IMPORTANT NOTICE

You must read the following before continuing. The following applies to the offering memorandum (the "**Offering Memorandum**") following this page, and you are therefore required to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT TO QIBs PURSUANT TO RULE 144A.

Confirmation of your representation: In order to be eligible to view this Offering Memorandum or make an investment decision with respect to any securities, you must be a person who is outside the United States unless you are a QIB in the United States. By accepting the email and accessing this Offering Memorandum, you shall be deemed to have represented to the Arrangers and Dealers (each as defined in the base prospectus dated 20 November 2020) that you and any customers you represent, unless you are QIBs, are not in the United States; that the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia unless you are a QIB in the United States; and that you consent to delivery of such Offering Memorandum by electronic transmission.

You are reminded that this Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Memorandum to any other person.

Any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that a potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Issuer in such jurisdiction.

This document is being distributed only to, and is directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as "**relevant persons**"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, Arrangers or Dealers (each as defined in the base prospectus dated 20 November 2020), any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version.

REPUBLIC OF SERBIA

(*represented by the Government of the Republic of Serbia*, *acting by and through the Ministry of Finance*)

Global Medium Term Note Programme

This offering memorandum (the "**Offering Memorandum**") has been prepared in order to reflect certain recent developments to the information contained in the Base Prospectus (*as defined below*).

This Offering Memorandum is supplemental to, forms part of and should be read and construed in conjunction with, the base prospectus dated 20 November 2020 (the "**Base Prospectus**") and is prepared in connection with the Global Medium Term Note Programme (the "**Programme**") established by the Republic of Serbia (represented by the Government of the Republic of Serbia, acting by and through the Ministry of Finance) (the "**Issuer**"). Terms defined in the Base Prospectus have the same meaning when used in this Offering Memorandum. Any reference in this Offering Memorandum to the Base Prospectus shall be to such Base Prospectus as supplemented by this Offering Memorandum, unless the context otherwise requires.

This Offering Memorandum does not comprise or constitute a supplementary prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of the United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (as amended, the "**UK Prospectus Regulation**"). Accordingly, this document has not been, and will not be, submitted for review and approval to any competent authority within the meaning of the UK Prospectus Regulation, and in particular the Financial Conduct Authority in its capacity as the competent authority for the purposes of the UK Prospectus Regulation.

This Offering Memorandum constitutes neither an offer to sell nor a solicitation of an offer to buy any Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer, and having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is in accordance with the facts and this Offering Memorandum makes no omission likely to affect the import and completeness of such information. The opinions, assumptions, intentions, projections and forecasts expressed in this Offering Memorandum with regard to the Issuer are held honestly by the Issuer, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

None of the Dealers or the Arrangers (each as defined in the Base Prospectus) make any representation, express or implied, regarding, or accept any responsibility for, the contents hereof or any information incorporated by reference into the Base Prospectus by means of this Offering Memorandum.

The date of this Offering Memorandum is 24 February 2021

The purpose of this Offering Memorandum is to reflect regulatory changes following the exit of the United Kingdom from the European Union following the end of the implementation period (as defined in the EUWA) on 31 December 2020, provide updates based on recent developments and effect certain other amendments to the information contained in the Base Prospectus as set out in more detail below. All references in the Base Prospectus to the European Union law should, save where the context otherwise requires, be construed as references to such European Union law as it forms part of the United Kingdom domestic law by virtue of the EUWA.

AMENDMENTS OR ADDITIONS TO THE BASE PROSPECTUS

With effect from the date of this Offering Memorandum, the information appearing in the Base Prospectus shall be amended and/or supplemented in the manner described below.

1. Cover Page

(a) The second paragraph on the cover page of the Base Prospectus shall be entirely deleted and replaced with the following:

"The Base Prospectus does not comprise or constitute a base prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of the United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**") (as amended, the "**UK Prospectus Regulation**"). Application may be made (i) to the Financial Conduct Authority (the "**FCA**"), for Notes issued under the Programme to be admitted to the official list of the FCA (the "**Official List**") and (ii) to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "**Market**"). For the purposes of any such application, the Issuer is an exempt issuer pursuant to Article 1(2) of the UK Prospectus Regulation. Accordingly, the Notes admitted to the Official List and admitted to trading on the Market will not be subject to the prospectus requirements of the UK Prospectus Regulation, but will be issued in accordance with the listing rules of the London Stock Exchange. References in this Base Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of English law by virtue of the EUWA ("**UK MiFIR**"). Notice of the aggregate nominal amount of interest (if any) payable in respect of, the issue price of, and any other terms and conditions not contained herein that are applicable to, each Tranche (as defined in "*Overview of the Programme*") of Notes will be set forth in a final terms document (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described below in "*Final Terms and Drawdown Prospectuses*", which, with respect to Notes to be admitted to the Official List and to be admitted to trading on the Market, will be delivered to the FCA and to the London Stock Exchange on or before the date of issue of the Notes of such Tranche."

(b) The fourth paragraph set out on the cover page of the Base Prospectus shall be entirely deleted and replaced with the following:

"The Issuer's current long term foreign currency debt rating by Standard & Poor's Global Ratings Europe Limited ("**S&P**") is BB+ with a stable outlook, by Fitch Ratings Limited ("**Fitch**") is BB+ with a stable outlook and by Moody's Investors Service, Inc. ("**Moody's**") is Ba3 with a positive outlook. Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche is to be rated, such rating will not necessarily be the same as the ratings assigned to the Issuer. Where a Tranche is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche will be (a) issued by a credit rating agency established in the European Economic Area (the "**EEA**") and registered under Regulation (EC) No. 1060/2009 on Credit Rating Agencies as amended by Regulation (EU) No. 513/2011 (the "**CRA Regulation**") or by a credit rating agency established in the United Kingdom (the "**UK**") and registered under Regulation (EC) No. 1060/2009 as it forms part of English law by virtue of the European Union (Withdrawal)

Act 2018 (the "**UK CRA Regulation**"), or (b) issued by a credit rating which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or by a credit rating agency which is not established in the UK but will be endorsed by a credit rating agency which is established in the UK and registered under the UK CRA Regulation or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation or by a credit rating agency which is not established in the UK but which is certified under the UK CRA Regulation, will also be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. S&P is established in the European Union (the "**EU**") and registered under the CRA Regulation. Fitch is established in the UK and registered under the UK CRA Regulation. Moody's is neither established in the EU nor the UK and has not applied for registration under the CRA Regulation or UK CRA Regulation. Accordingly, ratings issued by Fitch and Moody's have been endorsed by Fitch Ratings Ireland Limited and Moody's Deutschland GmbH, respectively in accordance with the CRA Regulation. Both Fitch Ratings Ireland Limited and Moody's Deutschland GmbH are established in the EU and registered under the CRA Regulation. As such, the ratings issued by Fitch and Moody's may be used for regulatory purposes in the EU in accordance with the CRA Regulation. Each of S&P, Fitch Ratings Ireland Limited and Moody's Deutschland GmbH is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) (last updated 4 January 2021) in accordance with the CRA Regulation. Similarly, ratings issued by S&P and Moody's have been endorsed by S&P Global Ratings UK Limited and Moody's Investors Service Ltd respectively, each in accordance with the UK CRA Regulation. Each of S&P Global Ratings UK Limited and Moody's Investors Service Ltd is established in the UK and registered under the UK CRA Regulation. As such, the ratings issued by S&P and Moody's may be used for regulatory purposes in the United Kingdom in accordance with the UK CRA Regulation. Any change in the rating of the Notes may adversely affect the price that a purchaser may be willing to pay for the Notes."

(c) The seventh paragraph on the cover page of the Base Prospectus (as set out below) shall be deleted in its entirety:

"This Base Prospectus will be valid as a base prospectus under the Prospectus Regulation for 12 months from 20 November 2020. The obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply following the expiry of that period."

(d) The last paragraph on the cover page of the Base Prospectus shall be deleted in its entirety and replaced with the following:

"Amounts payable under the Notes may be calculated by reference to either LIBOR or EURIBOR, which are provided by ICE Benchmark Administration Limited ("**ICE**") and the European Money Markets Institute (the "**EMMI**"), respectively. As at the date of this Base Prospectus, EMMI (as administrator of EURIBOR) is included in the register of administrators and benchmarks established and maintained by the ESMA pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the "**EU Benchmarks Regulation**"). As at the date of this Base Prospectus, ICE (as administrator of LIBOR) does not appear on ESMA's register of administrators and benchmarks under Article 36 of the EU Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that ICE (as administrator of LIBOR) is not currently required to obtain authorisation or registration (or, if located outside the EU, recognition, endorsement or equivalence). As at the date of this Base Prospectus, both ICE and the EMMI are included in the FCA's register of administrators under Article 36 of Regulation (EU) No. 2016/1011 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmarks Regulation**")."

2. Responsibility Statement

On page (i) of the Base Prospectus, the first paragraph under the section "**RESPONSIBILITY STATEMENT**" (as set out below) shall be deleted in its entirety:

"This Base Prospectus constitutes a base prospectus for the purposes of the Prospectus Regulation and for the purpose of giving information with regard to the Issuer and the Notes which, according to the particular nature of the Issuer and the Notes, is necessary to enable investors to be able to make an informed assessment of the financial position and prospects of the Issuer and the rights attaching to the Notes."

3. Supplements to the Base Prospectus

On page (i) of the Base Prospectus, the section "**SUPPLEMENTS TO THIS BASE PROSPECTUS**" shall be deleted in its entirety and replaced with the following:

"SUPPLEMENTS TO THIS BASE PROSPECTUS

If, in connection with the admission of Notes to the Official List and the admission to trading of Notes on the Market or the admission of Notes to listing, trading and/or quotation by any other listing authorities, stock exchanges, regulated markets and/or quotation systems, there shall occur any adverse change affecting any matter contained in this Base Prospectus or any change in the information set out under "*Terms and Conditions of the Notes*", that is material in the context of issuance of Notes under the Programme, the Issuer will prepare or procure the preparation of an amendment or supplement to this Base Prospectus or, as the case may be, publish a new base prospectus, for use in connection with any subsequent issue by the Issuer of Notes to be admitted to the Official List and admitted to trading on the Market or admitted to listing, trading and/or quotation on any other listing authorities, stock exchanges, regulated markets and/or quotation systems."

4. MiFID II Product Governance

On page (vi) of the Base Prospectus, the first paragraph under the section "**MIFID II PRODUCT GOVERNANCE/ TARGET MARKET**" shall be deleted in its entirety and replaced with the following:

"The Final Terms in respect of any Notes may include a legend titled "MiFID II Product Governance" that will outline the target market assessment in respect of such Notes and which channels for distribution of such Notes (or beneficial interests therein) are appropriate. In those cases, any person or entity subsequently offering, selling or recommending such Notes (or beneficial interests therein) (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") will remain responsible for undertaking its own target market assessment in respect of such Notes (or beneficial interests therein) (by either adopting or refining the target market assessment) and determining appropriate distribution channels."

5. Incorporation of UK MiFIR Product Governance and UK PRIIPs Regulation

(a) On page (vi) of the Base Prospectus, the following shall be inserted after the section "**MIFID II PRODUCT GOVERNANCE/ TARGET MARKET**":

"UK MIFIR PRODUCT GOVERNANCE/ TARGET MARKET

The Final Terms in respect of any Notes may include a legend titled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules."

(b) On page (vi) of the Base Prospectus, the section "**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS**" shall be deleted in its entirety and replaced with the following:

"PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the EEA. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to, and should not be offered, sold or otherwise made available to, any retail investor in the UK. For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of English law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of English law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation."

6. Overview of the Programme

(a) In the section titled "Overview of the Programme" on pages 14 and 15 of the Base Prospectus, the line item "Credit Ratings" shall be entirely deleted and replaced with the following:

"**Credit Ratings**	Where a Tranche is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche will be (a) issued by a credit rating agency established in the EEA and registered under the CRA Regulation or by a credit rating agency established in the UK and registered under the UK CRA

Regulation, or (b) issued by a credit rating which is not established in the EEA but will be endorsed by a credit rating agency which is established in the EEA and registered under the CRA Regulation or by a credit rating agency which is not established in the UK but will be endorsed by a credit rating agency which is established in the UK and registered under the UK CRA Regulation, or (c) issued by a credit rating agency which is not established in the EEA but which is certified under the CRA Regulation or by a credit rating agency which is not established in the UK but which is certified under the UK CRA Regulation, will also be disclosed in the relevant Final Terms. The list of credit rating agencies registered and/or certified under the CRA Regulation is available on the ESMA website (*http://www.esma.europa.eu/page/List-registered-and-certified-CRAs*) (last updated 4 January 2021).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation."

(b) In the section titled "Overview of the Programme" on page 15 of the Base Prospectus, the line item "**PRIIPs Regulation**" shall be entirely deleted and replaced with the following:

"EEA PRIIPs Regulation	If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA, and no key information document under the PRIIPs Regulation will be prepared.
UK PRIIPs Regulation	If the Final Terms in respect of any Notes includes a legend entitled "*Prohibition of Sales to UK Retail Investors*", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK, and no key information document under the UK PRIIPs Regulation will be prepared."

(c) In the section titled "Overview of the Programme" on page 15 of the Base Prospectus, the following line item "**UK MiFIR Product Governance**" shall be inserted after "**MiFID II Product Governance**":

"UK MiFIR Product Governance	The Final Terms in respect of any Notes may include a legend entitled "*UK MiFIR product governance*" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate.

(d) In the section titled "Overview of the Programme" on pages 15 and 16 of the Base Prospectus, the line item "**Listing and Trading**" shall be entirely deleted and replaced with the following:

"**Listing and Trading**	Applications have been made for the Notes to be admitted during the 12 months after the date of this Base Prospectus to listing on the Official List and to trading on the Market and references to "listing" shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market.

Notes may also be unlisted or may be listed or admitted to trading, as the case may be, on any market (including any unregulated or regulated market for the purposes of UK MiFIR) as may be agreed among the Issuer and the relevant Dealer(s) or (in the case of a direct purchase of Notes by an investor) the relevant Noteholders(s) in relation to each relevant Series."

7. Risk Factors Related to the Notes Generally

(a) The second paragraph of the risk factor *"Credit Ratings may not reflect all risks*" in the section titled "*Risk factors – Risks related to the market generally*" on page 36 of the Base Prospectus, shall be deleted in its entirety and replaced with the following:

"In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). This general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency being included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use, for UK regulatory purposes, ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note that this is subject, in each case, to (x) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (y) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of a rating agency that is rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use such rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus."

(b) The risk factor "Benchmark Uncertainty – Changes or uncertainty in respect of LIBOR, EURIBOR and other benchmark rates might affect investors in floating rate Notes" in the section titled "Risk factors – Risks related to the market generally" on page 37 of the Base Prospectus, shall be deleted in its entirety and replaced with the following:

"With respect to any Series that has a floating rate of interest based upon a benchmark, such as LIBOR or EURIBOR, investors should consider that the manner in which these rates are set is undergoing significant change. For example, LIBOR and EURIBOR have been the subject of recent English, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective, whilst others are still to be implemented.

