on loans relates to RSD 239,238 thousand, and the default interest refers to RSD 55,434 thousand.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

11. FINANCIAL INCOME (Continued)

- b) Interest income from factoring operations are calculated at an interest rate applying the straight-line method based on the actual number of days to the amount of daily negative balance. Interest income on the basis of domestic factoring is calculated by applying the interest rate ranging from 3.5% to 9%, whereas interest income under the international factoring is calculated by applying the interest rate ranging from 3% to 7%, in single-factoring operations system from 2% to 5% (EUR) in the two-factoring operations system, i.e. from 2% to 4% in two-factoring system, if the funds are secured from sources of foreign factor. Interests on internal factoring activities relate to RSD 24,603 thousand, and on international factoring activities RSD 27,133 thousand.
- c) Revenues from fees on issued guarantees refer to revenues that the Agency generates from its guarantee activity. The periodic fee is calculated by applying fixed fees ranging from 0.1% to 1% for all types of guarantees. For the processing of applications for the issuance of guarantees, the Agency charges a fee ranging from 0.1% to 1% for all types of guarantees. For the annexation of the concluded guarantee contract, it charges a commission in the range of 0.1% to 1%.
- d) For the processing of applications for approval of loans, the Agency charges a fee ranging from 0.2% to 0.7% for short-term loans and a fee ranging from 0.3% to 0.9% for revolving loans. For annexation of the concluded loan agreements and for the conclusion of agreements on the regulation of payment of matured liabilities, a commission in the range from 0.2% to 0.7% is charged. The commission is calculated and charged before the loan disbursement.
- e) The commission rate ranges from 0.15% to 0.7% for the purchase of domestic and international receivables (single-factor and two-factor system of operation) and from 0.3% to 0.5% for the purchase of international receivables in the two-factor system when the funds provided from the source of foreign factors (including commission of foreign factor).
- f) Income from insurance premiums is determined on the basis of the insured-reported receivables by applying the agreed premium rate. The premium rates range from 0.125% to 1.500%.
- g) Interest income from securities bonds of the Republic of Serbia amounting to RSD 97,963 thousand refers to the accrued interest on maturity as well as the fixed interest on the basis of bonds/debentures issued by the Republic of Serbia held by the Agency for the period from the date of purchase or the last maturity of the bonds/debentures up to balance sheet date. Below are the data on the Republic of Serbia (RS) bonds that the Agency has at its disposal on the balance sheet date.

ISIN number	Quantity	Nominal/face value, per piece	Total nominal/face value	(Annual) interest rate)	Due date/maturity date
RSMFRSD48093	15,000	RSD 10,000.00	RSD 150,000,000.00	10.000%	11-Sept-2021
RSMFRSD55940	65,000	RSD 10,000.00	RSD 650,000,000.00 Din.	5.875%	8-Feb-2028
RSMFRSD13329	11,700	RSD 10,000.00	RSD 117,000,000.00 Din.	10.000%	23-Oct-2024
RSMFRSD85962	25,000	RSD 10,000.00	RSD 250,000,000.00 Din.	5.750%	21-July-2023
RSMFRSD89592	22,800	RSD 10,000.00	RSD 228,000,000.00 Din.	4.500%	11-Jan-2026
TOTAL RSD BONDS			RSD 1,395,000,000.00		
RSMFRSD59793	500	EUR 1,000.00	EUR 500,000.00	3.50%	17-March-2027
RSMFRSD20605	1,000	EUR 1,000.00	EUR 1,000,000.00	3.50%	28-March-2028
RSMFRSD68802	500	EUR 1,000.00	EUR 500,000.00	3.75%	8-Sept-2032
TOTAL EUR BONDS			EUR 4,072,000.00		



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

12. FINANCIAL COSTS

	2019	2018
Costs for paid damages	47,180	2,630
Other costs based on insurance contracts	2,954	7,220
Costs for commissions from the two-factor system	773	2,985
Costs for loan processing fees	294	9,176
Costs based on protest of guarantees	-	5,500
Expenses based on the abolition of accrued interest on the Republic of Serbia (RS) bonds sold before maturity	-	27,887
Other financial expenses not mentioned above	-	371
Total other financial expenditures	51,201	55,769
Interest expenses	39,417	13,426
Foreign exchange losses (b)	55,235	30,501
Total foreign exchange losses and the negative effects of currency clause (to third parties)	55,235	30,501
Total financial expenditures	145,853	99,696

