KOMERCIJALNA BANKA A.D., BEOGRAD

Consolidated Financial Statements
For the Year Ended December 31, 2010
and Independent Auditors' Report

Translation of the auditors' report issued in the Serbian language.

CONTENT

Translation of the Independent Auditors' Report Issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Komercijalna banka a.d., Beograd (the "Bank"), which comprise the balance sheet as of December 31, 2010 and the related consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year than ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consoldiated financial statements in accordance with the accounting regulations of the Republic of Serbia and regulations of the National Bank of Serbia governing financial reporting of banks, as well as for internal control relevant to the preparation of consoldiated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of Komercijalna banka a.d., Beograd for the year ended December 31, 2010 have been prepared, in all material respects, in accordance with the accounting regulations of the Republic of Serbia and regulations of the National Bank of Serbia governing financial reporting of banks.

Other Matter

The consolidated financial statements of Komercijalna banka a.d., Beograd as of and for the year ended December 31, 2009 were audited by another auditor whose report dated April 16, 2010 expressed an unqualified opinion.

Belgrade, April 20, 2011

Miroslav Tončić
Certified Auditor

CONSOLIDATED INCOME STATEMENT
Year Ended December 31, 2010
(Thousands of RSD)

	Notes	2010	2009
Interest income	4a	16,719,023	15,738,226
Interest expense	4b	(8,346,180)	(8,637,781)
Net interest income		8,372,843	7,100,445
Fee and commission income	5a	4,698,709	4,295,614
Fee and commission expense	5b	(604,138)	(550,078)
Net fee and commission income		4,094,571	3,745,536
Net gains on the sale of securities carried at fair value through profit and loss		11,539	37,834
Net gains on the sale of securities available for sale		53,720	-
Net gains on the sale of other placements		3,701	-
Net loss on the sale of other placements		-	(3,292)
Net foreign exchange losses	6	(7,116,836)	(4,797,111)
Dividend and other income from equity investments		2,951	6,469
Other operating income	7	305,659	390,835
Other operating expenses	8	(4,705,861)	(4,398,488)
Net impairment losses and provisions	9a	(1,581,301)	(1,547,405)
Net gains on the valuation of assets and liabilities	10	8,513,213	6,002,887
Staff costs	11	(4,096,908)	(3,833,935)
Depreciation and amortization		(685,548)	(608,657)
Profit from operations before taxation		3,171,743	2,095,118
Income taxes	12a	(168,977)	(129,718)
Deferred tax benefit	12	(114,687)	(76,706)
NET PROFIT		2,888,079	1,888,694
Net profit/(loss) attributable to minority interest of a related party		1	(2)
Net profit attributable to the owners of the parent entity		2,880,078	1,888,696
Earnings per share, in dinars		2,850	2,092
Diluted earnings per share, in dinars		1,874	2,092

The accompanying notes form an integral part
of these consolidated financial statements.

These consolidated financial statements were approved by the Bank's Executive Board.

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

Savo Petrović
Executive Director for Finance and Accounting

Ivica Smolić
President of the Executive Board

Translation of the auditors' report issued in the Serbian language.

CONSOLIDATED BALANCE SHEET
As of December 31, 2010
(Thousands of RSD)

	Notes	2010	2009
ASSETS			
Cash and cash equivalents	13	23,254,940	29,634,911
Revocable loans and deposits	14	48,441,007	50,053,084
Receivables arising from interest, fee and commission, trade and other receivables	15	1,398,588	1,019,155
Loans and deposits to customers	16	163,214,267	124,558,724
Securities	17	18,446,365	643,220
Equity investments (interests)	18	345,178	361,490
Other placements	19	2,344,815	2,291,021
Intangible assets	20	524,937	374,156
Property, equipment and investment property	20	7,185,855	7,406,417
Non-current assets held for sale and assets of discontinued operations	21	738,605	149,689
Deferred tax assets	12	-	109,217
Other assets	22	6,308,926	2,754,202
Total assets		272,203,483	219,355,286
LIABILITIES			
Transaction deposits	23	34,315,752	36,485,077
Other deposits	24	178,311,621	143,304,742
Borrowings	25	1,357,132	267,120
Interest, fee and commission payables		252,507	189,962
Provisions	26	919,779	956,808
Tax liabilities		16,465	18,879
Liabilities from profit		80,907	52,398
Deferred tax liabilities		5,787	294
Other liabilities	27	14,207,899	9,673,926
Total liabilities		229,467,849	190,949,206
EQUITY			
Share capital and share premium	28	28,462,553	17,062,534
Minority interests		56	52
Reserves from profit		9,868,217	7,824,358
Revaluation reserves		663,008	717,441
Unrealized losses on available for sale securities		(15,882)	(23,324)
Retained earnings		2,967,526	2,147,597
Foreign exchange gains from translation of foreign operations		790,156	677,422
Total Equity		42,735,634	28,406,080
Total Liabilities and Equity		272,203,483	219,355,286
OFF-BALANCE-SHEET ITEMS	29	146,839,016	67,236,090

The accompanying notes form an integral part
of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2010
(Thousands of RSD)

	Share Capital	Share Premium	Minority Interests	Other Reserves	Reserve for Potential Losses	Revaluation Reserves	Translation Reserves	Unrealized Losses	Retained Earning	Total
Balance at January 1, 2009	9,082,820	7,979,714	52	360,868	4,697,522	648,379	425,606	-	3,049,695	26,244,656
Share in reserves of Komercijalna banka a.d., Banja Luka	-	-	-	-	-	-	-	-	-	-
Transfer of 2008 profit into reserves	-	-	-	-	2,700,000	-	-	-	(2,700,000)	-
Increase	-	-	-	-	65,968	89,706	251,816	-	-	407,490
Unrealized losses on securities available for sale	-	-	-	-	-	-	-	(23,324)	-	(23,324)
Gains on the sale of revalued property and equipment	-	-	-	-	-	(20,644)	-	-	20,644	-
Payment of dividends – priority shares	-	-	-	-	-	-	-	-	(44,820)	(44,820)
Employee share in profit	-	-	-	-	-	-	-	-	(45,000)	(45,000)
Profit for the year	-	-	-	-	-	-	-	-	1,888,694	1,888,694
Foreign exchange differences	-	-	-	-	-	-	-	-	(21,616)	(21,616)
Balance at December 31, 2009	9,082,820	7,979,714	52	360,868	7,463,490	717,441	677,422	(23,324)	2,147,597	28,406,080
Increase in capital	4,798,190	6,601,829	4	-	-	-	-	-	-	11,400,023
Transfer of the share of 2009 profit into reserves	-	-	-	-	1,850,000	-	-	-	(1,850,000)	-
Increase	-	-	-	-	193,859	-	112,734			306,593
Transfer of other reserves into reserves from profit	-	-	-	(360,868)	360,868	-	-	-	-	-
Gains on realized reserves	-	-	-	-	-	(39,787)	-	-	39,787	-
Decrease based on the change in the fair value of equity investments and securities available for sale	-	-	-	-	-	(14,646)	-	-	-	(14,646)
Increase based on the change in the fair value of equity investments and securities available for sale	-	-	-	-	-	-	-	(2,896)	-	(2,896)
Net losses on the sale of securities available for sale	-	-	-	-	-	-	-	10,338	-	10,338
Payment of dividends for priority shares	-	-	-	-		-	-	-	(44,822)	(44,822)
Employee share in profit	-	-	-	-	-	-	-	-	(90,000)	(90,000)
Profit for the year	-	-	-	-	-	-	-	-	2,880,079	2,880,079
Foreign exchange differences	-	-	-	-	-	-	-	-	(115,115)	(115,115)
Balance at December 31, 2010	13,881,010	14,581,543	56	-	9,868,217	663,008	790,156	(15,882)	2,967,526	42,735,634

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
Year Ended December 31, 2010
(Thousands of RSD)

	2010	2009
Cash inflows from operating activities	20,953,066	19,748,030
Interest receipts	16,032,653	15,165,005
Fee and commission receipts	4,701,903	4,316,651
Receipts of other operating income	215,559	259,905
Receipts from dividends and profit distributions	2,951	6,469
Cash outflows from operating activities	(16,930,146)	(16,867,303)
Interest paid	(7,470,154)	(8,179,267)
Fees and commissions paid	(618,633)	(550,223)
Payments to, and on behalf of employees	(4,097,538)	(3,833,573)
Taxes, contributions and other duties paid	(837,645)	(761,312)
Payments of other operating expenses	(3,906,176)	(3,542,928)
Net cash provided by operating activities prior to increases or decreases in placements and deposits	4,022,920	2,880,727
Net increase in loans and advances to banks and customers	(30,756,987)	(29,149,968)
Net increase in deposits from banks and customers	31,280,228	30,479,138
Net increase in securities carried at fair value through profit and loss, trading placements and short-term securities held-to-maturity	(17,301,630)	(367,063)
Income taxes paid	(7,461)	(62,857)
Dividends paid	(171,086)	(46,956)
Net cash (used in)/provided by operating activities	(12,934,016)	3,733,021
(Outflow)/inflow from the purchase/sale of equity interests and shares	(101)	3,161
(Outflow)/inflow from the purchase/sale of securities	(195,034)	140,444
Outflow from the purchase/sale of intangible assets, property and equipment	(620,947)	(433,456)
Net cash used in investing activities	(816,082)	(289,851)
Inflows arising from capital increase	11,400,020	-
Net cash provided by borrowings	3,093,943	288,508
Net cash provided by financing activities	14,493,963	288,508
Net increase in cash and cash equivalents	743,865	3,731,678
Cash and cash equivalents, beginning of year	29,634,911	30,555,435
Foreign exchange losses, net	(7,123,836)	(4,652,202)
Cash and cash equivalents, end of year	23,254,940	29,634,911

The accompanying notes form an integral part
of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

1. BANK'S ESTABLISHMENT AND ACTIVITY

Komercijalna banka a.d., Beograd (hereinafter the "Parent Bank"), was established as a shareholding company based on the Founding Agreement dated December 1, 1970 and was transformed into a shareholding company on May 6, 1992 pursuant to the laws in effect. For the purpose of reconciling the Parent Bank's operations, organization and enactments with the Law on Banks, at the Shareholder Assembly meeting held on December 17, 2009, upon the approval obtained from the National Bank of Serbia as of December 9, 2009, the following internal enactments were adopted: the Amendment and Supplement to the Founding Agreement and the Amendment and Supplement to the Bank's Statute.

The Parent Bank is registered in the Republic of Serbia to provide banking services associated with payment transfers, credit and deposit operations performed domestically and abroad as stipulated in the Law on Banks. The Parent Bank operates based on principles of liquidity, solvency and profitability.

At December 31, 2010, the Parent Bank's most significant holders of ordinary shares are the following:
1. Republic of Serbia
2. EBRD, London, and
3. Artio int. equity fund, New York.

The Parent Bank has three subsidiaries:

- Komercijalna banka a.d., Budva, Montenegro (100%)
- Komercijalna banka a.d., Banja Luka, Republic of Srpska (99.99%)
- KomBank Invest a.d., Serbia (100%).

The Group is registered to provide banking services associated with credit, deposit and guarantee issuance activities and payment transfers performed in the country and abroad in accordance with the Law on Banks, as well as investment fund management activities. Also, the Group is obliged to operate based upon principles of liquidity, solvency and profitability.

As of December 31, 2010, the Group was comprised of the Central Office and headquarters located in Belgrade at the street address 14 Svetog Save; headquarters of Komercijalna banka a.d., Budva in the city of Budva, headquarters of Komercijalna banka a.d. Banja Luka, in the city of Banja Luka, headquarters of the Investment Fund Management Company KomBank Invest a.d. Beograd, in Belgrade, 41 branches, 256 sub-branches on the territory of Serbia, Montenegro and Republic of Srpska and 11 counters on the territory of Serbia. The Parent Bank has a representative office registered in Frankfurt am Main, Germany.

As of December 31, 2010, the Parent Bank together with its related parties had 3,342 employees (2009: 3,401 employees).

The Parent Bank's registry number is 07737068. The Parent Bank's tax identification number is 100001931.

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

2.1. Scope of Consolidation and Basis of Preparation and Presentation of Consolidated Financial Statements

The consolidated financial statements as of and for the year ended December 31, 2010 and 2009 comprise the financial statements prepared by Komercijalna banka a.d., Beograd, Komercijalna banka a.d., Budva, Komercijalna banka a.d., Banja Luka and the Investment Fund Management Company KomBank Invest a.d., Beograd.

The Parent Bank established "Komercijalna banka" a.d., Budva with 100% equity interest. Ever since 1992, the subsidiary operated as an Affiliate of Komercijalna banka a.d., Beograd. In accordance with the Law on Banks ("Official Gazette of Montenegro" no. 17/2008 and 44/2010), prescribing that a bank domiciled outside the Republic of Montenegro may establish an Affiliate as a part of the bank having the capacity of a legal entity, on February 7, 2003, Komercijalna banka a.d., Beograd enacted the Decision on the Branch Termination and the Affiliate Establishment. On February 7, 2003, the Central Bank of Montenegro issued an operating license number 0101-9/1-2003 to Komercijalna banka a.d., Budva. Komercijalna banka a.d., Budva was registered with the Central Registry maintained by the Commercial Court as a shareholding company under the registration number 4-0006783. This Bank is included in the Register of Security Issuers maintained by the Securities Commission under the number 372 (Decision number 02/3-29/2-03, as of December 12, 2003). The subscribed and paid in share capital of this Bank totals EUR 27,370,000. As of December 31, 2010, this Bank had 109 employees (December 31, 2009: 110 employees).

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

2.1. Scope of Consolidation and Basis of Preparation and Presentation of Consolidated Financial Statements (Continued)

The Bank established Komercijalna banka a.d., Beograd with 99.998% equity interest together with the Export Credit and Insurance Fund from Belgrade holding 0.002% equity interest. Komercijalna banka a.d., Banja Luka was founded in September 2006 and on September 15, 2006 it was inscribed into the Court Register based on a relevant Decision issued by the Basic Court in Banja Luka number 071-0-REG-06-001693. This Bank commenced its operations as in accordance with the Decision of the Banking Agency of the Republic of Srpska number 03-870-4/2006 dated August 28, 2006. On May 23, 2009 when the Law on the Expiration of the Law on Export Credit and Insurance Fund (RS Official Gazette number 36-09), the Export Credit Guarantee Agency took over the activities and all assets and liabilities of the Export Credit and Insurance Fund. The subscribed and paid in share capital of this Bank totals BAM 60,000,000. As of December 31, 2010, the Bank had 126 employees (December 31, 2009: 128 employees).

The Investment Fund Management Company “KomBank Invest” a.d., Beograd was established by the Parent Bank on December 17, 2007 with 100% equity interest. On January 31, 2008, based on the Decision number 5/0-33-8429/6-07 on the issuance of a license to perform investment fund management activities, the Securities Commission of the Republic of Serbia issued an operating license to the company. The Company is included in the Business Register maintained by the Serbian Business Registers Agency in Belgrade on February 5, 2008 under number BD 5078/2008. The Republic of Serbia Securities Commission enacted a Decision number 5/0-34-2295/5-08 on April 18, 2008 on the issuance of a license for organizing an open-end investment fund allowing the Company to establish an open end investment fund named “KomBank Infond” (hereinafter the “Fund”). The Fund was inscribed into the Investment Fund Register maintained by the Republic of Serbia Securities Commission under Decision number 5/0-44-3211/3-08 of May 26, 2008. The Fund is classified into a category of funds with assets growing in value and organized for an indefinite period of time. The Fund is not a legal entity and according to the valid tax regulations it is exempt from any tax levies. The founding capital of Company totals RSD 140,000 thousand. As of December 31, 2010, this Company had 6 employees (December 31, 2009: 8 employees). The balance sheet total of Komercijalna banka a.d., Budva accounted for 3.30% of total consolidated assets, the balance sheet total of Komercijalna banka a.d., Banja Luka – 4.67% of total consolidated assets, whereas the balance sheet total of the Investment Fund Management Company “KomBank Invest” a.d., Beograd accounted 0.04% of total consolidated assets.

Pursuant to the Law on Accounting and Auditing (Official Gazette of the Republic of Serbia no. 46 of June 2, 2006 and no. 111 as of December 29, 2009), legal entities and entrepreneurs incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose consolidated financial statements in conformity with the prevailing legislation and professional rules which include: the Framework for the Preparation and Presentation of Financial Statements (the “Framework”), International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as well as the related interpretations representing an integral part of these standards which were in effect as at December 31, 2002.

The amendments to IAS, as well as the newly-issued IFRS and the related interpretations issued by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”), in the period between December 31, 2002 and January 1, 2009, were officially adopted pursuant to a Decision enacted by the Ministry of Finance of the Republic of Serbia (“Ministry”) and published in the Official Gazette of the Republic of Serbia number 77 of October 25, 2010.

However, until the preparation date of the accompanying consolidated financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying consolidated financial statements are presented in the format prescribed under the “Guidelines on the Prescribed Form and Content of the Financial Statements of Banks and Other Financial Institutions” (Official Gazette of the Republic of Serbia nos. 74/2008, 3/2009 and 5/2010). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, “Presentation of Financial Statements,” and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard. Standards and interpretations in issue, but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.2 and 2.3.

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

2.1. Scope of Consolidation and Basis of Preparation and Presentation of Consolidated Financial Statements (Continued)

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

The consolidated financial statements were prepared at historical cost principle, unless otherwise stipulated in the accounting policies presented hereunder.

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

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

2.2. Standards and Interpretations in Issue, but not yet Adopted and Translated

As of the consolidated financial statements issuance date, the following standards, amendments were issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee but were not officially adopted and translated in the Republic of Serbia for the annual accounting periods commencing on or after January 1, 2010:

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

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

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

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

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

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

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

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

2.3. Standards and Interpretations in Issue not yet in Effect

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

- "Conceptual Framework for Financial Reporting 2010" being an amendments to "Framework for the Preparation and Presentation of Financial Statements" (effective for transfer of assets from customers received on or after September 2010);
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2013);
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010);
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);
- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Transfer of Financial Assets (effective for annual periods beginning on or after July 1, 2011);
- Amendments to IAS 12 "Income Taxes" – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012);
- Amendments to IAS 24 "Related Party Disclosures" – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after January 1, 2011);
- Amendments to IAS 32 "Financial Instruments: Presentation" – Accounting for rights issues (effective for annual periods beginning on or after February 1, 2010);
- Amendments to various standards and interpretations "Improvements to IFRSs" resulting from the Annual quality improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied for annual periods beginning on or after January 1, 2011);
- Amendments to IFRIC 14 "IAS 19 – The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction" - Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011);
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after July 1, 2010).

2.4. Comparative Information

Comparative information includes the Group's consolidated financial statements for year 2009 prepared in the reporting form defined by the Guidelines on the Prescribed Form and Content of the Financial Statements of Banks and Other Financial Institutions (Official Gazette of the Republic of Serbia nos. 74/2008 and 3/2009).

2.5. Use of Estimates

The presentation of the consolidated financial statements requires the management of the Group members to make best estimates and reasonable assumptions that effect: the assets and liabilities amounts, the disclosure of contingent liabilities and receivables as of the date of preparation of the consolidated financial statements, as well as the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to us, as of the date of preparation of the consolidated financial statements. The review of most significant estimates is provided in Note 3.17.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Interest and Commission Income and Expenses and Investment Fund Management

Interest income and expenses, including penalty interest and other income and other expenses arising from interest-bearing assets and interest-bearing liabilities, are recognized in the income statement on an accrual basis.

Fee and commission income from banking services and fee and commission expenses are determined when due for collection or when due for settlement. These are recognized in the income statement when earned and/or when due for collection, except for loan origination fees, guarantees or other types of sureties to which IAS 18 applies. Income arising in connection with loan origination fees is deferred over the loan maturity period and is recognized in the income statement within interest income.

Income from fund management involves revenues which the Company calculates to and earns from the fund it manages and comprises the following: investment fund management fee, investment unit purchase fee, investment unit sales fee, fee for the transfer of ownership over investment units.

The fee charged for investment fund management totals 3% annually and the daily amount of fee payable by the Fund totals 0.00821%. The base for the calculation of the fee for the Fund management was the gross value of the Fund’s assets as of the calculation date, net of accumulated liabilities incurred in the previous day and amounts paid and received based on investment units at the calculation date. The value of the Fund’s assets is determined as the aggregate value of securities from the Fund’s portfolio, properties held by the Fund, its cash balances, as well as deposits with banks and other cash funds, other than deposits, held with banks, as well as the Fund’s receivables.

An investment unit purchase fee is the amount charged by the Company to the Fund members upon each purchase of investment units. The purchase fee is calculated as a percentage of the payments made into the Fund and depends on the amount paid by the Fund members.

An investment unit sales fee is the amount payable by the Fund to the Company upon each investment unit sale. A fee payable for the sale is calculated as a percentage of investment units being sold and depends on the duration of the investment period.

The fee for the transfer of ownership over investment units is the fee payable by a fund member when transferring its investment units from the fund member to a third party as inheritance or gift.

3.2. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at official exchange rates at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates that are prevailing at the balance sheet date.

Net foreign exchange gains or losses arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the income statement.

Commitments and contingent liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates that are prevailing at the balance sheet date.

The line items of financial statements expressed in the functional currencies of Komercijalna banka a.d., Budva (EUR) and Komercijalna banka a.d., Banja Luka (BAM), have been recalculated into the reporting, i.e. functional currency of the Parent Bank – dinar (RSD) based on the officially issued exchange rates in the Republic of Serbia.

3.3. Property, Equipment and Investment Property

All additions to property and equipment made during the year 2010 are stated at cost, net of allowance for impairment. The cost of an item of property and equipment comprises its purchase price, including all acquisition-related expenses and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent expenditure is capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Bank.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Property, Equipment and Investment Property (Continued)

Investment property is property held by the Group to earn rental income. Investment property is stated at cost or at purchase value, and is subject to depreciation charge.

