KPMG d.o.o. Beograd
Kraljice Natalije 11
11000 Belgrade
Serbia

Telephone: +381 11 20 50 500
Fax: +381 11 20 50 550
E-mail: info@kpmg.rs
Internet: www.kpmg.rs

TRANSLATION

Independent Auditors' Report

TO THE SHAREHOLDERS OF

BANCA INTESA A.D. BEOGRAD

Report on separate financial statements

We have audited the accompanying separate financial statements of Banca Intesa a.d. Beograd ("the Bank"), which comprise the separate balance sheet as at 31 December 2014, the separate income statement, separate statement of other comprehensive income, separate statement of changes in equity and separate cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2014, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In accordance with the Law on Accounting of the Republic of Serbia, the Bank is responsible for the preparation of the accompanying separate annual business report. Our responsibility is to express an opinion on consistency of the separate annual business report with the separate financial statements for year ended 31 December 2014. In this regard, we performed procedures in accordance with International Standards on Auditing 720 – *The Auditor's responsibilities relating to other information in documents containing audited financial statements*, which are limited to the assessment of consistency of the annual business report with the financial statements.

In our opinion, the separate annual business report is consistent with the separate financial statements.

Belgrade, 13 March 2015

KPMG d.o.o. Beograd

(L.S.)

Dušan Tomić
Certified Auditor

This is a translation of the original Independent Auditors' Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

Belgrade, 13 March 2015

DRUŠTVO ZA KONSALTING I REVIZIJU D.O.O. KPMG 1 BEOGRAD (L.S.)

KPMG d.o.o. Beograd

Dušan Tomić
Certified Auditor

SEPARATE BALANCE SHEET as of 31 December 2014

RSD thousand	Note	31 December 2014	31 December 2013	1 January 2013
Assets				
Cash and balances with Central Bank	16	78,553,461	56,590,647	78,895,315
Financial assets at fair value through profit and loss held for trading	17	174,934	62,767	285,948
Financial assets initially carried at fair value through profit and loss	17	78,970	79,511	43,834
Financial assets available for sale	17	57,704,967	43,759,812	36,570,981
Loans and receivables from banks and other financial organizations	18	70,432,011	56,151,103	13,236,903
Loans and receivables from customers	18	253,346,248	255,676,028	269,873,147
Investments in subsidiaries	17	962,496	962,496	962,496
Intangible assets	19	801,047	926,476	1,040,637
Property, plants and equipment	20	6,239,234	7,104,813	7,310,431
Investment property	20	230,628	240,321	66,062
Current tax assets	14	298,079	859,660	264,766
Deferred tax assets	14	224,804	79,122	66,240
Non-current assets held for sale and discontinued operations	20	256,058	344,321	228,010
Other assets	21	3,654,344	3,431,444	3,408,963
TOTAL ASSETS		**472,957,281**	**426,268,521**	**412,253,733**
LIABILITIES				
Financial liabilities at fair value through profit and loss held for trading	22	19,668	14,118	68,938
Deposits and other liabilities due to banks, other financial organizations and central bank	23	36,710,183	44,723,036	51,258,566
Deposits and other liabilities due to customers	23	306,563,411	277,750,496	265,806,649
Provisions	24	1,647,473	1,531,606	1,922,334
Other liabilities	25	22,807,141	3,362,077	3,145,415
TOTAL LIABILITIES		**367,747,876**	**327,381,333**	**322,201,902**
EQUITY				
Shares capital	26	41,759,627	41,759,627	41,759,627
Profit	26	15,416,228	8,607,525	9,492,958
Reserves	26	48,033,550	48,520,036	38,799,246
TOTAL EQUITY		**105,209,405**	**98,887,188**	**90,051,831**
TOTAL LIABILITIES AND EQUITY		**472,957,281**	**426,268,521**	**412,253,733**

SEPARATE INCOME STATEMENT for the period from 1 January to 31 December, 2014

RSD thousand	Note	2014	2013
Interest income	3	27,838,612	30,811,840
Interest expenses	3	(6,775,049)	(9,598,939)
Net interest income		**21,063,563**	**21,212,901**
Fee and commission income	4	8,430,918	8,175,478
Fee and commission expenses	4	(2,781,856)	(2,648,138)
Net fee and commission income		**5,649,062**	**5,527,340**
Net profit on financial assets held for trading	5	155,267	49,264
Net profit/(loss) on financial assets initially carried at fair value through profit and loss	6	36,493	(2,503)
Net profit on financial assets available for sale	7	14,333	4,332
Net profit on foreign exchange differences and foreign currency clause	8	2,170,666	1,916,121
Other operating income	9	473,056	341,708
Impairment losses from financial assets and credit risk off-balance sheet items	10	(9,168,698)	(8,044,367)
Net operating income		**20,393,742**	**21,004,796**
Salaries, wages and other personal expenses	11	(4,707,674)	(4,492,398)
Depreciation expenses	12	(892,860)	(907,183)
Other expenses	13	(7,696,902)	(6,387,475)
Profit before income tax		**7,096,306**	**9,217,740**
Income tax	14	(287,603)	(610,125)
Profit after Tax		**6,808,703**	**8,607,525**
Basic earnings per share (in RSD)	15	31,942	40,381

SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME from 1 January to 31 December 2014

RSD thousand	**2014**	**2013**
Profit for the period	**6,808,703**	**8,607,525**
Components of comprehensive income that may be reclassified to profit or loss:		
(Negative)/positive effects of changes in fair value of financial assets available for sale	(486,486)	227,832
Total (negative)/positive comprehensive income	(486,486)	227,832
Total positive result for the period	**6,322,217**	**8,835,357**

SEPARATE STATEMENT OF CHANGES IN EQUITY for the period from 1 January to 31 December 2014

RSD thousand	Shares capital and other capital	Share premium	Reserves from profit and other reserves	Revaluation reserves	Profit	Total equity
Balance as of 1 January 2013	21,327,058	20,432,569	37,991,163	808,083	9,492,958	90,051,831
Positive effects of changes in fair value of financial assets available for sale	-	-	-	227,832		227,832
Current year profit	-	-	-	-	8,607,525	8,607,525
Profit distribution	-	-	9,492,958	-	(9,492,958)	-
Balance as of 31 December 2013	21,327,058	20,432,569	47,484,121	1,035,915	8,607,525	98,887,188
Balance as of 1 January 2014	21,327,058	20,432,569	47,484,121	1,035,915	8,607,525	98,887,188
Negative effects of changes in fair value of financial assets available for sale	-	-	-	(486,486)	-	(486,486)
Current year profit	-	-	-	-	6,808,703	6,808,703
Balance as of 31 December 2014	21,327,058	20,432,569	47,484,121	549,429	15,416,228	105,209,405

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

SEPARATE CASH FLOW STATEMENT for the period from 1 January 1 to 31 December 2014

RSD thousand	2014	2013
Cash receipts from operating activities	**36,228,070**	**37,457,418**
Interest receipts	24,933,881	26,615,500
Fee and commission receipts	8,600,044	8,284,501
Receipts from other operating income	2,692,133	2,555,890
Receipts from dividends and equity investments	2,012	1,527
Cash payments from operating activities	**(18,922,740)**	**(19,742,365)**
Interest payments	(3,719,820)	(5,030,281)
Fee and commission payments	(2,755,291)	(2,628,554)
Payments to and on behalf of employees	(4,838,817)	(5,288,263)
Taxes, contributions and other duties paid	(615,836)	(741,797)
Payments for other operating expenses	(6,992,976)	(6,053,470)
Net operating cash flows before changes in placements and deposits	**17,305,330**	**17,715,053**
Decreases in placements and increases in deposits and other liabilities	**64,914,634**	**9,212,265**
Decrease in loans and receivables from banks, other financial organizations, central bank and customers	35,887,038	-
Increase in deposits and other liabilities due to banks, other financial organizations, central bank and customers	29,027,596	9,212,265
Increases in placements and decreases in deposits and other liabilities	**(13,268,356)**	**(31,089,575)**
Increase in loans and receivables from banks, other financial organizations, central bank and customers	-	(24,978,525)
Increase in financial assets initially carried at fair value through profit and loss, financial assets held for trading and other securities not held with investment purposes	(13,254,238)	(6,042,112)
Decrease in financial liabilities initially carried at fair value through profit and loss and financial liabilities held for trading	(14,118)	(68,938)
Net cash generated from/(used in) operating activities before taxes	**68,951,608**	**(4,162,257)**
Paid income tax	(433,284)	(1,217,992)
Net cash generated from/(used in) operating activities	**68,518,324**	**(5,380,249)**
Cash inflows from investing activities	**154,187**	**8,271**
Inflow from investments in investment securities	-	1,566
Inflow from sale of intangible assets and property, plant and equipment	129,834	6,705
Inflow from sale of investment property	24,353	-
Cash outflows from investing activities	**(1,054,409)**	**(942,170)**
Outflow from investments in investment securities	-	(27,296)
Purchase of intangible assets and property, plant and equipment	(1,038,237)	(734,295)
Purchase of investment property	(16,172)	(180,579)
Net cash outflow from investing activities	**(900,222)**	**(933,899)**
Cash inflows from financing activities	**57,162,406**	**52,340,038**
Proceeds from received loans	57,162,406	52,340,038

Cash outflows from financing activities	**(67,793,128)**	**(59,546,940)**
Outflow from received loans	(67,793,128)	(59,546,940)
Net cash outflow from financing activities	**(10,630,722)**	**(7,206,902)**
Total cash inflows	**158,459,297**	**99,017,992**
Total cash outflows	**(101,471,917)**	**(112,539,042)**
Net increase/(decrease) in cash	56,987,380	(13,521,050)
Cash and cash equivalents at beginning of the year	**21,421,677**	**35,013,575**
Foreign exchange gains	1,629,691	235,757
Foreign exchange losses	(112,554)	(306,605)
Cash and cash equivalents at end of the year	**79,926,194**	**21,421,677**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the period from 1 January to 31 December 2014

Content:

1. CORPORATE INFORMATION

Banca Intesa Beograd a.d. Beograd (hereinafter referred to as the "Bank") was established as a joint stock company, pursuant to the Memorandum on Association and Operations of Delta banka DD, Beograd dated 16 September 1991. On 19 September 1991, the National Bank of Yugoslavia issued a certificate and permission for the foundation of Delta banka DD, Beograd.

On 16 October 1991, the Bank was duly registered with the Commercial Court in Belgrade and subsequently commenced its operations. On 7 June 1995, a new Memorandum on Association was concluded, with a new Article of Association adopted at the General Assembly meeting held on 10 July 1995, whereby reconciliation of the Bank's acts with the provisions of the Law on Banks and other financial organizations was made.

In 2005, based on Decision of General Assembly of Shareholders, a change of shareholders of the Bank occurred. Existing shareholders sold their shares, two shareholders in total, and the majority part was sold to Intesa Holding International SA. After this ownership change, the Bank has two shareholders, out of which Intesa Holding International S.A., Luxemburg owns more than 90% of the Bank's share capital.

Pursuant to the General Manager's Decision no. 18600 dated 7 November 2005, the Approval of National Bank of Serbia and the Decision of the Companies Register no. BD 98737/2005 dated 29 November 2005, the Bank changed its previous name into Banca Intesa a.d. Beograd.

In accordance with the Decision of the Companies Register no. BD. 159633/2006 dated 5 October 2006, the Bank harmonized its internal regulations and organization with the new Law on Banks and performed the change of legal form from opened into a closed joint-stock company.

The Bank is authorized and registered with the National Bank of Serbia for performing payment transactions, loan and deposit activities in the country and clearing and settlement transaction services abroad. In accordance with the provisions of the Law on Banks, the Bank operates on the principles of liquidity, safety and profitability.

During the year ended 31 December 2007, the legal status change was carried out through a merger by absorption, whereby the acquirer was Banca Intesa a.d. Beograd, and the acquired bank was Panonska banka a.d. Novi Sad. Upon registration of the procedure of merger by absorption with the Serbian Business Registers Agency, the Bank as the acquirer and the legal successor has continued to operate under its existing business name, while the acquired bank – Panonska banka a.d. Novi Sad ceased its operations without liquidation process, and its shares were withdrawn and cancelled.

In accordance with the valuation performed, the shares were exchanged in such a way that shareholders of the acquired bank received 1 ordinary share of the acquirer Bank in exchange for 38 ordinary shares of the acquired bank. In order to exchange the total number of shares of Panonska banka a.d. Novi Sad, the Bank issued additional 26,166 ordinary shares, with nominal value of RSD 100,000.00 and consequently, after the merger, the Bank's share capital amounted to RSD 15,752,700,000.00, divided into 157,527 ordinary shares with nominal value of RSD 100,000.00 per share.

Shareholders of the acquired bank in the merger have become the shareholders of Banca Intesa a.d. Beograd, with the appropriate number of ordinary shares, and they have the same status, rights and obligations as the shareholders of the Bank, with the right to participate in profit distribution of the acquirer Bank starting from 1 January 2008.

Since there were no significant differences in the accounting policies applied in the preparation of the financial statements of both banks, neither adjustments to net assets, nor adjustments to net results for 2007 of the Bank were made as a consequence of the accounting for the merger by absorption.

During 2012, the Bank's Assembly adopted amendments to the Memorandum on Association and the Article of Association, with the approval of the National Bank of Serbia, which is registered with the Decision of the Serbian Business Registers Agency no. BD 85268/2012 dated 27 June 2012. In this way the Bank duly complied with the Law on Companies of the Republic of Serbia ("Off. Gazette of RS", no. 36/2011 and 99/2011).

1. CORPORATE INFORMATION (continued)

As of 31 December 2014, the Bank operated through its Head Office located in Belgrade, Milentija Popovića 7b. The Bank network consists of associated organizational units as follows: 4 regional centers and 177 branches.

The Bank had 3,025 employees as of 31 December 2014 (31 December 2013: 3,039 employees).

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis for the preparation and presentation of the financial statements

The financial statements of the Bank for 2014 (further: the financial statements) have been prepared in accordance with International Financial Reporting Standards (further: IFRS). These are the first financial statements of the Bank prepared in accordance with IFRS (Note 2.2).

In accordance with Law on accounting, banks must keep books and prepare financial statements in accordance with translated IFRS. IFRS translation is determined by the Decision of the Ministry of Finance on defining the translation of Conceptual Framework for financial reporting and basic International Accounting Standards and International Financial Reporting Standards texts, no. 401-00-896/2014-16 as of 13 March 2014, published in "RS Official Gazette" no. 35 from 27 March 2014. Mentioned translation of IFRS is being applied from the financial statements that are prepared as of 31 December 2014.

Standards and interpretations which have been applied for the first time as of the current period are as follows:

- Amendment to IAS 32: Financial instruments: Presentation – Offsetting financial assets and financial liabilities (valid for financial periods as of 1 January 2014);
- Amendment to IAS 39: Financial instruments: Recognition and Measurement – Novation of derivatives and continuation of hedge accounting (valid for financial periods as of 1 January 2014);
- Amendment to IAS 36: Impairment of assets: Recognition and Measurement – Recoverable amount disclosures for non-financial assets (valid for financial periods as of 1 January 2014);
- Amendment to IFRS 10: Consolidated financial statements – Investment entities (valid for financial periods as of 1 January 2014);
- IFRIC 21 Levies (valid for financial periods as of 1 January 2014).

During the period in which the financial statements had been approved, following standards and interpretations were issued, which are to be applied in the following period:

- IFRS 9 Financial instruments (valid for financial periods as of 1 January 2018)

In accordance with ISFRS 9, financial assets are to be classified in one of two categories at the initial recognition: financial assets at amortized cost and financial assets at fair value. Financial assets are to be carried at amortized cost, if the following two criteria are met: assets are related to business model with aim to collect contractual cash flow and contract terms provide collection of cash flows, which comprise only principal amount and interest on the remaining principal on specific dates. All other assets are to be carried at fair value. Profit and loss from valuation of financial assets at fair value are to be recognized within the income statement, except when valuating equity investments with no trading purpose, in which case IFRS 9 allows, at initial recognition, that all changes of fair value are recognized within the other comprehensive income and this could not be changed later. Amount initially recognized within the other comprehensive income could not be recognized later within the income statement.

- IFRS 15 Revenue from Contracts with Customers (valid for financial periods as of 1 January 2017);
- IFRS 15 Revenue from Contracts with Customers (valid for financial periods as of 1 January 2017);
- Amendment to IAS 19 Employee Benefits, Contribution plans (valid for financial periods as of 1 July 2014);
- Annual improvements Cycle, 2010-2012 Cycle (valid for financial periods as of 1 July 2014);
- IFRS 14 Regulatory Deferral Accounts (valid for financial periods as of 1 January 2016);
- Amendment to IFRS 11 Joint Arrangements – Accounting for acquisitions of Interests in joint operations accounting, (valid for financial periods as of 1 January 2016);

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. Comparative data and transition to IFRS (continued)

- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of acceptable methods of depreciation and amortization (valid for financial periods as of 1 January 2016);
- Amendment to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (valid for financial periods as of 1 January 2016);
- Amendment to IFRS 10 Consolidated financial statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (valid for financial periods as of 1 January 2016);
- Annual improvements Cycle, 2011-2013 Cycle (valid for financial periods as of 1 July 2014).
- Annual improvements Cycle, 2012-2014 Cycle (valid for financial periods as of 1 July 2016).

The Bank's Management is currently in the process of analysing effects of listed standards and interpretations to the Bank's financial statements, as well as the date they will become valid.

The enclosed financial statements are individual, since they include receivables, liabilities, operating results, changes in equity and the Bank's cash flow, excluding its subsidiary – Intesa Leasing d.o.o., Beograd, in which the Bank has 100% property. In accordance with IFRS 10, the Bank is excluded from preparation of consolidated financial statements in accordance with IFRS. The Bank recognized this investment in subsidiary at cost. Total asset of subsidiary is 1.91% of total Bank`s assets as at 31 December 2014.

The ultimate parent company, Intesa Sanpaolo S.P.A., prepares consolidated financial statements in accordance with IFRS adopted by EU. These financial statements are signed on 3 March 2015 and issued on website of Intesa Sanpaolo Group: www.group.intesasanpaolo.com.

The Bank's financial statements are stated in thousands of Dinars, unless otherwise stated. The Dinar (RSD) is the functional and official reporting currency of the Bank. All transactions in currencies that are not functional currency are considered to be transactions in foreign currency.

The accompanying financial statements have been prepared under the going concern principle, which implies that the Bank will continue its operations in the foreseeable future.

In the preparation of these financial statements, the Bank has adhered to the principal accounting policies further described in Note 2.

Due to changes of the Law on Accounting and for the comparability purposes and compliance with IFRS, specific balance and off-balance sheet items have been reclassified for the previous year.

The mentioned Law on Accounting requires first application of the IFRS to begin as of 1 January 2014. The Bank has changed balance sheet as of 1 January 2013, for in that period financial statements were prepared in accordance with regulations valid at that time and has prepared financial statements as of 1 January 2013 in accordance with IFRS.

Accounting policies and estimates applied in the preparation of the financial statements are consistent with the accounting policies and estimates applied in the preparation of the annual financial statements of the Bank for the year 2013, except for the interest income on the non-performing loans, for which for the first time unwinding concept has been applied in 2014. In order to be comparable, unwinding effect has also been calculated for the previous year and it has been presented within the income statement. There had been no effects on the equity and other result of the Bank, but all effects have been presented within the specific balance sheet positions.

Effects of transition to IFRS are presented as follows:

Balance sheet reclassification as of 31 December 2013

Previous balance sheet position 31 December 2013/ Current balance sheet position 31 December 2013	Cash and balances with Central Bank	Financial assets at fair value through Profit and Loss held for trading	Financial assets initially carried at fair value through Profit and Loss	Financial assets available for sale	Loans and receivables from banks and other financial organizations	Loans and receivables from customers	Investments in subsidiaries	Intangible assets	Property, plant and equipment	Investment property	Current tax assets	Deferred tax assets	Non-current assets held for sale and discontinued operations	Other assets	Other assets (deductable from deposits)	Total
Cash and cash equivalents	17,108,501	-	-	1,491,434	2,821,742	-	-	-	-	-	-	-	-	-	-	21,421,677
Revocable deposits and loans	39,453,952	-	-	-	30,000,000	-	-	-	-	-	-	-	-	-	-	69,453,952
Interest and fee receivables	21,861	62,767	-	-	5,137	3,463,429	-	-	-	-	-	-	-	136,309	-	3,689,503
Loans and advances	-	-	-	-	23,259,852	242,275,924	-	-	-	-	-	-	-	-	-	265,535,776
Securities (excluding own shares)	-	-	79,511	41,244,511	-	-	-	-	-	-	-	-	-	-	-	41,324,022
Equity investments	-	-	-	72	-	-	962,496	-	-	-	-	-	-	-	-	962,568
Other placements	-	-	-	-	54,996	10,000,424	-	-	-	-	-	-	-	-	-	10,055,420
Intangible assets	-	-	-	-	-	-	-	926,476	-	-	-	-	-	-	-	926,476
Property, equipment and investment property	-	-	-	-	-	-	-	-	7,104,813	240,321	-	-	-	-	-	7,345,133
Fixed assets held for sale and assets from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	344,321	-	-	344,321
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	79,122	-	-	-	79,122
Other assets	6,333	-	-	1,023,796	9,376	752,380	-	-	-	-	859,660	-	-	3,295,135	156,707	6,103,387
Total previous balance sheet positions	56,590,647	62,767	79,511	43,759,812	56,151,103	256,492,157	962,496	926,476	7,104,813	240,321	859,660	79,122	344,321	3,431,444	156,707	427,241,357
Other liabilities (deductable from loans)	-	-	-	-	-	(816,129)	-	-	-	-	-	-	-	-	(156,707)	(972,836)
Total current balance sheet positions	56,590,647	62,767	79,511	43,759,812	56,151,103	255,676,028	962,496	926,476	7,104,813	240,321	859,660	79,122	344,321	3,431,444	-	426,268,521

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

Previous Balance Sheet Position 31 December 2013/ Current Balance Sheet Position 31 December 2013	Financial liabilities at fair value through Profit and Loss held for trading	Deposits and other liabilities due to banks, other financial organizations and Central Bank	Deposits and other liabilities due to customers	Provisions	Other liabilities	Other liabilities (deductable from loans)	Total liabilities	Share capital	Losses	Reserves	Profit	Total equity	Total
Transaction deposits	-	1,356,399	108,953,463	-	-	-	110,309,862	-	-	-	-	-	110,309,862
Other deposits	-	5,570,529	157,854,621	-	-	-	163,425,150	-	-	-	-	-	163,425,150
Borrowings	-	37,825,657	8,911,274	-	-	-	46,736,931	-	-	-	-	-	46,736,931
Liabilities arising from securities	-	-	-	-	218,885	-	218,885	-	-	-	-	-	218,885
Interest and fee and changes in fair value of derivatives	14,118	90	242	-	-	-	14,450	-	-	-	-	-	14,450
Provisions	-	-	-	1,531,606	-	-	1,531,606	-	-	-	-	-	1,531,606
Tax liabilities	-	-	-	-	115,810	-	115,810	-	-	-	-	-	115,810
Other liabilities	-	127,069	2,030,896	-	3,027,382	816,129	6,001,475	-	-	-	-	-	6,001,475
Total liabilities	14,118	44,879,743	277,750,496	1,531,606	3,362,077	816,129	328,354,169	-	-	-	-	-	328,354,169
Equity	-	-	-	-	-	-	-	41,759,627	-	-	-	41,759,627	41,759,627
Reserves from profit	-	-	-	-	-	-	-	-	-	47,484,121	-	47,484,121	47,484,121
Revaluation reserves	-	-	-	-	-	-	-	-	-	1,037,756	-	1,037,756	1,037,756
Unrealized losses on securities available for sale	-	-	-	-	-	-	-	-	-	(1,841)	-	(1,841)	(1,841)
Profit	-	-	-	-	-	-	-	-	-	-	8,607,525	8,607,525	8,607,525
Total equity	-	-	-	-	-	-	-	41,759,627	-	48,520,036	8,607,525	98,887,188	98,887,188
Total previous balance sheet positions	14,118	44,879,743	277,750,496	1,531,606	3,362,077	816,129	328,354,169	41,759,627	-	48,520,036	8,607,525	98,887,188	427,241,357
Other assets (deductable from deposits)	-	(156,707)	-	-	-	(816,129)	(972,836)	-	-	-	-	-	(972,836)
Total current balance sheet positions	14,118	44,723,036	277,750,496	1,531,606	3,362,077	-	327,381,333	41,759,627	-	48,520,036	8,607,525	98,887,188	426,268,521

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Balance sheet reclassification as of 1 January 2013

Previous balance sheet position 1 January 2013/ Current balance sheet position 1 January 2013	Cash and balances with Central Bank	Financial assets at fair value through Profit and Loss held for trading	Financial assets initially carried at fair value through Profit and Loss	Financial assets available for sale	Loans and receivables from banks and other financial organizations	Loans and receivables from customers	Investments in subsidiaries	Intangible assets	Property, plant and equipment	Investment property	Current tax assets	Deferred tax assets	Non-current assets held for sale and discontinued operations	Other assets	Other assets (deductable from deposits)	Total
Cash and cash equivalents	32,099,519	-	-	1,359,014	1,555,042	-	-	-	-	-	-	-	-	-	-	35,013,575
Revocable deposits and loans	46,757,728	-	-	-	10,000,000	-	-	-	-	-	-	-	-	-	-	56,757,728
Interest and fee receivables	21,602	275,162	-	-	5,119	2,833,446	-	-	-	-	-	-	-	142,904	-	3,278,233
Loans and advances	-	-	-	-	1,458,205	258,092,294	-	-	-	-	-	-	-	-	-	259,550,499
Securities (excluding own shares)	-	7,641	43,834	35,030,255	-	-	-	-	-	-	-	-	-	-	-	35,081,730
Equity investments	-	-	-	72	-	-	962,496	-	-	-	-	-	-	-	-	962,568
Other placements	-	-	-	-	209,278	8,987,613	-	-	-	-	-	-	-	-	-	9,196,891
Intangible assets	-	-	-	-	-	-	-	1,040,637	-	-	-	-	-	-	-	1,040,637
Property, equipment and investment property	-	-	-	-	-	-	-	-	7,310,431	66,062	-	-	-	-	-	7,376,493
Fixed assets held for sale and assets from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	228,010	-	-	228,010
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	66,240	-	-	-	66,240
Other assets	16,466	3,145	-	181,640	9,259	858,038	-	-	-	-	264,766	-	-	3,266,059	177,612	4,776,985
Total previous balance sheet positions	78,895,315	285,948	43,834	36,570,981	13,236,903	270,771,391	962,496	1,040,637	7,310,431	66,062	264,766	66,240	228,010	3,408,963	177,612	413,329,589
Other liabilities (deductable from loans)	-	-	-	-	-	(898,244)	-	-	-	-	-	-	-	-	(177,612)	(1,075,856)
Total current balance sheet positions	78,895,315	285,948	43,834	36,570,981	13,236,903	269,873,147	962,496	1,040,637	7,310,431	66,062	264,766	66,240	228,010	3,408,963	-	412,253,733

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2014

Previous balance sheet position 1 January 2013/ Current balance sheet position 1 January 2013	Financial liabilities at fair value through Profit and Loss held for trading	Deposits and other liabilities due to banks, other financial organizations and Central Bank	Deposits and other liabilities due to customers	Provisions	Other liabilities	Other liabilities (deductable from loans)	Total liabilities	Share capital	Losses	Reserves	Profit	Total equity	Total
Transaction deposits		1,697,968	97,640,233				99,338,201	-	-	-	-	-	99,338,201
Other deposits		3,376,521	158,823,291				162,199,812	-	-	-	-	-	162,199,812
Borrowings		46,186,910	7,378,511				53,565,421	-	-	-	-	-	53,565,421
Liabilities arising from securities					141,980		141,980	-	-	-	-	-	141,980
Interest and fee and changes in fair value of derivatives	68,938	328	5,146				74,412	-	-	-	-	-	74,412
Provisions				1,922,334			1,922,334	-	-	-	-	-	1,922,334
Tax liabilities					98,614		98,614	-	-	-	-	-	98,614
Other liabilities		174,451	1,959,468		2,904,821	898,244	5,936,984	-	-	-	-	-	5,936,984
Total liabilities	68,938	51,436,178	265,806,649	1,922,334	3,145,415	898,244	323,277,758	-	-	-	-	-	323,277,758
Equity	-	-	-	-	-	-	-	41,759,627				41,759,627	41,759,627
Reserves from profit	-	-	-	-	-	-	-			37,991,163		37,991,163	37,991,163
Revaluation reserves	-	-	-	-	-	-	-			836,270		836,270	836,270
Unrealized losses on securities available for sale	-	-	-	-	-	-	-			(28,187)		(28,187)	(28,187)
Profit	-	-	-	-	-	-	-				9,492,958	9,492,958	9,492,958
Total equity	-	-	-	-	-	-	-	41,759,627	-	38,799,246	9,492,958	90,051,831	90,051,831
Total previous balance sheet positions	68,938	51,436,178	265,806,649	1,922,334	3,145,415	898,244	323,277,758	41,759,627	-	38,799,246	9,492,958	90,051,831	413,329,589
Other assets (deductable from deposits)	-	(177,612)	-	-	-	(898,244)	(1,075,856)	-	-	-	-	-	(1,075,856)
Total current balance sheet positions	68,938	51,258,566	265,806,649	1,922,334	3,145,415	-	322,201,902	41,759,627	-	38,799,246	9,492,958	90,051,831	412,253,733

Income statement reclassification as of 31 December 2013

Previous Income Statement position 31 December 2013/ Current Income Statement position 31 December 2013	Interest income	Interest expenses	Fee and commission income	Fee and commission expenses	Net profit on financial assets held for trading	Net profit on financial assets initially carried at fair value through Profit and Loss	Net profit on financial assets available for sale	Net profit on foreign exchange rate and effects of the currency clause	Other operating income	Impairment reversal from financial assets and credit risk off-balance sheet items	Salaries, wages and other personal expenses	Depreciation expenses	Other expenses	Income tax	Profit from deferred tax assets and liabilities	Loss from deferred tax assets and liabilities	Total
Interest income	29,588,778	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,588,778
Interest expenses	-	(9,598,939)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,598,939)
Fee and commission income	-	-	8,175,478	-	-	-	-	-	-	-	-	-	-	-	-	-	8,175,478
Fee and commission expenses	-	-	-	(2,648,138)	-	-	-	-	-	-	-	-	-	-	-	-	(2,648,138)
Net profit on sale of securities at fair value through Profit or Loss	-	-	-	-	590	-	-	-	-	-	-	-	-	-	-	-	590
Net profit on sale of available for sale securities	-	-	-	-	-	-	4,332	-	-	-	-	-	-	-	-	-	4,332
Foreign exchange gains	-	-	-	-	-	-	-	356,204	-	-	-	-	-	-	-	-	356,204
Dividends and share income	-	-	-	-	-	-	-	-	1,527	-	-	-	-	-	-	-	1,527
Other operating income	-	-	-	-	-	-	-	-	239,675	436,457	-	-	-	-	-	-	676,132
Net expenses for indirectly written-off placements and provisions	1,220,728	-	-	-	-	-	-	-	98,824	(8,156,053)	(1,026)	-	(126,901)	-	-	-	(6,965,328)
Salaries, wages and other personal expenses	-	-	-	-	-	-	-	-	-	-	(4,490,472)	-	-	-	-	-	(4,490,472)
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	(907,183)	-	-	-	-	(907,183)
Other operating expenses	-	-	-	-	-	-	-	-	-	(324,771)	-	-	(6,258,140)	-	-	-	(6,582,911)
Gains from changes in value of assets and liabilities	2,334	-	-	-	62,792	25,379	-	12,079,855	1,682	-	-	-	-	-	-	-	12,172,042
Losses from changes in value of assets and liabilities	-	-	-	-	(14,118)	(27,882)	-	(10,519,938)	-	-	-	-	(2,434)	-	-	-	(10,564,372)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	(623,097)	-	-	(623,097)
Profit from deferred tax assets and reduction of deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,105	-	21,105
Loss from reduction of deferred tax assets and creation of deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,223)	(8,223)
Total	30,811,840	(9,598,939)	8,175,478	(2,648,138)	49,264	(2,503)	4,332	1,916,121	341,708	(8,044,367)	(4,492,398)	(907,183)	(6,387,475)	(623,097)	21,105	(8,223)	8,607,525

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2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Significant Accounting Estimates and Judgments

Use of Estimates

The preparation and presentation of the financial statements requires the Bank's management to make estimates and reasonable assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as income and expenses for the reporting period.

These estimations and related assumptions are based on information available as of the date of the preparation of the financial statements. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognized in the income statement in the periods in which they become known.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of financial assets

The Bank assesses, at the end of each reporting period, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are incurred, if and only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Concerning the loss assessment due to loan impairment, The Bank reviews its loan portfolio at least on a quarterly basis, in order to assess impairment.

In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any reliable evidence indicating that there is a measurable decrease in estimated future cash flows from a loan portfolio before the decrease can be identified with an individual loan in that portfolio. The evidence may include observable data, indicating that there has been an adverse change in the payment status of borrowers toward the Bank, or national or local economic conditions that correlate with defaults on assets of the Bank.

The Bank's management performs estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly, in order to reduce any differences between estimated and actual losses.

Useful Lives of Intangible Assets, Property and Equipment

The determination of the useful lives of intangible assets, property and equipment is based on historical experience with similar assets as well as on any anticipated technological development and changes influenced by wide range of economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

Due to the significant share of tangible and intangible assets in total assets of the Bank, the impact of each change in these assumptions could materially affect the Bank's financial position, as well as the results of its operations.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Significant Accounting Estimates and Judgments (continued)

Impairment of Non-Financial Assets

As of balance sheet date Bank's management reviews the carrying amounts of the Bank's intangible assets and property, plant and equipment presented in the financial statements. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment review requires from management to make subjective judgment concerning the cash flows, growth rates and discount rates of the cash generating units under review.

Provisions for legal proceedings

The Bank is subject to a number of legal proceedings arising from daily operations that relate to commercial, contractual and labor disputes, which are resolved and considered in the course of regular business activity. The Bank regularly estimates the probability of negative outcomes to these matters, as well as the amounts of probable or reasonable estimated losses.

Reasonable estimates include judgments made by management, after considering information including notifications, settlements, estimates performed by the legal department, available facts, identification of other potentially responsible parties and their ability to contribute as well as prior experience.

Provision for legal proceedings is recognized when it is probable that an obligation exists for which a reliable estimation can be made of the obligation after careful analysis of the individual matter (Note 24). The required provision may change in the future, due to occurrence of new events or obtaining additional information. Matters that are either contingent liabilities or that do not meet recognition criteria for provisioning is disclosed, unless the possibility of outflow of resources embodying economic benefits is remote.

Deferred tax assets

Deferred tax assets are recognized for all unused tax credits to the extent that it is probable that expected future taxable profit will be available against which the unused tax losses can be utilized. The Bank's management necessarily performs significant estimate in order to determine the amount of deferred tax assets that can be recognized, based on the period of occurrence, the amount of future taxable profit and strategy of tax planning policy (Note 14(c)).

Retirement and Other Post-Employment Benefits

The costs of defined employee benefits payable upon termination of employment, i.e. retirement in accordance with the fulfilled legal requirements are determined based on the actuarial valuation. The actuarial valuation includes an assessment of the discount rate, future movements in salaries, mortality rates and fluctuation of employees. As these plans are long-term, significant uncertainties influence the outcome of the estimation. Additional information is disclosed in Note 24 to financial statements

2.4. Interest Income and Expenses

Interest income and expenses, including penalty interest and other income and other expenses from interest-bearing assets, as well interest bearing liabilities are recognized on an accrual basis, based on obligatory terms defined by a contract between the Bank and its customers.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Interest Income and Expenses (continued)

For all interest-bearing financial instruments, except those classified as available for sale, and financial instruments at fair value through profit and loss, interest income and expenses are recognized within "Interest income" and "Interest expense" in the income statement using the effective interest rate method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The loan origination fee, which is a part of the effective interest rate, is recorded within "Interest income". Loan origination fees, which are charged, collected or paid on a one-time basis in advance, are deferred and amortized to interest earned on loans and advances over the life of the loan, using the straight-line method, which approximates the effective yield.

After objective evidence of impairment have been identified and impairment recognized, interest income on these receivables is calculated on the net basis and by applying effective interest rate, which has been used to discount future cash flows for determining impairment losses.

In order to determine full amount of interest receivables, the Bank continues to calculate interest, however calculated interest is not recognized as an interest income, but it is recorded as an off-balance sheet item.

Suspended interest is calculated and recorded as an off-balance sheet item until the conclusion of the court proceedings.

2.5. Fee and Commission Income and Expenses

Fees and commissions originating from banking services are generally recognized on an accrual basis when the service has been provided.

Fees and commissions mostly comprise of fees for payment operations services, issued guarantees and other banking services.

2.6. Foreign Currency Translation

Items reported in the financial statements are measured using the currency of the Bank's primary economic environment (functional currency). As disclosed in Note 2.1., the accompanying financial statements are stated in thousands of Dinars (RSD), which represents the functional and official reporting currency of the Bank.

Transactions denominated in foreign currency are translated into dinars at the official exchange rate determined on the Interbank Foreign Currency Market, prevailing at the transaction date.

Assets and liabilities denominated in foreign currency at the balance sheet date are translated into dinars at the official middle exchange rate determined on the Interbank Foreign Currency Market, prevailing at the balance sheet date (Note 32).

Income or expenses on foreign exchange arising upon the translation of balance sheet items or arising upon transactions in foreign currency are credited or debited as appropriate, to the income statement, as Income/expenses on foreign exchange rate and effects of the currency clause (Note 8).

Income or expenses arising upon the translation of financial assets and liabilities with contracted foreign currency clause are credited or debited as appropriate, to the income statement, as Income/expenses on foreign exchange rate and effects of the currency clause (Note 8).

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6. Foreign Currency Translation (continued)

Commitments and contingencies denominated in foreign currency are translated into dinars at the official middle exchange rate prevailing at the balance sheet date.

2.7. Financial Instruments

All financial instruments are initially recognized at fair value including any directly attributable incremental costs of acquisition or issue that are directly attributable to the acquisition or issuing of financial asset or liability, except for financial assets and financial liabilities at fair value through profit and loss.

Financial assets and financial liabilities are recorded in the balance sheet of the Bank on the date upon which the Bank becomes counterparty to the contractual provisions of a specific financial instrument. All regular purchases and sales of financial assets are recognized on the settlement date, which is the date the asset is delivered to the counterparty.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- either the Bank has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables, securities held-to-maturity and securities available-for sale. The Bank's management determines the classification of its investments at the time of initial recognition.

2.7.1. Financial Assets at Fair Value through Profit or Loss

This category includes two sub-categories: financial assets held for trading and those designated at fair value through profit and loss.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Financial Instruments (continued)

2.7.1. Financial Assets at Fair Value through Profit or Loss (continued)

Financial assets are classified as held for trading if acquired or incurred principally for the purpose of selling or repurchasing in the near term and generating profit from short-term price fluctuations. These assets are stated at fair value in the balance sheet.

