CONSOLIDATED REPORT

ON GROUP'S OPERATIONS AS OF 30/06/2013

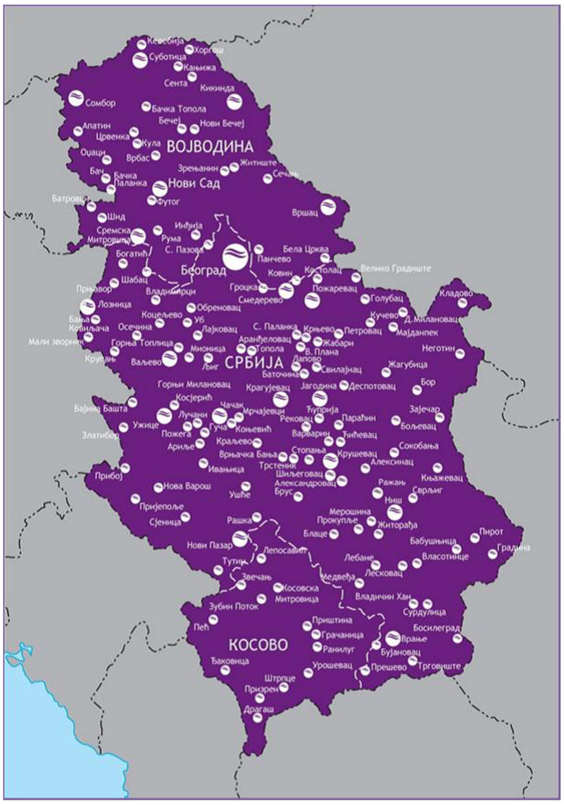
BELGRADE, AUGUST 2013

CONTENTS

Parent Bank Komercijalna banka AD Beograd

STREET	Svetog Save 14	Svetogorska 42-44	Kralja Petra 19-21	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	*http:www.kombank.com*	*http:www.kombank.com*	*http:www.kombank.com*	*http:www.kombank.com*
INTERNET E - mail	*posta@kombank.com*	*posta@kombank.com*	*posta@kombank.com*	*posta@kombank.com*

	BRANCH	ADDRESS
1.	**Filijala Kruševac**	Trg oktobarske revolucije 1
2.	**Filijala Niš**	Episkopska 32
3.	**Filijala Zrenjanin**	Trg Slobode 5
4.	**Filijala Čačak**	Železnička bb
5.	**Filijala Kraljevo**	Trg S. Ratnika bb
6.	**Filijala Novi Pazar**	Njegoševa 1
7.	**Filijala Novi Sad**	Trg slobode 4
8.	**Filijala Užice**	D. Tucovića 151
9.	**Filijala Vranje**	Stefana Prvovenčanog 58
10.	**Filijala Valjevo**	Gradski Trg bb
11.	**Filijala Subotica**	Korzo 10
12.	**Filijala Šabac**	Gospodar Jevremova 2
13.	**Filijala Kragujevac**	Kneza Miloša 3
14.	**Filijala Smederevo**	Karađorđeva 28
15.	**Filijala Požarevac**	Moše Pijade 2
16.	**Filijala Jagodina**	Kneginje Milice 24
17.	**Filijala Loznica**	Gimnazijska 1
18.	**Filijala S. Mitrovica**	Kralja Petra I 5-7
19.	**Filijala Zaječar**	Nikole Pašića 25
20.	**Filijala Kikinda**	Kralja Petra I 39
21.	**Filijala Sombor**	Staparski Put 14
22.	**Filijala Vršac**	Trg Save Kovačevića 2
23.	**Filijala Beograd**	Svetogorska 42 - 44
24.	**Filijala K. Mitrovica**	Kralja Petra I 23



Komercijalna banka AD Beograd, as a parent bank has:

- 3,020 employees,

- 231 outlets that organizationally belong to 24 regionally distributed branches

GROUP KOMERCIJALNA BANKA AD BEOGRAD

KOMERCIJALNA BANKA AD BEOGRAD – PARENT BANK

KOMERCIJALNA BANKA AD BUDVA	KOMERCIJALNA BANKA AD BANJA LUKA	KOMBANK INVEST AD BEOGRAD
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	Bosnia and Herzegovina
Komercijalna banka AD Budva	Komercijalna banka AD Banja Luka

Komercijalna banka AD Budva has:

- 117 employees,

- 14 organizational units (F/A)

Komercijalna banka AD Banja Luka has:

- 144 employees,

- 17 organizational units (F/A)

1. OVERVIEW OF THE PERFORMANCE INDICATORS IN THE PERIOD FROM 31.12.2012 TO 30.06.2013

ITEM	VI 2013	2012	2011	2010	2009
BALANCE SHEET					
Balance-sheet assets (000 RSD)	365,740,437	343,170,521	292,679,098	272,203,483	219,355,286
persentage og growth	6.6%	17.3%	7.5%	24.1%	19.3%
Off-balance-sheet operations (000 RSD)	219,344,518	207,913,711	186,996,187	146,839,016	67,236,090
LOANS	**201,477,566**	194,416,122	169,380,487	163,214,267	124,558,724
persentage og growth	3.60%	14.8%	3.8%	31.0%	6.8%
Komercijalna banka AD Beograd	184,680,333	177,106,865	155,719,207	150,566,311	114,051,469
Komercijalna banka AD Budva	6,641,996	6,623,881	5,615,791	5,179,892	4,633,476
Komercijalna banka AD Banja Luka	10,155,237	10,685,376	8,045,489	7,468,064	5,873,779
KomBank INVEST AD Beograd	-	-	-	-	-
DEPOSITS	**261,260,806**	250,485,242	219,922,916	212,627,373	179,789,819
persentage og growth	**4.30%**	13.9%	3.4%	18.3%	24.3%
Komercijalna banka AD Beograd	**244,499,330**	235,009,950	205,917,714	199,072,251	167,094,451
Komercijalna banka AD Budva	**6,439,537**	6,113,520	4,932,913	4,768,923	3,645,389
Komercijalna banka AD Banja Luka	**10,321,939**	9,361,772	9,072,289	8,786,199	9,049,979
KomBank INVEST AD Beograd	**-**	-	-	-	-
Members' share in Balance-sheet assets					
Komercijalna banka AD Beograd	92.77	92.9	92.3	92.0	92.0
Komercijalna banka AD Budva	3.09	3.1	3.2	3.3	3.3
Komercijalna banka AD Banja Luka	4.11	4.1	4.5	4.7	4.7
KomBank INVEST AD Beograd	0.03	0.0	0.0	0.0	0.0
CAPITAL(000 RSD)	**64,519,340**	62,073,150	46,044,022	42,735,634	28,406,080
Capital adequacy ratio	20.31	22.40	18.27	18.73	15.80
Number of employees	**3,285**	3,254	3,282	3,343	3,401
Assets per employee (000 EUR)	990	927	852	772	673
PROFITABILITY INDICATORS					
Profit before tax (000 RSD)	**2,723,421**	2,453,597	1,984,192	1,663,331	862,545
ROA	1.5%	1.4%	1.4%	1.5%	1.0%
ROE – on total capital	8.6%	8.2%	9.0%	10.5%	7.7%
ROE – on share capital	**13.6%**	12.9%	14.0%	13.9%	12.3%
Net interest margin on total assets	**3.7%**	3.3%	3.7%	3.1%	3.2%
Net interest income ((000 RSD)	6,729,559	5,664,237	5,127,238	3,893,317	3,136,758
Net fee and commission income (000 RSD)	2,294,341	2,246,002	2,217,455	1,868,112	1,831,395
Cost income ratio	**61.7%**	68.5%	63.4%	77.1%	88.8%
Operating expenses (000 RSD)	5,567,866	5,418,939	4,655,018	4,443,251	4,410,880
Net FX gains (000 RSD)	**-16,224**	78,133	-285,556	1,048,220	907,328
Net expence for indirect loan write-off and provisions (000 RSD)	**-833,674**	-320,805	-627,172	-849,388	-726,822
Asset quality - NPL	**13.53%**	13.5%	11.1%	10.5%	14.2%
FX risk ratio	**19.60**	14.29	18.86	19.93	19.73
Cash flow (000 RSD)	**4,644,203**	2,411,973	3,311,614	-	-

2. MACROECONOMIC OPERATING CONDITIONS IN THE PERIOD FROM 31.12.2012 TO 30.06.2013

Members of the Group have business 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 operates, based on available data obtained from competent bodies for 31.12.2012.

	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. -2%	Approx. – 0.6% (BIH -0.2%)	Approx. 0.5%
Consumer price index	12.2%	2.0% (BIH 1.8%)	2.7%
Trends in banking sector assets	Growth of 7.3%	Growth 8% (BIH - 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 environments in which Group members operates, based on available data obtained from competent bodies for 30.06.2013.

	SERBIA	REPUBLIKA SRPSKA (BIH)	MONTENEGRO
Gross domestic product	Approx. 33.1 bn EUR	Approx. 1.02 bn EUR (BIH 8.38 bn EUR)	Approx. 3.5 bn EUR
Trend in GDP	Approx. 0.7%	Approx. - 0.9% (BIH -1.1%)	Approx. 0.5% in 2012.
Consumer price index	9.8%	1.0% (BIH 1.0%)	2.2%
Trends in banking sector assets	Decrease of 0.8%	Growth 2% (BIH decrease 1.2%)	Growth 2.8%
Functional currency	Depres.RSD/EUR 0.4%	Stable ex.rate - KM/EUR	Stabe ex. rate (EUR)
Industriial production	Growth 4.2%	Growth 5.3% (BIH 3.7%)	Growth 10.4%
Foreign direct investments	Approx. 217 m EUR	- (BIH 60.15 m EUR)	Approx. 112.1 m EUR
NPL of the banking sector	19.9%	14.85% (BIH 13.3%)	19.42%
Unemployment	24.1%	27% (BIH 27.5%)	13.0%

Compared with 31/12/2012, the biggest change in macroeconomic environments which can have influence on business of Group members in next period, are unemployment growth of 1.7% in Serbia and 1.4% in Republika Srpska, while in same period Montenegro has positive trend of unemployment decrease of 7.2%. Concurrently, on all markets are evident low of foreign direct investments.

3. GROUP'S KEY PERFORMANCE INDICATORS IN THE PERIOD FROM 31.12.2012 TO 31.03.2013

ITEM	*VI 2013*	*2012*	*2011*	*2010*	*2009*
BALANCE SHEET					
Balance-sheet assets (000 RSD)	365,740,437	343,170,521	292,679,098	272,203,483	219,355,286
persentage og growth	6.6%	17.3%	7.5%	24.1%	19.3%
Off-balance-sheet operations (000 RSD)	219,344,518	207,913,711	186,996,187	146,839,016	67,236,090

As of 30.06.2013 the Group's balance-sheet assets stood at RSD 365,740.4 million and had been increased by RSD 22,569.9 million or 6.6% compared to the end of the previous year.
Off-balance sheet assets increased by 5.5% in 2013 and stood at RSD 219,344.5 million at the end of June this year.

ITEM	*VI 2013*	*2012*	*2011*	*2010*	*2009*
LOANS	**201,477,566**	194,416,122	169,380,487	163,214,267	124,558,724
persentage og growth	3.60%	14.8%	3.8%	31.0%	6.8%
Asset quality - NPL	**13.53%**	13.5%	11.1%	10.5%	14.2%
DEPOSITS	**261,260,806**	250,485,242	219,922,916	212,627,373	179,789,819
persentage og growth	**4.30%**	13.9%	3.4%	18.3%	24.3%

In the first six months of 2013 the Group granted loans to customers in the amount of RSD 201,477.6 million, which is 3.6% more than the figure achieved at the end of 2012. At the same time the Group maintained a relatively low share of NPL in total loans (13.53%). In the same period the Group achieved a rise in deposits of 4.3%.