For the needs of a tax balance, the Group calculated depreciation in accordance with the Rues on the Classification of Fixes Assets into Groups and the Manner of Determining Depreciation for Tax Purposes.

From January 1, 2005, the Group has applied the revaluation method to property held by the Group.

Based on the adopted market valuation of property held by the Parent Bank, the value of all property increased in 2005 according to a Decision adopted by the Bank's Board of Directors.

The gain or loss arising on the disposal or retirement of an item of fixed assets or investment property is recognized in the income statement within Other operating income/expenses.

Depreciation is calculated on a straight-line basis to the cost or revalued amount of property and equipment by applying the following annual rates in order to write them off over their useful lives:

Buildings and investment property	2.50%
Computer equipment	25.00%
Furniture and other equipment	6.70% - 33.30%
Leasehold improvements	4.25% - 86.20%
Motor vehicles	14.30% - 15.50%

The depreciation of property and equipment commences once such assets are placed in use.

For property, a residual value is set at 30% of cost.

Depreciation rates and a residual value are reviewed each year for the purpose of calculating depreciation, being the actual expense incurred on these assets.

3.4. Intangible Assets

As of December 31, 2010, intangible assets were stated at cost net of accumulated amortization and allowance for impairment, if any. Intangible assets include licenses and software programs.

Amortization is calculated on a straight-line basis to the cost of intangible assets by applying an annual rate ranging from 20% to 33.34% in order to fully write off the assets over their useful lives.

3.5. Loans

Loans originated by the Bank are stated in the balance sheet at the amount of principal outstanding, less allowance for impairment, which is based on the assessment of specifically-identified exposures and losses that are inherent in the Group's loan portfolio. The management of the Group members applies the internally adopted methodology in its risk assessment, as disclosed in this Note 3.6.

For the purpose of determining amortized cost, i.e. fair value of loans in accordance with IAS/IFRS, the net present values of future cash flows is discounted by applying the contractual interest rate in order to adjust the value of loan approved to its nominal value, net of principal repaid. The effects of the failure to apply the effective interest rate as defined under IAS 39 "Financial Instruments: Recognition and Measurement" requiring that loans be measured at amortized value using the effective interest method, in the assessment of the management of the Group members, are immaterial for the stated placements to customers and financial statements taken as a whole, since the Parent Bank places most of its assets to customers at floating interest rates whereas the one-off fees collected in advance are deferred over the loan maturity period on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Allowances for Impairment and Provisions for Contingent Liabilities

The management of the Group members assesses credit risk and impairment of financial instruments based on individual and portfolio basis.

During 2010, the Group applied the Rules on the Assessment and Recognition of Loans, Receivables and Provisions, determining the criteria for estimating and recognizing loans, receivables and provisions in connection with corporate and retail customers, following the Group's internal methodology.

The Group reviews the credit portfolio in order to determine allowance for impairment and provisions on a monthly basis. In determining whether the impairment losses on placements should be recognized in the income statement, the Group assesses whether there is information / evidence indicating the existence of a measurable decrease in the estimated future cash flows of a portfolio basis, before such losses can be identified at the level of individual placements. Information indicating that a placement has suffered impartment include: irregularity and default in liability settlement, market and economic conditions present locally which cause delays in payments etc. Management's estimates of impairment in financial placements within the Group's portfolio using the estimated future cash flows, are based on actual losses incurred in the past, realized on financial assets with similar risk-exposure and similar causes of impairment.

Impairment assessment process is conducted on a case basis, for each materially significant loan and on the portfolio level for less significant loans. The amount of impairment is individually assessed as the difference between the carrying amount and the present value of expected future cash flows, determined through discounting the loans at the effective interest rate.

The impairment of less significant loans is assessed on a portfolio basis for each credit rating group separately, given their similar characteristics with respect to credit risk in the amount of:

- The average weighted percentage of loss determined on the level of individually assessed losses on materially significant loans having the same credit rating, and for loans of the IV credit rating group, the impairment must not be below the percentage of migration of loans belonging to the IV credit rating group into the V credit rating group, as adjusted for the percentage of collected loans previously classified into the V credit rating group. Loans classified into the V credit rating group are written-off in full – in case of placements with corporate customers.

- Percentage of migration of adequate credit rating group into the V credit rating group as adjusted for the percentage of collected loans previously classified into the V credit rating group – in case of placements with retail customers.

If the individual assessment of a materially significant loan shows that there is no objective evidence of loan impairment, the impairment of the loan in calculated as a percentage applied to the respective credit rating group.

The methodology and assumptions underlying the process of defining the amounts and periods of cash inflows, based on placements, are reviewed on an ongoing basis in order to reduce the difference between estimated and actual losses to the minimum. The amounts of inflows expected from a loan are assessed based on evidence of the borrower's planned income, and in case these are assessed as insufficient, the Bank assessed the cash flow that could be realized by activating the related collateral. The number of days in default against certain receivables from debtors is assessed by taking into consideration of all relevant evidence about the timeline of earning the planned income by the debtor, as well as historical data about the delays in payment of that particular debtor.

Special reserve for potential losses of the Parent Bank is determined in accordance with the relevant NBS Regulations – the Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items (Official Gazette of RS number 129/2007, 63/2008, 104/09 and 30/2010). Loans, placements and other exposures are classified into the categories A, B, V, G and D, in accordance with the evaluation of their collectability, which depends upon the number of days the interest and principal payments are in arrears, financial standing of the counterparty, and the quality of the collateral obtained on the exposures. The estimated amount of special reserve for potential losses is calculated by applying the percentages ranging between: 0% for placements classified into the A category, 5% - 10% for the placements classified into the B category, 20%- 35% for the V category placements, 40% - 75% for the G category placements and 100% for placements in D category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Allowances for Impairment and Provisions for Contingent Liabilities (Continued)

The difference between the amount of special reserve for potential losses calculated in accordance with the National Bank of Serbia Decision on the Classification of Balance Sheet and Off-Balance Sheet Exposures, and the amount of allowances for impairment and provision for contingent liabilities estimated in accordance with the internally adopted methodology, is presented as special reserves for potential losses within the equity.

Special reserve for potential losses is set aside as appropriation of retained earnings.

Suspension of Interest

The accrued and outstanding interest based on impaired placements ceases to be recognized in the balance sheet assets, and is suspended and transferred to off-balance sheet items for all placements subject to lawsuits, for all placements based on which the Group has matured receivables over 365 days past due or if so decided by the Corporate Credit Board or Retail and Entrepreneur Credit Board. In case of out-of-court activation of mortgage, until the final resolution of the process of receivable collection, interest is not suspended, i.e. accrual and compounding of interest to balance sheet assets continues.

3.7. Securities Acquired in Repurchase Transactions with the National Bank of Serbia

Securities purchased by the Parent Bank from the National Bank of Serbia under obligation to resell, based on a Framework Agreement on the Sale of Securities under Obligation to Their Repurchase, are stated at amortized cost as of the balance sheet date.

3.8. Trading Securities

Trading securities are those acquired or incurred principally for the purpose of selling or repurchasing them in the near term. Trading securities comprise shares and foreign savings deposits bonds initially stated at cost and carried at market value as of the balance sheet date. All realized and unrealized gains on the sale or changes in the market value of these securities are credited to income or charged to expenses of the period, within net gain on the sale of securities.

3.9. Securities Held to Maturity

Securities held-to-maturity represents securities for which there is a positive intention and ability to hold to maturity. Securities held-to-maturity comprise of bonds. All securities are initially recorded at cost. As at balance sheet date, securities held-to-maturity are recorded at amortized cost net of any provision for potential losses.

3.10. Equity Investments and Securities Available-for-Sale

Available-for-sale securities are those that are not classified as trading securities or as held-to-maturity investments and are comprised of shares issued by banks, corporate bonds, and Republic of Serbia treasury bills.

Equity investments comprise shares issued by banks and shares and equity interests in other legal entities. Equity investments for which an active market and quoted values do not exist, are measured at cost net of allowance for impairment. Equity investments relate to securities of other legal entities quoted on the market, are measured as of the balance sheet date at market value. Realized gains and losses from the sales of these securities are credited or charged to profit and loss within “Gains/(Losses) on the sale of securities,” whereas unrealized gains and losses arising from the market value movements are presented within revaluation reserves.

3.11. Cash and Cash Equivalents

For purposes of the cash flow statement, “Cash and cash equivalents” include cash items, balances on the current accounts with other banks and resources on the gyro account and other cash resources.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Income Taxes

Current Income Taxes

The Parent Bank does not have the option of tax consolidation based on the regulations of the Republic of Serbia.

Income tax is payable at the rate of 10% on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The taxable base stated in the income tax return includes the profit shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules.

The final amounts of income tax liabilities payable by the Group members are determined by applying the tax rate to the tax base determined in the local tax regulations.

Income taxes as of December 31, 2010 are payable at the following rates:

Republic of Serbia	10%
Republic of Montenegro	9%
Republic of Srpska	10%

The tax regulations in the Republic of Serbia, Montenegro and Republic of Srpska do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, tax losses stated in the tax balance until 2009 are available as deductibles in calculating the tax basis of the future accounting periods in the ensuing ten years, while any current year losses stated in the tax balance for the year 2010 and further may be used to reduce or eliminate taxes payable in future periods, but only for duration of no longer than five ensuing years.

Deferred Income Taxes

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. The currently-enacted tax rates or the substantively-enacted rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carry forwards can be utilized.

Indirect Taxes and Contributions

Indirect taxes and contributions include property taxes, taxes and contributions to salaries charged to employer and various other taxes and contributions paid, pursuant to effective republic and municipal regulations. These taxes and contributions are included within operating and other operating expenses.

3.13. Managed Funds

The Group manages funds on behalf of, and for the account of third parties, and charges fees for these services. These items are not included in the Group's balance sheet.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Employee Benefits

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

The Group does not have defined benefit plans or share-based remuneration options and there are no identified liabilities thereof as of December 31, 2010.

The Group's long-term liabilities based on provisions for retirement benefits as prescribed under the Labor Law and as stated at December 31, 2010, represent the present value of future payments to employees determined in accordance with the following assumptions:

	Komercijalna banka a.d., Beograd	Komercijalna banka a.d., Budva	Komercijalna banka a.d., Banja Luka	DZU KomBank Invest a.d., Beograd
Annual employee salary growth:	7.50%	4.00%	4.00%	7.50%
Discount rate:	12.00%	8.00%	8.50%	12.00%

The total amount of provisions equals the sum of provisions for each employee adjusted for the effect of fluctuation.

The Group allocated provisions in 2010 as in accordance with IAS 19 as a pro rata share of increases in long-term liabilities for retirement benefits. For the calculation of provisions thereof, the Group engaged a licensed actuary.

3.15. Segment Reporting

The Group monitors and discloses information for its geographic segments (Note 32). The Group operates on the territory of the following countries which represent the Group's geographic segments: Republic of Serbia, Montenegro and Republic of Srpska. The concentration of placements with debtors according to the industry they belong to is presented in Note 16.

3.16. Fair Value

The accompanying consolidated financial statements are prepared on a historical cost basis, including adjustments and provisions made to reduce assets to their estimated recoverable amounts.

It is the policy of the Group to disclose the fair value information on those financial assets and financial liabilities for which published market information is readily and reliably available, and whose fair value is materially different from their recorded amounts. As per the Bank's management, amounts expressed in the consolidated financial statements reflect the fair value which is most reliable and useful for the needs of the financial reporting in accordance with the Law on Accounting and Auditing of the Republic of Serbia and regulations of the National Bank of Serbia governing financial reporting of banks.

3.17. Review of Significant Accounting Estimates

The presentation of the consolidated financial statements requires the Group's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, as well as the disclosure of contingent liabilities and receivables as of the date of preparation of the consolidated financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available to the management, as of the date of preparation of the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17. Review of Significant Accounting Estimates (Continued)

What follows are the key assumptions in respect of the future events and other sources of estimations, uncertainties as of the balance sheet date.

Depreciation and Rates Applied

The calculation of depreciation as well as depreciation rates are based on the economic useful life of equipment and period of use of leasehold property. Once a year, the Group and its members review the economic useful life based on the current estimates.

Provisions for Litigation

Provisions are highly judgmental. The Group assesses the probability of adverse events arising as a result of past events and estimates an outflow of resources embodying economic benefits that will be required to settle the contingent liability. To the best of its knowledge, the Group and its members create provisions with this respect based on anticipated potential losses. The Group observes the prudency principle in making such estimates. However, in certain cases, actual results may depart from these estimates.

Deferred Tax Assets

As in accordance with the management's assessments with respect to the availability of future taxable income based on which deferred tax assets can be utilized, the Group states deferred tax assets.

Allowance for Impairment

The Group continually monitors the financial standing and operations of its most significant customers, i.e. its risk exposure inherent in depositing and investing assets. In the management's assessment, receivables stated in the Group's business books are collectible, i.e. the risk of default is not high.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

4. INTEREST INCOME AND EXPENSE

a) Interest Income

	Year Ended December 31, 2010	2009
Dinar loans approved to:		
- banks	634,511	1,267,655
- enterprises	7,986,012	7,693,390
- entrepreneurs	203,491	200,022
- public sector	56,921	48,727
- citizens	3,739,266	3,515,517
- other customers	334	78
	12,620,535	12,725,389
Dinar deposits with:		
- National Bank of Serbia	417,266	561,695
	417,266	561,695
Securities in dinars of:		
- entrepreneurs	14,108	12,242
- public sector	915,412	8,170
	929,520	20,412
Other placements in dinars	507,514	514,759
Foreign currency loans:		
- banks	2	4
- enterprises	1,277,317	1,130,537
- entrepreneurs	187	488
- public sector	28,470	14,886
- citizens	343,596	349,682
- registered farmers	39	35
- other customers	502,084	368,925
	2,151,695	1,864,557
Foreign currency deposits:		
- banks	8,023	10,632
- public sector	-	1,923
- citizens	2,936	2,685
- other foreign entities	42,799	14,315
	53,758	29,555
Securities in foreign currency		
- public sector	3,023	-
	3,023	-
Other placements in foreign currency		
- banks	33,494	14,903
- foreign entities	2,218	6,956
	35,712	21,859
	16,719,023	15,738,226

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

4. INTEREST INCOME AND EXPENSE (Continued)

The estimated effect of interest that was not accrued and stated in the Group's income statement for the year 2010, totals RSD 232,448 thousand and is associated with the interest charged to loans and placements subject to legal disputes or for which interest accrual has been suspended.

b) Interest Expense

	Year Ended December 31, 2010	2009
Dinar loans from:		
- banks	8,483	52,826
Dinar deposits from:		
- banks	256,937	457,100
- public companies	240,564	328,162
- enterprises	431,876	540,247
- entrepreneurs	8,736	7,739
- public sector	575,752	1,903,336
- citizens	136,194	130,619
- foreign entities	219	117
	1,650,278	3,367,320
Foreign currency borrowings from:		
- international financial organizations	106,554	20,954
- banks	58,074	50,592
- public sector	11,448	48
	176,076	71,594
Foreign currency deposits from:		
- banks	98,939	71,647
- public companies	175,333	191,149
- enterprises	860,003	837,291
- entrepreneurs	80	65
- citizens	5,305,686	3,959,380
- foreign entities	6,243	11,817
- public sector	61,333	68,150
- other customers	2,739	2,532
	6,510,356	5,142,031
Other foreign currency liabilities	987	4,010
	8,346,180	8,637,781

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

5. FEE AND COMMISSION INCOME AND EXPENSE

a) Fee and Commission Income

	Year Ended December 31, 2010	2009
In dinars from:		
- enterprises	1,653,254	1,419,455
- citizens	1,898,202	1,625,181
- entrepreneurs	471,568	398,899
- financial institutions	155,500	397,336
- foreign entities	57,547	32,912
- public companies	20,290	20,587
- public sector	2,474	3,678
- registered farmers	15	-
- other	46	-
	4,258,896	3,898,048
In foreign currency from:		
- financial institutions	9,485	9,291
- public enterprises	671	655
- enterprises	203,589	211,319
- public sector	1,995	1,490
- citizens	162,117	124,683
- foreign entities	53,949	44,619
- other	8,007	5,509
	439,813	397,566
	4,698,709	4,295,614

b) Fee and Commission Expenses

	Year Ended December 31, 2010	2009
In dinars, charged by:		
- banks	267,766	255,092
- enterprises	131,332	117,482
- foreign entities	14,495	7,073
	413,593	379,647
In foreign currency, charged by:		
- banks	45,098	33,906
- foreign entities	126,724	122,108
- other	18,723	14,417
	190,545	170,431
	604,138	550,078

6. FOREIGN EXCHANGE GAINS AND LOSSES

	Year Ended December 31, 2010	2009
Foreign exchange gains	7,646,293	3,208,255
Foreign exchange losses	(14,763,129)	(8,005,366)
	(7,116,836)	(4,797,111)

Foreign exchange gains and losses comprise gains and losses arising from transactions performed in other than local currency during the year, and gains and losses arising from the adjustment of foreign currency denominated balance sheet positions to the official foreign exchange rates over the year at each month end.

The accrual of foreign exchange gains and losses is performed and stated at gross principle (negative and positive foreign exchange gains and losses) during the business year.

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

7. OTHER OPERATING INCOME

	Year Ended December 31, 2010	2009
Refund of court expenses	12,867	8,357
Fees collected for renting property for business purposes	80,289	113,496
Business telephone bills collected in accordance with employee authorizations	13,763	13,158
Income from investment fund management, investment unit sale and purchase	4,907	3,708
Other gains from operations	11,263	6,635
Sale of tangibles received through collection of receivables	17,702	-
Collected receivables previously written off	139,118	161,279
Donation income	6,785	6,088
Gains on the sale of fixed assets	2,562	31,630
Write-off of liabilities	2,294	5,270
Retail operations	-	22,551
Other income	14,109	18,663
	305,659	390,835

Fees collected for renting property for business purposes of RSD 80,289 thousand mostly relate to the rental income of the Parent Bank i.e. the rental of premises to Politika a.d., Beograd (RSD 77,236 thousand, Note 20), occupying an area of 7,169 square meters with the contractually agreed monthly rent payments of EUR 57,572.82 for the period of 99 years. The rent agreement was cancelled as of December 31, 2010.

Based on the Sales and Purchase Property Agreement closed on March 23, 2010 with the Republic of Serbia, represented by the Director of the Republic of Serbia Property Directorate, Mr. Bratislav Pejković, the Parent Bank sold its tangibles in Belgrade acquired by activating collaterals against receivables and realized gains of RSD 16,252 thousand. Also, based on the Sales and Purchase Property Agreement closed on May 27, 2010 with private person, the Parent Bank sold property located at Palić, collected in lieu of settlement and realized gains of RSD 1,450 thousand.

Refund of court expenses of RSD 12,867 thousand is associated with the recovered expenses for litigations favorably resolved for the Bank.

Business telephone bills collected in accordance with employee authorizations of RSD 13,763 thousand are associated with the recovery of telephone bills in excess of the set limit.

Donation income is associated with income realized on the basis of subsidized employee salaries according to the program of employing young people without previous work experience in the amount of RSD 6,785 thousand.

Collected receivables previously written off in the amount of RSD 139,118 thousand partly pertain to the collection of the previously written off receivables in Budva through the activation of loan collaterals of RSD 138,626 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

8. OTHER OPERATING EXPENSES

	Year Ended December 31, 2010	2009
Indirect taxes and contributions	823,036	765,745
Material	371,705	427,853
Rentals	733,885	706,503
Maintenance of property and equipment	509,895	490,908
Public utility fees	74,274	72,303
Telecommunication expenses	286,561	290,704
Marketing and advertizing	363,829	316,675
Transportation expenses	75,928	69,919
Professional education and training of employees	27,046	24,156
Property insurance	259,910	247,044
Money transport	112,411	123,601
Servicing expenses	11,524	12,826
Court expert and arbitration	14,635	12,495
Other non-production services	46,288	38,692
Entertainment expenses incurred domestically	26,745	43,768
Insurance of property, equipment and employees	90,159	112,650
Retail deposit insurance	528,786	405,576
Intellectual services	87,356	64,292
Court and administrative fees	76,100	38,298
Licenses and software	18,456	15,893
Other non-material expenses	43,674	37,630
Expenses of a branch office abroad	30,704	48,857
Branch office expenses	25,767	-
Preparation and design of publications	14,826	11,697
Write-off of property, equipment and intangible assets (Note 20)	12,570	3,816
Write-off of uncollectible receivables	3,409	10
Other expenses	36,382	16,577
	4,705,861	4,398,488

Rental expenses incurred in the amount of RSD 733,885 thousand mostly relate to the operating lease of business premises (RSD 634,571 thousand). Commitments arising from operating lease of business premises as of December 31, 2010 relating to future periods and not being subject to VAT, for 209 leased business premises occupying an area of 37.540,79 m², total (in thousands of RSD):

- for the year 2011	545,736
- from 2012 to 2015	1,488,731
- from 2016	474,509
	2,508,976

Other rental expenses of RSD 99,314 thousand relate to the lease of equipment, software and advertizing space.

Cost of retail deposit insurance of RSD 528,786 thousand are associated with the insurance of deposits placed by retail customers, by entrepreneurs and by small and medium-sized enterprises with the republics'' deposit insurance agencies.