Financial instruments held for trading comprise financial derivatives.

All realized or unrealized gains and losses from changes in fair value of trading securities are recognized in the income statement.

During 2007, the Bank introduced several types of financial instruments which met the definition of financial derivatives according to IAS 39 "Financial Instruments: Recognition and Measurement" and for which basic underlying variable is the foreign exchange rate. Derivatives used by the Bank are FX swap and FX forward contracts. For accounting purposes and in accordance with the requirements of IAS 39, derivatives are classified as financial instruments held for trading and are recorded in the balance sheet at fair value, while all fair value changes are recorded in the income statement under unrealized foreign exchange income and expenses.

Derivatives are initially recognized when the Bank becomes a party to an agreement with the other contractual party (the agreement date). The notional amount of the derivative contract is recorded in the off-balance sheet, and initial positive or negative fair value of the derivative is recorded in the balance sheet as an asset or a liability. The initial recognition of fair value applies to cases when the market price for the same or a similar derivative on an organized market is available, and when the price differs from the price at which the Bank contracted the derivative. Hence, the derivatives contracted by the Bank with the customers operating in Serbia do not have initially recognized fair value, since there is no active market for similar derivatives in the country. When an active market for such derivatives develops, i.e. when the relevant market information becomes available, the Bank will recognize in the balance sheet (as assets or liabilities) and the income statement (initially positive or negative fair value) the difference between the market value of transactions and initial fair value of derivatives determined using valuation techniques. In accordance with the existing accounting policy of the Bank, adjustments to fair value of financial instruments held for trading are recognized at the end of each month, and the effect of changes in fair value are recognized in the income statement as the increase or decrease of fair value. Derivatives are recognized as assets or liabilities depending on whether their fair value is positive or negative. Derivatives are derecognized at the moment of expiry of contracted rights and obligations arising from derivatives (exchange of cash flows), i.e. at termination date. At that moment, the ultimate effect of foreign exchange differences is recorded against realized foreign exchange differences, and all previously recognized changes in fair value (through unrealized foreign exchange differences) are reversed.

Since there is neither an active market for derivatives in Serbia, nor a possibility for determining fair value of derivatives by reference to a quoted market price, the Bank uses the methodology of discounting future cash flows arising from derivatives in order to determine fair value. This methodology of calculation is generally accepted by market participants in countries that have developed markets with active trading in derivatives and the calculated fair value represents a reliable estimate of the fair value which would be achieved on an active market.

The methodology incorporates market factors (median exchange rate, interest rates and similar) and is consistent with generally accepted methodologies for valuation of derivatives. At least once per month, the Bank performs back-testing and calibration of the implemented methodology for calculation of fair value by using market variables and alternative calculation methods.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Financial Instruments (continued)

2.7.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

All loans and receivables from banks and customers are recognized in the balance sheet when cash is advanced to debtors. Loans and receivables are initially recognized at fair value. After initial recognition, loans are measured at amortized cost using the interest rate method, less allowance for loan impairment and any amounts written off.

Interest income and receivables in respect of these instruments are recorded and presented under interest income and interest, fees and commissions receivable, respectively, which are all comprised within the Balance Sheet position – Loans and receivables from banks and other financial organizations/customers. Fees which are part of effective yield on these instruments are recognized as deferred income and also comprised within the Balance Sheet position – Loans and receivables from banks and other financial organizations/customers and credited to the income statement as interest income over the life of a financial instrument using the straight-line method, which approximates the effective yield.

The Bank negotiates a foreign currency clause with the beneficiaries of the loans. Loans and receivables in dinars, with contracted foreign currency clause, i.e. dinar-eur, dinar-usd and dinar-chf foreign exchange rate, are revalued in accordance with the contract signed for each loan. The difference between the carrying amount of loan and the amount calculated from foreign currency clause applied is disclosed within Loans and receivables from banks and other financial organizations/customers. Gains and losses resulting from the application of foreign currency clause are recorded in the income statement, as Income/expenses from foreign exchange rate and effects of the currency clause.

Impairment of financial assets and provisions for risks

The Bank, in accordance with internal policy, assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and placements with banks and customers, the Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Bank identifies that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it is included in a group of financial assets with similar credit risk characteristics that are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in a collective assessment of impairment.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Financial Instruments (continued)

2.7.2. Loans and receivables (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account, while impairment losses on loans and advances and other financial assets carried at amortized cost are charged to the income statement (Note 10) as the Impairment reversals/expenses from financial assets and credit risk off-balance sheet items. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the income statement within the Impairment reversals (Note 10).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling that collateral.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that takes into account credit risk characteristics. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist at the balance sheet date. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Direct write-offs for past due loans and receivables, partial or in full, may be performed during the year if inability of their collection is certain, i.e. impairment is recognized and documented. Write off is made based on the court decisions, or based on decisions made by the Bank's authorities.

Uncollectable receivables write-off

Receivables write-off is performed in accordance with the Procedure on Write-off of Uncollectable Receivables. The procedure relates to the write-off of receivables that meet the following requirements: delay in payment of receivable is more than 360 days; the Bank has failed to collect receivables despite the implementation of all activities of collection specified by its policies and procedures; judicial or extrajudicial procedures of settlement of receivables have been initiated; receivables are fully impaired.

Exceptionally, receivables that do not fulfil the above mentioned requirements may be written-off if such decision is made by the appropriate authority, Asset Quality Committee, in accordance with the authorizations delegated by the Board of Directors.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Financial Instruments (continued)

2.7.3. Renegotiated Loans

If the Bank estimates that the clients delay in payment is temporary and that, under adjusted agreed conditions, the client could fulfil obligations toward Bank regularly, the Bank seeks to restructure loans rather than to activate collaterals. This may involve extending repayment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Renegotiated loans are continuously reviewed to ensure that all criteria are met and that future payments are likely to occur.

2.7.4. Financial assets Held-to-Maturity

Financial assets held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the Bank has the positive intention and ability to hold to maturity.

After the initial recognition, financial assets held-to-maturity is subsequently measured at amortized cost using the effective interest rate method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. The amount of impairment loss for financial assets held to maturity is calculated as the difference between the investments' carrying amount and the present value of expected future cash flows discounted at the investment's original interest rate.

As of 31 December, the Bank has no financial assets classified within this category and didn't invest in these assets during 2014.

2.7.5. Financial assets available for sale

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as "available for sale".

They comprise shares and investments in shares of other banks and companies, as well as treasury bills and government bonds of the Republic of Serbia with maturity of over 3 months.

Upon initial recognition, financial assets available for sale are measured at fair value. Investments in shares that are not quoted, and whose value cannot be determined with certainty, are measured at cost less allowances for impairment. The fair values of quoted financial assets in active markets are based on current bid prices. If secondary market for the quoted financial assets is non-existent or highly illiquid and if those positions are material, the Bank will apply certain haircuts on quoted prices for the reduction for illiquid/non-existent market if the need for their sale arises.

Unrealized gains and losses arising from financial assets available for sale are recognized directly in fair value reserves within, in equity, until the financial asset is not sold, collected or otherwise realized, or until the financial asset is not impaired. In the case of disposal or impairment of financial asset, accumulated gains or losses, previously recognized in equity, are recognized in gains or losses from sales of financial assets in the income statement. For all estimated risks that investments in shares and other financial assets available for sale will not be collected, the Bank recognizes allowances for impairment.

Interest income on treasury bills and government bonds of the Republic of Serbia is calculated and recognized monthly.

Dividend income in respect of investments in shares of other legal entities, and income from investments in equity instruments of other legal entities is recognized as income at the moment of collection.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Financial Instruments (continued)

2.7.5. Financial assets available for sale (continued)

In case of financial assets available for sale, the Bank assesses on an individual basis whether there is objective evidence of impairment, based on the same criteria applied to financial assets carried at amortized cost. Also, impairment already recognized represents cumulative loss valued as difference between amortized cost and current fair value, less any impairment loss previously recognized in the income statement. The Bank records impairment changes on available-for-sale equity investments when there has been a significant of prolonged decline in fair value below cost. When there is evidence of impairment, the cumulative loss, measured as the difference between cost and fair value, decreased for any impairment of investment previously recognized in the income statement, is transferred from equity and recognized in the income statement, while the increase in fair value, after recognition of impairment, is recognized in equity.

2.7.6 Deposits from banks and customers

All deposits from banks and customers, as well as other interest-bearing financial liabilities are initially recognized at fair value decreased by transaction costs, except for financial liabilities at fair value through profit and loss. After initial recognition, interest-bearing deposits and borrowings are subsequently measured at amortized cost using the effective interest rate method.

2.7.7. Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

Borrowings are classified as current liabilities, unless the Bank has unconditional right to postpone the settlement of obligations for at least 12 months after the balance sheet date.

2.7.8. Operating liabilities

Trade payables and other short-term operating liabilities are stated at nominal value.

2.8. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.9. Reserves for estimated losses on bank balance sheet assets and off-balance sheet items

Special reserves for estimated losses on balance sheet assets and off-balance sheet items are calculated in accordance with the National Bank of Serbia's "Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items" ("Official Gazette of the Republic of Serbia", no. 94/2011, 57/2012, 123/2012, 43/2013 and 135/2014).

Total receivables from a single borrower (balance sheet and off-balance sheet exposure) are classified in categories from A to D, in accordance with the assessment of their recoverability. Collectability of receivables from a single borrower is assessed based on the borrower's payment record and his financial position, number of days past due, overdue principal and interest as well as based on the quality of collaterals pledged.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. Reserves for estimated losses on bank balance sheet assets and off-balance sheet items (continued)

In accordance with the classification of receivables and pursuant to the aforementioned Decision, the amount of the special reserves against potential losses is calculated by applying the following percentages: A (0%), B (2%), V (15%), G (30%) and D (100%).

Through its internal act, the Bank has defined the criteria and methodology for determining classification of receivables and calculation of special reserves in accordance with the criteria defined in the "Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items". Primary criteria for classification of receivables include the borrower's timeliness in settlement of obligations, financial position and business performance, adequacy of cash flows as well as adequate collateral.

Calculated special reserves for estimated losses are reduced by allowances for impairment of balance sheet assets and provisions against losses on off-balance sheet items, which are calculated in accordance with the Bank's accounting policy disclosed in Note 2.7.2. and charged to the income statement (Note 10).

The amount of special reserves for estimated losses, after reducing by allowances for impairment of balance sheet assets and provisions against losses on off-balance sheet items, is deducted from capital when calculating the Bank's regulatory capital.

2.10. Cash and balances with Central Bank

Cash and balances with Central Bank are comprised of cash in RSD and in foreign currency that is cash at gyro and current accounts, cash on hand and other cash in RSD and foreign currency, gold and other precious metals, deposited liquid surpluses and obligatory reserves in foreign currency at accounts with National Bank of Serbia.

2.11. Consolidated financial statements

Base principles for the preparation and presentation of the consolidated financial statements, if one entity controls one or more other entities, are determined within the IFRS 10 Consolidated Financial Statements.

IFRS 10 Consolidated Financial Statements requires from an entity (the parent) which controls one or more entities (subsidiaries) to present consolidated financial statements, defines control principles and determines control as the base for consolidation.

As of 31 December 2014, the Bank owns 100% of capital of Intesa Leasing d.o.o., Beograd and therefore has the full control over it. Equity investment in the aforementioned subsidiary is stated at cost, less allowance for impairment (Note 17(c)).

Except Intesa Leasing, Beograd, the Bank has no control over any other entity.

Considering that the highest parent entity, Intesa Sanpaolo S.P.A., prepares consolidated financial statements in accordance with IFRS, as well as with other requirements of IFRS 10.4. The Bank does not prepare consolidated financial statements.

2.11.1 Investments in associates

In accordance with IAS 28 "Investments in Associates and Joint Ventures", investments in associates are neither investments in an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are stated using the equity method and valued as financial assets available for sale.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11. Consolidated financial statements (continued)

2.11.1 Investments in associates (continued)

Investments in associates are classified as financial assets available for sale and are recognized at cost less allowance for impairment.

The Bank has no investments in associates or joint ventures.

2.12. Intangible Assets

Intangible assets consist of software, licenses and intangible assets under construction. Intangible assets are carried at cost less any accumulated amortization.

Licenses are initially recognized at cost. They have limited useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method in order to fully write off the cost of these assets over their estimated useful lives (from 5 to 10 years).

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (from 2 to 5 years).

Costs associated with software maintenance are recognized as an expense when incurred.

Costs that are directly associated with identifiable and unique software controlled by the Bank, and which will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the salaries of the team that developed the software, as well as appropriate portion of related overheads.

Amortization of intangible assets is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives, in all accounting periods, as follows:

- Licenses and similar rights	10%-20%
- Software	20%-50%

Intangible assets include unamortized software in progress, since it is still not in use.

2.13.1. Property, plant and equipment and Investment property

As of 31 December 2014, property, plant and equipment (further: Fixed assets) are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in the income statement of the financial period in which they are incurred.

The Bank owns property as investments for generating rental income and/or appreciation in the market value of the property. Investment property is stated at cost less accumulated depreciation.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13.1. Property, plant and equipment and Investment property (continued)

Depreciation is calculated using the straight-line method applied to cost of fixed assets, using the following prescribed annual rates in order to write them off over their useful lives, in all accounting periods:

Buildings	2.5%
Computer equipment	20%
Furniture and other equipment	7% - 25%
Investment property	2.5%

In determining the basis for depreciation, the depreciable values of assets equal their cost or revalued amount, which are not decreased by residual value, since the Bank assesses the residual values of assets as nil.

Calculation of depreciation of property and equipment commences at the beginning of the month following the month when an asset is put into use. Depreciation charge is recognized as expense for the period when incurred.

The useful lives of assets are reviewed periodically, and adjusted if necessary at each balance sheet date. Change in the expected useful life of an asset is considered as a change in an accounting estimate.

Gains or losses from the disposal of property, plant and equipment are credited or debited in the income statement, included in Other operating income or Other expenses, respectively.

The calculation of depreciation for tax purposes is determined in accordance with the Law on Corporate Income Tax of the Republic of Serbia and the Rules on the Manner of Fixed Assets Classification in Groups and Depreciation for Tax Purposes, which gives rise to deferred taxes (Note 14(c)).

2.13.2 Fixed assets held for sale

In accordance with IFRS 5, the Bank classifies a fixed asset as a non-current asset held for sale if its carrying amount will be recovered primarily through a sales transaction, rather than through further use. An asset classified as held for sale must be available for immediate sale in its present condition and its sale must be probable.

In order to make sale probable management of the Bank must be committed to a plan to sell the asset and an active program to locate a buyer and completion of the plan must have been initiated, and the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. The sale should be expected, to qualify for recognition, as a completed sale within one year from the date of classification. Events or circumstances out of the Bank's control may prolong sale completion period to more than one year.

A non-current asset classified as held for sale is measured at the lower amount of the following:

- carrying amount
- fair value less costs to sell.

Once an asset is recognized as a held-for sale asset it is no longer depreciated. (Note 20)

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14. Impairment of non-financial assets

In accordance with adopted accounting policy, at each balance sheet date, the Bank's management reviews the carrying amounts of the Bank's intangible assets, property, plant and equipment and investment property. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount, being the higher of an asset's fair value less costs to sell and value in use. Impairment losses, representing the difference between the carrying amount and the recoverable amount of tangible and intangible assets, are recognized in the income statement as required by IAS 36 "Impairment of Assets".

Non-financial assets (other than goodwill) that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

2.15. Finance Leases

Bank as a Lessee

Finance leases, which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the cost and included in property, plant and equipment with the corresponding liability to the lessor included in other liabilities.

Lease payments are apportioned between finance charges and reduction of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement as interest expense.

The Lease Agreement specifies that the Bank can, but does not have to, obtain ownership of the leased asset after the expiration of the Lease Agreement.

2.16. Operating Leases

A lease is classified as an operating lease if it does not transfer to the Bank substantially all the risks and rewards incidental to ownership.

Total payments made under operating leases are recognized as expenses within the income statement, when incurred, using a straight-line basis over the period of the lease.

2.17. Provisions and Contingencies

Provisions are recognized when the Bank has a present obligation, legal or constructive, as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. In order to be maintained, the best possible estimates are considered, determined and, if necessary, adjusted at each balance sheet date. When the outflow of the economic benefits is no longer probable in order to settle legal or constructive liabilities, provisions are derecognized in income. Provisions are taken into account in accordance with their type and they can be used only for the expenses they were recognized initially for. Provisions are not recognized for future operating losses.

Contingent liabilities are not recognized in the financial statements. Contingent liabilities are disclosed in the notes to the financial statements (Note 30), unless the possibility of outflow of resources embodying economic benefits is remote.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17. Provisions and Contingencies (continued)

Contingent assets are not recognized in the financial statements. Contingent assets are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

2.18. Equity

Equity consists of share capital (ordinary shares), other capital, share premium, reserves from profit and retained earnings.

Dividends on ordinary shares are recognized as a liability in the period in which the decision on their payment has been made. Dividends for the year that are declared after the balance sheet date are disclosed as an event after the balance sheet date.

2.19. Employee benefits

(a) Employee taxes and Contributions for Social Security

In accordance with the regulations prevailing in the Republic of Serbia, the Bank is obliged to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee and by the employer, in an amount calculated by applying specific rates prescribed by law. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. The Bank has no legal obligation to pay further benefits due to its employees by the Pension Fund of the Republic of Serbia upon their retirement.

(b) Termination Benefits arising from Restructuring

Termination benefits are payable when employment is terminated or employee is voluntarily retired, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Other Employee Benefits - Retirement Benefits

In accordance with the Labour Law and article 28 of the General collective agreement, the Bank is obligated to pay retirement benefits in the amount equal to 3 average salaries realized in the Republic of Serbia, according to the latest data published by statistical office of the Republic. The entitlement to these benefits usually depends on the employee remaining in service up to retirement age and/or the completion of a minimum service period. The expected costs of these benefits are accumulated over the period of employment.

Provision for retirement benefits and unused days of vacation are calculated by an independent actuary and are recognized in the balance sheet at present value of discounted estimated future outflows (Note 24 (c)).

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20. Taxes and contributions

(a) Income Tax

Current Income Tax

Current income tax represents an amount that is calculated and paid in accordance with the effective Law on Corporate Income Tax of the Republic of Serbia. During the year, the Bank pays income tax in monthly instalments, based on the prior year's tax return. Final tax base used for calculating income tax at the prescribed rate of 15% is disclosed in the Tax return.

In order to determine the amount of taxable income, accounting profit is adjusted for certain permanent differences, as shown in the annual Tax Balance which is to be submitted within 180 days from the end of the period for which the tax liability is determined, except in the case of status changes, liquidation or bankruptcy of the taxpayer, when it is submitted within 15 days after the end of the period for summiting the financial statements.

Deferred income tax

Deferred tax is provided for using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Tax rate enacted at the balance sheet date is used to determine the deferred income tax amount.

Deferred tax liabilities are recognized for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit, nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries and associates when deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are calculated at tax rates that are expected to be effective in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Current and deferred taxes are recognized as income or expense and are included in the profit for the period.

Deferred income taxes related to items that are recorded directly in equity are also recorded in equity.

2. PREPARATION AND PRESENTATION BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20. Taxes and contributions (continued)

(b) Taxes and contributions not related to operating result

Taxes and contributions not related to operating result include property tax, value added tax, contributions on salaries charged to employer, as well as other taxes and contributions that are paid in accordance with tax regulations of the Republic of Serbia and local tax regulations. These taxes and contributions are presented as part of other expenses (Note 13).

2.21. Funds Managed on Behalf of Third Parties

The funds that the Bank manages on behalf of, and for the account of third parties, are disclosed within off-balance sheet items (Note 27). The Bank is not exposed to any risk in respect of repayment of these placements.

3. INTEREST INCOME AND INTEREST EXPENSES

a) Interest income and expenses by sector structure are presented as follows:

		RSD thousand
	2014	**2013**
Interest income		
– National Bank of Serbia and other banks	1,647,425	2,727,501
– Corporate customers	10,738,649	13,769,981
– Public sector	5,810,891	4,908,275
– Other customers	256,731	187,794
– Foreign entities	116,988	97,500
– Retail customers	9,267,928	9,120,789
Total	**27,838,612**	**30,811,840**
Interest expenses		
– National Bank of Serbia and other banks	(143,628)	(310,545)
– Corporate customers	(1,984,143)	(3,021,833)
– Public sector	(420,870)	(648,616)
– Other customers	(221,622)	(287,524)
– Foreign entities	(838,380)	(1,103,177)
– Retail customers	(3,166,406)	(4,227,244)
Total	**(6,775,049)**	**(9,598,939)**
Net interest income	**(21,063,563)**	**(21,212,901)**

As of 31 December 2014, total interest income on impaired loans amounts RSD 2,897,750 thousand (31 December 2013: RSD 2,500,287 thousand).

3. INTEREST INCOME AND INTEREST EXPENSES (continued)

b) Interest income and expenses by type of financial instruments are presented as follows:

	2014	RSD thousand 2013
Interest income		
Loans	20,876,496	23,606,869
REPO transactions	857,380	1,272,823
Obligatory reserves	582,546	559,853
Deposits	111,245	260,370
Securities	4,658,676	3,953,490
Other placements	752,269	1,158,435
Total	**27,838,612**	**30,811,840**
Interest expenses		
Loans	(849,367)	(1,070,242)
Deposits	(5,877,798)	(8,517,839)
Securities	(44,782)	(2,784)
Other interest expenses	(3,102)	(8,074)
Total	**(6,775,049)**	**(9,598,939)**
Net interest income	**21,063,563**	**21,212,901**

4. FEE AND COMMISSION INCOME AND EXPENSES

	2014	RSD thousand 2013
Fee and commission income		
Fee for banking services:		
– Domestic payment transaction services	2,457,002	2,346,299
– International payment transaction services	591,824	560,120
– Loan operations	166,698	168,414
– Cards operations	2,621,620	2,585,241
	5,837,144	**5,660,074**
Commissions related to issued guaranties and letter of credits	647,907	714,521
Current accounts maintenance	1,353,954	1,277,014
Fees slips, EDB and Telekom	303,754	289,300
Other fee and commission	288,159	234,569
Total	**8,430,918**	**8,175,478**
Fee and commission expenses		
Payment services fee:		
– Domestic	(199,595)	(209,905)
– International	(120,228)	(127,035)
National Bank of Serbia's fee and commission	(73,427)	(58,872)
Credit Bureau's fees	(145,469)	(138,135)
Cards operations fee	(2,104,052)	(2,010,451)
Other fees and commissions	(139,085)	(103,740)
Total	**(2,781,856)**	**(2,648,138)**
Net fee and commission income	**5,649,062**	**5,527,340**

5. NET PROFIT ON FINANCIAL ASSETS HELD FOR TRADING

RSD thousand

	2014	2013
Change in value income		
- currency swap	173,866	60,465
- forward	1,068	2,327
- financial assets	-	590
Total income	**174,934**	**63,382**
Change in value expenses		
- currency swap	(17,067)	(14,118)
- forward	(2,600)	-
Total expenses	**(19,667)**	**(14,118)**
Net profit	**155,267**	**49,264**

6. NET PROFIT/ (LOSS) ON FINANCIAL ASSETS INITIALLY CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS

RSD thousand

	2014	2013
Income from change in value of financial assets initially carried at fair value through profit and loss		
- gold and silver	14,481	8,188
- securities	28,817	17,191
Total income	**43,298**	**25,379**
Expenses from change in value of financial assets initially carried at fair value through profit and loss		
- gold and silver	(6,805)	27,882
Total expenses	**(6,805)**	**(27,882)**
Net profit/(loss)	**36,493**	**(2,503)**

7. NET PROFIT/ (LOSS) ON FINANCIAL ASSETS AVAILABLE FOR SALE

RSD thousand

	2014	2013
Gains on sales		
- financial assets	17,084	14,099
Total gains	**17,084**	**14,099**
Losses on sales		
- financial assets	(2,751)	(9,767)
Total losses	**(2,751)**	**(9,767)**
Net profit	**14,333**	**4,332**

8. NET INCOME ON FOREIGN EXCHANGE RATE AND FX CONTRACTS

		RSD thousand
	2014	2013
Income from positive exchange rate differences	38,736,244	93,856,519
Income from positive exchange rate differences related to FX contracts	14,793,225	12,079,855
Total income	**53,529,469**	**105,936,374**
Expenses on negative exchange rate differences	(45,826,658)	(93,500,315)
Expenses on negative exchange rate differences related to FX contracts	(5,532,145)	(10,519,938)
Total expenses	**(51,358,803)**	**(104,020,253)**
Net profit	**2,170,666**	**1,916,121**

9. OTHER OPERATING INCOME

		RSD thousand
	2014	2013
Income from reversal of unused provisions for liabilities	116,130	98,824
Rental income	70,475	40,178
Gaines on sales of fixed assets and surpluses	23,221	22,694
Reimbursed expenses	14,789	12,652
Income from dividends and equity interests	2,012	1,527
Other income	246,429	165,833
Total	**473,056**	**341,708**

10. IMPAIRMENT LOSSES FROM FINANCIAL ASSETS AND CREDIT RISK OFF-BALANCE SHEET ITEMS

a) Overview by classes

		RSD thousand
	2014	2013
Income from reversal of indirect write-offs of placements	4,636,620	2,962535
Income from reversal of indirect write-offs of equity investments	182	-
Income from reversal of provisions for off-balance sheet items	572,304	806,833
Income from recovered written-off receivables	171,117	436,457
Total income	**5,380,223**	**4,205,825**
Expenses for indirectly written-off placements of balance sheet assets	(13,681,838)	(11,408,677)
Expenses for indirectly written-off equity investments	-	(5,411)
Expenses for provisions for off-balance sheet items	(714,872)	(511,333)
Expenses for written-off uncollectible receivables	(152,211)	(324,771)
Total expenses	**(14,548,921)**	**(12,250,192)**
Net loss	**(9,168,698)**	**(8,044,367)**

10. IMPAIRMENT LOSSES FROM FINANCIAL ASSETS AND CREDIT RISK OFF-BALANCE SHEET ITEMS (Continued)

b) Movements in the allowance for impairment of financial assets and provisions for risk bearing off-balance sheet items

Movements in the allowance for impairment of balance-sheet items and provisions during the 2014 are presented as follows:

Movements in the allowance for impairment and provisions in 2014	RSD thousand Balance
Opening balance - 31 December 2013	26,550,870
Increase in provisions during the year	14,396,709
Reversal of provisions during the year	(5,208,924)
Increase in provisions due to exchange rate changes	1,023,733
Reversal of provisions due to exchange rate changes	(80,520)
Transfer to off-balance	(5,166,076)
Transfer from off-balance	40,041
Reversal of provisions due to passage of time (unwinding)	(1,473,095)
Closing balance - 31 December 2014	**30,082,738**

Movements in the allowance for impairment and provisions in 2013	Balance
Opening balance – 31 December 2012	22,538,772
Increase in provisions during the year	11,920,010
Reversal of provisions during the year	(3,769,367)
Increase in provisions due to exchange rate changes	603,165
Reversal of provisions due to exchange rate changes	(464,624)
Transfer to off-balance	(3,246,154)
Transfer from off-balance	20,497
Reversal of provisions based due to passage of time (unwinding)	(1,051,429)
Closing balance – 31 December 2013	**26,550,870**

11. SALARIES, WAGES AND OTHER PERSONAL EXPENSES

RSD thousand

	2014	2013
Net salaries	3,400,976	3,223,372
Tax on employee benefits	427,944	439,831
Contributions on employee benefits	851,607	766,778
Expenses for temporary and occasional work	4,741	4,569
Other personal expenses	22,076	55,922
Expenses for provisions for pensions and other provisions for employees	330	1,926
Total	**4,707,674**	**4,492,398**

12. DEPRECIATION AND AMORTIZATION

RSD thousand

	2014	2013
Depreciation and amortization:		
– Amortization of intangible assets (Note 19)	367,583	307,420
– Depreciation of fixed assets (Note 20)	525,277	599,763
Total	892,860	907,183

13. OTHER EXPENSES

RSD thousand

	2014	2013
Material, energy and spare parts	324,100	448,457
Professional services	663,140	613,604
Advertising, marketing and entertainment expenses	425,324	377,909
Mail and telecommunication expenses	325,785	358,485
Insurance premiums	1,650,526	1,071,788
Maintenance of property, plant and equipment	401,215	448,356
Rental cost	1,092,241	930,657
Fees and commissions	181,346	187,920
Taxes and contributions	880,298	913,703
Physical-technical security	208,249	224,076
General and administrative expenses	299,294	325,503
Losses on write-offs, disposals and shortage of property, equipment and intangible assets	754	51,759
Other expenses	217,742	308,357
Losses on sales of other placements	3,156	-
Expenses for provisions for liabilities	102,290	126,901
Impairment of the fixed assets, investment property and intangible assets (Note 19)	921,442	-
Total	**7,696,902**	**6,387,475**

14. INCOME TAX

(a) Components of Income Tax

The components of income tax expenses are:

RSD thousand

	2014	2013
Current income tax	433,284	623,097
Gains from deferred tax assets and reduction of deferred tax liabilities	(147,898)	(21,105)
Loss from reduction of deferred tax assets and creation of deferred tax liabilities	2,217	8,223
Total	**287,603**	**610,215**

b) Reconciliation of total amount of income tax stated in the income statement with the amount of profit before tax multiplied by prescribed tax rate is as follows:

	2014	2013
Profit before tax	7,096,306	9,217,740
Income tax at the rate of 15%	**1,064,446**	**1,382,661**
Tax effects of expense reconciliation – permanent differences	24,833	42,371
Tax effects of revenue reconciliation – permanent differences	(845,002)	(804,297)
Tax effects of depreciation differences recognized for tax and statutory reporting – temporary differences	27,310	28,538
Tax effects of expenses that will be recognized in subsequent period – temporary differences	143,609	4,629
Tax credits on investments in fixed assets	18,039	(30,804)
Income tax stated in the income statement	**433,284**	**623,097**
Effective tax rate	**6.11%**	**6.76%**

14. INCOME TAX (Continued)

For the purpose of determining legal obligations arising from income tax for the period 1 January - 31 December 2014 the Bank has adjusted expenditure and income reported in the income statement in accordance with the legal provisions. Consequently, the tax base increased for the amount of provisions totalling RSD 102,620 thousand, due to:

- Provisions for litigations in accordance with IAS 37 „Provisions, Contingent Liabilities and Contingent Assets" in the amount RSD 58,680 thousand
- Provisions for restructuring in accordance with IAS 37 „Provisions, Contingent Liabilities and Contingent Assets" in the amount RSD 43,610 thousand
- Provisions in accordance with IAS 19 „Employee benefits" in the amount of RSD 330 thousand.

In accordance with the abovementioned the bank made an adjustment on the revenue side by excluding interest income generated by debt securities issued by the Republic, local government and the National Bank of Serbia from the tax base, for a total of RSD 5,520,022 thousand.

(c) Deferred Tax Assets

In accordance with IAS 12, deferred tax assets and liabilities relate to taxable temporary differences between carrying amounts of tangible and intangible assets and their tax bases, temporary differences based on unpaid taxes that will be recognized in subsequent period, as well as to differences resulting from fair value of derivatives and their carrying amounts.

Effects of the temporary differences stated in 2014 relate to:

- increase in tax assets for the difference between the market value of the construction land (lot in block 11a) for the construction of Bank's new office building, and its carrying amount, RSD 138,216 thousand,
- increase based on the difference between accounting and tax depreciation in the amount of RSD 8,850 thousand,
- increase based on the difference between market value of derivatives and their carrying amounts in the amount of RSD 832 thousand and
- reduction based on the difference between calculated taxes booked in current period and paid in the subsequent period, in the amount of RSD 2,216 thousand.

Movements in deferred tax assets during the year were as follows:

RSD thousand

	2014	2013	
		closing balance	opening balance
Balance as of 1 January	79,122	66,240	47,317
Effect of temporary differences credited to income statement	145,682	12,882	18,923
Balance as of 31 December	**224,804**	**79,122**	**66,240**

15. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit by the weighted average number of shares during the year. As of 31 December 2014 the Bank has no preferred shares.

	2014	2013
Net profit	6,808,703,654	8,607,525,553
Weighted average number of ordinary shares during the year	213,159	213,159
Basic earnings per share in RSD (no decimals)	**31,942**	**40,381**

16. CASH AND BALANCES WITH CENTRAL BANK

(a) Cash and balances with Central Bank

RSD thousand

	2014	2013 closing balance	2013 opening balance
In RSD			
Gyro account	30,600,441	10,231,320	25,213,115
Cash on hand	4,944,928	4,495,856	4,426,442
Receivables for calculated interest, fee and commission based on cash and balances with the Central Bank	24,894	21,861	21,602
Accruals related to cash and balances with the Central Bank	-	6,333	16,467
	35,570,263	**14,755,370**	**29,677,626**
In foreign currency			
Cash on hand	2,287,685	2,336,854	2,395,796
Other monetary assets	1,162,986	-	-
Obligatory reserves with NBS	39,480,380	39,453,952	46,757,728
	42,931,051	**41,790,806**	**49,153,524**
Gold and precious metals	52,147	44,471	64,165
Gross balance as of 31 December	**78,553,461**	**56,590,647**	**78,895,315**
Less: Allowance for impairment			
- In RSD	-	-	-
- In foreign currency	-	-	-
	-	-	-
Balance as of 31 December	**78,553,461**	**56,590,647**	**78,895,315**

The obligatory reserves in dinars is the minimal reserve in dinars allocated in accordance with the National Bank of Serbia's Decision on Banks' Required Reserves with the National Bank of Serbia (Official Gazette of Republic of Serbia no. 3/2011, 31/2012, 57/2012, 78/2012, 87/2012, 107/2012, 62/2013, 125/2014 and 135/2014).

The Bank is required to calculate and allocate the obligatory reserves in RSD by applying 5% on the average daily balance of liabilities in RSD with contractual maturity up to 730 days, while 0% is applied on the average daily balance of liabilities in RSD with contractual maturity of over 730 days. These percentages are calculated on the average daily balance of liabilities in local currency during the preceding calendar month and a bank allocates the calculated amount to its gyro account with the National Bank of Serbia. The Bank calculates the obligatory reserves in RSD on deposits in RSD, loans and securities, and other obligations in RSD, excluding dinar deposits received under transactions performed on behalf and for the account of third parties that are not in excess of the amount of the investment made from such deposits as defined by the Decision. The obligatory reserves in RSD is also calculated as part of the foreign currency obligatory reserves applying 36% to the foreign currency obligatory reserves calculated on liabilities denominated in foreign currency, with contractual maturity of up to 730 days and average daily balance of liabilities in RSD denominated in foreign currency, while 28% is applied on the foreign currency obligatory reserves calculated on liabilities in foreign currency with contractual maturity of over 730 days.

During the accounting period, the Bank is required to maintain the average daily balance of the allocated obligatory reserves in dinars in the amount equal to the calculated obligatory reserves in dinars.

As of 31 December 2014, obligatory reserves in dinars is RSD 25,605,102 thousand (31 December 2013: RSD 22,485,983 thousand) and in accordance with the abovementioned National Bank of Serbia's Decision.

During 2014, the average interest rate applied on the amount of the allocated obligatory reserves in dinars, which does not exceed the amount of calculated obligatory reserves, was 2.5% per annum.

16. CASH AND BALANCES WITH CENTRAL BANK (Continued)

(a) Cash and balances with Central Bank (Continued)

Foreign currency obligatory reserves with the National Bank of Serbia

In accordance with the Decision on Banks' Required Reserves with the National Bank of Serbia (Official Gazette of Republic of Serbia no. 3/2011, 31/2012, 57/2012, 78/2012, 87/2012, 107/2012, 62/2013, 125/2014 and 135/2014), The Bank calculates foreign currency obligatory reserves by applying 27% on the amount of the average daily balance of the liabilities denominated in foreign currency, while 50% is applied on the average daily balance of liabilities in RSD denominated in foreign currency during the preceding calendar month with contractual maturity of up to 730 days (with the exceptions defined by the Decision), while 20% is applied for the liabilities with contractual maturity of over 730 days. Therefore, 64% of the calculated foreign currency obligatory reserves is allocated based on the balance of the liabilities denominated in foreign currency with contractual maturity of up to 730 days and foreign currency reserves based on the balance of liabilities in RSD denominated in foreign currency, as well as 72% of the calculated foreign currency obligatory reserves based on the balance of the liabilities denominated in foreign currency with contractual maturity of over 730 days to the National Bank of Serbia's foreign currency accounts.

During the accounting period, the Bank is required to maintain the average daily balance of the allocated foreign currency obligatory reserves in the amount equal to the calculated foreign currency obligatory reserves.

The National Bank of Serbia does not pay interest on the average balance amount of the allocated foreign currency obligatory reserves.

As of 31 December 2014, calculated foreign currency obligatory reserves is EUR 316,231,918.00 (31 December 2013: EUR 367,194,985.32) and in accordance with the abovementioned National Bank of Serbia's Decision.

