REPORT

On Disclosure of Data and Information of Komercijalna Banka A.D. Beograd Group for the year 2015

Report Number	12/15
Document Code	KOMBANK RM – 19
Date of Report	May 20th, 2016

TABLE OF CONTENTS

EXECUTIVE BOARD OF THE BANK
No. 11904/IO
Date: Belgrade, 25.05.2016

1. INTRODUCTION

- Komercijalna banka AD Beograd Banking Group (hereinafter: Group) in accordance with the Law on Banks and the Decision on Disclosure of Data and Information by Banks, further below publishes the Report for the year 2015.
- This Report contains qualitative and quantitative information as prescribed by the above mentioned Decision.
- The Report shall be publicized on the Bank's Internet domain (www.kombank.com).

THE EXECUTIVE BOARD OF THE BANK

Jelena Đurović	Alexander Picker
Member of the Executive Board	**President of the Executive Board**

2. GENERAL INFORMATION ABOUT THE BANKING GROUP

- Komercijalna banka AD Beograd Group is composed of Komercijalna banka AD Beograd, as a parent bank and three subsidiary legal entities:
- Komercijalna banka AD Budva (100% in the Bank ownership) was incorporated in November 2002 and entered in the Central Register of the Economic Court of Podgorica on 6 March 2003,
- Komercijalna banka AD Banja Luka (99.99% in the Bank ownership) was incorporated in September 2006 and entered on September 15th of the same year in the Court Register based on the Ruling of the First Instance Court of Banja Luka.
- Investment Fund Management Company - Kombank Invest AD Beograd (100% owned by the Bank) was established in December 2007 and registered on 5 February 2008.
- The Group's largest shareholder is the Republic of Serbia (41,74%), which has the strategic agreement with the second largest shareholder EBRD (24,43%). Among the shareholders of Komercijalna Banka there are also a number of internationally renowned professional investors (IFC, Swed Fund, DEG...), as well as different powerful domestic public and private companies.

3. RISK MANAGEMENT

3.1. Risk Management Strategy

- The Banking Group has established the comprehensive and reliable risk management system, which allows for management of all risks that the Group is or may be exposed to on the basis of all business operations and which is proportionate to the nature, scope and complexity of Group's business activities. The established system of risk management ensures that the risk profile is in line with the determined propensity towards risks, and/or the risk profile of the Group.
- Risk management system at the Banking Group level is defined by the following internal legal documents:
  - Risk Management Strategy, Capital Management Strategy and Capital Management Plan;
  - Risk Management Policies;
  - Risk Management Procedures;
  - Methodologies for Risk Management;
  - Other internal documents.
- Risk Management Strategy regulates the uniform and consistent managing of risks to which the Group is or may be exposed in its operations and the same is aligned with the Business Policy and Strategy.
- The implementation of the Risk Management Strategy shall be the responsibility of the competent authorities of the parent Bank and those organizational units which implement and participate in risk management system, as well as bodies and organizational units of Group members:

General Meeting of Shareholders of the parent Bank is in charge of:

- adopting the Bank's business policy and strategy;
- deciding on increase in capital, investment of capital in another bank or another legal entity and the level of investment into the Bank's fixed assets.

Board of Directors of the parent Bank is in charge of:

- passing the Risk Management Strategy, Capital Management Strategy and Plan and Risk management Policy, as well as other legal documents specified in the regulations of the National Bank of Serbia;
- establishing an internal control system and supervising its efficiency;
- establishing internal organization i.e. the organizational structure of the Bank that provides for distribution of duties, competencies and responsibility of employees in a manner that prevents the conflict of interest and ensures a transparent and documented process of making and implementing decisions;
- adopting the Remuneration Policy;
- supervising the work of the Executive Board;
- adopting the program and the plan of internal audit of the Bank and its methodology;
- ensuring that the process of internal capital adequacy assessment is carried out and is in compliance with the strategic goals;

Audit Committee of the parent Bank is in charge of:

- analyzing annual reports that are submitted to the Board of Directors for consideration and adoption;
- analyzing and adopting the draft strategies and policies of managing risks and the internal control system that are submitted to the Board of Directors for consideration and adoption;

- report to the Board of Directors at least once a month on its activities and identified irregularities and proposes the manner in which such irregularities will be eliminated i.e. how the risk management policies and procedures will be improved and how internal control systems will be implemented.

Executive Board of the parent Bank

- proposes and implements business policy and strategy of the bank, strategy and policy of risk management and strategy and plan of capital management;
- adopts and analyzes the efficiency of implementation of procedures for risk management, which define more closely the process of identifying, measuring and assessment of risk and risk management and reports to the Board of Directors in connection with those activities and semiannual and annual statements at Group level;
- adopts procedures and methodologies for risk management and internal capital adequacy assessment at Group level;
- implements the procedures for supervising Group activities, regularly assesses their quality and, if necessary, enhances them in accordance with the Business Policy
- reports to the Board of Directors about the efficiency of implementation of the defined procedures and management of risks.
- passes its Rules of Procedure

Asset/Liability Management Committee (ALCO)

- Each Group member has the Asset/Liability Management Committee.

Credit Committee

- Each Group member has the Credit Committee which makes decisions within its competences and limits.
- Competences of other Committees of the Group which participate in the risk management system are determined by regulatory provisions and documents that are applied at Group level, whereas the competences of the Committees of the Group members are defined by local legislation and their internal documents.

Risk Management Function of the parent Bank

- independent business function responsible for risk management at Group level, which performs the following:
  - defines and proposes for adoption the strategy and policies of risk management;
  - defines and proposes for adoption the procedures and methodologies of risk management;
  - develops models and methodologies for risk identification, measuring, mitigation, monitoring and control,
  - identifies, measures, assesses, monitors and manages the risks which the Group is exposed to in its operations;
  - reports to the competent authorities of the Group on risk management on consolidated basis (Bank's Board of Directors, Audit Committee, Executive Board, Asset/Liability Management Committee...).

Treasury Management Division of the parent Bank:

- it is included in process of asset and liquidity management, as well as with asset/liability management at Group level. Likewise, it participates in liquidity risk, interest rate risk and foreign exchange risk management.

Compliance Division of the parent Bank

- responsible for:
  - identification and monitoring of Group operations compliance risk and for managing such risk, which particularly includes and refers to risk of sanctions by regulatory authority and risk of financial losses, as well as reputational risk.

Internal Audit Function of the parent Bank

- competent and responsible for:
  - continuous supervision of implementation of risk management policies and procedures at Group level and examines the adequacy of procedures and compliance of the Group with them. Internal Audit reports on its findings and recommendations to the Audit Committee and Board of Directors.
- Banking Group members have the organizational units for risk management, prevention of money laundering, asset management and internal audit.
- By its Risk Management Strategy the Group included the following:
  - overview and definition of all the risks which the Group is, or may be exposed to;
  - long-term objectives, established by the Group's Business Policy and Strategy, and also propensity to risks as determined in accordance with those objectives;
  - basic principles of assuming and managing the risks;
  - basic principles of internal capital adequacy assessment process of the Group.
- The Group has identified and defined the risks to which it is exposed, or to which it may be exposed in its operations, as follows:
- **Credit risk** is the risk of possible negative effects on financial result and capital of the Group that might occur due to debtors' failure to discharge their liabilities to the Group. Credit risk includes:

- **Residual risk** - risk that the credit risk mitigation techniques may be less efficient than expected, or that their implementation/use has an insufficient impact on reduction of all the risks to which the Group is exposed.
- **Dilution Risk**– is the risk of possibility of occurrence of adverse effects on Group's financial result and capital due to reduced value of purchased receivables as a result of cash or non-cash liabilities of the former creditor to the debtor.
- **Settlement/Delivery Risk** – is the possibility of adverse effects on the Group's financial result and capital arising from unsettled transactions or counterparty's failure to deliver in free delivery transactions on the due settlement/delivery date.
- **Counterparty Risk** – is the possibility of occurrence of adverse effects on the Group's financial result and capital arising from counterparty's failure to fulfill his part of the deal in a transaction before final settlement of cash flows of the transaction
- **Credit – Foreign Exchange Risk** – is the possibility that the Group shall suffer the loss due to debtor's failure to discharge his liabilities within the agreed time limits and which arises due to adverse effect of changes in RSD exchange rate on debtor's financial position.
- **Environmental Risk** (risk of environmental and social protection) – risk of occurrence of adverse effects on Group's financial result, capital and reputation due to event which has or is likely to have a material adverse effect on the environment, health or safety, or the community as a whole.

- **Concentration Risk** is the risk which directly or indirectly arises from exposure of the Group to the same or similar risk factor or type of risk, such as exposure to one party or a group of related parties, industries, geographic areas, types of products and activities, credit protection instruments, financial instruments, commodities…
- **Investment Risk** is the risk which arises from Group's investment in other legal entities and fixed assets.
- **Country Risk** is the risk relating to the country of origin of the entity to which the Group is exposed, or the risk of possible negative effects on the financial result and capital of the Group due to Group's inability to collect claims from such entity/debtor for reasons arising from political, economic or social conditions in such entity's/debtor's country of origin. Country risk includes the following risks:
  - **political and economic risk**, which means the probability of loss due to the inability of the Group to collect the receivables due to the limitations imposed by state laws and bylaws and other authorities of the country of origin of the debtor, as well as general and systemic conditions in that country;
  - **transfer risk**, which means the probability of loss due to inability to collect the receivables denominated in a currency other than the currency of the country of origin of the debtor and due to limitations in payments of liabilities to the creditors from other countries in a particular currency as determined by legislation of the state and other authorities of the country of the debtor.
- **Operational Risk** is the risk of possible occurrence of adverse effects on Group's financial result and capital due to unintentional and intentional omissions in the work of employees, inadequate internal procedures and processes, inadequate management of information and other systems in the Group, as well as due to occurrence of unforeseen external events. Operational risk includes legal risk.
  - **Legal risk** is the risk of occurrence of adverse effects on Group's financial result and capital on the basis of court or out-of-court proceedings in connection with Group's operations (labor relations, contracts and torts…)
- **Liquidity Risk** is the risk of possible negative effects on the financial result and capital of the Group caused by the Group's inability to meet all its due obligations, on account of:
  - **Withdrawal of the existing funding sources,** or inability to obtain new sources of funding (funding liquidity risk), or
  - **Difficulty of converting assets into liquid assets due to market disruption (market liquidity risk).**
- **Interest Rate Risk** is the risk of possible negative effects on the financial result and capital of the Group arising from positions in the banking book due to adverse changes in interest rates.
- **Market Risks** are the risks of possible occurrence of adverse effects on Group's financial result and capital on the basis of losses in the balance sheet and off-balance sheet positions due to market price movements, and the same include the following:
  - **Foreign Exchange Risk** is the risk of occurrence of negative effects on the financial result and capital of the Group caused by changes in exchange rates for the items that are kept in the banking book and the trading book.
  - **Price Risk** based on debt and equity securities is the risk of possible occurrence of negative effects on Group's financial result and capital due to losses caused by market price fluctuations of debt and equity securities in the trading book.
  - **Commodity Risk** is the risk of occurrence of adverse effects on the financial result and capital of the Group due to losses caused by the movement of prices of commodities in the market.
  - **Options Risk** is the risk of possible occurrence of negative effects on Group's financial result and capital due to losses caused by movement of prices of options in the market.

The Group is not exposed to options risk or commodity risk.

- **Compliance Risk** is the risk of possible occurrence of negative effects on the financial result and capital of the Group due to Group's failure to comply its operations with the law, bylaws, its internal documents, procedures for prevention of money laundering and financing of terrorism, as well as with the rules of profession, sound business practices and business ethics and in particular encompasses the risk of sanctions by the regulatory authority, risk of financial losses and reputational risk.
    - **Reputational Risk** is the risk of possible occurrence of adverse effects on Group's financial result and capital due to the loss of public confidence and unfavorable public attitude about the Group's business operations, irrespective of whether there exist the grounds for it or not.
- **Strategic Risk** is the risk of probable negative effects on Group's financial result or capital due to lack of appropriate business policy and strategy, their inadequate implementation and also due to changes in environment in which the Group operates, or Group's failure to properly react to such changes.

Long-term Objectives

- Long-term objectives for Group's risk management are as follows:
    - development of activities in line with the Business Strategy and opportunities and market development in order to create a competitive advantage;
    - avoiding or minimizing the risk in order to maintain the business operations within the acceptable level of risk;
    - minimizing negative effects on Group's capital;
    - maintaining the required level of capital adequacy;
    - diversification of risks to which the Group is exposed.
- The objectives of risk management are aligned with the Business Plan and can be modified during the year.
- The Group defines the risk profile and tendency for assuming risk on the basis of capacity to cover risk
- The Risk Management Process includes clear defining and documenting the risk profile and compliance of risk profile with Group's propensity to risk assuming.
- Propensity to risks shall imply the Group's intention to assume risks in order to accomplish its strategies and policies and to establish this assumption to be at acceptable risk level.

