



REPORT

ON BANK'S OPERATIONS FOR THE SECOND QUARTER OF THE YEAR 2014

BELGRADE, JULY 2014



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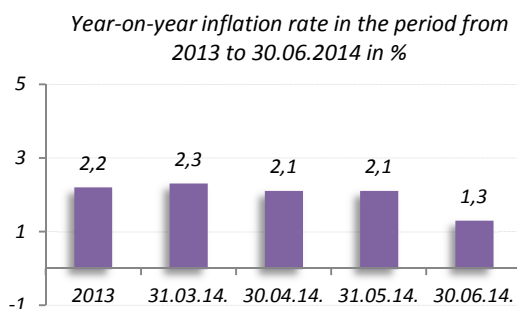
1. OVERVIEW OF KEY PERFORMANCE INDICATORS IN THE PERIOD FROM 31.12.2013 TO 30.06.2014

1.1. Bank's Performance Indicators

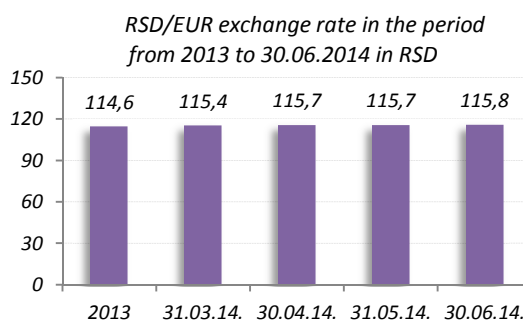
ITEM	30.06.14	31.05.14	30.04.14	31.03.14	2013
BALANCE SHEET ASSETS	382.099.783	379.516.863	374.723.403	373.632.718	363.654.366
LOANS AND DEPOSITS TO CUSTOMERS	180.341.457	188.735.465	183.367.436	184.670.713	184.004.121
Share of NPL (as %)	17,74%	18,83%	18,53%	18,15%	17,51%
Retail loans and deposits	65.056.601	63.424.341	63.319.773	62.904.782	61.848.487
Corporate loans and deposits	115.284.856	125.311.124	120.047.663	121.765.931	122.155.634
REVERSE REPO TRANSACTIONS	550.000	10.000.000	3.000.000	23.000.000	12.246.700
TOTAL REQUIRED RESERVE	61.505.801	57.007.834	61.653.667	65.598.093	62.285.607
TOTAL LIABILITIES	314.846.289	312.777.323	308.373.361	307.049.564	298.692.148
DEPOSITS FROM CUSTOMERS	273.698.746	269.798.443	266.849.492	265.882.431	255.597.545
Retail deposits	193.832.921	191.911.006	191.774.446	189.757.329	186.766.804
Corporate deposits	79.865.825	77.887.437	75.075.046	76.125.102	68.830.740
NUMBER OF EMPLOYEES	2.928	2.935	2.936	2.952	2.966
Assets per employee in 000 RSD	130.499	129.307	127.631	126.569	122.608
Assets per employee in 000 EUR	1.127	1.118	1.103	1.097	1.069
OPERATING PROFIT	2.395.133	1.990.879	1.585.416	1.207.262	4.588.375
INTEREST GAINS	6.886.174	5.640.711	4.508.740	3.362.136	12.940.271
FEE AND COMMISSION GAINS	2.221.327	1.838.085	1.472.980	1.089.437	4.565.148
OPERATING EXPENSES	5.282.716	4.398.747	3.462.803	2.588.936	10.161.794
PROFITABILITY INDICATORS:					
ROA – profit / average BS assets	1,28	1,28	1,28	1,31	1,33
ROE – profit/ average total capital	7,22	7,22	7,20	7,33	7,33
ROE – profit / average share capital	11,97	11,93	11,88	12,06	11,46
CIR = OPEX / net interest and fees	58,00%	58,82%	57,89%	58,16%	58,05%
CAPITAL ADEQUACY	18,86%	18,41%	18,71%	18,45%	19,02%
FX RISK RATIO	1,05%	3,04%	2,77%	5,70%	2,12%
LIQUIDITY RATIO	4,26	3,21	3,22	4,26	3,45
OPERATING CASH FLOW	4.094.637	2.937.146	2.659.243	2.219.075	6.824.563

2. MACROECONOMIC OPERATING CONDITIONS IN THE PERIOD FROM 31.12.2013 TO 30.06.2014

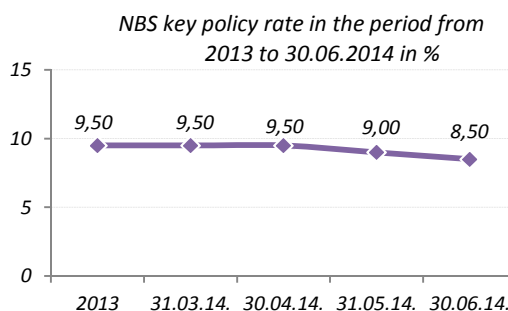
Year-on-year inflation rate (rise in consumer prices) recorded a decrease in the first six months of 2014. As a result of implementation of measures of financial consolidation, for the first time, after a long period of time, we have a situation where year-on-year inflation in the month of June (1,3%) is significantly below the lower limit of allowed deviation from the target value set in the NBS Memorandum on establishing a targeted inflation rate (4,0+/-1,5%).



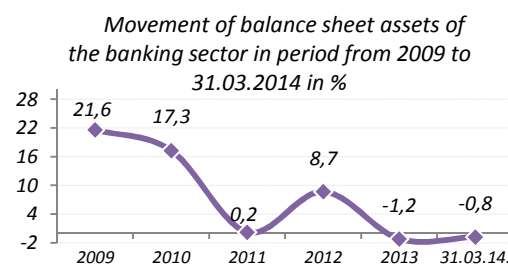
In the first two quarters of this year, RSD slightly depreciated when compared to the end of previous year. RSD exchange rate stabilized at the value of approximately RSD 115 for one EURO. During the first two quarters of the current year RSD exchange rate weakened as compared to the end of the previous year by 1,0%.



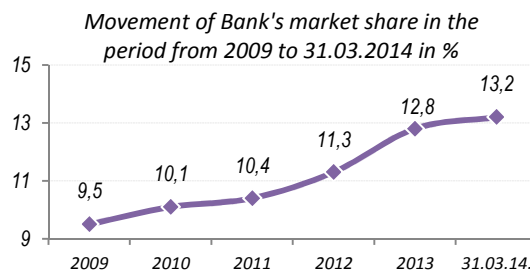
The NBS key policy rate is lowered to 8,50% in mid June 2014. Apart from mitigating inflationary expectations the established rate should also contribute to macroeconomic stability. In spite of strong geopolitical tensions that also reflect on the international financial markets, the opinion is that it still does not have a significant impact on the local economy. Due to the reduction in inflationary pressure and price stabilization, in the upcoming period we can expect the NBS to ease up even more on its restrictive monetary policy.



Banking sector in the Republic of Serbia continued, in the first quarter of 2014, to record a slight decline in balance sheet assets (-0,8%) in comparison to five-year average from the previous years (9,3%).



