KOMERCIJALNA BANKA

Meni najbliža

REPORT

ON BANK'S OPERATIONS IN THE FIRST THREE QUARTERS OF 2013

BELGRADE, OCTOBER 2013

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1. OVERVIEW OF KEY PERFORMANCE INDICATORS IN THE PERIOD FROM 31.12.2012 TO 30.09.2013

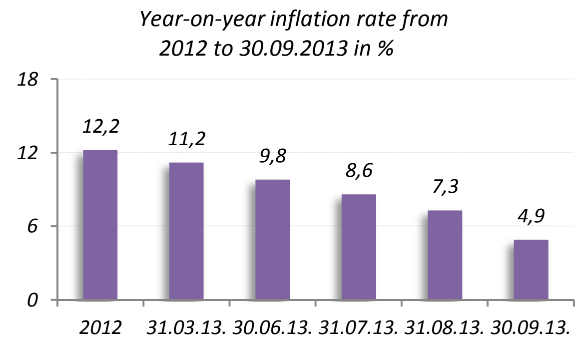
1.1. Bank's Performance Indicators

ITEM	*30.09.13.*	*31.08.13.*	*31.07.13.*	*30.06.13*	*31.03.13*	*2012*
BALANCE SHEET ASSETS	354,406,768	350,120,308	348,441,769	344,790,937	337,079,259	324,187,773
LOANS AND DEPOSITS TO CUSTOMERS	187,488,441	186,314,528	187,957,220	184,680,333	175,478,254	177,106,865
Share of NPL (in %)	14.2%	14.1%	14.1%	13.2%	13.0%	13.1%
Loans and deposits to retail customers	61,707,838	61,229,001	60,535,103	60,045,743	57,109,424	55,917,000
Loans and deposits to corporate customers	125,780,603	125,085,527	127,422,116	124,634,590	118,368,829	121,189,865
REPO SECURITIES	16,814,160	33,380,000	17,749,460	22,000,000	18,000,000	4,000,000
TOTAL REQUIRED RESERVE	61,440,604	61,175,706	60,401,320	60,125,317	60,168,087	58,747,047
TOTAL LIABILITIES	291,007,643	287,024,187	285,812,482	282,648,759	275,364,546	264,321,213
DEPOSITS FROM CUSTOMERS	250,827,491	248,146,265	247,394,335	244,607,634	238,200,206	235,520,744
Retail deposits	173,556,137	172,548,641	170,547,845	168,962,791	164,492,641	164,532,865
Corporate deposits	77,271,354	75,597,623	76,846,490	75,644,843	73,707,565	70,987,879
NUMBER OF EMPLOYEES	3,020	3,021	3,020	3,020	3,009	2,989
Assets per employee in 000 RSD	117,353	115,896	115,378	114,169	112,024	108,460
Assets per employee in 000 EUR	1,024	1,013	1,014	1,000	1,001	954
OPERATING PROFIT	3,982,327	3,543,111	3,070,165	2,582,507	1,476,135	4,572,662
INTEREST GAINS	9,467,681	8,341,517	7,220,451	6,127,649	3,041,302	10,910,316
FEE AND COMMISSION GAINS	3,363,339	2,962,253	2,576,468	2,168,714	1,034,159	4,554,466
OPERATING EXPENSES	7,430,747	6,614,499	5,800,615	4,981,900	2,423,648	9,812,888
PROFITABILITY INDICATORS:						
ROA – profit [1]/ average BS assets	1.56%	1.57%	1.56%	1.54%	1.80%	1.51%
ROE – profit / average total capital	8.56%	8.59%	8.53%	8.39%	9.67%	9.44%
ROE – profit / average share capital	13.26%	13.28%	13.15%	12.90%	14.75%	15.05%
CIR = OPEX / net interest and fees	57.9%	58.5%	59.2%	60.0%	59.5%	63.5%
CAPITAL ADEQUACY	19.42%	19.53%	19.74%	19.17%	21.69%	21.88%
FX RISK RATIO	2.94%	2.81%	6.45%	6.69%	7.52%	0.82%
LIQUIDITY RATIO	3.28%	2.91%	2.95%	2.93%	2.65%	2.18%
OPERATING CASH FLOW	6,771,004	5,918,791	4,915,075	4,445,255	2,449,602	4,973,331

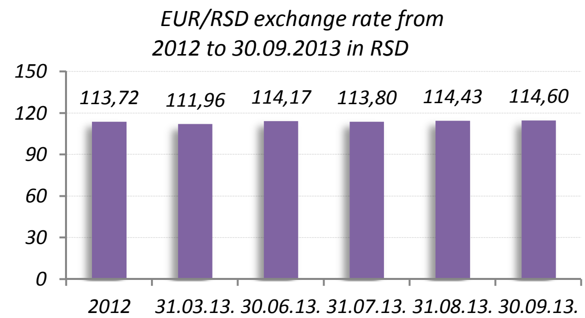
[1] Profit before tax

2. MACROECONOMIC OPERATING CONDITIONS IN THE PERIOD FROM 31.12.2012 TO 30.09.2013

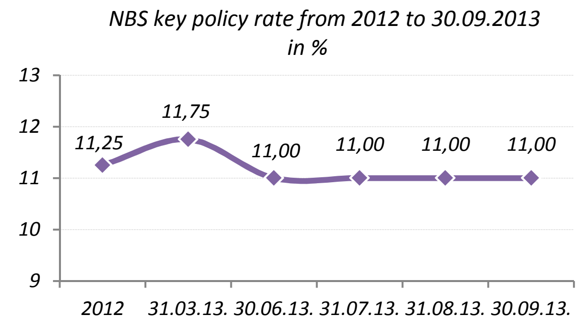
Year-on-year inflation rate (rise in consumer prices) recorded a decrease in the first nine months of 2013. The decreasing trend in year-on-year inflation from June (9.8%) continuted in August and September (4.9). With this trend, inflation was brought within the range that was set in the NBS Memorandum on establishing a targeted inflation rate by 2014 (4.0± 1.5%).



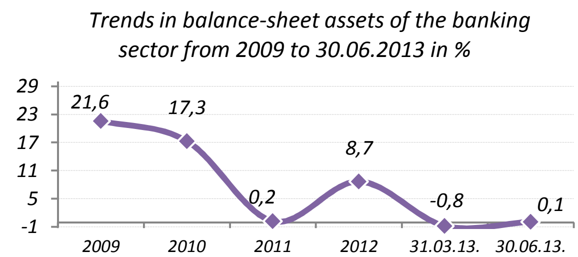
In the first three quarters this year, the dinar slightly depreciated from the end of the previous year (0.8%). The exchange rate stabilized at approx. 114 dinars to the euro. There was a slight dinar appreciation in the period between January and May this year. However, from May to the end of September the dinar slightly depreciated in comparison to the end of the previous year, reaching the value of 114.6 at the end of September.



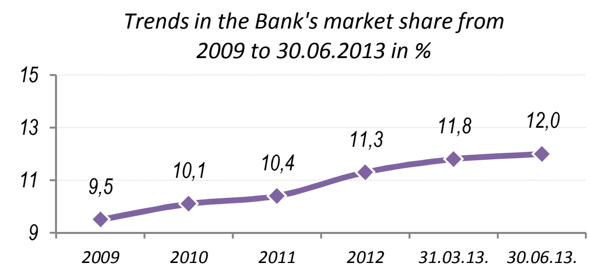
In order to mitigate the inflationary pressure, which was especially pronounced in the third and fourth quarter, the NBS increased its key-policy rate from 11.25% to 11.75% in the period December 2012 – February 2013. Apart from mitigating the inflation expectations, the set key-policy rate also contributed to the macroeconomic stabilisation. NBS key-policy rate was lowered to 11.0% in June this year and remained at that level until the end of September this year.



In 2012 the banking sector of the Republic of Serbia recorded a much lower growth (8.7%) compared to the four-year average from previous years (13.2%). In the first three months of the current year, there was a decrease in balance-sheet assets of 0.8%, while there was a slight growth (0.1%) at the end of the first quarter, compared to the end of 2012.



This year the Bank's share increased from 11.3% in 2012 to 12.0% as of 30.06.2013. During the observed period the Bank's market share in the banking sector's assets increased by 2.5 percentage points.



3. BANK'S KEY PERFORMANCE INDICATORS IN THE PERIOD FROM 31.12.2012 TO 30.09.2013

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Assets per employee in 000 EUR	1,024	1,013	1,014	1,000	1,001	954

As of 30.09.2013 the Bank's balance-sheet assets stood at RSD 354,406.7 million and had been increased by RSD 30,219.1 million or 9.3% compared to the end of the previous year.

Off-balance sheet assets increased by 5.7% in 2013 and stood at RSD 216,259.9 million at the end of September this year.

In the first nine months of 2013 the Bank granted loans to customers in the amount of RSD 187,488.4 million, which is 5.9% more than the figure achieved at the end of 2012, at the same time the Bank maintained a relatively low share of NPL in total loans (14.2%). In the same period the Bank achieved a slight rise in deposits from customers of 6.5%, despite a rise in deposits from banks and other financial organizations in the total amount of RSD 4,860.1 million and retail FX savings of EUR 49.8 million. Rise in retail FX savings and deposits from banks and other financial organizations were accompanied by a slight growth of corporate deposits (RSD 1,423.7 million).

(IN 000 RSD)

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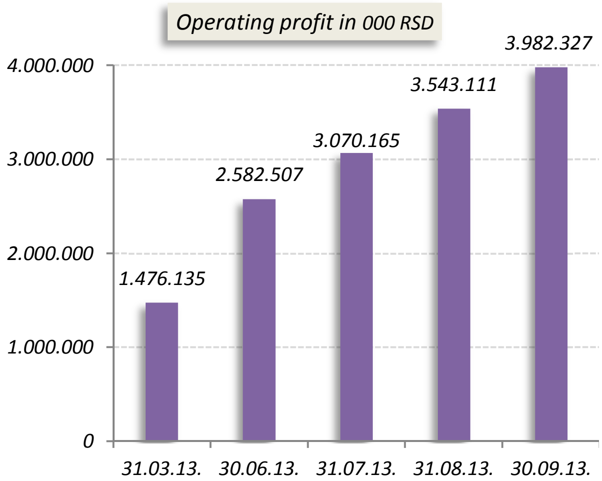
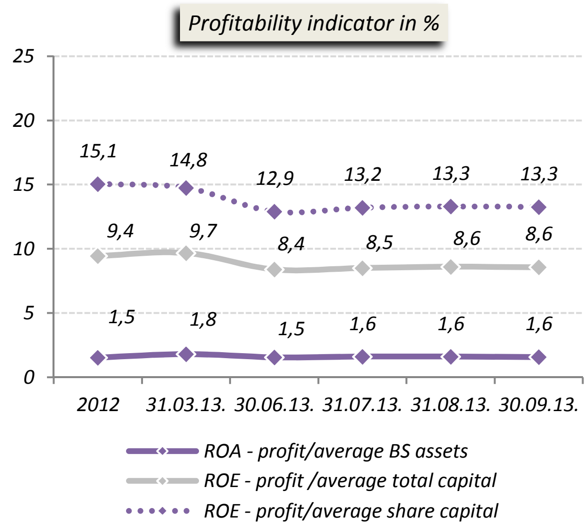




Despite the negative effect of the global financial crisis, the Bank achieved a significant growth of profitability (19.5%) in the first nine months this year, compared to the same period from the previous year. From 01.01 to 30.09.2013 the Bank realized a profit of RSD 3,982.3 million, which is a year-on-year increase of RSD 649.9 million. Such considerable increase in profitability resulted in return on total capital of 8.6% in the first nine months of 2013 and return on share capital of 13.3%.

What made the greatest contribution to the increase in profit in the first nine months of 2013 was the rise in net interest income (22.4%) and net fee income (1.4%).

Decrease in the number of employees, accompanied by an increase in the volume of business, improved the Bank's ratio of assets to employees. In the first nine months of 2013 assets per employee rose from RSD 108.5 million (31.12.2012) to RSD 117.4 million as at 30.09.2013.

Cost Income Ratio decreased from 64.3% as of 30.09.2012 to 57.9% as of 30.09.2013 (decrease of 6.4 percentage points) thanks to the decrease in expenses and increase in net fee and interest income.

4. BALANCE SHEET AS AT 30.09.2013

4.1. Bank's Assets as at 30.09.2013

(IN 000 RSD)

No.	ITEM	30.09.2013.	31.12.2012.	INDICES (3:4)*100	% OF SHARE AS OF 30.09.2013.
1	2	3	4	5	6
	ASSETS				
1.	Cash and cash equivalents	36,163,967	40,514,180	89.26	10.20
2.	Callable deposits and loans	57,758,843	43,053,502	134.16	16.30
3.	Interest, fee and sale receivables, receivables from change in fair value of derivatives and other receivables	2,459,053	1,547,342	158.92	0.69
4.	Loans and deposits to customers	187,488,441	177,106,865	105.86	52.90
5.	Securities (excl. treasury)	47,970,127	41,347,719	116.02	13.54
6.	Equity holdings	5,997,983	5,917,033	101.37	1.69
7.	Other investments	3,203,128	3,227,896	99.23	0.90
8.	Intangible investments	578,513	600,438	96.35	0.16
9.	Fixed assets and investment property	7,806,013	7,416,846	105.25	2.20
10.	Non-current assets intended for sale and assets from discontinued operations	74,346	78,763	94.39	0.02
11.	Deferred tax assets	62,655	4,896	1.279.73	0.02
12.	Other assets	4,843,697	3,372,293	143.63	1.37
	TOTAL ASSETS (from 1. to 12 .)	**354,406,768**	**324,187,773**	**109.32**	**100.00**

In the first nine months of 2013 the Bank's balance-sheet assets increased by RSD 30,219.1 million or 9.3%. Loans to customers increased by RSD 10,381.6 million or 5.9%. As of 30.09.2013 total loans to customers amounted to RSD 187,488.4 million, which is 52.9% of the total balance-sheet assets.