In particular, the sustainability of LIBOR has been questioned by the FCA as a result of the absence of relevant active underlying markets and the existence of possible disincentives (including possibly as a result of regulatory reforms) for market participants to continue contributing to the calculation of LIBOR. In a speech on 27 July 2017, Andrew Bailey, the Chief Executive of the FCA, announced the expectation of the FCA that LIBOR will cease to be sustained in its current form from the end of 2021 (at the latest). The FCA has statutory powers to require panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or to require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that it expects that the current panel banks will voluntarily sustain LIBOR until the end of 2021, although there can be no assurance that they will not cease to do so sooner. Subsequent speeches by Andrew Bailey and other FCA officials have emphasised that the FCA's intention is that after 2021 it will no longer ask, or require, banks to submit contributions to LIBOR. The FCA's current intentions, as well as the reforms described above, might: (a) cause the LIBOR benchmark to disappear entirely or (as a result of a change in methodology or otherwise) perform differently than in the past, (b) create disincentives for market participants to continue to administer or contribute to the calculation of LIBOR and/or (c) have other consequences that cannot be predicted.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

The EU Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016, the provisions of which have applied since 1 January 2018. The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU and, among other things: (a) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of "benchmarks" and (b) prevent certain uses by EU-supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). In the same way, the UK Benchmarks Regulation among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register of credit rating agencies (or, if non-UK based, not deemed equivalent, recognised or endorsed). The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to, or referencing, a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a published benchmark (such as LIBOR and EURIBOR) becomes unavailable, or if any Paying Agent, Calculation Agent, the Issuer or other party is no longer permitted lawfully to calculate interest on any Notes by reference to such benchmark. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Reference Rate (each as defined in the Terms and Conditions of the Notes), and that such Successor Rate or Alternative Reference Rate may be adjusted (if required) in order to reduce or eliminate any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the original Reference Rate (as defined in the Terms and Conditions of the Notes), and may include amendments to the Terms and Conditions of the Notes to ensure the proper operation of the successor or replacement benchmark (all as further described in

Condition 8.4 (*Benchmark Replacement*)). In certain circumstances, the ultimate fallback for the purposes of calculation of Rate of Interest for a particular Interest Period (as defined in the Terms and Conditions of the Notes) may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for floating rate Notes based on the rate which was last observed on the Relevant Screen Page (as defined in the Terms and Conditions of the Notes). In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates and the involvement of an Independent Adviser, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Any of the matters noted above in this risk factor or any other significant change to the setting or existence of LIBOR, EURIBOR or any other benchmark rate might have a material adverse effect on the value or liquidity of, and the amount payable under, the applicable Notes. No assurance may be provided that relevant changes will not be made to any such benchmark rate and/or that any such benchmark rate will continue to exist. Investors should consider these matters when making an investment decision with respect to any Notes that have a floating rate of interest based upon a benchmark rate."

8. Form of Final Terms

(a) In the section titled "Form of Final Terms" on page 74 of the Base Prospectus, the paragraph **"PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS**" shall be deleted in its entirety and replaced with the following paragraphs:

"[**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a "**retail investor**" means a person who is one (or more) of: (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**") and any rules or regulations made under the FSMA to implement [Directive (EU) 2016/97]/[the Insurance Distribution Directive], where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of English law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of English law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]"

(b) In the section titled "Form of Final Terms" on page 74 of the Base Prospectus, the following paragraph shall be inserted after the paragraph "**MIFID II product governance / Professional investors and ECPs only target market**":

"[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of English law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]"

(c) In the section titled "Form of Final Terms" on page 74 of the Base Prospectus, the first paragraph under "Part A-Contractual Terms" shall be entirely deleted and replaced with following:

"Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 20 November 2020 [and the Offering Memorandum[s] dated [*insert date of supplement*] [and [*insert date of supplement*]]] ([together,] the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with such Base Prospectus [as so supplemented] in order to obtain all the relevant information. The Base Prospectus has been published on the website of the London Stock Exchange at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html."

(d) In the section titled "Form of Final Terms" under "Part B – Other Information" on page 79 of the Base Prospectus, the line item "**RATINGS**" in row 2 shall be deleted in its entirety and replaced with the following:

"2 RATINGS

Ratings:	[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]: [S & P: [●]] [Moody's: [●]] [Fitch: [●]] [Other: [●]] [Not Applicable] [A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. The rating agenc[y/ies] above [has/have] published the following high-level description[s] of such rating[s]: - A rating of [ ] by Moody's is described by it as indicating [ ]. - A rating of [ ] by S&P is described by it as indicating [ ]. - A rating of [ ] by Fitch is described by it as indicating [ ].]

[[Each of]/[*Insert credit rating agency*] is established in the [European Union]/[United Kingdom] and is registered under Regulation (EC) No. 1060/2009 [(as amended or superseded) (the "**CRA Regulation**")]/ [as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**")] (*Amend / include further information as appropriate*)]

or

[[Each of]/[*Insert credit rating agency*] is not established in the [European Union]/[United Kingdom] and has not applied for registration under Regulation (EC) No. 1060/2009 [(as amended or superseded) (the "**CRA Regulation**")]/ [as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**")] (*Amend / include further information as appropriate*)]

(e) In the section titled "Form of Final Terms" under "Part B – Other Information" on pages 80 and 81 of the Base Prospectus, the line item "**Prohibition of Sales to EEA and UK Retail Investors:**" in row 6 under "Distribution" shall be deleted in its entirety and replaced with the following line items:

"**Prohibition of Sales to EEA Retail Investors**:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared in the EEA, "Applicable" should be specified.*)
Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared in the UK, "Applicable" should be specified.*)"

9. Taxation

(a) In the section titled "Taxation" on page 230 of the Base Prospectus, the first paragraph under the sub-section "**United States Federal Income Taxation**" shall be deleted in its entirety and replaced with the following:

"The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership, disposition and retirement of Notes by a holder thereof. This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme (including Notes with a maturity of 30 years or longer) and only applies to Notes held as capital assets for U.S. federal income tax purposes (generally, held for investment). It does not address any aspects of U.S. federal income taxation that may be applicable to holders that are subject to special tax rules, such as financial institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, tax exempt entities, retirement plans, former citizens or long-term residents of the United States, dealers or traders in securities or currencies or to holders that will hold a Note as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S.

federal income tax purposes, investors using the accrual method of accounting for U.S. federal income tax purposes and who are required to recognise income for such purposes no later than when such income is taken into account in an applicable financial statement, U.S. citizens or lawful permanent residents living abroad or U.S. Holders (as defined below) that have a functional currency other than the U.S. dollar. Moreover, this summary does not address the U.S. state and local tax, federal estate and gift tax, Medicare contribution tax or alternative minimum tax consequences of the acquisition, ownership or retirement of Notes and does not address the U.S. federal income tax treatment of holders that do not acquire Notes as part of the initial distribution at their initial "issue price," as defined in "*—U.S. Holders—Original Issue Discount*" below."

(b) In the section titled "Taxation" on page 231 of the Base Prospectus, the first paragraph "Accelerated Accrual" under the sub-section "**United States Federal Income Taxation –U.S. Holders**" shall be deleted in its entirety.

(c) In the section titled "Taxation" on page 230 of the Base Prospectus, the following shall be inserted before the sub-section "**United States Federal Income Taxation**":

"Serbian Taxation

The following is a general summary of the Serbian tax consequences as at the date hereof in relation to payments made under the Notes and in relation to the sale or transfer of Notes. It is not exhaustive and purchasers are urged to consult their professional advisers as to the tax consequences of them holding or transferring Notes.

Tax Implications for Non-Residents of Serbia

Under existing Serbian laws and regulations, payments of principal and interest on the Notes to any individual or legal entity which is not resident or incorporated in Serbia will not be subject to taxation in Serbia and no withholding of any Serbian tax will be required on any such payments. In addition, Noteholders will not be subject to taxation in respect of any capital gains (determined as the difference between the sale price and the acquisition price) realised on the transfer outside the territory of Serbia of any Notes between non-residents.

Tax Implications for Residents of Serbia

Payments of interest under the Notes to any individual (natural person) who is resident in Serbia will not be subject to taxation and any such Noteholder will also not be subject to taxation in respect of any capital gains realised on the transfer of any Notes. Similarly, Noteholders which are legal entities resident in Serbia will not be subject to taxation in respect of any capital gains realised on the transfer of any Notes.

Additional Amounts Payable under the Notes

In the event that a payment of interest in respect of the Notes is subject to withholding or deduction for any taxation pursuant to Condition 12 (***Taxation***) of the Notes, the Issuer has agreed to pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, subject only to certain exceptions set out in the relevant Condition. One such exception is that if a Noteholder is subject to Serbian taxation by reason of having some connection with Serbia other than the mere holding of the Note, that Noteholder would not be entitled to payment of any additional amounts under the relevant Condition."

10. Subscription and Sale

In the section titled "Subscription and Sale" on page 245 of the Base Prospectus, the selling restriction "**Prohibition of Sales to EEA and UK Retail Investors**" shall be deleted in its entirety and replaced with the following:

“Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

Unless the Final Terms in respect of any Notes specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

(a) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of English law by virtue of the EUWA; or

(b) a customer within the meaning of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of English law by virtue of the EUWA.

11. General Information

(a) In the section titled “General Information” on pages 248 and 249 of the Base Prospectus, the paragraph “**No significant change**” shall be deleted in its entirety and replaced with the following:

“**No significant change**

Save as disclosed in the “Overview”, “Risk Factors”, “Description of Serbia”, “Economy of Serbia”, “External Sector”, “Monetary System”, “Public Finance” and “Public Debt” sections of the Base Prospectus, there has been no significant change in the tax and budgetary systems, gross Public Debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources, and income and expenditure figures of the Issuer since 31 December 2019.”

(b) In the section titled “General Information” on page 261 of the Base Prospectus, the paragraph “**Documents available for inspection**” shall be deleted in its entirety and replaced with the following:

“**Documents available for inspection**

For so long as Notes may be issued pursuant to this Base Prospectus, and for so long as any Notes remain outstanding under the Programme thereafter, the following documents will be available at the Issuer’s website at http://www.javnidug.gov.rs/eng/default.asp?P=101:

(a) the Budgets of Serbia, including any supplementary Budgets, for the fiscal years 2016, 2017, 2018, 2019, 2020 and 2021;

(b) the Fiscal Agency Agreement;

(c) the Deed of Covenant;

(d) each Final Terms (save that Final Terms relating to an unlisted Note will only be available for inspection by a holder of such Note at the Specified Office of the Fiscal Agent and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of such Note and identity); and

(e) this Base Prospectus and any supplements thereto.

This Base Prospectus is and, the Final Terms for Notes that are listed on the Official List and admitted to trading on the Market will be, published on the website of the London Stock Exchange at *http://www.londonstockexchange.com*."

RECENT DEVELOPMENTS

The following developments have taken place since 20 November 2020, the date of the Base Prospectus (*where applicable, the page(s) on which the primary original disclosure in respect of the relevant item appeared in the Base Prospectus has been indicated in brackets*):

1. Overview

COVID-19 *(pages 2 and 3 of the Base Prospectus)*

Like most other countries, the COVID-19 pandemic has had, and will continue to have, a significant effect on Serbia. As of 21 February 2021, 2,846,122 people have been tested for COVID-19 in Serbia, and 436,640 cases have been confirmed since the beginning of the pandemic. As in other countries, Serbia witnessed an upsurge in the number of new infections in early October 2020, but the pandemic to a certain degree has remained contained since the beginning of 2021, with the infection rate having fallen back from around 7,500 new cases (on average) in early December to 2,000 and below. In the second week of February 2021, the Government reported around 2,000 new daily cases in Serbia and approximately 16 daily COVID-19 related deaths.

According to the data of the World Health Organisation, COVID-19 has now been detected in almost every country, and as of 20 February 2021 had infected approximately 110.3 million people around the world. While some of the initial precautionary and preventative measures implemented in March 2020 have since been lifted and/or relaxed or eased over time in Serbia, other measures have continued to remain effective, including using of masks, restricting the hospitality sector's trading hours to 8.00 pm and maintaining social distancing to limit the spread of the virus. However, there can be no assurance that additional preventive measures will not be required in the future. In order to limit the spread of virus within the country, the Government has launched an immunisation programme to distribute COVID-19 vaccines to its residents on a free and optional basis. See "*Recent Developments — The National Vaccine Programme*". However, the efficacy of any such public health or economic preventive measures may be insufficient to ameliorate the negative impact of COVID-19 on Serbia, including its economy, particularly if it affects the key sectors of the economy or essential government services, and therefore there can be no assurance that the immunisation programme will achieve its objectives within the intended timeframes, or at all.

At present, the COVID-19 pandemic is ongoing and there is a significant risk of recurring outbreaks in affected countries, and possible future mutations of the virus may prove the spread of the pandemic to be difficult to contain. For example, many countries in Europe have re-introduced full or partial lockdowns in late 2020 in order to stem the "second wave" of higher infection rates. Therefore, the long-term effects of the pandemic on the global economy are still unclear. There can be no assurance that COVID-19 or any future mutations of it, or similar pandemic communicable diseases, will not result in a prolonged negative economic climate in Serbia, or that they will not have a prolonged adverse effect on Serbia's economy and stagnate the tourism, transportation, manufacturing and other export-oriented sectors in particular. Based on preliminary flash estimates published by the Office of Statistics, Serbia's real GDP registered a decline of 1.3 per cent. year-on-year in the fourth quarter of 2020. See "*Recent Developments — Economy of Serbia*" for certain statistical and economic information in respect of 2020, based on the quarterly or monthly provisional data published by Serbia. The economic growth of Serbia in the coming periods will depend on a variety of factors, including, among others, external demand for the Republic's exports and services, the stability and competitiveness of the dinar against foreign currencies, confidence among Serbian consumers and foreign/domestic investors and their rates of investment in the Republic, the willingness and ability of businesses to engage in new capital spending and the rate of inflation. Accordingly, there can be no assurance as to when the various sectors of the economy will return to pre-COVID-19 levels of activity. In addition, no prediction can be made as to the scope or the scale of the systemic changes to Serbia's economy that will result from the COVID-19 pandemic. More specifically, the Government cannot determine with certainty what impact the COVID-19 pandemic will have on key macro-economic indicators, including inflation, budget deficit, private consumption, private investment and FDIs, or on the Government's existing and future economic targets. Any further acceleration in infection rates in Serbia and its major trading partners could negatively affect its recently gained economic momentum if further shocks materialise, and any such stronger-than-expected increase in the intensity of the infection could present a downside risk to its economic outlook.

Response to COVID-19 *(pages 3 to 5 of the Base Prospectus)*

In December 2020, the Government extended financial aid in the form of a one-time payment in the amount of RSD 30,367 to per employee of travel agencies, car rental companies, catering facilities and hotels. A total amount of RSD 1.9 billion was paid to companies that applied for this support as of 30 September 2020. On 18 December 2020, the Government extended a one-off aid of RSD 5,000 to every pensioner. In December 2020, the construction of two new COVID hospitals, one in Belgrade and the other in Kruševac, was completed and opened for dedicated COVID-19 health service. On 11 February 2021, the Government adopted a third stimulus package of approximately RSD 250 billion (equivalent to 4.2 of the projected GDP) for providing economic assistance to individuals and businesses against the expected financial and economic impacts of COVID-19. The package, effective from April 2021, comprises an array of measures including:

- payments amounting to 50 per cent. of the net minimum wage to employees of micro, SMEs and large enterprises in the private sector for the months of March, April and May 2021. Such payments will be made in the months of April, May and June 2021;
- additional state guarantees in the amount of EUR 500 million for borrowings from commercial banks under the State Guarantee Scheme in order to maintain resources and liquidity for businesses;
- prolongation of the disbursement schedule (i.e. availability period) under the State Guarantee Scheme to June 2022;
- direct cash assistance in the form of payment of EUR 30 per adult to all citizens of Serbia in the months of May and November 2021;
- payment of a one-off financial assistance to pensioners in the amount of EUR 50 per person in September 2021;
- payment of net minimum wages for the month of June to employees of catering, travel, car rental agencies as well as hotels and licensed tour guides. Such payment will be made in the month of July 2021;
- payment of a one-off direct subsidy of EUR 350 per bed, and EUR 150 per accommodation unit to hotels in Serbia; and
- financial aid of EUR 3,600 per bus in the form of payment of six monthly instalments of EUR 600 to bus carriers in Serbia.