In the first quarter of 2014 the Bank slightly increased its share in the total balance sheet assets of the banking sector. During the observed period the Bank's market share in the assets of the banking sector increased by 3,7 percentage points.



3. BANK'S KEY PERFORMANCE INDICATORS IN THE PERIOD FROM 31.12.2013 TO 30.06.2014

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BALANCE SHEET ASSETS	382.099.783	379.516.863	374.723.403	373.632.718	363.654.366
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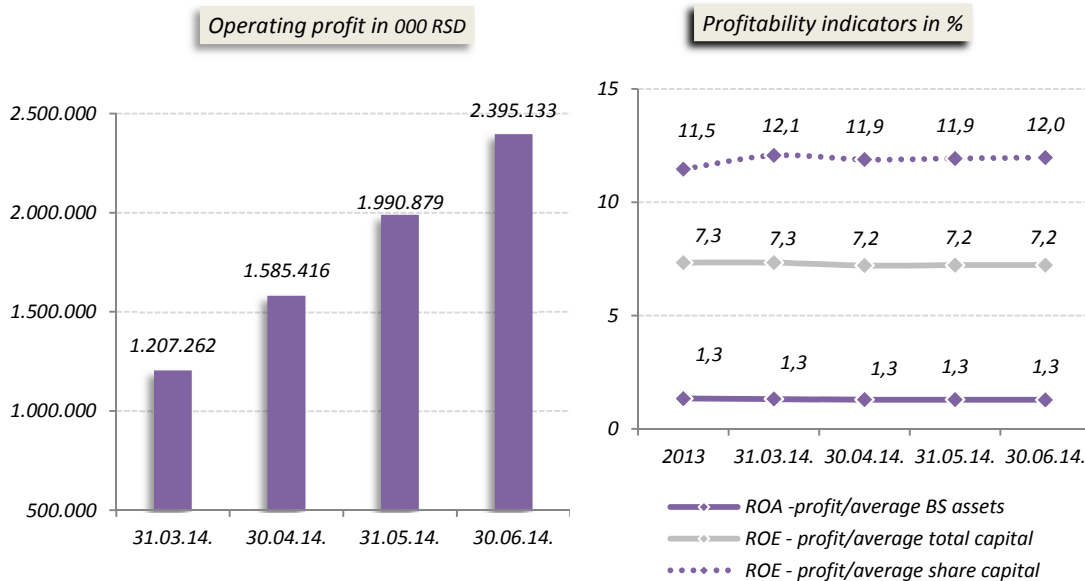
As of 30.06.2014 the Bank's balance sheet assets amount to RSD 382.099,8 million and have been increased by RSD 18.445,4 million or 5,1% compared to the end of the previous year.

Off-balance sheet assets increased by 6,9% in 2014, and at the end of June this year amounted to RSD 240.575,5 million.

In the first six months of 2014, the Bank granted loans to customers in the amount of RSD 180.341,5 million, which is slightly below the figure realized at the end of 2013 (-2,0%), and at the same time maintained a relatively low level of NPL in total loans (17,7%). In the same period the Bank realized a growth in deposits in the amount of RSD 18.101,2 million or 7,1%. Within the structure of the mentioned increase, retail deposits increased by RSD 7.066,1 million, and corporate deposits in the amount of RSD 11.035,1 million. The above stated positive changes include, as well, the effect of RSD depreciation against EUR and CHF, in the amount of approximately RSD 2,2 billion.

(IN 000 RSD)

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OPERATING PROFIT	2.395.133	1.990.879	1.585.416	1.207.262	4.588.375
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ROE – profit/ average share capital	11,97	11,93	11,88	12,06	11,46
CIR = OPEX / net interest and fees	58,00%	58,82%	57,89%	58,16%	58,05%



Global financial crisis, inefficiency and illiquidity of domestic business entities affected the Bank in a way that in the first six months of the current year, when compared to the same period last year, it realized less profit (-7,3%). The Bank's realized profit over the period from 01.01. to 30.06.2014 amounts to RSD 2.395,1 million, which in comparison to the same period last year represents a reduction of RSD 187,4 million. Such change in profit provided, in the first six months of 2014, return on total capital of 7,2%, or return on share capital of 12,0%.

Movement of profit in the first two quarters of 2014 was mainly affected by the growth of net expenses under indirect write-off of loans and provisions in the amount of RSD 602,8 million, or 75,5% and by an increase in operating and other expenses amounting to RSD 396,1 million, or 7,9%. With respect to positive effects, it is important to underline the increase in net interest income in the amount of RSD 758,5 million (12,4%) and net fee income in the amount of RSD 52,6 million (2,4%).

Decrease in number of employees accompanied by an increase in the volume of business, improved the Bank's ratio of assets to employees. In the first six months of 2014, the assets per employee in the Bank have increased from RSD 122,6 million (31.12.2013), to RSD 130,5 million as of 30.06.2014.

Growth in operating expenses, but also an increase in net interest and fee income, led to Cost Income Ratio (CIR) to maintain at the approximately same level (58,05% as of 31.12.2013, or 58,00% as of 30.06.2014)

4. BALANCE SHEET AS AT 30.06.2014

4.1. Bank's Assets as at 30.06.2014

(IN 000 RSD)

No.	ITEM	30.06.2014	31.12.2013	INDEXES	% OF SHARE AS AT 30.06.2014
1	2	3	4	5=(3:4)*100	6
	ASSETS				
1.	Cash and cash equivalents	44.453.755	41.137.794	108,1	11,6
2.	Callable deposits and loans	40.964.959	53.395.120	76,7	10,7
3.	Interest, fee and sale receivables	3.234.802	2.788.176	116,0	0,8
4.	Loans and deposits to customers	180.341.457	184.004.121	98,0	47,2
5.	Securities (other than own)	88.671.407	57.001.465	155,6	23,2
6.	Equity holdings	6.034.784	6.054.110	99,7	1,6
7.	Other investments	2.304.689	2.929.218	78,7	0,6
8.	Intangible investments	525.090	537.445	97,7	0,1
9.	Fixed assets and investment property	8.249.697	8.386.224	98,4	2,2
10.	Non-current assets intended for sale	65.697	71.630	91,7	0,0
11.	Deferred tax assets	95.460	-	-	0,0
12.	Other assets	7.157.986	7.349.063	97,4	1,9
	TOTAL ASSETS (from 1 to 12)	382.099.783	363.654.366	105,1	100,0

At the end of the second quarter of 2014, the Bank's balance sheet assets increased by RSD 18.445,4 million, or 5,1%.

Loans to customers have been decreased by RSD 3.662,7 million, or 2,0%. As of 30.06.2014 the total loans to customers amount to RSD 180.341,5 million, which accounts for 47,2% of the total balance sheet assets.

In the first six months of 2014, cash and cash equivalents recorded a growth of 8,1%, primarily due to increase of funds in the drawing account and FX funds in the foreign currency accounts.