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

9. NET IMPAIRMENT LOSSES AND PROVISIONS

a) Charged/Credited to Income/Expenses

	Year Ended December 31, 2010	2009
Expenses:		
- Cash funds	-	1,756
- Interest, fees and commissions (Note 15)	1,431,171	746,560
- Loans and advances to customers (Note 16)	10,812,745	7,097,948
- Securities (Note 17)	331	348
- Equity investments (Note 18)	-	12,193
- Other placements (Note 19)	714,878	1,576,724
- Other assets (Note 22)	59,987	198,628
- Provisions against off-balance sheet items (Note 26)	293,052	364,971
- Provisions for litigations (Note 26)	12,917	-
- Provisions for retirement benefits (Note 26)	7,193	-
	13,332,274	9,999,128
Income:		
- Interest, fees and commissions (Note 15)	(970,372)	(319,096)
- Loans and advances to customers (Note 16)	(9,777,756)	(6,007,962)
- Securities (Note 17)	(406)	(65)
- Equity investments (Note 18)	-	(22,038)
- Other placements (Note 19)	(611,122)	(1,423,779)
- Other assets (Note 22)	(37,516)	(139,402)
- Reversal of provisions against off-balance sheet items (Note 26)	(327,534)	(387,816)
- Reversal of provisions for litigations (Note 26)	(24,500)	(12,528)
- Reversal of provisions for retirement benefits (Note 26)	(152)	(92,588)
- Collection of suspended interest (Note 29)	(1,615)	(46,449)
	(11,750,973)	(8,451,723)
	1,581,301	1,547,405

b) Special Reserve for Potential Losses

Based on the categorization of placements determined in accordance with the regulations of the National Bank of Serbia as of December 31, 2010, the Parent Bank estimated its special reserve for potential losses arising on the Parent Bank's aggregate exposure to credit risk.

In accordance with the National Bank of Serbia Decision on the Classification of Balance Sheet and Off-Balance Sheet Exposures, the difference between the amount of special reserve for potential losses calculated in accordance with the said Decision and the amount of allowance for impairment of balance sheet assets and provisions for losses on off-balance sheet items calculated in accordance with the internally adopted methodology, is presented on the special account within reserves for potential losses within equity.

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

9. NET IMPAIRMENT LOSSES AND PROVISIONS (Continued)

b) Special Reserve for Potential Losses (Continued)

	Year Ended December 31, 2010	2009
Special reserve for potential losses determined as per the National Bank of Serbia requirements with respect to:		
- balance sheet exposures	25,646,508	20,293,197
- off-balance sheet exposures	1,534,057	1,127,219
	27,180,565	21,420,416
Allowances for impairment and provisions determined in accordance with the internally adopted methodology (IAS 39):		
- allowance for impairment of balance sheet items	15,659,624	13,977,062
- provision for losses contingent on off-balance sheet items	405,969	448,162
	16,065,593	14,425,224
Provisions for potential losses contingent on balance sheet assets and off-balance sheet items		
- balance sheet exposures	10,398,220	6,925,640
- off-balance sheet exposures	1,138,065	708,394
	11,536,285	7,634,034
Reserves for estimated losses per balance sheet assets and off-balance sheet items formed in the previous years		
- balance sheet exposures	(8,527,045)	(6,316,178)
- off-balance sheet exposures	(708,395)	(708,394)
	(9,235,440)	(7,024,572)
Additional provision for potential losses to be set aside as appropriation of retained earnings		
- balance sheet exposures	1,871,175	609,462
- off-balance sheet exposures	429,670	-
	2,300,845	609,462

The absorption of additional provision for potential losses to be set aside as appropriation of retained earnings is disclosed in Note 28.

Pursuant to the regulations of the National Bank of Serbia, except for allowance for impairment, the Parent Bank is obligated to form additional provisions from retained earnings for risk-weighted assets in the aggregate amount of RSD 10,398,220 thousand. The total amount of provisions for potential losses to be set aside as appropriation of retained earnings for balance sheet assets as of December 31, 2010 amounted to RSD 1,871,175 thousand.

Based on the regulations of the National Bank of Serbia for guarantees and contingent liabilities the Parent Bank is obligated to allocated from profit the total of RSD 1,138,065 thousand. In earlier profit distributions, the Parent Bank allocated an amount of RSD 708,394 thousand and so at December 31, 2010, the additional provision for potential losses to be set aside as appropriation of retained earnings for off-balance sheet items totaled RSD 429,670 thousand.

The amount of additional provision for potential losses to be set aside as appropriation of retained earnings of RSD 2,300,845 thousand (December 31, 2009: RSD 609,462 thousand), the Parent Bank will allocate from current year profit upon a Decision issued by the Parent Bank’s Assembly.

Pursuant to the regulations prescribed by the Republic of Srpska Banking Agency, special reserves for credit losses are formed based on the Decision on Amendments and Supplements to the Decision on Minimum Criteria for Credit Risk Management and Asset Classification in Banks (RS Official Gazette number 136/2010). A bank cannot allocate profit to other purposes or pay dividends, awards or bonuses to the members of the Bank’s bodies, or make any other disbursements from profit until outstanding reserves for credit losses legally required are covered. Special reserve formed by Komercijalna banka a.d., Banja Luka, as of December 31, 2010 totaled RSD 38,010 thousand.

The regulations of the Central Bank of Montenegro do not require from banks to form special reserves for potential losses.

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

10. NET GAINS ON THE VALUATION OF ASSETS AND LIABILITIES

	Year Ended December 31, 2010	2009
Gains on the valuation of:		
- placements and receivables	13,927,347	9,993,182
- securities	29,082	17,385
- liabilities	621,556	260,544
	14,577,985	10,271,111
Losses on the valuation of:		
- placements and receivables	3,868,758	3,113,108
- securities	11,123	9,532
- liabilities	2,129,387	1,145,584
- property and equipment (Note 21)	9,955	-
- derivatives	45,549	-
	6,064,772	4,268,224
	8,513,213	6,002,887

Gains/losses from the valuation of placements comprise the effect of contractually-agreed foreign currency clauses used as a hedge.

Gains/losses from the valuation of securities mostly relate to foreign savings deposit bonds issued by the Republic of Serbia and trading shares of banks and enterprises.

Gains/losses from the valuation of liabilities comprise the effect of accounting for risk hedges in the form of contractually-agreed foreign currency clauses applied to deposits from customers.

Losses on the valuation of derivatives of RSD 45,549 thousand relate to the monthly fair value adjustment of the contractually-agreed SWAP with UBS AG Zurich.

The effects of valuation adjustments are performed by the Group at each month end during the business year and as of the transaction date.

11. STAFF COSTS

	Year Ended December 31, 2010	2009
Salaries	2,279,642	2,155,030
Benefits to salaries	530,533	461,614
Taxes on salaries and benefits	423,654	399,952
Contributions to salaries and benefits	715,770	634,808
Wages and benefits earned by temporary and seasonal employees	88,674	130,834
Other staff costs	58,635	51,697
	4,096,908	3,833,935

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

12. INCOME TAXES

Each Group member determines income taxes in accordance with the regulations. The taxes determined are not subject to tax consolidation, but disclosed separately.

12.1. Komercijalna banka a.d., Beograd

a) Components of Income Tax

	December 31, 2010	December 31, 2009
Current income tax	(157,343)	(111,951)
Differed tax expense	(114,567)	(76,868)
	(271,910)	(188,819)

b) Numerical Reconciliation between Tax Expense and the Product of the Accounting Results Multiplied by the Applicable Tax Rate

	December 31, 2010	December 31, 2009
Profit before tax	2,791,964	2,055,495
Income tax at the statutory tax rate of 10%	279,196	205,549
Tax effects of expenses not recognized in the tax balance	11,774	7,232
Tax effects of net capital gains	(415)	407
Tax effects of depreciation calculated for tax and for accounting purposes	15,140	11,163
Tax effects of transfer prices	5,720	156
Income reconciliation tax effects	3,270	(605)
Tax credits used in the current year	(157,343)	-
Tax effect adjustment (deferred tax assets and liabilities)	114,568	(35,083)
Tax effect stated in the income statement	(271,910)	(188,819)
Effective interest rate	5.64	5.45

Input taxes for the year 2010 totaled RSD 111,951 thousand based on obligatory monthly payment as defined in the Corporate Income Tax Law. To settle current income tax, the Bank used the total amount of RSD 111,951 thousand, whereas the difference of RSD 45,392 thousand must be paid before the submission of the tax balance.

c) Components of Deferred Tax Assets / (Liabilities)

	Tax Assets	Tax Liabilities	Net Tax Effect
Opening balance at January 1, 2010	172,675	(63,459)	109,216
Gain on the reversal of tax liabilities (temporary difference between tax and book value of fixed assets)	-	9,957	9,957
Gains on tax assets earned (long-term provisions for employee retirement benefits)	485	-	485
Gains on tax assets earned (impairment of assets)	6,255	-	6,255
Loss on the reversal of tax assets (provisions for litigations)	(8,562)	-	(8,562)
Loss on the reversal of tax credits from capital expenditures	(122,702)	-	(122,702)
Balance at December 31, 2010	48,151	(53,502)	(5,351)

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

12. INCOME TAXES (Continued)

c) Components of Deferred Tax Assets / (Liabilities) (Continued)

12.1. Komercijalna banka a.d., Beograd (Continued)

The calculation of deferred tax liabilities at the rate of 10% to the temporary difference in the value of fixed assets as of December 31, 2010 required the write-off of liabilities in the amount of RSD 9,957 thousand. Tax assets earned based on the increase in provisions for retirement benefits (IAS 19) totaled RSD 485 thousand. The creation of tax assets based on the impairment of assets totaled RSD 6,255 thousand. The decrease in tax assets by the amount used to settle current taxes using a portion of tax credit received based on investment commitments dating from prior years totals RSD 122,702 thousand, where the decrease based on the adjustment of prior year tax credit totaled RSD 35 thousand. The decrease of tax assets based on the reversal of provisions for litigations totaled RSD 8,562 thousand.

Tax assets – from long-term provisions for employee retirement benefits, for litigations and capital expenditures and temporarily unrecognized expenses arising from property impairment:

	2010		2009		
	Amount of Provisions	**Tax Assets**	**Amount of Provisions**	**Tax Assets**	**Loss/ Gains on Changes in Tax Assets**
Long-term provisions for retirement benefit	228,096	22,809	223,254	22,325	484
Tax credit for capital expenditures	-	19,087	-	141,789	(122,702)
Provisions for litigations	243,321	-	254,921	8,562	(8,562)
Assets from impairment of assets	62,551	6,255	-	-	6,255
Total	533,968	48,151	478,175	172,676	(124,525)

Tax liabilities – the difference between tax and book value of fixed assets:

	2010		2009		
	Value of Fixed Assets	**Tax Liabilities**	**Value of Fixed Assets**	**Tax Liabilities**	**Gains on the Reversal of tax Liabilities**
Value based on tax regulations	6,691,231	-	6,665,419	-	-
Book value	7,226,246	-	7,300,006	-	-
Difference	535,015	53,502	634,587	63,459	9,957
Net deferred tax liabilities in the balance sheet	-	(5,351)	-	109,217	-

Unused tax credit as of December 31, 2010 amounted to RSD 19,087 thousands, and was created in 2006.

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12. INCOME TAXES (Continued)

12.2. Komercijalna banka a.d., Budva

a) Components of Income Tax

	December 31, 2010	December 31, 2009
Current income tax	(11,634)	(17,767)
Differed tax (expense)/benefit	(199)	199
	(11,833)	(17,568)

b) Numerical Reconciliation between Tax Expense and the Product of the Accounting Results Multiplied by the Applicable Tax Rate

	December 31, 2010	December 31, 2009
Profit before tax	115,347	128,686
Income tax at the statutory tax rate of 9%	(10,381)	(11,582)
Tax effects of expenses not recognized in the tax balance	(1,452)	(5,986)
Tax effect stated in the income statement	(11,833)	(17,568)
Effective interest rate	10.25	13.64

c) Components of Deferred Tax Liabilities

Deferred tax assets as of December 31, 2010 in the amount of RSD 2,215 thousand are associated with a taxable temporary difference between the tax base at which business premises and other fixes assets are recognized in the tax balance and their carrying amounts.

12.3. Komercijalna banka a.d., Banja Luka

a) Components of Income Tax

	December 31, 2010	December 31, 2009
Receivables for prepaid income taxes (input tax)	25,543	17,410
	25,543	17,410

b) Numerical Reconciliation between Tax Expense and the Product of the Accounting Results Multiplied by the Applicable Tax Rate

	December 31, 2010	December 31, 2009
Profit before tax	27,638	10,701
Income tax at the statutory tax rate of 10%	2,764	1,070
Tax effects of expenses not recognized in the tax balance	(66,940)	(45,007)
Tax effect stated in the income statement	-	-
Effective interest rate	-	-

c) Components of Deferred Tax Liabilities

The Bank had no deferred tax liabilities or assets as of December 31, 2010.

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

12. INCOME TAXES (Continued)

12.4. KomBank Invest a.d., Beograd

KomBank Invest a.d., Beograd stated negative financial result in its income statement and its tax balance and tax return for the year 2010 do not state income tax liability.

12.5. Group

Gains and losses from the movements in deferred tax assets and deferred tax liabilities

	December 31, 2010	**December 31, 2009**
Profit from generation of deferred tax assets and decrease in deferred tax liabilities	16,780	8,338
	16,780	8,338

The calculation of tax liabilities at the statutory tax rate applied to the temporary difference in the value of fixed assets as of December 31, 2010 required the decrease of liability by the amount of RSD 9,957 thousand.

Deferred tax assets generated from the increase in provisions for retirement benefits (IAS 19) totals RSD 568 thousand.

Deferred tax assets generated from the impairment of assets totals RSD 6,255 thousand.

	December 31, 2010	**December 31, 2009**
Losses on the decrease in deferred tax assets and generation of deferred tax liabilities	131,467	85,044
	131,467	85,044

The decrease in deferred tax assets by the direct settlement of current income taxes using the portion of tax credit allowed for capital investments made in prior years totals RSD 122,667 thousand, while the decrease based on the adjustment of tax credit carryforward allowed for the disposal of fixed assets totals RSD 35 thousand.

The decrease in deferred tax assets based on the reversal of provisions for litigations totals RSD 8,562 thousand.

The calculation of deferred tax liabilities to the temporary difference in the value of fixed assets as of December 31, 2010 required an increase in liabilities by RSD 203 thousand.

13. CASH AND CASH EQUIVALENTS

	December 31, 2010	**December 31, 2009**
Cash on hand:		
- in dinars	1,665,393	1,551,839
- in foreign currency	1,817,114	1,663,154
Gyro account	11,733,730	19,471,997
Foreign currency accounts with foreign banks	7,784,266	6,830,422
Other cash assets:		
- in foreign currency	230,547	87,627
Cheques in the course of collection	23,791	29,773
Gold and other precious metals	99	99
	23,254,940	29,634,911

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

13. CASH AND CASH EQUIVALENTS (Continued)

The Bank's required reserve represent the minimum deposits set aside in accordance with the NBS Regulation on the "Decision on Required Reserves of Banks with the National Bank of Serbia" Pursuant to the relevant decisions published in the Republic of Serbia Official Gazettes numbered 116/2006, 3/2007, 31/2007, 93/2007, 35/2008, 94/2008, 100/2008, 107/2008, 110/2008, 112/2008, 12/2009, 39/2009, 44/2009, 47/2009, 111/2009, 12/2010 and 78/2010, the Parent Bank is obligated to calculate and allocate required reserve at the 5% rate to the dinar basis. Required reserve in dinars is allocated onto the Parent Bank's gyro account. The Parent Bank has to maintain the average daily balance of required reserve in dinars in the amount equaling the calculated dinar required reserve.

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

Interest rate applied to allocated resources found on the regular account used for required reserves in 2010 totaled 2.5% annually. In 2010, the Bank maintained the average monthly balance in the amount of required reserve in dinars, i.e. required reserves in dinars were not used at any time. On these grounds, the Parent Bank realized interest income of RSD 411,747 thousand.

14. REVOCABLE LOANS AND DEPOSITS

	December 31, 2010	December 31, 2009
Required reserve in foreign currency with the National Bank of Serbia	44,733,951	36,499,602
Revocable deposits and required reserve with the Central Bank of Montenegro and Republic of Srpska	3,507,056	2,053,482
Placements based on repurchase transactions with the National Bank of Serbia	200,000	11,500,000
	48,441,007	50,053,084

14.1. Komercijalna banka a.d., Beograd

In accordance with the Decisions of the National Bank of Serbia published in Official Gazettes numbered 116/2006, 3/2007, 31/2007, 93/2007, 35/2008, 94/2008, 100/2008, 107/2008, 110/2008, 112/2008, 12/2009, 39/2009, 44/2009, 47/2009, 111/2009, 12/2010 and 78/2010, the Bank is under obligation to calculate and allocate required reserve in foreign currency.

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

Starting from the April 18 – May 17, 2010 and ending with the January 18 – February 17, 2011 maintenance period, banks shall keep the average daily balance of allocated foreign currency required reserves at least at the level of the reference foreign currency required reserves, in any maintenance period in which the calculated foreign currency required reserves are lower than the reference foreign currency required reserves.

Reference foreign currency required reserve equals the calculated required reserve in euros as of March 17, 2010. Foreign currency required reserve does not accrue interest.

14. REVOCABLE LOANS AND DEPOSITS (Continued)

14.1. Komercijalna banka a.d., Beograd (Continued)

During 2010, based on the Decision on Required Reserves of Banks with the National Bank of Serbia, the Bank allocated a certain portion of its foreign currency reserve in dinars at its gyro account and the amount of it is determined based on reference foreign currency required reserve. Also, the Bank decreased foreign currency required reserve in dinars by 25% of the increase in long-term housing loans insured with the National Mortgage Insurance Corporation.

In 2010, the Bank earned income from repurchase transactions performed with the National Bank of Serbia in the amount of reference interest rate ranging from 8.00% to 11.50%.

14.2. Komercijalna banka a.d., Budva

The amount of obligatory reserve maintained by this Bank was calculated and allocated pursuant to the Decision on Reserve Requirements for Banks to Be Held with the Central Bank of Montenegro ("Official Gazette of Montenegro," nos. 5/2008, 15/2009 and 41/2009) requiring that banks set aside obligatory reserve by applying the 10% rate.

The obligatory reserve is to be calculated by applying the aforementioned rate to the amount of average deposits on a weekly basis, two days prior to the expiration of the maintenance period. The bank allocates obligatory reserve amount onto the account of obligatory reserves held in the country and/or on the accounts the Central Bank held abroad, where up to 25% of obligatory reserve may be allocated by blocking Montenegro treasury bills. To the amount of 25% of allocated funds, the Central Bank pays interest at the rate of 1% annually by the eighth day of the month for the month before.

According to the Decision on Reserve Requirements for Banks to Be Held with the Central Bank of Montenegro, required reserves are calculated to the average amount of deposits from the first accounting period in June 2009 However, banks are not obligated to allocate additional resources to increase the base.

Out of the total funds allocated thereto, 50% may be used to maintain daily liquidity at an interest rate of 11% annually if funds are nor restored in the course of the same date. The Bank did not make use of resources of required reserves in 2010.

14.3. Komercijalna banka a.d., Banja Luka

Pursuant to the decision of the Central Bank of Bosnia and Herzegovina regarding reserve requirements, the Bank has to calculate and maintain an obligatory reserve of the average balance of the Bank's total deposits (which serve as a basis for computing the obligatory reserve) according to the average balance found at the end of work days of ten calendar days preceding the projection. The obligatory reserve is calculated as the sum of 14% of the total deposits maturing within a year and 7% with over one year maturities. This reserve is available for liquidity purposes. The Central Bank of BiH accrues and pays interest at the rate from 0.20% - 0.65% to the amount of obligatory reserve, while the amount of resources exceeding the calculated obligatory reserve accrues interest at the rate determined as the average of interest rates realized over the same period by the Central Bank on the market based on its up-to-one month deposits. The Bank did not make use of resources of required reserves in 2010.

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15. RECEIVABLES ARISING FROM INTEREST, FEES AND COMMISSION, TRADE AND OTHER RECEIVABLES

	December 31, 2010	December 31, 2009
Interest receivables		
- in dinars	2,088,080	1,620,655
- in foreign currency	574,684	399,198
Fee and commission receivables:		
- in dinars	149,286	110,896
- in foreign currency	18,407	5,023
Rentals receivable	347,154	255,974
Other receivables	10,566	80
***Less*: Allowance for impairment**	(1,789,589)	(1,372,671)
	1,398,588	1,019,155

The movements on the allowance account were the following:

	December 31, 2010	December 31, 2009
Balance, January 1	1,372,671	1,007,432
Charge for the year (Note 9)	1,431,171	746,560
Reversal of provisions (Note 9)	(970,372)	(319,096)
Foreign exchange differences	32,298	19,418
Write-offs	(43,876)	(49,025)
Other changes	(32,303)	(32,618)
Balance, December 31	1,789,589	1,372,671

16. LOANS AND DEPOSITS TO CUSTOMERS

	December 31, 2010	December 31, 2009
Dinar loans to customers		
Transaction accounts	3,660,268	4,330,257
Consumer loans	5,361,637	5,762,627
Working capital loans	25,308,849	21,771,975
Export loans	8,124,450	4,854,755
Investment loans	26,715,739	17,399,922
Housing loans	24,221,737	19,257,795
Other loans	36,004,472	37,688,234
	129,397,152	111,065,565
Foreign currency loans to customers		
Loans for the payment of goods imported and services received from aboard	6,097,570	4,527,151
Loans for the purchase of immovables	2,346,458	2,318,065
Overnight loans	749,825	9,209
Other loans	21,365,113	16,357,657
	30,558,966	23,212,082
Foreign currency deposits to customers	14,408,593	295,583
Total loans and deposits	174,364,711	134,573,230
***Less*: Allowance for impairment**	(11,150,444)	(10,014,506)
	163,214,267	124,558,724

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

16. LOANS AND DEPOSITS TO CUSTOMERS (Continued)

The movements on the allowance for impairment are the following:

	December 31, 2010	December 31, 2009
Balance, January 1	10,014,506	9,231,828
Charge for the year (Note 9)	10,812,745	7,097,948
Reversal of provisions (Note 9)	(9,777,756)	(6,007,962)
Foreign exchange differences	329,452	189,458
Write-offs	(260,933)	(532,424)
Other movements	32,430	35,658
Balance, December 31	11,150,444	10,014,506

Loans to Customers

During 2010, loans up to one year in dinars and in foreign currency were approved for the period from one month to one year at interest rates ranging monthly from 0.33% to 2.50% per month.