In the first nine months of 2013 cash and cash equivalents recorded a decrease of 10.7% primarily due to the decrease of funds on FX accounts.

Callable deposits and loans recorded a significant increase in the reporting period of the current year, an increase in the amount of RSD 14,705.3 million or 34.2%, as a result of the Bank's greater investment in repo securities of the National Bank of Serbia (+ RSD 12,814.2 million) and an additional amount of FX required reserve in RSD equivalent of RSD 1,891.2 million.

Fee and interest receivables recorded a growth in the reporting period of RSD 911.7 million or 58.9%.

4.2. Bank's Liabilities as at 30.09.2013

(IN 000 RSD)

No.	ITEM	30.09.2013	31.12.2012	INDICES (3:4)*100	% OF SHARE AS OF 30.09.2013
1	2	3	4	5	6
I	**LIABILITIES**				
1.	Transaction deposits	50,438,899	40,336,776	125.04	14.23
2.	Other deposits	200,388,592	195,183,968	102.67	56.54
3.	Borrowings	1,673,485	637,264	262.60	0.47
4.	Liabilities from securities	-	-	-	-
5.	Interest and fee liabilities	182,302	188,910	96.50	0.05
6.	Provisions	1,223,126	2,331,760	52.46	0.35
7.	Tax liabilities	57,474	21,799	263.65	0.02
8.	Liabilities from profit	159,264	85,114	187.12	0.04
9.	Liabilities from assets intended for sale and discontinued operations	-	-	-	-
10.	Deferred tax liabilities	57,759	-	-	0.02
11.	Other liabilities	36,826,742	25,535,622	144.22	10.39
12.	**TOTAL LIABILITIES (from 1. to 11.)**	**291,007,643**	**264,321,213**	**110.10**	**82.11**
	CAPITAL				
13.	Share capital and issue premium	40,034,550	40,034,550	100.00	11.30
14.	Reserves from profit	16,635,440	14,785,440	112.51	4.69
15.	Revaluation reserves	1,022,825	867,774	117.87	0.29
16.	Unrealized losses from securities available for sale	277,624	7,016	3.957.01	0.08
17.	Profit	5,983,935	4,185,812	142.96	1.69
18.	**TOTAL CAPITAL (from 13. to 17.)**	**63,399,125**	**59,866,560**	**105.90**	**17.89**
19.	**TOTAL LIABILITIES (12. + 18.)**	**354,406,768**	**324,187,773**	**109.32**	**100.00**
II	**COMMISSION OPERATIONS AND OFF-BALANCE SHEET ITEMS**	**216,259,888**	**204,642,280**	**105.68**	

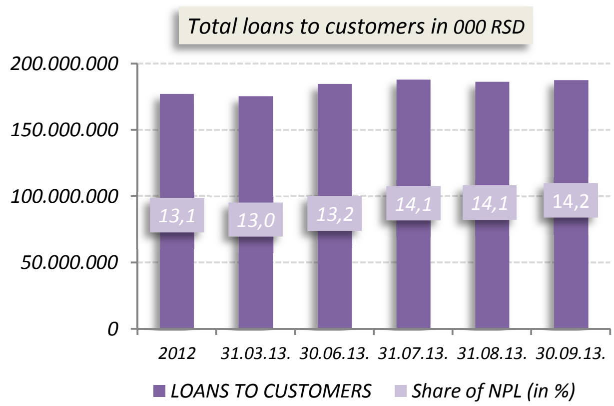
At the end of the first nine months of 2013 total liabilities stood at RSD 291,007.6 million and accounted for 82.1% of total liabilities (31.12.2012: 81.5%). Concurrently, total capital, in the amount of RSD 63,399.1 million accounted for 17.9% (31.12.2012: 18.5%) of total liabilities. Compared to the end of the previous year, total liabilities increased by RSD 26,686.4 million or 10.1%, while the total capital increased by RSD 3,532.6 million or 5.9%.

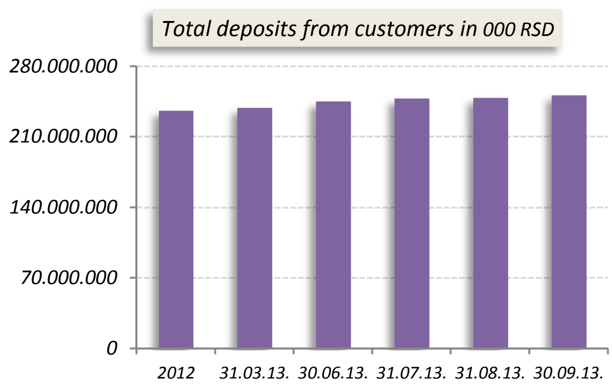
Apart from the other deposits, which increased in the reporting period by RSD 5,204.6 million or 2.7%, a considerable increase from the end of the previous year was recorded by transaction deposits (RSD 10,102.1 million or 25.0%) and other liabilities (growth of RSD 11,291.1 million, 44.2%). FX liabilities account for the largest share of other liabilities – credit lines (RSD 23,368.6 million) and subordinated loan (RSD 5.730,2 million) drawn down at the end of November 2011 for the purpose of increasing regulatory capital.

In the first nine months this year there was an increase in credit lines from abroad in net equivalent of RSD 9,158.0 million (EUR 108.9 m, RSD 8.9 m drawn, EUR 13.5 m and CHF 20.0 m repaid).

Deposits from customers (transaction and other deposits) account for RSD 250,827.5 million of balance-sheet liabilities i.e. 70.8% of total balance-sheet liabilities, which is a rise from the beginning of the year of RSD 15,306.7 million or 6.5%.

4.3. Loans to Customers and Deposits from Customers as at 30.09.2013





The most important asset category, loans and deposits to customers, recorded an increase of RSD 10,381.6 million as well as a change in its share in total assets from 54.6% (31.12.2012) to 52.9%. Loan increase rate in the reporting period was 5.9%, whereas the dinar depreciated by 0.8% in the same period, which shows that in the first nine months this year the Bank achieved a real growth of loans and deposits to customers in the amount of approx. RSD 9,356.3 million.

At the end of September 2013 the Bank's total deposits stood at RSD 250,827.5 million and account for 70.8% of the Bank's total liabilities (December 2012: 72.6%). Compared to the end of last year, the Bank's total deposits increased by RSD 15,306.7 million (6.5%), while other deposits increased by RSD 5,204.6 million or 2.7%, and transaction deposits increased by RSD 10,102.1 million or 25.0%. If we exclude the effects of RSD depreciation on FX deposits and on RSD deposits with currency clause (RSD 1,170.8 m), total deposits recorded a growth in real terms of RSD 14,135.9 m.

Rise in other deposits in the first nine months of 2013 came primarily as a result of an increase in retail FX savings (EUR 49.8 million).

(IN 000 RSD)

No.	I T E M	BALANCE AS AT 30.09.2013	BALANCE AS AT 31.12.2012	Index (2:3)*100
	1	2	3	4
I	**LOANS TO CUSTOMERS (1.+2.+3.)**	**187,488,441**	**177,106,865**	105.86
1.	Corporate	**125,780,603**	121,189,865	103.79
2.	Retail	**61,707,838**	55,917,000	110.36
II	**DEPOSITS FROM CUSTOMERS (1.+2.+3.)**	**250,827,490**	**235,520,744**	106.50
1.	Corporate	**77,271,354**	70,987,879	108.85
2.	Retail	**173,556,136**	164,532,866	105.48

NOTE: Deposits also include transaction deposits.

As of 30.09.2013 the Bank's total loans to customers stood at RSD 187,488.4 million, which is an increase from the end of the previous year of RSD 10,381.6 million or 5.9%. At the end of the third quarter 2013 the level of loans and deposits to customers was considerably affected by corporate loans which reached RSD 125,780.6 million at the end of September.

With its reputation as a safe and stable bank in the Serbian banking market, the Bank managed to increase FX savings deposits by RSD 49.8 million or 3.8% in the observed period.

Despite the still ongoing economic crisis, FX savings rose in the first nine months of 2013 and reached EUR 1,371.0 million.

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

4.4. Commission Operations and Off-Balance Sheet Items in 2013

(IN 000 RSD)

No.	I T E M	BALANCE 30.09.2013	BALANCE 31.12.2012	Index (2:3)*100
	1	2	3	4
I	**OPERATIONS FOR AND ON BEHALF OF (commission operations)**	5,381,274	5,013,721	107.33
II	**CONTINGENT LIABILITIES**	**32,260,411**	**33,879,027**	95.22
1.	Payable guarantees	7,531,213	7,870,828	95.69
2.	Performance bonds	6,061,898	6,770,801	89.53
3.	Bill guarantees and bill acceptances	40,271	51,331	78.45
4.	Undrawn facilities	18,132,723	17,753,588	102.14
5.	Other off-balance sheet items that may lead to payment by the Bank	396,070	830,261	47.70
6.	Uncovered letters of credit	98,236	602,218	16.31
III	**UNCLASSIFIABLE OFF-BALANCE SHEET ITEMS**	**178,618,202**	**165,749,532**	107.76
1.	FX savings bonds	4,598,575	5,366,157	85.70
2.	Securities in custody	167,571,781	144,902,967	115.64
3.	Other off-balance sheet items	6,447,846	15,480,408	41.65
	TOTAL (I +II+III)	**216,259,887**	**204,642,280**	105.68

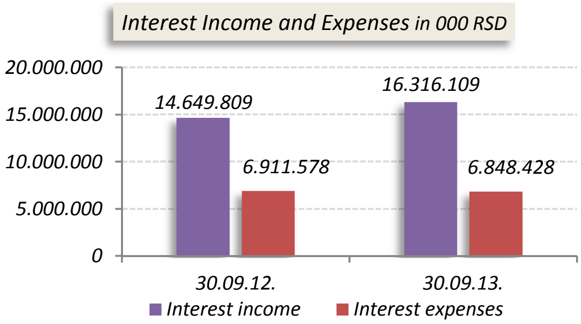
As of 30.09.2013 contingent off-balance-sheet liabilities amounted to RSD 32,260.4 million in total – decrease of RSD 1,618.6 million or 4.8% compared to the end of the previous year, mostly due to the decrease in issued guarantees.

5. INCOME STATEMENT FOR THE PERIOD FROM 01.01.2013 TO 30.09.2013

(IN 000 RSD)

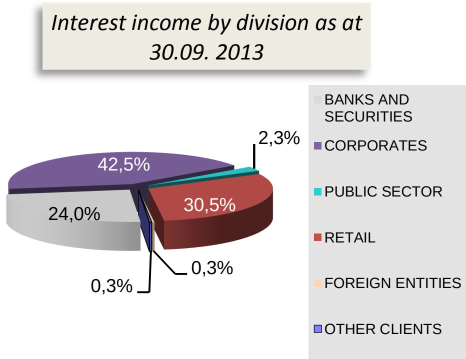
No.	ITEM	30.09.2013	30.09.2012	INDICES (3:4)*100
1	2	3	4	5
	OPERATING INCOME AND EXPENSES			
1.1.	Interest income	16,316,109	14,649,809	111.37
1.2.	Interest expenses	6,848,428	6,911,578	99.09
1.	**Interest gains**	**9,467,681**	**7,738,231**	122.35
2.1.	Fee and commission income	4,046,770	3,869,409	104.58
2.2.	Fee and commission expenses	683,431	553,515	123.47
2.	**Fee and commission gains**	**3,363,339**	**3,315,893**	101.43
3.	Net profit / loss from sale of securities at fair value through income statement	15,929	(1,104)	-1,442.84
4.	Nat profit / loss from sale of securities available for sale	1,738	83,947	2.07
5.	Net profit / loss from sale of securities held to maturity	-	-	-
6.	Net profit / loss from sale of equity holdings (stakes)	-	-	-
7.	Net profit / loss from sale of other loans and advances	-	-	-
8.	Net profit / loss from exchange rate differentials and valuation adjustment of assets and liabilities	(63,170)	100,987	-62.55
9.	Income from dividends and equity holdings	2,908	1,849	157.27
10.	Other operating income	171,699	183,007	93.82
11.	Net income / expense from indirect loan write-off and provisions	(1,492,718)	(950,361)	157.07
12.	Cost of salaries, benefits and other personal expenses	3,145,638	3,028,487	103.87
13.	Depreciation costs	589,991	558,236	105.69
14.	Operating and other business expenses	3,749,450	3,553,291	105.52
15.	**RESULT FOR THE PERIOD – PROFIT BEFORE TAX (from 1. to 14.)**	**3,982,327**	**3,332,436**	119.50
16.	Profit tax	-	-	-
17.	Profit from increased deferred tax assets and decreased deferred tax liabilities	-	-	-
18.	Loss from decreased deferred tax assets and increased deferred tax liabilities	-	-	-
19.	**PROFIT (from 15. to 18.)**	**3,982,327**	**3,332,436**	119.50

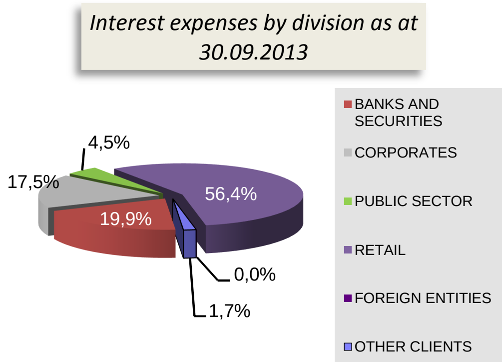
5.1. Interest Income and Expenses



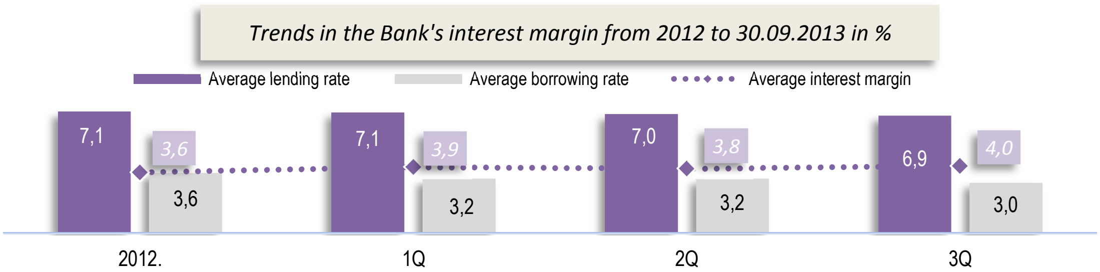
Interest gains amounted to RSD 9,467.7 million, which is a year-on-year increase of 22.4%.