Significant increase in the reporting period of the current year has been realized with respect to securities (other than own) – growth in the amount of RSD 31.669,9 million, or 55,6%, mainly as a result of Bank's greater investment in RS securities – government bonds and T-Bills in RSD and EURO.

Receivables from interest, fee and sale recorded a growth in the reporting period of RSD 446,6 million, or 16,0%.

4.2. Bank's Liabilities as at 30.06.2014

(IN 000 RSD)					
No.	ITEM	30.06.2014	31.12.2013	INDEXES	% OF SHARE AS AT 30.06.2014
1	2	3	4	5= (3:4)*100	6
I	LIABILITIES				
1.	Transaction deposits	57.999.538	53.217.378	109,0	15,2
2.	Other deposits	215.699.209	202.380.166	106,6	56,5
3.	Borrowings	982.471	1.619.990	60,6	0,3
4.	Securities related liabilities	-	-	-	
5.	Interest and fee liabilities	142.818	255.888	55,8	0,0
6.	Provisions	1.562.385	765.132	204,2	0,4
7.	Tax liabilities	73.921	21.616	342,0	0,0
8.	Liabilities from profit	277.588	150.124	184,9	0,1
9.	Liabilities – for discontinued assets	-	-	-	
10.	Deferred tax liabilities	105.616	10.156		0,0
11.	Other liabilities	38.002.743	40.271.698	94,4	9,9
12.	TOTAL LIABILITIES (from 1 to 11)	314.846.289	298.692.148	105,4	82,4
	CAPITAL				
13.	Share capital and issue premium	40.034.550	40.034.550	100,0	10,5
14.	Reserves from profit	16.635.440	16.635.440	100,0	4,4
15.	Revaluation reserves	2.161.380	1.791.268	120,7	0,6
16.	Unrealized losses based on securities available for sale	-48.136	187.011	25,7	0,0
17.	Profit	8.470.260	6.687.971	126,6	2,2
18.	TOTAL CAPITAL (from 13 to 17)	67.253.494	64.962.218	103,5	17,6
19.	TOTAL LIABILITIES (12+18)	382.099.783	363.654.366	105,1	100,0
II	COMMISSION OPERATIONS AND OFF-BALANCE SHEET ITEMS	240.575.545	224.949.026	106,9	

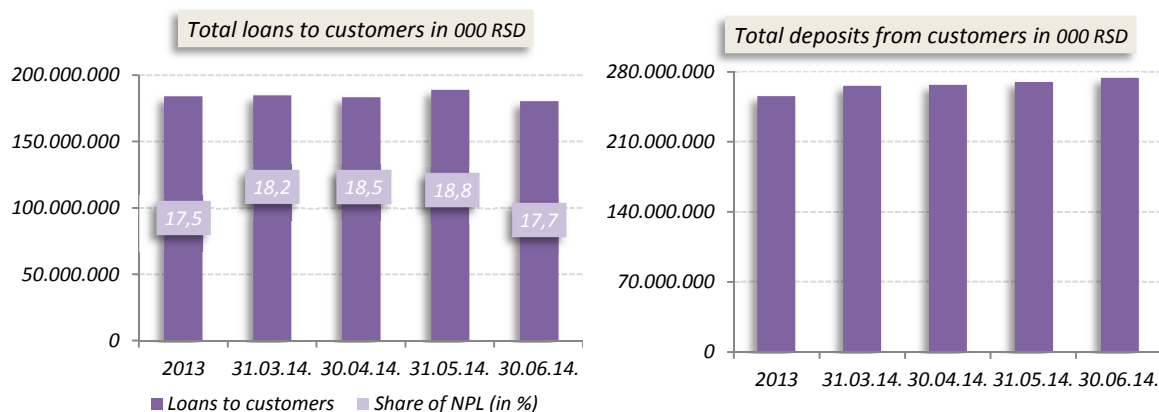
Total liabilities at the end of the first six months of 2014 amount to RSD 314.846,3 million and account for 82,4% of the total liabilities (31.12.2013: 82,1%). Concurrently, total capital, in the amount of RSD 67.253,5 million accounts for 17,6% (31.12.2013: 17,9%) of total liabilities. Compared to the end of the previous year, total liabilities increased by RSD 16.154,1 million, or 5,4%, whereas total capital increased by RSD 2.291,3 million, or 3,5%.

Other deposits increased in the reporting period by RSD 13.319,0 million, or 6,6%, whereas transaction deposits have been increased in comparison to the end of the last year by RSD 4.782,2 million, or 9,0%. Other liabilities decreased by RSD 2.269,0 million, or 5,6%. FX liabilities account for the largest share of other liabilities – credit lines (RSD 25.622,9 million) and subordinated loan (RSD 5.789,3 million) which was drawn down at the end of 2012 for the purpose of increasing the regulatory capital.

In the first six months of this year there was a decrease in credit lines from abroad in net counter-value of RSD 1.091,0 million (EUR 11,8 million repaid and RSD 5,8 million drawn down).

Within the structure of balance sheet liabilities the deposits from customers (transaction and other deposits) amount to RSD 273.698,7 million, which accounts for 71,6% of total balance sheet liabilities, which is an increase in comparison to the beginning of the year of RSD 18.101,2 million, or 7,1%.

4.3. Loans to Customers and Deposits from Customers as at 30.06.2014



The most important assets category, loans and deposits to customers, recorded a decrease of RSD 3.662,7 million (-2,0%), as well as a change in its share in total assets from 50,6% (31.12.2013) to 47,2%.

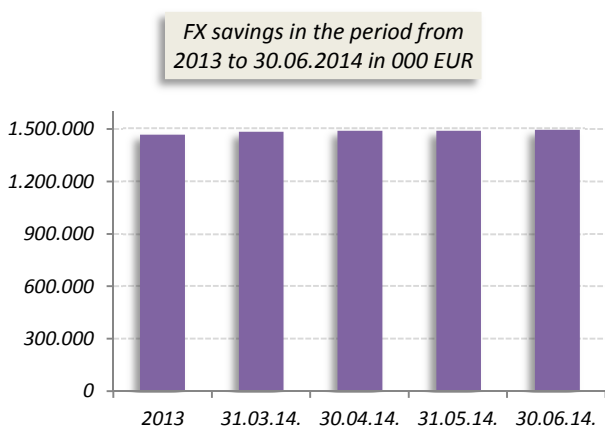
At the end of June 2014, the Bank's total deposits amount to RSD 273.698,7 million and account for 71,6% of the Bank's total liabilities (December 2013: 70,3%). Compared to the end of last year, the Bank's total deposits increased by RSD 18.101,2 million (7,1%), other deposits increased by RSD 13.319,0 million, or 6,6%, while transaction deposits increased by RSD 4.782,2 million, or 9,0%. If we exclude the effects of RSD depreciation on FX deposits and on RSD deposits with currency clause (RSD 2.205,8 million), total deposits record a growth in real terms in the amount of approximately RSD 15.895,4 million.