ITEM	*VI 2013*	*2012*	*2011*	*2010*	*2009*
PROFIT BEFORE TAX (000 RSD)	**2.723.421**	2.453.597	1.984.192	1.663.331	862.545
INTEREST GAINS	**6.729.559**	5.664.237	5.127.238	3.893.317	3.136.758
FEE AND COMMISSION GAINS	**2.294.341**	2.246.002	2.217.455	1.868.112	1.831.395
OPERATING EXPENSES	**5.567.866**	5.418.939	4.655.018	4.443.251	4.410.880
PROFITABILITY INDICATORS:					
ROA – profit / average BS assets	1,5%	1,4%	1,4%	1,5%	1,0%
ROE – profit / average total capital	8,6%	8,2%	9,0%	10,5%	7,7%
ROE – profit / average share capital	**13,6%**	12,9%	14,0%	13,9%	12,3%
CIR = OPEX / net interest and fees	**61,7%**	68,5%	63,4%	77,1%	88,8%

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:

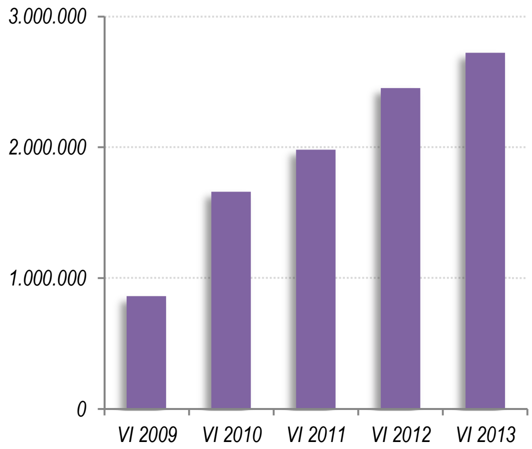
- accounting regulations of the Republic of Serbia,
- internal by-laws of the Parent Bank - Komercijalna banka AD Beograd and
- Relevant IAS and IFRS.

In the conducted consolidation procedure the following have been fully consolidated:

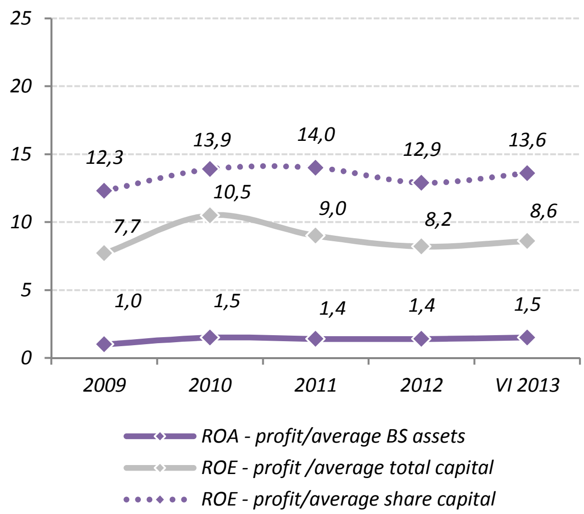
- the amount of the Parent Bank's share in equity of the subsidiary banks and equity of the Company at the initial exchange rate of the investment (5,480.9 million dinars),
- internal receivables and liabilities between the Group members (116.0 million dinars),
- internal income and expenses between all Group members (net positive effect of 3.3 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 1,414.2 million (of this amount, gains from currency conversion of permanent investments in member banks of the Group account for RSD 1,287.8 million and are not recognized in individual financial statements of the Parent bank).

Operating profit in 000 RSD



Profitability indicator in %



Despite the negative effect of the global financial crisis, the Group achieved a significant growth of profitability (11.0%) in the first six months this year, compared to the same period the previous year. From 01.01 to 30.06.2013 the Group realized a profit of RSD 2,723.4 million, which is a year-on-year increase of RSD 269.8 million. Such considerable increase in profitability resulted in return on total capital of 8.6% in the first six months of 2013 and return on share capital of 13.6%.

What made the greatest contribution to the increase in profit in the first six months of 2013 was the rise in net interest income (18.8%).

Cost Income Ratio decreased from 68.5% as of 30.06.2012 to 61.7% as of 30.06.2013 (decrease of 6.8 percentage points) thanks to the decrease in expenses and increase in net interest income.

4. CONSOLIDATED BALANCE SHEET AS AT 30.06.2013

4.1. Consolidated assets as at 30.06.2013

(IN 000 RSD)

No.	ITEM	30.06.2013.	31.12.2012.	INDICES	% OF SHARE AS OF 30.06.2013.
1	2	3	4	5=(3:4)*100	6
	ASSETS				
1.	Cash and cash equivalents	31,695,202	42,052,826	75.4	8.7%
2.	Callable deposits and loans	65,135,402	45,826,369	142.1	17.8%
3.	Interest, compensation, sale, change of fair value of derivative instruments and other receivables	2,088,282	1,744,180	119.7	0.6%
4.	Loans and deposits to customers	201,477,566	194,416,122	103.6	55.1%
5.	Securities (other than treasury)	44,983,735	42,216,159	106.6	12.3%
6.	Shares (participation) in non affiliated legal entities	495,272	436,210	113.5	0.1%
7.	Other investments	4,406,000	3,230,128	136.4	1.2%
8.	Intangible investments	681,126	644,837	105.6	0.2%
9.	Fixed assets and investment property	7,926,047	7,871,320	100.7	2.2%
10.	Permanent assets for sale and assets of businesses to be ceased	78,666	78,763	99.9	0.0%
11.	Deferred tax assets	65,414	4,896	-	0.0%
12.	Other assets	6,707,725	4,648,711	144.3	1.8%
	TOTAL ASSETS (from 1 to 12)	**365,740,437**	**343,170,521**	106.6	**100.0%**

In the first six months of 2013 the Group's balance-sheet assets increased by RSD 22,569.9 million or 6.6%. Loans to customers increased by RSD 7,061.4 million or 3.6%. As of 30.06.2013 total loans to customers amounted to RSD 201,477.6 million, which is 55.1% of the total balance-sheet assets

In the first six months of 2013 cash and cash equivalents recorded a decrease of 24.6% primarily due to the decrease of funds on the drawing account and the withdrawal of funds from FX accounts.

Callable deposits and loans recorded a significant increase in the reporting period of the current year, an increase in the amount of RSD 19,309.0 million or 42.1%, as a result of the Parent bank's greater investment in repo securities (+ RSD 18,000.00 million) and an additional amount of FX required reserve in RSD equivalent of RSD 780.8 million.

Receivables for interest fee and sale recorded a growth in the reporting period of RSD 344.1 million or 19.7%.

4.2. Consolidated liabilities as at 30.06.2013

(IN 000 RSD)

No.	ITEM	30.06.2013.	31.12.2012.	INDICES	% OF SHARE AS OF 30.06.2013
1	2	3	4	5=(3:4)*100	6
	LIABILITIES				
1.	Transaction and other deposits	261,260,806	250,485,242	104.3	71.4%
2.	Borrowings	2,224,221	1,411,962	157.5	0.6%
3.	Securities related liabilities	-	-	-	-
4.	Liabilities for interests, compensations and change of derivative instruments value	283,391	191,129	148.3	0.1%
5.	Provisions	1,210,452	2,406,634	50.3	0.3%
6.	Tax liabilities	64,452	24,571	262.3	0.0%
7.	Liabilities from profit	160,925	105,081	153.1	0.0%
8.	Liabilities for assets intended for sale and discontinued operations	-	-	-	-
9.	Deferred tax liabilities	61,469	948	6.484.1	0.0%
10.	Other liabilities	35,955,381	26,471,804	135.8	9.8%
11.	**TOTAL LIABILITIES (from 1. to 10.)**	**301,221,097**	**281,097,371**	107.2	**82.4%**
	CAPITAL				
12.	Share capital and issue premium	40,034,608	40,034,608	100.0	10.9%
13.	Reserves from profit	15,212,070	15,149,322	100.4	4.2%
14.	Revaluation reserves	1,209,314	867,774	139.4	0.3%
15.	Unrealized losses from securities available for sale	321,203	7,016	4.578.1	0.1%
16.	Profit	6,970,305	4,640,008	150.2	1.9%
17.	Positive cumulative differentials from quotation of foreign operations	1,414,246	1,388,454	101.9	0.4%
18.	**TOTAL CAPITAL (from 12. to 17.)**	**64,519,340**	**62,073,150**	103.9	**17.6%**
	TOTAL LIABILITIES (11+18)	**365,740,437**	**343,170,521**	106.6	**100%**
	Majority owners interest	**63**	**62**	101.6	-
	OFF – BALANCE SHEET POSITIONS (from 19. to 22.)	**219,344,518**	**207,913,711**	105.5	**100%**
19.	Transaction for and behalf of third parties	5,333,288	5,050,021	105.6	2.4%
20.	Assumed future liabilities	33,412,916	43,695,943	76.5	15.2%
21.	Derivative instruments	-	-	-	-
22.	Other non balance sheet positions	180,598,314	159,167,747	113.5	82.3%

At the end of the first six months of 2013 total liabilities stood at RSD 301,221.1 million and accounted for 82.4% of total liabilities (31.12.2012: 81.9%). Concurrently, total capital, in the amount of RSD 64,519.3 million accounted for 17.6% (31.12.2012: 18.1%) of total liabilities. Compared to the end of the previous year, total liabilities increased by RSD 20,123.7 million or 7.2%, while the total capital increased by RSD 2,446.2 million or 3.9%

Apart from the other deposits, which increased in the reporting period by RSD 583.4 million or 0.3%, a considerable increase from the end of the previous year (RSD 10,192.1 million or 22.2%) was recorded by transaction deposits and other liabilities (growth of RSD 9,483.6 million, 35.8%). FX liabilities account for the largest share of other liabilities – credit lines (RSD 21,523.1 million) and subordinated loan (RSD 5,708.6 million) drawn down at the end of November 2011 for the purpose of increasing regulatory capital.

Deposits from customers (transaction and other deposits) account for RSD 261,260.1 million of balance-sheet liabilities i.e. 71.4% of total balance-sheet liabilities, which is a rise from the beginning of the year of RSD 10,774.9 million or 4.3%.

4.3. Loans to Customers and Deposits from Customers as at 30.06.2013

ITEM	*VI 2013*	*2012*	*2011*	*2010*	*2009*
LOANS	201,477,566	194,416,122	169,380,487	163,214,267	124,558,724
persentage og growth	3.60%	14.8%	3.8%	31.0%	6.8%
Komercijalna banka AD Beograd	184,680,333	177,106,865	155,719,207	150,566,311	114,051,469
Komercijalna banka AD Budva	6,641,996	6,623,881	5,615,791	5,179,892	4,633,476
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KomBank INVEST AD Beograd	-	-	-	-	-
DEPOSITS	261,260,806	250,485,242	219,922,916	212,627,373	179,789,819
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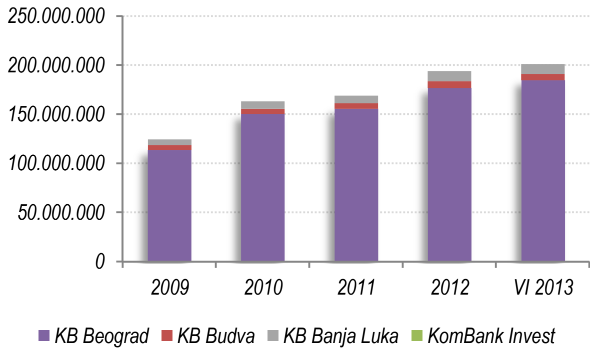
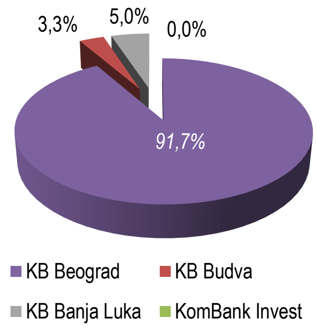
Komercijalna banka AD Banja Luka	10,321,939	9,361,772	9,072,289	8,786,199	9,049,979
KomBank INVEST AD Beograd	-	-	-	-	-

The Parent bank dominates the structure of loans (91.7%) and deposits (93.6%).