(a) In 2019, a total of RSD 41,946 thousand was paid for claims incurred to policyholders under active insurance policies. The largest damage was paid to the insured DE HEUS d.o.o., Šabac, under policy number 04/18, the debtor is Biftek d.o.o., Niš, in the amount of RSD 16,547 thousand, and then to the insured Sika Srbija d.o.o., Pećinci under policy 08/18, the debtor MB Ratko Mitrović niskogradnja d.o.o., Beograd, in the amount of RSD 11,239 thousand. The insured Balkan Polymers d.o.o., Beograd was paid damages in the amount of RSD 4,973 thousand under policy number 06/18, the debtor Panapac d.o.o., Bajina Bašta, and the insured Dafar d.o.o., Zrenjanin, in the amount of RSD 3,771 thousand under policy number 34/18, debtor MARTINENGO & c.SRL., Italy. The damages in the amount of RSD 1,889 thousand were paid to the insured Peštan d.o.o., Arandelovac under policy number 37/16, debtor SYNERGY VECTOR ELECTROMECHANICAL WORKS LLC, United Arab Emirates, and the damages in the amount of RSD 887 thousand to the insured Patent CO doo, Mišićevo under policy 33/18, debtor Patent CG d.o.o., Nikšić.

(b) Negative foreign exchange currency differences (foreign exchange currency losses) mostly relate to receivables from loans (RSD 42,673 thousand), based on claims from international factoring (RSD 6,154 thousand) and balance on foreign currency accounts (RSD 2,777 thousand).



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***13. INCOME FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT (PROFIT AND LOSS ACCOUNT)**

	<u>2019</u>	<u>2018</u>
<i>Income from valuation adjustments for receivables from:</i>		
- loans	108,035	13,285
- other receivables	7,219	7,263
- internal factoring	1,800	-
- international factoring	600	1,570
Total income from valuation adjustments of other assets carried at fair value through income statement (profit and loss account)	<u>117,654</u>	<u>22,118</u>

This position shows income as a result of calculation and reversal (reduction) of valuation adjustments for loans, factoring and guarantees, as well as other receivables in accordance with the internal acts governing these calculations.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***14. EXPENDITURES FROM VALUATION ADJUSTMENTS OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT (PROFIT AND LOSS ACCOUNT)**

	<u>2019</u>	<u>2018</u>
<i>Costs from valuation adjustments to receivables from:</i>		
- loans	275,610	197,516
- recourse by paid claims for damages	38,114	-
- other receivables	13,607	12,211
- international factoring	1,768	-
- guarantee	877	5,872
- internal factoring	-	6,081
Total expenditures from valuation adjustments of other assets carried at fair value through income statement (profit and loss account)	<u>329,975</u>	<u>221,680</u>

This position shows expenditures as a result of calculation and forming new valuation adjustments (increase) of value adjustments for loans, factoring and guarantees, as well as other receivables in accordance with the internal acts governing these calculations.

15. OTHER INCOME

	<u>2019</u>	<u>2018</u>
Income from reversal of provisions (a)	53,616	90,503
Income from reduced liabilities	4,149	-
Gains from the sale of bonds of the Republic of Serbia	2,545	11,789
Other income not mentioned elsewhere	1,087	71
Total other income	<u>61,396</u>	<u>102,363</u>

(a) The structure of income from reversal of provisions is shown in the following table.

	<u>2019</u>	<u>2018</u>
<i>Income from reversal of provisions (Note 27) based on:</i>		
- is the amount of claims non-liquidated, reported	52,302	
- non-utilised framework for given guarantees	962	12,824
- risk equalisation	352	2,149
- given guarantees		59,431
- is the amount of claims incurred, not reported		2,923
- non-utilised revolving loans		13,175
Total interest income from reversal of provisions	<u>53,616</u>	<u>90,503</u>



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***16. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS, THE EFFECTS OF CHANGES IN ACCOUNTING POLICIES, CORRECTION OF ERRORS FROM PREVIOUS PERIODS**