Increase in other deposits in the first six months of 2014 came primarily as a result of an increase of retail deposits (counter-value RSD 7.066,1 million), corporate deposits (counter-value RSD 6.974,1 million) and deposits of banks and financial organizations (RSD 4.061,0 million). In the past six months, within the above stated changes, retail FX savings have been increased by EUR 26,8 million.

(IN 000 RSD)				
No.	ITEM	BALANCE AS AT 30.06.2014	BALANCE AS AT 31.12.2013	INDEX (2:3)*100
1	2	3	4	5
I	LOANS TO CUSTOMERS (1+2+3)	180.341.457	184.004.121	98,0
1.	Corporate	104.979.570	112.261.312	93,5
2.	Retail	65.056.601	61.848.487	105,2
3.	Banks and financial organizations	10.305.286	9.894.322	104,2
II	DEPOSITS FROM CUSTOMERS (1+2+3)	273.698.746	255.597.544	107,1
1.	Corporate	49.105.623	42.131.535	116,6
2.	Retail	193.832.921	186.766.804	103,8
3.	Banks and financial organizations	30.760.202	26.699.205	115,2

NOTE: Deposits also include transaction deposits.

As of 30.06.2014, the Bank's total loans to customers stood at RSD 180.341,5 million and have been decreased in comparison to the end of last year by RSD 3.662,7 million, or 2,0%. At the end of the second quarter of 2014, the level of loans and deposits to customers was considerably affected by corporate loans which reached RSD 115.284,9 million (-5,6%) at the end of June, whereas the loans to banks and financial organizations have been increased by RSD 411,0 million, or 4,2%.



Having the reputation of safe and stable bank in the Serbian market, the Bank managed to increase FX savings deposits by EUR 26,8 million, or 1,8% in the observed period.

Despite still present economic crisis, FX savings increased in the first six months of 2014 and reached the amount of EUR 1.493,1 million.

Savers' trust enabled the Bank to retain its top position in the banking sector of the Republic of Serbia in terms of volume of FX savings, image and recognizability.

4.4. Commission Operations and Off-Balance Sheet Items in 2014

(IN 000 RSD)

No.	ITEM	BALANCE AS AT 30.06.2014	BALANCE AS AT 31.12.2013	INDEX (2:3)*100
1	2	3	4	5
I	OPERATIONS FOR AND ON BEHALF OF (commission operations)	5.370.638	5.402.256	99,4
II	CONTINGENT LIABILITIES	32.884.277	30.809.215	106,7
1.	Payable guarantees	6.371.716	7.357.476	86,6
2.	Performance bonds e	5.667.365	5.786.839	97,9
3.	Bill guarantee and bill acceptance	26.023	37.737	69,0
4.	Undrawn commitments	20.373.536	16.757.817	121,6
5.	Other off-balance sheet items that may lead to payment by the bank	399.407	823.538	48,5
6.	Uncovered letters of credit	46.230	45.808	100,9
III	UNCLASSIFIABLE OFF-BALANCE SHEET ITEMS	202.320.630	188.737.556	107,2
1.	FX savings bonds	3.972.151	4.536.682	87,6
2.	Securities in custody	191.867.339	176.482.487	108,7
3.	Other off-balance sheet items	6.481.140	7.718.387	84,0
	TOTAL (I+II+III)	240.575.545	224.949.027	106,9

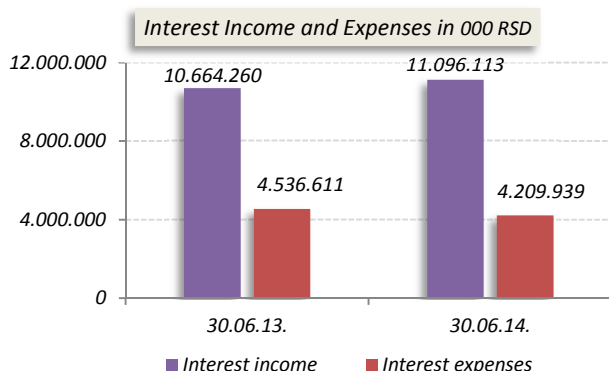
As of 30.06.2014, contingent off-balance sheet liabilities amount to total of RSD 32.884,3 million – increase by RSD 2.075,1 million, or 6,7% in comparison to the end of the previous year, due to an increase of undrawn commitments.

5. INCOME STATEMENT FOR THE PERIOD FROM 01.01.2014 TO 30.06.2014

(IN 000 RSD)

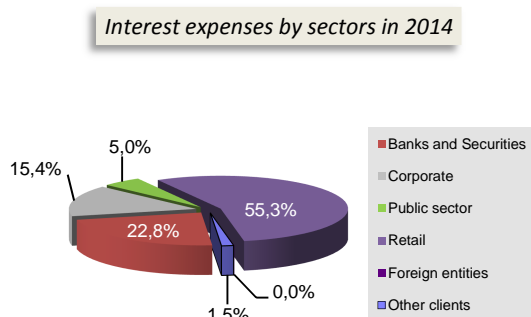
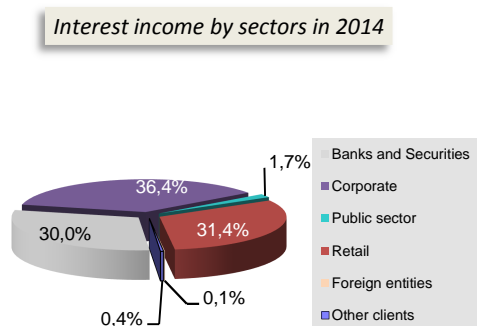
No.	ITEM	30.06.2014	30.06.2013	INDEXES (3:4)
1	2	3	4	5
	OPERATING INCOME AND EXPENSES			
1.1.	Interest income	11.096.113	10.664.260	104,0
1.2.	Interest expenses	4.209.939	4.536.611	92,8
1.	Interest gains	6.886.174	6.127.649	112,4
2.1.	Fee and commission income	2.663.298	2.622.960	101,5
2.2.	Fee and commission expenses	441.970	454.246	97,3
2.	Fee and commission gains	2.221.328	2.168.714	102,4
3.	Net profit / loss from sale of securities at fair value through income statement	9.066	15.929	-
4.	Net profit / loss from sale of securities available for sale	-	1.737	-
5.	Net profit/loss from sale of securities held-to-maturity	-	-	-
6.	Net profit / loss from sale of stake (share)	-	-	-
7.	Net profit / loss from sale of other loans and advances	240	-	-
8.	Net profit / loss from exchange rate differentials and valuation adjustment of assets and liabilities	-74.219	-24.444	303,6
9.	Income from dividends and stakes	1.633	2.199	74,3
10.	Other operating income	152.641	93.565	163,1
11.	Net income / expenses from indirect write-off of loans and provisions	-1.401.243	-798.414	175,5
12.	Cost of salaries, fringe benefits and other personnel expenses	2.090.603	2.095.444	99,8
13.	Depreciation costs	420.984	386.833	108,8
14.	Operating and other business expenses	2.888.900	2.522.151	114,5
15.	RESULT FOR THE PERIOD – PROFIT BEFORE TAX (from 1 to 14)	2.395.133	2.582.507	92,7
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)	2.395.133	2.582.507	92,7