Interest income increased by RSD 1,666.3 million year-on-year or 11.4%, while interest expenses decreased by RSD 63.2 million or 0.9%.



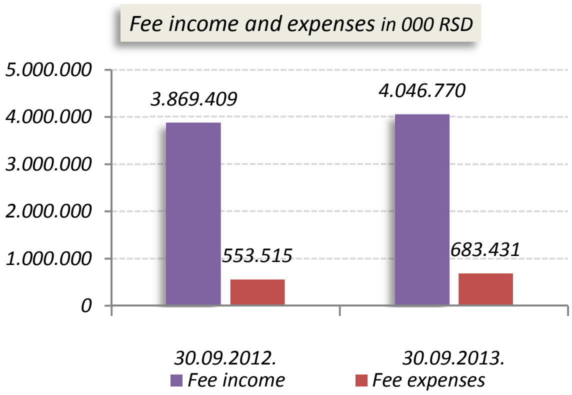


Corporate interest income accounts for the largest share of interest income (6,934.4 million dinars or 42.5%), while retail deposit interest dominates the interest expenses (3,865.8 million or 56.4%), which is mostly a result of interest paid for FX savings.



At the end of the third quarter 2013 average lending rate reached 6.9% and average borrowing rate reached 3.0%. as a result, at the end of the third quarter 2013 the Bank's average interest margin was 4.0%.

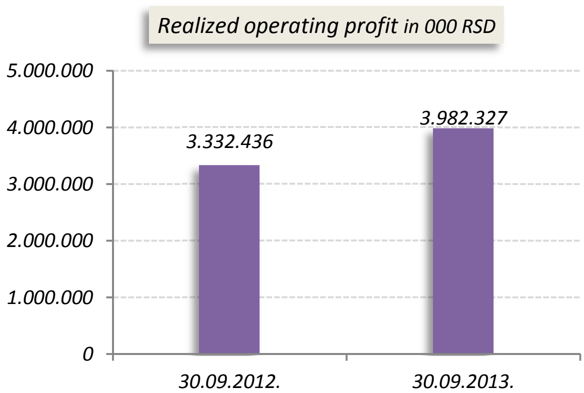
5.2. Fee Income and Expenses



Compared to the same period in the previous year, fee and commission income was higher by RSD 177.4 million or 4.6%, while fee and commission expenses increased by RSD 130.0 million or 23.5%.

In the first nine months of 2013 fee and commission gains reached RSD 3,363.3 million and were higher than in the same period previous year by 1.4%.

5.3. Realized Operating Profit



Despite adverse and unpredictable macroeconomic operating conditions both in the Serbian economy and abroad, the Bank realized an operating profit of RSD 3,982.3 million in the period between 01 January and 30 September 2013, which was a year-on-year increase of 19.5%.

Such an increase in realized operating profit resulted in return on total capital of 8.6% and return on share capital of 13.3% in the first nine months of 2013.

PERFORMANCE INDICATORS PRESCRIBED BY THE LAW ON BANKS

No.	I T E M	PRESCRIBED	30.09.2013	30.06.2013	31.03.2013	2012
1.	CAPITAL ADEQUACY RATIO (NET CAPITAL / FREDIT RISK + OPERATING RISKS + OPEN FX POSITION)	MIN. 12%	19.42%	19.17%	21.69%	21.88%
2.	RATIO OF INVESTMENT INTO ENTITIES OUTSIDE THE FINANCIAL SECTOR AND IN FIXED ASSETS	MAX. 60%	22.21%	21.60%	18.84%	18.38%
3.	BANK'S LARGE EXPOSURE RATIO	MAX. 400%	103.48%	124.27%	82.14%	107.37%
4.	FX RISK RATIO	MAX. 20%	2.94%	6.69%	7.52%	0.82%
5.	LIQUIDITY RATIO	MIN. 0.8%	3.28%	2.93%	2.65%	2.18%

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

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

7. ALL MAJOR TRANSACTIONS WITH RELATED ENTITIES

As of 30.09.2013 the following entities are related to the Bank:

1. Komercijalna banka a,d, Budva, Montenegro,
2. Komercijalna banka a,d, Banja Luka, Bosnia and Herzegovina,
3. KomBank Invest a,d, Beograd
4. five legal entities (Lasta doo, Sombor, Viš trade doo Vršac, Desk doo Beograd, Joy M&M doo, Menta doo Niš) and a large number of natural persons, according to the provisions of Article 2 of the Law on Banks in the part which defines “an entity related to the bank”.

Total exposure to entities related to the Bank was RSD 682,020 thousand as at 30.09.2013 which accounted for 1.94% of the Bank’s capital of RSD 35,172,321 thousand (according to the Law on Banks, the maximum value of total loans to all entities related to the Bank is 20% of capital).

As at 30.09.2013 the greatest share of exposure to entities related to the Bank, in the amount of RSD 658,179 thousand or 1.87 % of the Bank’s capital, was made up of loans to retail customers who are related to the Bank.

In accordance with Article 37 of the Law on Banks, the Bank did not grant its related entities any loans under conditions more favourable than those given to other entities that are unrelated to the Bank. Additional description of the Bank’s relation with related entities is given in Item 4, Relations with Related Entities, in the Notes to Financial Statements.

8. KEY DATA ON BUSINESS PLAN IMPLEMENTATION FOR 2013

Implementation of the Strategy and Business Plan in the first nine months of 2013 was carried out in the macroeconomic conditions that were considerably more turbulent than expected and which were characterized in particular by the following:

- after positive trends in the first three months of the current year (Q1) and a year-on-year growth of GDP (+2.1%), official statistics recorded a negligible growth of economic activity in Q2 – year-on-year growth of industrial production of 0.2%;
- EUR/RSD exchange rate also recorded a departure from projected figures (exchange rate planned for the end of the current year: 1 EUR = 125,00 dinars, realized figure as of 30.09.2013: 1 EUR = 114,60 dinars),
- official statistics recorded an inflation rate at the end of September (compared ot the same month the previous year) in the amount of 4.9%, meaning that the trend of decreasing year-on-year inflation to the targeted limit for September this year (4±1.5%) continued.

Apart from everything listed above, business activity of banks in the first nine months of 2013 was also greatly affected by the public debt crisis in the eurozone, adverse trends on the international financial market, freeze of the arrangement with IMF, foreign investors’ reluctance to invest in Serbia, budget revision, decreased demand for loans, increased credit risk due to recession and unemployment in the real sector.

8.1. Planned and Realized Values of the Balance Sheet in the First Nine Months of 2013

The Bank's total balance-sheet assets at the end of the third quarter 2013 amounted to RSD 354,406.8 million and were higher than the value planned for this period by RSD 9,623.6 million or 2.8%. Considerable positive differences between realized and planned values were recorded at callable deposits and loans (realized value is higher by RSD 17,097.3 million, as a result of investment in NBS repo transactions and an increase in the amount of FX required reserve). Among other balance-sheet items, securities (excl. treasurey) recorded a positive departure from the planned value in the amount of RSD 6,474.4 million. As opposed to an increase in callable deposits and loans, there was a decrease in cash and cash equivalents in the amount of RSD 3,722.3 million, primarily due to a decreased amount of funds in the FX accounts and increase in other FX cash funds in the equivalent of RSD -7,473.6 million and RSD +2,470.9 million, respectively, compared to the initial balance.

In the structure of balance-sheet liabilities, the greatest departure from planned values was recorded in deposits (RSD 14,790.7 million), while a considerable negative departure from the planned value was recorded in foreign credit lines – departure in the amount of RSD 7,932.4 million.

Trend in RSD exchange rate - depreciation (0.8% against the EUR), mitigated to a certain extent the differences between realized and planned values,

The achieved growth of balance-sheet assets resulted in an increase of the Bank's market share from 11.3% at the end of 2012 to 12.0% as at 30.06.2013. In the first six months the Bank's balance-sheet assets increased by 6.4% while the banking sector recorded a decrease in balance-sheet assets of 0.1% in the same period.[2]

Realized and planned figures for assets and liabilities in the balance sheet as at 30.09.2013:

(IN RSD MILLION)

No.	I T E M	Plan 30.09.2013	Realized 30.09.2013	Achievement of plan in % (4/3*100)
1	2	3	4	5
	ASSETS			
1.	Cash and cash equivalents	39,886	36,164	90.67
2.	Callable deposits and loans	40,662	57,759	142.05
3.	**Loans and deposits to customers (3.1.+3.2.)**	**199,197**	**187,488**	94.12
3.1.	Corporate	134,271	125,780	93.68
3.2.	Retail	64,926	61,708	95.04
4.	Other assets	65,039	72,996	112.23
5.	**TOTAL ASSETS (1.+2.+3.+4.)**	**344,784**	**354,407**	102.79

No.	I T E M	Plan 30.09.2013	Realized 30.09.2013	Achievement of plan in % (4/3*100)
	LIABILITIES			
1.	**Deposits**	**236,037**	**250,827**	106.27
1.1.	Corporate	53,134	77,271	145.43
1.2.	Retail	182,903	173,556	94.89
2.	Other liabilities	47,176	40,181	85.17
3.	**Total liabilities (1.+2.)**	**283,213**	**291,008**	102.75
4.	**Total capital**	**61,571**	**63,399**	102.97
5.	**TOTAL LIABILITIES (3.+4.)**	**344,783**	**354,407**	102.79

[2] The data about the banking sector for the third quarter were not available at the moment the report was prepared.

8.2. Planned and Realized Values of Income Statement for the Period 01.01.-30.09.2013

(IN RSD MILLION)

No.	I T E M	Plan 01.01.-30.09.2013	Achieved 01.01.-30.09.2013	Achievement of plan in % (4/3)*100
1	2	3	4	5
1.1.	Interest income	16,287	16,316	100.18
1.2.	Interest expenses	7,158	6,848	95.67
1.	**Interest gains (1.1.-1.2.)**	**9,129**	**9,468**	103.71
2.1.	Fee and commission income	4,217	4,047	95.97
2.2.	Fee and commission expenses	573	683	119.20
2.	**Fee and commission gains (2.1. -2.2.)**	**3,644**	**3,363**	92.29
3.	Net exchange rate differentials and valuation adjustment (FX clause)	338	-63	-18.64
4.	Net other operating income and expenses	210	138	65.71
5.	Net expenses/income from indirect loan write-off and provisions	-1,026	-1,493	145.52
6.	Operating expenses	8,179	7,431	90.85
7.	**OPERATING PROFIT**	**4,116**	**3,982**	96.74

Items in the income statement recorded a negligible departure in interest gains (realized value was RSD 338.7 million above plan) and fee and commission gains (realized value was lower than planned by RSD 280.9 million). In the same period, operating expenses were lower than planned by RSD 748.0 million, as a result of reduced operating expenses. Combined result of business activities is a profit of RSD 3,982.3 which is 96.7% of the value planned for the period between 01 January and 30 September 2013.

KOMERCIJALNA BANKA AD BEOGRAD

Director of the Accounting Division	Executive Director for Accounting
Snežana Pejčić	Savo Petrović

BALANCE SHEET

on 30.09.2013.