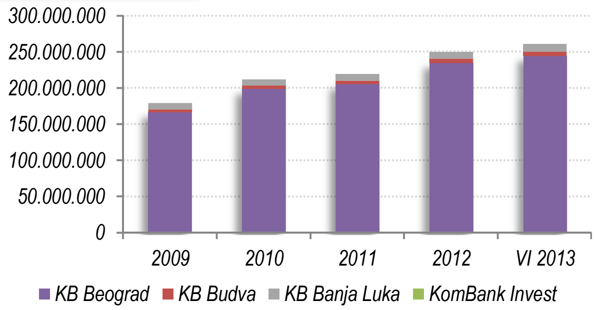
Loans and depozit to customers in 000 RSD



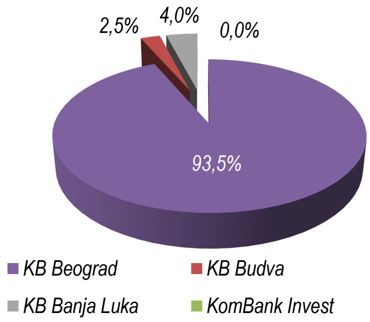
Share in loans and deposits to customers as %



Deposits in 000 RSD



Share in Group deposits as %



The most important assets category, loans and deposits to customers, recorded an increase of RSD 7,061.4 million (+ 3.6%), as well as a change in its share in total assets from 56.6% (31.12.2012) to 55.1%. Loan increase rate is negligible, whereas the dinar depreciated by 0.4% in the same period, which shows that in the first six months this year the Group achieved a real growth of loans and deposits to customers.

At the end of June 2013 the Group's total deposits stood at RSD 261,260.8 m and account for 71.4% of the Group's total liabilities (December 2012: 73.0%).

Rise in deposits in the first six months of 2013 came primarily as a result of an increase in retail FX savings.

4.4. Consolidated Balance Sheet as at 30.06.2013. – segments

(IN 000 RSD)

	ITEM	Beograd	Budva	Banja Luka	KomBank INVEST	TOTAL GROUP
1	2	3	4	5	6	7
	Item / ASSETS					
1	Cash and cash equivalents	30,022,222	1,200,869	472,111	0	31,695,202
2	Callable deposits and loans	61,834,332	439,915	2,861,155	0	65,135,402
3	Interest and fee receivables	1,874,459	101,414	112,267	142	2,088,282
4	Loans and deposits to customers	184,680,333	6,641,996	10,155,237	0	201,477,566
5	Investment in securities	43,128,933	1,129,208	1,117,845	103,021	45,479,007
6	Other investments	4,390,409	9,121	1,470	5,000	4,406,000
7	Fixed assets, intangible assets and investment property	8,122,679	244,285	239,969	240	8,607,173
8	Other assets	5,248,966	1,545,498	57,094	247	6,851,805
9	**TOTAL ASSETS (1 to 8)**	**339,302,333**	**11,312,306**	**15,017,148**	**108,650**	**365,740,437**
	Item / LIABILITIES					
10	Deposits	244,499,330	6,439,537	10,321,939	0	261,260,806
11	Borrowings	1,369,141	149,885	705,195	0	2,224,221
12	Liabilities for interest	271,610	9,814	1,967	0	283,391
13	Provisioning	1,150,238	35,322	24,577	315	1,210,452
14	Other liabilities	35,250,121	812,527	177,896	1,683	36,242,227
15	**TOTAL LIABILITIES (10 to 14)**	**282,540,440**	**7,447,085**	**11,231,574**	**1,998**	**301,221,097**
16	Capital and reserves	63,429,941	827,662	286,112	-24,375	64,519,340
17	**TOTAL LIABILITIES (15+16)**	**345,970,381**	**8,274,747**	**11,517,686**	**-22,377**	**365,740,437**

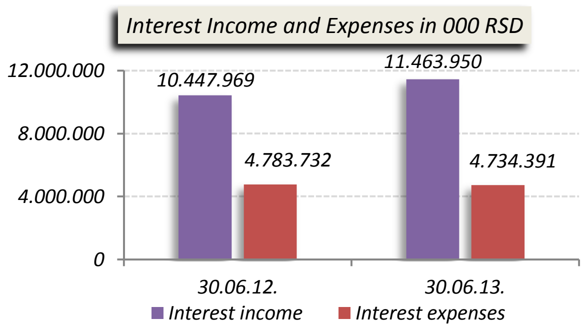
I	**Assets per segment**	**339,302,333**	**11,312,306**	**15,017,148**	**108,650**	**365,740,437**
	Structure of adjusted items					
-	Consolidated cash	-5,777	-93,390	-5,956	-96	-105,219
-	Consolidated deposits to customers	0	0	0	-8,862	-8,862
-	Consolidated loans to customers	0	0	0	0	0
-	Consolidated interest receivables	-2	0	0	-15	-17
-	Consolidated accrued interest and other	-1,937	0	0	0	-1,937
-	Consolidated holdings in equity	-5,480,888	0	0	0	-5,480,888
II	**Assets in separate Balance Sheets**	**344,790,937**	**11,405,696**	**15,023,104**	**117,623**	**371,337,360**
I	**Liabilities per segment**	**345,970,381**	**8,274,747**	**11,517,686**	**-22,377**	**365,740,437**
	Structure of adjusted positions					
-	Consolidated deposits	-99,442	-2,802	-2,975	0	-105,219
-	Consolidated deposits received	-8,862	0	0	0	-8,862
-	Consolidated liabilities for interest and other	-15	-1,937	-2	0	-1,954
-	Consolidated capital	1,287,763	-3,126,210	-3,502,441	-140,000	-5,480,888
II	**Liabilities in separate Balance Sheets**	**344,790,937**	**11,405,696**	**15,023,104**	**117,623**	**371,337,360**
III	Balance-sheet total in original currency	344,790,937 h/din	99,900 h/EUR	275,355 h/KM	117,623 h/din	

5. CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 01.01.2013 TO 30.06.2013

(IN 000 RSD)

No.	ITEM	30.06.2013	30.06.2012	INDICES (3:4)*100
1	2	3	4	5
	OPERATING INCOME AND EXPENSES			
1.1.	Interest income	11,463,950	10,447,969	109.7
1.2.	Interest expenses	4,734,391	4,783,732	99.0
1.	**Interest gains**	**6,729,559**	**5,664,237**	118.8
2.1.	Fee and commission income	2,778,102	2,623,541	105.9
2.2.	Fee and commission expenses	483,761	377,539	128.1
2.	**Fee and commission gains**	**2,294,341**	**2,246,002**	102.2
3.	Net profit / loss from sale of securities at fair value through income statement	15,929	-1,075	-1,481.8
4.	Nat profit / loss from sale of securities available for sale	1,737	82,018	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	-	1,259	0.0
8.	Net profit / loss from exchange rate differentials and valuation adjustment of assets and liabilities	-16,224	78,133	-20.8
9.	Income from dividends and equity holdings	2,199	1,306	168.4
10.	Other operating income	97,420	121,461	80.2
11.	Net income / expense from indirect loan write-off and provisions	-833,674	-320,805	259.9
12.	Cost of salaries, benefits and other personal expenses	2,348,067	2,265,762	103.6
13.	Depreciation costs	431,137	414,390	104.0
14.	Operating and other business expenses	2,788,662	2,738,787	101.8
15.	**RESULT FOR THE PERIOD – PROFIT BEFORE TAX (from 1 to 14)**	**2,723,421**	**2,453,597**	111.0
16.	Profit tax	-	-	-
17.	Profit from increased deferred tax assets and decreased deferred tax liabilities	-	-	-
18.	Loss from decreased deferred tax assets and increased deferred tax liabilities	-	-	-
19.	**PROFIT (from 15 to 18)**	**2,723,421**	**2,453,597**	111.0
20.	Net profit of minor investors	1	1	100.0
21.	**Net profit of owners of parent legal entity**	**2,723,420**	2,453,596	111.0

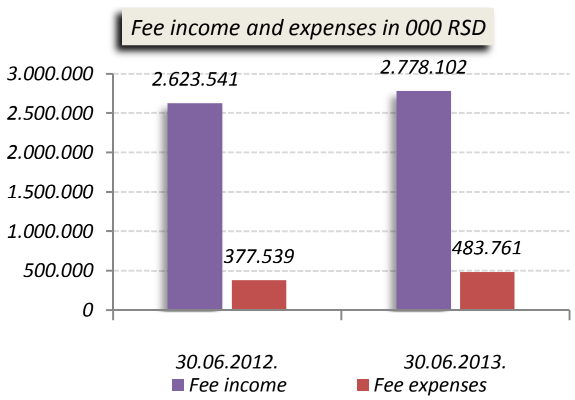
5.1. Interest Income and Expenses



Interest gains amounted to RSD 6,729.6 million, which is a year-on-year increase of 18.8%.

Interest income increased by RSD 1,016.0 million year-on-year or 9.7%, while interest expenses decreased by RSD 49.3 million or 1.0%.

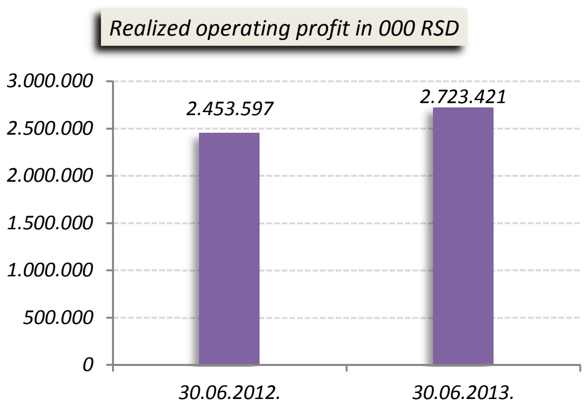
5.2. Fee Income and Expenses



Compared to the previous year, fee and commission income was higher by RSD 154.6 million or 5.9%, while fee and commission expenses increased by RSD 106.2 million or 28.1%.

In the first six months of 2013 fee and commission gains reached RSD 2,294.3 million and were higher than in the previous year by 2.2%.

5.3. Realized Operating Profit



Despite adverse and unpredictable macroeconomic operating conditions and recession both in the Serbian economy and abroad, the Group realized an operating profit of RSD 2,723.4 million in the period between 01 January and 30 June 2013, which was a year-on-year increase of 11.0%.

Such an increase in realized operating profit resulted in return on total capital of 8.6% and return on share capital of 13.6% in the first six months of 2013.

5.4. Consolidated Income Statement – segments

(IN RSD 000)

	ITEM	Beograd	Budva	Banja Luka	KomBank INVEST	TOTAL GROUP
1	2	3	4	5	6	7
1	Interest income	10,664,260	382,010	410,482	7,198	11,463,950
2	Interest expenses	-4,535,570	-81,619	-117,202	0	-4,734,391
3	**Net interest income/expenses (1+2)**	**6,128,690**	**300,391**	**293,280**	**7,198**	**6,729,559**
4	Fee income	2,622,474	70,765	83,982	881	2,778,102
5	Fee expenses	-454,246	-9,070	-20,053	-392	-483,761
6	**Net fee income/expenses (4+5)**	**2,168,228**	**61,695**	**63,929**	**489**	**2,294,341**
7	**Other operating income**	**113,430**	**515**	**3,328**	**12**	**117,285**
8	**Net income/expense from indirect loan write-off**	**-798,414**	**-25,401**	**-9,859**	**0**	**-833,674**
9	Cost of gross salaries	-2,095,444	-106,054	-141,875	-4,694	-2,348,067
10	Other operating expenses	-2,908,984	-133,697	-173,674	-3,444	-3,219,799
11	**Operating expenses (9+10)**	**-5,004,428**	**-239,751**	**-315,549**	**-8,138**	**-5,567,866**
12	**Net FX differentials and the effect of the FX clause**	**-19,596**	**873**	**2,485**	**14**	**-16,224**
I	**RESULT PER SEGMENT (3+6+7+8+11+12)**	**2,587,910**	**98,322**	**37,614**	**-425**	**2,723,421**
	Structure of adjusted items					
-	Consolidated net interest	1,041	0	-215	-826	0
-	Consolidated net fees	-486	241	225	20	0
-	Consolidated FX clause effect	0	0	0	0	0
-	Exchange rate differentials from internal relations	4,848	-861	-685	-1	3,301
II	**Result in separate Income Statements**	**2,582,507**	**98,942**	**38,289**	**382**	**2,720,120**
III	**Result in original currency**	2,582,507 RSD thousand	884 EUR thousand	669 KM thousand	382 RSD thousand	

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 2,720.1 million was increased by net FX loss of RSD 3.3 million, realized in the internal relations among Group members and presented in separate income statements for the period 01.01.2013 to 30.06..2013 and are classified as capital, in accordance with the relevant IAS.