Basic principles of risk assumption and management

- The basic principles of risk assumption:
    - establishing explicit and clear rules for managing the individual types of risks, with associated policies and procedures for management of individual risk types with corresponding objectives of operations at Group level;
    - gathering of complete, timely and truthful information important for risk management and provision of adequate capacities for safekeeping and processing of data;
    - conservative risk taking – implies that the relation towards the risks undertaken by the Group is such that the expected yields significantly outweigh losses which may incur by risk taking;
    - making business decisions determined by the qualitative and quantitative analysis on the basis of applicable risk parameters;
    - utilization of a number of methods for risk identification and measurement – when managing the risks the Group, in addition to regulatory prescribed frameworks and approaches for risk management, also applies the internal methods taking into account their applicability and justifiability in terms of investment in their development and justification of their implementation in terms of complexity and volume of business activities.
    - development of quantitative modeling mechanism which allows measurement analysis of the effects of changes in the business and market environment on Group's risk exposure profile and further impact on profitability, liquidity and net worth of the Group.

3.2. Risk Management Policies

- Risk Management Policy determines the following:
    - implementation of the risk management strategy by all risk types: credit, market, interest rate, liquidity and operational risk;
    - manner of organizing the risk management process of the Group and clear division of the employees' responsibilities at all stages of that process;
    - manner of assessing the risk profile of the Group members and methodologies for risk identification, measurement or assessment;
    - methods of risk monitoring and control and establishment of the system of limits or the types of limits used by the Group, and their structure;
    - measures for risk mitigation and rules for applying such measures;

- manner and methodology for implementing the internal capital adequacy assessment process of the Group;
- principles for the functioning of the internal controls system;
- framework and frequency of stress tests, as well as actions taken in cases of unfavorable stress test results.

- External reporting of the Group is conducted pursuant to the statutory regulations and by-laws of the National Bank of Serbia.
- Group members on monthly basis report to the Risk Management Division of the parent Bank, which monitors all types of risks at Group level.

3.3. Organizational Structure of the Risk Management Function

- All Group members have established the independent Risk Management Function.
- The Risk Management Function of the parent Bank conducts its activities through the following organizational units: Risk Management Division, Credit Risk Analysis Division and Workout Department.
- Risk Management Division of the parent Bank is responsible for risk management at Group level and preparation of six-month consolidated reports on risk management and it consists of Credit Risk Management Department, Portfolio Monitoring Department, Market Risks Management Department and Operational Risk Management Department.
- Credit Risk Analysis Division of the parent Bank is composed of Department of Credit Risk Analysis for Corporate Clients and Department of Credit Risk Analysis for Retail Clients, Micro Clients and Farmers, which perform activities at parent Bank level from scope of its competences, as well as analysis and providing opinions pertaining to credit proposals exceeding defined limits for subsidiaries.
- Komercijalna banka AD Budva and Komercijalna banka AD Banja Luka carry out the risk management-related activities through established risk management divisions which on monthly basis report to the Risk Management Division of the parent Bank on conducted risk management activities at the level of Group members.

3.3.1. Credit Risk

- Credit risk management policy represents the document which more specifically defines the **credit risk management system**, including the residual risk, the dilution risk, concentration risk, settlement/delivery risk, and the counterparty risk to which the Group is or may be exposed in its operations, as a part of the risk management system.
- The most important processes of the risk management system are:
  - The loan approval process;
  - The process of managing the credit protection instruments;
  - The process of monitoring the loans for early detection of warning signs;
  - The process of credit risk measurement in accordance with the regulations of the Central Banks of the Group members;
  - The process of non-performing loan management;
  - The process of calculation of the minimum capital requirement for credit risk and internal capital adequacy assessment;
- The risk profile of the Group is determined by an acceptable risk level for the Group and in accordance with the Risk Management Strategy and depends on the Group's portfolio structure. The purpose of credit risk management is to minimize the negative effects of the credit risk on the financial result and capital of the Group, on the basis of balance sheet and off-balance sheet items, as well as on the basis of operations with the counterparty for the positions kept in the banking book.
- Credit risk identification starts by filing an application for loan approval.
- The loan approval process consists of gathering and verification of all the necessary documentation, information and data on the basis of which a credit analysis of individual loans is performed, as well as of the credit risk factors.
- Individual loan analysis includes the analysis of qualitative and quantitative indicators of the client's operations, identification of the risk level (establishment of classification pursuant to regulations of the Central Banks of Group members and the client's internal rating according to Group methodology), and the control of the extent to which the limit has been used up at Group level;
- The process of credit risk measurement is based on two approaches:
  - regulatory approach – the loan impairment process and estimation of the provisions for losses under off-balance sheet items according to the International Accounting Standard 39 and the International Accounting Standard 37;
  - internal approach – measurement of the risk level of an individual loan on the basis of the internal rating system of the Group.

- Within the loan approval process, exposure relative to regulatory and internally defined limits is reviewed.
- Loan approval limits are defined by decision-making system of each Group member, depending on the types of clients and the level of exposure.
- For each subsidiary of the Group an individual decision making limit is defined, pertaining to the maximum amount up to which the subsidiaries can independently place funds, i.e. without obtaining the opinion from the Credit Risk Analysis Division of the parent Bank.
- In order to maintain the risk at acceptable level, the Group members apply the credit risk mitigation techniques at the level of individual loan by observing the exposure limits, diversification of investments, and by acquiring acceptable collaterals for the purpose of secondary collection.
- Upon approval of a loan, the loan itself and the client's operations are monitored through regular and extraordinary monitoring in order to timely identify the warning signs.
- By monitoring and controlling the portfolio as a whole and by individual segments, the Group members make comparisons to the previous time periods, identify the trends and the causes of changes in the level of credit risk. Likewise, they monitor the asset quality indicators (NPL trends, NPL coverage by allowance for impairment...), as well as the exposure to regulatory and internally defined limits.
- Reporting on credit risk at the Group's level includes the system of external and internal reporting on credit risk management. External reporting on consolidated basis is carried out in accordance with the requirements of the National Bank of Serbia and the International Financial Reporting Standard 7 for credit risk, and the internal reporting in accordance with the Group's internal documents.
- The report on credit risk management includes: total exposure to credit risk on consolidated basis, exposure to credit risk according to internal rating system, due receivables, risky placements and loans, collaterals, allowance for impairment, exposure risks...

3.3.2. Liquidity Risk

- The basic objective of the liquidity risk management is to maintain the level of liquid assets in order to properly and timely settle the due liabilities on balance sheet and off-balance sheet operations at Group level and of each member separately, or to minimize the negative effects on the financial result and capital at Group level and each member separately.
- The Group has established an adequate organizational structure, business activities, the lines of decision-making and responsibilities by a clear delineation of the liquidity risk management process (implemented by the independent function responsible for risk management of the parent Bank and also the independent functions of individual members) and the process of support to managing this risk from the process of liquidity risk taking.
- Basic principles of liquidity risk management:
  - the readiness to respond to matured obligations, through maintenance of minimum level of liquid assets for Group members;
  - maintenance of the match between inflow and outflow of assets by limiting the currency and maturity mismatch of receivables and liabilities;
  - establishment of planned activities in the case of occurrence of unforeseen events (liquidity crisis).
- Measurement of exposure to liquidity risk includes the assessment of the current and the future exposure to liquidity risk and the same is conducted by applying the regulatory and internally defined methods and models:
  - Regulatory approach – application of liquidity ratio and more specific liquidity ratio at Group level;
  - Internal approach – application of static and dynamic GAP and ratio analysis, stress testing (sensitivity analysis and analyses scenario) and simulations.
- The parent Bank has defined the internal standards for liquidity risk management, which refer to defined internal limit of liquidity ratio, limits of liquidity gaps by maturity, identification and quantification of early elements of liquidity crisis.
- In order to manage the liquidity risk the system has been established of external (prescribed by local regulatory authorities of the Group members' countries) and internal limits (adopted by competent committees of the Group). Regulatory defined liquidity limits are observed by all Group members and they maintain the liquidity level above defined minimum values, aligning their operations with the limits defined at Group level. For the purpose of liquidity risk management the system of monitoring of limits has been established. The limits which the Group and Group members observe refer to maintaining minimum liquidity ratios in period of 1 day, 3 days and average for a month. When defining the limit of exposure to liquidity risk, multiple aspects of liquidity risk are reviewed, taking into account the limiting negative effect on financial result and capital, thus limiting the maturity mismatch.
- The Group has established the monitoring and control of liquidity risk process, which includes the monitoring of business activity compliance with the defined limit system, in order to maintain the liquidity risk at the level accepted by

the defined risk profile of the Group, as well as to follow up and monitor the implementation of measures. The liquidity risk monitoring and control have been established and integrated in all business activities of the Group and at all levels of liquidity risk management, as has also been established an independent control of the assessment of adequacy, reliability and efficiency of the liquidity risk management system.

- In order to maintain the liquidity risk at the level accepted by the defined risk profile, the Group applies the techniques and measures of liquidity risk mitigation in the conditions when the exposure to liquidity risk tends to the upper limit of the defined risk profile. The applied techniques relate to maintenance of sufficient level of liquidity reserves, or marketable liquid assets in major currencies, diversification of funding sources by maturity and currency, reducing the concentration of funding sources by sector structure, for the purpose of establishing a stable base of sources of funds.
- .The Group has in place the established system for liquidity risk reporting which includes assessment and analysis of the exposure to the liquidity risk, compliance with the limits, results of the stress test analysis and proposal of measures.

3.3.3. Interest Rate Risk in the Banking Book

- The objective of interest rate risk management is to preserve the economic value of the Group's capital, with simultaneous minimization of negative effects of changes in interest rates on the financial result, for the positions that are kept in the Banking Book.
- The Group has established an appropriate organizational structure, business activities, decision-making and responsibilities lines, by clear delineation of risk assumption process from risk management process.
- Asset/Liability Management Committee has a significant and primary role in interest rate risk management process, within its competence. Likewise, in interest rate risk management process other parent Bank's Committees have their roles and their decisions may have an impact on exposure to the above stated risk.
- Basic principles of Group's interest rate risk management are:
  - maintenance of interest rate risk level which allows for minimizing the negative effect of changes in interest rates on the market and also the maintenance of minimum required interest rate margin;
  - limitation as to maturity and currency mismatch for the purpose of preserving the economic value of capital, or minimizing the negative impact of interest rate changes on exposure to interest rate risk;
  - optimization of the cost of funds with adaptation and caution during the formation of competitive interest rates on products Group members.
- Identification of the interest rate risk implies the analysis of all the indicators and factors which lead to occurrence and increase of exposure to interest rate risk, along with the type of interest rate risk to which the Group and its members are exposed.
- Measurement of interest risk constitutes a quantitative and qualitative assessment of exposure to interest risk and is conducted using the internal models of static and dynamic GAP and ratio analysis, economic value of capital, net present value and stress testing.
- Measurement of interest rate risk of the Group represents the quantitative and qualitative assessment of the exposure to interest rate risk by applying gap and ratio analysis, duration, economic value of capital and stress testing. Mitigation of interest rate risk is conducted continuously by maintaining the risk at acceptable level for risk profile and by establishing and implementing the adequate measures and techniques. In interest rate risk management process the Group applies the external limits system (defined by local regulatory authorities of the Group members' countries) and internal limits (adopted by the competent committees of the Group) defined separately for members, as well as limit at Group level. When defining the exposure limit to interest rate risk the Group takes into account multiple aspects of interest rate risk, thus limiting the negative effect on the financial result and the economic value of the capital. At Group level the limits are defined of interest-bearing positions, and limit of changes of the economic value of capital, by which the negative impact on capital is limited.
- Group has established the process of monitoring and control of interest rate risk, which includes the monitoring of compliance of operations with defined system of limits, for the purpose of maintaining the interest rate risk at the level accepted by the defined risk profile of the Group, as well as the follow-up and monitoring of implementation of the measures. The system of internal interest rate risk control is integrated in all business operations of the Group, as is also the independent control of the assessment of adequacy, reliability and efficiency of the interest rate risk management system.
- The Group has established the process for monitoring and reporting on the effects of implementation of applied risk mitigation measures and techniques, that are aimed at maintaining the match of interest rate-sensitive positions, diversifying the funding sources by type of interest rate, maturity, or repricing and currency and at optimizing the cost of funds.
- The system of reporting on exposure to interest rate risk includes the assessment and analysis of the exposure to interest rate risk, compliance with the limits, results of stress test analysis and proposals of measures.

3.3.4. Market Risk

- In its everyday operations the Group is exposed to foreign exchange risk and price risk.