(in RSD thousand)

POSITION	ADP code	Amount	
		Current year ammount	Previous year ammount
1	2	3	4
ASSETS			
Cash and cash equivalents	**001**	36.163.967	40.514.180
Revocable deposits and loans	**002**	57.758.843	43.053.502
Revocables from interest, compensations, sale, change of derivatives fair value and other receivables	**003**	2.459.053	1.547.342
Loans, advances and deposits of clients	**004**	187.488.441	177.106.865
Securities (without own shares)	**005**	47.970.127	41.347.719
Shares (participation)	**006**	5.997.983	5.917.033
Other invesments	**007**	3.203.128	3.227.896
Intangible assets	**008**	578.513	600.438
Fixed assets and invested immovables	**009**	7.806.013	7.416.846
Permanent assets for sale and assets of businesses to be ceased	**010**	74.346	78.763
Deferred tax assets	**011**	62.655	4.896
Other assets	**012**	4.843.699	3.372.293
Losses above equity	**013**	-	-
TOTAL ASSETS (from 001 to 013)	**014**	354.406.768	324.187.773
LIABILITIES			
Transaction deposits	**101**	50.438.899	40.336.776
Other deposits	**102**	200.388.592	195.183.968
Received loans	**103**	1.673.485	637.264
Liabilities for issued securities	**104**	-	-
Liabilities for interest, compensations and change of derivatives fair value	**105**	182.302	188.910
Provisions	**106**	1.223.126	2.331.760
Liabilities for tax	**107**	57.474	21.799
Liabilities for profit	**108**	159.264	85.114
Liabilities from assets for sale and assets of businesses to be ceased	**109**	-	-
Deferred tax liabilities	**110**	57.759	-
Other liabilities	**111**	36.826.742	25.535.622
TOTAL LIABILITIES (from 101 to 111)	**112**	291.007.643	264.321.213
EQUITY			
Equity	**113**	40.034.550	40.034.550
Reserves from profit	**114**	16.635.440	14.785.440
Revaluation reserves	**115**	1.022.824	867.774
Unrealized losses from securities for sale	**116**	277.624	7.016
Profit	**117**	5.983.935	4.185.812
Loss up to equity	**118**	-	-
TOTAL EQUITY (from 113 to 115+117-116-118)	**119**	63.399.125	59.866.560
TOTAL LIABILITIES (112+119)	**120**	354.406.768	324.187.773
OFF-BALANCE SHEET ITEMS (from 122 to 126)	**121**	216.259.888	204.642.280
Transactions for and on behalf of third parties	**122**	5.381.274	5.013.721
Future obligation acceptance	**123**	32.023.105	42.452.658
Received warranties for liabilities	**124**	-	-
Derivatives	**125**	-	-
Other off-balance sheet items	**126**	178.855.509	157.175.901

PROFIT AND LOSS ACCOUNT

from 01.01.2013. to 30.09.2013.

POSITION	ADP code	Amount		
		Current year		Previou
		01.07.-30.09.	01.01.-30.09.	01.07.-30.09.
1	2	3*	4**	5
OPERATING INCOME AND EXPENSES				
Interest income	201	5.651.849	16.316.109	4.983.158
Interest expenses	202	2.311.817	6.848.428	2.305.638
Interest profit (201-202)	203	3.340.032	9.467.681	2.677.520
Interest losses (202-201)	204	-	-	-
Fees and compensations income	205	1.423.810	4.046.770	1.395.642
Fees and compensations expense	206	229.185	683.431	206.663
Fees and compensations profit (205-206)	207	1.194.625	3.363.339	1.188.979
Fees and compensations loss (206-205)	208	-	-	-
Net profit from sale of securities per fair value in Profit and loss account	209	-	15.929	-
Net loss from sale of securities per fair value in Profit and loss account	210	-	-	-
Net profit from sale of securities	211	1	1.738	1.878
Net loss from sale of securities	212	-	-	-
Net profit from sale of securities held to maturity	213	-	-	-
Net losses from sale of securities held to maturity	214	-	-	-
Net profit from sale of participation shares (participations)	215	-	-	-
Net losses from sale of participation shares (participations)	216	-	-	-
Net profit from sale of other investment	217	-	-	-
Net losses on sale of other investment	218	-	-	-
Net income from exchange rate changes	219	-	-	781.586
Net expenses from exchange rate changes	220	504.732	929.062	-
Income from dividends and participation	221	709	2.908	543
Other operating income	222	78.134	171.699	63.089
Net income from indirect write-off of advances and provisioning	223	-	-	-
Net expenses on indirect write-off of advances and provisioning	224	694.304	1.492.718	663.099
Saleries, Wages, and other personal indemnites	225	1.050.194	3.145.638	1.013.882
Depreciation costs	226	203.158	589.991	188.775
Other operating expenses	227	1.227.299	3.749.450	1.067.196
Income from change in value of assets and liabilities	228	1.040.930	6.058.887	3.316.189
Expenses on change in value of assets and liabilities	229	574.924	5.192.995	4.038.820
PROFIT FROM REGULAR OPERATIONS (203-204+207-208+209-210+211 - 212+213-214+215-216+217-218+219-220+221 +222+223-224-225-226-227+228-229)	230	1.399.820	3.982.327	1.058.012
LOSSES FROM REGULAR OPERATIONS (204-203+208-207+210-209+212-211 +214-213+216-215+218-217+220-219-221 -222+224-223+225+226+227-228+229)	231	-	-	-
NET PROFIT OF BUSINESSES TO BE CEASED	232	-	-	-
NET LOSS OF BUSINESSES TO BE CEASED	233	-	-	-
RESULT FOR THE PERIOD - PROFIT BEFORE TAX (230-231+232-233)	234	1.399.820	3.982.327	1.058.012
RESULT FOR THE PERIOD - LOSSES BEFORE TAX (231-230+233-232)	235	-	-	-
Tax on profit	236	-	-	-
Profit from created deferred tax assets and decrease of deferred tax liabilities	237	-	-	-
Loss from decrease of deferred tax assets and creation of deferred tax liabilities	238	-	-	-
PROFIT (234-235-236+237-238)	239	1.399.820	3.982.327	1.058.012
LOSSES (235-234+236+238-237)	240	-	-	-
Earnings per share (in dinars)	241	-	-	-
Basic earnings per share (in dinars)	242	-	-	-
Diluted earnings per share (in dinars)	243	-	-	-

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

(in RSD thousand)

s year
01.01.-30.09.
6
14.649.809
6.911.578
7.738.231
-
3.869.409
553.515
3.315.894
-
-
1.104
83.947
-
-
-
-
-
-
-
-
9.222.483
1.849
183.007
-
950.361
3.028.487
558.236
3.553.291
16.453.538
7.130.068
3.332.436
-
-
-
3.332.436
-
-
-
-
3.332.436
-
-
-
-

CASH FLOW STATEMENT

from 01.01.2013. to 30.09.2013.

(in RSD thousand)

POSITION	ADP code	Amount	
		01.01. - 30.09.2013.	01.01. - 30.09.2012.
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES			
I. Cash inflows from operating activities (from 302 to 305)	**301**	19.751.814	17.569.331
1. Inflows from interest	**302**	15.542.802	13.558.656
2. Inflows from allowances	**303**	4.067.010	3.868.999
3. Inflows from other operating income	**304**	139.094	139.827
4. Inflows from dividends and participation in profit	**305**	2.908	1.849
II. Cash outflows from operating activities (from 307 to 311)	**306**	12.980.810	12.291.052
5. Outflows from interest	**307**	5.397.061	5.052.905
6. Outflows from allowances	**308**	686.748	560.206
7. Outflows from gross salleries, wages and other personal indemnities	**309**	3.040.199	2.858.785
8. Outflows from taxes, contributions and other obligations from income	**310**	645.131	620.768
9. Outflows from other operating expenses	**311**	3.211.671	3.198.388
III. Net cash inflow from operating activities prior to increase or decrease in advances and deposits (301 minus 306)	**312**	6.771.004	5.278.279
IV. Net cash outflow from operating activities prior to increase or decrease in advances and deposits (306 minus 301)	**313**	-	-
V. Decrease in advances and increase in deposits withdrawn (from 315 to 317)	**314**	22.885.624	29.601.406
10. Decrease in loans and advances to banks and clients	**315**	-	4.181.258
11. Decrease in securities per fair value in profit and loss account, tradeable advances and short-term securities held to maturity	**316**	7.101.735	3.124.963
12. Increase in banks and clients deposits	**317**	15.783.889	22.295.185
VI. Increase in advances and decrease in deposits withdrawn (from 319 to 321)	**318**	27.778.558	-
13. Increase in loans and advances to banks and clients	**319**	27.778.558	-
14. Increase in securities per fair value in profit and loss account, tradeable advances and short-term securities held to maturity	**320**	-	-
15. Decrease in deposits from banks and clients	**321**	-	-
VII. Net cash inflow from operating activities before tax on profit (312 minus 313 plus 314 minus 318)	**322**	1.878.070	34.879.685
VIII. Net cash outflow from operating activities before tax on profit (313 plus 318 minus 312 minus 314)	**323**	-	-
16. Profit tax paid	**324**	505.544	510.026
17. Dividends paid	**325**	260.054	252.665
IX. Net cash inflow from operating activities (322 minus 323 minus 324 minus 325)	**326**	1.112.472	34.116.994
X. Net cash outflow from operating activities (323 minus 322 plus 324 plus 325)	**327**	-	-
B. CASH FLOWS FROM INVESTING ACTIVITIES			
I. Cash inflows from investing activities (from 329 to 333)	**328**	6.956.638	1.171.265
1. Inflows from long-term investment in securities	**329**	6.949.640	1.144.421
2. Inflows from sale of shares (participation)	**330**	-	-
3. Inflows from sale of intangible and fixed assets	**331**	6.998	26.844
4. Inflows from sale of investment immovables	**332**	-	-
5. Other inflows from investing activities	**333**	-	-
II. Cash outflows from investing activities (from 335 to 339)	**334**	21.745.730	14.656.960
6. Outflows from investment in long-term securities	**335**	21.142.231	14.186.777
7. Outflows from purchase of shares (participation)	**336**	976	751
8. Outflows from purchase of sale of intangible and fixed assets	**337**	602.523	469.432
9. Outflows from purchase investment immovables	**338**	-	-
10.Other outflows from investing activities	**339**	-	-
III. Net cash inflow from investing activities (328 minus 334)	**340**	-	-
IV. Net cash outflow from investing activities (334 minus 328)	**341**	14.789.092	13.485.695
V. CASH FLOWS FROM FINANCING ACTIVITIES			
I. Cash inflows from financing activities (from 343 to 348)	**342**	10.255.469	3.446.464
1. Inflows from capital increase	**343**	-	-
2. Net cash inflows from subordinated obligations	**344**	44.305	519.555
3. Net cash inflows from loans received	**345**	10.211.164	2.926.909
4. Net inflows from securities	**346**	-	-
5. Net inflows from sale of own shares	**347**	-	-
6. Other inflows from financing activities	**348**	-	-
II. Cash outflows from financing activities (from 350 to 354)	**349**	-	-
7. Outflows from purchase of own shares	**350**	-	-
8. Net outflows from subordinated obligations	**351**	-	-
9. Net cash outflows from loans received	**352**	-	-
10. Net outflows from securities	**353**	-	-
11. Other outflows from financing activities	**354**	-	-
III. Net cash inflow from financing activities (342 minus 349)	**355**	10.255.469	3.446.464
IV. Net cash outflow from financing activities (349 minus 342)	**356**	-	-
G. TOTAL NET CASH INFLOWS (301 plus 314 plus 328 plus 342)	**357**	59.849.545	51.788.466
D. TOTAL NET CASH OUTFLOWS(306 plus 318 plus 324 plus 325 plus 334 plus 349)	**358**	63.270.696	27.710.703
DJ. NET INCREASE IN CASH (357 minus 358)	**359**	-	24.077.763
E. NET DECREASE IN CASH (358 minus 357)	**360**	3.421.151	-
Ж. CASH AT THE BEGINNING OF THE YEAR (Note: ___) (361, col. 3 = 001, col. 6)	**361**	40.514.180	17.228.970
Z. PROFIT ON EXCHANGE	**362**	1.449.704	6.834.141
I. LOSS ON EXCHANGE	**363**	2.378.766	16.056.624
J. CASH AT END-PERIOD (Note: ___) 359 minus 360 plus 361 plus 362 minus 363) (364, col. 3 = 001, col. 5 and 364, col. 4 = 001, col. 6) (364, col. 4 = 361, col. 3)	**364**	36.163.967	32.084.250

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

CAPITAL CHANGES STATEMENT

from 01.01.2013. to 30.09.2013.

(in RSD thousand)

DESCRIPTION	ADP	Share capital (acc. 800)	ADP	Other capital (acc. 801)	ADP	Subscribed share capital unpaid (acc. 803)	ADP	Share Premium (acc. 802)	ADP	Reserves from profit and other reserves (group of accounts 81)	ADP	Revaluation reserves (group of accounts 82, except for acc.823)	ADP	Profit (group of accounts 83)	ADP	Losses up to equity (acc. 840, 841)	ADP	Own shares (acc. 128)	ADP	Unrealized losses on securities for sale (acc.823)	ADP	Total (col. 2+3-4+5+6+7+8-9-10-11)	ADP	Losses above equity(acc. 842)
1		2		3		4		5		6		7		8		9		10		11		12		13
State at 1 January, of the previous 2012. year	401	13.881.010	414	-	427	-	440	14.581.543	453	11.635.440	466	689.620	479	3.551.893	492	-	505	-	518	63.940	531	44.275.566	544	-
Correction of material important mistakes and changes of accounting policies in the prior year - increase	402	-	415	-	428	-	441	-	454	-	467	-	480	-	493	-	506	-	519	-	532	-	545	-
Correction of material important mistakes and changes of accounting policies in the prior year - decrease	403	-	416	-	429	-	442	-	455	-	468	-	481	-	494	-	507	-	520	-	533	-	546	-
Corrected opening balance as at 1 January of the previous 2012 year (no.1+2-3)	404	13.881.010	417	-	430	-	443	14.581.543	456	11.635.440	469	689.620	482	3.551.893	495	-	508	-	521	63.940	534	44.275.566	547	-
Total increase in the previous year	405	3.310.456	418	-	431	-	444	8.261.541	457	3.150.000	470	188.821	483	4.604.631	496	-	509	-	522	29.241	535	19.486.208	548	-
Total decrease in the previous year	406	-	419	-	432	-	445	-	458	-	471	10.667	484	3.970.712	497	-	510	-	523	86.165	536	3.895.214	549	-
State at 31 December of the previous 2012 year (no. 4+5-6)	407	**17.191.466**	420	-	433	-	446	**22.843.084**	459	**14.785.440**	472	**867.774**	485	**4.185.812**	498	-	511	-	524	**7.016**	537	**59.866.560**	550	-
Correction of material important mistakes and changes of accounting policies in the current year - increase	408	-	421	-	434	-	447	-	460	-	473	-	486	-	499	-	512	-	525	-	538	-	551	-
Correction of material important mistakes and changes of accounting policies in the current year - decrease	409	-	422	-	435	-	448	-	461	-	474	-	487	-	500	-	513	-	526	-	539	-	552	-
Corrected opening balance as at 1 January of the current 2013 year (no. 7+8-9)	410	**17.191.466**	423	-	436	-	449	**22.843.084**	462	**14.785.440**	475	**867.774**	488	**4.185.812**	501	-	514	-	527	**7.016**	540	**59.866.560**	553	-
Total increase in the current year	411	-	424	-	437	-	450	-	463	1.850.000	476	491.522	489	3.982.327	502	-	515	-	528	359.911	541	5.963.938	554	-
Total decrease in the current year	412	-	425	-	438	-	451	-	464	-	477	336.472	490	2.184.204	503	-	516	-	529	89.303	542	2.431.373	555	-
State at 30 September of the current 2013 year (no.10+11-12)	413	**17.191.466**	426	-	439	-	452	**22.843.084**	465	**16.635.440**	478	**1.022.824**	491	**5.983.935**	504	-	517	-	530	**277.624**	543	**63.399.125**	556	-

KOMERCIJALNA BANKA
AD Beograd

NOTES

TO FINANCIAL STATEMENTS FOR THE THIRD QUARTER OF 2013

Belgrade, October 2013

1. INCORPORATION AND OPERATION OF THE BANK

Komercijalna Banka AD Beograd (hereinafter: "the Bank") was incorporated on 01st December 1970, and transformed into a joint-stock company on 06th May 1992.

