



VOJVODJANSKA BANKA a.d. NOVI SAD

**Financial Statements as of and for
the Year Ended 31 December 2009**

and

Independent Auditor's Report

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
Income statement	3
Balance sheet	4
Statement of changes in equity	5
Statement of cash flows	6
Statistical annex	8
Notes to the financial statements	
1. Corporate information	9
2. Summary of significant accounting policies	10
3. Critical accounting estimates and judgments	29
4. Interest income and expense	32
5. Fee and commission income and expense	33
6. Net (loss)/gain from sale of securities at fair value through profit and loss	33
7. Net gain from sale of equity investments	34
8. Net foreign exchange gains/(losses)	34
9. Dividend income	34
10. Other operating income	34
11. Net gains/(losses) from impairment of financial assets and provisions	35
12. Salaries and other personal expenses	38
13. Depreciation and amortization expense	38
14. Other operating expenses	38
15. Gains from changes in value of assets and liabilities	39
16. Losses from changes in value of assets and liabilities	39
17. Income taxes	39
18. Cash and cash equivalents	42
19. Revocable deposits and loans	43
20. Interests and fees receivable, receivables from sales, changes in fair value of derivatives and other receivables	44
21. Loans and advances	45
22. Securities (excluding treasury shares)	48
23. Equity investments	48
24. Other placements	49
25. Property, plant and equipment, investment property and intangible assets	50
26. Other assets	51
27. Sight deposits	52
28. Other deposits	53
29. Borrowings	54
30. Interests and fees payable and changes in fair value of derivatives	55
31. Provisions	56
32. Other liabilities	57
33. Equity	58
34. Off-balance sheet items	59
35. Related party disclosures	63
36. Risk management	65
37. Commitments and contingent liabilities	95
38. Reconciliation of outstanding balances with counterparties	96
39. Foreign exchange rates	96
40. Events after the reporting period	96

*This is an English translation of Independent Auditor's Report
originally issued in the Serbian language*

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER AND THE BOARD OF DIRECTORS
OF VOJVODJANSKA BANKA a.d. NOVI SAD

We have audited the accompanying financial statements of Vojvodjanska banka a.d. Novi Sad (hereinafter "the Bank"), which comprise the balance sheet as of 31 December 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The statistical annex represents an integral part of these financial statements.

The financial statements of the Bank as of and for the year ended 31 December 2008 were audited by another auditor, whose Report dated 28 February 2009, expressed an unqualified audit opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and Auditing of the Republic of Serbia ("Official Gazette of the Republic of Serbia", no. 46/2006 and 111/2009), Law on Banks ("Official Gazette of the Republic of Serbia", no. 107/2005) and respective decisions of the National Bank of Serbia which regulate banks' financial reporting. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER AND THE BOARD OF DIRECTORS
OF VOJVODJANSKA BANKA a.d. NOVI SAD (Continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2009, and of its financial performance and its cash flows for the year then ended, in accordance with the Law on Accounting and Auditing, Law on Banks and respective decisions of the National Bank of Serbia which regulate banks' financial reporting.

Belgrade, 31 March 2010



Ksenija Ristic Kostic
Certified Auditor



INCOME STATEMENT
For the Year Ended 31 December 2009

	Note	2009	In RSD thousand 2008
OPERATING INCOME AND EXPENSES			
Interest income	4	6,042,584	6,485,669
Interest expense	4	(2,988,652)	(2,675,625)
Net interest income		3,053,932	3,810,044
Fee and commission income	5	1,384,433	1,643,968
Fee and commission expense	5	(163,951)	(115,442)
Net fee and commission income		1,220,482	1,528,526
Net (loss)/gain from sale of securities at fair value through profit and loss	6	(174,781)	1,076
Net gain from sale of securities available-for-sale		-	45,234
Net loss from sale of securities held-to-maturity		-	(90)
Net gain from sale of equity investments	7	21,380	-
Net foreign exchange gains/(losses)	8	139,607	(969,769)
Dividend income	9	1,649	26,752
Other operating income	10	122,571	162,716
Net gains/(losses) from impairment of financial assets and provisions	11	349,789	(456,329)
Salaries and other personal expenses	12	(2,837,065)	(2,830,233)
Depreciation and amortization expense	13	(403,204)	(409,113)
Other operating expenses	14	(2,660,828)	(2,751,952)
Gains from changes in value of assets and liabilities	15	2,125,067	6,995,183
Losses from changes in value of assets and liabilities	16	(737,208)	(4,536,313)
PROFIT BEFORE INCOME TAXES		221,391	615,732
INCOME TAXES	17		
Current income tax		(14,190)	(3,348)
Deferred tax income		104,145	69,382
Deferred tax expense		(11,983)	(62,829)
PROFIT FOR THE YEAR		299,363	618,937
Basic earning per share (in RSD)		183	379

The notes on pages 9 to 96
are an integral part of these financial statements.

The accompanying financial statements were approved for issue by the Board of Directors of the Bank on 26 February 2010 and were signed on behalf of the Bank's management by:

Marinis Stratopoulos
President of the
Executive Board



E. Stratia Fountoukou
Member of the
Executive Board

Valentina Dragojlovic
Head of Accounting
Department

BALANCE SHEET
 As of 31 December 2009

	Note	31 December 2009	In RSD thousand 31 December 2008
ASSETS			
Cash and cash equivalents	18	8,841,481	17,596,903
Revocable deposits and loans	19	24,536,183	11,143,209
Interest and fees receivable, receivables from sales, changes in fair value of derivatives and other receivables	20	421,662	477,453
Loans and advances	21	44,251,420	46,840,868
Securities (excluding treasury shares)	22	274,573	818,839
Equity investments	23	502,307	318,064
Other placements	24	349,421	415,341
Intangible assets	25	372,891	202,213
Property, plant and equipment and investment property	25	5,865,207	5,010,923
Deferred tax assets	17	206,796	108,490
Other assets	26	1,499,936	1,081,810
TOTAL ASSETS		87,112,877	84,014,113
LIABILITIES AND EQUITY			
Sight deposits	27	14,585,443	14,510,489
Other deposits	28	45,018,681	40,780,536
Borrowings	29	2,784,130	3,987,987
Securities issued		1,643	268
Interest and fees payable and changes in fair value of derivatives	30	117,568	645,815
Provisions	31	792,026	863,676
Tax liabilities		39,365	67,852
Deferred tax liabilities	17	151,903	145,760
Other liabilities	32	1,280,075	1,187,322
TOTAL LIABILITIES		64,770,834	62,189,705
EQUITY	33		
Share capital		16,337,550	16,337,550
Reserves from profit		3,188,768	3,188,768
Revaluation reserves		1,721,756	1,581,889
Retained earnings		1,093,969	716,201
TOTAL EQUITY		22,342,043	21,824,408
TOTAL LIABILITIES AND EQUITY		87,112,877	84,014,113
OFF-BALANCE SHEET ITEMS	34	150,024,245	116,590,003
Funds managed on behalf of third parties		971,009	2,305,209
Guarantees and other irrevocable commitments		11,630,373	11,046,223
Received guarantees for liabilities		83,292,314	44,819,370
Derivatives		26,194,087	36,903,984
Other off-balance sheet items		27,936,462	21,515,217

The notes on pages 9 to 96
are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2009

	Share capital	Other capital	Share premium	Reserves from profit	Revaluation reserves	Retained earnings	In RSD thousand Total equity
Balance as of							
1 January 2008, restated	16,337,435	28,721	120	14	1,685,646	3,188,748	21,240,684
Fair value adjustment of securities available-for-sale, net	-	-	-	-	(35,213)	-	(35,213)
Transfer of a part of depreciation of appraised property to retained earnings	-	-	-	-	(68,544)	68,544	-
Rounding of shares	(5)	-	-	5	-	-	-
Transfer of other capital to retained earnings	-	(28,721)	-	-	-	28,721	-
Allocation of retained earnings	-	-	-	3,188,749	-	(3,188,749)	-
Profit for the year	-	-	-	-	-	618,937	618,937
Balance as of							
31 December 2008	16,337,430	-	120	3,188,768	1,581,889	716,201	21,824,408
Fair value adjustment of securities available-for-sale, net	-	-	-	-	218,272	-	218,272
Transfer of a part of depreciation of appraised property to retained earnings	-	-	-	-	(78,405)	78,405	-
Profit for the year	-	-	-	-	-	299,363	299,363
Balance as of							
31 December 2009	16,337,430	-	120	3,188,768	1,721,756	1,093,969	22,342,043

The notes on pages 9 to 96
are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2009

	In RSD thousand	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflow from operating activities	<u>7,658,604</u>	<u>8,220,512</u>
Interest receipts	6,297,523	6,384,977
Fee and commission receipts	1,285,787	1,647,565
Receipts from other operating income	73,606	161,446
Dividend income and gains from shares	1,688	26,524
Cash outflow from operating activities	<u>(9,074,453)</u>	<u>(8,304,508)</u>
Interest paid	(3,778,333)	(2,520,690)
Fees and commission paid	(169,522)	(112,201)
Payments for gross salaries, compensations and other personal expenses	(2,826,548)	(2,822,936)
Taxes, contributions and other duties paid	(593,419)	(815,550)
Outflow for other operating expenses	(1,706,631)	(2,033,131)
<i>Net cash flows used in operating activities before increase or decrease in placements and deposits</i>	<u>(1,415,849)</u>	<u>(83,996)</u>
<i>Decrease in placements and increase in deposits</i>	<u>5,001,053</u>	<u>16,466,898</u>
Decrease in loans and placements to banks and customers	-	15,559,611
Decrease in securities at fair value through profit and loss, trading securities and short-term securities available-for-sale	620,145	1,017,287
Increase in deposits from banks and customers	4,380,908	-
<i>Increase in placements and decrease in deposits</i>	<u>(8,765,331)</u>	<u>(3,688,021)</u>
Increase in loans and placements to banks and customers	(8,765,331)	-
Increase in securities at fair value through profit and loss, trading securities and short-term securities available-for-sale	-	-
Decrease in deposits from banks and customers	-	(3,688,021)
<i>Net cash flows (used in)/from operating activities before income tax</i>	<u>(5,180,127)</u>	<u>12,694,881</u>
Income tax paid	(41,533)	(377,356)
Net cash flows (used in)/from operating activities	<u>(5,221,660)</u>	<u>12,317,525</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflow from investing activities	<u>83,323</u>	<u>33,456</u>
Proceeds from sale of equity investments	21,380	2,586
Proceeds from sale of intangible and tangible assets	61,943	30,870
Cash outflow from investing activities	<u>(1,650,676)</u>	<u>(874,264)</u>
Purchase of equity investments	(184,243)	(5,773)
Purchase of intangible assets and property and equipment	(1,466,433)	(772,227)
Purchase of investment property	-	(96,264)
Net cash flows used in investing activities	<u>(1,567,353)</u>	<u>(840,808)</u>

STATEMENT OF CASH FLOWS (Continued)
For the Year Ended 31 December 2009

	In RSD thousand	
	2009	2008
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflow from financing activities	1,354	1,081,631
Net proceeds from borrowings	-	1,081,631
Net proceeds from securities	1,354	-
Cash outflow from financing activities	(1,299,777)	-
Repayment of borrowings	(1,299,777)	-
Net cash flows (used in)/from financing activities	(1,298,423)	1,081,631
TOTAL NET CASH INFLOW	12,744,334	25,802,497
TOTAL NET CASH OUTFLOW	(20,831,770)	(13,244,149)
NET (DECREASE)/INCREASE IN CASH	(8,087,436)	12,558,348
CASH AT THE BEGINNING OF THE YEAR	17,596,903	6,008,324
FOREIGN EXCHANGE LOSSES	(667,986)	(969,769)
CASH AT THE END OF THE YEAR (Note 18)	8,841,481	17,596,903

The notes on pages 9 to 96
are an integral part of these financial statements.

STATISTICAL ANNEX
For the Year Ended 31 December 2009

Group of accounts, account	I T E M	In RSD thousand	
		2009	2008
630	Salaries	2,025,593	1,425,886
631	Fringe benefits	-	596,262
632	Payroll taxes	317,000	308,868
633	Payroll contributions	464,322	472,861
	Compensations for temporary and periodical jobs	2,476	-
634	Other personal expenses	27,674	26,356
635	Depreciation and amortization expense	403,204	409,113
Part of 643	Insurance premium costs	188,334	202,908
	Compensations for employees' expenses	107,289	97,910
Part of 643	Rental expenses	476,003	357,445
644	Indirect taxes	87,555	345,508
645	Indirect contributions	478,847	487,001
Part of 746	Rental income	44,798	55,416
68	Foreign exchange losses	21,409,068	30,287,477
78	Foreign exchange gains	21,548,675	29,317,708
30	Inventories	247,006	282,674
	Average number of employees, based on the number at the end of each month (whole number)	2,589	2,585
	Number of ordinary shares	1,633,743	1,633,743
	Number of preference shares	-	-
	Nominal value of ordinary shares	16,337,430	16,337,430
	Nominal value of preference shares	-	-

The notes on pages 9 to 96
are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

1. CORPORATE INFORMATION

Vojvodjanska banka a.d. Novi Sad (the "Bank") was established on 1 January 1990 by the transformation of Vojvodjanska banka - Associated Bank, Novi Sad. On 30 December 2001, in accordance with its Articles of Incorporation and the Decision of the Bank's General Assembly, the Bank merged with Srpska razvojna banka a.d. Beograd and Uzicka banka a.d. Uzice.