Loans with over one month maturities denominated in dinars and in foreign currency were approved for a period of maximum 30 years at an annual interest rate ranging from 3% to 27%.

Loans in dinars hedged by indexing the dinar exchange rate to EUR (or CHF) were revalued in accordance with respective loans agreements.

The revaluation effects were credited or charged to gains/losses on the valuation of placements.

Loan application processing fees ranged from 0.05% to 1% of the amount of loan approved depending on the loan maturity period.

Collaterals securing the regular loan repayment were the following: deposits, mortgages, pledges, bills of exchange and contractual authorizations.

The economic sector risk concentration of total short-term and long-term loans to customers presented in their net amount was as follows:

	December 31, 2010	December 31, 2009
Agriculture, hunting, forestry, water management and fishing	3,512,245	4,049,715
Ore and stone extraction	28,952,236	22,705,781
Electric power, gas and water production and supply	3,368,297	999,370
Civil engineering	9,257,108	6,470,527
Wholesale and retail and motor vehicle repair	30,059,946	27,188,110
Hotels and restaurants, traffic, storage and communication	6,602,534	5,856,620
Real estate activities, rental and related business activities	4,230,165	6,492,544
State administration and defense, obligatory social insurance	4,620,511	2,553,465
Education, health and social work	-	391,011
Foreign legal entities and foreign banks	19,296,828	-
Citizens	47,598,124	41,204,280
Financial brokering	3,869,932	1,089,851
Other	1,846,341	5,557,450
	163,214,267	124,558,724

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16. LOANS AND DEPOSITS TO CUSTOMERS (Continued)

The management of Group members recorded provisions for all estimated or known credit risks as of the date of issuing the consolidated financial statements. The Group's loan portfolio contains a number of customers that are involved in the privatization and/or restructuring processes, which are expected to result either partial or complete settlement of receivables payable to the Group members. The receivables from such customers are classified based on most recent available information on their financial situation, and the expected course of their respective restructuring processes. If these measures do not secure the settlement of liabilities towards the Group members, receivables of the Group members are mostly collateralized by mortgages assigned over property held by debtors, as well as pledges on movables or fiduciary liens. In the event that such attempts of collection prove to be unsuccessful. In the case that the debt recovery actions undertaken by the Group's members' management are unsuccessful, additional amounts of allowances for impairment and provisions for contingent liabilities would be required in the forthcoming reporting periods.

17. SECURITIES

	December 31, 2010	December 31, 2009
Dinar denominated trading securities		
- shares of banks in dinars	1,312	3,892
- shares of corporate entities in dinars	13,527	14,684
	14,839	18,576
Dinar denominated securities available for sale		
- shares of banks in dinars	3,493	385,587
- corporate bonds	102,165	-
- Republic of Serbia commercial bills	17,927,384	-
	18,033,042	385,587
Dinar denominated securities held to maturity		
- corporate bonds	110,773	129,446
- bonds of the Republic of Serbia	94,469	-
	205,242	129,446
Foreign currency denominated trading securities		
- Republic of Serbia foreign currency savings bonds	109,105	33,237
	109,105	33,237
Foreign currency denominated held'-to-maturity securities		
- treasury bills of the Republic of Montenegro Government	84,399	76,711
	84,399	76,711
Less: Allowance for impairment	(262)	(337)
	18,446,365	643,220

The movements on the allowance for impairment were as follows:

	December 31, 2010	December 31, 2009
Balance, January 1	337	53
Charge for the year (Note 9)	331	348
Reversal of provisions (Note 9)	(406)	(65)
Other	-	1
Balance, December 31	262	337

At December 31, 2010, the market value of trading securities portfolio totaled RSD 123,944 thousand (December 31, 2009: RSD 51,813 thousand) out of which dinar denominated trading securities account for RSD 14,839 thousand and foreign currency denominated trading securities total RSD 109,105 thousand.

As of December 31, 2010, investments in shares available for sale mostly, in the amount of RSD 17,927,384 thousand, related to investments in Republic of Serbia commercial bills, as well as bonds of the entity Tigar a.d., Pirot in the amount of RSD 102,165 thousand and RSD 3,493 thousand relate to investments made in shares of AIK banka a.d., Niš.

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

17. SECURITIES (Continued)

As of December 31, 2010, the Republic of Serbia treasury bills of RSD 17,927,384 thousand were purchased by the Parent Bank for the period from 3 to 18 months at an interest rate ranging from 5.25% to 15.00% annually.

At December 31, 2010, the Parent Bank held coupon bonds of A first issue of the business entity Tigar a.d., Pirot in the amount of RSD 102,165 thousand maturing within 5 years at an interest rate of 7.75% annually.

As of December 31, 2010, the number 1,051 of shares issued by banks with their market value equaling RSD 3,323 thousand fully relates to the shares of AIK banka a.d., Niš. In 2010, the Parent Bank sold 177,161 shares of AIK banka a.d., Niš, and on these basis realized gains on sales of RSD 53,720 thousand.

Securities held to maturity – corporate bonds of RSD 110,773 thousand entirely relate to the sixth issue of bonds by the entity B92 a.d., Beograd, accruing interest at the rate of 0.75% and maturing by June 2011, purchased based on the Decision enacted by the Parent Bank's Executive Board on June 15, 2010.

Securities held to maturity – bonds of the Republic of Serbia were purchased by KomBank Invest a.d., Beograd maturing within 6 months for the amount of RSD 94,469 thousand.

As of December 31, 2010, trading securities comprise shares of corporate entities totaling RSD 13,527 thousand which mostly relate to Veterinarski zavod a.d., Subotica (RSD 3,395 thousand), Metalac a.d, Gornji Milanovac (RSD 1,952 thousand), Energoprojekt Holding a.d., Beograd (RSD 1,756 thousand), Galenika Fitofarmacija a.d., Zemun (RSD 1,731 thousand), Sojaprotein a.d, Bečej (RSD 1,646 thousand), Messer Tehnogas a.d., Beograd (RSD 1,137 thousand), DIN fabrika duvana a.d., Niš (RSD 628 thousand) and shares of the following banks Jubmes banka a.d, Beograd (RSD 842 thousand) and Univerzal banka a.d., Beograd (RSD 470 thousand).

Foreign currency denominated securities held to maturity totaled RSD 84,399 thousand (EUR 800 thousand) as of December 31, 2010 and were associated with treasury bills of the Government of Montenegro maturing on March 1, 2011 and 8,000 treasury bills with the par value of EUR 100. The Interest is earned on these securities at the rate of 3.85% annually.

18. EQUITY INVESTMENTS (INTERESTS)

	December 31, 2010	December 31, 2009
Equity investments in dinars:		
- banks and financial institutions	151,799	134,169
- enterprises and other legal entities	439,262	469,242
- foreign entities	125,874	129,836
Less: Allowance for impairment	(371,757)	(371,757)
	345,178	361,490

Equity investments in banks and financial institutions relate to Euroaxis bank, Moscow in the amount of RSD 78,387 thousand, AIK banka a.d., Niš in the amount of RSD 69,361 thousand, Jubmes banka a.d., Beograd in the amount of RSD 2,177 thousand and Union banka a.d., Beograd in the amount of RSD 1,874 thousand.

Equity investments in enterprises mainly refer to the following business entities: 14. oktobar a.d, Kruševac amounting to RSD 324,874 thousand, Dunav osiguranje a.d., Beograd amounting to RSD 49,820 thousand, RTV Politika d.o.o., Beograd amounting to RSD 37,634 thousand and Politika a.d., Beograd amounting to RSD 18,643 thousand.

Equity investments in foreign entities are mainly associated with the company VISA Inc, USA totaling RSD 104,386 thousand and Master card, USA totaling RSD 21,427 thousand.

The allowance for impairment of other equity investments of RSD 371,757 thousand relates to the impairment of 100% of cost for those equity investments that do not have a market value out of which, an amount of RSD 324,874 thousand relates to "14. Oktobar" a.d., Kruševac and an amount of RSD 37,634 thousand is associated with "RTV Politika" d.o.o., Beograd.

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

18. EQUITY INVESTMENTS (INTERESTS) (Continued)

The movements on the allowance for impairment are as follows:

	December 31, 2010	December 31, 2009
Balance, January 1	371,757	381,729
Charge for the year (Note 9)	-	12,193
Reversal of provisions (Note 9)	-	(22,038)
Other	-	(127)
Balance, December 31	371,757	371,757

19. OTHER PLACEMENTS

	December 31, 2010	December 31, 2009
Other placements in dinars:		
- Purchased placements – factoring	127,159	19,935
- Placements for acceptances, bills of guarantees and payments made upon guarantees called	910,701	821,468
- Bills of exchange	808,503	1,362,182
- Other	7,248	68,949
	1,853,611	2,272,534
Less: Allowance for impairment	(777,647)	(733,123)
	1,075,964	1,539,411
Other placements in foreign currency:		
- Placements for acceptances, bills of guarantees and payments made upon guarantees called	563,473	178,572
- Covered letters of credit and other sureties	541,599	437,369
- Other placements with banks	1,610,954	1,406,086
- Other placements with other enterprises	623,917	567,087
- Other	9,298	6,825
	3,349,241	2,595,939
Less: Allowance for impairment	(2,080,390)	(1,844,329)
	1,268,851	751,610
	2,344,815	2,291,021

The movements on the allowance for impairment are as follows:

	December 31, 2010	December 31, 2009
Balance, January 1	2,577,452	2,516,096
Charge for the year (Note 9)	714,878	1,576,724
Reversal of provisions (Note 9)	(611,122)	(1,423,779)
Foreign exchange differences	206,916	42,139
Write-offs	(30,064)	(133,112)
Other movements	(23)	(616)
Balance, December 31	2,858,037	2,577,452

As of December 31, 2010, bills of exchange issued by enterprises totaling RSD 612,549 thousand, were discounted over the period from 30 to 325 days at an interest rate from 1.00% to 2.40% charged annually. Other bills of exchange entail bills of exchange due for collection in the amount of RSD 195,954 thousand.

Within other placements with banks denominated in foreign currencies, the principal portion relates to receivables from Jugobanka a.d., Beograd in bankruptcy dating from prior years of RSD 1,297,209 thousand, fully provided for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

20. PROPERTY, EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

	Land	Buildings	Leasehold Improvements	Leased Property and Equipment	Investments Property	Equipment and Other Assets	Assets under Construction	Total Property and Equipment	Intangible Assets
Cost									
Balance, January 1, 2009	1,177	4,400,347	183,014	161,771	2,350,178	2,297,334	108,363	9,502,184	393,991
Additions	-	547	-	-	-	46,060	279,215	325,822	129,403
Transfer of fixed assets under construction	-	21,147	97,385	-	-	203,740	(322,272)	-	-
Transfer from investment property	-	396,394	-	-	(396,394)	-	-	-	-
Sale and disposal	-	(54,247)	-	-	(6,155)	(183,730)	-	(244,132)	-
Foreign exchange fluctuations	-	15,169	-	-	-	22,178	97	37,444	6,212
Balance, December 31, 2009	1,177	4,779,357	280,399	161,771	1,947,629	2,385,582	65,403	9,621,318	529,606
Balance, January 1, 2010	1,177	4,779,357	280,399	161,771	1,947,629	2,385,582	65,403	9,621,318	529,606
Additions	-	5,817	-	-	-	46,265	258,843	310,925	291,827
Transfer of fixed assets under construction	-	17,290	42,871	-	-	213,869	(274,030)	-	-
Transfer from investment property and leases	-	618,451	-	(124,515)	(618,451)	124,515	-	-	-
Sale and disposal	-	(12,084)	(18,595)	-	-	(60,410)	-	(91,089)	-
Transfer from assets held-for-sale	-	-	-	-	-	-	-	(1,030)	-
Foreign exchange fluctuations	-	20,058	-	-	(1,030)	35,241	-	55,299	8,791
Balance, December 31, 2010	1,177	5,428,889	304,675	37,256	1,328,148	2,745,062	50,216	9,895,423	830,224
Accumulated depreciation and amortization									
Balance, January 1, 2009	-	425,419	25,692	95,851	140,956	1,186,104	-	1,874,022	58,337
Charge for the year	-	83,364	42,101	27,016	40,499	321,144	-	514,124	94,533
Sale and disposal	-	(7,191)	-	-	-	(176,459)	-	(184,247)	-
Transfers	-	23,680	-	-	(597)	-	-	-	-
Foreign exchange fluctuations	-	1,731	-	-	(23,680)	9,271	-	11,002	2,580
Balance, December 31, 2009	-	527,003	67,793	122,867	157,178	1,340,060	-	2,214,901	155,450
Balance, January 1, 2010	-	527,003	67,793	122,867	157,178	1,340,060	-	2,214,901	155,450
Charge for the year	-	99,585	49,232	23,143	23,243	345,424	-	540,627	144,921
Transfer of fixed assets	-	-	-	-	-	-	-	-	-
Transfer from investment property and leases	-	49,791	-	(115,407)	(49,791)	115,407	-	-	-
Sale and disposal	-	(3,368)	(8,835)	-	-	(56,263)	-	(68,571)	-
Other	-	-	-	-	(105)	560	-	560	-
Foreign exchange fluctuations	-	3,426	-	-	-	18,625	-	22,051	4,916
Balance, December 31, 2010	-	676,437	108,190	30,603	130,525	1,763,813	-	2,709,568	305,287
Net Book Value:									
- December 31, 2010	1,177	4,752,452	196,485	6,653	1,197,623	981,249	50,215	7,185,855	524,937
- December 31, 2009	1,177	4,252,354	212,606	38,904	1,790,451	1,045,522	65,403	7,406,417	374,156

Translation of the auditors' report issued in the Serbian language.

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

20. PROPERTY, EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS (Continued)

As of December 31, 2010, the Group stated investment property in the amount of RSD 1,197,623 thousand comprised of leased buildings.

As of December 31, 2010, rental income earned totaled RSD 77,361 thousand (Note 7), whereas total cost of renting premises totaled RSD 36,117 thousand:

Building	Area in m2	Total Expenses	Total Rental Income	Net Profit
Belgrade, Makedonska 29	7,168.91	35,977	77,236	41,259
Kruševac, Balkanska 8	55.72	140	125	(15)

As of December 31, 2010, the Group used equipment with the net book value of RSD 6,653 thousand obtained under finance lease agreement whereas total finance lease liabilities as of December 31, 2010 totaled RSD 2,155 thousand.

In 2010, buildings with the net book value of RSD 568,660 thousand were transferred from investment property to buildings.

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

As a result of incomplete land registers, as at December 31, 2010, the Parent Bank did not have proof of ownership for 16 buildings stated in the net book value of RSD 1,259,049 thousand. The Parent Bank's management has taken all actions necessary to obtain the appropriate property titles for these buildings.

As at January 1, 2005, the Parent Bank recognized revaluation effects (based on a valuation performed by an independent and certified appraiser) for property owned by the Parent Bank. In the future, the Parent Bank will apply the revaluation model.

Based on the opinion of the expert teams of the Group members, it has been determined that there is no need for independent property valuation for the year 2010.

The management of the Group members believes that the net book value of property and equipment as at December 31, 2010 was stated at its market value.

Based on the annual count, useless fixed assets (equipment) in the net book value of RSD 4,257 thousand were disposed of and derecognized.

21. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of December 31, 2010, the Group's non-current assets held for sale totaled RSD 738,605 thousand (December 31, 2009: RSD 149,689 thousand).

The Group is in the process of selling property assessed as unnecessary for further business and a property acquired through an out-of-court settlement with a debtor, Dorćol Inženjering d.o.o., Beograd (value of the building was RSD 636,521 thousand). The Group's management intends to sell all assets that have not been sold in the past year.

Based on the assessment of the fair value of non-current assets held for sale during 2010, the value of two properties decreased by RSD 9,955 thousand (Note 10).

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

22. OTHER ASSETS

	December 31, 2010	December 31, 2009
Other assets held in dinars:		
Advances paid for non-current assets	28,663	3,680
Receivables from employees	3,484	5,254
Prepaid taxes	6,627	940
Receivables for prepaid income taxes	25,543	120,604
Other receivables from operations	2,372,315	198,858
Suspense and temporary accounts	135,025	183,776
Receivables in settlement	1,233,118	339,841
Deferred receivables for accrued interest	173,855	177,168
Deferred receivables for other accrued income	72	126
Deferred expenses for liabilities carried at amortized value by applying the effective interest rate	20,527	-
Deferred other expenses	46,107	60,989
Other prepayments	1,806	792
	4,047,142	1,092,028
Less: Allowance for impairment	(29,897)	(17,181)
	4,017,245	1,074,847
Inventories of material	17,799	13,086
Inventories of tools and fixtures	6,929	5,294
Tangibles received through collection of receivables	1,858,048	1,082,297
Fixtures in use	94,484	142,842
	1,977,260	1,243,519
Less: Allowance for impairment of tangibles received through collection of receivables	(4,812)	-
Less: Allowance for impairment of inventories	(99,425)	(145,930)
	1,873,023	1,097,589
Other assets in foreign currency:		
Receivables from employees	644	695
Other receivables from operations	105,585	393,553
Suspense and temporary accounts	1,379	16,998
Receivables in settlement	314,381	218,985
Deferred receivables for accrued interest	91,753	38,103
Deferred costs of liabilities at amortized value by applying the effective interest rate	1,917	-
Deferred other expenses	19,625	14,199
Other prepayments	601	-
	535,885	682,533
Less: Allowance for impairment	(117,227)	(100,767)
	418,658	581,766
	6,308,926	2,754,202

Other receivables from operations in the total of RSD 2,372,315 thousand principally relate to the receivable from Merkator S d.o.o., Novi Sad, totaling RSD 2,164,293 thousand arising from mortgage lien on the building owned by the Parent Bank's debtor – M Centar Sistem d.o.o., Beograd, for the purpose of collecting a debt based on the Long-Term Agreement closed on July 21, 2008 whereby the Parent Bank allowed a loan to the entity M Centar Sistem d.o.o., Beograd in the amount of EUR 11,000,000 and Annex number 1 extending additional loan of EUR 1,200,000. The Sales Agreement was closed on October 28, 2010. The amount of receivables exceeded the Parent Bank's placements by RSD 839,616 thousand (Note 27), which is the Parent Bank's liability towards Merkator S d.o.o., Novi Sad (RSD 788,638 thousand) as second ranging mortgage debtor towards M Centar Sistem d.o.o., Beograd (RSD 50,978 thousand) for the excess of assets.

Receivables in settlement denominated in dinars of RSD 1,233,118 thousand (December 31, 2009: RSD 339,841 thousand) mostly relate to receivables based on purchases of foreign currencies for banks totaling RSD 843,986 thousand (Note 25) where RSD 742,810 thousand relates to Erste banka a.d., Novi Sad and RSD 101,176 thousand is due from Societe Generale banka a.d., Beograd.

22. OTHER ASSETS (Continued)

On the line item of receivables in settlement, the Group stated a receivable from insurance companies of RSD 373,023 thousand (Note 27) pertinent to collective life insurance of employees of the Parent Company with the insurer – Dunav osiguranje a.d., Beograd.

Tangibles received through collection of receivables – Komercijalna banka a.d., Beograd

Tangibles received through collection of receivables in the net book value of RSD 981,353 thousand pertain to tangibles obtained in 2010 totaling RSD 831,127 thousand and tangibles obtained in prior years of RSD 150,226 thousand. The review of tangibles is provided in the tables below.

Tangibles acquired in the last 12 months

	Area in m²	Value in Thousands of RSD	Date of Acquisition
Buče forest, IV class	82,92 ares	547	26.11.2010.
Yard – grass field,VI class	1 ha i 24,83 ares	337	26.11.2010.
Lisina, grass fields, VII and VIII classes, cultivated land VIII class and a forest of IV class	297,83 ares	1,604	21.12.2010.
Tivat, Mrčevac – residential building, ancillary building, building under construction and a garage	277	5,512	23.12.2010.
NBGD, Milentija Popovića 5b, apartment MZ S2 no.1	87	24,374	24.12.2010.
NBGD, Milentija Popovića 5b, apartment MZ S2 no.2	170	47,627	24.12.2010.
NBGD, Milentija Popovića 5b, apartment MZ S2 no.3	173	48,467	24.12.2010.
NBGD, Milentija Popovića 5b, apartment I S2 no.5	171	47,907	24.12.2010.
NBGD, Milentija Popovića 5b, apartment II S2 no.7	90	25,214	24.12.2010.
NBGD, Milentija Popovića 5b, apartment II S2 no.8	170	47,627	24.12.2010.
NBGD, Milentija Popovića 5b, apartment II S2 no.9	175	49,028	24.12.2010.
NBGD, Milentija Popovića 5b, apartment IV S2 no. 14	170	47,627	24.12.2010.
NBGD, Milentija Popovića 5b, apartment IV S1 no. 15	198	55,471	24.12.2010.
NBGD, Milentija Popovića 5b, apartment VI Sl no. 19	90	25,214	24.12.2010.
NBGD, Milentija Popovića 5b, apartment VI Sl no. 20	195	54,631	24.12.2010.
NBGD, Milentija Popovića 5b, apartment VI Sl no. 21	198	55,471	24.12.2010.
NBGD, Milentija Popovića 5b, apartment VII S2 no. 24	175	49,028	24.12.2010.
NBGD, Milentija Popovića 5b, apartment VIII S2 no. 26	170	47,627	24.12.2010.
NBGD, Milentija Popovića 5b, apartment VIII S2 no. 34	459	95,208	24.12.2010.
NBGD, Milentija Popovića 5b, business premises L3S2	128	46,739	24.12.2010.
NBGD, Milentija Popovića 5b, business premises L4S2	153	55,867	24.12.2010.
Total		831,127	

Tangibles received through collection of receivables within a year totaled RSD 831,127 thousand as of December 31, 2010 and referred to buildings and land (forest) securitizing the Parent Bank's receivables from customers based on loans approved.

