KOMERCIJALNA BANKA AD BEOGRAD

KOMERCIJALNA BANKA AD BEOGRAD
PUBLIC COMPANY'S ANNUAL CONSOLIDATED REPORT
FOR 2013

BELGRADE, APRIL 2014

CONTENTS

*Pursuant to Article 50 of the Law on Capital Market (RS Official Gazette No. 31/2011) and the provision of the Rulebook on contents, form and manner of publishing annual, semiannual and quarterly reports (RS Official Gazette No. 14/2012), **KOMERCIJALNA BANKA AD BEOGRAD** from **BELGRADE**, reg. No. **07737068**, activity code: **06419- other monetary mediation** publishes the following:*

PUBLIC COMPANY'S ANNUAL CONSOLIDATED REPORT

Reporting period: from 01.01.2013 to 31.12.2013

BUSINESS NAME:	KOMERCIJALNA BANKA AD BEOGRAD
REGISTRATION NUMBER:	07737068
POSTAL CODE AND PLACE:	11000, BELGRADE
STREET AND NUMBER:	SVETOG SAVE 14
EMAIL:	posta@kombank.com brokeri@kombank.com
INTERNET ADDRESS:	www.kombank.com
CONSOLIDATED/STANDALONE INFORMATION:	CONSOLIDATED
ADOPTED (yes or no)	NO

COMPANIES THAT COMPRISE THE SUBJECT OF CONSOLIDATION:	KOMERCIJALNA BANKA AD BEOGRAD
SEAT:	BELGRADE, SERBIA
REGISTRATION NUMBER:	07737068
	THE PARENT BANK

COMPANIES THAT COMPRISE THE SUBJECT OF CONSOLIDATION:	KOMERCIJALNA BANKA AD BUDVA
SEAT:	BUDVA, MONTENEGRO
REGISTRATION NUMBER:	02373262

COMPANIES THAT COMPRISE THE SUBJECT OF CONSOLIDATION:	KOMERCIJALNA BANKA AD BANJA LUKA
SEAT:	BANJA LUKA, REPUBLIC OF SRPSKA, BIH
REGISTRATION NUMBER:	11009778

COMPANIES THAT COMPRISE THE SUBJECT OF CONSOLIDATION:	KOMBANK INVEST AD BEOGRAD
SEAT:	BELGRADE, SERBIA
REGISTRATION NUMBER:	20379758

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TEL.	011/333-9028	
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SURNAME AND NAME OF THE AUTHORISED REPRESENTATIVE:	DEPUTY CEO DRAGAN SANTOVAC	CEO IVICA SMOLIĆ

1. PUBLIC COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS WITH AN AUDITOR'S REPORT

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To be filled by bank																									
0	7	7	3	7	0	6	8			6	4	1	9		1	0	0	0	0	1	9	3	1		
Basic identification number										Activity Code					Tax identification number										

To be filled by the Serbian Business Registers Agency

1	2	3	19	20	21	22	23	24	25	26
Type of Activity										

Name:: KOMERCIJALNA BANKA AD BEOGRAD

Head Office: Beograd, Svetog Save 14

BALANCE SHEET - consolidated

on 31.12.2013

- in 000 RSD

Group of Accounts, Account	POSITION	ADP			Remark Number	Current Year amount	Previous Year amount
1	2	3			4	5	6
00,05,07	**ASSETS** Cash and cash equivalents	0	0	1		43.564.518	42.052.826
01,06	Revocable deposits and loans	0	0	2		56.236.152	45.826.369
02,08	Interest, compensation, sale, change of fair value of derivative instruments and other receivables	0	0	3		3.033.725	1.744.180
10,11,20,21	Loans and deposits to clients	0	0	4		201.208.895	194.416.122
12 (except for 128), 22	Securities (without own stocks)	0	0	5		59.379.855	42.216.159
parts 13,23	Shares (participation) in non affiliated legal entities	0	0	6		573.288	436.210
16,26	Other investments	0	0	7		2.931.239	3.230.128
33	Intangible assets	0	0	8		589.010	644.837
34,35	Fixed assets and real estate investments	0	0	9		8.806.919	7.871.320
36	Permanent assets for sale and assets of businesses to be ceased	0	1	0		75.968	78.763
37	Deferred tax assets	0	1	1		47	4.896
03,09,19, 29,30,38	Other assets	0	1	2		8.861.932	4.648.711
842	Loss above equity	0	1	3		-	-
parts 13, 23	Shares (participation) in affiliated legal entities per capital method	0	1	4		-	-
	TOTAL ASSETS (from 001 to 014)	0	1	5		**385.261.548**	**343.170.521**

- in 000 RSD

Group of Accounts, Account	POSITION	ADP			Remark Number	Current Year amount	Previous Year amount
1	2	3			4	5	6
400,500	**LIABILITIES** Transaction deposits	1	0	1		61.608.788	45.840.849
401,402,403,404,405, 501,502,503,504,505	Other deposits	1	0	2		211.158.677	204.644.393
406,407,408,409, 506,507,508,509	Borrowings from clients	1	0	3		2.585.700	1.411.962
41,51	Liabilities for issued securities	1	0	4		-	-
42,52	Liabilities for interests, compensations and change of derivative instruments value	1	0	5		259.137	191.129
from 450 to 454	Provisions	1	0	6		835.311	2.406.634
456, 457	Liabilities for tax	1	0	7		24.425	24.571
434, 455	Liabillties from profit	1	0	8		167.889	105.081
46	Liabilities for assets for sale and assets for business to be ceased	1	0	9		-	-
47	Deferred tax liabilities	1	1	0		13.131	948
43 (except 434) 44,48,49,53,58,59	Other liabilities	1	1	1		41.566.794	26.471.804
	TOTAL LIABILITIES (from 101 to 111)	1	1	2		**318.219.852**	**281.097.371**
80 minus 128	**EQUITY** Equity	1	1	3		40.034.609	40.034.608
81	Reserves from profit	1	1	4		17.063.828	15.149.322
82 (except for 823)	Revaluation reserves	1	1	5		1.820.229	867.774
823	Unrealized losses from securities available for sale	1	1	6		187.011	7.016
83	Profit	1	1	7		6.868.966	4.640.008
84 (except for 842)	Loss up to equity	1	1	8		-	-
	Positive cumulative differentials from quotation of foreign operations	1	1	9		1.441.075	1.388.454
	Negative cumulative differentials from quotation of foreign operations	1	2	0		-	-
	TOTAL EQUITY (from 113 to 115 - 116+117-118+119-120)	1	2	1		**67.041.696**	**62.073.150**
	TOTAL LIABILITIES (112+121)	1	2	2		**385.261.548**	**343.170.521**
	Majority owners interest	1	2	3		**63**	**62**
	OFF – BALANCE SHEET POSITIONS (from 125 to 129)	1	2	4		**227.797.499**	**207.913.711**
90 i.e. 95	Transaction for and behalf of third parties	1	2	5		5.439.678	5.050.021
91 (except 911 and 916) i.e. 96 (except 961 and 966)	Assumed future liabilities	1	2	6		32.103.293	43.695.943
911,916,932 i.e. 961,966, 982	Warranty for liabilities	1	2	7		-	-
92 except 97	Derivative instruments	1	2	8		-	-
93 (except 932), i.e. 98 (except 982)	Other non balance sheet positions	1	2	9		190.254.528	159.167.747

In Belgrade,

on 14.04.2014

Person authorized to compose Financial Statement

S.P.

Legal representative of the bank

To be filled by bank		
0 7 7 3 7 0 6 8	6 4 1 9	1 0 0 0 0 1 9 3 1
Basic identification number	Activity code	Tax identification number

To be filled by the Serbian Business Registers Agency

1	2	3	19	20	21	22	23	24	25	26

Type of activity

Name: KOMERCIJALNA BANKA AD BEOGRAD

Head office: Beograd, Svetog Save 14

PROFIT AND LOSS ACCOUNT - consolidated

in period from January 1 to December 31, 2013

- in 000 RSD

Group of accounts, account	POSITION	ADP			Remark Number	Current year amount	Previous year amount
1	2	3			4	5	6
70	**OPERATING INCOME AND EXPENSES** Interest income	2	0	1		23.657.731	21.721.618
60	Interest expenses	2	0	2		9.518.238	9.588.179
	Interests profit (201-202)	2	0	3		**14.139.493**	**12.133.439**
	Interests loss (202 - 201)	2	0	4		-	-
71	Fees and compesations income	2	0	5		5.827.288	5.671.372
61	Fees and compesations expenses	2	0	6		998.007	841.098
	Fees and compensations profit (205-206)	2	0	7		**4.829.281**	**4.830.274**
	Fees and compensations loss (206-205)	2	0	8		-	-
720- 620	Net gain from sale of securities per fair value in profit and loss account	2	0	9		16.340	890
620 - 720	Net loss from sale of securities per fair value in profit and loss account	2	1	0		-	-
721 - 621	Net profit from sale of securities available for sale	2	1	1		1.738	83.895
621 - 721	Net loss from sale of securities available for sale	2	1	2		-	-
722- 622	Net profit from sale of securities held to maturity	2	1	3		-	-
622 - 722	Net loss from sale of securities held to maturity	2	1	4		-	-
723- 623	Net profit from sale of share (participation)	2	1	5		-	-
623 - 723	Net loss from sale of share (participation)	2	1	6		-	-
724- 624	Net profit from sale of other investments	2	1	7		484	2.124
624 - 724	Net loss from sale of other investments	2	1	8		-	-
78-68	Net profit on exchange	2	1	9		-	-
68-78	Net loss on exchange	2	2	0		944.477	8.027.572
766	Dividends and shares revenue	2	2	1		4.127	2.251
74, 76 (except 766 and 769)	Other operating income	2	2	2		355.999	252.106
75 -65	Net income from indirect write-offs of advances and provisions	2	2	3		-	-
65-75	Net expenses from indirect write-offs of advances and provisions	2	2	4		2.993.930	1.946.369
63	Salaries, wages and other personnel indemnities	2	2	5		4.773.358	4.708.699
642	Depreciation costs	2	2	6		878.972	842.991
64 (except 642), 66 (except 669)	Operative and other business expenses	2	2	7		6.085.901	5.488.704

- in 000 RSD

Group of accounts, account	POSITION	ADP			Remark Number	Current year amount	Previous year amount
1	2	3			4	5	6
77	Income from changes in value of assets and liabilities	2	2	8		6.945.903	17.989.672
67	Expenses from changes in value of assets and liabilities	2	2	9		6.216.085	9.855.866
	OPERATING PROFIT (203-204+207-208+209-210+ 211-212+213-214+215-216+217-218+219-220+221+222+223-224-225-226-227+228-229)	2	3	0		**4.400.642**	**4.424.450**
	OPERATING LOSS (204-203+208-207+210-209+212-211+214-213+216-215+218-217+220-219-221-222+224-223+225+226+227-228+229)	2	3	1		-	-
769 - 669	NET PROFIT FROM BUSINESSES TO BE CEASED	2	3	2		-	-
669 - 769	NET LOSS FROM BUSINESSES TO BE CEASED	2	3	3		-	-
	RESULT OF A PERIOD - PROFIT BEFORE TAX (230-231+232-233)	2	3	4		**4.400.642**	**4.424.450**
	RESULT OF A PERIOD - LOSS BEFORE TAX (231-230+233-232)	2	3	5		-	-
850	Tax on profit	2	3	6		24.679	499.462
861	Profit from created deferred tax assets and decrease of deferred tax liabilities	2	3	7		89.038	33.549
860	Loss from decrease from deferred tax assets and creation of deferred tax liabilities	2	3	8		3.063	12.218
	PROFIT (234-235-236+237-238)	2	3	9		**4.461.938**	**3.946.319**
	LOSS (235-234+236+238-237)	2	4	0		-	-
	Net profit of minor investors	2	4	1		-	1
	Net profit of owners of parent legal entity	2	4	2		4.461.938	3.946.318
	Net loss of minor investors	2	4	3		-	-
	Net loss of owners of parent legal entity	2	4	4		-	-
	Earning per share (in dinars)	2	4	5			
	Basic earnings per share (in dinars)	2	4	6		468	469
	Diluted earnings per share (in dinars)	2	4	7		242	290

n Belgrade, on 14.04.2014

Person authorized to compose Financial Statement

Legal representative of the bank

To be filled by bank		
0 7 7 3 7 0 6 8	6 4 1 9	1 0 0 0 0 1 9 3 1
Basic identification number	Activity code	Tax identification number

To be filled by Serbian Business Registers Agency

1	2	3	19	20	21	22	23	24	25	26

Type of activity

Name: KOMERCIJALNA BANKA AD BEOGRAD

Head office (town; street and number): Beograd, Svetog Save 14

CASH FLOW STATEMENT - consolidated

in period from January 1 to December 31, 2013

- in 000 RSD

POSITION	ADP	Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (from302 to 305)	301	**28.014.924**	**25.803.366**
1. Inflows from interests	302	21.964.368	19.889.011
2. Inflows from allowances	303	5.784.379	5.647.142
3. Inflows from other operating income	304	262.813	264.962
4. Inflows from dividends and participation in profit	305	3.364	2.251
II. Cash outflows from operating activities (from 307 to 311)	306	**21.257.791**	**20.434.685**
5. Outflows from interests	307	9.342.167	9.327.920
6. Outflows from allowances	308	999.876	835.896
7. Outflows from gross salaries, wages and other personal indemnities	309	4.834.263	4.637.706
8. Outflows from taxes, contributions and other obligations from income	310	1.008.550	930.565
9. Outflows from other operating expenses	311	5.072.935	4.702.598
III. Net cash inflow from operating activities before increase or decrease in advances and deposits (301 minus 306)	312	**6.757.133**	**5.368.681**
IV. Net cash outflow from operating activities before increase or decrease in advances and deposits (306 minus 301)	313	-	-
V. Decrease in advances and increase in deposits withdrawn (from 315 to 317)	314	**26.015.586**	**27.979.827**
10. Decrease in loans and advances to banks and clients	315	-	-
11. Decrease in securities per fair value in profit and loss account, tradable advances and short – term securities held to maturity	316	1.654.189	1.418.080
12. Increase in banks' and clients' deposits	317	24.361.397	26.561.747
VI. Increase in advances and decrease in deposits withdrawn (from 319 to 321)	318	**23.968.356**	**2.657.364**
13. Increase in loans and advances to banks and clients	319	23.968.356	2.657.364
14. Increase in securities per fair value in profit and loss account, tradable advances and short –term securities held to maturity	320	-	-
15. Decrease in banks' and clients' deposits	321	-	-
VII. Net cash inflow from operating activities before tax on profit (312 minus 313 plus 314 minus 318)	322	**8.804.363**	**30.691.144**
VIII. Net cash outflow from operating activities before tax on profit (313 plus 318 minus 312 minus 314)	323	-	-
16. Income tax paid	324	738.741	665.335
17. Dividends paid	325	269.195	278.218
IX. Net cash inflow from operating activities (322 minus 323 minus 324 minus 325)	326	**7.796.427**	**29.747.591**
X. Net cash outflow from operating activities (323 minus 322 plus 324 plus 325)	327	-	-

- in 000 RSD

POSITION	ADP	Current year	Previous year
1	2	3	4
B. CASH FLOWS FROM INVESTING ACTIVITIES **I. Cash inflows from investing activities (from 329 to 333)**	328	**14.567.190**	**1.203.491**
1. Inflows from long-term investments in securities	329	14.553.472	1.149.802
2. Inflows from sale of shares (participation)	330	-	-
3. Inflows from sale of intangible and fixed assets	331	13.718	53.689
4. Inflows from sale of investment real estates	332	-	-
5. Other inflows from investing activities	333	-	-
II. Cash outflows from investing activities (335 to 339)	334	**33.942.122**	**16.943.320**
6. Outflows from investments in long-term securities	335	33.125.623	16.196.530
7. Outflows from purchase of stakes	336	976	751
8. Outflows from purchase of intangible and fixed assets	337	815.523	746.039
9. Outflows from purchase of investment real estates	338	-	-
10. Other outflows from investing activities	339	-	-
III. Net cash inflows from investing activities (328 minus 334)	340	-	-
IV. Net cash outflows from investing activities (334 minus 328)	341	**19.374.932**	**15.739.829**
V. CASH FLOWS FROM FINANCING ACTIVITIES **I. Cash inflows from financing activities (from 343 to 348)**	342	**14.011.574**	**16.682.897**
1. Inflows from capital increase	343	-	11.571.997
2. Net cash inflows from subordinated obligations	344	46.190	453.870
3. Net cash inflows from loans	345	13.965.384	4.657.030
4. Net cash inflows from securities	346	-	-
5. Inflows from treasury shares	347	-	-
6. Other inflows from financing activities	348	-	-
II. Cash outflows from financing activities (from 350 to 354)	349	-	**43.847**
7. Outflows from treasury shares	350	-	-
8. Net cash outflows from subordinated obligations	351	-	-
9. Net cash outflows from loans	352	-	43.847
10. Net outflows from securities	353	-	-
11. Other outflows from financing activities	354	-	-
III. Net cash inflows from financing activities (342 minus 349)	355	**14.011.574**	**16.639.050**
IV. Net cash outflows from financing activities (349 minus 342)	356	-	-
G. TOTAL CASH INFLOWS (301 plus 314 plus 328 plus 342)	357	**82.609.274**	**71.669.581**
D. TOTAL CASH OUTFLOWS (306 plus 318 plus 324 plus 325 plus 334 plus 349)	358	**80.176.205**	**41.022.769**
DJ. NET INCREASE IN CASH (357 minus 358)	359	**2.433.069**	**30.646.812**
E. NET DECREASE IN CASH (358 minus 357)	360	-	-
Ž. CASH AT THE BEGINNIG OF THE YEAR (Remark: __) (361, col. 3 = 001 col. 6)	361	**42.052.826**	**19.245.682**
Z. PROFIT ON ECHANGE	362	2.145.346	6.279.926
I. LOSS ON EXCHANGE	363	3.066.723	14.119.594
J. CASH AT THE END OF THE PERIOD (Remark: __) (359 minus 360 plus 361 plus 362 minus 363) (364, col.3 = 001 col. 5 and 364 col. 4 = 001 col. 6) (364 col.4 = 361 col. 3)	364	**43.564.518**	**42.052.826**

In Belgrade, on 14.04.2014

Person authorized to compose Financial Statement

S.P.

Legal representative of the bank

To be filled by bank		
0 7 7 3 7 0 6 8	6 4 1 9	1 0 0 0 0 1 9 3 1
Basic identification number	Activity Code	Tax identification number

To be filled by the Serbian Business Registers Agency

1	2	3	19	20	21	22	23	24	25	26

Type of Activity

Name: KOMERCIJALNA BANKA AD BEOGRAD

Head Office: Beograd, Svetog Save 14

CAPITAL CHANGES STATEMENT - consolidated
in period from January 1 to December 31, 2013

- in 000 RSD

No	DESCRIPTION	ADP	Share capital (account 800)	ADP	Other capital (account 801)	ADP	Subscribe share capital unpaid (account 803)	ADP	Share premium (account 802)	ADP	Reserves from profit and other reserves (account number 81)	ADP	Revaluation reserves (account group 82 except 823)
	1		2		3		4		5		6		7
1	State on January 1st. of the previous year 2012	401	13 881 064	414	-	427	-	440	14 581 543	453	12 261 615	466	689 620
2	Correction of material important mistakes and changes of accounting policies in the previous year - increase	402	-	415	-	428	-	441	-	454	-	467	-
3	Correction of material important mistakes and changes of accounting policies in the previous year - decrease	403	-	416	-	429	-	442	-	455	-	468	-
4	**Corrected opening balance on January 1st of the previous year 2012. (ord no 1+2-3)**	404	**13.881.064**	417	-	430	-	443	**14.581.543**	456	**12.261.615**	469	**689.620**
5	Total increases in the previous year	405	3 310 460	418	-	431	-	444	8 261 541	457	3 279 329	470	188 821
6	Total decreases in the previous year	406	-	419	-	432	-	445	-	458	391 622	471	10 667
7	State on December 31st. of the previous year 2012 (ord no 4+5-6)	407	**17.191.524**	420	-	433	-	446	**22.843.084**	459	**15.149.322**	472	**867.774**
8	Correction of material important mistakes and changes of accounting policies in the current year - increase	408	-	421	-	434	-	447	-	460	-	473	-
9	Correction of material important mistakes and changes of accounting policies in the current year - decrease	409	-	422	-	435	-	448	-	461	-	474	-
10	**Corrected opening balance on January 1st, of the current year 2013. (ord.no. 7+8-9)**	410	**17.191.524**	423	-	436	-	449	**22.843.084**	462	**15.149.322**	475	**867.774**
11	Total increase in the current year	411	1	424	-	437	-	450	-	463	1.914.506	476	1.461.379
12	Total decrease in the current year	412	-	425	-	438	-	451	-	464	-	477	508 924
13	**State on Decembre 31st, of the current year 2013. (ord.no 10+11-12)**	413	**17.191.525**	426	-	439	-	452	**22.843.084**	465	**17.063.828**	478	**1.820.229**

No	ADP	Profit (account group 83)	ADP	Loss up to equity (account 840,841)	ADP	Own shares (account 128)	ADP	Unrealized losses from securities available for sale (acc 823)	ADP	Positive cumulative differentials from quotation of foreign operations	ADP	Negative cumulative differentials from quotation of foreign operations	ADP	Total (col 2+3-4+5+6+7+8-9-10-11+12-13)	ADP	Loss above equity (acc 842)
		8		9		10		11		12		13		14		15
1	479	3 830 588	492	-	505	-	518	63 940	531	863 532	544	-	557	46 044 022	570	-
2	480	-	493	-	506	-	519	-	532	-	545	-	558	-	571	-
3	481	-	494	-	507	-	520	-	533	-	546	-	559	-	572	-
4	482	**3.830.588**	495	-	508	-	521	**63.940**	534	**863.532**	547	-	560	**46.044.022**	573	-
5	483	5 101 212	496	-	509	-	522	29 241	535	1 264 911	548	-	561	21 377 033	574	-
6	484	4 291 792	497	-	510	-	523	86 165	536	739 989	549	-	562	5 347 905	575	-
7	485	**4.640.008**	498	-	511	-	524	**7.016**	537	**1.388.454**	550	-	563	**62.073.150**	576	-
8	486	-	499	-	512		525	-	538	-	551	-	564	-	577	-
9	487	-	500	-	513	-	526	-	539	-	552	-	565	-	578	-
10	488	**4.640.008**	501	-	514	-	527	**7.016**	540	**1.388.454**	553	-	566	**62.073.150**	579	-
11	489	4 482 025	502	-	515	-	528	406 379	541	1 317 754	554	-	567	8 769 286	580	-
12	490	2 253 067	503	-	516	-	529	226 384	542	1 265 133	555	-	568	3 800 740	581	-
13	491	**6.868.966**	504	-	517	-	530	**187.011**	543	**1.441.075**	556	-	569	**67.041.696**	582	-

In Belgrade, on 14.04.2014

Person authorized to compose Financial Statement

S.P.

Legal representative of the bank

KOMERCIJALNA BANKA A.D., BEOGRAD

Consolidated Financial Statements
Year Ended December 31, 2013 and
Independent Auditors' Report

Translation of the Auditors' Report issued in the Serbian language

CONTENTS

Deloitte d.o.o.
Terazije 8
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Translation of the Independent Auditors' Report Issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Komercijalna banka a.d., Beograd

We have audited the accompanying consolidated financial statements of Komercijalna banka A.D., Beograd (the "Parent Bank"), its subsidiary banks and a subsidiary company (jointly: the "Group"), which comprise the consolidated balance sheet as of December 31, 2013 and the related consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year than ended, a summary of significant accounting policies and other explanatory notes and the statistical annex.

Management's Responsibility for the Consolidated Financial Statements

Management of the Parent Bank is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Law on Accounting of the Republic of Serbia and regulations of the National Bank of Serbia governing financial reporting of banks, as well as for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on the conducted audit. We conducted our audit in accordance with International Standards on Auditing and the Law on Audit of the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with the accounting regulations of the Republic of Serbia and regulations of the National Bank of Serbia governing financial reporting of banks.

Belgrade, April 15, 2014

Deloitte d.o.o. BEOGRAD IV

Miroslav Tončić
Certified Auditor

CONSOLIDATED INCOME STATEMENT
Year Ended December 31, 2013
(Thousands of RSD)

	Note	2013	2012
INCOME AND EXPENSES FROM CONTINUING OPERATIONS			
Interest income	5 a	23,657,731	21,721,618
Interest expenses	5 b	(9,518,238)	(9,588,179)
Net interest income		**14,139,493**	**12,133,439**
Fee and commission income	6 a	5,827,288	5,671,372
Fee and commission expense	6 b	(998,007)	(841,098)
Net fee and commission income		**4,829,281**	**4,830,274**
Net gains on the sale of securities carried at fair value through profit and loss	7	16,340	890
Net gains on the sale of securities available for sale	8	1,738	83,895
Net gains on the sale of other investments	9	484	2,124
Net foreign exchange losses	10	(944,477)	(8,027,572)
Dividend and other income from equity investments	11	4,127	2,251
Other operating income	12	355,999	252,106
Net impairment losses and provisions	13	(2,993,930)	(1,946,369)
Staff costs	14	(4,773,358)	(4,708,699)
Depreciation and amortization	15	(878,972)	(842,991)
Operating and other expenses	16	(6,085,901)	(5,488,704)
Gains on the valuation of assets and liabilities	17	6,945,903	17,989,672
Losses on the valuation of assets and liabilities	18	(6,216,085)	(9,855,866)
PROFIT FROM CONTINUING OPERATIONS		**4,400,642**	**4,424,450**
PROFIT BEFORE TAXES		**4,400,642**	**4,424,450**
Income taxes	19	(24,679)	(499,462)
Gains from creation of deferred tax assets and decrease in deferred tax liabilities	20	89,038	33,549
Losses on decrease in deferred tax assets and creation of deferred tax liabilities	21	(3,063)	(12,218)
NET PROFIT		**4,461,938**	**3,946,319**
Net profit attributable to non-controlling interests	55	**-**	**1**
Net profit attributable to the owners of the parent entity	55	**4,461,938**	**3,946,318**
Basic earnings per share (in RSD, rounded)	42	468	469
Diluted earnings per share (in RSD, rounded)	42	242	290

The accompanying notes on the following pages
form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Executive Board of the Bank on April 14, 2014.

Signed on behalf of Komercijalna banka a.d., Beograd by:

Savo Petrović
Finance and Accounting
Executive Director

Ivica Smolić
President
of the Executive Board

CONSOLIDATED BALANCE SHEET
As of December 31, 2013
(Thousands of RSD)

	Note	2013	2012
ASSETS			
Cash and cash equivalents	22	43,564,518	42,052,826
Revocable deposits and loans	23	56,236,152	45,826,369
Receivables arising from interest, fee and commission, trade, fair value adjustments of derivatives and other receivables	24	3,033,725	1,744,180
Loans and advances to customers	25	201,208,895	194,416,122
Securities (excluding treasury shares)	26	59,379,855	42,216,159
Equity investments (interests)	27	573,288	436,210
Other investments	28	2,931,239	3,230,128
Intangible assets	29	589,010	644,837
Property, equipment and investment property	30	8,806,919	7,871,320
Non-current assets held for sale and assets of discontinued operations	31	75,968	78,763
Deferred tax assets	19; 20; 32	47	4,896
Other assets	33	8,861,932	4,648,711
TOTAL ASSETS		**385,261,548**	**343,170,521**
LIABILITIES AND EQUITY			
Transaction deposits	34	61,608,788	45,840,849
Other deposits	35	211,158,677	204,644,393
Borrowings	36	2,585,700	1,411,962
Interest, fee and commission payables and change in the value of derivatives	37	259,137	191,129
Provisions	38	835,311	2,406,634
Taxes payable	39	24,425	24,571
Tax and dividend payables	40	167,889	105,081
Deferred tax liabilities	19; 20; 32	13,131	948
Other liabilities	41	41,566,794	26,471,804
Total liabilities		**318,219,852**	**281,097,371**
EQUITY			
Share capital	42	40,034,550	40,034,550
Reserves from profit for estimated losses	43	17,063,828	15,149,322
Revaluation reserves	44	1,820,229	867,774
Unrealized losses on securities available for sale	45	(187,011)	(7,016)
Retained earnings	46	6,868,962	4,640,004
Translation reserves – accumulated positive effects of foreign exchange translation of foreign currency transactions	52; 55	1,441,075	1,388,454
Equity attributable to the majority owner		67,041,633	62,073,088
Non-controlling interests	55	63	62
Total equity		67,041,696	62,073,150
TOTAL LIABILITIES AND EQUITY		**385,261,548**	**343,170,521**
OFF-BALANCE-SHEET ITEMS		**227,797,499**	**207,913,711**
Managed funds	47	5,439,678	5,050,021
Commitments	48	32,103,293	43,695,943
Other off-balance sheet items	49	190,254,528	159,167,747

The accompanying notes on the following pages
form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2013
(Thousands of RSD)

	Share Capital	Share Premium	Reserves from Profit for Estimated Losses	Revaluation Reserves	Translation Reserves	Unrealized Losses	Retained Earnings	Equity Attributable to the Owner	Non-Controlling Interests	Total Equity
Balance at January 1, 2012	13,881,008	14,581,543	12,261,615	689,620	863,532	(63,940)	3,830,588	46,043,966	56	46,044,022
Capital increase	3,310,456	8,261,541	-	-	-	-	-	11,571,997	6	11,572,003
Transfer of 2011 retained earnings portion to reserves	-	-	2,833,388	-	-	-	(2,833,388)	-	-	-
Net increase in foreign exchange gains based on equity interests	-	-	-	-	524,922	-	-	524,922	-	524,922
Gains on realized reserves	-	-	-	(10,037)	-	-	10,037	-	-	-
Increase based on the change in the fair value of equity investments and securities available for sale				188,191	-	(12,856)	-	175,335	-	175,335
Adjustment based on the fair value of equity investments (Note 45)	-	-	-	-	-	76,783	-	76,783	-	76,783
Net losses on the change in the fair value of equity investments and securities available for sale	-	-	-	-	-	(7,003)	-	(7,003)	-	(7,003)
Payment of dividends for preferred shares	-	-		-	-	-	(40,264)	(40,264)	-	(40,264)
Employee share in profit	-	-	-	-	-	-	(308,000)	(308,000)	-	(308,000)
Profit for the year	-	-	-	-	-	-	3,946,318	3,946,318	1	3,946,319
Foreign exchange gains	-	-	54,319		-	-	37,589	91,908	-	91,908
Other	2	-	-	-	-	-	(2,876)	(2,874)	(1)	(2,875)
Balance at December 31, 2012	17,191,466	22,843,084	15,149,322	867,774	1,388,454	(7,016)	4,640,004	62,073,088	62	62,073,150
Transfer of 2011 retained earnings portion to reserves	-	-	1,911,549	-	-	-	(1,911,549)	-	-	-
Net increase in foreign exchange gains based on equity interests	-	-	-	-	52,621	-	-	52,621	-	52,621
Gains on realized reserves	-	-	-	(10,038)	-	-	10,038	-	-	-
Increase based on the change in the fair value of equity investments and securities available for sale	-	-	-	(371,445)	-	226,384	-	(145,061)	-	(145,061)
Increase based on the change in the fair value of equity investments and securities available for sale	-	-	-	750,260		(406,379)		343,881		343,881
Property valuation effects as per certified appraiser's assessment	-	-	-	686,680	-	-	-	686,680	-	686,680
Tax effects of revaluation reserves				(103,002)				(103,002)		(103,002)
Payment of dividends for preferred shares	-	-	-	-	-	-	(37,351)	(37,351)	-	(37,351)
Employee share in profit	-	-	-	-	-	-	(296,853)	(296,853)	-	(296,853)
Profit for the year	-	-	-	-	-	-	4,461,938	4,461,938	-	4,461,938
Foreign exchange gains	-	-	2,957	-	-	-	2,735	5,692	-	5,692
Other	-	-	-	-	-	-	-	-	1	1
Balance at December 31, 2013	17,191,466	22,843,084	17,063,828	1,820,229	1,441,075	(187,011)	6,868,962	67,041,633	63	67,041,696

The accompanying notes on the following pages
form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year Ended December 31, 2013
(Thousands of RSD)

	2013	2012
OPERATING ACTIVITIES		
Cash inflows from operating activities	**28,014,924**	**25,803,366**
Interest receipts	21,964,368	19,889,011
Fee and commission receipts	5,784,379	5,647,142
Receipts of other operating income	262,813	264,962
Receipts from dividends and profit distribution	3,364	2,251
Cash outflows from operating activities	**(21,257,791)**	**(20,434,685)**
Interest paid	(9,342,167)	(9,327,920)
Fees and commissions paid	(999,876)	(835,896)
Payments to, and on behalf of employees – gross salaries and benefits	(4,834,263)	(4,637,706)
Taxes, contributions and other duties paid	(1,008,550)	(930,565)
Payments of other operating expenses	(5,072,935)	(4,702,598)
Net cash generated by operating activities prior to increases or decreases in loans and deposits	**6,757,133**	**5,368,681**
Decreases in loans and increases in deposits	**26,015,586**	**27,979,827**
Decrease in securities carried at fair value through profit and loss, trading investments and short-term securities held-to-maturity	1,654,189	1,418,080
Increase in deposits due to banks and customers	24,361,397	26,561,747
Increases in loans and decreases in deposits	**(23,968,356)**	**(2,657,364)**
Increase in loans and advances to banks and customers	(23,968,356)	(2,657,364)
Net cash generated by operating activities before income taxes	**8,804,363**	**30,691,144**
Income taxes paid	(738,741)	(665,335)
Dividends paid	(269,195)	(278,218)
Net cash generated by operating activities	**7,796,427**	**29,747,591**
INVESTING ACTIVITIES		
Cash inflows from investing activities	**14,567,190**	**1,203,491**
Inflows from long-term investments in securities	14,553,472	1,149,802
Inflows from sales of intangible assets, property and equipment	13,718	53,689
Cash outflows from investing activities	**(33,942,122)**	**(16,943,320)**
Outflows for long-term investments in securities	(33,125,623)	(16,196,530)
Outflows for purchases of equity investments	(976)	(751)
Outflows for purchases of intangible assets, property and equipment	(815,523)	(746,039)
Net cash used in investing activities	**(19,374,932)**	**(15,739,829)**
FINANCING ACTIVITIES		
Cash inflows from financing activities	**14,011,574**	**16,682,897**
Inflows arising from capital increase	-	11,571,997
Net cash inflows from subordinated debt	46,190	453,870
Net cash inflows from borrowings	13,965,384	4,657,030
Cash outflows from financing activities	**-**	**(43,847)**
Net cash outflows for borrowings	-	(43,847)
Net cash generated by financing activities	**14,011,574**	**16,639,050**
Total cash inflows	**82,609,274**	**71,669,581**
Total cash outflows	**(80,176,205)**	**(41,022,769)**
NET INCREASE IN CASH AND CASH EQUIVLENTS	**2,433,069**	**30,646,812**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**42,052,826**	**19,245,682**
Foreign exchange gains	2,145,346	6,279,926
Foreign exchange losses	(3,066,723)	(14,119,594)
CASH AND CASH EQUIVALENTS, END OF YEAR	**43,564,518**	**42,052,826**

The accompanying notes on the following pages
form an integral part of these consolidated financial statements.

STATISTICAL ANNEX
Year Ended December 31, 2013
(Thousands of RSD)

	2013	2012
Costs of salaries	2,837,995	2,712,618
Costs of employee benefits	452,878	520,654
Taxes on salaries and benefits	457,953	493,775
Contributions on salaries and benefits	903,043	831,514
Costs of considerations to temporary and seasonal employees	54,572	65,170
Other staff costs	66,917	84,968
Depreciation/amortization charge	878,972	842,991
Insurance premiums	873,996	802,284
Reimbursement of costs to employees	193,286	103,822
Rental costs	763,486	771,720
Indirect taxes	154,578	98,183
Indirect contributions	849,118	825,771
Rental income	108,840	104,160
Foreign exchange losses	3,063,037	14,114,932
Foreign exchange gains	2,118,560	6,087,360
Inventories	3,305,757	2,443,655
Average employee head count determined based on the head count at each month-end of the financial year (whole number)	3,262	3,273
Number of ordinary shares	16,817,957	16,817,957
Number of preference shares	373,510	373,510
Nominal value of ordinary share	16,818,014	16,818,014
Nominal value of preference shares	373,510	373,510

The accompanying notes on the following pages
form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

1. ESTABLISHMENT AND ACTIVITY OF THE BANKING GROUP

Komercijalna banka a.d., Beograd (hereinafter the “Parent Bank”), was established as at December 1, 1970 and transformed into a shareholding company as of May 6, 1992.

At December 31, 2013, the Parent Bank’s most significant holders controlling shares were the following:

1. Republic of Serbia and
2. EBRD, London

A more detailed overview of the Bank’s share capital structure is provided in Note 42.

The Parent Bank has three subsidiaries with the following equity interests:

- 100% - Komercijalna banka a.d. Budva, Montenegro
- 100% - KomBank INVEST a.d., Serbia
- 99.998 % - Komercijalna banka a.d. Banja Luka, Bosnia and Herzegovina

Minority owner (non-controlling interest) of Komercijalna banka a.d. Banja Luka with 0.002% equity interest is the Serbian Export Credit and Insurance Agency.

The consolidated financial statements and notes to the consolidated financial statements represent information of the Parent Bank, of Komercijalna banka a.d. Budva, Montenegro, Komercijalna banka a.d. Banja Luka and Investment Fund Management Company KomBank Invest a.d., Beograd (jointly the “Group“).

Komercijalna banka a.d. Budva was established as an affiliate of Komercijalna banka a.d, Beograd in November 2002 and entered into the Central Register maintained by the Commercial Court of Podgorica at March 6, 2003. Its registry number is 02373262.

Komercijalna banka a.d. Banja Luka was established in September 2006 and registered with the court register under the relevant decision of the Basic Court in Banja Luka at September 15, 2006. Its registry number is 11009778.

The Investment Fund Management Company KomBank Invest a.d., Beograd was founded in December 2007 and registered at February 5, 2008. Its registry number is 20379758.

The Group’s activities include crediting activities, deposit and guarantee activities and payment transfer operations in the country and abroad in accordance with the Law on Banks, as well as investment fund managing activities. The Group is obligated to operate based upon principles of liquidity, safety and profitability.

As of December 31, 2013, the Group was comprised of the Central Office in Belgrade at the address of No.14, Svetog Save St., head office of Komercijalna banka a.d. Budva in Budva, head office of Komercijalna banka a.d. Banja Luka in Banja Luka, head office of Investment Fund Management Company KomBank Invest a.d., Beograd in Belgrade, 40 branch offices and 254 sub-branches in the territories of Serbia, Montenegro and Bosnia and Herzegovina

As of December 31, 2013, the Group had 3,233 employees (December 31, 2012: 3,254 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION

2.1. Statement of Compliance

In 2013, the Group members maintained their books of account and prepared stand-alone financial statements in accordance with the local legislation, other regulations based on the International Accounting Standards, (IAS) and International Financial Reporting Standards (IFRS) as well as pursuant to the regulations of the competent central banks and regulatory bodies. The stand-alone financial statements were audited by external independent auditors whose reports expressed unqualified opinions thereof, based on the effective local regulations.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.1. Statement of Compliance (Continued)

For preparation of consolidated financial statements, stand-alone financial statements of the subsidiaries were adjusted to the financial statement presentation in accordance with the accounting regulations of the Republic of Serbia. Such consolidated financial sttements were approved by the Executive Board of Komercijalne banke a.a., Beograd on April 14, 2014.

2.2. Basis of Preparation and Presentation of the Consolidated Financial Statements

The Parent Bank maintains accounting records and prepares financial statements in compliance with the effective Law on Accounting (hereinafter: the "Law," published in the Official Gazette of the Republic of Serbia no. 63/2013), Law on Banks (Official Gazette of the Republic of Serbia nos.107/2005 and. 91/2010) and other relevant bylaws of the National Bank of Serbia and other effective regulations of the Republic of Serbia.