In December 2006, in accordance with the terms of the Agreement on the Purchase and Sale of Share Capital, the National Bank of Greece became the major owner of the Bank's share capital, by acquiring an equity interest of 99.43%. The aforementioned acquisition was duly registered with the Central Securities Depository and Clearing House, on 12 December 2006. On 25 October 2007, the National Bank of Greece, Athens, conducted the mandatory purchase of the remaining 1,727 shares and became the sole owner of the Bank.

Based on the Decision on Amendment of the Articles of Incorporation, numbered 1.0-10340/2, and Decision on the increase in capital, numbered 1.0-10340/3 dated 29 November 2007, the Bank's share capital increased through a new share issue of 410,000 ordinary shares with the individual par value of RSD 10,000. The entire share issue was purchased by the National Bank of Greece, Athens. On 7 December 2007, Vojvodjanska banka a.d. Novi Sad was excluded from the Belex list on its own request.

The Bank is registered in the Republic of Serbia to provide a wide range of banking services associated with payment transfers, credit and deposit activities in the country and abroad, and it operates in accordance with the Republic of Serbia's Law on Banks.

In accordance with the Decision brought by the Bank's Assembly on January 3, 2008, Vojvodjanska banka a.d. Novi Sad merged with the National Bank of Greece a.d. Beograd, with the date of merger being 31 December 2007. The aforementioned status change of merger by absorption of the National Bank of Greece a.d. Beograd was inscribed in the registry maintained by the Serbian Business Registers Agency on 14 February 2008 under the number BD 6190/2008 (removal of the business entity - the National Bank of Greece a.d. Beograd as the acquired bank) and the change in equity structure of Vojvodjanska banka a.d. Novi Sad was inscribed (Decision number BD 6210/2008). The National Bank of Greece a.d. Beograd was entirely in the ownership of the National Bank of Greece Athens, Greece. The Bank continued its operations under the name of Vojvodjanska banka a.d. Novi Sad.

The Bank's Head Office is located in Novi Sad, no. 7 Trg Slobode. As of 31 December 2009, the Bank operated through its Central Office located in Novi Sad, 68 branches, excluding the inactive branches in Pristina and Podgorica, 75 sub-branches offices and 34 counters (31 December 2008: 68 branches, 72 sub-branches and 64 counters).

As of 31 December 2009, the Bank had 2,580 employees (31 December 2008: 2,621 employees). The Bank's registration number is 08074313. Its tax identification number is 101694252.

As of 31 December 2009, the Bank had controlling interest in the following legal entities, which are not consolidated in the accompanying financial statement:

<u>Subsidiary's name</u>	<u>% of interest in capital</u>
Vobex d.o.o. Novi Sad	100.00%
Imos a.d. Sid	51.55%
Novobanis Thessaloniki	68.00%

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of Preparation and Presentation of the Financial Statements

The accompanying financial statements for 2009 have been prepared in accordance with the accounting regulations prevailing in the Republic of Serbia, which are based on the Law on Accounting and Auditing ("Official Gazette of the Republic of Serbia", no. 46/2006 and 111/2009), Law on Banks ("Official Gazette of the Republic of Serbia", no. 107/2005) and the respective decisions issued by the National Bank of Serbia that are based on the aforementioned legislation. Pursuant to the Law on Accounting and Auditing, banks are obliged to maintain, prepare and present their financial statements in accordance with the International Accounting Standards (IAS), i.e., International Financial Reporting Standards (IFRS).

Pursuant to the Resolution of the Republic of Serbia's Minister of Finance no. 401-00-11/2008-16 dated 18 January 2008 ("Official Gazette of the Republic of Serbia", no. 16/2008), International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued respectively by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), which are in effect as of the date of preparation of the financial statements, have been published.

By the date of preparation of the accompanying financial statements not all amendments and supplements to the existing standards, as well as revised standards and new interpretations published by IASB and IFRIC (except for IAS 8 "Operating Segments") effective in the current reporting period, have been officially translated and adopted by the Ministry of Finance of the Republic of Serbia. The aforementioned amendments and supplements to standards and new interpretations which have not been officially published and adopted in the Republic of Serbia are disclosed in Note 2.1(a).

The accompanying financial statements have been prepared under the historical cost convention, except for securities held for trading and securities available-for-sale which are measured at fair value.

The accompanying financial statements have been prepared under the going concern principle.

(a) New Standards, Amendments and Interpretation to Published Standards effective in the Current Reporting Period

The following standards, interpretations to standards (IFRIC) and amendments and supplements to the existing standards are mandatory for the reporting periods beginning on 1 January 2009:

- Revised IAS 1 "Presentation of Financial Statements". IAS 1 has been revised to upgrade the quality of the information presented in the financial statements. The revised standard introduces minor changes in presentation and titles of certain financial statements in the interest of comparability and consistency. The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

(a) *New Standards, Amendments and Interpretation to Published Standards effective in the Current Reporting Period (Continued)*

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements"- Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.
- Amendments to IFRS 2 "Share-based Payment". The amended standard deals with vesting conditions and cancellations. It clarifies two issues: the definition of "vesting condition", introducing the term "non-vesting condition" for conditions other than service conditions and performance conditions.
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Improving Disclosures about Financial Instruments. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurement by level of a fair value measurement hierarchy. As the amendment to the standard only results in additional disclosures, there is no impact on earnings per share.
- IFRS 8 "Operating Segments" replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about Segments of an Enterprise and Related Information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.
- Revised IAS 23 "Borrowing Cost", which applies to borrowing cost relating to qualifying assets. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed.
- Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" - Puttable Financial Instruments and Obligations Arising on Liquidations. The amendments to IAS 32 require that puttable financial instruments and obligations arising on liquidation are classified as equity if and only if they meet specific conditions. The amendments to IAS 1 require disclosures with respect to the puttable financial instruments that are classified as equity instruments.
- Amendments to various standards (IAS 1, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41), which are part of the IASB's annual improvements project published in May 2008. These amendments result both in accounting changes for presentation, recognition or measurement purposes, but primarily in terminology and editorial changes in order to remove inconsistencies and clarify wording.
- IFRIC 13 "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

(a) *New Standards, Amendments and Interpretation to Published Standards effective in the Current Reporting Period (Continued)*

- IFRIC 15 "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009). This Interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation clarifies whether IAS 18 "Revenue", or IAS 11 "Construction Contracts", should be applied to particular transactions.
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the group. The requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates" do apply to the hedged item.
- IFRIC 18 "Transfers of Assets from Customers" (prospectively applied to transfers of assets from customers received on or after 1 July 2009). This interpretation provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct specific assets.

The Bank's management considers that the application of the aforementioned standards, interpretations and amendments to standards, out of which a majority is not relevant for the Bank's operations, has no material impact on the accompanying financial statements.

(b) *New Standards, Amendments and Interpretation to Published Standards that are not yet effective and have not been early adopted by the Bank*

The Bank has not early adopted the following new standards, amendments to standards and interpretations that have been published by IASB and IFRIC, but have neither been officially translated and adopted in the Republic of Serbia, nor effective for the reporting periods beginning on 1 January 2009:

- Amendments to IFRS 2 "Share-based Payment" - Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). In addition to incorporating IFRIC 8 "Scope of IFRS 2" and IFRIC 11 "IFRS 2 - Group and Treasury Share Transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.
- Revised IFRS 3 "Business Combinations" and complementary Amendments to IAS 27 "Consolidated and Separate Financial Statements" (both effective for annual periods beginning on or after 1 July 2009).
- IFRS 5 (Amendment) "Non-current Assets Held for Sale and Discontinued Operations" and complementary Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" (both effective for annual periods beginning on or after 1 July 2009).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

(b) *New Standards, Amendments and Interpretation to Published Standards that are not yet effective and have not been early adopted by the Bank (Continued)*

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009).
- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement" - Embedded Derivatives (effective for annual periods ending on or after 30 June 2009).
- IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009).
- Amendments to various standards and interpretations (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16), which are part of the IASB's annual improvements project published in April 2009 (most of them effective for annual periods beginning on or after 1 January 2010). These amendments result both in accounting changes for presentation, recognition or measurement purposes, but primarily in removal of inconsistencies and terminology or editorial changes.

The Bank's management assesses the impact of the aforementioned standards, interpretations and amendments to existing standards, and considers that their application is not expected to have a material impact on the Bank's financial statements in the periods of their first application.

The accompanying financial statements are presented in the format prescribed by the "Rulebook on the Format and Contents of Positions in the Forms of the Financial Statement of Banks" ("Official Gazette of the Republic of Serbia", no. 74/2008, 3/2009 and 5/2010), which differ from the presentation and titles of certain general purpose financial statements and the presentation of certain items as required under Revised IAS 1 "Presentation of Financial Statements" and IAS 7 "Statement of Cash Flows". The application of the Revised IAS 1 is mandatory for the first time for the annual periods beginning on 1 January 2009. Accordingly, the accompanying financial statements do not fully comply with IFRS, and therefore, they cannot be considered as the financial statements prepared and presented in accordance with IFRS.

In the preparation of these financial statements, the Bank has adhered to the principal accounting policies further described in Note 2, which are in conformity with the accounting, banking and tax regulations prevailing in the Republic of Serbia. The accounting policies and assumptions used in preparation of the accompanying financial statements are consistent with those followed in preparation of the Bank's financial statements for the year ended 31 December 2008.

The accompanying financial statements include only the receivables, payables, results of operations, changes in equity and cash flows of the Bank, excluding its subsidiaries. Considering that the subsidiaries' assets, liabilities and operating results are immaterial to the Bank's financial statements, the Bank will not prepare the consolidated financial statements for the year ended 31 December 2009.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.2. Comparative Figures**

The comparative figures represent the audited financial statements of the Bank as of and for the year ended 31 December 2008.

In order to conform the presentation of prior year figures to the current reporting period, the Bank reclassified certain amounts reported in the financial statements as of and for the year ended 31 December 2008. In order to meet the requirements of IASs, during 2009 the Bank changed the accounting treatment of spot and swap transactions from a gross to a net basis of their recording. The Bank informed the National Bank of Serbia on this matter on 20 March 2009. The net basis of recording these transactions has not resulted in the change of net assets or the result of the Bank's operations, but only in the total sum of assets and liabilities.

The recording of spot and swap transactions on the gross basis resulted in a separate recognition within assets and liabilities of receivables for a certain amount of currency to be bought, and liabilities for a certain amount of currency to be sold at the contract date, respectively. The new accounting treatment, i.e. recording of spot and swap transactions on the net basis, which the Bank has been applying from 1 April 2009, result in recording of foreign exchange differences within balance sheet, and the nominal value of foreign currency to be buy or sell within off-balance sheet items. Accordingly, in order to provide for consistent and comparable presentation of figures and transactions, the Bank restated the prior year figures, i.e., derecognized from the balance sheet as of 31 December the following items: receivables for spot and swap transactions in the amount of RSD 1,164,831 thousand from Other placements (Note 24), receivables in the amount of RSD 1,539,550 thousand from Other assets (Note 26), liabilities for purchase and sale of foreign currency in the amount of RSD 84,366 thousand from Borrowings (Note 29) and liabilities in the amount of RSD 2,629,508 thousand from Other liabilities (Note 32), respectively. The nominal value of these agreements totalling RSD 2,697,589 thousand was recorded within Off-balance sheet items (Note 34(d)).

In addition, by introducing the new accounting system SAP FI, the Bank changed the accounting treatment of value added tax, and instead of former manner of recording tax as a separate item within other operating expenses, in 2009 value added tax was attributed to the type of expense it related to (Note 14). As a result, the reported amounts of indirect taxes for 2009 and 2008 are not directly comparable. The similar situation is with fringe benefits. However, starting from 1 January 2010, in accordance with the NBG Group requirements, the Bank again records value added tax on a separate account.

2.3. Interest Income and Expense

Interest income and expense, including penalty interest and other income and other expenses from interest bearing assets, i.e. liabilities are recognized on an accrual basis based on obligatory terms defined by a contract signed between the Bank and a customer.

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 (Note 32) using the straight-line method, which approximates the effective yield.

Interest is suspended and disclosed within off-balance sheet items in the case when the Bank estimates that there are problems in collectability of certain loans and advances ("non-performing loans").