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

22. OTHER ASSETS (Continued)

Tangibles received through collection of receivables – Komercijalna banka a.d., Beograd (Continued)

Tangibles acquired in prior periods

	Area in m²	Value per m²	Acquisition Date
Business premises in Novi Pazar, Kej skopskih žrtava 44	82.95	4,343	September 27, 2007
Gnjilica, 7th class agricultural land	26,38 ari	216	June 11, 2008
Hotel Prezident, Čačak, Bulevar oslobođenja no number	2,278.92	127,035	January 21, 2009
Residential building, Čačak ul. Ratka Mitrovića 6	195	3,706	May 12, 2009
Apartment and business building in Čačak, Železnička no number	272.24	13,433	January 21, 2009
Equipment, Valjevo (machines for cutting and tailoring fabrics)		1,205	September 7, 2009
Dairy equipment, Novi Pazar		288	July 24, 2008
Total		150,226	

For the aforementioned properties, the Parent Bank holds ownership titles that are not registered in the land registry. The Parent Bank's management is undertaking actions to sell such property.

In accordance with NBS regulations for material assets received as collection of receivables the Parent Bank is under obligation to dispose of them or to deploy them for its own use within twelve months of the date of acquisition. In the event that the prescribed deadline is exceeded the Parent Bank must make a provision of 100%.

Based on the fair value assessment of tangibles received through collection of receivables during 2010, their value was decreased by RSD 4,812 thousand.

Receivables in settlement denominated in foreign currency total RSD 314,381 thousand mostly relate to spot transactions with UBS AG, Zurich of RSD 194,236 thousand (December 31, 2009: RSD 106,840 thousand). Liabilities thereof are presented in Note 27.

The movements on the allowance for impairment were as follows:

	December 31, 2010	December 31, 2009
Balance, January 1	117,948	54,797
Charge for the year (Note 9)	59,987	198,628
Reversal of provisions (Note 9)	(37,516)	(139,402)
Foreign exchange differences	11,523	4,231
Write-offs	(128)	(234)
Other movements	122	(72)
Balance, December 31	151,936	117,948

22. OTHER ASSETS (Continued)

Tangibles received through collection of receivables – Komercijalna banka a.d., Budva

Tangibles acquired by activating collaterals that securitized receivables with the net book value of RSD 871,883 thousand relate to tangibles acquired in the course of 2010 of RSD 180,464 thousand and tangibles acquired in the prior years of RSD 691,419 thousand. The breakdown of tangibles is provided in the tables below.

Tangibles acquired in the last 12 months

	Area in m²	Value in Thousands of RSD	Date of Acquisition
Podgorica – business premises	594	137,708	27.01.2010.
Cetinje – garage and land	374	1,335	25.05.2010.
Tološi, Podgorica – apartment	61	27,841	31.07.2010.
Vranovići – land	3,131	2,488	01.08.2010.
Budva – apartment	50	11,092	17.08.2010.
Total		180,464	

Tangibles acquired in prior periods

	Area in m²	Value in Thousands of RSD	Date of Acquisition
Danilovgrad – buildings and land	13,099	3,186	09.10.2007.
Podgorica – business premises and land	170	119,336	31.12.2008.
Sutomore – apartments	1,158	89,595	31.01.2009
Kotor Pobrđe – land	30,975	61,375	28.02.2009
Budva – land	709	23,865	31.03.2009
Kovači and Lastva – land	3,720	29,724	30.06.2009
Reževići – apartments	139	35,292	30.06.2009
Podgorica – land	375	14,792	31.08.2009
Podgorica – buildings and land	11,651	20,203	31.10.2009
Ćurilac – buildings and land	17,376	27,481	30.11.2009
Dajbabe – business premises and land	8,879	89,028	28.12.2009
Sutomore – land	432	29,800	03.12.2009
Tološi – apartments i land	195	54,595	07.12.2009
Petrovac – apartments and land	811	63,456	17.12.2009
Reževići – land	547	29,691	17.12.2009
Total		691,419	

The Decision of the Central Bank of Montenegro on Minimum Criteria for Banks' Investments in Immovable Property and Capital Expenditures prescribes that the amount of investments in immovable property and capital expenditures exceeding 40% of the bank's own assets are treated as a deductible in calculating total own funds of a bank. Investments in immovable property do not include assets acquired in lieu of debt settlement in the process of bad debt restructuring, in bankruptcy procedures, liquidation process or in the foreclosure process performed in place of receivable collection, within 2 years from the property acquisition. The regulations of the Central Bank of Montenegro do not prescribe the deadline for the sale of assets received in lieu of debt settlement.

Based on the assessment of the market value of tangibles received through collection of receivables as of December 31, 2010 performed by an independent commission, no impairment losses have come to attention.

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

23. TRANSACTION DEPOSITS

	December 31, 2010	December 31, 2009
Transaction deposits in dinars:		
- sector of finances and insurance	1,780,108	1,054,651
- public companies	2,733,929	1,108,457
- enterprises	7,424,469	9,766,424
- entrepreneurs	1,624,141	1,585,601
- public sector	57,742	64,144
- retail sector	4,162,166	4,401,668
- foreign entities	160,937	109,952
- registered agricultural producers	474,888	455,559
- other customers	1,371,300	920,199
	19,789,680	19,466,655
Transaction deposits in foreign currency:		
- sector of finances and insurance	1,992,215	5,435,761
- public companies	312,071	1,182,681
- enterprises	7,226,971	4,926,063
- entrepreneurs	203,800	150,819
- public sector	446,350	424,085
- retail sector	2,818,127	1,931,886
- foreign entities	1,181,048	765,492
- other customers	345,490	2,201,635
	14,526,072	17,018,422
	34,315,752	36,485,077

Demand deposits in dinars represent balances of transaction deposits of enterprises and other legal entities. Based on the Decision on Interest Rates for the year 2010, these deposits are interest-bearing. Depending on the level of average monthly balance on transaction accounts of customers, interest rate ranges from 0.5% to 2% annually.

Demand deposits of enterprises and non-residents foreign currency denominated are non-interest bearing in the Parent Bank except for specific business arrangements. Other Group members have the rates from 0.25% to 4% annually.

Dinar a vista savings deposits placed by retail customers were deposited at an interest rate of 2.5% annually. Foreign currency a vista savings deposits of retail customers were placed at an interest rate from 0.2% up to 2.5% annually.

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

24. OTHER DEPOSITS

	December 31, 2010	December 31, 2009
Other dinar deposits:		
Savings deposits	1,178,300	1,129,736
Deposits for loans approved	371,298	95,106
Special purpose deposits	847,464	165,687
Other deposits		
- sector of finances and insurance	1,021,082	4,432,043
- public companies	1,590,304	2,606,254
- enterprises	17,658,194	16,664,575
- entrepreneurs	26,500	55,076
- public sector	49,390	1,244,186
- retail sector	6,246	3,520
- foreign entities	1,000	1,000
- other customers	5,514,148	120,640
	28,263,926	26,517,823
Other foreign currency deposits:		
Revocable deposits	355,429	-
Savings deposits	122,155,201	94,441,513
Deposits for loans approved	2,976,967	1,226,205
Special purpose deposits	2,114,505	1,454,734
Other deposits		
- sector of finances and insurance	8,117,481	4,220,471
- public companies	5,276,642	5,532,597
- enterprises	5,474,465	4,834,204
- entrepreneurs	9,557	44,696
- public sector	1,252,639	2,056,570
- citizens	341,788	225,440
- foreign entities	33,455	235,798
- other customers	1,939,566	2,514,691
	150,047,695	116,786,919
	178,311,621	143,304,742

In 2010, short-term dinar deposits of enterprises were placed at an interest rate ranging between the reference interest rate less 2.75 percentage points and the reference interest rate less 0.5 percentage points annually, depending on the maturity date.

Short-term foreign currency deposits of enterprises were placed at an interest rate ranging between 0.25% and 6.2% annually.

Long-term dinar deposits of enterprises were placed at an interest rate determined by the amount of reference interest rate of the National Bank of Serbia on an annual level, whereas those denominated in foreign currency accrue interest at the rate of 0.28% to 6.2% annually.

Short-term retail deposits in dinars were placed at interest rates ranging from 8% to 10.00% annually, whereas those denominated in foreign currency accrue interest at rates ranging from 0.8% to 7.5% annually.

Long-term retail deposits in dinars were placed at interest rates ranging from 11.00% to 12.00% annually, whereas those denominated in foreign currency accrue interest at rates ranging from 0.4% to 8.5% annually.

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

25. BORROWINGS

	December 31, 2010	December 31, 2009
Borrowings received in dinars:		
Overnight loans	13,680	77,464
Long-term borrowings from the National Bank of Serbia	2,183	3,275
	15,863	80,739
Other financial liabilities	4,200	164
	20,063	80,903
Borrowings received in foreign currency:		
Loans received from banks and other financial institutions	432,139	87,812
Other financial liabilities in foreign currencies	904,930	98,405
	1,337,069	186,217
.		
	1,357,132	267,120

Other financial liabilities in foreign currency totaling RSD 904,930 thousand mostly pertained to liabilities arising in connection with the purchase and sale of foreign currencies with banks in the amount of RSD 843,986 thousand (Note 22) settled within two days towards Erste banka a.d., Novi Sad in the amount of RSD 738,488 thousand and towards Societe Generale banka a.d, Beograd in the amount of RSD 105,498 thousand (Note 22).

26. PROVISIONS

The movements on provisions for potential losses as per the off-balance sheet items and retirement benefits were as follows:

	December 31, 2010	December 31, 2009
Off-balance sheet items		
Balance, January 1	448,303	470,955
Charge for the year (Note 9)	293,052	364,971
Reversal of provisions (Note 9)	(327,534)	(387,816)
Foreign exchange differences	210	193
Balance, December 31	414,031	448,303
Provisions for retirement benefits		
Balance, January 1	253,290	345,088
Charge for the year (Note 9)	7,193	-
Reversals during the year	(152)	(92,588)
Other	1,755	790
Balance, December 31	262,086	253,290
Provisions for litigations		
Balance, January 1	255,215	285,348
Charge for the year (Note 9)	12,917	-
Use of provisions	-	(17,605)
Reversal of provisions (Note 9)	(24,500)	(12,528)
Other	30	-
Balance, December 31	243,662	255,215
	919,779	956,808

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

27. OTHER LIABILITIES

	December 31, 2010	December 31, 2009
Dinar denominated liabilities:		
Accounts payable	157,333	162,818
Advances received	538,376	281,562
Finance lease liabilities	2,155	29,440
Other accounts payable	864,084	23,963
Liabilities in settlement	60,817	856,114
Temporary and suspense accounts	(97,810)	(61,876)
Other liabilities to employees	5,224	5,541
	1,530,179	1,297,562
Accruals in dinars out of which:		
- liabilities to deferred income	40,834	44,405
- other accrued expenses	11,317	42,245
- deferred interest income	97,627	41,057
- receivables at amortized value calculated by applying effective interest rate	731,564	598,222
- other income	101,222	428,021
- prepayment for loans to retail customers	322,271	508,059
- life insurance liabilities	373,023	-
- other accruals	2,307	1,632
	1,680,165	1,663,641
Other foreign currency liabilities:		
Accounts payable	27,746	14,114
Advances received	23,749	26,553
Liabilities for commission business – loan facilities	7,716,561	4,568,506
Liabilities in settlement	537,331	354,531
Temporary and suspense accounts	47,911	149,177
Other liabilities	103	514
	8,353,401	5,113,395
Accruals in foreign currency out of which:		
- liabilities for deferred income	2,267,791	1,420,744
- other accrued expenses	123,472	80,928
- other accruals	252,891	97,656
	2,644,154	1,599,328
	14,207,899	9,673,926

Liabilities arising from advances received in dinars relate to advances from the Republic of Serbia Development Fund for subsidizing interest rates applied to loans to retail customers, corporate customers and entrepreneurs of RSD 212,701 thousand, advances received from the Ministry of Agriculture, Water Management and Forestry of RSD 100,947 thousand, advances received from the Ministry of Environment and Spatial Planning for subsidized interest for loans approved for apartment building of RSD 219,809 thousand while the amount of RSD 4,919 thousand pertains to other advances received.

Other accounts payable mostly relate to the Parent Bank's liability arising from the sold mortgage lien of RSD 839,616 thousand (Note 22).

Deferred interest income in dinars of RSD 97,627 mainly relates to an amount collected in advance based on interest subsidized by the Ministry of Economy and Regional Development for residential loans insured with the National Mortgage Insurance Corporation of RSD 75,870 thousand.

Deferred liabilities based on life insurance of RSD 373,023 thousand (Note 22) are associated with collective life insurance of the Parent Bank's employees with the insurance company Dunav osiguranje a.d., Beograd based on the Agreement closed on December 29, 2003 and Annexes to the Agreement dating from 2004 and 2005 in the amount of mathematical reserve based on the actuary's calculation for the period of 10 years.

Liabilities in settlement of RSD 537,331 thousand mainly relate to the outstanding payment based on receipts from abroad in foreign currency amounting to RSD 261,061 thousand, as well as liabilities arising from spot transactions with UBS AG, Zurich totaling RSD 194,315 thousand.

27. OTHER LIABILITIES (Continued)

Liabilities arising from commission operations in foreign currency totaling RSD 7,716,561 thousand (December 31, 2009: RSD 4,568,506 thousand) are associated with the following loan facilities:

- Liabilities towards the Republic of Serbia based on a borrowing from the European Investment Bank for financing projects of small and medium sized enterprises, as well as financing infrastructural projects of municipalities of small and medium scope of RSD 2,844,518 thousand (December 31, 2009: RSD 1,061,785 thousand). The relevant Agreement was executed between the Group and the National Bank of Serbia on May 11, 2009 The applicable interest rate totals 3M Euribor + 0.4% p.a.+ 0.5% margin for the National Bank of Serbia. The breakdown of loons is provided in the following table:

					December 31, 2010		December 31, 2009	
Creditor	Approval Date	Maturity Date	Currency	Amount of Loan Approved in Currency	In Currency	In Thousands of RSD	In Currency	In Thousands of RSD
EIB GLOBAL	June 15, 2003	Dec 15, 2021	EUR	25,847,646	9,790,781	1,032,910	11,073,082	1,061,785
	Jan 20, 2010	Feb 20, 2022	EUR	2,000,000	2,000,000	210,996	-	-
EIB APEX 3	March 29, 2010	Sept 29, 2019	EUR	8,470,936	8,470,936	893,669	-	-
	June 21, 2010	June 21, 2020	EUR	6,701,000	6,701,000	706,943	-	-
				43,019,582	26,962,717	2,844,518	11,073,082	1,061,785

- Liabilities towards the Republic of Serbia based on the loans from the Republic of Italy for financing projects of small and medium-sized enterprises of RSD 1,335,888 thousand (December 31, 2009: RSD 1,482,363 thousand). The Agreement signed between the Parent Bank and the National Bank of Serbia on July 14, 2005 maturing on July 14, 2016. The 1% interest rate as defined in the Agreement is applied to the balance outstanding.

- Liabilities towards EFSE SERBIA (European Fund for South East Europe) of RSD 3,164,945 thousand (December 31, 2009: RSD 1,917,777 thousand) based on a line facility of EUR 30 million. The interest rate defined in the Agreement governing the loan facility EESE B.V.1 equals 6M Euribor + 3.75% p.a. The interest rate defined in the Agreement governing the loan facility EFSE B.V. 2 equals 6M Euribor + 2.85% p.a. The breakdown of loans is provided in the table below:

					December 31, 2010		December 31, 2009	
Creditor	Approval Date	Maturity Date	Currency	Amount of Loan Approved in Currency	In Currency	In Thousands of RSD	In Currency	In Thousands of RSD
	July 15, 2009	Sept 22, 2014	EUR	6,000,000	6,000,000	632,989	6,000,000	575,333
EFSE SERBIA B.V.1	Sept 30, 2009	Sept 22, 2014	EUR	7,000,000	7,000,000	738,487	7,000,000	671,222
	Dec 30, 2009	Sept 22, 2014	EUR	7,000,000	7,000,000	738,487	7,000,000	671,222
EFSE SERBIA B.V.2	Oct 5, 2010	March 22, 2018	EUR	5,000,000	5,000,000	527,491	-	-
	Dec 30, 2010	March 22, 2018	EUR	5,000,000	5,000,000	527,491	-	-
				30,000,000	30,000,000	3,164,945	20,000,000	1,917,777

27. OTHER LIABILITIES (Continued)

- Liabilities arising from borrowings from Italian and German banks for financing imports of goods of RSD 41,702 thousand (December 31, 2009: RSD 74,918 thousand). The interest rate equals 6M Euribor + 0.75% p.a. The breakdown of loans is provided in the table below:

Creditor	Approval Date	Maturity Date	Currency	Amount of Loan Approved in Currency	December 31, 2010 In Currency	December 31, 2010 In Thousands of RSD	December 31, 2009 In Currency	December 31, 2009 In Thousands of RSD
B. Monte Dei P.di Siena	Oct 3, 2005	Oct 3, 2010	EUR	285,698	-	-	57,140	5,479
	March 16, 2006	March 16, 2011	EUR	329,425	32,943	3,475	98,828	9,476
	July 21, 2006	July 21, 2011	EUR	539,839	107,968	11,390	215,936	20,706
	Nov 20, 2006	Nov 21, 2011	EUR	278,241	55,648	5,871	111,296	10,672
	July 13, 2007	July 13, 2012		321,759	128,704	13,578	193,055	18,512
	Dec 21, 2007	Dec 21, 2012	EUR	175,084	70,034	7,388	105,050	10,073
				1,930,046	395,297	41,702	781,305	74,918

- Liabilities towards the Republic of Serbia based on a loan obtained from the European Agency for Reconstruction and Development of RSD 4,642 thousand (December 31, 2009: RSD 23,547 thousand) was approved on March 6, 2003 and matures on July 25, 2012 at an interest rate of 3M Euribor + 1.5% p.a.
- Liabilities towards the Republic of Montenegro based on loans from the European Investment Bank intended for small and medium-sized enterprises totaling RSD 316,495 thousand.
- Other borrowings are associated with the Paris and London Club of Creditors aggregated to RSD 6,810 thousand (December 31, 2009: RSD 5,993 thousand), and the Fund for financing the increase in employment, accounting for RSD 1,561 thousand (December 31, 2009: RSD 2,123 thousand).

28. EQUITY

The Parent Bank's share capital as of December 31, 2010 totaled RSD 13,881,010 thousand (December 31, 2009: RSD 9,082,820 thousand) and comprises 870,931 common shares, 479,819 convertible priority shares and 37,351 priority shares having the par individual value of RSD 10 thousand.

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

Based on the Decision on the 21st share issue of priority shares convertible into common shares without public offering, in 2010, the Parent Bank issued shares in the total volume of RSD 4,798,190 thousand, i.e. 479,819 shares were issued, having individual par value of RSD 10 thousand. The new share issue was realized on January 20, 2010, with the realized share premium of RSD 6,601,829 thousand.

At December 31, 2010, the Parent Bank had the total of 1,808 shareholders or 1,181 common share holders, 623 priority share holders and 4 convertible priority share holders (December 31, 2009: 1,262 holders of common shares and 602 holders of priority shares).

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

28. EQUITY (Continued)

The structure of the Parent Bank's common shareholders at December 31, 2010 was the following:

Shareholders	Common Share Number	% Interest
Republic of Serbia	370,989	42.60
EBRD, London	217,773	25.00
Artio int. equity fund New York	41,505	4.77
Jugobanka a.d. Beograd in bankruptcy	32,160	3.69
Kompanija Dunav a.d., Beograd	29,558	3.39
Evropa osiguranje a.d., Beograd in bankruptcy	24,942	2.86
INVEJ d.o.o., Beograd	23,000	2.64
Other	131,004	15.05
	870,931	100.00

The structure of the Parent Bank's shareholders, according to their convertible priority shares, at December 31, 2010 was the following:

Shareholders	Common Share Number	% Interest
EBRD, London	193,211	40.27
IFC Capitalization fund lp	170,681	35.57
DEG – Deutsche ingestions	77,285	16.11
Swedfund international aktiebo	38,642	8.05
	479,819	100.00

The structure of the Parent Bank's priority shareholders at December 31, 2010 was the following:

Shareholders	Priority Shares	% Equity Interest
NLB customers	3,565	9.54
Privredna banka Zagreb d.d.	1,859	4.98
Politika a.d., Beograd	1,824	4.88
Jugobanka in bankruptcy a.d., Beograd	1,809	4.84
Other shareholders	28,294	75.76
	37,351	100.00

The basic earnings per share totaled RSD 2,850 or 28.5% for a common share par value.

Diluted earnings per share totaled RSD 1,874 thousand or 18.74% to the par share value.

Based on the decision of the Parent Bank's Assembly, in 2010, other reserves were reallocated to special reserves for potential losses against balance sheet assets in the amount of RSD 360,868 thousand, and the difference of RSD 1,850,000 thousand was charged from 2009 profit.