	<u>2019</u>	<u>2018</u>
Income from the correction of non-material errors from previous years	2	1,999
Expenditures from the correction of non-material errors from previous years	<u>-</u>	<u>(1,070)</u>
Total net profit from discontinued operations, expenditures for changes in accounting policies and corrections of errors from previous periods	2	929
Total net loss from discontinued operations, expenditures for changes in accounting policies and corrections of errors from previous periods	<u>-</u>	<u>-</u>

17. PROFIT TAX**a) Profit tax component**

	<u>2019</u>	<u>2018</u>
Current tax	-	5,971
Deferred tax loss/(income)	<u>(507)</u>	<u>(293)</u>
	<u>(507)</u>	<u>5,678</u>



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

b) Reconciliation of current tax and profit before taxation and prescribed tax rate

	2019	2018
Tax calculated at the prescribed tax rate - 15%	11,361	17,969
Profit before taxation	75,741	119,792
Non-taxable income	97,963	85,873
Expenses that are not recognised for tax purposes	5,316	5,886
Use of previously unrecognised tax losses		
Tax losses for which deferred tax assets are not recognised		
Taxable profit after adjustment	(16,905)	39,805
Current profit tax as per tax return	-	5,971
Effective tax rate	0%	5%

c) Deferred taxes

Deferred tax liabilities as at 31 December 2019 amounted to RSD 1,041 thousand (as at 31 December 2018, deferred tax and assets amounted to RSD 1,470 thousand), and were incurred in the greatest part as the effect of temporary differences (deferred tax expense) at the basis of the change in fair value of securities available for sale in the amount of RSD 3,671 thousand.



NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

18. INTANGIBLE ASSETS

	Invest ment in develo pment	Patents, licences and similar rights	Other intangib le assets	Intangib le assets under develop ment	Total
PURCHASE VALUE					
1 January 2018		46,979		61,444	108,423
Procurements		267		26,974	27,241
Activations					-
Disposals					-
Balance as at 31 December 2018	-	47,246	-	88,418	135,664
Procurements		37,898			37,898
Activations		75,672		(75,672)	-
Disposals					-
Balance as at 31 December 2019	-	160,816	-	12,746	173,562
VALUATION ADJUSTMENT					
1 January 2018		(18,656)			(18,656)
Amortisation (Note 8)		(7,369)			(7,369)
Disposals					-
Balance as at 31 December 2018	-	(26,025)	-	-	(26,025)
Depreciation (Note 8)		(13,021)			(13,021)
Disposals					-
Balance as at 31 December 2019	-	(39,046)	-	-	(39,046)
NET BOOK VALUE:					
- 31 December 2019	-	121,770	-	12,746	134,516
- 31 December 2018	-	21,221	-	88,418	109,639

19. PROPERTY, PLANT AND EQUIPMENT

The table below shows the changes in the accounts of property, plant and equipment in 2018 and 2019.



NOTES TO FINANCIAL STATEMENTS
For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

	Land	Buildings	Plant and equipment	Investment in other property, plant and equipment	Property, plant and equipment under development	Advance payments	Total
PURCHASE VALUE							
Balance as at 1 January 2018				23,375	278		23,653
Procurements				1,038			1,038
Transfer from/to							-
Transfer to non-current assets held for sale							-
Disposals							-
Balance as at 31 December 2018	-	-	-	24,413	278	-	24,691
Procurements				3,769			3,769
Transfer from/to							-
Transfer to non-current assets held for sale							-
Disposals				(4,762)			(4,762)
Balance as at 31 December 2019	-	-	-	23,420	278	-	23,698
VALUATION ADJUSTMENT							
Balance as at 1 January 2018				(6,974)	-		(6,974)
Amortisation (Note 8)				(3,449)			(3,449)
Transfer to non-current assets held for sale							-
Disposals							-
Balance as at 31 December 2018	-	-	-	(10,423)	-	-	(10,423)



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

Depreciation (Note 8)				(3,727)	(3,727)
Transfer to non-current assets held for sale					-
Disposals				1,120	1,120
Balance as at 31 December 2019	-	-	-	(13,030)	(13,030)
NET BOOK VALUE:					
- 31 December 2019	-	-	278	10,389	10,667
- 31 December 2018	-	-	278	13,990	14,268



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

20. LONG-TERM INVESTMENTS

	2019	2016	2015
Equity shares and securities available for sale (a)	1,960,046	1,937,108	61
Part of given loans with maturity of over one year	1,787,772	1,393,218	1,338,144
Long-term financial investments		71,417	71,417
Securities held to maturity			743,291
Long-term financial investments	3,747,818	3,401,743	2,152,912
Valuation adjustment for long-term financial investments	(810,530)	(657,927)	(426,497)
Balance as at 31 December	<u>2,937,288</u>	<u>2,743,816</u>	<u>1,726,416</u>

- (a) Within the position, the share in capital and securities available for sale, bonds of the Republic of Serbia available for sale are represented in the greatest part, totalling RSD 1,866,080 thousand, whose detailed structure by type of bonds is shown in Note 11.