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.4. Fee and Commission Income and Expense**

The Bank earns/pays fee and commission from rendering and using the banking services. Fees and commissions are generally recognized on an accrual basis when the service has been provided, i.e. rendered.

Fees and commissions are mostly earned by rendering services of payment transaction services, loan administration, issuance of guarantees and letters of credit, as well as other services.

Corporate and retail loans' origination fees are deferred over the life of the loan, and are recorded within interest income.

2.5. Foreign Currency Translation

Balance sheet and income statement items stated in the financial statements are valued by using currency of 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. Monetary assets and liabilities denominated in foreign currency are translated into Dinars at the official exchange rate determined on the Interbank Foreign Currency Market, prevailing at the balance sheet date (Note 39).

Foreign exchange gains or losses arising upon the translation of assets, liabilities and transactions are credited or debited as appropriate, to the income statement, as foreign exchange gains or losses (Note 8).

Gain or losses arising upon the translation of financial assets and liabilities with contacted foreign currency clause are credited or debited as appropriate, to the income statement, as gains/losses from changes in value of assets and liabilities (Notes 15 and 16).

Commitments and contingencies denominated in foreign currency are translated into dinars at the official median exchange rate of the National Bank of Serbia prevailing at the balance sheet date.

2.6. Financial Instruments

All financial instruments are initially recognized at fair value (usually equal to the consideration paid) including any directly attributable incremental costs of acquisition or issue, except for financial assets and financial liabilities which are valued at fair value through profit and loss.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions on the market, are recognized on the trade date or settlement date, i.e., on the date when the Bank commits to purchase or sell the assets or the date when the Bank commits to receive or transfer the assets.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6. Financial Instruments (Continued)

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

"Day 1" Profit

When the transaction price in a non-active market is different to the fair value from other observable current market transaction in the same instrument or based on a valuation technique whose variables include data from observable markets, the Bank immediately recognizes the difference between the transaction price and fair value ("Day 1" profit) in the income statement.

Derecognition of Financial Assets and Financial Liabilities

Financial assets cease to be recognized when the Bank loses control of the contractual rights governing such instruments; which occurs when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded.

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.

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 the income statement.

Classification of Financial Instruments

The Bank's management determines the classification of its investments at initial recognition. Classification of financial instruments upon initial recognition depends on the purposes for which financial instruments have been obtained and their characteristics.

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity securities and available-for-sale securities.

The subsequent measurement of financial assets depends on their classification as follows:

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6. Financial Instruments (Continued)

2.6.1. Financial Assets at Fair Value through Profit or Loss

This category includes trading securities that have been primarily acquired for generating profit from short-term price fluctuations or are derivatives. Trading securities are stated in the balance sheet at fair value.

Trading securities include shares of banks and enterprises, as well as other securities issued by banks and corporate entities.

Changes in fair value of trading securities are credited or debited as appropriate, to the income statement, as gains/losses from changes in value of assets and liabilities.

2.6.2. Loans and Advances

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All loans and advances are recognized when cash is transferred to borrowers. Loans and receivables are initially recognized at fair value.

At the reporting date, loans and advances originated by the Bank are stated at the amount of principal outstanding, less allowance for impairment, which are based on the evaluation of specifically-identified exposures and also cover losses that are inherent in the Bank's loan portfolio. The effects of non-application of effective interest rate in accordance with IAS 39, "Financial Instruments: Recognition and Measurement," requiring that loans be measured at amortized cost by applying the effective interest rate method, in the management's opinion, are not material for loans and advances to customers and the financial statements on the whole, as the Bank approves loans at variable interest rates, while the one-off fees collected in advance are deferred throughout the loan repayment period (Note 2.3.).

Loans, which are disbursed in Dinars and index-linked to the EUR exchange rate or to the retail price growth, are revalued in accordance with the provisions stated under the individual loan agreements. The difference between the carrying amount of loan and the amount calculated applying the foreign currency clause is disclosed within loans and advances. Gains and losses resulting from the application of foreign currency clause are recorded in the income statement, as gains/losses from changes in value of assets and liabilities.

Impairment of Loans and Other Financial Assets

In accordance with its internal policy, the Bank assesses at each reporting 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.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6. Financial Instruments (Continued)

2.6.2. Loans and Advances (Continued)

Impairment of Loans and Other Financial Assets (Continued)

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulties, defaults or delinquencies in interest or principal payments, 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.

In accordance with the internal methodology, if there is objective evidence that a financial asset has been impaired, the Bank calculates the difference between the carrying amount and the present value of the future cash flows as discounted at the effective interest rate in accordance with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement", for the corporate customers which meet the criteria prescribed by the internal methodology, whereas, for all other placements, the allowance for impairment is estimated on portfolio basis. 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 the collateral. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics and the Bank's internal grading system by an asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of contracted cash flows and 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 currently. The Bank regularly reviews the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the loan is reduced through the use of an allowance account and the amount of the impairment loss arising from impairment of loans and receivables, as well as other financial assets measured at amortized cost, is recognized in the income statement as impairment losses on financial assets (Note 11). Loans together with the associated allowance for impairment are written off when there is no realistic prospect of future recovery and when 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 (Note 11).

A write-off is performed based on a court decision when all or part of a claim is deemed uncollectible, direct settlement between the interested parties or based on decisions made by the Board of Directors, as approved by the Shareholder's Assembly.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6. Financial Instruments (Continued)

2.6.3. Rescheduled Loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment period as well as changes in the loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. The management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

2.6.4. Securities Held-to-Maturity

Held-to-maturity securities are financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity.

Securities held-to-maturity include discounted bills of exchange initially recorded at cost. During 2009, the Bank had been investing in the treasury bills of the Republic of Serbia, which were also classified as held-to-maturity.

Securities held-to-maturity are 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 discounts or premiums on acquisition, over the period to maturity.

The Bank performs individual assessment in order to determine whether there is objective evidence on impairment of the investment into securities held-to-maturity. If there are objective evidence that such securities have been impaired, the amount of impairment loss for investments 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 effective interest rate, and it is charged to the income statement (Note 11).

If, in a subsequent year, the amount of the estimated impairment loss decreases as a consequence of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced and effects are credited to the income statement.

2.6.5. Securities Available-for-Sale

Securities 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 "securities available-for-sale".

Available-for-sale securities include other legal entities' equity instruments and debt securities.

Equity investments comprise equity investments in other legal entities, related parties, shares of companies and banks denominated in Dinars and foreign currencies.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6. Financial Instruments (Continued)

2.6.5. Securities Available-for-Sale (Continued)

Subsequent to the initial measurement, these securities are measured at fair value. The fair values of securities quoted in active markets are based on current bid prices. Unrealized gains and losses are recognized directly in revaluation reserves, until such security is sold, collected or otherwise realized, or until it is impaired. In case of disposal of securities or their impairment, gains or losses, previously recognized in equity, are recognized in the income statement.

Equity instruments in other legal entities that do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are inappropriate are exempt from fair value valuation. These available-for-sale securities are measured at cost, less any allowance for impairment.

Dividends earned whilst holding available-for-sale financial instruments are recognized in the income statement as dividend income when the right to receive payment is established.

Gains and losses arising from the sale of these securities are credited or debited as appropriate, to the income statement, as gains/losses from sale of available-for-sale securities. In addition, impairment losses on securities available-for-sale, which cannot be deemed to be temporary, are recognized in the income statement.

2.6.6. Financial Liabilities

Issued financial instruments or their components are classified as liabilities where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The subsequent measurement of financial liabilities depends on their classification as follows:

Deposits from Other Banks and Customers

All deposits from other banks and customers and interest-bearing borrowings are initially recognized at the fair value of the consideration received including transaction cost, except for financial liabilities through profit and loss. After initial recognition, interest-bearing deposits and borrowings are subsequently measured at amortized cost.

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 the indisputable right to postpone the settlement of obligations for at least 12 months after the balance sheet date.

Operating Liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.7. Offsetting Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if when 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.

2.8. Financial Derivatives

The Bank uses financial instruments such as currency forward contracts, swop and spot contracts as hedging instruments against foreign currency risk. The Bank has chosen to apply settlement date accounting to these transactions.

Upon closing forward contracts, the Bank records spot transactions from the contract when they have occurred, recognizing concurrently financial assets and liabilities arising from forward transactions which will be realized in the ensuing period. At the balance sheet date, the Bank measures unrealized forward transactions of forward contracts by crediting/debiting them to prepayments/accruals and the income statement.

During the course of 2009, the most common financial derivatives in the Bank included currency swaps used to balance short-term gaps in the Bank's currency positions and to provide the necessary currency structure on the accounts held abroad. Except for currency swaps relating to intercompany transactions, the Bank did not participate in forward transactions at customers' request.

2.9. Special Reserves for Estimated Losses on Bank Balance Sheet Assets and Off-balance Sheet Items

Special reserves against potential 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. 129/2007, 63/2008 and 104/2009).

All receivables (balance sheet and off-balance sheet exposure) from a single borrower are classified in categories from A to D in accordance with the assessment of their recoverability. Individual credit exposures are evaluated based upon the borrower's character and payment record, which correspond to the number of days the payments are overdue, overall financial position, as well as the quality of collateral.

Through its internal enactments, the Bank has defined the criteria and methodology for determining special provisions against potential losses within percentages prescribed by the National Bank of Serbia decision, in line with the assessment of individual credit risk exposure based on borrower's defaults in contractual payments of principal or interest, financial position, adequacy of cash flows and quality and value of collateral.

In accordance with the classification of receivables and pursuant to the aforementioned Decision of the National Bank of Serbia, the amount of the special reserves against potential losses is calculated by applying the following percentages on placements: A - 0%, B - 5%, V - 25%, G - 50% and D - 100%.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9. Special Reserves for Estimated Losses on Bank Balance Sheet Assets and Off-balance Sheet Items (Continued)

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 2.6.2. and charged to the income statement (Note 11).

Difference between the higher amount of special reserve for potential losses calculated in accordance with the National Bank of Serbia's Decision on the Classification of Bank Balance Sheet and Off-Balance Sheet Items, and the lower amount of allowances for impairment and provision for risky off-balance sheet items established in accordance with the internally adopted methodology, is recorded within reserves from profit.

After being reduced by allowances for impairment of balance sheet assets and provisions against losses on off-balance sheet items, special reserves for estimated losses are created from retained earnings pursuant to the Bank's Assembly decision, and recorded at a special loan loss provision account within reserves.

In case that the Bank's profit for the year is insufficient to cover the estimated amount of special reserves for potential losses in a particular year, the difference is to be disclosed as the shortfall amount of such reserve (see Note 11(c)).

2.10. Cash and Cash Equivalents

For purposes of the Statement of cash flows, cash and cash equivalents include cash, cheques in the course of collection, balances on current accounts held with other banks, giro account balances and other cash equivalents (Note 18).

2.11. Repurchase Agreements ("Repo transactions")

Securities bought under agreements to repurchase at a specified future date ('repos') are recognized in the balance sheet. The corresponding cash given, including accrued interest is recognized in the balance sheet. The difference between the sale and repurchase prices is treated as interest income and is accrued over the life of the agreement.

Securities purchased from the National Bank of Serbia under agreements to resell, pursuant to the provisions of the General Agreement on the Sale of Securities with an Obligation to repurchase, are stated at amortized cost at the balance sheet date.

2.12. Investments in Subsidiaries

Subsidiary is a legal entity in which the Bank possesses a stake of more than 50 percent, or otherwise holds more than half of voting rights, or the right to manage the financial (business) policy of the subsidiary.

Equity investments in subsidiaries are stated at cost, less allowance for impairment (Note 23).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment mostly comprise buildings, equipment and leasehold improvements.

As of 31 December 2009, buildings are stated at their revalued cost, as determined by independent valuation performed in 2005, less subsequent accumulated depreciation. The appraisal of the buildings was performed by an independent appraiser based on the respective asset's market value for existing use. The frequency of revaluations depends upon the changes in fair values of the items of building being revalued. If an asset's carrying value is increased as a result of a revaluation, the increase is credited directly to equity under the heading of revaluation surplus. If an asset's carrying value is decreased as a result of an appraisal, the decrease is recognized in the income statement as an expense, within losses from changes in value valuation of assets and liabilities. However, the decrease is debited directly to equity under the heading of revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The revaluation surplus included in equity in respect of an item of property is transferred directly to retained earnings when the asset is derecognised.

Buildings acquired in the period from 2006 to 2009 are stated at cost, less accumulated depreciation.

Equipment is stated at cost less accumulated depreciation. Cost represents the price billed by suppliers together with all costs incurred in bringing the asset to the location and condition necessary for its intended use.

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 charged to income statement of the financial period in which they are incurred.

Assets under construction are stated at cost.

Intangible assets consist of licenses, software and similar rights, as well as leasehold improvements in business premises under long-term lease. Intangible assets also include capitalized salaries of employees involved in projects' development.