5.1. Interest Income and Expenses

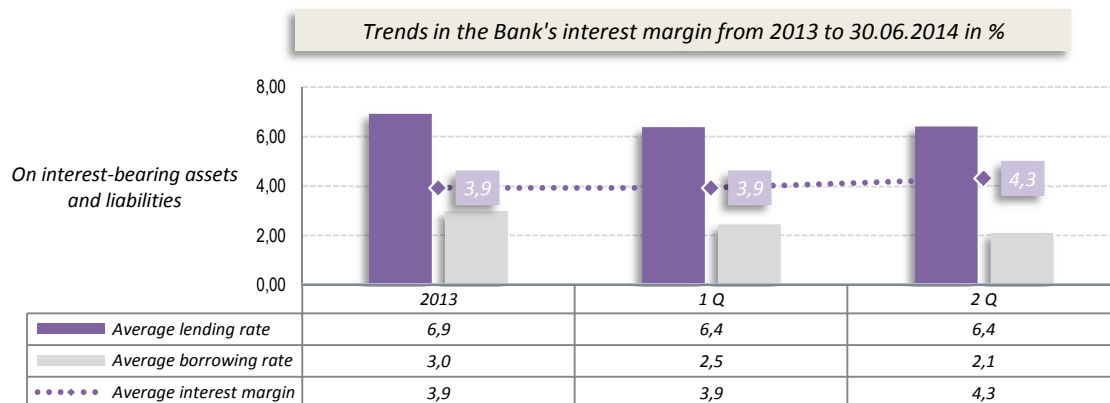


Interest gains amount to RSD 6.886,1 million, which, in comparison to the same period last year, represents an increase of 12,4%.

Compared to the previous year, interest income increased by RSD 431,9 million, or by 4,0%, while interest expenses decreased by RSD 326,7 million, or 7,2%.

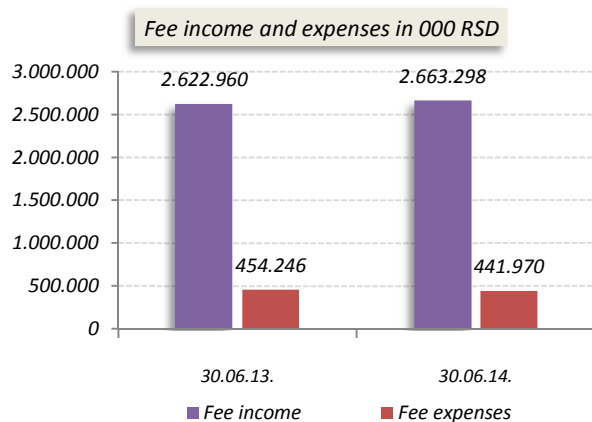


Corporate interest income accounts for the largest share of interest income (RSD 4.033,4 million, or 36,4%), while retail deposit interest accounts for the largest share of interest expenses (RSD 2.326,6 million, or 55,3%), which is mainly a result of deposited FX savings.



At the end of the second quarter of 2014, average lending rate was 6,4%, and average borrowing rate equaled 2,1%. As a result, in the second quarter of 2014, the Bank's average interest margin was 4,3%.

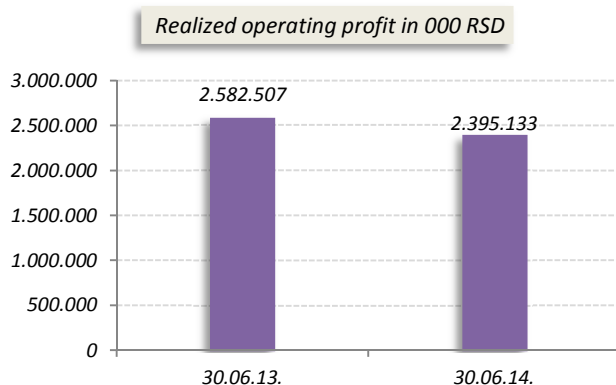
5.2. Fee Income and Expenses



Compared to the previous year, banking services-related fee and commission income increased by RSD 40,3 million, or by 1,5%, while fee and commission expenses decreased by RSD 12,3 million, or by 2,7%.

In the first six months of 2014, fee and commission gains amounted to RSD 2.221,3 million and were higher than in the same period last year by 2,4%.

5.3. Realized operating profit



Despite the adverse and unpredictable macroeconomic operating conditions and recession both in international and local economy, in the period between January 01st to June 30th, 2014, the Bank realised operating profit of RSD 2.395,1 million, which makes for a decrease of 7,3% in comparison to the same period last year.

This amount of realized operating profit provided for the Bank, in the first six months of 2014, return on total capital of 7,2%, and return on share capital of 11,9%.

PERFORMANCE INDICATORS PRESCRIBED BY THE LAW ON BANKS

No.	ITEM	PRESCRIBED	30.06.2014	31.03.2014	2013
1.	CAPITAL ADEQUACY RATIO (NET CAPITAL / CREDIT RISK + OPERATIONAL RISKS + OPEN FX POSITION)	MIN. 12%	18,86%	18,45%	19,02%
2.	RATIO OF INVESTMENT IN ENTITIES OUTSIDE THE FINANCIAL SECTOR AND FIXED ASSETS	MAX. 60%	25,42%	25,93%	24,67%
3.	BANK'S LARGE EXPOSURE RATIO	MAX. 400%	127,95%	99,27%	115,90%
4.	FX RISK RATIO	MAX. 20%	1,05%	5,70%	2,12%
5.	LIQUIDITY RATIO	MIN. 0,8	3,61	4,26	3,45

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

A detailed overview of main risks and threats the Bank will be exposed to in the upcoming period is presented in chapter 5, Risk Management, Notes to Financial Statements.

7. ALL MAJOR TRANSACTIONS WITH RELATED ENTITIES

As of 30.06.2014, the following entities are related to the Bank:

1. Komercijalna banka a.d. Budva, Montenegro,
2. Komercijalna banka a.d. Banja Luka, Bosnia and Herzegovina,
3. KomBank Invest a.d. Beograd,
4. Four legal entities (Lasta doo, Viš trade doo, Desk doo, Menta doo) and a number of natural persons, according to the provisions of the Article 2 of the Law on Banks in the part which defines the term "entities related to the bank".

Total exposure to entities related to the Bank as of 30.06.2014 amounted to RSD 929.759 thousand, which accounts for 2,9% of the capital of RSD 32.465.424 thousand (maximum amount of total lending to all the entities related to the Bank is set by the Law on Banks at 20% of capital).

The largest portion of the Bank's exposure to related entities as of 30.06.2014, amounts to RSD 634.437 thousand, or 1,9% of the Bank's capital and it relates to loans granted to natural persons related to the Bank.

In accordance with Article 37 of the Law on Banks, the Bank did not grant its related entities any loans under the conditions that are more favorable than those which apply to other entities that are not related to the Bank.