Legal entities and entrepreneurs incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity with the Law. As a large legal entity, the Parent Bank is obligated to apply the International Financial Reporting Standards ("IFRS"), which, within the meaning of the aforecited Law, include: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS"), as well as the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and subsequent amendments to the standards and related interpretations approved by the International Accounting Standards Board ("IASB"), the translations of which were published by the competent Ministry of Finance and which were in effect as at December 31, 2002.

The amendments to IAS, as well as the newly issued IFRS and the related interpretations issued by the IASB and IFRIC in the period between December 31, 2002 and January 1, 2009, were officially adopted pursuant to a Decision enacted by the Ministry of Finance of the Republic of Serbia (the "Ministry") and published in the Official Gazette of the Republic of Serbia no. 77 of October 25, 2010.

However, until the preparation date of the accompanying consolidated financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying consolidated financial statements are presented in the format prescribed under the "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (Official Gazette of the Republic of Serbia nos. 114/2006, 5/2007 – corrected, 119/2008, 2/2010, 101/2012 and 118/2012). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, "Presentation of Financial Statements," and differ in some respects from the presentation of certain items as required under the aforementioned standard.

Standards and interpretations in issue but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.3 and 2.4.

In accordance with the aforedescribed, and given the potentially material effects which the departures of accounting regulations of the Republic of Serbia from IAS and IFRS may have on the fairness of presentations made in the consolidated financial statements, the accompanying consolidated financial statements cannot be treated as a set of financial statements prepared in accordance with IAS and IFRS.

The consolidated financial statements were prepared at historical cost principle except for the following items:

- financial instruments carried at fair value through profit and loss, which are measured at fair value;
- financial instruments available for sale, which are measured at fair value through other comprehensive income;
- building properties.

The Group's consolidated financial statements were prepared on a going concern assumption entailing the Group's continuation of operations in the foreseeable future.

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.2. Basis of Preparation and Presentation of the Consolidated Financial Statements (Continued)

The Group's consolidated financial statements are stated in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia and the functional currency of the Parent Bank.

Functional currencies - EUR from the financial statements of Komercijalna banka a.d., Budva and BAM from the financial statements of Komercijalna banka a.d., Banja Luka - have been translated into the reporting currency, i.e. the Parent Bank's functional currency – dinar (RSD) using the officially published exchange rates in the Republic of Serbia.

In the preparation of the accompanying consolidated financial statements, the Group adhered to the accounting policies described in Note 3.

2.3. Standards and Interpretations in Issue but not yet Translated and Adopted

As of the financial statements issuance date, the following standards and amendments were issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee but were not officially adopted and translated in the Republic of Serbia:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving fair value and liquidity risk disclosures (revised in March 2009, effective for annual periods beginning on or after January 1, 2009);

- Amendments to IFRS 1 "First-Time Adoption of IFRS" – Additional Exemptions for First-Time Adopters. The amendments relate to assets in oil and gas industry and determining whether an arrangement contains a lease (revised in July 2009, effective for annual periods beginning on or after January 1, 2010);

- Amendments to various standards and interpretations resulting from the Annual Quality Improvement Project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (amendments are to be applied for annual periods beginning on or after 1 January 2010, while the amendment to IFRIC is to become effective as of July 1, 2009);

- Amendments to IAS 38 "Intangible Assets" (revised in July 2009, effective for annual periods beginning on or after July 1, 2009);

- Amendments to IFRS 2 "Share-Based Payment": Amendments resulting from the Annual Quality Improvement Project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments relating to group cash-settled share-based payment transactions (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);

- Amendments IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009);

- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009);

- "Conceptual Framework for Financial Reporting 2010" being an amendments to "Framework for the Preparation and Presentation of Financial Statements" (effective for transfer of assets from customers received on or after September 2010);

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010);

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.3. Standards and Interpretations in Issue but not yet Translated and Adopted (Continued)

- Amendments to IAS 24 "Related Party Disclosures" – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for Rights Issues (effective for annual periods beginning on or after February 1, 2010);

- Amendments to various standards and interpretations "Improvements to IFRSs (2010)" resulting from the Annual quality improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after January 1, 2011);

- Amendments to IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction" – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011);

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after July 1, 2010).

- Amendments to IFRS 1 "First-Time Adoption of IFRS" – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Transfers of Financial Assets (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012);

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after January 1, 2013);

- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after January 1, 2013);

- IFRS 12 "Disclosures of Involvement with Other Entities" (effective for annual periods beginning on or after January 1, 2013);

- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after January 1, 2013);

- IAS 27 (revised in 2011) "Separate Financial Statements" (effective for annual periods beginning on or after January 1, 2013);

- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Government Loans with a Below-Market Rate of Interest (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013);

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.3. Standards and Interpretations in Issue but not yet Translated and Adopted (Continued)

- Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosures of Involvement with Other Entities: Transition Guidance" (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IAS 1 "Presentation of Financial Statements" – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012),

- Amendments to IAS 19 "Employee Benefits" – Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after January 1, 2013);

- Amendments to various standards "Improvements to IFRSs (2009-2011 Cycle)" issued in May 2012, resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013);

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after January 1, 2013).

2.4. Standards and Interpretations in Issue not yet in Effect

At the date of issuance of these consolidated financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 "Financial Instruments" and subsequent amendments (effective date was not yet determined);

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after January 1, 2016);

- Amendments to IFRS 10, IFRS 12 and IAS 27 - Exemption from Consolidation of Subsidiaries under IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions Statements' (effective for annual periods beginning on or after July 1, 2014);

- Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 39 "Financial Instruments:" Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after January 1, 2014);

- Amendments resulting from Annual Improvements 2010-2012 Cycle issued in December 2013 (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after July 1, 2014);

- Amendments resulting from Annual Improvements 2011-2013 Cycle issued in December 2013 (IFRS 1, IFRS 3, IFRS 13 and IAS 40) with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after July 1, 2014);

- IFRIC 21 "Levies" (effective for annual periods beginning on or after January 1, 2014).

2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION (Continued)

2.5. Comparative Information

Comparative information includes the Bank's consolidated financial statements as of and for the year ended December 31, 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The accompanying consolidated financial statements represent the financial statements of the Group where the stand-alone financial statements of the Parent Bank and the following subsidiaries are consolidated:

- Komercijalna banka a.d. Budva, Montenegro, which is fully owned by the Parent Bank;
- Investment Fund Management Company KomBank Invest a.d., Beograd, which is fully owned by the Parent Bank; and
- Komercijalna banka a.d. Banja Luka, Bosnia and Herzegovina, where the Parent Bank owns 99.998% of the equity.

The consolidated income statement and consolidated cash flow statement have been reclassified at the average exchange rate in the Republic of Serbia for the year 2013 of RSD 113.0924 for EUR 1 and RSD 57.8232 for BAM 1, while the other consolidated financial statements (balance sheet, statement of changes in equity and statistical annex) were reclassified by applying the closing exchange rate effective as of the balance sheet date of RSD 114.6421 for EUR 1, i.e. RSD 58.6156 for BAM 1.

3.1. Interest and Commission Income and Expenses

Interest income and expenses, including penalty interest and other income and other expenses arising from interest-bearing assets and interest-bearing liabilities, are recognized in the income statement on an accrual basis and pursuant to the contractual terms agreed upon by and between the Group members and their clients.

Income from loan origination fees and commissions is deferred and recognized as interest income within the income statement by applying the effective interest method, i.e. as the effective return on loans extended.

Interest income also includes income from hedging financial instruments, mostly based on indexing repayment annuities to the RSD/EUR exchange rate or another currency exchange rate, or consumer price index and is calculated at each month-end over the repayment period and as at the repayment annuity maturity date.

3.2. Fee and Commission Income and Expenses

Fee and commission income and expenses are recognized as per "matching principle."

Fee and commission income and expenses from banking services are determined upon maturity for collection, i.e. when realized. Such income and expenses are recognized within the income statement upon occurrence, i.e. upon maturity for collection. Fees and commissions charged for guarantees and other contingent liabilities are deferred and recognized as income proportionately over their maturity periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.3. Income and Expenses from Securities

All realized gains and losses arising from movements in the market value of trading securities are recognized within the consolidated income statement.

Gains and losses arising from changes in amortized cost of securities held to maturity are recognized as income and expenses.

Unrealized gains and losses incurred upon the change in the market value of investments available for sale are recognized under revaluation reserves within equity. When such assets are sold or permanently impaired, respective portions of the previously formed revaluation reserves are stated in the consolidated income statement as gains or losses on the sale of securities or impairment losses.

Gains/losses based on the contractually agreed currency clause and changes in exchange rates of securities available for sale as well as interest income from securities available for sale are included in the consolidated income statement.

Dividend income from investments in shares issued by other legal entities is included in divided income upon dividend collection.

Impairment allowances for estimated risk effects on all types of securities are recognized in the consolidated income statement.

3.4. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at official middle exchange rates as determined in the interbank foreign exchange market and effective at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into dinars by applying the official middle exchange rates as determined in the interbank foreign exchange market and prevailing at the consolidated balance sheet date.

Net foreign exchange positive or negative effects arising upon the translation of transactions, and the consolidated balance sheet assets and liabilities denominated in foreign currencies are credited or charged to the income statement as foreign exchange gains or losses.

Commitments and contingent liabilities denominated in foreign currencies are translated into dinars by applying the official middle exchange rates as determined in the interbank foreign exchange market and prevailing at the consolidated balance sheet date.

3.5. Property, Investment Property, Equipment and Intangible Assets

3.5.1. Intangible Assets

Intangible assets are recognized at cost or purchase price. Subsequent to the initial recognition, intangible assets are stated at cost less accumulated amortization and impairment losses.

Calculation of amortization of intangible assets commences in the month following the one in which a relevant intangible assets was placed into use or became available for use.

Amortization of intangible assets is charged to the base comprised of cost net of residual value. If the residual value of an asset is immaterial, it is not taken into consideration upon calculation of amortization, i.e. it does not reduce the amortization base.

Intangible assets are amortized on straight-line basis using the annual amortization rates ranging from 14.29% to 33.34%.

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.5. Property, Investment Property, Equipment and Intangible Assets (Continued)

3.5.2. Property and Equipment

Recognition and Measurement

Property and equipment are initially recognized at cost or purchase price.

Fixed assets other than property are measured at cost less accumulated depreciation and impairment losses. As from January 2005, the Group had adopted revaluation method for properties in the ownership of the Group members. In 2013, based on the market value appraisal of the Parent Bank's properties performed by a certified appraiser, fair value of properties was adjusted and effects of the valuation were recognized. The positive valuation effect was recognized within equity, whereas the negative valuation effect was recognized as decrease in previously formed revaluation reserves and/or expenses of the period.

Cost includes all expenses directly attributable to acquisition of assets. Purchased software necessary for the functioning of equipment is capitalized as part of such equipment.

In instances that parts of a single asset have different useful life durations, they are carried as separate items (major components) of equipment.

Following initial recognition, the Group applies cost model for subsequent measurement of equipment. Following initial recognition, the Group applies revaluation model for subsequent measurement of property.

Subsequent Expenditure

Cost of spare part replacement is recognized at carrying value if it is probable that the future economic benefits associated with the respective spare part will flow to the Group and if the spare part purchase price can be measured reliably. Spare parts and servicing equipment are recorded within the consolidated income statement when used up.

Depreciation

Depreciation is calculated on a straight-line basis to the cost or revalued amount of property and equipment by applying the following annual rates in order to write the cost or revalued amount less residual value of those assets down in equal annual amounts over their useful lives.

Annual depreciation rates applied are as follows:

Buildings	2.5%
Computer equipment	25%
Furniture and motor vehicles	10%-15.5%
Leasehold improvements and other	4.25%-86.2%

3.5.3. Investment Property

The Group's investment property is property held to earn rental income and/or for capital appreciation or both.

An item of investment property is initially measured at cost or purchase price. Transaction costs are not included in the initial measurement.

After initial recognition, the Group applies cost method for subsequent measurement of investment property.

Depreciation of investment property is provided on a straight-line basis to the cost of investment property by applying the annual depreciation rate of 2.5%.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.6. Inventories

3.6.1. Inventories

Inventories are stated at the lower of cost and net realizable value. The Group includes in inventories assets acquired in lieu of collection of matured receivables arising from loans.

3.6.2. Non-Current Assets Held for Sale

Non-current assets held for sale are assets whose carrying amounts can primarily be recovered through sales rather than further utilization.

A non-current asset is classified as non-current asset held for sale if the following criteria are met:

- An asset (or a group of assets) is available for immediate sale in the condition as is;
- There is an adopted plan for sales of non-current assets and activities have already commenced to achieve the sales plan;
- There is an active market for such assets and the relevant asset is actively present on the market;
- The likelihood of prospective sales is high, i.e. it is expected that the sales will be realized within a year from the date of classification of the relevant item as a non-current asset held for sale.

Non-current assets held for sale are initially measured at the lower of the net book value (carrying amount) and the market value (fair value) net of costs to sell. From the initial classification of such assets as non-current assets held for sale, the Group ceases to depreciate those assets.

In case of changes to the sales plan, a non-current asset ceases to be classified as a non-current asset held for sale and is measured at the lower of the following two amounts:

- Carrying amount of the relevant asset prior to its classification as a non-current asset held for sale allowing for the accumulated depreciation and impairment that would be recognized had the relevant asset not been classified as a non-current asset held for sale; and
- Recoverable amount as at the date of subsequent decision not to sell the relevant asset.

3.7. Financial Instruments

Classification

The Group classifies its financial assets into the following categories: financial assets carried at fair value through profit and loss, loans and receivables, financial assets available for sale and financial assets held to maturity. Classification depends on the intended purpose for which the financial assets were acquired.

A Group member’s management classifies financial investments upon initial recognition.

Recognition

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.7. Financial Instruments (Continued)

Measurement

Financial instruments are initially measured at fair value, which includes transaction costs in all financial assets or liabilities except for those carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value whereas the transaction costs are charged to the operating expenses within the consolidated income statement.

Available-for-sale financial and assets carried at fair value through profit and loss are subsequently stated at fair value. Loans and receivables as well as financial assets held to maturity are measured at amortized cost by applying the effective interest method.

Subsequent to initial recognition, financial liabilities are stated at amortized cost using the effective interest method, except financial liabilities carried at fair value through profit and loss.

Derecognition

Financial assets cease to be recognized when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded. Any right to ceded financial assets, created or retained by a Group member is recognized as a separate financial asset or liability.

Financial liabilities cease to be recognized when a Group member fulfills the obligations, or when the contractual repayment obligation has either been cancelled, ceded or has expired.

Amortized Cost Measurement

Amortized cost of a financial asset or a liability is the amount at which an asset or a liability is initially measured decreased by principal repayments made and increased or decreased by accumulated amortization by applying the effective interest method on the difference between the initial value and the nominal value at the instrument's maturity date, less any impairment.

Fair Value Measurement

Fair value of financial instruments is an amount for which an asset can be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction.

Fair value is determined by applying the market information available at the reporting date and other valuation models used by a Group member.

Fair values of certain financial instruments stated at nominal values approximate their respective carrying values. Such instruments include cash and receivables and liabilities without contractually defined maturities or fixed interest rates. Other receivables and liabilities are reduced to the net present value b discounting the expected future cash flows by using current interest rates. In the opinion of the management, due to the nature of the Group's operations and its generally adopted policies, there are no significant differences between the carrying value and fair value of the financial assets and liabilities.

Fair values of irrevocable loans and off-balance sheet items are equal to their carrying amounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.7. Financial Instruments (Continued)

Impairment

As at the consolidated balance sheet date the Group reviews financial assets in order to determine whether there is indication of impairment. If there is objective evidence of impairment, the recoverable amount of the investment is determined. For the purpose of adequate and efficient credit risk management, the Group has adopted internal bylaws prescribing special policies and procedures for identifying and managing bad assets.

A Group member's management assesses recoverability of receivables, i.e. allowance for impairment of investments based on individual assessment of risk-weighted receivables. Risk-weighted receivables are all past-due receivables. The Bank assesses the collectible amount of receivables and investments taking into consideration regularity in repayment, financial situation of the debtors and quality of collaterals securitizing the repayment as well as the contractually defined cash flows and historical credit losses.

A Group member charges allowance for the assessed impairment to the expenses of the period in which the impairment occurred. If in a subsequent period, the management determines that conditions have changed and the impairment no longer exists or decreases, the previously formed allowance for impairment is reversed to income in profit and loss. Reversal of impairment allowance cannot result in the carrying amount of the relevant asset in excess of what the carrying amount of the asset would have been had the impairment not been recognized.

3.8. Loans

Loans originated by the Group members are stated within the balance sheet at the amount of principal outstanding, less allowance for impairment, which is based on the assessment of specifically-identified exposures and losses that are inherent in the Bank's loan portfolio. The management applies the internally adopted methodology in the evaluation thereof based on the fully adopted and implemented IAS 39, as disclosed in Note 4.

Loans that are disbursed in dinars and index-linked to the dinar-EUR exchange rates, other currency exchange rates or to the consumer price index are revalued in accordance with the specific individual loan agreements in question. The difference between the nominal value of the principal outstanding and the revalued amount is stated within receivables from loans and advances to customers. The effects of such revaluation are included under gains and losses on the valuation of assets and liabilities.

3.9. Financial Assets

3.9.1. Financial Assets Carried At Fair Value through Consolidated Profit and Loss

Financial assets carried at fair value through consolidated profit and loss are financial assets held for trading. A financial asset is classified into this category if acquired primarily for sale in the near term. Derivatives are also classified as assets held for trading except for those derivatives designated as risk hedging instruments against risks. Assets within this category are classified as current assets. Financial assets carried at fair value through consolidated profit and loss include old foreign currency savings bonds issued by the Republic of Serbia and bank and corporate shares acquired for trading.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.9. Financial Assets (Continued)

3.9.2. Financial Assets Held to Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group members have the positive intention and ability to hold to maturity. This category of securities includes commercial papers issued by legal entities and treasury bills issued by the Ministries of Finance with the Governments of the Republic of Montenegro and the Republic of Serbia.

If a Group member decides to sell a substantial portion of the financial assets held to maturity, the entire category is reclassified to assets available for sale. Financial assets held to maturity are classified as non-current assets unless their maturities are due in less than 12 months after the balance sheet date, in which case such assets are classified as current assets.

Financial assets held to maturity are initially recognized at cost. As at the balance sheet date, such instruments are stated at amortized cost, i.e. the present value of the future cash flows determined by applying the effective interest rate inherent in the instrument.

3.9.3. Equity Investments and Other Financial Assets Available for Sale

Financial assets available for sale are non-derivative financial assets that are designated as available for sale or not classified as loans and receivables, financial assets held to maturity and financial assets carried at fair value through consolidated profit and loss. Available-for-sale financial assets represent financial instruments intended to be held over an indefinite time period which may be sold for liquidity purposes, due to the movements in interest rates, exchange rates or prices of capital. Securities available-for-sale with fixed maturities for which an active market and quoted prices do not exist are measured at amortized cost using the effective interest method. Financial assets available for sale comprise commercial notes and bonds issued by the Republic of Serbia, shares of other banks and shares of and equity investments in other legal entities.

Available-for-sale assets are initially measured cost and stated at market value if known as the balance sheet date. Unrealized gains and losses incurred upon the change in the market value are either credited or charged to revaluation reserves within consolidated equity until this financial asset is sold, collected or disposed of, when revaluation reserves are transferred to income.

In instances of decrease in value of financial assets available for sale due to objective evidence of impairment (long-term and continuous decrease in fair value over a period longer than 12 months, or decrease in value of more than 30% of the assets' cost), accumulated losses recognized within equity is derecognized from equity and recognized as impairment loss within expenses, although such financial assets do not cease to be recognized (IAS 39.59, IAS 39.67 and IAS 39.68).

For equity investments the Group has intention to hold such assets over an indefinite time. Equity investments may be sold for liquidity purposes or due to the movements in market prices. Equity investments for which there is no active market are measured at cost.

3.10. Cash and Cash Equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, balances on the accounts held with other banks and cheques in collection.

3.11. Managed Funds

The Group members manage funds on behalf of, and for the account of third parties, and charge fees for these services. These items are not included in the Group's consolidated balance sheet but presented within consolidated off-balance sheet items.

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.12. Taxes and Contributions

3.12.1. Income Taxes

Income tax represents an amount arrived at by applying the legally prescribed tax rate to the amount of consolidated profit before taxation stated in accordance with IAS/IFRS as adjusted for effects of permanent differences that reduce the prescribed tax rate to the effective tax rate.

Current income tax is payable at the legally prescribed rate of 15% on the tax base determined within the tax balance and reported in the annual corporate income tax return. The taxable base stated in the income tax return includes the consolidated profit, as adjusted for differences that are specifically defined under statutory tax rules of the republic of Serbia, less any prescribed tax credits.

The tax regulations in the Republic of Serbia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, current period tax losses stated in tax return may be used to reduce or eliminate taxes to be paid in future periods but only for duration of no longer than five ensuing years. Tax losses incurred prior to January 1, 2010 are available for carryforward for duration of ten ensuing years.

Deferred taxes are determined by applying the method that enables consideration of temporary differences between the carrying amounts of assets and liabilities presented in the financial statements and the amounts of the assets and liabilities for tax purposes.

Pursuant to the effective regulations in the Republic of Serbia, the Parent Bank cannot perform tax consolidation. The final amounts of taxes payable are determined by the Group members by applying the tax rate to the taxable base determined according to the respective local tax regulations and disclosed in separate notes to their statutory stand-alone annual financial statements (Note 19).

The following tax rates were applied in the year 2013:

Serbia	15%
Montenegro	9%
Bosnia and Herzegovina	10%

3.12.2. Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, value added tax, payroll taxes and contributions charged to employer and various other taxes and duties paid pursuant to effective republic and local tax regulations. These taxes and contributions are included within other operating expenses.

3.13. Deposits

Deposits are stated at the amounts of placed funds which may be increased by the interest accrued, depending on the contractual terms agreed between the depositors and a Group member. The Group members agreed on interest rates depending on the amount of funds deposited.

Foreign currency deposits are stated in RSD at the official middle exchange rates prevailing as at the balance sheet date.

Deposits are presented as transaction and other deposits within the consolidated balance sheet.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.14. Consolidated Equity

The Group's equity is comprised of the share capital and share premium, reserves from profit for estimated losses, revaluation reserves, translation reserves – positive accumulated effects of foreign exchange translation of foreign transactions, retained earnings and the profit for the year less unrealized losses on the securities available for sale.

The Group's core capital was formed from the monetary contributions of the Parent Bank's founder and a minority owner of Komercijalna banka a.d., Banja Luka. A founder cannot withdraw assets contributed to the Group's core capital.

3.15. Employee Benefits

In accordance with regulatory requirements, the Group members are obligated to pay contributions to tax authorities and to various state social security funds that guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in an amount computed by applying the specific, legally-prescribed rates. The Group members are also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to the applicable government funds. These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

Since December 2012, the Parent Bank has agreed on voluntary health insurance for all members of the Bank's Executive Board. Pursuant to the effective regulations of the Republic of Serbia, such benefits are treated as salaries.

In 2013, the Group reversed provisions in accordance with IAS 19 based on the decrease in long-term liabilities for employee retirement benefits and increase in liabilities for unused annual leaves – vacations. The Group hired a certified actuary to perform evaluation and calculation of provisions for the aforesaid purpose.

The Group does not have defined benefit plans or share-based remuneration options and there were no identified liabilities thereof as of December 31, 2013.

3.16. Segment Information

The Parent Bank monitors and discloses information on its operating segments – lines of business (Note 55). The major portion of the Group's business operations is conducted in the territory of the Republic of Serbia. Subsidiaries are immaterial for the Parent Bank's stand-alone financial statements.

The Parent Bank's total balance sheet assets accounted for 92.80% of the total consolidated balance sheet assets (2012: 92.87%).

The total balance sheet assets of Komercijalna banka a.d., Budva accounted for 3.18% of the total consolidated balance sheet assets (2012: 3.05%), the total balance sheet assets of Komercijalna banka a.d., Banja Luka - 4.0% (2012: 4.05%) and those of KomBank Invest 0.02% (2012: 0.03%).

Upon consolidation, all inter-company transaction balances were eliminated from the balance sheet in the amount of RSD 6,317,466 thousand (2012: RSD 5,997,181 thousand). From the income statements income totaling RSD 397,068 thousand (2012: RSD 4,857 was eliminated, as well as expenses amounting to RSD 13,158 thousand (2012: RSD 6,055 thousand) – Note 52.

Concentrations of loans and advances per borrower and industry sector are presented within Note 53 – Risk Management.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES

Key Accounting Estimates and Assumptions

The management makes estimates and assumptions that influence the amounts of assets and liabilities of the forthcoming financial year. The estimated values often differ from the actually achieved results. What follows are the key assumptions in respect of the future events and other sources of estimations, uncertainties as of the balance sheet date which represent risk from material adjustments to the amounts of balance sheet items in the following fiscal year.

Impairment Allowance

The Group reviews receivables and other investments in order to determine impairment allowance and provisions on a monthly basis. In determining whether the impairment losses on receivables and investments should be recognized in the consolidated income statement, Group members assess whether there is information/evidence indicative of the existence of a measurable decrease in the estimated future cash flows on a portfolio level before such losses can be identified at an individual level. Information indicating impairment losses include: irregularity and default in liability settlement, local market and economic conditions which cause delays in payment, etc. Management's estimates of impairment of receivables and other investments using the estimated future cash flows are based on actual historical losses incurred on financial assets with similar risk exposure and similar impairment causes. The methodology and assumptions underlying the process of defining the amounts and periods of cash inflows from investments are reviewed on an ongoing basis in order to minimize the difference between the estimated and actual losses.

Impairment assessment is performed on an individual level for each materially significant loan and on a portfolio level for materially less significant loans. The amount of impairment is individually assessed as the difference between the carrying amount and the present value of the expected future cash flows determined by discounting the relevant loan at the effective interest rate thereof.

Impairment of materially less significant loans is assessed on a portfolio basis for each credit rating group separately, given their similar characteristics in respect of credit risk in the percentage of migration of the relevant credit rating group into the V credit rating group as adjusted for the percentage of collected loans previously classified into V credit rating group.

If individual impairment assessment of a materially significant loan reveals no objective evidence of loan impairment, the impairment thereof is calculated as the percentage of impairment of the whole credit rating group the loan belongs to.

The amounts of inflows expected from a loan are assessed based on evidence of the debtor's planned earnings. In case these are determined as insufficient, a Group member assesses the cash flow from collateral foreclosure. The number of days in default against certain receivables from debtors is determined by considering all relevant evidence about the timeline of debtors' planned earnings inflow as well as historical default of those debtors.

Fair Value

The fair value of financial instruments for which an active market does not exist is determined by applying different valuation methods and techniques. For financial instruments with less trading volume, whose market prices are therefore less transparent, determination of fair value is more subjective and requires a higher degree of assessment utilization depending on the instrument liquidity, risk concentration, market uncertainties, assumptions about the prices and other factors affecting the particular financial instrument.

Provisions for Litigations

The Group assesses the probability of adverse outcome of the ongoing litigations as well as the amounts probable or reasonable loss estimates. Reasonable estimates encompass management's judgment after considering information including notifications, settlement, legal department estimates, available facts, potentially responsible party identification and their possible contribution to the resolution of suits as well as historical experience. Provision for litigation is formed/recognized when the Group has a present obligation it will be required to settle and when a reliable estimate can be made of the amount of the obligation through thorough analysis. The required amount of provision can change in the future due to new events or new information obtained.

All amounts expressed in thousands of RSD, unless otherwise stated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

Key Accounting Estimates and Assumptions (Continued)

Provisions for Litigations (Continued)

Matters that either represent contingent liabilities or fail to meet the criteria for provisioning are disclosed except in the instance that there is a remote probability that economic benefits will flow out of the Group.

5. INTEREST INCOME AND EXPENSES

a) Interest Income

	Year Ended December 31, 2013	2012
Interest income in RSD		
From loans		
- finance and insurance sector	1,246,701	396,740
- public enterprises	381,365	-
- corporate customers	8,372,766	8,647,012
- entrepreneurs	255,703	222,550
- public sector	492,279	487,996
- retail customers	5,030,139	4,686,282
- other customers	983	1,674
From deposits		
- finance and insurance sector	710,674	476,353
From securities		
- finance and insurance sector	246,160	116,704
- corporate customers	7,355	12,214
- public sector	1,882,957	2,013,818
From other investments		
- corporate customers	156,303	108,804
- entrepreneurs	2	29
- retail customers	1,079,667	923,684
	19,863,054	18,093,860
Interest income in foreign currencies		
From foreign currency loans		
- public enterprises	83,449	81,201
- corporate customers	1,738,893	1,809,309
- entrepreneurs	1,010	1,289
- public sector	62,884	39,783
- retail customers	336,216	336,977
- non-residents	78,109	430,891
- registered agricultural producers	111	167
From deposits		
- finance and insurance sector	1,008	2,016
- non-residents	5,628	13,830
From securities		
- public sector	1,476,255	900,167
- non-residents	67	-
From other investments		
- finance and insurance sector	11,017	11,528
- non-residents	30	600
	3,794,677	3,627,758
	23,657,731	21,721,618

Within total interest income, deferred interest income on loans totaled RSD 580,944 thousand. Loan origination fee income represents 2.46% of the total recognized interest income.

All amounts expressed in thousands of RSD, unless otherwise stated.

5. INTEREST INCOME AND EXPENSES (Continued)

a) Interest Income (Continued)

Fees that are collected in advance comprising deferred income totaling RSD 808,666 thousand are presented within other liabilities within the balance sheet (Note 41).

The estimated effect of interest that was not accrued and stated within the Group's income statement for the year 2013 amounted to RSD 239,568 thousand and is associated with suspended interest on loans and investments subject to litigation.

b) Interest Expenses

	Year Ended December 31, 2013	2012
Interest expenses in RSD		
For borrowings		
- finance and insurance sector	1,522	69,643
For deposits		
- finance and insurance sector	814,638	559,846
- public enterprises	129,111	173,423
- corporate customers	1,291,806	497,862
- entrepreneurs	15,010	12,885
- public sector	405,747	871,631
- retail customers	149,352	128,794
- non-residents	311	308
Based on other liabilities		
- corporate customers	18	119
- retail customers	5,173	2,290
	2,812,688	2,316,801
Interest expenses in foreign currencies		
For loans		
- finance and insurance sector	263,247	95,707
- corporate customers	4,963	-
- entrepreneurs	3	-
- public sector	3,404	3,380
- non-residents	647,586	654,288
For deposits		
- finance and insurance sector	199,261	72,844
- public enterprises	45,732	116,580
- corporate customers	341,867	643,143
- entrepreneurs	86	101
- public sector	21,897	6,816
- retail customers	5,171,982	5,668,981
- non-residents	2,327	4,320
- other customers	3,150	5,032
Based on other liabilities		
- financial and insurance sector	31	176
- non-residents	14	10
	6,705,550	7,271,378
TOTAL	9,518,238	9,588,179

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6. FEE AND COMMISSION INCOME AND EXPENSES

a) Fee and Commission Income

	Year Ended December 31, 2013	2012
Fees and commissions in RSD		
- finance and insurance sector	174,540	198,572
- public enterprises	43,727	41,840
- corporate customers	1,948,304	2,067,445
- entrepreneurs	627,043	561,649
- public sector	146	1,254
- retail customers	2,429,480	2,176,768
- non-residents	126,517	124,853
	5,349,757	5,172,381
Fees and commissions in foreign currencies		
- finance and insurance sector	19,144	15,555
- public enterprises	2,053	1,206
- corporate customers	148,155	209,677
- public sector	2,807	2,871
- retail customers	209,805	161,928
- non-residents	83,451	98,369
- other customers	12,116	9,385
	477,531	498,991
	5,827,288	5,671,372

b) Fee and Commission Expenses

	Year Ended December 31, 2013	2012
Fees and commissions in RSD		
- financial and insurance sector	415,567	324,449
- corporate customers	250,535	246,617
- non-residents	13,809	13,229
- other customers	-	555
	679,911	584,850
Fees and commissions in foreign currencies		
- financial and insurance sector	37,125	29,965
- non-residents	255,441	202,518
- other customers	25,530	23,765
	318,096	256,248
	998,007	841,098

7. NET GAINS ON THE SALE OF SECURITIES CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

	Year Ended December 31, 2013	2012
Gains on the sale of securities carried at fair value through profit and loss	16,340	2,777
Losses on the sale of securities carried at fair value through profit and loss	-	(1,887)
Net gains on the sale of securities carried at fair value through profit and loss	16,340	890

All amounts expressed in thousands of RSD, unless otherwise stated.

8. NET GAINS ON THE SALE OF SECURITIES AVAILABLE FOR SALE

	Year Ended December 31, 2013	2012
Gains on the sale of securities available for sale	1,738	83,947
Losses on the sale of securities available for sale	-	(52)
Net gains on the sale of securities available for sale	1,738	83,895

9. NET GAINS ON THE SALE OF THER INVESTMENTS

	Year Ended December 31, 2013	2012
Gains on the sale of other investments	484	2,164
Losses on the sale of other investments	-	(40)
Net gains on the sale of other investments	484	2,124

10. FOREIGN EXCHANGE LOSSES, NET

	Year Ended December 31, 2013	2012
Foreign exchange gains	2,118,560	6,087,360
Foreign exchange losses	(3,063,037)	(14,114,932)
	(944,477)	(8,027,572)

Foreign exchange gains and losses comprise positive and negative effects of foreign exchange translation of transactions performed in foreign currencies during the year and effects of translation of balance sheet items into dinars at official exchange rates at each month-end.

Calculation of foreign exchange gains and losses is conducted and stated at gross principle (foreign exchange gains and losses) during the financial year in accordance with the regulations of the National Bank of Serbia.

11. DIVIDEND INCOME AND INCOME EQUITY INVESTMENTS

	Year Ended December 31, 2013	2012
Dividend and other income from equity investments	4,127	2,251
	4,127	2,251

In 2013 the Parent Bank received dividend payment from its subsidiary bank in Budva, Montenegro in the amount of RSD 387,597 thousand (EUR 3,400 thousand - Note 46). For this payment, withholding tax was paid at the rate of 9% in the Republic of Montenegro in the amount of RSD 34,884 thousand (EUR 306 thousand). Net dividend paid/collected amounted to RSD 352,713 thousand, i.e. EUR 3,094 thousand. Pursuant to the regulations governing preparation of the consolidated financial statements, this transaction was reclassified/reversed into the retained earnings of Komercijalna banka a.d., Budva as an operating segment of the Group.

All amounts expressed in thousands of RSD, unless otherwise stated.

12. OTHER OPERATING INCOME

	Year Ended December 31, 2013	2012
Other operating income	196,855	159,169
Collected receivables previously written off	103	506
Gains on the sale of property, equipment and intangible assets	13,193	38,650
Write-off of liabilities	5,197	3,314
Surpluses	1	2,556
Other income	140,650	47,911
	355,999	252,106

The most significant amount within other operating income represents rental income from lease of property for usage as business premises of RSD 108,840 thousand.

Based on the relevant court ruling, within the item other income the Parent Bank recognized the amount of RSD 102,301 thousand related to the penalty interest accrued on uncollected lease receivables due from Politika a.d., Beograd. This uncollected lease receivable was fully provided for.

13. NET IMPAIRMENT (LOSSES)/ GAINS AND PROVISIONS

	Year Ended December 31, 2013	2012
a) Losses		
Impairment losses per balance sheet assets		
- loans and advances to customers	9,290,524	7,189,091
- interest and fee receivables	872,962	405,143
- securities held to maturity	38,144	6,909
- equity investments and other securities available for sale	-	76,783
- other assets	200,946	195,142
Impairment losses per off-balance sheet items	659,140	545,478
Provisions for litigations (Note 38 a)	14,814	220,967
Provisions for employee retirement benefits (Note 38 b)	17,395	65,113
Suspended interest	26,603	117,482
	11,120,528	8,822,108
b) Gains		
Reversal of impairment of balance sheet assets		
- loans and advances to customers	6,267,671	5,812,419
- interest and fee receivables	360,688	308,614
- securities held to maturity	38,648	7,073
- other assets	391,369	54,580
Reversal of provisions for losses per off-balance sheet items	644,042	545,018
Reversal of unused provisions for liabilities arising from litigations (Note 38 a)	382,769	18,249
Reversal of unused other provisions for employee benefits (Note 38 b)	5,857	52,989
Collected interest previously suspended	35,554	76,797
	8,126,598	6,875,739
Losses, net (a-b)	(2,993,930)	(1,946,369)

All amounts expressed in thousands of RSD, unless otherwise stated.

13. NET IMPAIRMENT (LOSSES)/ GAINS AND PROVISIONS (Continued)

c) Charged to Income/Expenses

Based on the court decision on the first partial bankruptcy estate distribution for settlement of the second payment priority creditors in the bankruptcy procedure over Jugobanka a.d., Beograd, in January 2014, the Parent Bank collected receivables in the amount of RSD 49,435 thousand (Note 27). As at the reporting date, December 31, 2013, the Parent Bank reversed impairment allowance thereof in full amount collected in accordance with the requirements of IAS 10 "Events After the Reporting Period."

MOVEMENTS ON THE ACCOUNTS OF IMPAIRMENT ALLOWANCES AND PROVISONS FOR OFF-BALANCE SHEET ITEMS

	Cash and Cash Equivalents	Interest and Fee Receivables	Loans and Deposits	Securities	Equity Investments	Other Investments	Other Assets	Off-Balance Sheet Items	Total
Balance, January 1, 2013	57	1,707,170	12,941,732	4,671	446,954	3,200,414	313,707	521,239	19,135,944
Charge for the year	-	872,962	8,781,547	38,144	-	508,977	200,946	659,140	11,061,716
Decrease	-	(360,688)	(5,700,159)	(38,648)	-	(567,512)	(391,369)	(644,042)	(7,702,418)
Foreign exchange gains	-	6,228	57,281	444	-	7,512	2,297	51	73,813
Write-offs	-	(10,304)	(10,689)	-	-	(736)	(2,055)	-	(23,784)
Other movements	-	(15,748)	2,803	-	-	(2,818)	545,105	(49,399)	479,943
Balance, December 31, 2013	57	2,199,620	16,072,515	4,611	446,954	3,145,837	668,631	486,989	23,025,214

***** Within "other assets" the Group included negative effects of the change in the value of assets acquired in lieu of debt collection

d) Special Reserve for Estimated Losses

Based on the categorization of investments in accordance with the requirements set forth by the regulatory bodies, as of December 31, 2013, the Group member banks estimated reserves for estimated losses based on the aggregate credit risk exposure.

In accordance with the local regulations of the regulatory bodies on classification of balance sheet assets and off-balance sheet items, the difference between provisions against potential losses calculated in line with the aforementioned regulations and amount of impairment value adjustments for balance sheet items and provisions for off-balance sheet items calculated in line with the internally adopted methodology represents the amount of required provisions against potential losses and is recorded on a separate account; the aforesaid methodology has been applied in Montenegro as from January 1, 2013.

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13. NET IMPAIRMENT (LOSSES)/ GAINS AND PROVISIONS (Continued)

d) Special Reserve for Estimated Losses (Continued)

Parent Bank

		Year Ended December 31, 2013	2012
	Calculation of provisions		
a)	Special reserve for estimated losses per		
	- balance sheet assets	41,008,734	29,535,247
	- off-balance sheet items	833,809	782,289
	Total a	41,842,543	30,317,536
b)	Impairment allowance and provisions calculated in line with the internally adopted methodology (IAS 39)		
	- impairment allowance for balance sheet assets	20,965,169	17,204,665
	- provisions against losses per off-balance sheet items	473,647	497,632
	Total b	21,438,816	17,702,297
c)	Difference between the amounts of calculated impairment allowance and provisions		
	- balance sheet assets	20,043,565	12,330,582
	- off-balance sheet items	360,162	284,657
	Total c (a - b)	20,403,727	12,615,239
d)	Reserves retained from earnings for estimated losses per balance sheet assets and off-balance sheet items created in prior years		
	- balance sheet assets	15,927,046	14,077,046
	- off-balance sheet items	708,394	708,394
	Total d	16,635,440	14,785,440
e)	Total required special reserve for estimated losses according to the NBS methodology		
	- balance sheet assets	20,559,411	13,089,033
	- off-balance sheet items	483,108	368,107
	Total	21,042,519	13,457,140

Movements on reserves from profit are disclosed in Note 43.