In the first half of 2013 the Group Komercijalna banka AD recorded a profit in the amount of RSD 2,723.4 million, which is a period-on-period increase of 11%.

(IN 000 RSD)

Total unconsolidated profit in Income Statement	Consolidation amount from the Income Statement		Consolidated profit
	income	expenses	
2,720,120	**1,527**	**4,828**	**2,723,421**

6. DESCRIPTION OF THE KEY RISKS AND THREATS THE GROUP IS EXPOSED TO

The Group is obliged to adjust its business scope with the parameters prescribed by the Law on Banks. As at 30.06.2013, all the indicators were complied with the requirements.

PERFORMANCE INDICATORS FOR THE GROUP PRESCRIBED BY THE LAW ON BANKS

No.	ITEM	PRESCRIBED	30.06.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
1	CAPITAL ADEQUACY RATIO	MIN 12%	**20.31%**	22.40%	18.27%	18.73%	15.80%
2.	RATIO OF INVESTMENT INTO ENTITIES OUTSIDE THE FINANCIAL SECTOR AND INTO FIXED ASSETS	MAX 60%	**19.05%**	16.69%	23.85%	18.83%	29.60%
3.	EXPOSURE TO ENTITIES RELATED TO THE BANK	MAX 20%	**1.69%**	1.52%	2.10%	1.63%	11.26%
4.	LARGE EXPOSURE RATIO	MAX 400%	**98.24%**	68.11%	92.86%	61.24%	87.78%
5.	FX RISK RATIO	MAX 20%	**19.60%**	14.29%	18.86%	19.93%	19.73%

Work organisation of the Group and the Risk Management Policies, adopted by the Board of Directors of the Parent Bank, established the rules and procedures of risk management. Risk Management Policies define the basic principles and targets in managing specific types of risk which the Group is exposed to in the process of conducting its business operations, as well as the system of managing such risks.

A detailed overview of main risks and threats the Group will be exposed to in the upcoming period is described in chapter 8. Risk Management, Notes to Consolidated Financial Statements.

7. ALL MAJOR TRANSACTIONS WITH RELATED ENTITIES

Consolidation of balance-sheet and off-balance-sheet items per Group member as at 30.06.2013:

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	344,790,937	5,488,604	339,302,333	92.77
Komercijalna banka AD Budva	11,405,696	93,390	11,312,306	3.09
Komercijalna banka AD Banja Luka	15,023,104	5,956	15,017,148	4.11
KomBank INVEST AD Beograd	117,623	8,973	108,650	0.03
TOTAL	**371,337,360**	**5,596,923**	**365,740,437**	**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	344,790,937	-1,179,444	345,970,381	94.59
Komercijalna banka AD Budva	11,405,696	3,130,949	8,274,747	2.26
Komercijalna banka AD Banja Luka	15,023,104	3,505,418	11,517,686	3.15
KomBank INVEST AD Beograd	117,623	140,000	-22,377	-0.01
TOTAL	**371,337,360**	**5,596,923**	**365,740,437**	**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	215,861,257	342,714	215,518,543	98.26
Komercijalna banka AD Budva	1,404,297	5,488	1,398,809	0.64
Komercijalna banka AD Banja Luka	2,769,681	342,515	2,427,166	1.11
KomBank INVEST AD Beograd	200	200	0	0.00
TOTAL	**220,035,435**	**690,917**	**219,344,518**	**100**

The percentage of total consolidated balance-sheet items is not materially significant and amounts to 1.5% (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.

Share of related entities in the Group's total potential is not significant, as it only amounts to 7.2% (7.1% in 2012) of the Group's consolidated assets. The share is even lower in liabilities - 5.4% (5.3% in 2012), as capital invested by the parent bank is eliminated in the process of consolidation.

8. INFORMATION ON BUSINESS PLAN IMPLEMENTATION FOR 2013

Implementation of the Parent bank's Strategy and Business Plan in the first six months of 2013 was carried out in considerably altered macroeconomic environment which was characterized in particular by the following:

- There was a year-on-year decrease in GDP of 1.7% in 2012. After positive trends in the first four months and a year-on-year growth of GDP in Q1 this year (+2.1%), official statistics showed a decrease in economic activity in May – year-on-year decrease in industrial production of 0.5%;
- EUR/RSD exchange rate also recorded a departure from projected figures (exchange rate planned for the end of the current year: 1 EUR = 125.00 dinars, realized figure as of 30.06.2013: 1 EUR = 114.17 dinars),
- Inflation rate (year-on-year rate, June 2013 / June 2012: 9.8%) remained almost unchanged and considerably departed from the targeted ceiling for June this year (5.5%).

Apart from everything listed above, operation of banks in region the first six months of 2013 was also greatly affected by the public debt crisis in the Eurozone, suspension of an arrangement with IMF for Serbia, foreign investors' reluctance to invest, decreased demand for loans, increased credit risk due to recession and unemployment in the real sector.

KOMERCIJALNA BANKA AD BEOGRAD

Director of the Subsidiaries Department	**Executive Director for Accounting**
Gordana Zorić	**Savo Petrović**

BALANCE SHEET - consolidated

on 30.06.2013.

(in RSD thousand)

POSITION	ADP code	Amount: Current year ammount	Amount: Previous year ammount
1	2	3	4
ASSETS			
Cash and cash equivalents	001	31.695.202	42.052.826
Revocable deposits and loans	002	65.135.402	45.826.369
Revocables from interest, compensations, sale, change of derivatives fair value and other receivables	003	2.088.282	1.744.180
Loans, advances and deposits of clients	004	201.477.566	194.416.122
Securities (without own shares)	005	44.983.735	42.216.159
Shares (participation) in non affiliated legal entities	006	495.272	436.210
Other invesments	007	4.406.000	3.230.128
Intangible assets	008	681.126	644.837
Fixed assets and invested immovables	009	7.926.047	7.871.320
Permanent assets for sale and assets of businesses to be ceased	010	78.666	78.763
Deferred tax assets	011	65.414	4.896
Other assets	012	6.707.725	4.648.711
Losses above equity	013	-	-
Shares (participation) in affiliated legal entities per capital method	014	-	-
TOTAL ASSETS (from 001 to 014)	015	365.740.437	343.170.521
LIABILITIES			
Transaction deposits	101	56.032.986	45.840.849
Other deposits	102	205.227.820	204.644.393
Received loans	103	2.224.221	1.411.962
Liabilities for issued securities	104	-	-
Liabilities for interest, compensations and change of derivatives fair value	105	283.391	191.129
Provisions	106	1.210.452	2.406.634
Liabilities for tax	107	64.452	24.571
Liabilities for profit	108	160.925	105.081
Liabilities from assets for sale and assets of businesses to be ceased	109	-	-
Deferred tax liabilities	110	61.469	948
Other liabilities	111	35.955.381	26.471.804
TOTAL LIABILITIES (from 101 to 111)	112	301.221.097	281.097.371
EQUITY			
Equity	113	40.034.608	40.034.608
Reserves from profit	114	15.212.070	15.149.322
Revaluation reserves	115	1.209.314	867.774
Unrealized losses from securities for sale	116	321.203	7.016
Profit	117	6.970.305	4.640.008
Loss up to equity	118	-	-
Positive cumulative differentials from quotation of foreign operations	119	1.414.246	1.388.454
Negative cumulative differentials from quotation of foreign operations	120	-	-
TOTAL EQUITY (from 113 to 115+117+119-116-118-120)	121	64.519.340	62.073.150
TOTAL LIABILITIES (112+121)	122	365.740.437	343.170.521
Majority owners interest	123	63	62
OFF-BALANCE SHEET ITEMS (from 125 to 129)	124	219.344.518	207.913.711
Transactions for and on behalf of third parties	125	5.333.288	5.050.021
Future obligation acceptance	126	33.412.916	43.695.943
Received warranties for liabilities	127	-	-
Derivatives	128	-	-
Other off-balance sheet items	129	180.598.314	159.167.747

КОМЕРЦИЈАЛНА БАНКА АД БЕОГРАД

PROFIT AND LOSS ACCOUNT- consolidated

from 01.01.2013. to 30.06.2013.

POSITION	ADP code	Amount	
		Current year 01.01.-30.06.	Previous year 01.01.-30.06.
1	2	3	4
OPERATING INCOME AND EXPENSES			
Interest income	201	11.463.950	10.447.969
Interest expenses	202	4.734.391	4.783.732
Interest profit (201-202)	203	6.729.559	5.664.237
Interest losses (202-201)	204	-	-
Fees and compensations income	205	2.778.102	2.623.541
Fees and compensations expense	206	483.761	377.539
Fees and compensations profit (205-206)	207	2.294.341	2.246.002
Fees and compensations loss (206-205)	208	-	-
Net profit from sale of securities per fair value in Profit and loss account	209	15.929	-
Net loss from sale of securities per fair value in Profit and loss account	210	-	1.075
Net profit from sale of securities	211	1.737	82.018
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	-	1.259
Net losses on sale of other investment	218	-	-
Net income from exchange rate changes	219	-	-
Net expenses from exchange rate changes	220	416.110	9.968.345
Income from dividends and participation	221	2.199	1.306
Other operating income	222	97.420	121.461
Net income from indirect write-off of advances and provisioning	223	-	-
Net expenses on indirect write-off of advances and provisioning	224	833.674	320.805
Saleries, Wages, and other personal indemnites	225	2.348.067	2.265.762
Depreciation costs	226	431.137	414.390
Other operating expenses	227	2.788.662	2.738.787
Income from change in value of assets and liabilities	228	5.017.957	13.137.743
Expenses on change in value of assets and liabilities	229	4.618.071	3.091.265
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	2.723.421	2.453.597
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	2.723.421	2.453.597
RESULT FOR THE PERIOD - LOSSES BEFORE TAX (231-230+233-232)	235	-	-
Tax on profit	236		
Profit from created deferred tax assets and decrease of deferred tax liabilities	237		
Loss from decrease of deferred tax assets and creation of deferred tax liabilities	238		
PROFIT (234-235-236+237-238)	239	2.723.421	2.453.597
LOSSES (235-234+236+238-237)	240	-	-
Net profit of minor investors	241	1	1
Net profit of owners of parent legal entity	242	2.723.420	2.453.596
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		
Diluted earnings per share (in dinars)	247		

КОМЕРЦИЈАЛНА БАНКА АД БЕОГРАД * БЕОГРАД

CASH FLOW STATEMENT - consolidated

from 01.01.2013. to 30.06.2013.