As a measure to support the efforts of the Government in combating the COVID-19 outbreak, the National Bank continued to implement expansive monetary policies to further improve financing conditions in Serbia and thus support the economy amidst the prolonged pandemic conditions. On 10 December 2020, the National Bank further reduced its key policy rate by 0.25 percentage points to an all-time low level of 1.0 per cent. This decision, which marked the fourth revision, resulted in the policy rate being reduced by 125 basis points since March 2020. At the same time, the interest rate corridor was narrowed from ±1.0 percentage points to ±0.9 percentage points relative to the key policy rate, which resulted in the reduction of the deposit facility rate by 0.15 percentage points to 0.10 per cent. and credit facility rate by 0.35 percentage points to 1.9 per cent.

In November 2020, the National Bank resolved to open additional (but on a regular basis) weekly lines to provide dinar liquidity stimulus to the banking sector through repo purchase auctions and additional FX swap transactions, both with three month maturity at low interest rates (i.e. with repo purchase auctions at deposit facility rate and FX swap auctions at deposit facility rate plus 0.10 percentage points). As at 12 February 2021, the total amount of dinar liquidity provided by these transactions stood at RSD 45.2 billion (comprising repo purchase auctions of RSD 15.7 billion and FX swap auctions of

RSD 29.5 billion). In addition to the outright purchase of corporate bonds in the secondary market in September 2020, the National Bank for a second time provided additional dinar liquidity through the purchase of corporate bonds in the amount of RSD 2.3 billion in December 2020 (bringing the total amount of corporate bonds purchased in 2020 to RSD 27.5 billion).

The National Vaccine Programme

The Government has approved the vaccines developed by Sinopharm, Sputnik V and Pfizer-BioNTech for use against COVID-19 in Serbia. On 19 January 2021, the Government launched a nationwide inoculation programme to distribute vaccines on a free and optional basis in Serbia. The programme includes three vaccination phases and targets specific sections of the population that the Government considers to be most exposed or vulnerable to the virus, including health care personnel and law enforcement personnel. The Government expects the programme to cover at least 4 million citizens (i.e. 70 per cent. of adults).

According to data published by Our World in Data, an online global research platform which is a collaboration between Oxford University and an educational charity, as of 14 February 2021, Serbia had administered 12.2 vaccination doses per 100 people (with the second fastest rollout rate in Europe and the seventh highest rate in the world). According to the Government data, as at 18 February 2021, approximately over 1 million vaccination doses have been administered 15 per 100 people, with 9.7 per cent. of population receiving at least one dose and 5.2 per cent receiving both doses of vaccination.

Economic Performance *(pages 5 to 7 of the Base Prospectus)*

In line with the growth momentum from the previous quarter, economic activity within Serbia continued to show signs of moderate recovery in the fourth quarter of 2020. See "*Recent Developments — Economy of Serbia*" for certain statistical and economic information in respect of 2020, based on the quarterly or monthly provisional data published by Serbia. Despite a noticeable recovery in the face of the pandemic, Serbia's real GDP registered a decline of 1.3 per cent. year-on-year in the fourth quarter of 2020 (*source: flash preliminary figures published by the Office of Statistics*) due to the comparison with an extremely high base from the corresponding period in 2019. Such quarterly dynamics are expected to result in a 1 per cent. decline in real GDP in 2020, while nominal GDP is expected to amount to RSD 5,517.3 billion.

The above overview does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum. The above statistical data is provisional or otherwise based on estimates that the Republic and/or its agencies believe to be based on reasonable assumptions. All such data is provided as at and in respect of the period most recently available. Whilst this information contains an element of estimated economic performance for 2020, which provides a reasonable basis for estimating key economic indicators, these figures may differ materially from the final GDP data or actual numbers once published as an element of this data is estimated and may change or continually be revised. Accordingly, prospective investors should be aware such projected levels and other estimated figures cited in this Offering Memorandum are subject to some degree of uncertainty and may be further adjusted, amended or revised, whether as part of regular review or otherwise, and may differ materially from previously published financial and economic information depending on the most recent information available to the Republic and/or its agencies.

2. Risk Factors Associated with Serbian Economy

Future Investments in the Turkish Stream Pipeline could be subject of sanctions under Section 232 of the Countering America's Adversaries Through Sanctions Act (CAATSA) *(deleting and replacing the risk factor entitled "Risks Associated with Serbia's Economy — Future Investments in the Turkish Stream Pipeline could be subject of sanctions under Section 232 of the Countering America's Adversaries Through Sanctions Act (CAATSA)" on page 26 of the Base Prospectus in its entirely)*

"Investments in the Turkish Stream Pipeline could be subject of sanctions under Section 232 of the Countering America's Adversaries Through Sanctions Act (CAATSA)

The 403-km Serbian stretch of the Turkish Stream Pipeline (known as the Balkan Stream) constructed by Gastrans (a joint venture company, of which 51 per cent. is owned by the Russian company, Gazprom, and 49 per cent. by the Serbian gas company, PE "Srbijagas") to provide uninterrupted and direct gas supply from Russia to south-eastern European countries has been operational since 1 January 2021 but not at its full capacity since the construction of one of the compressor stations is underway. The work on the compressor station is scheduled to be completed until June 2021, after which the Balkan Stream is expected to be fully operational. On 15 July 2020, the US Department of State issued guidance regarding the implementation of Section 232 of CAATSA. Under CAATSA, certain investments in the Turkish Stream Pipeline may be subject to sanctions, even if undertaken pursuant to an existing contract. Accordingly, any investment in, or financial assistance to, the Turkish Stream Pipeline and/or the Balkan Stream could expose the involved companies to the risk of being sanctioned under Section 232 of CAATSA. Therefore, no assurances can be given that the Government, Gastrans or PE "Srbijagas" will not be subject to sanctions in the future should the sanctions regime change, or if the Government or PE "Srbijagas" were deemed to have made investments or extended financial assistance in violation of CAATSA."

3. Description of Serbia

Interstate agreement on investment promotion with the USA *(page 91 of the Base Prospectus)*

Following the establishment of an office by the U.S. International Development Finance Corporation ("**DFC**") in Belgrade, Serbia's Minister of Finance, Mr Sinisa Mali, signed a new Investment Incentive Agreement (the "**Interstate Agreement**") on 21 January 2021 with the U.S. Ambassador of Serbia, Mr. Anthony F. Godfrey, thereby enabling the DFC to offer and deploy its full range of financial products (including guarantee schemes, debt financing, capital investments and political risk insurance etc) to businesses in Serbia in a more efficient manner. This Interstate Agreement also serves as a prerequisite to, and unlocks the potential and forms the basis for the realisation of a guarantee scheme of USD 1.0 billion proposed to be implemented by DFC in cooperation with other commercial banks in Serbia for the benefit of, and to support the growth and development of, SMEs in light of the COVID-19 pandemic and its related economic impact. The Government expects DFC's guarantee scheme to be finalised by the end of the first quarter of 2021, and for investment and working capital loans guaranteed by DFC to be made available to SMEs and commercial banks in Serbia at the end of the second quarter of 2021. Despite the execution of the Interstate Agreement, there can be no assurance that DFC will implement such guarantee scheme within any given timescale or at all.

Intergovernmental Agreement with the Republic of France

On 26 November 2020, an Intergovernmental Agreement was signed between the Government of Serbia and the Government of the Republic of France for cooperation in the implementation of key projects in Serbia. This agreement signifies mutual cooperation and support between Serbia and the Republic of France to further development in Serbia, particularly in areas of capital infrastructure and projects in the energy sector. As part of this agreement, the Republic of France reiterated its support and pledged financial resources in the amount of EUR 581 million for two main strategic projects in Serbia, i.e. the "Project for Modernization of Electricity Network" (up to a maximum value of EUR 127 million) and Phase 1 of the Belgrade Metro Project (up to a maximum value of EUR 454 million).

Belgrade's relationship with Priština (*pages 90 to 92 of the Base Prospectus*)

The final round of talks in 2020 as part of the EU-facilitated dialogue between Belgrade and Priština were held on 10 December 2020 to discuss the issues pertaining to property assets and financial claims. During these talks, the Government reiterated the importance of establishing the Community of Serbian Municipalities in Kosovo and Metohija, as well as the need for EU involvement in response to recent ethnically motivated violence against Serbs in Kosovo and Metohija. By the end of 2020, the sustained political crisis in Priština resulted in the collapse of the Avdullah Hoti's government due to the 'unconstitutional' nature of the process by which it had been elected. As a result, new parliamentary elections were called in so-called Kosovo in early 2021, with Hoti's government continuing as a caretaker government. This was followed by intensified use of anti-Serbian rhetoric by all Kosovo Albanian parties as part of their pre-election campaigns. In particular, Ramush Hardinaj's campaign on a "unified Albania" which garnered strong support in Albania posed a cause of concern. As things stand, with Albin Kurti assuming control in Priština as the winner of the recent parliamentary elections of so-called Kosovo, relations are likely to remain uncertain, more so if he retains his rigid stance towards the Brussels Dialogue.

In the energy sector, the agreement between Kosovo Transmission Operator ("**KOSTT**"), a Priština-based transmission system operator and the European Network of Transmission System Operators for Electricity ("**ENTSO-E**") (representing 43 electricity transmission system operators from 36 countries across Europe, including Serbia) came into effect on 29 October 2020. Subsequently, KOSTT began operating as a separate control area from 14 December 2020. Thus, while Priština has accomplished its interests under the energy agreements reached within the EU sponsorship dialogue, it has not yet complied with its obligations thereunder, notably, to enable incorporation and licensing of Serbian energy companies (notably EPS Trade and Elektrosever). Given that Priština has proved to be the unreliable interlocutor/counterpart so far, it remains to be seen whether and/or to which extent it will fulfil its commitments agreed within the EU sponsorship dialogue, primarily those related to the registration, incorporation and licensing of the Serbian energy companies (EPS Trade and Elektrosever). This process, while ongoing, remains burdened with administrative issues.

On the other hand, there have been positive developments. For instance, the technical completion of CCP Merdare (being the common crossing point for so-called Kosovo and Serbia) took place on 24 December 2020. The Government expects the Ministry of Internal Affairs of the Republic of Serbia to issue approval for the operation of this CCP Merdare. Additionally, there have been a number of successful visits to Priština by Belgrade officials, notably that of Petar Petković, Director of the Office for Kosovo and Metohija, in December 2020 and January 2021. However, the following week, his further visits as well as visits from other Belgrade officials were prevented due to complex relations between Belgrade and Priština. These developments have disrupted and prevented the normalisation of relations between Belgrade and Priština. However, through a compromised solution resulting from constructive dialogue between Belgrade and Priština, and with the support of EU-facilitated and U.S.-supported efforts, the Government believes that lasting peace and stability in the region can be ensured. The Government remains committed to resolving these open issues and remains convinced that any agreement reached between the parties would represent a positive step towards achieving lasting stability in the region. Any further deterioration in relations between Belgrade and Priština and/or between Serbia and the EU or the United States as a result of differences over the future status of the autonomous province of Kosovo and Metohija, may have negative effects on the political and economic conditions in Serbia, and on its international standing.

4. Economy of Serbia

Policy Coordination Instrument of the IMF *(pages 115 and 116 of the Base Prospectus)*

The Executive Board of the IMF concluded its fifth and final review under the Policy Coordination Instrument ("**PCI**") for the Republic of Serbia in January 2021. In its press release dated 8 January 2021, which was issued following the fifth review under the PCI, the IMF noted that the implementation of program by the Government remained broadly on track, although the program priorities had to be adjusted to support the economy through the COVID-19 crisis. Due to the pandemic, the IMF currently expects Serbia's real GDP to contract by 1.5 per cent. in 2020 before rebounding to 5.0 per cent. in 2021. At the same time, it acknowledged Serbia's recently gained economic momentum in the third quarter of 2020 following the sharp contraction during the second quarter. It specifically recognised that both monetary and financial measures taken by the Government, as well as the large fiscal package deployed, in response to the crisis played a key role in supporting the Serbian economy. However, in spite of the economic activity having gradually recovered, it specifically noted that Serbia's economic outlook remains uncertain given the unpredictable course of the pandemic and the delayed effects it may have on the financial health of firms and households in Serbia.

Following the successful completion of the PCI in January 2021, the Government is currently negotiating a new PCI program with the IMF, which it expects to finalise by the end of July 2021. Any such new program (if approved) would support policies aimed at strengthening the macroeconomic stability and the resilience of the finance sector, as well as advance structural and institutional reforms in Serbia. No assurance can, however, be given that any such new program will be entered into within any given timescale or at all.

Economic Reform Programme for the period 2021 to 2023 *(page 115 of the Base Prospectus)*

Since 2015, the Republic of Serbia has been participating on a yearly basis with EU institutions and EU member states for coordination of economic policies. In this respect, every year the Government publishes a strategic Economic Reform Programme ("**ERP**") for the following three-year period, aimed at further harmonising economic policy with the EU. This three-year transformation plan is prepared by the Government on a rolling basis for the purpose of submission to the European Commission in connection with Serbia's candidacy for EU membership. The ERP is a result of collaboration and intensive cooperation amongst, among others, the Ministry of Finance, the National Bank and the Public Policy Secretariat. It sets out in detail the fiscal and monetary policies for the next three years and outlines the key structural reforms planned for improving and developing the Serbian economy.

The Government is currently in the seventh cycle of this policy coordination and the ERP for the period 2021 to 2023 was adopted on 28 January 2021 and submitted to the European Commission on 29 January 2021. During this cycle of ERP drafting, the Government organised a series of consultations with representatives of the European Commission as well as representatives of the National Convention on the European Union, the United Nations Development Programme and the United Nations Children's Fund to discuss in-depth the areas and structural reforms which will mark Serbia's economic development in the coming three-year period. The ERP program for the period 2021 to 2023, influenced by the outbreak of the COVID-19 pandemic, aims to, in the short and medium term, mitigate the negative impact of COVID-19 and, in the long term, transform and build up the Serbian economy's resilience to external shocks. Along with extending support to mitigate the impact of the COVID-19 pandemic on businesses in the medium term, the ERP provides for gradual stabilisation of public finances and making use of the available fiscal space for the growth of public investments in order to support faster economic recovery and to create the basis for strong, sustainable and broad-based economic growth. The medium-term fiscal framework envisages a cautiously moderate expansionary fiscal policy, which aims to ensure the continuity of development and social programmes and the sustainability of public finances whilst continuously reducing the level of Public Debt in terms of GDP. To achieve this objective, the fiscal policy will continue to focus on reducing the overall tax burden on the labour force to increase competitiveness within the private sector. Alongside this, priority will be given to infrastructure investment, capital projects, and pension and salary policies on the expenditure side. In addition, to achieve a sustainable fiscal framework, the proposed changes to the Budget System Law, among other things, envisages redesigning a set of fiscal rules and defining consequences for non-compliance with fiscal policies. An emphasis will also be placed on amending the general fiscal rules related to Public Debt and general government deficit, as well as modifying the special fiscal rules related to sustainable expenditure spending in respect of salaries and pensions.