21. RECEIVABLES FROM SPECIFIC OPERATIONS

	2019	2018	2017
Receivables from foreign debtors for factoring activities (Note 4.3)	645,302	815,575	667,602
Receivables from ordering party of RSD guarantee	148,335	76,917	71,417
Receivables in respect of advance paid - internal factoring- SMECA (Note 4.3)	95,097	147,399	147,653
Recourse receivables from international factoring (Note 4.3)	77,358	80,170	79,920
Receivables from internal factoring in UPPR (Note 4.3)	31,018	31,176	31,957
Recourse receivables from internal factoring (Note 4.3)	13,554	10,716	16,058
Total receivables from specific operations	<u>1,010,664</u>	<u>1,161,953</u>	<u>1,014,606</u>
Valuation adjustment of receivables from specific operations	(210,440)	(276,080)	(277,417)
Balance as at 31 December	<u>800,224</u>	<u>885,873</u>	<u>737,190</u>



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

22. OTHER RECEIVABLES

	2019	2018	2017
<i>Receivables from:</i>			
- Default interest on loans	114,186	121,997	134,970
- Overpaid profit tax	94,949	94,949	64,281
- Regular interest on loans	64,680	36,199	20,288
- Interest for internal factoring	47,822	40,253	32,906
- Interest on protest of guarantees	31,718	16,096	1,230
- Interest for international factoring	27,538	47,940	45,439
- Insurance premiums	21,115	12,451	18,495
- Foreign exchange differences under Article 2 of the loan agreement	5,328	5,564	6,692
- Pre-invoiced creditworthiness services	2,658	1,631	1,636
- Other	873	3,220	2,641
- Interest on RSD deposits	166	184	101
- Fees from guarantees	17	17	5
- Interest on foreign currency deposits	-	-	3
Total other receivables	411,050	380,502	328,688
Valuation adjustment	(230,024)	(228,809)	(223,329)
Balance as at 31 December	181,026	151,693	105,359

23. SHORT-TERM FINANCIAL INVESTMENTS

	2019	2018	2017
<i>Short-term financial investments on the basis of:</i>			
Short-term loans	5,887,969	6,333,818	5,607,722
Short-term loans reported in bankruptcy	1,600,854	1,848,851	1,844,723
Internal factoring (Note 4.3)	309,834	319,172	130,372
Receivables from banks in bankruptcy	235,792	235,792	235,792
Insurance recourse	188,184	331,522	338,186
Factoring claims filed for bankruptcy	150,069		
Loans in UPPR/SFR	86,896	74,581	102,068
Discounted bills of exchange in the domestic factoring (Note 4.3)	61,000	61,000	137,901
Other	118	6,664	50
Dinar time deposits	-	-	300,000
Total short-term financial investments	8,520,716	9,211,399	8,696,814
Valuation adjustment	(3,199,869)	(3,644,564)	(3,707,467)
Balance as at 31 December	5,320,847	5,566,834	4,989,347



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

24. CASH AND CASH EQUIVALENTS

	2019	2018	2017
Foreign currency accounts with commercial banks (a)	328,042	343,651	264,914
Current accounts (b)	164,136	117,065	146,164
Dinar cash in hand	18	32	7
Balance as at 31 December	492,196	460,749	411,086

a) An overview of the status of foreign exchange accounts at domestic banks is contained in the following table:

Bank name	Currency amount	Currency	In thousands of RSD
Banca Intesa ad	1,262,953	EUR	148,514
Poštanska štedionica	1,000,000	EUR	117,593
Unicredit banka	296,611	EUR	34,879
Komercijalna banka	229,971	EUR	27,043
Other	110	EUR	12.98
Total	2,789,645	EUR	328,042

b) An overview for dinar accounts is contained in the following table:

Bank name	In thousands of RSD
Poštanska štedionica	148,803
Treasury Administration	14,616
Other	716.35
Total	164,136



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

25. PREPAYMENTS AND ACCRUED INCOME

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Receivables for non-invoiced income	87,929	15,608	14,258
Prepaid expenditures	2,353	2,211	1,603
Other prepayments and accrued income		56,082	31,063
Balance as at 31 December	<u>90,283</u>	<u>73,901</u>	<u>46,924</u>

Within the active time limitations, the most significant amounts relate to interest receivables on Republic of Serbia bonds during 2019, whose impairment is expected in the following year in the amount of RSD 62,704 thousand, as well as on accrued income from the calculation of insurance premiums for turnover referring to December of the current year, and whose insurance reporting as well as the subsequent invoicing of the premium is made in January of the following year, in the amount of RSD 14,625 thousand.

26. CAPITAL

26.1. Basic capital

The share capital/equity of the Agency as at 31 December 2019 amounted to RSD 6,191,145 thousand and refers to: share capital/equity in the amount of RSD 6,050,851 thousand and emission reserves in the amount of RSD 140,294 thousand. Compared to the previous year, there were no changes in the position of share capital.

The share capital of the Agency as at 31 December 2019 consisted of 55,124 ordinary shares with a nominal value of RSD 105,522.00 per share.

The amount of share premium is RSD 140,294 thousand (31 December 2018: RSD 140,258 thousand) and represents the difference between the amount paid and the nominal value of the subscribed shares.

26.2. Provisions

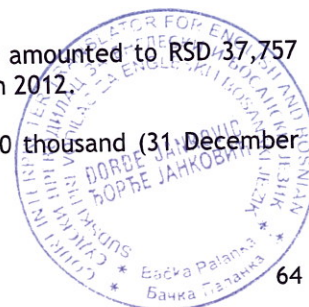
The provision position presents statutory and other reserves to cover future losses in the amount of RSD 1,069,104 thousand (31 December 2018: RSD 1,012,047 thousand). On 29 November 2019, the General meeting of the Agency made a decision on distribution of profit made in 2018, when the amount of RSD 57,057 thousand is intended to increase the reserves.

26.3. Retained profit

Retained profit at the end of 2019 amounted to RSD 114,007 thousand (31 December 2018: RSD 151,871 thousand).

Retained profit from previous years as at 31 December 2019 amounted to RSD 37,757 thousand and represents the remainder of retained profit from 2012.

Retained profit for the current year amounted to RSD 76,250 thousand (31 December 2018: RSD 114,114 thousand).



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

26. CAPITAL (Continued)

26.3. Retained profit (Continued)

Basic earnings per share	2019	2018	2017
Profit attributable to shareholders of the Agency (A)	76,250	114,114	131,389
Weighted average number of ordinary shares outstanding during the period (B)	55,124	55,124	55,124
Basic earnings per share (A/B)	1.38	2.07	2.38

27. LONG-TERM PROVISIONS

	2019	2016	2015
Provisions for contingent liabilities			
- insurance	81,396	124,109	80,705
- given guarantees	70,757	39,248	98,679
- court disputes	5,870	2,160	510
- non-utilised framework of revolving loans	4,760	496	13,672
- severance payment / retirement benefits	3,658	3,176	3,068
- non-utilised framework of given guarantees	3,136	4,098	16,922
Balance as at 31 December	169,578	173,288	213,556

a) Provisions for contingent liabilities consist of:

	2019	2016	2015
Provisions for risk equalisation	65,734	66,085	68,235
Provision for claims unreported incurred	14,401	4,460	7,383
Provisions for incurred reported claims	1,262	53,564	5,087
Total	81,396	124,109	80,705



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

27. LONG-TERM PROVISIONS (Continued)

Changes in provision accounts are shown in the table below:

	Insurance	Severance payments	Court disputes	Guarantees	Other provisions	Total
Balance as at 01 December 2018	<u>80,705</u>	<u>3,068</u>	<u>510</u>	<u>98,679</u>	<u>30,594</u>	<u>213,556</u>
Additions during the year (Note 9)	48,477	813	1,650			50,940
Reductions during the year (Note 15)	(5,073)			(59,431)	(25,999)	(90,503)
Other		(705)				(705)
Balance as at 31 December 2018	<u>124,109</u>	<u>3,176</u>	<u>2,160</u>	<u>39,248</u>	<u>4,595</u>	<u>173,288</u>
Additions during the year (Note 9)	9,941	482	3,710	31,509	4,264	49,906
Reductions during the year (Note 15)	(52,654)				(962)	(53,616)
Other						
Balance as at 31 December 2019	<u>81,396</u>	<u>3,658</u>	<u>5,870</u>	<u>70,757</u>	<u>7,897</u>	<u>169,578</u>