(b) Overview of the differences between Cash stated in Cash Flow Statement and balance-sheet item Cash and balances with Central Bank

	Balance sheet	Cash flows	RSD thousand Difference
In RSD			
Gyro account	30,600,441	30,600,441	-
Cash on hand	4,944,928	4,944,928	-
Receivables for calculated interest, fee and commission based on cash and balances with the Central Bank	24,894	-	24,894
	35,570,263	**35,545,369**	**24,894**
In foreign currency			
Cash on hand	2,287,685	2,287,685	-
Foreign currency accounts (balance-sheet item Loans and receivables from banks and other financial organizations/customers)	-	40,843,387	(40,843,387)
Cheques in foreign currency (balance-sheet item Loans and receivables from banks and other financial organizations/customers)	-	34,620	(34,620)
Other monetary assets	1,162,986	1,162,986	-
Obligatory reserves with NBS	39,480,380	-	39,480,380
	42,931,051	**44,328,678**	**(1,397,627)**
Gold and other precious metals	52,147	52,147	0
Balance as of 31 December 2014	**78,553,461**	**79,926,194**	**(1,372,733)**

17. FINANCIAL ASSETS CLASSIFICATION

(a) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS HELD FOR TRADING

RSD thousand

	2014	2013	
		closing balance	opening balance
Financial derivatives	174,934	62,792	275,234
Other financial assets	-	-	10,785
	174,934	**62,792**	**286,019**
Allowance for impairment:			
- in RSD	-	(25)	(71)
- in foreign currency	-	-	-
	-	**(25)**	**(71)**
Total	**174,934**	**62,767**	**285,948**

(b) FINANCIAL ASSETS INITIALLY CARRIED THROUGH PROFIT AND LOSS, FINANCIAL ASSETS AVAILABLE FOR SALE AND INVESTMENTS IN SUBSIDIARIES

INVESTMENT IN SUBSIDIARIES AND FINANCIAL ASSETS HELD FOR TRADING AND AVAILABLE FOR SALE

RSD thousand

	2014				2013							
					Closing balance				Opening balance			
	Financial assets initially carried at fair value through Profit and Loss	Financial assets available for sale	Investment in subsidiaries	Total	Financial assets initially carried at fair value through Profit and Loss	Financial assets available for sale	Investment in subsidiaries	Total	Financial assets initially carried at fair value through Profit and Loss	Financial assets available for sale	Investment in subsidiaries	Total
- shares and equity investment	40,090	49,594	962,496	1,052,180	51,144	49,637	962,496	1,063,277	33,040	24,024	962,496	1,019,560
- debt securities issued by the Republic of Serbia	-	55,496,651	-	55,496,651	-	42,236,691	-	42,236,691	-	36,138,050	-	36,138,050
- accrued interest on debt securities issued by the Republic of Serbia	-	2,195,338	-	2,195,338	-	1,023,796	-	1,023,796	-	181,640	-	181,640
	40,090	**57,741,583**	**962,496**	**58,744,169**	**51,144**	**43,310,124**	**962,496**	**44,323,764**	**33,040**	**36,343,714**	**962,496**	**37,339,250**
Difference from the cost	38,880	(9,695)	-	29,185	28,367	476,790	-	505,157	10,794	248,958	-	259,752
	38,880	**(9,695)**	**-**	**29,185**	**28,367**	**476,790**	**-**	**505,157**	**10,794**	**248,958**	**-**	**259,752**
Gross balance	**78,970**	**57,731,888**	**962,496**	**58,773,354**	**79,511**	**43,786,914**	**962,496**	**44,828,921**	**43,834**	**36,592,672**	**962,496**	**37,599,002**
Less: Allowance for impairment	-	(26,921)	-	(26,921)	-	(27,102)	-	(27,102)	-	(21,691)	-	(21,691)
Balance as of 31 December	**78,970**	**57,704,967**	**962,496**	**58,746,433**	**79,511**	**43,759,812**	**962,496**	**44,801,819**	**43,834**	**36,570,981**	**962,496**	**37,577,311**

(c) SHARES, EQUITY INVESTMENT AND INVESTMENT IN SUBSIDIARIES

RSD thousand

	2014	2013 closing balance	2013 opening balance
Investment in subsidiaries:			
INTESA LEASING D.O.O., BEOGRAD – 100% shares	962,496	962,496	962,496
Less: Allowance for impairment	-	-	-
	962,496	**962,496**	**962,496**
Financial assets initially carried at fair value through profit and loss:			
INTESA SANPAOLO	40,090	51,144	33,040
Difference from the market value:	38,880	28,367	10,794
	78,970	**79,511**	**43,834**
Financial assets available for sale:			
KOSMAJ-MERMER	37	37	37
ALMA MONS	30	30	30
BANKOR CONSULTING	267	267	267
PAN TRGOVINA	466	466	466
IMK 29.NOVEMBAR	15,073	15,073	15,073
VEEDA	29	29	29
MENTA AD PADEJ IN BANKRUPTCY	5,814	5,814	5,814
PANON CRVENKA AD KELEBIJA	25,729	25,729	
RAZVOJNA BANKA VOJVODINE AD NOVI SAD	1,566	1,566	1,566
MONEY MARKET	583	626	742
MINISTRY OF FINANCE OF THE REPUBLIC OF SERBIA BONDS	57,691,989	43,260,487	36,319,690
Difference from the cost	(9,695)	476,790	248,958
Less: Allowance for impairment	(26,921)	(27,102)	(21,691)
	57,704,967	**43,759,812**	**36,570,981**
Balance as of 31 December	**58,746,433**	**44,801,819**	**37,577,311**

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

18. LOANS AND RECEIVABLES FROM BANKS, CUSTOMERS AND OTHER FINANCIAL ORGANIZATIONS

(a) LOANS AND RECEIVABLES FROM BANKS AND OTHER FINANCIAL ORGANIZATIONS

RSD thousand

	2014	2013	
		closing balance	opening balance
In RSD			
Receivables for calculated interest	13,042	12,573	12,663
Loans under reverse repo transactions	-	30,000,000	10,000,000
Loans under transaction accounts	79	257	358
Loans approved and due with one day (overnight)	700,000	-	-
Liquidity and current assets loans	11,840	354,411	351,706
Investment loans	333,157	571,211	832,475
Other loans	3,192,666	3,778,343	306,146
Receivables arising from purchased placements - forfeting	14,952	17,605	21,674
Receivables based on factoring with the right of recourse	-	-	10,102
Other placements	605,531	-	-
	4,871,267	**34,734,400**	**11,535,124**
In foreign currency			
Foreign currency accounts	40,918,812	2,816,989	1,520,652
Cheques	34,620	35,133	45,661
Receivables for calculated interest	192	261	-
Receivables for calculated fee and commission	-	1,805	1,790
Loans approved and due with one day (overnight)	795,713	249,385	-
Other loans	1,620	1,369	1,311
Other non-purpose deposits	2,413,133	18,342,736	
Special-purpose deposits	4,838		
Other placements	21,520,623	37,391	178,255
	65,689,551	**21,485,069**	**1,747,669**
Gross loans	**70,560,818**	**56,219,469**	**13,282,793**
Less: Allowance for impairment			
– in RSD	(36,037)	(37,963)	(34,604)
– in foreign currency	(92,770)	(30,403)	(11,286)
	(128,807)	**(68,366)**	**(45,890)**
Balance as of 31 December	**70,432,011**	**56,151,103**	**13,236,903**

18. LOANS AND RECEIVABLES FROM BANKS, CUSTOMERS AND OTHER FINANCIAL ORGANIZATIONS (Continued)

(b) LOANS AND RECEIVABLES FROM CUSTOMERS

RSD thousand

	2014	2013 closing balance	2013 opening balance
In RSD			
Receivables for calculated interest	5,188,516	5,923,078	5,453,632
Income in RSD collected in advance for loan servicing	(822,203)	(816,129)	(898,244)
Loans under transaction accounts	5,258,275	6,936,356	6,822,065
Consumer loans	1,613,378	2,583,042	3,969,021
Liquidity and current assets loans	25,352,364	15,396,917	24,037,655
Export loans	154,616	794,547	2,371,805
Investment loans	69,555,871	78,807,326	81,384,484
Mortgage loans	47,969,445	45,382,656	43,666,433
Cash loans	16,121,278	15,085,377	15,319,990
Other loans	92,712,518	90,177,303	88,138,952
Receivables arising from purchased placements - forfeiting	555,986	661,100	1,294,775
Receivables based on factoring without the right of recourse and reverse factoring	716,329	2,677,187	599,079
Receivables based on factoring with the right of recourse	909,531	368,173	1,245,831
Placements based on acceptances, endorsements and payments made under guarantees	589,620	965,568	1,547,336
Placements on ceded receivables on other grounds	3,868,008	6,172,158	5,756,801
Other placements	8,715	42,535	103,202
	269,752,247	**271,157,194**	**280,812,817**
In foreign currency			
Receivables for calculated interest	177,704	140,907	119,451
Loans for payment of import of goods and services in foreign currency	9,030,423	5,727,731	5,914,284
Loans for the purchase of immovable property in the country approved to a natural person	4,973	5,818	-
Loans approved and due with one day (overnight)	2,046,515	-	-
Other loans	-	3,064,058	4,127,004
Placements based on acceptances, endorsements and payments made under guarantees	1,030,350	976,547	-
	12,289,965	9,915,061	10,160,739
Gross placements	**282,042,212**	**281,072,255**	**290,973,556**
Less: Allowance for impairment			
– in RSD	(28,198,535)	(25,068,178)	(20,760,156)
– in foreign currency	(497,429)	(328,049)	(340,253)
	(28,695,964)	**(25,396,227)**	**(21,100,409)**
Balance as of 31 December	**253,346,248**	**255,676,028**	**269,873,147**

18. LOANS AND RECEIVABLES FROM BANKS, CUSTOMERS AND OTHER FINANCIAL ORGANIZATIONS (Continued)

(c) Overview by the type of client

RSD thousand

	2014			2013					
				closing balance			opening balance		
	Shor-term	Long-term	Total	Shor-term	Long-term	Total	Shor-term	Long-term	Total
in RSD									
Loans and receivables:									
- NBS, banks and other financial sector and insurance	4,207,758	663,508	4,871,266	33,838,215	896,185	34,734,400	10,373,384	1,161,740	11,535,124
- Holding companies	3	1,776	1,779	1,649,567	3,927,891	5,577,458	1,822,409	6,245,268	8,067,677
- Corporate	26,445,531	130,094,739	156,540,270	55,316,426	106,142,446	161,458,872	45,448,540	120,425,490	165,874,030
- Retail	6,592,629	84,517,799	91,110,428	10,341,260	74,505,221	84,846,481	8,538,687	76,952,644	85,491,331
- Public sector	167,775	14,294,914	14,462,689	1,076,545	10,461,170	11,537,715	317,268	12,072,489	12,389,757
- Foreign banks	-	-	-	-	-	-	-	-	-
- Foreign entities	34,763	297,609	332,372	40,391	308,910	349,301	56,319	335,841	392,160
- Other customers	1,255,423	6,049,285	7,304,708	6,297,335	1,090,030	7,387,365	6,975,568	1,622,294	8,597,862
Total in RSD	**38,703,882**	**235,919,630**	**274,623,512**	**108,559,739**	**197,331,853**	**305,891,592**	**73,532,175**	**218,815,766**	**292,347,941**
In foreign currency									
Loans and receivables:									
- NBS, banks and other financial sector and insurance	2,070,401	1,623	2,072,024	18,380,476	1,370	18,381,846	178,255	1,311	179,566
- Holding companies	-	507	507	52	349	401	187	511	698
- Corporate	3,005,576	4,953,117	7,958,693	524,359	5,304,007	5,828,366	917,142	4,881,588	5,798,730
- Retail	11,589	718,013	729,602	90,700	609,746	700,446	89,656	564,535	654,191
- Public sector	7,450	1,815,589	1,823,039	4,330	2,229,330	2,233,660	5,818	3,317,260	3,323,078
- Foreign banks	63,617,528	-	63,617,528	3,103,223	-	3,103,223	1,568,103	-	1,568,103
- Foreign entities	1,101,408	662,000	1,763,408	1,038,565	6,920	1,045,485	228,984	641	229,625
- Other customers	-	14,717	14,717	105,309	1,396	106,705	153,056	1,361	154,417
Total in foreign currency	**69,813,952**	**8,165,566**	**77,979,518**	**23,247,014**	**8,153,118**	**31,400,132**	**3,141,201**	**8,767,207**	**11,908,408**
Gross loans and deposits	**108,517,834**	**244,085,196**	**352,603,030**	**131,806,753**	**205,484,971**	**337,291,724**	**76,673,376**	**227,582,973**	**304,256,349**
Less: Allowance for impairment - banks and other financial organizations	(107,210)	(21,597)	(128,807)	(64,902)	(3,464)	(68,366)	(39,343)	(6,547)	(45,890)
Less: Allowance for impairment - customers	(7,072,736)	(21,623,228)	(28,695,964)	(25,383,852)	(12,375)	(25,396,227)	(21,059,615)	(40,794)	(21,100,409)
	(7,179,946)	(21,644,825)	(28,824,771)	(25,448,754)	(15,839)	(25,464,593)	(21,098,958)	(47,341)	(21,146,299)
Balance as of 31 December	**101,337,888**	**222,440,371**	**323,778,259**	**106,357,999**	**205,469,132**	**311,827,131**	**55,574,418**	**227,535,632**	**283,110,050**

18. LOANS AND RECEIVABLES FROM BANKS, CUSTOMERS AND OTHER FINANCIAL ORGANIZATIONS (Continued)

(c) Overview by the type of client

Short-term loans have been granted to companies for funding business activities within the following sectors: trade and services, manufacturing, construction, agriculture and food industry, as for the other purposes, with interest rates ranging between 9% and 16% per annum on RSD loans, as well as between 3.5% and 12.5% per annum on loans with currency clause and foreign currency loans.

Interest rates on the long-term loans to legal entities in RSD have been ranging between 9% and 12%, and on RSD long-term loans with currency clause, as well as on foreign currency loans ranging have been between 3.9% and 9% per annum.

Short-term loans to retail and small corporate customers, have been approved with interest rates ranging from 4.5% to 18% per annum for loans with currency clause and from 11% to 26% per annum for loans with no currency clause.

Interest rate on Overdrafts on retail current accounts has been ranging from 2.17% to 2.8% per month and for small corporate customers from 1.7% to 2.9% per month.

Long-term loans to Retail and small businesses have been granted as non-purpose loans, consumer goods purchase loans, renovation, adaptation and the purchase of the residential and business space for the period from 13 months to 30 years with interest rates ranging from 1.78% to 18% per annum for currency clause loans, as well as from 10% to 26% for the loans with no currency clause.

19. INTANGIBLE ASSETS

RSD thousand

	Licenses	Software	Intangible assets in progress	Total
COST				
Balance as of 1 January 2013	**487,455**	**1,517,363**	**106,432**	**2,111,250**
Additions during the year	-	242,948	217,007	217,007
Transfers	-	-	(242,948)	-
Disposals and write offs	-	-	(23,747)	(23,747)
Balance as of 31 December 2013	**487,455**	**1,760,311**	**56,744**	**2,304,510**
Additions during the year	-	-	242,154	242,154
Transfers	-	206,155	(206,155)	-
Disposals and write offs	-	(10,116)	-	(10,116)
Balance as of 31 December 2014	**487,455**	**1,956,350**	**92,743**	**2,536,548**
ACCUMULATED AMORTIZATION				
Balance as of 1 January 2013	**280,944**	**789,669**	-	**1,070,613**
Amortization (Note 12)	46,596	260,825	-	307,421
Balance as of 31 December 2013	**327,540**	**1,050,494**	-	**1,378,034**
Amortization (Note 12)	46,589	320,994	-	367,583
Transfers	-	(10,116)	-	(10,116)
Balance as of 31 December 2014	**374,129**	**1,361,372**	-	**1,735,501**
Net carrying amount as of:				
– 31 December 2014	**113,326**	**594,978**	**92,743**	**801,047**
– 31 December 2013	**159,915**	**709,817**	**56,744**	**926,476**
– 1 January 2013	**206,511**	**727,694**	**106,432**	**1,040,637**

20. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY, FIXED ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS

a) Property, plant and equipment and Investment property

RSD thousand

	Land and buildings	Equipment and equipment under finance lease	Leasehold improvements	Construction in progress	Total property, plant and equipment	Investment property
COST						
Balance as of 1 January 2013	**5,626,889**	**4,227,506**	**660,232**	**1,072,925**	**11,587,552**	**71,107**
Additions during the year	-	-	-	473,309	473,309	180,579
Transfers from construction in progress	53,617	235,644	62,562	(417,175)	(65,352)	-
Corrections	(620)	-	-	-	(620)	
Disposals and write offs		(256,325)	(54,332)		(310,657)	-
Balance as of 31 December 2013	**5,679,886**	**4,206,825**	**668,462**	**1,129,059**	**11,684,232**	**251,686**
Additions during the year	-	-	-	662,424	662,424	-
Transfers from construction in progress	1,261,910	352,855	129,786	(1,745,464)	(913)	-
Reduction of carrying amount above estimated market value Block 11a Novi Beograd	(921,442)	-	-	-	(921,442)	
Transfers	(5,978)	-	-	-	(5,978)	5,978
Disposals and write offs	-	(705,216)	(58,347)	-	(763,563)	(6,837)
Balance as of 31 December 2014	**6,014,376**	**3,854,464**	**739,901**	**46,019**	**10,654,760**	**250,827**
ACCUMULATED DEPRECIATION						
Balance as of 1 January 2013	**864,848**	**2,971,197**	**441,076**	-	**4,277,121**	**5,045**
Depreciation (Note 12)	108,433	388,332	96,677	-	593,442	6,320
Transfer						
Surplus for the year	-	8,402	-	-	8,402	-
Disposals and write offs	385	249,061	50,099		299,545	
Balance as of 31 December 2013	**972,896**	**3,118,870**	**487,654**	-	**4,579,420**	**11,365**
Depreciation (Note 12)	109,589	330,480	78,837	-	518,906	4,869
Transfer	(3,965)	-	-	-	(3,965)	3,965
Disposals and write offs	-	(620,507)	(58,328)	-	678,835	-
Balance as of 31 December 2014	**1,078,520**	**2,828,843**	**508,163**	-	**4,415,526**	**20,199**
Net book value as of:						
– 31 December 2014	**4,935,856**	**1,025,621**	**231,738**	**46,019**	**6,239,234**	**230,628**
– 31 December 2013	**4,706,990**	**1,087,955**	**180,808**	**1,129,059**	**7,104,812**	**240,321**
– 1 January 2013	**4,762,041**	**1,256,309**	**219,156**	**1,072,925**	**7,310,431**	**66,062**

20. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY, FIXED ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS (Continued)

a) Property, plant and equipment and Investment property (Continued)

As of 31 December 2014, the Bank has title deeds for property it owns and has no buildings pledged as collateral.

As of 31 December 2014, the carrying value of equipment under finance lease amounts to RSD 39,747 thousand (31 December 2013: RSD 44,762 thousand).

As of 31 December 2014 investments made in the development of projects, obtaining approval, supervision, and compensation paid for land for construction of office building in Block 11a on land lot GP2 in New Belgrade. Acting in accordance with IAS 36 "Impairment of Assets", The Bank analysed the market value of the fixed assets. Using external and internal sources of information, in order to analyse the existence of impairment of assets, the Bank's management concluded that there were no indications of impairment of the Bank's assets (except construction land) at the balance sheet date. In order to determine market value, i.e. recoverable amount of the construction land, The Bank engaged Jones Lang LaSalle agency, who made the estimation of the construction land Block 11a Novi Beograd and determined the recoverable amount. Fair value of the construction land is estimated at RSD 1,494 million. Knowing that the carrying amount of the construction land as of 31 December 2014 was RSD 2,415 million, and that it exceeds estimated market value, The Bank recognized the loss in income statement in the amount of RSD 921 million and reduced the carrying amount to the estimated value (Note 13).

Although The Bank in its books states the value of investment property at their acquisition cost reduced for the depreciation and accumulated impairment, the following table discloses market values of the abovementioned properties. The Level 3 inputs were used, that is Republic of Serbia local tax authorities' data, which determined the basis for the calculation of property tax.

RSD thousand

The address of the investment property	Area (m^2)	ZONE	Price per m2 in 2014, according to local tax authorities' data for sales of property made in 2013 (for property tax determination)	MARKET VALUE according to local tax authorities' prices	Acquisition cost as of 31 December 2014	Total depreciation as of 31 December 2014	Net carrying amount as of 31 December 2014
NOVI SAD, MAKSIMA GORKOG no.2	46.09	first	140	6,453	5,978	4,115	1,863
VRBAS, KUCURA	26	second	27	705	1,116	235	881
NIŠ, VIZANTIJSKI BULEVAR no. 76	41.58	fourth	112	4,646	4,138	944	3,195
ZRENJANIN, KRALJA ALEKSANDRA I no.3	104.26	first	55	5,738	6,346	1,949	4,397
NOVA VAROS, Karadjordjeva no.81	49.8	first	51	2,549	3,392	1,024	2,367
NOVI BEOGRAD, MILENTIJA POPOVICA 5/V	175	first extra	370	64,750	49,278	2,875	46,404
BEOGRAD, USTANICKA no. 69	1,847	second	200	369,400	180,579	9,057	171,522
			TOTAL	454,240	250,827	20,199	230,628

20. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY, FIXED ASSETS HELD FOR SALE AND ASSETS FROM DISCONTINUED OPERATIONS (Continued)

b) Non-current fixed assets held for sale and assets from discontinued operations

As it is disclosed in Note 2.13.2, in accordance with the accounting policies of The Bank, assets classified as non-current assets held for sale are measured at the lower from two following amounts:

- carrying amount;
- fair value reduced by sales expenses.

	2014	2013	
		closing balance	opening balance
Non-current fixed assets held for sale	256,058	344,321	228,010
Non-current fixed assets held for sale and assets from discontinued operations	**256,058**	**344,321**	**228,010**

At the end of 2014, The Bank has following non-curent fixed assets held for sale that are located in the Republic of Serbia:
-Jagodina, Kneginje Milice
-Beograd, Sime Igumana 2-4 office space, area 500 m^2
-Beograd Sime Igumana 2-4 business premises, area 46 m^2
-Novi Beograd, Goce Delčeva 36, office space, area 1,824

The Bank does not apply depreciation on the fixed assets as long as they are classified as fixed assets held for sale.

21. OTHER ASSETS

RSD thousand

	2014	2013	
		Closing balance	Opening balance
Trade receivables	1,421	7,733	2,568
Receivables from employees	3,819	4,035	8,836
Receivables for taxes paid in advance, except income tax	665	813	265
Advances paid	136,810	54,640	53,530
Other receivables from operations	2,223,383	2,251,399	2,091,010
Assets received through collection of receivables	1,235	1,986	1,986
Other assets	835,858	642,563	538,323
Interest receivables related to other assets:			
– in RSD	1,359	247	88
Fee and commission receivables related to other assets:			
– in RSD	177,187	179,128	211,540
– in foreign currency	19,450	26,448	23,931
Accrued interest expenses:			
– in RSD	4,859	2,573	10,373
– in foreign currency	27,916	26,458	272,209
Accrued other expenses:			
– in RSD	311,665	323,969	286,995
– in foreign currency	4,298	3,168	1,935
Other accruals:			
– in RSD	-	1,170	10,105
– in foreign currency	3	4	
Total other assets	**3,749,928**	**3,526,334**	**3,513,694**
Less: Allowance for impairment	**(95,584)**	**(94,890)**	**(104,731)**
Balance as of 31 December	**3,654,344**	**3,431,444**	**3,408,963**

21. OTHER ASSETS (Continued)

Other receivables from operations as of 31 December 2014 amounting to RSD 2,223,383 thousand mostly relate to receivables in RSD with respect to payment cards - Other receivables in RSD from other cards issuers - Master Card, VISA and DINA in the amount of RSD 1,341,756 thousand (31 December 2013: RSD 1,481,329 thousand).

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS HELD FOR TRADING

RSD thousand

	2014	2013	
		closing balance	opening balance
Difference from nominal value of other placements in RSD held for trading – currency derivatives money exchange - swap	17,068	14,118	68,176
Difference from nominal value of other placements in RSD held for trading – currency derivatives money exchange - forward	2,600	-	762
Balance as of 31 December	**19,668**	**14,118**	**68,938**

23. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK

(a) DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK

RSD thousand

	2014	2013	
		closing balance	opening balance
In RSD			
Transaction deposits	629,830	861,781	1,368,221
Deposits underlying granted loans	6,813	26,921	29,279
Special-purpose deposits	1,299	2,864	6,851
Other deposits	2,422,680	3,926,027	1,077,947
Deposits and loans due within one day (overnight)	100,000	260,000	280,000
Borrowings	500,000	-	-
Other financial liabilities	2,059,359	-	-
Interest liabilities	494	2,657	10,446
Fee and commission liabilities	7	6	259
Total in RSD	**5,720,482**	**5,080,256**	**2,773,003**
In foreign currency			
Transaction deposits	535,638	494,617	329,748
Deposits underlying granted loans	2,661	688	682
Special-purpose deposits	8,545	7,998	101,405
Other deposits	847,104	1,606,031	2,160,356
Borrowings	28,654,790	36,880,654	45,529,657
Other financial liabilities	1,014,283	685,003	377,253
Interest liabilities	70,544	124,496	164,074
Accrued expenses for liabilities at amortized value, by applying the effective interest rate method	(143,864)	(156,707)	(177,612)
Total in foreign currency	**30,989,701**	**39,642,780**	**48,485,563**
Total	**36,710,183**	**44,723,036**	**51,258,566**

23. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK (Continued)

(b) DEPOSITS AND OTHER LIABILITIES DUE TO CUSTOMERS

RSD thousand

	2014	2013	
		Closing balance	Opening balance
In RSD			
Transaction deposits	56,306,019	48,396,531	36,592,897
Savings deposits	2,500,494	2,240,523	1,339,997
Deposits underlying granted loans	1,337,894	2,565,617	2,175,650
Special-purpose deposits	2,934,358	1,550,563	1,271,350
Other deposits	20,572,811	14,173,446	22,877,754
Deposits and loans due within one day (overnight)	490,990	455,221	1,012,058
Interest liabilities	229,159	251,815	311,727
Total in RSD	**84,371,725**	**69,633,716**	**65,581,433**
In foreign currency			
Transaction deposits	85,805,897	60,556,932	61,047,335
Savings deposits	100,666,831	102,563,628	99,338,509
Deposits underlying granted loans	7,526,368	8,410,797	8,269,300
Special-purpose deposits	1,900,664	232,471	616,236
Other deposits	17,976,441	26,117,577	22,934,497
Borrowings	6,230,536	6,965,822	5,322,448
Other financial liabilities	613,884	1,490,231	1,044,005
Interest liabilities	1,471,065	1,779,322	1,652,886
Total in foreign currency	**222,191,686**	**208,116,780**	**200,225,216**
Total	**306,563,411**	**277,750,496**	**265,806,649**

23. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK (Continued)

(c) DEPOSITS AND OTHER LIABILITIES TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK BY MATURITY

RSD thousand

	2014			2013					
				Closing balance			Opening balance		
	Shor-term	Long-term	Total	Shor-term	Long-term	Total	Shor-term	Long-term	Total
In RSD									
Transaction deposits	56,935,849	-	56,935,849	49,258,312	-	49,258,312	37,961,118	-	37,961,118
Revocable deposits	-	-	-	-	-	-	-	-	-
Savings deposits	2,499,832	662	2,500,494	2,239,489	1,034	2,240,523	1,338,297	1,700	1,339,997
Deposits related to granted loans	203,220	1,141,486	1,344,706	1,398,257	1,194,281	2,592,538	593,215	1,611,714	2,204,929
Special-purpose deposits	2,791,507	144,150	2,935,657	1,553,428	-	1,553,428	1,278,202	-	1,278,202
Other deposits	22,986,799	8,692	22,995,491	17,015,437	1,084,035	18,099,472	23,940,066	15,635	23,955,701
Overnight deposits and loans	590,990	-	590,990	715,221	-	715,221	1,292,058	-	1,292,058
REPO loans	-	-	-	-	-	-	-	-	-
Borrowings	500,000	-	500,000	-	-	-	-	-	-
Other financial liabilities	2,059,360	-	2,059,360	-	-	-	-	-	-
Interest liabilities	229,471	182	229,653	254,472	-	254,472	322,173	-	322,173
Accrued expenses for liabilities at amortized value by applying efective interest rate	-	-	-	-	-	-	-	-	-
Fee and comision liabilities	7	-	7	6	-	6	259	-	259
Total in RSD	**88,797,035**	**1,295,172**	**90,092,207**	**72,434,622**	**2,279,350**	**74,713,972**	**66,725,388**	**1,629,049**	**68,354,437**
In foreign currency									
Transaction deposits	86,341,535	-	86,341,535	61,051,550	-	61,051,550	61,377,083	-	61,377,083
Revocable deposits	-	-	-	-	-	-	-	-	-
Savings deposits	78,404,117	22,262,713	100,666,830	87,046,912	15,516,716	102,563,628	84,662,865	14,675,644	99,338,509
Deposits related to granted loans	4,496,940	3,032,089	7,529,029	4,769,906	3,641,579	8,411,485	5,067,361	3,202,621	8,269,982
Special-purpose deposits	1,825,184	84,026	1,909,210	194,544	45,925	240,469	672,094	45,546	717,640
Other deposits	18,712,786	110,760	18,823,546	26,413,148	1,310,458	27,723,606	24,396,140	698,714	25,094,854
Overnight deposits and loans	-	-	-	-	-	-	-	-	-
REPO loans	-	-	-	-	-	-	-	-	-
Borrowings	-	34,885,325	34,885,325	-	43,846,476	43,846,476	-	50,852,104	50,852,104
Other financial liabilities	1,628,166	-	1,628,166	2,175,235	-	2,175,235	1,421,259	-	1,421,259
Interest liabilities	1,541,610	-	1,541,610	1,903,818	-	1,903,818	1,816,959	-	1,816,959
Accrued expenses for liabilities at amortized value by applying efective interest rate	(143,864)	-	(143,864)	(156,707)	-	(156,707)	(177,612)	-	(177,612)
Fee and comision liabilities	-	-	-	-	-	-	-	-	-
Total in foreign currency	**192,806,474**	**60,374,913**	**253,181,387**	**183,398,406**	**64,361,154**	**247,759,560**	**179,236,149**	**69,474,629**	**248,710,778**
Total	**281,603,509**	**61,670,085**	**343,273,594**	**255,833,028**	**66,640,504**	**322,473,532**	**245,961,537**	**71,103,678**	**317,065,215**

23. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK (Continued)

(d) DEPOSITS AND OTHER LIABILITIES TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK BY TYPE OF CUSTOMERS

RSD thousand

	2014			2013					
				Closing balance			Opening balance		
	Shor-term	Long-term	Total	Shor-term	Long-term	Total	Shor-term	Long-term	Total
in RSD									
- NBS, banks and other financial sector and insurance	5,692,653	-	5,692,653	5,069,376	-	5,069,376	2,401,945	-	2,401,945
- Holding companies	3,693	24	3,717	225,151	-	225,151	4,333,733	-	4,333,733
- Corporate	52,147,499	1,190,378	53,337,877	43,303,939	2,172,864	45,476,803	37,416,745	1,434,406	38,851,151
- Retail	21,089,155	2,551	21,091,706	17,588,346	1,483	17,589,829	12,555,153	1,880	12,557,033
- Public sector	1,418,740	91,606	1,510,346	789,182	100,497	889,679	3,946,718	190,415	4,137,133
- Foreign banks and financial organizations	27,829	-	27,829	10,880	-	10,880	371,059	-	371,059
- Foreign entities	240,092	-	240,092	209,816	-	209,816	167,068	-	167,068
- Other customers	8,177,374	10,613	8,187,987	5,237,932	4,506	5,242,438	5,532,967	2,348	5,535,315
Total in RSD	**88,797,035**	**1,295,172**	**90,092,207**	**72,434,622**	**2,279,350**	**74,713,972**	**66,725,388**	**1,629,049**	**68,354,437**
In foreign currency									
- NBS, banks and other financial sector and insurance	1,878,353	2,661	1,881,014	2,024,000	688	2,024,688	2,604,048	22,226	2,626,274
- Holding companies	194	-	194	116,369	309,534	425,903	149,214	307,040	456,254
- Corporate	39,212,374	1,803,089	41,015,463	41,048,677	3,409,368	44,458,045	47,432,835	1,936,238	49,369,073
- Retail	141,204,011	22,591,467	163,795,478	132,254,038	16,057,748	148,311,786	122,601,143	15,407,434	138,008,577
- Public sector	3,790,379	6,414,813	10,205,192	68,957	6,983,018	7,051,975	55,322	5,345,191	5,400,513
- Foreign banks and financial organizations	453,898	28,654,790	29,108,688	737,438	36,880,654	37,618,092	329,632	45,529,656	45,859,288
- Foreign entities	3,817,703	883,296	4,700,999	4,890,759	701,091	5,591,850	4,441,871	883,619	5,325,490
- Other customers	2,449,562	24,797	2,474,359	2,258,168	19,053	2,277,221	1,622,084	43,225	1,665,309
Total in foreign currency	**192,806,474**	**60,374,913**	**253,181,387**	**183,398,406**	**64,361,154**	**247,759,560**	**179,236,149**	**69,474,629**	**248,710,778**
Balance as of 31 December	**281,603,509**	**61,670,085**	**343,273,594**	**255,833,028**	**66,640,504**	**322,473,532**	**245,961,537**	**71,103,678**	**317,065,215**

23. DEPOSITS AND OTHER LIABILITIES DUE TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK (Continued)

(d) DEPOSITS AND OTHER LIABILITIES TO BANKS, CUSTOMERS, OTHER FINANCIAL ORGANIZATIONS AND CENTRAL BANK BY TYPE OF CUSTOMERS (Continued)

On the corporate transaction deposits the Bank has been paying interest within the range from 0.2% to 9.2% per annum, depending on currency and the amount of deposit.

On the retail transaction deposits in RSD the Bank has not been paying interest.

On term deposits in RSD and foreign currency, the Bank has been paying interest within the range from 1.0% to 11.0% per annum, depending on maturity period and currency.

On special-purpose deposits of customers and natural persons the Bank has not been paying interest.

On short-term retail deposits in RSD the interest has been paid within the range from 5% to 8.5% per annum, depending on maturity period. Interest rate on short-term retail deposits in foreign currency has been ranging from 0.3% to 3.80% per annum, depending on maturity period and currency.

Long-term retail deposits in foreign currency are deposited at interest rates ranging from 1% to 3.8% per annum, depending on maturity period.

Long-term borrowings have been granted to the Bank with interest rates ranging from 0.5% to 5.5% per annum.

Interest rate on long-term borrowings in foreign currency has been ranging from EURIBOR 3M – 0.01% to EURIBOR 6M + 6.45%, depending on maturity period and currency.

24. PROVISIONS

RSD thousand

	2014	2013	
		Closing balance	Opening balance
Provisions for off-balance sheet exposures (a)	1,171,777	997,786	1,292,865
Provisions for employee benefits:			
– restructuring (b)	55,868	55,028	124,131
– long-term retirement benefits and unused days of vacation (c)	150,583	150,253	148,327
Provisions for litigations (Note 30 (a))	269,245	328,539	357,011
Balance as of 31 December	**1,647,473**	**1,531,606**	**1,922,334**

24. PROVISIONS (Continued)

	2014	RSD thousan 2013
Movements in provisions for losses on off-balance sheet items		
Opening balance	997,786	1,292,864
Release of provisions	(572,304)	(806,833)
Release of provisions - exchange rate	(2,537)	(28,706)
Increase of provisions	714,872	511,332
Increase of provisions – exchange rate	33,960	29,129
Balance as of 31 December	**1,171,777**	**997,786**
Movements in provisions for restructuring		
Opening balance	55,028	124,131
Release of provisions directly from provisions	(42,770)	(124,131)
Increase of provisions	43,610	55,028
Balance as of 31 December	**55,868**	**55,028**
Movements in provisions for employee benefits for restructuring and long-term retirement benefits and unused days of vacation		
Opening balance	150,253	148,327
Release of provisions	-	-
Increase of provisions	330	1,926
Balance as of 31 December	**150,583**	**150,253**
Movements in provisions for litigations		
Opening balance	328,539	357,011
Release of provisions through profit and loss	(116,130)	(98,824)
Release of provisions directly from provisions	(1,844)	(1,521)
Increase of provisions	58,680	71,873
Balance as of 31 December	**269,245**	**328,539**

a) According to the Bank's internal policy, provisioning for off-balance sheet assets exposed to risk is performed in the same manner as for balance sheet assets, i.e. off-balance sheet items are classified into recoverability categories based on the estimation of the recoverable amount of receivables when it comes to outflow of resources and probability of outflow of resources.

b) The project of considering and analysing efficiency of business processes, which may lead to restructuring and decrease in number of employees (redundancies), which started, but still not fully completed, therefore, the Bank made provisions in the same manner as in previous years, based on estimated number of employees that fulfil conditions for retirement or number of employees that potentially could be redundant. For the purpose of estimation, available laws and regulations, as well as internal acts have been used (Labour Law and Collective agreement).

c) Long-term provision for retirement benefits has been recognized at year ended on the basis of an independent actuary's calculation, in the amount of present value of estimated future cash outflows. Present value of estimated future cash outflows is calculated at discounted rate of 7.0% p.a. as an adequate rate in accordance with IAS 19, reflecting the long-term rate of return on high quality debt securities, Republic of Serbia bonds and treasury bonds of the National Bank of Serbia.

The provision was determined in accordance with the Bank's Collective Agreement, as well as in accordance with the assumption on average salary increase rate of 8% per annum over the period for which the provision has been formed.

Provision for unused days of vacation is calculated on the basis of an independent actuary's report at the balance sheet date. In accordance with article 114 of the Labour Law in Republic of Serbia, during vacation an employee is entitled to compensation in the amount of average salary for the last twelve months. In calculating provision for unused vacation days, the following is significant:

- average gross salary in the Bank and
- number of unused days of vacation.

25. OTHER LIABILITIES

RSD thousand

	2014	2013 opening balance	2013 closing balance
Net salaries and compensations	199,695	87,164	84,338
Taxes, VAT, contributions and other duties payable, excluding income tax liability	136,168	59,436	58,392
Vendor liabilities	796,893	911,244	882,722
Advances received	243,729	258,144	188,017
Other liabilities	1,365,417	1,593,334	1,340,850
	2,741,902	**2,909,322**	**2,554,319**
Accruals and deferred income			
Accrued liabilities for other expenses:			
– in RSD	3,557	4,452	4,720
– in foreign currency	3,537	7,691	3,318
Deferred interest income:			
– in RSD	125,577	136,769	202,886
– in foreign currency	-	-	-
Other deferred income:			
– in RSD	74,008	78,634	84,314
– in foreign currency	12,789	8,834	12,757
Other deferrals			
– in RSD	4,567,085	46,993	70,577
– in foreign currency	15,129,276		
	19,915,829	**283,373**	**378,572**
Long-term finance lease liabilities (a)	48,681	53,572	113,910
Total	**22,706,412**	**3,246,267**	**3,046,801**
Other tax liabilities	100,729	115,810	98,614
Balance as of 31 December	**22,807,141**	**3,362,077**	**3,145,415**

Other liabilities in 2013 and 2014 are mostly comprised of balances at suspense and temporary accounts and accrued liabilities accounts.

Other accruals in foreign currency in 2014 are mostly comprised of balances at other accruals accounts – Sales of foreign currency.

(a) Financial liabilities for leased equipment as of 31 December 2014 and 2013 are as follows:

RSD thousand

	2014		2013			
			closing balance		opening balance	
Minimal lease payments	**Present value**	**Future value**	**Present value**	**Future value**	**Present value**	**Future value**
Up to 1 year	15,612	17,678	46,455	48,786	58,956	66,687
From 1 to 5 years	33,069	35,861	7,117	7,359	54,954	57,596
Balance as of 31 December	**48,681**	**53,539**	**53,572**	**56,145**	**113,910**	**113,911**

26. EQUITY

(a) Equity structure

The Bank's equity as of 31 December 2014 consists of shares capital, other capital, share premium, reserves, revaluation reserves and current and previous year profit.

Structure of the Bank's equity is presented in table below:

RSD thousand

	2014	2013	
		closing balance	opening balance
Share capital – ordinary shares	21,315,900	21,315,900	21,315,900
Other capital	11,158	11,158	11,158
Share premium	20,432,569	20,432,569	20,432,569
Reserves from profit	47,484,120	47,484,121	37,991,163
Fair value reserves	(9,695)	476,790	248,958
Revaluation reserves	559,125	559,125	559,125
Retained earnings	8,607,525	-	-
Current year profit	6,808,703	8,607,525	9,492,958
Balance as of 31 December	**105,209,405**	**98,887,188**	**90,051,831**

/i/ *Share capital*

As of 31 December 2014 the total number of the Bank's registered shares amounts to 213,159 ordinary shares with nominal value of RSD 100 thousand per share.