Pursuant to the regulations of the National Bank of Serbia, in addition to the impairment allowances, the Parent Bank was obligated to create additional reserves from profit for classifying assets in the total amount of RSD 20,559,411 thousand. The Parent Bank formed reserves for estimated losses per balance sheet assets from prior year profits amounting to RSD 15,927,046 thousand as of December 31, 2013.

Pursuant to the regulations of the National Bank of Serbia, the Parent Bank was obligated to set aside reserves from profit for losses per classifying off-balance sheet items in the amount of RSD 483,108 thousand. The Parent Bank set aside the amount of RSD 708,394 thousand for this purpose from prior year profits as of December 31, 2013.

Komercijalna banka a.d. Budva

For the first time Komercijalna banka a.d., Budva adjusted the opening balance as at January 1, 2013 to the new chart of accounts and stated measurement effects in respect of balance sheet assets and off-balance sheet items in accordance with IAS 39 and IAS 37 pursuant to the newly adopted regulations of the Central Bank of Montenegro – Decision on the Chart of Accounts for Banks and Decision on the Minimum Standards for Credit risk Management in Banks (Official Gazette of Montenegro, no. 22/12).

Pursuant to the regulations of the Central Bank of Montenegro, as of December 31, 2013, Komercijalna banka a.d. Budva was for the first time obligated to set aside the shortfall amount of the required reserves from profit in the amount of RSD 194,186 thousand, whereof RSD 190,348 thousand for risk-weighted assets and RSD 3,838 thousand for guarantees and contingent liabilities.

All amounts expressed in thousands of RSD, unless otherwise stated.

13. NET IMPAIRMENT (LOSSES)/ GAINS AND PROVISIONS (Continued)

d) Special Reserve for Estimated Losses (Continued)

Komercijalna banka a.d. Banja Luka

Pursuant to the regulations of the Banking Agency of the Republic of Srpska, as of December 31, 2013, Komercijalna banka a.d., Banja Luka had reserves retained from prior year profits in the amount of RSD 241,587 thousand for risk-weighted assets and RSD 6,421 thousand for guarantees and contingent liabilities.

As of December 31, 2013, Komercijalna banka a.d., Banja Luka was obligated to form reserves from profits in the amount of RSD 602,243 thousand, whereof RSD 599,659 thousand account for risk-weighted assets and RSD 2,584 thousand for guarantees and contingent liabilities.

14. STAFF COSTS

	Year Ended December 31, 2013	2012
Net salaries	2,837,995	2,712,618
Compensations and benefits	452,878	520,654
Taxes on salaries and benefits	457,953	493,775
Contributions to salaries and benefits	903,043	831,514
Temporary and seasonal employees	54,572	65,170
Other staff costs	66,917	84,968
	4,773,358	4,708,699

15. DEPRECIATION AND AMORTIZATION CHARGE

	Year Ended December 31, 2013	2012
Depreciation and amortization charge (Notes 29 and 30)	878,972	842,991
	878,972	842,991

16. OPERATING AND OTHER EXPENSES

	Year Ended December 31, 2013	2012
Cost of materials	496,258	558,659
Production service costs	2,294,702	2,187,516
Non-material costs (without taxes and contributions)	1,840,976	1,701,227
Taxes	154,578	98,183
Contributions	849,118	825,771
Other costs	39,355	40,827
Write-off of irrecoverable receivables	526	227
Losses on the sale of property, equipment and intangible assets	42	105
Losses on disposal and write-off of property, equipment and intangible assets	3,307	2,269
Shortages and damages	4,834	7,600
Other expenses	402,205	66,320
	6,085,901	5,488,704

16. OPERATING AND OTHER EXPENSES (Continued)

Within other expenses totaling RSD 402,205 thousand the amount of RSD 339,883 thousand (Note 38) relates to the expenses per litigation loss incurred per the lawsuit of the Parent Bank against Ineks Intereskport a.d., Beograd in bankruptcy for the portion of the liability which was not provided for.

Within production service costs, rental costs for 2013 amounted to RSD 763,486 thousand. Rental costs mostly refer to the operating lease of business premises in the amount of RSD 674,004 thousand.

As of December 31, 2013, commitments per operating lease contracts for business premises for future periods, excluding value added tax, for 241 business premises with the total area of 39,027.73 m² totaled (in thousands of RSD):

- within a year	555,736
- from one to five years	1,567,782
- over five years	127,415
	2,250,933

The Group members recognize liabilities per operating lease of business premises as regular rental costs on a monthly basis.

17. GAINS ON VALUATION OF ASSETS AND LIABILITIES

	Year Ended December 31, 2013	2012
Gains on the valuation of investments and receivables:	6,497,855	17,179,893
Gains on the valuation of securities	14,787	42,071
Gains on the valuation of liabilities	421,001	767,535
Gains on the valuation of property, equipment, investment property and intangible assets	12,260	173
	6,945,903	17,989,672

18. LOSSES ON VALUATION OF ASSETS AND LIABILITIES

	Year Ended December 31, 2013	2012
Losses on the valuation of investments and receivables:	5,549,525	7,792,526
Losses on the valuation of securities	9,004	14,954
Losses on the valuation of liabilities	460,227	2,040,489
Losses on the valuation of property, equipment, investment property and intangible assets	197,329	7,897
	6,216,085	9,855,866
Net gains on the valuation of assets and liabilities	729,818	8,133,806

Gains/losses on the valuation of assets include the calculated effect of currency clause hedge against the currency risk.

Gains/losses on the valuation of securities include the effects of value adjustment of securities to their market value.

Gains/losses on the valuation of liabilities include the calculated effect of currency clause hedge against the currency risk for deposits received from customers.

Gains/losses on the valuation of property, investment property, equipment and intangible assets are presented in Note 30.

The Group members calculate effects of valuation at each month-end during the year and at each transaction date.

All amounts expressed in thousands of RSD, unless otherwise stated.

19. INCOME TAXES

Each group member determines income taxes payable pursuant to the local regulations. The taxes payable determined are not subject to consolidation; these amounts are disclosed separately instead.

Parent Bank

a) Components of income taxes

	Year Ended December 31, 2013	2012
Current income tax expense	-	(472,448)
Gains from creation of deferred tax assets and reversal of deferred tax liabilities	87,950	32,885
Losses from creation of deferred tax liabilities and reversal of deferred tax assets	-	(10,953)
	87,950	(450,516)

b) Numerical reconciliation between tax expense stated in the income statement and the product of the accounting results multiplied by the applicable tax rate

	Year Ended December 31, 2013	2012
Profit before taxes	4,588,375	4,572,662
Income tax at the statutory tax rate of 15%	688,256	457,266
Tax effects of the expenses not recognized within the tax balance	41,352	42,334
Tax effects of the net capital gains/losses	(73)	(1,261)
Tax effects of the difference between the tax-purpose and accounting depreciation and amortization	32,010	21,364
Tax effects of the transfer prices	1,311	445
Tax effects of income adjustments	(46,245)	(1,820)
Tax effects of interest income from debt securities issued by the Republic of Serbia, Autonomous Province of Vojvodina or NBS	(668,255)	-
Tax credit used in the current year	(48,356)	(45,880)
Tax effect adjustments (used and new ones)	(87,950)	(21,932)
TAX EFFECTS STATED WITHIN THE INCOME STATEMENT	87,950	(450,516)
c) Effective tax rate	0.00	9.85

The Parent Bank had no current income tax liabilities, mostly due to decrease in the taxable base for interest income from debt securities issued by the Republic of Serbia, Autonomous Province of Vojvodina or the National Bank of Serbia in accordance with Article 25, paragraph 2 of the Corporate Income Tax Law.

The Parent Bank made income tax advance payments in the amount of RSD 777,491 thousand in 2013 as monthly tax liabilities stipulated by the Corporate Income Tax Law.

Komercijalna banka a.d., Budva

a) Components of income taxes

	Year Ended December 31, 2013	2012
Current income tax expense	(17,765)	(12,038)
Gains from creation of deferred tax assets and reversal of deferred tax liabilities	605	-
Losses from reversal of deferred tax assets	(3,063)	(236)
	(20,223)	(12,274)

All amounts expressed in thousands of RSD, unless otherwise stated.

19. INCOME TAXES (Continued)

Komercijalna banka a.d., Budva (Continued)

b) Numerical reconciliation between tax expense stated in the income statement and the product of the accounting results multiplied by the applicable tax rate

	Year Ended December 31, 2013	2012
Profit before taxes	176,536	122,360
Income tax at the statutory tax rate of 9%	15,798	11,012
Tax effects of the expenses not recognized within the tax balance	5,654	1,027
Tax effects of the difference between the tax-purpose and accounting depreciation and amortization	(980)	(2)
Tax effect adjustments (used and new ones)	(249)	236
TAX EFFECTS STATED WITHIN THE INCOME STATEMENT	(20,223)	(12,274)
c) Effective tax rate	11.52	10.02
Adjusted effective tax rate	10.84	10.02

After the balance sheet date, the Bank made adjustment to the taxable difference arising from provisions for employee retirement benefits stated in the tax balance and stated current income tax expenses decreased by RSD 1,080 thousand, which reduced the effective tax rate to 10.84%. The difference arising from the reduction of the current income tax expense was transferred to the retained earnings opening balance for the year 2014.

Komercijalna banka a.d., Banja Luka

a) Components of income taxes

	Year Ended December 31, 2013	2012
Current income tax expense	(6,858)	(14,764)
	(6,864)	(14,764)

b) Numerical reconciliation between tax expense stated in the income statement and the product of the accounting results multiplied by the applicable tax rate

	Year Ended December 31, 2013	2012
Profit before taxes	21,886	75,817
Income tax at the statutory tax rate of 10%	2,169	7,582
Reconciliation of foreign exchange gains, interest income from deposits and net capital losses	1,055	(1,304)
Tax effects of expense adjustment	3,650	8,487
TAX EFFECTS STATED WITHIN THE INCOME STATEMENT	(6,864)	(14,764)
c) Effective tax rate	31.37	19.47

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19. INCOME TAXES (Continued)

KomBank Invest a.d., Beograd

a) Components of income taxes

	Year Ended December 31, 2013	2012
Current income tax expense	(50)	(212)
Gains from creation of deferred tax assets and reversal of deferred tax liabilities	484	47
Losses from creation of deferred tax liabilities and reversal of deferred tax assets	-	(412)
	434	(577)

b) Numerical reconciliation between tax expense stated in the income statement and the product of the accounting results multiplied by the applicable tax rate

	Year Ended December 31, 2013	2012
Profit before taxes	1,423	1,330
Income tax at the statutory tax rate of 15% (2012:10%)	213	133
Tax effects of the expenses not recognized within the tax balance	6	28
Tax effects of the net capital gains	(72)	(212)
Tax effects of the difference between the tax-purpose and accounting depreciation and amortization	1	76
Tax effects of the transfer prices	-	-
Tax effects of loss in the tax balance	(2,178)	(25)
Tax effect of the mandatory base from the capital gain as per tax regulations	-	212
Tax effect adjustments (used and new ones)	2,030	365
TAX EFFECTS STATED WITHIN THE INCOME STATEMENT	434	(577)
c) Effective tax rate	0.00	43.38

20. GAINS FROM CREATION OF DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES

	Year Ended December 31, 2013	2012
Gains from creation of deferred tax assets and decrease in deferred tax liabilities	89,038	33,549
	89,038	33,549

All amounts expressed in thousands of RSD, unless otherwise stated.

20. GAINS FROM CREATION OF DEFERRED TAX ASSETS AND DECREASE IN DEFERRED TAX LIABILITIES (Continued)

The aggregate effect of the change in deferred tax assets/liabilities included in the income statement mounted to RSD 89,038 thousand:

- For the Parent Bank the total effect of the change in deferred tax assets /liabilities amounted to RSD 87,950 thousand and it includes the effect of creation of new deferred tax assets in the amount of RSD 32,805 thousand and decrease in deferred tax liabilities in the amount of RSD 55,145 thousand.
- Created new deferred tax assets based on increase in provisions for employee benefits (IAS 19) totaled RSD 605 thousand for Komercijalna banka a.d., Budva and RSD 483 thousand from decrease in deferred tax liabilities on temporary difference between the carrying amounts and tax bases of property and equipment for KomBank Invest a.d., Beograd.
- Komercijalna banka a.d., Banja Luka cannot create and present deferred taxes/liabilities pursuant to the local tax regulations.

21. MOVEMENTS ON THE ACCOUNTS OF DEFERRED TAX ASSETS AND LIABILITIES OF THE PARENT BANK

	Year endend December 31 2013.	2012.
Losses on the decrease in deferred tax assets and creation of deferred tax liabilities	3,063	12,218
	3,063	12,218

The total net effect of movements in deferred tax liabilities amounted to RSD 3,063 thousand and comprised increase in deferred tax liabilities based on the temporary difference between the carrying value and the tax base of the fixed assets by RSD 854 thousand and the effect of valuation of long-term securities available for sale of RSD 2,209 thousand by Komercijalna banka a.d., Budva.

	Deferred Tax Assets	Deferred Tax Liabilities	Net Tax Effect
Opening balance at January 1, 2013	62,656	(57,760)	4,896
Creation of tax liabilities against revaluation reserves based on fair value adjustment of property	-	(103,002)	(103,002)
Gains from decrease in deferred tax liabilities (temporary differences between the carrying amounts and the tax base of fixed assets)	-	55,145	55,145
Gains from creation of deferred tax assets (long-term provisions per IAS 19)	602	-	602
Gains from creation of deferred tax assets (calculated public duties not paid)	71	-	71
Gains from creation of deferred tax assets (based on impairment of assets)	32,132	-	32,132
Balance at December 31, 2013	95,461	(105,617)	(10,156)

Based on the fair value adjustment of property and recognition of increase in the value thereof within equity, a deferred tax liability was created against revaluation reserves in the amount of RSD 103,002 thousand. For this reason (increase in the carrying amount of property and equipment based on the appraisal thereof) deferred tax liabilities decreased and the decrease was credited to the net profit for the year in the amount of RSD 55,145 thousand.

All amounts expressed in thousands of RSD, unless otherwise stated.

21. LOSSES ON DECREASE IN DEFERRED TAX ASSETS AND CREATION OF DEFERRED TAX LIABILITIES (Continued)

i) Deferred tax assets – based on long-term provisions for employee retirement benefits and unused annual leaves, temporarily unrecognized expenses arising from impairment of assets and temporarily unrecognized expenses arising from calculated public duties of the Parent Bank

	2013		2012		
	Provisions	Deferred Tax Assets at 15% Rate	Provisions	Deferred Tax Assets at 15% Rate	Losses/ Gains on Reversal of Tax Assets
Long-term provisions per IAS 19	280,585	42,088	276,571	41,486	602
Assets based on the calculation of public duties	545	82	73	11	71
Assets based on the impairment of assets	355,272	53,291	141,059	21,159	32,132
Total	-	95,461	-	62,656	32,805

ii) Deferred tax liabilities - Temporary difference between the carrying amounts and the tax base of fixed assets of the Parent Bank

	2013		2012		Effect in 2013	
	Amount of Fixed Assets	Deferred Tax Liabilities at 15% Rate	Amount of Fixed Assets	Deferred Tax Liabilities at 15% Rate	Gains on Reversal of Tax Liabilities	Liabilities against Revaluation Reserves
Tax base per tax regulations	8,107,552	-	7,523,460	-	-	-
Carrying amount	8,811,661	-	7,908,521	-	-	-
Difference	704,109	105,617	385,061	57,760	(55,145)	103,002
NET DEFERRED TAX (LIABILITES)/ASSETS IN THE BALANCE SHEET	-	(10,156)	-	4,896	-	-

22. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
In RSD		
Gyro account	22,926,420	21,884,424
Cash on hand	2,526,407	2,616,937
	25,452,827	24,501,361
In foreign currencies		
Foreign currency accounts	13,268,017	15,151,740
Cash on hand	2,429,063	2,181,438
Foreign currency cash equivalents – cheques in the course of collection	14,836	21,272
Other cash and cash equivalents	2,399,733	196,916
Less: Impairment allowance of cash and cash equivalents in foreign currencies	(57)	-
	18,111,592	17,551,366
Gold and other precious metals	99	99
Total	43,564,518	42,052,826

All amounts expressed in thousands of RSD, unless otherwise stated.

22. CASH AND CASH EQUIVALENTS (Continued)

The Parent Bank's required reserve represent the minimum deposits set aside in accordance with the NBS Decision on Required Reserves of Banks with the National Bank of Serbia.

The calculation of the required reserve in dinars is performed once a month – on the 17th day of the month based on the average balance of dinar deposits as found in the prior calendar month. The required reserve in dinars is allocated by the Parent Bank in dinars at its gyro account and these funds may be used for liquidity purposes. The Parent Bank is obligated to maintain the average monthly balance on its gyro account in the amount of required reserve in dinars where, in order to attain the average daily balance of allocated required reserve, the daily balance found on the gyro account may be below or above the calculated required reserve in dinars.

The annual interest rate applied to allocated resources found on the regular account used for required reserves in equals 2.5%. In 2013 the Parent Bank maintained the average monthly balance in the amount of required reserve in dinars, i.e. required reserves in dinars were not used at any time.

Within the item "other cash and cash equivalents" the amount of RSD 2,392,726 thousand refers to the funds the Parent Bank received on its account held with the Central Registry of Securities as collection of matured Government-issued securities in foreign currencies.

23. REVOCABLE LOANS AND DEPOSITS

	December 31, 2013	December 31, 2012
In RSD		
Loans based on repo transactions	12,246,700	4,000,000
	12,246,700	4,000,000
In foreign currencies		
Required reserve in foreign currency held with NBS	42,625,605	40,280,692
Revocable deposits and required reserves held with the Central Banks of Montenegro and Bosnia and Herzegovina	1,363,847	1,545,677
	43,989,452	41,826,369
	56,236,152	45,826,369

Parent Bank

The Bank calculates required reserve in foreign currency on the 17th day of the month based on the average balance of foreign currency deposits registered in the preceding calendar month. Required reserve in foreign currency is allocated onto a special account held with the National Bank of Serbia and these assets may be drawn as necessary. The Bank is under obligation to maintain the average monthly balance of allocated foreign currency required reserve in the amount of calculated foreign currency required reserve, where, for the purposes of realizing average daily balance of allocated required reserve, the daily balance on the account of required reserve may be below or above the calculated foreign currency required reserve.

Foreign currency required reserve does not accrue interest.

During 2013, in accordance with the Decision on Required Reserves of Banks with the National Bank of Serbia, the Parent Bank allocated a certain portion of its foreign currency reserve in dinars to its gyro account.

Komercijalna banka a.d., Budva

The Bank's obligatory reserve as of December 31, 2012 represents the minimum of deposits allocated in accordance with the regulations of the Central Bank of Montenegro under Decision on the Obligatory Reserve of Banks Held with the Central Bank of Montenegro (Official Gazette of Montenegro, no. 35/11, 22/12 and 57/13). Accordingly, the Bank calculates the obligatory reserve for demand deposits and time deposits.

All amounts expressed in thousands of RSD, unless otherwise stated.

23. REVOCABLE LOANS AND DEPOSITS (Continued)

Komercijalna banka a.d., Budva (Continued)

Obligatory reserve held with the Central Bank of Montenegro relates to the obligatory reserve formed by applying the rate of 9.5% to the portion of the reserve base comprised of demand deposits and those with maturities of up to a year, i.e. 365 days, and by applying the rate of 8.5% to the portion of the reserve base comprised of deposits with maturities of over a year, i.e. over 365 days. The rate of 9.5% is also applied to deposits with maturities of over a year with contractually agreed early withdrawal option (in less than 365 days).

A portion of up to 50% of the obligatory reserve is included in the available assets as an amount the Bank is allowed to use for maintaining its daily liquidity.

The Bank may set aside and maintain up to 25% of the obligatory reserve in the form of Treasury bills issued by the state of Montenegro.

On a monthly basis, the Central Bank of Montenegro pays the Bank a monthly fee of 1% p.a. on the portion comprised of 25% of the allocated funds.

The Bank made no use of the obligatory reserve funds in 2013.

Komercijalna banka a.d., Banja Luka

The obligatory reserve held with the Central Bank of Bosnia and Herzegovina represents the minimum amount of reserves calculated in accordance with the Decision on the Obligatory Reserve Held with the Central Bank of Bosnia and Herzegovina. As from February 1, 2011, the obligatory reserve rate applied to deposits and loan funds with maturities of up to a year was reduced from 14% to 10%, whereas the obligatory reserve rate applied to deposits and loan funds with maturities of over a year remained unchanged at 7%.

Since August 1, 2011, the Central Bank of Bosnia and Herzegovina has calculated and charged banks fees for the obligatory reserve funds held with the Central Bank as follows:

- the fee for the amount of obligatory reserves equals 70% whereas the fee for the amounts in excess of the obligatory reserves equals 90% of the rate determined based on the weighted interest rate average the Central Bank of Bosnia and Herzegovina applied on the deposits placed up to a month in the same period.

The average annual interest rate applied to the obligatory reserve funds is 0.03%. The Bank made no use of the obligatory reserve funds in 2013.

24. RECEIVABLES ARISING FROM INTEREST, FEES AND COMMISSION, TRADE, FAIR VALUE ADJUSTMENTS OF DERIVATIVES AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012
Interest and fee receivables in RSD		
- interest	3,932,088	2,232,991
- fees	140,857	142,440
Receivables from trade in RSD	170	177
Other receivables in RSD - rentals	371,664	363,100
Less: Allowance for impairment in RSD	(1,716,933)	(1,284,149)
	2,727,846	1,454,559
Interest and fee receivables in foreign currencies		
- interest	778,401	693,550
- fees	10,165	19,092
Less: Allowance for impairment in foreign currencies	(482,687)	(423,021)
	305,879	289,621
	3,033,725	1,744,180

All amounts expressed in thousands of RSD, unless otherwise stated.

25. LOANS TO CUSTOMERS AND DEPOSITS

	December 31, 2013	December 31, 2012
RSD loans to customers		
Transaction accounts	5,479,565	5,615,020
Consumer loans	1,165,521	1,903,601
Working capital loans	47,729,473	48,392,968
Export loans	2,905,328	3,076,278
Investment loans	36,897,924	33,486,818
Housing loans	33,800,924	30,109,265
Other loans	45,483,860	44,625,186
Less: Allowance for impairment of RSD loans	(11,566,892)	(8,638,581)
	161,895,703	158,570,555
Foreign currency loans to customers		
Loans for the payment of goods imported and services received from aboard	4,805,145	5,112,910
Loans for real estate purchases	2,804,434	2,653,137
Overnight loans	9,238,017	2,170,276
Other loans	26,728,913	29,805,210
Less: Allowance for impairment of foreign currency loans	(4,285,712)	(4,075,176)
	39,290,797	35,666,357
Other and earmarked foreign currency deposits		
Other foreign currency deposits	242,306	407,185
Less: Allowance for impairment of foreign currency deposits	(219,911)	(227,975)
	22,395	179,210
	201,208,895	194,416,122

During 2013, loans maturing up to one year in dinars and in foreign currency were approved for the period from one month to one year at interest rates ranging from 0.17% to 1.8% per month.

Loans with over one year maturities denominated in dinars and in foreign currency were approved for a period of maximum 30 years at annual interest rates ranging from 2.5% to 22.5%

Concentration of the aggregate loans approved to customers is presented in Note 53.

Risks and Uncertainties

The Group members' management recorded provisions for all estimated or known credit risks as of the date of issuing the financial statements. The Group members' loan portfolio contains a number of customers that are involved in the privatization and/or restructuring processes. The receivables from such customers were classified based on most recent available information on their financial situation, and the expected course of their respective restructuring processes. The Group members' receivables are mostly collateralized by mortgages assigned over property held by debtors, as well as pledges on movables. In the case that the debt recovery actions undertaken by the Group members' management are unsuccessful, additional provisions for potential losses based on the assessment of irrecoverability will be required in the forthcoming periods.

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26. SECURTIES (EXCLUDING TREASURY SHARES)

	December 31, 2013	December 31, 2012
In RSD		
Securities carried at fair value through profit and loss		
- shares of banks in RSD	490	708
- corporate shares	3,832	5,703
Securities available for sale		
- shares of banks in RSD	75	75
- corporate bonds (Tigar a.d., Pirot)	62,812	67,904
- bonds of banks	1,600,661	1,566,640
- Republic of Serbia Treasury bills and bonds	23,476,805	17,221,078
- bonds of local self-government	51,281	56,089
Securities held to maturity		
- corporate bonds (RDP B92 a.d., Beograd)	20,206	51,167
- Republic of Serbia bonds	105,038	101,123
Less: Allowance for impairment of securities in RSD	(4,611)	(4,671)
	25,316,589	19,065,816
In foreign currencies		
Securities carried at fair value through profit and loss		
- Republic of Serbia bonds	93,751	206,492
Securities available for sale		
- Republic of Serbia bonds and Treasury bills	33,602,965	22,830,133
- Republic of Srpska bonds	144,857	-
- bods of foreign banks	49,730	-
Securities held to maturity		
- Montenegro Government Treasury bills	171,963	113,718
	34,063,266	23,150,343
	59,379,855	42,216,159

Trading Securities

As of December 31, 2013, the market value of trading securities portfolio totaled RSD 98,073 thousand (December 31, 2012: RSD 212,903 thousand), whereof dinar denominated trading securities account for RSD 4,322 thousand and the foreign currency denominated trading securities amounted to RSD 93,751 thousand.

The largest investments were made into the Republic of Serbia old savings bonds, in the amount of RSD 93,751 thousand and in shares of the following companies: DIN fabrika duvana a.d. Niš in the amount of RSD 314 thousand; Metalac a.d., Gornji Milanovac in the amount of RSD 2,202 thousand; Messer Tehnogas a.d., Beograd in the amount of RSD 978 thousand; and Zastava promet a.d. Beograd in the amount of RSD 210 thousand.

Securities Available for Sale

As of December 31, 2013, the structure of investments made in securities available for sale was as follows:

In RSD:

Republic of Serbia Treasury bills in the amount of RSD 13,871,933 thousand; Republic of Serbia bonds in the amount of RSD 9,604,872 thousand; bonds from the City of Pančevo budget in the amount of RSD 51,281 thousand; bonds of the company Tigar a.d., Pirot in the amount of RSD 62,812 thousand; and bonds of the following banks: Societe Generale banka a.d., Beograd in the amount of RSD 1,075,009 thousand; Erste banka a.d., Beograd in the amount of RSD 525,652 thousand and AIK banka a.d., Niš in the amount of RSD 75 thousand.

All amounts expressed in thousands of RSD, unless otherwise stated.

26. SECURTIES (EXCLUDING TREASURY SHARES)

Securities Available for Sale (Continued)

In foreign currencies:

Republic of Serbia commercial notes in the amount of RSD 4,867,389 thousand; long-term Government of the Republic of Serbia bonds in the amount of RSD 28,400,891 thousand; Republic of Serbia old savings bonds in the amount of RSD 334,685 thousand; bonds of foreign banks: Raiffeisen Bank International amounting to RSD 49,730 thousand; and bonds of the Republic of Serbia's Government in the amount of RSD 144,857 thousand.

Securities Held to Maturity

As of December 31, 2013, the structure of investments made in securities held to maturity was as follows: RSD 171,963 thousand account for the Treasury bills of the Government of Montenegro; RSD 105,038 thousand relates to the bonds of the Republic of Serbia; and RSD 20,206 thousand relates to the bonds of the company RDP B92 a.d., Beograd.

27. EQUITY INVESTMENTS (INTERESTS)

	December 31, 2013	December 31, 2012
Equity investments in banks and financial organizations	135,667	136,236
Equity investments in corporate and other legal entities	457,178	451,430
Equity investments in foreign entities domiciled abroad	427,397	295,498
Less: Allowance for impairment	(446,954)	(446,954)
	573,288	436,210

Equity investments in banks and financial institutions relate to Euroaxis Bank, Moscow in the amount of RSD 78,387 thousand, AIK banka a.d., Niš in the amount of RSD 53,997 thousand, Jubmes banka a.d., Beograd in the amount of RSD1,409 thousand and Union banka d.d., Sarajevo in the amount of RSD 1,874 thousand.

Equity investments in enterprises mainly refer to the following business entities: 14. oktobar a.d, Kruševac amounting to RSD 324,874 thousand, RTV Politika d.o.o., Beograd in the amount of RSD 37,634 thousand, Dunav osiguranje a.d., Beograd amounting to RSD 51,182 thousand and Politika a.d., Beograd amounting to RSD 35,216 thousand.

Equity investments in foreign entities are associated with the company VISA Inc, USA totaling RSD 343,706 thousand, MASTER Card totaling RSD 83,625 thousand and Montenegroberza, Podgorica in the amount of RSD 66 thousand.

The allowance for impairment of other equity investments of RSD 446,954 thousand relates to the full (100%) impairment of cost for those equity investments that do not have a market value out of which the largest amounts refer to the following entities: 14. Oktobar a.d., Kruševac in the amount of RSD 324,874 thousand; RTV Politika d.o.o., Beograd in the amount of RSD 37,634 thousand; Politika a.d., Beograd in the amount of RSD 28,484 thousand; Dunav osiguranje a.d., Beograd in the amount of 28,828 thousand and AIK banka a.d., Niš in the amount of RSD 19,287 thousand.

All amounts expressed in thousands of RSD, unless otherwise stated.

28. OTHER INVESTMENTS

	December 31, 2013	December 31, 2012
Other investments in RSD		
Purchased investments – factoring	159,499	103,282
Placements for acceptances, bills of guarantees and payments made upon guarantees called	1,654,239	1,445,695
Other investments	216,866	380,005
Less: Allowance for impairment	(983,708)	(968,074)
	1,046,896	960,908
Other investments in foreign currencies		
Placements for acceptances, bills of guarantees and payments made upon guarantees called	257,963	310,040
Covered letters of credit and other sureties	1,220,893	1,662,270
Other investments	2,567,616	2,529,307
Less: Allowance for impairment	(2,162,129)	(2,232,397)
	1,884,343	2,269,220
	2,931,239	3,230,128

Placements for acceptances, bills of guarantees and payments made upon guarantees called of RSD 1,654,239 thousand mostly refer to the payments made upon guarantees called in the amount of RSD 1,298,486 thousand.

Secured letters of credit and other sureties of RSD 1,220,893 thousand are mostly associated with the cash cover collateral placed to securitize counter guarantee issued at the request of the customer TE Nikola Tesla d.o.o., Obrenovac in favor of Commerzbank AG, Frankfurt for the ultimate guarantee beneficiary Alstom Power, Warsaw in the amount of RSD 573,211 thousand, as well as deposits placed with foreign banks as collaterals securitizing transactions with VISA and Master payment cards. Deposit securitizing Master card transactions placed with Deutsche Bank AG, Frankfurt totals RSD 431,435 thousand. Deposit securitizing VISA card transactions placed with Barclays Bank PLC, London amounts to RSD 216,247 thousand.

Out of other investments denominated in foreign currencies the largest portion relates to receivables from Jugobanka a.d., Beograd in bankruptcy of RSD 1,401,187 thousand, with impairment allowance below the full amount by RSD 49,435 thousand (Note 13 c), which is the amount collected from Jugobanka a.d., Beograd in bankruptcy in January 2014.

29. INTANGIBLE ASSETS

	December 31, 2013	December 31, 2012
Licenses and software	1,608,580	1,336,323
Intangible assets under construction	14,325	52,831
Less: Accumulated amortization	(1,033,895)	(744,317)
	589,010	644,837

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29. INTANGIBLE ASSETS (Continued)

Movements on the account of intangible assets:

	Licenses and Software	Intangible Assets under Construction	Total
Cost			
Balance at December 31, 2012	1,336,323	52,831	1,389,154
Additions	12,105	220,259	232,364
Transfers	258,816	(258,816)	-
Foreign exchange gains	1,336	51	1,387
Balance at December 31, 2013	1,608,580	14,325	1,622,905
Accumulated Amortization			
Balance at December 31, 2012	744,317	-	744,317
Charge for the year (Note 15)	288,147	-	288,147
Foreign exchange gains	1,431	-	1,431
Balance at December 31, 2013	1,033,895	-	1,033,895
Net Book Value:			
at December 31, 2013	574,685	14,325	589,010
at December 31, 2012	592,006	52,831	644,837

30. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY

Movements on the account of property, equipment and intangible assets:

	Property	Equipment	Construction in Progress	Investment Property	Total
Cost					
Balance, December 31, 2012	6,013,455	3,288,550	54,849	2,035,552	11,392,406
Additions	-	4,624	1,022,353	-	1,026,977
Revaluation	780,642	-	-	(52,000)	728,642
Transfers	442,414	394,131	(981,390)	144,845	-
Disposal and retirement	(3,743)	(124,273)	-	-	(128,016)
Impairment due to force majeure	(27,806)	-	-	-	(27,806)
Foreign exchange gains	2,017	4,001	36	1,039	7,093
Balance, December 31, 2013	7,206,979	3,567,033	95,848	2,129,436	12,999,296
Accumulated Depreciation					
Balance, December 31, 2012	1,092,575	2,246,415	-	182,096	3,521,086
Charge for the year (Note 15)	153,075	402,180	-	35,570	590,825
Revaluation	202,475	-	-	(1,837)	200,638
Transfers	(2,923)	(118,446)	-	-	(121,369)
Disposal and retirement	20,755	-	-	(20,755)	-
Impairment due to force majeure	(3,649)	669	-	-	(2,980)
Foreign exchange gains	575	3,563	-	39	4,177
Balance, December 31, 2013	1,462,883	2,534,381	-	195,113	4,192,377
Net Book Value:					
at December 31, 2013	5,744,096	1,032,652	95,848	1,934,323	8,806,919
at December 31, 2012	4,920,880	1,042,135	54,849	1,853,456	7,871,320

All amounts expressed in thousands of RSD, unless otherwise stated.

30. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

Movements on the account of property, equipment and intangible assets (Continued)

The Parent Bank hired an external certified appraiser to perform appraisal of the following assets:
- property owned by the Parent Bank and used for business purposes and
- investment property.

Positive appraisal effects were recognized within equity whereas the negative appraisal effects were recognized as decrease in the previously formed revaluation reserves and/or expenses of the period. However, increase is recognized in the income statement up to the amount in which the revaluation decrease for a particular asset that had previously been recognized as an expense in the income statement is reversed.

The appraisal effects of the properties owned by the Parent Bank:

Property	Income Statement	Balance Sheet	Total Appraisal Effect
	(120,773)	(24,439)	(145,212)
	12,260	711,119	723,379
Property used for business purposes	(108,513)	686,680	578,167
Investment property	(50,163)	-	(50,163)
Total	(158,676)	686,680	528,004

a) Investment Property

Parent Bank

As of December 31, 2013, the Bank stated investment property as totaling RSD 1,808,554 thousand comprised of leased out premises.

Pursuant to executed long-term lease agreements, in 2013 the Bank transferred to investment property building properties (Šabac, Lovćenac and Negotin) with the net book value of RSD 257,492 thousand, which account for the largest portion of increase in investment property in 2013 (RSD 299,195 thousand).

By activating part of the investment property at the address of Makedonska 29 in Belgrade for its own purposes in 2013, the Bank made a transfer to its own property (business premises) with the cost of RSD 133,595 thousand. Revaluation decrease thereof amounted to RSD 8,747 thousand.

As of December 31, 2013 the net profit realized form investment property amounted to RSD 50,041 thousand:

Property	Area in m^2	Total Expenses	Total Rental Income	Net Profit
Belgrade, Makedonska 29	5,553	(30,299)	72,065	41,766
Niš, Vrtište new D building	1,816	(556)	4,081	3,525
Niš, TPC Kalča	85	(799)	1,829	1,030
Belgrade, Omladinskih brigada 19	15,218	(14,172)	15,765	1,593
Šabac, Majur, Obilazni put bb	1,263	(751)	1,735	984
Lovćenac, Maršala Tita bb,	46,890	(1,808)	3,432	1,624
Negotin, Save Dragovića 20-22	658	(816)	335	(481)
		(49,201)	99,242	50,041

All amounts expressed in thousands of RSD, unless otherwise stated.

30. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

a) Investment Property (Continued)

Parent Bank (Continued)

In December 2013 the hired external certified appraiser performed the valuation of investment property.

The carrying value of investment property as of December 31, 2013 amounted to EUR 15,776 thousand (equivalent to RSD 1,808,554 thousand).

The appraised value of investment property is provided in the table below:

Property	Area in m^2	Carrying Amount in RSD '000	Appraised Fair Value In EUR'000	Appraised Fair Value In RSD '000	Variance In RSD '000
Beograd, Makedonska 29	5,553	863,354	7,531	863,354	-
Niš, Vrtište new D building	1,816	25,336	240	27,514	2,178
Niš, TPC Kalča	85	35,605	426	48,837	13,232
Beograd, Omladiskih brigada 19	15,218	628,687	6,201	710,781	82,094
Šabac, Majur, Obilazni put bb	1,263	40,045	357	41,042	997
Lovćenac, Maršala Tita bb,	46,890	173,109	1,510	173,109	-
Negotin, Save Dragovića 20-22	658	42,418	370	42,418	-
		1,808,554	16,635	1,907,055	98,501

Investment property positive appraisal effect of RSD 98,501 thousand was not posted given the cost method the Bank has elected for accounting for investment property in its accounting policies.

Komercijalna banka a.d., Banja Luka

Based on long-term lease contract entered into in September 2012, the Bank transferred non-current assets held for sale to investment property in the total amount of RSD 127,219 thousand, comprised of the following:

- Commercial yard with the area of 1,603 m², customs zone business premises – raw materials warehouse with the area of 873 m², commercial yard with the area of 1,739 m², production plant with the area of 1,024 m², commercial yard with the area of 1,009 m², commercial building with the area of 949 m² and category 3 pasture with the area of 2,763 m².

In 2013 the Bank performed no appraisal of its investment property.

As of December 31, 2013, net rental income earned totaled RSD 506 thousand

Property	Area in m2	Total Expenses	Total Rental Income	Net Profit
Bescarinska zona bb; Zona rada i industrije Brčko (Prohema d.o.o.): Three commercial buildings (2,846 m²) and land (7,114 m²)	9,960	(2,790)	3,296	506
	9,960	(2,790)	3,296	506

All amounts expressed in thousands of RSD, unless otherwise stated.

30. PROPERTY, EQUIPMENT AND INVESTMENT PROPERTY (Continued)

b) Property (fixed assets)

The Group has no buildings assigned under mortgage as collateral for the repayment of borrowings.

As a result of incomplete land registers, as at December 31, 2013, the Parent Bank did not have proof of ownership for 25 buildings stated in the net book value of RSD 910,607 thousand. The Parent Bank's management has taken all actions necessary to obtain the appropriate property titles for these buildings.

As at January 1, 2005, the Parent Bank recognized revaluation effects (based on a valuation performed by an independent and certified appraiser) for property owned by the Parent Bank. In 2012, as well as in prior years, the Parent Bank's expert team performed valuation of property in the Parent Bank's ownership in accordance with the internally adopted bylaws.

The Bank hired an independent certified appraiser to perform a new valuation of property observing all the relevant IAS requirements. The negative 2013 appraisal effects were recognized as expenses of the period, while the positive appraisal effects were recognized within equity.