As at 30.09.2013, the largest voting shareholdings in the Bank's are:

1. Republic of Serbia and
2. EBRD, London

The Bank has three subsidiaries with the following percentage holdings in their respective ownership:

- 100% - Komercijalna Banka AD Budva, Montenegro
- 100% - KomBank INVEST AD, Serbia
- 99.99 % - Komercijalna Banka AD Banja Luka, Bosnia and Herzegovina.

The Financial Statements and the Notes thereto represent the data of the Bank as an individual parent legal entity.

The Bank activities involve lending, deposit and guarantee related operations, and payment transactions in the country and abroad in compliance with the Law on Banks. The Bank is bound to operate upon the principles of liquidity, safety and profitability.

As of September 30th, 2013, the Bank consisted of the Head Office in Belgrade located in Svetog Save Street, No. 14, 24 branches and 232 sub-branches.

As at September 30th, 2013, the Bank had 3.020 employees, and on 31st December 2012, the number of employees was 2.989. Tax ID number of the Bank is 100001931.

2. BASES FOR FINANCIAL STATEMENTS PREPARATION AND PRESENTATION

2.1. Statement of Compliance

The Bank keeps records and prepares the financial statements in accordance with applicable Law on Accounting and Audit of the Republic of Serbia (RS Official Gazette, numbers 46/2006, 111/2009), The Law on Banks (RS Official Gazette, numbers 107/2005, 91/2010) and other relevant by-laws of the National Bank of Serbia, as well as other applicable legal regulations in the Republic of Serbia.

Pursuant to the Law on Accounting and Audit, legal entities and entrepreneurs in the Republic of Serbia prepare and present the financial statements in accordance with legal, professional and internal regulations. Professional regulations involve the applicable Framework for preparation and presentation of financial statements („Framework“), International Accounting Standards („IAS“), International Financial Reporting Standards („IFRS“) and interpretations that are an integral part of the standards, or the text of applicable IAS and IFRS which does not include the bases for conclusions, illustrative examples, guidelines, comments, contrary opinions, worked-out examples and other supplementary material.

At preparing and presenting periodical financial statements for the January-September 2013 period, the Bank was using the same accounting policies and calculation methods as used when preparing the Annual Financial Statements for 2012.

The enclosed financial statements are prepared in the format prescribed by the Instruction on the manner in which public companies and certain companies related with them present information to the Securities Commission in conformity with the Law on Capital Market (RS Official Gazette, number 31/2011). The prescribed set of quarterly financial statements includes Balance Sheet, Income Statement, Cash Flow Statement, Statement of Changes in Capital, and Notes to Financial Statements.

2.2. Assessment Rules

Financial statements are prepared based upon the historical value principle, save for the following items:

- financial instruments at fair value through income statement, which are valued at fair value;
- financial instruments available for sale, which are valued at fair value
- derivatives, which are valued at fair value, and
- building structures, which are valued at revalorized value.

2.3. Functional and Reporting Currency

Financial statements of the Bank are shown in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia and functional currency of the Bank.

3. BALANCE SHEET AND INCOME STATEMENT STRUCTURE, OVERVIEW OF SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

BALANCE SHEET

The structure of the Bank's total balance sheet assets and liabilities, and the participation of certain categories are as follows:

In thousand RSD

	30.09.2013		31.12.2012	
ASSETS	Amount	%	Amount	%
Cash and cash equivalents	36.163.967	10,20	40,514,180	12.50
Callable deposits and loans	57.758.843	16,30	43,053,502	13.28
Receivables based on interest, fees, sales, change in fair value, derivatives and other receivables	2.459.053	0,69	1,547,342	0.48
Loans and deposits	187.488.441	52.90	177,106,865	54.63
Securities (without treasury shares)	47.970.127	13,54	41,347,719	12.75
Stakes (participations)	5.997.983	1,69	5,917,033	1.83
Other Investments	3.203.128	0,91	3,227,896	1.00
Intangible investments	578.513	0,16	600,438	0.19
Fixed assets and investment properties	7.806.013	2,20	7,416,846	2.29
Non-current assets intended for sale and assets of discontinued operations	74.346	0,02	78,763	0.02
Deferred tax assets	62.655	0,02	4,896	0.00
Other assets	4.843.699	1,37	3,372,293	1.03
TOTAL ASSETS	**354.406.768**	**100,00**	**324,187,773**	**100.00**

In thousand RSD

LIABILITIES	30.09.2013 Amount	%	31.12.2012 Amount	%
Transaction deposits	50.438.899	14,23	40,336,776	12.44
Other deposits	200.388.592	56,54	195,183,968	60.21
Loans received	1.673.485	0,47	637,264	0.20
Liabilities based on interest, fees, and change in derivatives' value	182.302	0,05	188,910	0.06
Provisions	1.223.126	0,35	2,331,760	0.72
Tax liabilities	57.474	0,02	21,799	0.01
Liabilities from profit	159.264	0,04	85,114	0.03
Deferred tax liabilities	57.759	0,02	-	-
Other liabilities	36.826.742	10,39	25,535,622	7.86
Capital	63.399.125	17,89	59,866,560	18.47
TOTAL LIABILITIES	**354.406.768**	**100,00**	**324,187,773**	**100.00**

INCOME STATEMENT

Income and expense structure and their share in the corresponding 2013 Income Statement categories are as follows:

In thousand RSD

INCOME	30.09.2013 Total	30.09.2012 Total
Interest income	16.316.109	14.649.809
Fee and commission income	4.046.770	3.869.409
Net profit based on sale of securities at fair value through Profit & Loss	15.929	-
Net profit based on sale of securities available for sale		
Net FX gains	1.738	83.947
Income from dividends and stakes	-	-
Other operating income	2.908	1.849
Income based on change in the value of property and	171.699	183.007
obligations	6.058.887	16.453.538

In thousand RSD

	30.09.2013	30.09.2012
EXPENSES	Total	Total
Interest expense	6.848.428	6.911.578
Fee and commission expense	638.431	553.515
Net loss based on sale of securities at fair value through Income Statement	-	1.104
Net expense based on exchange differentials	929.062	9.222.483
Net expenses based on indirect write-off of loans and provisions	1.492.718	950.361
Costs of wages, wage compensation and other personal expenses	3.145.638	3.028.487
Depreciation costs	589.991	558.236
Operating and other operating expenses	3.749.450	3.553.291
Expenses based on change in the value of property and obligations	5.192.995	7.130.068

Result of the period (profit)	**3.982.327**	**3.332.436**

CASH FLOW STATEMENT

In thousand RSD

	30.09.2013	30.09.2012
Item	Total	Total
Cash inflows from operating activities	**19.751.814**	**17.569.331**
Inflow from interest	15.542.802	13.558.656
Inflow from fees	4.067.010	3.868.999
Inflow from other operating income	139.094	139.827
Inflow from dividends and share in the profit	2.908	1.849
Cash outflows from operating activities	**12.980.810**	**12.291.052**
Outflow based on interest	5.397.061	5.052.905
Outflow based on fees	686.748	560.206
Outflow based on gross wages, wage compensation and other personal expenses	3.040.199	2.858.785
Outflow based on taxes, contributions and other charges against income	645.131	620.768
Outflows based on other operating costs	3.211.671	3.198.388
Net cash inflow from operating activities before increase or decrease in loans and deposits	**6.771.004**	**5.278.279**
Decrease in lending and increase in deposits	**22.885.624**	**29.601.406**
Decrease in loans and lending to banks and customers	-	4.181.258
Decrease in securities at fair value through Income Statement, investments held for trading and short-term securities held to maturity	7.101.735	3.124.963
Increase in deposits from banks and customers	15.783.889	22.295.185

Item	30.09.2013 Total	30.09.2012 Total
Increase of loans and decrease of taken deposits	**27.778.558**	-
Increase of loans and investments to banks and customers	27.778.558	-
Increase of securities at fair value through Income Statement, trading investments and short-term securities held to maturity	-	-
Decrease of deposits from banks and customers	-	-
Net cash inflow from operating activities before profit tax	**1.878.070**	**34.879.685**
Net cash outflow from operating activities before profit tax	-	-
Paid profit tax	505.544	510.026
Paid dividends	260.054	252.665
Net cash inflow from operating activities	**1.112.472**	**34.116.994**
Net cash outflow from operating activities	-	-
Cash inflows from investment activities	**6.956.638**	**1.171.265**
Inflow from long-term investment in securities	6.949.640	1.144.421
Inflow from sale of intangible investments and fixed assets	6.998	26.844
Cash outflows from investment activities	**21.745.730**	**14.656.960**
Outflow based on investment in long-term securities	21.142.231	14.186.777
Outflow for purchase of stakes (participations)	976	751
Outflow for purchase of intangible investments and fixed assets	602.523	469.432
Net cash outflows from investment activities	**14.789.092**	**13.485.695**
Cash inflows from financing activities	**10.255.469**	**3.446.464**
Net cash inflows based on subordinated obligations	44.305	519.555
Net cash inflows based on borrowed loans	10.211.164	2.926.909
Cash outflows from financing activities	-	-
Net cash outflows based on subordinated obligations	-	-
Net cash inflow from financing activities	**10.255.469**	**3.446.464**
Total net cash inflow	**59.849.545**	**51.788.466**
Total cash outflow	**63.270.696**	**27.710.703**
Net cash increase	-	**24.077.763**
Net cash decrease	**3.421.151**	-
Cash at the beginning of the year	**40.514.180**	**17.228.970**
Positive exchange rate differentials	1.449.704	6.834.141
Negative exchange rate differentials	2.378.766	16.056.624
Cash at the period-end	**36.163.967**	**32.084.250**

INCOME STATEMENT

3.1. Interest Income and Expenses

Interest income and expenses, including default interest and other income and other expenses relating to interest-bearing assets, and/or interest-bearing liabilities, were calculated according to accrual concept and the conditions from the obligation relationship that are defined by the agreement between the Bank and the client.

Interest income also includes income based on financial risk protection instruments, mainly by pegging the annuities to the exchange rate of the Dinar against the EUR, another foreign currency or to the retail price rise index, and are calculated at the close of each month during the repayment and on the date on which the annuity is due for payment.

Net interest income in the period from January – September 2013 totaled RSD 9.467.681 thousand and was RSD 1.729.450 thousand or 22,35% higher compared to the same quarter of the preceding year.

3.2. Fees and Commissions Income and Expenses

Income and expenses based on fees and commissions are recognized according to accrual concept.

Income from fees for banking services and expenses based on fees and commissions are established at the time when they are due for collection or when paid. They are recognized in the Income Statement at the time when they are incurred and/or when due for collection. Income from fees for guarantee approval and other contingent liabilities is accrued in accordance with the period of duration and recognized in the Income Statement proportionally to the duration period.

Net income from fees in the period from January – September 2013 amounts to RSD 3.363.339 thousand, which is 1, 44% or RSD 47.645 thousand higher compared to the same period in 2012.

3.3. Income and Expenses Based on Securities

Realized and unrealized gains and losses based on the change in the market value of trading securities are recognized through the income statement.

Gains and losses based on the change in amortized value of the securities held to maturity are recognized as income or expense.

Unrealized gains and losses based on securities available for sale are recognized within the revaluation reserves included in the Bank's capital. At the time of sale or permanent decrease in the value of such securities, corresponding amounts of the previously formed revaluation reserves are shown in the Income Statement as gains or losses based on investment in securities.

In the observed period of 2013 the net gains from sale of securities at fair value in the amount of RSD 15.929 thousand fully relates to maturity of old savings bonds ARS 2013 and the sale of the company Soja Protein's shares. Net profit from the sale of securities available for sale is RSD 1.738 thousand and fully derives from RS treasury bills in RSD.

Gains/losses based on contracted currency clause and changes in the exchange rate of the securities available for sale, and interest income under the securities available for sale are shown within the Income Statement.

Dividends received based on investment in the shares of other legal entities in the amount of RSD 2.908 thousand are shown as income from dividend at the time of their collection.

Impairments for assessed risk values per all types of securities are recognized in the Bank's Income Statement.