Revaluation reserves relate to profits from the increase in the value of property based on the valuation performed by an independent appraiser in 2005 and profit from the valuation of securities available for sale.

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

28. EQUITY (Continued)

Based on the regulations of the National Bank of Serbia, gains on the realized revaluation reserves from fixed assets in 2010 were recognized within prior year retained earnings in the aggregate amount of RSD 39,787 thousand.

In 2010, based on the decision of the Parent Bank's Assembly the distribution of stated cumulative retained earnings was executed as follows:

- dividends for priority shares for 2009	44,822
- Parent Bank's reserves	1,850,000
- awards from profit for members of management and other Parent Bank's employees	90,000

During 2010, based on the Decision enacted by the Assembly of Komercijalna banka a.d., Budva the accumulated retained earnings were allocated into the Group's reserves in the amount of RSD 125,887 thousand.

In 2010, based on the Assembly Decision of Komercijalna banka a.d., Banja Luka profit was distributed in the amount of RSD 11,773 thousand.

Capital Adequacy and Ratios Prescribed by the Law on Banks

The capital adequacy ratio of the Group, according to the methodology of the National Bank of Serbia, as of December 31, 2010 totaled 18.73%.

The Group is bound to reconcile the scope of its business operations with the Law on Banks. As of December 31, 2010, all ratios were reconciled with the prescribed ratios.

The Parent Bank is required to maintain a minimum capital adequacy ratio of 12%, as established by the NBS. As of December 31, 2010, the Group's capital adequacy ratio was 17.14% which is above than the NBS prescribed minimum.

The Parent Bank is also required to maintain certain ratios pertaining to the volume of its activities and composition of risk assets in compliance with the Law on Banks and with the NBS requirements. As of December 31, 2010, all ratios pertaining to the volume of its activities and composition of risk assets were within their prescribed limits.

Komercijalna banka a.d., Budva is bound to maintain the minimum capital solvency ratio of 10% as determined by the Central Bank of Montenegro. The solvency ratio as of December 31, 2010, calculated as the proportion of the amount of risk-weighted capital and total risk-weighted assets, totaled 45.61% according to the methodology prescribed by the Central Bank of Montenegro.

Komercijalna banka a.d., Banja Luka is under obligation to maintain minimum capital adequacy ratio of 12% as determined by the Republic of Srpska Banking Agency. As of December 31, 2010, the capital adequacy ratio totaled 37.1%.

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

29. OFF-BALANCE-SHEET ITEMS

	December 31, 2010	December 31, 2009
a) Management funds		
- in dinars	4,264,921	3,980,859
	4,264,921	3,980,859
b) Guarantees, sureties, collaterals and commitments		
Payment guarantees:		
- in dinars	5,191,312	3,352,777
- in foreign currency	4,547,296	4,365,204
	9,738,608	7,717,981
Performance bonds:		
- in dinars	4,164,229	3,297,211
- in foreign currency	602,139	319,452
	4,766,368	3,616,663
Bill of guarantees and acceptances		
- in dinars	216,889	304,535
	216,889	304,535
Irrevocable letters of credit		
- in foreign currency	1,051,309	656,689
	1,051,309	656,689
Commitments and irrevocable commitments for undrawn loans and placements:		
- in dinars	5,121,319	3,003,692
- in foreign currency	658,700	354,393
	5,780,019	3,358,085
Other irrevocable liabilities	83,262	26,983
Unused portion of approved dinar overdrafts	7,128,730	7,009,554
Other	25,365	99,019
	28,790,550	22,789,509
Derivatives		
- in dinars	1,054,982	-
	1,054,982	-
c) Other off-balance sheet items		
Receivables from suspended interest	919,099	776,637
Equity securities	76,010,335	14,474,537
Republic of Serbia treasury bills	18,856,990	-
Bonds	8,736,772	19,024,301
Other debt securities	3,010,240	957,521
Other commitments and irrevocable liabilities from guarantees	4,728,528	4,474,844
Cheques	14,798	30,907
Letters of credit and other amounts from foreign exchange operations	451,801	726,975
	112,728,563	40,465,722
Total off-balance sheet items	146,839,016	67,236,090

Managed funds mostly, in the amount of RSD 2,164,067 thousand, relate to assets for commission long-term residential loans extended to retail customers and resources in the name and for the account of the Republic of Serbia. Other managed funds relate to commission loans of the City of Belgrade and assets received from foreign grantors for micro loans.

Total estimated provision for potential losses on off-balance sheet items as in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” was formed in the amount of RSD 414,031 thousand (Note 26).

As of December 31, 2010 and 2009, there were no liabilities arising from forward foreign exchange operations.

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

29. OFF-BALANCE-SHEET ITEMS (Continued)

As of December 31, 2010, the Bank had contractually agreed SWAP transactions with UBS AG Zurich bank for the amount of EUR 10 million or RSD 1,054,982 thousand as translated to dinars at the official middle exchange rate as of the balance sheet date.

During 2010, the Group experienced net increase in suspended interest of RSD 142,462 thousand comprised of:

a) increases:	
• Newly suspended interest	82,300
• Resuming the accrual of interest previously suspended	107,360
• Exchange rate differences	17,649
	207,309
b) decreases:	
• Write-off	63,232
• Collection (Note 9)	1,615
	64,847
	142,462

The increase in other off-balance sheet items in 2010 mostly relates to the portfolio of securities based on custody operations performed on behalf of the Republic of Serbia Share Fund based on the Agreement signed in 2010 and assumed securities portfolio of three brokering companies which discontinued their operations in 2010.

30. RELATED PARTY TRANSACTIONS

Gross and net remunerations to management and members and Management Board, Executive Board and Audit Committee of Group members in 2010 and 2009 were as follows:

	December 31, 2010	December 31, 2009
Gross remunerations		
Management	121,632	105,646
Net remunerations		
Management	95,786	83,703
Gross remunerations		
Board of Directors, Supervisory Board, Executive Board and Audit Committee	29,919	28,325
Net remunerations		
Board of Directors, Supervisory Board, Executive Board and Audit Committee	23,409	21,851

31. LITIGATION

As of December 31, 2010, the value of litigations filed against the Group totaled RSD 4,459,825 thousand for 54 lawsuits most considerable in individual values. The management of the Group members does not anticipate materially significant losses from litigations in the ensuing period. The Group formed provisions for litigations of RSD 243,662 thousand (Note 26)

In addition, the Group has filed lawsuits against third parties, the major portion of which aggregates to RSD 11,853,959 thousand (466 lawsuits with most significant individual values). The management of the Group members anticipates that most litigations filed will resolve favorably for the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

32. SEGMENT REPORTING

Balance Sheet as of December 31, 2010

	Komercijalna banka a.d., Beograd	Komercijalna banka a.d., Budva	Komercijalna banka a.d., Banja Luka	KomBank Invest a.d., Beograd	Total
ASSETS					
Cash and cash equivalents	20,716,958	2,145,614	392,368	-	23,254,940
Revocable loans and deposits	43,615,232	259,723	4,566,052	-	48,441,007
Receivables arising from interest, fee and commission, trade and other receivables	1,185,242	127,813	67,055	18,478	1,398,588
Loans and deposits to customers	150,566,311	5,179,892	7,468,064	-	163,214,267
Securities (excluding own shares)	18,267,497	84,398	-	94,470	18,446,365
Equity investments (interests) in legal entities other than related parties	345,117	61	-	-	345,178
Other placements	2,308,011	35,171	1,633	-	2,344,815
Intangible assets	467,547	16,611	37,858	2,921	524,937
Property, equipment and investment property	6,820,704	242,967	122,184	-	7,185,855
Non-current assets held for sale and assets of discontinued operations	735,432	-	3,173	-	738,605
Other assets	5,351,683	894,954	62,281	8	6,308,926
Total assets	250,379,734	8,987,204	12,720,668	115,877	272,203,483
LIABILITIES					
Transaction deposits	29,643,593	1,352,640	3,319,519	-	34,315,752
Other deposits	169,428,658	3,416,283	5,466,680	-	178,311,621
Borrowings	923,105	-	434,027	-	1,357,132
Interest, fee and commission payables and fair value adjustments of derivatives	227,924	24,088	495	-	252,507
Provisions	877,386	25,960	16,107	326	919,779
Tax liabilities	13,993	1,577	895	-	16,465
Liabilities from profit	71,256	9,651	-	-	80,907
Deferred tax liabilities	5,351	370	-	66	5,787
Other liabilities	13,604,117	448,288	154,699	795	14,207,899
Total liabilities	214,795,383	5,278,857	9,392,422	1,187	229,467,849
EQUITY					
Capital	28,462,553	-	56	-	28,462,609
Reserves	9,235,440	558,416	74,361	-	9,868,217
Revaluation reserves	663,008	-	-	-	663,008
Unrealized losses on available for sale securities	(15,882)	-	-	-	(15,882)
Retained earnings	2,703,353	261,762	27,637	-	2,967,526
Loss exceeding equity	-	-	-	(25,226)	-
Foreign exchange gains on translation of foreign operations	790,156	-	-	-	790,156
TOTAL EQUITY	41,838,628	820,178	102,054	(25,226)	42,735,634
TOTAL EQUITY AND LIABILITIES	256,634,011	6,099,035	9,494,476	(24,039)	272,203,483
Minority shareholders	-	-	56	-	56
OFF-BALANCE-SHEET ITEMS	144,889,395	786,479	1,163,142	-	146,839,016
Managed funds	4,230,755	34,166	-	-	4,264,921
Future commitments	27,010,517	638,945	1,141,088	-	28,790,550
Derivatives	1,054,982	-	-	-	1,054,982
Other off-balance sheet items	112,593,141	113,368	22,054	-	112,728,563

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010
All amounts expressed in thousands of RSD, unless otherwise stated.

32. SEGMENT REPORTING (Continued)

Income Statement for the Year Ended December 31, 2010

	Komercijalna banka a.d., Beograd	Komercijalna banka a.d., Budva	Komercijalna banka a.d., Banja Luka	KomBank INVEST a.d., Beograd	Total
Interest income	15,496,926	588,506	626,023	7,568	16,719,023
Interest expense	(7,969,602)	(111,518)	(265,060)	-	(8,346,180)
Net interest income	**7,527,324**	**476,988**	**360,963**	**7,568**	**8,372,843**
Fee and commission income	4,422,219	121,315	150,268	4,907	4,698,709
Fee and commission expense	(530,132)	(32,681)	(38,103)	(3,222)	(604,138)
Net fee and commission income	**3,892,087**	**88,634**	**112,165**	**1,685**	**4,094,571**
Net gains on the sale of securities carried at fair value through profit and loss	11,499	-	-	40	11,539
Net gains on the sale of securities available for sale	53,720	-	-	-	53,720
Net gains on the sale of other placements	393	-	-	3,308	3,701
Foreign exchange gains	-	13,900	10,123	183	-
Foreign exchange losses	7,141,042	-	-	-	7,116,836
Dividend and other income from equity investments	2,951	-	-	-	2,951
Other operating income	158,480	145,296	1,838	45	305,659
Income from impairment losses and provisions	-	-	-	152	-
Expenses from impairment losses and provisions	1,416,354	137,694	27,405	-	1,581,301
Staff costs	3,647,396	217,371	218,916	13,225	4,096,908
Depreciation and amortization	596,057	34,395	53,968	1,128	685,548
Operating and other expenses	4,246,734	198,793	255,324	5,010	4,705,861
Gains on the valuation of assets and liabilities	14,577,270	-	-	715	14,577,985
Losses on the valuation of assets and liabilities	6,064,582	-	-	190	6,064,772
Profit from operations	**3,111,559**	**136,565**	**-**	**-**	**3,171,743**
Loss from operations	**-**	**-**	**70,524**	**5,857**	**-**
Income taxes	157,343	11,634	-	-	168,977
Gains on the generated deferred tax assets and decrease of deferred tax liabilities	16,697	83	-	-	16,780
Loss on the decrease in deferred tax assets and generated deferred tax liabilities	131,264	199	-	4	131,467
PROFIT	**2,839,649**	**124,815**	**-**	**-**	**2,888,079**
LOSS	**-**	**-**	**70,524**	**5,861**	**-**
Minority interests	-	-	1	-	1

Translation of the auditors' report issued in the Serbian language.

33. RISK MANAGEMENT

Background

Undertaking of risk is at the core of the banking business and is of considerable significance for continued profitability of a bank. Risk is an inseparable part of banking and is managed through a process of continued identification, measurement, monitoring, minimizing and setting of risk limits and through other types of control, including reporting within the set objectives of the banking affiliation Komercijalna banka a.d., Beograd (hereinafter: the "Parent Bank").

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

Objectives and Principles of Risk Management

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

- Risk Management Objectives and Principles,
- Risk Management Policies and Procedures,
- Special Instructions for Managing Individual Risks,
- Methodologies for Managing Individual Risks.

Risk Management Objectives and Principles set out:

- Specific definitions of risks used in the Group,
- Long-term objectives related to an acceptable risk profile and exposure,
- Approaches to individual types of risks,
- Types of risk limits that the Group will use,
- Principles for organizing risk management,
- Principles of capital adequacy assessment.

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

- Organizing of operation of a separate organizational unit for risk management in the entire Parent Bank and Group members.
- Establishing explicit and clear rules for managing individual types of risks, with an associated set of policies and procedures for managing individual types of risks, with appropriate activity objectives at the Group level.
- Making business decisions based on quantitative and qualitative analyses that use applicable risk parameters.
- Collection of complete, timely and trustworthy data associated with risk management and provision of adequate resources for data storage and processing.
- Development of a quantitative modeling mechanism that allows simulation and/or analysis of performance change measurement in business and market environments for the profile of the Group's risk exposure and further influence on the Group's liquidity, profitability and net value.

Policies and procedures for managing certain risk types define, in greater detail, the process of managing risks, identification, measurement, minimizing and risk monitoring.

Competencies

The Board of Directors is authorized and responsible for establishing a uniform risk management system in the Parent Bank and in the Group and for monitoring such system, adopting policies and procedures for risk management, as well as monitoring whether the actions taken are in accordance with the adopted policies and procedures.

33. RISK MANAGEMENT (Continued)

Competencies (Continued)

The Executive Board is authorized and responsible for the process of identification, assessment (estimation), monitoring and control of risks to which the Parent Bank and the Group are exposed, as well as for the implementation of risk management policies and procedures.

The Audit Committee is authorized and responsible for continued monitoring of application of risk management policies and procedures in the Parent Bank and the Group, and for implementing the internal control system.

The Asset Liability Management Committee is authorized and responsible for monitoring the Parent Bank's and the Group's risk exposure resulting from the structure of its receivables, payables and off-balance sheet items, and proposes measures for managing interest and liquidity risks. Each Group member has a committee in charge of asset and liability management.

The Credit Committee is responsible for maintaining the Parent Bank's optimal exposure to credit risk. Each Group member has a Credit Committee deciding within its own the competences and limits.

The Receivables Collections Committee of the Parent Bank is authorized and responsible for managing risk-weighted placements; it makes decisions on the write-off of risk-weighted loans up to set limits of authorization and recommends write-off of loans to the Executive Board and Board of Directors through its limits of authorization. The Credit Committees of the Group members decide on risk weighted placements.

The Risk Management Organizational Unit in the Parent Bank is authorized and responsible for risk management on a Group level, professional implementation of models and methodologies for identifying, measuring, monitoring and controlling risks, and for reporting of risk exposure, as well as for implementing risk management procedures on a Group level.

The Asset Management Division of the Parent Bank is responsible for managing assets and liquidity, the bank assets and liabilities, their overall financial structure, and is primarily responsible for the Parent Bank's liquidity risk, interest rate risk and foreign currency risk.

The Internal Audit Division is authorized and responsible for continued monitoring of implementation of risk management policies and procedures at Group level, and tests the adequacy of procedures and the Group's compliance with them. Internal Audit reports its findings and recommendations to the Audit Committee and the Board of Directors. The members of the Group have organizational sectors for risk management, asset management and internal audit.

Risk Measurement and Reporting

The Group measures risk exposure using methods that reflect expected losses that can arise under normal circumstances, and unexpected losses that represent an estimate of the ultimately realized loss based on statistical models. These models use probabilities that are based on historical experience. The Group also simulates scenarios that could arise in the event that extreme events do actually occur for which the probability of occurrence is not very high. Risk monitoring and control is based on limits that are set by the Group. They in turn depend on business strategy and the business environment, as well as on the level of risk that the Group is ready to accept. Risk management reports are regularly submitted to: the Group's Board of Directors, Executive Board, Audit Committee, Asset Liability Management Committee and Credit Committee, and they contain all the information required for risk assessment and reaching of conclusions about the Group's risks. The Group members submit monthly reports to the organizational unit of the Parent Bank in charge of risk management.

Types of Risk s

In its business operations, the Group is exposed to the following risks in particular: credit risk, liquidity risk, market risk and operational risk. Market risk comprises currency risk, interest rate risk and other market risks. The process of independent control of risks does not include business risks such as changes in the environment, technology and industry, which are controlled via the Group's strategic planning process.

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

33. RISK MANAGEMENT (Continued)

Maximum Risk Exposure

The following table presents gross financial instruments (assets and liabilities) of the Group as at December 31, 2010, including off-balance sheet items:

Maximum risk exposure (gross)

	December 31, 2010	December 31, 2009
Monetary assets	**276,923,716**	**223,316,319**
Cash and cash equivalents	23,254,940	29,634,911
Revocable deposits and loans	48,441,007	50,053,084
Interest, fee and commission receivables and other receivables	3,188,177	2,391,826
Loans and advances to customers	174,364,711	134,573,230
Securities	18,446,627	643,557
Other placements	5,202,852	4,868,473
Other assets	4,025,402	1,151,238
Monetary liabilities	**223,603,141**	**186,256,902**
Transaction deposits	34,315,752	36,485,077
Other deposits	178,311,621	143,304,742
Borrowings	1,357,132	267,120
Interest, fee and commission payable	252,507	189,962
Other liabilities	9,366,129	6,010,001
Monetary off-balance sheet items	**30,894,381**	**23,677,206**
Payment guarantees	9,738,608	7,717,981
Performance bonds	4,766,368	3,616,663
Acceptances and sureties	216,889	304,535
Irrevocable letters of credit	1,051,309	656,689
Irrevocable commitments	12,908,749	10,367,639
Receivables for derivatives	1,054,982	-
Other	1,157,476	1,013,699

Credit Risk

Credit risk represents the risk of negative effects on the Group's financial result and capital arising from the customer's inability to settle its matured liabilities to the Group. The Group's credit risk is conditioned by the credit rating of its debtors, their discipline in settling liabilities towards the Group as well as the quality of collaterals obtained against exposures. It is the Group's business policy to ensure the maximum protection against credit risk exposure.

The Group monitors the following risks:

- Default risk - the risk of loss that may arise if a debtor fails to settle liabilities toward the Group;
- Downgrade risk - the risk of loss that may arise if a risk level of a debtor is downgraded (deterioration of in the customer credit rating) on the line items of assets that are recorded in the banking book;
- Risk of change in the value of assets - the risk of loss that may arise on assets items that are recorded in the banking book in the event of a decline in their market value compared to the price at which assets were acquired;
- Residual risk i.e. risk that the techniques used to alleviate credit risk be less effective than expected, i.e. risk that the value of collaterals called upon, could be below their initially assessed amount;
- Counterparty risks - risks that can arise from the Group's exposure toward a single individual, a group of related parties or to entities that are associated with the Group.
- Country risk – relates to the borrower's country of origin and represents the probability of negative effects on the Group's financial result and equity due to the inability to collect receivables from abroad and is caused by political, economic and social conditions in the borrower's country of origin;
- Risk of exposure to industrial sector, geographic areas, type of products and activities, financial instruments, goods, instruments of collaterals.

33. RISK MANAGEMENT (Continued)

Credit Risk (Continued)

The Group manages credit risk both, at customer and related party group level, and at the overall portfolio level. The Group takes measures to guard against credit risk by identifying, measuring, minimizing and monitoring credit risk, both at the level of individual placements and on the overall portfolio level.

The actual process of credit risk management consists of assessment of credit rating and financial position of the customer, assessment of collaterals, linking interest rates to the risk group to which the customer belongs, application of criteria that are defined by the internal rating system, setting limits for approval of placements with particular customers on a Group level, setting limits for approval of placements for organizational units of the Group, different types of investments of the Group, as well as for industrial sectors. It also includes monitoring of collection of receivables during the repayment period, customer monitoring, management of risk-weighted placements, the Group portfolio management, internal and external reporting, conducting of the process of internal assessment of capital adequacy.

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

In decision-making related crediting, irrespective of the decision-making level in the Group, the principle of double control, so-called “four eyes principle”, is observed and ensures that there is always a party that proposes and a party that approves a particular loan.

Besides credit exposures, the Group also has off-balance sheet exposures (various types of callable and performance guarantees, letters of credit) that carry with them contingent liabilities which the Group has for making payments to third parties. For off-balance sheet exposures, the Group uses the same control processes and procedures as for loans risks.

The Group defines exposure limits for individual types of risk with the objective of limiting and minimizing risks to the acceptable levels for the Group’s risk profile. The Group’s exposure limits to individual borrowers are based on the assessment of a borrower’s credit rating. The Group’s exposure limits at portfolio level are directed at limiting exposure concentrations in the portfolio. In case internal limits are exceeded, the Group members deliver an explanation with the proposal of measures to be taken and plan of action, whereas the Parent Bank reports to the Executive Board of the Parent Bank on the subject excess of limits. The Group members are obligated to report to the Parent Bank in case there are extraordinary circumstances in the business operations that may arise due to unfavorable movements in local markets, political and economic crisis and the like.

Credit risk measurement is based on two parallel approaches:

- regulatory approach (in accordance with the regulations of individual members within the Group)
- internal approach (clearly defined on a Group level for the purpose of a unique disclosure of risks to which the Group is exposed).