The major shareholder is Intesa Holding International S.A., Luxembourg, with share of 77.787% in total share capital as of 31 December 2014. Shareholders' structure as of 31 December 2014 is presented as follows:

Shareholder	**Number of shares**	**Nominal share value (RSD thousand)**	**Share in %**
Intesa Sanpaolo Holding International S.A., Luxembourg	165,810	16,581,000	77.787
International Finance Corporation (IFC)Washington, USA	14,921	1,492,100	7.00
Intesa Sanpaolo S.p.A., Italy	32,428	3,242,800	15.213
Total	**213,159**	**21,315,900**	**100.00**

/ii/ *Share premium*

Share premium in the amount of RSD 20,432,569 thousand as of 31 December 2014 and 31 December 2013 is the result of the Bank's status change, i.e. the merger of Panonska banka a.d. Novi Sad in the amount of RSD 2,989,941 thousand, as well as the result of the 4th, 5th and 6th issues of ordinary shares without public offer for the purpose of share capital increase.

/iii/ *Reserves from profit*

Reserves from profit are comprised of:

RSD thousand

	2014	2013	
		closing balance	opening balance
Reserves from profit for estimated losses	47,484,121	47,484,121	37,991,163
Balance as of 31 December	**47,484,121**	**47,484,121**	**37,991,163**

26. EQUITY (continued)

b) Performance Indicators – Compliance with Legal Requirements

The Bank is required to reconcile the scope and the structure of its operations and risk placements with performance indicators prescribed by the Law on Banks and relevant decisions of the National Bank of Serbia passed on the basis of the aforementioned Law.

As of 31 December 2014, the Bank was in compliance with all prescribed performance indicators.

Performance indicators	Prescribed	Realized 31 December 2014	Realized 31 December 2013	Realized 31 December 2012
Capital	Minimum EUR 10 million	EUR 412 million	EUR 429 million	EUR 430 million
Capital adequacy ratio	Minimum 12%	19. 40%	19.91%	19.79%
Permanent investments indicator	Maximum 60%	13.03%	14.96%	15.09%
Related parties exposure	Maximum 20%	16. 86%	1.93%	1.85%
Indicator of large and the largest permissible loans	Maximum 400%	108.42%	42.85%	26.05%
Liquidity ratio	Minimum 0.8	2.31	2.87	2,00
Acid-test ratio (quick ratio)	Minimum 0.5	1.69	1.45	1,35
Foreign currency risk indicator	Maximum 20%	1.30%	3.94%	0.73%
Exposure to a group of related parties	Maximum 25%	22. 82%	16.24%	12.10%
Exposure to an entity related to the Bank	Maximum 5%	4. 84%	1.51%	1.44%
Bank's investment in non-financial legal entity	Maximum 10%	0.04%	0.04%	0.0013%

27. OFF-BALANCE SHEET ITEMS

a) Classification of off-balance sheet items by the classification category

Off-balance sheet items	2014	2013
Off-balance sheet items to be classified	90,830,644	89,351,678
Off-balance sheet items not to be classified	311,884,272	183,790,498
Balance as of 31 December	**402,714,916**	**273,142,176**

In accordance with the Decision on the classification of bank balance sheet assets and off-balance sheet items, off-balance sheet items, which will not lead to cash outflows, are classified in the off-balance sheet items not to be classified category:

	Off-balance sheet items to be classified	Provisions for Off-balance sheet items to be classified	Off-balance sheet items not to be classified	Off-balance sheet items as of 31 December 2014
Funds managed on behalf of third parties (b)	-	-	4,003,849	4,003,849
Guarantees and other irrevocable commitments (d)	61,155,561	(1,171,777)	16,530,011	76,513,795
Derivatives (d)	-	-	90,211,506	90,211,506
Other off-balance sheet items (e)	29,675,053	-	202,310,713	231,985,766
Balance as of 31 December	**90,830,614**	**(1,171,777)**	**313,056,079**	**402,714,916**

27. OFF-BALANCE SHEET ITEMS (continued)

a) Classification of off-balance sheet items by the classification category (continued)

	Off-balance sheet items to be classified	Provisions for Off-balance sheet items to be classified	Off-balance sheet items not to be classified	Off-balance sheet items as of 31 December 2013
Funds managed on behalf of third parties	-	-	3,945,777	3,945,777
Guarantees and other irrevocable commitments	67,168,091	(997,768)	1,837,016	68,007,339
Derivatives	-	-	55,561,734	55,561,734
Other off-balance sheet items	22,183,587	-	123,443,739	145,627,326
Balance as of 31 December	**89,351,678**	**(997,768)**	**184,788,266**	**273,142,176**

b) Funds managed on behalf of third parties

RSD thousand

	2014	2013
Funds managed on behalf of third parties:		
– Short-term	-	118,806
– Long-term	4,003,849	3,826,971
Balance as of 31 December	**4,003,849**	**3,945,777**

c) Guarantees and other irrevocable commitments

RSD thousand

	2014	2013
Payment guarantees:		
– in RSD	9,482,359	11,754,072
– in foreign currency	13,568,853	11,378,167
	23,051,212	**23,132,239**
Performance guarantees:		
– in RSD	11,852,670	12,184,225
– in foreign currency	1,751,753	1,179,762
	13,604,423	**13,363,987**
Uncovered letters of credit in foreign currency	1,138,710	921,924
Sureties and Acceptances	2,190	10,524
Sureties	15,487,883	120,035
Irrevocable commitments for undisbursed loans	23,209,000	23,334,221
Other irrevocable commitments	17,590	7,124,409
Collateralized securities	2,787	-
	39,858,160	**31,511,113**
Balance as of 31 December	**76,513,795**	**68,007,339**

d) Derivatives

RSD thousand

	2014	2013
Foreign currency SWAP contracts	89,838,929	55,226,987
Foreign currency Forward contracts	372,577	334,747
Balance as of 31 December	**90,211,506**	**55,561,734**

27. OFF-BALANCE SHEET ITEMS (continued)

e) Other off-balance sheet items

		RSD thousand
	2014	**2013**
Loro guarantees	45,369,040	44,542,912
Treasury bills	-	30,000,000
Foreign currency savings' bonds	421,487	514,556
Suspended interest	9,458,916	8,386,450
Transfer from balance sheet	22,662,235	15,924,568
Revocable commitments for undisbursed loans	29,675,053	28,254,252
Other	124,399,035	18,004,588
Balance as of 31 December	**231,985,766**	**145,627,326**

28. RELATED PARTY DISCLOSURES

A number of banking transactions with shareholders and other related parties take place in the ordinary course of business.

The Bank enters into business relationship with its Parent company and other members of Intesa Sanpaolo Group. Outstanding balances of receivables and liabilities as of 31 December 2014 and 2013, as well as income and expenses for the years then ended, resulting from transactions with the shareholders and other Bank's related parties within Intesa Sanpaolo Group are presented as follows:

2014	Intesa Sanpaolo S.p.A., Italy,England, USA, Germany, Ireland, Romania	Privredna banka d.d., Zagreb, Croatia	Intesa Leasing d.o.o., Belgrade	Vseobecna Uverova banka A.S., Slovakia	Banka Koper d.d., Slovenia	Pravex Bank Comm. bank	Intesa Sanpaolo Banka D.D. Bosnia and Herzegovina	Intesa Sanpaolo Card d.o.o., Ljubljana	Intesa Sanpaolo Card d.o.o., Zagreb	CIB leasing LTD, Hungary	Soeciete eeuropeenn de banque S.A.
Loans and receivables from banks and other financial organizations	5,003,682	598,700	2,644,196	600,562	584,019	-	593,137	-	-	-	-
Loans and receivables from customers	-	-	-	-	-	-	-	-	106	-	-
Financial assets at fair value through profit and loss held for trading	173,215	-	-	-	-	-	-	-	-	-	-
Other assets	11,912	12	14,205	935	-	-	1	-	248	-	-
Total receivables	**5,188,809**	**598,712**	**2,658,401**	**601,497**	**584,019**	**-**	**593,138**	**-**	**354**	**-**	**-**
Deposits and other liabilities due to banks, other financial organizations and central bank	4,000,838	4,481	2,121,834	-	585	-	98	-	-	-	-
Deposits and other liabilities due to customers	-	-	-	-	-	-	-	-	4,941	-	-
Financial liabilities at fair value through profit and loss held for trading	14,944	-	-	-	-	-	-	-	-	-	-
Other liabilities	147,755	27,939	48,681	-	62	-	31	14,321	40,811	-	-
Total liabilities	**4,163,537**	**32,420**	**2,170,515**	**-**	**647**	**-**	**129**	**14,321**	**45,752**	**-**	**-**
Interest income	4,039	-	26,384	-	-	-	-	-	-	-	6,034
Fees and commission income	21,795	797	11,043	1,869	966	-	-	-	44	-	-
Net profit on financial assets held for trading	173,215	-	-	-	-	-	-	-	-	-	-
Net income on foreign exchange rate and FX contracts	51,760	182	-	-	-	-	-	-	-	-	-
Other operating income	1,333	-	12,652	-	-	-	-	-	1,609	-	-
Total income	**252,142**	**979**	**50,079**	**1,869**	**966**	**-**	**-**	**-**	**1,653**	**-**	**6,034**
Interest expenses	(31,754)	(8,274)	(24,443)	(66,301)	-	-	-	-	-	-	-
Fees and commission expenses	(49,988)	(1,878)	-	-	(722)	-	(275)	(177,761)	(411,200)	-	-
Net profit on financial assets held for trading	(14,944)	-	-	-	-	-	-	-	-	-	-
Net income on foreign exchange rate and FX contracts	(87,062)	-	-	-	-	-	-	-	-	-	-
Other expenses	(444,373)	(17,224)	-	-	-	-	-	(12,021)	(41,618)	(3,633)	-
Total expenses	**(628,121)**	**(27,376)**	**(24,443)**	**(66,301)**	**(722)**	**-**	**(275)**	**(189,782)**	**(452,818)**	**(3,633)**	**-**

28. RELATED PARTY DISCLOSURES (Continued)

2013

	Intesa Sanpaolo S.p.A., Italy, England, USA, Germany, Ireland, Romania	Privredna banka d.d., Zagreb, Croatia	Intesa Leasing d.o.o., Belgrade	Vseobecna Uverova banka A.S., Slovakia	Banka Koper d.d., Slovenia	Pravex Bank Comm. bank	Intesa Sanpaolo Banka D.D. Bosnia and Hercegovina	Intesa Sanpaolo Card d.o.o., Ljubljana	Intesa Sanpaolo Card d.o.o., Zagreb	Cib leasing LTD, Hungary	Societe europeenne de banque S.A.
Loans and receivables from banks and other financial organizations	398,469	1,102	3,970,062	7,176	9,317	-	6,765	-	-	-	-
Loans and receivables from customers	-	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss held for trading	60,464	-	-	-	-	-	-	-	-	-	-
Other assets	10,591	15	11,404	-	2	129	1	-	212	-	-
Total receivables	**469,524**	**1,117**	**3,981,466**	**7,176**	**9,319**	**129**	**6,766**	**-**	**212**	**-**	**-**
Deposits and other liabilities due to banks, other financial organizations and central bank	4,791,700	858	3,573,324	4,613,134	-	-	344	-	-	-	-
Deposits and other liabilities due to customers	-	-	-	-	-	-	-	-	4,475	-	-
Financial liabilities at fair value through profit and loss held for trading	13,936	182	-	-	-	-	-	-	-	-	-
Other liabilities	232,708	27,332	53,572	-	-	-	19	50,783	8,782	-	-
Total liabilities	**5,038,344**	**28,372**	**3,626,896**	**4,613,134**	**-**	**-**	**363**	**50,783**	**13,257**	**-**	**-**
Interest income	1,119	-	59,659	-	-	-	-	-	-	-	-
Fees and commission income	18,596	772	1,816	1,696	782	-	6	-	26	-	-
Net profit on financial assets held for trading	60,464	-	-	-	-	-	-	-	-	-	-
Net income on foreign exchange rate and FX contracts	67,736	-	-	-	-	-	-	-	-	-	-
Other operating income	-	-	13,280	-	-	-	-	-	1,418	-	-
Total income	**147,915**	**772**	**74,755**	**1,696**	**782**	**-**	**6**	**-**	**1,444**	**-**	**-**
Interest expenses	(148,025)	(3,311)	(67,123)	(119,835)	-	-	-	-	-	-	-
Fees and commission expenses	(42,082)	(1,510)	-	-	(599)	-	(257)	(521,812)	(7,585)	-	-
Net profit on financial assets held for trading	(13,936)	(182)	-	-	-	-	-	-	-	-	-
Net income on foreign exchange rate and FX contracts	(287,285)	-	-	-	-	-	-	-	-	-	-
Other expenses	(422,779)	(6,600)	-	-	-	-	-	(13,118)	(38,531)	(4,011)	-
Total expenses	**(914,107)**	**(11,603)**	**(67,123)**	**(119,835)**	**(599)**	**-**	**(257)**	**(534,930)**	**(46,116)**	**(4,011)**	**-**

28. RELATED PARTY DISCLOSURES (continued)

The aforementioned receivables and liabilities at the balance sheet date, as well as income and expenses, relate to business transactions transacted during the year with related parties of the Intesa Sanpaolo Group in the ordinary course of doing business.

Interest is calculated on the Bank's receivables and payables at the usual rates.

a) Gross salaries and other benefits of members of the Executive Board and other key personnel of the Bank, including members of the Board of Directors, during 2014 and 2013, are presented as follows:

		RSD thousand
	2014	2013
Remunerations to members of the Executive Board, Board of Directors and other key management of the Bank	218,760	181,869
Total	**218,760**	**181,869**

b) Loans and receivables from the members of the Executive Board and the Board of Directors and other key personnel of the Bank, are presented as follows:

			RSD thousand
	2014	2013	2012
Loans	217,410	178,420	170,813
Allowances for impairment	(355)	(273)	(262)
Balance as of 31 December	**217,055**	**178,147**	**170,551**

29. RISK MANAGEMENT

Risk is an inherent part of the Bank's activities and cannot be eliminated completely. It is important to manage risks in such a way that they can be reduced to limits acceptable for all interested parties: shareholders, creditors, depositors, regulators. Risk management is the process of permanent identification, assessment, measurement, monitoring and controlling of the Bank's exposure to risks. An important part of risk management is reporting and mitigating risk. An adequate system of risk management is a critical element in ensuring the Bank's stability and profitability of its operations.

The Bank is exposed to the following major risks: credit risk, liquidity risk, interest rate risk, foreign currency risk, operational risk, risk of exposure toward a single entity or a group of related entities (concentration risk), risk of investments and risk related to the country of origin of the entity to which the Bank is exposed.

The Board of Directors and the Executive Board are responsible for implementation of an adequate risk management system and for its consistent application.

The Bank's Board of Directors determines the procedures for identification, measurement and assessment of risks, and is responsible for implementing a unique risk management system and supervision over that system.

The Bank's Executive Board is responsible for identifying, assessing and measuring risks the Bank is exposed to in its operations, and applies the principles of risk management approved by the Bank's Board of Directors. The Executive Board approves internal acts which define risk management and proposes strategies and policies for risk management to Audit Committee and Board of Directors.

29. RISK MANAGEMENT (Continued)

The Committee for monitoring business activities (Audit Committee) analyses and adopts proposals of policies and procedures with respect to risk management and internal controls, which are submitted to the Board of Directors for consideration and adoption. Furthermore, the Committee analyses and monitors the application and adequate implementation of adopted policies and procedures for risk management, and recommends new ways for their improvement, if necessary.

The Risk Management Department has been established in the Bank in order to implement a special and unique system for risk management, as well as to enable functional and organizational segregation of risk management activities from regular business activities. This department is directly responsible to the Executive Board.

The Bank has developed the comprehensive risk management system by introducing policies and procedures, as well as limits for risk levels acceptable for the Bank.

The Bank's organizational parts authorized for risk management constantly monitor changes in regulations, while analysing their influence on the risks at entity level of the Bank. They take necessary measures to make the Bank's business activities and procedures fully compliant with new procedures within the scope of controlled risk. In addition, introduction of new services is followed by necessary market and economic analysis in order to optimize the relation between income and the provision for estimated risks.

29.1. Credit risk

Credit risk is the risk that credit beneficiaries will not be able to fulfil contractual obligations to the Bank, whether fully or partially. Through its internal acts, policies and procedures, the Bank has implemented an adequate system of credit risk management, thus reducing credit risk to an acceptable level. The Bank manages credit risk through setting credit risk limits, establishing acceptable credit limits for individual customers or for groups of customers.

Credit risk is managed by the Bank at a counterparty specific level, group of related parties, and at total credit portfolio level. For the purpose of implementing the policy of optimal credit risk exposure, the Bank evaluates creditworthiness of each client, both at the moment of loan application, as well as through subsequent regular and continuous performance analysis. Analysis of the client's creditworthiness, timely settlement of liabilities in the past, value of collateral at customer level and at transaction level, is performed in the Credit Management Department.

29. RISK MANAGEMENT (Continued)

29.1. Credit risk (Continued)

Maximal exposure to credit risk

Maximal exposure to credit risk by the type of client as of 31 December 2014 and 2013 are presented as follows:

	Balance sheet assets to be classified	Allowances for impairment for Balance sheet assets to be classified	Balance sheet assets not to be classified	Balance sheet as of 31 December 2014
Cash and balances with Central Bank	1,162,986	-	77,390,475	78,553,461
Financial assets at fair value		-	174,934	174,934
Financial assets initially carried at fair value through profit and loss	78,970	-	-	78,970
Financial assets available for sale	49,576	-	57,655,391	57,704,967
Loans and receivables from banks and other financial organizations	70,121,050	(134,761)	445,722	70,432,011
Loans and receivables from banks	67,368,247	(124,570)	-	67,243,677
Loans and receivables from other financial organizations	2,752,803	(10,191)	445,722	3,188,334
Loans and receivables from customers	282,036,257	(28,690,009)	-	253,346,248
Investments in subsidiaries	962,496	-	-	962,496
Intangible assets	-	-	801,047	801,047
Property, plant and equipment	-	-	6,239,234	6,239,234
Investment property	-	-	230,628	230,628
Current tax assets	-	-	298,079	298,079
Deferred tax assets	-	-	224,804	224,804
Non-current assets held for sale and discontinued operations	12,489	-	243,569	256,058
Other assets	2,766,360	(86,190)	974,174	3,654,344
TOTAL ASSETS	**357,960,450**	**(28,910,960)**	**143,907,791**	**472,957,281**

	Balance sheet assets to be classified	Allowances for impairment for Balance sheet assets to be classified	Balance sheet assets not to be classified	Balance sheet as of 31 December 2013
Cash and balances with Central Bank	-	-	56,590,647	56,590,647
Financial assets at fair value	62,792	(25)	-	62,767
Financial assets initially carried at fair value through profit and loss	79,511	-	-	79,511
Financial assets available for sale	49,619	-	43,698,822	43,748,441
Financial assets held to maturity	-	-	-	-
Loans and receivables from banks and other financial organizations	7,818,743	(68,356)	48,400,716	56,151,103
Loans and receivables from banks	3,461,280	(33,753)	-	3,427,527
Loans and receivables from other financial	4,357,463	(34,603)	48,400,716	52,723,576
organizations	279,843,765	(25,396,027)	1,228,290	255,676,028
Loans and receivables from customers	962,496	-	-	962,496
Investments in subsidiaries	-	-	926,476	926,476
Intangible assets	-	-	7,104,813	7,104,813
Property, plant and equipment	-	-	240,321	240,321
Investment property	-	-	859,660	859,660
Current tax assets	-	-	79,122	79,122
Deferred tax assets	64,360	-	279,961	344,321
Non-current assets held for sale and discontinued operations				
Other assets	1,765,792	(88,503)	1,765,526	3,442,815
TOTAL ASSETS	**290,647,078**	**(25,552,911)**	**161,174,354**	**426,268,521**

Permanent monitoring of a client's internal rating, the level of risk with respect to each client, the necessary amount of reserve for covering the risk, risk concentration (large exposures), portfolio credit risk, the level of capital necessary for covering all credit risks is performed by the Risk Management Department.

The Bank established a special organizational unit, the Default Management Department, in order to manage receivables with a problem of collectability in a timely manner.

29. RISK MANAGEMENT (Continued)

29.1. Credit risk (Continued)

The Credit Management Department, the Risk Management Department and the Default Management Department are independent units in the Bank.

Principles prescribed by the National Bank of Serbia, as well as the Bank's internal procedures are applied in these analyses in order to anticipate potential risks that can arise in terms of a client's inability to settle liabilities when they fall due and according to contracted terms.

In that sense, an assessment of the required reserves level for potential losses, both at the moment of approval of certain loan, as well as through a continuous, monthly portfolio analysis, are carried out. The analysis entails measuring the adequacy of provision/reserves according to client type, risk type, according to sub-portfolios and total portfolio of the Bank.

Decision making on exposure to credit risk is performed based on proposals provided by the Credit Management Department. The terms for approval of each corporate loan are determined individually, depending on the client type, purpose of loan, estimated creditworthiness and current market position. Types of collateral that accompany each loan are also determined according to a client's creditworthiness analysis, type of credit risk exposure, term of placement, as well as the amount of a particular loan. Conditions for loan approvals to retail clients and entrepreneurs are determined by defining standard conditions for different types of products. Risk price for standard types of products is calculated according to the analysis of credit costs which Bank had in the past and historical probability of getting into default status per each type of product. Risk price for the SME and Corporate segment is calculated on the basis of the client's internal rating or historically adjusted probability of getting into default status per each rating category.

Considering the importance of credit risk, dispersion of authorizations was carried out in respect of the decision making process related to loan approval activities. This dispersion is provided with prescribed limits up to which an authorized person or management body can make loan approval decisions. Organizational parts making decisions with respect to loan approvals, with different levels of authorizations, are as follows: branch managers, regional managers, Credit Management Department, Credit Board, Credit Committee, Executive Board and Board of Directors. For credit exposures exceeding the determined limit, approval of the Parent Bank is necessary.

The Bank manages credit risk by setting up limits with respect to period, amount and results of an individual customer's creditworthiness, through diversification of loans to a larger number of customers and contracting foreign exchange clauses and index-linking to a consumer price index in order to maintain the real value of loans.

Furthermore, the Bank manages credit risk through assessment and analysis of received collaterals, by providing allowances for impairment of financial assets, provisions for off-balance sheet items, as well as by determining the adequate price of a loan which covers the risk of a particular placement.

In addition to a clients' creditworthiness, risk limits are also set based on different types of collateral. Risk exposure toward a single debtor, including banks, is limited and includes balance sheet and off-balance sheet items exposures. Total risk exposure to a single customer (or a group of related parties) regarding exposure limits, is considered thoroughly and analysed before executing a transaction.

Loan concentration risk

Loan Concentration Risk is the risk which is arising, directly or indirectly, from the Bank's exposure to the same or similar source or type of risk. The Bank controls loan concentration risk by limiting the exposure, which enables the diversification of the loan portfolio. In order to more efficiently monitors concentration risk, the Bank has determined three categories of limits: specific limits, general limits and regulatory limits.

29. RISK MANAGEMENT (Continued)

29.1. Credit risk (Continued)

Derivative financial instruments

Derivative financial instruments result in the Bank's exposure to credit risk when the fair value of such instruments is positive for the Bank. Credit exposure arising from derivatives is calculated using the current exposure method, i.e. the sum of the positive fair value of the contract and the nominal value of the derivative multiplied by a coefficient which depends on the type and maturity of the financial derivative, as prescribed by the National Bank of Serbia. The credit risk of derivatives is limited by determining maximum credit exposure arising from a derivative for each individual customer.

In accordance with the above mentioned, as of 31 December 2014 and 31 December 2013 the Bank has the following exposures to counterparties:

		RSD thousand
	Nominal value	**Total exposure**
Total 2014	**44,934,965**	**624,181**
Currency (FX) Swap	44,827,544	622,142
Currency(FX) Forward	107,421	2,039
Total 2013	**27,352,630**	**333,991**
Currency (FX) Swap	27,352,630	333,991
Currency(FX) Forward	-	-

Stated amounts represent credit exposure on derivatives, calculated as the sum of the positive fair value of the contract and the nominal value of the derivative, multiplied by a coefficient prescribed by the National Bank Serbia. Amounts presented within the Note 27e represent fair value of derivatives in the Bank's books.

Risks similar to credit risk

The Bank issues guarantees and letters of credit to its clients, based on which the Bank commits to make payments on behalf of third parties. In this way the Bank is exposed to risks similar to credit risks, which can be mitigated by the same control processes and policies applied for credit risk.

Collaterals and other instruments of credit risk protection

The amount and type of the collateral required depends on an assessment of credit risk of each customer. Terms of collateral with respect to each placement are determined by the analysis of a customer's creditworthiness, type of exposure to the credit risk, placement's maturity, as well as the amount itself.

Contractual authorization, as well as bills of exchange are provided by customers as standard collaterals while, depending on the assessment, additional collaterals may be required, such as real estate mortgages, movable property pledges, partial or entire coverage of placements with deposits, guarantees issued by another bank or a legal entity, pledging of securities, or joint loan contracting with another legal entity which then becomes the joint debtor.

In cases of real estate mortgages or movable property pledges, the Bank always obtains valuations of the assets, as carried out by an approved appraiser, in order to minimize potential risk. Decisions on placements to retail clients and small business (entrepreneurs) are mostly based on appraisal of standardized, previously defined conditions, using a scoring model, with additional analysis by credit analysts.

29. RISK MANAGEMENT (Continued)

29.1. Credit risk (Continued)

Assessment of impairment of financial assets

The main factors considered for financial assets impairment assessment include: overdue payments of principal or interest, identified weakness in cash flows of customers, internal credit rating downgrades, or breach of original terms of contract. The Bank performs assessment of impairment at two levels, individual and collective.

Individual assessment of impairment

The Bank performs individual assessment of impairment for each individually significant loan or advance (exceeding EUR 150,000 for corporate and EUR 50,000 for retail clients) if it is in the status of default (overdue more than 90 days), i.e. if there is objective evidence that the loan has been impaired.

The level of impairment of loans is determined based on the projection of expected cash flows which shall be collected pursuant to contracts with clients, taking into consideration the assessment of financial position and creditworthiness of the client, the realizable value of collateral, as well as the timing of the expected cash flows from realization of collaterals, etc. Projected cash flows are discounted to their present value using the effective interest rate. Impairment loss is measured as the difference between the carrying amount of a loan and its estimated recoverable amount, being the present value of expected future cash flows. Individual assessment of the impairment of placements is performed at least semi-annually.

If new information becomes available that, as estimated by credit analysts, have an effect on the client's creditworthiness and the value of collateral, as well as the certainty of settling the liabilities toward the Bank, an extraordinary assessment of the impairment of a loan is performed.

Collective assessment of impairment

Collective Assessment of impairment is performed for loans and advances that are not individually significant and for individually significant loans and advances, where there is no objective evidence of individual impairment. Allowances are evaluated monthly with separate reviews of each sub-portfolio, which represents a specific group of loans and advances with similar characteristics and similar risk profile.

The collective assessment of impairment takes into account impairment that is likely to be present in the Bank's portfolio, even though there is not as yet objective evidence of individual assessment. Impairment losses are estimated based on migration matrices and the probability of collection of receivables overdue by more than 90 days. Migration matrices and probabilities are determined based on monitoring of the multiannual migrations of internal ratings of clients in the Bank's portfolio.

Special reserves for estimated losses

Both for corporate and retail loans, as per the regulatory requirements of the National Bank of Serbia, the Bank also calculates special reserves for estimated losses as defined by the Decision on the Classification of Bank Balance Sheet Assets and Off Balance Sheet Items. Financial guarantees and letters of credit are assessed and provision is made in the same manner as for loans and advances.

29. RISK MANAGEMENT (Continued)

29.1. Credit risk (Continued)

Maximum Exposure to Credit Risk

Analysis of the Bank's maximum exposure to credit risk, by geographical locations, before taking into account collaterals and other hedging funds, as of 31 December 2014 and 2013 is presented in the table below:

RSD thousand

	Balance sheet assets to be classified		Off-balance sheet items to be classified*		Total 2014
	Loans to customers	*Loans to banks*	*Loans to customers*	*Loans to banks*	*Loans to customers and banks*
Serbia	288,519,451	3,698,162	90,155,148	473,011	382,845,772
Europe	2,064,292	62,367,569	102,416	96,144	64,630,421
America	7,894	698,614	121	-	706,629
Rest of the world	566	603,902	1,192	2,611	608,271
Total	**290,592,203**	**67,368,247**	**90,258,878**	**571,765**	**448,791,094**

Maximum exposure to credit risk by off-balance sheet items is presented in the Note 27.

RSD thousand

	Balance sheet assets to be classified		Off-balance sheet items to be classified		Total 2013
	Loans to customers	*Loans to banks*	*Loans to customers*	*Loans to banks*	*Loans to customers and banks*
Serbia	285,820,263	320,191	88,880,998	248,437	375,269,888
Europe	1,352,329	3,105,856	180,209	13,166	4,651,560
America	12,452	35,233	642	26,932	75,259
Rest of the world	753	-	1,295	-	2,048
Total	**287,185,797**	**3,461,280**	**89,063,144**	**288,534**	**379,998,755**

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

Maximum Exposure to Credit Risk (continued)

Analysis of the Bank's exposure to credit risk, by industry sectors as of 31 December 2014 and 2013, is presented in the table below:

RSD thousand

	Balance sheet assets to be classified	Off-balance sheet items to be classified	Total 2014
Industry	**270,487,762**	**70,308,970**	**340,796,732**
Trade	46,015,450	13,636,579	59,652,029
Transportation and communication	32,933,566	2,307,760	35,241,326
Construction	20,586,716	8,688,369	29,275,086
Services, tourism and accommodation services	14,935,337	6,416,813	21,352,149
Food and beverage production	13,330,128	8,059,256	21,389,384
Permanent goods production	12,722,013	6,903,003	19,625,016
Agriculture, hunting, fishing and forestry	11,638,855	555,513	12,194,368
Other	39,822,337	22,154,321	61,976,658
Government	**1,176,078**	-	**1,176,078**
Banks	**67,368,247**	**571,765**	**67,940,012**
Local Government	**9,959,035**	**996,029**	**10,955,064**
Retail loans	**87,472,688**	**20,541,236**	**108,013,924**
Mortgage loans	48,166,806	-	48,166,806
Other	39,305,882	20,541,236	59,847,118
Total	**357,960,450**	**90,830,643**	**448,791,094**

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

RSD thousand

	Balance sheet assets to be classified	Off-balance sheet items to be classified	Total 2013
Industry	**208,919,454**	**69,053,429**	**279,972,884**
Trade	46,937,740	18,823,238	65,760,978
Transportation and communication	29,087,542	2,385,388	31,472,930
Construction	21,123,541	9,600,426	30,723,967
Services, tourism and accommodation services	16,270,454	5,365,893	21,636,347
Food and beverage production	13,053,304	6,849,497	19,902,801
Permanent goods production	13,516,897	6,781,721	20,298,618
Agriculture, hunting, fishing and forestry	9,712,278	1,041,418	10,753,696
Other	42,939,147	17,552,253	60,491,400
Government	**2,254,250**	-	**2,254,250**
Banks	**3,461,280**	**288,534**	**3,749,814**
Local Government	**10,563,021**	**365,061**	**10,928,082**
Retail loans	**81,727,623**	**20,298,248**	**102,025,872**
Mortgage loans	45,638,545	-	45,638,545
Other	36,089,078	20,298,248	56,387,327
Total	**290,647,078**	**89,351,678**	**379,998,755**

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

(b) Portfolio Quality

The Bank manages the quality of its financial assets using the internal classification of placements which is in compliance with the standards of the Parent Bank.

The following table presents the quality of the portfolio (gross balance exposure and off-balance sheet exposure) as of 31 December 2014 and 2013, based on the Bank's rating system:

RSD thousand

	Balance sheet assets to be classified		**Off-balance sheet items to be classified**		**Total 2014**
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Loans to customers and banks***
Category:					
Performing	233,527,787	67,366,283	85,415,038	571,765	386,880,874
Past Due	486,133	-	70,266	-	556,398
Substandard	14,307,035	4	4,412,103	-	18,719,142
Doubtful	40,126,238	1,961	357,511	-	40,485,710
Restructured	2,145,010	-	3,960	-	2,148,970
Total	**290,592,203**	**67,368,247**	**90,258,878**	**571,765**	**448,791,094**

RSD thousand

	Balance sheet assets to be classified		**Off-balance sheet items to be classified**		**Total 2014**
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Loans to customers and banks***
Category:					
Performing	233,906,378	3,459,426	88,182,845	288,534	325,837,183
Past Due	2,245,211	-	108,336	-	2,353,547
Substandard	17,280,590	-	388,892	-	17,669,481
Doubtful	32,609,588	1,855	375,099	-	32,986,542
Restructured	1,144,030	-	7,972	-	1,152,002
Total	**287,185,797**	**3,461,280**	**89,063,144**	**288,534**	**379,998,755**

Categories A1, A2 and B1 are performing receivables, however categories Past due, Substandard, Doubtful and Restructured are non-performing receivables (impaired receivables).

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

Assessment of impairment of financial assets

The structure of allowances for impairment as of 31 December 2014 and 31 December 2013, which are determined in accordance with the Bank's internal methodology, is presented as follows:

	Allowances for impairment		**Provisions**		**RSD thousand Total 2014**
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Loans to customers and banks***
Category:					
Performing	2,754,931	122,607	521,980	88	3,399,606
Past Due	126,699	-	13,281	-	139,980
Substandard	4,106,517	2	541,860	-	4,648,379
Doubtful	20,772,607	1,961	93,765	-	20,868,333
Restructured	1,025,634	-	803	-	1,026,437
Total	**28,786,390**	**124,570**	**1,171,688**	**88**	**30,082,735**

	Allowances for impairment		**Provisions**		**RSD thousand Total 2013**
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Loans to customers and banks***
Category:					
Performing	3,233,627	31,899	801,539	303	4,067,369
Past Due	393,751	-	24,241	-	417,992
Substandard	5,450,759	-	42,611	-	5,493,370
Doubtful	16,065,682	1,855	127,519	-	16,195,056
Restructured	375,337	-	1,555	-	376,892
Total	**25,519,157**	**33,753**	**997,465**	**303**	**26,550,679**

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

Ageing analysis of unimpaired loans and receivables from customers

The ageing analysis of loans and receivables from customers past due, but not impaired as well as loans and receivables not yet due, as of 31 December 2014 and 2013 is presented as follows:

RSD thousand

	Balance sheet assets to be classified		**Allowances for impairment**		**Total 2014**	
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Balance sheet assets to be classified***	***Allowance for impairment***
Receivables undue:	**219,828,463**	**67,366,283**	**2,451,964**	**122,607**	**287,194,746**	**2,574,571**
Receivables overdue:	**13,699,325**	-	**302,968**	-	**13,699,325**	**302,968**
01-30 days	10,682,058	-	187,964	-	10,682,058	187,964
31-60 days	1,983,708	-	68,609	-	1,983,708	68,609
61-90 days	754,231	-	40,118	-	754,231	40,118
>90 days[1]	279,328	-	6,276	-	279,328	6,276
Total	**233,527,788**	**67,366,283**	**2,754,932**	**122,607**	**300,894,071**	**2,877,539**

RSD thousand

	Balance sheet assets to be classified		**Allowances for impairment**		**Total 2013**	
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Balance sheet assets to be classified***	***Allowance for impairment***
Receivables undue:	**216,357,689**	**3,459,426**	**2,673,317**	**31,899**	**219,817,115**	**2,705,216**
Receivables overdue:	**17,548,689**	-	**560,310**	-	**17,548,689**	**560,310**
01-30 days	14,186,231	-	409,701	-	14,186,231	409,701
31-60 days	2,417,851	-	97,858	-	2,417,851	97,858
61-90 days	696,142	-	36,980	-	696,142	36,980
>90 days	248,466	-	15,771	-	248,466	15,771
Total	**233,906,378**	**3,459,426**	**3,233,627**	**31,899**	**237,365,804**	**3,265,526**

[1] Receivables past due for more than 90 days, but not impaired relate to smaller amounts of receivables which are due, but immaterial and therefore have no impact on classification of debtors.

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

Collateral analysis

Analysis of portfolio balance and off-balance sheet items by the collateral type, as of 31 December 2014 and 2013:

RSD thousand

	Balance sheet assets to be classified	Off-balance sheet items to be classified	Total 2014
Corporate Loans:	**188,759,005**	**68,681,836**	**257,440,841**
Guaranteed by government	28,857,822	-	28,857,822
Guaranteed by bank	84,185	30,500	114,685
Secured by mortgage	65,685,278	12,877,299	78,562,577
Secured by deposit	2,860,990	1,314,503	4,175,493
Unsecured	91,270,730	54,459,533	145,730,263
Loans to government:	**1,176,078**	-	**1,176,078**
Secured	-	-	-
Unsecured	*1,176,078*	-	1,176,078
Loans to banks:	**67,368,247**	**571,765**	**67,940,012**
Secured	-	-	-
Unsecured	67,368,247	571,765	67,940,012
Loans to local government:	**13,184,432**	**1,035,807**	**14,220,238**
Secured	1,982,176	294,922	2,277,099
Unsecured	11,202,255	740,884	11,943,139
Retail loans:	**87,472,688**	**20,541,236**	**108,013,924**
Secured by residential mortgage	44,300,339	-	44,300,339
Secured by non-residential mortgage	1,511,265	-	1,511,265
Secured by deposit	997,504	156,531	1,154,034
Unsecured	40,663,581	20,384,705	61,048,286
Total	**357,960,450**	**90,830,643**	**448,791,094**

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

RSD thousand

	Balance sheet assets to be classified	Off-balance sheet items to be classified	Total 2013
Corporate Loans:	**192,572,200**	**68,373,551**	**260,945,751**
Guaranteed by government	25,212,969	-	25,212,969
Guaranteed by bank	34,634	-	34,634
Secured by mortgage	74,395,136	13,213,094	87,608,230
Secured by deposit	3,300,713	1,203,154	4,503,866
Unsecured	89,628,749	53,957,303	143,586,052
Loans to government:	**2,254,250**	-	**2,254,250**
Secured	-	-	-
Unsecured	2,254,250	-	2,254,250
Loans to banks:	**3,461,280**	**288,534**	**3,749,814**
Secured	-	-	-
Unsecured	3,461,280	288,534	3,749,814
Loans to local government:	**10,631,723**	**391,345**	**11,023,068**
Secured	616,631	20,402	637,033
Unsecured	10,015,092	370,943	10,386,035
Retail loans:	**81,727,623**	**20,298,248**	**102,025,872**
Secured by residential mortgage	42,476,145	-	42,476,145
Secured by non-residential mortgage	1,506,626	-	1,506,626
Secured by deposit	1,244,272	150,275	1,394,547
Unsecured	36,500,580	20,147,973	56,648,553
Total	**290,647,078**	**89,351,678**	**379,998,755**

All collaterals are presented to the amount of receivables. Mortgage must meet the requirements of the National Bank of Serbia in order to be used as a collateral and those requirements are: to be registered, there must be an appraisal for the mortgaged property by the authorized appraiser not older than 3 years, owner of the property cannot be under bankruptcy, appraised value of property reduced by all higher ranked receivables must be greater than the amount of receivables, receivables secured by the mortgage cannot be overdue for more than 720 days.