8. KEY DATA ON BUSINESS PLAN IMPLEMENTATION FOR THE YEAR 2014

Implementation of the Strategy and Business Plan in the first six months of 2014 was carried out within the expected macroeconomic business conditions, including particularly:

- The growth of GDP was recorded of 0,1% in the first quarter of 2014, in comparison to the same period last year (Office of Statistics), the plan for the whole year is a growth of 1,0% (MF, NBS),
- Stable RSD exchange rate movements around the level of 115 dinars for 1 euro (RSD/EUR exchange rate – as planned at end of the current year: 1 euro = 115,00 dinars (KB), whereas the actual exchange rate as of 30.06.2014 was: 1 euro = 115,79 dinars),
- Inflation rate (year-on-year inflation rate, June 2014/June 2013: +1,3%) has been declining and is currently below the lower limit of the target rate for June this year (4,0+/-1,5%).

In addition to above stated, the operations of the banks in the first six months of 2014, were also greatly affected by the public debt crisis in the Eurozone, parliamentary elections in RS and uncertainty about the formation of the new government, reluctance of foreign investors to invest in Serbia, geopolitical crisis regarding the status of Ukraine, reduced demand for loans, particularly with respect to corporate customers and increased credit risk due to recession and unemployment in the real sector.

8.1. Planned and realized values of balance sheet for the first half of 2014

The Bank's total balance-sheet assets, at the end of the second quarter of 2014 amount to RSD 382.099,8 million and are higher than planned value for the same period by RSD 36.331,0 million, or 10,5%. Considerable positive differences between the realized and planned values are recorded with respect to securities (other than own), realized value is higher by RSD 37.371,4 million, or +72,8%, as a result of additional investment of funds in government, both RSD and FX, securities.

Decline in realized value when compared to the planned value is recorded particularly with respect to callable deposits and loans – reduction of RSD 7.649,0 million (-15,7%) as a result of decreased investment in NBS repo transactions and a decrease in the amount of allocated FX required reserve. As opposed to decrease in callable deposits and loans, there was an increase in cash and cash equivalents in the amount of RSD 14.934,8 million, primarily due to an increased amount of funds on the drawing account and on FX accounts (RSD +3.437,7 million compared to the initial balance).

In the structure of balance sheet liabilities the greatest positive discrepancy from the planned values was recorded in deposits (RSD 36.112,7 million), which was mostly prompted by the growth of retail deposits (RSD 14.583,9 million), growth of banks and financial organizations' deposits (RSD 11.747,2 million), while negative discrepancy was recorded in foreign credit lines – decrease in the amount of RSD 3.333,8 million.

Trend in RSD exchange rate - appreciation (1,0% against EUR), increased to a certain extent the differences between realized and planned values. The achieved growth of balance sheet assets provided the Bank an increase its market share from 12,8% in 2013 to 13,2% at the end of June 2014, while the banking sector, in the period 2013– 31.03.2014 recorded a decline of 0,8%.

Realized and planned values of items from assets and liabilities in the balance sheet as of 30.06.2014 are as follows:

(IN 000 RSD)				
No.	ITEM	Plan 30.06.2014	Realized 30.06.2014	Plan realization in %
1	2	3	4	5=4/3
ASSETS				
1.	Cash and cash equivalents	29.519.000	44.453.755	150,6
2.	Callable deposits and loans	48.614.000	40.964.959	84,3
3.	Loans and deposits to customers (3.1.+3.2.+3.3.)	191.141.000	180.341.457	94,3
3.1.	Corporate	113.900.000	104.979.570	92,2
3.2.	Retail	63.770.000	65.056.601	102,0
3.3.	Banks and financial organizations	13.471.000	10.305.286	76,5
4.	Other assets	76.494.741	116.339.612	152,1
5.	TOTAL ASSETS (1+2+3+4)	345.768.741	382.099.783	110,5

Realized and planned values of items from assets and liabilities in the balance sheet as of 30.06.2014 are as follows:

LIABILITIES				
No.	ITEM	Plan 30.06.2014	Realized 30.06.2014	Plan realization in %
1.	Deposits	237.586.000	273.698.746	115,2
1.1.	Corporate	39.324.000	49.105.623	124,9
1.2.	Retail	179.249.000	193.832.921	108,1
1.3.	Banks and financial organizations	19.013.000	30.760.202	161,8
2.	Other liabilities	43.139.246	41.147.543	95,4
3.	Total liabilities (1+2)	280.725.246	314.846.289	112,2
4.	Total capital	65.043.165	67.253.494	103,4
5.	TOTAL LIABILITIES (3+4)	345.768.411	382.099.783	110,5

8.2. Planned and realized values of the Income Statement for the period 01.01.-30.06.2014

No.	ITEM	(IN 000 RSD)		
		Plan 01.01.-30.06.2014	Realized 01.01.-30.06.2014	Plan realization in %
1	2	3	4	5=4/3
1.1.	Interest income	11.002.457	11.096.113	100,9
1.2.	Interest expenses	4.521.896	4.209.939	93,1
1.	Interest gains (1.1.-1.2.)	6.480.562	6.886.174	106,3
2.1.	Fee and commission income	2.884.368	2.663.298	92,3
2.2.	Fee and commission expenses	483.053	441.970	91,5
2.	Fee and commission gains (2.1.-2.2.)	2.401.315	2.221.327	92,5
3.	Net FX gains/losses and valuation adjustment (FX clause)	0	-74.219	-
4.	Net other operating income/expenses	90.000	45.810	50,9
5.	Net expenses/income from indirect write off of loans and provisions	-1.325.000	-1.401.243	105,8
6.	Operating expenses	-5.290.500	-5.282.716	99,9
7.	OPERATING PROFIT	2.356.377	2.395.133	101,6

Among the income statement items, slight deviation was recorded in interest gains (realized value is higher than the planned value by RSD 405,6 million), fee and commission gains (realized value is lower than the planned one by RSD 180,0 million). In the same period, operating expenses are lower than planned by RSD 7,8 million as a result of the rationalization of operating costs. All the operating activities resulted in a profit that exceeded by RSD 38,8 million the value planned for the period from January 01st to June 30th, 2014.

KOMERCIJALNA BANKA AD BEOGRAD

Director of the Accounting Division Executive Director for Accounting

Snežana Pejčić

Savo Petrović



BALANCE SHEET

on 30.06.2014.