More specifically, the ERP for the period 2021 to 2023 sets out the Government's broad economic growth strategies and contains a mid-term framework for its macroeconomic and fiscal policies as well as structural reform plans, which are designed to be implemented using a series of more detailed measures. The macroeconomic and fiscal policies outlined in the ERP were prepared in line with the priorities set out in Serbia's medium-term fiscal strategy of 2021 and reflects the provisions of the 2021 Budget. In addition, a number of key reforms outlined in this year's ERP reflects the Policy Guidance stated in the Joint Conclusions adopted at the ECOFIN council meeting on 19 May 2020. The key structural reforms under the ERP are set out in respect of eight thematic areas: (1) energy and transport markets, (2) agriculture, industry and services, (3) business climate and 'grey' economy, (4) research, development and innovations including digital transformation, (5) economic integration, (6) education and skills, (7) employment and labour market, and (8) social protection and inclusion (including health care). The key targets of the ERP during the 2021-2023 period include (i) achieving general government fiscal deficit of 3 per cent., 1.6 per cent. and 1 per cent. of GDP in 2021, 2022 and 2023, respectively; (ii) reducing general government debt to 58.7 per cent, 57.9 per cent. and 56.0 per cent. of GDP in 2021, 2022 and 2023, respectively; and (iii) realising real GDP growth of 6 per cent., 4 per cent. and 4 per cent. in 2021, 2022 and 2023, respectively. There can be no assurance that such objectives in fact will be achieved. Moreover, these targets may be further adjusted, amended or revised as part of regular review or otherwise, to take into account the prevalent economic and fiscal indicators, which are evolving based on numerous factors that are highly uncertain, rapidly changing and cannot be accurately predicted.

Gross Domestic Product *(pages 1 to 2 and 118 to 121 of the Base Prospectus)*

Following a sharp contraction in the second quarter, economic activity within Serbia witnessed signs of gradual recovery in the third quarter of 2020 during which the real GDP recorded a modest decline of 1.4 per cent. year-on-year (*source: preliminary figures published by the Office of Statistics*). This was primarily due to a relatively more favourable economic environment, as a result of the rebound of industrial production, which achieved a GVA of 3.2 per cent., and strong growth of agriculture, which recorded an increase of 4.5 per cent. year-on-year, with record yields of individual plants and crops. However, the positive developments in these two sectors failed to fully offset the negative contribution to GDP that stemmed from the construction and services sectors. Due to the base effect, last year's level of growth in the construction sector affected the year-on-year decline in the third quarter of 2020, and ultimately contributed negatively to GDP with a decline of 18 per cent year-on-year. Similarly, despite the moderate recovery of economic activity, the service sector recorded a slight decline of 1.9 per cent. year-on-year as the recovery remained below the level of growth in the corresponding period in 2019. On the expenditure side, all components in the third quarter of 2020, despite a noticeable recovery, had a negative impact on GDP. Net exports negatively contributed to the GDP with 2.8 percentage points, due to the lower magnitude of decline in imports than exports, and as a result of faster recovery of the domestic economy than the recovery of foreign trade partners. Investments with a decline of 5.5 per cent. negatively impacted the GDP by 1.3 percentage points. Both private and government consumption decreased by 1.0 per cent., and recorded a negative contribution of 0.7 percentage points and 0.2 percentage points, respectively. However, the implementation of the economic stimulus measures by the Government to mitigate the negative consequences of the pandemic, faster recovery of the economic activity than expected after the lifting of the state of emergency, combined with a strong agricultural season, almost neutralised the contraction and limited the downward trend in the first nine months of 2020 when the real GDP recorded a modest decline of 0.9 per cent. year-on-year. In the first nine months of 2020, private consumption declined by 2.2 per cent. relative to the corresponding period in 2019 and negatively contributed to GDP with 1.5 percentage points, while government consumption increased by 6.1 per cent. and registered a positive contribution to GDP of 1.0 percentage points. In the same period, investments declined by 3.1 per cent. with a negative contribution to GDP of 0.7 percentage points, and represented 20.5 per cent. of the total GDP (with the share of private investment at 16.1 per cent and government investment at 4.4 per cent).

According to the recent flash estimate published by the Office of Statistics, Serbia's real GDP registered a decline of 1.3 per cent. year-on-year in the fourth quarter of 2020. Due to the base effect, a large part of this decline was primarily due to the comparison against a higher base in 2019.

The Turkish Stream Pipeline (*replacing the paragraph in the section entitled "Economy of Serbia — The Turkish Stream Pipeline" on page 127 of the Base Prospectus in its entirety*)

The 403-km Serbian stretch of the Turkish Stream Pipeline (known as the Balkan Stream) constructed by Gastrans (a joint venture company, of which 51 per cent. is owned by the Russian company, Gazprom, and 49 per cent. by the Serbian gas company, PE "Srbijagas") has been operational since 1 January 2021 but not at its full capacity since the construction of one of the compressor station is underway. The work on the compressor station is scheduled to be completed until June 2021, after which the Balkan Stream is expected to be fully operational. The Balkan Stream is intended to provide uninterrupted and direct gas supply from Russia to south-eastern European countries, including Serbia. Serbia considers the Balkan Stream be important for the development of key sectors of its economy, benefitting industry and export-orientated sectors in particular, as well as for attracting new investments. When it is fully operational, the Government expects the Balkan Stream to positively contribute towards its net exports as a part of the imported gas will be exported. It also anticipates that the Balkan Stream will provide an uninterrupted and sufficient gas supply to Serbia for its economic growth and long-term development.

On 15 July 2020, the US Department of State updated its guidance regarding the implementation of Section 232 of CAATSA. Under CAATSA, certain investments in the Turkish Stream Pipeline may be subject to sanctions, even if undertaken pursuant to an existing contract. Accordingly, any investment in, or financial assistance to, the Turkish Stream Pipeline and/or Balkan Stream could expose the involved companies to the risk of being sanctioned under Section 232 of CAATSA. See "*Risk Factors – Risks Associated with Serbia's Economy –Investments in the Turkish Stream Pipeline could be subject of sanctions under Section 232 of the Countering America's Adversaries Through Sanctions Act (CAATSA)*". Therefore, any investments required to complete the compressor station could be delayed. Accordingly, there can be no assurance as to when or whether the above anticipated benefits, in fact, will be achieved.

Industrial Production *(pages 129 and 130 of the Base Prospectus)*

The physical volume data on industrial production from the Office of Statistics has been used for identifying growth indicators in the industry sector. Based on the short-term indicators of physical volume in December alone, the industry sector recorded an increased production of 4.1 per cent., compared to the corresponding period in 2019. This growth was driven by increased production in the manufacturing industry, in which production increased by 5.5 per cent. year-on-year. In the fourth quarter of 2020, all three sub-sections of the industry sector positively contributed to the overall industrial production which increased by 1.5 per cent compared to the corresponding period in 2019. Owing to the gradual recovery of industrial production in 2020, the level of industrial production increased by 0.4 per cent. relative to 2019 when measured in terms of the whole year, with a positive contribution from mining and quarrying which grew by 2.6 per cent., and electricity, gas and steam which increased by 1.0 per cent. In addition, the manufacturing industry with an increase of 0.1 per cent. registered a neutral contribution to the overall production growth.

Construction *(pages 130 to 132 of the Base Prospectus)*

According to the available short-term indicators, construction activity in the fourth quarter of 2020, largely as a result of the higher base comparison in the corresponding period of 2019, registered a year-on-year decline of 8.9 per cent, in terms of the real value of construction work completed. On the other hand, when measured against 2019, the construction activity in terms of the real value of construction work completed recorded a decrease of 4.4 per cent in 2020. Despite the decrease in the construction activity, the number of building permits issued in the fourth quarter of 2020 increased by 17.9 per cent. compared to the corresponding period in 2019. Similarly, when measured in terms of the whole year, the number of building permits issued in 2020 increased by 3.6 per cent. relative to 2019.

Retail trade turnover *(pages 132 and 133 of the Base Prospectus)*

The retail trade turnover data from the Office of Statistics has been used for identifying growth indicators in retail trade. In 2020, the retail trade turnover increased by 3.9 per cent. in nominal terms, and by 4.3 per cent. in real terms, compared to 2019. In this period, retail trade turnover of non-food products recorded the highest real growth of 9.9 per cent., followed by 2.8 per cent. of real growth in food products, while automotive fuel recorded a real decrease of 2.6 per cent. A significant one-off drop in retail trade turnover (by 17.4 per cent. in real terms) was recorded in April 2020 as compared to the same period in 2019, due to the enforcement of a state of emergency to curb the spread of COVID-19. Following this period, retail trade turnover registered continuous growth in the remaining months of 2020, with positive year-on-year growth rates, which ultimately contributed to the overall real growth of 4.3 per cent. in 2020.

Transport and communications *(pages 133 to 137 of the Base Prospectus)*

According to the physical volume data on transportation services from the Office of Statistics, transportation activity decreased by 35.9 per cent. in the first nine months of 2020 compared to the corresponding period in 2019, owing to the decrease in the physical volume of land transportation (12.9 per cent.), air transportation (62.7 per cent.) and inland waterway transportation (26.9 per cent.). Due to the pandemic, the physical volume of transported passengers in the first nine months of 2020 decreased by 52.1 per cent. compared to the same period in 2019, while the physical volume of transported freight decreased by 2.1 per cent. According to the physical volume data on telecommunication services from the Office of Statistics, the physical volume of postal activities decreased by 15.0 per cent. year-on-year in the first nine months of 2020, while telecommunications increased by 17.0 per cent., year-on-year.

Tourism and Catering Trade *(pages 138 and 139 of the Base Prospectus)*

Strong growth in the tourism industry in the first two months of 2020 was followed by a negative trend in the subsequent months, due to the significant disruption caused by the outbreak of COVID-19. As a result, tourist arrivals and overnight stays in 2020 decreased by 50.7 per cent. and 38.4 per cent., respectively, compared to 2019. Domestic and foreign tourist arrivals in 2020 decreased by 25.4 per cent. and 75.9 per cent., respectively, compared to 2019. Domestic overnight stays decreased by 18.6 per cent. in 2020, while foreign overnight stays decreased by 68.5 per cent. compared to 2019. In the first eleven months of 2020, the total catering trade turnover decreased by 23.4 per cent. in current prices, and by 24.5 per cent. in constant prices, compared to the corresponding period in 2019. Tourism sector continues to be one of the industries most affected by COVID-19, and as a result of this, the performance of this industry in the coming months will be highly dependent on the trajectory of the virus and the extent to which travel restrictions remain in place throughout Europe.

Labour Market – Employment and Wages *(Pages 140 to 145 of the Base Prospectus)*

Labour market conditions in the third quarter of 2020 were largely characterized by relatively favourable trends despite the negative effects of the COVID-19 pandemic. This was significantly contributed by the package of economic measures implemented by the Government, which were designed primarily to ensure the maintenance of production capacities of the economy, especially in terms of preserving jobs. According to Labour Force Survey conducted in the third quarter of 2020, the year-on-year unemployment rate decreased by 0.5 percentage points to 9.0 per cent. At the same time, the year-on-year employment rate increased by 0.2 percentage points to 49.9 per cent. Further improvements were also noticeable in other indicators during the third quarter of 2020. For example, within the female population, the unemployment rate decreased by 1.4 percentage points to 9.4 per cent., the long term unemployment rate (which represents the share of unemployed females for one year and more in the total labour force in the age group of 15 or more) decreased by 0.4 percentage points to 4.8 per cent. and the informal employment rate reduced by 1.4 percentage points to 17.3 per cent. GDP per employed persons in the first nine months of 2020 totalled EUR 11.7 billion, representing an increase of EUR 112 million compared to the corresponding period in 2019. According to the market indicators of December alone, the number of formally employed persons increased by 2.0 per cent. year-on-year, while the number of unemployed persons decreased by 3.1 per cent year-on-year. When compared to 2019 in terms of the whole year, the number of formally employed persons increased by 2.3 per cent. in 2020, while the number of unemployed persons decreased by 3.8 per cent.

In the first eleven months of 2020, the average net wage amounted to RSD 59,515 (EUR 506), reflecting an increase of 9.3 per cent. in nominal terms, and 7.6 per cent. in real terms, compared to the corresponding period in 2019. At the same time, the average gross wage amounted to RSD 82,255 (EUR 700), reflecting an increase of 9.4 per cent. in nominal terms, and 7.7 per cent. in real terms, compared to the corresponding period in 2019. During this period, wages in both the private and public sectors witnessed an increase, despite the slowdown in economic activity during the second quarter of 2020, owing to the comprehensive economic measures taken by the Government. Real wage growth in the public sector amounted to 9.0 per cent., and was supported by private sector wage growth of 6.9 per cent. Additionally, since the beginning of 2020, the greatest contribution to the growth of average earnings stemmed from the health, manufacturing and trade sectors.

Projects of importance

Set out below are details of recent large-scale infrastructure projects of national and regional importance that the Government is actively pursuing as at the date of this Offering Memorandum:

Belgrade Metro Project

The Belgrade Metro Project represents the largest line infrastructure project in Serbia which is particularly important for the growth of the Serbian economy as it is expected to contribute towards sustained mobility and greatly improve the transport offering available to residents in Serbia. For the realization of this project, and construction of phase 1 of the first line of the metro, the Republic of Serbia and the City of Belgrade trough the PUC Belgrade Metro and Train signed a Memorandum of Understanding on 22 January 2021 with two French companies (ALSTOM Transport SA and Egis Rail) and one Chinese company (Powerchina International Group Limited). The estimated value for civil works and transport equipment for the first line (i.e. Phase 1: Zeleznik – Karaburma with a length of 16.7 kilometers) is approximately EUR 1.6 billion, which will be funded by way of provisions through the 2021 Budget and project loans.

Peace Highway

The Nis - Merdare highway (also known as the 'Peace Highway') will be part of the E-80 highway, and will represent and serve as a connection link between Nis and Pristina and further, through Albania, with the Adriatic Sea. This transportation link is expected to contribute towards the economic development and economic cooperation in the region and increase the overall transportation of goods and people. The total length of the section is 77 km, and it is divided into the following sectors:

Sector 1: Nis - Plocnik (sections 1-5), 39.5 km long; and

Sector 2: Plocnik - Merdare (section 6), 37.6 km long.

The development of the main project for Sector 1, along with the feasibility study and the preliminary design for Sector 2, will be funded by a WBIF grant. The construction works will be financed from the WBIF investment grant (EUR 40.6 million), an EIB loan (EUR 100 million) and an EBRD loan (EUR 85 million).