The appraised value of property is provided in the table below:

Property	Area in m^2	Carrying Amount in RSD '000	Appraised Fair Value In EUR'000	In RSD '000	Variance In RSD '000
Beograd, Makedonska 29	12,532	2,105,531	17,979	2,061,166	(44,365)
Beograd, Kralja Petra 19	5,358	553,504	6,330	725,684	172,180
Beograd, Svetog Save 14	3,715	477,687	4,865	557,734	80,047
Beograd, Svetogorska 42-44	3,333	385,320	4,796	549,824	164,504
Šabac, Jevremova 2	1,210	136,484	1,100	126,106	(10,378)
Kruševac, Trg fontana 1	2,959	93,045	1,400	160,499	67,454
Other properties (73 buildings/premises)		1,028,145	10,266	1,176,870	148,725
TOTAL*		4,779,716	46,736	5,357,883	578,167

* *The total carrying amount does not include leasehold improvements amounting to RSD 202,419 thousand.*

The appraised fair value of property as of December 31, 2013 totaled EUR 46,736 thousand (equivalent to RSD 5,357,883 thousand).

Based on the annual inventory count, permanently useless fixed assets with the net book value of RSD 3,085 thousand were disposed of and derecognized.

31. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS

	December 31, 2013	December 31, 2012
Non-current assets held for sale	75,968	78,763
	75,968	78,763

All amounts expressed in thousands of RSD, unless otherwise stated.

31. NON-CURRENT ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS (Continued)

The Parent Bank's sales of nine properties that were assessed as unnecessary in further operation are in progress. The Parent Bank's management is taking all the necessary measures in order to realize sales of the assets held for sale. In the course of 2013, two buildings were sold: business premises in Braničevo and Svrljig and a garage located in Ražanj was disposed of as it was previously fully impaired according to the appraisal performed.

The Bank's management intends to sell all assets that remained unsold in the past year.

Based on the assessment of the fair value of non-current assets held for sale performed by an expert team, in 2013 the Parent Bank decreased the value of buildings located in Varvarin and Ražanj in its books of account by RSD 2,237 thousand.

Non-current assets held for sale:

Property	Area in m^2	Carrying Amount at December 31, 2013	Carrying Amount at December 31, 2012
Braničevo, business premises	21.08	-	480
Jasika, business premises	75.87	611	611
Požarevac, M.Pijade 2, business premises	790.82	31,839	31,839
Požarevac, M.Pijade 2, business premises	880.86	26,345	26,345
Ražanj, garage	15	-	26
Belgrade, Toše Jovanovića 7, business premises	24.05	2,213	2,213
Vrbas, M. Tita 49, business premises	145.56	4,688	4,688
Varvarin, M. Marinovića, business premises	207	5,934	8,144
Svrljig, ugao D. Trifunca i Hadžićeve, business premises	128	-	4,417
Total I		71,630	78,763
II Banja Luka – two-bedroom apartment	66	4,338	-
Total I + II		75,968	78,763

Based on the assessment of the fair value of non-current assets held for sale performed by an expert team, in 2013 the Parent Bank decreased the value of buildings located in Varvarin and Ražanj in its books of account by RSD 2,237 thousand.

32. DEFERRED TAX ASSETS AND LIABILITIES

	December 31, 2013	December 31, 2012
Deferred tax assets	47	4,896
Deferred tax liabilities	(13,131)	(948)
	(13,084)	3,948

Deferred tax assets relate to the tax credits based on the taxable temporary differences in the respective amounts of long-term provisions as per IAS 19, impairment of assets and calculated public duties not paid.

In line with paragraph 71 of IAS 12 "Income Taxes," the Bank stated deferred tax assets and deferred tax liabilities at net principle (net deferred tax liabilities).

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33. OTHER ASSETS

	December 31, 2013	December 31, 2012
Other receivables in RSD		
Advances paid for current assets	52,888	28,985
Advances paid for permanent investments	22,789	51,479
Receivables from employees	4,404	1,381
Receivables for prepaid taxes ad contributions	4,236	3,164
Receivables for prepaid income taxes	725,009	12,784
Other receivables from operations	264,650	231,900
Suspense and temporary accounts	608,508	198,710
Receivables in settlement	2,688,270	547,695
Less: Allowance for impairment of other receivables	(272,518)	(53,938)
	4,098,236	1,022,160
Other receivables in foreign currencies		
Receivables from employees	217	197
Other receivables from operations	388,691	125,071
Suspense and temporary accounts	2,570	566
Receivables in settlement	325,787	232,155
Less: Allowance for impairment of other receivables	(153,068)	(132,978)
	564,197	225,011
Prepayments in RSD		
Deferred receivables for accrued interest	429,369	496,147
Deferred expenses for liabilities at amortized cost using effective interest rate	156,219	90,497
Deferred other expenses	171,180	191,237
Other prepayments	33	-
	756,801	777,881
Prepayments in foreign currencies		
Deferred receivables for accrued interest	117,694	158,009
Deferred expenses for liabilities at amortized cost using effective interest rate	1,395	1,611
Deferred other expenses	17,301	19,635
Other prepayments	551	749
	136,941	180,004
Inventories		
Inventories of materials	59,192	31,566
Inventories of tools and fixtures	1,604	1,384
Assets acquired in lieu of debt collection (Note 53)	3,488,006	2,537,496
Fixtures in use	109,830	137,239
Less: Allowance for impairment of assets acquired in lieu of debt collection	(243,045)	(126,791)
Less: Allowance for impairment of inventories	(109,830)	(137,239)
	3,305,757	2,443,655
	8,861,932	4,648,711

Within receivables in settlement totaling RSD 2,688,270 thousand, the largest portion of RSD 1,719,750 thousand accounts for receivables from purchase and sales of foreign currencies in the foreign exchange market, the amount of RSD 416,933 refers to the receivables due form the insurance company Dunav for collective life insurance of employees, and the amount of RSD 545,105 thousand refers to the receivables claimed in legal suits won against the customers Takovo (of RSD 336,020 thousand) and KMS (of RSD 209,085 thousand).

All amounts expressed in thousands of RSD, unless otherwise stated.

33. OTHER ASSETS (Continued)

Assets Acquired in Lieu of Debt Collection

Parent Bank

Tangibles acquired in lieu of debt collection with the net book value of RSD 1,827,453 thousand as of December 31, 2013 (December 31, 2012: RSD 1,334,522 thousand) pertain to:

Tangibles acquired in the past 12 months

Description	Area in m2	Value in RSD'000	Date of Acquisition
Niš, Čajnička bb, residential and ancillary buildings	825.74	11,515	31/03/2013
Niš, Sjenička 1, commercial building and warehouse	1,452.73	14,178	31/03/2013
Ćuprija, Alekse Šantića 2/24, apartment	72.40	924	16/04/2013
Niš, Ivana Gorana Kovačića 31, apartment	434.58	9,666	17/04/2013
Niš, Ivana Milutinovića 30, business premises	438.39	5,049	23/04/2013
Sombor, Apatinski put 56, family house	191	1,064	21/05/2013
Valjevo, Donja Grabovica, residential and commercial building	200	4,618	12/06/2013
Vranić, Milijane Matić 2, commercial building, ancillary buildings and land	10,584.24	27,571	09/07/2013
Vrhpolje, restaurant and land	1,334	2,483	14/06/2013
Leskovac, Kralja Petra I, commercial building and land	1,157	5,863	10/04/2013
Niš, Triglavska 3/1, apartment	79.80	3,486	26/07/2013
Niš, Bulevar 12 februara, warehouse – ancillary building	2,878	83,059	01/08/2013
Niš, Gornjomatejevačka VIII prilaz bb, 2 apartments	113.99	2,328	29/08/2013
Niš, Radoja Dakića 84, store	70.93	6,075	23/10/2013
Kula, Železnička bb, business premises, warehouse, power substation	7,959	25,071	22/11/2013
Vranje, arable field, category 2 vineyard	2,339	1,858	29/11/2013
Mladenovac, category 3 filed and forest	1,142	506	18/12/2013
Beograd, Radnička 22, sales sow room and servicing premises	7,190.52	638,720	19/12/2013
Prijepolje, Karoševina, saw mill	450	1,126	31/12/2013
Total I		845,160	

All amounts expressed in thousands of RSD, unless otherwise stated.

33. OTHER ASSETS (Continued)

Assets Acquired in Lieu of Debt Collection (Continued)

Parent Bank (Continued)

Tangible assets acquired in lieu of debt collection in prior periods

Description	Area in m^2	Value	Acquisition Date
Mur, Novi Pazar, house and category 3 orchard	1,190	5,535	06/04/2012
I.C.P Kruševac, commercial building	12,836	49,982	08/06/2012
Soko Banja, cottage, production plant, family residential building	1,944	34,954	01/08/2012
Soko Banja, arable land (orchard, fields)	5,740.83 ares	35,335	01/08/2012
Beograd, Baje Pivljanina 83, commercial building	278.52	67,320	23/08/2012
Novi Pazar, Ejupa Kurtagića 13, house	139.90	4,010	24/07/2012
Majur, Tabanovačka, category 4 arable field	1,445 ha	1,671	10/08/2012
Mladenovac, category 3 arable field	16,633	274	22/11/2012
Prokuplje, Maloplanska 7, two buildings and land	490	314	11/06/2012
Obrenovac, Mislođin, arable field	10,017	1,051	11/01/2012
Gnjilica, category 7 arable field	2,638	115	11/06/2008
Hotel President, Čačak, at Bulevar oslobođenja bb	2,278.92	113,882	12/02/2009
Residential building, Čačak, at Ratka Mitrovića 6	195	3,706	12/05/2009
Novi Pazar, Kej skopskih žrtava 44, store	82.95	3,435	27.09.2006
Novi Pazar, yard and category 4 meadow	1 ha 24 ares	337	26.11.2010
Tivat, Mrčevac – residential building, ancillary facilities in construction and garage	277	5,512	23/12/2010
Tutin, Buče category 4 forest	8,292	547	26/11/2010
NBGD, Milentija Popovića 5b, apartment MZ S2 no.1	87	22,800	24/12/2010
NBGD, Milentija Popovića 5b, apartment MZ S2 no.2	170	44,552	24/12/2010
NBGD, Milentija Popovića 5b, apartment MZ S2 no.3	173	45,338	24/12/2010
NBGD, Milentija Popovića 5b, apartment I S2 no.5	171	44,814	24/12/2010
NBGD, Milentija Popovića 5b, apartment II S2 no.9	175	45,863	24/12/2010
Tutin, Ostrovica, forest, field and pasture	110,782	601	30/07/2012
Mali Požarevac, Veliko polje, category 3 and 4 fields	21,915	328	27/09/2012
Mur, Novi Pazar, forest, field and orchard	34.96 ares	4,379	12/07/2011
Budva, category 4 forest	974	13,532	17/06/2011
Prijevor, category 4 forest	1,995	11,087	17/06/2011
Residential building Galathea	925	319,214	21/11/2011
Total II		880,488	

In 2013 for the Bank changed utilization purpose for three properties totaling RSD 125,031 thousand (business premises, two in New Belgrade and one in Niš) into premises for used for performance of its own business activity.

Tangible assets acquired in lieu of debt collection for the past 12 months - Equipment

Description	Value	Acquisition Date
Vranić, equipment – production line	10,843	09/07/2013
Total III	10,843	

All amounts expressed in thousands of RSD, unless otherwise stated.

33. OTHER ASSETS (Continued)

Assets Acquired in Lieu of Debt Collection (Continued)

Parent Bank (Continued)

Tangible assets acquired in lieu of debt collection in prior periods – Equipment

Description	Value	Acquisition Date
Kruševac, movables (machinery, furniture, equipment)	45,243	11/06/2012
Niš i Soko Banja, movables (coffee processing line, transporters and cleaning equipment)	34,701	31/07/2012
Paraćin, coffee roasting line	11,018	31/12/2012
Total IV	90,962	
TOTAL (net book value) I + II+ III+ IV	1,827,453	

Tangible assets acquired in lieu of collection of receivables within a year totaled RSD 856,003 thousand as of December 31, 2013 and referred to buildings and land (forest) securitizing the Bank's receivables from customers based on loans approved.

For the aforementioned properties, the Bank holds ownership titles. The Bank's management is undertaking actions to sell such property.

During 2013, the Bank impaired tangible assets acquired in lieu of collection of receivables (seven properties: five apartments in new Belgrade, commercial building in Vranić and a house in Novi Pazar) based on the fair value appraisal performed by the Bank's expert team in the total amount of RSD 17,750 thousand.

In accordance with NBS regulations, the Bank is under obligation to dispose of for tangible assets acquired in lieu of collection of receivables up to December 30, 2013 or to deploy them for its own use within twelve months of the date of acquisition.

In accordance with amended NBS regulations in effect as from December 31, 2013, the Bank is under obligation to dispose of for tangible assets acquired in lieu of collection of receivables up to December 30, 2013 or to deploy them for its own use within three years from either the underlying receivable maturity date or the date of acquisition of such assets, in the event the asset acquisition date falls sooner than the underlying receivable maturity date.

In the event that the prescribed deadline is exceeded the Bank must make a full provision for estimated losses thereon.

All amounts expressed in thousands of RSD, unless otherwise stated.

33. OTHER ASSETS (Continued)

Assets Acquired in Lieu of Debt Collection (Continued)

Komercijalna banka a.d., Budva

Tangibles acquired in lieu of debt collection in the past 12 months:

Description	Area in m2	Value in RSD'000	Date of Acquisition
Non-categorized roads of 284 m² and category 4 meadow of 693 m²	977	2,700	28/02/2013
Land 4.426m² and commercial building 2,868 m²	7,294	290,945	17/01/2013
Category 2.orchard of 692 m², yard 500 m², 3 ancillary facilities of 91, 24 and 15 m², 2 apartments of 75 and 75 m², 2 ancillary facilities of 20 and 15 m²	1,507	3,833	28/02/2013
Residential premises 65m²	65	5,484	30/08/2013
Cadastral lot no. 3606/3 - yard 421m², house of 81 m², ancillary building 27 m² and 2 apartments, 65 m² each	659	1,477	01/08/2013
Land 1,684m²	1,684	6,594	04/11/2013
Total I		311,033	

Tangibles acquired in lieu of debt collection in prior periods:

Description	Area in m2	Value in RSD'000	Date of Acquisition
Danilovgrad - buildings (190 m²) and land (13,205 m²)	13,395	3,462	9/10/2007
Podgorica – commercial buildings (995 m²) and land (170 m²)	1,165	114,712	31/12/2008
Sutomore – residential buildings	1,158	97,360	31/01/2009
Kotor Pobrđe - land	31,534	60,958	28/02/2009
Budva - forest	709	25,933	31/03/2009
Kovači and Lastva - land	139	31,471	30/06/2009
Reževići - residential buildings	375	16,074	30/06/2009
Podgorica - land	12,974	19,662	31/08/2009
Danilovgrad – residential buildings (709m²), yard (500m²) and land (16,544m²)	17,753	29,863	30/11/2009
Sutomore - land	432	32,383	3/12/2009
Tološi – residential buildings (500m²) and yard (195m²)	695	59,327	7/12/2009
Petrovac - residential buildings (252m²), business premises (40m²) and land (811m²)	1,103	68,956	17/12/2009
Reževići - land	547	32,264	17/12/2009
Dajbabe – business premises (2,370m²) and land (8,879m²)	11,249	96,744	28/12/2009
Podgorica – business premises (97m²+ 497m²)	594	107,421	27/01/2010
Cetinje - garage (30 m²) and land (374 m²)	404	1,451	25/05/2010
Tološi - residential building (394m²) + land (61m²)	455	30,254	31/07/2010
Kotor – Vranovići – forests and pastures	3,131	2,703	1/08/2010
Budva – residential building	50	12,053	17/08/2010
Danilovgrad – Spuž – residential buildings (228 m²) and land 1,364 m²	1,592	8,025	31/10/2011
Kotor - land	3,632	5,353	30/11/2011
Podgorica – building and hotel (661m²) and land (264m²)	925	77,001	31/12/2011
Rijeka Crnojevića – business premises 3,309m² and land 43,436m²	46,745	173,045	30/06/2012
Total II		1,106,475	
Total Komercijalna banka a.d., Budva (I+II)		1,417,508	

All amounts expressed in thousands of RSD, unless otherwise stated.

33. OTHER ASSETS (Continued)

Assets Acquired in Lieu of Debt Collection (Continued)

Komercijalna banka a.d., Budva

The CBM Decision on the Minimum Standards for Bank Investments in Property and Fixed Assets stipulates that the amount of such investments in excess of 40% of a bank's own assets be treated as a deductible upon determining own assets. Investment in property does not include acquisition of property in lieu of debt collection in debt rescheduling process, in bankruptcy or liquidation procedures instigated over the bank's debtors, in debtor reorganization procedures in accordance with the regulations governing bankruptcy or in enforcement procedure for claim settlement, on condition that no more than four years have passed since the acquisition date.

Regulations of the Central Bank of Montenegro do not prescribe the period within which a bank is obligated to sell the assets acquired in lieu of debt collection. In 2013 Komercijalna banka a.d., Budva realized sale of an asset acquired in lieu of debt collection—land in Kovači with the area of 5,810 m² and value of RSD 32,300 thousand.

34. TRANSACTION DEPOSITS

	December 31, 2013	December 31, 2012
In RSD		
- sector of finances and insurance	7,971,822	592,959
- public enterprises	3,999,425	2,952,311
- corporate customers	15,203,645	12,567,931
- entrepreneurs	2,156,416	1,818,444
- public sector	17,338	42,979
- retail customers	7,056,609	5,535,428
- non-residents	214,731	157,576
- registered agricultural producers	1,496,911	1,265,464
- other customers	1,668,873	1,482,446
	39,785,770	26,415,538
In foreign currencies		
- sector of finances and insurance	1,484,562	873,448
- public enterprises	1,091,186	768,528
- corporate customers	9,015,154	9,962,377
- entrepreneurs	344,999	284,175
- public sector	2,156,065	1,916,275
- retail customers	6,311,945	3,947,213
- non-residents	822,872	999,990
- registered agricultural producers	73	1,799
- other customers	596,162	671,506
	21,823,018	19,425,311
	61,608,788	45,840,849

Demand deposits in dinars represent balances of transaction deposits of enterprises and other legal entities. Based on the Parent Bank's Decision on Interest Rates for the year 2012, these deposits were interest-bearing. Depending on the level of average monthly balance on transaction accounts of customers, the interest rates ranged from 0.25% to 1.5% annually.

Demand deposits of enterprises and non-residents denominated in foreign currencies with the Parent Bank were non-interest bearing except for specific business arrangements. With Komercijalna banka a.d., Budva, such deposits accrued interest at the rates between 0% and 0.3% annually, and at the rates ranging from 0% to 3.11% annually with Komercijalna banka a.d., Banja Luka.

Dinar demand savings deposits placed by retail customers were deposited at an interest rate of 0.15% annually. Foreign currency demand savings deposits of retail customers were placed at an interest rate between 0 and 0.25% annually for EUR deposits and from 0% to 0.1% annually for other currencies.

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35. OTHER DEPOSITS

	December 31, 2013	December 31, 2012
Other deposits in RSD		
Savings deposits	3,343,612	1,828,785
Deposits for loans approved	293,401	344,192
Special-purpose (earmarked) deposits	3,776,033	3,629,670
Other deposits:		
- sector of finances and insurance	715,513	4,979,525
- public enterprises	812,499	811,095
- corporate customers	4,092,753	10,585,279
- entrepreneurs	191,465	56,650
- public sector	173,898	339,343
- retail customers	41,989	22,102
- non-residents	5	7
- other customers	6,170,841	5,680,432
	19,612,009	28,277,080
Other deposits in foreign currencies		
Revocable deposits	72,668	105,344
Savings deposits	170,750,121	153,221,289
Deposits for loans approved	1,839,104	2,491,009
Special-purpose (earmarked) deposits	1,777,755	2,334,865
Other deposits:		
- sector of finances and insurance	6,629,434	6,141,883
- public enterprises	993,755	3,308,579
- corporate customers	6,006,180	7,155,460
- entrepreneurs	19,608	34,570
- public sector	600,695	35,282
- retail customers	423,281	236,057
- non-residents	45,523	12,779
- other customers	2,388,544	1,290,196
	191,546,668	176,367,313
	211,158,677	204,644,393

Corporate Sector Deposits

In 2013, short-term dinar deposits of corporate customers were placed at annual interest rates ranging between the key policy rate minus 4% to the key policy rate minus 1.85% annually, depending on the maturity date.

Short-term corporate foreign currency deposits were placed at an interest rate ranging between 0.25% and 4% annually for EUR deposits and between 0.35% and 3.5% for deposits in other currencies.

Long-term dinar deposits of enterprises were placed at an interest rate determined by the amount of the key policy rate of the National Bank of Serbia on an annual level increased by 1.7%.

Short-term corporate deposits denominated in EUR were placed at the interest rates ranging from 0.7% to 1.7% annually.

Long-term corporate deposits denominated in EUR were placed at the annual interest rate of 2.0%.

Long-term corporate deposits denominated in foreign currencies were placed at interest rates ranging from 1.55% to 5% annually.

Retail Sector Deposits

Short-term retail deposits in dinars were placed at interest rates ranging from 6.5% to 8.5% annually, whereas those denominated in foreign currency accrue interest at rates ranging from 0.1% to 4.3% annually.

Long-term retail deposits in dinars were placed at interest rates ranging from 9.75% to 10.25% annually, whereas those denominated in foreign currency accrued interest at rates ranging from 0.25% to 5.25% annually.

All amounts expressed in thousands of RSD, unless otherwise stated.

36. BORROWINGS

	December 31, 2013	December 31, 2012
Borrowings received in RSD		
Overnight borrowings	1,239,935	249,476
Other financial liabilities	44,174	21,741
	1,284,109	271,217
Borrowings received in foreign currencies		
Borrowings	964,318	773,935
Other financial liabilities in foreign currencies	337,273	366,810
	1,301,591	1,140,745
	2,585,700	1,411,962

Overnight borrowings relate to the short-term borrowings with maturities of up to 7 days at interest rates of 4% to 7.5%. The largest Prent Bank's creditors are listed in the table below:

Creditor	**December 31, 2013**
ADOC d.o.o. Beograd	823,000
JP Stara Planina, Knjaževac	172,603
Politika Štamparija d.o.o., Beograd	55,600
MALEX-CITY COPY SERVIS d.o.o., Beograd	46,500
Sava Osiguranje a.d.o. ,Beograd	30,000
Other creditors	112,232
	1,239,935

Borrowings totaling RSD 964,318 thousand mostly relate to the loan facility based on the investment by the Republic of Srpska Investment Development Bank in the amount of RSD 818,291 thousand. Interest rates on borrowings ranged from 0.98% to 8% annually.

Other financial liabilities in foreign currencies mostly refer to the payments not made based on the proceeds received from abroad, amounted to RSD 337,273 thousand.

37. INTEREST, FEE AND COMMISSION PAYABLES AND CHAGE IN THE VALUE OF DERIVATIVES

	December 31, 2013	December 31, 2012
Interest, fee and commission payables in RSD		
Interest payable	243,147	171,938
Fees and commissions payable	10,024	11,893
	253,171	183,831
Interest, fee and commission payables in foreign currencies and change in the value of derivatives		
Interest payable	5,966	7,298
	5,966	7,298
	259,137	191,129

All amounts expressed in thousands of RSD, unless otherwise stated.

38. PROVISIONS

	December 31, 2013	December 31, 2012
Provisions against potential losses arising from litigation (48b)	13,622	1,560,358
Provisions for employee benefits (IAS 19)	334,700	325,037
Provisions against potential losses per commitments and contingent liabilities (Note 48a)		521,239
	835,311	2,406,634

Movements on accounts of provisions

	December 31, 2013	December 31, 2012
a) Provisions against potential losses arising from litigation		
Opening balance	1,560,358	1,357,599
Reversal of provisions (Note 13b)	(382,769)	(18,249)
Release of provisions	(1,178,804)	-
Charge for the year (Note 13a)	14,814	220,967
Other	23	41
Balance, end of year	13,622	1,560,358
b) Provisions for retirement benefits and unused annual leaves (vacations)		
Opening balance	325,037	311,241
Charge for the year (Note 13a)	17,395	65,113
Reversal of provisions (Note 13b)	(5,857)	(52,989)
Other	(1,875)	1,672
Balance, end of year	334,700	325,037
c) Provisions against potential losses per commitments and contingent liabilities		
Opening balance	521,239	519,253
Charge for the year	659,140	545,478
Reversal of provisions	(644,042)	(545,018)
Other	(49,348)	1,526
Balance, end of year	486,989	521,239

a) Comment on movements on provisions for litigations of the Parent Bank:

i) Based on the Supreme Appellate Court revised ruling during 2013 the amount of provisions in respect of the legal suit against Takovo totaling RSD 1,124,857 thousand was:

- reversed in the amount of RSD 380,770 thousand due to collection made (the total amount of reversal of provision based on collection amounted to RSD 381,670 thousand as of December 31, 2013);
- released in the amount of RSD 744,087 thousand for the refund of this portion of the Bank's receivable for redeliberation due to the altered method of interest calculation;
- and the Bank's receivables for newly determined penalty of RSD 336,020 thousand was recognized based on the new ruling which is expected to become final and enforceable at the end of 2014.

ii) Based on the final and enforceable adjudication of the Commercial Court of Belgrade, in December 2013 the Bank made a payment totaling RSD 757,070 thousand in respect of the legal suit against, the customer Ineks Intereksport a.d., Beograd (in bankruptcy) as follows:

- release of provisions was made in the amount of RSD 417,187 thousand;
- RSD 339,883 thousand was additionally charged to the income statement (Note 16).

All amounts expressed in thousands of RSD, unless otherwise stated.

38. PROVISIONS (Continued)

Movements on accounts of provisions (Continued)

b) The main actuarial assumptions used in calculation of retirement benefits were as follows:

Serbia

	December 31, 2013	December 31, 2012
Discount rate	11.25%	11.25%
Salary growth rate within the Bank	4%	4%
Employee turnover	5%	5%

The discount rate equaled the key policy rate of the National Bank of Serbia as at the calculation date.

Montenegro

	December 31, 2013	December 31, 2012
Discount rate	8%	8%
Salary growth rate within the Bank	4%	4%
Employee turnover	5%	5%

The discount rate equaled the average interest rate applied to corporate long-term loans.

Republic of Srpska

	December 31, 2013	December 31, 2012
Discount rate	8.5%	8,5%
Salary growth rate within the Bank	4%	4%
Employee turnover	5%	5%

The discount rate equaled the average interest rate applied to corporate long-term loans.

39. TAXES PAYABLE

	December 31, 2013	December 31, 2012
Value added tax payable	7,535	8,024
Other taxes and contributions payable	16,890	16,547
	24,425	24,571

40. TAX AND DIVIDEND PAYABLES

	December 31, 2013	December 31, 2012
Dividend payables	150,124	85,114
Current income tax payable	17,765	19,967
	167,889	105,081

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41. OTHER LIABILITIES

	December 31, 2013	December 31, 2012
Liabilities denominated in RSD		
Accounts payable	253,221	227,149
Advances received	20,217	190,454
Liabilities for consignment operations	18,406	-
Other accounts payable	44,399	41,902
Liabilities in settlement	698,886	235,620
Suspense and temporary accounts	45,843	(292,991)
	1,080,972	402,134
Net salaries	38,931	88,187
Taxes on salaries and benefits	4,691	12,921
Contributions to salaries and benefits	3,290	6,659
Other liabilities to employees	7,441	7,293
	54,353	115,060
Liabilities for deferred interest accrued	76,251	45,711
Other accrued expenses	7,812	18,028
Deferred interest income	29,271	49,865
Deferred receivables at amortized cost calculated by applying effective interest rate	808,666	824,282
Deferred other income	91,820	93,237
Other accruals	555,721	526,665
	1,569,541	1,557,788
Other foreign currency liabilities		
Accounts payable	36,274	29,114
Advances received	51,859	29,186
Liabilities for consignment operations – loan facilities	27,636,171	14,851,888
Liabilities in respect of managed funds	62	-
Other accounts payable	2,357	973
Liabilities in settlement	2,056,580	589,885
Other liabilities	7,291	7,366
Suspense and temporary accounts	11,004	15,829
	29,801,598	15,524,241
Subordinated foreign currency liabilities	5,732,105	5,685,915
	5,732,105	5,685,915
Liabilities for deferred interest accrued	3,109,777	2,974,114
Liabilities for deferred other accrued expenses	104,595	93,867
Liabilities for deferred interest income in foreign currencies	997	935
Deferred income for receivables stated at amortized cost	96,084	47,570
Deferred other income	170	52,490
Other accruals	16,602	17,690
	3,328,225	3,186,666
TOTAL	41,566,794	26,471,804

All amounts expressed in thousands of RSD, unless otherwise stated.

41. OTHER LIABILITIES (Continued)

Liabilities arising from consignment operations in foreign currencies mostly refer to the following loan facilities:

- Liabilities toward the Republic of Serbia based on the loans from the Kingdom of Denmark for financing projects of local economic development in the Balkans:

LEDIB 1 and 2

2013		2012	
Amount in RSD '000	Amount in EUR '000	Amount in RSD '000	Amount in EUR '000
18,406	-	-	-

- Liabilities toward the Republic of Serbia based on a borrowing from the European Investment Bank (EIB) for financing projects of small and medium-sized enterprises, as well as financing infrastructural projects of municipalities of small and medium scope:

2013		2012	
Amount in RSD '000	Amount in EUR '000	Amount in RSD '000	Amount in EUR '000
5,781,447	50,430	4,815,056	42,342

- Liabilities toward the Republic of Serbia based on the loans from the Republic of Italy for financing projects of small and medium-sized enterprises:

2013		2012	
Amount in RSD '000	Amount in EUR '000	Amount in RSD '000	Amount in EUR '000
1,062,640	9,269	1,199,385	10,547

- Liabilities toward the Republic of Serbia based on a loan obtained from the European Agency for Reconstruction (EAR):

2013		2012	
Amount in RSD '000	Amount in EUR '000	Amount in RSD '000	Amount in EUR '000
158,421	1,382	124,413	1,094

- Liabilities toward international financial organizations:

a) EFSE 1 and 2

2013		2012	
Amount in RSD '000	Amount in EUR '000	Amount in RSD '000	Amount in EUR '000
5,011,497	43,714	3,574,004	31,429

b) GGF

2013		2012	
Amount in RSD '000	Amount in EUR '000	Amount in RSD '000	Amount in EUR '000
2,636,768	23,000	2,615,521	23,000

c) FMO

2013		2012	
Amount in RSD '000	Amount in EUR '000	Amount in RSD '000	Amount in EUR '000
2,292,842	20,000	-	-

All amounts expressed in thousands of RSD, unless otherwise stated.

41. OTHER LIABILITIES (Continued)

d) KfW

2013		2012	
Amount in RSD '000	**Amount in EUR '000**	**Amount in RSD '000**	**Amount in EUR '000**
6,305,314	55,000	-	-

e) EBRD

2013		2012	
Amount in RSD '000	**Amount in EUR '000**	**Amount in RSD '000**	**Amount in EUR '000**
3,439,263	30,000	1,883,844	20,000

- Liabilities toward EIB (Republic of Montenegro)

2013		2012	
Amount in RSD '000	**Amount in EUR '000**	**Amount in RSD '000**	**Amount in EUR '000**
601,871	5,250	639,665	5,625

Liabilities for deferred interest accrued in foreign currencies totaling RSD 2,988,482 thousand mostly refer to foreign currency retail savings deposits.

Deferred receivables at amortized cost calculated by applying effective interest rate totaled RSD 808,666 thousand and represent income of the future period (Note 5a).

In accordance with the regulations of the National Bank of Serbia in respect of capital adequacy requirements and implementation of Basel II standard, the Parent Bank strengthened its core capital by obtaining a subordinated loan from IFC in 2011.

The received subordinated loan amounted to RSD 5,732,105 thousand, i.e. EUR 50,000 thousand.

In respect of the loan facilities obtained, the Parent Bank agreed to certain financial indicators stipulated by the loan agreements with its creditors. The methodology for calculating the contractually defined financial indicators per loan facilities obtained differs from the calculation method for those indicators in accordance with the regulations of the National Bank of Serbia in part referring to the calculation of capital and inclusion of items relevant for determining open credit exposure.

Pursuant to the loan agreements executed with the Kreditanstalt fur Wiederaufbau (German Development Bank, abbreviated: KfW), the Parent Bank is obligated to comply with certain financial indicators until completion of the loan repayment. As of December 31, 2013 the Parent Bank did not comply with the open credit exposure ratio (actually achieved - 62.04% as compared to the prescribed maximum of 25%). On June 6, 2013 the the Parent Bank received from KfW a Waiver Letter where KfW waives the rights stipulated by the Loan Agreement dated December 12, 2012 in respect of the Bank's non-compliance with the financial covenants in the period up to December 31, 2013. At the Parent Bank's request, KfW approved of the modification to the methodology for determining open credit exposure ratio, whereas obtaining the approval of the National Bank of Serbia as the agent for this loan facility is underway. After reconciling methodological assumptions, the the Parent Bank will fully comply with the contractually defined ratios.

Pursuant to the loan agreements executed with the European Bank for Reconstruction and Development (EBRD) and International Financial Corporation (IFC), the Parent Bank is obligated to comply with certain financial indicators until completion of the loan repayment. As of December 31, 2013 the Parent Bank did not comply with the open credit exposure ratio (actually achieved - 28.39% as compared to the prescribed maximum of 25% for EBRD, and actually achieved - 47.59% as compared to the prescribed maximum of 25% for IFC). The aforesaid departures from the contractually defined financial indicators do not allow IFC to demand early loan repayment. Negotiations have been initiated in order to harmonize methodologies for determining the financial indicators at issue.

All amounts expressed in thousands of RSD, unless otherwise stated.

42. CORE CAPITAL

	December 31, 2013	December 31, 2012
Share capital attributable to the majority owner	17,191,466	17,191,466
Share premiums	22,843,084	22,843,084
	40,034,550	40,034,550
Non-controlling interest	63	62
	40,034,613	40,034,612

Parent Bank

The Parent Bank's share capital was established through initial shareholder contributions and the ensuing issues of new shares. Shareholders have the right to manage the Bank as well as to shares in profit distribution.

The Bank's share capital is comprised of 17,191,466 shares with the individual par value of RSD 1 thousand and the following structure:

- 8,709,310 common shares;
- 8,108,646 preferred convertible shares; and
- 373,510 preferred shares.

The structure of the Parent Bank's shareholders in respect of common shares at December 31, 2013 was the following:

Shareholder	Share Count	% Interest
Republic of Serbia	3,709,890	42.60
EBRD, London	2,177,330	25.00
Jugobanka a.d., Beograd in bankruptcy	321,600	3.69
Invej d.o.o., Beograd	230,000	2.64
Evropa osiguranje a.d., Beograd in bankruptcy	209,420	2.40
East capital (lux)-Balkan fund	202,906	2.33
Kompanija Dunav osiguranje a.d., Beograd	171,380	1.97
Erste bank a.d., Novi Sad	130,308	1.50
Vicamex Consulting Limited	121,907	1.40
Stankom co. d.o.o., Beograd	117,535	1.35
UniCredit Bank, a.d., Srbija	101,494	1.17
Other (1,175 shareholders)	1,215,540	13.95
	8,709,310	100.00

The structure of the Parent Bank's shareholders in respect of convertible preferred shares at December 31, 2013 was the following:

Shareholder	Share Count	% Interest
Republic of Serbia	3,310,456	40.83
EBRD, London	1,932,110	23.83
IFC Capitalization Fund LP	1,706,810	21.05
Deg Deutche Investitions	772,850	9.53
Swedfund International Aktiebo	386,420	4.76
	8,108,646	100.00

All amounts expressed in thousands of RSD, unless otherwise stated.

42. CORE CAPITAL (Continued)

Parent Bank (Continued)

The structure of the Parent Bank's shareholders in respect of preferred shares at December 31, 2013 was the following:

Shareholder	Share Count	% Interest
Jugobanka a.d., Beograd in bankruptcy	18,090	4.84
Other (635 shareholders; 2012: 640 shareholders)	355,420	95.16
	373,510	100.00

During 2012, prior year dividends were paid on preferred shares in the amount of RSD 40,342 thousand.

The basic earnings per share totaled RSD 469 or 46.75 % of a common share par value in 2013, whereas in 2012 the basic earnings per share amounted to RSD 469 or 46.9 % of a common share par value.

Diluted earnings per share totaled RSD 242 or 24.21% for a common share par value in 2013 and RSD 290 or 29.04% of a common share par value in 2012.

	2013	2012
Profit for the year less preferred share dividend	4,071,705	4,084,795
Weighted average number of shares during the year	8,709,310	8,709,310
Basic earnings per share (in RSD)	468	469

	2013	2012
Profit for the year less preferred share dividend	4,071,705	4,084,795
Weighted average number of shares during the year	16,817,956	14,068,288
Diluted earnings per share (in RSD)	242	290

43. RESERVES FROM PROFIT FOR ESTIMATED LOSSES

	December 31, 2013	December 31, 2012
Other reserves	180,380	217,160
Special reserves retained from profit for estimated losses	16,883,448	14,932,162
	17,063,828	15,149,322

	December 31, 2013	December 31, 2012
Movements on the reserves retained from profit		
Balance, beginning of year	15,149,322	12,261,615
Increase during the year:		
- from profit distribution	1,911,549	3,183,444
- effects of the application of IAS 39 and 37 and regulations of the National Bank of Serbia	-	(350,056)
Foreign exchange gains	2,957	54,319
Balance, end of year	17,063,828	15,149,322

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44. REVALUATION RESERVES

	December 31, 2013	December 31, 2012
Revaluation reserves based on valuation of property and equipment	1,062,582	488,942
Revaluation reserves based on fair value adjustment of securities	757,647	378,832
	1,820,229	867,774

	December 31, 2013	December 31, 2012
Movements on revaluation reserves		
Balance, beginning of the year	867,774	689,620
Increase during the year	952,455	178,154
Balance, end of the year	1,820,229	867,774

Revaluation reserves of the Parent Bank are associated with gains on:

- increase in the value of property based on the valuation performed by an independent appraiser in the amount of RSD 686,680 thousand and fair value adjustment of securities available for sale in the amount of RSD 349,854 thousand, net and
- decrease of revaluation reserves of depreciation and amortization of fixed assets in the amount of RSD 10,038 thousand and decrease in revaluation reserves for tax effects in the amount of RSD 103,002 thousand.

Revaluation reserves of Komercijalna banka a.d. Budva and Komercijalna banka a.d Banja Luka are associated with gains on the fair value adjustment of securities available for sale in the net amount of RSD 24,543 thousand and RSD 4,418 thousand, respectively.

45. UNRELAIZED LOSSES ON THE FAIR VALUE ADJUSTMENT OF SECURITIES AVAILABLE FOR SALE

	December 31, 2013	December 31, 2012
Unrealized losses on the fair value adjustment of securities available for sale	(187,011)	(7,016)
	(187,011)	(7,016)

In the course of 2013 the Parent Bank's net increase in unrealized losses from the securities available for sale totaling RSD 179,995 thousand includes increase of RSD 406,379 thousand and decrease of RSD 226,384 thousand.

46. RETAINED EARNINGS

	December 31, 2013	December 31, 2012
Retained earnings		
Prior year profits	2,407,024	693,685
Profit for the year	4,461,938	3,946,319
	6,868,962	4,640,004
Profit for the year		
- profit from continuing operations	4,400,642	4,424,450
- current income tax expense and tax effects	61,296	(478,131)
	4,461,938	3,946,319

All amounts expressed in thousands of RSD, unless otherwise stated.

46. RETAINED EARNINGS (Continued)

Pursuant to the regulations of the National Bank of Serbia, gains on the realized revaluation reserves from property and equipment in 2013 were recognized within the Parent Bank's retained earnings from prior years in the total amount of RSD 10,038 thousand.