Foreign Exchange Risk Management

- The objective of foreign exchange risk management is to ensure safe operation of the Group, through minimization of the negative effects of changes in the exchange rate on the financial result and capital of the Group, for the positions that are kept in the banking book and the trading book.
- The Group has established an appropriate organizational structure, business activities, decision-making and responsibilities lines, by clear delineation of foreign exchange risk assumption process from the process of its management and the support process at Group level and individual members.
- Identification of the foreign exchange risk refers primarily to consideration of transaction and balance sheet exposure, and also to exposure arising from introduction of new products and activities and to analysis of internal and external factors. Identification of exposure to foreign exchange risk is conducted at the level of exposure to a single currency and also at the level of entire foreign exchange portfolio for all the currencies.
- Measurement of foreign exchange risk represents quantitative and qualitative assessment of the exposure to foreign exchange risk and includes the assessment of the current and the future exposure to foreign exchange risk and is performed by applying the regulatory and internally defined methods and models:
  - Regulatory approach – application of foreign exchange risk ratios at Group level;
  - Internal approach – stress testing (sensitivity and scenario analysis) and simulations, value at risk and back testing.
- The Group conducts a continuous mitigation of foreign exchange risk by maintaining the risk at acceptable level for risk profile, and also by establishing and applying the appropriate measures and techniques, and by follow up and monitoring of implementation of the measures. The Group implements the system of external (prescribed by regulators) and internal limits (adopted by competent committees of the Group), established on the basis of foreign exchange risk ratio at Group level and each individual member. When defining the exposure limit to foreign exchange risk multiple aspects of foreign exchange risk are taken into account, thus limiting the negative effect on the financial result and capital of the Group.
- The Group uses derivatives and other instruments and measures in the segment of assets and funding sources in order to minimize and mitigate the exposure to the mentioned risk.
- At the level of Group and its members the system has been established of follow up and control of limits and implementation of measures for minimizing the foreign exchange risk.

Price Risk Management

- The Group has established an appropriate organizational structure, business activities, decision-making and responsibilities lines, by clear delineation of risk assumption process at the level of members and Group from the process of its management and support, and guided by the principles of the risk management system organization of the trading book.
- Basic principles for Group's price risk management are:
  - maintenance of the risk level in compliance with the externally and internally defined limits;
  - monitoring the changes on the market that may lead to increased exposure to the trading book risks;
  - determination of the measures for mitigating the exposure to risks in the circumstances when the Group tends to the upper limit of the accepted risk profile of the risk exposure.
- Identification of the risk of trading book operations includes the analysis of all the indicators and factors which lead to occurrence and increase of the risk profile.
- Measurement and assessment of the risk of trading book operations includes the following implementation:
  - standardized (regulatory prescribed) approach
  - internal model by using Value at Risk methodology.
- The Group has in place the established system of internal limits adopted by the competent Committees and Boards of the Group, both at Group level and at the level of individual members. At the Group level defined are: the exposure limits for all trading book positions and limits of trading book share in overall operations of the Group.
- The system of price risk internal control is integrated in all business activities of the Group, as is also the independent control of the assessment of adequacy, reliability and efficiency of the price risk management system.
- Mitigation of price risk the Group carries out continuously by maintaining the risk at acceptable level for risk profile and by establishing and implementing the adequate measures and techniques. Defining and applying the appropriate safeguards and preventive measures, defining the exposure limit and defining and implementing the measures for price risk mitigation characterize the phase of mitigating the price risk.

- The system of price risk internal control is integrated in all business activities of the Group, as is also the independent control of the assessment of adequacy, reliability and efficiency of the price risk management system. Control of price risk includes also the regular control of each transaction.
- Pursuant to the established system of reporting on Group's price risk, the reporting is performed on exposure to price risks.

3.3.5. Operational Risks

- In order to minimize occurrence of an operational risk event, the Group establishes an appropriate framework which includes: the process of identifying the operational risk event, the process of classifying the operational risk events according to risk level, the analysis of the operational risk event, the process of monitoring the operational risk event, the process of monitoring the measures for operational risk mitigation, and the system of early detection of operational risk event.
- When assuming the operational risk the Group is guided by the following principles:
    - business operations in accordance with the good operational risk management practices;
    - provision of adequate controls for operational risk management;
    - timely identification and continuous monitoring of the operational risk event, minimization of operational risk event occurrence by implementation of the measures;
    - analysis of key risk indicators that lead to occurrence of operational risk event,
    - measurement of the operational risk by applying regulatory approach (operational risk indicator), internal approach (stress testing)
    - measurement of the current exposure to operational risk and the assessment of the exposure based on the introduction of new products and activities on the implementation of measures to minimize the operational risk events.
- The Group continuously mitigates the operational risk, which involves maintenance of the risk at the acceptable level for risk profile, through determination of measures to minimize the operational risk mitigation measures, which include the following:
    - definition of the exposure limit;
    - definition and application of the operational risk mitigation measures;
    - system of physical controls;
    - Business Continuity Plan and
    - Disaster Recovery Plan.
- Operational risk monitoring and control involve the monitoring of the compliance of business operations with the defined system of limits for the purpose of maintaining the operational risk at the level accepted by the defined risk profile of the Group, as well as the follow-up and monitoring of implementation of the measures. Operational risk monitoring and control have been established and integrated in all business activities of the Group and at all levels of operational risk management, as has also been established the independent control for assessing the adequacy, reliability and efficiency of the operational risk management system.
- The Group has established the process of monitoring and reporting on the effects of implementation of the applied measures and techniques of operational risk mitigation through regular reporting to the competent committees and bodies, and a clear division of responsibilities, definition of the rules with regard to frequency of reporting on implementation of the measures adopted to minimize the operational risk.
- The system of reporting on operational risk includes timely reporting on the operational risk events by event type and business lines, the causes and sources of the event occurrence, significance of the event, exposure trend, measures intended to be taken or already taken for the purpose of mitigating and limiting the consequences of the events, and activities entrusted by the Group to third parties.
- The Group calculated the capital requirement for operational risk in accordance with the regulations, using the standardized approach.
- Capital requirement for operational risk for 2015 totaled (in RSD 000): 2,667,139.

3.3.6. Country Risk

- The objective of country risk management is to ensure minimum exposure through adequate country risk measurement by applying the adopted methodology and defined limits of exposure to countries or a group of countries on the basis of the country rating.
- Identification of country risk includes the analysis of all the indicators that give rise to and increase the country risk, carried out at the level of the individual placement and the overall portfolio.
- Prerequisite for achieving the defined objectives of the country risk management is the existence of adequate and

updated database containing the recorded information provided by the business sectors on client's domicile country and his place of residence.

- Measurement of country risk is based on external credit ratings of client's domicile country, on the basis of which the loans are classified/grouped to certain level of risk.
- The Group defines the procedure for country risk monitoring and control as monitoring of the limit on consolidated level, and of the measures adopted for mitigating the country risk, as well as the control process.
- The Group has in place the established system for country risk reporting on consolidated level by which the management, competent committees and organizational units are timely informed.

3.3.7. Investment Risk

- The Group has the established investment risk system, thus ensuring that the investment outside the financial sector does not exceed 10% of the Group's capital, and that the Group's investments in financial sector and in fixed assets do not exceed 60% of the capital of the Group.

4. BANKING GROUP CAPITAL

- The Group's Capital Strategy and Plan concretely stipulate and specify the implementation of the strategic objectives and guidelines for capital planning, and set the time period for their accomplishment in view of the impact of macro-economic indicators and changes in economic cycle trends on the strategic plans, the manner in which the Group will respond to capital requirements in the future, and relevant limitations on the capital, as well as the general plan for acting in unforeseen circumstances.
- Pursuant to the defined targeted values, the Group members undertake measures for their realization and maintenance.

Capital structure RSD 000

Name	31.12.2015.	31.12.2014.
CORE CAPITAL	**40.641.633**	**34.335.838**
Nominal value of paid up shares, except for cumulative preferred shares,	17.191.466	17.191.466
Paid up ordinary shares	16.817.956	16.817.956
Paid up non-cumulative preferred shares	373.510	373.510
Issue premium	22.843.084	22.843.084
Reserves from the profit	25.737.155	21.117.840
Profit of current year	–	–
Profit from previous years	–	–
Deductible items from core capital	7.176.831	-
Intangible investments	19.793.194	28.632.569
Amount of bank shares taken in pledge, except for cumulative preferred shares	251.947	451162,3967
Non-realized losses arising from securities available/held for sale	357.233	357.233
Required reserves from profit for estimated losses under balance sheet assets and off-balance sheet items of the bank	310.212	278456,1854
Minority stakes in subsidiaries	18.873.801	27.545.718
Other positive consolidated reserves	65	67
SUPPLEMENTARY CAPITAL	1.839.888	1.815.949
Part of revaluation reserves of the bank	**4.034.778**	**4.669.970**
Subordinated liabilities	2.818.517	2.250.804
DEDUCTIONS FROM CAPITAL	1.216.261	2.419.166
Direct and indirect investment in banks and other entities in the financial sector in amount higher than 10% of the capital of such banks or other entities	**190.945**	**189.710**
Required reserve from profit for estimated losses under balance sheet assets and off-balance sheet items of the bank	190.945	189.710
TOTAL CORE CAPITAL	-	-
TOTAL SUPPLEMENTARY CAPITAL	**40.546.161**	**34.240.982**
TOTAL REGULATORY CAPITAL	**3.939.305**	**4.575.115**

- The Group calculates the capital adequacy ratio and capital requirements in accordance with the regulations of the National Bank of Serbia by using the standardized approach for credit risks, market risks and operational risks.
- Regulatory prescribed minimum capital adequacy ratio is 12%.

Overview of total capital requirements according to standardized approach RSD 000

Capital Requirements	31.12.2015.	31.12.2014.
CAPITAL	**44.485.466**	**38.816.098**
Total core capital	40.546.161	**34.240.982**
Total supplementary capital	3.939.305	**4.575.115**
Credit risk, counterparty risk and settlement/ delivery risk based on free deliveries	**19.988.185**	**22.228.806**
Exposures to states and central banks	757.854	626.003
Exposures to territorial autonomies and local government units	306.981	318.787
Exposures to public administrative bodies	-	25
Exposures to international development banks	34	34
Exposures to banks	605.550	946.425
Exposures to companies	10.245.951	11.845.548
Exposures to private individuals	3.592.605	3.587.306
Exposures secured by mortgages on real property	2.788.297	3.072.412
Due outstanding receivables	224.006	277.347
Other exposures	1.466.909	1.554.919
Market Risks	**500.122**	**173.716**
Capital requirement for price risk based on debt securities	–	–
Capital requirement for price risk based on equity securities	–	–
Capital requirement for foreign exchange risk	500.122	173.716
Capital requirement for commodity risk	–	–
Operational Risks	**2.667.139**	**2.472.205**
Exposure to operational risk	2.667.139	2.472.205
Total capital requirements	**23.155.447**	**24.874.726**
Capital adequacy ratio (minimum 12%)	**23,05%**	**18,73%**

- The Group includes the trading book positions in calculation of capital requirements for credit risk, taking into consideration that value and share of trading book in total operations do not obligate the Banking Group to allocate special capital requirements for market risks.
- Capital requirement for foreign exchange risk is calculated for Group subsidiaries with the FX risk ratio more than 2%
-

Structure of the capital requirement for the operational risk RSD 000

Line of Business	Exposure indicator			Capital requirement rate	Capital requirement
	2012.	2013.	2014.		
1. Financing business entities	7.879	8.476	6.611	18%	2.667.139
2. Trade and sales	(5.394.750)	582.218	(1.980.285)	18%	
3. Brokerage to retail clients	3.655	5.032	5.722	12%	
4. Corporate banking transactions	17.506.134	10.112.113	14.162.854	15%	
5. Retail banking transactions	3.238.642	6.788.517	5.303.396	12%	
6. Payment transactions	1.850.631	1.932.117	1.990.472	18%	
7. Agency services	30.972	29.005	26.320	15%	
8. Asset Management	213.936	77.087	203.192	12%	

4.1. Internal Capital Adequacy Assessment Process – ICAAP

- The Group has set up an internal capital adequacy assessment process (hereinafter ICAAP) in accordance with its risk profile. The aim of ICAAP is to strengthen the relationship between risk management and the Group's capital i.e. to ensure that the Group has sufficient capital at its disposal to support current and future activities and to cover all materially significant risks the Bank is exposed to in its operation.
- ICAAP is included in the risk management system and forms an integral part of the decision-making process in the Group. Also, it is regularly revised and adjusted, especially when the Bank is exposed to new risks or significant changes.
- The Group has established the Capital Management Strategy and the Capital Management Plan. Capital Management Plan includes:
  - Strategic goals and time periods for their implementation, taking into account the impact of macroeconomic environment and economic cycle phases;
  - Manner of organization of available internal capital management process;
  - Procedures for planning the adequate level of available internal capital;

- Manner of accomplishment and maintenance of adequate internal capital level;
- Business plan in the case of unforeseen events which can influence the amount of available internal capital.