Wastewater treatment plant

On 5 February, 2021, the Republic of Serbia signed two commercial contracts with China Road and Bridge Corporation Company Limited. The first contract is related to the construction of a sewerage network and a wastewater treatment plant, and the second contract is related to the reclamation, rehabilitation and construction of landfills. The above works which will be funded in part through the 2021 Budget, future government budgets and project loans will be performed in 65 local self-government municipalities. Pursuant to these contracts, approximately 73 projects are expected to be realised, and six regional landfills are expected to be rehabilitated or built.

Privatisation of state-owned banks *(deleting and replacing the first, fourth and last paragraph in the section entitled "Economy of Serbia —Privatisation of state-owned banks" on pages 149 and 150 of the Base Prospectus in its entirety)*

In May 2017, the Government of Serbia issued an executive act, on the manner and procedure of sale of shares in banks owned by the Republic of Serbia, for privatization of the last state-owned shares in domestic banks. As at the date of this Offering Memorandum, Serbia has a direct interest in the capital of the following banking institutions:

Banka Poštanska štedionica a. d. Beograd (79.0 per cent.); and

Srpska banka a. d. Beograd (76.7 per cent.)

The Government launched a tender for the privatisation of Komercijalna Banka on 31 May 2019 and three binding bids were submitted as part of the tender process. On 26 February 2020, the Government signed an agreement for sale of its 83.2 per cent. stake in Komercijalna Banka to Nova Ljubljanska Bank d.d. Slovenia, subject to satisfaction of certain customary conditions precedent. This process of the sale of shares in Komercijalna Banka was completed on 31 December 2020 against which the Government received a total consideration of approximately EUR 450 million, of which EUR 172.7 million was applied towards the early repayment of the outstanding loan availed from the Republic of Azerbaijan.

In addition, the sale of non-performing loans ("**NPLs**") holding a nominal value of EUR 1.82 billion from the Deposit Insurance Agency's ("**DIA**") portfolio, which was announced on 30 September 2019 is expected to be completed by the end of first quarter of 2021.

Organised Crime, Corruption and Money Laundering *(pages 150 to 153 of the Base Prospectus)*

In the most recent compliance report adopted by GRECO at its 86th Plenary Meeting in October 2020, GRECO concluded that Serbia's overall level of compliance with the outstanding recommendations of GRECO is "globally unsatisfactory".

Out of the 13 outstanding recommendations of GRECO, 10 have been partially implemented and three have been fully implemented by Serbia as at the date of this Offering Memorandum. Out of these three recommendations, two were met by adopting the Law on Lobbying in 2018 and Law on Prevention of Corruption in 2019 and the third was implemented by adopting the Code of Conduct for the Members of the National Assembly on 24 December 2020. In addition, the Government submitted a proposal to amend the constitution of the Republic of Serbia to the National Assembly on 4 December 4 2020. This proposal in part relates to the courts and public prosecutor's offices in Serbia and the election of members for the High Court Council, and, as such, is in line with recommendations of GRECO. The next progress report relating to fulfilment of the outstanding recommendations of GRECO will be submitted on 31 October 2021 by the chief of the delegation of the Republic of Serbia.

The Base Prospectus contains a description of investigation into suspected corruption on part of the former State Secretary and the five other officials of Ministry of Construction, Transport and Infrastructure as well as the Assistant Minister of Agriculture. Both these investigations are ongoing as at the date of this Offering Memorandum and as such there are no material updates.

Air Serbia

In December 2020, the Government increased its ownership stake in the total share capital of Serbia's national carrier (i.e. Air Serbia) from 51 per cent. to 82 per cent. through recapitalisation for EUR 100 million. This capital increase was undertaken in order to minimise the effects the COVID-19 pandemic has had on the operations of Air Serbia. Any further investment or extension of financial aid to strategically important companies, including Air Serbia, will be financed from the Budget in line with the EU rules on state aid.

5. External Sector

Balance of Payments (*pages 154 to 157 of the Base Prospectus)*

In absolute terms, the current account recorded a deficit of EUR 1,981.5 million in 2020, representing a decrease of 37.3 per cent. (or EUR 1,179.4 million) compared to EUR 3,160.9 million in 2019. This decrease was primarily due to the improvement in trade deficit of goods (by EUR 399.0 million or 7.1 per cent.), an increase in surplus from trade in services (by EUR 62.9 million or 6.2 per cent.) and the narrowing of the primary income account deficit (by EUR 1,074.9 million or 43.4 per cent.) which mostly improved due to lower reinvested earnings. On the other hand, surplus from the secondary income account decreased by EUR 357.3 million (or 9.1 per cent.) compared to 2019 due to a lower inflow of remittances. When measured as a percentage of GDP, the current account deficit stood at 4.2 per cent. of GDP (compared to 6.9 per cent. of GDP in 2019). The improvement in the trade deficit of goods was primarily attributable to the higher magnitude of decrease in the imports of goods (which reduced by 3.5 per cent.) compared to the exports of goods (which reduced by 2.3 per cent.).

In 2020, exports of goods remained resilient amid the disruption caused by COVID-19, owing to sectoral and geographic diversification achieved in the previous periods. In particular, agriculture exports contributed to the performance of exports in 2020, as it registered an increase of 19.8 per cent, while manufacturing exports recorded a modest decline of 5.0 per cent. despite the slowdown caused by the pandemic. Within manufacturing exports, the negative contribution mainly stemmed from the exports of basic metals and automotive products. On the other hand, imports of goods under the influence of the pandemic and lower energy prices, decreased by a larger magnitude in comparison to the exports of goods. Within imports, there were particularly significant declines in the imports of oil and oil derivatives, while the growth in imports of equipment and consumer goods continued. Similarly, as the magnitude of decline in the exports of services (by 11.1 per cent.) was lower compared to that of imports of services (by 14.1 per cent.), trade in services continued to record a surplus, driven primarily by the growth of exports of tourism and ICT services, while the exports of transport, business and other services continued to worsen.

Foreign Direct Investment *(pages 171 to 175 of the Base Prospectus)*

The following table shows the inflow of FDI in Serbia by country of origin for the years 2015 to 2019 and for the first nine months ended 30 September 2019 and 2020:

(*replacing the third table under the section titled "External Sector—Foreign Direct Investment" on pages 173 and 174 of the Base Prospectus*)

	Year ended 31 December(1)					**Nine months ended 30 September**	
Foreign Direct Investments	**2015**	**2016**	**2017**	**2018**	**2019**	**2019**	**2020**
	(*EUR million*)						
Direct Investments in Serbia	**2,114.2**	**2,126.9**	**2,548.1**	**3,464.5**	**3,815.3**	**2,786.0**	**1,779.1**
Europe	**1.818.6**	**1.748.7**	**2.167.8**	**2.467.9**	**3,214.6**	**2,450.3**	**1,312.4**
European Union (EU-28) (2).	1.530.1	1.410.4	1.819.7	2.084.0	1,976.1	1,469.3	1,124.0
of which: Germany.............	72.4	179.6	185.4	263.3	275.8	235.6	214.2
France	76.5	72.4	85.0	716.3	(279.9)	(309.0)	38.5
Italy.....................................	144.9	(97.7)	195.6	169.1	172.1	79.5	37.3
Netherlands..........................	361.7	341.8	542.8	350.7	707.0	305.0	411.8
Austria	352.5	232.4	248.7	211.3	284.4	228.9	101.2
.Russia	96.4	41.1	170.4	263.0	685.6	508.4	47.4
Switzerland	96.0	234.6	135.4	(4.6)	448.4	402.0	6.1
Turkey	27.8	15.4	17.5	62.1	14.5	9.9	19.2
Other European Countries ...	68.4	47.2	24.8	63.4	90.0	60.6	115.7
Asia	**209.7**	**342.0**	**333.3**	**806.9**	**389.7**	**246.3**	**403.5**
United Arab Emirates	120.5	81.1	132.2	201.7	50.4	54.9	32.6
China (including Taiwan and Hong Kong).....................	66.5	219.4	179.2	690.0	321.8	178.4	332.2
Other Asian Countries	22.7	41.6	21.9	(84.8)	17.5	13.1	38.7
The Americas	**69.6**	**51.0**	**45.0**	**88.0**	**216.1**	**86.6**	**60.0**
Other countries	**16.4**	**(14.8)**	**2.1**	**101.6**	**(5.1)**	**2.8**	**3.3**

Source: National Bank.

Notes:

(1) The data is prepared in accordance with the IMF Balance of Payments Manual. 6th Edition.

(2) The UK has been included in EU-28 for the purpose of this table.

The table below shows the FDI inflow to Serbia. by country of origin. for the years 2015 to 2019 and for the first nine months ended 30 September 2019 and 2020 as a percentage of the total FDI inflow:

(*replacing the fourth table under the section titled "External Sector—Foreign Direct Investment" on page 174 of the Base Prospectus*)

	Year ended 31 December(1)					Nine months ended 30 September	
	2015	2016	2017	2018	2019	2019	2020
	(% share in FDI in Serbia)						
Direct Investments in Serbia	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Europe…………………....	**86.0**	**82.2**	**85.1**	**71.2**	**84.3**	**88.0**	**73.8**
European Union (EU-28) (2) .	72.4	66.3	71.4	60.2	51.8	52.7	63.2
of which: Germany	3.4	8.4	7.3	7.6	7.2	8.5	12.0
France	3.6	3.4	3.3	20.7	(7.3)	-11.1	2.2
Italy.....................................	6.9	(4.6)	7.7	4.9	4.5	2.9	2.1
Netherlands..........................	17.1	16.1	21.3	10.1	18.5	10.9	23.1
Austria	16.7	10.9	9.8	6.1	7.5	8.2	5.7
Russia	4.6	1.9	6.7	7.6	18.0	18.2	2.7
Switzerland	4.5	11.0	5.3	(0.1)	11.8	14.4	0.3
Turkey	1.3	0.7	0.7	1.8	0.4	0.4	1.1
Other European Countries ...	3.2	2.2	1.0	1.8	2.4	2.2	6.5
Asia	**9.9**	**16.1**	**13.1**	**23.3**	**10.2**	**8.8**	**22.7**
United Arab Emirates	5.7	3.8	5.2	5.8	1.3	2.0	1.8
China (including Taiwan and Hong Kong).....................	3.1	10.3	7.0	19.9	8.4	6.4	18.7
Other Asian Countries	1.1	2.0	0.9	(2.4)	0.5	0.5	2.2
The Americas	**3.3**	**2.4**	**1.8**	**2.5**	**5.7**	**3.1**	**3.4**
Other countries	**0.8**	**(0.7)**	**0.1**	**2.9**	**(0.1)**	**0.1**	**0.2**

Source: National Bank.

Notes:

(1) The data is prepared in accordance with the IMF Balance of Payments Manual. 6th Edition.

(2) The UK has been included in EU-28 for the purpose of this table.

FDI inflows remained resilient in 2020, amidst the disruption caused by COVID-19, with net inflows of EUR 2.90 billion (6.2 per cent. of GDP), which is EUR 648.8 million (or 18.3 per cent.) lower compared to EUR 3.55 billion in 2019. Due to the base effect, a large part of this decline was primarily due to the comparison against record level of inflows in 2019. However, the net FDI inflows more than fully covered and financed the current account deficit (by 146.5 per cent.).

Financial Account *(pages 157 and 158 of the Base Prospectus)*

In 2020, the financial account recorded a net inflow of EUR 2.44 billion, mainly as a result of net FDI inflows (EUR 2.90 billion) and net portfolio investment inflows (EUR 1.62 billion), which increased by EUR 1.44 billion relative to 2019. At the same time, net repayments by the public sector in the form of financial loans amounted to EUR 308.5 million, while net borrowings of enterprises and banks amounted to EUR 267.2 million and EUR 481.5 million, respectively. The stock of gross external debt stood at EUR 30.7 billion or 66.4 per cent. of GDP at the end of third quarter of 2020, representing an increase of 4.9 percentage points compared to 2019.

6. Monetary System

Open Market Operations *(pages 179 and 180 of the Base Prospectus)*

The National Bank continued to use one-week liquidity absorbing reverse repo transactions (i.e. repo sales of securities that withdraw dinar liquidity) as a main monetary policy instrument to regulate dinar liquidity in the banking system. In 2020, the average stock of repo-sold securities stood at RSD 34.4 billion, which is RSD 12.5 billion lower than the previous year despite higher liquidity surpluses in the banking sector. The National Bank intentionally did not absorb the whole surplus of liquidity as an additional supportive measure to manage and regulate dinar liquidity in the banking system amidst the prolonged pandemic conditions. At the end of January 2021, the stock of reverse repo-sold securities amounted to RSD 45.0 billion.

Following the introduction of dinar corporate bonds issued by domestic companies with adequate creditworthiness in its monetary operations in May 2020, the National Bank provided additional dinar liquidity through the purchase of corporate bonds in the amount of RSD 25.2 billion in September 2020. In December 2020, the National Bank once again purchased corporate bonds in the amount of RSD 2.3 billion in the secondary market. As a result, the National Bank was able to provide additional dinar liquidity through the purchase of corporate bonds in the total amount of RSD 27.5 billion (considering both the outright purchases made in September and December 2020).

Credit Aggregates *(pages 182 and 183 of the Base Prospectus)*

Despite the negative impacts of the COVID-19 pandemic, lending activity within the banking sector continued to rise in 2020, causing total domestic loans (comprising dinar and foreign exchange (foreign exchange-indexed) claims of the banks on private and public sectors, including non-profit organizations) to reach RSD 3,478.0 billion and record a double-digit growth of 10.7 per cent in 2020 (compared to 8.3 per cent. in 2019). Out of this, pure loans to private sector (after excluding the effect of exchange rate changes) increased by RSD 239.0 billion or 9.9 per cent (compared to 9.8 per cent. increase in 2019) to RSD 2,656.6 billion as at the end of 2020. This increase was mainly attributable to, and influenced by, the low interest rate environment in Europe and the expansive monetary policy of the National Bank in general, and was supported more particularly by the loan moratoriums declared by the National Bank as well as the loans disbursed under the State Guarantee Scheme. As at 31 December 2020, dinar loans to corporates and households amounted to RSD 299.9 billion and RSD 695.4 billion, respectively, reflecting an increase of 66.4 per cent. and 13.1 per cent., compared to the end of 2019.

At the beginning of 2020, increase in lending activity within the private sector was mainly driven by investment loans, but with the growing liquidity needs of businesses and the launch of the State Guarantee Scheme, the contribution of the liquidity loans in the total corporate loans (comprising dinar and foreign exchange loans) increased. As at the end of 2020, liquidity loans (after excluding the effect of exchange rate changes) increased the most (by RSD 107.3 billion) and amounted to RSD 598.7 billion (compared to RSD 491.5 billion at the end of 2019). Liquidity loans accounted for the largest category in the corporate loans since November and December 2020, with a share of 43.6 per cent and 43.7 per cent., respectively. This was followed by investment loans which increased by RSD 21.1 billion and amounted to RSD 589.8 billion at the end of 2020 (compared to RSD 568.6 billion at the end 2019). Investment loans accounted for the second largest category in the corporate loans in November and December 2020, with a share of 43.0 per cent. in both months. In terms of size of the enterprises, loans granted to the SME segment accounted for 68.5 per cent. of total corporate loans at end of December 2020, reflecting an increase of 9.4 per cent. relative to December 2019. Among household loans (comprising dinar and foreign exchange loans), cash and housing loans increased the most (by RSD 65.1 billion and RSD 50.5 billion, respectively) and amounted to RSD 550.3 billion and RSD 455.2 billion at the end of 2020 (compared to RSD 485.1 billion and RSD 404.6 billion at the end of 2019). Cash and housing loans represented the largest category in the structure of households loans, with a share of 44.4 per cent. and 36.8 per cent., respectively in December 2020.