In 2013, pursuant the Decision enacted by the Parent Bank's Shareholder Assembly, accumulated retained earnings from 2012 was distributed as follows:

- 2012 dividends on preferred shares	37,351
- allocation to reserves	1,850,000
- bonuses and awards from profit for the management members and other employees	296,853
	2,184,204

In 2013, pursuant the Decision enacted by the Shareholder Assembly of Komercijalna banka a.d., Banja Luka, retained earnings were distributed into reserves in the amount of RSD 61,549 thousand.

In 2013, pursuant the Decision enacted by the Shareholder Assembly of Komercijalna banka a.d Budva dividend payment was made to the Parent Bank in the amount of RSD 387,597 thousand (Note 11).

47. MANAGED FUNDS

	December 31, 2013	December 31, 2012
Funds managed on behalf and for the account of third parties	5,439,678	5,050,021
	5,439,678	5,050,021

Funds managed on behalf and for the account of third parties are mostly comprised of assets for consignment loans of the Republic of Serbia, the largest portion of which, in the amount of RSD 3,491,045 thousand, relates to the long-term housing loans extended to retail customers, while the rest of these assets primarily refer to agricultural loans and assets received from foreign grantors for micro loans.

48. COMMITMENTS

a) Guarantees issued and other sureties, collaterals, irrevocable commitments and other liabilities

	December 31, 2013	December 31, 2012
In RSD		
Guarantees issued and other sureties	11,203,900	10,519,984
Collaterals securing liability settlement	-	5,856,170
Irrevocable commitments for undrawn loans and advances	7,118,983	7,896,786
Other irrevocable commitments	9,278,756	9,072,681
	27,601,639	33,345,621
In foreign currencies		
Guarantees issued and other sureties	2,808,582	6,514,900
Irrevocable commitments for undrawn loans and advances	791,479	312,370
Other irrevocable commitments	901,593	3,523,052
	4,501,654	10,350,322
Total	32,103,293	43,695,943

All amounts expressed in thousands of RSD, unless otherwise stated.

48. COMMITMENTS (Continued)

a) Guarantees issued and other sureties, collaterals, irrevocable commitments and other liabilities (Continued)

Other irrevocable commitments mostly refer to the following: unused portion of approved retail clients' current account overdrafts in the amount of RSD 5,108,210 thousand and unused portion of the approved limit amounts per credit cards in the amount of RSD 4,111,722 thousand.

Total estimated provision for potential losses on off-balance sheet items – per the aforesaid guarantees and contingent liabilities - as in accordance with IAS 37 was formed in the amount of RSD 486,989 thousand (Note 38) comprised of:

Parent Bank	473,647
Komercijalna banka a.d., Budva	7,377
Komercijalna banka a.d., Banja Luka	5,965
	486,989

As of December 31, 2013 and 2012, there were no liabilities arising from forward foreign exchange operations.

b) Litigation

Parent Bank

Based on the expert estimate made by the Parent Bank's Legal Department and attorneys representing the Parent Bank, in 2013 not all legal suits filed against the Parent Bank will entail outflows of funds, but if there are any for certain cases, the amounts will be immaterial. Based on the aforesaid estimate, the Parent Bank's management made no additional provisions for potential losses on litigations apart from the amount of RSD 10,900 thousand.

As of December 31, 2013, contingent liabilities based on legal suits filed against the Parent Bank amounted to RSD 2,276,270 thousand (for 265 legal suits). The Bank's management anticipates no materially significant losses thereof in the forthcoming period.

The most significant legal suits involving the Parent Bank as a defendant is the legal suit against the company Takovo a.d., Gornji Milanovac worth RSD 1,124,857 thousand. Based on the Supreme Appellate Court revised ruling, in 2013 the Bank collected the due receivables in the amount of RSD 380,770 thousand. Pursuant to the final and enforceable verdict received, with regard to the resumed lawsuit against Takovo, the Bank is entitled to receivables of RSD 336,020 thousand representing penalty interest accrued on claimed loans approved to Takovo.

In addition, the Bank is involved in lawsuits against third parties the most significant portion of which amounts to RSD 20,314,063 thousand (for 251 cases with the largest individual amounts). The Bank's management anticipates favorable outcome of the most lawsuits.

Komercijalna banka a.d., Budva

As of December 31, 2013, contingent liabilities based on legal suits filed against the Bank amounted to RSD 22,520 thousand (for 37 legal suits). The Bank does not anticipate losses based on these lawsuits in the forthcoming period.

The Bank has formed provisions for legal suits in the amount of RSD 2,452 thousand.

In addition, the Bank is involved in 241 lawsuits against third parties for collection of loan repayment receivables in the amount of RSD 785,118 thousand. The Bank's management anticipates favorable outcome of the most lawsuits.

All amounts expressed in thousands of RSD, unless otherwise stated.

48. COMMITMENTS (Continued)

b) Litigation (Continued)

Komercijalna banka a.d., Banja Luka

As of December 31, 2013, contingent liabilities based on legal suits filed against the Bank amounted to RSD 53,339 thousand (for 11 legal suits). The Bank's management anticipates no materially significant losses thereof in the forthcoming period. The provisions formed in respect thereof amount to RSD 270 thousand.

In addition, the Bank is involved in 308 lawsuits against third parties in an attempt to collect loan repayment receivables totaling RSD 798,380 thousand. The Bank's management anticipates favorable outcome of the most lawsuits.

49. OTHER OFF-BALANCE SHEET ITEMS

	December 31, 2013	December 31, 2012
Receivables for suspended interest		
- in RSD	1,782,978	1,636,802
- in foreign currencies	940,680	960,207
Other off-balance sheet assets	187,530,870	156,570,738
	190,254,528	159,167,747

In the course of 2013, the Group had a net increase in suspended interest of RSD 126,649 thousand comprised of:

a) increase of RSD 216,997 thousand with the following structure:

- newly-suspended interest of RSD 49,635 thousand;
- continued calculation of suspended interest of RSD 160,125 thousand; and
- foreign exchange gains of RSD 7,237 thousand.

b) decrease of RSD 90,348 thousand, with the following structure:

- write-off of RSD 46,756 thousand;
- collection of RSD 40,599 thousand; and
- transfers from/to other off-balance sheet items of RSD 2,993 thousand.

Within other off-balance sheet assets, inter alia, the Group records custody operations performed for the Bank's clients, repo investments in the state-issued securities and old foreign currency savings bonds. The Group is not exposed to credit risk per these items.

50. CAPITAL ADEQUACY AND BUSINESS RATIOS IN CONFORMITY WITH THE LAW ON BANKS

Capital Adequacy

The Group's capital adequacy ratio calculated according to the methodology of the National Bank of Serbia equaled 19.86% as of December 31, 2013 (2012: 22.40%).

The Group is obligated to comply with the parameters defined by the Law on Banks in respect of the scope of its business operations. As of December 31, 2013 and 2012, all the Group's ratios were in compliance with the prescribed parameters.

All amounts expressed in thousands of RSD, unless otherwise stated.

50. CAPITAL ADEQUACY AND BUSINESS RATIOS IN CONFORMITY WITH THE LAW ON BANKS (Continued)

Capital Adequacy (Continued)

The Parent Bank is required to maintain the minimum capital adequacy ratio of 12%, as established by the National Bank of Serbia in accordance with the Basel Convention applied to banks. As of December 31, 2013, the Parent Bank's capital adequacy ratio, as calculated based on the financial statements prepared by the Bank's management by applying the NBS decisions effective for 2013, was 19.02%.

The Parent Bank is also required to maintain certain ratios pertaining to the volume of its activities and composition of risk assets in compliance with the Law on Banks and with the NBS requirements. As of December 31, 2013 and 2012, all ratios pertaining to the volume of its activities and composition of risk-weighted assets were within their prescribed limits.

Komercijalna banka a.d., Budva is obligated to maintain the minimum capital adequacy ratio of 10% as defined by the Central Bank Of Montenegro. As of December 31, 2013, the Bank's capital adequacy ratio calculated as the percentage ratio of the total risk-weighted capital and total weighted own assets equaled 32.9% (December 31, 2012: 34.8%) according to the calculation methodology prescribed by the Central Bank of Montenegro. As of December 31, 2013 and 2012, all other ratios were also within their prescribed limits.

Komercijalna banka a.d., Banja Luka is under obligation to maintain the minimum capital adequacy ratio of 12% as defined by the banking Agency of the Republic of Srpska. As of December 31, 2013, the Bank's capital adequacy ratio was 25.5% (December 31, 2012: 30.6%). As of December 31, 2013 and 2012, all other ratios were also within their prescribed limits.

51. RELATED PARTY DISCLOSURES

Gross and net remunerations paid to the members of the Group members' Executive and Supervisory Boards, Boards of Directors and Audit Committees in 2013 were as follows:

	December 31, 2013	December 31, 2012
Gross remunerations		
Management	133,044	121,701
Net remunerations		
Management	101,894	92,487
Gross remunerations		
Supervisory Boards, Boards of Directors and Audit Committees	46,523	42,052
Net remunerations		
Supervisory Boards, Boards of Directors and Audit Committees	31,224	31,195

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52. RELATED PARTY CONSOLIDATION

Balance Sheet

	Summary Unconsolidated Balance Sheet	Amount of Balance Sheet Consolidation	Consolidated Balance Sheet
	391,579,014	**6,317,466**	**385,261,548**
Cash/liabilities		161,272	
Investments/liabilities		675,306	
Permanent investments/equity		5,480,888	

Income Statement

	Summary Unconsolidated Income Statement Profit (before taxes)	Amount of Income Statement Consolidation		Consolidated Profit (before taxes)
		Income	Expenses	
	4,784,552	**397,068**	**13,158**	**4,400,642**
Interest		8,143	8,143	
Fees and commissions		1,329	1,329	
Foreign exchange gains		-	3,687	
Dividend		387,597	-	

53. RISK MANAGEMENT

The Banking Group has recognized risk management process as the key element of business management given that risk exposure is an inseparable part of banking and is managed through a process of continued identification, measurement, monitoring, mitigation, control and reporting, i.e. setting of risk limits and through other types of control, including reporting in accordance with adopted strategies and policies.

The Banking Group has established a comprehensive and reliable risk management system that includes: risk management strategies, policies and procedures, appropriate organizational structure, effective and efficient process of managing all risks it is exposed to, adequate system of internal controls adequate information system and process of internal capital adequacy assessment.

Risk management process involves clear determining and documenting risk profile and adjusting risk profile to the Group's aptitude to assume risks it is or may be exposed in accordance with adopted strategies and policies.

The basic objectives that the Group set for the risk management system in its internally adopted acts on risk management strategy and capital management strategy are the following: minimizing the negative effects on financial result and equity within acceptable risk levels, maintaining the required level of capital adequacy, developing the Group's activities in accordance with business opportunities and market development with a view to gaining competitive advantage.

The Group implements Basel II standards and permanently monitors all the announcements and amendments to the effective regulations, analyzes the risk levels and undertakes measures for timely reconciliation of its operations with newly enacted regulations in accordance with the risk level acceptable to the Group. Through the clearly defined process of introducing new products, the Group analyzes the influence of all new services and products on the future risk exposures in order to optimize its revenues and losses based on the estimated risk as well as to minimize all potential adverse effects on the Group's financial result.

Risk Management System

The risk management system is governed by the following internal enactments:

- Risk Management Strategy and Capital Management Strategy;
- Risk Management Policies;
- Risk Management Procedures;
- Methodologies for managing individual risks; and
- Other enactments.

Risk Management Strategy sets out:

- Long-term objectives, defined by the Group's business policy and strategy and its aptitude to assume risk determined in accordance with those objectives;
- Basic principles of risk assumption and management;
- Basic principles of the process of internal assessment of the Group's capital adequacy; and
- Overview and definitions of all types of risks the Group is exposed to or may be exposed to.

The Banking Group specified the basic principles of risk management for meeting its long-term objectives:

- Organizing operation of a separate organizational unit for risk management;
- Functional and organizational separation of risk management activities from the regular operating activities of the Group;
- Comprehensive risk management;
- Effective risk management;
- Cyclic risk management;
- Developing risk management as a strategic orientation; and
- Risk management as a part of corporate culture.

53. RISK MANAGEMENT (Continued)

Risk Management System (Continued)

Policies for managing certain risk types define the following in more detail:

- Manner of organizing risk management processes within the Banking Group and clear division of personnel responsibilities in all stages of the process;
- Manner of assessing the Banking Group's risk profile and methodology for identifying, measuring and assessing risks;
- Manners of risk monitoring and control and establishing the system of limits, i.e. types of limits the Bank uses as well as their structure;
- Measures for risk mitigation and rules for implementation thereof;
- Manner and methodology for implementing the process of internal assessment of the Banking Group's capital adequacy;
- Principles of the system of internal controls; functioning; and
- Framework and frequency for stress testing and procedure in instances of unfavorable test results.

Procedures for managing certain risk types define, in greater detail, the process of managing risks and competencies and responsibilities of all organizational units of the Parent Bank and Group members in the risk management system.

Individual methodologies further and in more detail prescribe methods and approaches used in the risk management system.

Competencies

The Board of Directors is authorized and responsible for establishing a uniform risk management system and for monitoring such system, adopting policies and procedures for risk management and capital management strategy, establishment of internal control system, supervision of the work of the Executive Board and execution of the process of internal capital adequacy assessment.

The Executive Board is authorized and responsible for implementation of risk management strategy and policies, capital management strategy adoption and efficiency analysis of risk management procedure implementation, which define processes of identifying, measuring, minimizing, monitoring, controlling reporting risk the Parent Bank is exposed to.

The Audit Committee is authorized and responsible for continued analysis and monitoring of the adequate implementation of the adopted risk management strategies and policies and internal control systems of the Parent Bank and Group members. At least monthly, the Audit Committee reports to the Board of Directors on its activities and identified irregularities and proposes how to eliminate them.

The Asset and Liability Management Committee (ALCO) is authorized and responsible for monitoring the Bank's risk exposure resulting from the structure of its receivables, payables and off-balance sheet items, and proposes measures for managing interest and liquidity risks. Each Group member has its own ALCO.

The Credit Committee decides on loan approval requests within framework determined by the Parent Bank's enactments, analyzes the Bank's exposure credit, interest rate and currency risk, analyzes loan portfolio and implements the recommendations of the Internal Audit under its remit. The Committee also proposes measures to be taken to the Parent Bank's Executive Board. Each Group member has its own Credit Committee, which makes decisions within its own competence and limits set.

The Debt Collection Committee of the Parent Bank is authorized and responsible for managing risk-weighted loans and advances; it makes decisions on the write-off of risk-weighted loans up to set limits of authorization and recommends write-off of loans to the Executive Board and Board of Directors exceeding its limits of authorization. Debt Collection Committees of the Group members make decisions on risk-weighted loans and advances.

53. RISK MANAGEMENT (Continued)

Competencies (Continued)

The Risk Management Organizational Unit defines and proposes the risk management strategy and policies to the Board of Directors for adoption, defines and proposes risk management procedures and methodologies to the Executive Board for adoption, identifies, measures, mitigates, monitors, controls and reports on the risks the Parent Bank and the Group are exposed to. It is also in charge of developing models and methodologies for all stages of risk management and reporting to the competent Banking Group's bodies.

Treasury of the Parent Bank is responsible for managing assets and liquidity, the Group's assets and liabilities, their overall financial structure, and is primarily responsible for the liquidity risk, interest rate risk and foreign currency risk.

The Internal Audit Division is authorized and responsible for continued monitoring of implementation of risk management policies and procedures at the Group level, and tests the adequacy of procedures and the Group members' compliance thereto. Internal Audit reports its findings and recommendations to the Audit Committee and the Board of Directors.

The Compliance Control Division is obligated to identify and assess compliance risks of the Parent Bank and Group members with the Annual Business Plan adopted by the Board of Directors at least annually and propose risk management plans, whereof it prepares a report and submits it to the Executive Board of the Parent Bank. The report is adopted by the Executive Board and submitted to the Board of Directors for their information.

The Banking Group members have organizational units responsible for risk management, asset management and internal audit.

Risk Management Process

The Banking Group regularly measures and evaluates risks identified in its operations. Measurement entails applying qualitative and quantitative measurement methods and models that enable detection of changes in risk profile and assessment of new risks.

For all risks identified the Group determines their significance based on a comprehensive assessment of risks inherent in the Group's particular operations, products, activities and processes.

Risk alleviation or mitigation involves risk diversification, transfer, minimization and or avoidance; the Group performs risk mitigation in accordance with the Group's risk profile and risk appetite.

Risk monitoring and control is based on limits that are set by the Group. They in turn depend on business strategy and the business environment, as well as on the level of risk that the Group is ready and willing to assume.

Risk management reports are regularly submitted to: the Board of Directors, Executive Board, Audit Committee, Asset Liability Management Committee and Credit Committee, and they contain all the information required for risk assessment and reaching of conclusions about the risks. Group members report to the organizational unit of the Parent Bank in charge of risk management on a monthly basis.

Types of Risk

In its business operations the Banking Group is exposed to the following risks in particular: credit risk and related risks, liquidity risk, market risk and operational risk, investment risk, country risk and all other risks that may occur in the course of the Group's regular operations.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk

Credit risk represents the risk of negative effects on the Group's financial result and capital arising from debtors' inability to settle the matured liabilities to the Group. The Group members monitor the following risks within the credit risk:

- **Default risk** - the risk of loss that may arise if a debtor fails to settle liabilities toward a Group member;
- **Downgrade risk** - the risk of loss that may arise if a risk level of a debtor is downgraded (deterioration of the customer credit rating);
- **Risk of change in the value of assets** - the risk of loss that may arise on assets in the event of a decline in their market value as compared to the price at which assets were acquired;
- **Concentration risk** – represents a risk that is a direct or indirect outcome of a Group member's exposures the same or similar risk factor or type, such as: exposure to a single entity or a group of related entities, industries, geographical regions, types of products and activities, collaterals, financial instruments;
- **Exposure risk** - is a risk that can arise from the Group's exposure to a single entity, group of related entities or the Group's related parties;
- **Country risk** – relates to the borrower's country of origin and represents the probability of negative effects on the Group's financial result and equity due to the inability to collect receivables from abroad and is caused by political, economic and social conditions in the borrower's country of origin.

In addition to the aforelisted risks, the Group members also monitor the following related risks:

- **Residual risk** – is a risk that credit risk mitigation techniques may be less efficient than expected, i.e. that their application is not sufficient to alleviate the risks the Group is exposed to;
- **Risk of reduced value of receivables** – is a risk of possible emergence of negative effects on the Group's financial results and capital due to reduced value of repurchased receivables for cash on non-cash liabilities of the previous creditor to the debtor;
- **Settlement/delivery risk** – is a risk of possible emergence of negative effects on the Group's financial results and capital due to counterparty default on free delivery transactions as of contractually defined settlement/delivery date;
- **Counterparty risk** – is a risk of possible emergence of negative effects on the Group's financial results and capital due to counterparty failure to settle its liabilities prior to the ultimate settlement of the transaction cash flows, i.e. settlement of cash payment.

Credit Risk Management

According to the volume, type and complexity of its operations, the Group has organized the credit risk management process and clearly delineated employee responsibilities in all stages of the process. The organizational model of credit risk management system enables adequate communication, information exchange and collaboration at all organizational levels within the Group as well as clear operational and organizational separation of functions for independent risk management and supporting activities on one hand and the activities of risk assumption on the other, i.e. segregation of duties, competencies and responsibilities. The Group members have also established an adequate information system for full coverage of persons involved in credit risk management system and appropriate management reporting.

The objective of credit risk management is to minimize adverse effects of the credit risk on the Group's financial result and equity based on balance sheet and off-balance sheet investments and operations with counterparties for items carried in the banking book.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

Credit Risk Management (Continued)

The level of credit risk exposure acceptable to the Group is in line with the defined risk management strategy and depends on the Group's portfolio structure based on which negative effects on the Group's financial result and capital adequacy are limited. On the other hand, the Group members do not make high-risk investments such as investments in highly profitable projects with significant risk levels.

The basic principles of credit risk management are as follows:

- Managing credit risk at the individual loan level as well as the Group's entire portfolio level;
- Maintaining credit risk level that minimizes the negative effects on the Group's financial result and capital;
- Investment/loan rating according to risk;
- Operating in accordance with best banking practices of loan approval;
- Ensuring adequate credit risk management controls.

In its effort to manage credit risk the Group members seek to do business with customers that have good credit rating and to acquire appropriate collaterals to secure repayments. The Group members assess creditworthiness of each customer upon the submission of a loan application and regularly monitor their debtors, loans and collaterals, in order to be able to undertake appropriate activities for the purpose of collecting their receivables.

Credit risk identification involves analysis of all indicators leading to the emergence and increase in credit risk exposure. The Group members determine the causes of the current credit risk exposure in a comprehensive and timely manner and assess such causes based on the incurred and projected changes in the market, as well as based on the introduction of new products and activities. Each Group member's credit risk depends on the debtor creditworthiness, its regularity in settling liabilities due to the Bank and collateral quality.

Each group member performs quantitative and/or qualitative measurement, i.e. assessment of the identified credit risk. The credit risk measurement process is based on measuring the risk level of an individual loan according to the internal rating system.

The rating system is not merely an instrument for forming individual decisions and assessing risk levels of individual investments; it is also a basis for portfolio analysis, support in loan approval and loan impairment procedure as well as in estimating provisions against losses per off-balance sheet items for the purpose of loan and investment ranking by risk level and stating realistic value of receivables. The internal rating system is regularly reviewed and upgraded.

In addition to the internal rating system, for adequate and efficient management of the risks they are exposed to, the Parent Bank and Group members adhere to the principles prescribed by the regulations of their respective central banks, which require classification of receivables and investments based on the prescribed criteria as well as calculation of the reserve for estimated credit risk losses.

Prior to loan approval, the Parent Bank and Group members assess the creditworthiness of the borrower based on internally defined criteria, such as a primary and offered collateral as a secondary source of collection/loan repayment. Based on the identified and measured credit risk level (assessed financial situation and credit worthiness of the borrower, value and legal security of the credit hedge and other relevant factors), and independent risk assessment, the competent bodies enact a loan approval decision in accordance with the defined decision making system.

In decision making related to areas of crediting, irrespective of the decision making level, the principle of double control, the so-called "four eyes principle," is observed which ensures that there is always a party that proposes and a party that approves a particular loan/investment.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

Credit Risk Management (Continued)

Alleviating credit risk entails maintaining the risk at the level acceptable to the Group's risk profile, i.e. maintaining acceptable level of the Group's loan portfolio.

The basic techniques for credit risk mitigation are as follows:

- Exposure limits – concentration risk;
- Investment diversification; and
- Collaterals.

The exposure limits per individual debtor are based on the assessment of the debtor's credit-worthiness, whereas the exposure limits at the portfolio level are focused on restricting exposure concentration within the portfolio. Each Group member continuously controls credit risk movements within a defined risk profile. In case of exceeding the internal limits, Group members submit explanations with proposed measures and activity plans, and the Parent bank reports to the Executive Board on such an excess. Group members are under obligation to report to the Parent Bank in on the occurrence of extraordinary circumstances in operating activities which may result from unfavorable local market trends, political and economic crises, etc.

Concentration risk includes: large exposures (exposure to a single entity or a group of related entities and the Group's related parties) and exposures groups with the same or similar risk factors such as industry sectors, types of products, geographical areas and the like, county risk and credit risk hedges.

The Parent Bank performs continuous control and monitoring of the exposure risk at the Group's portfolio level, within regulatory prescribed limits. In instances of exceeding the prescribed limits, the Parent Bank determines the causes thereof, informs the Executive Board thereof and proposes to the Parent Bank's Executive Board protective measures against the exposure risk.

At the Group level, investment diversification is aimed at alleviating credit risk through reduction portfolio concentrations in certain segments of assets.

Monitoring investment quality at the individual debtor level is primarily based on obtaining updated information on the financial situation and creditworthiness of the debtor as well as on the market value of collateral, whereas credit risk monitoring at the portfolio level is performed through identification of changes at the level of client groups with certain preset levels of risk, investment, collateral and required reserves for estimated and unexpected losses for the purpose of establishing management of the asset balances and quality. The Group members also continuously monitor and check adequacy of the investment ranking process - categorization into risk groups according to recoverability.

In order to protect itself from changes in the market value of collaterals (mortgages, pledges, securities etc.), the Group adjusts the appraised collateral value for a defined haircut percentage depending on the collateral type and location, which haircut percentage is reviewed at least annually or more frequently as appropriate. In this way, the Group protects itself from potential losses arising from the impossibility of collection of receivables through security instrument activation (foreclosure).

Credit risk control entails a process of continuous reconciling business operations with the defined system of limits, both on a daily and monthly bases, as well as under conditions of large credit exposure approaching the upper risk profile limit, i.e. upon introduction of new products and business activities.

As a hedge against counterparty default risk, the Group undertakes the following steps in respect to collection of due receivables: loan rescheduling or restructuring; out-of-court settlement; seizure of goods or properties in order to collect receivables; sale and/or assignment of receivables; execution of agreements with interested third parties; and instigation of court proceedings and other measures.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

Credit Risk Management (Continued)

The Group reschedules and restructures receivables from customers experiencing certain difficulties in operations. If the undertaken measures for regulating collection, i.e. enforced collection and court proceedings fail to provide expected results, i.e. when receivables cannot be collected in full, the Group initiates write-off of the remaining receivables.

Apart from credit risk exposure, the Group also has off-balance sheet exposures (various types of payment and performance guarantees, acceptances and letters of credit) based on which the Group has contingent liabilities to make payments on behalf of third parties. For off-balance sheet exposures the Group uses the same control processes and procedures that are used for credit risk.

Credit risk reporting includes internal and external reporting systems executed on a monthly basis according to a preset schedule and in conformity with the defined reporting system:

- The Group members report to the Parent Bank on a monthly basis;
- The Parent Bank reports on a consolidation basis, semi-annually and annually.

Downgrade Risk

The quality of the Group's assets is measured by the level of exposure to individual risk categories according to internal rating system criteria. The internal rating system focuses on quantitative and qualitative parameters for assigning customer ratings. The rating scale consists of 5 risk categories that are subdivided into 17 subcategories. The rating scale is used as a uniform method for assigning ratings which ensures that customers with the same rating have the same credit characteristics and the same probability of default, in part or in full, over the period of one year. The basic parameters of credit risk used in determining a risk subcategory are calculated and monitored on a monthly basis

A low level of risk implies doing business with customers with a high credit rating (risk rating categories 1 and 2), increased level of risk implies doing business with customers with operating difficulties that could have a negative impact on the settlement of liabilities (risk rating category 3), and a high level of risk characterizes customers with negative operating results and poor credit rating (risk rating categories 4 and 5).

The Group guards against downgrade risk through continuous monitoring of customers' business operations and by identifying changes that could arise through: deterioration of a borrower's financial standing, delays in repayment and changes in the business environment, as well as by securing appropriate collaterals.

Risk of Change in the Value of Assets

Allowance for impairment of loan investments is intended to ensure reasonable, cautious and timely registering of losses on loan impairment, as well as to intervene in respect of contingent liabilities with a view to protect the Bank in the period when the loss occurs and is definitely confirmed (realized), due to inability to collect contracted amounts or through outflow of assets to settle contingent liabilities.

Allowance for impairment of loans and provisions are made when there is justification and objective evidence of impairment arising as the result of events that occurred after initial recognition of a loan, that have a negative effect on future cash flows associated with a loan.

Key elements in assessing impairment of investments are as follows: overdue payments on principal or interest, cash flow difficulties on the part of the borrower, the borrower's credit rating deterioration or changes in the initial terms of contract etc.

Allowance for impairment is based on estimated future cash flows from the borrower's business or collateral foreclosure if it is assessed that a loan can be realistically settled from such assets.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

Risk of Change in the Value of Assets (Continued)

The Group members assess allowance for impairment of receivables on an individual and on a group basis.

Individual Assessment

Each Group member assesses impairment of each individually significant loan and considers the financial position of the loan beneficiary, sustainability of its business plan, its ability to improve performance in the event of financial difficulties, income projections, availability of other financial support and collateral value which can be realized, as well as scheduling of expected cash flows. In the event of new information coming to light that significantly alters the customer's creditworthiness, value of collateral and likelihood that liabilities toward the Group member will be settled, ad hoc assessment of loan impairment is performed.

Group-Level Assessment

Impairment is assessed on a group basis for loans that are not individually significant and for individually significant loans and advances, when there is no objective evidence of individual impairment. Group assessment is performed monthly within groups that are determined based on internal methodology and internal rating system. Group impairment percentages are calculated based on migration of risk rating categories in default status per type of borrower or product. The obtained migration percentages are adjusted for collected receivables.

Impairment of loans decreases the value of loans and is recognized as an expense in the income statement.

Assessment of Provisions for Probable Losses on Off-Balance Sheet Items

Assessment of provisions for losses on off-balance sheet items (contingent liabilities) is performed when it is estimated that it is fairly certain that an outflow of assets will be required to settle contingent liabilities.

In assessing provisions for contingent losses on off-balance sheet items, funds obtained by activating collaterals are recognized if it is completely certain that cash outflows for contingent liabilities will be settled from collaterals.

53.1.1. Maximum Credit Risk Exposure

Maximum credit risk exposures as of December 31, 2013 and 2012 are presented in the table below without taking into account any collateral or any other sort of credit risk hedge. The stated values are presented in gross and net carrying amounts (after impairment effects).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

53.1.1. Maximum Credit Risk Exposure (Continued)

Maximum credit risk exposure before collateral or any other improvements

	December 31, 2013		December 31, 2012	
	Gross	Net	Gross	Net
I. Assets	**392,050,874**	**370,202,705**	**348,673,823**	**330,632,862**
Cash and cash equivalents	43,564,518	43,564,518	42,052,827	42,052,827
Revocable deposits and loans	56,236,153	56,236,152	45,826,369	45,826,369
Receivables arising from interest, fees, commissions, trade, changes in the fair value of derivatives and other receivables	5,233,346	3,033,725	3,451,352	1,744,180
Loans and advances to customers	217,281,410	201,208,896	207,357,851	194,416,122
Other investments	6,077,077	2,931,239	6,430,601	3,230,129
Securities	59,384,466	59,379,855	42,220,831	42,216,159
Other assets	4,273,904	3,848,320	1,333,992	1,147,076
II. Off-balance sheet items	**32,083,141**	**31,669,447**	**35,181,891**	**34,660,651**
Payment guarantees	7,987,465	7,913,066	9,500,404	9,430,110
Performance bonds	5,940,701	5,813,134	6,880,931	6,771,639
Irrevocable commitments	17,247,891	17,316,867	17,205,245	17,197,217
Other	907,084	626,380	1,595,311	1,261,685
Total (I+II)	**424,134,015**	**401,872,152**	**383,855,714**	**365,293,513**

The largest credit risk is associated with the executed loan arrangements; however, the Group is exposed to risk based on off-balance sheet items resulting from commitments and contingent liabilities.

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

53.1.1. Maximum Credit Risk Exposure (Continued)

Loans and advances to customers and receivables due from banks

December 31, 2013	Housing Loans	Cash Loans	Agricultural Loans	Other Loans	Micro Businesses	Total Retail	Corporate Customers	Total	Due from Banks
Loans not matured and not provided for	-	-	15,386	85,110	133,207	233,703	11,741,050	11,974,753	8,245,176
Loans matured and not provided for	-	-	1,350	635	40,250	42,235	10,049,778	10,092,013	1,000,231
Group-level impaired	35,904,499	13,574,888	4,332,228	8,267,990	5,933,170	68,012,775	74,968,557	142,981,332	319,911
Individually impaired	633,551	52,782	37,590	9,276	2,358,353	3,091,552	39,576,443	42,667,995	-
Total	**36,538,050**	**13,627,670**	**4,386,554**	**8,363,011**	**8,464,980**	**71,380,265**	**136,335,828**	**207,716,093**	**9,565,318**
Impairment allowance	**597,233**	**902,996**	**307,767**	**719,597**	**1,237,955**	**3,765,548**	**11,987,056**	**15,752,604**	**319,911**
Group-level impairment allowance	449,641	887,165	295,053	719,545	964,514	3,315,918	6,446,538	9,762,456	319,911
Individual impairment allowance	147,592	15,831	12,714	52	273,441	449,630	5,540,518	5,990,148	-
Net carrying amount	**35,940,817**	**12,724,674**	**4,078,787**	**7,643,414**	**7,227,025**	**67,614,717**	**124,348,772**	**191,963,489**	**9,245,407**

The breakdown does not include the related interest and fees, which for loans, advances and deposits and due from banks totaled RSD 3,440,316 thousand as of December 31, 2013 (December 31, 2012: RSD 2,556,738 thousand). After impairment effects, the net carrying amount of interest and fees totaled RSD 2,037,417 thousand as of December 31, 2013 (December 31, 2012: RSD 1,453,994 thousand).

December 31, 2012	Housing Loans	Cash Loans	Agricultural Loans	Other Loans	Micro Businesses	Total Retail	Corporate Customers	Total	Due from Banks
Loans not matured and not provided for	872,396	346	2,159	96,425	322,036	1,293,362	16,685,203	17,978,565	2,330,765
Loans matured and not provided for	215,129	-	-	42,415	19,698	277,242	6,471,225	6,748,467	3,189
Group-level impaired	31,269,455	11,338,196	3,465,949	8,640,686	5,837,225	60,551,511	85,570,112	146,121,623	327,974
Individually impaired	436,390	87,161	45,598	1,629	2,484,860	3,055,638	30,791,630	33,847,268	-
Total	**32,793,370**	**11,425,703**	**3,513,706**	**8,781,155**	**8,663,819**	**65,177,753**	**139,518,170**	**204,695,923**	**2,661,928**
Impairment allowance	**523,174**	**873,721**	**300,705**	**657,752**	**1,076,814**	**3,432,166**	**9,181,589**	**12,613,755**	**327,974**
Group-level impairment allowance	391,253	846,469	280,101	657,370	842,940	3,018,133	6,262,191	9,280,324	327,974
Individual impairment allowance	131,921	27,252	20,604	382	233,874	414,033	2,919,398	3,333,431	-
Net carrying amount	**32,270,196**	**10,551,982**	**3,213,002**	**8,123,403**	**7,587,005**	**61,745,587**	**130,336,581**	**192,082,168**	**2,333,954**

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

53.1.1. Maximum Credit Risk Exposure (Continued)

Impaired Loans and Advances

Impaired loans and advances are those for which the Group members have determined the existence of objective evidence of impairment and do not expect them to be collected in full amounts of principal and interest matured pursuant to the relevant loan agreements. In the internal rating system, such loans for retail and corporate customers are allocated rating from 2 to 5 and represent individually significant loans (totaling above RSD 6 million). For loans that are not individually significant impairment is determined on a group-level, depending on the categorization in to groups with similar risk levels, for all rating categories from 1 to 5.

Impairment Allowance

Each Group member makes impairment allowance for loan arrangements based on the assessment of impairment. The key components of impairment allowance made in this manner are: impairment allowance related to individually significant credit risk exposures and group-level impairment allowance made for groups of similar loans where impairment has occurred but has not yet been identified (materially less significant loans) as well as for those materially significant loans that were subject to individual assessment of impairment yet no impairment was identified on an individual basis.

Receivables Matured but not Provided for

Loans and advances matured but not provided for represent those loans and advances where there is default in settling liabilities for contractually agreed interest or principal outstanding. Yet the Group members believe that it is not appropriate to make impairment allowances for such loan investments given the probability of default status occurrence for certain types of customers (migrations), the value of instruments securitizing such loans and/or certainty of debt collection on the part of the Group members.

Receivables not Matured and not Provided for

Loans and advances not matured and not provided for extended to corporate customers and banks relate to the loans approved and disbursed to state-owned companies, local self-governments, municipalities, and to deposits placed with other banks for which it is determined that it is not appropriate to make impairment allowances for such loan investments given the probability of default status occurrence for certain types of customers (migrations) and/or certainty of debt collection on the part of the Group members.

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

53.1.1. Maximum Credit Risk Exposure (Continued)

Loans and advances to customers and due from banks, not matured and not provided for

December 31, 2013	Housing Loans	Cash Loans	Agricultural Loans	Other Loans	Micro Businesses	Total Retail	Corporate Customers	Total	Due from Banks
Low (IR 1, 2)	-	-	15,386	85,110	133,207	233,703	7,714,314	7,948,017	8,245,176
Medium (IR 3)	-	-	-	-	-	-	4,026,736	4,026,736	-
Total	**-**	-	**15,386**	**85,110**	**133,207**	**233,703**	**11,741,050**	**11,974,753**	**8,245,176**

December 31, 2012	Housing Loans	Cash Loans	Agricultural Loans	Other Loans	Micro Businesses	Total Retail	Corporate Customers	Total	Due from Banks
Low (IR 1, 2)	872,396	346	2,159	96,425	322,036	1,293,362	16,390,129	17,683,491	2,330,765
Medium (IR 3)	-	-	-	-	-	-	295,074	295,074	-
Total	**872,396**	**346**	**2,159**	**96,425**	**322,036**	**1,293,362**	**16,685,203**	**17,978,565**	**2,330,765**

Loans and advances to customers and due from banks, matured and not provided for

December 31, 2013	Housing Loans	Cash Loans	Agricultural Loans	Other Loans	Micro Businesses	Total Retail	Corporate Customers	Total	Due from Banks
Up to 30 days past due	-	-	960	635	40,250	41,845	9,977,819	10,019,664	1,000,231
31 - 90 days past due	-	-	390	-	-	390	71,959	72,349	-
Total	-	-	**1,350**	**635**	**40,250**	**42,235**	**10,049,778**	**10,092,013**	**1,000,231**

December 31, 2012	Housing Loans	Cash Loans	Agricultural Loans	Other Loans	Micro Businesses	Total Retail	Corporate Customers	Total	Due from Banks
Up to 30 days past due	215,129	-	-	42,415	19,698	277,242	6,441,795	6,719,037	3,189
31 - 90 days past due	-	-	-	-	-	-	29,430	29,430	-
Total	**215,129**	-	-	**42,415**	**19,698**	**277,242**	**6,471,225**	**6,748,467**	**3,189**

The breakdown does not include the related interest and fees accrued on matured loans and advances to corporate customers totaling RSD 105,119 thousand (December 31, 2012: RSD 78,273 thousand) and to banks totaling RSD 830 thousand as of December 31, 2013 (December 31, 2012: RSD 892 thousand).

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.1. Credit Risk (Continued)

53.1.2. Loans with Altered Initially Agreed Terms

Loans with altered initially agreed terms are those loans that are rescheduled or restructured due to the difficulties in the debtor servicing the liabilities when due.

Rescheduling of receivables is performed for debtors with currently mismatching cash inflows and outflows, yet whose financial indicators have not deteriorates suggesting that the debtor will be able to settle the rescheduled liabilities according to the subsequently agreed repayment terms. Receivables are rescheduled if due from debtors up to 90 days in default, most commonly per individual loan subaccount, i.e. not including all the receivables due from the same debtor (not all loan subaccounts).

Restructuring is performed for loans due from debtors with significant problems in businesses where financial indicators are substantially deteriorating. Upon restructuring:

- All balance sheet receivables due form the debtor or a greater portion thereof are replaced;
- Terms whereunder the relevant receivable was approved are essentially altered (which particularly entails extension of the period for repayment of principal or interest, decrease in interest rate applied or the amount receivable and other modifications of terms which are to facilitate the position of a debtor);
- Adoption of an adequate financial consolidation program is mandatory.