Collateral Analysis

Loan to value ratio (LTV ratio) for mortgage loans as of 31 December 2014 and 2013:

Mortgage LTV	2014	Mortgage LTV	2013
< 50%	12,933,480	< 50%	11,663,180
51%-70%	16,748,972	51%-70%	15,099,114
71%-90%	10,756,115	71%-90%	10,707,357
91%-100%	1,597,083	91%-100%	2,581,515
> 100%	6,131,156	> 100%	5,587,378
Total	**48,166,806**	**Total**	**45,638,545**

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

Non-performing loan analysis

Balance sheet assets and allowances for impairment (NPL – categories: past due, substandard, doubtful and restructured) as of 31 December 2014 and 31 December 2013 are presented as follows:

RSD thousand

	Balance sheet assets to be classified		Allowances for impairment		Total 2014	
	Loans to customers	*Loans to banks*	*Loans to customers*	*Loans to banks*	*Balance sheet assets to be classified*	*Allowances for impairment*
Individual assessment	50,807,878	-	21,831,019	-	50,807,878	21,831,019
Collective assessment	6,256,538	1,964	4,200,440	1,963	6,258,502	4,202,403
Total	**57,064,416**	**1,964**	**26,031,459**	**1,963**	**57,066,380**	**26,033,422**

RSD thousand

	Balance sheet assets to be classified		Allowances for impairment		Total 2013	
	Loans to customers	*Loans to banks*	*Loans to customers*	*Loans to banks*	*Balance sheet assets to be classified*	*Allowances for impairment*
Individual assessment	47,360,996	-	18,370,837	-	47,360,996	18,370,837
Collective assessment	5,918,423	1,855	3,914,693	1,855	5,920,278	3,916,548
Total	**53,279,419**	**1,855**	**22,285,530**	**1,855**	**53,281,274**	**22,287,385**

Renegotiated loans analysis

Balance sheet assets and allowances for impairment for renegotiated loans as of 31 December 2014 and 2013 are presented as follows:

RSD thousand

	Balance sheet assets to be classified		Off-balance sheet items to be classified		Total 2014
	Loans to customers	***Loans to banks***	***Loans to customers***	***Loans to banks***	***Loans to customers and banks***
Renegotiated Loans:					
Loans	9,815,062	-	1,721	-	9,816,783
Allowances for impairment	(2,350,758)	-	-	-	(2,350,758)
Total	**7.464.305**	**-**	**1,721**	**-**	**7,464,305**

TRANSLATION NOTE: This is a translation of the original document issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

Renegotiated loans analysis (continued)

RSD thousand

	Balance sheet assets to be classified		Off-balance sheet items to be classified		Total 2013
	Loans to customers	*Loans to banks*	*Loans to customers*	*Loans to banks*	*Loans to customers and banks*
Renegotiated Loans:					
Loan	5,129,466	-	83,056	-	5,212,522
Allowances for impairment	(686,930)	-	-	-	(686,930)
Total	**4,442,536**	**-**	**83,056**	**-**	**4,442,536**

Renegotiated loans are all loans for which previous conditions, as term, dynamics of settlement, interest rate and etc. have been changed in order to provide benefits for the client.

Credit Conversion Factor Analysis

Credit Conversion Factors (CCF) for off-balance sheet items in portfolio as of 31 December 2014 and 31 December 2013 are presented as follows:

RSD thousand

	Off-balance sheet items to be classified			Total 2014
	Corporate Loans	*Loans to Banks*	*Retail Loans*	*Loans to customers and banks*
CCF				
0%	29,526,223	218,830	-	29,745,053
20%	-	-	5,356,762	5,356,762
50%	33,462,999	350,935	15,184,355	48,998,289
100%	6,728,539	2,000	-	6,730,539
Total	**69,717,761**	**571,765**	**20,541,117**	**90,830,643**

RSD thousand

	Off-balance sheet items to be classified			Total 2013
	Corporate Loans	*Loans to Banks*	*Retail Loans*	*Loans to customers and banks*
CCF				
0%	27,985,194	210,850	0	28,196,044
20%	75,596	0	5,326,501	5,402,097
50%	16,315,873	65,684	14,971,420	31,352,977
100%	24,388,560	12,000	0	24,400,560
Total	**68,765,223**	**288,534**	**20,297,921**	**89,351,678**

The Risk Management Department is responsible for measuring and monitoring liquidity and for the regular preparation of reports, which present the effects of the migration of various categories of assets and liabilities of the Bank to its liquid assets position. Liquidity Risk Management system is in compliance with measures and criteria determined by the Parent Bank as well as regulations determined by the National Bank of Serbia.

29. RISK MANAGEMENT (continued)

29.1. Credit risk (continued)

In 2014, the Bank has adopted and implemented requirements for monitoring and measuring liquidity risk, determined by the Parent Bank, and in that way implemented Basel III Standards on monitoring liquidity in its internal systems. These standards have been implemented through local Liquidity policy, which is completely in compliance with Group standards and ERMASnet 5 technical solution, which provides standardized monitoring of liquidity risk on the level of ISP Group. Further, the Bank must monitor and report on liquidity indicators, which are determined by the local regulations and are not in compliance with Basel III Standards.

Basic activities of liquidity risk management include:
- planning of cash inflows and outflows;
- implementation and monitoring of liquidity indicators;
- measurement and monitoring of the Bank's liquidity;
- monitoring of liquidity crisis indicators; and
- preparation of the Reports for the management.

29.2. Liquidity Risk and Financial Assets Management

Liquidity Risk management is done through monitoring following limits/indicators:
- regulatory liquidity ratio and Narrow regulatory liquidity ratio,
- LCR (Liquidity Coverage Ratio) – Basel III standard for monitoring short-term liquidity,
- NSFR (Net Stable Funding Ratio) - Basel III standard for monitoring long-term liquidity,
- amount and structure of liquidity reserves,
- liquidity reserves for daily operations,
- projected cumulative gap up to one week,
- stress test of liquidity - stress LCR.

Further, Risk Management Department regularly reports on following indicators:
- LCR by significant currencies,
- short-term liquidity gap,
- structural liquidity ratio.

In 2014, Regulatory liquidity ratio and Narrow regulatory liquidity ratio were significantly above the limit determined by Law and average regulatory liquidity ratio was three times above required level.

Liquidity ratio

	31 December	Average	Maximum	Minimum
2014	2.31	3.00	3.60	2.25
2013	2.87	2.77	3.22	2.13

Narrow liquidity ratio

	31 December	Average	Maximum	Minimum
2014	1.69	2.06	2.84	1.35
2013	1.45	1.82	2.43	1.33

LCR is in compliance with Basel III standard and represents short-term liquidity position of the Bank. LCR indicator should provide adequate level of highly liquid assets (cash or assets which can be converted into cash with small or without any loss in value) in order to fulfil Bank's needs for liquidity in 30 day period of stress scenario. Limit is defined according to Intesa Group's guidelines and it must not be less than 0.8 (80%).

29. RISK MANAGEMENT (continued)

29.2. Liquidity Risk and Financial Assets Management (continued)

LCR (Liquidity Coverage Ratio)

	31 December	Average	Maximum	Minimum
2014	3.24	3.00	3.59	2.47

LCR is monthly reported to ALCO board by the most significant currencies (RSD and EUR), and as of 31 December it is 5.1 for liquidity position in domestic currency and 2.2 for liquidity position in foreign currency (EUR). Considering that USD is the most significant foreign currency at the Group level, the Bank must report monthly on LCR in USD, although USD participation in balance sheet assets is 2.3%.

NSFR is in compliance with Basel III requirements and represents Bank's structural liquidity position. NSFR is an indicator of structural liquidity in normal conditions (usual business circumstance), which represents term transformation and should limit it in one year time period. This standard should reduce financing risk during the longer time period by requiring from the Bank to fund its activities from stable sources of funds. Limit is set in accordance with the Groups guidelines and it must not be less than 0.9 (90%).

NSFR (Net Stable Funding Ratio)

	31 December	Average	Maximum	Minimum
2014	2.04	1.70	2.08	1.33

Although average values of indicators defined by National Bank of Serbia and by the Basel III regulations coincide and provide similar view to liquidity, differences in the calculation of these indicators must be remarked:

- by the regulations of the National Bank of Serbia, when calculating liquidity indicators, total amount of required reserves are considered to be liquidity reserves, while in the calculation of LCR indicator only amount above required reserves is considered to be the part of liquidity reserves.
- local regulations consider government securities in local currency with maturity longer than 90 days to be liquidity reserves by applying 10% haircut on the market value of the bonds. However, when calculating LCR indicator, government securities are taken in account both in local and foreign currency with 0% haircut.
- in accordance with local regulations, cash flows from high quality loans are calculated with the coefficient of 100%, however when calculating LCR indicator loans with maturity date within the following month, 50% coefficient is applied;
- Only matured part of retail term deposits is included in the calculation of liquidity indicator defined by the National Bank of Serbia, while total amount of retail term deposits is included in the calculation of LCR indicator, because of the possibility to be withdrawn at any time, without the penalty that is greater than the loss of interest.
- Local regulations require 20% haircut to be applied on irrevocable commitments for undisbursed loans, while Basel III requires 5% haircut.

By adopting Group Liquidity Risk Management Guidelines (by the Board of Directors as at 27 February 2014) which define Basel III standards of liquidity as the primary measure of the liquidity risk at the ISP Group level, the Bank has included the most advanced system of monitoring liquidity into its internal risk management system.

Requirements defined by Basel III liquidity standards and ISP Group Policy are adopted locally through Liquidity risk management policy and Policy implementation procedure by the Board of Directors (as of 11 September 2014). LCR is implemented as the primary liquidity indicator, which is ratio between high quality liquid assets (HQLA) and net outflows, expected in one month time period.

Further, the Bank must maintain and report on liquidity reserves level, required by the ISP Group standards, which is defined by the Liquidity policy.

29. RISK MANAGEMENT (continued)

29.2. Liquidity Risk and Financial Assets Management (continued)

Structure of the liquidity reserves in total as of 31 December 2014 is presented in the following table (RSD thousand):

Liquidity reserves	Carrying amount / Fair value	Haircut	Available value
Reserves required by the Central Bank	70,080,821	0%	70,080,821
RSD reserves required by the Central Bank	30,600,441	0%	30,600,441
Foreign currency reserves required by the Central Bank	39,480,380	0%	39,480,380
Cash on nostro accounts at other banks	40,918,812	0%	40,918,812
Other cash and cash equivalents	8,406,942	0%	8,406,942
Available no-load government securities	57,682,312	11%	51,337,258
In RSD	47,846,741	11%	42,583,599
In foreign currency	9,835,571	10%	8,852,014
Undisbursed credit lines granted by the Central Bank	-	0%	-
Other assets which can be used as collateral to the Central Bank	-	0%	-
Total liquidity reserves	**177,088,887**		**170,743,833**

Total assets classified as liquid assets as of 31 December 2014 are RSD 170.7 billion.

Liquidity reserves structure is as follows: Reserves required by the Central Bank in domestic and foreign currency on witch 0% haircut is applied, Cash on nostro accounts at other banks, Other cash and cash equivalents (including gold), Government bonds in domestic and foreign currency, on which haircut defined in advance is applied. As of 31 December 2014, haircut on foreign currency securities is 10%, while on dinar securities haircut is 11%.

As of 31 December 2014, reserves required by the Central Bank in domestic and foreign currency were RSD 70.1 billion. By the Liquidity policy, calculation of the available liquidity reserves in the stress circumstances demands use of the total amount of reserves. This amount is calculated and reported regularly to the ALCO Board. However, LCR calculation demands use of required reserves in the amount above the amount required for the period. The Parent Bank demands this cautious approach, and when it is applied the available required reserves for LCR calculation are RSD 15.73 billion as of 31 December 2014.

As of 31 December 2014, foreign currency account's balance is RSD 40.9 billion. Currency structure of the cash on nostro accounts is as follows as of the reporting date: EUR (91.79%), GBP (2.32%), AUD (1.48%), CHF (1.32%), CAD (1.31%) and other currencies (1.78%).

As of 31 December 2014, available no-load financial assets issued by the government were RSD 57.7 billion, of which RSD 47.85 billion is in RSD and RSD 9.84 billion is in EUR.

The Central Bank regularly determines haircut rates for different securities issues in RSD, depending on term, type of bonds and initial interest rate. Risk Management Department calculates weighted average of haircut rates, and the fair value of securities available as liquidity reserves is reduced by the calculated amount. As of reporting date, calculated and applied weighted average of haircut rates is 11%.

For the government securities, for which Central Bank does not determine haircut, for example euro securities, 10% haircut is determined by the Parent Bank and adopted through the Liquidity Policy.

However, calculation of LCR does not include ponders defined this way. Available no-load government financial assets are classified as First line liquidity reserves and a 0% haircut is applied to them in accordance with Basel III liquidity standard.

29. RISK MANAGEMENT (continued)

29.2. Liquidity Risk and Financial Assets Management (continued)

The following table presents the remaining maturity mismatch report as of 31 December 2014:

RSD thousand

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity	Total
ASSETS							
Cash and balances with Central Bank	78,528,567	-	-	-	-	24,894	78,553,461
Financial assets at fair value through profit and loss held for trading	-	-	-	-	-	174,934	174,934
Financial assets initially carried at fair value through profit and loss	78,970	-	-	-	-	-	78,970
Financial assets available for sale	1,280,741	7,926,090	18,178,230	30,319,907	-	-	57,704,967
Loans and receivables from banks and other financial organizations	64,669,051	530,122	5,176,313	162,557	22,775	(128,807)	70,432,011
Loans and receivables from customers	51,915,058	19,884,063	65,474,732	100,662,312	44,106,046	(28,695,963)	253,346,248
Investments in subsidiaries	-	-	-	-	-	962,496	962,496
Intangible assets	-	-	-	-	-	801,047	801,047
Property, plant and equipment	-	-	-	-	-	6,239,234	6,239,234
Investment property	-	-	-	-	-	230,628	230,628
Current tax assets	-	-	-	-	-	298,079	298,079
Deferred tax assets	-	-	-	-	-	224,804	224,804
Non-current assets held for sale and discontinued operations	-	-	-	-	-	256,058	256,058
Other assets	-	-	-	-	-	3,654,344	3,654,344
Total assets	**196,472,387**	**28,340,275**	**88,829,274**	**131,144,775**	**44,128,821**	**(15,958,251)**	**472,957,281**

29. RISK MANAGEMENT (continued)

29.2. Liquidity Risk and Financial Assets Management (continued)

RSD thousand

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	With non-defined maturity	Total
LIABILITIES							
Financial liabilities at fair value through profit and loss held for trading	19,668	-	-	-	-	-	19,668
Deposits and other liabilities due to banks, other financial organizations and Central Bank	4,194,606	2,097,263	7,296,237	16,292,778	5,887,835	941,464	36,710,183
Deposits and other liabilities due to customers	176,682,846	25,276,189	77,240,617	23,823,399	1,226,252	2,314,108	306,563,411
Provisions	-	-	-	-		1,647,473	1,647,473
Other liabilities	19,544,975	7,905	54,864	276	-	3,199,122	22,807,141
TOTAL LIABILITIES	**200,442,095**	**27,381,357**	**84,591,718**	**40,116,453**	**7,114,088**	**8,102,166**	**367,747,876**
TOTAL EQUITY	-	-	-	-	-	**105,209,405**	**105,209,405**
TOTAL LIABILITIES AND EQUITY	**200,442,095**	**27,381,357**	**84,591,718**	**40,116,453**	**7,114,088**	**113,311,571**	**472,957,281**
MATURITY MISMATCH	**(3,969,708)**	**958,919**	**4,237,557**	**90,959,472**	**37,014,733**	**(129,200,973)**	
CUMULATIVE MATURITY MISMATCH	**(3,969,708)**	**(3,010,789)**	**1,226,768**	**92,186,240**	**129,200,973**		

29. RISK MANAGEMENT (continued)

29.2. Liquidity Risk and Financial Assets Management (continued)

The remaining maturity mismatch report table as of 31 December 2014, presents future cash flows based on the highly conservative assumptions, which are that total a vista deposits will mature at the same time within the following month. These assumptions do not provide realistic view on the Bank's liquidity, considering that by analysing time series of a vista deposits it can be concluded that they have been very stable source of funds.

The following table presents the remaining maturity mismatch report as of 31 December 2013:

RSD thousand

	Up to 1month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5years	Over 5 years	With non-defined maturity	Total
TOTAL ASSETS	165,415,164	20,967,444	32,998,452	39,708,377	129,247,851	43,069,850	(4,165,782)	427,241,356
TOTAL LIABILITIES	140,973,970	28,925,001	31,842,644	64,972,820	42,195,405	9,607,620	9,836,708	328,354,168
TOTAL EQUITY	-	-	-	-	-	-	98,887,188	98,887,188
TOTAL LIABILITIES AND EQUITY	140,973,970	28,925,001	31,842,644	64,972,820	42,195,405	9,607,620	108,723,896	427,241,356
MATURITY MISMATCH	24,441,194	(7,957,557)	1,155,808	(25,264,443)	87,052,446	33,462,230	(112,889,678)	-
CUMULATIVE MATURITY MISMATCH	24,441,194	16,483,636	17,639,444	(7,624,998)	79,427,447	112,889,678		

29. RISK MANAGEMENT (continued)

29.3. Market Risk

In 2014, the Bank did not take Trading book positions and therefore was not exposed to interest rate risk, price risk and commodity risk, which could be caused by the Trading book. However, banking book was exposed to foreign currency risk, but not above the limits set by the Decision of the Board of Directors.

Foreign currency risk is the risk of occurrence of negative effects on the financial result and equity of the Bank due to changes in foreign currency exchange rates. Banking operations in different foreign currencies result in exposure to fluctuations in exchange rates of foreign currencies.

The Bank applies foreign currency risk monitoring system based on the first and second class limits.

First class limit is considered to be FX VaR limit, which is calculated and reported on daily basis. Calculation methodology is regulated by the ISP Group, which applies EWMA historical method, with 99% confidence interval and one day time period. Up to 2014, FX VaR included foreign currency positions in EUR, USD and CHF, while other currencies were considered immaterial and aggregated within EUR positions. Since 2014, FX VaR has been calculated on positions for each currency, because of the requirements of the Parent Bank, as well as for the increase of volatility of some currencies, which Bank has in its portfolio. However, the FX VaR is mostly determined by the volatility of EUR, since the portion of EUR of the total open FX position was 78% in average during 2014.

Second class limit is considered to be the limit of net open FX position, which represents difference between currency sensitive assets and currency sensitive liabilities. Second class limits exposure is calculated and reported on the daily basis.

During 2014, by the decision of the Parent Bank and the Board of Directors, there was an increase in the first and second class limits, although there were not any breach of limits, nor high exposure to foreign currency risk.

During 2014, the Bank was complied with foreign currency risk indicator, required by the regulations, which represents 20% of the regulatory equity. As of 31 December 2014 regulatory indicator of foreign currency risk was 1.30%.

The following table shows the open foreign currency position as of 31 December 2014:

RSD thousand

31 December 2014	Carrying amount	Trading book	Banking book
Assets complied with market risks	**321,906,175**	-	**321,906,175**
Cash and balances with Central Bank	42,982,630	-	42,982,630
Financial assets initially carried at fair value through profit and loss	78,970	-	78,970
Financial assets available for sale	9,766,721	-	9,766,721
Loans and receivables from banks and other financial organizations	68,486,342	-	68,486,342
Loans and receivables from customers	200,240,681	-	200,240,681
Other assets	350,831	-	350,831
Liabilities complied with market risks	**272,554,253**	-	**272,554,253**
Deposits and other liabilities due to banks, other financial organizations and Central Bank	29,885,328	-	29,885,328
Deposits and other liabilities due to customers	227,097,863	-	227,097,863
Other liabilities	15,571,063	-	15,571,063
Off-balance sheet financial derivatives which impact FX position	(29,962,944)	-	(29,962,944)
Allowances for impairment	(18,730,356)	-	(18,730,356)
Open net foreign currency position	**658,619**	-	**658,619**

29. RISK MANAGEMENT (continued)

29.3. Market Risk (continued)

The following table shows the open foreign currency position as of 31 December 2013:

RSD thousand

31 December 2013	Carrying amount	Trading book	Banking book
Assets complied with market risks	265,897,408	-	265,897,407
Liabilities complied with market risks	255,389,776	-	255,389,777
Off-balance sheet financial derivatives which impact FX position	(12,052,723)	-	(12,052,723)
Open net foreign currency position	**(1,545,091)**		**(1,545,091)**

Following table represents currency structure of open net foreign currency position as of 31 December 2014 and 31 December 2013:

RSD thousand

Net open foreign currency position	2014	2013
EUR	476,574	(1,775,412)
USD	23,500	(45,092)
CHF	(6,679)	13,220
Other currencies	113,645	218,311
Gold and other precious metals	51,579	43,882
Total	**658,619**	**(1,545,091)**

EUR

Foreign currency VaR	31 December	Average	Maximum	Minimum
2014	96.454	14.778	127.203	739
2013	9.983	34.699	206.747	1.078

Following table represents effect of the change in the exchange rates on the Bank's profit and regulatory capital:

RSD thousand

Scenario	Effect 2014	Effect 2013
10% depreciation of RSD	65,862	(154,509)
20% depreciation of RSD	131,704	(309,018)

29.4. Interest rate risk

Interest rate risk is the risk of decrease in profit or net assets value of the Bank due to changes in market interest rates. The Bank's exposure to interest rate risk depends on the ratio of the interest-sensitive assets and interest- sensitive liabilities.

Interest rate risk is calculated on all interest-sensitive positions of the Banking book. Indicators, used for the calculation of interest rate risk in the Banking book, are sensitivity of net assets on changes in interest rate by 100 bps and sensitivity of interest income and expenses on the changes in interest rate by 100 bps.

ISP Group Methodology on the calculation of interest rate risk has been changed at the beginning of 2014 and adopted by the Bank, through internal documents and ERMAS net technical solution during the 2014. Changes in the methodology have included: treatment of the margin as fixed future cash flow; calculation of future cash flows by using FTP prices, instead of the contractual prices; modelling a vista deposits and discounting future cash flows by applying yield curves, modified by the historical values of PD (default probability).

29. RISK MANAGEMENT (continued)

29.4. Interest rate risk (continued)

Further, during 2014 interest rate risk measuring system has also been changed. Total sensitivity limit of net assets on the change in interest rate by 100 bps, has been increased by 25% compared to 2013, according to the proposal of the Parent Bank and by the decision of the Board of Directors. The Bank has implemented the sub-limits system which requires individual calculation of exposure to interest rate risk in short-term (up to 18 months), mid-term (from 18 months to 5 years) and long-term (over 5 years).

The sensitivity of net assets value to changes in market interest rates of 100 bps, 200 bps and minus 200 bps is calculated, monitored and submitted monthly to Alco Committee and to the Parent Bank.

Interest rate risk is daily monitored and submitted for the financial assets available for sale (AFS). For the financial assets available for sale following ratios of interest rate risk are calculated: IRR VaR, duration and stress test (change scenario by 50 bps, 100 bps and 200 bps). Acceptable interest rate risk is limited to the highest possible value at interest rate risk (IRR VaR) for the AFS financial assets portfolio.

Value at interest rate risk (IRR VaR) is considered to be the highest possible one day loss in the AFS securities portfolio that the Bank could undertake under usual market movements in interest rates. IRR VaR calculation methodology is determined by the ISP Group which applies EWMA historical method with 99% confidence interval and one day time period.

29. RISK MANAGEMENT (continued)

29.4. Interest rate risk (continued)

The following table represents Reprising Gap report, i.e. the Bank's exposure to interest rate risk as of 31 December 2014:

RSD thousand

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
ASSETS							
Financial assets available for sale	19,011,220	7,588,111	15,345,736	13,877,745	-	-	55,822,812
Demand loans to customers, banks and other financial organization	92,103,043	-	-	-	-	-	92,103,043
Loans to customers, banks and other financial organizations	8,180,803	157,381,366	46,054,869	43,283,673	15,520,741	31,334,585	301,756,037
Other assets	-	-	-	-	-	23,275,390	23,275,390
TOTAL ASSETS	**119,295,066**	**164,969,477**	**61,400,604**	**57,161,418**	**15,520,741**	**54,609,975**	**472,957,281**

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
LIABILITIES							
Arista deposits from customers, banks and other financial organizations	92,927,632	30,420,563	13,488,926	16,421,295	-	-	153,258,417
Term deposits from customers, banks and other financial organizations	15,534,205	59,297,274	89,109,287	23,837,488	1,149,268	1,087,656	190,015,178
Other liabilities	-	-	-	-	-	24,474,281	24,474,281
Equity	-	-	-	-	-	105,209,406	105,209,406
TOTAL LIABILITIES	**108,461,837**	**89,717,837**	**102,598,213**	**40,258,783**	**1,149,268**	**130,771,343**	**472,957,281**
PERIODICAL GAP	**10,833,229**	**75,251,641**	**(41,197,609)**	**16,902,635**	**14,371,473**	**(76,161,369)**	
CUMULATIVE GAP	**10,833,229**	**86,084,869**	**44,887,260**	**61,789,896**	**76,161,369**	**-**	

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29. RISK MANAGEMENT (continued)

29.4. Interest rate risk (continued)

The following table represents Reprising Gap report, i.e. the Bank's exposure to interest rate risk as of 31 December 2013:

RSD thousand

	Up to 1month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Non-interest sensitive	Total
TOTAL ASSETS	219,418,100	83,926,399	28,193,706	20,180,155	37,757,616	2,477,211	35,288,170	427,241,356
TOTAL LIABILITIES	146,031,071	50,010,856	42,180,542	61,492,841	17,669,681	1,132,470	9,836,708	328,354,168
TOTAL EQUITY	-	-	-	-	-	-	98,887,188	98,887,188
TOTAL LIABILITIES AND EQUITY	146,031,071	50,010,856	42,180,542	61,492,841	17,669,681	1,132,470	108,723,896	427,241,356
PERIODICAL GAP	73,387,029	33,915,543	(13,986,836)	(41,312,686)	20,087,935	1,344,741	(73,435,726)	-
CUMULATIVE GAP	73,387,029	107,302,572	93,315,736	52,003,050	72,090,985	73,435,726		

29. RISK MANAGEMENT (continued)

29.4. Interest rate risk (continued)

The table below shows the effects of change in interest rates on the Bank's net income and net assets, valued by applying standard scenario and not taking into account assumptions on asymmetrical changes of the yield curve. Standard scenario implies parallel movement of the yield curve by 100bps and 200 bps.

RSD thousand

	Increase by 100bps	Decrease by 100bps	Increase by 200bps	Decrease by 200bp
Sensitivity of the Bank's net income on the change in interest rates				
2014				
As of 31 December	(111,990)	112,556	(223,980)	225,111
Period average	(162,717)	163,422	(325,434)	326,844
Period maximum	473,190	599,541	946,380	1,199,082
Period minimum	(598,518)	(472,599)	(1,197,037)	(945,197)
2013				
As of 31 December	795,222	(795,222)	1,590,445	(1,590,445)
Sensitivity of the Bank's net assets on the change in interest rates				
2014				
As of 31 December	(801,890)	801,890	(1,474,071)	2,054,593
Period average	(783,793)	783,793	(1,447,903)	1,827,307
Period maximum	12,752	1,056,889	42,892	2,587,759
Period minimum	(1,056,889)	(12,752)	(2,055,225)	(20,866)
2013				
As of 31 December	(66,747)	71,074	(129,494)	146,834

The following table represents value at risk for financial assets available for sale portfolio:

EUR

IRR AFS VaR	31. December	Average	Maximum	Minimum
2014	1,178,994	304,786	1,235,543	156,292
2013	355,202	515,429	755,648	331,923

29.5. Operational Risk

Operational risk is the risk of negative effects on the Bank's financial result and equity due to failures in performance of operating activities (processes), human mistakes, system errors and the influence of external factors. This definition includes legal risk, but excludes strategic and reputational risk.

Bank's goal is to manage operational risk, in order to achieve balance between preventing financial loss and damage to the Bank's reputation, on one side, and economic profitability and innovation, on the other. Bank's policy requires respecting all currently valid regulations.

The Bank has developed and implemented specific standards of operational risk management in the following areas:

- Operational risk identification, which comprises:
- Collecting data on operational risks and losses – identification, registration and classification of data on Bank's losses,
- Integrated process of assessment of exposure to operational risk;
- Assessment of operational risk when implementing new product, process or system;
- Operational risk measuring;
- Monitoring and reporting on operational risk;
- Reducing operational risk.

29. RISK MANAGEMENT (continued)

29.5. Operational Risk (continued)

At least once a year, Bank's Internal Audit performs independent assessment of adequacy of the operational risk management system. The results of this assessment are disclosed within the Audit Report, which includes all findings and improvement suggestions.

For the purposes of capital requirements for operational risk calculation, the Bank applies standardized approach. The capital requirement for operational risk calculated by applying standardized approach as of 31 December 2014 is RSD 4,143,295 thousand (31 December 2013: RSD 3,970,288 thousand).

29.6. Exposure Risk

The Risk Management Department monitors, measures and reports to the Bank's boards on the Bank's exposure to a single client or to group of clients, risk of investment in other legal entities, as well as in fixed assets, country risk to which the Bank is exposed, as well as operational risk. In 2014, the Bank maintained compliance of the exposure risk and investment risk indicators and performed appropriate activities defined by relevant procedures and decisions on credit approval and investments in financial and non-financial assets, ensuring compliance of the Bank's placements and investments with indicators prescribed by the National Bank of Serbia as well as the investment limits prescribed by the Bank.

Exposure risks include the risk of the Bank's exposure to a single client or a group of related clients, as well as exposure risk toward related parties of the Bank.

In accordance with the Risk Management Policy, the Bank's management sets exposure limits, i.e. the concentration of placements to a single client or a group of related clients, and related parties of the Bank.

The Bank's management and relevant bodies and employees of the Bank seek to ensure the compliance of the Bank's exposures with prescribed limits, i.e., exposure to a single client or a group of related clients does not exceed 25% of the Bank's equity, total amount of all large exposures does not exceed 400% of the Bank's equity, total exposure to a related party does not exceed 5% of the Bank's equity and total exposure to all related parties of the Bank does not exceed 20% of the Bank's equity.

29.7. Investment Risks

Investment risks include the risk of investment in other legal entities and investment in fixed assets. In accordance with the National Bank of Serbia's regulations, the Risk Management Department monitors the Bank's investments and reports to the Executive Board. The Department also ensures that the Bank's investment in a single non-financial entity does not exceed 10% of the Bank's equity and that total investments of the Bank in non-financial entities and in fixed assets do not exceed 60% of the Bank's equity

29.8. Country Risk

Country risk relates to the country of origin of the Bank's client and includes negative effects which may influence financial result and equity of the Bank, as the Bank might not be able to collect receivables from such a client, as a result of political, economic or social conditions in the client's country of origin.

The Bank's exposure to country risk is low, due to insignificant share of non-residents in the total loan portfolio of the Bank.

29. RISK MANAGEMENT (continued)

29.9. Capital management

The objective of the Bank's capital management is to maintain the Bank's ability to continue operating into the foreseeable future, in order to maintain the optimal structure of capital with a view to decreasing the costs of capital, and securing dividends for shareholders.

The Bank permanently manages its capital in order to:
- Ensure compliance with capital requirements set by the National Bank of Serbia;
- Ensure adequate level of capital in order to ensure operations as a going concern; and
- Maintain capital at the level that will ensure future development of the business;
- Maintain capital at the level that is adequate to cover internally assessed capital requirements for all significant risks identified in the Internal Capital Adequacy Assessment Process (ICAAP)

Capital adequacy, as well as use of the Bank's capital, is monitored on a monthly basis by the Bank's management. The National Bank of Serbia has set the minimal capital adequacy ratio at 12%, with restriction to dispose the realized profit, if it is above 14.5%.

The Bank's total capital comprises Tier 1 and Tier 2, and deductible items:
- Tier 1 capital include: share capital from ordinary shares, share premium, reserves from profit, retained earnings/accumulated losses, capital gains/losses on repurchase of treasury shares as well as intangible assets and repurchased treasury shares (excluding cumulative preference shares) as Tier 1 capital deductible items..
- Tier 2 capital include: share capital from preference shares, share premium on preference shares, revaluation reserves related to fixed assets and equity investments, subordinated liabilities up to 50% of capital and repurchased treasury preference shares as Tier 2 capital deductible item.
- Deductible items comprise: the amount of required special reserves for potential losses, equity investments in banks or other financial organization exceeding 10% of its capital, and 10% of the investing bank capital, and the amount of the Tier 2 capital of the Bank which exceeds its Tier 1 capital.

Regulatory capital by years:

RSD thousand

Position	31 December 2014	31 December 2013	1 January 2013
CAPITAL	**49,837,271**	**49,233,045**	**48,900,305**
Tier 1	**50,203,182**	**68,782,917**	**78,398,794**
Share capital from ordinary shares, excluding cumulative preference shares	21,315,900	21,315,900	21,315,900
Share premium	20,432,569	20,432,569	20,432,569
Reserves from profit	47,484,121	47,484,121	37,991,163
Current year profit			9,492,958
Intangible assets	(801,047)	(926,476)	(1,042,730)
Regulatory value adjustment	**(38,228,361)**	**(19,523,197)**	**(9,791,066)**
Unrealized losses from securities available for sale	(152,435)	(1,841)	(28,187)
Required reserves from profit for potential losses from balance and off-balance sheet items	(38,075,926)	(19,521,356)	(9,762,879)
Tier 2	**596,585**	**933,980**	**752,643**
Part of revaluation reserves	596,585	933,980	752,643
DEDUCTIBLE ITEMS	**(962,496)**	**(20,483,852)**	**(30,251,132)**
Deduction from Tier 1	(365,911)	(19,549,872)	(29,498,489)
Deduction from Tier 2	(596,585)	(933,980)	(752,643)
Direct or indirect equity investments in banks or other financial organization exceeding 10% of its capital	(962,496)	(962,496)	(962,4969
Required reserves from profit for potential losses in accordance with point 427 paragraph 1 of Decision on capital adequacy of banks		(19,521,356)	(29,288,636)
TOTAL Tier 1	**49,837,271**	**49,233,045**	**48,900,305**
TOTAL Tier 2	-	-	-

29. RISK MANAGEMENT (continued)

29.10. Fair value of financial assets and liabilities

The Bank's policy is to disclose information on the fair value of assets and liabilities, for which official market information is available and when their fair value significantly differs from their carrying amounts.

Determining fair value of the financial instruments, which are not carried at amortized cost must follow the principles, criteria and hierarchy prescribed by the Fair value policy, which is in accordance with ISP Group's requirements for determining fair value. Determining fair value of the financial instruments not carried at amortized cost respects the following hierarchy, which reflects credibility of the inputs used in determination of fair value:

- Level 1: inputs are the quoted market prices (without corrections) on active markets;
- Level 2: inputs other than quoted prices from level 1, but directly or indirectly (derived from prices) quoted on market. This category includes: market interest rates, CDS (credit default swap) market quotations, market prices of primary bonds issue or market exchange rates when determining value of the instrument.
- Level 3: inputs that are not information available on the market. This category includes each instrument, for which information on value is not directly or indirectly available on the market.

Implementation of the hierarchy is not optional, and the Bank cannot choose the information for determining fair value of financial instruments that are not carried at amortized cost, but it must respect the abovementioned hierarchy.

Financial instruments not carried at amortized cost and on which Fair Value Policy is applied are:

- government FX bonds, for which exists active and liquid market, which provides direct information about quoted market prices (level 1),
- financial assets available for sale comprise Republic of Serbia Treasury bills, which are valued by discounting future cash flows by applying market non-risk yield curves, adjusted for country risk (at euro bonds) and liquidity risk (at RSD bonds, without direct quotation of maturity). (level 2)
- over the counter financial derivatives (FX swap and FX forward) which are valued by discounting future cash flows with market non-risk yield curves adjusted for country risk and (at euro bonds) and liquidity risk (at RSD bonds without direct quotation of maturity). (level 2)
- shares and investments in legal entities, which are not sold on active markets and for which there is no reliable value, are carried at cost or last available information about value, reduced by impairment (level 3).

There is not enough market experience in the Republic of Serbia neither the stability nor liquidity in the trade of receivables and other financial assets and liabilities, since official market information are not always available. Therefore, fair value cannot be reliably determined in the absence of active market.

29. RISK MANAGEMENT (continued)

29.10. Fair value of financial assets and liabilities (continued)

The following table represents value of financial instruments based on different information and in accordance with hierarchy within Fair Value Policy:

Fair value *RSD thousand*	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2014				
Financial assets available for sale	613,137	57,069,175	22,655	57,704,967
Financial assets initially carried at fair value through profit and loss and Financial liabilities initially carried at fair value through profit and loss	-	155,266	-	155,266
Financial assets initially carried at fair value through profit and loss and Investments in subsidiaries	-	-	1,041,466	1,041,466
Total	613,137	57,224,442	1,064,121	58,901,699
31 December 2013			-	
Financial assets available for sale	-	43,759,812	-	43,759,812
Financial assets initially carried at fair value through profit and loss and Financial liabilities initially carried at fair value through profit and loss	-	48,649	-	48,649
Financial assets initially carried at fair value through profit and loss and Investments in subsidiaries	-		1,042,007	1,042,007
Total	-	43,808,461	1,042,007	44,850,468

The Bank's management considers that amounts, in the enclosed financial statements, are the most reliable and the most useful for reporting purposes in the current circumstances.

The following table represents fair value of instruments not carried at fair value and classified by the appropriate levels of hierarchy:

Fair value as of 31 December 2014 RSD thousand	**Level 1**	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**
Assets					
Cash and balances with Central Bank	-	78,553,461	-	78,553,461	78,553,461
Loans and receivables from banks and other financial organizations		70,432,011	-	70,432,011	70,432,011
Loans and receivables from customers		-	287,012,291	287,012,291	253,346,248
Total	-	148,985,472	287,012,291	435,997,763	402,331,720
Liabilities			-		
Deposits and other liabilities due to banks, other financial organizations and Central Bank	-	36,710,183	-	36,710,183	36,710,183
Deposits and other liabilities due to customers	-	-	310,483,974	310,483,974	306,563,411
Other liabilities	-	22,807,141	-	22,807,141	22,807,141
Total		59,517,324	310,483,974	370,001,298	366,080,735

29. RISK MANAGEMENT (continued)

29.10. Fair Value of Financial Assets and Liabilities (continued)

Fair value as of 31 December 2013

RSD thousand	Level 1	Level 2	Level 3	Fair value	Carrying amount
Assets					
Cash and balances with Central Bank	-	56,590,647	-	56,590,647	56,590,647
Loans and receivables from banks and other financial organizations		56,151,103	-	56,151,103	56,151,103
Loans and receivables from customers		-	269,885,618	269,885,618	255,676,028
Total	-	112,741,750	269,885,618	382,627,368	368,417,778
Liabilities					
Deposits and other liabilities due to banks, other financial organizations and Central Bank	-	44,723,036	-	44,723,036	44,723,036
Deposits and other liabilities due to customers	-		275,281,780	275,281,780	277,750,496
Other liabilities	-	3,362,077	-	3,362,077	3,362,077
Total	-	48,085,113	275,281,780	323,366,893	325,835,609

Fair value of Cash and balances with Central Bank, Loans and receivables from banks and other financial organizations, Deposits and other liabilities due to banks, other financial organizations and Central Bank and Other liabilities are represented at carrying amounts, considering that those are short-term deposits at financial institutions (the money market) with high credit rating, market interest rates and at level 2.