Intangible assets are measured at cost, less accumulated amortization. Costs associated with maintaining computer software programmes are recognized as an expense as incurred.

Depreciation and amortization of property, plant and equipment and intangible assets are provided on a straight-line basis in order to fully write off the cost/revalued amount of the assets over their estimated useful lives. The principal annual depreciation rates in use for classes of property and equipment are as listed below:

Buildings	2.0%
Computer equipment	20.0%
Leasehold improvements	20.0% - 50.0%
Furniture and other equipment	6.7% - 14.3%
Vehicles	14.3% - 15.5%
Other equipment	6.7% - 20.0%
Licenses	20.0%
Other intangible assets	20.0%

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13. Property, Plant and Equipment and Intangible Assets (Continued)

Calculation of depreciation and amortization of property and equipment commences at the beginning of month following the month when an asset is put into use. Assets under construction are not depreciated. Depreciation charge is recorded as an expense during the period in which it is incurred.

Leasehold improvements are depreciated over the period of the lease.

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

Gains from the disposal of property and equipment are credited directly to other operating income, whereas any losses arising on the disposal of property and equipment are charged to other operating expenses.

The calculation of the depreciation and amortization for tax purposes is determined by 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. Different depreciation methods used for the financial reporting purposes and the tax purposes give rise to deferred taxes (Note 17 (c)).

2.14. Investment Property

The Bank owns property as investments to generate profits from rents and/or increases in property value on the market.

Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation.

Depreciation of investment property is calculated using the straight-line method in order to fully write off the cost of these assets over their estimated useful lives, by applying the annual depreciation rate of 2%.

2.15. Impairment of Non-financial Assets

In accordance with adopted accounting policy, at each reporting date, the Bank's management reviews the carrying amounts of the Bank's intangible assets and property, plant and equipment. 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 a 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 the impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16. Leases

The determination of whether an arrangement is a lease, or contains lease elements, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the assets.

(a) *Finance Lease - 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 fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in property and equipment with the corresponding liability to the lessor included in other liabilities.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

Lease payments are apportioned between the 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 against income statement in interest expense.

(b) *Operating Lease -Bank as a Lessee*

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.

The total payments made under operating leases are charged to other operating expenses in the income statement on a straight-line basis over the period of the lease (Note 14).

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 of provisions are considered, determined and, if necessary, adjusted at each balance sheet date. Provision is measured at present value of estimated future cash outflow necessary to settle the liabilities arising thereof, using the discount rate which reflects the current market estimate of the value of money and risks related to the liability.

When the outflow of the economic benefits is no longer probable in order to settle legal or constructive liabilities, provisions are derecognised in income. Provisions are taken into account in accordance with their type and they can be used only for the expenses they were recognised initially for. Provisions are not recognised for future operating losses.

Contingent liabilities are not recognized in the financial statements. They are disclosed in the financial statements (Note 37), unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18. Equity

Equity consists of share capital (ordinary shares), share premium, reserve from profit, revaluation reserves and retained earnings (Note 33(a)).

Gains determined by valuation of buildings are recorded within revaluation reserves (Note 2.13.). Positive effects of valuation of buildings are transferred to the retained earnings in the amount representing the difference between depreciation calculated on the value of buildings before and after the valuation, while, in case of sale and disposal, the remaining amount of the positive effects of valuation contained in revaluation reserves is transferred completely to the retained earnings.

Gains and losses arising from fair value adjustments of securities available-for-sale are also recorded within revaluation reserves (Note 2.6.5.).

2.19. Financial Guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of payment guarantees and performance bonds, letters of credit, acceptances and other warranties. Financial guarantees are contracts which obligate the issuer of a guarantee to perform the payment or compensate the loss to the holder of a guarantee, incurred if a certain creditor fails to settle its liabilities in due time as required under the terms of the contract.

Financial guarantees are initially recognized in the financial statements at fair value as of the date the guarantee is given. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligations arising as a result of the guarantee.

Any increase in the liability relating to the financial guarantees is recognized in the income statement. The premium received is recognized in the income statement within net fees and commissions income on a straight-line basis over the life of the guarantee.

2.20. Employee Benefits

(a) *Employee Taxes and Contributions for Social Security*

In accordance with the regulations prevailing in the Republic of Serbia, the Bank has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates. 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.

These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20. Employee Benefits (Continued)

(b) *Other Employee Benefits - Retirement Benefits and Jubilee Awards*

In accordance with the Labour Law, there is a mandatory retirement indemnity equal to 3 average monthly salaries realized in the Republic of Serbia in the month prior to the month of retirement or equal to 3 average salaries in the Bank, i.e., 3 average salaries of an employee earned in the month prior to retirement or to payment- depending on what is more favourable for an employee.

The Bank recognized provision in the amount of present value of expected future payments, based on the actuarial calculation.

As of 31 December 2009, the Bank made provision for retirement benefits (as adjusted by the amount of retirement benefits paid to employees who accepted early retirement pursuant to the restructuring program), using the following assumptions:

Average salary growth rate for the period	7% per annum
Discount rate	7%
Long-term retail price growth index	4% per annum

(c) *Short-Term Compensated Absences*

Accumulating compensated absences may be carried forward and used in future periods if the current period's entitlement has not been fully used. The expected cost of accumulated compensated absences is recognized in the amount that is expected to be paid as a result of the unused entitlement that has accumulated as of the balance sheet date. In the instance of non-accumulating compensated absences, no liability or expense is recognized until the time of the absence.

(d) *Pension Funds*

The Bank does not have defined benefit plans or share-based remuneration options, and therefore there are no identified liabilities with respect to these matters as of 31 December 2009.

2.21. Taxes and Contributions

(a) **Income Taxes**

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. Income tax at the rate of 10% is payable based on the profit disclosed in the Tax return. In order to arrive at the taxable profit, the accounting profit is adjusted for certain permanent differences and reduced for certain investments made during the year, as shown in the Tax return.

In accordance with the Law on Corporate Income Tax of the Republic of Serbia, tax credits are recognized in the amount equal to 20% of the investment in property and equipment made, and can be used for setting off against future current tax liability in the amount that cannot exceed 50% of current tax liability. The tax credits in respect of investments in property and equipment can be used in the next ten years.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21. Taxes and Contributions (Continued)

(a) Income Taxes (Continued)

Current Income Tax (Continued)

The tax regulations in the Republic of Serbia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carry back period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods, but only for duration of no longer than ten ensuing years.

Deferred Income Tax

Deferred income taxes are provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The currently-enacted tax rates or the substantively-enacted rates at the balance sheet date are used to determine the deferred income tax amount.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax credits and unused tax losses carry forward can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting 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 utilised. Unrecognized deferred tax assets are reassessed at each reporting 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.

Current and deferred taxes are recognized as income or expense and are included in net profit for the period. Deferred income taxes related to items that are recorded directly in equity are also recognized in equity.

(b) Taxes, Contributions and Other Duties Not Related to Operating Result

Taxes, contributions and other duties that are not related to the Bank's operating result, include property taxes, value added tax, employer contributions on salaries, and various other taxes and contributions paid pursuant to republic and municipal regulations. These taxes and contributions are included within other operating expenses (Note 14).

2.22. Earnings per Share

The Bank discloses basic earning per share. Basic earning per share is calculated by dividing net profit attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the reporting period.

2.23. 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 34(a)). The Bank bears no risk in respect of repayment of these placements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires the Bank's management to make estimates and 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 preparation of the financial statements. Actual results could differ from those estimates. These estimates and underlying assumptions are reviewed on an ongoing basis, and changes in estimates are recognized 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.

(a) *Impairment of Financial Assets*

The Bank assesses at each reporting 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, and impairment losses are incurred, 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 (see Note 2.6.2.).

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis.

In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans 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 of a Bank, or national or local economic conditions that correlate with defaults on assets of the Bank.

The Bank's management uses 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 to reduce any differences between loss estimates and actual loss experience.

(b) *Determination of Fair Value of Financial Instruments*

The fair value of financial instruments traded in active markets as of the balance sheet date is based on their quoted market prices, without any deductions for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined using the appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(b) *Determination of Fair Value of Financial Instruments (Continued)*

When market inputs are not available, they are determined by estimates that include a certain degree of assumptions in the estimate of fair value. Valuation models reflect the current market conditions before or after the measurement date. Consequently, all valuation techniques are revised periodically, in order to appropriately reflect the current market conditions.

(c) *Impairment of Equity Investments*

The Bank deems equity investments available for sale to be impaired when there is a documented (market data) or estimated decrease in the fair value of these asset below their cost.

(d) *Useful Lives of Intangible Assets and 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 any anticipated technological development and changes in broad 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.

The impact of any changes in these assumptions could be material to the Bank's financial position, and the results of its operations. As an example, if the Bank was to shorten the average useful life for 1%, this would result in additional depreciation and amortization expense of approximately RSD 12,200 thousand for the twelve-month period.

(e) *Impairment of Non-Financial Assets*

At each balance sheet date, the Bank's management reviews the carrying amounts of the Bank's intangible assets and property 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 management to make subjective judgments concerning the cash flows, growth rates and discount rates of the cash generating units under review.

(f) *Provisions for Litigations*

The Bank is subject to a number of claims incidental to the normal conduct of its business, relating to and including commercial, contractual and employment matters, which are handled and defended in the ordinary course of business.

The Bank routinely assesses the likelihood of any adverse judgments or outcomes to these matters as well as ranges of probable and reasonable estimated losses.

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

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(f) *Provisions for Litigations (Continued)*

A provision is recognised when it is probable that an obligation exists for which a reliable estimate can be made of the obligation after careful analysis of the individual matter. The required provision may change in the future due to new developments and as additional information becomes available.

Matters that are either possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

(g) *Deferred Tax Assets*

Deferred tax assets are recognized for all tax losses and/or tax credits to the extent to which taxable profit will be available against which the unused tax losses /credits can be utilised.

Significant estimate of the management is necessary to determine the amount of deferred tax assets which can be recognized, based on the period of in which it was created and the amount of future taxable profits and the tax policy planning strategy (Note 17(e)).

(h) *Retirement and Other Post-Employment Benefits to Employees*

The costs of defined employee benefits payable upon the termination of employment, i.e. retirement in accordance with the 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 fluctuations in the number of employees. As these plans are long-term ones, significant uncertainties influence the outcome of the assessment. Additional information is disclosed in Note 2.20(b) to the financial statements.

Were the discount rate used to differ by 1% from management's estimates, the provision for retirement benefits would be an estimated RSD 27,700 thousand lower or RSD 32,364 thousand higher in comparison with the provision for retirement benefits recognized in the Bank's financial statements as of and for the year ended 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

4. INTEREST INCOME AND EXPENSE

	In RSD thousand	
	2009	2008
Interest income		
- Banks	677,694	1,440,330
- Public companies	10,275	9,687
- Other companies	2,001,315	1,959,339
- Entrepreneurs	179,695	225,136
- Public sector	53,908	203,053
- Retail customers	3,106,337	2,637,080
- Foreign entities	8,688	9,852
- Agricultural producers	16	-
- Other customers	4,656	1,192
Total	6,042,584	6,485,669
Interest expense		
- Banks	1,030,430	245,189
- Public companies	145,020	114
- Other companies	732,390	769,154
- Entrepreneurs	38,281	97,967
- Public sector	67,861	286,838
- Retail customers	599,241	873,956
- Foreign entities	336,122	401,341
- Agricultural producers	135	-
- Other customers	39,172	1,066
Total	2,988,652	2,675,625
Net interest income	3,053,932	3,810,044

Interest income and expense by type of financial instruments are presented below:

	In RSD thousand	
	2009	2008
Interest income on:		
- Loans in Dinars	4,918,000	4,271,459
- Deposits in Dinars	493	41,591
- Securities in Dinars	64,004	279,229
- Other placements	870,543	1,646,139
- Loans in foreign currency	188,863	239,568
- Deposits in foreign currency	681	7,683
Total	6,042,584	6,485,669
Interest expense on:		
- Borrowings in Dinars	165,170	56,469
- Deposits in Dinars	2,090,505	2,010,040
- Other liabilities	3,742	3,232
- Borrowings in foreign currency	4,497	20,701
- Deposits in foreign currency	724,738	585,183
Total	2,988,652	2,675,625
Net interest income	3,053,932	3,810,044

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

5. FEE AND COMMISSION INCOME AND EXPENSE

	2009	In RSD thousand 2008
Fee and commission income		
- Domestic and international payment transaction services	905,813	1,004,112
- Loan administration fees	89,383	214,561
- Safekeeping charges	19,301	18,051
- Fees for other banking services	6,086	11,525
- Foreign exchange transactions	241	913
- Debit and credit cards operations	189,117	185,545
- Fees for issued guarantees, letters of credit and acceptances	69,419	73,559
- Broker-dealers services	20,210	38,633
- Other fees and commissions	84,863	97,069
Total	1,384,433	1,643,968
Fee and commission expense		
- Domestic payment transaction services	73,648	64,222
- International payment transaction services	7,046	9,016
- Cheques transactions	10,256	9,978
- Foreign exchange transactions	26,662	6,221
- Other fees and commissions	46,339	26,005
Total	163,951	115,442
Net fee and commission income	1,220,482	1,528,526

6. NET (LOSS)/GAIN FROM SALE OF SECURITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2009	In RSD thousand 2008
Gains on sale of:		
- Foreign currency savings bonds	3,200	5,562
	3,200	5,562
Losses on sale of:		
- Shares of NLB Razvojna banka d.d. Banja Luka	(177,105)	-
- Shares of Ateks a.d. Beograd	(748)	-
- Shares of NLB Continental banka a.d. Novi Sad	(38)	-
- Foreign currency savings bonds	(90)	(4,486)
	(177,981)	(4,486)
Net (loss)/gain on sale of securities	(174,781)	1,076

By selling shares of NLB Razvojna banka d.d. Banja Luka with carrying value of RSD 814,231 thousand at the date of sale, shares of a company Ateks a.d. Belgrade with carrying value of RSD 3,822 thousand at the date of sale and shares of NLB Continental banka a.d. Novi Sad with carrying value of RSD 240 thousand at the date of sale, the Bank incurred losses on sale totalling RSD 177,891 thousand during the year ended 31 December 2009.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

7. NET GAIN FROM SALE OF EQUITY INVESTMENTS

	2009	In RSD thousand 2008
VISA International	21,380	-
Total	21,380	-

During the year ended 31 December 2009, the Bank sold its shares in VISA International with carrying value of RSD 30 at the date of sale. By selling these shares, the Bank realized gain in the amount of RSD 21,380 thousand.