(in RSD thousand)

POSITION 1	ADP code 2	Amount	
		Current year amount 3	Previous year amount 4
ASSETS			
Cash and cash equivalents	001	44.453.755	41.137.794
Revocable deposits and loans	002	40.964.959	53.395.120
Revocables from interest, compensations, sale, change of derivatives fair value and other receivables	003	3.234.802	2.788.176
Loans, advances and deposits of clients	004	180.341.457	184.004.121
Securities (without own shares)	005	88.671.407	57.001.465
Shares (participation)	006	6.034.784	6.054.110
Other investments	007	2.304.689	2.929.218
Intangible assets	008	525.090	537.445
Fixed assets and invested immovables	009	8.249.697	8.386.224
Permanent assets for sale and assets of businesses to be ceased	010	65.697	71.630
Deferred tax assets	011	95.460	0
Other assets	012	7.157.986	7.349.063
Losses above equity	013	0	0
TOTAL ASSETS (from 001 to 013)	014	382.099.783	363.654.366
LIABILITIES			
Transaction deposits	101	57.999.538	53.217.378
Other deposits	102	215.699.209	202.380.166
Received loans	103	982.471	1.619.990
Liabilities for issued securities	104	0	0
Liabilities for interest, compensations and change of derivatives fair value	105	142.818	255.888
Provisions	106	1.562.385	765.132
Liabilities for tax	107	73.921	21.616
Liabilities for profit	108	277.588	150.124
Liabilities from assets for sale and assets of businesses to be ceased	109	0	0
Deferred tax liabilities	110	105.616	10.156
Other liabilities	111	38.002.743	40.271.698
TOTAL LIABILITIES (from 101 to 111)	112	314.846.289	298.692.148
EQUITY			
Equity	113	40.034.550	40.034.550
Reserves from profit	114	16.635.440	16.635.440
Revaluation reserves	115	2.161.380	1.791.268
Unrealized losses from securities for sale	116	48.136	187.011
Profit	117	8.470.260	6.687.971
Loss up to equity	118	0	0
TOTAL EQUITY (from 113 to 115+117-116-118)	119	67.253.494	64.962.218
TOTAL LIABILITIES (112+119)	120	382.099.783	363.654.366
OFF-BALANCE SHEET ITEMS (from 122 to 126)			
Transactions for and on behalf of third parties	121	240.575.545	224.949.026
Future obligation acceptance	122	5.370.638	5.402.256
Received warranties for liabilities	123	32.634.328	30.829.366
Derivatives	124	0	0
Derivatives	125	0	0
Other off-balance sheet items	126	202.570.579	188.717.404



PROFIT AND LOSS ACCOUNT

from 01.01.2014. to 30.06.2014.

(in RSD thousand)

POSITION	ADP code	Amount			
		Current year		Previous year	
		01.04.-30.06.	01.01.-30.06.	01.04.-30.06.	01.01.-30.06.
1	2	3	4	5	6
OPERATING INCOME AND EXPENSES					
Interest income	201	5.613.822	11.096.113	5.410.452	10.664.260
Interest expenses	202	2.089.784	4.209.939	2.324.105	4.536.611
Interest profit (201-202)	203	3.524.038	6.886.174	3.086.347	6.127.649
Interest losses (202-201)	204	0	0	0	0
Fees and compensations income	205	1.353.901	2.663.298	1.376.779	2.622.960
Fees and compensations expense	206	222.011	441.970	242.224	454.246
Fees and compensations profit (205-206)	207	1.131.890	2.221.328	1.134.555	2.168.714
Fees and compensations loss (206-205)	208	0	0	0	0
Net profit from sale of securities per fair value in Profit and loss account	209	9.066	9.066	15.809	15.929
Net loss from sale of securities per fair value in Profit and loss account	210	0	0	0	0
Net profit from sale of securities	211	0	0	1.730	1.737
Net loss from sale of securities	212	0	0	0	0
Net profit from sale of securities held to maturity	213	0	0	0	0
Net losses from sale of securities held to maturity	214	0	0	0	0
Net profit from sale of participation shares (participations)	215	0	0	0	0
Net losses from sale of participation shares (participations)	216	0	0	0	0
Net profit from sale of other investment	217	152	240	0	0
Net losses on sale of other investment	218	0	0	0	0
Net income from exchange rate changes	219	0	0	0	0
Net expenses from exchange rate changes	220	423.528	1.246.302	2.115.849	424.330
Income from dividends and participation	221	884	1.633	1.557	2.199
Other operating income	222	86.874	152.641	45.173	93.565
Net income from indirect write-off of advances and provisioning	223	0	0	0	0
Net expenses on indirect write-off of advances and provisioning	224	810.659	1.401.243	581.664	798.414
Saleries, Wages, and other personal indemnities	225	1.036.817	2.090.603	1.064.293	2.095.444
Depreciation costs	226	216.807	420.984	191.699	386.833
Other operating expenses	227	1.456.744	2.888.900	1.313.959	2.522.151
Income from change in value of assets and liabilities	228	562.479	2.075.983	4.111.011	5.017.957
Expenses on change in value of assets and liabilities	229	182.957	903.900	2.022.346	4.618.071
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	1.187.871	2.395.133	1.106.372	2.582.507
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	0	0	0	0
NET PROFIT OF BUSINESSES TO BE CEASED	232	0	0	0	0
NET LOSS OF BUSINESSES TO BE CEASED	233	0	0	0	0
RESULT FOR THE PERIOD - PROFIT BEFORE TAX (230-231+232-233)	234	1.187.871	2.395.133	1.106.372	2.582.507
RESULT FOR THE PERIOD - LOSSES BEFORE TAX (231-230+233-232)	235	0	0	0	0
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	1.187.871	2.395.133	1.106.372	2.582.507
LOSSES (235-234+236+238-237)	240	-	-	-	-
Earnings per share (in dinars)	241				
Basic earnings per share (in dinars)	242				
Diluted earnings per share (in dinars)	243				

Coloumn 3 za: 1. kvartal 01.01.-31.03. 2. kvartal 01.04.-30.06. 3. kvartal 01.07.-30.09.
Coloumn 4 za: 1. kvartal 01.01.-31.03. 2. kvartal 01.01.-30.06. 3. kvartal 01.01.-30.09.



CASH FLOW STATEMENT

from 01.01.2014. to 30.06.2014.

(in RSD thousand)