Fair value of Loans and receivables from customers and Deposits and other liabilities due to customers are calculated by discounting future cash flows based on the currency, customer's credit quality and maturity, by applying market yield curves.

The Bank's management is assessing the risk, and when it is determined that carrying amount of assets would not be realized, allowances for impairment are created.

30. CONTINGENT LIABILITIES

(a) Court cases

As of 31 December 2014, the Bank is a defendant in a certain number of legal proceedings. Total estimated amount of claims is RSD 586,289 thousand (31 December 2013: RSD 436,770 thousand), including penalty interests and fees.

The final outcome of the ongoing legal proceedings is uncertain. As disclosed in Note 24 to the financial statements as of 31 December 2014, the Bank recognized provisions for potential losses that could arise from the aforementioned litigations in the total amount of RSD 269,245 thousand (31 December 2013: RSD 328,539 thousand). The Bank's management considers that no significant losses will arise from the ongoing litigations, other than those provided for.

The Bank is involved in a number of lawsuits as plaintiff related to collection of receivables. All disputed receivables from corporate and retail customers have been fully impaired and charged to the results of the current and previous years

(b) Tax Risks

The tax system of the Republic of Serbia is in the process of continuous review and amendments. The tax period in the Republic of Serbia is considered to be open for five years. Under various circumstances, the tax authorities could have a different approach to certain issued, and could assess additional tax liabilities together with related penalty interest and fees. The Bank's management believes that tax liabilities recognized in the accompanying financial statements are presented fairly.

31. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

In accordance with Article 18 of the Law on Accounting, the Bank performed reconciliation of liabilities and receivables with its debtors and creditors as of 31 November 2014, and maintained reliable documentation.

From a total of 2,515 submitted confirmations of balances, 55 were disputed.

The balance of unreconciled outstanding receivables and liabilities is RSD 615,185. The largest amount refers to receivables from legal entities in bankruptcy and with adopted reorganization plan (26.25% of the total unreconciled balance), following Corporate loans and interest (17.46% of the total unreconciled balance) and unreconciled accrued interest on loans and deposits (5.89% of the total unreconciled balance).

32. EXCHANGE RATES

The official foreign exchange rates of the National Bank of Serbia determined on the Interbank Foreign Currency Market, used for translation of balance sheet items denominated in foreign currencies as of 31 December 2014 and 2013 into Serbian Dinars (RSD) were as follows:

		RSD
	2014	**2013**
EUR	120.9583	114.6421
USD	99.4641	83.1282
CHF	100.5472	93.5472

33. SUBSEQUENT EVENTS

Based on the Decision on Measures for Preserving Stability of the Financial System in the Context of Foreign Currency – Indexed Loans by NBS as of 24 February 2015, Executive Board has made a decision to offer, to the clients having mortgage loans indexed in CHF, four models of annexes to contracts, which would modify the repayment terms.

Potential negative effects of this decision are calculated to the amount of CHF 1.7 million.

There have been no other significant events subsequent to the balance sheet date, which would require disclosures in the Notes to the accompanying financial statements of the Bank as of and for the year ended 31 December 2014.

2014 Annual Report

Content:

1. Key Financial Indicators

in thousand RSD

Banca Intesa Beograd	2014	2013
INCOME STATEMENT		
Net interest income	21,063,563	21,212,901
Net fee and commission income	5,649,062	5,527,340
Profit before tax	7,096,306	9,217,740
Income tax	433,284	623,097
Net profit from deferred tax assets and liabilites	145,681	12,882
Profit after tax	6,808,703	8,607,525
BALANCE SHEET		
Cash and balances with Central Bank	78,553,461	56,590,647
Financial assets held for trading and financial assets at fair value through profit and loss	253,904	142,278
Financial assets available for sale	57,704,967	43,759,812
Loans and receivables from banks, other financial organisations and customers	323,778,259	311,827,131
Investments in subsidiaries	962,496	962,496
Intangible assets, property, plants and equipment, investment property and non-current assets held for sale and discontinued operations	7,526,967	8,615,931
Other assets, current and deferred tax assets	4,177,227	4,370,226
Total assets	**472,957,281**	**426,268,521**
Financial liabilities held for trading	19,668	14,118
Deposits and other liabilities due to banks, other financial organisations, Central Bank and other customers	343,273,594	322,473,532
Provisions	1,647,473	1,531,606
Other liabilities	22,807,141	3,362,077
Total Liabilities	**367,747,876**	**327,381,333**
Equity	**105,209,405**	**98,887,188**
Total Liabilities and Equity	**472,957,281**	**426,268,521**

INDICATORS		
Profit before tax/ Total Assets	1.50%	2.16%
Profit before tax / Total Equity	6.74%	9.32%
Interest income / Total Assets	5.89%	7.23%
Interest expenses / Total Liabilities	1.43%	2.25%
Capital adequacy ratio	19,40%	19.91%
Net assets per employee	156,350	140,266
Number of employees	3,025	3,039

2. Letter from the Chairman of the Board of Directors

Ladies and gentlemen,

It is my honour to present you the accomplishments of Banca Intesa in 2014, when the successful achievement of strategic priorities enabled us to once again confirm the leading market position despite serious challenges that continued to face the Serbian economy and the local banking sector. Owing to our customer-centric culture, solid and balanced exposure to different customer segments, as well as a prudent risk appetite we recorded steady performance across all key areas of operation, delivering consistent results to all of our stakeholders – our customers, employees, shareholders and community at large.

The Serbian economy struggled with significant challenges in 2014 due to a combination of internal vulnerabilities, slow growth across Europe, and adverse impact of the worst flooding that hit the country in more than a century. As a consequence, Serbia ended the year in recession for the fourth time since 2009 and a negative GDP growth rate of 1.8 per cent. At the same time, the national currency was losing value under the rising pressure from both the internal and external factors, recording a 5.2 per cent drop against the euro. On the positive side, the annual inflation rate (1.7%) was well below the lower band of the central bank's target range, on the account of a slow rise in regulated prices as well as a plunge in the prices of agricultural produce. However, Serbia encountered serious fiscal imbalances reflected in a widening budget deficit and a rising public debt burden, which the government pledged to tackle under a new precautionary arrangement with the International Monetary Fund (IMF).

The complex economic environment continued to put pressure on the banking sector, facing it with sluggish loan demand, limited debt repayment capacity of borrowers and a high rate of non-performing loans (NPL). Despite this, the banks posted a cumulative rise in lending activity, which grew 3.3 per cent year-on-year to RSD 1.9 trillion, mainly driven by an increase in retail lending. Corporate lending also went up, largely on the back of the Serbian Government's subsidised loan programme aimed at stimulating economic recovery. On the deposit front, both the retail and corporate segments recorded growth, putting the total deposit potential of the banking sector at RSD 1.7 trillion, up 7.7 per cent against the previous year. However, the difficult economic and social setting continued to push up the NPL rate, which reached 23 per cent at the end of the third quarter of the year, mainly fuelled by the high volume of bad debt in the corporate sector. Despite the turbulent market conditions, the banking sector recorded improvement of the overall performance, demonstrating stability and capacity to support local economy as it embarks on the expected path of stabilization and recovery.

Taking into account the .macroeconomic background, we continued to rely on our strong fundamentals - stable liquidity, a solid capital position and efficient and prudent risk procedures based on the international standards, which enabled us to further grow in all segments. Our constant focus on building strong customer relationships by delivering high-quality service supported by a wide range of products allowed us to maintain stable lending activity and leadership market position. At the same time, we continued to enlarge our deposit base capitalizing on high level of confidence and loyalty we enjoy among our customers fortifying our leading position in in the market. Along with constant work on improving our products and services, we took further steps towards advancing our business processes and strengthening the control of operating expenses. At the same time, we continued to strengthen our risk management, embedding it across the entire organisation, which resulted in adequate quality of assets and a below-market average NPL rate. All the steps we took in the course of the year allowed us to achieve a pre-tax profit of RSD 7.1 billion.

I would like to take this opportunity to extend gratitude to Banca Intesa Beograd Management Board, and all the employees for their commitment and hard work which enabled solid performance of the Bank with continuous focus on our customers and their needs. We have qualified and excellent professional team at all levels within our structure, a strong balance sheet and a sound business strategy, supported by effective corporate governance and ethical leadership. I have confidence that these pillars will remain important drivers of our strong performance going forward, making us well positioned to continue building on our success and strengthening relationships with all our stakeholders.

Sincerely,

Massimo Malagoli

Chairman of the Board of Directors

3. Foreword by the President of the Executive Board

Dear shareholders,

It is my pleasure to inform you on behalf of the Executive Board about Banca Intesa's operating results in 2014, during which we managed to create value for shareholders, despite the unfavourable market environment, contributing not only to the long-term business prospects of our Bank, but also to sustainable economic development and welfare of the entire community. Our responsible corporate governance, along with the diversified business model and developed culture of risk management, enabled us to achieve another successful year in which we preserved business stability in all segments and confirmed our leading position in the market.

The year behind us will be remembered primarily for the natural calamities whose consequences have exerted an adverse impact on economic trends in our country. The decline in industrial production due to severe flooding, combined with the unfavourable developments on international markets, reflected negatively on economic trends, leading domestic economy into a recession again, in 2014. At the same time, the dinar exchange rate experienced a higher degree of volatility, largely due to uncertainty surrounding the speed and efficiency in the implementation of the fiscal consolidation plan, sustained with the challenging Eurozone market circumstances. Nevertheless, the inflation rate on the other hand was kept at a very low level throughout the year, and the Government of the Republic of Serbia has adopted important austerity measures and undertaken significant reform steps to improve the economic environment, including the adoption of new laws on labour, bankruptcy, privatization and planning and construction. Conclusion of a three-year precautionary arrangement with the International Monetary Fund (IMF) and its consistent application, along with continued structural reforms should contribute to strengthening macroeconomic stability and boosting competitiveness of the economy.

Economic policies of the Government of the Republic of Serbia also made an important contribution to the operation of the banking sector, primarily by stimulating lending. A subsidized lending program, which was launched in the second quarter of the year to spur economic recovery has been a key generator of increasing investments against the backdrop of subdued demand and reduced liquidity in the economy. The retail lending increased largely, which was based on the growth of short term loans, particularly contributed by cash loans. At the same time the deposit potential continued its upward trajectory path despite the trend of lowering interest rates. The domestic banking sector encountered significant challenges inherent to high level of non-performing loans, especially in corporate segment. Although the share of non-performing loans continued to increase, it is important that the stability of the banking sector has not been threatened, which is also corroborated by the high level of capital adequacy, and the fact that the problematic loans are sufficiently covered by loan loss provisions.

Under the given circumstances, Banca Intesa continued to actively adapt to market conditions through further optimization of business processes, while increasing the quality of services and products, as well as strengthening operational efficiency, as evidenced by the favourable cost-to-income ratio achieved at the end of the year. In the retail segment, our primary focus has been on improving the credit process and further improvement of our offering in accordance with growing clients' needs. Aforementioned, together with further development of the concept of pre-approved loans was the key driver of credit growth despite an overall decline in demand. The sound public trust in our Bank resulted in deposits' increase despite the lowering of interest rates. Payment card promotional campaigns were successfully implemented leading towards growing transaction volumes, as well as acquisition of new customers. Furthermore, significant efforts have been invested in strengthening customer experience with the Bank and increasing the level of customer satisfaction.

We were the leading bank in the market last year as well, in terms of the number of loans disbursed under the subsidized corporate lending program, of which the largest portion was directed to entrepreneurs, micro and small enterprises. The customers in the small business segment, as well as agriculture, have been offered with favourable funding sources for energy efficiency improvements and the acquisition of land in cooperation with international financial institutions. Moreover, we provided to our corporate customers funds from favourable credit lines, for the purpose of financing infrastructure and other investment projects, non-current working assets, as well as environmental projects through increased energy efficiency.

All our initiatives and efforts invested assured our growth in almost all key indicators of business performance. Our balance sheet total increased to RSD 473 billion, which enabled us to confirm our position of the best ranked bank in Serbia. Great trust that we enjoy among our customers was reflected through further growth of the customer base, which exceeded a figure of 1.7 million, and the increase in total deposits. Owing to total retail and corporate deposits amounting to RSD 306.6 billion we remained the leading bank of the domestic banking sector. At the same time, despite a slight decrease in lending volumes in line with the adverse trend which has been recorded at the level of the entire banking sector, cumulative loans in the amount of RSD 253.3 billion enabled us to keep the leading market position in terms of total loans in the banking sector.

In distressed conditions caused by catastrophic floods, the Bank extended its direct support to citizens from affected region, as well as to customers whose regular business operations encountered difficulties. I am proud of the fact that employees of the Bank took active participation in charitable activities and together we donated more than RSD 27 million for this cause. In addition, we continued to traditionally invest in the promotion of arts, education and sport activities, as well as in the work of social and health services, which resulted in numerous awards in this area, confirming the importance of our social engagement.

Our good business performance is the result of exceptional commitment of our employees, who put their knowledge, expertise and the highest level of professionalism at the disposal of our customers on a daily basis, for which I want to show my sincere appreciation. I also express my gratitude to all our customers and business partners, as well as to the members of the Board of Directors, who made an important contribution to the successful operations of the Bank. In the coming period, we will remain primarily focused on areas with high improvement potential, which will generate a long-term value for our shareholders, while having the continuous commitment to the needs of customers of all segments. Furthermore, we remain devoted to constant improvement of our products and services that we offer to the market. I believe that, in light of our solid foundations and efficient implementation of the defined strategy, we will continue to improve our operations, acting for the benefit of the economy, citizens and the entire community.

Sincerely,

Draginja Đurić

President of the Executive Board

4. Macroeconomic environment and the banking sector

Serbia's economy in 2014 was marked by the return of recession caused by the May floods, extremely low inflation, which as of March remained below the target band, and enhanced volatility of the dinar as a result of the turmoil in international markets and uncertainty surrounding the speed and efficiency of fiscal consolidation in the country.

The Serbian Government continued the reforms aimed at improving the economic and business environment and in mid-year it passed new laws on labour, spatial planning and construction, privatization and bankruptcy. This new set of reform laws should, in addition to facilitating the attracting of investment, improve Serbia's rank in the global competitiveness rankings of the World Economic Forum, where it occupies the 94th place and has the second lowest ranking among the countries of the Western Balkans, after Albania.

The adoption of resolute austerity measures, which include cuts in pensions and public sector wages, the elimination of subsidies, a stronger fight against the grey economy and incentives to the private sector, was preceded by the signing of a three-year precautionary arrangement with the IMF.

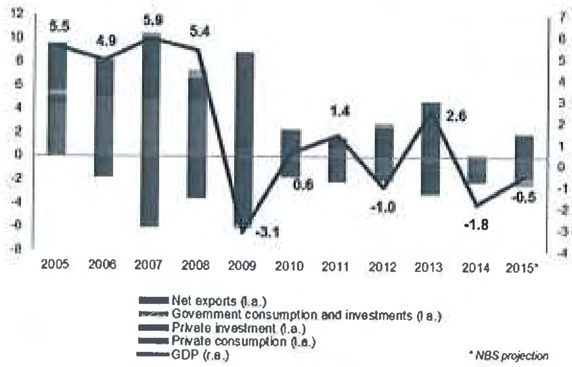
According to the economic program agreed with the IMF, continued fiscal adjustment aimed at stabilizing the public debt in the coming period will be based on cuts in non-discretionary spending and savings on state aid to state-owned enterprises, while envisaging public sector rightsizing and the completion of the restructuring of public enterprises. Although these measures will cause recession to continue in 2015 as well, they will contribute to macroeconomic stability and create the environment for sustainable growth in the medium term.

Macroeconomic environment

Economic activity

Serbian economy has returned to recession for a third time since 2008. A real GDP drop of 1.8% was predominantly caused by the decline in industrial production due to the May floods, which inflicted the most severe damage to the mining and energy sectors, and a fall in external demand caused by a slower recovery of Serbia's major foreign trade partners.

Graph 1 - Contributions to the annual GDP growth rate, in %



Consistent implementation of strict austerity measures will contribute to decline in personal and government consumption, and on this basis domestic demand, and thus in 2015 as well, we can expect the recession to continue. Still, adequate fiscal adjustment, followed by the implementation of structural reforms, should result in higher domestic and foreign investment, increased exports and improved productivity and competitiveness of the economy in the medium term.

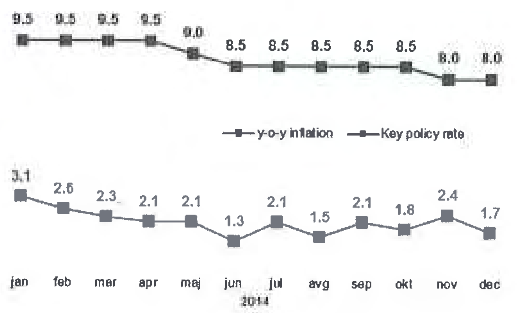
Inflation

As of March, year-on-year inflation remained below the lower bound of the target tolerance band (4% ± 1.5%) and at the end of the year stood at 1.7%. Lower-than-planned inflation is largely a consequence of temporary factors, such as an unexpectedly low growth in administered prices and a strong decline in prices of primary agricultural products and the oil prices on the international market.

After reaching a historical low of 0.1% in January 2015, year-on-year inflation will be on the rise in the coming period. This will be primarily caused by the low last year's base, the increase in energy prices (expected price adjustment of electricity) and the gradual disappearance of deflationary pressures coming from the prices of primary agricultural products.

In its *Memorandum on Inflation Targets until 2016*, the National Bank of Serbia committed to targeting an inflation rate of 4.0% with a tolerance of 1.5% during 2015 and 2016.

Graph 2 - Year-on-year inflation and key policy rate trends, in %



Monetary policy

Although the low inflation rate left room for monetary policy loosening, the National Bank of Serbia pursued prudent monetary policy in the course of 2014 bearing in mind the uncertainties in the international environment, including the different characters of the monetary policies of the Fed and the ECB, as well as the instability in the region due to the crisis in Ukraine. The key policy rate was reduced during the year by a total of 150 basis points amounting to 8% at end-2014.

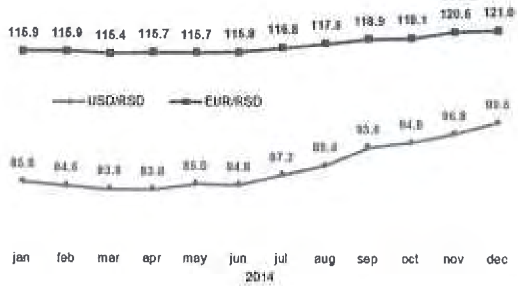
The rates at which banks calculate the foreign exchange reserve requirement were reduced (to a level of 26% and 19% depending on maturity) while at the same time the structure of the foreign exchange reserve requirement was changed, by increasing the portion that is allocated in dinars (to 38% and 30% depending on maturity). The aim of reduction of FX reserve requirements and the consequent lowering of the costs of borrowing and unlocking of a part of the banks' credit potential is to stimulate bank lending activity.

The character of monetary policy in 2015 will depend on developments in the international arena, while consistent fiscal consolidation, supported by the IMF arrangement, and announced structural reforms will increase the scope for possible monetary policy relaxation.

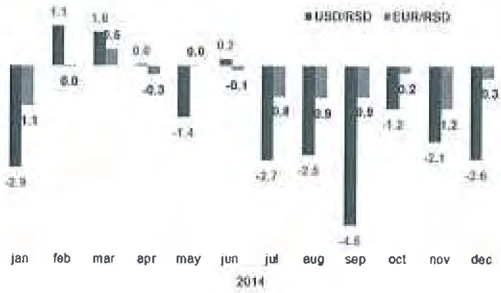
Dinar exchange rate

In 2014, the dinar nominally depreciated against the euro by 5.2%, and against the dollar by 16.4%, while the NBS intervened in the foreign exchange market by selling EUR 1,880 million and buying EUR 260 million in order to prevent large daily fluctuations of the dinar. The weakening of the dinar was caused by both global (the Fed's decision to terminate the quantitative easing and the crisis in Ukraine) and domestic factors (uncertainty surrounding the speed and intensity of the implementation of fiscal consolidation and higher energy imports). A better fiscal position of the country and the concluded arrangement with the IMF will contribute to the slight strengthening of the dinar in 2015.

Graph 3 - Dinar exchange rate trend



Graph 4 - Monthly exchange rate changes



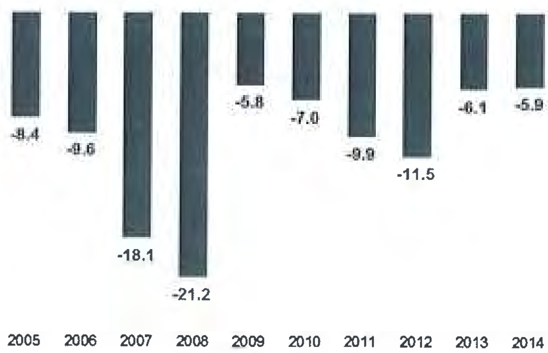
Current account deficit and external debt

Despite the negative effects of the floods, slackening external demand and lower inflows of remittances from abroad, the current account deficit continued to improve in 2014 and it stood at 5.9% of GDP.

About two-thirds of the current account deficit was covered by foreign direct investments and portfolio investments (which recorded a fall due to higher aversion of investors to emerging markets investing) and it is expected to be fully covered in the coming years.

According to the projections of the National Bank of Serbia, the trend of reducing the current account deficit will continue in 2015 as a result of low domestic demand (due to continued fiscal consolidation) and strengthening external demand (due to the expected recovery of the Eurozone).

Graph 5 - Current account deficit (% of GDP)

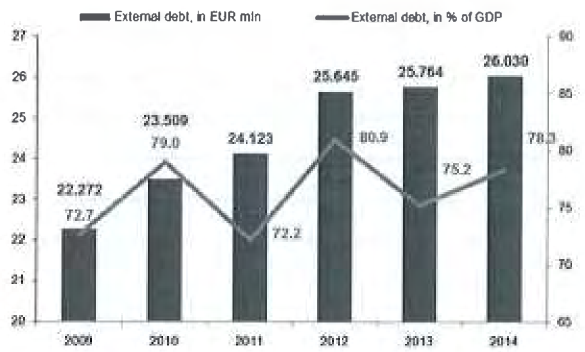


At the end of 2014 Serbia's external debt amounted to EUR 26.03 billion, or 78.3% of GDP, which is close to the limit of high indebtedness according to the World Bank criteria (80%).

Despite the fact the absolute annual rise in Serbia's external debt was low (EUR 188 million), the external debt-to-GDP ratio went up by 3.1 percentage points against the previous year, mainly due to the economic downturn and a loan from the United Arab Emirates amounting to USD 1 billion. The strongest impact on the lowering of external debt was exerted by commercial banks, which reduced their exposure to Serbia in the course of the year by more than EUR 800 million.

Also, despite the increase in external debt, the indicator of external solvency (external debt-exports of goods and services) was slightly improved and cut back to 180.2%.

Graph 6 - External debt

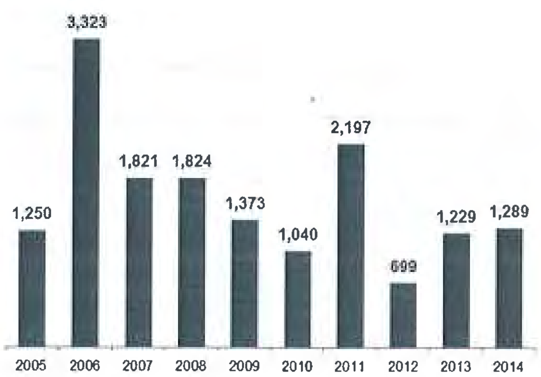


Foreign direct investment

Foreign direct investments in 2014 remained almost at the same level as in the previous year and amounted to EUR 1.29 billion. In terms of sectors, the largest inflows were recorded in the manufacturing industry, the financial sector and trade. In geographic terms, the largest inflow of foreign direct investments came from EU countries (about 80%), Russia (about 7%) and Switzerland (about 3%).

According to the projection of the National Bank of Serbia, the expected level of foreign direct investments in 2015 will be at a similar level as in 2014, and the bulk of it will be directed into the manufacturing industry and trade.

Graph 7 - Foreign direct investment, in EUR million



Foreign trade

Serbia's total foreign trade in 2014 stood at EUR 26.68 billion, up by 0.8% year-on-year. Exports of goods were worth EUR 11.16 billion (+1.4%), while imports were at a level of EUR 15.53 billion (+0.4%), resulting in a total trade deficit of EUR 4. 37 billion (-2.3%).

Road vehicles were the most important export product in 2014despite a drop in exports of 14.9%, accounting for 13.8% of total exports. The company Fiat remained the largest exporter in Serbia with a total value of exported goods amounting to EUR 1.36 billion.

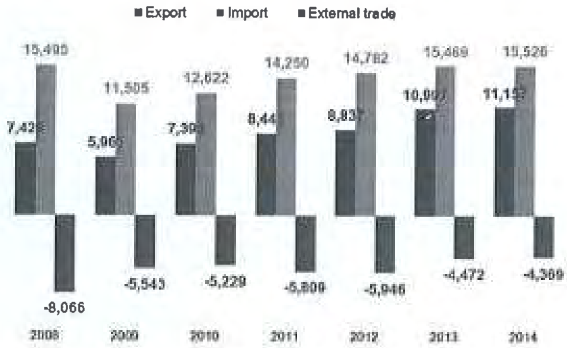
About two-thirds of Serbia's foreign trade is oriented towards the European Union countries; hence exports to these countries accounted for 64.6% of total Serbian exports, while the share of imports from these countries in total imports stood at 63.3%.

Major foreign trade partners in exports were Italy (EUR 1. 93 billion), Germany (EUR 1.33 billion) and Bosnia and Herzegovina (EUR 993 million), while the largest imports came from Germany (EUR 1.85 billion), the Russian Federation (EUR 1.76 billion) and Italy (EUR 1.73 billion).

Sluggish domestic demand will contribute to the narrowing of the trade deficit in 2015, being a direct consequence of the continued implementation of fiscal consolidation measures and recovery of demand in the Eurozone.

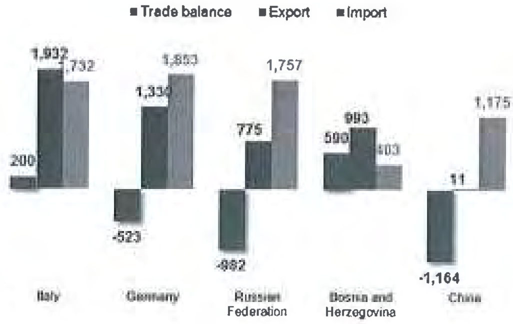
Graph 8 - Foreign trade

(EUR million)



Graph 9 - Foreign trade with major partners

(EUR million)



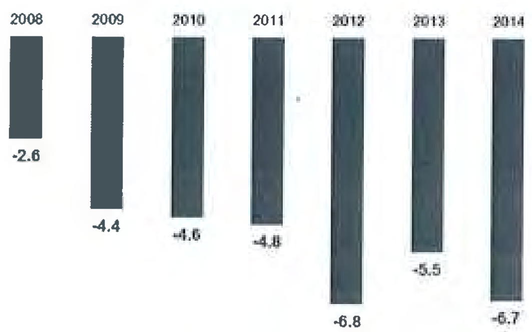
Fiscal policy

The Serbian economy faced serious fiscal imbalances in 2014. The general government deficit remained at a very high level and amounted to RSD 257.5 billion (or 6.6% of GDP), of which as much as 70 billion were below the line expenditures (payment of called guarantees for loans to public and state-owned enterprises and interventions in the financial sector).

Fiscal trends were more favourable in the second half of the year, underpinned by the effects of fiscal consolidation measures taken in the field of fight against the grey economy and tax evasion, as well as the cuts in public sector wages and pensions.

In November the government concluded a three-year precautionary arrangement with the IMF, thus demonstrating its readiness to reduce the budget deficit to around 4% of GDP by 2017 and consequently stop public debt from growing. A new set of measures on the expenditure side will be implemented during 2015 and in addition to freezing pensions and salaries in the public sector (which have already been nominally reduced) includes further savings on state aid to public enterprises (including subsidies) and in public procurement, public sector rightsizing (the plan is to cut staff by 5% a year, of which half the cuts will come through attrition) and the restructuring of state-owned enterprises.

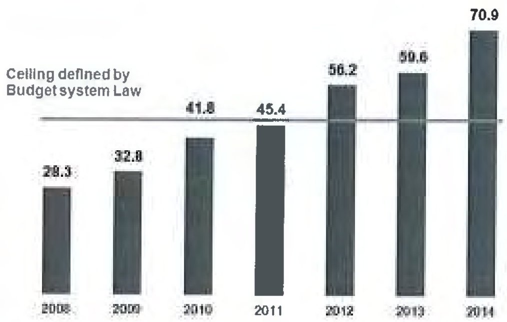
Graph 10 - Consolidated budget deficit (% of GDP)



The rising budget deficit resulted in the rapid growth of public debt, on average by EUR 2.5 billion per year in the aftermath of the global economic crisis. This trend continued in 2014 when public debt amounted to EUR 23.2 billion, or 70.9% of GDP, which is far above the legally prescribed ceiling of 45% of GDP.

However, unlike in the previous years, the increase in public debt, expressed in per cent of GDP, hit a record high (as much as 11.1 pp) in 2014. The main contributor to this upsurge, together with the high fiscal deficit, was strong appreciation of the dollar against the euro, as well as the dinar. Changes in exchange rates alone contributed to the increase of public debt by 5 pp. Due to the unfavourable currency structure of public debt (80% is denominated in foreign currency) the government plans to increase the share of the dinar-denominated public debt in the coming period in order to prevent the adverse impact of exchange rate changes on public debt.

Graph 11 – Public debt (% of GDP)



As regards expectations for 2015, continued fiscal consolidation in the short run will have an adverse effect on the recovery of the Serbian economy but will remove obstacles to faster economic growth in the medium term. The recent financial crisis has shown that countries should spend what they earn and strengthen their economic competitiveness; therefore, the continuation of much needed structural reforms, supported by the IMF review mechanism, will be a strong sign which will convince investors that the national priority is to create good conditions for doing business.

Banking sector

The total assets of the banking sector in Serbia, which comprised 29 banks at the end of 2014, reached the level of RSD 3,3 trillion (EUR 27.4 billion), posting a nominal increase of 5.0% compared to the previous year.

Credit growth in the previous year was 3.3%, primarily due to growth in retail loans (7.6%) and a mild growth in corporate lending (0.8%). Against the backdrop of an overall slowdown of lending activity and a more cautious approach applied by banks, aforementioned growth created conditions for total loans of the banking sector to reach the level of RSD 1,9 billion (EUR 15.6 billion) at the end of 2014.

The program of subsidized loans, which was initiated by the Government of the Republic of Serbia in the second quarter of last year, was the main driving force behind increase of placements to corporate clients. Loans under this program were disbursed in local currency, aiming to maintain current liquidity, finance working capital and refinance existing loans with the same bank. The Government's objective to encourage the recovery of the Serbian economy through attractive interest rates resulted in loans granted in the amount of RSD 136 billion, placed primarily to micro, small and medium-sized enterprises.

Against the backdrop of low liquidity in the economy and worsening of debt collection, credit demand of economic agents was focused on the restructuring of their existing obligations, financing of working capital and utilizing on subsidized program. Investment loans remained at an extremely modest level, given the unstable economy and lack of investments. In this regard, subsidized placements that reduced interest rates for borrowers, while maintaining level of interest rates for banks constitute only a temporary measure. Long-term recovery of lending activity is related to the recovery of overall economy and the real sector, as well as improvements in the regulatory and business environment.

As for retail lending, the total growth was underpinned by a strong rise in cash loans as a result of customers' needs to refinance current obligations, due to the deteriorating living standards and very unfavourable situation on the labour market.

Deposits continued to grow in 2014, reaching the level of RSD 1,7 trillion (EUR 13.9 billion) at the end of the year. The nominal growth of 7.7% is the result of almost equal contribution of both corporate (7.4%) and retail deposits (7.4%).

Despite the fact that subsidized loans had a positive impact on the process of dinarization of the Serbian economy, bearing in mind that they were disbursed exclusively in dinars, without the possibility of a currency clause, the movement of the exchange rate still exerts a strong influence on the volumes of both loans and deposits. In fact, at the end of 2014, 69% of loans were linked to foreign currencies (59% of retail loans and about 75% of corporate loans), while foreign currency deposits accounted for 76% of total deposits (89% in the retail and 46% in the corporate segment).

Despite the fact that banks increased the level of dinar deposits from the beginning of 2014, recent amendments to the National Bank of Serbia regulations related to the banks' reserve requirements contributed to the decrease in dinar liquidity and, consequently, the increase in the price of local currency sources and placements.

In the coming period, banks are expected to continue with a prudent risk management and responsible lending strategies, especially in the corporate customer segment, in response to the unstable economic situation and problems with bad debts. Credit requirements for corporate clients were tightened especially in terms of maximum loan size, maximum maturity, as well as more stringent requirements in terms of loans collaterals. On the other hand, banks have lowered interest margins and non-interest rate charges under circumstances of more favourable FX funding sources, as well as growing competition.

On the other hand, credit standards for retail loan approvals have not been significantly changed, whereas growth in demand is expected, especially for dinar-denominated cash loans and loans for refinancing. Oppositely demand for mortgage loans is expected to decline.

The most important factors that limit faster growth in lending activity include a high proportion of non-performing loans. This indicator reached the level of 23% at the end of Q3 of 2014, predominantly due to the high burdens of non-performing loans in the corporate segment (27.3%). Although the NPL indicator for the retail segment has remained at a relatively low level (10.2%), the drop in households income level will reflect on the rest of the economy through the fall in aggregate demand.

Nevertheless, the stability of the banking sector is not compromised, as evidenced by the high level of capital adequacy of 19.3% in Q3 of 2014, well above the statutory minimum of 12%. In addition, the coverage of NPLs by total loan loss provisions for estimated balance sheet and off-balance sheet losses was extremely high and amounted to 115.2% in September 2014.

Banca Intesa holds the leading position in the domestic market in all the most important success criteria of banking operations. According to September 2014 data, the Bank was ranked first in terms of total assets (with a market share of 16.2%), placements to clients (16.4%) and customer deposits (16.4%). Also, Banca Intesa is the leader in card and payment transactions, with a base of over 1.6 million customers in the retail segment and nearly 119,000 in the corporate segment at the end of 2014. The Bank operates through 177 branches which are supported by the largest network of ATMs and POS terminals on the market.

5. Elements of the Bank's strategy and planned development

Banca Intesa strives to maintain the leading position in the banking sector in Serbia, providing sustainable solutions and active support to the process of Serbia's economic recovery.

The strategic goal of the Bank is to strengthen its market position through selective growth especially in the 'upper mass' and 'affluent' segment of operations with individuals and small businesses, as well as through stronger support to export-oriented customers. At the same time, the Bank will focus on improving the quality of the loan portfolio with an aim to minimize the cost of risk and upgrading the IT system to support the planned growth of business activities.

The accomplishment of the strategic goals is planned through strategic initiatives, which are grouped into three main areas:

I Realization of untapped potential for revenue growth

One of the main objectives of the Bank is to increase business activities with low-risk segments both in retail and corporate segment. In regards to the retail customers, the Bank will utilize potential for lending to the 'upper mass' segment and improve its positioning in the 'affluent' customers market niche, by enhancing the product offer that shall enable more tailored-made approach.

In the corporate segment, most of the attention will be given on business with more creditworthy customers while gradually scaling down the volume of transactions with large and state-owned companies with lower credit ratings. Additionally, Banca Intesa intends to achieve the planned growth by providing support to foreign direct investments, increasing cross-selling to customers and enhancing price efficiency. It has been envisaged an accelerated shift from the traditional network model as the main sales method towards an integrated approach through direct channels, as it provides more efficient delivery of services and better understanding of customers' needs. The development of a number of channels will be promoted through the website improvement, greater participation of social media and integration with the CRM system.

II Continuous cost management aimed at maintaining high efficiency

The Bank will continue its strong commitment to sustainable cost effectiveness, taking fully into account the necessity of conducting constant cost and productivity controls. The main areas of cost improvement include the optimization of the Bank's network, enhancement of efficiency by streamlining business processes and reducing labour-intensive activities. The bank plans to use cheaper distribution and communication channels, in order to keep pace with modern technologies and new banking operations. Accordingly, the Bank will continue to work on the stabilization of the IT platform, as well as on the development of an integrated IT infrastructure with capabilities of quick calculation and processing, with the aim of improving the overall capacity of the Bank in response to the rapid and dynamic market environment.

III Dynamic lending and risk management

In the coming period, one of the main objectives of the Bank will be to strengthen further the risk management function in order to hinder the cost of risk, to create and enhance procedures and tools for delinquency management, as well as to maintain stable provision levels. The Bank plans to standardize the whole loan approval process and to automate credit analysis functions by improving predictive and descriptive techniques of risk monitoring and early-warning operations that shall prevent portfolio deterioration.

An improved system for monitoring the quality of portfolio shall lead to the full implementation of the AIRB approach that will enable analytical decision-making and create the basis for the introduction of Basel III standards. The Bank will apply the 'Risk Appetite Framework', harmonized with the Parent bank and integrate the adopted limits into business processes. In addition, in the forthcoming period, the Bank will continue to effectively manage liquidity reserves and a sustainable loan-to-deposit ratio with a strong focus on the maximization of economic value added. Effective liquidity management will be achieved through appropriate use of liquidity reserves, while maintaining a stable deposit base and adequate liquidity buffers at a lower price, with a gradual decrease in large customers' deposits and expanded use of affordable funding from supranational organizations. In the coming period, the Bank will strive to maximize the return on risk-weighted assets and to effectively manage capital adequacy by directing business towards improvement in risk/return frame in accordance with the Basel III standard.

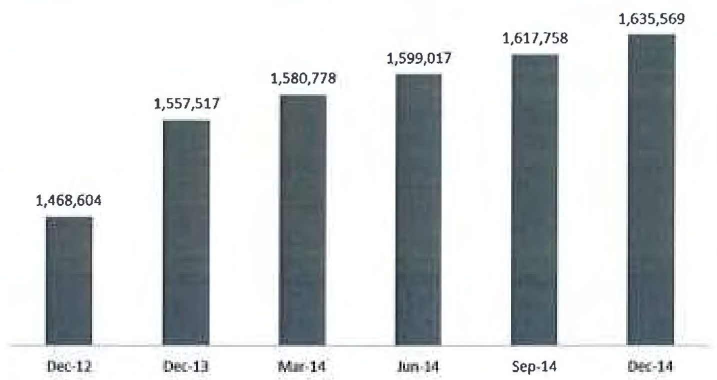
6. Retail banking

Despite the fact that 2014 was characterized by adverse macroeconomic trends and an overall decline in customer demand, caused by the rising cost of living and uncertainty in the domestic labour market, Banca Intesa was able to improve its operations in the retail segment. The growing clients' needs impelled the continuous Bank's commitment towards improving services, new product development, as well as investments in the business network and modern distribution channels.