8. NET FOREIGN EXCHANGE GAINS /(LOSSES)

	2009	In RSD thousand 2008
Foreign exchange gains	21,548,675	29,317,708
Foreign exchange losses	(21,409,068)	(30,287,477)
Net foreign exchange gains/(losses)	139,607	(969,769)

9. DIVIDEND INCOME

	2009	In RSD thousand 2008
Dividend income	1,649	26,752
Total	1,649	26,752

Dividend income realized during the year ended 31 December 2009 comprise dividend income from the following legal entities: JUBMES banka a.d. Belgrade in the amount of RSD 1,273 thousand, Alfa Plam a.d. Vranje in the amount of RSD 53 thousand, VISA International in the amount of RSD 236 thousand and other entities in the amount of RSD 87 thousand.

10. OTHER OPERATING INCOME

	2009	In RSD thousand 2008
Recovery of written-off receivables	3,896	32,798
Gains from sale of property and equipment and intangible assets	52,841	27,109
Rental income	44,798	55,416
Other income from operating activities	11,047	13,868
Liabilities waived	-	6,578
Other income	9,989	26,947
Total	122,571	162,716

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

11. NET GAINS/(LOSSES) FROM IMPAIRMENT OF FINANCIAL ASSETS
AND PROVISIONS

(a) (Charged)/Credited to the Income Statement

	In RSD thousand	
	2009	2008
Expenses from indirect write-off of placements and provisions		
Impairment losses on financial assets:		
- Interest and fees receivable	(18,595)	(85,134)
- Loans and advances	(1,981,316)	(2,021,490)
- Securities and equity investments	(15,256)	(5,893)
- Other placements and other assets	(4,316)	(7,848)
	<u>(2,019,483)</u>	<u>(2,120,365)</u>
Provisions for:		
- Off-balance sheet assets	(8,824)	(37,885)
- Retirement benefits (net of payments)	(24,061)	(127,486)
- Litigations	-	(4,298)
	<u>(32,885)</u>	<u>(169,669)</u>
Total (Note 11(b))	<u>(2,052,368)</u>	<u>(2,290,034)</u>
Reversal of impairment losses		
Reversal of impairment losses on financial assets:		
- Interest and fees receivable	91,354	67,146
- Loans and advances	1,917,020	1,197,256
- Securities and equity investments	186,416	501
- Other placements and other assets	9,522	10,472
	<u>2,204,312</u>	<u>1,275,375</u>
Release of provision for:		
- Off-balance sheet assets	102,897	433,235
- Litigations	1,638	24,606
	<u>104,535</u>	<u>457,841</u>
<i>Income from reversal of impairment losses and release of provisions (Note 11(b))</i>	2,308,847	1,733,216
Income from collected suspended interest	<u>93,310</u>	<u>100,489</u>
Total	<u>2,402,157</u>	<u>1,833,705</u>
Net impairment gains/(losses)	<u>349,789</u>	<u>(456,329)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

11. NET GAINS/(LOSSES) FROM IMPAIRMENT OF FINANCIAL ASSETS
AND PROVISIONS (Continued)

(b) Movements in the Allowance for Impairment of Financial Assets and Provisions

Movements in the allowance for impairment of loans and other financial assets and provisions during the year were as follows:

	In RSD thousand					
	Interest and fees receivable (Note 20)	Loans and advances (Note 21)	Securities and equity investments (Notes 22 and 23)	Other placements and other assets (Notes 24 and 26)	Provisions (Note 31)	Total
Balance as of 1 January 2008	725,787	14,863,747	528,399	1,634,676	1,154,124	18,906,733
Charge for the year (Note 11(a))	85,134	2,021,490	5,893	7,848	169,669	2,290,034
Reversal of impairment losses (Note 11(a))	(67,146)	(1,197,256)	(501)	(10,472)	(457,841)	(1,733,216)
Foreign exchange differences	41,505	2,259,075	6,541	3,010	-	2,310,131
Hedge effects	674	33,213	-	-	-	33,887
Fair value adjustments	-	-	547,537	-	-	547,537
Transfer/other movements	4,443	(4,456,080)	-	70,341	(2,276)	(4,383,572)
Balance as of 31 December 2008	790,397	13,524,189	1,087,869	1,705,403	863,676	17,971,534
Charge for the year (Note 11(a))	18,595	1,981,316	15,256	4,316	32,885	2,052,368
Reversal of impairment losses (Note 11(a))	(91,354)	(1,917,020)	(186,416)	(9,522)	(104,535)	(2,308,847)
Foreign exchange differences	25,556	698,804	40,223	27,747	-	792,330
Hedge effects	398	52,946	-	20,854	-	74,198
Fair value adjustments	-	-	1,099	-	-	1,099
Other movements	(3,344)	(1,766,905)	(12,329)	-	-	(1,782,578)
Balance as of 31 December 2009	740,248	12,573,330	945,702	1,748,798	792,026	16,800,104

Other movements during the year ended 31 December 2009 mostly relate to carve out of receivables with the related allowances for impairment from the following clients: Fruska Gora a.d. Ruma in the amount of RSD 320,248 thousand, IMT Fabrika otkovaka in bankruptcy, Jasa Tomic in the amount of RSD 703,101 thousand, Planteks DP in bankruptcy, Plandiste in the amount of RSD 482,078 thousand, Centro-Riba d.o.o. in bankruptcy, Belgrade in the amount of RSD 113,148 thousand, Meblo DD Holding in bankruptcy, Stara Moravica in the amount of RSD 104,850 thousand and other clients in the amount of RSD 59,153 thousand.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

11. NET GAINS/(LOSSES) FROM IMPAIRMENT OF FINANCIAL ASSETS
AND PROVISIONS (Continued)

(c) Special Reserve for Potential Losses

As of 31 December 2009, the Bank has determined special reserve for potential losses in accordance with the National Bank of Serbia ("NBS") requirements.

In accordance with the NBS Decision on the Classification of Bank Balance Sheet Assets and Off-balance Sheet Items ("Official Gazette of the Republic of Serbia", no. 129/2007, 63/2008 and 104/2009), difference between the amount of special reserve for potential losses calculated in accordance with the NBS requirements, and the amount of allowance for impairment and provision for guarantees and other irrevocable commitments estimated in accordance with the internally adopted methodology, is presented as a reserve within the equity and is charged to retained earnings.

	In RSD thousand	
	2009	2008
Special reserve for potential losses determined as per the NBS requirements with respect to:		
- balance sheet exposures	21,493,068	19,462,286
- off-balance sheet exposures	467,265	395,642
	<u>21,960,333</u>	<u>19,857,928</u>
Allowances for impairment and provisions determined in accordance with the internally adopted methodology (IAS 39):		
- allowance for impairment of balance sheet items*	(15,633,081)	(16,562,832)
- provision for off-balance sheet items	(29,612)	(123,685)
	<u>(15,662,693)</u>	<u>(16,686,517)</u>
Difference between allowances for impairment and provisions determined in accordance with the NBS Decision and internally adopted methodology	6,297,640	3,171,411
Provisions determined in accordance with IAS 39 exceeding the amount of provision as per the NBS Decision	1,143,543	914,575
Shortfall amount of the special reserve for potential losses as of 31 December	<u>7,441,183</u>	<u>4,085,986</u>

* *The difference between the disclosed amount and the total amount of impairment of balance sheet items relates to the balance sheet assets that are classified in the trading book and are not included in the calculation of the Bank's risk exposures.*

As of 31 December 2009, special reserves for estimated losses on balance sheet assets and off-balance sheet items, after being reduced for allowances for impairment of balance sheet assets and provision for losses for off-balance sheet items, and calculated in accordance with the aforementioned Decision of the NBS (Note 2.9.), amounts to RSD 7,441,183 thousand (31 December 2008: RSD 4,085,986 thousand).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

12. SALARIES AND OTHER PERSONAL EXPENSES

	In RSD thousand	
	2009	2008
Net salaries and fringe benefits	2,028,069	2,022,148
Payroll taxes and contributions	781,322	781,729
Other personal expenses	27,674	26,356
Total	2,837,065	2,830,233

13. DEPRECIATION AND AMORTIZATION EXPENSE

	In RSD thousand	
	2009	2008
Depreciation and amortization expense:		
- property, plant and equipment and investment property (Note 25)	350,467	369,201
- intangible assets (Note 25)	52,737	39,912
Total	403,204	409,113

14. OTHER OPERATING EXPENSES

	In RSD thousand	
	2009	2008
Material	164,162	204,523
Transportation services	48,463	21,476
Postage and leased lines	247,058	210,897
Maintenance cost	223,040	124,699
Rental expenses	476,003	357,445
Marketing, advertising, sponsorships and donations	115,659	248,940
Other operating expenses	305,768	129,445
Insurance premium cost	188,334	202,908
Entertainment cost	13,430	12,592
Employee travel expenses	56,472	43,013
Per diems and travel expenses	40,697	68,312
Cost of lawyers' services	16,570	20,694
Cost of securing property	172,573	146,936
Indirect taxes	87,555	345,508
Indirect contributions	478,847	487,001
Direct write-off of bad debts	6,977	10,369
Other expenses	19,220	117,194
Total	2,660,828	2,751,952

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

15. GAINS FROM CHANGES IN VALUE OF ASSETS AND LIABILITIES

	2009	In RSD thousand 2008
Income from changes in value of loans and receivables	2,003,729	3,908,751
Income from changes in value of derivatives	40,688	2,966,255
Income from changes in value of securities	34,919	92,539
Income from changes in value of liabilities	45,731	27,638
Total	2,125,067	6,995,183

16. LOSSES FROM CHANGES IN VALUE OF ASSETS AND LIABILITIES

	2009	In RSD thousand 2008
Losses from changes in value of loans and receivables	549,643	1,220,642
Losses from changes in value of derivatives	79,694	2,685,406
Losses from changes in value of securities	2,531	578,415
Losses from changes in value of liabilities	73,864	51,850
Losses from changes in value of tangible assets, investment property and intangible assets	31,476	-
Total	737,208	4,536,313

17. INCOME TAXES

(a) Components of Income Taxes

Components of income taxes are:

	2009	In RSD thousand 2008
Current income tax	(14,190)	(3,348)
Deferred tax income	104,145	69,382
Deferred tax expense	(11,983)	(62,829)
Total tax income	77,972	3,205

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

17. INCOME TAXES (Continued)

(b) Numerical Reconciliation of Income Tax and Profit Before
Tax Multiplied by the Statutory Income Tax Rate

	In RSD thousand	
	2009	2008
Profit before tax	221,391	615,732
Income tax at the statutory tax rate of 10%	22,139	61,573
Tax effects of expenses not recognised for tax purposes	9,895	26,024
Utilisation of tax credits for investments in property, plant and equipment	(14,190)	(3,348)
Utilisation of tax losses carry forward	(3,512)	(79,754)
Dividend income deductible for tax purposes	(142)	(1,147)
<i>Current income tax</i>	<u>14,190</u>	<u>3,348</u>
Deferred tax income	(92,162)	(6,553)
Total tax income reported in the Income Statement	<u>(77,972)</u>	<u>(3,205)</u>

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

	In RSD thousand	
	2009	2008
Deferred tax assets		
Effects of temporary differences between the tax bases of property, plant and equipment and intangible assets and their carrying amounts	72,206	45,984
Recognized tax credits for investments in property, plant and equipment	134,590	62,506
	<u>206,796</u>	<u>108,490</u>
Deferred tax liabilities		
Effects of temporary differences between the tax bases of property, plant and equipment and intangible assets and their carrying amounts	(139,920)	(145,760)
Taxable temporary differences in respect of securities available-for-sale	(11,983)	-
	<u>(151,903)</u>	<u>(145,760)</u>
Deferred tax assets/(liabilities), net	<u>54,893</u>	<u>(37,270)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

17. INCOME TAXES (Continued)

(d) Movements in Deferred Tax Assets/(Liabilities)

Movement in deferred tax assets during the year was as follows:

	In RSD thousand	
	2009	2008
Balance as of 1 January	108,490	108,814
Effects of temporary differences credited/(charged) to the income statement	98,306	(324)
Balance as of 31 December	<u>206,796</u>	<u>108,490</u>

Movement in deferred tax liabilities during the year was as follows:

	In RSD thousand	
	2009	2008
Balance as of 1 January	(145,760)	(152,637)
Effects of temporary differences (charged)/credited to the income statement	(6,143)	6,877
Balance as of 31 December	<u>(151,903)</u>	<u>(145,760)</u>

(e) Unrecognized Deferred Tax Assets

As of 31 December 2009, the Bank did not recognize deferred tax assets totalling RSD 472,164 thousand based on tax losses carryforward (31 December 2008: RSD 475,676 thousand).