Loans with Altered Initially Agreed Terms

	Rescheduled				Restructured			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Housing loans	633,847	593,031	454,903	396,207	84,371	71,998	245,649	245,524
Cash loans	216,457	197,473	149,150	140,420	44,747	33,013	50,119	42,889
Agricultural loans	140,141	125,786	52,959	48,365	41,409	36,687	46,987	43,852
Other loans	155,842	104,119	27,544	26,631	1,090	968	146	146
Micro businesses	470,110	401,621	936,078	863,690	445,000	403,066	422,963	391,639
Total retail	**1,616,397**	**1,422,030**	**1,620,634**	**1,475,312**	**616,617**	**545,733**	**765,863**	**724,050**
Corporate customers	28,346,359	27,779,544	17,303,157	16,956,492	12,077,394	7,483,666	10,209,883	6,496,747
Total	**29,962,755**	**29,201,574**	**18,923,791**	**18,431,804**	**12,694,011**	**8,029,399**	**10,975,746**	**7,220,797**

53.2. Concentration Risk

The Group controls concentration risk by establishing a system of limits to the exposures with the same or similar risk factors (industry sectors/activities, product types, geographical regions, single entities or groups of related parties, collaterals…). Establishment of appropriate exposure limits is the basis for concentration risk control with the aim of loan portfolio diversification.

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53. RISK MANAGEMENT (Continued)

53.2. Concentration Risk (Continued)

Breakdown of loans and advances and contingent liabilities per industry sector

	Loans and advances to customers				Off-balance sheet items			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Finance and insurance sector	**9,306,058**	**9,177,722**	**6,870,764**	**6,740,640**	**955,446**	**955,446**	**1,736,362**	**1,734,222**
Public companies and Corporate sector	**124,651,481**	**113,381,419**	**126,686,024**	**117,769,731**	**21,291,044**	**20,808,388**	**24,089,035**	**23,576,253**
Agriculture	6,276,985	5,978,715	6,655,855	6,435,180	789,799	528,302	659,973	395,803
Processing industry	46,470,271	40,303,012	39,089,316	33,736,267	4,624,018	4,548,507	5,534,787	5,495,186
Power industry	9,249,181	9,248,380	6,525,994	6,520,104	781,666	781,586	2,095,919	2,094,912
Construction works	5,793,460	5,440,136	8,076,225	7,610,783	4,421,075	4,369,388	5,145,656	5,034,667
Wholesale and retail	39,671,801	36,334,905	42,642,579	40,699,931	8,719,397	8,647,645	8,244,515	8,176,781
Services industries	14,631,844	13,630,828	20,062,256	19,233,958	1,193,290	1,179,303	1,438,137	1,417,369
Real estate activities	2,557,939	2,445,443	3,633,799	3,533,508	761,799	753,657	970,048	961,535
Entrepreneurs	**2,286,635**	**2,067,540**	**2,290,753**	**2,089,162**	**416,703**	**413,706**	**412,670**	**409,035**
Public sector	**5,253,105**	**5,185,375**	**5,288,513**	**5,250,527**	**339,398**	**339,377**	**20,083**	**19,970**
Retail sector	**62,915,284**	**60,387,692**	**56,513,934**	**54,158,583**	**8,679,608**	**8,678,541**	**8,467,664**	**8,467,607**
Non-residents	**7,923,525**	**7,626,174**	**5,355,762**	**5,044,639**	**291,796**	**291,796**	**266,033**	**266,031**
Other customers	**4,945,322**	**3,382,974**	**4,352,101**	**3,362,840**	**109,146**	**182,193**	**190,044**	**187,533**
Total	**217,281,410**	**201,208,896**	**207,357,851**	**194,416,122**	**32,083,141**	**31,669,447**	**35,181,891**	**34,660,651**

Depending on general economic trends and individual industry sector trends, each Group member diversifies investments into the industry sectors that are resistant to the impact of adverse economic trends.

Breakdown of loans and advances and contingent liabilities per geographic region

	Loans and advances to customers				Off-balance sheet items			
	December 31, 2013		December 31, 2012		December 31, 2013		December 31, 2012	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Serbia	190,650,984	176,123,194	184,113,782	172,726,258	30,157,283	29,756,932	32,741,748	32,244,119
Montenegro	7,500,333	6,750,878	7,294,668	6,477,107	785,612	778,235	386,673	371,293
Bosnia and Herzegovina	10,205,477	9,717,236	9,621,857	9,203,946	834,603	828,638	1,769,379	1,761,151
European Union	6,993,337	6,990,842	3,691,813	3,680,502	191,827	191,827	269,769	269,766
USA and Canada	220,265	352	816,928	588,954	108,023	108,023	12,037	12,037
Other	1,711,014	1,626,394	1,818,803	1,739,355	5,793	5,793	2,285	2,285
Total	**217,281,410**	**201,208,896**	**207,357,851**	**194,416,122**	**32,083,141**	**31,669,448**	**35,181,891**	**34,660,651**

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.3. Securities

	December 31, 2013		December 31, 2012	
	Gross	Net	Gross	Net
Securities :				
- available for sale	58,989,185	58,986,673	41,741,919	41,739,375
- at fair value through profit and loss	98,073	97,816	212,903	212,690
- held to maturity	297,208	295,366	266,009	264,094
Total	**59,384,466**	**59,379,855**	**42,220,831**	**42,216,159**

Available-for-sale financial assets represent financial instruments which are intended to be held over an indefinite time period and which may be sold for liquidity purposes, due to the movements in interest rates, exchange rates or prices of capital. They mostly comprise Treasury bills and bonds issued by the Republic of Serbia and bonds of other banks as well as those issued by the Republic of Srpska. Available-for-sale assets are initially measured at cost, and on a quarterly basis fair value thereof is determined based on the market prices for securities traded in active stock exchange (*mark to market*). Internally developed valuation models (*mark to model*) are used in instances that for certain financial instruments independent sources of market information are not available, and are based on the maturity of the security and the risk-free interest rate level.

Financial assets carried at fair value through profit and loss refer to the old foreign currency savings bonds of the Republic of Serbia and corporate and banks hares. These securities are measured using the market approach adjustment methodology (*mark to market*) or internally developed models (*mark to model*), depending on whether there are available prices changing on a daily basis those trading via continuous trading method.

Held-to-maturity securities entirely relate to the bonds issued by the Republic of Montenegro and corporate bonds.

53.4. Credit Risk Hedges (Collateral)

For the purpose of protection against credit risk, in addition to regular monitoring of the customer business operations, the Group members also acquire security instruments (collaterals) to secure the collection of receivables and minimize credit risk. Depending on the assessment of the ability to settle contractual liabilities, the level of loan coverage is defined so that in case of the debtor default, the Group members could collect its receivables through collateral foreclosure. The quantity and type of collateral depends on the assessed credit risk.

As a standard type of loan security instrument, each Group member demands and receives from clients contractual authorizations for account withdrawals and bills of exchange, whereas, depending on the credit risk assessment and loan type, additional collaterals agreed upon include the following:

- for commercial loans – pledge over movable and immovable property (mortgages), deposits, banking, corporate and state-issued guarantees, sureties, pledge over securities, equity interests, receivables and livestock;
- for retail loans – mortgages, deposits, co-sureties and insurance of the National Corporation for Housing Loans for housing loans approved by the Parent Bank.

For valuation of property or pledges assigned over movable assets, the Group members hire certified appraisers in order to minimize potential risk of unrealistic valuation. Property, goods, equipment and other movables pledged must be insured by an insurance company acceptable to the Group members and insurance policies must be duly endorsed in favor of the Group members.

The Group members monitor the market value of collaterals and if necessary, they can demand additional collateral pursuant to the loan/deposit agreement executed. It is the Group's policy to ensure collection from collateral foreclosure and use the proceeds therefrom to reduce or repay debt.

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.5. Tangible Assets Acquired in Lieu of Debt Collection

Collaterals securitizing loan repayments repossessed by the Group members in the process of debt collection are provided below:

Collaterals acquired through collection of loans

	2013	2012
Residential buildings	479,101	432,680
Business premises	2,531,202	1,623,786
Equipment	101,805	82,195
Land and forests	375,898	398,835
Total	**3,488,006**	**2,537,496**
Accumulated depreciation	(243,045)	(126,790)
Net book value	**3,244,961**	**2,410,706**

During 2013, in the process of loan debt collection via collateral foreclosure, the items repossessed in this manner totaled RSD 1,403,917 thousand (2012: RSD 613,861 thousand).

53.6 Liquidity Risk

Liquidity risk represents the risk of negative effects on the Group's financial result and equity resulting from the Group's difficulty or inability to settle its matured liabilities in instances of insufficient liquidity reserves and inability to cover for unexpected outflows and other liabilities.

The Group operates in accordance with the basic principles of liquidity, maintaining a sufficient level of funds to cover liabilities incurred in the short term, i.e. it observes the principle of solvency by establishing the optimal financial leverage and sufficient liquidity reserves which do not compromise realization of the projected return on equity.

Liquidity risk represents the Group's inability to settle its matured liabilities. Liquidity risk may be manifest as the risk related to sources of funds and market liquidity risk. The problem of liquidity in respect of the sources of funds relates to the structure of liabilities and is expressed through potential significant share of unstable and short-term sources of funds or their concentration. On the other hand, liquidity risk is reflected in reserves deficiency and difficulty or inability to obtain liquid assets at reasonable market prices.

The Group has established appropriate organizational structure, which allows for clear differentiation between the process of assuming and the process of managing liquidity risk. The Asset and Liability Management Committee and Liquidity Committee of the Parent Bank have the most significant role therein as well as the other competent boards/committees of Group members, whose decisions can impact the Group's exposure to this risk.

In order to minimize liquidity risk, the Group:

- Diversifies sources of assets in respect to their currencies and maturities;
- Forms sufficient liquidity reserves;
- Manages monetary funds;
- Monitors future cash flows and liquidity levels on a daily basis;
- Limits principal sources of credit risk with most significant impact on liquidity; and
- Defines and periodically tests Plans for Liquidity Management in Crisis Situations.

The liquidity management process comprises identification, measurement, minimizing, monitoring, control and liquidity risk reporting.

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.6 Liquidity Risk (Continued)

In identifying liquidity risk, the Group identifies in a comprehensive and timely manner the causes that lead to the occurrence of liquidity risk determines current liquidity risk exposure as well as liquidity risk exposure arising from new business products and activities.

Measurement and assessment of liquidity risk in the Group is performed through quantitative and/or qualitative assessment of identified liquidity risk by using the following techniques:

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

Minimizing liquidity risk consists of maintaining this risk at a level that is acceptable to the Group's risk profile through definition of the system of exposure limits including both internal and statutory limits and timely implementation of measures to mitigate the risk and operation within the set internal and external limits.

Control and monitoring of liquidity risk includes the process of monitoring compliance with internally defined limits, and monitoring of defined measures for reducing the Group's exposure to liquidity risk. Liquidity risk control involves the control at all liquidity risk management levels as well as the independent control system implemented by the bank's organizational units responsible for internal audit and compliance monitoring.

Liquidity risk reporting consists of internal and external reporting systems and is performed on a daily basis and a set schedule according to the defined system.

The Group's operations are reconciled daily with legally prescribed liquidity ratio and rigid/cash liquidity ratio. The legally prescribed minimum and maximum values for these ratios are defined for one working day, three consecutive working days and average for all working days within a month. During 2013, the Group's liquidity and rigid liquidity ratios were significantly in excess of the prescribed limits.

The Group's operations are reconciled daily with legally prescribed liquidity ratio as follows: minimum 0.8 for one working day; minimum 0.9 for no longer than three consecutive working days and minimum 1 as the average liquidity ratio for all working days in a month. The Group also monitors compliance with the regulatory prescribed rigid/cash liquidity ratio as follows: minimum 0.5 for one working day; minimum 0.6 for no longer than three consecutive working days and minimum 0.7as the average liquidity ratio for all working days in a month.

Compliance with liquidity ratio limits externally prescribed:

	Liquidity Ratio		Rigid/Cash Liquidity Ratio	
	2013	2012	2013	2012
As at December 31	3.43	2.20	3.04	2.04
Average for the period	2.74	2.35	2.43	2.00
Maximum for the period	3.85	3.35	3.34	2.74
Minimum for the period	1.76	1.07	1.55	0.95

The Group sets internal limits, based on the internal reporting on liquidity GAP for all balance sheet components.

Compliance with last day liquidity ratio limits internally defined:

	Limits	2013	2012
GAP up to 1 month/Total assets	Max (10%)	12.74%	9.58%
Cumulative GAP up to 3 months / Total assets	Max (20%)	8.09%	9.73%

In addition, the Group limits and coordinates its operations with the limits defined for maturity per major foreign currencies.

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.6 Liquidity Risk (Continued)

Maturity structure of monetary assets and monetary liabilities as of December 31, 2013

	Up to 1 month	From 1 - 3 months	From 3 -12 months	From 1 - 5 years	Over 5 years	Total
Cash and cash equivalents	43,564,518	-	-	-	-	43,564,518
Revocable deposits and loans	56,236,152	-	-	-	-	56,236,152
Interest, fee and commission receivables	3,033,725	-	-	-	-	3,033,725
Loans and advances to customers	25,847,081	12,378,975	48,748,659	79,588,387	34,645,794	201,208,896
Securities	2,226,470	5,715,765	22,863,605	23,083,118	5,490,897	59,379,855
Other investments	2,922,879	8,360	-	-	-	2,931,239
Other assets	2,779,406	-	1,068,914	-	-	3,848,320
Total	**136,610,231**	**18,094,740**	**72,681,178**	**102,671,505**	**40,136,691**	**370,202,705**
Transaction deposits	61,608,788	-	-	-	-	61,608,788
Other deposits	54,883,356	29,880,718	92,330,110	33,302,279	762,214	211,158,677
Borrowings	1,626,962	4,572	38,836	237,518	677,812	2,585,700
Interest, fee and commission payables	259,137	-	-	-	-	259,137
Other liabilities	3,506,012	746,083	7,844,676	24,892,066	3,319,246	40,308,083
Total	**121,884,255**	**30,631,373**	**100,213,622**	**58,431,863**	**4,759,272**	**315,920,385**
Net liquidity GAP						
As of December 31, 2013	**14,725,976**	**(12,536,633)**	**(27,532,444)**	**44,239,642**	**35,377,419**	**54,282,320**
As of December 31, 2012	**4,387,534**	**(10,850,811)**	**(20,087,724)**	**44,507,482**	**35,817,338**	**53,773,819**

The report on the maturity structure of monetary assets and liabilities includes monetary balance sheet items distributed according to maturities outstanding, i.e. the conservative assumption was used that all transaction and demand deposits will be withdrawn within one month.

The Group collects deposits of corporate and retail customers which commonly have shorter maturity periods and can be withdrawn at the client request. Short-term nature of such deposits increases the Group's liquidity risk and requires active liquidity risk management and constant monitoring of market trends.

In near term, the Group manages liquidity risk by monitoring and controlling items in all major currencies in order to identify the needs for additional funding in a timely manner in case of maturities of certain items, i.e. in the long term, the Group plans the structure of its funding sources and investments in order to provide sufficient stable funding sources and liquidity reserves.

The Group's management believes that adequate diversification of the deposit portfolio per number and type of depositors as well as historical experience provide a solid basis for existence of a stable and long-term deposit base, i.e. no significant outflow of funds is expected thereof.

The Group tests the Plans for Liquidity Management in Crisis Situations which are intended for testing potential crisis, checks the survival period and solvency, availability of funding for liabilities that could arise and assesses the support under the assumed crisis conditions.

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53. RISK MANAGEMENT (Continued)

53.6 Liquidity Risk (Continued)

Undiscounted cash flows from monetary assets and monetary liabilities as of December 31, 2013

	Up to 1 month	From 1 - 3 months	From 3 -12 months	From 1 - 5 years	Over 5 years	Total
Cash and cash equivalents	43,564,518	-	-	-	-	43,564,518
Revocable deposits and loans	77,061,665	-	-	-	-	77,061,665
Interest, fee and commission receivables	3,033,725	-	-	-	-	3,033,725
Loans and advances to customers	27,225,349	14,660,352	57,412,335	97,814,145	46,765,544	243,877,726
Securities	2,436,980	6,278,376	24,462,807	26,119,625	5,944,135	65,241,923
Other investments	2,922,879	13,363	-	-	-	2,931,239
Other assets	2,779,406	-	1,068,914	-	-	3,848,320
Total	**159,024,522**	**20,952,091**	**82,944,056**	**123,933,770**	**52,709,679**	**439,559,116**
Transaction deposits	62,557,280	-	-	-	-	62,557,280
Other deposits	56,123,923	30,481,042	95,943,578	36,937,997	1,173,784	220,660,326
Borrowings	1,626,962	4,572	38,836	237,518	677,812	2,585,700
Interest, fee and commission payables	259,137	-	-	-	-	259,137
Other liabilities	3,516,227	814,898	8,637,192	26,890,141	3,391,803	43,250,261
Total	**124,083,529**	**31,300,512**	**104,619,606**	**64,065,656**	**5,243,399**	**329,312,704**
Net liquidity gap						
As of December 31, 2013	**34,940,993**	**(10,348,421)**	**(21,675,550)**	**59,868,114**	**47,466,280**	**110,246,412**

Undiscounted cash flows arising from the items of monetary assets and monetary liabilities include future cash flows per balance sheet items and future interest. In the case of transaction deposits and demand deposits, which, observing the conservative approach, are categorized into deposits with maturities of up to a month, the undiscounted cash flows include only the cash flows from the debt principal outstanding.

In the course of 2013 the Group continuously improved the liquidity risk management process and implemented a software solution in order to advance the asset and liability management. The aforesaid software enables considering the undiscounted future cash flows from interest in addition to those from principal. The implemented methodology was applied only to the data as of December 31, 2013.

53.7. Market Risk

Market risk represents the possibility of occurrence of negative effects on the Group's financial result and equity due to changes in market variables and comprises interest rate risk, currency risk for all business operations and price risk for all items in the trading book.

The Group is exposed to interest rate risk, currency risk, risk of securities fluctuations, counterparty risk and risk of settlement related to trading book items. The trading book contains balance sheet and off-balance sheet assets and liabilities related to financial instruments that the Group holds for sale or to hedge other financial instruments that are maintained in the trading book.

The Group has established appropriate organizational structure, which allows for clear differentiation between the process of assuming market risks and the process of managing those risks. The Asset and Liability Management Committee and Investment Committee have the most significant role therein as well as other competent boards/committees of the Parent Bank and Group members, whose decisions can impact the exposure to this risk.

53. RISK MANAGEMENT (Continued)

53.8. Interest Rate Risk

Interest rate risk represents the probability of negative effects on the Group's financial result and equity through items of the banking general ledger due to adverse interest rate fluctuations. The exposure to this risk depends on the relation between the interest rate sensitive assets and liabilities.

The Group is exposed to interest rate risk inherent in the items within the banking general ledger, which is reflected in the possible negative effects on the Group's financial result and equity through due to adverse interest rate fluctuations.

The Group manages the following types of interest rate risk:

- Repricing risk of temporal mismatch between maturity and repricing;
- Yield curve risk – to which the Group is exposed due to changes in yield curve shape;
- Basis risk – to which the Group is exposed due to different reference interest rates for interest rate sensitive items with similar maturity or repricing characteristics; and
- Optionality risk – to which the Group is exposed due to contractually agreed optional terms – loans with an option of early repayment, deposits with an option of early withdrawal, etc.

Basic objective of interest rate risk management is maintaining the acceptable level of interest rate risk exposure from the aspect of the effect on the financial result, by conducting adequate policy of matching periods of interest rate repricing, matching adequate sources to investments per interest rate type and maturity, as well as projecting movements in the yield curve in both foreign and domestic markets. Primarily, the Group manages the internal yield margin through the prices of loans and deposits, focusing on the interest rate margin.

The Group particularly considers the effects of interest rate changes and changes in the structure of interest-bearing assets and liabilities from the perspective of maturity, interest rate repricing and currency structure and manages the effect thereof on the economic value of equity.

The process of interest rate risk management consists of identification, measurement, minimizing, monitoring, control and interest rate risk reporting.

Identification of interest rate risk consists of comprehensive and timely identification of the causes and factors that lead to the occurrence of interest rate risk, which includes determining current interest rate risk exposure, as well as interest rate risk exposure arising from new business products and activities.

Measurement and assessment of interest rate risk at the Bank is performed through quantitative and/or qualitative assessment of identified interest rate risk by using the following techniques:

- GAP analysis;
- Ratio analysis;
- Duration;
- Economic value of equity; and
- Stress test.

Minimizing interest rate risk means maintaining this risk at a level that is acceptable for the Group's risk profile. Alleviating interest rate risk refers to the process of defining the systems of limited exposure of the Group to the interest rate risk and implementing measures for interest rate risk mitigation. Control and monitoring of interest rate risk entails the process of monitoring compliance with the established system of limits as well as monitoring defined measures for reducing the Group's exposure to the interest rate risk. Control of interest rate risk refers to control on all management levels as well as an independent control system implemented by the organizational units responsible for internal audit and compliance monitoring.

Interest rate risk reporting consists of an internal system of reporting to competent boards/committees and the Group member's interest rate risk management bodies.

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

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53. RISK MANAGEMENT (Continued)

53.8. Interest Rate Risk (Continued)

Compliance with internally defined interest rate risk limits at the last day was as follows:

	Limits	2013	2012
Relative GAP	Max 15%	(3.12%)	(1.81%)
Mismatch ratio	0.75 – 1.25	0.96	0.96
Economic value ratio	Max 20%	4.43%	5.40%

During 2013, interest rate risk ratios were within internally prescribed limits.

The exposure to interest rate risk can be reviewed through the Report on Interest Rate GAP in monetary assets and liabilities as follows:

The Report on Interest Rate GAP in monetary assets and liabilities as of December 31, 2013

	Up to 1 Month	From 1 - 3 Months	From 3 -12 Months	From 1 - 5 Years	Over 5 Years	Interest-Bearing	Non-Interest Bearing	Total
Cash and cash equivalents	23,912,952	-	-	-	-	23,912,952	19,651,566	43,564,518
Revocable loans and deposits	14,680,107					14,680,107	41,556,045	56,236,152
Interest, fee and commission receivables and changes in the fair value of derivatives and other receivables	-	-	-	-	-	-	3,033,725	3,033,725
Loans and advances to customers	27,153,526	12,712,066	49,630,227	79,336,949	32,376,128	201,208,896	-	201,208,896
Securities	2,220,045	7,343,085	14,193,070	11,586,378	23,459,357	58,801,935	577,920	59,379,855
Other investments	1,663,583	8,362		-	-	1,671,945	1,259,294	2,931,239
Other assets	-	-	-	-	-	-	3,848,320	3,848,320
Total	**69,630,213**	**20,063,513**	**63,823,297**	**90,923,327**	**55,835,485**	**300,275,835**	**69,926,870**	**370,202,705**
Transaction deposits	61,608,788	-	-	-	-	61,608,788	-	61,608,788
Other deposits	54,883,356	29,880,718	92,330,110	33,302,279	762,214	211,158,677	-	211,158,677
Borrowings	2,143,360	38,891	33,759	247,857	121,833	2,585,700	-	2,585,700
Interest, fee and commission payables and changes in the fair value of derivatives		-	-	-	-	-	259,137	259,137
Other liabilities	3,506,012	746,083	7,844,676	21,054,134	3,319,246	36,470,151	3,837,932	40,308,083
Total	**122,141,516**	**30,665,692**	**100,208,545**	**54,604,270**	**4,203,293**	**311,823,316**	**4,097,069**	**315,920,385**
Interest rate GAP:								
- at December 31, 2013	**(52,511,303)**	**(10,602,179)**	**(36,385,248)**	**36,319,057**	**51,632,192**	**(11,547,481)**	**65,829,801**	**54,282,320**
- at December 31, 2012	**(22,603,136)**	**3,951,030**	**(18,037,955)**	**17,279,462**	**10,758,138**	**(8,652,461)**	**61,795,956**	**53,143,495**

Interest rate risk GAP report of monetary sub-balance includes monetary balance items distributed according to the shorter of period of interest rate repricing and maturity outstanding. In accordance with the aforesaid, the conservative assumption is used that all transactions and demand deposits will be withdrawn within one month.

The Group's management believes that appropriate compliance of positions per interest rate type and interest rate repricing period constitutes a solid prerequisite for existence with required financial results achieved and maintenance of economic value of equity.

In the course of 2013 the Group continuously improved the interest rate risk management process and implemented a new software solution in order to advance the asset and liability management.

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.9. Foreign Exchange Risk

Foreign exchange risk represents the possibility of negative effects on the Group's financial result and equity due to fluctuations in exchange rates between currencies, fluctuations in the domestic currency with respect to foreign currencies or changes in the value of gold and other precious metals. All items in the banking book and the trading book that are denominated in a foreign currency and gold, including dinar items indexed to foreign currency clause are exposed to currency risk.

The basic objectives of the Group's foreign exchange risk management policy are to maximize return at a certain risk level, to minimize the adverse effects on the financial result, to preserve the necessary level of capital adequacy and to develop the Group's activities according to the business opportunities and market development so as to achieve competitive advantage. In order to minimize the foreign currency risk exposure, the Bank diversifies the currency structure of its portfolio and currency structure of liabilities, reconciling open positions in certain currencies pursuant to the principles of maturity transformation.

The Group has established appropriate organizational structure, which allows for clear differentiation between the process of assuming currency risk and the process of managing currency risk.

The process of currency risk management entails identifying, measuring, minimizing, monitoring, control and foreign currency risk reporting.

In identifying foreign exchange risks, the Group identifies in a comprehensive and timely manner the causes that lead to emergence of currency risk and includes the determination of current currency risk exposure, as well as currency risk exposure resulting from new business products and activities, by items that are recorded in the banking book and the trading book.

Measurement and assessment of currency risk in the Group is performed through quantitative and/or qualitative assessment of identified foreign currency risk by using the following techniques:

- GAP analysis and currency risk ratio;
- VaR analysis;
- Stress test;
- Back testing.

Mitigation of foreign currency risk entails maintenance of risk at an acceptable level for the Group's risk profile through the establishment of a transparent system of limits and defining measures used to mitigate foreign currency risk.

Control and monitoring of the currency risk consists of observation and supervision of compliance with internally and externally defined limits as well as monitoring of defined and implemented measures. Continuous monitoring and control of foreign currency risk during the day ensures timely undertaking measures for the purpose of maintaining the currency risk within defined limits. Foreign currency risk control means control at all management levels as well as independent control system implemented by the organizational units responsible for internal audit and compliance monitoring.

Reporting on foreign currency risk includes internal and external reporting systems. It is performed on a daily basis and according to set schedules and in accordance with the defined system.

The Group reconciles its business operations with the prescribed foreign exchange risk ratio, which represents the ratio between the total net foreign currency balance and the position of gold relative to the Group's regulatory capital.

Overview of the total foreign currency risk balance and legally defined foreign exchange risk ratio at December 31:

	2013	2012
Total currency risk balance	6,894,093	6,743,764
Foreign exchange risk ratio	17.16%	14.29%
Legally-defined limit	20%	20%

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.9. Foreign Exchange Risk (Continued)

Summary of Monetary Assets and Monetary Liabilities per Currencies as of December 31, 2013

	EUR	USD	CHF	Other Currencies	FX Total	EUR Currency Clause	USD Currency Clause	CHF Currency Clause	RSD Items	Total
Cash and cash equivalents	14,248,004	1,343,475	1,349,200	1,170,915	18,111,594	-	-	-	25,452,924	43,564,518
Revocable deposits and loans	37,285,184	4,376,162	-	2,328,105	43,989,451	-	-	-	12,246,701	56,236,152
Interest, fee and commission receivables and changes in the fair value of derivatives and other receivables	201,512	-	-	104,493	306,005	1,664,542	65	16,708	1,046,405	3,033,725
Loans and advances to customers	27,528,760	680,031	-	3,447,879	31,656,670	122,527,237	-	5,701,438	41,323,551	201,208,896
Securities	28,679,483	5,189,196	49,730	144,857	34,063,266	129,945	-	-	25,186,644	59,379,855
Other investments	1,232,471	650,687	-	1,185	1,884,343	28,180	-	-	1,018,716	2,931,239
Other assets	637,069	17,314	-	13,231	667,614	-	-	1,632	3,179,074	3,848,320
Total	**109,812,483**	**12,256,865**	**1,398,930**	**7,210,665**	**130,678,943**	**124,349,904**	**65**	**5,719,778**	**109,454,015**	**370,202,705**
Transaction deposits	14,734,243	1,401,318	761,595	2,023,117	18,920,273	2,901,768	-	-	39,786,747	61,608,788
Other deposits	170,862,412	10,592,173	6,211,150	1,379,376	189,045,111	4,925,418	56,699	-	17,131,449	211,158,677
Borrowings	418,279	55,083	7,791	2,146	483,299	845,753	-	16,717	1,239,931	2,585,700
Interest, fee and commission payables and changes in the fair value of derivatives	3,249	81	-	2,635	5,965	2,061	-	-	251,111	259,137
Other liabilities	38,236,977	142,351	91,420	146,200	38,616,948	14,204	-	-	1,676,931	40,308,083
Total	**224,255,160**	**12,191,006**	**7,071,956**	**3,553,474**	**247,071,596**	**8,689,204**	**56,699**	**16,717**	**60,086,169**	**315,920,385**
Net currency position										
- December 31, 2013	**(114,442,677)**	**65,859**	**(5,673,026)**	**3,657,191**	**(116,392,653)**	**115,660,700**	**(56,634)**	**5,703,061**	**49,367,846**	**54,282,320**
- December 31, 2012	**(99,237,278)**	**(8,705)**	**(6,118,989)**	**3,071,159**	**(102,276,403)**	**102,407,865**	**3,061**	**6,175,735**	**47,464,345**	**53,773,819**

53. RISK MANAGEMENT (Continued)

53.10. Operational Risk

Operational risk represents the possibility of negative effects on the Group's financial result and equity due to employee errors (intentional or accidental), inadequate procedures and processes in the Group, inadequate management of information and other systems in the Group, as well as occurrence of unforeseen external events. Operational risk includes legal risk.

Operational risk is defined as an event that occurred as the result of inappropriate or failing internal processes, employee and system actions or system and other external events, internal and external abuses, hiring and security practices at the workplace, customer receivables, product distribution, fines and penalties for infractions, damage incurred to property, disruptions in operations and system errors and process management.

The Group monitors operational risk events according to the following business lines: corporate financing, trade and sales, retail brokerage services, corporate banking, retail banking, payment transfers, agency services and asset management.

The process of operational risk management represents an integral part of the Group's activities conducted on all levels and ensures identification, measuring, mitigation, monitoring and reporting continually on operational risks ahead of their realization, as in accordance with the legal requirements and deadlines. The existing process relies on known methods of measuring operational risk exposures, database on operating losses, an updated control and reporting system.

The Group monitors operational risk events daily and manages operating risks. For the purpose of efficient operational risk monitoring, the Group appoints employees who are in charge of operational risk with the objective of monitoring operational risk in its every organizational part, where such employees are responsible for accuracy and timeliness of information about all operational risk events that occur in their organizational unit, as well as for keeping records about all such events in the operational risk database. The organizational part of the Group which is responsible for risk management monitors and reports operational risks to the Group's Board of Directors, the Group's Executive Board and the Audit Committee.

Measurement and assessment of operational risk at the Group is done through quantitative and/or qualitative assessment of identified operational risk. The Group measures operational risk exposure through event records, self-assessment and stress testing. Self-assessment consists of assessment of risk exposure by organizational units based on the roadmap for identifying operating risks, through measurement of potential ranges and frequencies of events that can result in losses, identification of levels of control that business areas must maintain over these risks and measures of improvement. Stress test represents an operational risk management technique which is used to assess potential effects of specific events and/or changes in several financial variables on the Group's exposure to operational risk.

The Group cannot eliminate all operational risks, but by introducing a rigorous framework of control, monitoring and response to potential risks it is capable of managing these risks. The Group takes measures in order to relieve operational risks and ensure proactive response to events potentially creating operational risks through continued monitoring of all activities, application of adequate and reliable information system and by applying project approach orientation, the implementation of which helps improve the business practice and optimize the Group's business processes.

Through reliable reporting on the implementation of measures undertaken to mitigate operational risks, the Group has established a system for monitoring the activities undertaken by the Group's organizational parts in order to reduce arising operational risks. The Group assess the risk of entrusting third parties with activities related to the Group's operations and based on the service contracts executed with such third parties which clearly define terms, rights, obligations and responsibilities of the contracting parties.

With the objective of smooth and continued operation of all significant systems and processes in the Group, and to limit losses that could be incurred in extraordinary circumstances, the Group adopted the Business Continuity Plan, in order to ensure the restoration and recovery of the information technology systems in the event of interruption or stoppage of operations, the Group adopted the Disaster Recovery Plan.

53. RISK MANAGEMENT (Continued)

53.11. Investment Risks

The Group's investment risk relates to the risk of investing in other entities and capital expenditures. The Group's investments in a non-financial sector entity cannot exceed 10% of the Group's equity, whereby such investments entail investments through which the Group acquires equity interest or shares in a non-financial sector entity. The total Group's investment in non-financial sector entities and Group's own fixed assets cannot exceed 60% of the Group's equity, but this restriction does not apply to the acquisition of shares for further trading and sales thereof within six months from the acquisition date.

53.12. Exposure Risk

Large exposures of the Group to a single entity or a group related entities, including Group's related parties, are exposures amounting to over 10% of the Group's capital.

In its operations, the Group takes care of the compliance with statutory exposure limits:

- The Group's exposure to a single entity or group of related entities cannot exceed 25% of the Group's equity;
- The Group's exposure to an entity that is related to the Group cannot exceed 5% of the Group's equity, while total exposure to the Group's related parties cannot exceed 20% of the Group's equity;
- The aggregate amount (sum) of the Group's large exposures cannot exceed 400% of the Group's equity.

The Group's exposure to a single entity or group of related entities, as well as exposure to the Group's own related parties, were within the prescribed limits.

53.13. Country Risk

Country risk relates to the risk of the country of origin of the entity the Group is exposed to, i.e. the possibility of negative effects on the Group's financial result and equity due to inability to collect receivables from abroad and is caused by political, economic and social conditions in the borrower's country of origin. Country risk includes the following risks:

- Political and economic risk relates to the likelihood of losses due to the inability to collect the Group's receivables because of deterioration in macroeconomic stability, due to limitations prescribed by government regulations or due to other structural changes in the economy of the given country;
- Transfer risk relates to the probability of losses due to the inability to collect receivables in a currency which is not the official currency in the borrower's country of origin, due to limitations to liability settlement toward creditors from other countries in specific currency that is predetermined by the official state regulations and bylaws of state and other bodies of the borrower's country of origin.

Management of country risk is made per individual loans and advances and at the Group's portfolio level. Measurement of exposure of an individual receivable to country risk is based on the country rating of the Group's borrower's country of origin as defined by internationally recognized agencies, while measurement of portfolio exposure to country risk is based on setting limits to exposure in terms of a percentage of the Group's equity, depending on the internal country rating category. The Group measures and controls portfolio exposure to country risk by grouping receivables by level of risk of the borrower's country of origin.

For the purpose of adequate country risk control, the Group defines exposure limits by countries or regions.

All amounts expressed in thousands of RSD, unless otherwise stated.

53. RISK MANAGEMENT (Continued)

53.14. Capital Management

The Banking Group manages capital on an ongoing basis in order to:

- Maintain the minimum regulatory capital requirement (EUR 10 million);
- Comply with the prescribed capital adequacy ratio (minimum 12%);
- Maintain customer trust in the safety and stability of the Bank's operations;
- Realize business and financial plans;
- Support the expected growth of loans and advances to customers;
- Ensure optimum future sources of funds and deployment thereof;
- Realize the dividend policy.

The Banking Group's regulatory capital represents the sum of the core capital and supplementary capital, reduced for deductible items. The capital adequacy ratio represents the Banking Group's capital relative to the sum of credit risk-weighted assets, foreign currency gap and operational risk exposure. Credit risk-weighted assets are determined pursuant to risk weights prescribed for all types of assets. Exposure to operational risk is determined by multiplying the reciprocal value of the prescribed capital adequacy ratio by the capital requirement for operational risk, which represent a three-year average of the product of exposure indicators for all lines of business by the prescribed capital requirement rates for each individual business line. The capital requirement for currency risk at the Banking Group level equals the sum of capital requirements for currency risk of all Banking Group members where the sum of the net open foreign currency balances and absolute open gold balances exceeds 2% of their respective capital balances.

Capital adequacy ratio

	2013	2012
Core capital	46,429,841	52,667,051
Supplementary capital	4,988,153	5,329,728
Deductible items	(11,233,079)	(10,799,045)
Capital	**40,184,914**	**47,197,734**
Credit risk-weighted assets	182,663,248	193,620,430
Operational risk exposure	18,409,608	16,716,267
Foreign exchange risk exposure	1,268,822	368,170
Capital adequacy ratio (min. 12%)	**19.86%**	**22.40%**

During 2013, the capital adequacy ratio was above the prescribed regulatory minimum of 12%.

Through its capital management strategy and plan, the Banking Group controls and ensures maintenance of the level and structure of the internal capital, which adequately supports increase in loans and advances, future sources of funding and their utilizations at the Group level, and changes in regulatory requirements.

As part of the system of capital management, the Capital Management Plan includes the following:

- Strategic goals and schedule for realization thereof;
- Manner of organizing the process of available internal capital management;
- Procedures for planning adequate levels of available internal capital;
- Manner of reaching and maintaining adequate levels of available internal capital; and
- The Business Continuity Plan in case of unforeseen events.

The Group continuously implements processes of internal assessment of capital adequacy in accordance with the nature, volume and complexity of its business operations and in compliance with the adopted Risk Management Strategy, individual risk management policies and Capital Management Strategy.

53. RISK MANAGEMENT (Continued)

53.14. Capital Management (Continued)

As a documented and continuous process, internal assessment of capital adequacy meets the following criteria:

- it is based on risk identification and measurement;
- it provides comprehensive assessment and monitoring of risks the Group is or may be exposed to;
- it provides adequate level of internally available capital according to the Banking Group's risk-weighted portfolio;
- it is included in the Banking Group's management system and decision making process; and
- it is subject to regular analysis, supervision and review.

Stages of the internal capital adequacy assessment at the Banking Group level include the following:

- determination of materially significant risks as per qualitative and quantitative criteria;
- calculation of the amounts of internal capital requirements;
- determination of the aggregate internal capital requirement;
- comparison of the following elements:
  - capital to available internal capital;
  - minimum prescribed capital requirements to internal capital requirements for individual risks; and
  - sum of the minimum capital requirements to the aggregate internal capital requirement.

54. EVENTS AFTER THE REPORTING PERIOD

Unreconciled Outstanding Item Statements

Based on the analysis of the regular annual inventory count performed as of December 31, 2013, the Group has unreconciled outstanding item statements in the amount of RSD 1,336 thousand. Outstanding item statements unreconciled with 31 customers mostly relate to the clients which contest the amount or the manner of calculation of interest and fees.

Unrealized Dividends

Unrealized dividend s for disbursement in 2014 total:

- RSD 37,015 thousand from the year 2013 (9.91 % of the individual par value of the preferred shares).
- RSD 567,605 thousand from the year 2013 (7% of the individual par value of the preferred convertible shares).