The approach which is based on internally developed methods assumes that the Group manages portfolio structure in a way that objectively assesses the need to account for placement impairment in accordance with International Accounting Standards (IAS 39 and IAS 37), International Financial Reporting Standards and internal methodology.

The Group has developed an internal rating system which is regularly reviewed and developed.

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

33. RISK MANAGEMENT (Continued)

Downgrade Risk

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

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

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

Overview of exposure per risk categories based on Internal Rating System criteria of the Group

December 31, 2010	Acceptable Risk	Special Watch	Substandard	Total
Cash and cash equivalents	23,254,940	-	-	23,254,940
Revocable deposits and loans	48,441,007	-	-	48,441,007
Interest, fee and commission receivables and other receivables	852,001	294,956	2,041,220	3,188,177
Loans and advances to customers	124,273,295	31,287,586	18,803,830	174,364,711
Securities	18,335,809	110,773	45	18,446,627
Other placements	1,428,149	354,192	3,420,511	5,202,852
Other assets	3,936,018	25,612	63,772	4,025,402
	220,521,219	32,073,119	24,329,378	276,923,716

December 31, 2009	Acceptable Risk	Special Watch	Substandard	Total
Cash and cash equivalents	29,634,911	-	-	29,634,911
Revocable deposits and loans	50,053,084	-	-	50,053,084
Interest, fee and commission receivables and other receivables	742,116	225,876	1,423,834	2,391,826
Loans and advances to customers	98,093,973	21,897,021	14,582,236	134,573,230
Securities	512,068	129,657	1,832	643,557
Other placements	1,247,883	843,615	2,776,975	4,868,473
Other assets	1,070,667	44,863	35,708	1,151,238
	181,354,702	23,141,032	18,820,585	223,316,319

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

33. RISK MANAGEMENT (Continued)

Risk of Change in the Value of Assets

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

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

Key elements in assessing impairment of placements are as follows: overdue payments on principal or interest, does the loan beneficiary have cash flow difficulties, has credit rating deteriorated or has a change occurred in initial terms of contract, etc.

Assessment of Allowance for Impairment of Receivables

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

Individual Assessment

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

Group Assessment

Impairment is assessed on a group basis for placements that are not individually significant and for individually significant placements and advances, when there is no objective evidence of individual impairment. Group assessment is performed monthly by groups that are determined based on internal methodology. Impairment losses are assessed by considering the following information: historical losses in the portfolio, current economic conditions, compensation of impairment.

Impairment of placements is based on assessment of expected future cash flows from doing business with a customer, as well as from collateral realization, if it is assessed that loans can be realistically settled from such assets.

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

Assessment of Provisions for Off-Balance Sheet Items

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

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

Overview of impairment per risk categories:

	Allowance for impairment of balance sheet assets		Provision for losses on off-balance-sheet items	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Rating 1	268,667	42,883	-	-
Rating 2	227,112	264,456	2,449	498
Rating 3	551,837	215,285	12,861	9,761
Rating 4	321,153	500,674	22,365	2,012
Rating 5	14,576,690	13,059,616	376,356	436,032
	15,945,459	14,082,914	414,031	448,303

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33. RISK MANAGEMENT (Continued)

Overview of individual and group assessment of impairment of receivables:

	Neither due nor Impaired	Due, but not Impaired	Impaired	Total Gross Monetary Assets	Individual Allowance for Impairment	Group Allowance for Impairment	Total Allowance for Impairment	Total net Monetary Assets
December 31, 2010								
Cash and cash equivalents	23,254,940	-	-	23,254,940	-	-	-	23,254,940
Revocable deposits and loans	48,441,007	-	-	48,441,007	-	-	-	48,441,007
Interest, fee and commission receivables and other receivables	28,055	142,550	3,017,572	3,188,177	1,175,455	614,135	1,789,590	1,398,587
Loans and advances to customers	34,376,627	205,832	139,782,252	174,364,711	8,230,116	2,920,329	11,150,445	163,214,266
Securities	18,233,689	-	212,938	18,446,627	-	262	262	18,446,365
Other placements	858,151	-	4,344,701	5,202,852	2,733,005	125,032	2,858,037	2,344,815
Other assets	846,627	76	3,178,699	4,025,402	8,662	138,463	147,125	3,878,277
Total monetary assets	126,039,096	348,458	150,536,162	276,923,716	12,147,238	3,798,221	15,945,459	260,978,257

As of December 31, 2010, the allowance for impairment for monetary assets amounted to RSD 15,945,459 thousand (2009: RSD 14,082,914 thousand), whereby the difference in relation to the total allowance for impairment of RSD 376,568 thousand (2009: RSD 371,757 thousand) relates to non-monetary assets.

Overview of assessment of individual and group impairment of receivables:

	Neither due nor Impaired	Due, but not Impaired	Impaired	Total Gross Monetary Assets	Individual Allowance for Impairment	Group Allowance for Impairment	Total Allowance for Impairment	Total net Monetary Assets
December 31, 2009								,
Cash and cash equivalents	29,634,911	-	-	29,634,911	-	-	-	29,634,911
Revocable deposits and loans	50,053,084	-	-	50,053,084	-	-	-	50,053,084
Interest, fee and commission receivables and other receivables	25,350	108,111	2,258,365	2,391,826	912,380	460,292	1,372,672	1,019,154
Loans and advances to customers	47,717,709	252,513	86,603,008	134,573,230	7,523,043	2,491,463	10,014,506	124,558,724
Securities	514,112	-	129,445	643,557	-	336	336	643,221
Other placements	581,142	-	4,287,331	4,868,473	2,423,902	153,550	2,577,452	2,291,021
Other assets	628,803	284	522,151	1,151,238	2,119	115,829	117,948	1,033,290
Total monetary assets	129,155,111	360,908	93,800,300	223,316,319	10,861,444	3,221,470	14,082,914	209,233,405

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

33. RISK MANAGEMENT (Continued)

Structure of due, but not Impaired Monetary Assets

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	181-365 Days	From 1-5 Years	Total
December 31, 2010							
Interest, fee and commission receivables and other receivables	101,495	5,312	118	3,306	28,323	3,996	142,550
Loans and advances to customers	123,909	17,018	181	5,023	59,336	365	205,832
Other placements	60	2	-	-	8	6	76
Total	225,464	22,332	299	8,329	87,667	4,367	348,458
Fair value of collaterals							
- Deposit	22,743	5,991	161	192	155	173	29,415
- Mortgages	93,377	28,420	-	35,119	281,580	21	438,517

	0-30 Days	31-60 Days	61-90 Days	91-180 Days	181-365 Days	From 1-5 Years	Total
December 31, 2009							
Interest, fee and commission receivables and other receivables	100,574	996	290	687	3,594	1,970	108,111
Loans and advances to customers	215,680	3,640	606	2,954	28,742	891	252,513
Other placements	272	1	-	2	8	1	284
Total	316,526	4,637	896	3,643	32,344	2,862	360,908
Fair value of collaterals							
- Deposit	85,031	747	221	425	1,630	104	88,158
- Mortgages	203,887	4,828	-	53,221	739	452	263,127

Default Risk

As a hedge against risk of default in operations performed with customers, each member of the Group undertakes the following measures for settling receivables:

- Out-of-court settlement;
- Seizure of goods and real-estate property in order to collect the Group's receivables;
- Sale of receivable;
- Concluding a contracted with an interested third party;
- Reprogramming or restructuring;
- Initiation of court proceedings and other measures.

In the event that measures undertaken for settling placements, including forced collection and initiation of court proceedings, do not give the desired results, and when it is not possible to collect a receivable in full, recommendation is made for write-off of the remaining part of the Group's receivable.

The Group members reschedule and restructure receivables from customers experiencing certain difficulties in operations:

Rescheduled and restructured receivables	**December 31, 2010**	**December 31, 2009**
Corporate customers	24,056,222	16,749,371
Retail	779,389	71,985
	24,835,611	16,821,356

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

33. RISK MANAGEMENT (Continued)

Tangibles Received through Collection of Receivables

One of the measures taken by the Group to collect its receivables is activation of collaterals.

As of December 31, 2010, the Group possessed property acquired through collection of receivables in the total amount of RSD 1,858,048 thousand, with the fair value of RSD 1,853,236 thousand.

In 2009, the value of assets acquired through collection of receivables amounted to RSD 1,082,297 thousand. The fair value of assets acquired through collection of receivables as of December 31, 2009 amounted to RSD 1,082,297 thousand.

Concentration Risk

The Group controls concentration risk by limiting and monitoring exposures to particular groups, above all by customer and placement types, industrial sectors, geographical areas and borrower's country of origin.

Overview of Exposure per Regions

December 31, 2010	Serbia	Montenegro	BiH	European Union	USA and Canada	Other	Total
Cash and cash equivalents	20,722,451	961,053	191,044	1,317,703	62,689	-	23,254,940
Revocable deposits and loans	43,615,232	259,723	4,566,052	-	-	-	48,441,007
Interest, fee and commission receivables and other receivables	2,559,910	158,334	93,867	20,711	3	355,352	3,188,177
Loans and advances to customers	141,526,200	5,476,826	7,766,916	15,352,938	221,116	4,020,715	174,364,711
Securities	18,362,229	84,398	-	-	-	-	18,446,627
Other placements	4,309,759	36,116	1,633	541,601	-	313,743	5,202,852
Other assets	2,772,179	7,156	22,451	42	320	1,223,254	4,025,402
	233,867,960	6,983,606	12,641,963	17,232,995	284,128	5,913,064	276,923,716

December 31, 2009	Serbia	Montenegro	BiH	European Union	USA and Canada	Other	Total
Cash and cash equivalents	27,390,580	891,420	168,237	1,182,276	2,398	-	29,634,911
Revocable deposits and loans	46,651,225	236,066	3,165,793	-	-	-	50,053,084
Interest, fee and commission receivables and other receivables	2,285,521	51,332	47,478	20	-	7,475	2,391,826
Loans and advances to customers	117,905,892	4,805,127	6,140,848	3,893,775	185,751	1,641,837	134,573,230
Securities	566,845	76,711	-	-	-	1	643,557
Other placements	4,188,879	-	-	437,370	-	242,224	4,868,473
Other assets	768,407	3,923	38,679	185	124	339,920	1,151,238
	199,757,349	6,064,579	9,561,035	5,513,626	188,273	2,231,457	223,316,319

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33. RISK MANAGEMENT (Continued)

Overview of Credit Risk Exposure per Industrial Sectors:

December 31, 2010	Sector of Finance and Insurance	Agriculture	Processing Industries	Electricity	Civil Engineering	Wholesale and Retail	Real-estate Related Activities	Service Industries	Public Sector	Retail and Entrepreneurial Sector	Foreign Customer Sector	Sector of Other Customers	Total
Cash and cash equivalents	23,254,940	-	-	-	-	-	-	-	-	-	-	-	23,254,940
Revocable deposits and loans	48,441,007	-	-	-	-	-	-	-	-	-	-	-	48,441,007
Interest, fee and commission receivables and other receivables	71,635	115,464	1,178,534	2,987	205,016	598,732	88,237	170,500	23,146	247,518	28,884	457,524	3,188,177
Loans and advances to customers	4,018,250	3,816,642	35,733,340	2,688,524	9,511,102	30,944,142	4,975,727	6,931,717	3,267,038	49,764,363	19,720,750	2,993,116	174,364,711
Securities	289,691	45	9,052	-	320	210	110,820	-	18,036,489	-	-	-	18,446,627
Other placements	350,500	64,834	589,846	-	307,833	1,227,838	-	120,945	36,003	17,123	541,599	1,946,331	5,202,852
Other assets	1,257,825	1,159	34,573	340	7,619	2,216,322	16,559	18,012	4,496	128,260	488	339,749	4,025,402
	77,683,848	3,998,144	37,545,345	2,691,851	10,031,890	34,987,244	5,191,343	7,241,174	21,367,172	50,157,264	20,291,721	5,736,720	276,923,716

Translation of the auditors' report issued in the Serbian language.

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

33. RISK MANAGEMENT (Continued)

Overview of Credit Risk Exposure per Industrial Sectors: (Continued)

December 31, 2009	Sector of Finance and Insurance	Agriculture	Processing Industries	Electricity	Civil Engineering	Wholesale and Retail	Real-estate Related Activities	Service Industries	Public Sector	Retail and Entrepreneurial Sector	Foreign Customer Sector	Sector of Other Customers	Total
Cash and cash equivalents	29,634,911	-	-	-	-	-	-	-	-	-	-	-	29,634,911
Revocable deposits and loans	50,053,084	-	-	-	-	-	-	-	-	-	-	-	50,053,084
Interest, fee and commission receivables and other receivables	41,486	101,571	1,125,990	3,054	94,249	490,421	114,808	127,133	13,677	212,038	7,316	60,083	2,391,826
Loans and advances to customers	14,155	4,401,748	29,043,590	323,068	6,723,080	28,389,147	7,146,389	6,089,644	2,213,648	43,022,481	5,935,009	1,271,271	134,573,230
Securities	466,634	87	11,716	-	665	210	131,009	-	33,236	-	-	-	643,557
Other placements	330,697	56,105	465,262	-	798,375	1,554,905	5,663	37,638	-	17,975	437,369	1,164,484	4,868,473
Other assets	331,720	1,710	30,786	277	7,447	42,858	14,712	11,161	20,905	111,081	13,216	565,365	1,151,238
	80,872,687	4,561,221	30,677,344	326,399	7,623,816	30,477,541	7,412,581	6,265,576	2,281,466	43,363,575	6,392,910	3,061,203	223,316,319

Depending on general economic trends and trends in individual industrial sectors, the Group diversifies its investments in industrial sectors that are resistant to the effects of negative trends in the economy.

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33. RISK MANAGEMENT (Continued)

Overview of Credit Risk Exposure per Customer Type:

December 31, 2010	Corporate Customers	Banks	Retail	Total
Cash and cash equivalents	-	23,254,940	-	23,254,940
Revocable deposits and loans	-	48,441,007	-	48,441,007
Interest, fee and commission receivables and other receivables	2,743,751	7,833	436,593	3,188,177
Loans and advances to customers	106,276,074	15,258,674	52,829,963	174,364,711
Securities	18,357,425	89,202	-	18,446,627
Other placements	2,960,465	2,155,635	86,752	5,202,852
Other assets	3,930,862	22,816	71,724	4,025,402
	134,268,577	89,230,107	53,425,032	276,923,716

December 31, 2009	Corporate Customers	Banks	Retail	Total
Cash and cash equivalents	-	29,634,911	-	29,634,911
Revocable deposits and loans	-	50,053,084	-	50,053,084
Interest, fee and commission receivables and other receivables	2,066,782	7,891	317,153	2,391,826
Loans and advances to customers	88,831,497	404,792	45,336,941	134,573,230
Securities	177,366	466,191	-	643,557
Other placements	4,099,031	681,153	88,289	4,868,473
Other assets	754,734	339,430	57,074	1,151,238
	95,929,410	81,587,452	45,799,457	223,316,319

Monetary Off-Balance Sheet Items

In addition to credit exposures, the Group also has off-balance sheet exposures (various types of callable and performance guarantees, letters of credit) that pose contingent liabilities for the Group to make payments to third parties. For off-balance sheet exposures, the Group uses the same control processes and procedures as for loans risks.

Maturity of monetary off-balance-sheet items:

	Payable Guarantees	Performance Bonds	Acceptances	Unsecured Letters of Credit	Irrevocable Commitments	Other	Receivables on Derivatives	Total
December 31, 2010								
Up to one year	6,119,076	2,831,933	2,109	1,051,309	8,608,101	94,063	1,054,982	19,761,573
From 1-5 years	2,928,288	1,828,508	96,576	-	4,231,491	1,024,034	-	10,108,897
Over 5 years	691,244	105,927	118,204	-	69,157	39,379	-	1,023,911
	9,738,608	4,766,368	216,889	1,051,309	12,908,749	1,157,476	1,054,982	30,894,381

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

33. RISK MANAGEMENT (Continued)

Maturity of Monetary Off-Balance Sheet Items: (Continued)

	Payable Guarantees	Performance Bonds	Acceptances	Unsecured Letters of Credit	Irrevocable Commitments	Other	Receivables on Derivatives	Total
December 31, 2009								
Up to one year	5,015,721	2,042,765	6,338	656,689	5,724,160	38,583	-	13,484,256
From 1-5 years	1,976,357	1,508,768	16,457	-	4,637,211	938,613	-	9,077,406
Over 5 years	725,903	65,130	281,740	-	6,268	36,503	-	1,115,544
	7,717,981	3,616,663	304,535	656,689	10,367,639	1,013,699	-	23,677,206

Fair Value of Financial Assets and Liabilities

All loan and deposit agreements comprise a provision from the Decisions on Interest Policy and Interest Rates of the Group members allowing subsequent adjustments of the contractual interest rates which means that the carrying value of monetary assets and liabilities equals their fair market value.

	Carrying Value		Fair Value	
	2010	**2009**	**2010**	**2009**
Monetary assets				
Cash and cash equivalents	23,254,940	29,634,911	23,254,940	29,634,911
Revocable deposits and loans	48,441,007	50,053,084	48,441,007	50,053,084
Interest, fee and commission receivables and other receivables	1,398,587	1,019,154	1,398,587	1,019,154
Loans and advances to customers	163,214,266	124,558,724	163,214,266	124,558,724
Securities	18,446,365	643,221	18,446,365	643,221
Other placements	2,344,815	2,291,021	2,344,815	2,291,021
Other assets	3,878,277	1,033,290	3,878,277	1,033,290
	260,978,257	209,233,405	260,978,257	209,233,405
Monetary liabilities				
Transaction deposits	34,315,752	36,485,077	34,315,752	36,485,077
Other deposits	178,311,621	143,304,742	178,311,621	143,304,742
Borrowings	1,357,132	267,120	1,357,132	267,120
Interest, fee and commission payables	252,507	189,962	252,507	189,962
Other liabilities	9,366,129	6,010,001	9,366,129	6,010,001
	223,603,141	186,256,902	223,603,141	186,256,902

Liquidity Risk

Liquidity or solvency represents the ability of the Group to settle liabilities as these fall due, consequently in short and long term.

Liquidity risk represents the risk of negative effects on the Group's financial result and capital resulting from the Group's inability to settle its matured liabilities. Liquidity risk includes the risk associated with sources of funds and liquidity market risk. The liquidity issue is expressed as a deficit in reserves and difficult or impossible access to liquid assets at a reasonable market price.

33. RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

The Liquidity Committee and the Asset and Liability Management Committee of the Parent Bank are responsible for managing liquidity risk within their competencies, along with other boards/committees of the Group members whose decisions can impact the Group's exposure to this risk. The main aim of the liquidity risk management is the maintenance of an adequate liquidity level so as to regularly and timely settle the Group's liabilities. In order to minimize liquidity risk, the Group:

- Diversifies sources of assets in respect to their currencies and maturities;
- Manages monetary funds;
- Monitors future cash flows and liquidity levels;
- Manages market sources;
- Defines and periodically tests Plans for Liquidity Management in Crisis Situations.

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

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

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

- GAP analysis
- ratio analysis
- cash flow scenarios

Minimizing liquidity risk consists of keeping this risk at a level that is acceptable to the Group's risk profile. With a view to successful liquidity risk management, the Group continually controls movements in the liquidity ratio in order to ensure timely undertaking of measures for maintaining liquidity risk within set internal and external limits.

Liquidity risk monitoring consists of the analyzing the balance, changes and trends in liquidity risk exposure, monitoring the compliance with internally set limits, as well as monitoring the defined measures for minimizing the Group's liquidity risk exposure.

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

The Group determines a risk profile and propensity to liquidity risk, by reference to regulatory and internal exposures limits.

The level of liquidity in the Parent Bank and in the Group members is monitored through liquidity ratio on a daily level. Based on the Group methodology, the Parent Bank and members of the Group reconcile its business operations with liquidity ratio limits on a daily level. The legally prescribed maximums and minimums for this ratio are as follows: 0.8 - when calculated for the working day; minimum 0.9 for longer than three consecutive days, and minimum 1 - when calculated as the average of all working days in a month.

The legally prescribed liquidity ratio:

	2010	2009
As of December 31	2.50	2.83

During 2010, the liquidity ratio was significantly above prescribed limits.

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

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

33. RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Reconciliation with internally defined limits of liquidity as of the last days was as follows:

	Limits	2010	2009
GAP up to 1 month/Total assets	Max (10%)	7.81%	15.39%
Cumulative GAP up to 3 months / Total assets	Max (20%)	(3.16%)	1.99%
Loans and advances to customers/Liabilities to customers	Max 90%	76.27%	69.18%

Maturity structure of monetary assets and monetary liabilities as of December 31, 2010:

	Up to 1 month	From 1 - 3 months	From 3 -12 months	From 1 - 5 years	Over 5 years	Total
Monetary assets						
Cash and cash equivalents	23,254,940	-	-	-	-	23,254,940
Revocable deposits and loans	48,441,007	-	-	-	-	48,441,007
Interest, fee and commission receivables	1,398,587	-	-	-	-	1,398,587
Loans and advances to customers	26,095,199	15,471,692	37,191,367	55,604,565	28,851,443	163,214,266
Securities	1,721,097	994,586	15,647,916	82,766	-	18,446,365
Other placements	1,686,662	454,061	204,092	-	-	2,344,815
Other assets	3,877,574	569	134	-	-	3,878,277
	106,475,066	16,920,908	53,043,509	55,687,331	28,851,443	260,978,257
Monetary liabilities						
Transaction deposits	34,315,752	-	-	-	-	34,315,752
Other deposits	51,164,791	45,503,535	65,966,458	15,156,107	520,730	178,311,621
Borrowings	923,002	5,287	26,735	187,535	214,573	1,357,132
Interest, fee and commission payables	252,507	-	-	-	-	252,507
Other liabilities	2,142,529	3,865	688,025	4,631,178	1,900,532	9,366,129
	88,798,581	45,512,687	66,681,218	19,974,820	2,635,835	223,603,141
Liquidity gap						
As of December 31, 2010	17,676,485	(28,591,779)	(13,637,709)	35,712,511	26,215,608	37,375,116
As of December 31, 2009	32,901,293	(28,874,456)	(25,104,287)	22,830,027	21,223,926	22,976,503

The overview on maturity structure of assets and liabilities presents balance sheet items that are divided by specified maturities from balance sheet date to contractual date of maturity, whereby items are classified by the remaining period to maturity. Therefore a conservative assumption was used where all transaction and call deposits would be withdrawn within one month.