(in RSD thousand)

POSITION	ADP code	Amount 01.01. - 30.06.2013.	Amount 01.01. - 30.06.2012.
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (from 302 to 305)	301	14.096.629	11.457.237
1. Inflows from interest	302	11.203.511	8.708.609
2. Inflows from allowances	303	2.797.729	2.633.468
3. Inflows from other operating income	304	93.190	113.854
4. Inflows from dividends and participation in profit	305	2.199	1.306
II. Cash outflows from operating activities (from 307 to 311)	306	9.452.426	9.045.264
5. Outflows from interest	307	3.859.616	3.510.148
6. Outflows from allowances	308	488.020	384.119
7. Outflows from gross salleries, wages and other personal indemnities	309	2.226.434	2.078.789
8. Outflows from taxes, contributions and other obligations from income	310	427.101	423.504
9. Outflows from other operating expenses	311	2.451.255	2.648.704
III. Net cash inflow from operating activities prior to increase or decrease in advances and deposits (301 minus 306)	312	4.644.203	2.411.973
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	18.186.618	17.636.711
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	6.508.253	258.849
12. Increase in banks and clients deposits	317	11.678.365	17.377.862
VI. Increase in advances and decrease in deposits withdrawn (from 319 to 321)	318	30.048.708	1.371.234
13. Increase in loans and advances to banks and clients	319	30.048.708	1.371.234
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	-	18.677.450
VIII. Net cash outflow from operating activities before tax on profit (313 plus 318 minus 312 minus 314)	323	7.217.887	-
16. Profit tax paid	324	338.259	396.354
17. Dividends paid	325	258.431	252.665
IX. Net cash inflow from operating activities (322 minus 323 minus 324 minus 325)	326	-	18.028.431
X. Net cash outflow from operating activities (323 minus 322 plus 324 plus 325)	327	7.814.577	-
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflows from investing activities (from 329 to 333)	328	5.191.230	1.235.692
1. Inflows from long-term investment in securities	329	5.185.037	1.229.370
2. Inflows from sale of shares (participation)	330	-	-
3. Inflows from sale of intangible and fixed assets	331	6.193	6.322
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	15.408.054	11.603.958
6. Outflows from investment in long-term securities	335	14.901.679	11.262.382
7. Outflows from purchase of shares (participation)	336	976	751
8. Outflows from purchase of sale of intangible and fixed assets	337	505.399	340.825
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	10.216.824	10.368.266
V. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (from 343 to 348)	342	8.090.553	5.239.524
1. Inflows from capital increase	343	-	-
2. Net cash inflows from subordinated obligations	344	22.660	558.970
3. Net cash inflows from loans received	345	8.067.893	4.680.554
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	-	13.544
7. Outflows from purchase of own shares	350	-	-
8. Net outflows from subordinated obligations	351	-	-
9. Net cash outflows from loans received	352	-	13.544
10. Net outflows from securities	353	-	-
11. Other outflows from financing activities	354	-	-
III. Net cash inflow from financing activities (342 minus 349)	355	8.090.553	5.225.980
IV. Net cash outflow from financing activities (349 minus 342)	356	-	-
G. TOTAL NET CASH INFLOWS (301 plus 314 plus 328 plus 342)	357	45.565.030	35.569.164
D. TOTAL NET CASH OUTFLOWS(306 plus 318 plus 324 plus 325 plus 334 plus 349)	358	55.505.878	22.683.019
DJ. NET INCREASE IN CASH (357 minus 358)	359	-	12.886.145
E. NET DECREASE IN CASH (358 minus 357)	360	9.940.848	-
Ž. CASH AT THE BEGINNING OF THE YEAR (Note: ___) (361, col. 3 = 001, col. 6)	361	42.052.826	19.245.682
Z. PROFIT ON EXCHANGE	362	1.653.551	8.008.924
I. LOSS ON EXCHANGE	363	2.070.327	17.777.930
J. CASH AT END-PERIOD (Note: ___) 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	31.695.202	22.362.821

КОМЕРЦИЈАЛНА БАНКА А.Д. БЕОГРАД

CAPITAL CHANGES STATEMENT- consolidated

from 01.01.2013. to 30.06.2013.

(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)
1		2		3		4		5		6
State at 1 January, of the previous 2012. year	401	13.881.064	414		427		440	14.581.543	453	12.261.615
Correction of material important mistakes and changes of accounting policies in the prior year - increase	402		415		428		441		454	
Correction of material important mistakes and changes of accounting policies in the prior year - decrease	403		416		429		442		455	
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
Total increase in the previous year	405	3.310.460	418		431		444	8.261.541	457	3.279.329
Total decrease in the previous year	406		419		432		445		458	391.622
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
Correction of material important mistakes and changes of accounting policies in the current year - increase	408		421		434		447		460	
Correction of material important mistakes and changes of accounting policies in the current year - decrease	409		422		435		448		461	
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
Total increase in the current year	411		424		437		450		463	62.748
Total decrease in the current year	412		425		438		451		464	
State at 30 June of the current 2013 year (no.10+11-12)	413	17.191.524	426		439		452	22.843.084	465	15.212.070

DESCRIPTION	ADP	Revaluation reserves (group of accounts 82, except for acc.823)	ADP	Profit (group of accounts 83)	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		7		8		9		10		11		12		13		14		15
State at 1 January, of the previous 2012. year	466	689.620	479	3.830.588	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	467		480		493		506		519		532		545		558		571	
Correction of material important mistakes and changes of accounting policies in the prior year - decrease	468		481		494		507		520		533		546		559		572	
Corrected opening balance as at 1 January of the previous 2012 year (no.1+2-3)	469	689.620	482	3.830.588	495		508		521	63.940	534	863.532	547		560	46.044.022	573	
Total increase in the previous year	470	188.821	483	5.101.212	496		509		522	29.241	535	1.264.911	548		561	21.377.033	574	
Total decrease in the previous year	471	10.667	484	4.291.792	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)	472	867.774	485	4.640.008	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	473		486		499		512		525		538		551		564		577	
Correction of material important mistakes and changes of accounting policies in the current year - decrease	474		487		500		513		526		539		552		565		578	
Corrected opening balance as at 1 January of the current 2013 year (no. 7+8-9)	475	867.774	488	4.640.008	501		514		527	7.016	540	1.388.454	553		566	62.073.150	579	
Total increase in the current year	476	471.387	489	2.730.159	502		515		528	321.190	541	1.292.086	554		567	4.235.190	580	
Total decrease in the current year	477	129.847	490	399.862	503		516		529	7.003	542	1.266.294	555		568	1.789.000	581	
State at 30 June of the current 2013 year (no.10+11-12)	478	1.209.314	491	6.970.305	504		517		530	321.203	543	1.414.246	556		569	64.519.340	582	

КОМЕРЦИЈАЛНА БАНКА АД БЕОГРАД

БЕОГРАД

1

KOMERCIJALNA BANKA
AD Beograd

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 30.06.2013

Belgrade, August 2013

1. ESTABLISMENTS AND OPERATIONS OF THE BANKING GROUP

Komercijalna Banka AD Beograd (hereinafter „the Parent Bank") was founded on December the 1st 1970, and was transformed into a limited company on May the 6th 1992.

As at June the 30th 2013, the following shareholders held the major controlling stakes in the parent bank:

1. The Republic of Serbia and
2. EBRD, London.

The capital structure review is provided in the Note no. 4

The Parent Bank owns three dependent entities with the following shareholder ownership:

- 100% - Komercijalna Banka AD Budva, Montenegro
- 100% - KomBank INVEST AD Beograd, Serbia
- 99,998% - Komercijalna Banka AD Banja Luka, Bosnia and Herzegovina.

Minority shareholder in Komercijalna Banka AD Banja Luka, holding 0,002%, is the Export Credit and Insurance Agency of the Republic of Serbia.

The consolidated financial statements and notes to financial statements present information of Komercijalna Banka AD Beograd as the Parent Bank, Komercijalna Banka AD Budva, Komercijalna Banka AD Banja Luka and the Investment Fund Management Company KomBank INVEST AD Beograd (hereinafter „the Group").

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 in Podgorica on March the 6th 2003. Basic identification number for Komercijalna Banka AD Budva is 02373262.

Komercijalna Banka AD Banja Luka was founded in September 2006, and was entered into the Court Register on September the 15th 2006 in accordance with the Decision of the Basic Court in Banja Luka. Basic identification number for Komercijalna Banka AD Banja Luka is 11009778.

Investment Fund Management Company KomBank INVEST AD Beograd was founded in December 2007 and registered on February the 5th 2008. Basic identification number for Investment Fund Management Company is 20379758.

Activities of the Group include credit, deposit and guarantee operations, operations of national and international payment transactions in accordance with the Law on Banks, as well as the operations related to the investment fund management. The Group is committed to operate according to the principles of liquidity, security and profitability.

As at June the 30th 2013, the Group consists of the Head Office and seat in Belgrade, 14 Svetog Save St, the seat of Komercijalna Banka AD Budva in Budva, the seat of Komercijalna Banka AD Banja Luka in Banja Luka, the seat of Investment Fund Management Company KomBank INVEST AD Beograd in Belgrade, 40 branches and 246 outlets in the territories of Serbia, Montenegro and Bosnia and Herzegovina.

On June the 30th 2013, the Group had 3.285 employees and on December the 31st 2012, it had 3.254 employees.

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

2.1. The Statement of Compliance

Members of the Group kept their business books and prepared individual financial statements as of June the 30th 2012 in accordance with the local legislation, other regulations based on the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), as well as the regulations of the relevant central banks and regulatory bodies.

In order to prepare the consolidated financial statements the individual financial statements of the dependent bank were adjusted to the presentation of the financial statements prepared based on the accounting regulations of the Republic of Serbia.

The parent bank keeps records and prepares the consolidated financial reports in accordance with the effective Law on Accounting and Audit of the Republic of Serbia (Official Gazette of the RoS 46/2006, 111/2009, 99/2011), Law on Banks (Official Gazette of the RoS 107/2005, 91/2010) and other relevant bylaws of the National Bank of Serbia, as well as all other regulations that apply in the Republic of Serbia.

In accordance with the Law on Accounting and Audit, legal entities and entrepreneurs in the Republic of Serbia prepare and present the consolidated financial statements in accordance with the law and professional and internal regulations, wherewith the professional regulations include the applicable Framework for the Preparation and Presentation of the Financial Statements („the Framework“), International Accounting Standards (IAS) and International Financial Reporting Standards („IFRS“), as well as interpretations that form the integral part of these standards, that is to say, the text of IAS and IFRS which is in effect, does not include the basis for conclusions, illustrative examples, guidelines, remarks, opposing viewpoints, elaborated examples or other supplementary material.

In preparing and presenting the interim consolidated financial statements January through June 2013, the Parent Bank has been using the same accounting policies and methods of calculation as in preparing the Annual Consolidated Financial Statements for 2012.

Enclosed consolidated financial statements are prepared in the form prescribed by the Instruction on the manner in which the public companies and certain persons related to them shall deliver information to the Securities Commission, pursuant to the Law on Capital Market (Official Gazette 31/2011). The prescribed set of semi-annual consolidated financial statements includes Balance Sheet – Consolidated, Income Statement – Consolidated, Cash Flow Statement – Consolidated, Changes in Equity Statement – Consolidated and Notes to the consolidated financial statements.

2.2. The Rules of Assessment

The consolidated financial statements have been prepared based on the historical value principle, except regarding the following positions:

- Financial instruments at fair value through profit or loss, evaluatedat fair value;
- Financial instruments available for sale , evaluated at fair value;
- Derivatives, which are evaluated at fair value and
- Buildings.

2.3. Going concern assumption

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

2.4. Functional and Reporting Currency

The consolidated financial statements of the Group are stated in thousands of Dinars (RSD). 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 AD Budva and BAM from the financial statements of Komercijalna Banka AD Banja Luka, have been translated into presentation currency and functional currency of the Parent Bank – the Dinar (RSD) based on the official exchange rates published in the Republic of Serbia.

2.5. Use of assessments

The preparation and presentation of the consolidated financial statements requires from the management of the Group to use the best possible assessments and understanding of the assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as income and expenses in the reporting period.

These assessments and assumptions are based on historical experience, and on various information available on the date of the consolidated financial statements, which seem realistic and reasonable in the given circumstances. Based on these data, we form the assumption of the value of assets and liabilities that cannot be directly confirmed against other information. The real value of assets and liabilities can deviate from the value that has been assessed in this manner.

Both the assessments and assumptions, under which the estimates have been made, come as the result of the regular checks. If, during checking, we determine that a change in the assessed value of assets and liabilities occurred, the effects determined in such a way are recognized in the consolidated financial statements for the period when the change in assessment occurred, but only when the change in assessment affects just that particular accounting period; when the change in assessment also affects current and future accounting periods, the effects of such change are recognized both in the period when the change in assessment occurred and in the upcoming accounting periods.

Information about the areas in which the level of assessment is the highest, and which may therefore have the most significant effect on the amounts recognized in the consolidated financial statements of the Group, is provided in the Note 3.15.