Money Aggregates *(pages 183 and 184 of the Base Prospectus)*

After the usual seasonal contraction at the beginning of 2020, money supply rose on the back of increased Government spending in line with the economic response plan of the Government to alleviate the negative effects of pandemic and ensure stable credit activity. Numerous Government measures undertaken to support corporate and household liquidity (i.e. tax payment deferral, corporate subsidies in the form of minimum wage pay-outs to employees, loan disbursements under the State Guarantee Scheme and moratoriums on loan repayment) promoted the growth of the demand deposits which, along with rise of currency in circulation, increased the narrow money (M1) by 35.0 per cent. to RSD 1,220.1 billion as at the end of December 2020. Time dinar deposits of non-monetary sectors rose across the board, with growth mostly concentrated in corporate and households deposits, causing the broad money aggregate (M2) to increase by 30.9 per cent. to RSD 1,553.8 billion as at end of December 2020. This, along with rise in foreign currency deposits, which was further propped by foreign currency inflows from exports, FDI and external borrowing of corporates, increased the broad money aggregate (M3) by 18.1 per cent. to RSD 3,334.7 billion as at end of December 2020.

Despite the pandemic, both dinar and foreign currency savings of households continued to increase in 2020. As at the end of 2020, dinar savings (including non-residents' deposits) reached RSD 93.1 billion, while foreign currency savings amounted to EUR 11.4 billion, reflecting an increase of RSD 13.5 billion and EUR 631.6 million, respectively, compared to the end of 2019. Owing to the National Bank's proactive measures, lending activity continued to rise amidst the COVID-19 pandemic, which along with banks investment in corporate bonds, resulted in an increase in the dinar loans (by RSD 200 billion) and foreign currency loans (by RSD 65.6 billion) to corporates and households at the end of 2020. Dinar and foreign currency loans to corporates and households amounted to RSD 995.3 billion and RSD 1,672.6 billion, respectively, as at the end of 2020.

Inflation *(pages 185 and 186 of the Base Prospectus)*

Since the beginning of the COVID-19 pandemic, inflation has remained fairly stable in Serbia, and with exception of the decline in global oil prices, there has been no major price movement in either direction. In line with National Bank's expectations, average inflation decreased to 1.6 per cent. in 2020, compared to 1.9 per cent. in 2019.

As a result of lower prices of oil derivatives (due to significant fall in the world market price of crude oil) and due to the higher base comparison for vegetables prices in 2019, inflation slowed down since the beginning of 2020 and amounted to 0.6 per cent in April and 0.7 per cent in May. Inflation returned within the targeted band in June (i.e. 1.6 per cent) and moved within the targeted tolerance band for most part of the remaining year, except for in December when it stood below the lower bound of the targeted tolerance band at 1.3 per cent year-on-year on account of the lower prices of vegetables and meat. Similarly, the core inflation rate has been relatively stable in 2020, but mainly due to a one-off price increase in telephone services and travel packages, it stood at 2.1 per cent. in December 2020. In addition, the core inflation rate in December was affected by the prices of certain products and services, such as the prices of medicines, medical products and medical services, as well as prices of computers, audio and video equipment.

The National Bank expects inflation in Serbia to continue to move within the lower bound of targeted tolerance band of 3.0 per cent. ± 1.5 per cent. in the coming years (although this expectation may be altered by the prolonged effects of the COVID-19 pandemic). Projected average inflation is expected to reach 2.4 per cent. in 2021, as a result of rising regulated prices (primarily electricity), rising global oil prices and rising food prices in comparison to the lower base prices of 2020. As in other countries, the COVID-19 pandemic had a deflationary impact in Serbia during 2020 due to the lower aggregate demand. While disruptions of the global supply chain may have some inflationary impact in the short-term (for instance with the projected increase in average inflation from 1.6 per cent in 2020 to 2.4 per cent in 2021), this is likely to be significantly overshadowed by the deflationary pressure in the medium term caused by the decline in global aggregate demand. However, the exact impact of the COVID-19 crisis on inflation in the coming periods will depend largely on the length of the pandemic and the pace of normalisation of economic conditions.

Interest Rates *(pages 186 and 187 of the Base Prospectus)*

Mostly due to the National Bank's monetary policy easing, interest rates on dinar loans to the private sector have declined by 13 percentage points since May 2013 i.e. start of monetary policy easing cycle. In December 2020, dinar denominated corporate loans were approved at an interest rate of 3.2 per cent., while dinar denominated households loans were extended at an interest rate of 8.5 per cent. At the same time, interest rates on euro and euro-indexed loans, which in December 2020 stood at 3.0 per cent. for corporates and at 3.3 per cent. for households, have also reduced by 4.4 percentage points since May 2013, driven mainly by the sharp fall in the country's risk premium and low interest rate environment in the euro money market. The difference in the interest rates between dinar and euro-indexed loans to the corporate sector has considerably narrowed since mid-2013, thus facilitating dinar lending and an increase of dinarisation.

Similarly, as a result of the National Bank's monetary policy accommodation, interest rates on dinar savings have continued to decline since the beginning of 2020, with monthly weighted average interest rates for new dinar deposits amounting to 1.51 per cent. at the end of December 2020. Interest rates on dinar savings continued to be higher than those on foreign currency savings (with monthly weighted average interest rates amounting to 1.02 per cent. at the end of December 2020), and remained conducive to the growth of dinarisation.

Exchange Rate *(pages 187 to 189 of the Base Prospectus)*

In 2020, the dinar exchange rate experienced depreciatory and appreciatory pressures, primarily as a consequence of the spread of COVID-19. While depreciation pressures existed as a consequence of the global pandemic (mostly in the second quarter of 2020), appreciatory pressures prevailed in the last two months of 2020 (i.e. November and December), largely due to the increased demand from foreign investors for long-term dinar denominated government securities. By appearing on both sides of the market, through selling foreign currency in response to depreciatory pressure, and buying foreign currency in periods of appreciatory pressures, the National Bank intervened in the domestic foreign exchange market to alleviate such pressures and prevent sudden destabilising changes in the dinar exchange rate against the Euro (which is the main foreign currency in use in Serbia). More specifically, in order to mitigate such excessive short-term oscillations in the dinar exchange rate, the National Bank net sold EUR 1,450 million in the domestic foreign exchange market in 2020.

In January 2021, the National Bank net sold EUR 105 million in the domestic foreign exchange market in response to the downward pressure on the dinar, which is common for this period of the year, due to increased demand for foreign currency from domestic companies, particularly importers of energy. However, in February 2021, the National Bank intervened in the domestic foreign exchange market by purchasing foreign currency in response to the appreciatory pressures caused by the increased supply of foreign currency by both residents and non-residents. Consequently, when observed from the beginning of 2020 , until the end of January 2021, the value of the dinar has remained almost unchanged against the Euro.

Dinarisation Strategy *(pages 189 and 190 of the Base Prospectus)*

Serbia continued to make progress in the field of de-euroisation in 2020, as evidenced by the significant improvement achieved by the main indicators of dinarisation as follows:

- the share of dinar receivables to households and the corporate sector in the total receivables increased by 4.2 percentage points compared to 2019 to an all-time high of 37.3 per cent. in 2020. Out of this share of dinar receivables, dinar receivables to households increased by 0.5 percentage points compared to 2019 and reached 55.9 per cent. in 2020, while dinar receivables to the corporate sector increased by 7.0 percentage points compared to 2019 and reached 21.0 per cent., following the implementation of the State Guarantee Scheme which fueled corporate lending in dinar.

- although euroisation of deposits and loans continued to remain high, the share of dinar deposits to household and the corporate sector in the total deposits increased by 5.0 percentage points compared to 2019 to an all-time high of 40.1 per cent in 2020, largely as a result of the extensive package of state aid provided to corporates and households for the purpose of mitigating the negative effects of the COVID-19 pandemic. Out of this share of dinar deposits, dinar deposits to households increased by 4.7 percentage points compared to 2019 and reached 26.8 per cent. in 2020, while dinar deposits to the corporate sector increased by 3.0 percentage points compared to 2019 and reached 61.3 per cent.

- dinar savings maintained propulsive growth amidst the disruption caused by the COVID-19 pandemic, increasing by RSD 13.5 billion (or 17 per cent.) from RSD 79.6 billion in 2019 to RSD 93.1 billion in 2020.

- the dinar share of Public Debt continued to increase, reaching 30.5 per cent. at the end of December 2020, which is 2.8 percentage points above the position at the end of 2019.

Foreign Exchange Reserves *(pages 190 and 191 of the Base Prospectus)*

In 2020, the gross foreign exchange reserves of the National Bank remained broadly stable and reached EUR 13,492 million at the end of 2020. In comparison to 2019, the gross foreign exchange reserves of the National Bank increased by EUR 113.2 million. In January 2021, the gross foreign exchange reserves of the National Bank increased further by EUR 111.3 million and stood at EUR 13,603 million. This increase was largely as a result of the net inflows from (i) grants (EUR 36.3 million), (ii) efficient foreign exchange reserve management and other sources (EUR 41.7 million), (iii) activities of the National Bank in the domestic foreign exchange market (EUR 13.0 million) and (iv) the positive net market effect (EUR 64.5 million). These inflows were more than sufficient to cover the outflows driven by the usual bank activities relating to foreign exchange reserve requirements and other factors (EUR 44.2 million).

Banking Sector *(pages 191 to 195 of the Base Prospectus)*

Commercial banks are dominant market participants in Serbia, with a market share of around 90 per cent. At the end of December 2020 (based on preliminary data), the banking sector of Serbia consisted of 26 banks, of which 20 were majority owned by foreign shareholders, three were owned by domestic private individuals and three were state-owned. As of 31 December 2020, there was a high level of concentration of foreign ownership in the banking sector, with foreign-owned banks (from 13 different countries) holding 86.0 per cent of the banking sector's total assets, 89.7 per cent of total loans and 84.8 per cent of total deposits. In particular, the Serbian banking sector continued to be exposed to the banking systems of other European countries, particularly Italy (with Italian banks owning 30.4 per cent of the total assets of the Serbian banking system as at 31 December 2020).

Liquidity indicators are at satisfactory levels. Average monthly liquidity ratio amounted to 2.22 per cent. in December 2020, which is more than twice as high as the regulatory minimum of 1.0 per cent. Liquid assets consisted of 37.2 per cent. of total assets and 50.7 per cent. of short-term liabilities as at the end of December 2020.

As of 31 December 2020, foreign currency denominated loans constituted approximately 62.7 per cent of total loans in the banking sector and foreign currency denominated deposits amounted to approximately 59.9 per cent of the total deposit portfolio of the banking sector. Despite the ongoing COVID-19 crises, the financial stability of the banking sector was maintained in 2020 due to the economic and monetary policy measures implemented by the Government and the National Bank. These measures, including their duration, were carefully weighed in terms of the potential difficulties that citizens and the corporate may face in settling their obligations, as well as in terms of the need to preserve financial stability. Mostly due to these measures, the declining trend in NPL continued in 2020. At the end of December 2020, gross NPL ratio amounted 3.72 per cent., which is 0.37 percentage points lower in comparison with the end of 2019 and 18.53 percentage points lower in comparison with the end of August 2015, reflecting positive effects of the implementation of NPL Resolution Strategy adopted since August 2015. As of 31 December 2020, gross NPLs amounted to RSD 102.4 billion. By sector contribution, both the corporate and retail sectors are major contributors to total NPLs level, with shares of 54.3 per cent (NPL indicator 4.03 per cent.) and 44.1 per cent. (NPL indicator 3.62 per cent.) of total NPL loans, respectively. Despite of significant write-offs and sales, the NPL coverage ratio continued to remain at relatively high level. In December 2020, 58.49 per cent. of NPLs were covered by their respective IFRS provisions. As at 30 September 2020, the capital adequacy ratio of the banking sector stood at 22.27 per cent., well over the mandated regulatory minimum of 8 per cent.

Although the financial stability of the banking sector was maintained in 2020, a weakening of asset quality in the banking sector is likely, as support measures of the Government fall away. Accordingly, the economic consequences of the COVID-19 outbreak may have significant effects on the Serbian-banking sector in the event of a prolonged negative climate or more protracted economic growth. Although the strong capitalisation of the banking sector would provide a certain element of protection against the risk of an economic downturn, banks may see an increase in NPLs as the economy contracts and household and business income suffers.

7. Public Finance

2021 Budget *(replacing the paragraph "2021 Draft Budget" set out under the sections titled "Overview – 2021 Draft Budget" and "Public Finance – 2021 Draft Budget" on pages 8 and 211 of the Base Prospectus)*

On 10 December 2020, the Assembly adopted the 2021 Budget. Under the 2021 Budget:

- total revenues are budgeted at RSD 1,336.3 billion (22.3 per cent. of GDP) at the central government level and RSD 2,424.0 billion (40.4 per cent. of GDP) at the general government level. Out of the total revenues, tax revenues are budgeted at RSD 1,154.6 billion (19.3 per cent. of GDP) at the central government level and RSD 2,171.2 billion (36.2 per cent. of GDP) at the general government level;

- total expenditures are budgeted at RSD 1,514.8 billion (25.3 per cent. of GDP) at the central government level and RSD 2,603.1 billion (43.4 per cent. of GDP) at the general government level. Out of the total expenditures, capital expenditures are budgeted at RSD 273.9 billion (4.6 per cent. of GDP) at the central government level and RSD 327.1 billion (5.5 per cent. of GDP) at the general government level; and

- the resulting budget deficit at the central government level is assumed at RSD 178.5 billion, or 3 per cent. of expected GDP, while the total fiscal deficit is assumed at RSD 179.1 billion, or 3 per cent. of expected GDP.

The 2021 Budget assumes real GDP growth of 6.0 per cent. and average inflation of 2.0 per cent. in 2021.

Out of the several tax amendments implemented in 2021, the most significant tax measures adopted by the Government is the increase of the non-taxable threshold from RSD 16,300 to RSD 18,300 and the collection of part of the deferred taxes and contributions from 2020. As a result of the fiscal consolidation measures that were previously put in place, a fiscal space was created which enabled an extensive package of measures to be provided to minimise the effects of the pandemic in 2020. Further, certain reserves were set aside for a new package of measures in 2021, which are expected to become operational from April 2021 on, or before the 2021 Supplementary Budget (due at the end of April 2021). In 2021, any resultant or available fiscal space will be used to increase capital investment, make additional investment in the health system, and improve the living standard of the Serbian population through moderate increases in pensions and salaries in the public sector. In January 2021, pensions were increased by 5.9 per cent and minimum wages were increased by 6.6 per cent., while public sector wages were increased by 5.0 per cent. and 3.5 per cent (adjusted to 5 per cent. from April 2021 onwards) for healthcare workers and other public sector employees, respectively. Capital expenditures are anticipated to reach 5.5 per cent. of expected GDP in 2021.