- ICAAP is a stable risk management process which adequately identifies, measures, aggregates and monitors risks by including all key elements of capital requirements assessment and capital management and planning.
- ICAAP is a documented process which is carried out on a continued basis and in accordance with the Risk Management Strategy and individual Risk Management Policies, and Capital Management Strategy. Basic conditions met by ICAAP implemented in the Group:
  - It is based on the process of risk identification and measurement, or risk assessment;
  - It provides a comprehensive risk assessment, as well as monitoring of the significant risks the Group is or may be exposed to in its operations;
  - Ensures adequate internal capital in accordance with the Group's risk profile;
  - It is incorporated in the Group's management system and in decision-making process in the Group;
  - It is subject to regular analysis, monitoring and verification.
  - ICAAP objective is a clear establishment of the capital level that is sufficient to cover all risks the Group is exposed to. The main objective of the internal capital adequacy assessment is to improve the relationship between the Bank's risk profile, risk management system and capital availability. The Bank is expected to implement an appropriate assessment process, which includes all the key elements of planning and capital management, as well as to ensure a sufficient level of capital in relation to the identified risks.
- By determining the potential for risk coverage, the Group indirectly sets the maximum level of the risk it is ready to accept. Apart from assessment of internal capital requirements, internal capital is also assessed through ICAAP. Planning of internal capital also ensures maintaining the level of capital that can support the growth of loans, future funding sources, dividend policy...
- The framework of internal capital adequacy assessment process reflects the Risk Management Strategy, Capital Management Strategy and Capital Management Plan, and the limits set where ICAAP serves as a comprehensive managing model.
- The Group continuously assesses the risk profile and regularly revises the procedure for internal capital adequacy assessment developing at the same time the methodologies for assessment of other risk types in order for the comprehensive risk management at the Group level to be as efficient as possible.
- The basic principles of the internal capital adequacy assessment process of the Group are:
  - establishment of the internal capital adequacy assessment process of the Group in accordance with the risk management objectives and principles for risk taking and management;
  - identification, measurement (assessment), mitigation and monitoring of all risks as a basis for capital adequacy assessment;
  - establishment of the internal capital adequacy assessment process of the Group in accordance with the volume, type and complexity of the Group's operations;
  - provision of the internal capital in accordance with the risk profile of the Group.

ICAAP Phases:

- Establishment of materially significant risks − Quantitative and qualitative criteria are established based on the methodology, serving to determine the materially significant risks that will be included in the internal capital adequacy assessment process in accordance with the type, volume and complexity of the Group's business operations, as well as the specificities of the markets on which it operates. In assessing the risk materiality, the Group considers all risks to which it is exposed or which it assumes. All assumed risks can be divided into significant, which require allocation of a part of the capital, and those which do not require such allocation since they have been assessed as non-material or the Group manages them through the established risk management system.
- Calculation of the amount of the internal capital requirements for individual risks − the Group uses the methods prescribed for calculation of minimum capital requirements, as well as the internal approaches to measurement. The Group performs the stress testing for all materially significant risks and internal capital, which include the risk factors specific for the environment in which the Group operates. The stress test results are taken into account at assessing and maintaining the internal capital at a certain level.
- For the purpose of inclusion of materially significant risks in ICAAP, the Group applies the following methodologies for the following:
  - **Credit risk** – standardized approach with the application of stress testing;
  - **Operational risk** – standardized approach with the application of stress testing;
  - **Market risk (Foreign exchange risk)** –VaR methodology with application of stress testing as well.
  - **Interest rate risk** – methodology based on sensitivity of net interest income and change in factors;
  - **Liquidity risk** – for ICAAP needs, the application of testing of "hypothetical" level of liquidity crisis and the calculation

of the amount of missing funds are taken into consideration;
  - **Residual risk** – stress testing of deteriorating efficiency of applied mitigation techniques;
  - **Credit FX risk** – stress testing the effects on increase of exposure to credit risk due to increase in exchange rate;
  - **Strategic risk** – stress testing the negative departures from the planned values of net interest income;
  - **Materially insignificant risks** are included in ICAAP through the system of policies and procedures, system of limits, decision-making system...
- Calculation of total internal capital includes results of stress testing. Also, for regulatory and internal capital planning the time horizon is three years.
- Comparison of the capital amount calculated in accordance with regulatory requirements and the amount of the available internal capital, as well as the minimum capital requirements and the internal capital requirements.

5. EXPOSURE TO RISKS

5.1. Credit Risk and Dilution Risk

In the credit risk analysis and assessment the Group uses two parallel approaches: internal and regulatory.

- Internal rating system is not only the instrument for shaping the individual decisions and the assessment of risk level of an individual loan, but instead it represents the basis for portfolio analysis, support in loan approval process and in process of loan impairment and also in assessment of provisions for losses under off-balance sheet positions in order to rank the risk exposure level of a loan and to express the real value of claims. Internal rating system is subject to regular audit and improvement.
- In credit risk analysis, in addition to Internal rating system, the Group members also use the principles prescribed by the local regulations of the Central Banks of their countries, which require the classification of each loan based on stipulated criteria and calculation of reserves for credit risk assessment. Application of these criteria allows the Group members to cover the unexpected losses that may be incurred due to inability of the client to settle his liabilities at maturity in line with contractually defined terms. Therefore, the Group members classify the receivables and calculate the required level of provisions, which is a form of protection from possible negative consequences if invested funds are not repaid when due and in full amount.

The matured unsettled receivables the Group defines as all receivables not recovered at maturity (principal, interest and fees, as well as the interventions under guarantees, guarantees of a bill and other forms of sureties, illicit overdraft in clients' accounts, and other due obligations of the clients).

Exposures with performed allowances for impairment are exposures where assessment of their collectability is made, or where reduction is made for the amount of the expected loss.

- The Group has the clearly defined criteria for credit and receivable assessment and recognition, and the criteria for assessing and recognizing the provisions for contingent liabilities, also by observing the requirements of the International Accounting Standards (IAS) 39 and 37.
- Loans are impaired and provisions are made only in the case when there are justifiable grounds, or when there is objective evidence of the impairment as a consequence of the events occurring after the initial recognition of the receivable, and which have an adverse impact on regular settlement of debtor's liabilities to the Group.
- The main elements in assessing the impairment of a loan are: overdue payment of principal or interest, difficulties in cash flows of loan beneficiaries, fall in the credit rating or changes of the original contractual terms and conditions, etc.
- Loan is impaired based on the assessment of expected future cash flows from clients' operation, and by realization of the collateral if assessed that there is a realistic possibility for the loan to be recovered from such funds.

Calculation of Allowances for impairment for Balance Sheet Assets

- The Group members assess the impairment of receivables as individual and group assessment. All clients are grouped pursuant to the internally prescribed methodology based on the Group's internal rating system.
  - Impairment evaluation process is performed on an individual level, when there is objective evidence of the existing impaired loan, for each materially significant loan and on the group level for the materially significant loans that show no objective proof for an individual impairment, and for less materially significant loans. The amount of impairment is individually assessed as the difference between the carrying amount and the current value of expected future cash flows, determined by discounting the expected proceeds of the loan, using the last effective interest rate of the specific loan. In case of intervention by guarantees and other forms of collateral, the current value is determined by discounting the expected inflow through application of the average annual default interest rate.

- Impairment on collective basis is estimated for each group separately, given their similar characteristics in terms of credit risk, on the level of migration percentage of the corresponding group into the defaulting group (more than 90 days overdue).
- Loan impairment that reduces the value of a loan is recorded in the provision account in the balance sheet, and is recognized as an expense in the income statement.

Calculation of Provisions for Losses under Off-Balance Sheet Items

- Provisions of the Group members are calculated on individual and group basis. Contingent liabilities with a high degree of probability to entail an outflow of assets are assessed individually, while the rest of contingent liabilities are assessed on group level.
- Assessment of the provisions on the group level is performed based on the migrations of the risk categories by taking into consideration all elements of the internal rating system, in the manner identical to the one applied in the procedure pertaining to balance sheet positions.
- Provisions are recorded within liabilities in the balance sheet and are recognized as an expense in the income statement of the period in which the probability originated.

Overview of Exposures to Credit Risk per Assets Class RSD 000

Exposure to Credit Risk	31.12.2015		31.12.2014	
	Exposure	Average value	Exposure	Average value
States and central banks	172.724.823	146.062.412	146.656.313	118.613.908
Territorial autonomies and local government units	4.431.392	4.058.245	4.264.678	3.585.265
Exposures to public administrative bodies	1.149.037	1.027.361	1.933.047	644.349
International development banks	1.035	32.866	799	57.813
Banks	18.632.527	26.342.463	32.212.031	27.005.558
Companies	95.080.807	106.600.602	112.173.788	116.328.854
Private individuals	41.012.812	39.655.887	40.924.540	37.819.612
Exposures secured by mortgages on real property	40.282.211	39.653.679	41.112.662	37.087.914
Due outstanding receivables	12.468.830	17.441.332	20.086.156	17.831.490
Other exposures	43.224.725	44.607.457	46.014.755	43.871.213
Total	**429.008.199**	**425.482.304**	**445.378.770**	**402.845.976**

**Note: gross exposure reduced by allowances and provisions for estimated losses and adjusted for conversion factors for off-balance sheet items.*

Sector Exposure Distribution per Classes of Assets RSD 000

Exposure to Credit Risk	31.12.2015	31.12.2014
	Value of exposure	Value of exposure
States and central banks	**177.640.770**	**154.237.290**
Finance and insurance sector	41.691.729	46.944.048
Public sector	135.605.180	106.966.466
Foreign entities sector	–	72
Other customers sector	343.861	326.704
Territorial autonomies and local government units	**4.377.123**	**4.203.583**
Public sector	3.776.795	3.628.228
Foreign entities sector	600.328	575.355
Exposure to public administrative bodies	–	**211**
Finance and insurance sector	–	211
International development banks	**1.035**	**799**
Finance and insurance sector	1.035	799
Banks	**18.592.235**	**32.113.651**
Finance and insurance sector	3.589.738	12.389.137
Foreign entities sector	15.002.461	19.724.512
Banks-other	36	2
Companies	**85.382.922**	**98.712.901**
Finance and insurance sector	487.199	1.678.623
Public companies sector	8.561.072	12.735.794
Company sector	70.222.680	80.795.969
Entrepreneurs sector	786.488	592.280
Public sector	2.163.949	1.691.527
Foreign entities sector	1.936.656	340.835
Household corporate firms with employees and farms	924.777	682.334
Other clients' sector	300.100	195.539
Other	–	–
Private individuals	**39.886.352**	**39.829.845**
Finance and insurance sector	12.605	24.543
Public companies sector	24.504	27.655
Company sector	5.932.280	6.514.218
Entrepreneurs sector	1.632.799	1.888.481
Public sector	5.093	13.524
Retail sector	27.872.341	27.082.850
Foreign entities sector	38.411	34.929
Household corporate firms with employees and farms	4.240.773	4.212.979
Other clients' sector	127.546	30.667
Other	–	–
Exposures secured by mortgages on real property	**39.823.478**	**40.568.084**
Finance and insurance sector	–	–
Company sector	2.293.303	3.812.503
Entrepreneurs sector	238.166	222.980
Public sector	2.150	116.542
Retail sector	37.187.108	36.300.760
Foreign entities sector	4.803	5.101
Household corporate firms with employees and farms	81.838	109.705
Other clients' sector	16.110	492
Due outstanding receivables	**1.713.494**	**2.165.255**
Finance and insurance sector	–	–
Public companies sector	504.727	1.301
Company sector	780.493	1.666.031
Entrepreneurs sector	14.203	11.649
Public sector	–	–
Retail sector	317.506	340.298
Foreign entities sector	–	–
Household corporate firms with employees and farms	28.904	29.057
Other clients' sector	67.660	116.919
Other exposures	**40.894.863**	**44.301.178**
Finance and insurance sector	2.727	29.471
Public companies sector	–	–
Company sector	398.334	400.114
Entrepreneurs sector	–	4.417
Public sector	16.642	11.649
Foreign entities sector	771	123.882
Other clients' sector	1.154.965	27.660
Other	39.321.425	43.703.986
Total	**408.312.273**	**416.132.796**

**Note: gross exposure reduced by allowances, provisions for estimated losses and required reserves and adjusted for conversion factors for off-balance sheet items upon application of mitigation techniques*

Gross exposure where allowances and provisioning under off-balance sheet items was made RSD 000