POSITION	ADP code	Amount	
		01.01. - 30.06.2014.	01.01. - 30.06.2013.
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (from 302 to 305)	301	12.855.295	13.187.508
1. Inflows from interest	302	10.063.546	10.461.846
2. Inflows from allowances	303	2.673.547	2.638.150
3. Inflows from other operating income	304	117.057	85.313
4. Inflows from dividends and participation in profit	305	1.145	2.199
II. Cash outflows from operating activities (from 307 to 311)	306	8.760.658	8.742.253
5. Outflows from interest	307	3.413.014	3.680.417
6. Outflows from allowances	308	443.755	458.506
7. Outflows from gross salaries, wages and other personal indemnities	309	1.793.655	1.997.879
8. Outflows from taxes, contributions and other obligations from income	310	351.812	409.349
9. Outflows from other operating expenses	311	2.758.422	2.196.102
III. Net cash inflow from operating activities prior to increase or decrease in advances and deposits (301 minus 306)	312	4.094.637	4.445.255
IV. Net cash outflow from operating activities prior to increase or decrease in advances and deposits (306 minus 301)	313	0	0
V. Decrease in advances and increase in deposits withdrawn (from 315 to 317)	314	34.223.545	17.965.029
10. Decrease in loans and advances to banks and clients	315	18.128.672	0
11. Decrease in securities per fair value in profit and loss account, tradeable advances and short-term securities held to maturity	316	0	7.955.592
12. Increase in banks and clients deposits	317	16.094.873	10.009.437
VI. Increase in advances and decrease in deposits withdrawn (from 319 to 321)	318	14.308.974	29.793.145
13. Increase in loans and advances to banks and clients	319	0	29.793.145
14. Increase in securities per fair value in profit and loss account, tradeable advances and short-term securities held to maturity	320	14.308.974	0
15. Decrease in deposits from banks and clients	321	0	0
VII. Net cash inflow from operating activities before tax on profit (312 minus 313 plus 314 minus 318)	322	24.009.208	0
VIII. Net cash outflow from operating activities before tax on profit (313 plus 318 minus 312 minus 314)	323	0	7.382.861
16. Profit tax paid	324	388.746	311.171
17. Dividends paid	325	484.931	258.431
IX. Net cash inflow from operating activities (322 minus 323 minus 324 minus 325)	326	23.135.531	0
X. Net cash outflow from operating activities (323 minus 322 plus 324 plus 325)	327	0	7.952.463
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflows from investing activities (from 329 to 333)	328	12.715.121	5.190.184
1. Inflows from long-term investment in securities	329	12.708.461	5.185.037
2. Inflows from sale of shares (participation)	330	0	0
3. Inflows from sale of intangible and fixed assets	331	6.660	5.147
4. Inflows from sale of investment immovables	332	0	0
5. Other inflows from investing activities	333	0	0
II. Cash outflows from investing activities (from 335 to 339)	334	29.607.423	15.379.798
6. Outflows from investment in long-term securities	335	29.295.521	14.901.679
7. Outflows from purchase of shares (participation)	336	0	976
8. Outflows from purchase of sale of intangible and fixed assets	337	311.313	477.143
9. Outflows from purchase investment immovables	338	589	0
10. Other outflows from investing activities	339	0	0
III. Net cash inflow from investing activities (328 minus 334)	340	0	0
IV. Net cash outflow from investing activities (334 minus 328)	341	16.892.302	10.189.614
V. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (from 343 to 348)	342	57.160	8.080.226
1. Inflows from capital increase	343	0	0
2. Net cash inflows from subordinated obligations	344	57.160	22.660
3. Net cash inflows from loans received	345	0	8.057.566
4. Net inflows from securities	346	0	0
5. Net inflows from sale of own shares	347	0	0
6. Other inflows from financing activities	348	0	0
II. Cash outflows from financing activities (from 350 to 354)	349	1.738.126	0
7. Outflows from purchase of own shares	350	0	0
8. Net outflows from subordinated obligations	351	0	0
9. Net cash outflows from loans received	352	1.738.126	0
10. Net outflows from securities	353	0	0
11. Other outflows from financing activities	354	0	0
III. Net cash inflow from financing activities (342 minus 349)	355	0	8.080.226
IV. Net cash outflow from financing activities (349 minus 342)	356	1.680.966	0
G. TOTAL NET CASH INFLOWS (301 plus 314 plus 328 plus 342)	357	59.851.121	44.422.947
D. TOTAL NET CASH OUTFLOWS (306 plus 318 plus 324 plus 325 plus 334 plus 349)	358	55.288.858	54.484.798
DJ. NET INCREASE IN CASH (357 minus 358)	359	4.562.263	0
E. NET DECREASE IN CASH (358 minus 357)	360	0	10.061.851
K. CASH AT THE BEGINNING OF THE YEAR (Note: ___) (361, col. 3 = 001, col. 6)	361	41.137.794	40.514.180
Z. PROFIT ON EXCHANGE	362	956.494	1.371.913
I. LOSS ON EXCHANGE	363	2.202.796	1.796.243
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	44.453.755	30.027.999

Coloumn 3 for 1. quartal 01.01.-31.03. 2. quartal 01.01.-30.06. 3. quartal 01.01.-30.09.



CAPITAL CHANGES STATEMENT

from 01.01.2014 to 30.06.2014

(in RSD thousands)

DESCRIPTION	13																		
	1	2	3	4	5	6	7	8	9	10	11	12	13						
	ADP	ADP	ADP	ADP	ADP	ADP	ADP	ADP	ADP	ADP	ADP	ADP	ADP						
State at 1 January, of the previous 2013, year	401	17.191.466	414	427	440	22.843.064	403	14.705.442	464	867.774	479	4.103.912	482	505	918	7.016	531	59.860.500	544
Correction of material important mistakes and changes of accounting policies in the prior year - increase	402	0	415	428	441	0	454	0	467	0	480	0	493	506	519	0	532	0	545
Correction of material important mistakes and changes of accounting policies in the prior year - decrease	403	0	416	429	442	0	455	0	468	0	481	0	494	507	520	0	533	0	546
Corrected opening balance as at 1 January of the previous 2013 year (no.1-2.3)	404	17.191.466	417	430	443	22.843.064	406	14.705.440	468	867.774	482	4.103.912	495	508	521	7.016	534	59.860.500	547
Total increase in the previous year	405		418	431	444		457	1.850.000	470	1.432.418	483	4.660.363	496	509	522	406.379	535	7.962.422	548
Total decrease in the previous year	406		419	432	445	0	458	0	471	508.924	484	2.164.204	497	510	523	226.304	536	2.466.744	549
State at 31 December of the previous 2013 year (no.4-5.6)	407	17.191.466	420	433	446	22.843.064	409	16.635.440	472	1.791.266	486	6.667.971	498	511	524	1.87.011	537	64.962.216	550
Correction of material important mistakes and changes of accounting policies in the current year - increase	408	0	421	434	447	0	460	0	473	0	486	0	499	512	525	0	538	0	551
Correction of material important mistakes and changes of accounting policies in the current year - decrease	409	0	422	435	448	0	461	0	474	0	487	0	500	513	526	0	539	0	552
Corrected opening balance as at 1 January of the current 2014 year (no. 7-8.9)	410	17.191.466	423	436	449	22.843.064	412	16.635.440	475	1.791.266	488	6.667.971	501	514	527	1.87.011	540	64.962.216	553
Total increase in the current year	411	0	424	437	450	0	463	0	476	543.264	489	2.366.133	502	515	528	59.997	541	2.878.430	554
Total decrease in the current year	412	0	425	438	451	0	464	0	477	173.182	490	612.844	503	516	529	198.972	542	587.194	555
State at 30 June of the current 2014 year (no.10-11-12)	413	17.191.466	426	439	452	22.843.064	415	16.635.440	478	2.161.360	491	8.470.290	504	517	530	48.136	543	67.253.404	556





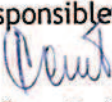
KOMERCIJALNA BANKA AD BEOGRAD

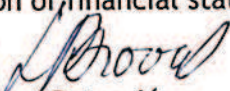
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STATEMENT

In our opinion, quarterly financial statements for the period 01/01/2014 to 30/06/2014 present fairly, in all material respects, the financial position of Komercijalna banka AD Beograd, its assets, liabilities, gains and losses as well as results of its operations, and have been prepared in accordance with the Law on Accounting 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


Snežana Pejčić
Director of the
Accounting Division


Savo Petrović
Executive Director for
Finance and Accounting