28. LONG-TERM LIABILITIES

	2019	2018	2017
Long-term loans (a)	1,822,688	1,832,016	
Liabilities convertible into capital (b)	250,000	250,000	250,000
Balance as at 31 December	<u>2,072,688</u>	<u>2,082,016</u>	<u>250,000</u>

(a) On 19 July 2018, a loan agreement was concluded with OESTERREICHISCHE ENTWICKLUNGSBANK AG, Vienna, Austria, in the amount of EUR 15,500,000 with a repayment in 15 instalments with a maturity of the first instalment in 2021.

(b) The Programme for the promotion of exports through loans and export credit insurance in 2010, which was adopted by the Government of the Republic of Serbia and which is an integral part of the Conclusion of the Government 05 No. 422-1857/2010 of 11 March 2010 envisages that RSD 400,000 thousand is earmarked to the Agency for recapitalisation and RSD 400,000 thousand for financing and export insurance. Accordingly, on 16 April 2010, the Assembly of the Agency adopted a decision which stipulates that the amount of RSD 400,000 thousand per payment made is transferred to the capital of the Agency and to make recapitalisation for the same amount.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***28. LONG-TERM PROVISIONS (Continued)**

Under the above Government Conclusion, the amount of RSD 500,000 thousand was paid in to the Agency's account from the budget of the Republic of Serbia pursuant to the Law on Budget of the Republic of Serbia for 2010 ("Official Gazette of the Republic of Serbia", No. 107/09). The new Government Conclusion 05 No 401-7845/2010 of 28 October 2010 (amending the mentioned Government Conclusion 05 No 422-1857/2010 of 11 March 2010) provides that the amount of RSD 250,000 thousand and RSD 250,000 thousand for loans and export credit insurance is earmarked to the Agency for recapitalisation.

29. SHORT-TERM FINANCIAL LIABILITIES

At the position of short-term financial liabilities, liabilities to the Republic of Serbia amounted to RSD 103,751 thousand (in 2018, RSD 103,751 thousand), on the basis of funds received from the budget in accordance with the 2019 Programme of measures for encouraging exports by short-term lending to small and medium-sized companies and entrepreneurs.

30. LIABILITIES FROM OPERATIONS

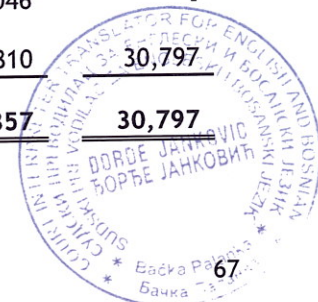
	2019	2016	2015
Trade payables, national	10,372	9,173	3,873
Trade payables, international	14	21	27,030
Other liabilities from business operations	-	-	1,352
Balance as at 31 December	10,386	9,194	32,255

31. OTHER SHORT-TERM LIABILITIES

	2019	2018	2017
Liabilities from specific operations			
- international factoring	119,359	185,987	184,980
- internal factoring	43,803	51,506	28,475
Other short-term liabilities	-	1,479	1,788
Balance as at 31 December	163,161	238,971	215,244

32. ACCRUALS AND DEFERRED INCOME

	2019	2018	2017
Liabilities for tax arising from business results	60,079	13,046	-
Other liabilities for taxes, contributions and other duties	35,680	36,810	30,797
Balance as at 31 December	95,759	49,857	30,797



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

*Amounts are expressed in RSD thousand, unless otherwise stated***33. RECONCILIATION OF RECEIVABLES AND LIABILITIES**

Pursuant to Article 20 of the Law on Accounting and Auditing, the Agency performed the reconciliation of accounts receivable and payable with its debtors and creditors and commercial banks with the balance as at 30 November and 31 December 2019, and it maintains credible documentation on the process.