Exposure to credit risk	31.12.2015.		31.12.2014.	
	Gross exposure where allowance or provisioning was made	Allowance and provisions	Gross exposure where allowance or provisioning was made	Allowance and provisions
States and central banks	**1.526.434**	**16**	**–**	**–**
Public sector	1.526.434	16	–	–
Territorial autonomies and local self-government bodies	**3.149.851**	**65**	**3.365.913**	**948**
Financing and insurance sector	3.149.851	65	3.365.913	948
Banks	**371.800**	**298.883**	**446.592**	**267.626**
Finances and insurance sector	21.604	2.065	136.639	1.476
Non-resident sector	347.564	294.297	306.929	263.126
Other customers sector	2.631	2.521	3.024	3.023
Companies	**94.687.320**	**6.826.101**	**103.803.999**	**2.455.320**
Insurance and finances sector	66	48	3	–
Public companies sector	8.724.137	20.551	13.430.000	134.179
Corporate sector	79.678.187	6.489.157	86.271.724	1.843.283
Sector of entrepreneurs	807.409	14.246	612.169	4.631
Public sector	2.319.571	34.315	1.819.103	9.035
Non-residents sector	1.924.790	210.009	553.601	209.832
Corporations with employees and farms	927.738	1.302	633.443	39
Other customers sector	305.422	56.473	444.048	254.073
Other	–	–	39.907	249
Natural persons	**37.767.462**	**737.468**	**37.538.865**	**805.865**
Finances and insurance sector	5.486	45	15.038	681
Public companies sector	29.954	501	29.600	1.184
Corporate sector	6.155.037	231.184	6.764.455	257.821
Sector of entrepreneurs	1.688.485	61.680	1.906.972	51.296
Public sector	3.422	1.238	10.088	368
Retail sector	25.439.664	372.856	24.485.064	409.461
Non-residents sector	10.421	648	7.963	499
Corporations with employees and farms	4.284.647	53.303	4.274.767	74.638
Other customers sector	150.346	16.012	44.919	9.917
Exposures secured by mortgages on real estate	**41.047.162**	**140.753**	**41.062.518**	**123.212**
Insurance and finances sector			-	-
Corporate sector	3.080.500	33.815	4.837.018	74.244
Sector of entrepreneurs	244.338	3.282	215.499	3.336
Public sector	–	–	125.314	2.322
Retail sector	37.612.814	101.767	35.763.712	38.116
Non-residents sector	4.809	7	5.101	–
Corporations with employees and farms	85.927	1.880	115.373	5.191
Other customers sector	16.580	2	503	4
Past due receivables	**44.985.944**	**32.706.054**	**42.923.367**	**22.965.470**
Insurance and finances sector	105.483	105.483	105.463	105.463
Public companies sector	4.064.346	2.262.122	4.187.985	2.150.011
Corporate sector	14.826.642	9.544.571	19.697.253	7.978.774
Sector of entrepreneurs	333.361	262.839	325.678	250.107
Public sector	30.124	30.124	31.806	30.319
Retail sector	3.985.319	2.867.826	3.546.691	2.471.143
Non-residents sector	88.660	88.660	87.990	87.990
Corporations with employees and farms	418.148	326.643	417.024	323.303
Other customers sector	21.133.834	17.217.760	14.523.478	9.568.360
Other exposures	**18.871.805**	**6.376.315**	**18.462.707**	**5.432.175**
Insurance and finances sector	2.247	43	2.235	–
Public companies sector			-	-
Corporate sector	352.541	9.999	442.552	5.775
Sector of entrepreneurs	26	3	4.266	96
Public sector	11.586	14	12.967	157
Non-residents sector	–	–	125.416	1
Other customers sector	974.070	334.536	20.681	1.026
Other	17.531.336	6.031.720	17.854.589	5.425.120
Total	**242.407.778**	**47.085.655**	**247.603.961**	**32.050.614**

**Note: presented is the gross exposure of items where allowance and provisions for off-balance sheet items was made*

Geographic exposure according to materially significant areas, per classes of assets RSD 000

Exposure to credit risk	31.12.2015	31.12.2014
	Exposure value	Exposure value
States and central banks	**177.640.770**	**154.237.290**
Republic of Serbia	170.981.459	148.693.819
Bosnia and Herzegovina	5.418.607	4.338.809
Montenegro	896.843	877.886
Other	343.861	326.776
Territorial autonomies and local government units	**4.377.123**	**4.203.583**
Republic of Serbia	918.298	1.086.823
Bosnia and Herzegovina	3.037.574	2.524.499
Other	421.251	592.261
Exposure to public administrative bodies	**-**	**211**
Republic of Serbia	-	211
International development banks	**1.035**	**799**
Other	1.035	799
Exposures to Banks	**18.592.235**	**32.113.651**
Austria	1.791.468	4.617.985
Bosnia and Herzegovina	47.229	327.822
Switzerland	1.685.568	4.877.960
Germany	7.061.757	6.841.405
Denmark	944.296	271.852
Great Britain	2.277.382	1.132.290
Republic of Serbia	3.554.594	12.356.733
Other	1.229.941	1.687.604
Private individuals	**85.382.922**	**98.712.901**
Republic of Serbia	75.928.531	88.550.209
Bosnia and Herzegovina	4.474.181	5.712.516
Montenegro	4.960.432	4.091.797
Other	19.779	358.379
Private individuals	**39.886.352**	**39.829.845**
Republic of Serbia	37.308.670	37.573.022
Bosnia and Herzegovina	1.297.072	1.241.321
Montenegro	1.267.732	978.352
Other	12.879	37.149
Exposures secured by mortgages on real property	**39.823.478**	**40.568.084**
Republic of Serbia	36.703.576	37.045.091
Bosnia and Herzegovina	1.270.784	1.243.826
Montenegro	1.849.117	2.276.420
Other	-	2.748
Due outstanding receivables	**1.713.494**	**2.165.255**
Republic of Serbia	-	1.281.437
Other	1.713.494	883.817
Other exposures	**40.894.863**	**44.301.178**
Republic of Serbia	38.887.508	42.394.313
Other	2.007.355	1.906.865
Total	**408.312.273**	**416.132.796**

**Note: gross exposure reduced by allowance, provisions for estimated losses and required reserves and adjusted for conversion factors for off-balance sheet items upon application of mitigation techniques*

Maturity distribution of all exposures per classes of assets RSD 000

Exposure to credit risk	31.12.2015	31.12.2014
	Exposure value	Exposure value
States and central banks	**177.640.770**	**154.237.290**
Up to three months	165.863.826	57.709.330
From three months to 6 months	311.377	10.491.949
From 6 months to 1 year	2.727.741	18.256.256
Over 1 year	8.737.827	67.779.756
Territorial autonomies and local government units	**4.377.123**	**4.203.583**
Up to three months	1.049.191	579.736
From three months to 6 months	–	9.688
From 6 months to 1 year	165.450	165.786
Over 1 year	3.162.482	3.448.374
Exposure to public administrative bodies	**–**	**211**
Up to three months	–	–
From three months to 6 months	–	–
From 6 months to 1 year	–	–
Over 1 year	–	211
International development banks	**1.035**	**799**
Up to three months	1.035	799
From three months to 6 months	–	–
From 6 months to 1 year	–	–
Over 1 year	–	–
Banks	**18.592.235**	**32.113.651**
Up to three months	14.980.794	27.744.855
From three months to 6 months	4.540	1.721.324
From 6 months to 1 year	24.498	98.502
Over 1 year	3.582.403	2.548.970
Companies	**85.382.922**	**98.712.901**
Up to three months	5.018.038	10.066.507
From three months to 6 months	7.693.885	8.331.458
From 6 months to 1 year	11.335.767	14.668.659
Over 1 year	61.335.232	65.646.276
Private individuals	**39.886.352**	**39.829.845**
Up to three months	5.747.859	5.599.842
From three months to 6 months	2.321.087	2.037.808
From 6 months to 1 year	5.013.894	5.684.108
Over 1 year	26.803.513	26.508.087
Exposures secured by mortgages on real property	**39.823.478**	**40.568.084**
Up to three months	100.959	245.432
From three months to 6 months	103.387	228.805
From 6 months to 1 year	280.302	879.783
Over 1 year	39.338.830	39.214.064
Due outstanding receivables	**1.713.494**	**2.165.255**
Up to three months	326.423	650.335
From three months to 6 months	42.390	69.605
From 6 months to 1 year	89.820	141.241
Over 1 year	1.254.860	1.304.074
Other exposures	**40.894.863**	**44.301.178**
Up to three months	40.044.192	43.734.620
From three months to 6 months	54.112	57.008
From 6 months to 1 year	134.209	284.769
Over 1 year	662.350	224.780
Total	**408.312.273**	**416.132.796**

**Note: gross exposure reduced by allowances, provisions for estimated losses and required reserves and adjusted for conversion factors for off-balance sheet items upon application of mitigation techniques*

Changes in allowances and provisions RSD 000

	Loans to banks	Loans to customers	Investment securities	Other assets	Off-balance exposure	Total
Balance as of 01.01.2015.	368.863	24.568.992	120.423	1.623.216	600.829	27.282.323
Increase	443	23.033.774	9.065	1.241.460	647.438	24.932.180
Decrease	(579)	(10.210.531)	(30.325)	(210.058)	(673.059)	(11.124.552)
Exchange rate differences	31.171	136.987	6	8.207	198	176.569
Write offs	-	(3.383)	(1.130)	(284)	-	(4.797)
Other changes	-	607.631	-	(23.487)	-	584.144
Balance as of 31.12.2015	**399.898**	**38.133.470**	**98.039**	**2.639.054**	**575.406**	**41.845.867**

Note: Allowances for fixed assets, intangible investments and inventories are not included in the allowance and provisions changes

- In 2015 the parent Bank was subject to AQR organized by the National Bank of Serbia. As a result of this review that was carried out using the methodology comparable to that of the European Central Bank, but also as a result of the privatization due diligence, impairment allowance increased considerably in December 2015.
- What brought about the increase in impairments in 2015 among all Group members was also the change in Collateral Valuation methodology and, by extension, the Methodology for Determining the Impairment of Balance-Sheet Assets and Provisions for losses from off-balance-sheet items. These changes concern mostly the level of haircut by type of collateral, the expected period of collection from foreclosed collaterals, collateral catalogue by merging several collateral categories by region.

Exposure according to risk categories and client type as of 31.12.2015 RSD 000

Risk Category	Corporate clients	Banks	Retail clients	Total
1	23.439.254	13.889.733	36.763.538	74.092.525
2	56.093.215	4.652.588	47.048.657	107.794.460
3	29.027.837	-	1.403.493	30.431.330
4	3.135.419	-	867.503	4.002.922
5	46.719.430	1.799.634	7.103.896	55.622.961
Total	**158.415.156**	**20.341.955**	**93.187.087**	**271.944.198**

**Note: total exposure to credit risk by risk category and client type is shown in gross amount before mitigation effect based on the amount of impairment.*

Use of credit ratings

- During 2015 for the class of exposure to countries and central banks, the Bank used credit ratings of the external credit rating agency Moody's.
- For exposures in the form of financial instruments from the banking book, the Bank does not use the credit ratings of the issuers nor their specific issues due to their non-existence. For financial instruments issued by the Republic of Serbia, the Bank applies the preferential risk weight, or 0%.

Credit rating assignment to credit risk levels

Moody's CREDIT RATING	Aaa – Aa3	A1-A3	Baa1 – Baa3	Ba1 – Ba3	B1 – B3	Caa1 - D
The level of credit quality	1	2	3	4	5	6
Credit risk weight	0%	20%	50%	100%	100%	150%

Overview of classes of exposure to states and central banks per credit quality level and risk weight RSD 000

Categories of lowest export insurance premiums	Credit risk weight	Exposure amount before application of credit protection instruments		Exposure amount after application of credit protection instruments	
		31.12.2015.	31.12.2014.	31.12.2015.	31.12.2014.
States and central banks		**172.715.474**	**146.607.935**	**177.640.770**	**154.237.290**
1	0%	166.400.024	141.391.240	171.325.321	149.020.595
5	100%	6.315.450	5.216.695	6.315.450	5.216.695

Credit Risk Mitigation Techniques

Valuation of credit protection instruments and their managing

- By methodology for valuation of collateral the Group has regulated the valuation of hedge instruments and management of these instruments.
- The types of security for the receivables and instruments on that basis are in each concrete case determined by the special provision of the Agreement between the Group member and the applicant, and their procuring after the conclusion of the agreement and prior to realization of the loan.

- The Group members regularly assess/value the collaterals, prior to the conclusion of the loan agreement and during the agreement validity.
- The acceptable loan amount and collateral value ratio is determined based on the assessed collateral value, which is adjusted by application of defined percentage depending on type of collateral, thereby establishing the liquidation value of the collateral that the Group member can collect.