After the reporting date Komercijalna banka a.d., Budva acquired property in lieu of debt collection based on the loan approved to the companies:

MB BANKADA d.o.o., Budva in the amount of RSD 483,129 thousand; decision on the ultimate registration was enacted on October 31, 2013; however, as the enforceability clause, i.e. real estate folio underlying the ultimate registration of the Bank's ownership rights was obtained on January 17, 2014, it was on this date that all conditions were met for formal recording of property of MB BANKADA d.o.o., Budva as Bank's acquired assets;

CENEX MEDICAL Podgorica in the amount of RSD 15,302 thousand; decision on the ultimate registration was enacted on November 6, 2013; however, as the enforceability clause, i.e. real estate folio underlying the ultimate registration of the Bank's ownership rights was obtained on December 25, 2013, it was on this date that all conditions were met for formal recording of property of CENEX MEDICAL as Bank's acquired assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

55. SEGMENT REPORTING (Continued)

A. BALANCE SHEET
As of December 31, 2013

	Komercijalna banka a.d., Beograd	Komercijalna banka a.d., Budva	Komercijalna banka a.d., Banja Luka	KomBank Invest a.d., Beograd	Total
ASSETS					
Cash and cash equivalents	41,131,670	1,778,028	654,820	-	43,564,518
Revocable deposits and loans	53,395,120	512,927	2,328,105	-	56,236,152
Receivables arising from interest, fee and commission, trade, fair value adjustments of derivatives and other receivables	2,788,175	140,944	104,367	239	3,033,725
Loans and deposits to customers	183,350,661	6,851,620	11,006,614	-	201,208,895
Securities (excluding treasury shares)	57,001,465	1,276,512	996,840	105,038	59,379,855
Equity investments (interests)	573,222	66	-	-	573,288
Other investments	2,929,218	836	1,185	-	2,931,239
Intangible assets	537,445	18,357	33,122	86	589,010
Property, equipment and investment property	8,386,224	212,901	207,683	111	8,806,919
Non-current assets held for sale and assets of discontinued operations	71,630	-	4,338	-	75,968
Deferred tax assets	-	-	-	47	47
Other assets	7,342,165	1,458,894	60,579	294	8,861,932
Total assets	357,506,995	12,251,085	15,397,653	105,815	385,261,548
LIABILITIES AND EQUITY					
Transaction deposits	53,062,230	3,291,272	5,255,286	-	61,608,788
Other deposits	202,365,233	4,027,364	4,766,080	-	211,158,677
Borrowings	1,619,990	146,028	819,682	-	2,585,700
Interest, fee and commission payables and change in the value of derivatives	255,875	631	2,631	-	259,137
Provisions	765,132	44,357	25,463	359	835,311
Taxes payable	21,616	1,849	960	-	24,425
Tax and dividend payables	150,124	17,765	-	-	167,889
Deferred tax liabilities	10,156	2,975	-	-	13,131
Other liabilities	40,271,698	776,311	517,476	1,309	41,566,794
Total liabilities	298,522,054	8,308,552	11,387,578	1,668	318,219,852
EQUITY					
Share capital	40,034,550	-	59	-	40,034,609
Reserves retained from profit	16,635,440	180,380	248,008	-	17,063,828
Revaluation reserves	1,791,268	24,543	4,418	-	1,820,229
Unrealized losses on securities available-for-sale	187,011	-	-	-	187,011
Retained earnings	6,035,630	838,895	17,341	1,857	6,868,966
Accumulated losses not exceeding equity	-	-	-	24,757	-
Cumulative foreign exchange gains from translation of foreign operations	1,443,572	-	-	-	1,441,075
Cumulative foreign exchange losses from translation of foreign operations	-	178	2,319	-	-
TOTAL EQUITY	**65,753,449**	**1,043,640**	**267,507**	**(22,900)**	**67,041,696**
TOTAL LIABILITIES AND EQUITY	**364,275,503**	**9,352,192**	**11,655,085**	**(21,232)**	**385,261,548**
Non-controlling interests	-	-	63	-	63
OFF-BALANCE-SHEET ITEMS	**224,604,900**	**1,455,531**	**1,737,068**	**-**	**227,797,499**
Managed funds	5,402,256	37,422	-	-	5,439,678
Commitments	30,485,240	783,815	834,238	-	32,103,293
Other off-balance sheet items	188,717,404	634,294	902,830	-	190,254,528

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

55. SEGMENT REPORTING (Continued)

B. INCOME STATEMENT
Year Ended December 31, 2013

	Komercijalna banka a.d., Beograd	Komercijalna banka a.d., Budva	Komercijalna banka a.d., Banja Luka	KomBank Invest a.d., Beograd	Total
Interest income	22,028,002	788,557	826,657	14,515	23,657,731
Interest expenses	(9,093,199)	(173,664)	(251,375)	-	(9,518,238)
Net interest income	12,934,803	614,893	575,282	14,515	14,139,493
Fee and commission income	5,492,175	156,824	176,158	2,131	5,827,288
Fee and commission expenses	(927,770)	(25,777)	(43,742)	(718)	(998,007)
Net fee and commission income	4,564,405	131,047	132,416	1,413	4,829,281
Net gains on the sale of securities carried at fair value through profit and loss	16,340	-	-	-	16,340
Net gains on the sale of securities available for sale	1,738	-	-	-	1,738
Net gains on the sale of other investments	-	-	-	484	484
Net foreign exchange gains	-	2,807	9,136	9	-
Net foreign exchange losses	(956,429)	-	-	-	(944,477)
Dividend and other income from equity investments	4,127	-	-	-	4,127
Other operating income	337,919	9,067	8,987	26	355,999
Net impairment losses and provisions	(2,866,578)	(59,810)	(67,498)	(44)	(2,993,930)
Staff costs	(4,258,109)	(225,596)	(280,024)	(9,629)	(4,773,358)
Depreciation and amortization	(792,648)	(31,696)	(54,102)	(526)	(878,972)
Operating and other expenses	(5,519,630)	(262,618)	(297,927)	(5,726)	(6,085,901)
Net gains on the valuation of assets and liabilities	6,945,903	-	-	-	6,945,903
Net losses on the valuation of assets and liabilities	(6,216,085)	-	-	-	(6,216,085)
Profit /(loss) from continuing operations	4,195,756	178,094	26,270	522	4,400,642
Income taxes	-	(17,765)	(6,864)	(50)	(24,679)
Gains from creation of deferred tax assets and decrease in deferred tax liabilities	87,950	605	-	483	89,038
Losses on decrease in deferred tax assets and creation of deferred tax liabilities	-	(3,063)	-	-	(3,063)
NET PROFIT/(LOSS)	4,283,706	157,871	19,406	955	4,461,938
Non-controlling interests	-	-	-	-	-

All amounts expressed in thousands of RSD, unless otherwise stated.

56. EXCHANGE RATES

The official exchange rates for major currencies as determined in the interbank foreign exchange market and used in the translation of balance sheet components denominated in foreign currencies into dinars (RSD) as of December 31, 2013 and 2012 were as follows:

	Official NBS Exchange Rate		Average NBS Exchange Rate	
	2013	2012	2013	2012
USD	83.1282	86.1763		
EUR	114.6421	113.7183	113.0924	113.0415
CHF	93.5472	94.1922		
BAM	58.6156	58.1432	57.8232	57.7972

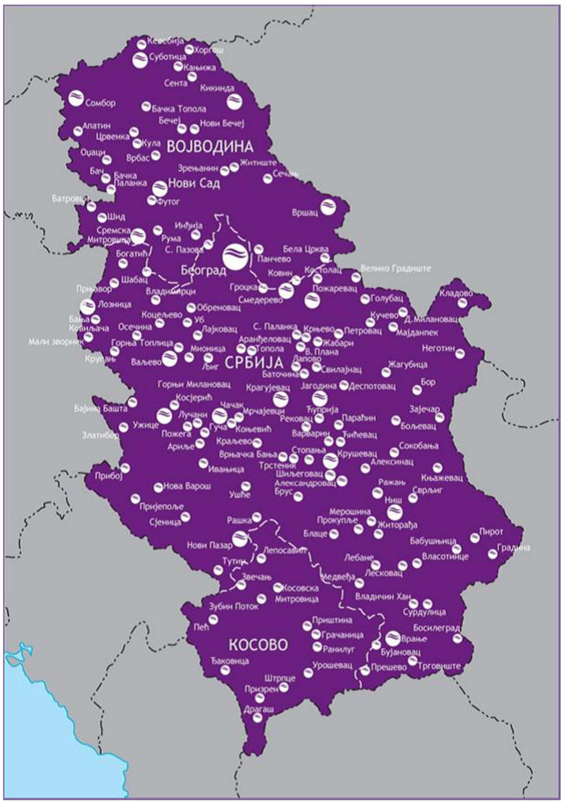
2. ANNUAL REPORT ON GROUP'S OPERATION

2.1. GROUP KOMERCIJALNA BANKA AD BEOGRAD

Parent bank Komercijalna banka AD Beograd

STREET	Svetog Save 14	Svetogorska 42-44	Kralja Petra 19	Makedonska 29
TELEPHONE	381 11- 30-80-100	381-11-32-40-911	381-11-33-08-002	381-11-33-39-001
TELEX	12133 COMBANK YU	12133 COMBANK YU	12133 COMBANK YU	12133 COMBANK YU
FAX	3442-372	32-36-160	32-82-732	33-39-196
S.W.I.F.T. code	KOBBRSBG	KOBBRSBG	KOBBRSBG	KOBBRSBG
REUTERS dealing code	KOMB	KOMB	KOMB	KOMB
INTERNET	*www.kombank.com*	*www.kombank.com*	*www.kombank.com*	*www.kombank.com*
INTERNET E - mail	*posta@kombank.com*	*posta@kombank.com*	*posta@kombank.com*	*posta@kombank.com*

	BRANCH	ADDRESS
1.	Kruševac	Trg fontana 1
2.	Niš	Episkopska 32
3.	Zrenjanin	Trg Slobode 5
4.	Čačak	Gradsko šetalište 10-14
5.	Kraljevo	Trg S. Ratnika bb
6.	Novi Pazar	Njegoševa 1
7.	Novi Sad	Novosadskog sajma 2
8.	Užice	Petra Ćelovića 4
9.	Vranje	Stefana Prvovenčanog 58
10.	Valjevo	Gradski Trg bb
11.	Subotica	Korzo 10
12.	Šabac	Gospodar Jevremova 2
13.	Kragujevac	Save Kovačevića 1
14.	Smederevo	Karađorđeva 37
15.	Požarevac	Moše Pijade 2
16.	Jagodina	Kneginje Milice 10
17.	Loznica	Gimnazijska 1
18.	S. Mitrovica	Kralja Petra I 5-7
19.	Zaječar	Nikole Pašića 25
20.	Kikinda	Braće Tatić 7
21.	Sombor	Staparski Put 14
22.	Vršac	Trg Svetog Teodora Vršačkog 2
23.	Beograd	Svetogorska 42 - 44
24.	K. Mitrovica	Kneza Miloša 27



Komercijalna banka AD Beograd, as a parent bank has:
- 2,966 employees,

- 233 outlets that organizationally belong to 24 regionally distributed branches

GROUP KOMERCIJALNA BANKA AD BEOGRAD

KOMERCIJALNA BANKA AD BEOGRAD – PARENT BANK

KOMERCIJALNA BANKA AD BUDVA REPUBLIC OF MONTENEGRO	**KOMERCIJALNA BANKA AD BANJA LUKA** BIH	**KOMBANK INVEST AD BEOGRAD** REPUBLIC OF SERBIA
100% owned by the Bank	99.998% owned by the Bank	100% owned by the Bank
Komercijalna banka AD Budva was founded in November 2002 as an affiliate of Komercijalna banka AD Beograd and was entered in the Central Register of the Commercial Court of Podgorica on 06 March, 2003.	Komercijalna banka AD Banja Luka was founded in September 2006, and on 15 September, 2006 was entered in the Court Register upon the Decision of the Basic Court in Banja Luka.	Investment fund management company KOMBANK INVEST was founded in December 2007 and registered on 5 February 2008.

	KOMERCIJALNA BANKA AD BUDVA	KOMERCIJALNA BANKA AD BANJA LUKA	KomBank INVEST AD BEOGRAD Investment Fund Management Company
STREET	Podkošljun bb	Veselina Masleše 6	Kralja Petra 19
TELEPHONE	00382-33-426-300	00387-51-244-700	011-330-8310

Republic of Montenegro

Komercijalna banka AD Budva has:

- 120 employees,

- 20 organizational units

Bosnia and Herzegovina

Komercijalna banka AD Banja Luka has:

- 143 employees,

- 17 organizational units

2.2. KEY PERFORMANCE INDICATORS OF THE GROUP

ITEM	2013	2012	2011	2010	2009
BALANCE SHEET					In 000 RSD
Balance-sheet assets (000 RSD)	385,261,548	343,170,521	292,679,098	272,203,483	219,355,286
percentage of growth	12.3%	17.3%	7.5%	24.1%	19.3%
Off-balance-sheet operations (000 RSD)	227,797,499	207,913,711	186,996,187	146,839,016	67,236,090
RETAIL					In 000 RSD
Loans (000 RSD)	73,125,444	66,301,426	57,293,037	54,247,405	41,737,138
percentage of growth	**10.3%**	15.7%	5.6%	30.0%	7.6%
Deposits (000 RSD)	192,137,029	168,251,976	145,353,867	133,000,714	107,732,941
percentage of growth	**14.2%**	15.8%	9.3%	23.5%	36.9%
CORPORATE					In 000 RSD
Loans (000 RSD)	134,849,909	143,090,089	120,060,887	113,600,657	96,509,718
percentage of growth	**-5.8%**	19.2%	5.7%	17.7%	9.3%
Deposits (000 RSD)	63,829,105	69,645,451	63,107,566	66,715,773	61,139,912
percentage of growth	**-8.4%**	10.4%	-5.7%	9.1%	7.1%
RATIO OF LOANS TO DEPOSITS					in percentage
Gross loans/deposits	**79.7%**	82.8%	80.6%	78.9%	76.9%
Net loans/deposits	**73.8%**	77.6%	77.6%	77.4%	69.8%
CAPITAL (000 RSD)	**67,041,696**	62,073,150	46,044,022	42,735,634	28,406,080
Capital adequacy ratio	19.86	22.40	18.27	18.73	15.80
Number of employees	**3,233**	3,254	3,282	3,343	3,401
Assets per employee (000 EUR)	1,039	927	852	772	673
PROFITABILITY INDICATORS					
Profit before tax (000 RSD)	**4,400,642**	4,424,450	3,987,990	3,171,743	2,095,118
ROA	1.2%	1.4%	1.4%	1.5%	1.0%
ROE – on total capital	6.8%	8.2%	9.0%	10.5%	7.7%
ROE – on share capital	**11.0%**	12.9%	14.0%	13.9%	12.3%
Net interest margin on total assets	**3.7%**	3.5%	3.7%	3.1%	3.2%
Net interest income (000 RSD)	14,139,493	12,133,439	10,930,909	8,372,843	7,100,445
Net fee and commission income (000 RSD)	4,829,281	4,830,274	4,668,720	4,094,571	3,745,536
Cost income ratio	**61,9%**	65,1%	64,4%	76,1%	81,5%
Operating expenses	11,738,231	11,040,394	10,039,654	9,488,317	8,841,080
Net FX gains (000 RSD)	**-214,659**	106,234	-271,628	1,396,377	1,205,776
Net expense for indirect loan write-off and provisions (000 RSD)	**-2,993,930**	-1,946,369	-1,488,299	-1,581,301	-1,547,405
Asset quality - NPL	**17.4%**	13.5%	11.1%	10.5%	14.2%
FX risk ratio	**17.16**	14.29	18.86	19.93	19.73
Cash flow (000 RSD)	**6,757,133**	5,368,681	6,569,862	4,022,920	2,880,727
SEGMENTS					
TOTAL ASSETS	**385,261,548**	343,170,521	292,679,098	272,203,483	219,355,286
Komercijalna banka AD Beograd	**357,506,995**	318,701,423	270,003,848	250,379,734	201,855,180
Komercijalna banka AD Budva	**12,251,085**	10,471,180	9,456,653	8,987,204	7,145,564
Komercijalna banka AD Banja Luka	**15,397,653**	13,895,956	13,119,415	12,720,668	10,332,050
KomBank INVEST AD Beograd	**105,815**	101,962	99,182	115,877	22,492

2.3. MACROECONOMIC OPERATING CONDITIONS

Members of the Group operate in three countries of Southeastern region of Europe: Serbia, Bosnia and Herzegovina and Montenegro with specific conditions which have influence to macroeconomic operating conditions.

Macroeconomic environments in which Group members operate, based on available data obtained from competent institution:

MACROECONOMIC OPERATING CONDITIONS 31.12.2012

Macroeconomic indicators	SERBIA	REPUBLIKA SRPSKA (BIH)	MONTENEGRO
Gross domestic product	Approx. 28.7 bn EUR	Approx. 4.4 bn EUR (BIH 13 bn EUR)	Approx. 3.3 bn EUR
Trend in GDP	Approx. Decrease 2%	Approx. Decrease 0.6% (BIH Decrease 0.2%)	Approx. Decrease 2.5%
Consumer price index	12.2%	2.0% (BIH 1.8%)	2.7%
Banking sector assets	Growth of 7.3%	Growth 8% (BIH Decrease 1.8%)	Decrease 0.1%
Functional currency	Depres.RSD/EUR 8.7%	Stable ex.rate - KM/EUR	Stabe ex. rate (EUR)
Industriial production	Decrease 2.9%	Decrease 4.2% (BIH 5.2%)	Decrease 7.1%
Foreign direct investments	Approx. 232 m EUR	Approx. 360 m EUR (BIH 346 m EUR)	Approx. 454 m EUR
NPL of the banking sector	18.6%	14.12% (BIH 13.2%)	17.6%
Unemployment	22.4%	25.6% (BIH 28.0%)	20.2%

MACROECONOMIC OPERATING CONDITIONS 31.12.2013

Macroeconomic indicators	SERBIA	REPUBLIC OF SRPSKA (BIH)	MONTENEGRO
Gross domestic product	Approx. 32.8 bn EUR - assessment	Approx. 4.5 bn EUR (BIH 13.16 bn EUR)	Approx. 3.3 bn EUR
Trends in GDP	Approx. 2%	Approx. Decrease 1.8% (BIH Decrease 1.7%)	2.6%
Consumer price index	2.2%	0% (BIH Decrease 0.1%)	2.2%
Banking sector assets	Growth 0.9%	Growth 5% (BIH 5.1%)	Growth 5.4%
Functional currency	Deprec.RSD/EUR 0.8%	Stable ex. rate - KM/EUR	Stable ex. rate (EUR)
Industrial production	Growth 5.5%	Growth 4.1% (BIH 6.7%)	Growth 10.6%
Foreign direct investments	Approx. 642.8 m EUR	Approx. 181.1 m EUR (BIH 210.95 m EUR)	Approx. 323.9 m EUR
NPL of the banking sector	20.6%	16.10% (BIH 14.9%)	18.39%
Unemployment	20.1%	27% (BIH 27.5%)	14.9%

Compared with 31/12/2012, the biggest change in macroeconomic environments which can have influence on business of Group members in next period, reflected in the increase in NPLs of the banking sector in all three countries, while at the same time saw a slight positive trend in industrial production growth and reducing unemployment. Concurrently, on all markets are evident low level of foreign direct investments.

2.4. OPERATIONS OF THE GROUP KOMERCIJALNA BANKA AD BEOGRAD

ITEM	2013	2012	2011	2010	2009
BALANCE SHEET					
Balance-sheet assets (000 RSD)	385,261,548	343,170,521	292,679,098	272,203,483	219,355,286
percentage of growth	12.3%	17.3%	7.5%	24.1%	19.3%
Off-balance-sheet operations (000 RSD)	227,797,499	207,913,711	186,996,187	146,839,016	67,236,090

As at 31.12.2013 the Group's balance-sheet assets amounted to RSD 385,261.5 million and was increased by RSD 42,091.0 million or 12.3% compared to the end of the previous year.

Off-balance sheet assets increased by 9.6% in 2013 and amounted to RSD 227,797.5 million at the end of the year.

ITEM	2013	2012	2011	2010	2009
LOANS AND DEPOSITS TO CUSTOMERS	**201,208,895**	194,416,122	169,380,487	163,214,267	124,558,724
Percentage of growth	**3.5%**	14.8%	3.8%	31.0%	6.8%
Quality of assets - share of NPLs	***17.4%***	13.5%	11.1%	10.5%	14.2%
DEPOSITS	**272,767,465**	250,485,242	219,922,916	212,627,373	179,789,819
Percentage of growth	**8.9%**	13.9%	3.4%	18.3%	24.3%

In 2013 the Group granted loans to customers in the amount of RSD 201,208.9 million, which is 3.5% above the achievement at the end of 2012. At the same time the share of NPLs in total loans was slightly changed (17.4%). In the same period the Group achieved a deposits growth of 8.9%.

(IN 000 RSD)

ITEM	2013	2012	2011	2010	2009
PROFIT BEFORE TAX	4,400,642	4,424,450	3,987,990	3,171,743	2,095,118
INTERESTS PROFIT	14,139,493	12,133,439	10,930,909	8,372,843	7,100,445
FEE AND COMMISSION PROFIT	4,829,281	4,830,274	4,668,720	4,094,571	3,745,536
OPERATING EXPENSES	11,738,231	11,040,394	10,039,654	9,488,317	8,841,080
PROFITABILITY INDICATORS:					
ROA – profit / average BS assets	1.2%	1.4%	1.4%	1.5%	1.0%
ROE – profit / average total capital	6.8%	8.2%	9.0%	10.5%	7.7%
ROE – profit / average share capital	**11.0%**	12.9%	14.0%	13.9%	12.3%
CIR = OPEX / net interest and fees	**61.9%**	65.1%	64.4%	76.1%	81.5%

For the purpose of preparing the consolidated financial statements, separate audited financial statements of subordinated banks and the Company have been adapted for the presentation of financial statements in accordance with:

- accounting regulations of the Republic of Serbia,
- internal by-laws of the Parent Bank - Komercijalna banka AD Beograd and
- relevant IAS and IFRS.

In the conducted consolidation procedure the following have been fully consolidated:

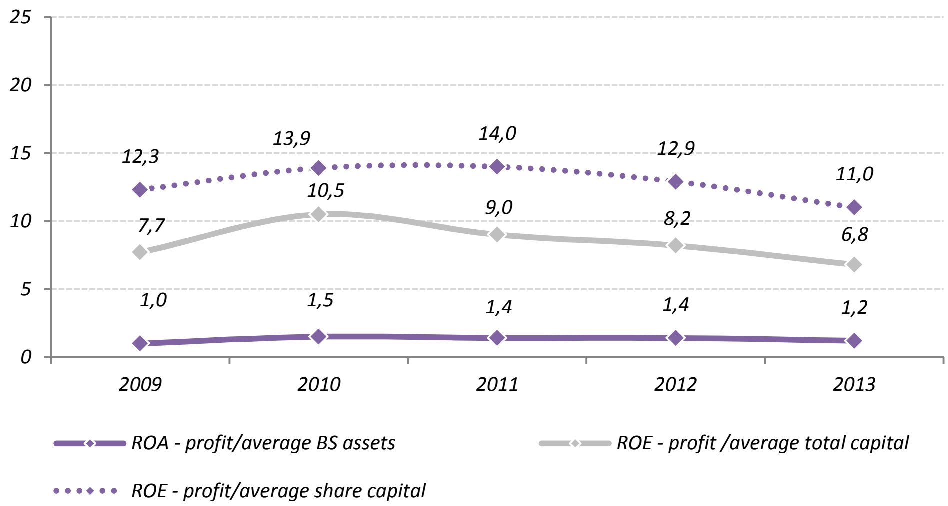
- the amount of the Parent Bank's share in equity of the subsidiary banks and equity of the Company at the initial exchange rate of the investment (5,480.9 million dinars),

- internal receivables and liabilities between the Group members (836.6 million dinars),
- internal income and expenses between all Group members (net positive effect of 3.7 million dinars),
- unrealized internal gains (not achieved) and
- unrealized internal losses (not achieved).

In the consolidation procedure the Group's capital increased by unrealized losses from currency conversions related to foreign operations in the amount of RSD 1,441.1 million (of this amount, gains from currency conversion of permanent investments in member banks of the Group account for RSD 1,315.1 million and are not recognized in individual financial statements of the Parent bank).

Group profit before tax in 000 RSD

Profitability indicators in %



Despite the negative effect of the global financial crisis, the Group achieved a significant profitability in 2013. Realized profit of the Group for the period from 01.01 to 31.12.2013 amounted to RSD 4,400.6 million, which resulted in return on total capital of 6.8% and return on share capital of 11.0%.

Cost Income Ratio decreased from 65.1% as of 31.12.2012 to 61.9% as of 31.12.2013 (decrease of 3.2 percentage points) thanks to the decrease in expenses and increase in net interest income.

2.5. BALANCE SHEET CONSOLIDATED AS AT 31.12.2013

2.5.1. CONSOLIDATED ASSETS AS AT 31.12.2013

(IN 000 RSD)

No.	ITEM	31.12.2013	31.12.2012	INDICES	% OF SHARE AS AT 31.12.2013
1	2	3	4	5=(3:4)*100	6
1.	Cash and cash equivalents	43,564,518	42,052,826	103.6	11.3%
2.	Callable deposits and loans	56,236,152	45,826,369	122.7	14.6%
3.	Interest, compensation, sale, change of fair value of derivative instruments and other receivables	3,033,725	1,744,180	173.9	0.8%
4.	Loans and deposits to customers	201,208,895	194,416,122	103.5	52.2%
5.	Securities (other than treasury)	59,379,855	42,216,159	140.7	15.4%
6.	Shares (participation) in non affiliated legal entities	573,288	436,210	131.4	0.1%
7.	Other investments	2,931,239	3,230,128	90.7	0.8%
8.	Intangible investments	589,010	644,837	91.3	0.2%
9.	Fixed assets and investment property	8,806,919	7,871,320	111.9	2.3%
10.	Permanent assets for sale and assets of businesses to be ceased	75,968	78,763	96.5	0.0%
11.	Deferred tax assets	47	4,896	1.0	0.0%
12.	Other assets	8,861,932	4,648,711	190.6	2.3%
	TOTAL ASSETS (from 1 to 12)	**385,261,548**	**343,170,521**	112.3	**100.0%**

In 2013 the Group's balance-sheet assets increased by RSD 42,091.0 million or 12.3%. Loans to customers increased by RSD 6,792.8 million or 3.5%. As of 31.12.2013 total loans to customers amounted to RSD 201,208.9 million, which is 52.2% of the total balance-sheet assets.

Callable deposits and loans recorded a significant increase in the reporting period of the current year, an increase in the amount of RSD 10,409.8 million or 22.7%, as a result of the Parent bank's greater investment in repo securities.

Receivables for interest fee and sale recorded a growth in the reporting period of RSD 1,289.5 million or 73.9%.

2.5.2. CONSOLIDATED LIABILITIES AS AT 31.12.2013

(IN 000 RSD)

No.	ITEM	31.12.2013	31.12.2012	INDICES	% OF SHARE AS AT 31.12.2013
1	2	3	4	5=(3:4)*100	6
1.	Transaction deposits	61,608,788	45,840,849	134.4	16.0%
2.	Other deposits	211,158,677	204,644,393	103.2	54.8%
3.	Borrowings	2,585,700	1,411,962	183.1	0.7%
4.	Securities related liabilities	-	-	-	-
5.	Liabilities for interests, compensations and change of derivative instruments value	259,137	191,129	135.6	0.1%
6.	Provisions	835,311	2,406,634	34.7	0.2%
7.	Tax liabilities	24,425	24,571	99.4	0.0%
8.	Liabilities from profit	167,889	105,081	159.8	0.0%
9.	Deferred tax liabilities	13,131	948	1.385.1	0.0%
10.	Other liabilities	41,566,794	26,471,804	157.0	10.8%
11.	**TOTAL LIABILITIES (from 1. to 10.)**	**318,219,852**	**281,097,371**	113.2	**82.6%**
12.	Share capital and issue premium	40,034,609	40,034,608	100.0	10.4%
13.	Reserves from profit	17,063,828	15,149,322	112.6	4.4%
14.	Revaluation reserves	1,820,229	867,774	209.8	0.5%
15.	Unrealized losses from securities available for sale	-187,011	-7,016	2.665.5	0.0%
16.	Profit	6,868,966	4,640,008	148.0	1.8%
17.	Positive cumulative differentials from quotation of foreign operations	1,441,075	1,388,454	103.8	0.4%
18.	**TOTAL CAPITAL (from 12. to 17.)**	**67,041,696**	**62,073,150**	108.0	**17.4%**
	TOTAL LIABILITIES (11+18)	**385,261,548**	**343,170,521**	112.3	**100%**
	Majority owners interest	**63**	**62**	101.6	-
	OFF – BALANCE SHEET POSITIONS (from 19. to 22.)	**227,797,499**	**207,913,711**	109.6	**100%**
19.	Transaction for and behalf of third parties	5,439,678	5,050,021	107.7	2.4%
20.	Assumed future liabilities	32,103,293	43,695,943	73.5	14.1%
21.	Derivative instruments	-	-	-	-
22.	Other non balance sheet positions	190,254,528	159,167,747	119.5	83.5%

At the end of 2013 total liabilities amounted to RSD 318,219.9 million and accounted for 82.6% of total liabilities (31.12.2012: 81.9%). Concurrently, total capital, in the amount of RSD 67,041.7 million accounted for 17.4% (31.12.2012: 18.1%) of total liabilities. Compared to the end of the previous year, total liabilities increased by RSD 37,122.5 million or 13.2%, while the total capital increased by RSD 4,968.5 million or 8.0%

In the structure of balance sheet liabilities, deposits from customers (transaction and other deposits) amounted to RSD 272,767.5 million, which means they accounted for 70.8% of total balance sheet liabilities and saw an increase of RSD 22,282.2 million, or 8.9%.

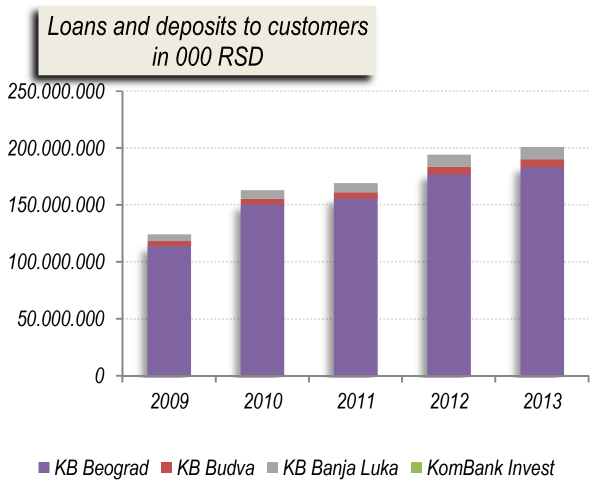
Increase in other deposits is attributable primarily to increased retail FX savings.
Other liabilities included a subordinated loan in the amount of RSD 5,732.1 million and credit lines in the amount of RSD 27,636.2. The credit lines were intended primarily for loans to SMEs to finance exports, purchase of permanent working assets, equipment and machinery and other purposes.

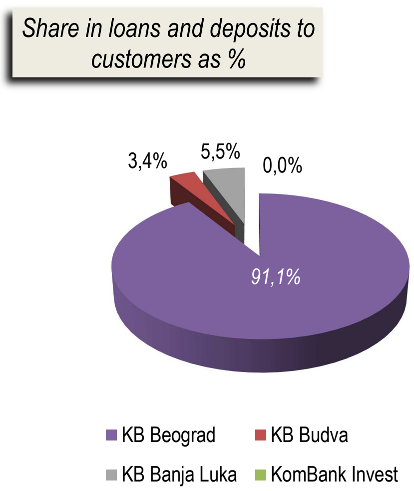
2.5.3. Loans and deposits to customers and deposits from customers as at 31.12.2013

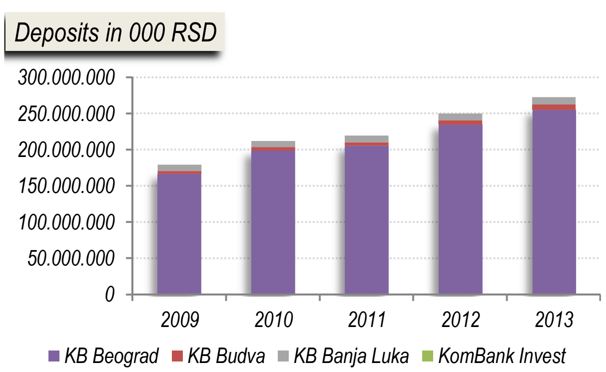
(IN 000 RSD)

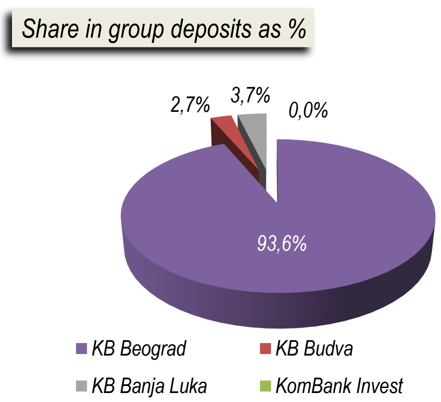
ITEM	2013	2012	2011	2010	2009
LOANS AND DEPOSITS TO CUSTOMERS	**201,208,895**	194,416,122	169,380,487	163,214,267	124,558,724
Percentage of growth	**3.5%**	14.8%	3.8%	31.0%	6.8%
Komercijalna banka AD Beograd	**183,350,661**	177,106,865	155,719,207	150,566,311	114,051,469
Komercijalna banka AD Budva	**6,851,620**	6,623,881	5,615,791	5,179,892	4,633,476
Komercijalna banka AD Banja Luka	**11,006,614**	10,685,376	8,045,489	7,468,064	5,873,779
KomBank INVEST AD Beograd	**-**	-	-	-	-
DEPOSITS	**272,767,465**	250,485,242	219,922,916	212,627,373	179,789,819
Percentage of growth	**8.9%**	13.9%	3.4%	18.3%	24.3%
Komercijalna banka AD Beograd	**255,427,463**	235,009,950	205,917,714	199,072,251	167,094,451
Komercijalna banka AD Budva	**7,318,636**	6,113,520	4,932,913	4,768,923	3,645,389
Komercijalna banka AD Banja Luka	**10,021,366**	9,361,772	9,072,289	8,786,199	9,049,979
KomBank INVEST AD Beograd	**-**	-	**-**	**-**	**-**

Komercijalna banka AD Beograd dominates in the structure of loans (91.1%) and deposits (93.6%) as at 31.12.2013.









2.5.4. Balance sheet consolidated as at 31.12.2013 – segments

(IN 000 RSD)

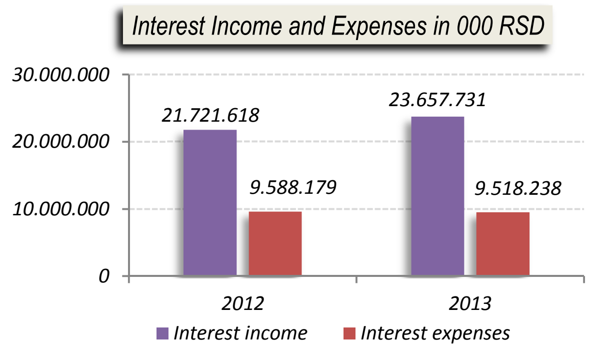
	ITEM	KB Beograd	KB Budva	KB Banja Luka	KomBank INVEST	TOTAL GROUP
1	2	3	4	5	6	7
	Item / ASSETS					
1	Cash and cash equivalents	41,131,670	1,778,028	654,820	0	43,564,518
2	Callable deposits and loans	53,395,120	512,927	2,328,105	0	56,236,152
3	Interest and fee receivables	2,788,175	140,944	104,367	239	3,033,725
4	Loans and deposits to customers	183,350,661	6,851,620	11,006,614	0	201,208,895
5	Investment in securities	57,574,687	1,276,578	996,840	105,038	59,953,143
6	Other investments	2,929,218	836	1,185	0	2,931,239
7	Fixed assets, intangible assets and investment property	8,923,669	231,258	240,805	197	9,395,929
8	Other assets	7,413,795	1,458,894	64,917	341	8,937,947
9	**TOTAL ASSETS (1 to 8)**	**357,506,995**	**12,251,085**	**15,397,653**	**105,815**	**385,261,548**
	Item / LIABILITIES					
10	Deposits	255,427,463	7,318,636	10,021,366	0	272,767,465
11	Borrowings	1,619,990	146,028	819,682	0	2,585,700
12	Liabilities for interest	255,875	631	2,631	0	259,137
13	Provisioning	765,132	44,357	25,463	359	835,311
14	Other liabilities	40,453,594	798,900	518,436	1,309	41,772,239
15	**TOTAL LIABILITIES (10 to 14)**	**298,522,054**	**8,308,552**	**11,387,578**	**1,668**	**318,219,852**
16	Capital and reserves	65,753,449	1,043,640	267,507	-22,900	67,041,696
17	**TOTAL LIABILITIES (15+16)**	**364,275,503**	**9,352,192**	**11,655,085**	**-21,232**	**385,261,548**
I	**Assets per segment**	**357,506,995**	**12,251,085**	**15,397,653**	**105,815**	**385,261,548**
	Structure of adjusted items					
-	Consolidated cash	-6,124	-145,908	-9,227	-13	-161,272
-	Consolidated deposits to customers	0	-2,006	0	-12,927	-14,933
-	Consolidated loans to customers	-653,460	0	0	0	-653,460
-	Consolidated interest receivables	0	0	0	-13	-13
-	Consolidated accrued interest and other	-6,899	0	0	0	-6,899
-	Consolidated holdings in equity	-5,480,888	0	0	0	-5,480,888
II	**Assets in separate Balance Sheets**	**363,654,366**	**12,398,999**	**15,406,880**	**118,768**	**391,579,013**
I	**Liabilities per segment**	**364,275,503**	**9,352,192**	**11,655,085**	**-21,232**	**385,261,548**
	Structure of adjusted items					
-	Consolidated deposits	-170,081	-3,137	-2,987	0	-176,205
-	Consolidated borrowings	0	-424,176	-229,284	0	-653,460
-	Consolidated liabilities for interest and other	-13	-4,252	-2,646	-1	-6,912
-	Consolidated capital	1,315,085	-3,139,096	-3,516,877	-140,000	-5,480,888
-	Intragroup dividends	-523,854	523,854	0	0	0
II	**Liabilities in separate Balance Sheets**	**363,654,366**	**12,398,999**	**15,406,879**	**118,769**	**391,579,013**
III	Balance-sheet total in original currency	363,654,366 (000 RSD)	108,183 (000 EUR)	262,846 (000 KM)	118,769 (000 RSD)	

2.6. PROFIT AND LOSS ACCOUNT – CONSOLIDATED FOR 2013

(IN 000 RSD)

No.	ITEM	31.12.2013	31.12.2012	*INDICES (3:4)*100*
1	2	3	4	5
	OPERATING INCOME AND EXPENSES			
1.1.	Interest income	23,657,731	21,721,618	108.9
1.2.	Interest expenses	-9,518,238	-9,588,179	99.3
1.	**Interest gains**	**14,139,493**	**12,133,439**	116.5
2.1.	Fee and commission income	5,827,288	5,671,372	102.7
2.2.	Fee and commission expenses	-998,007	-841,098	118.7
2.	**Fee and commission gains**	**4,829,281**	**4,830,274**	100.0
3.	Net profit / loss from sale of securities at fair value through income statement	16,340	890	1.836.0
4.	Nat profit / loss from sale of securities available for sale	1,738	83,895	2.1
5.	Net profit / loss from sale of securities held to maturity	-	-	-
6.	Net profit / loss from sale of equity holding (share)	-	-	-
7.	Net profit / loss from sale of other loans and advances	484	2,124	22.8
8.	Net profit / loss from exchange rate differentials and valuation adjustment of assets and liabilities	-214,659	106,234	-202.1
9.	Income from dividends and equity holdings	4,127	2,251	183.3
10.	Other operating income	355,999	252,106	141.2
11.	Net income / expense from indirect loan write-off and provisions	-2,993,930	-1,946,369	153.8
12.	Cost of salaries, benefits and other personal expenses	-4,773,358	-4,708,699	101.4
13.	Depreciation costs	-878,972	-842,991	104.3
14.	Operating and other business expenses	-6,085,901	-5,488,704	110.9
15.	**RESULT FOR THE PERIOD – PROFIT BEFORE TAX (from 1 to 14)**	**4,400,642**	**4,424,450**	99.5
16.	Profit tax	-24,679	-499,462	4.9
17.	Profit from increased deferred tax assets and decreased deferred tax liabilities	89,038	33,549	265.4
18.	Loss from decreased deferred tax assets and increased deferred tax liabilities	-3,063	-12,218	25.1
19.	**PROFIT (15+16+17+18)**	**4,461,938**	**3,946,319**	113.1
20.	Net profit of minor investors	-	1	0.0
21.	**Net profit of owners of parent legal entity**	**4,461,938**	**3,946,318**	113.1

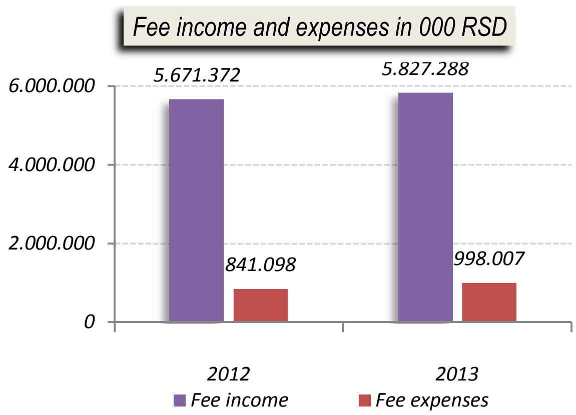
2.6.1. Interest income and expenses



Interest gains amounted to RSD 14,139.5 million, which is a year-on-year increase of 16.5%.