3.4. Re-statement of FX Amounts – Income and Expenses from Exchange Rate Differentials

Business transactions in foreign currency were re-stated in the Dinars at mid-exchange rate on the inter-bank FX market, applicable on the transaction date.

Assets and liabilities shown in foreign currency as at the balance sheet date were restated in dinars at mid-exchange rate fixed on the inter-bank FX market, applicable on that date.

Net FX gains and losses arising from business transactions in foreign currency and when restating the balance sheet items shown in foreign currency, were booked as credited or charged to the income statement as gains or losses from exchange rate differentials.

Net FX losses in the reporting period, January through September 2013, totaled RSD 929.062 thousand. This is a direct result of the trends in RSD exchange rate against the currency basket between the two observed reporting periods and a result of managing the Bank's FX position which, apart from the FX positions, also includes the RSD positions with currency clause, as a form of protection against FX risk (link to note 3.10).

Assumed and contingent liabilities in foreign currency were re-stated in dinars at middle exchange rate on the inter-bank FX market applicable as at the balance sheet date.

3.5. Other Operating Income

In the overall other income of RSD 171.699 thousand, other operating revenues account for the largest share of 83, 67% (65,46% in the previous year) which mainly refer to the income from renting the real estate amounting to RSD 77.618 thousand. Other operating revenues came as a result of the compensation for mobile telephone expenses, court expenses and cost of utility services, and also as a result from income from damage compensation from the insurance companies.

3.6. Net Expenses Based on Indirect Write-Off of Loans and Provisions

The Bank classifies its financial assets into the following categories: financial assets at fair value whose effects of the changes in the fair value are shown in the Income Statement, loans and receivables, financial assets available for sale, and assets held to maturity. The classification depends on the purpose for which the financial assets have been acquired. Management classifies its financial investments at the time of initial recognition.

The Bank's financial assets are appraised as at the balance sheet date to establish whether objective proofs of impairment exist. If proofs of impairment exist, a recoverable amount of investment is determined. In order to manage the credit risk adequately and efficiently, the Bank has prescribed by its internal acts special policies and procedures for identifying the bad assets and for managing such assets.

The Bank's management makes estimates of the recoverability of receivables and/or allowance for investments based on individual assessment of risky receivables. Risky receivables are all receivables with delays in repayment. The Bank assesses the recoverable amount of receivables and loans by taking at the same time into account the regularity of payments, debtor's financial standing and the quality of the collateral, as well as the contracted cash flow and historical loss related data.

For assessed impairment amount, the Bank makes allowance against the expenses of the period in which the impairment occurred. If in later periods the Bank management finds that conditions have changed and that impairment is no longer in place, the allowance made earlier is abolished in favor of income. Abolishment of the allowance cannot result in a carrying value of the asset that is larger than the value such asset would have had if it had not been impaired earlier.

Net expenses from indirect write-off of loans and provisions amount to RSD 1.492.718 thousand, and are by RSD 542.357 thousand or 57, 07% higher compared to the same period of 2012, primarily due to the Bank's priority to maintain credit risk at a level acceptable for the Bank. Excluding the effect of provisioning for litigations, these expenses are higher and amount to RSD 1.873.488 thousand. Provisions for litigations were cancelled on the basis of collection made in litigation with Takovo to the amount of RSD 380.770 thousand.

3.7. Costs of Wages, Wage Compensations and other Personal Expenses

Costs of wages, wage compensations and other personal expenses of RSD 3.145.638 thousand are by RSD 117.151 thousand or 3,87% higher compared to the same period last year, mainly due to the rise of the cost of labor by 7,0% in September 2012, the increase of the average salary in RS by 6,0%, as it represents the basis for calculation of the meal allowance, holiday reimbursement and contributions.

3.8. Depreciation Costs

Depreciation costs amounting to RSD 589.991 thousand increased compared to the period January – September 2012 by RSD 31.755 thousand or 5.69 %, mainly due to the newly purchased fixed assets and intangible investments during the previous and this year.

3.9. Operating Costs and other Operating Costs

Operating costs and other operating costs in the amount of RSD 3.749.450 thousand are increased compared to the same period last year by RSD 196.159 thousand or 5,49%.

The largest items of operating and other operating costs refer to:

- costs of production services in the amount of RSD 1.453.990 thousand, followed by the highest sums for: rental costs of office space and equipment and space for advertising in the amount of RSD 472.776 thousand, as well as the advertising and marketing costs in the amount of RSD 276.609 thousand.

- intangible costs totaling RSD 1.183.978 thousand, the highest individual item being the cost of deposit insurance coming to RSD 554.285 thousand and,

- cost of materials amounting to RSD 346.081 thousand.

3.10. Income and Expenses Based on Changed Value of Property and Obligations

Loans and deposits in Dinars for which the protection against risk has been contracted by pegging the exchange rate of the Dinar against the EUR, another foreign currency or the retail price rise index, were revalued in accordance with the concrete agreement for each loan. The difference between the nominal value of outstanding loan principal or unpaid deposits and the revalorized amount is shown within the receivables based on loans or deposit liabilities. The effects of this revaluation are recorded within income and expenses based on changed value of property and obligations.

In the period from January – September 2013, income from changed value of assets and liabilities amounts to RSD 6.058.887 thousand, and expenses on this basis amount to RSD 5.192.995 thousand; this makes for net income in amount of RSD 865.892 thousand. The declared net income is mainly under direct influence of trends in RSD exchange rate for loans and liabilities contracted with the currency clause (EUR, USD and CHF) as a form of protection against the risk and management of the Bank's FX position, which includes FX positions, as well.

BALANCE SHEET

Total balance sheet sum on 30.09.2013 amounts to RSD 354.406.768 thousand, which is an increase from the start of the year of RSD 30.218.995 thousand or 9.32 %. The increase came mostly as a result of a growth of deposits and drawn-down credit lines.

ASSETS

In total Bank's assets, loans and deposits to customers had a dominant share of 52,90% (2012:54,63%) followed by callable deposits and loans with a share of 16,30% (2012: 13,28%), cash and cash equivalents with a share of 10,20% (2012: 12,50%) and securities (own securities excluded) with a share of 13,54% (2012: 12,75%).

3.11. Cash and Cash Equivalents

In the cash flow balance sheet, cash and cash equivalents involve the cash, assets in accounts with other banks and checks sent for collection.

As at 30.09.2013, cash and cash equivalents amount to RSD 36.163.967 thousand and account for 10,20% of total Bank's assets (12,50 % on 31.12.2012). Against December 31st 2012, this item decreased by RSD 4.350.213 thousand, which mostly resulted from net decrease in cash due to an increase of investment in REPO transactions with NBS in comparison with the increase in cash caused by the growth of transaction deposits for the same observed period.

3.12. Callable Deposits and Loans

As at 30.09.2013, callable deposits and loans with the balance at RSD 57.758.843 thousand and the percentage share of 16,30% in total assets, increased in comparison to the year 2012 by RSD 14.705.341 thousand or 34,2%. The net increase is the result of an increase in REPO lending transactions in dinars by RSD 12.814.160 thousand and an increase in foreign exchange required reserves with the NBS by RSD 1.891.181 thousand.

3.13. Loans and Deposits

Loans are shown in the balance sheet at the level of approved loans, less repaid principal and less the allowance based on the assessment of the concretely identified risks for certain loans and risks that are empirically included in the loan portfolio. In assessing the mentioned risks, the management applies the methodology, which is based on full application of IAS 39.

Loans in Dinars, for which the protection against risk has been contracted by pegging the exchange rate of the Dinar against the EUR, another foreign currency or the retail price rise index, were revalued in accordance with the concrete agreement for each loan. The difference between the nominal value of outstanding principal and the revalued amount is shown within the loan receivables. The effects of this revaluation are recorded within income and expense based on changed value of property and obligations.

Net positive or negative exchange rate differentials resulting from business transactions in foreign currency and from restating the balance sheet items in foreign currency, were accounted for in the income statement as exchange rate gains or losses.

Loans and deposits to customers in the amount of RSD 187,488.441 thousand and with a share of 52,90% in total assets in 2013, are higher, compared to 2012 by RSD 10.381.576 thousand or 5,86%, which is to the largest extent the result of increase in lending to banks by 5.3 times and lending to retail customers by 10,4%. Corporate loans decreased by 4,6%, mostly as a result of collection of matured loans.

3.14. Securities (Own Shares Excluded)

Investments in securities other than own shares amounting to RSD 47.970.127 thousand or 13,54% share in the total assets recorded an increase compared to the 2012 by RSD 6.622.408 thousand, or 16,0% as a result of increased investments in bonds and treasury bills of the Republic of Serbia in foreign currency amounting to RSD 5.768.373 thousand and investments in securities of the Republic of Serbia in dinars in the amount of RSD 854.035 thousand.

3.15. Equity shares

Equity shares as of 30.09.2013 amounted to RSD 5.997.983 thousand and account for 1,69% of the total assets. The achieved growth compared to 31.12.2012 in the amount of RSD 80.950 thousand primarily resulted from the increase in the share in equity of non-resident entities (Master and Visa International companies).

3.16. Other Investments, Intangible Investments, Fixed Assets and Investment Properties, Non-Current Assets Intended for Sale, Deferred Tax Assets and Other Assets

All listed positions make only 4,67% of the total assets, the highest percentage of which refers to fixed assets and investment properties totaling 2,20%, followed by other assets 1,37% and other loans 0.90%. Other assets, amounting to RSD 4.843.699 thousand, increased by RSD 1.471.406 thousand when compared to 2012, mostly due to the influence of growth in demand arising from buying and selling the currencies on the FOREX market and receivables arising from court rulings, compared to the increase in other categories of other investments.

LIABILITIES

In the period January - September 2013 no major changes took place in the structure of liabilities compared to December 31st, 2012. In the structure of liabilities, the highest share of deposits and capital remains, with the total percentage of 88,66% (2012: 91,12%) of total liabilities. Other items account for 11,34% of total liabilities, whereby the highest portion of this position refers to other liabilities (based on credit lines and subordinated debt) equaling 10,39%.

3.17. Deposits

Deposits are shown at the level of deposited amounts, which can be increased by calculated interest, which depends on the contractual relationship between the depositor and the Bank. The Bank agreed with the depositors an interest rate that depended on the amount of deposit.

FX deposits are shown in the Dinar according to mid-exchange rate of currencies applicable as at the balance sheet date.

In the balance sheet, deposits are shown as transaction and other deposits.

The most significant share in the structure of liabilities was that of other deposits in the amount of RSD 200.388.592 thousand, which represented 56,54% of total liabilities (2012: 60.21%) followed by transaction deposits in the amount of RSD 50.438.899 thousand with a share of 14,23% (2012: 12.44%) and capital in the amount of RSD 63.399.125 thousand with share of 17,89% (2012: 18.47%).

When compared to 2012, the Bank increased the level of transaction deposits by RSD 10.102.123 thousand or 14,23%, while other deposits recorded an increase of RSD 5.204.624 thousand or 2,67%. In the structure of transaction deposits, deposits in local currency continued to be dominant with the share of 74,06%, while the remaining 25,94% relates to deposits in foreign currency. In other deposits, the FX deposits are predominant with share of 86,18%, while the share of Dinar deposits is at 13,82%. FX savings increased by EUR 49,8 million.

3.18. Provisions

The Bank's provisions of RSD 1.223.126 thousand include the provisions for: coverage of obligations (lawsuits), long-term employees' wages, and provisions for losses under off-balance sheet assets. In the observed period, compared to 2012, the provisions decreased by RSD 1.108.634 thousand. The decrease mainly refers to cancellation of provisions based on the favorable court judgment in a dispute with Takovo and as a result of a decrease in provisions for the amount of forced collection arising from the court dispute involving a guarantee to the client IEG.

3.19. Capital

The Bank's capital comprises the original founding capital, shares of later issues, reserves from the profit, revaluation reserves, unrealized losses based on securities available for sale, accumulated result, and the current period result.

The Bank's capital was formed from cash invested by the Bank founders. The founder cannot withdraw the assets invested in the Bank's capital.

As at September 30th, 2013, the Bank's capital consists of:

In thousand RSD	2013	2012
Share capital	17,191,466	17,191,466
Issue premium	22,843,084	22,843,084
Capital	40,034,550	40,034,550
Reserves from the profit	16,635.440	14,785,440
Revaluation reserves	1,022.824	867,774
Unrealized losses based on securities available for sale	(277.624)	(7,016)
Reserves	17.380.640	15,646,198
Accumulated profit	5.983.935	4,185,812
Balance	**63.399.125**	59,866,560

In conformance with the Bank's founding acts, the Bank's capital consists of the share capital and Bank reserves.

The share capital was formed by initial investments made by the shareholders and later issues of new shares. The shareholders have the right to manage the Bank, as well as the right to participate in the profit distribution.

Based on the Decision of the Securities Commission of 17 March 2011, the Bank replaced the shares of the nominal value of 10,000.00 Dinars with the shares of a nominal value of 1,000.00 Dinars.

The shares were replaced in order to increase the liquidity of the securities and make them more easily accessible to a broader circle of small investors.

The Bank is bound to maintain the minimum capital adequacy ratio of 12% prescribed by the National Bank of Serbia, according to the Basel Convention applicable to all banks. The capital adequacy ratio of the Bank as at September 30th, 2013 calculated based on the financial statements, is 19,42% calculated by application of the decisions of the National Bank of Serbia made public for 2013.

Moreover, the Bank is bound to maintain the pecuniary portion of the capital at the level of EUR 10.000 thousand. As at 30.09.2013, the money-capital portion was above the prescribed level.