Private individuals

In a challenging market environment, total loans to households in 2014 went up by 7%, while retail deposits increased by 11% compared to the previous year. At the same time, the customer-oriented business model contributed to the expansion of the customer base and increased number of clients, who recognized Banca Intesa as a reliable and stable financial institution.

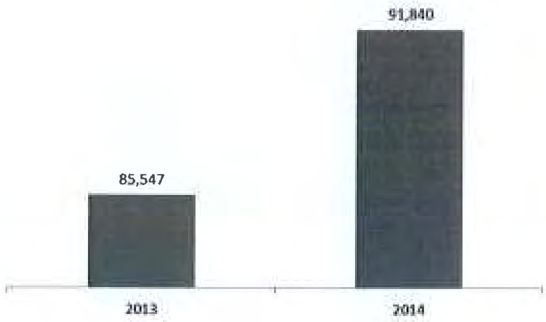
Graph 12 - Number of private individual customers



A strong focus on the customers and their needs resulted in the improvement of business processes in the segment of private individuals during 2014. The most important improvements that marked the previous year were made in the field of credit process, as well as through alterations of products intended for short-term and medium-term lending to households. Since the concept of pre-approved loans was well received, this practice was successfully continued also in the course of 2014. More specifically, pre-approved cash loans with a defined repayment period and loan amount were offered to customers with good credit history and adequate creditworthiness.

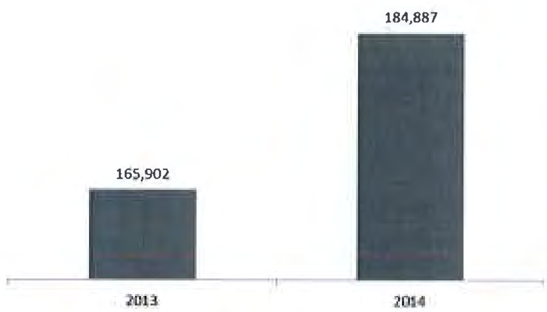
These factors, together with the implementation of the integrated marketing and sales approach, were the key drivers of significant growth in the cash loan production of 37 % year-on-year, enabling total new retail placements to exceed EUR 150 million. The mentioned growth strengthened Banca Intesa leadership position in total lending to retail clients despite weak macroeconomic conditions, which significantly influenced demand for mortgage loans during 2014.

Graph 13 - Loans to private individuals (RSD million)



As a result of the downward trend in funding costs in the course of 2014, it was continued the interest rates decline on deposits of private individuals. Nevertheless, in view of long standing trust of the Bank's customers, total deposits increased by almost RSD 19 billion in 2014. The growth of retail deposits was achieved at a rate higher than the market one while increasing the market share of the Bank from 16.1% in December 2013 to 16.6% in December 2014.

Graph 14 - Deposits of private individuals (RSD million)



Due to the general decline in interest rates on household deposits, Banca Intesa introduced a new deposit product with a non-standard maturity of 20 months, as a response to the rising demand for medium-term deposits.

In 2014, the Bank sought to raise the standard of its personalized business model Magnifica, designed for affluent customers. As a result, two new offices were opened, one in Belgrade and one in Novi Sad. Improvement of life insurance product offer, as well as brokerage services aimed at investment in government securities, significantly contributed to further enhancement of the quality of services to this customer category.

Being aware of the fact that success and corporate social responsibility require continuous effort and great devotion to all customer segments, the Bank continued its practice of energy efficiency lending also in the course of 2014, as well as the promotion of public health through the concept of Intesa Vita products.

Small business and agriculture

Amidst the protracted economic crisis, one of the most important goals of the Bank is to actively support and encourage the development of domestic businesses, as key drivers of the economic recovery of the country. Despite all the challenges that marked the previous year, accompanied with lower lending activity in the micro segment, and reduced number of loan customers in the banking industry as a whole, Banca Intesa has continually achieved significant growth of loan customers (increase of over 10% compared to the beginning of the year).

In the agricultural segment, Banca Intesa reached number of 78,429 customers, dominantly due to significant number of new customers and related increase of 14% compared to the beginning of the year.

During seven months of 2014, Bank took an active participation in Government subsidized program, by providing an access to the most favourable funding source to the customers from the small business segment, aimed at financing their current liquidity and working capital in the form of loans with subsidized interest rates. In that respect, from the very beginning of the program intended for alleviating the consequences of the 2009 crisis, the Bank has been the most active commercial bank in granting subsidized loans, striving to adjust its offer to the current situation and meet the needs of the business clients for additional sources of funding. Owing to the development and improvement of the models of granting short-term loans with priority decision-making, the Bank implemented the subsidized program so successfully that one in three loans granted to micro segment customers was disbursed by Banca Intesa. Such approach ensured the diversification of the Bank's loan portfolio and significantly increased the share of dinar loans in support of the initiative for increasing the dinarization level of the Serbian economy.

In addition to the Development Fund, successful and active cooperation continued also with the renowned international and state institutions:

- The European Fund for Southeast Europe (EFSE) – a new tranche that is intended for the financing of the purchase of land and agricultural machinery, with longer repayment periods and lower interest rates

- Kreditanstalt für Wiederaufbau (KfW) – signed credit line agreement that enables access to loans for the financing of energy efficiency and renewable energy projects. Using the KfW credit line, the customers can make significant energy savings and reduce CO_2 emissions, at the same time contributing to the environmental protection

- The Guarantee Fund of Vojvodina – through the continuance of the project of financing women entrepreneurs and providing access to long-term loans for the purchase of agricultural land and equipment by the farmers on the territory of Vojvodina

- Government of the Republic of Italy – through the extension of the Private Sector Development Program supporting small and medium sized enterprises with the funds from the Italian credit line with a very favourable interest rate

- The Kingdom of Denmark – continued implementation of the grant supporting small business customers and farmers in five districts in Serbia through loans with favourable conditions, through the Local Economic Development in the Balkans (LEDIB) program.

- Local governments – implementation of 14 cooperation programs involving lending for current and working capital at favourable terms.

Owing to exceptional dedication to this customer segment and continuous improvement of products and services, the Bank created several special offers with very favourable lending terms, while at the same time developing cooperation with different selling partners which represent companies that are leaders in the international market in their domain.

Additional confirmation of success of the operations in this segment is the growth of the deposit portfolio by over 25% year-on-year.

Payment cards

With regard to payment card operations, Banca Intesa confirmed its leading position in both the size of portfolio and the volume of performed transactions. The Bank issued a total of 1,124,717 payment cards, of which 819,481 debit cards to private individuals, 270,845 credit cards to private individuals, and 34,391 business cards.

In 2014, several successful campaigns were conducted in order to encourage the use of cards of all brands, together with specialized campaigns that contributed to the increase in the number and volume of POS transactions. In addition, a successful campaign focused on attracting new customers that contained a welcome bonus significantly contributed to the increase in the number of new credit cards and volume of transactions in the country and abroad. Namely, the number of transactions in the country grew by 9.5%, while transaction volume rose by 8.6% compared to the previous year. On the other hand, the number of transactions made abroad went up by 25.6%, whereas the transaction volume increased by 11.2%.

The year of 2014 witnessed further optimization and unification of the POS terminal network and harmonization with current requirements of card organizations. In addition, the POS network for contactless payments was expanded to a total of 2,694 terminals.

As a socially responsible corporation aware of the opportunity to help others, in cooperation with the MasterCard organization the Bank implemented a fund raising charity campaign which collected RSD 10.5 million intended for the construction of houses that were previously destroyed in May floods.

Direct channels and e-services

Lasting commitment to the modern and innovative technologies and sales channels resulted in strong customer trend of migrating from branch offices to electronic banking channels (Internet and Mobile banking, ATM and E-banking terminals), which enabled about 1.3 million transactions more compared to the previous year.

The share of electronic transactions performed by private individuals increased from 19.6% in 2013, to 25% in 2014. Mobile banking is still posting the strongest growth with an almost doubled number of transactions and with a tendency that from the current 20% share in total electronic transactions become dominant payment channel in the years to come.

The investment strategy in the direction of the development of a network of self-service terminals where customers can make payments themselves has also proved to be very successful, taking into consideration significant increase in performed transactions.

Business network

Aiming to respond to customers' needs in a most appropriate way, Banca Intesa continued to improve its business network in 2014, through branch allocation and refurbishments, sustained with more effective operations and adjusted working hours. Such an approach that was accompanied with an innovative offer and skilled staff enabled Banca Intesa to remain recognized for its service of the highest standard.

At the end of 2014, the Bank was present in 103 Serbian towns through a network of 177 branches and eight specialized mortgage offices Intesa Casa. With the aim of enhancing the level of services and customer satisfaction, features of 36 branches in 12 cities was improved.

The Queue Management System (QMS) was expanded to additional 13 branches. It enabled better analysis of customer needs and enhanced the organization of operations in 27% of branches that serve almost 45% of active customers.

In order to better meet its customers' needs, Banca Intesa extended the working hours of branches in Belgrade. Moreover, with an aim to increase the service capacity and reduce waiting times, the number of teller positions was increased, while staff re-allocation ensured full capacity of the branch operations.

In addition to furnishing the premises in accordance with the highest standards, significant funds were invested in modernization of branch equipment to increase staff productivity, particularly with regard to transaction services, thus additionally reducing the average waiting times.

To make the time spent in the Bank's branches more pleasant, large branches offer free Internet access and daily newspapers to their customers.

7. Corporate banking

Bearing in mind economic trends in 2014, it could be noted that the past year in domestic economy was similar to the previous ones. In addition to the high level of public debt and fiscal deficit, investment and export activities declined, while one of the very few positive signals, which could be considered as an announcement of the better economic climate in the country, is the fact that 9,000 businesses more were founded compared to the previous year. Moreover, the ratio of founded and closed companies was 1.4:1, meaning that for each closed company, 1.4 new ones were set up.

In the banking sector, reduced loan demand and liquidity surpluses with leading banks in the market indicate that, on the one hand, commercial banks have enough available funds, while on the other, there is no adequate demand, i.e. customers are increasingly cautious when it comes to additional borrowing. Furthermore, commercial banks were faced with pressures in relation to the quality of the loan portfolio and the share of non-performing loans. Consequently, banks have pursued more conservative lending approach, mostly demonstrating cautiousness when disbursing new loans and taking more carefully customers' credit rating. An exception to the generally weaker loan demand for new loans occurred in the form of high customer demand for subsidized loans under the package of measures introduced by Government of the Republic of Serbia.

Banca Intesa once again confirmed its dominant and leading position in the market, by placing over RSD 12.6 billion of subsidized loans to its corporate customers, resulting in the Bank's share of 14.6% in the volume and 26.1% in the number of customers to whom subsidized loans were disbursed.

Figure 15 – Market share in corporate loans and deposits

	2012	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Corporate loans	15.91%	16.80%	16.49%	16.49%	15.84%	16.14%
Corporate deposits	20.84%	20.60%	20.76%	19.75%	21.16%	20.68%

Table 16 – Number of corporate customers

	2012	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
LC	741	815	929	936	936	941
SME	8,597	8,589	8,610	8,646	8,671	8,548

With regard to the number of corporate customers, for many years now, Banca Intesa has had a dominant role in the market, which is reflected in the fact that of the total number of legal entities operating in the domestic market, more than two thirds have opened an account with the Bank.

Figure 17 – Corporate deposits (RSD million)

Corporate deposits	2013	2014
Dinar deposits	52,044	63,280
Foreign currency deposits	59,805	58,396
Total	**111,849**	**121,676**

Figure 18 – Market share in corporate deposits (by deposit currency)

	2012	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Dinar deposits	19.7%	19.2%	19.1%	18.2%	19.5%	20.2%
Foreign currency deposits	22.1%	22.4%	22.7%	21.7%	23.4%	21.3%

In the deposit segment, there was no significant decrease in the volume of deposits, despite the drop in interest rates, which confirms that for customers safety, quality of cooperation and the possibility of using other banking products and services come before price.

Figure 19 – Corporate loans (RSD million)

Corporate loans	2013	2014
Dinar loans	186,311	178,642
Foreign currency loans	9,215	11,560
Total	**195,526**	**190,202**

Figure 20 – Market share in corporate loans (by loan currency)

	2012	2013	Q12014	Q22014	Q32014	Q42014
Dinar loans	16.4%	17.5%	17.1%	17.2%	16.5%	16.6%
Foreign currency loans	9.7%	9.5%	9.7%	8.8%	8.5%	11.3%

Similarly to previous years, the Bank invested its best efforts to secure the most favourable sources of funding from international financial institutions in order to provide the most competitive and accessible commercial terms to its customers. The Bank's offer includes loans from the EIB, EBRD, and KfW credit lines for the financing of investment projects (purchase, reconstruction or expansions of fixed assets), non-current working assets and liquidity, infrastructure projects, as well as energy efficiency improvement and environmental protection projects.

KfW credit line for the public sector

The Bank continued with its tradition of providing active support and lending to public enterprises and local governments from the KfW credit line for the purpose of implementing infrastructure and other investment projects.

Since the beginning of cooperation with this financial institution, the Bank has approved loans in amount of more than EUR 85 million intended for over 370 projects for funding capital investment in local governments, aimed at improvement of the living conditions of the local population.

KfW credit line for energy efficiency and environmental protection for the public sector

In accordance with the commitment to continuously contribute to the local community, the Bank signed a loan agreement with KfW securing EUR 10 million for the financing of public sector projects, principally in areas of the energy efficiency and environmental protection. The loans are approved for a term of 9 years with a grace period of up to 3 years and a fixed interest rate. The particularity of this credit line is that the projects that provide energy savings or environmental protection improvement are entitled to a potential EU grant of up to 20% of the loan amount. Using the possibility for the projects funded in 2012 to also participate in this program, the Bank applied with a total of five projects, for three local governments and two public enterprises, which approval would secure approximately EUR 200 thousand in placements to customers.

EBRD credit line for energy efficiency

Banca Intesa and the European Bank for Reconstruction and Development signed an agreement on a credit line in the amount of EUR 10 million aimed at energy efficiency improvement, intended for private companies of all size, as well as local governments and public utility companies.

The credit line funds are planned for financing investments in fixed assets that result in energy savings of minimum 20%, with a repayment period of up to 5 years and maximum loan amount of EUR 2 million for private companies and EUR 2.5 million for public sector customers. The specificity of this credit line is the grant equalling 5-15% of the loan amount that the end-user receives after the investment implementation.

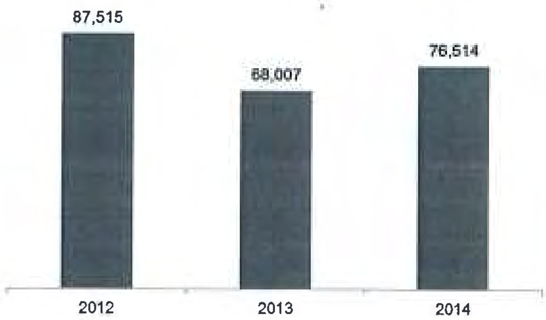
DOCUMENTARY AND GUARANTEE OPERATIONS

Documentary and guarantee products contribute to the expansion and development of international trade, representing the products of vital importance for the global economy. On the one hand, these products contribute to risk mitigation, liquidity improvement, while providing small and medium sized companies easier access to finance. On the other hand, these products enable more safety and less risk for the banks, that altogether shall contribute to the development of more quality market economy and faster economic progress.

With regards to the structure of such products, trend shows higher share of export and stand-by letters of credit, but also the increasing interest in the purchase of receivables from received letters of credit, which was contributed by a change in regulations. In addition, in the circumstances of limited financial resources in the economy, there is a noticeably growing interest in negotiable and back-to-back letters of credit.

Insufficient availability of such products in the domestic market presents an opportunity for their further promotion. In this respect, Banca Intesa will continue to be devoted to customer education and promotion of all the advantages of using these products for the customers' operations. On the other hand, in order to provide the highest possible quality service, the Bank will carry on with continuing development in staff expertise through various forms of training in the country and abroad.

Figure 21 – Guarantees and bill guarantees (RSD million)



PROJECT AND SPECIAL FINANCE

In the field of project and special finance, Banca Intesa focused its operations in 2014 on implementation and completion of projects initiated in the previous years, with the emphasis on financing the construction of residential buildings and flats with the selling price affordable to buyers of average purchasing power.

In addition to financing of the construction of residential and commercial facilities intended for sale or rent, the previous year was characterized with the preparation of projects associated to renewable energy sources. As a result, the Bank granted project finance funds secured by feed-in tariff collection.

In the course of 2014, Bank has continued to take part in special arrangements between banks, syndicated loans, and the so-called club deal programs. Nevertheless, Bank is committed to pursue active participation in such projects also in the future, in order to share the risks stemming from specific projects and other types of transactions.

FACTORING

The decreasing activity related to factoring transactions in 2014 is a result of the overall decline of the banking activity, but also as a consequence of the application of the Law on Payment deadlines that sets the maximum payment term for invoices at 60 days, which negatively affected interest of certain customers in factoring arrangements. Despite a somewhat weaker activity, more than 10 billion of receivables were purchased in the course of 2014.

Due to shorter time limits for the collection of invoices provided by the law, the collection cycle accelerated, which resulted in the increase of income from factoring fees by 15%.

As was the case in previous years, the Bank devoted special attention to the professional development of its employees and education of its customers, aiming to raise the awareness of the characteristics and all advantages associated with the factoring products.

Figure 22 – Factoring

	2012	2013	Total 2014	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Amount of purchased receivables (RSD million)	26,857	18,725	10,430	2,159	2,027	2,037	4,207
Number of customers	1,510	1,502	870	820	825	840	870

PAYMENT OPERATIONS

As the market leader, Banca Intesa is constantly involved in the development of innovations and improvement of its offer, aiming to provide its customers the most advanced products and services.

Last year, Bank developed a new solution for e-banking services with additional functionalities offering customers the possibility to perform transactions in an even simpler and more comfortable manner. Additional features came as a result of Bank's response to current market trends and customer needs. Namely, the new solution is adapted to a larger number of search engines and supports the delivery of statements and notifications via e-mail, while expanding the functionalities associated to payment cards operations. Furthermore, the new e-banking service enables the signing of orders with the so-called mixed-type signature and provides an overview of commissions charged.

In the course of last year, the share of electronic orders in the small and medium sized corporate segment was almost 86%, while its share in the large and international corporate segment was 93.5%.

Table 23 – Payment operations

Volume of domestic payment operations (RSD million)

2012	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	TOTAL 2014
3,767,500	3,783,864	705,086	767,380	832,995	940,357	3,245,818

Number of domestic payment transactions

2012	2013	Q12014	Q22014	Q32014	Q42014	TOTAL 2014
27,662,741	28,848,729	6,585,261	6,504,186	6,900,196	7,249,686	27,239,329

Volume of international payment operations (RSD million)

2012	2013	Q12014	Q22014	Q32014	Q42014	TOTAL 2014
593,412	595,771	104,983	107,710	122,039	175,412	510,144

Number of international payment transactions

2012	2013	Q12014	Q22014	Q32014	Q42014	TOTAL 2014
277,036	299,329	63,793	71,213	72,865	88,251	296,122

8. Asset management and investment banking

In 2014, Banca Intesa retained its leadership position in the foreign exchange trading operations, with market share of 14.3%. In addition to the standard product offer, the emphasis was on promoting and educating customers on modern products that shall enable more efficient financial risk management, primarily in area of foreign exchange risk.

Figure 24 – FX trading (EUR million)

	2010	2011	2012	2013	2014
Corporate customers	2.769,3	4.217	3.066,3	3.057,6	2.771,6
Retail customers	298	355	299,1	242,4	229,0
Other banks	1.583,9	2.659,1	2.788,8	1.509,8	899,2
NBS	218	10	116,5	73	157,0

Banca Intesa regularly participated in primary and secondary auctions of debt securities of Republic of Serbia, actively supporting the development of such a crucial segment of the capital market and government fiscal policy. Against the backdrop of declining interest rates on FX deposits in the entire banking sector, local public showed an increased interest towards investing in securities as an alternative to deposit operations. In this regard, Banca Intesa proactively informed its customers on the possibilities to invest in government bonds and made its brokering and custody services available to all interested institutional or individual investors.

In 2014, the Bank did not have perform repurchase of its own shares, nor it had own shares in its portfolio.

Banca Intesa conducted the role of the underwriter of the first municipal bond public offering in Serbia, for the financing of an investment project of the City of Sabac. The Bank's leading position in offering innovative products in the field of investment banking was affirmed by a successfully completed job of the Agent and Underwriter of the issue, accompanied with structuring the public invitation and managing the subscription, publishing at the Belgrade Stock Exchange, as well as introducing the internal registration structure that enabled equal (non-discriminatory) participation of institutional and individual investors in registration.

Figure 25

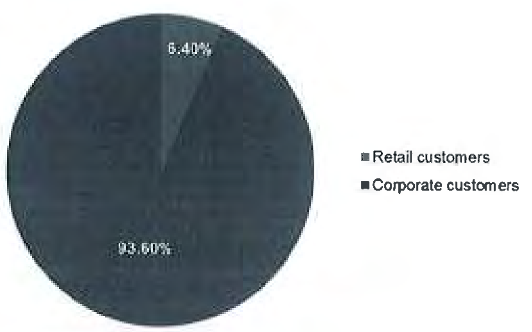
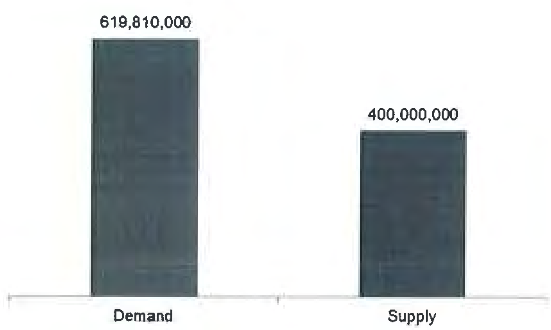


Figure 26



The total offered municipal bond issue amounted to RSD 400 million, where the demand exceeded the supply by 50%.

Banca Intesa also improved the offer of financial instruments for managing dinar and foreign exchange liquidity (currency swap contracts), primarily intended for institutional investors in RSD denominated bonds of Republic of Serbia who want to completely or partially eliminate the foreign exchange risk. Compared to 2013, the Bank increased the volume of concluded currency swap contracts by 6%, striving to be the market maker in this operating segment.

9. Corporate social responsibility

In order to maintain the balance between economic, social, and environmental aspects of its activity, Banca Intesa continued to integrate the concept of sustainability and corporate social responsibility into its business plans, decisions and everyday activities in 2014. Wishing to contribute to the strengthening of the Serbian economy, improving social inclusion and greater well-being of the community by socially responsible practices, the Bank strived to respond to the needs of all its stakeholders: its employees, shareholders, customers, and the entire community.

Intending to remain a long-term and stable supporting pillar in its social and economic environment, Banca Intesa adapted its corporate social responsibility activities in 2014 to the circumstances caused by the unprecedented floods. In this respect, the Bank provided significant material and non-material resources for the support to the affected citizens, companies and employees from the affected areas. The contribution to flood recovery efforts together with assisting our fellow citizens was the primary area of action in the domain of corporate philanthropy, and these efforts of the Bank were recognized in the form of the award "Business Planet" granted by economic magazines *Ekonometar* and *Magazin Biznis*, as well as the award "My Choice" granted by the non-profit and non-governmental organization *Moja Srbija*.

At the same time, the Bank helped the implementation of a wide range of projects throughout the year in the fields of education, culture, healthcare and sports, and additionally improved specialized products intended for vulnerable social groups. Additionally, employees were provided with a working environment conducive to individual development and progress.

COMMUNITY

Contribution to flood recovery

Commitment and readiness of Banca Intesa to contribute to the mitigation of consequences of the catastrophic floods that struck Serbia in 2014 are best illustrated by the fact that a total of RSD 27.3 million, or half of the funds donated through the philanthropy program last year, were directed for the above purposes.

Immediately after the outbreak of floods, the Bank paid RSD 6 million in aid into the special purposes account of the Republic of Serbia Government, and donated the supplies worth RSD 5 million to the citizens who were forced to leave their homes. In addition to cash assistance and donation of basic supplies, Banca Intesa exempted from fee any payments towards the special purpose charity accounts, opened with the aim of collecting donations for the people affected by floods, and offered its customers from affected areas a range of financial facilities such as standstill of loan obligations, exemption from monthly account maintenance fees and monthly credit card membership fees, etc. Furthermore, Banca Intesa opened a special purpose account and invited all its employees to donate funds to assist colleagues facing difficulties, which was topped up by the Bank to fully cover its employees' costs of reconstruction of their damaged homes. Great efforts were also invested in restoring the functions of the branches or ATMs in the municipalities under the emergency regime to enable constant access to citizens to their funds.

In cooperation with MasterCard company, a charity campaign "Be Part of a Good Deed" was launched in July last year, during which each payment with Banca Intesa Maestro and MasterCard payment cards in the country meant a 10 dinar donation of these companies, so after the end of this campaign, RSD 10.55 million was paid for the reconstruction of the homes of worst affected families in Kladovo.

The Bank's activities in this sphere were rounded off by volunteering of its staff, who as part of the *Our Belgrade* activity, participated in the preparatory construction works on a family house in Obrenovac and the refurbishment of the "Nevena" kindergarten that is located in this Belgrade municipality.

Corporate volunteering

As part of its corporate volunteering program "Intesa from the Heart", during the previous year Banca Intesa also implemented the projects and activities, due to which it was already recognized as the company that shares its belief in the need to act for the benefit of the entire community with its employees.

For the fourth time in a row, Banca Intesa joined the most important corporate volunteering campaign "Our Belgrade", which was organized last year with the aim of providing assistance to the families from Obrenovac. More than thirty employees of the Bank participated in the painting and arranging the outdoor area of the "Nevena" kindergarten and removing the façade and internal walls of a family house so that the facility would be prepared for reconstruction works.

In the course of the year, the Bank's employees held several lectures and seminars to educate talented university and high-school students on finance and banking, but also on ICT and management. Banca Intesa representatives shared their knowledge of monetary policy instruments and their impact on the macroeconomic system with the participants of the Petnica Science Center's "Exploratorium" program, while the concept of life-long learning was presented in the "Leadership in Making"program. Additionally, during the "OpenIT" event gathering almost 100 senior university students, the Bank staff held a series of lectures on the use of modern technology in banking and actively participated in discussions with students.

In the Bank's traditional "Wrap a Gift and Make a Child Smile" campaign, which was in its sixth consecutive year, the employees prepared almost 1, 000 New Year's gifts worth one million dinars, and personally gave them to the children with special needs in three Serbian cities. The children attending seven special education institutions in Belgrade, Aleksinac and Obrenovac, as well as the children attending one Belgrade kindergarten had an opportunity to enjoy their new toys, sweets, school kits and personal hygiene products.

Corporate philanthropy

During the previous year, Banca Intesa continued to actively support the work of educational, healthcare, social welfare, and cultural institutions, and provide support to civil society organizations implementing philanthropy projects. In 2014, the Bank set aside RSD 61.3 million for the corporate philanthropy program, where the largest part of funds was donated to the projects aimed at dealing with the consequences of floods. Among the activities undertaken some of the most prominent are the donation to the Obstetrics and Gynaecology Hospital "Narodni front" for the reconstruction and equipping parts of this healthcare institution to improve the conditions in which pregnant women are treated and where babies and new mothers stay; support to the Belgrade Philharmonic Orchestra for their international tour of the USA; support to the National Foundation for Dance for the staging of the modern dance performance "Damned Yard", based on the novel of Ivo Andric.

RESEARCH AND DEVELOPMENT ACTIVITIES

Customer satisfaction management

In terms of customer satisfaction, 2014 saw no significant changes. Customer care and dedication to the development of successful cooperation significantly contributed to the maintenance of a very high level of loyalty among Banca Intesa customers. Moreover, owing to continuing efforts to eliminate the causes of customer dissatisfaction, accept their requests and suggestions, as well as constant innovation, Banca Intesa retained a high level of all customer satisfaction indicators. Satisfaction survey results attested to the efforts of staff to strengthen customer trust and improve the quality of service.

As in the previous years, more than 15,000 customers, individuals and legal entities, were successfully interviewed in cooperation with the GfK Market Research Centre. Such type of survey enables monitoring of customer satisfaction indicators at all organizational levels, from branches, through regional centres to the Bank as a whole. A scientifically tested and established approach based on the European Customer Satisfaction Index (ECSI) model was used for evaluating customer satisfaction level, enabling the comparison of Banca Intesa with other banks in the local market, but also with other banks in the Intesa Sanpaolo Group. The advantage of this approach is that it enables planning and implementing not only activities at the Bank level, taking each branch as a separate unit, but also those that help enhance service quality and satisfaction of the customers visiting these branches most often.

Figure 27

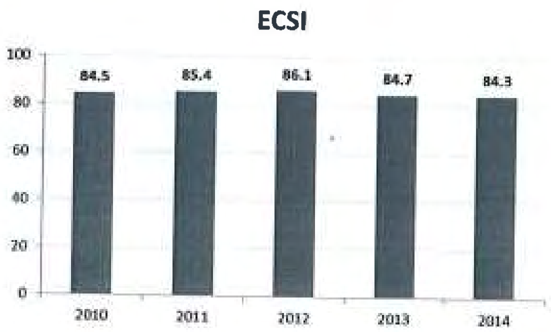


Figure 28

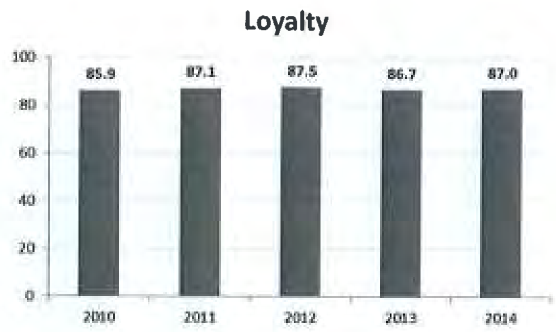


Figure 29

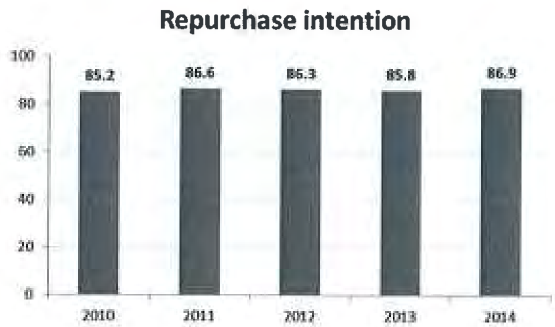


Figure 30

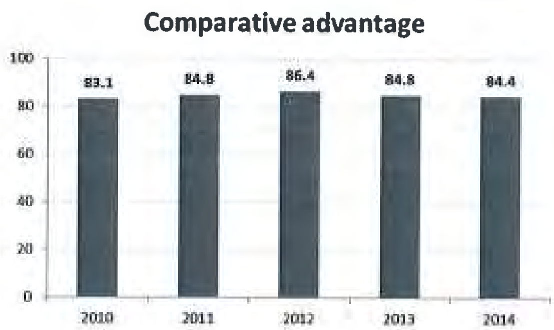
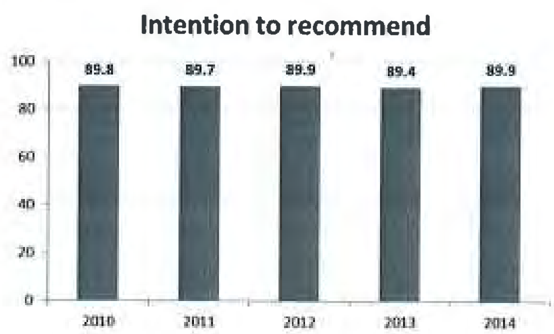


Figure 31



As in previous years, customers rated very highly the quality of the business relation with Banca Intesa employees, the support they get after buying a product or a service, as well as the ability of the Bank to meet their expectations. Customer satisfaction surveys show that the customers recognized and favourably rated the trust Banca Intesa inspires, but also the activities relating to the matching of product price and quality. Survey results show that the inclusion of customer satisfaction indicators in the system of operational improvement and enhancement of service quality definitely produced results, which is, among other things, reflected in a highly rated innovation element and clearly expressed customer wishes to recommend the Bank to their friends.

The SME sector also reports a high level of customer satisfaction, particularly when it comes to the assessment of loyalty. The customers from this segment positively evaluate the trust in and cooperation with Banca Intesa, recognize and appreciate the attention given to them by the Bank, as well as the readiness and capability of the Bank employees to provide them with adequate support.

Figure 32

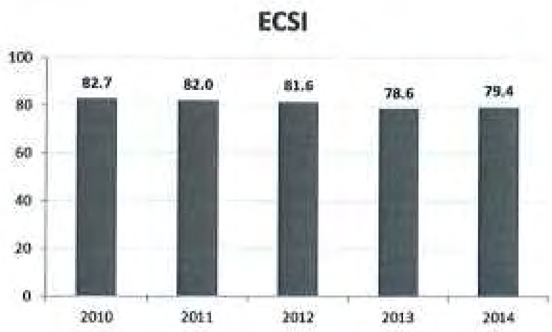


Figure 33

Comparative research of the SME customer segment confirms the high values of loyalty indices and accompanying indicators, which was additionally confirmed by internal surveys. Banca Intesa is recognized by customers as a reliable partner, which is reflected in the high percentage of customers who would turn to the bank if they needed a credit product or another banking service. The high level of customer satisfaction is to a great extent a result of the high quality service provided by the staff, as the customers from this segment very highly rated staff expertise but also their accessibility and time devoted to them. In addition, large share of customers from this segment use e-banking services and demonstrate a high level of satisfaction with these services, which additionally strengthens the connection between the Bank and its customers.

On the basis of the parent group initiative named "Prove Yourself 100%", Banca Intesa carried out the third student contest devoted to customer satisfaction in 2014. The aim of the competition was to enable the students to apply the acquired theoretical knowledge about project preparation on a certain topic, by placing them in a true business situation in the field of customer satisfaction management (Customer Satisfaction University Award), and giving them the opportunity to develop the spirit of competition and compare themselves with their peers from the region. In 2014, the final, international competition was held at the head office of the parent group in Milan, where the Bank achieved excellent results, after winning the first place in the previous contest.

Products and services development

The focus of the development activities of the Bank in 2014 was aimed at the improvement of services to customers, particularly regarding the development of digital channels and communication. In line with global trend of increased number of electronic banking and mobile devices users, addition of new functionalities and upgrade of existing ones have significantly improved the On-line solutions and Intesa Mobi.

The past year has brought improvements in supporting Magnifica concept that deals with customers of particular importance for the Bank. Additionally, the mechanism of processing customer complaints has been redesigned, which led to an increase in overall customer satisfaction.

Continuous improvement of application architecture should lead to easier introduction of new products and further business growth. The system of products approval has been improved with aim of faster and more efficient processing of the requests and providing services to clients. In order to increase the effectiveness of its business processes, Bank has been improving operations in relation to payment cards, while significant progress has been achieved in the area of regulatory and financial reporting.

Several initiatives have been implemented due to the requirements of local regulatory authorities while some initiatives were aimed at harmonizing the Bank's operations with the EU regulations.

Support to agriculture

Appreciating the importance of the agricultural sector and its role in the country's economic recovery, Banca Intesa conducted the second annual Intesa Farmer competition to encourage further development of agriculture and strengthening its competitiveness. The most successful crop farmers, vegetable growers, fruit growers and livestock breeders were awarded with a trip to the Paris International Agricultural Show and vouchers worth RSD 100 thousand for the purchase of agricultural equipment and animal feed.

Financial inclusion

The concept of financial inclusion was yet again an important element of socially responsible activity of Banca Intesa aiming to adapt its products and services to the needs of specific social groups.

Recognizing the actual needs of citizens, whose causes lie for the most part in the complex social-economic situation in the country, Banca Intesa made the Intermezzo Cash Loan even more favourable, offering the postponement of the repayment of monthly instalment up to five times during the repayment period, and insurance in the event of job loss. Additionally, Banca Intesa continued to grant loans for financing healthcare services as part of the "Intesa Vita" program, providing favourable loans for in vitro fertilisation, preservation and storage of stem cells, dental services, medical treatments in spas, as well as loans for refractive eye surgery, laser vein treatment and purchase of orthopaedic aids.

The terms and conditions for Senior Cash loans intended for pensioners were even more favorable last year. We also continued issuing "Visa Classic Paralympic" and "Visa Electron Paralympic" cards, the first charity payment cards in the market, which Banca Intesa has been offering to the public since 2008 in order to help create a stable and independent mechanism for long-term assistance to athletes with disabilities and the development of Paralympic sport in our country. At the same time, special debit cards, Intesa Visa Electron Easy Travel Card (ETC) and Maestro ISIC, with current account opening and maintenance free of charge, are available to students.

Banca Intesa is engaged in supporting self-employment and entrepreneurship development through start-up loans for women entrepreneurs in Vojvodina, while making available to entrepreneurs, farmers, SMEs and local governments favourable sources of funding from the credit lines of international financial institutions.

Environmental impact

Banca Intesa consistently implemented the policy of responsible use of resources and waste management in 2014 to minimize the adverse impact on the environment. With this aim, the Bank collected more than 60,000 kilograms of paper and nearly 22,000 kilograms of electronic recyclables and continued its project of automatic shutdown of all workstations after working hours, which created savings in electricity consumption of 28.67% compared to the previous year. Also, the initiative to reduce the consumption of paper by consolidating the printing system that involves centralized device management and both-side printing in all business processes continued in 2014, as did the publication of the internal magazine e-spresso in electronic form.

Working environment

A successful company is made up of successful people. Likewise, the Bank can boast dedicated, professional and educated staff that advances its operations by virtue of their knowledge, experience and ideas, year after year.

Employee care, as one of the Bank's priorities was reflected in numerous activities that were provided to the employees in 2014 to enable the development of their professional and personal potential.

We value the dedication of our employees to the Bank and its goals, as well as their focus on results and wish to develop professionally and advance their careers. All are guaranteed equal opportunities with regard to appraisal and remuneration. Starting from 2014, employees in the business network have been involved in the new incentive system, which is part of the global performance system. Through this system, they were assigned monthly targets which were the basis of performance monitoring. The assessment of conduct and customer satisfaction index, which make up the qualitative part of the assessment, together with sales results as the quantitative part, means that employee merit is recognized, motivation strengthened and the achievement of excellent results rewarded.

The level of employee knowledge and skills is in direct correlation with performance, so the Bank places constant development and training of its employees very high on its priority ladder. With over 3300 days of classroom training and over 3000 days of mentorship, and more than 9000 days of education through the e-learning system, the Bank employees had more than 15000 days of training.

Employees, being the most valuable resource of the Bank, make decisions, achieve results, and influence the promotion of its values. Considering that their knowledge constitutes invaluable capital, which is the only one that grows by sharing, numerous projects directed at knowledge exchange between employees at all levels were launched at all levels in 2014.