Budget Execution and Fiscal Developments in 2020 *(pages 211, 217 and 218 of the Base Prospectus)*

In 2020, a fiscal deficit of RSD 442.8 billion (or 8.0 per cent. of GDP) was realised at the general government level, with a central government budget deficit of RSD 459.1 billion (or 8.3 per cent. of GDP). In 2020, total revenues (including grants) amounted to RSD 2,255 billion at the general government level, representing 101.4 per cent. of projected total revenues and grants set forth in the Second Supplementary Budget for 2020. This result is 1.0 per cent. lower in nominal terms compared to 2019 as a result of the overall economic activity and measures of epidemiological nature implemented to combat the spread of COVID-19, as well as due to several temporary measures introduced by the tax authorities to alleviate taxpayers' cash flow, including the postponement and exemption from tax obligations. Out of the total revenues, tax revenues represented RSD 1,990.8 billion in 2020. In 2020, total expenditures amounted to RSD 2,697.7 billion at the general government level, representing 99.3 per cent. of projected total expenditures set forth in the Second Supplementary Budget for 2020. In comparison to the 2020 Budget, total expenditures increased by RSD 327.8 billion (or 5.9 per cent. of GDP). When compared against 2019, the total expenditures increased by RSD 408 billion (or 17.8 per cent) in nominal terms. A large part of this increase stemmed from the implementation of economic stimulus measures aimed at supporting the economy from the negative effects of the COVID-19 pandemic. The remainder consisted of expenditures incurred towards combating the spread of the pandemic and improving the country's health capacities. Out of the total expenditures, capital expenditures represented RSD 293.2 billion in 2020. Public expenditures increased by 17.8 per cent. on the back of the Government's response to the pandemic, while capital expenditures increased by 10.1 per cent. and subsidies increased by 107.5 per cent., in each case as compared to 2019.

The following table shows the actual revenues and expenditures of the consolidated general government budget for the years 2016 to 2020:

(*replacing the first table under the section titled "Public Finance—Budget Execution" on page 212 of the Base Prospectus*)

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
			(RSD millions)		
PUBLIC REVENUES (including Grants)	**1,842,651.8**	**1,973,402.7**	**2,105,266.9**	**2,278,558.4**	**2,254,959.2**
Current revenues	1,833,248.6	1,964,870.6	2,090,598.2	2,263,694.3	2,243,802.2
Tax revenues	1,585,766.9	1,717,897.3	1,822,236.5	1,993,677.2	1,990,770.9
Personal income tax	155,065.4	167,881.6	179,422.9	203,739.5	204,150.1
Corporate income tax	80,414.5	111,777.8	112,487.9	126,719.3	122,890.3
Value added tax	453,502.6	479,266.5	499,828.4	550,563.3	549,290.9
Excises	265,605.9	279,934.3	290,039.3	306,545.7	306,037.0
Customs	36,426.7	39,707.9	43,649.6	48,093.1	51,922.2
Other tax revenues	67,262.5	71,903.5	77,142.4	82,140.9	82,743.3
Social contributions	527,489.3	567,425.6	619,666.0	675,875.5	673,737.0
Non-tax revenues	247,481.7	246,973.3	268,361.7	270,017.1	253,031.3
Grants	9,403.2	8,532.1	14,668.7	14,864.1	11,157.0
PUBLIC EXPENDITURES	**1,896,659.3**	**1,921,100.1**	**2,073,041.8**	**2,289,671.9**	**2,697,744.6**
Current expenditures	1,714,883.9	1,745,250.3	1,847,242.1	2,001,739.5	2,352,868.2
Expenditures for employees	417,675.2	426,334.7	468,822.3	516,298.2	578,939.7
Purchase of goods and services	283,573.8	301,597.2	343,378.3	379,254.1	441,003.0
Interest payment	131,602.5	121,220.3	108,632.5	108,936.4	110,249.2
Subsidies	112,655.5	113,332.1	109,662.1	121,176.1	251,483.5
Social grants and transfers	713,846.2	720,057.5	745,955.3	782,937.0	806,313.3
of which: Pensions	494,212.9	497,845.1	525,245.3	559,348.9	583,525.7
Contributions for unemployed persons	9,813.2	9,137.7	8,912.5	8,207.7	7,575.8
Sick leave	10,263.5	12,413.3	13,627.6	9,207.4	11,851.4
Social assistance	156,851.4	158,606.5	160,918.1	165,636.6	156,326.5
Other transfers to households	42,705.3	42,055.1	37,251.9	40,536.4	47,033.9
Other current expenditures	55,530.7	62,708.4	70,791.5	93,137.8	164,879.5
Capital expenditures	139,325.9	133,862.4	199,263.1	266,254.2	293,221.2
Activated guarantees[1]	39,116.9	28,809.2	19,727.4	10,788.0	7,473.4
Net lending	3,332.6	13,178.1	6,809.2	10,890.1	44,181.8
CONSOLIDATED BALANCE	**-54,007.5**	**52,302.6**	**32,225.1**	**-11,113.5**	**-442,785.4**
FINANCING INFLOWS	**529,234.2**	**494,221.5**	**441,321.0**	**760,608.3**	**828,888.2**
Privatization proceeds	5,236.3	3,732.0	3,397.4	45,892.8	49,614.4
Receipts from repayment of loans	2,505.8	3,473.1	19,500.6	39,400.2	23,838.9
Domestic borrowing	425,739.6	365,576.9	300,206.7	364,624.1	341,603.3
Foreign borrowing	95,752.5	121,439.6	118,216.2	310,691.2	413,831.6
FINANCING OUTFLOWS	**517,717.8**	**530,379.6**	**476,067.7**	**628,595.5**	**401,237.8**
Debt repayment to domestic creditors[2]	443,146.5	355,081.3	264,962.0	309,528.1	179,006.6
Debt repayment to foreign creditors	72,780.7	174,291.6	201,010.9	270,204.4	207,723.5
Acquisition of financial assets	1,790.6	1,006.8	10,094.7	48,863.1	14,507.7

Source: Ministry of Finance

Notes:

(1) The amount does not include activated guarantees for PE "Roads of Serbia", included in the category: 'Debt repayment to foreign creditors'.

(2) The amount includes the repayment of frozen foreign currency savings and a loan for economic revival, as well as RSD 21.1 billion, which was used by the PE "Roads of Serbia" in 2009 to repay the debt to suppliers from previous years.

The following table shows the actual public revenues and expenditures against the central government budget for the years 2016 to 2020:

(*replacing the second table under the section titled "Public Finance—Budget Execution" on page 213 of the Base Prospectus*)

	Year ended 31 December									
	2016		**2017**		**2018**		**2019**		**2020**	
	Budget	**Executed**	**Budget**	**Executed**	**Budget**	**Executed**	**Budget**	**Executed**	**Budget**	**Executed**
					(RSD millions)					
PUBLIC REVENUES	**997,428**	**1,041,921**	**1,092,884**	**1,119,142**	**1,178,448**	**1,179,184**	**1,246,191**	**1,274,577**	**1,291,355**	**1,257,437**
Current revenues	986,063	1,033,358	1,079,406	1,112,202	1,164,209	1,166,116	1,232,277	1,262,255	1,277,517	1,248,868
Tax revenues	829,500	887,981	916,800	969,103	988,600	1,006,879	1,059,900	1,103,672	1,090,000	1,099,026
Personal income tax	45,400	47,675	56,000	55,561	56,700	59,204	61,500	69,054	66,500	65,893
Corporate income tax	58,300	74,239	74,400	103,319	88,000	102,212	108,500	115,981	113,000	113,228
Value added tax	427,000	453,503	466,000	479,266	503,400	499,828	539,100	550,563	547,500	549,291
Excises	254,200	265,606	271,400	279,934	286,300	290,039	291,400	306,546	299,700	306,037
Customs	34,800	36,427	38,600	39,708	42,900	43,650	47,100	48,093	51,000	51,922
Other tax revenues	9,800	10,532	10,400	11,314	11,300	11,947	12,300	13,435	12,300	12,654
Non-tax revenues	156,563	145,377	162,606	143,100	175,609	159,236	172,377	158,582	187,517	149,842
Grants	11,365	8,562	13,477	6,940	14,239	13,069	13,914	12,323	13,837	8,569
PUBLIC EXPENDITURES	**1,119,194**	**1,049,868**	**1,161,984**	**1,085,228**	**1,206,848**	**1,147,001**	**1,269,091**	**1,261,825**	**1,774,411**	**1,716,544**
Current expenditures	1,043,086	973,970	1,028,987	954,224	1,052,019	981,441	1,084,020	1,058,833	1,526,410	1,469,798
Expenditures for employees	251,552	227,076	253,663	237,095	272,308	256,314	294,444	282,360	322,365	307,841
Purchase of goods and services	98,291	76,832	105,873	79,091	119,670	86,078	128,023	99,125	135,474	103,769
Interest payment	139,927	128,066	133,966	118,164	117,821	106,495	103,134	106,827	108,454	108,075
Subsidies	85,967	95,742	84,414	87,893	89,346	91,731	100,286	111,794	278,009	270,178
Social assistance and transfers from the budget	446,298	415,941	421,970	399,393	416,613	401,664	421,987	406,190	570,807	549,138
Other current expenditures	21,051	30,314	29,101	32,588	36,261	39,159	36,147	52,537	111,301	130,797
Capital expenditures	42,222	34,096	94,209	84,975	127,229	141,218	165,515	184,211	201,795	195,937
Net lending	1,853	2,685	3,988	28,809	6,650	4,614	6,556	7,993	38,406	43,336
Activated guarantees[1]	32,033	39,117	34,800	17,220	20,950	19,727	13,000	10,788	7,800	7,473
FISCAL SURPLUS/DEFICIT	**-121,767**	**-7,947**	**-69,100**	**33,914**	**-28,400**	**32,184**	**-22,900**	**12,752**	**-483,057**	**-459,107**

Source: Ministry of Finance

Notes:
(1) The amount does not include activated guarantees for PE "Roads of Serbia".

The following table shows year-on-year nominal changes in certain categories of revenues and expenditures of the general government budget for the years 2018 to 2020:

(*replacing the third table under the section titled "Public Finance—Budget Execution" on pages 213 and 214 of the Base Prospectus*)

	Year ended 31 December		
	2018	**2019**	**2020**
		(% change)	
PUBLIC REVENUES	**6.7**	**8.2**	**(1.0)**
Current revenues	**6.4**	**8.3**	**(0.9)**
Tax revenues	6.1	9.4	(0.1)
Personal income tax	6.9	13.6	0.2
Corporate income tax	0.6	12.7	(3.0)
Value added tax	4.3	10.2	(0.2)
Excises	3.6	5.7	(0.2)
Customs	9.9	10.2	8.0
Other tax revenues	7.3	6.5	0.7
Non-tax revenues	8.7	0.6	(6.3)
Grants	71.9	1.3	(24.9)
PUBLIC EXPENDITURES	**7.9**	**10.4**	**17.8**
Current expenditures	**5.8**	**8.4**	**17.5**
Expenditures for employees	10.0	10.1	12.1
Purchase of goods and services	13.9	10.4	16.3
Interest payment	(10.4)	0.3	1.2
Subsidies	(3.2)	10.5	107.5
Capital expenditures	48.9	33.6	10.1
Activated guarantees[1]	(31.5)	(4.3)	(30.7)
Net lending	**(48.3)**	**59.9**	**305.7**

Source: Ministry of Finance

Notes:

(1) The amount does not include activated guarantees for PE "Roads of Serbia".

The following table shows year-on-year real changes in certain categories of revenues and expenditures of the general government budget for the years 2018 to 2020:

(*replacing the fourth table under the section "Public Finance—Budget Execution" on page 214 of the Base Prospectus*)

	Year ended 31 December		
	2018	**2019**	**2020**
		(% change)	
PUBLIC REVENUES	**4.6**	**6.4**	**(2.6)**
Current revenues	**4.3**	**6.5**	**(2.4)**
Tax revenues	4.0	7.6	(1.7)
Personal income tax	4.8	11.7	(1.4)
Corporate income tax	(1.3)	10.8	(4.5)
Value added tax	2.2	8.3	(1.8)
Excises	1.6	3.9	(1.7)
Customs	7.8	8.3	6.3
Other tax revenues	5.2	4.7	(0.9)
Non-tax revenues	6.5	(1.1)	(7.8)
Grants	68.6	(0.4)	(26.1)
PUBLIC EXPENDITURES	**5.8**	**8.6**	**16.0**
Current expenditures	**3.8**	**6.6**	**15.7**
Expenditures for employees	7.8	8.3	10.4
Purchase of goods and services	11.6	8.6	14.5
Interest payment	(12.1)	(1.4)	(0.4)
Subsidies	(5.1)	8.7	104.3
Capital expenditures	45.9	31.4	8.4
Activated guarantees[1]	(32.9)	(46.2)	(31.8)
Net lending	**(49.3)**	**57.3**	**299.3**

Source: Ministry of Finance

Notes:
(1) The amount does not include activated guarantees for PE "Roads of Serbia".

Estimated impact of economic measures adopted in 2020

Set out below is the estimated impact of the economic measures adopted in 2020, which envisages a potential impact of 12.8 per cent. of GDP, of which tax measures are estimated at 3.4 per cent. of GDP:

(*replacing the table under the section titled "Public Finance—Recent Developments" on pages 219 and 220 of the Base Prospectus*)

Tax Policy Measures	**Estimated impact (RSD billion)**	**% GDP**
Deferred payment of withholding tax for the private sector during the state of emergency and for one additional month; private companies will repay these obligations in instalments, but not before January 2021.	168	3.0
Deferred payment of corporate income tax for the second quarter of 2020	21	0.4
VAT exemption for all donors.	-	-
Total	**189**	**3.4**
Direct Support to Private Sector		
Direct support to entrepreneurs paying flat tax and entrepreneurs paying tax on actual revenues, micro, small and medium enterprises in the private sector – three minimum wages with additional two months of 60% of minimum wages	128.8	2.3
Direct support to large private companies – support in the amount of 50% of the net minimum wage (during the state of emergency) for employees who have received a decision on work termination (Articles 116 and 117 of the Labor Law)	4.5	0.1
Direct support to Hotel and Leisure sector – 350€ per bed, 150€ per room	2	0.03
Direct support to caterers, travel agencies, hotels and car rental agencies (amount of 30,000 RSD)	2.7	0.05
Direct support to sports clubs	1.1	0.02
Total	**139.1**	**2.5**
Measures to Preserve the Private Sector Liquidity		

Financial support program during the Covid-19 crisis of the Fund for Development of the Republic of Serbia	24	0.4
Guarantee scheme to support the economy during the Covid-19 crisis	240	4.4
Total	**264**	**4.8**
Other Measures		
Dividend moratorium by the end of the year, excluding public enterprises and loss of income stemming from dividends	16	0.3
Wage and Income measures (10% increase in salaries for health care workers, direct cash assistance of RSD 4,000 to all pensioners, support for agricultural producers)	26.3	0.5
Fiscal stimulus – domestic demand incentive	70	1.3
Total	**112.3**	2.1
Assessment of the impact of fiscal measures	**464.4**	**8.3**
Total Package of Measures	**704.4**	**12.8**

Execution of economic measures adopted in 2020

Set out below is the actual realised cost of the economic measures adopted in 2020 as of 30 September 2020:

(*adding a new table under the section titled "Public Finance—Recent Developments" immediately after the above table*)