The Bank did not recognize the aforementioned deferred tax assets due to uncertainty as to the existence of a sufficient amount of future taxable income against which deferred tax assets could be utilised.

Right to utilise tax losses carryforward, presented in the amount of unrecognized deferred tax assets, expires in the following years:

	In RSD thousand			
	Tax losses carry- forward 2009	Total 2009	Tax losses carry- forward 2008	Total 2008
From 1 to 5 years	472,164	472,164	475,676	475,676
Total	<u>472,164</u>	<u>472,164</u>	<u>475,676</u>	<u>475,676</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

18. CASH AND CASH EQUIVALENTS

	2009	In RSD thousand 2008
In Dinars		
Gyro account	4,290,924	11,859,595
Cash on hand	2,118,589	1,397,981
Treasury bills, net	-	1,389,480
	<u>6,409,513</u>	<u>14,647,056</u>
In foreign currency		
Current accounts held with foreign banks	701,793	389,824
Cash on hand	1,666,969	2,503,920
Other cash equivalents	54,820	50,084
	<u>2,423,582</u>	<u>2,943,828</u>
Gold and other precious metals	8,386	6,019
Balance as of 31 December	<u>8,841,481</u>	<u>17,596,903</u>

Pursuant to the National Bank of Serbia's Decision on Required Reserves of Banks held with the National Bank of Serbia, the Bank is required to calculate and allocate the obligatory reserves in dinars to its gyro account held with the National Bank of Serbia amounting to 10% (2008: 10%) on the basis of the average daily balance of Dinars during the preceding calendar month.

As an exception to this rate, the Bank calculates the obligatory reserve in Dinars as follows:

- at the rate of 5% on the amount of the average daily carrying value of deposits in Dinars in the previous months from deposits with fixed term over one month;
- at the rate of 45% on the basis of average daily carrying balance of deposits in Dinars for the previous month which are indexed by a foreign currency clause; and
- at the rate of 45% on the portion of dinar reserving base comprised of dinar obligations in respect of foreign deposits and credits, up to the level of such base as in September 2008.

The calculated obligatory reserve in dinars represents the sum of the obligatory reserve in Dinars and 20% of the calculated obligatory reserve in foreign currency in Dinars counter value (in accordance with the Decision on Special Measures for Preserving Financial Stability). The Bank is obliged to maintain the average daily balance of allocated obligatory reserve in Dinars on its gyro account during the period.

The calculated obligatory reserve in Dinars for December 2009 amounted to RSD 4,962,111 thousand (December 2008: RSD 9,073,015 thousand) and it was in line with the aforementioned Decision of the National Bank of Serbia.

Average interest rate on the balance of the obligatory reserve in Dinars set aside equalled to 2.5% per annum during 2009.

As of 31 December 2009, foreign currency accounts amounting to RSD 701,793 thousand mostly relate to current accounts held with the following foreign banks: Commerzbank AG, Frankfurt, Deutsche Bank AG, Frankfurt, Credit Suisse, Zurich, NBG, London and Commonwealth Bank of Australia, Sydney.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

19. REVOCABLE DEPOSITS AND LOANS

	2009	In RSD thousand 2008
In Dinars		
Repo placements with the National Bank of Serbia	11,000,000	-
In foreign currency		
Obligatory reserve	13,536,183	11,143,209
Balance as of 31 December	24,536,183	11,143,209

The obligatory reserves in foreign currency represents the minimal reserve in foreign currency allocated in line with the National Bank of Serbia's decision on Required Reserves of Banks held with the National Bank of Serbia, which prescribes that banks are required to calculate and allocate the obligatory reserves of 45% (2008: 45%) of the average daily balance of foreign currency deposits in a preceding month.

As an exception to this rate, the Bank calculates the obligatory reserve in foreign currency as follows:

- at the rate of 40% on the basis of liabilities for foreign currency savings held with the Bank;
- at the rate of 20% on the portion of foreign currency reserving base consisting of subordinated liabilities, up to the level of that portion of the foreign currency base from September 2008; and
- at the rate of 100% on the portion of foreign currency reserving base comprised of foreign currency deposits kept by leasing companies at special accounts held with the Bank.

The amount of the obligatory reserve is reduced by the amount of long-term housing loans insured with the National Mortgage Insurance Corporation.

Out of the total calculated reserve in foreign currency, 80% is allocated in EUR, and the remaining 20% in Dinars on the gyro account.

The National Bank of Serbia does not pay interest on obligatory reserves in foreign currency.

Receivables from repo transactions amounting to RSD 11,000,000 thousand as of 31 December 2009 relate to purchase of treasury bills from the National Bank of Serbia with maturity period ranging from 12 to 14 days, bearing an interest at the rate ranging from 9.5% to 10.00% per annum.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

20. INTEREST AND FEES RECEIVABLE, RECEIVABLES FROM SALES, CHANGES IN FAIR VALUE OF DERIVATIVES AND OTHER RECEIVABLES

	In RSD thousand	
	2009	2008
In Dinars		
<i>Interest and fees receivable:</i>		
- Banks	7,318	7,949
- Public companies	1,850	2,135
- Other companies	530,048	634,376
- Entrepreneurs	38,205	62,521
- Public sector	8,556	1,503
- Retail customers	102,128	103,785
- Foreign entities	173	128
- Agricultural producers	1,451	686
- Other customers	2,275	347
	<u>692,004</u>	<u>813,430</u>
Receivables from sales	2,902	7,281
Receivables arising from changes in fair value of derivatives	40,688	66,005
	<u>735,594</u>	<u>886,716</u>
In foreign currency		
<i>Interest and fees receivable:</i>		
- Public companies	-	280
- Other companies	387,845	379,104
- Entrepreneurs	11	153
- Public sector	8,869	821
- Retail customers	469	474
- Foreign entities	195	162
- Other customers	153	140
	<u>397,542</u>	<u>381,134</u>
Receivables from sales	28,774	-
	<u>426,316</u>	<u>381,134</u>
Gross receivables	1,161,910	1,267,850
Less: Allowance for impairment (Note 11(b))	(740,248)	(790,397)
Balance as of 31 December	<u>421,662</u>	<u>477,453</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

21. LOANS AND ADVANCES

(a) Summary per Type of Loans and Advances

	In RSD thousand	
	2009	2008
Loans up to one year (short-term loans):		
- in Dinars	14,033,239	12,700,402
- in foreign currency	9,173,231	9,773,343
	<u>23,206,470</u>	<u>22,473,745</u>
Loans over one year (long-term loans):		
- in Dinars	29,293,772	33,979,894
- in foreign currency	4,324,393	3,911,303
	<u>33,618,165</u>	<u>37,891,197</u>
Deposits:		
- in Dinars	115	115
	<u>115</u>	<u>115</u>
Gross loans and advances	56,824,750	60,365,057
Less: Allowance for impairment (Note 11(b))	(12,573,330)	(13,524,189)
Balance as of 31 December	<u>44,251,420</u>	<u>46,840,868</u>

Structure of loans and advances per their purpose is as follows:

	In RSD thousand	
	2009	2008
Loans and advances in Dinars:		
- loans per transaction accounts	1,530,191	1,434,938
- consumer loans	1,820,245	2,703,864
- loans for working capital	15,206,782	15,357,919
- export loans	-	202,176
- investment loans	2,725,303	2,662,126
- housing loans	7,469,469	6,441,278
- Other loans	14,575,021	17,877,995
Deposits	115	115
	<u>43,327,126</u>	<u>46,680,411</u>
Loans and advances in foreign currency:		
- loans for payment of imported goods and services abroad	1,274,813	1,321,624
- overnight loans	-	42,461
- other loans	12,222,811	12,320,561
	<u>13,497,624</u>	<u>13,684,646</u>
Gross loans and advances	56,824,750	60,365,057
Less: Allowance for impairment (Note 11(b))		
- in Dinars	(4,480,994)	(3,909,948)
- In foreign currency	(8,092,336)	(9,614,241)
	<u>(12,573,330)</u>	<u>(13,524,189)</u>
Balance as of 31 December	<u>44,251,420</u>	<u>46,840,868</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

21. LOANS AND ADVANCES (Continued)

(a) Summary per Type of Loans and Advances (Continued)

Loans to corporate customers are primarily granted for the purposes of financing daily liquidity requirements, the acquisition of current assets, import, investments, agricultural production, and rescheduling of previously-approved loans. Loans with up to one year maturity were approved for the period ranging from 30 days to one year, whereas loans with over one year maturity were approved for periods from 1 to 30 years. Interest rates on short-term loans in foreign currency range from 3% to 12% annually. Short-term loans in Dinars bear interest at rates ranging from 11% to 22% annually. Interest rates on long-term loans with contracted foreign currency clause range from 1% to 11% annually, whereas long-term loans in foreign currency bear interest at rates ranging from 3% to 11% annually.

As of 31 December 2009, loans and advances to retail customers were mostly granted as cash loans, overdraft loans, loans based on the use of credit cards, car loans and housing loans. Cash loans over one year were approved upon the placement of a deposit in the amount of 20%, at annual interest rates ranging from 14% to 24%. Overdrafts on citizens' current accounts are approved at annual interest rates ranging from 18% to 22%, while the usage of VISA credit cards bears interest at the rate of 26% annually. Long-term housing loans have been granted at interest rates ranging from 5% to 8% annually.