The management of the Parent Bank, in charge of the liquidity risk management, is of the opinion that diversity of deposits by number and type of depositors, as well as previous experience of the Group offer a sound basis for the conclusion that deposits represent a long-term and stable source of financing, and in this respect significant outflow of assets that could jeopardize the Group's liquidity is not expected.

33. RISK MANAGEMENT (Continued)

Market Risk

Market risk represents the possibility of occurrence of negative effects on the Group's financial result and equity due to changes in market variables and comprises interest rate risk, currency risk and other market risks. The Group is exposed to market risks arising on items in the trading book and banking book.

The Group is exposed to interest rate risk, currency risk, risk of securities fluctuations, counterparty risk and risk of settlement related to trading book items. The trading book contains balance sheet and off-balance sheet assets and liabilities related to financial instruments that the Group holds for sale or to hedge other financial instruments that are kept in the book, and which are not subject to trading limitations, nor to limitations on hedging of such items.

The scope competencies of the Assets and Liability Committee include market risk management, shared with other competent boards, whose decisions may impact the Group's exposure to this risk.

Interest Rate Risk

Interest rate risk represents the probability of negative effects on the Group's financial result and equity due to interest rate fluctuations.

Basic objective of interest rate risk management is maintaining the acceptable level of interest rate risk exposure by conducting adequate policy in respect to maturity mismatch of the period passing before reestablishment of interest rates, by reconciling adequate sources with placements according to the type of interest rate and maturity, as well as by the projection of movements in the yield curve on the foreign and domestic market. Primarily, the Group manages the margin of internal yield through the price of loans and deposits focusing on interest rate margin. The Group strives to preserve the economic value of capital.

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

Identification of interest rate risk consists of determining the causes and factors that lead to the occurrence of interest rate risk, which includes determining interest rate risk exposure, as well as interest rate risk exposure arising from new business products and activities. The Group identifies interest rate risk exposure based on the mismatch between items denominated in significant currencies and the total amount of all currencies it operates with.

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

- GAP analysis
- Ratio analysis
- Interest rate fluctuations scenarios.

Minimizing interest rate risk means maintaining this risk at a level that is acceptable for the Group's risk profile. The Group calculates and observes limits of the Group's exposure to interest rate risk with a view to maintain interest rate risk at a level that is acceptable to the Group and to certain Group members. The Group and Group members perform its activities within the set limits. Also, the Group undertakes measures to guard against interest rate risk with a view to maintain interest rate risk within the adopted limits.

Monitoring interest rate risk consists of the process of analyzing the balance, changes and trends in interest rate risk exposure, monitoring of compliance with internally set limits, as well as monitoring of defined measures for minimizing the Group's interest rate risk exposure.

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

The Group determines the risk profile and propensity to interest rate risk by defining internal limits based on internal reports on interest rate GAP encompassing all balance sheet items.

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33. RISK MANAGEMENT (Continued)

Interest Rate Risk (Continued)

The compliance with internally defined interest rate risk limits at the last days was as follows:

	Limits	2010	2009
Relative GAP	Max 15%	(7.64%)	(10.87%)
Mismatch ratio	0.75 – 1.25	0.91	0.87

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

The Report on Interest Rate GAP in monetary assets and liabilities as of December 31, 2010:

	Up to 1 Month	From 1 - 3 Months	From 3 -12 Months	From 1 - 5 Years	Over 5 Years	Interest-Bearing	Non-Interest Bearing	Total
Monetary assets								
Cash and cash equivalents	12,157,101	-	-	-	-	12,157,101	11,097,839	23,254,940
Revocable deposits and loans	4,852,082	-	-	-	-	4,852,082	43,588,925	48,441,007
Interest, fee and commission receivables and other receivables	-	-	-	-	-	-	1,398,587	1,398,587
Loans and advances to customers	54,743,666	16,364,686	25,118,298	44,027,651	22,959,965	163,214,266	-	163,214,266
Securities	1,539,841	963,691	15,526,344	82,766	-	18,112,642	333,723	18,446,365
Other placements	1,193,072	449,922	188,728	-	-	1,831,722	513,093	2,344,815
Other assets	-	-	4	-	-	4	3,878,273	3,878,277
	74,485,762	17,778,299	40,833,374	44,110,417	22,959,965	200,167,817	60,810,440	260,978,257
Monetary liabilities								
Transaction deposits	34,315,752	-	-	-	-	34,315,752	-	34,315,752
Other deposits	56,160,418	39,912,128	66,187,503	15,129,874	509,688	177,899,611	412,010	178,311,621
Borrowings	918,905	432,139	-	-	4,200	1,355,244	1,888	1,357,132
Interest, fee and commission payables	-	-	-	-	-	-	252,507	252,507
Other liabilities	183,027	2,850,704	3,354,607	950,651	61,076	7,400,065	1,966,064	9,366,129
	91,578,102	43,194,971	69,542,110	16,080,525	574,964	220,970,672	2,632,469	223,603,141
Interest rate GAP:								
- At December 31, 2010	(17,092,340)	(25,416,672)	(28,708,736)	28,029,892	22,385,001	(20,802,855)	58,177,971	37,375,116
- At December 31, 2009	(18,884,107)	(27,863,124)	(25,856,939)	18,288,466	29,475,450	(23,840,255)	46,816,757	22,976,503

Currency Risk

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

The basic objectives of managing the Group's currency risk is to maximize return at specified risk levels, to minimize negative effects on financial result, to maintain the required level of capital adequacy and to develop the Group's activities in accordance with business opportunities and market development, all with the objective of achieving a competitive advantage. In order to minimize the currency risk exposure, the Group diversifies the currency structure of its portfolio and currency structure of liabilities, reconciling open positions in certain currencies pursuant to the principles of maturity transformation.

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

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

33. RISK MANAGEMENT (Continued)

Currency Risk (Continued)

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

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

- GAP analysis and ratio of currency risk
- Stress test

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

Currency risk monitoring consists of analyzing the balance, changes and trends in currency risk exposure, making projections of currency risk with a view to minimizing exposure to this type of risk. The Group established monitoring and supervision of matching of items with set limits, as well as monitoring of defined and undertaken measures. Continual monitoring and control of currency risk ensures timely undertaking of measures with a view to maintaining currency risk within set limits.

Currency risk reporting in the Group consists of an internal and external system of reporting, and the Group reports semi-annually and annually to the competent bodies of the Group regarding the currency risk management the a level of individual Group members, following a defined schedule.

The Group determines a risk profile and propensity to risk by defining regulatory and internal exposure limits.

The Group is required to reconcile its business with the prescribed foreign currency risk ratio being the proportion between the total net foreign currency balance and the Group's equity. The Group must make sure that its net foreign currency position does not exceed 20% of equity on a daily level.

An overview of the total currency risk balance and legally defined currency risk ratio as at December 31 of the current and previous years is provided below:

	2010	**2009**
Total currency risk balance	7,626,391	4,950,201
Currency risk ratio	19.93%	19.73%
Legally-defined limit	20%	20%

The table below represents the Group's currency exposure based on the Summary of monetary assets and monetary liabilities per currencies:

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33. RISK MANAGEMENT (Continued)

Currency Risk (Continued)

Summary of Monetary Assets and monetary Liabilities per Currencies as of December 31, 2010:

	EUR	USD	CHF	Other	Total	FX clause	Total	RSD	Total
Assets									
Cash and cash equivalents	6,113,527	2,040,670	289,366	886,908	9,330,471	-	9,330,471	13,924,469	23,254,940
Revocable deposits and loans	37,329,087	6,345,868	-	4,566,052	48,241,007	-	48,241,007	200,000	48,441,007
Interest, fee and commission receivables and other receivables	191,639	-	-	67,055	258,694	-	258,694	1,139,893	1,398,587
Loans and advances to customers	32,624,489	1,599,615	-	492,918	34,717,022	99,924,085	134,641,107	28,573,159	163,214,266
Securities	193,503	-	-	-	193,503	3,896,580	4,090,083	14,356,282	18,446,365
Other placements	725,610	541,607	-	1,633	1,268,850	-	1,268,850	1,075,965	2,344,815
Other assets	119,676	195,672	2	9,839	325,189	2,164,293	2,489,482	1,388,795	3,878,277
	77,297,531	10,723,432	289,368	6,024,405	94,334,736	105,984,958	200,319,694	60,658,563	260,978,257
Liabilities									
Transaction deposits	10,458,756	795,938	291,284	2,090,587	13,636,565	889,500	14,526,065	19,789,687	34,315,752
Other deposits	133,543,731	9,729,158	3,002,004	1,331,428	147,606,321	18,694,740	166,301,061	12,010,560	178,311,621
Borrowings	899,114	2,176	-	3,640	904,930	432,139	1,337,069	20,063	1,357,132
Interest, fee and commission payables	24,307	14	45,550	498	70,369	-	70,369	182,138	252,507
Other liabilities	8,180,756	59,024	14,649	27,312	8,281,741	839,616	9,121,357	244,772	9,366,129
	153,106,664	10,586,310	3,353,487	3,453,465	170,499,926	20,855,995	191,355,921	32,247,220	223,603,141
Open position in derivatives	1,054,982	-	(1,097,292)	-	(42,310)	-	(42,310)	-	(42,310)
Net currency position									
As of December 31, 2010	(74,754,151)	137,122	(4,161,411)	2,570,940	(76,207,500)	85,128,963	8,921,463	28,411,343	37,332,806
As of December 31, 2009	(72,148,507)	347,252	(1,635,531)	1,124,248	(72,312,538)	75,507,382	3,194,844	19,781,659	22,976,503

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33. RISK MANAGEMENT (Continued)

Currency Risk (Continued)

The scenario analysis in the case of increase or decrease of the exchange rate by 15%:

	EUR balance	+ EUR 15%	- EUR 15%	USD balance	+ USD 15%	- USD 15%	CHF balance	+ CHF 15%	- CHF 15%
Assets									
Cash and cash equivalents	6,113,527	7,030,556	5,196,498	2,040,670	2,346,771	1,734,570	289,366	332,771	245,961
Revocable deposits and loans	37,329,087	42,928,450	31,729,724	6,345,868	7,297,748	5,393,988	-	-	-
Interest, fee and commission receivables and other receivables	191,639	220,385	162,893	-	-	-	-	-	-
Loans and advances to customers	126,149,303	145,071,698	107,226,908	1,607,022	1,848,075	1,365,969	6,391,864	7,350,644	5,433,084
Securities	4,090,083	4,703,595	3,476,571	-	-	-	-	-	-
Other placements	725,610	834,452	616,769	541,607	622,848	460,366	-	-	-
Other assets	2,283,969	2,626,564	1,941,374	195,672	225,023	166,321	2	2	2
	176,883,218	203,415,700	150,350,737	10,730,839	12,340,465	9,121,214	6,681,232	7,683,417	5,679,047
Liabilities									
Transaction deposits	11,348,256	13,050,494	9,646,018	795,938	915,329	676,547	291,284	334,977	247,591
Other deposits	152,236,802	175,072,322	129,401,282	9,729,158	11,188,532	8,269,784	3,003,673	3,454,224	2,553,122
Borrowings	1,331,253	1,530,941	1,131,565	2,176	2,502	1,850	-	-	-
Interest, fee and commission payables	24,307	27,953	20,661	14	16	12	45,550	52,383	38,718
Other liabilities	9,020,372	10,373,428	7,667,316	59,024	67,878	50,170	14,649	16,846	12,452
	173,960,990	200,055,138	147,866,842	10,586,310	12,174,257	8,998,363	3,355,156	3,858,430	2,851,883
Open position in derivatives	1,054,982	1,213,229	896,735	-	-	-	(1,097,292)	(1,261,886)	-932,698
Net currency position/(effects) as of December 31, 2010	3,977,210	4,573,791	3,380,630	144,529	166,208	122,851	2,228,784	2,563,101	1,894,466

33. RISK MANAGEMENT (Continued)

Operational Risk

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

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

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

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

Operational risk management at the Group is directed at achieving the following objectives: developing the Group's activities in accordance with business opportunities and market development, as well as establishing competitive advantage of the Group and minimizing negative effects on the Group's financial result and equity.

The Group monitors operating risk events daily and manages operating risks through the process of identification, measurement, minimizing, monitoring and reporting on operational risk. The Group appoints employees who are in charge of operational risk with the objective of monitoring operational risk in its every organizational part, where such employees are responsible for accuracy and timeliness of information about all operational risk events that occur in their organizational unit, as well as for keeping records about all such events in the operational risk database. The organizational part of the Group which is responsible for risk management monitors and reports operational risks to the Operational Risk Division of the Parent Bank which submits reports to the Board of Directors, the Bank's Executive Board and the Audit Committee.

Measurement and assessment of operational risk at the Group is done through quantitative and/or qualitative assessment of identified operational risk. The Group measures operational risk exposure through event records and self-assessment. The Group measures operational risk exposure through its record of events and self-assessments. Self-assessment consists of assessment of risk exposure by organizational units based on the roadmap for identifying operational risks, through measurement of potential ranges and frequencies of events that can result in losses, identification of levels of control which business areas must maintain over these risks and measures of improvement.

The Group cannot eliminate all operational risks, but by introducing a rigorous framework of control, monitoring and response to potential risks it is capable of managing these risks. The principal measure against operational risk is control, which includes effective segregation of duties, application of the "four eyes principle", consistent application of internal procedures, training of employees and special supervision by internal audit.

The Group takes measures in order to relieve operational risks and ensure proactive response to events potentially creating operational risks through continued monitoring of all activities, application of adequate and reliable information system and by applying project approach orientation, the implementation of which helps improve the business practice and optimize the Group's business processes.

With the objective of smooth and continued operation of all significant systems and processes in the Group, and to limit losses that could be incurred in extraordinary circumstances, the members of the Group adopted the Business Continuity Plan.

33. RISK MANAGEMENT (Continued)

The Group's Investment Risk

The Group's investment risk relates to the risk of investing in other entities and capital expenditures. Pursuant to the requirement of the National Bank of Serbia, the Parent Bank monitors investments on a Group level into a non-financial sector entity cannot exceed 10% of the Group's equity, while its investment in a non-financial sector entity and in the Group's fixed assets cannot exceed 60% of the Group's equity.

Exposure Risk

Exposure risk consists of exposure of an individual member and the Group to:

- a single party
- a group of related parties
- to a party that is associated with the bank.

The Group and its members continually identify, measure, monitor and set risk limits for exposures to customers, in the first place, exposures to a single entity or group of related entities, as well as toward the Group's related parties. The Group takes care of the matching between risk ratios as follows:

- The Group's exposure to a single party or group of related parties cannot exceed 25% of the Group's equity.

- The Group's exposure to a party that is related to the Group cannot exceed 5% of the Group's equity, except for members of the banking group that are consolidated into the financial statements based on the full consolidation method, while total exposure to the Group's related parties cannot exceed 20% of the Group's equity.

- The aggregate amount of the Group's large exposures cannot exceed 400% of the Group's equity.

Country Risk

Country risk represents the possibility of negative effects on the Group's financial result and equity due to inability to collect receivables from abroad and is caused by political, economic and social conditions in the borrower's country of origin.

Political and economic risk relates to the likelihood of losses due to the inability to collect the Group's receivables because of deterioration in macroeconomic stability, due to limitations prescribed by government regulations or due to other structural changes in the economy of the given country.

Transfer risk relates to the probability of losses due to the inability to collect receivables in a currency which is not the official currency in the borrower's country of origin.

Measurement of country risk is made per individual placements and at the Group's portfolio level. Measurement of exposure of an individual receivable to country risk is based on the country rating of the Group's borrower's country of origin as defined by internationally recognized agencies, while measurement of portfolio exposure to country risk is done by grouping receivables by level of risk of the borrower's country of origin.

The Group sets exposure limits of the Group by countries or regions with the objective of controlling country risk.

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

33. RISK MANAGEMENT (Continued)

Capital Management

During 2010, the Group managed capital, maintaining optimum capital structure in order to:

- Ensure the business continuity in the unlimited period of foreseeable future;
- Preserve optimal equity structure;
- Minimize capital costs;
- Hedge risks;
- Ensure growth, by widening the range of its services i.e. the Group's development of new software and methodology solutions;
- Preservation of customer trust in the Group's financial potential.

The Group operates in accordance with the regulatory limit set by the National Bank of Serbia prescribed for the minimum capital adequacy ratio of 12%.

The Group measures capital adequacy abiding by regulatory methodology. The Group's capital represents the sum of share capital and additional capital, reduced for deductible items. The regulations prescribed by the National Bank of Serbia define that the capital adequacy ratio represents the proportion of capital held by a bank affiliation and sum of assets weighted by credit risk, open foreign currency positions and capital requirements for other market risks. Risk-weighted balance sheet and off-balance sheet items are determined pursuant to risk weights prescribed for all types of balance sheet assets and off-balance sheet items.

The business operations of separate members are regulated through guidances in respect to minimum amounts of capital and capital adequacy adopted by the regulatory bodies of states where these Group members operate.

The 12% limit of capital adequacy adopted on a Group level is calculated pursuant to the regulations of the National Bank of Serbia.

Capital adequacy ratio

	December 31, 2010	December 31, 2009
Core capital	39,269,697	24,480,683
Supplementary capital	1,475,848	1,416,148
Deductible items	(2,488,518)	(800,860)
Capital	38,257,027	25,095,971
Weighted average balance sheet assets and off-balance sheet items exposed to credit risk, exposure to derivatives not traded on stock exchange market and capital requirement related to foreign currency risk	204,249,418	158,791,645
Capital adequacy ratio	18.73%	15.80%

34. IMPLEMENTATION OF BASEL II STANDARDS

In 2008, the Group commenced the preliminary activities towards the implementation of Basel II Standards. The realization of this project will be terminated pursuant to legally defined deadlines and requirements.

35. MACROECONOMIC ENVIRONMENT AND THE BANK'S OPERATIONS IN 2010

For the Parent Bank and members of the Group, as well as the entire corporate and banking system, the business year 2010 was characterized by persevering adverse effects of the economic crisis, which impacted the results of operations of the Group members.

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

35. MACROECONOMIC ENVIRONMENT AND THE BANK'S OPERATIONS IN 2010 (Continued)

In 2010, in each country where the Group members are domiciled, as well as in the country of the Parent Bank, besides the positive trends in the economic environment, mild recovery of economic activities, growth of industrial production, growth of export and import, there is still a large liquidity issue in the economy and in the retail sector, inflation growth, high unemployment level, weakening of credit activity of the retail and corporate sector.

The governments of the countries where the Group members are registered and the Government of the state where the Parent Bank is seated undertook measures to relieve the negative effects of the crisis through the economy support measures, by imposing limits to public spendings, stimulation of domestic demand, through incentives to capital investments, increase in the retail purchasing power, program for extraordinary assistance to certain industries, growth of industrial production, growth of credit activity of banks through subsidized loans.

The central bank of the state where the Parent Bank is domiciled, as well as the central banks of the states where the Group members are domiciled, have all undertaken similar measures towards relieving the effects of the economic crisis on the financial sector. These measures include the decrease of required reserves, decrease of allocations made for credit risk purposes, loan reschedules for the purpose of decreasing pressures arising from credit risk exposures of the Group members.

The Parent Bank, as well as all members of the Group have adjusted their operations to the complex situation prevailing in the surrounding markets. The Group's objectives in the coming period are to maintain the quality of its portfolio, maintain stability and high liquidity, while ensuring an adequate level of profitability, as well as to minimize exposure to risks and to maintain capital adequacy.

36. POST-BALANCE-SHEET EVENTS

Unreconciled Open Item Statements

In the analysis of the regular annual count performed as of December 31, 2010, it has been determined that the Group has unreconciled open item statements of RSD 52,785 thousand. Unreconciled open item statements for 71 customers in most cases relate to customers whose accounts have been frozen or against which there are lawsuits pending.

Unrealized Dividends from Priority Shares

Unrealized dividends from priority shares to be paid in 2011 amounted to: for the year 2010 – RSD 37,575 thousand (10.06% to par value of priority shares).

Realizing Mortgage Liens

The Parent Bank's mortgage lien disclosed in Notes 22 and 27 was fully realized on January 17, 2011 based funds paid in by Merkator S d.o.o., Novi Sad and by settling the liability arising thereof.

Discontinued Operations of a Business Unit Held Abroad

The Parent Bank is in the process of shutting down its business unit in Frankfurt, Germany conditioned by the change in the legal provisions, given that after April 30, 2011 the approved license to perform transfers will expire.

37. EXCHANGE RATES

The official exchange rates for major currencies used in the translation of balance sheet components denominated in foreign currencies as of December 31, 2010 and 2009, were as follows:

In RSD

	Final Exchange Rate of NBS		Average Exchange Rate	
	December 31, 2010	December 31, 2009	2010	2009
USD	79.2802	66.7285		
EUR	105.4982	95.8888	102.8993	93.8992
CHF	84.4458	64.4631		
BAM	53.9404	49.0272	52.6116	48.0099