Being a part of a large international group, the Bank encourages the development of international experiences and exchange of knowledge with the colleagues from the Head Office and those from other bank members of our Group, as was the case in previous years. Many employees were given the opportunity to spend some time working in the international environment, developing joint Group initiatives, and later sharing the knowledge acquired with their local colleagues.

Special attention is devoted to creating increased involvement of staff through promoting equal and transparent opportunities for all employees.

Projects for children of employees

For the tenth consecutive year, Banca Intesa's membership in Intesa Sanpaolo enabled it to provide the children of its employees with an opportunity to spend an unforgettable summer in a small town of Follonica, Tuscany. This was also a chance for the children from Serbia to meet their peers from Italy and Egypt, spend time with them and build their independence. In August 2014, 56 children of the Bank's employees visited this part of Italy.

Through cooperation with the Foundation for International Educational Exchange, Intercultura, Banca Intesa supported the Intercultura program of one-year schooling abroad in 2014 as well. The program was intended for secondary school students aged 15 to 18 years who are easily adaptable to changes, curious and openly accept cultural and other diversity. Two children of Banca Intesa employees completed the previous school year in Italy and used the opportunity to learn Italian, live in a different cultural environment and gain new experiences.

Educational, age and gender structure

We believe that enthusiasm and new knowledge of educated young people, as well as the experience and stability of older colleagues make up a combination that guarantees business success.

Table 34 – Employee qualifications

Qualification level	Under 30 years	30-40 years	40-50 years	50-60 years	Over 60 years	Total
I	0	1	0	1	0	2
II	0	0	0	1	0	1
III	1	17	15	3	0	36
IV	64	309	252	203	10	838
V	0	2	3	1	0	6
VI	104	374	121	69	2	670
VII/1	226	859	245	121	5	1456
VII/2	0	6	7	1	0	14
VIII	0	0	1	1	0	2
Total	395	1568	644	401	17	3025

Figure 35 – Gender structure

10. Risk management system

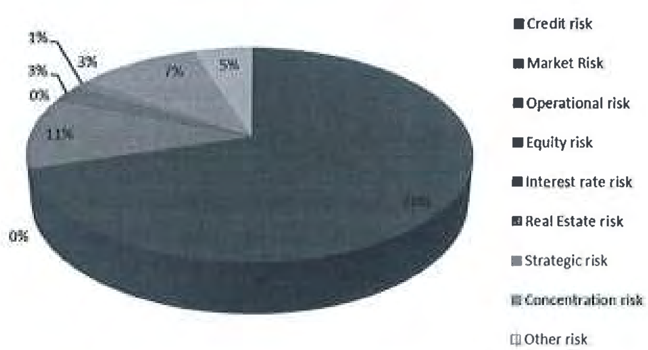
Banca Intesa identifies, assesses, monitors and controls risks to which it is exposed in its business operation and manages such risks in compliance with the Law on Banks and by-laws of the National Bank of Serbia, as well as with international standards and the best banking practice (Basel III, IFRS, and EU regulations). Particularly, the Bank's Board of Directors established an adequate risk management system and the system of internal controls in the Bank, which also includes supervision by the competent bodies of the Bank – the Board of Directors, the Executive Board, the Audit Committee, the Asset Quality Committee (the AQC) and the Assets and Liabilities Committee (the ALCO). Functioning of the above system is regulated by the policies and procedures adopted individually for each materially important risk type.

Basic principles in the domain of risk management imply an independent risk management function with respect to the risk-taking centres. Moreover, it is necessary that the information used in the support to the process of decision-making and monitoring is timely generated, while the methodology of assessment and the criteria that are used to measure and manage risks must ensure transparency.

Main objectives in the risk management process are related to the protection of the capital of the Bank and to the increase of the economic value for shareholders, optimization of the process of allocation of capital, as well as identification of limits and the authorization system in line with the levels of responsibility. Additionally, the risk management system ensures that all the incurred and potential risks are identified, measured, controlled and timely reported to the corresponding bodies, in compliance with the domestic and international regulations and guidelines of the Parent Group.

The most important risks to which the Bank is exposed in its business operation include credit risk, counterparty risk and concentration risk, as well as foreign exchange risk, interest rate risk, liquidity risk and operational risk.

Graph 36 – Risk distribution



In the course of 2014, the Bank continued to improve the risk management system. Policies and procedures were revised and updated in light of harmonization with the amended guidelines and policies of the Parent Bank, as well as with the amendments of the domestic and international (EU) regulations, recommendations of the Internal Audit and findings of the Control of the National Bank of Serbia. Also, the work on the AIRB project was continued for the purpose of implementation of the advanced approach to the measurement of the credit risk, while the new Collateral Management System (COLMS) contributed to the enhanced management of loan collaterals. The Bank developed a new Increased Credit Risk Early Warning System, which enables timely identification of potentially problematic debtors and undertaking the adequate actions for prevention of the problem and reduction of the credit risk.

In relation to the liquidity risk management, the EBA rules were implemented, i.e. the CRR regulations (the EU regulations), which include calculation and reporting on new liquidity indicators, LCR and NSFR.

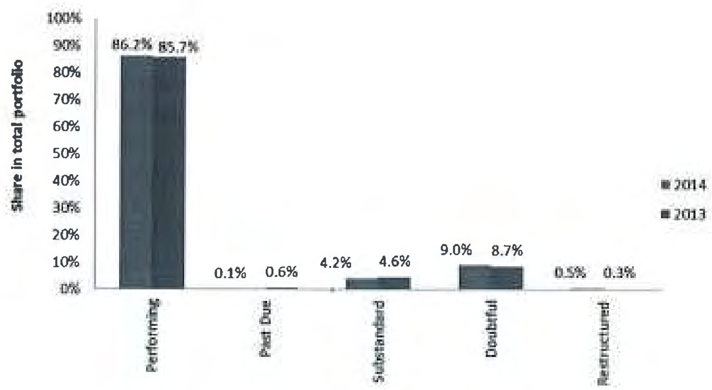
By the set of limits related to the capital adequacy, the liquidity and the credit risk, the Bank formally defined the Risk Appetite Framework and established a regular system of reporting to its management and the Parent Bank on compliance with such defined limits.

Credit risks

The credit risk is monitored on a number of levels, by the assessment of customers creditworthiness prior to loans disbursement, monitoring regular settlement of their liabilities and the creditworthiness during the whole credit lifecycle, as well as by collection and management of overdue receivables.

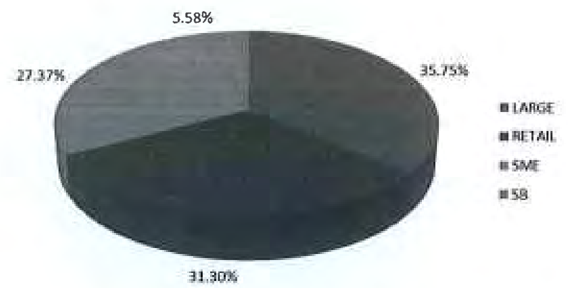
Despite the adverse economic environment in 2014, the level of credit risks recorded a lower growth compared to the previous year. Although the outstanding volume of non-performing loans was on an approximately same level as in 2013, the overall credit portfolio was lower due to a reduced credit activity, which consequently led to the slightly higher share of non-performing loans. The Bank continued to pursue a conservative policy of classification and provisions, by increasing the provisioning levels in order to adequately cover the credit risk of new problematic (NPL) customers. In cooperation with other creditors, the Bank remained very active in finding reasonable and sustainable solutions for the biggest non-performing customers, through restructuring and plans of financial consolidation. In addition, major activities were undertaken in the area of improvement of the collateral instruments. The concentration risk did not change significantly and it remained within the regulatory-wise allowable level as well as within the internal limits defined by the Managing Board. The cautious policy of provisions for credit losses, the taken collaterals and the high level of capital provide an adequate protection of the creditors and the depositors of the Bank.

Graph 37 – Quality of the credit portfolio by classes



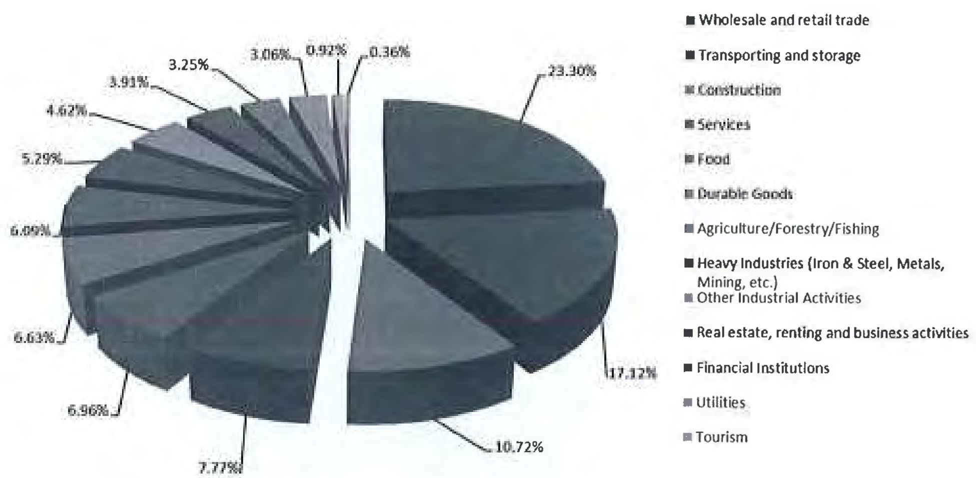
Large companies and SMEs have the biggest share in the credit portfolio of the Bank, accounting for around two thirds of the total credit portfolio. On the other hand, loans to the retail sector and small businesses account for around one third of the total credit portfolio.

Graph 38 – Distribution of the portfolio by segments



Distribution of the credit portfolio by industries indicates a relatively good diversification of the portfolio. The biggest share in the credit portfolio holds the trade sector, followed by transportation and storage, as well as civil engineering.

Graph 39 – Distribution of the portfolio by industries



In the course of 2014, the Bank continued developing internal credit rating models for the purpose of approximation to the standards of advanced approaches to the credit risk measurement. The Bank developed PD models („*Probability of default*") for all the segments of business customers and project financing. The development of the PD model for the retail segment and LGD („*Loss given default*") models is in progress.

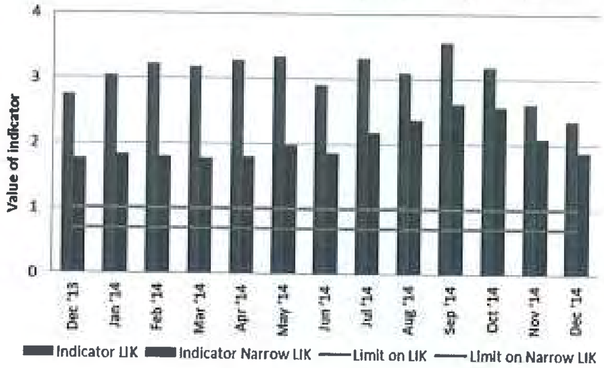
In the first half of the year, the Bank implemented the process of Internal Assessment of Adequacy of Capital (the ICAAP) and through the ICAAP reporting (the ICAAP book) presented the results of the assessment to the regulator and to the Parent Bank. The ICAAP was implemented according to the methodology of the Parent Bank and the internally developed procedures.

Market risks

The liquidity risk, the interest rate risk and the exchange risk are monitored on a daily basis in compliance with the best practice and standards of the National Bank of Serbia, the Basel Committee and the Intesa Sanpaolo Group. The Risk Management Department measures market risks on a daily basis, monitors compliance with the set limits and reports to the relevant management bodies and the organizational units of the Bank on the level of the assumed risk. On a monthly level and, as required, even more frequently, the Assets and Liabilities Committee (the ALCO) monitors the levels of the liquidity risk, the exchange risk and the interest rate risk and provides guidelines for activities focused on the management of such risks, as well as on the overall management of the balance sheet structure of the Bank.

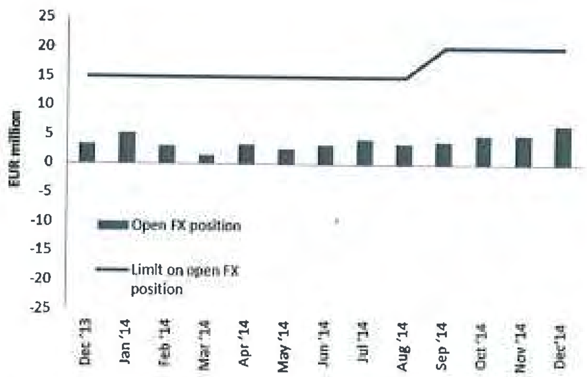
In the course of 2014, the liquidity level of the Bank was significantly above the minimum required level. The Bank invested excess of its liquidity into debt securities of the Republic of Serbia. All the liquidity indicators, regulatory ones and the indicators defined by the Group were constantly within the set limits.

Graph 40 – Trend of regulatory liquidity indicators



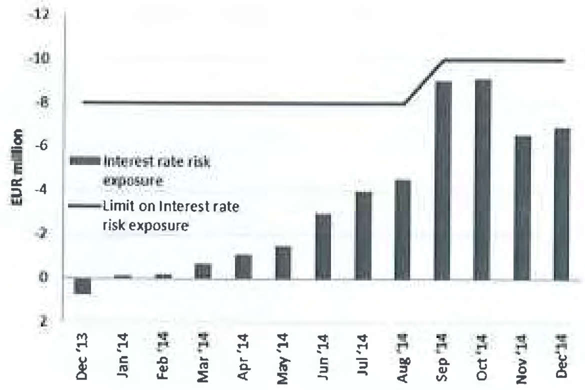
The open foreign exchange position, in compliance with the strategy of the Bank, was on a very low level and significantly below the maximum level prescribed by the regulator.

Graph 41 – Trend of exposure to the exchange risk



The level of the interest rate risk, in terms of sensitivity of net revenues and economic capital to variations of market rates of return, was also in compliance with the defined limits.

Graph 42 – Trend of exposure to the interest rate risk



Operational risks

Management of operational risks is conducted in compliance with the methodology of the Parent Bank, according to the model supported by adequate IT solutions, which enables regular monitoring, assessment and reporting on operational risks.

Establishing, assessment and monitoring of the operational risk is undertaken through the process of acquisition of data on operational risks/losses and the process of assessment of the exposure to the operational risk. The data on operational risks/losses are analysed on a monthly basis, while the process of assessment of the exposure to the operational risk is undertaken once a year, including a subjective assessment of operational risks for the period of 12 months. Various scenarios of operational risks are analysed and the possibility and frequency of occurrence of the operational risk are assessed, as well as an average and the worst possible loss in case of occurrence of every scenario. The process of assessment of the exposure to the operational risk also includes the assessment of the business environment through the analysis of the importance of different factors of the operational risk as well as the assessment of the quality of internal controls and the method of management of established risk factors.

Based on the database on operational risks/losses and results of such assessment, the Parent Bank calculates, by applying an advanced measurement model, the level of expected and unexpected operational losses, i.e. the level of capital required to cover operational risks.

The Bank applies a standardized approach to the measurement of capital demand for the operational risk. The Risk Management Department regularly reports to the Executive Board, the Board of Directors and the Parent Bank on operational risks and measures for their mitigation.

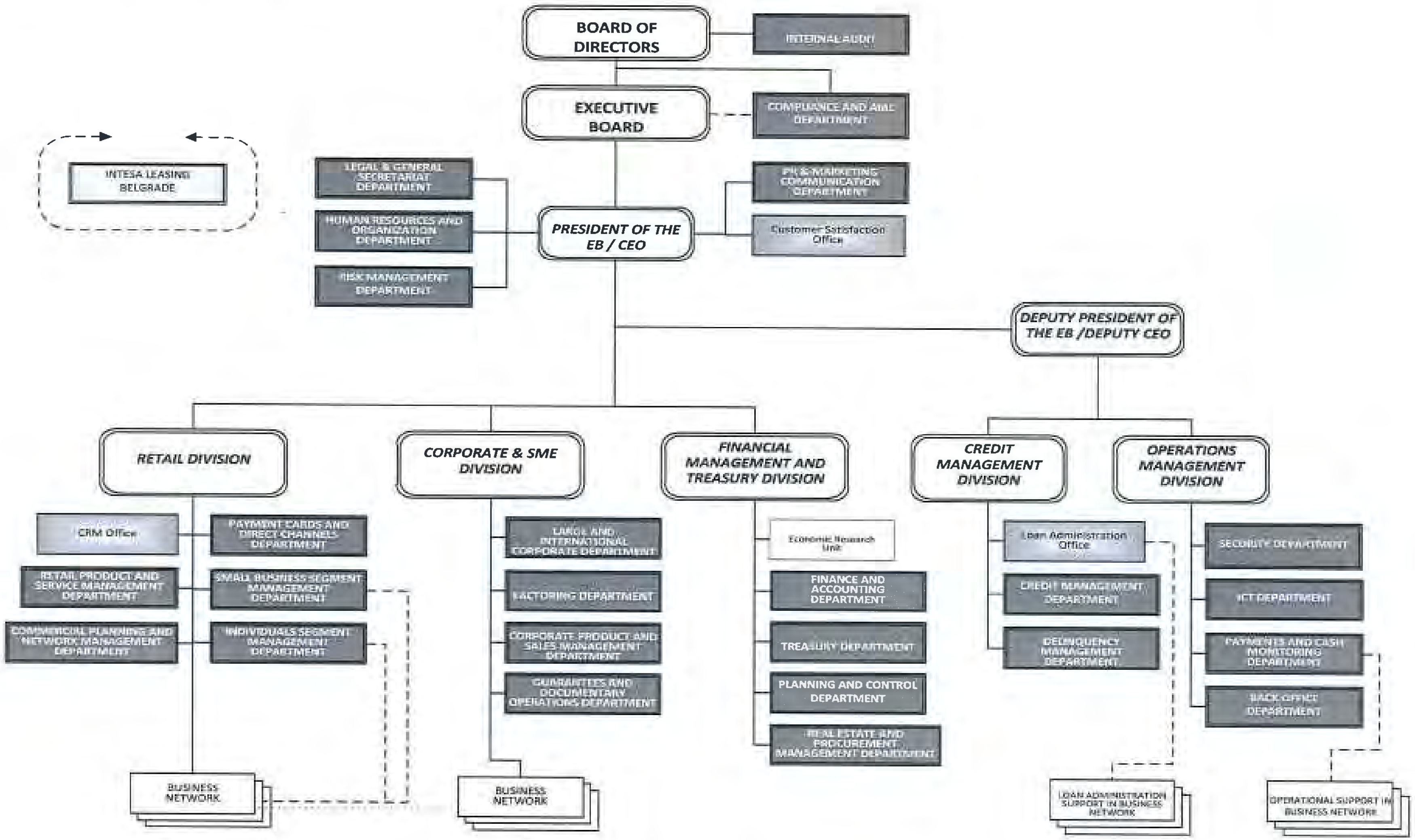
The level of operational risks in 2014 was lower than in the previous year. The biggest operational risks appear as a result of errors in the processes of execution and management, but also due to external frauds and abuses. In the assessment process of the exposure to the operational risk for 2015, it was recognised that the expected and unexpected losses in relation to operational risks are lower compared to the previous year.

11.Events after the balance sheet date

On 15 January 2015 the Swiss National Bank unexpectedly decided to abandon the exchange rate peg of CHF 1.20 per euro, aiming to prevent further weakening of Swiss franc against US dollar. Such an unexpected decision resulted in a significant strengthening of the Swiss franc (by about 15%), primarily hitting borrowers with loans in this currency. Consequently, on 24 February 2015, the National Bank of Serbia passed a Decision on Measures for Preserving Stability of the Financial System in the Context of Foreign Currency-Indexed Loans, with an objective to preserve and strengthen the stability of the Republic of Serbia's financial system, achieve more adequate bank risk management and provide better protection to consumers of financial services.

Pursuant to the above NBS decision, the Executive Board of the Bank took a decision to offer to clients with mortgage loans indexed to the Swiss franc four models of annexes to their loan agreements, thus modifying the repayment terms. According to the calculations, the potential negative effect on the Bank from the implementation of this decision could amount to CHF 1.7 million.

12. Organizational structure



*In current business operations, the Bank has neither established nor has been engaged in business activities through affiliates

13. Network of branch offices

Location	Name of the branch office	Regional center	Address
Ada	Ada, Vuka Karadžića 18	Novi Sad	Vuka Karadžića 18
Aleksandrovac	Aleksandrovac, Trg oslobođenja bb	Niš	Trg oslobođenja bb
Aleksinac	Aleksinac, Knjaza Miloša 115	Niš	Knjaza Miloša 115
Apatin	Apatin, Petefi Šandora 2	Novi Sad	Petefi Šandora 2
Aranđelovac	Aranđelovac, Knjaza Miloša 192	Kragujevac	Knjaza Miloša 192
Arilje	Arilje, Stevana Čolovića 2	Kragujevac	Stevana Čolovića 2
Bačka Palanka	Bačka Palanka, Žarka Zrenjanina 43	Novi Sad	Žarka Zrenjanina 43
Bačka Topola	Bačka Topola, Glavna 29	Novi Sad	Glavna 29
Bački Petrovac	Bački Petrovac, Maršala Tita 4	Novi Sad	Maršala Tita 4
Batajnica	Zemun, Batajnica, Majke Jugovića 1	Beograd	Majke Jugovića 1
Bajina Bašta	Bajina Bašta, Kneza Milana Obrenovića 22	Kragujevac	Kneza Milana Obrenovića 22
Bečej	Bečej, Novosadska 2	Novi Sad	Novosadska 2
Beočin	Beočin, Trg Cara Lazara 8	Novi Sad	Trg Cara Lazara 8
Beograd	Novi Beograd, Otona Župančića 1	Beograd	Otona Župančića 1
Beograd	Čukarica, Požeška 128	Beograd	Požeška 128
Beograd	Čukarica, Požeška 45	Beograd	Požeška 45
Beograd	Novi Beograd, Milutina Milankovića 134g	Beograd	Milutina Milankovića 134g
Beograd	Novi Beograd, Bulevar Zorana Đinđića 2a	Beograd	Bul. Zorana Đinđića 2a
Beograd	Novi Beograd, Nedeljka Gvozdenovića 24a	Beograd	Nedeljka Gvozdenovića 24a
Beograd	Novi Beograd, Jurija Gagarina 149	Beograd	Jurija Gagarina 149
Beograd	Novi Beograd, Bulevar Arsenija Čarnojevića 54	Beograd	Bul. Arsenija Čarnojevića 54
Beograd	Novi Beograd, Milentija Popovića 7v	Beograd	Milentija Popovića 7v
Beograd	Zvezdara, Bulevar Kralja Aleksandra 240	Beograd	Bulevar Kralja Aleksandra 240
Beograd	Palilula, Marjane Gregoran 60	Beograd	Marjane Gregoran 60
Beograd	Voždovac, Ustanička 69	Beograd	Ustanička 69
Beograd	Zvezdara, Mirijevski venac 23	Beograd	Mirijevski venac 23
Beograd	Voždovac, Kumodraška 174	Beograd	Kumodraška 174
Beograd	Zvezdara, Bulevar Kralja Aleksandra 156	Beograd	Bulevar Kralja Aleksandra 156
Beograd	Vračar, Resavska 1-3	Beograd	Resavska 1-3
Beograd	Stari Grad, Knez Mihailova 30	Beograd	Knez Mihailova 30
Beograd	Stari Grad, Kolarčeva 5	Beograd	Kolarčeva 5
Beograd	Stari Grad, Studentski trg 7	Beograd	Studentski trg 7
Beograd	Stari Grad, Karađorđeva 67	Beograd	Karađorđeva 67
Beograd	Vračar, Bulevar oslobođenja 3	Beograd	Bulevar oslobođenja 3

Beograd	Voždovac, Vojvode Stepe 77	Beograd	Vojvode Stepe 77
Beograd	Vračar, Cara Nikolaja 82-84	Beograd	Cara Nikolaja 82-84
Beograd	Palilula, Ruzveltova 8	Beograd	Ruzveltova 8
Beograd	Rakovica, Vukasovićeva 50a	Beograd	Vukasovićeva 50a
Beograd	Savski Venac, Sarajevska 31	Beograd	Sarajevska 31
Beograd	Savski Venac, Vase Pelagića 48b	Beograd	Vase Pelagića 48b
Beograd	Rakovica, Vidikovački venac 80b	Beograd	Vidikovački venac 80b
Beograd	Novi Beograd, Goce Delčeva 34	Beograd	Goce Delčeva 34
Beograd	Novi Beograd, Partizanske avijacije 14	Beograd	Partizanske avijacije 14
Beograd	Novi Beograd, Omladinskih brigada 90	Beograd	Omladinskih brigada 90
Beograd	Palilula, 27. marta 23	Beograd	27. marta 23
Beograd	Stari Grad, Džordža Vašingtona 8	Beograd	Džordža Vašingtona 8
Beograd	Voždovac, Braće Jerković 137b	Beograd	Braće Jerković 137b
Beograd	Čukarica, Trgovačka 30	Beograd	Trgovačka 30
Beograd	Savski Venac, Nemanjina 4	Beograd	Nemanjina 4
Beograd	Surčin, Vojvođanska 85	Beograd	Vojvođanska 85
Beograd	Novi Beograd, Jurija Gagarina 32	Beograd	Jurija Gagarina 32
Beograd	Palilula, Borča, Ivana Milutinovića 73	Beograd	Ivana Milutinovića 73
Beograd	Stari Grad, Cara Dušana 50	Beograd	Cara Dušana 50
Beograd	Vračar, Kralja Milana 18	Beograd	Kralja Milana 18
Beograd	Voždovac, Banjica, Crnotravska 7-9	Beograd	Crnotravska 7-9
Beograd	Rakovica, Miška Kranjca br. 12	Beograd	Miška Kranjca br. 12
Beograd	Novi Beograd, Jurija Gagarina 14	Beograd	Jurija Gagarina 14
Beograd	Savski Venac, Neznanog Junaka 7	Beograd	Neznanog Junaka 7
Beograd	Vračar, Južni Bulevar 84	Beograd	Južni Bulevar 84
Beograd	Kancelarija za stambene kredite, Goce Delčeva 34	Beograd	Goce Delčeva 34
Beograd	Centar za stambene kredite, Resavska 1-3	Beograd	Resavska 1-3
Beograd	Kancelarija za stambene kredite, Požeška 128	Beograd	Požeška 128
Beograd	Kancelarija za stambene kredite, Knez Mihajlova 30	Beograd	Knez Mihailova 30
Beograd	Kancelarija za stambene kredite, Studentski Trg 7	Beograd	Studentski trg 7
Bor	Bor, Đorđa Vajferta 3	Niš	Đorđa Vajferta 3
Bogatić	Bogatić, Vojvode Stepe 35	Kragujevac	Vojvode Stepe 35
Brus	Brus, Kralja Petra I bb	Niš	Kralja Petra I bb
Bujanovac	Bujanovac, Karađorđa Petrovića 111	Niš	Karađorđa Petrovića 111
Čačak	Čačak, Kuželjeva 1	Kragujevac	Kuželjeva 1
Ćićevac	Ćićevac, Karađorđeva bb	Niš	Karađorđeva bb
Ćuprija	Ćuprija, Karađorđeva 36	Niš	Karađorđeva 36
Despotovac	Despotovac, Despota Stefana Lazarevića 2	Niš	Despota Stefana Lazarevića 2
Gornji	Gornji Milanovac, Karađorđeva 1	Kragujevac	Karađorđeva 1

Milanovac			
Inđija	Inđija, Novosadska 21	Novi Sad	Novosadska 21
Ivanjica	Ivanjica, Majora Ilića 1	Kragujevac	Majora Ilića 1
Jagodina	Jagodina, Maksima Gorkog 2	Niš	Maksima Gorkog 2
Kanjiža	Kanjiža, Glavna 3	Novi Sad	Glavna 3
Kikinda	Kikinda, Braće Tatića 16	Novi Sad	Braće Tatića 16
Kladovo	Kladovo, 22. septembra 9	Niš	22.septembra 9
Knjaževac	Knjaževac, Trg Oslobođenja 4	Niš	Trg Oslobođenja 4
Kosjerić	Kosjerić, Karađorđeva 58	Kragujevac	Karađorđeva 58
Kostolac	Kostolac, Nikole Tesle 5-7	Niš	Nikole Tesle 5-7
Kovačica	Kovačica, Maršala Tita 31a	Novi Sad	Maršala Tita 31a
Kovin	Kovin, Cara Lazara 73	Novi Sad	Cara Lazara 73
Kragujevac	Kragujevac, Save Kovačevića 12 b	Kragujevac	Save Kovačevića 12 b
Kragujevac	Kragujevac, Kralja Petra I 19	Kragujevac	Kralja Petra I 19
Kragujevac	Kragujevac, Kralja Aleksandra I Karađorđevića 120	Kragujevac	Kralja Aleksandra I Karađorđevića 120
Kraljevo	Kraljevo, Trg Jovana Sarića 8	Kragujevac	Trg Jovana Sarića 8
Kruševac	Kruševac, Mirka Tomića 4	Kragujevac	Mirka Tomića 4
Kruševac	Kruševac, Vece Korčagina 18	Kragujevac	Vece Korčagina 18
Kučevo	Kučevo, Trg Veljka Dugoševića 2	Niš	Trg Veljka Dugoševića 2
Kula	Kula, Maršala Tita 242	Novi Sad	Maršala Tita 242
Lajkovac	Lajkovac, Kralja Petra I 2	Kragujevac	Kralja Petra I 2
Lazarevac	Lazarevac, Karađorđeva 41	Kragujevac	Karađorđeva 41
Leskovac	Leskovac, Trg Revolucije 7	Niš	Trg Revolucije 7
Leskovac	Leskovac, Bulevar oslobođenja 170	Niš	Bulevar Oslobođenja 170
Loznica	Loznica, Trg Vuka Karadžića bb	Kragujevac	Trg Vuka Karadžića bb
Lučani	Lučani, Jugoslovenske armije 1	Kragujevac	Jugoslovenske Armije 1
Ljig	Ljig, Vojvode Mišića 12	Kragujevac	Vojvode Mišića 12
Ljubovija	Ljubovija, Vojvode Mišića 44	Kragujevac	Vojvode Mišića 44
Mionica	Mionica, Dr. Jove Aleksića bb	Kragujevac	Dr. Jove Aleksića bb
Mladenovac	Mladenovac, Kralja Petra I 217	Kragujevac	Kralja Petra I 217
Negotin	Negotin, Trg Đorđa Stanojevića 70/II	Niš	Trg Đorđa Stanojevića 70/II
Niš	Centar za stambene kredite, Niš, Obrenovićeva 13	Niš	Obrenovićeva br.13
Niš	Niš, Nade Tomić 8a	Niš	Nade Tomić 8a
Niš	Niš, Sinđelićev trg 18	Niš	Sinđelićev trg 18
Niš	Niš, Vizantijski bulevar 78	Niš	Vizantijski bulevar 78
Niš	Niš, Obrenovićeva 82 (Fontana)	Niš	Obrenovićeva 82 (Fontana)
Niš	Niš, Obrenovićeva 13 (Obrenovićeva)	Niš	Obrenovićeva 13 (Obrenovićeva)
Niš	Niš, Bulevar Nemanjića 28-32	Niš	Bulevar Nemanjića 28-32

Novi Kneževac	Novi Kneževac, Kralja Petra I Karađorđevića 29	Novi Sad	Kralja Petra I Karađorđevića 29
Novi Bečej	Novi Bečej, Trg Oslobođenja 5	Novi Sad	Trg Oslobođenja 5
Novi Pazar	Novi Pazar, AVNOJ-a 6	Kragujevac	AVNOJ-a 6
Novi Sad	Novi Sad, Bulevar Mihajla Pupina 4	Novi Sad	Bulevar Mihaila Pupina 4
Novi Sad	Novi Sad, Bulevar Oslobođenja 32	Novi Sad	Bulevar Oslobođenja 32
Novi Sad	Novi Sad, Bulevar Jovana Dučića 1	Novi Sad	Bulevar Jovana Dučića 1
Novi Sad	Novi Sad, Bulevar Cara Lazara 79a	Novi Sad	Bulevar cara Lazara 79a
Novi Sad	Novi Sad, Bulevar Oslobođenja 76a	Novi Sad	Bulevar Oslobođenja 76a
Novi Sad	Novi Sad, Fruškogorska 10	Novi Sad	Fruškogorska 10
Novi Sad	Novi Sad, Braće Ribnikar 25a	Novi Sad	Braće Ribnikar 25a
Novi Sad	Novi Sad, Rumenačka 33	Novi Sad	Rumenačka 33
Novi Sad	Novi Sad, Kisačka 27	Novi Sad	Kisačka 27
Novi Sad	Novi Sad, Zmaj Jovina 12	Novi Sad	Zmaj Jovina 12
Novi Sad	Novi Sad, Narodnog fronta 34	Novi Sad	Narodnog fronta 34
Novi Sad	Novi Sad, Franje Štefanovića 1	Novi Sad	Franje Štefanovića 1
Novi Sad	Novi Sad, Bulevar Oslobođenja 8	Novi Sad	Buleva Oslobođenja 8
Novi Sad	Centar za stambene kredite,Novi Sad, Bulevar Mihajla Pupina 4	Novi Sad	Bulevar Mihajla Pupina 4
Obrenovac	Obrenovac, Miloša Obrenovića 133-135	Kragujevac	Miloša Obrenovića 133-135
Pančevo	Pančevo, Štrosmajerova 1	Novi Sad	Štrosmajerova 1
Pančevo	Pančevo, Karađorđeva 2-4	Novi Sad	Karađorđeva 2-4
Pančevo	Kancelarija za stambene kredite, Pančevo, Štrosmajerova 1	Novi Sad	Štrosmajerova 1
Paraćin	Paraćin, Kralja Petra I 4	Niš	Kralja Petra I 4
Petrovac na Mlavi	Petrovac na Mlavi, Bate Bulića 37	Niš	Bate Bulića 37
Plandište	Plandište, Hajduk Veljka 16a	Novi Sad	Hajduk Veljka 16a
Pirot	Pirot, Branka Radičevića 18	Niš	Branka Radičevića 18
Požarevac	Požarevac, Trg Radomira Vujovića 8	Niš	Trg Radomira Vujovića 8
Požega	Požega, Knjaza Miloša 6	Kragujevac	Knjaza Miloša 6
Priboj	Priboj, Nemanjina 48-50	Kragujevac	Nemanjina 48-50
Prijepolje	Prijepolje, Sandžačkih brigada 39	Kragujevac	Sandžačkih brigada 39
Prokuplje	Prokuplje, 9. oktobra 6	Niš	9. oktobra 6
Raška	Raška, Miluna Ivanovića 8	Kragujevac	Miluna Ivanovića 8
Ruma	Ruma, Glavna 170	Novi Sad	Glavna 170
Ruma	Ruma, 15. maja 143	Novi Sad	15. maja 143
Sjenica	Sjenica, Milorada Jovanovića bb	Kragujevac	Milorada Jovanovića bb
Smederevo	Smederevo, Cvijićeva 3	Niš	Cvijićeva 3
Smederevska Palanka	Smederevska Palanka, Svetog Save 19	Kragujevac	Svetog Save 19
Sombor	Sombor, Venac Stepe Stepanovića 32	Novi Sad	Venac Stepe Stepanovića 32

Sremska Mitrovica	Sremska Mitrovica, Kralja Petra I 6	Novi Sad	Kralja Petra I 6
Sremska Mitrovica	Sremska Mitrovica, Svetog Dimitrija 2	Novi Sad	Svetog Dimitrija 2
Srbobran	Srbobran, Zmaj Jovina 18	Novi Sad	Zmaj Jovina 18
Senta	Senta, Zlatne grede 6	Novi Sad	Zladne grede 6
Stara Pazova	Stara Pazova, Ćirila i Metodija 2	Novi Sad	Ćirila i Metodija 2
Subotica	Subotica, Dimitrija Tucovića 2	Novi Sad	Dimitrija Tucovića 2
Subotica	Subotica, Štrosmajerova 6	Novi Sad	Štrosmajerova 6
Surdulica	Surdulica, Ulica Kralja Petra I bb	Niš	Kralja Petra I bb
Svilajnac	Svilajnac, Svetog Save 52	Niš	Svetog Save 52
Šabac	Šabac, Gospodar Jevremova 44	Kragujevac	Gospodar Jevremova 44
Šabac	Šabac, Karađorđeva 14	Kragujevac	Karađorđeva 14
Šid	Šid, Karađorđeva 11-13	Novi Sad	Karađorđeva 11-13
Temerin	Temerin, Novosadska 403	Novi Sad	Novosadska 403
Titel	Titel, Mihajla Krestića 8a	Novi Sad	Mihaila Krestića 8a
Topola	Topola, Tomislava Karađorđevića 3	Kragujevac	Tomislava Karađorđevića 3
Trstenik	Trstenik, Cara Dušana bb	Kragujevac	Cara Dušana bb
Ub	Ub, Kralja Petra I 60	Kragujevac	Kralja Petra I 60
Užice	Užice, Dimitrija Tucovića 129	Kragujevac	Dimitrija Tucovića 129
Užice	Užice, Dimitrija Tucovića 93	Kragujevac	Dimitrija Tucovića 93
Valjevo	Valjevo, Karađorđeva 71	Kragujevac	Karađorđeva 71
Valjevo	Valjevo, Železnička 7	Kragujevac	Železnička 7
Velika Plana	Velika Plana, Momira Gajića br 2	Kragujevac	Momira Gajića br 2
Veliko Gradište	Veliko Gradište, Kneza Lazara 35	Niš	Kneza Lazara 35
Veternik	Veternik, Kralja Petra I 7a	Novi Sad	Kralja Petra I 7a
Vladičin Han	Vladičin Han, Svetosavska 16a	Niš	Svetosavska 16a
Vladimirci	Vladimirci, Svetog Save 12	Kragujevac	Svetog Save 12
Vlasotince	Vlasotince, Nemanjina 2	Niš	Nemanjina 2
Vranje	Vranje, Lenjinova bb	Niš	Lenjinova bb
Vrbas	Vrbas, Maršala Tita 66	Novi Sad	Maršala Tita 66
Vrnjačka Banja	Vrnjačka Banja, Kruševačka 1	Kragujevac	Kruševačka 1
Vršac	Vršac, Sterijina 19a	Novi Sad	Sterijina 19a
Zaječar	Zaječar, Nikole Pašića 70	Niš	Nikole Pašića 70
Zemun	Zemun, Glavna 30	Beograd	Glavna 30
Zemun	Zemun, Gornjogradska 38	Beograd	Gornjogradska 38
Zlatibor	Zlatibor, Jezero bb	Kragujevac	Jezero bb
Zrenjanin	Zrenjanin, Kralja Aleksandra I Karađorđevića bb	Novi Sad	Kralja Aleksandra I Karađorđevića bb
Zrenjanin	Zrenjanin, Bulevar Veljka Vlahovića bb	Novi Sad	Bul. Veljka Vlahovića bb, TC "Bagljaš" lok.12
Žabalj	Žabalj, Nikole Tesle 47	Novi Sad	Nikole Tesle 47