The structure of the share capital – ordinary shares as at September 30th, 2013 was as follows:

Shareholder Name	share %
Republic of Serbia	42.60
EBRD, LONDON	25.00
Jugobanka AD Beograd in bankruptcy	3.69
Evropa osiguranje AD Beograd in bankruptcy	2.63
INVEJ DOO, Beograd	2.64
UNICREDIT BANK Srbija AD	2.33
ARTIO INT. EQUITY FUND, New York	1.44
Company Dunav, Beograd	1.97
Others	17.70
	100.00

According to the Decision of the General Meeting of Bank's Shareholders No. 7710/1-3 dated 24.04.2013, the profit from 2012 was distributed. Distribution anticipated the amount of RSD 37,351 thousand to be allocated for payment of dividends on preference shares.

According to the Decision of the General Meeting of Bank's Shareholders No.14955/2 dated 30.07.2013, on distribution of part of profit from 2012, the amount of RSD 1.850.000 thousand is allocated for the reserves from profit for estimated losses under the balance sheet assets.

4. RELATIONS WITH SUBSIDIARIES

4. A . Balance as at 30.09.2013

RECEIVABLES RSD thousand

Subsidiary	Loans and advances	Interests and fees	Other assets	Impairments	Net BS exposure	Off-balance	Total
1. Kom. banka AD Budva	143.477	823	537	-	144.837	320.892	465.729
2. Kom.banka AD Banja Luka	117.591	-	476	-	118.067	458.418	576.485
3. Kombank INVEST	-	-	-	-	-	200	200
TOTAL	**261.068**	**823**	**1.013**	-	**262.904**	**779.510**	**1.042.414**

LIABILITIES RSD thousand

Subsidiary	Deposits and loans	Interests and fees	Other liabilities	Total
1. Kom. banka AD Budva	181.801	-	1.600	183.401
2. Kom.banka AD Banja Luka	8.462	-	-	8.462
3. Kombank INVEST	4.133	7	-	4.140
TOTAL:	**194.396**	**7**	**1.600**	**196.003**

INCOME AND EXPENSES for period 01.01 – 30.09.2013 RSD thousand

Subsidiary	Interest income	Fees and commission income	Interest expenses	Fees and commission expenses	Net income / expenses
1. Kom. banka AD Budva	670	1.113	-	(693)	1.090
2. Kom.banka AD Banja Luka	476	472	(368)	(232)	348
3. Kombank INVEST	-	39	(900)	-	(861)
TOTAL:	**1.146**	**1.624**	**(1.268)**	**(925)**	**577**

Based on the transactions with subsidiaries, Komercijalna banka ad Beograd recorded net foreign exchange losses of RSD 8.980 thousand.

4. B . Balance as at 31.12.2012

RECEIVABLES RSD thousand

Subsidiary	Loans&advances	Interest and fees	Impairments	Net BS exposure	Off-balance	Total
1. Kom. banka AD Budva	5,686	892	-	6,578	-	6,578
2. Kom.banka AD Banja Luka	2,963	-	-	2,963	909,746	912,709
3. Kombank INVEST	-	1	-	1	200	201
TOTAL:	**8,649**	**893**	-	**9,542**	**909,946**	**919,488**

LIABILITIES RSD thousand

Subsidiary	Deposits and loans	Interests and fees	Other liabilities	Total
1. Kom. banka AD Budva	487,804	-	1,588	489,392
2. Kom.banka AD Banja Luka	8,085	-	-	8,085
3. Kombank INVEST	14,906	38	-	14,944
TOTAL:	**510,795**	**38**	**1,588**	**512,421**

INCOME AND EXPENSES for period 01.01- 30.09.2012 RSD thousand

Subsidiary	Interest income	Fee and commission income	Interest expense	Fee and commissi on expense	Net income / expense
1. Kom. banka AD Budva	180	1.306	-	(627)	859
2. Kom.banka AD Banja Luka	1.478	669	(514)	(379)	1.254
3. Kombank INVEST	-	106	(1.044)	-	(938)
TOTAL:	**1.658**	**2.081**	**(1.558)**	**(1.006)**	**1.175**

Based on the transactions with affiliated members, Komercijalna banka ad Beograd recorded a net foreign exchange loss in the amount of RSD 14.890 thousand.

5. RISK MANAGEMENT

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

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

Risk management process involves clear determining and documenting risk profile and adjusting risk profile to the Bank's aptitude to assume risk in accordance with the adopted strategies and policies.

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 Bank's activities in accordance with business opportunities and market development with a view to gain competitive advantage.

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

Risk Management System

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

- Risk Management Strategy and Capital Management Strategy;
- Risk Management Policies;
- Risk Management Procedures;
- Methodologies for Managing Individual Risks; and
- Other enactments.

Risk Management Strategy sets out:

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

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

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

Policies for managing certain risk types define the following:

- Manner of organizing risk management processes within the Bank and clear division of personnel responsibilities in all stages of the process;
- Manner of assessing the Bank's risk profile and methodology for identifying, measuring and assessing risks;

- Manners of risk monitoring and control and establishing the system of limits, i.e. types of limits the Bank uses as well as their structure;
- Measures for risk mitigation and rules for implementation thereof;
- Manner and methodology for implementing the process of internal assessment of the Bank's capital adequacy;
- Principles of the system of internal controls functioning; and
- Framework and frequency for stress testing and procedure in instances of unfavorable test results.

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

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

Competencies

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

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

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

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

The Credit Committee decides on loan approval requests within framework determined by the Bank's enactments, analyses the Bank's exposure to credit, interest rate and currency risk, analyzes loan portfolio and proposes measures to be taken to the Executive Board.

The Receivables Collections Committee is authorized and responsible for managing risk-weighted placements; it makes decisions on the write-off of risk-weighted placements up to set limits of authorization and recommends write-off of placements to the Executive Board and Board of Directors exceeding its limits of authorization.

The risk management function defines and proposes the risk management strategy, policies, procedures and methodologies for adoption, identifies, measures, mitigates, monitors, controls and reports on the risks the Bank is exposed to. It is also in charge of developing models and methodologies for all stages of risk management and reporting to the competent Bank's bodies.

The Asset Management Division is responsible for managing assets and liquidity, the Bank's assets and liabilities. It is also responsible for the Bank's liquidity risk, interest rate risk and foreign currency risk.

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

The Compliance Control Division is obligated to identify and assess compliance risks at least annually and propose risk management plans, whereof it prepares a report and submits it to the Executive Board and Committee for monitoring the Bank`s operations.

Risk Management Process

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

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

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

Risk monitoring and control is based on limits that are set by the Bank. They depend on business strategy and the business environment, as well as on the level of risk that the Bank is ready to accept.

Risk management reports are regularly submitted to: the Bank's Board of Directors, Executive Board, Audit Committee, Asset Liability Management Committee and Credit Committee, and they contain all the information required for risk assessment and reaching of conclusions about the Bank's risks.

Types of Risk

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

a. CREDIT RISK

Credit risk represents the risk of negative effects on the Bank's financial result and capital arising from debtors' inability to settle the liabilities to the Bank.

The Bank monitors the following risks within the credit risk:

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

In addition to the aforelisted risks, the Bank also monitors the following related risks:

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

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

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

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

The basic principles of credit risk management are as follows:

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

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

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

The Bank performs quantitative and/or qualitative measurement, i.e. assessment of the identified credit risk. The credit risk measurement process is based on two parallel approaches:

- Regulatory approach – process of impairing investments and estimating provisions against losses per off-balance sheet as required by IAS 39 and IAS 37 and calculating provisions pursuant to the regulations of the National Bank of Serbia;
- Internal approach – measuring risk level of individual loans and investments based on the internally adopted rating system.

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

In addition to the internal rating system, in credit risk analysis the Bank also uses principles prescribed by the National Bank of Serbia, which require classification of receivables and investments based on the prescribed criteria as well as calculation of the reserve for estimated credit risk losses. Application of these principles allows the Bank to cover unexpected losses due to the customer's inability to settle liabilities as they fall due, in accordance with contractually defined terms. For these purposes, the Bank classifies receivables and assesses the level of necessary reserve using the regular analysis of portfolio.The analysis includes the measurement of adequacy of reserves formed against individual borrowers, risk categories, portion of portfolio and at overall portfolio level. Reserves for estimated losses represent a certain form of hedge against potential adverse effects in case invested funds are not repaid when due and in full.

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

Decisions on credit risk exposure are defined through the decision making system that depends on the type of customer and exposure level: for loans within defined limits decisions are made by the branch credit committees, although in certain cases approval of the risk management organizational unit is required. Central Credit Committee decides on the loans in excess of the defined limits (depending on the type of client) with prior opinion of the risk management organizational unit. The Executive Board and Board of Directors make decisions depending on the exposure levels.

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

For investments contracted in foreign currencies or dinars indexed to a currency clause, the Bank estimates the effects of the changes in foreign exchange rates on the financial situation and creditworthiness of debtors and particularly analyzes adequacy of the debtor's cash flows in relation to the changed level of liabilities per loans assuming that there will be certain fluctuation in RSD exchange rates on an annual basis.

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

The basic techniques for credit risk mitigation are as follows:

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

The Bank's exposure limits per individual debtor are based on the assessment of the debtor's creditworthiness, whereas the exposure limits at the portfolio level are focused on restricting exposure concentration within the portfolio. The Bank continuously controls credit risk movements within a defined risk profile.

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

Investment diversification is aimed at alleviating credit risk through reduction portfolio concentrations in certain segments of assets.

Monitoring investment quality at the individual debtor level is primarily based on obtaining updated information on the financial situation and creditworthiness of the debtor as well as on the market value of collateral, whereas credit risk monitoring at the portfolio level is performed through identification of changes at the level of client groups with certain levels of risk, investment, collateral and required reserves for estimated and unexpected losses for the purpose of establishing management of the asset balances and quality. For protection against credit risk exposure, in addition to the regular monitoring of the customers' business operations, the Bank contractually defines security instruments (collaterals), which reduce credit risk.

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

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

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

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

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

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

i. Total Credit Risk Exposure

The largest credit risk for the Bank arises from actual loan arrangements; however, the Bank is exposed to the credit risk based on off-balance sheet items, which is caused by commitments and contingent liabilities. The total exposure to credit risk is presented here in the gross amount before the effects of risk alleviation and asset impairment.

in thousands of RSD

Breakdown of Assets (gross)	Assets subject to classification		Unclassified assets		Total	
	30.09.2013.	31.12.2012.	30.09.2013.	31.12.2012.	30.09.2013.	31.12.2012.
I.Assets	**212.631.146**	**197.880.639**	**62.170.516**	**47.310.320**	**274.801.662**	**245.190.959**
Revocable loans and deposits	-	-	57.758.843	43.053.502	57.758.843	43.053.502
Interest, fee and commission receivables and changes in the fair value of derivatives and other receivables	4.179.290	3.085.283	3.985	25.575	4.183.275	3.110.858
Loans and advances to customer	198.968.550	186.179.565	2.274.500	2.633.725	201.243.050	188.813.290
Other investments	5.806.804	5.943.858	503.691	461.894	6.310.495	6.405.752
Other assets	3.676.502	2.671.933	1.629.497	1.135.624	5.305.999	3.807.557
II. Other assets	**11.898.142**	**16.818.528**	**78.690.133**	**71.412.030**	**90.588.275**	**88.230.558**
Cash and cash equivalents	9.261.557	14.265.528	26.902.410	26.248.652	36.163.967	40.514.180
Secutities	1.750.922	1.748.287	46.228.449	39.604.104	47.979.371	41.352.391
Equity investments	885.663	804.713	5.559.274	5.559.274	6.444.937	6.363.987
III. Off-balance sheet items	**32.260.411**	**33.879.026**	**67.240**	**59.580**	**32.327.651**	**33.938.606**
Payment guarantees	7.531.213	7.870.828	-	-	7.531.213	7.870.828
Performance bonds	6.061.898	6.770.801	702	438	6.062.600	6.771.239
Acceptances	40.271	51.331	-	-	40.271	51.331
Irrevocable letters of credit	98.236	602.218		-	98.236	602.218
Irrevocable commitments	18.132.723	17.753.588	66.538	58.995	18.199.261	17.812.583
Other	396.070	830.260	-	147	396.070	830.407

ii. Downgrade Risk

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

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

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

iii. Risk of Change in the Value of Assets

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

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

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

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

Assessment of Allowance for Impairment of Receivables

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

Individual Assessment

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

Group Assessment

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

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

Assessment of Provisions for Losses on Off-Balance Sheet Items

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

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

Overview of Individual and Group-Level Impairment Allowance of Balance Sheet Assets in thousands of RSD