(a) Maturity Structure of Loans and Advances

The maturity of gross loan portfolio, based on the remaining period on the balance sheet date to the contractual maturity date, as of 31 December 2009 and 2008, is as follows:

	In RSD thousand	
	2009	2008
Loans in arrears (overdue receivables)	14,694,716	13,323,100
Up to 30 days	162,399	174,527
From 31 to 90 days	115,225	268,328
From 91 to 365 days	8,234,245	8,707,905
From 1 to 5 years	8,958,954	12,137,249
Over 5 years	24,659,211	25,753,948
	<u>56,824,750</u>	<u>60,365,057</u>

Maturity structure of loans in arrears is presented in the table below:

	In RSD thousand	
	2009	2008
Up to 90 days	751,158	666,565
From 91 to 180 days	288,287	306,185
From 181 to 365 days	1,427,955	603,316
Over 1 year	12,227,316	11,747,034
	<u>14,694,716</u>	<u>13,323,100</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

21. LOANS AND ADVANCES (Continued)

(c) Industry Concentration of Loans and Advances

As of 31 December 2009 and 2008, the gross loan portfolio is concentrated on the following sectors:

	In RSD thousand	
	2009	2008
Mining and processing industry	13,213,238	15,566,222
Trade	8,803,988	8,930,405
State administration and other public services	2,234,661	208,603
Agriculture, hunting, fishing and forestry	1,717,459	1,909,478
Construction	1,473,004	1,974,827
Services, tourism, accomodation industry and transportation	1,258,621	1,198,361
Banks and finance	612,606	579,353
Energetics	414,896	388,241
Retail customers	23,656,224	25,654,691
Entrepreneurs	1,511,055	1,894,978
Foreign entities	772,528	756,383
Agricultural producers	25,989	35,555
Other	1,130,481	1,267,960
Total	56,824,750	60,365,057

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

22. SECURITIES (EXCLUDING TREASURY SHARES)

	In RSD thousand	
	2009	2008
In Dinars		
Shares of banks:		
- AIK banka a.d. Nis	339,752	327,717
- Agrobanka a.d. Belgrade	15,829	14,267
- JUBMES banka a.d. Belgrade	109,540	103,137
- Metals banka a.d. Novi Sad	396	380
- Komercijalna banka a.d. Belgrade	6,119	5,982
Shares of corporate customers	36,738	34,335
Corporate bonds	196	196
Corporate bills of exchange	121,738	94,647
	<u>630,308</u>	<u>580,661</u>
In foreign currency		
Shares of banks:		
- NLB Razvojna banka d.d. Banja Luka	-	737,970
- Foreign currency savings bonds of the Republic of Serbia	30,286	33,920
Other securities	398	119
	<u>30,684</u>	<u>772,009</u>
Gross securities	660,992	1,352,670
<i>Less: Allowance for impairment (Note 11(b))</i>	<u>(386,419)</u>	<u>(533,831)</u>
Balance as of 31 December	<u>274,573</u>	<u>818,839</u>

23. EQUITY INVESTMENTS

	In RSD thousand	
	2009	2008
In Dinars		
- subsidiaries	37,541	37,541
- associates	21,953	21,954
- other companies	551,381	392,851
- other banks and financial institutions	199,620	199,410
	<u>810,495</u>	<u>651,756</u>
In foreign currency		
- subsidiaries	9,568	8,840
- foreign banks and financial institutions	241,527	211,506
	<u>251,095</u>	<u>220,346</u>
Gross equity investments	1,061,590	872,102
<i>Less: Allowance for impairment (Note 11(b))</i>	<u>(559,283)</u>	<u>(554,038)</u>
Balance as of 31 December	<u>502,307</u>	<u>318,064</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

23. EQUITY INVESTMENTS (Continued)

As of 31 December 2009, the Bank has gross equity investments in the following domestic subsidiaries: Vobex d.o.o. Novi Sad in the amount of RSD 326 thousand (interest in capital 100%) and Imos a.d. Sid in the amount of RSD 37,215 thousand (interest in capital 51.5%). Equity investment in the subsidiary Vobex d.o.o. Novi Sad was fully provided for in prior years.

As of 31 December 2009, the Bank's gross equity investment in the foreign subsidiary Novobanis, Thessaloniki amounts to RSD 9,568 thousand (interest in capital 68%).

As of 31 December 2009, the Bank has equity investment in the associate Metalprogres a.d. Zrenjanin in the amount of RSD 21,953 thousand (interest in capital 30.34%).

24. OTHER PLACEMENTS

	In RSD thousand	
	2009	2008
Placements arising from payments of guarantees in Dinars or foreign currencies	858,274	742,613
Other placements in foreign currency	799,861	973,433
Other placements in Dinars	124,776	118,399
Gross other placements	1,782,911	1,834,445
<i>Less: Allowance for impairment (Note 11(b))</i>	<i>(1,433,490)</i>	<i>(1,419,104)</i>
Balance as of 31 December	349,421	415,341

As of 31 December 2009, allowance for impairment of other placements mostly relate to receivables for guarantees and acceptances paid by the Bank on behalf of the following customers: Strela Lazarevac Prevoz in bankruptcy in the amount of RSD 455,366 thousand, ZZ Sopocani in the amount of RSD 77,970 thousand, Istra Kula a.d. Kula in the amount of RSD 29,330 thousand, MD d.o.o., Bogatic in the amount of RSD 30,941 thousand and AD HK "LEPENKA", Novi Knezevac in the amount of RSD 26,167 thousand.

In addition to the above, allowance for impairment of long-term overdue placements in foreign currency relate to the following customers: DD Intex, Indjija in the amount of RSD 73,222 thousand, AD Shipyard Apatin in the amount of RSD 53,838 thousand, "SAX-MG" in bankruptcy d.o.o. Belgrade in the amount of RSD 49,027 thousand and Tref Royal d.o.o. Belgrade in the amount of RSD 15,612 thousand.

A part of established allowance for impairment amounting to RSD 214,496 thousand mostly relates to the placements with the following domestic banks in bankruptcy: Jugobanka a.d. in bankruptcy, Belgrade in the amount of RSD 115,921 thousand, Beogradska banka a.d. in bankruptcy, Belgrade in the amount of RSD 44,090 thousand and Jugoslovenska izvozna i kreditna banka a.d. in bankruptcy, Belgrade in the amount of RSD 40,462 thousand.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

25. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS

	In RSD thousand									
	Land	Buildings	Investment property	Equipment	Leasehold improvements	Assets under construction	Total property, plant and equipment	Licenses and software	Intangible assets under construction	Total intangible assets
COST/REVALUATION										
Balance as of 1 January 2009	517	6,389,621	268,366	1,804,044	829,646	159,116	9,451,310	248,296	106,181	354,477
Additions	-	-	-	2,979	-	1,233,929	1,236,908	-	223,238	223,238
Transfer from assets under construction	-	573,377	-	180,046	326,805	(1,080,228)	-	78,851	(78,851)	-
Reclassification (from)/to	-	32,794	-	-	(32,794)	-	-	-	-	-
Sales	-	(68,391)	-	-	-	-	(68,391)	-	-	-
Shortage and disposals	-	-	-	(59)	-	-	(59)	-	-	-
Balance as of 31 December 2009	517	6,927,401	268,366	1,987,010	1,123,657	312,817	10,619,768	327,147	250,568	577,715
ACCUMULATED DEPRECIATION AND AMORTIZATION										
Balance as of 1 January 2009	-	2,468,402	97,786	1,279,068	595,131	-	4,440,387	152,264	-	152,264
Depreciation and amortization (Note 13)	-	90,099	3,662	159,345	97,361	-	350,467	52,737	-	52,737
Reclassification (from)/to	-	1,525	-	-	(1,348)	-	177	(177)	-	(177)
Sales	-	(27,423)	-	-	-	-	(27,423)	-	-	-
Shortage and disposals	-	-	-	(47)	-	-	(47)	-	-	-
Balance as of 31 December 2009	-	2,532,603	101,448	1,438,366	691,144	-	4,763,561	204,824	-	204,824
NET BOOK VALUE AS OF:										
- 31 December 2009	517	4,394,798	166,918	548,644	432,513	312,817	5,856,207	122,323	250,568	372,891
- 31 December 2008	517	3,921,219	170,580	524,976	234,515	159,116	5,010,923	96,032	106,181	202,213

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

25. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS (Continued)

As of 31 December 2009, the Bank did not pledge any buildings as collateral for borrowings.

Due to incomplete cadastral records the Bank does not have title deeds for buildings with net book value of RSD 218,196 thousand as of 31 December 2009 (31 December 2008: RSD 159,182 thousand). The Bank's management has taken all necessary measures in order to obtain title deeds.

As of 31 December 2009, the carrying value of the equipment leased under finance lease arrangements amounts to RSD 33,550 thousand (31 December 2008: RSD 33,748 thousand).

Investment property comprises buildings rented out.

The Bank's management concluded that there were no indications of impairment of tangible and intangible assets as of 31 December 2009.

26. OTHER ASSETS

	In RSD thousand	
	2009	2008
Advances and deposits:		
- in Dinars	99,401	31,500
- in foreign currency	2,052	1,764
Receivables for overpaid taxes and contributions	254,750	228,885
Receivables from employees:		
- in Dinars	41,226	93,977
- in foreign currency	4,254	3,974
Other receivables from operations:		
- in Dinars	258,782	252,400
- in foreign currency	49,002	28,470
Suspense and temporary accounts	(227,805)	(54,881)
Receivables in settlement:		
- in Dinars	233	-
- in foreign currency	2,280	4,206
Assets received on foreclosed loans	426,271	428,743
Inventories of small tools and stationary	27,388	25,775
Accrued interest income:		
- in Dinars	135,930	93,426
- in foreign currency	15,461	22,707
Deferred interest expense in foreign currency	588,904	-
Deferred other expenses	85,901	74,785
Accrued other income	17	16
Other prepayments	51,197	132,362
Gross other assets	1,815,244	1,368,109
Less: Allowance for impairment (Note 11(b))	(315,308)	(286,299)
Balance as of 31 December	1,499,936	1,081,810

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

27. SIGHT DEPOSITS

	In RSD thousand					
	2009			2008		
	In Dinars	In foreign currency	Total	In Dinars	In foreign currency	Total
Other banks	122,314	10,339	132,653	122,315	12,709	135,024
Financial organizations	112,799	19,724	132,523	41,558	22,432	63,990
Companies	4,999,039	3,364,434	8,363,473	4,967,090	3,501,141	8,468,231
Public companies	511,258	20,434	531,692	729,305	75,075	804,380
Public sector	118,022	19,494	137,516	40,406	10,525	50,931
Entrepreneurs	920,968	84,725	1,005,693	874,617	64,046	938,663
Retail customers	1,977,809	422,225	2,400,034	1,803,435	411,518	2,214,953
Agricultural producers	308,068	31	308,099	380,378	90	380,468
Foreign entities	22,615	297,195	319,810	393,466	307,347	700,813
Other customers	1,108,892	145,058	1,253,950	712,546	40,490	753,036
Balance as of 31 December	10,201,784	4,383,659	14,585,443	10,065,116	4,445,373	14,510,489

Demand deposits in Dinars mostly consist of current accounts of corporate customers, entrepreneurs and retail customers held with the Bank.

Demand deposits of corporate customers and entrepreneurs (excluding other banks) in Dinars and in foreign currency are mostly non-interest bearing, except for the special arrangements defined by individual contracts with very important clients. Exceptions are deposits in Dinars of beneficiaries of the Republic of Serbia's budget, organizations of mandatory social security and local authorities, which earn interest at the rate which cannot be lower of the current discount rate of the National Bank of Serbia. Pursuant to Arrangement Contracts with its customers, the Bank pays interest in the amount equal to 90% of the basic rate of the National Bank of Serbia.

Retail customers' current accounts in Dinars are non-interest bearing. Sight deposits of retail customers in foreign currency earn interest at rates ranging from 0.5% to 3% annually, depending on the currency.

As of 31 December 2009, the major corporate depositors of the Bank are Telekom Srbija a.d. Belgrade, Bailo d.o.o. Novi Sad, Elektroprivreda Srbije, Belgrade and Elektrodistribucija Sabac, representing in total 15.06% of sight deposits at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

28. OTHER DEPOSITS

	2009			2008		
	Short-term	Long-term	Total	Short-term	Long-term	Total
In RSD thousand						
In Dinars						
Savings deposits	568,972	40,960	609,932	480,603	83,224	563,827
Specific purpose deposits	934,338	6,980	941,318	282,430	3,370	285,800
Other deposits	3,975,313	46,773	4,022,086	6,442,149	58,430	6,500,579
Total	5,478,623	94,713	5,573,336	7,205,182	145,024	7,350,206
In foreign currency						
Savings deposits	26,190,335	275,022	26,465,357	19,851,451	779,129	20,630,580
Specific purpose deposits	955,051	42,258	997,309	1,033,404	25,408	1,058,812
Other deposits	9,065,794	2,916,885	11,982,679	8,123,388	3,617,550	11,740,938
Total	36,211,180	3,234,165	39,445,345	29,008,243	4,422,087	33,430,330
Balance as of 31 December	41,689,803	3,328,878	45,018,681	36,213,425	4,567,111	40,780,536

Short-term deposits from domestic banks in Dinars are deposited for the period up to three months at interest rates ranging from 9.60% to 18.50% annually.

Time deposits without any specific purpose of corporate customers and entrepreneurs in Dinars earn interest at rates ranging from 4.5% to 10% annually, depending on the amount and the period the funds have been deposited for. Exceptionally, an interest rate might be out of the aforesaid range in case of special arrangements.

Time deposits without any specific purpose of corporate customers and entrepreneurs in foreign currency earn interest at rates ranging from 1.7% to 3.87% annually, depending on the amount and the period the funds have been deposited for. Exceptionally, an interest rate might be out of the aforesaid range in case of special arrangements.

Short-term deposits of retail customers denominated in foreign currencies earn interest at rates ranging from 1.35% to 7.5% annually, depending on the currency. Long-term deposits of retail customers denominated in foreign currencies earn interest at rates ranging from 2.25% to 6.5% annually.