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

The consolidated financial statements present the financial reports of the Group, consisting of the consolidated financial statements of Komercijalna Banka AD Beograd, as the Parent Bank, and the following dependent and related legal entities:

- Komercijalna Banka a.d. Budva, Montenegro, 100% owned by the Parent Bank,

- Investment Fund Management Company KomBank Invest AD Beograd, 100% owned by the Parent Bank and
- Komercijalna Banka a.d. Banja Luka, Bosnia and Herzegovina, 99,998% owned by the Parent Bank.

Income Statement and Cash Flow Statement have been reclassified by applying the average exchange rate in effect in the Republic of Serbia for the first half of 2013, which came to RSD 111,9082 for one EUR and RSD 57,2177 for one BAM, and the other financial statements (Balance Sheet and Changes in Equity Statement) by applying the exchange rate in effect on the concluding date - 30.06.2013, i.e. RSD 114,1715 for one EUR or RSD 58,3750 for one BAM.

3.1. Interest income and expenses

Interest income and expenses, including the default rate and other income and expenses related to the interest bearing assets / liabilities, have been calculated on accrual basis and according the terms arising from the obligatory relationship, as specified by the contract entered into between the members of the Group and their clients.

Fee and commission income arising from granted loans has been booked as deferred income; these are recognized as the interest income for the period according to the effective interest rate (EIR) method, i.e. effective yield arising from lending.

Interest income also includes income arising from the risk hedged financial instruments, mainly based on the annuities hedged by tying the local currency to Euro or another foreign currency rate, or to the retail prices index, with the calculation at the end of each month during the repayment term and on annuity due date.

3.2. Fees and commission income and expenses

Fees and commission income and expenses are recognized based on the accrual principle.

Income arising from fees charged for the banking services and fees and commission expenses are determined once the payment falls due, i.e. when realized. In the income statement, they are recognized when incurred, or due and payable. Income arising from fees for guarantees and other contingent obligations are being accrued in accordance with the duration period and recognized in the income statement in proportion to the duration time.

3.3. Gains and losses on securities

Realized or unrealized gains and losses arising from the changes in the market value of trading securities are recognized through the income statement.

Gains and losses arising from change in depreciated value of securities held to maturity are recognized as income or as expense.

Unrealized gains and losses on securities available for sale are recognized in the revaluation reserves included in equity. In case of sale or permanent reduction in value of these securities, the related revaluation reserves previously established are included in the income statement as gains and losses arising from investments in securities.

Gains/losses arising from the stipulated foreign currency hedge clause and changes in the rate of securities available for sale, as well as the interest income on securities available for sale, are stated in the income statement.

Dividends received from investments in shares of other legal entities are stated as dividend income at the time of collection.

Impairment of the assessed value of risk by all types of securities is recognized in the income statement.

3.4. Translation of foreign currency in Financial Statements

Business transactions in foreign currency are translated into Dinars by middle rate established on the interbank FOREX market, which has been effective at the transaction date.

Assets and liabilities declared in foreign currency at the balance sheet date are translated into Dinars by middle rate established on the interbank FOREX market, which was effective on that date.

Net FX gains or losses incurred in business transactions in foreign currency and during translation of the balance sheet positions stated in foreign currency are booked as FX gains or losses.

Undertaken and contingent liabilities in foreign currencies are translated into Dinars by middle rate established on the interbank FOREX market, which was in effect at the balance sheet date.

3.5. Real estate, investment property, equipment and intangible assets

3.5.1. Intangible assets

Intangible assets are valued at cost. After the initial recognition, the intangible assets are stated at cost reduced by the accumulated depreciation and losses resulting from impairment.

Calculation of depreciation of the intangible asset will begin in the month that follows the month when the intangible assets were made available for use.

The basis for calculating depreciation consists of the cost value reduced by the remaining (residual) value. If the residual value comes out as materially insignificant, it is not taken into account in calculation of depreciation, i.e. it does not reduce depreciation basis.

The intangible assets are depreciated by applying straight-line method, with the use of 14.29 to 33.34% depreciation rate.

3.5.2. Fixed assets

/i/ Recognition and valuation

Except for real estate, the fixed assets are valued at cost, reduced by valuation adjustment and losses resulting from impairment. As of January the 1st, 2005, the Group has adopted the method of revaluation of the real property owned by the Group members. Based on the market value assessment for the real property owned by the Parent Bank approved by the Board of Directors, the calculation of revaluation has been carried out and the value of real property was increased in 2005.

Fixed assets are initially measured at cost.

The cost value includes expenditure that can be directly attributed to an asset acquisition. Purchased software, which is an integral part necessary for the functional usefulness of the equipment, is capitalized as part of that equipment.

When parts of the fixed asset have different useful lives, they are listed as separate items (main components) of the equipment.

For the subsequent measurement of fixed assets other than real estate, after the initial recognition, the Group applies the cost value method. For the subsequent measurement of the real property, the Group applies revaluation model.

/ii/ Subsequent costs

Costs of replacement of a part of the fixed asset are recognized at book value, if the future economic benefits associated with that part are likely to flow into the Group, and if the cost of that part can be reliably measured. When spent, the spare parts and service equipment are recorded through the income statement.

/iii/ Depreciation

Depreciation of the fixed assets is calculated proportionally to the cost or revaluated value of the fixed assets, by applying the following annual rates, which have been determined to depreciate the cost or revaluated value reduced by the remaining (residual) value of the fixed assets in equal annual amounts during its useful life.

The applied annual rates of depreciation are as follows:

Buildings	2,50%
Computer equipment	25%
Furniture and vehicles	10%-15,5%
Investments in extraneous fixed assets and other equipment	4,25%-86,20%

3.5.3. Investment property

The Group keeps investment property in order to earn income from rentals or for increase in value of capital, or both.

Investment property is initially measured at cost. Costs of transaction are not included in the initial measurement.

For the subsequent measurement of investment property, after the initial recognition, the Group applies the cost value method.

Depreciation of investment property is calculated equally at cost value of investment property, by applying the annual 2.5% rate.

3.6. Supplies

3.6.1. Supplies

Supplies are stated at cost or by net selling value, depending on which is lower.

The Group states assets acquired by collection of due credit receivables within this item.

3.6.2. Fixed assets held for sale

Assets held for sale is an asset whose book value can primarily be compensated through a sale transaction, and not through continued use.

Fixed asset is classified as fixed asset held for sale if it meets the following criteria:

- An asset (or the group of assets) is available for direct sale in its current state
- The fixed assetsis planned for sale and the activities related to realization of such sale have begun
- There is an active market for such asset and the asset is actively present on that market
- The probability of sale is very high, or there is an expectation that the sale will be realized within a year starting from the day of asset classification as a fixed asset held for sale.

Fixed asset held for sale is initially valued by current (book) value or market (fair) value reduced by the costs of sale, depending on which of these values is lower. From the moment of classification of the asset as a fixed asset held for sale, calculation of depreciation for such asset stops.

If there is a change in the sales plan, the fixed asset ceases to be classified as fixed asset held for sale. In that case, the lower of the following two values is used to evaluate the fixed asset:

- Book value of the asset before it has been classified as a fixed asset held for sale, adjusted for accrued depreciation and impairment, which would have been recognized if the fixed asset had not been classified as the fixed asset held for sale, and
- Recoverable value effective at the date of the decision not to sell the respective asset.

3.7. Financial Instruments

/i/ Classification

The Group classifies its financial assets in the following categories: financial assets at fair value whose effects in changes of fair values are stated in the income statement, loans and receivables, financial assets available for sale and assets held to maturity. Classification depends on the purpose for which the funding has been obtained. The management of the Group classifies its financial lending at its initial recognition.

/ii/ Recognition

Purchases or sales of financial assets and financial liabilities are recorded using the accounting recognition at the transaction settlement date.

/iii/ Evaluation

Financial instruments are initially valued at market value, which includes transaction costs for all financial assets or liabilities other than those that are valued at fair value through the income statement. Financial assets kept at fair value, whose effects of changes in fair value are stated in the income statement, are initially recognized at fair value, and the transaction costs are declared as the operating expenses in the income statement.

Financial assets available for sale and financial assets at fair value, whose effects of changes in fair value are stated in the income statement after the initial recognition, are stated at fair value. Loans and receivables, as well as the financial assets held to maturity are measured at amortized cost using the effective interest rate method.

After initial recognition, the financial liabilities are declared at amortized cost by use of effective interest rate method, except for the financial liabilities at fair value through the income statement.

/iv/ Derecognizing

A Group Member shall remove financial asset from the books when the rights to receive cash from an asset expire, or when these rights are transferred to another person. Each right as per transferred financial assets, created or kept by the Group Member, shall be recognized as a separate asset or liability.

A Group Member shall remove liability from the books once it is settled, suspended or transferred to another person.

/v/ Valuation at amortized cost

Amortized costs of the financial assets or liabilities are the amounts by which assets or liabilities are initially valued, reduced by principal repayment, plus or minus the cumulative amortization using the effective interest rate method on the difference between the initial value and face value at the instrument maturity date, reduced by impairment.

/vi/ Valuation at fair value

The fair value of financial instruments is the amount by which the asset can be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

The available market information at the reporting date and other models of valuation the Group Member is using determine fair value.

Fair value of certain financial instruments declared by nominal value is approximately equal to their book value. These instruments include cash, and receivables and payables with no agreed maturity, or the agreed fixed interest rate. Other receivables and liabilities are reduced to their currency value by discounting the future cash flows with the use of current interest rates. The management believes that due to the nature of the Group's business and its general policies, there are no significant differences between the book and fair value of the financial assets and liabilities.

The fair value of irrevocable loans and off balance items is the same as their book value.

/vii/ Impairment

Group's financial assets are estimated at the balance sheet date, in order to determine whether the objective evidence of impairment exist. If there is evidence of impairment, the recoverable amount of the loan is determined. In order to manage the credit risk adequately and efficiently, in the scope of its internal regulations, the Group has prescribed specific policies and procedures for the identification of bad assets and management of such assets.

The management of the Group evaluates recoverability of receivables, i.e. impairments of loans and advances based on the individual assessment of doubtful receivables. Doubtful receivables include all claims with default repayment. Members of the Group evaluate the recoverable amount of receivables and loans, bearing in mind the regularity of payments, financial state of the debtor and quality of the collateral, as well as the agreed cash flow and historical data on losses.

Members of the Group calculate the impairment cost that shows in the expense side for the period when the impairment occurred. If, in the following periods, the management determines that conditions changed in the sense that impairment no longer exists, previously impaired asset will be suspended in favour of the income side. Suspension of impairment cannot result in higher value of the asset in question than the value such asset would have if there had been no impairment.

3.8. Loans

Loans are stated in the balance sheet up to the amount of granted lending, reduced by the principal amount repaid, and by the valuation adjustment based on the estimate of specifically identified risks related to certain loans and risks for which the experience shows should be included in the loan portfolio. In assessing these risks, the management uses methodology based on the full application of IAS 39, disclosed in the Note 3.15.

Dinar loans hedged by binding the local currency to exchange rate of Euro or other foreign currency, or the retail price index, are revaluated in accordance with the specific contract for each loan. The difference between nominal value of the outstanding principal and revaluated amount is stated within the position of receivables arising from loans and advances. The effects of this revaluation are recorded in the position of income and expenses from changes in value of assets and liabilities.

3.9. Financial Assets

3.9.1. Financial assets at fair value whose effects of changes in fair value are recognized in profit or loss

Financial assets at fair value whose effects of changes in fair value are recognized in the profit&loss are the financial assets held for trading. The financial asset is classified in this category if it has been acquired primarily for sale in the short term. Derivatives are also classified as the assets held for trading, unless identified as the hedging instrument. We classify assets in this category as current. The financial assets at fair value whose effect of changes in fair value are recognized in the profit&loss include old FX savings bonds issued by the Republic of Serbia and shares of banks and companies acquired for trading.

3.9.2. Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity terms, which the Group Members intend to hold and can hold to maturity. These financial assets include obligations of legal entities and govt. T-bills of Montenegro and Republic of Serbia.

In case a member of the Group decides to sell a considerable portion of financial assets held to maturity, the entire category is reclassified as available for sale. Financial assets held to maturity are classified as long-term assets, unless the maturity terms are shorter than 12 months as at the balance sheet date, in which case they are classified as short-term assets.