Interest income increased by RSD 1,936.1 million year-on-year or 8.9%, while interest expenses decreased by RSD 69.9 million or 0.7%.

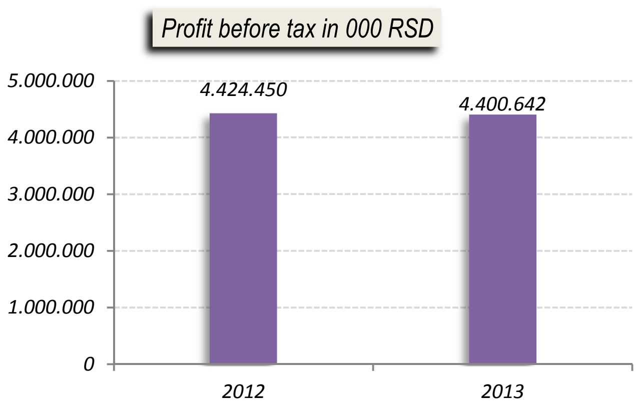
2.6.2. Fee and commission income and expenses



Compared to the previous year, fee and commission income was higher by RSD 155.9 million or 2.7%, while fee and commission expenses increased by RSD 156.9 million or 18.7%.

In 2013 fee and commission gains reached RSD 4,829.3 million and were lower than in the previous year by 0.02%.

2.6.3. Profit before tax



In 2013 the Group realized an operating profit of RSD 4,400.6 million, which was a year-on-year decrease of 0.5%.

Realized operating profit resulted in return on total capital of 6.8% and return on share capital of 11.0% in 2013.

2.6.4. Profit and loss account – consolidated for 2013 – segments

(IN 000 RSD)

	ITEM	KB Beograd	KB Budva	KB Banja Luka	KomBank INVEST	TOTAL GROUP
1	2	3	4	5	6	7
1	Interest income	22,028,002	788,557	826,657	14,515	23,657,731
2	Interest expenses	-9,093,199	-173,664	-251,375	0	-9,518,238
3	**Net interest income/expenses (1+2)**	**12,934,803**	**614,893**	**575,282**	**14,515**	**14,139,493**
4	Fee income	5,492,175	156,824	176,158	2,131	5,827,288
5	Fee expenses	-927,770	-25,777	-43,742	-718	-998,007
6	**Net fee income/expenses (4+5)**	**4,564,405**	**131,047**	**132,416**	**1,413**	**4,829,281**
7	**Other operating income**	**360,124**	**9,067**	**8,987**	**510**	**378,688**
8	**Net income/expense from indirect loan write-off**	**-2,866,578**	**-59,810**	**-67,498**	**-44**	**-2,993,930**
9	Cost of gross salaries	-4,258,109	-225,596	-280,024	-9,629	-4,773,358
10	Other operating expenses	-6,312,278	-294,314	-352,029	-6,252	-6,964,873
11	**Operating expenses (9+10)**	**-10,570,387**	**-519,910**	**-632,053**	**-15,881**	**-11,738,231**
12	**Net FX differentials and the effect of the FX clause**	**-226,611**	**2,807**	**9,136**	**9**	**-214,659**
I	**RESULT PER SEGMENT (3+6+7+8+11+12)**	**4,195,756**	**178,094**	**26,270**	**522**	**4,400,642**
	Structure of adjusted items					
-	Consolidated net interest	-5,469	4,196	2,220	-947	0
-	Consolidated net fees	-743	558	138	47	0
-	Dividends paid to the Parent bank	-387,597	0	0	0	-387,597
-	Exchange rate differentials from internal relations	1,190	177	2,322	-2	3,687
II	**Result in separate Income Statements**	**4,588,375**	**173,163**	**21,590**	**1,424**	**4,784,552**
III	Result in original currency	4,588,375 (000 RSD)	1,531 (000 EUR)	373 (000 KM)	1,424 (000 RSD)	

Consolidation procedure requires that all items from internal business transactions: interest, fees, commission and other income/expenses be eliminated from separate income statements.

Total gross result of the Group of RSD 4,784.6 million was increased by net FX loss of RSD 3.7 million, realized in the internal relations among Group members and presented in separate income statements for the period 01.01.2013 to 31.12.2013 and are classified as capital, in accordance with the relevant IAS and decreased for dividends paid by Komercijalna banka AD Budva to the Parent bank in the amount of RSD 387.6 milion.

In 2013 the Group Komercijalna banka AD Beograd recorded a profit in the amount of RSD 4,400.6 million, which is a year-on-year slight decrease of 0.5%.

(IN 000 RSD)

Total unconsolidated profit in Income Statement	Consolidation amount from the Income Statement		Consolidated profit
	income	expenses	
4,784,552	**397,068**	**13,158**	**4,400,642**

2.7. REALISATION OF THE BUSINESS PLAN FOR 2013

Implementation of the Group members Strategy and Business Plans in 2013 was carried out in local macroeconomic environment which was characterized in particular by the following:

- Realisation of the Strategy and Business plan of Komercijalna banka AD Beograd – the Parent bank

Under unfavourable operating conditions, in 2013 the Bank took steps to ensure safe operations and sustainable growth in accordance with its Strategy and Business Plan. Banking sector performance in 2013 was shaped predominantly by the constant upward tendency of credit risk, in particular for loans to corporate clients, coupled with lower demand for loans. These unfavourable tendencies were particularly pronounced in the second semester of 2013. Under such operating conditions, the Bank placed great emphasis on permanent monitoring and assessment of the risk level of its loan portfolio.

To hedge against credit risk, the Bank implemented a policy of securing the necessary level of allowance for impairment to reflect the increased credit risk, which resulted in expenses for allowance for impairment which exceeded by far those planned for 2013 on this basis (RSD 1,499 million RSD or 109.5% higher).

Targets	Achieved in 2013	Planned for 2013
Assets growth	12.2%	12.3%
Profit (RSD million)	4,588	5,487
Net interest margin (net interest income / total assets)	3.7%	3.6%
ROA	1.3%	1.6%
ROE – on share capital	11.5%	13.7%
ROE – on total equity	7.3%	9.0%
CIR	58.0%	64.0%
NPL	17.5%	13.5%

Assets growth reached the planned level, which can be attributed primarily to the higher-than-planned inflow of retail deposits, as well as the decision of corporate clients not to withdraw a portion of their deposits despite the absence of the planned depreciation of RSD. Market share remained at 12%.

Detailed information on the implementation of the Business plan of Komercijalna banka AD Beograd is presented in its Annual report of a public company in 2013 (in item 2.9).

- Realisation of the Strategy and Business plan of Komercijalna banka AD Budva

Komercijalna banka AD Budva has achieved the planned values in some categories, while in certain positions there was a deviation from the planned values determined by the Annual Plan for 2013:

No.	ITEM	Achieved in 2013 IN 000 EUR	Planned for 2013 IN 000 EUR	INDICES (3:4)*100
1	2	3	4	5
1	TOTAL ASSETS	108,183	100,646	107.5
2	Loans and deposits to clients	59,725	69,620	85.8
3	Deposits	63,866	57,757	100.6
4	TOTAL LIABILITIES	76,248	65,720	116.0
5.1.	Interest income	6,751	6,583	102.6
5.2.	Interest expenses	-1,573	-1,406	111.9
5	Interest profit (5.1.-5.2)	5,178	5,177	100.0
6.1.	Fee s and compensations income	1,660	1,631	101.8
6.2.	Fee s and compensations expenses	-491	-350	140.3
6	Fee s and compensations profit (6.1.-6.2.)	1,169	1,281	91.3
7	Net FX differentials and the effect of the FX clause	24	36	66.7
8	Operating and other business income	206	35	588.6
9	Net income/expenses from indirect write-off of advances and provisions	-633	-1,078	58.7
10	Operating and other business expenses	-4,413	-4,335	101.8
11	OPERATING PROFIT	1,355	1,116	121.4

- Realisation of the Strategy and Business plan of Komercijalna banka AD Banja Luka

Despite the adverse macroeconomic business conditions in 2013, generally worse economic and commercial situation, the Bank was trying to maintain competitiveness and financial stability in the market.
The Bank did not achieve the projected result for 2013, due to the difficulty of the Economy of the Republic of Srpska, indebtedness of the population, reduction of economic growth, as well as a small number of high quality projects that the Bank could be determined in lending, which is generally characterized the banking market in the region in 2013:

No.	ITEM	Achieved in 2013 IN 000 BAM	Planned for 2013 IN 000 BAM	INDICES (3:4)*100
1	2	3	4	5
1	TOTAL ASSETS	262,846	269,192	97.6
2	Loans and deposits to clients	187,520	220,480	85.1
3	Deposits	171,042	175,333	97.6
4	TOTAL LIABILITIES	198,283	202,242	98.0
5.1.	Interest income	14,303	16,923	84.5
5.2.	Interest expenses	-4,392	-4,707	93.3
5	Interest profit (5.1.-5.2)	9,911	12,216	81.1
6.1.	Fee s and compensations income	3,052	3,789	80.5
6.2.	Fee s and compensations expenses	-764	-747	102.3
6	Fee s and compensations profit (6.1.-6.2.)	2,288	3,042	75.2
7	Net FX differentials and the effect of the FX clause	118	185	63.8
8	Operating and other business income	154	75	205.3
9	Net income/expenses from indirect write-off of advances and provisions	-1,167	-2,000	58.4
10	Operating and other business expenses	-10,931	-11,188	97.7
11	OPERATING PROFIT	373	2,330	16.0

3. CREDIBLE PRESENTATION OF THE GROUP'S DEVELOPMENT AND BUSINESS RESULTS, AND ESPECIALLY THE FINANCIAL STATE OF THE GROUP, AS WELL AS THE DATA RELEVANT FOR THE ASSESSMENT OF THE STATE OF THE GROUP'S ASSETS

3.1. Overview of the development

Detailed overview of the Group's development was explained in items 2.2. and 2.4. of the Annual Report on Group's operation.

3.2. Overview of the business results

Detailed overview of the Group's business results is shown in item 2.6. of the Annual Report on Group's operation.

3.3. Financial status of the Group

Financial status of the Group is shown in the balance-sheet and profit and loss account, items 2.5. and 2.6. of the Annual Report on Group's operation.

3.4. The data relevant for the assessment of the state of the assets

The Group's assets, as at 31.12.2013 are shown in detail in note 30, 31. i 33 in the Notes to consolidated financial statements, as well in note 3. in which are presented significant accounting policies and key accounting estimates and assumptions.

4. DESCRIPTION OF THE ANTICIPATED DEVELOPMENT IN THE UPCOMING PERIOD, CHANGE IN THE GROUP'S OPERATING POLICIES AND A DESCRIPTION OF KEY RISKS AND THREATS THE GROUP'S OPERATIONS ARE EXPOSED TO

4.1. Description of anticipated development in the upcoming period

At its meeting held on 23.01.2014 the General Meeting of Parent bank's Shareholders approved the "Strategy and Business Plan for the period 2014-2016", thus continuing the practice of three-year development. As the starting point of the strategy that was adopted in January of this year, a document entitled "Strategy and Business Plan for the period 2014-2016" was taken, this contained the values that were used up as the drafting basis of the most recent document, with the necessary corrections and adjustments of the previously projected values. When setting up the basic strategic objectives for the next period, a stable and sustainable business, primarily through the defending the interest margins and maintaining the quality of the portfolio, was set in the focus of the monitoring.

4.2. Description of changes in the Group's operating policies

In the course of 2013, the Parent bank did not change its Business Policy. Business Policy was adopted by the General Meeting of Parent bank's Shareholders on 26.01.2012.

Business policy determined the basic principles of business and defined tasks performed by the Parent bank in order to meet business performance and priorities defined by the current strategy and business plan, which is based on:

- The Parent bank's position on the financial market and the gained confidence of customers
- Projections of key macro-economic policy parameters
- Parent bank's development goals.

Policy of the Parent bank is aligned with the risk management strategy and capital management strategy, as well as individual risk management policies.

The banks, members of the Group, operate independently, according to market principles, by applying the rules of liquidity, profitability and security, while respecting the laws, regulations, and general principles of banking business in achieving their objectives in a socially responsible manner, in accordance with the fundamental values and business ethics.

4.3. Description of key risks and threats the Group's operations are exposed to

The Group has recognized risk management process as the key element of business management given that risk exposure is an inseparable part of banking and is managed through a process of continued identification, measurement, monitoring, mitigation, control and reporting, i.e. setting of risk limits and through other types of control, including reporting in accordance with adopted strategies and policies.

The Group has established a comprehensive and reliable risk management system that includes: risk management strategies, policies and procedures, appropriate organizational structure, effective and efficient process of managing all risks it is exposed to, adequate system of internal controls adequate information system and process of internal capital adequacy assessment.

The basic objectives that the Group set for the risk management system in its internally adopted acts on risk management strategy and capital management strategy are the following: minimizing the negative effects on financial result and equity within acceptable risk levels, maintaining the required level of capital adequacy, developing activities in accordance with business opportunities and market development with a view to gaining competitive advantage.

Credit risk represents the risk of negative effects on the Group's financial result and capital arising from debtors' inability to settle the matured liabilities to the Group. Each Group member's credit risk depends on the debtor creditworthiness, its regularity in settling liabilities due to the Bank and collateral quality.

The level of credit risk exposure acceptable to the Group is in line with the defined risk management strategy and depends on the Group's portfolio structure based on which negative effects on the Group's financial result is limited and capital requirements for credit risk, settlement/delivery and counterparty risk are minimized in order to maintain capital adequacy at an acceptable level. The Group members approve loans to (corporate and retail clients) which are estimated as creditworthy. On the other hand, the Group members do not make high-risk investments such as investments in highly profitable projects with significant risk levels.

Liquidity risk represents the risk of negative effects on the Group's financial result and equity resulting from the Group's difficulty or inability to settle its matured liabilities in instances of insufficient liquidity reserves and inability to cover for unexpected outflows and other liabilities.

The Group operates in accordance with the basic principles of liquidity, maintaining a sufficient level of funds to cover liabilities incurred in the short term, i.e. it observes the principle of solvency by establishing the optimal financial leverage and sufficient liquidity reserves which do not compromise realization of the projected return on equity.

Liquidity risk represents the Group's inability to settle its matured liabilities. Liquidity risk may be manifest as the risk related to sources of funds and market liquidity risk. The problem of liquidity in respect of the sources of funds relates to the structure of liabilities and is expressed through potential significant share of unstable and short-term sources of funds or their concentration. On the other hand, liquidity risk is reflected in reserves deficiency and difficulty or inability to obtain liquid assets at reasonable market prices.

Interest rate risk represents the probability of negative effects on the Group's financial result and equity through items of the banking general ledger due to adverse interest rate fluctuations. The exposure to this risk depends on the relation between the interest rate sensitive assets and liabilities.

Basic objective of interest rate risk management is maintaining the acceptable level of interest rate risk exposure from the aspect of the effect on the financial result, economic value of equity, by conducting adequate policy of matching periods of interest rate repricing, matching adequate sources to investments per interest rate type and maturity.

Foreign exchange risk represents the possibility of negative effects on the Group's financial result and equity due to fluctuations in exchange rates between currencies, fluctuations in the domestic currency with respect to foreign currencies or changes in the value of gold and other precious metals.
In order to minimize the foreign currency risk exposure, the Group diversifies the currency structure of its portfolio and currency structure of liabilities, reconciling open positions in certain currencies pursuant to the principles of maturity transformation.

The Group is obligated to comply with the parameters defined by the Law on Banks in respect of the scope of its business operations. As of December 31, 2013 and 2012, all the Group's ratios were in compliance with the prescribed parameters.

PERFORMANCE INDICATORS FOR THE GROUP PRESCRIBED BY THE LAW ON BANKS

No.	ITEM	Prescribed value	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
1	2	3	4	5	6	7	8
1.	**Capital adequacy**	min. 12 %	**19.86**	22.40	18.27	18.73	15.80
2.	**Bank's investment** in entities outside the financial sector and in fixed assets	max. 60%	**21.93**	16.69	23.85	18.83	29.60
3.	**Exposure to entities related to the Bank**	max.20%	**1.74**	1.52	2.10	1.63	11.26
4.	**Sum of large exposures**	max.400%	**47.25**	68.11	92.86	61.24	87.78
5.	**FX risk ratio**	max.20%	**17.16**	14.29	18.86	19.93	19.73

5. ALL KEY BUSINESS EVENTS THAT OCCURRED AFTER THE BUSINESS YEAR FOR WHICH THE REPORT IS PREPARED

There were two General Meetings of Parent bank's Shareholders held from 31.12.2013 until 30.04.2014.

- Regular General Meeting of Shareholders held on 23.01.2014.
  Decision on the adoption of the Strategy and Business Plan covering period 2014-2016 was made at this session.
- Regular General Meeting of Shareholders held on 17.04.2014.
  Decision on the adoption of the Report on Parent bank's Operation for 2013 was made at this session.

6. ALL KEY TRANSACTIONS WITH RELATED ENTITIES

Consolidation of balance-sheet and off-balance-sheet items per Group member as at 31.12.2013:

ASSETS (IN 000 RSD)

Member of Komercijalna banka Group	Joint assets	AMOUNT of assets consolidation	Consolidated assets	% of share in consolidated assets of the Group
1	2	3	4=2-3	5
Komercijalna banka AD Beograd	363,654,366	6,147,371	357,506,995	92,80
Komercijalna banka AD Budva	12,398,999	147,914	12,251,085	3,18
Komercijalna banka AD Banja Luka	15,406,880	9,227	15,397,653	4,00
KomBank INVEST AD Beograd	118,768	12,953	105,815	0,03
TOTAL	**391,579,013**	**6,317,465**	**385,261,548**	**100**

LIABILITIES

Members of Komercijalna banka Group	Joint liabilities	AMOUNT of liabilities consolidation	Consolidated liabilities	% of share in consolidated liabilities of the Group
1	2	3	4=2-3	5
Komercijalna banka AD Beograd	363,654,366	-621,137	364,275,503	94,55
Komercijalna banka AD Budva	12,398,999	3,046,807	9,352,192	2,43
Komercijalna banka AD Banja Luka	15,406,880	3,751,795	11,655,085	3,03
KomBank INVEST AD Beograd	118,768	140,000	-21,232	-0,01
TOTAL	**391,579,013**	**6,317,465**	**385,261,548**	**100**

OFF-BALANCE-SHEET

Members of the group Komercijalna banka	Joint off-balance-sheet	AMOUNT of off-balance-sheet consolidation	Consolidated off-balance-sheet	% of share in consolidated off-balance-sheet of the Group
1	2	3	4=2-3	5
Komercijalna banka AD Beograd	224,949,026	344,126	224,604,900	98,60
Komercijalna banka AD Budva	1,455,531	0	1,455,531	0,64
Komercijalna banka AD Banja Luka	2,080,995	343,927	1,737,068	0,76
KomBank INVEST AD Beograd	200	200	0	0,00
TOTAL	**228,485,752**	**688,253**	**227,797,499**	**100**

The percentage of total consolidated balance-sheet items is not materially significant and amounts to 1.6% (1.7% in 2012) of the balance-sheet total in the joint income statement and 0.3% (0.9% in 2012) of the joint off-balance-sheet total.

7. ACTIVITIES IN RESEARCH AND DEVELOPMENT

The banks are specific institutions and in their ordinary course of business the research and development activities have a much different form than those applied by the companies.

The Parent bank conducts regular surveys of financial markets, analyzes the financial needs of its customers and engages itself in researching the level of satisfaction of the users of financial services.

The above researches the Parent bank most often does not perform independently, but for the purpose of conducting these studies it employs specialized agencies for public opinion research.

In the segment pertaining to development of new products and services the Parent bank endeavors, based on the information and conclusions obtained through the activities of market research and the customers' needs, to develop and market the modified existing products, or entirely new products and services.

It is as a result of the activities undertaken in the field of research and development that the Parent bank over the last period offered the new types of deposits and loans, and developed a range of services in the segment of electronic banking.

8. OWN SHARES

The Group did not have own shares during and as at the end of 2013.

Reason for acquisition of own shares:	-
Number of acquired own shares:	-
Percentage of acquired own shares:	-
Nominal value of own shares:	-
Names of the persons from whom the shares have been acquired:	-
Amount paid for the acquisition of own shares, or an indication that they have been acquired without	-
Total number of own shares:	-

9. CONSOLIDATED FINANCIAL STATEMENTS FORMS, ADDITIONAL INFORMATION CONCERNING THE ADOPTION OF CONSOLIDATED FINANCIAL STATEMENTS FOR 2013 AND STATEMENTS FROM COMPETENT PERSONS

- ***Consolidated financial statements forms***
- ***Additional information concerning the adoption of consolidated financial statements for 2013***
- ***Statement in accordance with the Company Law***
- ***Statement in accordance with the Law on Capital Market***

BALANCE SHEET - consolidated

on 31.12.2013.

(in RSD thousand)

POSITION	ADP code	Amount	
		Current year ammount	Previous year ammount
1	2	3	4
ASSETS			
Cash and cash equivalents	001	43.564.518	42.052.826
Revocable deposits and loans	002	56.236.152	45.826.369
Revocables from interest, compensations, sale, change of derivatives fair value and other receivables	003	3.033.725	1.744.180
Loans, advances and deposits of clients	004	201.208.895	194.416.122
Securities (without own shares)	005	59.379.855	42.216.159
Shares (participation) in non affiliated legal entities	006	573.288	436.210
Other invesments	007	2.931.239	3.230.128
Intangible assets	008	589.010	644.837
Fixed assets and invested immovables	009	8.806.919	7.871.320
Permanent assets for sale and assets of businesses to be ceased	010	75.968	78.763
Deferred tax assets	011	47	4.896
Other assets	012	8.861.932	4.648.711
Losses above equity	013	-	-
Shares (participation) in affiliated legal entities per capital method	014	-	-
TOTAL ASSETS (from 001 to 014)	015	385.261.548	343.170.521
LIABILITIES			
Transaction deposits	101	61.608.788	45.840.849
Other deposits	102	211.158.677	204.644.393
Received loans	103	2.585.700	1.411.962
Liabilities for issued securities	104	-	-
Liabilities for interest, compensations and change of derivatives fair value	105	259.137	191.129
Provisions	106	835.311	2.406.634
Liabilities for tax	107	24.425	24.571
Liabilities for profit	108	167.889	105.081
Liabilities from assets for sale and assets of businesses to be ceased	109	-	-
Deferred tax liabilities	110	13.131	948
Other liabilities	111	41.566.794	26.471.804
TOTAL LIABILITIES (from 101 to 111)	112	318.219.852	281.097.371
EQUITY			
Equity	113	40.034.609	40.034.608
Reserves from profit	114	17.063.828	15.149.322
Revaluation reserves	115	1.820.229	867.774
Unrealized losses from securities for sale	116	187.011	7.016
Profit	117	6.868.966	4.640.008
Loss up to equity	118	-	-
Positive cumulative differentials from quotation of foreign operations	119	1.441.075	1.388.454
Negative cumulative differentials from quotation of foreign operations	120	-	-
TOTAL EQUITY (from 113 to 115+117+119-116-118-120)	121	67.041.696	62.073.150
TOTAL LIABILITIES (112+121)	122	385.261.548	343.170.521
Majority owners interest	123	63	62
OFF-BALANCE SHEET ITEMS (from 125 to 129)	124	227.797.499	207.913.711
Transactions for and on behalf of third parties	125	5.439.678	5.050.021
Future obligation acceptance	126	32.103.293	43.695.943
Received warranties for liabilities	127	-	-
Derivatives	128	-	-
Other off-balance sheet items	129	190.254.528	159.167.747

КОМЕРЦИЈАЛНА БАНКА БЕОГРАД 1

PROFIT AND LOSS ACCOUNT- consolidated

from 01.01.2013. to 31.12.2013.

POSITION	ADP code	Amount	
		Current year 01.01.-31.12.	Previous year 01.01.-31.12.
1	2	3	4
OPERATING INCOME AND EXPENSES			
Interest income	201	23.657.731	21.721.618
Interest expenses	202	9.518.238	9.588.179
Interest profit (201-202)	203	14.139.493	12.133.439
Interest losses (202-201)	204	-	-
Fees and compensations income	205	5.827.288	5.671.372
Fees and compensations expense	206	998.007	841.098
Fees and compensations profit (205-206)	207	4.829.281	4.830.274
Fees and compensations loss (206-205)	208	-	-
Net profit from sale of securities per fair value in Profit and loss account	209	16.340	890
Net loss from sale of securities per fair value in Profit and loss account	210	-	-
Net profit from sale of securities	211	1.738	83.895
Net loss from sale of securities	212	-	-
Net profit from sale of securities held to maturity	213	-	-
Net losses from sale of securities held to maturity	214	-	-
Net profit from sale of participation shares (participations)	215	-	-
Net losses from sale of participation shares (participations)	216	-	-
Net profit from sale of other investment	217	484	2.124
Net losses on sale of other investment	218	-	-
Net income from exchange rate changes	219	-	-
Net expenses from exchange rate changes	220	944.477	8.027.572
Income from dividends and participation	221	4.127	2.251
Other operating income	222	355.999	252.106
Net income from indirect write-off of advances and provisioning	223	-	-
Net expenses on indirect write-off of advances and provisioning	224	2.993.930	1.946.369
Saleries, Wages, and other personal indemnites	225	4.773.358	4.708.699
Depreciation costs	226	878.972	842.991
Other operating expenses	227	6.085.901	5.488.704
Income from change in value of assets and liabilities	228	6.945.903	17.989.672
Expenses on change in value of assets and liabilities	229	6.216.085	9.855.866
PROFIT FROM REGULAR OPERATIONS (203-204+207-208+209-210+211 -212+213-214+215-216+217-218+219-220+221 +222+223-224-225-226-227+228-229)	230	4.400.642	4.424.450
LOSSES FROM REGULAR OPERATIONS (204-203+208-207+210-209+212-211 +214-213+216-215+218-217+220-219-221 -222+224-223+225+226+227-228+229)	231	-	-
NET PROFIT OF BUSINESSES TO BE CEASED	232	-	-
NET LOSS OF BUSINESSES TO BE CEASED	233	-	-
RESULT FOR THE PERIOD - PROFIT BEFORE TAX (230-231+232-233)	234	4.400.642	4.424.450
RESULT FOR THE PERIOD - LOSSES BEFORE TAX (231-230+233-232)	235	-	-
Tax on profit	236	24.679	499.462
Profit from created deferred tax assets and decrease of deferred tax liabilities	237	89.038	33.549
Loss from decrease of deferred tax assets and creation of deferred tax liabilities	238	3.063	12.218
PROFIT (234-235-236+237-238)	239	4.461.938	3.946.319
LOSSES (235-234+236+238-237)	240	-	-
Net profit of minor investors	241	-	1
Net profit of owners of parent legal entity	242	4.461.938	3.946.318
Net loss of minor investors	243	-	-
Net loss of owners of parent legal entity	244	-	-
Earnings per share (in dinars)	245		
Basic earnings per share (in dinars)	246	468	469
Diluted earnings per share (in dinars)	247	242	290

КОМЕРЦИЈАЛНА БАНКА ... БЕОГРАД

CASH FLOW STATEMENT - consolidated

from 01.01.2013. to 31.12.2013.

(in RSD thousand)

POSITION	ADP code	Amount 01.01. - 31.12.2013.	Amount 01.01. - 31.12.2012.
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (from 302 to 305)	301	28.014.924	25.803.366
1. Inflows from interest	302	21.964.368	19.889.011
2. Inflows from allowances	303	5.784.379	5.647.142
3. Inflows from other operating income	304	262.813	264.962
4. Inflows from dividends and participation in profit	305	3.364	2.251
II. Cash outflows from operating activities (from 307 to 311)	306	21.257.791	20.434.685
5. Outflows from interest	307	9.342.167	9.327.920
6. Outflows from allowances	308	999.876	835.896
7. Outflows from gross salleries, wages and other personal indemnities	309	4.834.263	4.637.706
8. Outflows from taxes, contributions and other obligations from income	310	1.008.550	930.565
9. Outflows from other operating expenses	311	5.072.935	4.702.598
III. Net cash inflow from operating activities prior to increase or decrease in advances and deposits (301 minus 306)	312	6.757.133	5.368.681
IV. Net cash outflow from operating activities prior to increase or decrease in advances and deposits (306 minus 301)	313	-	-
V. Decrease in advances and increase in deposits withdrawn (from 315 to 317)	314	26.015.586	27.979.827
10. Decrease in loans and advances to banks and clients	315	-	-
11. Decrease in securities per fair value in profit and loss account, tradeable advances and short-term securities held to maturity	316	1.654.189	1.418.080
12. Increase in banks and clients deposits	317	24.361.397	26.561.747
VI. Increase in advances and decrease in deposits withdrawn (from 319 to 321)	318	23.968.356	2.657.364
13. Increase in loans and advances to banks and clients	319	23.968.356	2.657.364
14. Increase in securities per fair value in profit and loss account, tradeable advances and short-term securities held to maturity	320	-	-
15. Decrease in deposits from banks and clients	321	-	-
VII. Net cash inflow from operating activities before tax on profit (312 minus 313 plus 314 minus 318)	322	8.804.363	30.691.144
VIII. Net cash outflow from operating activities before tax on profit (313 plus 318 minus 312 minus 314)	323	-	-
16. Profit tax paid	324	738.741	665.335
17. Dividends paid	325	269.195	278.218
IX. Net cash inflow from operating activities (322 minus 323 minus 324 minus 325)	326	7.796.427	29.747.591
X. Net cash outflow from operating activities (323 minus 322 plus 324 plus 325)	327	-	-
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflows from investing activities (from 329 to 333)	328	14.567.190	1.203.491
1. Inflows from long-term investment in securities	329	14.553.472	1.149.802
2. Inflows from sale of shares (participation)	330	-	-
3. Inflows from sale of intangible and fixed assets	331	13.718	53.689
4. Inflows from sale of investment immovables	332	-	-
5. Other inflows from investing activities	333	-	-
II. Cash outflows from investing activities (from 335 to 339)	334	33.942.122	16.943.320
6. Outflows from investment in long-term securities	335	33.125.623	16.196.530
7. Outflows from purchase of shares (participation)	336	976	751
8. Outflows from purchase of sale of intangible and fixed assets	337	815.523	746.039
9. Outflows from purchase investment immovables	338	-	-
10.Other outflows from investing activities	339	-	-
III. Net cash inflow from investing activities (328 minus 334)	340	-	-
IV. Net cash outflow from investing activities (334 minus 328)	341	19.374.932	15.739.829
V. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (from 343 to 348)	342	14.011.574	16.682.897
1. Inflows from capital increase	343	-	11.571.997
2. Net cash inflows from subordinated obligations	344	46.190	453.870
3. Net cash inflows from loans received	345	13.965.384	4.657.030
4. Net inflows from securities	346	-	-
5. Net inflows from sale of own shares	347	-	-
6. Other inflows from financing activities	348	-	-
II. Cash outflows from financing activities (from 350 to 354)	349	-	43.847
7. Outflows from purchase of own shares	350	-	-
8. Net outflows from subordinated obligations	351	-	-
9. Net cash outflows from loans received	352	-	43.847
10. Net outflows from securities	353	-	-
11. Other outflows from financing activities	354	-	-
III. Net cash inflow from financing activities (342 minus 349)	355	14.011.574	16.639.050
IV. Net cash outflow from financing activities (349 minus 342)	356	-	-
G. TOTAL NET CASH INFLOWS (301 plus 314 plus 328 plus 342)	357	82.609.274	71.669.581
D. TOTAL NET CASH OUTFLOWS(306 plus 318 plus 324 plus 325 plus 334 plus 349)	358	80.176.205	41.022.769
DJ. NET INCREASE IN CASH (357 minus 358)	359	2.433.069	30.646.812
E. NET DECREASE IN CASH (358 minus 357)	360	-	-
Ž. CASH AT THE BEGINNING OF THE YEAR (Note: 22) (361, col. 3 = 001, col. 6)	361	42.052.826	19.245.682
Z. PROFIT ON EXCHANGE	362	2.145.346	6.279.926
I. LOSS ON EXCHANGE	363	3.066.723	14.119.594
J. CASH AT END-PERIOD (Note: 22) 359 minus 360 plus 361 plus 362 minus 363) (364, col. 3 = 001, col. 5 and 364, col. 4 = 001, col. 6) (364, col. 4 = 361, col. 3)	364	43.564.518	42.052.826

CAPITAL CHANGES STATEMENT- consolidated

from 01.01.2013. to 31.12.2013.

(in RSD thousand)

DESCRIPTION	ADP	Share capital (acc. 800)	ADP	Other capital (acc. 801)	ADP	Subscribed share capital unpaid (acc. 803)	ADP	Share Premium (acc. 802)	ADP	Reserves from profit and other reserves (group of accounts 81)	ADP	Revaluation reserves (group of accounts 82, except for acc.823)	ADP	Profit (group of accounts 83)
1		2		3		4		5		6		7		8
State at 1 January, of the previous 2012. year	401	13 881 064	414		427		440	14 581 543	453	12 261 615	466	689 620	479	3 830 588
Correction of material important mistakes and changes of accounting policies in the prior year - increase	402		415		428		441		454		467		480	
Correction of material important mistakes and changes of accounting policies in the prior year - decrease	403		416		429		442		455		468		481	
Corrected opening balance as at 1 January of the previous 2012 year (no.1+2-3)	404	13 881 064	417		430		443	14 581 543	456	12 261 615	469	689 620	482	3 830 588
Total increase in the previous year	405	3 310 460	418		431		444	8 261 541	457	3 279 329	470	188 821	483	5 101 212
Total decrease in the previous year	406		419		432		445		458	391 622	471	10 667	484	4 291 792
State at 31 December of the previous 2012 year (no. 4+5-6)	407	17 191 524	420		433		446	22 843 084	459	15 149 322	472	867 774	485	4 640 006
Correction of material important mistakes and changes of accounting policies in the current year - increase	408		421		434		447		460		473		486	
Correction of material important mistakes and changes of accounting policies in the current year - decrease	409		422		435		448		461		474		487	
Corrected opening balance as at 1 January of the current 2013 year (no. 7+8-9)	410	17 191 524	423		436		449	22 843 084	462	15 149 322	475	867 774	488	4 640 006
Total increase in the current year	411	1	424		437		450		463	1 914 506	476	1 461 379	489	4 482 025
Total decrease in the current year	412		425		438		451		464		477	508 924	490	2 253 067
State at 31 December of the current 2013 year (no.10+11-12)	413	17 191 525	426		439		452	22 843 084	465	17 063 829	478	1 820 229	491	6 868 966

DESCRIPTION	ADP	Losses up to equity (acc. 840, 841)	ADP	Own shares (acc. 128)	ADP	Unrealized losses on securities for sale (acc.823)	ADP	Positive cumulative differentials from quotation of foreign operations	ADP	Negative cumulative differentials from quotation of foreign operations	ADP	Total (col. 2+3-4+5+6+7+8-9-10-11+12-13)	ADP	Losses above equity(acc. 842)
1		9		10		11		12		13		14		15
State at 1 January, of the previous 2012. year	492		505		518	63 940	531	863 532	544		557	46 044 022	570	
Correction of material important mistakes and changes of accounting policies in the prior year - increase	493		506		519		532		545		558		571	
Correction of material important mistakes and changes of accounting policies in the prior year - decrease	494		507		520		533		546		559		572	
Corrected opening balance as at 1 January of the previous 2012 year (no.1+2-3)	495		508		521	63 940	534	863 532	547		560	46 044 022	573	
Total increase in the previous year	496		509		522	29 241	535	1 264 911	548		561	21 377 033	574	
Total decrease in the previous year	497		510		523	86 165	536	739 989	549		562	5 347 905	575	
State at 31 December of the previous 2012 year (no. 4+5-6)	498		511		524	7 016	537	1 388 454	550		563	62 073 150	576	
Correction of material important mistakes and changes of accounting policies in the current year - increase	499		512		525		538		551		564		577	
Correction of material important mistakes and changes of accounting policies in the current year - decrease	500		513		526		539		552		565		578	
Corrected opening balance as at 1 January of the current 2013 year (no. 7+8-9)	501		514		527	7 016	540	1 388 454	553		566	62 073 150	579	
Total increase in the current year	502		515		528	406 379	541	1 317 754	554		567	8 769 286	580	
Total decrease in the current year	503		516		529	226 384	542	1 265 133	555		568	3 800 740	581	
State at 31 December of the current 2013 year (no.10+11-12)	504		517		530	187 011	543	1 441 075	556		569	67 041 696	582	

- **Additional information concerning the adoption of consolidated financial statements for 2013**

Decision on adoption of consolidated financial statements and adoption of the Report on the audit of the consolidated financial statements will be adopted at the General Meeting of Bank's Shareholders, which will be held by the end of May of the current year. The adopted decision will be submitted to the Securities Commission as soon as possible.

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KOMERCIJALNA BANKA AD BEOGRAD
Svetog Save 14
11000 Beograd
No. 7485/14
14.04.2014.

Pursuant to Article 368 of the Company Law (RS Official Gazette No 36/2011 and 99/2011), Komercijalna banka AD Beograd issues the following

STATEMENT

In its operation Komercijalna banka AD Beograd, Svetog Save 14 (hereinafter: the Bank), applies the Corporate Governance Code of the Serbian Chamber of Commerce, adopted by the Assembly of the Serbian Chamber of Commerce and published in RS Official Gazette No. 99/2012. Text of the Corporate Governance Code is publicly available on the website of the Serbian Chamber of Commerce www.pks.rs – chamber services, corporate governance.

Corporate Governance Code has established the principles of corporate practice that are adhered to by the persons responsible for the Bank's corporate governance. The aim of the Code is to introduce good business practice of corporate governance and equal influence of all stakeholders (current and potential shareholders, employees, clients, the Bank's bodies, the Government, etc.). The final aim is to ensure the Bank's sustainable and long-term development.

Corporate governance rules are implemented through the Bank's internal documents and there are no deviations in their implementation.

KOMERCIJALNA BANKA AD BEOGRAD

Deputy President of the Executive Board	President of the Executive Board
Dragan Santovac	Ivica Smolić

КОМЕРЦИЈАЛНА БАНКА АД БЕОГРАД

- ***Statement in accordance with the Law on Capital Market***

Pursuant to Article 50 of the Law on Capital Market (RS Official Gazette No. 31/2011) it is stated the following:

STATEMENT

I hereby state that, according to my best knowledge, the annual consolidated financial statements have been prepared using the appropriate international financial reporting standards and provide truthful and objective information about the assets, liabilities, financial position and operations, profits and losses, cash flows and changes in equity of the public company, inclusive of its companies that are included in the consolidated financial statements.

KOMERCIJALNA BANKA AD BEOGRAD

Subsidiaries Department Director	**Executive Director for Finance and Accounting**
Gordana Zorić	**Savo Petrović**

КОМЕРЦИЈАЛНА БАНКА АД БЕОГРАД * БЕОГРАД 1