	Realization until 30 September 2020	
Tax Policy Measures	**(RSD billion)**	**% GDP**
Deferred payment of payroll taxes and contributions for the private sector during the state of emergency and for one additional month; private companies will repay these obligations in instalments, but not before January 2021	97.3	1.8
Deferred advance payment for the second quarter of 2020 corporate income tax	13.5	0.2
Exemption from VAT for all donors	-	-
Total	**110.8**	**2.0**
Direct Support to Private Sector		
Direct support to entrepreneurs who pay a flat tax and entrepreneurs who pay real income tax, micro, small and medium enterprises in the private sector - three months of payment of the net minimum wage and two additional months of payment of 60% of the net minimum wage	130.1	2.4
Direct support to large private companies - support in the amount of 50% of the net minimum wage (during a state of emergency) to employees who have received a decision on termination of employment (based on Articles 116 and 117 of the Labour Law)	1.6	0.0
Direct support to the hotel sector - 350 € per bed, 150 € per room, in dinar equivalent calculated according to the official middle exchange rate of the NBS	1.2	0.0
Total	**132.9**	**2.4**
Measures to Preserve the Private Sector Liquidity		
COVID-19 financial support programme during the crisis through the Development Fund of the Republic of Serbia	14.6	0.3
Guarantee scheme to support the economy during the Covid-19 crisis	145.1	2.6
Total	**159.7**	**2.9**
Other Measures		
Moratorium on dividends until the end of the year, excluding public companies and loss of income arising from dividends	-	-
Wage increase measures and other direct financial assistance (10% increase in salaries of health workers, direct financial assistance of RSD 4,000 to all pensioners, support to agricultural producers)	16.0	0.3
Fiscal incentive - payment of EUR 100 to all adult citizens	72.0	1.3
Total	**88.0**	**1.6**
Assessment of the impact of fiscal measures	**346.3**	6.3
Total Package of Measures	**491.4**	**8.9**
Other costs related to COVID-19 (medical equipment and medicines)	**60.0**	**1.1**
Total costs related to COVID-19 as of 30 September 2020	**551.4**	**10.0**

Estimated impact of the third stimulus package planned for 2021

(adding a new table and paragraph under the section titled "Public Finance—Recent Developments" immediately after the above table)

On 11 February 2021, the Government adopted a third stimulus package of approximately RSD 250 billion (equivalent to 4.2 per cent. of the projected GDP) for providing economic assistance to individuals and businesses against the expected financial and economic impacts of COVID-19. Set out below is the estimated impact of the third stimulus package, which envisages a potential impact of 4.2 per cent. of GDP:

	Estimated impact (RSD billion)	**% GDP**
Direct Support to Private Sector		
Direct support - the entire private sector		
3 monthly payments in amount of the 50% of the minimum wage for all entrepreneurs, micro, small, medium and large companies	69.8	1.2
Direct support to hotels in urban areas	1.7	0.03
Direct support to caterers, travel agencies, hotels and car rental agencies in amount of a minimum wage	2.1	0.03
Direct support – Sector of road traffic passenger transport and bus stations - 600€ per bus paid in 6 monthly instalments	2.6	0.04
Total	**76.2**	**1.3**
Measures to Preserve the Private Sector Liquidity		
Continuation of existing guarantee scheme to support the economy	60	1
Establishment of a new guarantee scheme to support the most vulnerable companies	60	1
Total	**120**	**2**
Other Measures		
Fiscal stimulus – domestic demand incentive – 60€ per every citizen of legal age, plus additional aid in amount of 50€ per pensioner	53.2	0.9
Total	**53.2**	**0.9**
Assessment of the impact of fiscal measures	**129.1**	**2.2**
Total Package of Measures	**249.4**	**4.2**

Recent Developments *(deleting and replacing the last two paragraphs in the section titled "Public Finance—Recent Developments"*)

The above projected levels of impact of the economic measures are provisional, based on estimates that Serbia and/or its agencies believe to be based on reasonable assumptions. All such data is provided based on the most recently available information but the estimated impact cited in this Base Prospectus may differ materially from the actual impact as an element of this data is estimated and may change or continually be revised based on future developments.

Also, while the fiscal cost of COVID-19 is difficult to accurately predict, given the potential for higher expenditures and weaker revenues, particularly if significant additional measures are needed to contain a sustained rise in infection rates, the Government expects the total fiscal deficit to reach a projected level of 3.0 per cent. of GDP in 2021. The projected level of deficit is based on the most recently available information and tentative estimates of the fiscal cost of the economic measures designed to address the current situation of COVID-19. Economic consequences of the impact of COVID-19 or its eventual aftermath may require the implementation of new measures in line with future developments, which may involve additional fiscal incentives and require constant revision of the economic and fiscal metrics based on the assessment of the future situation and available new information. Accordingly, the actual realised results or fiscal cost of COVID-19, and its resulting impact on the total fiscal deficit and other relevant metrics, may differ, potentially significantly, from the amounts set forth above.

8. Public Debt

Public Debt as of 31 December 2020 *(pages 221 to 227 of the Base Prospectus)*

On 4 February 2021, the Ministry of Finance published Serbia's Public Debt figures as of 31 December 2020. Serbia's Public Debt amounted to RSD 3,135.7 billion as of 31 December 2020 (compared to RSD 3,128.2 billion as of 30 September 2020), comprising RSD 1,344.4 billion of Internal Public Debt and RSD 1,790.9 billion of External Public Debt (compared to RSD 1,318.8 billion and RSD 1,809.4 billion, respectively, as of 30 September 2020). This has resulted in a slight change in the structure of the Public Debt as shown in the table below:

	As at 30 September 2020	**As at 30 September 2020**	**As at 31 December 2020**	**As at 31 December 2020**
	RSD billions	*% of nominal GDP*[(1)]	*RSD billions*	*% of nominal GDP*[(1)]
Public Debt	**3,128.2**	**56.7**	**3,135.7**	**56.8**
Direct liabilities, of which...........	**2,962.5**	**53.7**	**2,968.4**	**53.8**
Internal Public Debt......................	1,298.5	23.5	1,319.0	23.9
External Public Debt.....................	1,664.0	30.2	1,649.0	29.9
Indirect liabilities[(2)]**, of which**......	**165.7**	**3.0**	**167.3**	**3.0**
Internal Public Debt......................	20.3	0.4	25.4	0.5
External Public Debt.....................	145.4	2.6	141.9	2.6

Source: Ministry of Finance

Notes:

(1) All data presented as at the end of September and December 2020 is shown as a percentage of GDP based on the Ministry of Finance's estimates of nominal annual GDP for 2020. Actual nominal GDP figures are expected to be finalised and published on or about 1 March 2021.

(2) Serbia issues guarantees for loans to publicly owned enterprises and local Government. If the publicly owned enterprise or local Government is unable to repay the relevant loan, it becomes a direct obligation of Serbian Government. As at 31 December 2020, these guarantees amounted to EUR 1,423.2 million (RSD 167.3 billion).

Measured as a percentage of GDP, Public Debt increased slightly from 56.7 per cent. of projected GDP at the end of September 2020 to approximately 56.8 per cent. at the end of December 2020, while General Government Debt increased from 57.6 per cent. to 57.7 per cent. At the end of 2020, the General Government Debt amounted to RSD 3,181.1 billion (compared to RSD 3,175.5 billion as of 30 September 2020), comprising RSD 3,135.7 billion of Public Debt and RSD 45.4 billion of non-guaranteed debt of local self-governments and other legal entities (compared to RSD 3,128.2 billion and RSD 47.3 billion, respectively, as of 30 September 2020).

Serbia's outstanding External Public Debt as of 31 December 2020 consisted of RSD 737.0 billion of multilateral debt, RSD 427.9 billion of bilateral debt, RSD 603.9 billion of Eurobonds and RSD 22.5 billion of commercial debt. Serbia's outstanding Internal Public Debt as at 31 December 2020 consisted of RSD 1,319.0 billion of direct liabilities (comprising Government securities, bonds on account of foreign currency saving and other direct liabilities) and RSD 25.4 billion of indirect liabilities (comprising loans from domestic banks).

As at 31 December 2020, the largest portion of the Public Debt was denominated in Euro (49.6 per cent.), followed by RSD (30.5 per cent.) and U.S. dollars (13.2 per cent.). The share of dinar-denominated debt in total Public Debt increased from 29.4 per cent. at the end of September 2020 to 30.5 per cent. at the end of December 2020 as a result of the issuance of dinar securities in the domestic market in the fourth quarter of 2020. As dinar is relatively less volatile to the Euro than to U.S. dollars, the Government continues to remain committed to reducing its U.S. dollar-denominated debt, the share of which decreased from 16.6 per cent. of total Public Debt at the end of September 2020 to 13.2 per cent. at the end of December 2020. This decrease was largely as a result of (i) the early repayment of the USD denominated bonds issued in 2011 and (ii) the swap transaction pursuant to which the ten-year USD denominated bonds issued in December 2020 was converted from U.S. dollars to Euro at a significantly lower interest rate, both of which are discussed in more detail below.

On 1 December 2020, the Government returned to the U.S. dollar securities market by issuing new ten-year bonds in the amount of USD 1.2 billion, with a yield of 2.350 per cent. and a coupon rate in USD of 2.125 per cent. (which in effect was translated into a final coupon rate in Euros of 1.066 per cent. after the realization of a swap transaction). The proceeds of the new issue were used for the early redemption of the bonds issued in 2011, in the amount of USD 900 million out of the total outstanding amount of USD 1.6 billion, of which USD 700 million continues to remain outstanding and will mature in September 2021. On 31 December 2020, the loan availed from the Republic of Azerbaijan was repaid in the total outstanding amount of EUR 172.7 million from the proceeds of the sale of Komercijalna Banka. Owing to the above early repayments and Eurobond issuance in the fourth quarter of 2020, Serbia's service payments in respect of Public Debt for the year ended 31 December 2020 totalled RSD 484.8 billion (compared to RSD 679.5 billion for the year ended 31 December 2019).

The following table shows the historic Public Debt service payments with respect to principal and interest for the years ended 31 December 2016 to 2020:

(*replacing the first table under the section titled "Indebtedness—Debt Service" on page 227 of the Base Prospectus*)

	Year ended 31 December				
	2016	**2017**	**2018**	**2019**	**2020**
			(RSD billions)		
Principal Payments	537.2	546.0	474.0	572.7	376.9
Interest Payments	127.4	117.0	106.0	106.8	107.9[(1)]
Total	**664.6**	**663.0**	**580.0**	**679.5**	**484.8**

Source: Ministry of Finance

Notes:
(1) Interest payments for 2020 include all commissions and discounts paid.

The following table shows the projected service payments with respect to principal and interest for the years ended 31 December 2020 to 2024 based on the stock of Public Debt as at 31 December 2020:

(*replacing the second table under the section titled "Indebtedness—Debt Service" on page 228 of the Base Prospectus*)

	Year ended 31 December[(1)]				
	2021	**2022**	**2023**	**2024**	**2025**
			(RSD billions)		
Principal Payments	340.5	386.3	398.2	276.9	170.2
Interest Payments	91.9	79.3	66.7	52.3	45.3
Total	**432.4**	**465.6**	**465.0**	**329.3**	**215.5**

Source: Ministry of Finance

Notes:
(1) This table does not include future borrowings.

Restitution Bonds *(pages 221 and 222 of the Base Prospectus)*

At present, Public Debt excludes Serbia's restitution commitments, on which, as per the current legislation, Serbia is expected to begin making payments as of March 2022. The Law of Property Restitution and Compensation regulates the terms and conditions, method and procedure of Serbia's restitution commitments to citizens whose properties were nationalised after World War II. Such properties will be returned in kind or by means of compensation in the form of Government bonds ("**restitution bonds**") and cash. In December 2020, the Assembly enacted changes to the Law on Property Restitution and Compensation (the "**Amended Law**") to provide for the finalisation of the basic elements of the restitution bonds and to stipulate conditions for distribution and collection of such bonds. The Amended Law provides that the basic elements of the restitution bonds will be finalised and determined by the Government at the proposal of the Ministry of Finance no later than 30 September in each year based on decisions of compensations that become final in the period from 01 July of the previous year to 30 June of the current year (the "**final resolutions**"). Such restitution bonds resolved and finalised by the Government will be issued to the persons with final resolutions in January in the following year, while any advance payment of compensation (i.e. being 10 per cent.) based on the final resolutions will be paid by 31 March. Serbia's total restitution commitments are expected to amount to approximately EUR 2 billion, calculated at an interest rate of 2 per cent. per annum (or such other amounts at interest rates as may be prescribed or limited by the prevailing legislation). The restitution bonds will be issued once a year in January and shall fall due in 12 years and shall be paid in annual instalments, starting from 15 January 2022. Such restitution bonds upon issuance will be included and accounted towards Public Debt of Serbia. In cases of compensations that do not exceed the amount of EUR 1,000 per applicant, the payment will be made exclusively in cash by paying the entire amount in dinars at the middle exchange rate of the National Bank.

Borrowings for 2021 *(page 223 of the Base Prospectus)*

Pursuant to the Budget Law for 2021, Serbia expects to borrow up to RSD 768.0 billion in 2021. Out of this, up to RSD 300.0 billion is expected to be raised through the issuance of Government securities in the domestic market (RSD 276.2 billion in dinar-denominated securities and RSD 23.8 billion in euro-denominated securities) and up to RSD 355.0 billion is expected to be raised through the issuance of bonds in international capital markets, which will be used to refinance existing debt and finance the Budget deficit. The remaining RSD 113.0 billion is expected to be raised from proceeds of local and foreign borrowings (including loans from international financial institutions and foreign governments), which will be used to repay existing debt, finance the Budget deficit and implement new projects.

The Government expects the General Government Debt to reach 58.7 per cent. of GDP at the end of 2021, with Public Debt at 57.5 per cent. These projections are based on the most recently available information and may be further adjusted, amended or revised, whether as part of regular review or otherwise, to take into account the prevalent economic and fiscal indicators, which are evolving based on numerous factors that are highly uncertain, rapidly changing and cannot be accurately predicted. Accordingly, there can be no assurance that such projections in fact will be achieved or that Public Debt and/or General Government Debt will not exceed such levels.

GBI-EM Global Diversified Index

Serbia’s RSD benchmark bonds with original maturity of seven, ten and twelve and a half years, maturing on 11 January 2026 (RSMFRSD89592), 8 February 2028 (RSMFRSD55940) and 20 August 2032 (RSMFRSD86176) are eligible for inclusion, and are expected to be added from 30 June 2021, in the GBI-EM Global Diversified Index, which cover government bonds in domestic currencies of both advanced and emerging economies. This is likely to improve the overall accessibility and secondary market liquidity of Serbia’s dinar-denominated government bonds. The realisation of the above improved liquidity depends on a number of significant factors outside of the Government's control, and consequently there can be no assurance that the overall liquidity, in fact, will be improved or that the pandemic related disruptions and other market volatility will not affect the liquidity of emerging market currencies and government bonds (including that of Serbia).

GENERAL INFORMATION

Where there is any inconsistency between the information contained in the Base Prospectus and the information contained herein (or incorporated by reference into the Base Prospectus by means of this Offering Memorandum), the information contained herein (or incorporated by reference into the Base Prospectus by means of this Offering Memorandum) shall prevail.

Save as disclosed in this Offering Memorandum, there has been no other significant new factor, material mistake or material inaccuracy relating to information included in the Base Prospectus which may affect the assessment of the Notes issued under the Programme since the publication of the Base Prospectus.