Description of basic types of credit protection instruments

- The Group uses the following credit protection instruments:
  - material credit protection;
  - non-material credit protection;
- Among the instruments of material credit protection, the Group uses the financial instruments by applying the complex method in accordance with the regulations of the National Bank of Serbia. As to financial instruments, the Group uses as eligible instruments of protection:
  - cash and cash equivalents deposited with the Group members, such as the deposits placed as collateral;
  - Securities, which include debt securities issued by the states and central banks, and shares.
- As a form of non-material credit protection, the Group uses guarantees, other forms of sureties, counter-guarantees, etc.

Basic types of credit protection providers

- In the case of using the guarantees as the credit protection instruments, the Group uses the guarantees issued by:
  - states,
  - banks,
  - territorial autonomies,
  - other
- Guarantees as credit protection instruments are taken only if the guarantor's risk weight is more favorable than the counterparty's risk weight.

Data about market or credit risk concentration within the applicable mitigation techniques

- The Group follows up and manages the credit and market risk concentration in the segment of large exposures by also considering the issuers of eligible security instruments. Also, the Group reports to the management semiannually about large exposures on consolidated basis.
- In order to manage the concentration risk in the framework of used credit risk mitigation techniques:
  - Analysis is made of indirect exposure to the credit protection provider, within the credit process and
  - of the established exposure limit system.
- The major part of eligible non-material credit protection instruments accounts for the guarantees of the Government of the Republic of Serbia

Exposures secured by credit protection instruments per classes of assets RSD 000

Exposure to credit risk	Amount of exposures secured by material credit protection instruments		Amount of exposures secured by non-material credit protection instruments	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
States and central banks	–	–	–	–
Territorial autonomies and local government units	–	–	–	–
International development banks	–	–	–	–
Banks	5.167	11.349	–	–
Companies	1.025.862	1.027.288	4.936.327	7.629.355
Private individuals	838.904	796.759	–	–
Exposures secured by mortgages on real property	60.157	31.320	–	–
Due outstanding receivables	2.492	1.677	–	–
Other exposures	7.687	–	–	–
Total	**1.940.270**	**1.868.393**	**4.936.327**	**7.629.355**

**Note: exposure presented after application of the conversion factor and volatility factor*

5.2. Counterparty Risk

Counterparty Risk

- The Group performs transactions in the trading book and banking book which fall under the counterparty risk, and in part of operations with:
  - Financial derivatives;
  - Repo and reverse repo transactions.
- The Banking Group members do not perform transactions that are subject to counterparty risk.
- For the needs of calculating the exposure of the positions that are subject to calculation of the capital requirements for the counterparty risk, the Group uses:
  - the current exposure method for financial derivatives;
  - the complex method for calculation of adjusted transaction and collateral value in the case of repo and reverse repo transactions, and for the lending and borrowing transactions. A characteristic of „repo" transactions performed by the Group with the National Bank of Serbia is that the collateral cannot be used as an eligible credit protection instrument since the collateral issuer and the counterparty is one and the same.

Exposure to counterparty risk RSD 000

Type of risk	Exposure value
Exposures to counterparty risk	1.200.000

5.3. Liquidity Risk

- The Group may be exposed to the risk of inability to settle matured obligations (default risk), as well as to possible occurrence of a liquidity crisis on the basis of external and internal factors. Internal factors relate to the structure of the Group's liabilities in terms of the structure and concentration of deposit potential and share of adequate sources of funding in the liabilities (funding sources risk), while external factors relate to exposure to non-marketability of assets in case of need to acquire the sources of funding.
- The Group manages the liquidity risk on daily basis by monitoring/following up and controlling its assets and due liabilities, by controlling the positions in all major currencies in order to timely perceive the needs for additional sources of financing, and/or in long-term the Group members plan the structure of their sources and loans so as to provide the enough stable sources and sufficient liquidity reserves.
- The parent Bank measures the exposure to the liquidity risk of the Group by analyzing the Group's exposure relative to the defined limits.
- The Group members test the individual Liquidity Management Plans in crisis situations which enables to identify a possible crisis, they test the survival period and solvency of the members in presumed crisis conditions, and also analyze the accessibility of the sources for covering potential obligations and/or assess the accompanying organizational support (public relations and the Plan for the case of occurrence of unforeseen events).
- The Group has developed an internal approach for the needs of determining the capital required for covering the liquidity risk.

5.4. Managing Interest Rate Risk in the Banking Book

- The Group is exposed to:
  - The risk of change in prices (repricing risk), which arises from the mismatch of assets and liabilities items relative to the remaining maturity (for positions with fixed interest rate) and re-pricing (for positions with variable interest rate);
  - Yield curve risk
  - Basis risk due to changes of different reference interest rates in case of interest rate sensitive positions with similar characteristics in terms of maturity or re-pricing,
  - Options risk, to which it may be exposed due to contractual provisions in connection with interest rate sensitive positions, as well as built-in minimum and maximum interest rates options.
- The Group measures semiannually, as a minimum, the exposure to interest rate risk by GAP and ratio analysis, interest rate shock and duration, stress tests and simulations, while GAP, ratio analysis, duration and interest rate shock are performed monthly at the level of Group members.
- For the needs of preparation of interest rate GAP, the mentioned positions are categorized in the following manner:
  - positions with contracted fixed interest rate are categorized according to maturity period,
  - positions with agreed market variable interest rate are categorized according to the repricing period provided such

period is shorter than the maturity period,
  - positions with agreed variable interest rate in accordance with the business policy are categorized according to maturity period, assets and liabilities not having a defined maturity or having the maturities other than the agreed ones are categorized in relevant time frames based on the analysis of such positions in the previous period (assessment and prior experience).
- The Group regularly performs the stress testing of the interest rate risk by which it assesses the impact of the change in the key factors on the Group's interest rate risk. In modeling the scenarios, apart from the changes in interest rates, the impact of early withdrawal of deposits and prepayments of loans are particularly taken into consideration, which are assessed by the bank on the basis of historical trends and expert assessment. The parent Bank performed the assessment of the movement of transaction deposits and demand deposits by applying the relevant statistical models in the field of time series analysis, which is applied at the Group level.
- The Group has limited to 20% the impact on the economic value of capital and has internally developed a model for calculation of capital requirements for the interest rate risk.

5.5. Market Risks

- The Group is exposed to the risk of changes in the exchange rate of inter-currency pairs on the positions of the banking book and trading book (foreign exchange risk) as well as to the change in the price of equity and debt securities that are recorded in the trading book (price risk).
- Internal factors of exposure to foreign exchange risk originate from currency structure of loans and deposits: loans are primarily agreed in RSD with currency clause (EUR and CHF), and/or in BAM with currency clause. In 2015 the exposure to foreign exchange risk remained within the internally and externally defined limits
- The Group is insignificantly exposed to the price risk, which is also demonstrated by the share of the trading book in total operations of the Group, which is below 1%, and which is exclusively the exposure of the parent Bank. In the structure of price risk exposure the dominant is the share of bonds available for trading, while insignificant is the share of equity instruments. The Group members do not take up positions in the trading book. The Group has developed the customized internal approach for the purpose of establishing the required internal capital for risk coverage, for whose application it has not requested the permission of the National Bank of Serbia. The Group calculates the minimum capital requirements for these risks by using the standardized approach.

5.6. Exposures Arising from Equity Investments in the Banking Book

- Equity investments in the companies founded by the parent Bank in order to expand the offer of financial products and services have taken place for economic reasons or local regulations that impose that the offer of certain financial products and services must be made through companies exclusively founded for that purpose. This is the reason why the Bank has founded Komercijalna banka AD Budva, Komercijalna banka AD Banja Luka, as well as the Investment Fund Management Company (Kombank INVEST AD Beograd).
- In addition to majority stakes in subsidiaries, the parent Bank and the member from Budva also hold minority equity investments in companies, which enable them to perform certain types of financial services.
- Equity stakes are initially assessed at purchase price and at the balance sheet date at market value, if the same is known. The changes in market value are stated within the capital, credited or charged to revaluation reserves until the disposal of such financial assets when the revaluation reserves are transferred to income or expenses.
- In case when equity stakes record a fall in fair value, with the objective evidence of impairment of assets (long and continuous decline in value over a period longer than twelve months, as well as decline in value above 30% of assets purchase price), accumulated loss is recognized as an impairment charge, although the recognition of a financial asset has not stopped, (IAS 39).
- As to the investments in capital, intention is to hold them for an indefinite time period. These investments may be sold depending on liquidity needs or in the case of change in market prices. Investments in capital for which there is no active market are valued at purchase price.

Exposure per investment purpose as of 31.12.2015 RSD 000

Equity investments in banking book	Carrying value	Allowances	Fair value	Realized gain/loss	Unrealized gain	Unrealized loss
Banks and financial organizations	143.467	26.683	116.784	-	6.245	-
Companies and other legal entities	455.922	421.898	34.024	-	5.217	173
Foreign entities abroad	776.577	-	776.577	-	776.212	-
Total	**1.375.966**	**448.581**	**927.385**	**-**	**787.674**	**173**

Exposure value as of 31.12.2015 RSD 000

Exposure type	Carrying value	Fair value
Holdings and investments in capital		
quoted on stock exchange	924.341	846.150
not quoted on stock exchange	451.625	81.235
Total	**1.375.966**	**927.385**

- In 2014, the Group did not achieve realized gain / loss arising from sale or from closing the positions based on equity investments.
- Total unrealized gain/loss originating from equity investments is presented in the table, while the amount of unrealized gains which is included in calculation of supplementary capital is reduced by 10%. Unrealized losses are not reduced when included in supplementary capital.

5.7. Consolidated Financial Statements and Group Operations

- Financial statements of all the members of the Banking Group are consolidated by full consolidation method in accordance with relevant IAS/IFRS.
- The Group does not have related entities to whose financial statements the method of proportional consolidation and equity method would be applied or which would be excluded from consolidation because of Group member's participation that represents a deductible item from the Group capital.

5.7.1. Overview of Differences between Consolidated Financial Statements

		Consolidation for supervision		Consolidation pursuant to IFRS	
Company type	**Company name**	**Consolidation method**		**Consolidation method**	
		Full	Equity method	Full	Equity method
Bank	Komercijalna banka AD Beograd	X		X	
	Komercijalna banka AD Budva	X		X	
	Komercijalna banka AD Banja Luka	X		X	
Investment Fund Management Company	KomBank INVEST AD Beograd		X	X	

Consolidation for supervision		Consolidation according IFRS	Difference
Description of balance sheet position	**Amount in RSD 000**	**Amount in RSD 000**	**Amount in RSD 000**
Assets	414.879.932	414.878.533	1.399
Liabilities	351.571.925	351.565.443	6.482
Capital	63.308.007	63.313.090	(5.083)
Profit before tax	(7.135.325)	(7.131.831)	(3.494)
Income tax	92.647	92.500	147
Profit after tax	(7.042.678)	(7.039.331)	(3.347)

5.7.2. Legal or Other Impediments for the Transfer of Capital

- There were no legal or other impediments in the previous period for a timely transfer of capital and settlement of obligations between the parent bank and subsidiary companies within the Banking Group business operations.
- In the forthcoming period, the parent bank does not expect any difficulties in the cash flows between the Banking Group members or any legal and other impediments in business operations.

6. ANNEXES

Pursuant to the Decision on Disclosure of Information and Data of Banks, the Bank is under obligation to disclose data and information about the capital on the following forms.