Financial assets held to maturity are initially recorded at cost value, and at the balance sheet date these are recognized at amortized value, i.e. current value of the future cash flows determined by use of the effective interest rate contained 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 and not classified as loans and receivables, financial assets held to maturity or financial assets at fair value whose effects of change in fair value are recognized in the profit or loss. Financial assets available for sale are investments intended to be kept for an indefinite period, which can be sold because of the liquidity requirements or change in interest rates, foreign exchange rate or market prices. If there is no active market for the financial assets available for sale, or if these assets bear fixed maturity term, the financial assets available for sale are evaluated at amortized value using the effective interest rate method. The financial assets available for sale consist of T-bills and bonds issued by the Republic of Serbia and Republic of Srpska, shares of other banks and stakes in other legal entities.

Financial assets available for sale are initially estimated at cost value, and at the balance sheet date at market value, if known. Change in market value is recognized in the capital position, credited or debited to revaluation reserves, until the disposal of these financial assets, 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.

In terms of share in equity, there is the intention to hold indefinitely. These shares can be sold depending on the liquidity requirements or in case of change in market prices. If there is no active market for a share in equity, it is valued at cost.

3.10. Cash and cash equivalents

In the Cash Flow Statement, the position cash and cash equivalents includes cash, funds deposited on the accounts of other banks and cheques presented for collection.

3.11. Funds managed on behalf and for the account of third persons

Funds managed by the Group members for the fee on behalf and for the account of the third persons are not included in the Group balance sheet, but in the off balance positions.

3.12. Taxes and Contributions

3.12.1. Corporate Profit Tax

Profit tax is the amount calculated by use of the prescribed tax rate to the profit amount before tax, stated in accordance with the IAS / IFRS, after deduction of the effects of permanent differences that reduce the prescribed tax rate to an effective tax rate.

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.

The Parent Bank has no possibility of exercising fiscal consolidation based on the regulations effective in the Republic of Serbia.

The Group Members determine the final amounts of tax liabilities arising from profit by applying the tax rate on the tax base established by local regulations.

Tax rates for 2013 are as follows:

Serbia	15%
Montenegro	9%
Bosnia and Herzegovina	10%

3.12.2. Taxes and contributions not related to the corporate business result

Taxes and contributions that are not related to the company's business result include property tax; value added tax, tax contributions on wages paid by the employer, as well as other taxes and duties in accordance with the state, local and tax regulations. These taxes and contributions are stated in the OPEX.

3.13. Deposits

Deposits are stated up to the amount of deposited funds, which can be increased by accrued interest, depending on the obligatory relationship established between the depositor and member of the Group. Members of the Group have stipulated the interest rates on deposits depending on the amount of a deposit.

FX deposits are stated in Dinars according to the middle rate of the deposit currency effective at the balance sheet date.

Deposits are stated in the balance sheet as transaction and other deposits.

3.14. Capital

Capital of the Group includes the initial capital, shares of the subsequent issues, reserves from profit, revaluation reserves, retained earnings and current earnings reduced by unrealized losses on securities available for sale.

Capital of the Group was formed with the funds invested by the founder- the Parent Bank and minority founder of Komercijalna Banka AD Banja Luka in cash. The founder cannot withdraw the funds invested in the capital of the Group.

3.15. Key accounting assessments and assumptions

Management makes assessments and assumptions that influence the value of assets and liabilities in the subsequent fiscal year. Estimated values are rarely equal to achieved results. Assessments and assumptions that involve the risk of significant material corrections of the book value of assets and liabilities in the coming fiscal year are stated below.

/i/ Credit loss reserves

The Group reviews its accounts receivable and other investments in order to assess the credit loss reserves and impairments on a monthly level. In determining whether the losses arising from the impairment of receivables and other investments should be recognized in the profit&loss, members of the Group assess if there is information / evidence that suggest the existence of a measurable reduction of the estimated future cash flows on the group level, before such losses can be identified on the level of a single account receivable, i.e. loan. Information that can indicate losses arising from receivables and investments include irregularity and delay in settlement of obligations, market and economic conditions on the local level, which cause delay in settlement of obligations etc. Management's assessments on impairment of receivables and other investments by estimating the future cash flow are based on the real losses from the previous periods, which were realized on the financial assets with a similar risk and similar impairment reasons. The methodology and assumptions, which make the starting point for defining the amount and period of cash flow from loans and other investments, is the subject of regular reviews in order to minimize the differences between loss estimates and actual losses.

The impairment assessment procedure is carried out specifically, for each materially significant loan, and on the group level, for less materially significant loans. The impairment amount is assessed individually, as a difference between the book and current value of the expected future cash flows, determined by discounting, by applying the effective interest rate of a loan in question.

Impairment of the less materially significant loans is assessed at the group level for each credit rating group separately, bearing in mind their similar features in terms of credit risk, and to the level of migration percentage of the corresponding credit rating group into the V credit rating group adjusted by the percentage of the collection of loans which were classified into the V credit rating group.

If, when assessing the specific materially significant loans, a conclusion is made that no objective evidence exist to impair these loans, devaluation of such loans will be carried out in the percentage of impairment of the credit rating group to which they belong.

The amounts of expected loan inflows are estimated based on the evidence of projected revenues of the debtor, and if insufficient, the estimate of the cash flow from exercising the collateral. The assessment of default days for collection of certain claims from the debtor, are determined by identifying all the relevant evidence concerning the periods of the debtor's projected net income, as well as historical data about the default in payment of the debtor in question.

/ii/ Fair value

Determining the fair value of financial assets and liabilities for which there is no market price requires the use of different models and techniques. Concerning the financial instruments that have less trading volume and whose market prices are therefore less transparent, determination of the fair value is more subjective, i.e. requires higher level of assessment depending on the liquidity of the instrument, concentration of risk, market uncertainties, assumptions regarding the price and other factors that affect the specific financial instrument.

3.16 . Employee benefits

In accordance with the regulations, the Group Members are obligated to pay contributions to the state funds in order to insure social security for the employees. These obligations include contributions for employees paid by the employer in an amount calculated at the rates prescribed by the relevant legislation. Members of the Group are also obligated to reduce the gross salaries of employees by the amount of contributions, and to make payments to the funds referred to above on behalf of the employees. Contributions paid by the employers and contributions charged to the expense of the employee are booked to the expense side of the period they refer to.

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 2012, 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 has no own pension funds or options to make share payments to employees, thus it has no identified liabilities on that basis as of June the 30th of the current year.

3.17. Information by segments

The Group conducts most of its business on the territory of the Republic of Serbia.

The balance sum of the Parent Bank comes to 92.77% of the total consolidated balance sheet sum (2012: 92.87%).

The balance sum of Komercijalna Banka AD Budva is 3.09% of the total consolidated assets (2012: 3.05%), Komercijalna Banka AD Banja Luka 4.11% (2012: 4.05%) and KomBank INVEST 0.03% (2012: 0.03%).

During consolidation, we eliminated all mutual relationships from the balance sheet, in total amount of RSD 5.596.923 thousands (2012: RSD 5.997.181 thousands). Income was eliminated from the balance sheet amounting to RSD 1.527 thousands (2012: RSD 2.971 thousands), and RSD 4.828 thousands were eliminated from expenses (2012: RSD 28.722 thousands) – Note 7.

Segmented information is disclosed in the Note 6.

4. CAPITAL

Capital of the Group consists of:

RSD thousands	30.06.2013	31.12.2012
Share capital	17.191.524	17.191.524
Issue premium	22.843.084	22.843.084
Capital	40.034.608	40.034.608
Reserves from proft	15.212.070	15.149.322
Revaluation reserves	1.209.314	867.774
Unrealized losses on securities held for sale	(321.203)	(7.016)
Reserves	16.100.181	16.010.080
Accumulated profit	6.970.305	4.640.008
Positive cumulative differencies on exchange translation of foreign operations	1.414.246	1.388.454
Negative cumulative differencies on exchange translation of foreign operations	-	-
Balance	**64.519.340**	**62.073.150**

5. CAPITAL ADEQUACY AND PERFORMANCE INDICATORS COMPLIED WITH THE LAW ON BANKS

Capital adequacy

The Group's capital adequacy, according to the NBS methodology, amounts to 20.31% on June the 30th 2013. The Group is obliged to adjust its business scope with the parameters prescribed by the Law on Banks. As at 30.06.2013, all the indicators were complied with the requirements.

Parent Bank is required to maintain the minimum capital adequacy ratio of 12%, as determined by the National Bank of Serbia pursuant to the Basel Convention applicable to all banks. The capital adequacy ratio of the Parent Bank as at June the 30th 2013, calculated based on the financial statements, amounts to 19,17% when applying effective decisions of the National Bank of Serbia for 2013. As at 30.06.2013, all indicators were adjusted with the prescribed parameters.

Komercijalna Banka AD Budva is required to maintain the minimum capital solvency ratio of 10%, as determined by the Central Bank of Montenegro. The solvency ratio as at 30.06.2013, calculated as the ratio of total risk capital amount and total weighted assets, amounts to 37,99% according to the methodology of calculation prescribed by the Central Bank of Montenegro. As at 30.06.2013, all the indicators were complied with the prescribed parameters.

Komercijalna Banka AD Banja Luka is required to maintain the minimum capital adequacy ratio of 12%, as determined by the Banking Agency of Republika Srpska. As at 30.06.2013, the capital adequacy ration amounted to 30,71%. As at 30.06.2013, all the indicators were complied with the prescribed parameters.

6. REPORT BY SEGMENTS

A. BALANCE SHEET at June 30, 2013 **RSD thousands**

	Kom. banka AD Beograd	Kom. banka AD Budva	Kom. banka AD Banja Luka	KomBank INVEST AD Beograd	Total
ASSETS					
Cash and cash equivalents	30.022.222	1.200.869	472.111	-	31.695.202
Callable deposits and loans	61.834.332	439.915	2.861.155	-	65.135.402
Receivables arising from interest, fees, sale, sale of derivative fair value and other receivables	1.874.459	101.414	112.267	142	2.088.282
Loans and advances to customers	184.680.333	6.641.996	10.155.237	-	201.477.566
Securities (other than own shares)	42.633.726	1.129.143	1.117.845	103.021	44.983.735
Equity investments (shares) in non-related legal entities	495.207	65	-	-	495.272
Other investments	4.390.409	9.121	1.470	5.000	4.406.000
Intangible assets	628.812	22.592	29.615	107	681.126
Fixed assets and investment property	7.493.867	221.693	210.354	133	7.926.047
Non-current assets held for sale and discontinuing operations	74.346	-	4.320	-	78.666
Differed tax assets	62.655	2.712	-	47	65.414
Other assets	5.111.965	1.542.786	52.774	200	6.707.725
Loss over the amount of capital	-	-	-	-	-
Equity investments (shares) in related legal entities by capital method	-	-	-	-	-
Total assets	**339.302.333**	**11.312.306**	**15.017.148**	**108.650**	**365.740.437**
LIABILITIES					
Transaction deposits	47.876.379	3.220.443	4.936.164	-	56.032.986
Other deposits	196.622.951	3.219.094	5.385.775	-	205.227.820
Loans received	1.369.141	149.885	705.195	-	2.224.221
Liabilities arising from interest, fees and changes in derivatives value	271.610	9.814	1.967	-	283.391
Provisions	1.150.238	35.322	24.577	315	1.210.452
Tax liabilities	58.683	4.607	1.052	110	64.452
Liabilities relating to profit	160.925	-	-	-	160.925
Deferred tax liabilities	57.759	3.226	-	484	61.469
Other liabilities	34.972.754	804.694	176.844	1.089	35.955.381
Total liabilities	**282.540.440**	**7.447.085**	**11.231.574**	**1.998**	**301.221.097**
CAPITAL					
Capital	40.034.550	-	58	-	40.034.608
Reserves from profit	14.785.440	179.640	246.990	-	15.212.070
Revaluation reserves	1.209.314	-	-	-	1.209.314
Unrealized losses on securities available for sale	321.203	-	-	-	321.203
Profit	6.309.142	647.160	38.378	382	6.970.305
Loss up to the amount of capital	-	-	-	24.757	-
Positive cumulative rate of exchange differentials foreign op.	1.412.698	862	686	-	1.414.246
Negative cumulative rate of exchange differentials foreign op.	-	-	-	-	-
TOTAL CAPITAL	**63.429.941**	**827.662**	**286.112**	**-24.375**	**64.519.340**
TOTAL LIABILITIES	**345.970.381**	**8.274.747**	**11.517.686**	**-22.377**	**365.740.437**
Minority owners interest	-	-	63	-	63
OFF BALANCE SHEET POSITIONS	**215.518.543**	**1.398.809**	**2.427.166**	**-**	**219.344.518**
Operation on behalf and for the account of third persons	5.296.975	36.313	-	-	5.333.288
Future undertaken commitments	31.554.003	723.158	1.135.755	-	33.412.916
Other off-balance positions	178.667.565	639.338	1.291.411	-	180.598.314