Based on authentic documents exchanged with clients, out of a total of RSD 11,252,159 thousand of receivables and placements that were subject to adjustment, 65.24% of the total value of receivables was agreed. The amount of non-confirmed receivables as at 31 December 2019 amounted to RSD 3,911,495 thousand (34,76%).

34. OFF-BALANCE RECORDS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Off-balance records in respect of:</i>			
- approved insurance limits	25,081,780	19,216,793	12,783,190
- given guarantees	4,307,529	3,836,981	4,663,756
- received warranties	3,148,532	3,572,142	4,833,695
- Potential assets under guarantees - Programme of measures	2,441,013	2,441,013	2,441,013
- non-utilised framework of revolving loans	13,876	21,866	179,057
- other	11,338		
Total off-balance records	<u><u>35,004,067</u></u>	<u><u>29,088,795</u></u>	<u><u>24,900,712</u></u>

35. DISCLOSURE OF RELATIONS WITH AFFILIATED LEGAL ENTITIES

The Agency is a closed joint-stock company whose shares are 100% owned by the Republic of Serbia. The Agency has no affiliated persons. Salaries and other remunerations for members of the Administrative Board are disclosed in Note 6 to the financial statements.

36. CONTINGENT LIABILITIES**(a) Court disputes**

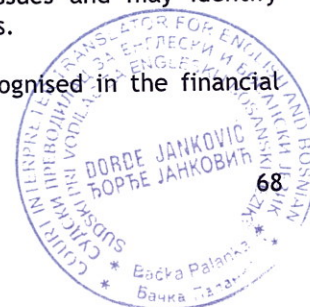
During 2019, the Agency had 136 disputes. One labour-related dispute is ongoing against the Agency.

The management of the Agency estimates that there will be no materially significant losses after the outcome of the legal proceedings in progress above the provisioned amounts.

(b) Tax risks

The tax system of the Republic of Serbia is undergoing continuous amendments. In Serbia, the tax period is open for a period of five years. In different circumstances, the tax authorities may have different approaches to certain issues and may identify additional tax liabilities together with penalty interest and fines.

The management of the Agency believes that tax duties recognised in the financial statements are fairly presented.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

36. CONTINGENT LIABILITIES (Continued)**(c) Other contingent liabilities**

The Agency had as at 31 December 2019, issued 26 bills of exchange in favour of creditors, relating to bills of exchange issued when the bank accounts were opened. The Agency's management estimates that the possibility of an outflow on this basis is very small.



NOTES TO FINANCIAL STATEMENTS

For the year ended as at 31 December 2019

Amounts are expressed in RSD thousand, unless otherwise stated

37. EVENTS AFTER THE BALANCE SHEET DATE

The observed period for the purpose of corrective postings of reversal of valuation adjustment is from 01 January to 29 February 2020. To collect payments in this period, valuation adjustment totalling RSD 175,458 thousand was made.

As stated in Note 2.3, in the period after the date of the financial statements, a state of emergency was declared in the Republic of Serbia due to the COVID-19 virus epidemic, which resulted in the decision of the Agency's management body to introduce certain changes in business conditions. profitability and liquidity of the Agency. The stated facts do not require correction of the financial statements for the period from 1 January to 31 December 2019.

38. FOREIGN CURRENCY EXCHANGE RATES

The official exchange rates of the National Bank of Serbia, used for conversion of foreign currency positions as at 31 December 2019, 2018 and 2015 into the functional currency (RSD), for the major currencies are:

	2019	2018	In RSD 2017
EUR	117,5928	118,1946	118,4727
USD	104,9186	103,3893	99,1155
GBP	137,5998	131,1816	133,4302
BAM	60,1242	60,4319	60,5741


Legal representative

[official round seal of the Agency for
Export Insurance and Financing of the Republic of Serbia a.d. Užice]
[signature illegible]
Dejan Vukotić

- END OF TRANSLATION -

I, ĐORĐE JANKOVIĆ, certified court interpreter/translator for the English language, appointed by the Provincial Secretariat for Education, Regulations, Administration and National Minorities - National Communities of Vojvodina, Republic of Serbia, under Decision 128-74-58/2014-02 of 20 March 2015, HEREBY CERTIFY that this is a true and correct translation of the original document submitted to me in the Serbian language, which is attached hereto.

Reg. No. 558/20
16 July 2020


Đorđe Janković
Serbian-English certified court interpreter/translator