6.1. Annex 1 - Data about capital position of the Bank (PI-KAP)

No	Item	Amount
I	TOTAL CORE CAPITAL	40.641.634
1.	CORE CAPITAL BEFORE DEDUCTIONS	67.611.658
1.1.	Par value of paid-in shares, except cumulative preferential shares	17.191.466
1.2.	Share premium	22.843.084
1.3.	Reserves from profit	25.737.155
1.4.	Retained earnings from previous years	
1.5.	Profit of the current year	
1.6.	Minority participations in subordinate companies	65
1.7.	Other positive consolidated reserves	1.839.888
2.	DEDUCTIBLES FROM CORE CAPITAL	26.970.024
2.1.	Losses from previous years	
2.2.	Loss of the current year	7.176.831
2.3.	Intangible assets	251.947
2.4.	Acquired own shares, except cumulative preferential shares	
2.5.	Amount of shares received in pledge, except cumulative preferential shares	357.233
2.6.	Regulatory value adjustments:	19.184.013
2.6.1.	Unrealised losses on securities available for sale	310.212
2.6.2.	Other net negative revaluation reserves	
2.6.3.	Gains on bank liabilities measured at fair value due to the change in bank's credit rating	
2.6.4.	Required reserve from profit for estimated losses on balance-sheet assets and off-balance sheet items of the bank	18.873.801
2.7.	Other negative consolidated reserves	
II	TOTAL SUPPLEMENTARY CAPITAL	4.034.778
1.	SUPPLEMENTARY CAPITAL BEFORE DEDUCTIONS	4.034.778
1.1.	Par value of paid in cumulative preferential shares	
1.2.	Share premium on cumulative preferential shares	
1.3.	Part of revaluation reserves of the bank	2.818.517
1.4.	Hybrid instruments	
1.5.	Subordinated liabilities	1.216.261
1.6.	Overallocation of impairment allowances, provisions and required reserves from profit relative to expected losses	
2.	DEDUCTIBLES FROM SUPPLEMENTARY CAPITAL	
2.1.	Acquired own cumulative preferential shares	
2.2.	Receivables in respect of balance-sheet assets and off-balance sheet items of the bank secured by a hybrid instrument or subordinated	
2.3.	Amount of cumulative preferential shares received in pledge	
2.4.	Amount of capital in excess of limitations on supplementary capital	
III	TOTAL CAPITAL	**44.485.466**
1.	TOTAL CAPITAL BEFORE DEDUCTIONS	**44.676.412**
2.	DEDUCTIBLES FROM CAPITAL	**190.945**
	Of which reduction in core capital	95.473
	Of which reduction in supplementary capital	95.473
2.1.	Direct or indirect investment in banks and other financial sector persons that exceed 10% of the capital of such banks and/or other	190.945
2.2.	Investment in hybrid instruments and subordinated liabilities of other banks and financial sector persons in which the bank has direct or	
2.3.	Total amount of direct and indirect investment in banks and other financial sector persons in the amount of up to 10% of their capital, as	
2.4.	The amount by which qualified participation in non-financial sector persons has been exceeded	
2.5.	Underallocation of impairment allowances, provisions and required reserves from profit relative to expected losses	
2.6.	The amount of exposure to free deliveries if the counterparty failed to fulfill its obligation within four working days	
2.7.	Receivables from and potential liabilities toward persons related to a bank or employees in the bank which the bank has negotiated	
IV	NOTES	
	Positive/negative difference between total impairment allowances for balance sheet assets, provisions for losses on off-balance sheet	
	Amount of impairment allowances, provisions and required reserves from bank's profit	
	Of which on a group basis	
	Of which on an individual basis	
	Amount of expected losses under IRB approach	
	Gross amount of subordinated liabilities	6.081.305

In addition to the financial instruments set out in the framework of the PI-FIKAP (Annex 2), the calculation of capital (Consolidated data on the capital position of the banking group - PI-KAP Form) as at 31.12.2015 the following elements have been included:

- **Reserves from profit** – This element of core capital consists of reserves that were formed at the expense of profit after tax, in accordance with the decisions of the GMS of the Banking Group members;
- **Non-tangible investments** – Investments in licenses, software and similar rights, net of accrued amortization and plus the intangible assets in progress represent deductible item from core capital of the Banking Group members;
- **The amount of the bank's shares taken in pledge, except cumulative preference shares as a whole relating to Komercijalna Banka AD Beograd** – KB Beograd has received a pledge of the common shares of a number of its customers. By comparing the value of the assets secured by the pledge of shares and par value of shares received increased by the share premium, for each customer in particular, the amount that is deducted from core capital has been determined;
- **Unrealized losses on securities available for sale** refer to Komercijalna Banka AD Beograd and Komercijalna Banka AD Budva. These losses represent a deductible item from the initial capital and result from the negative change in the value of securities in relation to their initial value;
- **Required reserves for estimated losses on balance sheet assets and off-balance sheet items of banks.** The above reserves are calculated according to:

✓ Decision on Classification of Balance Sheet and Off-balance Sheet Items of Banks – KB Beograd,
✓ Decision on Minimum Standards for Credit Risk Management in Banks – for KB Budva,
✓ Decision on Minimum Standards for Credit Risk Management and Classification of Assets of Banks - for KB Banja Luka

and deducted from core capital;

- **Part of the bank's revaluation reserves** – The increase in the value of fixed assets for Komercijalna Banka AD Beograd, which is determined by the assessment performed by an independent appraiser, and the positive effects of the change in fair value of securities available for sale of the Banking Group members (KB Beograd, KB Budva and KB Banja Luka) influenced the creation of positive revaluation reserves. These reserves are net of the effects of potential tax liabilities and as such are included in the supplementary capital of the Bank;
- **Subordinated liabilities** – In accordance with the regulations of the National Bank of Serbia, Komercijalna Banka AD Beograd strengthened its capital base by taking a subordinated loan in the amount of 50.0 million EUR from the International Finance Corporation in December 2011. Contracted maturity date of the loan is 6 years and in compliance with the Decision of Capital Adequacy of Banks of the National Bank of Serbia, the Bank included 20% of the subordinated loan in its additional capital at the end of 2015;
- **Direct or indirect investments in banks and other financial sector entities in the amount exceeding 10% of the capital of these banks, or other entities** – The parent bank has shares in equity in the following dependent entities: Kombank Invest ad Beograd, Komercijalna Banka AD Banja Luka and Komercijalna Banka AD Budva. Share capital of subsidiaries abroad – KB Budva and KB Banja Luka (the Dinar equivalent to the amount of RSD 7.060,029 million) and share in equity by the parent bank (RSD 5,340.9 million) are consolidated in accordance with the IAS/IFRS, the difference in the amount of RSD 1.579,14 million is included in regulatory capital of the banking group through positions: "Other positive consolidated reserves". Shares in subsidiaries – Investment Fund Management Company KomBank INVEST AD Beograd (RSD 140 million), in accordance with the Decision on the Control of the Banking Group on a Consolidated Basis, is presented in the consolidated equity statement of the Banking Group (consolidation of financial statements by equity method) through the same position "2.1. Direct or indirect investments in banks and other financial sector entities in the amount exceeding 10% of the capital of these banks or other entities" by method of decrease by the amount of accumulated loss of KomBank INVEST AD Beograd (RSD 23.52 million).

In addition to the investments referred to above, the parent bank also holds a share in equity of Euroaxis Banka AD Moskva, which exceeds 10% of capital of that legal entity (RSD 74.47 million), which, through the above-mentioned position 2.1., represents a deductible item from the Banking Group's capital.

6.2. Annex 2 - Information on basic characteristics of financial instruments included in the calculation of the Bank's capital (PI-FIKAP)

No	Instrument features	Description	No	Instrument features
1.	Treatment in compliance with as per legislation	Komercijalna Banka AD, Beograd	Komercijalna Banka AD, Beograd	Komercijalna Banka AD, Banja Luka
	Treatment in compliance with as per the Decision on Capital Adequacy of Banks			
2.1.	Individual/group/individual and group level of inclusion of instrument in capital at on a group level	Core capital instrument	Core capital instrument	Core capital instrument
2.2.	Type of instrument	-	-	-
2.3.	Amount recognized for the purpose of calculating regulatory capital (in RSD thousand, as at the last reporting date)	Ordinary shares	Non-cumulative preferential shares	Ordinary shares
3.	Nominal value of instrument	39.661.040	373.510	62
4.	Accounting classification	Total issued 16,817,956 ordinary shares, with a nominal value of individual share being RSD 1,000.	A total of 373,510 issued non-cumulative preference shares, with a nominal value of individual share being RSD 1,000.	Total issued 1 ordinary share, with nominal value of a single share being 1,000 BAM.
5.	Initial date of issuance of instrument - Date of initial issuance	Share capital	Share capital	Share capital
6.	Instrument with or without with no maturity date.	May 6, 1992	May 6, 1992	September 15, 2006
7.	Original maturity	Without due date	Without due date	Without due date
7.1.	Does the issuer have call option With or with no issuer call option	Without due date	Without due date	Without due date
8.	First day of activating call option right First date of call option activation	No	No	No
8.1.	Subsequent dates of activating call option activation (if applicable)	-	-	-
8.2.	Coupons/dividends	-	-	-
	Fixed or variable dividends/coupons	-	-	-
9.1.	Full, partial or no discretion regarding the time of payment of dividends/coupons	Variable	Variable	Variable
9.2.	Full, partial or no discretion regarding the amount of dividends/coupons	Full discretion right	Full discretion right	Full discretion right
9.3.	Step up option	Full discretion right	Full discretion right	Full discretion right
9.4.	Non-cumulative or cumulative dividends/coupons	No	No	No
9.5.	Convertible or non-convertible instrument	Non-cumulative	Non-cumulative	Non-cumulative
10.	If convertible, terms under which conversion may take place terms of conversion	Non-cumulative	Non-cumulative	Non-cumulative
10.1.	If not it is convertible, specify if it is partially or fully convertible	-	-	-
10.2.	If it is convertible, rate of conversion.	-	-	-
10.3.	If it is convertible, mandatory or voluntary conversion	-	-	-
10.4.	If it is convertible, specify instrument to which it is converted.	-	-	-
10.5.	If it is convertible, the issuer of the instrument to which it is converted.	-	-	-
10.6.	Write-off option	-	-	-
11.	If there is write-off option, specify terms of the write-off under which the write-off may take place.	No	No	No
11.1.	If there is write-off option, specify if partial or full partial or full write-off.	-	-	-
11.2.	If there is write-off option, specify if temporary or permanent write-off	-	-	-
11.3.	If it is a temporary write-off, terms under which it is recognized again If the write-off is temporary, specify terms of re-recognition	-	-	-
11.4.	Type of an instrument which will be paid off directly before the said instrument during liquidation	-	-	-
12.	Treatment in compliance with as per legislation	Non-cumulative preference shares	Subordinated debt	-

6.3. Annex 3 - Information on connecting capital position from the balance sheet positions in the form (PI-UPK)

6.3.1. Differences between the balance sheet drawn up for the purpose of controlling the banking group on a consolidated basis and consolidated financial statements of the banking group composed in accordance with International Accounting Standards and International Financial Reporting Standards

Designation of item	Item	Consolidated balance sheet as disclosed in financial reports	Consolidated balance sheet under regulatory method and scope of consolidation
A	ASSETS		
A.I	Cash and assets with the central bank	68.895.218	68.895.218
A.II	Pledged financial assets	-	-
A.III	Financial assets recognized at fair value through income statement and held for trading	855.811	851.056
A.IV	Financial assets initially recognized at fair value through income statement	-	-
A.V	Financial assets available for sale	130.330.094	130.330.094
A.VI	Financial assets held to maturity	109.306	-
A.VII	Loans and receivables from banks and other financial organizations	17.848.897	17.848.897
A.VIII	Loans and receivables from clients	179.422.656	179.422.656
A.IX	Changes in fair value of hedged items	-	-
A.X	Receivables arising from financial derivatives intended for hedging	-	-
A.XI	Investments in associated companies and joint ventures	-	-
A.XII	Investments into subsidiaries	-	116.478
A.XIII	Intangible assets	251.948	251.947
A.XIV	Property, plant and equipment	6.392.007	6.391.956
A.XV	Investment property	2.899.921	2.899.921
A.XVI	Current tax assets	40.079	39.962
A.XVII	Deferred tax assets	-	-
A.XVIII	Non-current assets held for sale and discontinued operations	170.667	170.667
A.XIX	Other assets	7.661.929	7.661.080
A.XX	TOTAL ASSETS (ADP items from 0001 to 0019 in the consolidated balance sheet)	414.878.533	414.879.932
R	LIABILITIES	-	-
RO	LIABILITIES	-	-
RO.I	Financial liabilities recognized at fair value through income statement and held for trading	-	-
RO.II	Financial liabilities initially recognized at fair value through income statement	-	-
RO.III	Liabilities arising from financial derivatives intended for hedging	-	-
RO.IV	Deposits and other liabilities to banks, other financial organizations and central bank	18.768.726	18.777.051
RO.V	Deposits and other liabilities to other clients	319.334.622	319.334.622
RO.VI	Changes in fair value of hedged items	-	-
RO.VII	Own securities issued and other borrowings	-	-
RO.VIII	Subordinated liabilities	6.077.962	6.077.962
RO.IX	Provisions	2.212.728	2.211.986
RO.X	Liabilities under assets held for sale and discontinued operations	-	-
RO.XI	Current tax liabilities	11.905	11.905
RO.XII	Deferred tax liabilities	139.534	139.534
RO.XIII	Other liabilities	5.019.966	5.018.865
RO.XIV	TOTAL LIABILITIES (ADP items from 0401 to 0413 in the consolidated balance sheet)	351.565.443	351.571.925
	CAPITAL		
RO.XV	Share capital	40.034.550	40.034.550
RO.XVI	Own shares	-	-
RO.XVII	Profit	195.933	167.207
RO.XVIII	Loss	7.200.445	7.176.831
RO.XIX	Reserves	30.282.987	30.283.016
RO.XX	Unrealised gains	-	-
RO.XXI	Non-controlling participation	65	65
RO.XXII	**TOTAL CAPITAL** (result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) ≥ 0	63.313.090	63.308.007
RO.XXIII	**TOTAL CAPITAL SHORTFALL** (result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0415 - 0416 + 0417 - 0418 + 0419 - 0420 + 0421) < 0	-	-
RO.XXIV	**TOTAL LIABILITIES** (result of adding up and/or subtracting the following ADP items from the consolidated balance sheet: 0414 + 0422 - 0423)	414.878.533	414.879.932
V.P.	OFF-BALANCE SHEET ITEMS		
V.P.A.	Off-balance sheet assets	621.827.474	621.827.474
V.P.P.	Off-balance sheet liabilities	621.827.474	621.827.474