B.INCOME STATEMENT

January 1 through June 30, 2013

RSD thousands

	Kom. Banka AD Beograd	Kom. Banka AD Budva	Kom. Banka AD Banja Luka	KomBank INVEST AD Beograd	Total
Interest income	10.664.260	382.010	410.482	7.198	11.463.950
Interest expenses	4.535.570	81.619	117.202	-	4.734.391
Net interest income	**6.128.690**	**300.391**	**293.280**	**7.198**	**6.729.559**
Fees and commission income	2.622.474	70.765	83.982	881	2.778.102
Fees and commission expenses	454.246	9.070	20.053	392	483.761
Net fees and commission income	**2.168.228**	**61.695**	**63.929**	**489**	**2.294.341**
Net gains on sale of securities at fair value through income statement	15.929	-	-	-	15.929
Net loss on sale of securities at fair value through income statement	-	-	-	-	-
Net gains on sale of securities available for sale	1.737	-	-	-	1.737
Net loss on sale of securities available for sale	-	-	-	-	-
Net FX gains	-	873	2.485	14	-
Net FX losses	419.482	-	-	-	416.110
Dividends and other income from equity investments	2.199	-	-	-	2.199
Other operating income	93.565	515	3.328	12	97.420
Impairment and other provisions	798.414	25.401	9.859	-	833.674
Salaries, benefits and other personal expenses	2.095.444	106.054	141.875	4.694	2.348.067
Depreciation expenses	386.833	15.991	27.830	483	431.137
Other operating expenses	2.522.151	117.706	145.844	2.961	2.788.662
Income from assets and liabilities valuation adjustments	5.017.957	-	-	-	5.017.957
Expenses from assets and liabilities valuation adjustments	4.618.071	-	-	-	4.618.071
Operating profit	**2.587.910**	**98.322**	**37.614**	**-**	**2.723.421**
Operating loss	**-**	**-**	**-**	**425**	**-**
Income tax					
Profit from created deferred tax assets and reduction of deferred tax liabilities					
Loss on decrease of deferred tax assets and creation of deferred tax liabilities					
PROFIT	**2.587.910**	**98.322**	**37.614**	**-**	**2.723.421**
LOSS	**-**	**-**	**-**	**425**	**-**
Minority interest	-	-	1	-	1

7. CONSOLIDATED POSITIONS OF RELATED PERSONS

Balance sheet

RSD thousands

Cumulative non-consolidated balance sheet	Amount of balance sheet consolidation	Consolidated balance sheet
371.337.360	**5.596.923**	**365.740.437**
Cash / liabilities	105.219	
Loans and advances / liabilities	10.816	
Equity investments / capital	5.480.888	

Income statement

RSD thousands

Cumulative non-consolidated profit in the income statement (before tax)	Amount of consolidation from the Income statement		Consolidated profit (before tax)
	Income	Expenses	
2.720.120	**1.527**	**4.828**	**2.723.421**
Interest	1.041	1.041	
Fees	486	486	
Rate of exchange differences	-	3.301	

8. RISK MANAGEMENT

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, minimizing and 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 risk 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 risk in accordance with the adopted strategies and policies.

The basic objectives that the Group set for the risk manages system 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 gain competitive advantage.

The Group implements Basel II standards and permanently monitors all the announcement and amendments to the effective regulations, analyses 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 analyses 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.

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 Parent bank's and Group's 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 and the Group is exposed to. Reports to the Board of Directors of the efficiency of application defined risk management procedures.

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 system. 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 is authorized and responsible for monitoring 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 Asset and Liability Management Committee.

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

The Receivables Collections Committee is authorized and responsible for managing risk-weighted placements; 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 Parent Bank's Executive Board and Board of Directors exceeding its limits of authorization. Group members' Receivables Collections Committees make decisions on risk-weighted investments.

The Risk Management Organizational Unit of the Parent Bank 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 exposed to. It is also in charge of developing models and methodologies for all stages of risk management and reporting to the competent and the Group's bodies.

The Asset Management Division is responsible for managing assets and liquidity, the Banking Group's assets and liabilities, their overall financial structure, and is primarily responsible for the Group's 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 compliance of Group members 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 at least annually and propose risk management plans, whereof it prepares a report and submits it to the Executive Board of each group member.

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 banking group determines their significance based on as comprehensive assessment of risks inherent in the 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 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 to accept.

Risk management reports are regularly submitted to: the Bank's 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 Group's risks. Group members report the organizational unit of the Parent Bank in charge of risk management on a monthly basis.

Types of Risk

In its business operations the 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.

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 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 has also established an adequate information system for full coverage of persons involved in credit risk management system.

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.

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.

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

Credit risk identification involves analysis of all indicators leading to the emergence and increase in credit risk exposure. The Group members determines the causes of the current credit risk exposure in a comprehensive and timely manner and assesses such causes based on the incurred and projected changes in the market, as well as based on the introduction of new products and activities. The Group'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 two parallel approaches:

- Regulatory approach – in accordance with the regulations of the countries of domicile of the Group members
- Internal approach – measuring risk level of individual loans and investments based on the internally adopted rating system for uniform presentation of the risks the Group is exposed to

The approach based on the internally developed and adopted methods means that the Group manages the portfolio structure in such a manner that it objectively estimates the needs to impair investments in accordance with the requirements of the International Accounting Standards (IAS 39 and IAS 37) and internal methodology.

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 subject to regular reviewand improvement.

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.

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.

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.

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 exposure (exposure to a single entity or a group of related entities and the Group’s related parties), group exposures 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 Executive Board protective measures against the exposure risk.

Depending on general economic trends in certain industry sectors, the Group diversifies its investments in industrial sectors that are resistant to the impact of negative economic trends.

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 percentage depending on the collateral type and location, which percentage is reviewed at least annually or more frequently as appropriate. necessary. In this way, the Group protects itself from potential losses arising from the impossibility of collection of receivables through security instrument activation.

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: Rescheduling or restructuring; Out-of-court settlement; Seizure of goods or properties in order to collect receivables; Sale and/or assignment of receivables; Executing agreements with interested third parties; and Instigating court proceedings and other measures.

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

Risk of Change in the Value of Assets

Allowance for impairment of 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 Group 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 investments 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.

Assessment of Allowance for Impairment of Receivables

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

Individual Assessment

The Group assesses impairment of each individually significant investment 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 will be settled, ad hoc assessment of loan impairment is performed.

Group Assessment

Impairment is assessed on a group basis for investments 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 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.

Credit Risk Hedges (Collateral)

For the purpose of protection against credit risk, in addition to regular monitoring of the customer business operations, the Group also acquires 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 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, the Group 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;
- for retail loans – mortgages, deposits, co-sureties and insurance of the National Corporation for Housing Loans.

For valuation of property or pledges assigned over movable assets, the Group members hires 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 and insurance policies must be duly endorsed in favor of the Group members.

The Group member monitors the market value of collaterals and if necessary, it 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.

LIQUIDITY RISK

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 risk of negative effects on the Group's financial result and equity resulting from the Group members difficulty or 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 Parent bank's Asset and Liability Management Committee and Liquidity Committee have the most significant role therein as well as other the Group members competent boards/committees, 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;
- Manages market sources;
- 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.

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 Group'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 narrow 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 narrow liquidity ratios were significantly in excess of the prescribed limits.

The operations of the Group and Group members are reconciled with legally prescribed liquidity ratios 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. In addition, the Group and Group members maintain compliance with the legally prescribed narrow liquidity ratios, as follows: minimum 0.5 for one working day; minimum 0.6 for no longer than three consecutive working days and minimum 0.7 as the average liquidity ratio for all working days in a month.

In addition to the aforesaid limits, the Group and Group members maintain compliance with the internally defined limits. Internal limits are based on the internal liquidity gap report which includes all balance sheet items.

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.

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 and price risk. The Group is exposed to market risk related to trading book items.

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 held for sale or to hedge other financial instruments that are maintained in the trading book, for which there are no restrictions in respect of trading or hedging against risks.

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 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;
- Basic 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 Group 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 members' 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 members' 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.

CURRENCY RISK

Currency 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 currency 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 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 currency risk reporting.

In identifying currency 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 currency risk by using the following techniques:

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

Relieving 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.

The Group determines the risk profile and risk appetite by defining regulatory and internal exposure limits.

The Group reconciles its business operations with the prescribed foreign currency risk ratio, which represents the ratio between the total net foreign currency balance and the balance of gold relative to the Group's regulatory capital. The Group is under obligation to maintain its net currency position up to 20% of its capital.

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 unsuccessful 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, relieving, 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.

INVESTMENT RISK

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.

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 party or group of related parties cannot exceed 25% of the Group's equity;
- The Group's exposure to a party 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 party or group of related parties, as well as exposure to the Group's own related parties, were within the prescribed limits.

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.

CAPITAL MANAGEMENT

The Banking Group manages capital on a continuous basis.

Basic goals for capital management are:

- Ensure business continuity during unlimited period in foreseen future;
- Preservation of optimal capital structure;
- Minimizing the cost of capital;
- Provide protection from risk.
- Ensure growth, by widening the range of its services i.e. the Banking Group's development of new software and methodology solutions;
- Preservation of customer trust in the Banking Group's financial potential.

The capital adequacy ratio represents the proportion the Banking Group's capital and sum of assets weighted by credit risk, open foreign currency positions and exposure to operational risk.

The Banking Group's regulatory capital represents the sum of the core capital and supplementary capital, reduced for deductible items. Risk-weighted balance sheet and off-balance sheet items 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.

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, dividend policy 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.

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 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.

9. EVENTS AFTER THE BALANCE SHEET DATE

The Regular General Meeting of the Parent Bank's Shareholders was held on 30.07.2013 and the following was decided upon: distribution of a portion of retained earnings from 2012 into the Bank's credit risk reserve; and appointment of an external auditor for 2013.

9. FX RATES

FX rates established on the interbank meeting of the FX market applied for translation of the balance sheet positions into Dinars (RSD) on June 30, 2013 and December 31, 2012, for main currencies were as follows:

	Official NBS rate		Average NBS rate	
	30.06.2013	31.12.2012	I-VI 2013	I-VI 2012
USD	87,4141	86,1763		
EUR	114,1715	113,7183	111,9082	110,8181
CHF	92,5440	94,1922		
BAM	58,3750	58,1432	57,2177	56,6604

In Belgrade on August the 19th, 2013.

Persons responsible for preparation of

The financial statements

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STATEMENT

In our opinion, semi-annual consolidated financial statements for the period 01/01/2013 to 30/06/2013 present fairly, in all material respects, the financial position of the Group Komercijalna banka AD Beograd, its assets, liabilities, gains and losses as well as results of its operations, and have been prepared in accordance with the Law on Accounting and Audit, Law on Banks and other relevant by-laws of the National Bank of Serbia as well as the IAS and IFRS, as published by January 1, 2009, which were translated and published in the Official Gazette, in October 2010, pursuant to the decision by the Finance Minister.

Persons responsible for the preparation of financial statements

КОМЕРЦИЈАЛНА БАНКА АД БЕОГРАД
БЕОГРАД
1

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Subsidiaries Department Director	Executive Director for Finance and Accounting