	Loans and Advances		Equity Investments	
	30.09.2013.	31.12.2012.	30.09.2013.	31.12.2012.
I. Individual impairment allowance				
Rating category 1	-	-	375.076	298.160
Rating category 2	2.322.578	4.297.964	107.170	102.100
Rating category 3	5.299.133	5.932.405	34.289	34.525
Rating category 4	4.741.266	3.281.873	4.528	5.328
Rating category 5	20.567.412	13.309.666	364.600	364.600
Loans and receivables, gross	**32.930.388**	**26.821.908**	**885.663**	**804.713**
Impairment allowance	**5.514.186**	**3.410.334**	**443.036**	**443.036**
Carrying amount	**27.416.203**	**23.411.573**	**442.627**	**361.677**
II. Group-level impairment allowance				
Rating category 1	67.692.030	66.489.041	-	-
Rating category 2	46.823.023	49.827.108	-	-
Rating category 3	17.656.867	16.146.609	-	-
Rating category 4	1.471.327	3.199.198	-	-
Rating category 5	13.847.041	13.529.335	-	-
Loans and receivables, gross	**147.490.287**	**149.191.291**	-	-
Impairment allowance	**13.389.730**	**13.342.706**	-	-
Carrying amount	**134.100.557**	**135.848.585**	-	-
III. Receivables due but not impaired				
Rating category 1	1.099.044	991.610	-	-
Rating category 2	416.818	5.793.228	-	-
Rating category 3	8.548.117	-	-	-
Rating category 4	-	-	-	-
Rating category 5	-	-	-	-
Loans and receivables, gross	**10.063.978**	**6.784.838**	-	-
Receivables due but not impaired include:				
0-30 days past-due	10.063.676	6.761.200	-	-
31-60 days past-due	303	23.638	-	-
61-90 days past-due	-	-	-	-
91-180 days past-due	-	-	-	-
Over 180 days past-due	-	-	-	-
Carrying amount	**10.063.978**	**6.784.838**	-	-
IV. Receivables neither due nor impaired				
Rating category 1	14.855.690	4.391.773	-	-
Rating category 2	3.185.861	10.690.225	-	-
Rating category 3	4.104.941	604	-	-
Rating category 4	-	-	-	-
Rating category 5	-	-	-	-
Carrying amount	**22.146.492**	**15.082.602**	-	-
Total carrying amount, gross	**212.631.146**	**197.880.639**	**885.663**	**804.713**
Total impairment allowance	**18.903.916**	**16.753.040**	**443.036**	**443.036**
Total carrying amount, net	**193.727.230**	**181.127.599**	**442.627**	**361.677**
Total unclassified assets	**62.170.516**	**47.310.320**	**5.559.274**	**5.559.274**
Impairment allowance	**144.584**	**130.024**	**3.918**	**3.918**
Total unclassified assets, net	**62.025.932**	**47.180.296**	**5.555.356**	**5.555.356**
Total	**274.801.662**	**245.190.959**	**6.444.937**	**6.363.987**
Rescheduled / restructured loans	**40.980.536**	**27.609.215**	-	-

iv. Concentration Risk

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

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

v. Credit Risk Hedges (Collateral)

For the purpose of protection against credit risk, in addition to regular monitoring of the customer business operations, the Bank also acquires security instruments (collaterals) to secure the collection of receivables and minimize credit risk. Depending on the assessment of the ability to settle contractual liabilities, the level of loan coverage is defined so that in case of the debtor default, the bank could collect its receivables through collateral foreclosure. The quantity and type of collateral depends on the assessed credit risk.
As a standard type of loan security instrument, the Bank demands and receives from clients contractual authorizations for account withdrawals and bills of exchange, whereas, depending on the credit risk assessment and loan type, additional collaterals agreed upon include the following:

- for commercial loans – pledge over movable and immovable property (mortgages), deposits, banking, corporate and state-issued guarantees, sureties, pledge over securities;
- for retail loans – mortgages, deposits, co-sureties and insurance of the National Corporation for Housing Loans.

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

The Bank monitors the market value of collaterals and if necessary, it can demand additional collateral pursuant to the loan/deposit agreement executed.

It is the Bank's policy to ensure collection from collateral foreclosure and use the proceeds therefrom to reduce or repay debt.

Fair Value of Collaterals in thousands of RSD

	Loans and Advances	
	30.09.2013.	**31.12.2012.**
I. Individual allowance for impairment		
Mortgages	64.468.701	46.871.612
Deposits	238.268	45.170
Guarantees	1.663.849	919.881
Pledged securities	14.259.645	15.715.570
Pledged property	16.956.332	13.819.127
Other	21.256.657	15.802.786
Total	**118.843.452**	**93.174.147**

II. Portfolio-level allowance for impairment		
Mortgages	152.249.690	166.662.147
Deposits	1.637.646	1.519.514
Guarantees	13.407.242	10.458.163
Pledged securities	1.192.956	18.652.333
Pledged property	57.441.558	49.820.489
Other	81.306.415	44.474.084
Total	**307.235.506**	**291.586.729**
III. Loans and advances due but not impaired		
Mortgages	464.782	357.022
Deposits	35.016	1.199
Guarantees	1.987.865	708
Pledged securities	1.730	1.178
Pledged property	1.899.272	58.060
Other	2.607.353	371.511
Total	**6.996.019**	**789.678**
IV. Loans and advances neither due nor impaired		
Mortgages	56.508	435.874
Deposits	52.611	43.672
Guarantees	-	-
Pledged securities	20.390	821
Pledged property	182.826	215.198
Other	3.768.678	338.459
Total	**4.081.012**	**1.034.024**
Total fair value	**437.155.989**	**386.584.578**

b. LIQUIDITY RISK

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

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

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

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

In order to minimize liquidity risk, the Bank:

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

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

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

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

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

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

Control and monitoring of liquidity risk includes the process of monitoring compliance with internally defined limits, and monitoring of defined measures for reducing the bank's exposure to liquidity risk.

Liquidity risk control involves the control at all liquidity risk management levels as well as the independent control system implemented by the bank's organizational units responsible for internal audit and compliance monitoring.

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

The Bank's operations are reconciled daily with legally prescribed liquidity ratio and narrow liquidity ratio. The legally prescribed minimum and maximum values for these ratios are defined for one working day, three consecutive working days and average for all working days within a month.

Limits Prescribed by the National Bank of Serbia	Liquidity Ratio	Narrow Liquidity Ratio
For one working day	Min 0,8	Min 0,5
For three consecutive working days	Min 0,9	Min 0,6
Average ratio for all working days in a month	Min 1	Min 0,7

Compliance with externally defined limits of liquidity:

	Liquidity Ratio		Narrow Liquidity Ratio	
	30.09.2013.	31.12.2012.	30.09.2013.	31.12.2012.
On	3,28	2,18	2,88	2,04
Average for the period	2,74	2,36	2,45	2,01
Maximum for the period	3,51	3,39	3,18	2,77
Minimum fot the period	2,18	1,04	1,99	0,93

Compliance with inernally defined limits of liquidity:

	Limits	**30.09.2013.**	**31.12.2012.**
GAP up to 1 month / Total assets	Max (10%)	12,43%	9,18%
Cumulative GAP up to 3 months / Total assets	Max (20%)	11,01%	9,21%

The Bank sets internal limits, based on the internal reporting on liquidity GAP.

The Bank's management believes that adequate diversification of the deposit portfolio per number and type of depositors as well as historical experience provide a solid basis for existence of a stable and long-term deposit base, i.e. no significant outflow of funds is expected thereof. In addition, the Bank has defined the appropriate Business plan, which in the future intends to make further diversification and the establishment of more stable deposit base and optimal capital structure and responsibilities.

The Bank's projected liquidity reserve on level adequate to cover the outflows in the regular course of business and outflows caused by the possible liquidity crisis, as confirmed by the results of stress testing and Liquidity contingency plan.

c. MARKET RISK

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

The Bank 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 Bank holds for sale or to hedge other financial instruments that are maintained in the trading book.

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

d. INTEREST RATE RISK

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

The Bank manages the following types of interest rate risk:

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

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

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

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

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

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

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

Minimizing interest rate risk means maintaining this risk at a level that is acceptable for the Bank's risk profile. Alleviating interest rate risk refers to the process of defining the systems of limited exposure of the Bank to the interest rate risk and implementing measures for interest rate risk mitigation. Control and monitoring of interest rate risk entails the process of monitoring compliance with the established system of limits as well as monitoring defined measures for reducing the Bank's exposure to the interest rate risk. Control of interest rate risk refers to control on all management levels as well as an independent control system implemented by the organizational units responsible for internal audit and compliance monitoring.
Interest rate risk reporting consists of an internal system of reporting to competent boards/committees and the Bank's interest rate risk management bodies.
Internal limits are determined based on the internal report on the interest rate GAP, which includes all the balance sheet items.

Compliance with internally defined limits for interest rate risk:

	Limits	**30.09.2013.**	**31.12.2012.**
Relative GAP	Max 15%	(1,19%)	(4,42%)
Coefficient of disparity	0,75 – 1,25	0,99	0,94
EVE	Max 20%	7,22%	5,37%

During the observed period interest rate risk ratios were within internally prescribed limits.

The Bank defined the internal limits of exposure to interest rate risk in order to limit the negative impact on the financial result and equity. The impact on the financial result is limited up to 1 year by limit defined in terms of repricing characteristics for significant currencies. The impact on equity is limited by the maximum value of the economic value of equity.

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

e. CURRENCY RISK

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

In order to minimize the currency risk exposure, the Bank diversifies the currency structure of its portfolio and currency structure of liabilities, reconciling open positions in certain currencies pursuant to the principles of maturity transformation.

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

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

In identifying currency risks, the Bank 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 Bank is performed through quantitative and/or qualitative assessment of identified currency risk by using the following techniques:

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

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

Control and monitoring of the currency risk consists of observation and supervision of compliance with internally and externally defined limits as well as monitoring of defined and implemented measures.

Continuous monitoring and control of foreign currency risk during the day ensures timely undertaking measures for the purpose of maintaining the currency risk within defined limits. Foreign currency risk control means control at all management levels as well as independent control system implemented by the organizational units responsible for internal audit and compliance monitoring. Reporting on currency risk includes internal and external reporting systems, it is performed on a daily basis and according to set schedules and in accordance with the defined system.

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

Survey of total risk foreign currency position and regulatory defined indicator of foreign currency risk:

	30.09.2013.	31.12.2012.
Total risk foreign currency position	1.033.112	333.032
Indicator of foreign currency position	2,94%	0,82%
Regulatory prescribed limits	20%	20%

The Bank had complied with all the indicators of the regulatory values.

f. OPERATIONAL RISK

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

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

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

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

The Bank monitors operational risk events daily and manages operating risks. For the purpose of efficient operational risk monitoring, the Bank 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.

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

The Bank 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 Bank 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 Bank's business processes.

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

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

g. THE BANK'S INVESTMENT RISK

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

h. EXPOSURE RISK

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

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

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

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

i. COUNTRY RISK

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

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

Measurement of country risk is made per individual loans and advances and at the Bank's portfolio level. Measurement of exposure of an individual receivable to country risk is based on the country rating of the Bank's borrower's country of origin as defined by internationally recognized agencies, while measurement of portfolio exposure to country risk is based on setting limits to exposure in terms of a percentage of the Bank's equity, depending on the internal country rating category. The Bank measures and controls portfolio exposure to country risk by grouping receivables by level of risk of the borrower's country of origin.

For the purpose of adequate country risk control, the Bank defines exposure limits by countries or regions.

The Bank's investments approved to the borrowers domiciled outside of the Republic of Serbia for financing businesses in the Republic of Serbia, whose financial obligations to the Bank are expected to be settled from the operating results achieved in the Republic of Serbia, represent the Bank's receivables without exposure to the risk of the borrower's country of origin.

j. CAPITAL MANAGEMENT

The Bank has established a risk management system in accordance with the volume and the structure of its business activities, and the objective of capital management is undisturbed implementation of the goals of the Bank business policy.

Calculation of capital and capital adequacy ratio is compliant with Basel II standards.

Basic goals for capital management are:
- preservation of minimum regulatory requirements;
- respect of the minimum regulatory capital adequacy ratio (12%);
- maintaining confidence in the security and stability of business operations;
- achievement of business and financial plans;
- supporting the expected growth in lending operations;
- enabling optimum of future resources of funds and their use;
- realization of dividend policy.

In 2013 the Bank adequately managed the capital, maintaining a stable capital base in order to:

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

The Bank operates in accordance with regulatory limits:

- Minimum amount of the capital is EUR 10 million in dinar equivalent;
- Minimum capital adequacy ratio is 12%.

The Bank measures the capital adequacy with respect to regulatory methodology which is in compliance with Basel II standards, by using the standardized approach.

Indicator of capital adequacy In thousands of RSD

	30.09.2013.	31.12.2012.
Capital assets	45.398.839	50.696.348
Supplementary assets	5.453.577	5.329.728
Items deductible from assets	(15.680.095)	(15.648.210)
Capital	**35.172.321**	**40.378.866**
Credit risk-weighed assets	163.400.774	169.333.007
Exposure to operational risk	16.668.642	15.196.808
Exposure to foreign currency risk	1.033.208	-
Indicator of capital adequacy	**19,42%**	**21,88%**

6. EVENTS AFTER THE BALANCE SHEET AS AT 30.09.2013

Based on the Contract concluded on October 20th, 2013, the Bank hired the independent appraiser and commenced the real property valuation (in total 83 facilities). The valuation relates to the real property which is used by the Bank for its own needs and to investment property. The effects of valuation will be recognized by the Bank in the books of account by 31.12.2013.

7. EXCHANGE RATES

The exchange rates set at the inter-bank meeting of the foreign exchange market, applied to restatement of the balance sheet items into the Dinar (RSD) were the following for some major currencies on September 30th, 2013 and December 31st, 2012:

Currencies	Official NBS exchange rate	
	2013	2012
USD	84,8859	86,1763
EUR	114,6044	113,7183
CHF	93,7459	94,1922

In Belgrade, 18.10.2013.

Persons responsible for preparation
of financial statements

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S T A T E M E N T

In our opinion, quarterly financial statements for the period 01/01/2013 to 30/09/2013 present fairly, in all material respects, the financial position of Komercijalna banka AD Beograd, its assets, liabilities, gains and losses as well as results of its operations, and have been prepared in accordance with the Law on Accounting and Audit, Law on Banks and other relevant by-laws of the National Bank of Serbia as well as the IAS and IFRS, as published by January 1, 2009, which were translated and published in the Official Gazette, in October 2010, pursuant to the decision by the Finance Minister.

Persons responsible for the preparation of financial statements

Snežana Pejčić Director of the Accounting Division	Savo Petrović Executive Director for Finance and Accounting