6.3.2. Itemizing the Balance Sheet elements – 31.12.2015

Designation	Item	Balance sheet	References
A	**ASSETS**		
A.I	Cash and assets with the central bank	68.895.218	
A.II	Pledged financial assets	-	
A.III	Financial assets recognized at fair value through income statement and held for trading	851.056	
A.IV	Financial assets initially recognized at fair value through income statement	-	
A.V	Financial assets available for sale	130.330.094	
A.VI	Financial assets held to maturity	-	
A.VII	Loans and receivables from banks and other financial organizations	17.848.897	
A.VIII	Loans and receivables from clients	179.422.656	
A.IX	Changes in fair value of hedged items	-	
A.X	Receivables arising from financial derivatives intended for hedging	-	
A.XI	Investments in associated companies and joint ventures	-	
A.XII	*Of which direct or indirect investments in banks and other financial sector person persons*	116.478	
	Investments into subsidiaries	116.478	k
A.XIII	*Of which direct or indirect investments in banks and other financial sector persons*	251.947	e
A.XIV	Intangible assets	6.391.956	
A.XV	Property, plant and equipment	2.899.921	
A.XVI	Investment property	39.962	
A.XVII	Current tax assets	-	
A.XVIII	Deferred tax assets	170.667	
A.XIX	Non-current assets held for sale and discontinued operations	7.661.080	
	Other assets	74.467	l
A.XX	*Of which direct or indirect investment in banks and other financial sector persons that exceed 10% of the capital of*	**414.879.932**	
R	**TOTAL ASSETS (ADP items from 0001 to 0019 in the consolidated balance sheet)**		
RO	**LIABILITIES**		
RO.I	LIABILITIES	-	
RO.II	Financial liabilities recognized at fair value through income statement and held for trading	-	
RO.III	Financial liabilities initially recognized at fair value through income statement	-	
RO.IV	Liabilities arising from financial derivatives intended for hedging	18.777.051	
RO.V	Deposits and other liabilities to banks, other financial organizations and central bank	319.334.622	
RO.VI	Deposits and other liabilities to other clients	-	
RO.VII	Changes in fair value of hedged items	-	
RO.VIII	Own securities issued and other borrowings	6.077.962	
	Of which liabilities arising from hybrid instruments	6.081.305	lj
	Subordinated liabilities	1.216.261	j
RO.IX	*Of which subordinated liabilities included in bank's supplementary capital*	2.211.986	
RO.X	Provisions	-	
RO.XI	Liabilities under assets held for sale and discontinued operations	11.905	
RO.XII	Current tax liabilities	139.534	
RO.XIII	Deferred tax liabilities	5.018.865	
RO.XIV	Other liabilities	351.571.925	
	TOTAL LIABILITIES (ADP items from 0401 to 0413 in the consolidated balance sheet)		
RO.XV	CAPITAL	40.034.550	
	Share capital	17.191.466	a
	Of which par value of paid-in shares, except for cumulative preferential shares	22.843.084	b
RO.XVI	*Of which share premium on share capital, except for cumulative preferential shares*	-	
RO.XVII	*Of which par value of cumulative preferential shares*	167.207	
RO.XVIII	*Of which share premium on cumulative preferential shares*	7.176.831	đ
RO.XIX	Own shares	30.283.016	
	Of which acquired own shares, except for cumulative preferential shares	25.737.155	b
	Of which acquired own cumulative preferential shares	1.839.888	d
	Profit	310.212	z
	Of which retained earnings from previous years	2.818.517	i
RO.XX	*Of which profit of the current year*	-	
RO.XXI	Loss	65	
	Of which losses from previous years	65	g
RO.XXII	*Of which loss in the current year*	63.308.007	
RO.XXIII	Reserves	-	
RO.XXIV	*Of which reserves from profit which represent element of core capital*	414.879.932	
V.P.	*Of which other positive consolidated reserves*		
V.P.A.	*Of which other negative consolidated reserves*	621.827.474	
	Of which other net negative revaluation reserves	357.233	ž
V.P.P.	*Of which gains on bank liabilities measured at fair value due to the change in bank's credit rating*	621.827.474	

6.3.3. Connection of positions in the itemized Balance Sheet and the positions in the form – 31.12.2015

No	Item	Amount	Data source in accordance with references from step 2
I	TOTAL CORE CAPITAL	**40.641.634**	
1.	CORE CAPITAL BEFORE DEDUCTIONS	**67.611.658**	
1.1.	Par value of paid-in shares, except for cumulative preferential shares	17.191.466	a
1.2.	Share premium	22.843.084	b
1.3.	Reserves from profit	25.737.155	v
1.4.	Retained earnings from previous years	-	
1.5.	Profit of the current year	-	
1.6.	Minority participations in subordinate companies	65	g
1.7.	Other positive consolidates reserves	1.839.888	d
2.	DEDUCTIBLES FROM CORE CAPITAL	**26.970.024**	
2.1.	Losses from previous years	-	
2.2.	Loss of the current year	7.176.831	đ
2.3.	Intangible assets	251.947	e
2.4.	Acquired own shares, except for cumulative preferential shares		
2.5.	Amount of shares received in pledge, except for cumulative preferential shares	357.233	ž
2.6.	Regulatory value adjustments:	19.184.013	
2.6.1.	Unrealised losses on securities available for sale	310.212	z
2.6.2.	Other net negative revaluation reserves		
2.6.3.	Gains on bank liabilities measured at fair value due to the change in bank's credit rating		
2.6.4.	Required reserve from profit for estimated losses on balance-sheet assets and off-balance sheet items of the bank	18.873.801	
2.7.	Other negative consolidates reserves		
II	TOTAL SUPPLEMENTARY CAPITAL	**4.034.778**	
1.	SUPPLEMENTARY CAPITAL BEFORE DEDUCTIONS	**4.034.778**	
1.1.	Par value of paid in cumulative preferential shares		
1.2.	Share premium on cumulative preferential shares		
1.3.	Part of revaluation reserves of the bank	2.818.517	i
1.4.	Hybrid instruments		
1.5.	Subordinated liabilities	1.216.261	j
1.6.	Overallocation of impairment allowances, provisions and required reserves from profit relative to expected losses		
2.	DEDUCTIBLES FROM SUPPLEMENTARY CAPITAL	**-**	
2.1.	Acquired own cumulative preferential shares		
2.2.	Receivables in respect of balance-sheet assets and off-balance sheet items of the bank secured by a hybrid instrument or subordinated liability		
2.3.	Amount of cumulative preferential shares received in pledge	-	
2.4.	Amount of capital in excess of restrictions on supplementary capital		
III	TOTAL CAPITAL	**44.485.466**	
1.	TOTAL CAPITAL BEFORE DEDUCTIONS	**44.676.412**	
2.	DEDUCTIBLES FROM CAPITAL	**190.945**	
	Of which reduction in core capital	**95.473**	
	Of which reduction in supplementary capital	**95.473**	
2.1.	Direct or indirect investment in banks and other financial sector persons that exceed 10% of the capital of such banks and/or other financial sector persons	**190.945**	(k+l)
2.2.	Investment in hybrid instruments and subordinated liabilities of other banks and financial sector persons in which the bank has direct or indirect investment that exceeds 10% of the capital of such persons	-	
2.3.	Total amount of direct and indirect investment in banks and other financial sector persons in the amount of up to 10% of their capital, as well as investment in their hybrid instruments and subordinated liabilities that exceeds 10% of the sum of core and supplementary capital of the bank for which the calculation of capital is made	-	
2.4.	The amount by which qualified participation in non-financial sector persons has been exceeded	-	
2.5.	Underallocation of impairment allowances, provisions and required reserves from profit relative to expected losses	-	
2.6.	The amount of exposure to free deliveries if the counterparty failed to fulfill its obligation within four working days	-	
2.7.	Receivables and potential liabilities towards persons related to a bank or employees in the bank which the bank has negotiated under the terms that are more favorable than the terms negotiated with other parties	-	
IV	NOTES	**-**	
	Positive/negative difference between total impairment allowances for balance sheet assets, provisions for losses on off-balance sheet items and required reserves from profit on the one hand and total estimated losses under IRB approach on the other hand	-	
	Amount of impairment allowances, provisions and required reserves from bank's profit	-	
	Of which on a group basis	-	
	Of which on an individual basis	-	
	Amount of expected losses under IRB approach	-	
	Gross amount of subordinated liabilities	**6.081.305**	lj

6.3.4. Annex 4 - Data on total capital requirements and capital adequacy indicator (PI-AKB)

No	Name	Amount	Coverage by core capital	Coverage by supplementary capital
		1	2	3
I	CAPITAL	**44.485.466**		
1.	TOTAL CORE CAPITAL	40.546.161		
2.	TOTAL SUPPLEMENTARY CAPITAL	3.939.305		
II	CAPITAL REQUIREMENTS	**23.155.447**		
1.	CAPITAL REQUIREMENTS FOR CREDIT RISK, COUNTERPARTY RISK AND SETTLEMENT/DELIVERY RISK IN CASE OF FREE DELIVERIES	19.988.185	19.988.185	–
1.1.	Standardized approach (SA)	166.568.211		
1.1.1.	*Exposures to central governments and central banks*	6.315.449		
1.1.2.	*Exposures to territorial autonomies and local self-government units*	2.558.172		
1.1.3.	*Exposures to public administrative bodies*	–		
1.1.4.	*Exposures to multilateral development banks*	280		
1.1.5.	*Exposures to international organizations*	-		
1.1.6.	*Exposures to banks*	5.046.247		
1.1.7.	*Exposures to corporates*	85.382.922		
1.1.8.	*Retail exposures*	29.938.373		
1.1.9.	*Exposures secured by real estate collateral*	23.235.809		
1.1.10.	*Past due items*	1.866.713		
1.1.11.	*High-risk exposures*	–		
1.1.12.	*Exposures in the form of covered bonds*	–		
1.1.13.	*Exposures in the form of open-end investment funds*	–		
1.1.14.	*Other exposures*	12.224.245		
1.2.	Internal Ratings Based Approach (IRB)	–		
1.2.1.	*Exposures to central governments and central banks*	–		
1.2.2.	*Exposures to banks*	–		
1.2.3.	*Exposures to corporates*	–		
1.2.4.	*Retail exposures*	–		
1.2.4.1.	*Retail exposures secured by real estate collateral*	–		
1.2.4.2.	*Qualifying revolving retail exposures*	–		
1.2.4.3.	*Other retail exposures*	–		
1.2.5.	*Equity exposures*	–		
1.2.5.1.	*Approach applied:*	–		
1.2.5.1.1.	*Simple Risk Weight Approach*	–		
1.2.5.1.2.	*PD/LGD Approach*	–		
1.2.5.1.3.	*Internal Models Approach*	–		
1.2.5.2.	*Types of equity exposures*	–		
1.2.5.2.1.	*Exchange traded equity exposures*	–		
1.2.5.2.2.	*Non-exchange traded equity exposures in sufficiently diversified portfolios*	–		
1.2.5.2.3.	*Other equity exposures*	–		
1.2.5.2.4.	*Equity exposures to which a bank applied Standardized Approach to credit risk*	–		
1.2.6.	*Exposures to other assets*	–		
2	CAPITAL REQUIREMENTS FOR SETTLEMENT/DELIVERY RISK ARISING FROM UNSETTLED TRANSACTIONS	–	–	–
3	CAPITAL REQUIREMENTS FOR MARKET RISKS	500.122	500.122	–
3.1.	Capital requirements for price, foreign exchange and commodity risks calculated under standardized approaches	500.122	500.122	–
3.1.1.	*Capital requirements for price risk arising from debt securities*	–	–	–
3.1.2.	*Capital requirements for price risk arising from equity securities*	–	–	–
3.1.3.	*Capital requirements for foreign exchange risk*	500.122	500.122	–
3.1.4.	*Capital requirements for commodity risk*	–	–	–
3.2.	Capital requirements for price, foreign exchange and commodity risks calculated	–	–	–
4	CAPITAL REQUIREMENTS FOR OPERATIONAL RISK	**2.667.139**	**2.667.139**	–
4.1.	Capital requirements for operational risk calculated under the Basic Indicator	–	–	–
4.2.	Capital requirements for operational risk calculated under the Standardized	**2.667.139**	**2.667.139**	–
4.3.	Capital requirements for operational risk calculated under the Advanced	–	–	–
5	COVERAGE OF CAPITAL REQUIREMENTS	**23.155.447**	**23.155.447**	–
III	CAPITAL ADEQUACY RATIO (%)	**23,05%**		