As of 31 December 2009, the major depositors of the Bank are National Bank of Greece S.A. London, Embassy of Greece, NBG Leasing d.o.o. Belgrade, Unicredit Bank Srbija a.d. Belgrade, NIS a.d. Novi Sad and JP PTT Saobracaja "Srbija", Belgrade, accounting for 20.73% of the outstanding balance of other deposits at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

28. OTHER DEPOSITS (Continued)

Structure of other deposits by customer type is presented in the table below:

	In RSD thousand	
	2009	2008
Banks	3,128,131	2,008,889
Corporate customers	4,502,504	6,314,152
Public companies	948,876	1,265,541
Public sector	287,553	442,938
Entrepreneurs	19,144	39,984
Retail customers	29,527,762	24,702,170
Agricultural producers	252	-
Foreign entities	6,380,282	5,906,978
Other customers	224,177	99,884
Balance as of 31 December	45,018,681	40,780,536

29. BORROWINGS

	In RSD thousand	
	2009	2008
Short-term borrowings:		
- in Dinars	78,107	998,000
- in foreign currency	2,089,355	2,367,306
	<u>2,167,462</u>	<u>3,365,306</u>
Long-term borrowings:		
- in Dinars	34,612	47,764
- in foreign currency	105,458	194,237
	<u>140,070</u>	<u>242,001</u>
Other financial liabilities:		
- in Dinars	9,275	11,008
- in foreign currency	467,323	369,672
	<u>476,598</u>	<u>380,680</u>
Balance as of 31 December	2,784,130	3,987,987

Short-term borrowings in foreign currency amounting to RSD 2,089,355 thousand as of 31 December 2009 relate to loans for daily liquidity purposes obtained from other banks. The Bank borrowed funds for overnight at interest rates ranging from 1.00% to 1.90% annually, depending on the bank.

Long-term borrowings totalling RSD 140,070 thousand as of 31 December 2009 (31 December 2008: RSD 242,001 thousand) relate to the following loans:

- Long-term loan in Dinars in the amount of RSD 34,612 thousand extended by the National Bank of Serbia, which originated by conversion of short-term liabilities from primary emission to long-term liabilities; and
- Long-term loan in foreign currency in the amount of RSD 105,458 thousand (31 December 2008: RSD 194,237 thousand), extended by the Reintegration Fund of the European Council. The initial contract between the Bank and Reintegration Fund was concluded on 24 August 1990. During the course of 2002, the Bank reprogrammed the terms of the initial contract, and according to the new terms, the repayment period is 9 years with the interest rate of 3.558% annually.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

29. BORROWINGS (Continued)

Structure of borrowings and other financial liabilities by customer type is presented in the table below:

	In RSD thousand	
	2009	2008
Banks	2,415,397	3,218,966
Foreign entities	274,079	645,454
Public sector	83,608	106,445
Retail customers	7,211	10,106
Corporate customers	969	4,368
Other customers	2,866	2,648
Balance as of 31 December	<u>2,784,130</u>	<u>3,987,987</u>

30. INTEREST AND FEES PAYABLE AND CHANGES IN FAIR VALUE OF DERIVATIVES

	In RSD thousand	
	2009	2008
In Dinars		
<i>Interests and fees payable:</i>		
- Banks	6,084	12,929
- Other customers	2,590	432
- Public companies	6,619	11,542
- Public sector	2,448	6,990
- Corporate customers	19,619	26,008
- Entrepreneurs	102	168
- Retail customers	-	122
- Foreign entities	95	265
	<u>37,557</u>	<u>58,456</u>
Liabilities arising from changes in fair value of derivatives	79,694	488,660
	<u>117,251</u>	<u>547,116</u>
In foreign currency		
<i>Interests and fees payable:</i>		
- Banks	-	53
- Other customers	2	19
- Public sector	219	1,513
- Corporate customers	26	1,781
- Retail customers	-	77,073
- Foreign entities	70	18,260
	<u>317</u>	<u>98,699</u>
Balance as of 31 December	<u>117,568</u>	<u>645,815</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

31. PROVISIONS

	In RSD thousand	
	2009	2008
Provision for off-balance sheet items	29,612	123,685
Provision for retirement benefits (a)	267,293	243,232
Provision for litigations (b)	411,909	413,547
Other provision for liabilities	83,212	83,212
Balance as of 31 December	792,026	863,676

- (a) Provision for retirement benefits has been recognized in the Bank's financial statements on the basis of an independent actuary's calculation as of the balance sheet date, and it is stated in the amount of present value of the estimated future payments. When determining the present value of the expected cash outflows, the Bank used assumptions disclosed in Note 2.20(b).
- (b) The Bank made a provision for legal claims filed against the Bank, for which the Bank's Legal Department expects a negative outcome (see Note 37(b)).

Movements in provisions during the year were as follows:

	In RSD thousand	
	2009	2008
Provision for off-balance sheet items		
Balance at the beginning of the year	123,685	519,035
Charge for the year (Note 11(a))	8,824	37,885
Release of provision (Note 11(a))	(102,897)	(433,235)
Balance at the year end	29,612	123,685
Provision for retirement benefits		
Balance at the beginning of the year	243,232	115,746
Payments in respect of early retirement (Note 11(a))	(9,492)	-
Charge for the year (Note 11(a))	33,553	127,486
Balance at the year end	267,293	243,232
Provision for litigations		
Balance at the beginning of the year	413,547	436,133
Charge for the year (Note 11(a))	-	4,298
Release of provision (Note 11(a))	(1,638)	(24,606)
Amounts utilized during the year	-	(2,278)
Balance at the year end	411,909	413,547
Other provision for liabilities		
Balance at the beginning of the year	83,212	83,212
Charge for the year	-	-
Balance at the year end	83,212	83,212
Balance as of 31 December	792,026	863,676

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

32. OTHER LIABILITIES

	In RSD thousand	
	2009	2008
Net salaries and fringe benefits	94,468	99,825
Taxes and contributions payable	34,617	38,116
Advances and deposits received:		
- in Dinars	7,927	7,492
- in foreign currency	12,210	12,354
Trade payables:		
- in Dinars	256,514	89,809
- in foreign currency	114,930	143,260
Finance lease liabilities	26,689	28,563
Other liabilities:		
- in Dinars	240,685	197,135
- in foreign currency	19,910	1,696
Accrued interest expense:		
- in Dinars	29,005	38,933
- in foreign currency	156,565	233,713
Other accrued expenses in Dinars	7,468	8,039
Deferred interest income:		
- in Dinars	95,341	130
- in foreign currency	416	807
Deferred loan and guarantee origination fees	173,661	275,343
Other accruals:		
- in Dinars	7,267	9,926
- in foreign currency	2,402	2,181
Balance as of 31 December	1,280,075	1,187,322

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

33. EQUITY

(a) Equity Structure

The Bank's equity structure is presented in the table below:

	In RSD thousand	
	2009	2008
Share capital - ordinary shares	16,337,430	16,337,430
Share premium	120	120
Reserves from profit	3,188,768	3,188,768
Revaluation reserves	1,721,756	1,581,889
Retained earnings	794,606	97,264
Profit for the year	299,363	618,937
Balance as of 31 December	22,342,043	21,824,408

As of 31 December 2009, subscribed and paid in share capital of the Bank comprised 1,633,743 ordinary shares, with nominal value per share of RSD 10,000 (31 December 2008: 1,633,743 ordinary shares, with nominal value per share of RSD 10,000).

The Bank's shareholders are entitled to take part in the Bank's decision-making commensurately with their interest in the total amount of the Bank's ordinary shares, in the distribution of profit, priority purchase rights of shares from subsequent issuances, priority collection rights in the event of the Bank's bankruptcy or liquidation.

In December 2006, in accordance with the terms of the Agreement on the Purchase and Sale of Share Capital, the National Bank of Greece, Athens became the major owner of the Bank's through the acquisition of an equity interest of 99.43%. The aforementioned acquisition was duly registered with the Central Securities Depository and Clearing House on 12 December 2006. Pursuant to the Articles of Incorporation no. 1.0-10340/2 and Decision on Increase in Capital no. 1.0-10340/3 dated 29 November 2007, the share capital of the Bank increased through the issue of 410,000 ordinary shares with the individual par value of RSD 10,000. The National Bank of Greece, Athens purchased the entire share issue, and thereby became the sole owner of the Bank.

In accordance with the Decision issued by the Bank's Assembly dated 3 January 2008, the Bank enacted a Decision on the Merger of Vojvodjanska banka a.d. Novi Sad with the National Bank of Greece a.d. Beograd, in effect from 31 December 2007. The aforementioned merger was registered with the Serbian Business Registers Agency on 14 February 2008 under the registry number BD 6190/2008 (removal of the business entity "National Bank of Greece a.d. Beograd" as the acquired bank due to a merger) and the change in the core capital of Vojvodjanska banka a.d. Novi Sad was inscribed based on the Decision numbered BD 6210/2008. The National Bank of Greece a.d. Beograd was fully owned by the National Bank of Greece, Athens. Pursuant to the aforesaid Decision dated 3 January 2008, enacted by the Bank's Assembly, the Bank's capital increased through the issue of shares without public offer for the amount of RSD 7,419,535 thousand (741,953 ordinary shares with the individual par value of RSD 10,000), i.e., in the amount equal to the share capital of the National Bank of Greece a.d. Beograd. These shares were transferred to the shareholder of the entity which discontinued its operations, i.e., the National Bank of Greece, Athens, Greece. Vojvodjanska banka a.d. Novi Sad is the legal successor of all rights and liabilities of the National Bank of Greece a.d. Beograd existing before the merger date, i.e., 31 December 2007.

The earning per share for the year ended 31 December 2009 amounted to RSD 183.24 (2008: RSD 378.85).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

33. EQUITY (Continued)

(b) Capital Adequacy and Performance Indicators - Compliance with Legal Regulations

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

As of 31 December 2009, the Bank is in compliance with all prescribed performance indicators.

The Bank's performance indicators as of 31 December 2009 are as follows:

Performance indicators	Prescribed	Realized
1. Capital	Minimum EUR 10 million	EUR 140,218,232
2. Capital adequacy ratio	Minimum 12%	24.72%
3. Permanent investments indicator	Maximum 60%	44.85%
4. Related parties exposure	Maximum 20%	11.65%
5. The sum total of all large exposures	Maximum 400%	27.93%
6. Monthly liquidity ratios:		
- in the first month of the reporting period	Minimum 1	1.34
- in the second month of the reporting period	Minimum 1	1.76
- in the third month of the reporting period	Minimum 1	1.88
7. Foreign exchange risk ratio	Maximum 20%	6.08%
8. Exposure to a group of related parties	Maximum 25%	16.28%
9. Exposure to an entity related to the Bank	Maximum 5%	0.88%
10. Bank's investments in legal entities which are not in the financial sector	Maximum 10%	2.53%

As of 31 December 2009, the Bank has large loans that exceed 10% of its capital, granted to the company "Eko YU" a.d. Belgrade (16.28% of the Bank's capital).

34. OFF-BALANCE SHEET ITEMS

	In RSD thousand	
	2009	2008
Funds managed on behalf of third parties (a)	971,009	2,305,209
Guarantees and other irrevocable commitments (b)	11,630,373	11,046,223
Received guarantees for liabilities (c)	83,292,314	44,819,370
Derivatives (d)	26,194,087	36,903,984
Other off-balance sheet items (e)	27,936,462	21,515,217
Balance as of 31 December	150,024,245	116,590,003

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

34. OFF-BALANCE SHEET ITEMS (Continued)

(a) Funds Managed on Behalf of Third Parties

	In RSD thousand	
	2009	2008
Funds managed on behalf of third parties:		
- in Dinars	895,607	2,228,694
- in foreign currency	75,402	76,515
Balance as of 31 December	971,009	2,305,209

As of 31 December 2009, funds managed on behalf of third parties mainly relate to funds received from the public sector customers and entrusted to the Bank's management. The funds managed on behalf of third parties primarily include loans for the Economic Recovery of Serbia, loans of the Development Fund of the Republic of Serbia for financing registered agricultural farms, loans granted from the funds of the Ministry of Agriculture, Forestry and Water and loans that companies extend to their employees or other companies through the Bank as an agent. Bank charges fees for the services provided.

(b) Guarantees and Other Irrevocable Commitments

	In RSD thousand	
	2009	2008
Payment guarantees, performance bonds and acceptances:		
- in Dinars	1,735,645	2,517,203
- in foreign currency	1,330,096	2,202,515
	3,065,741	4,719,718
Irrevocable commitments for undrawn credit facilities:		
- in Dinars	6,752,190	6,161,117
- in foreign currency	15,873	6,304
	6,768,063	6,167,421
Other irrevocable commitments:		
- in Dinars	7,603	7,812
- in foreign currency	82,071	140,795
	89,674	148,607
<i>Risky off-balance sheet items</i>	9,923,478	11,035,746
Other commitments in Dinars	1,074,026	-
Property standing as collateral for liabilities	632,869	10,477
Balance as of 31 December	11,630,373	11,046,223

Irrevocable commitments relate to contractual commitments to make loans that cannot be cancelled unilaterally, such as: overdrafts, revolving loans to companies, multi-purpose revolving loans and other irrevocable commitments. Irrevocable commitments usually have fixed expiry dates or other stipulations with respect to expiry dates.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

34. OFF-BALANCE SHEET ITEMS (Continued)

(b) Guarantees and Other Irrevocable Commitments (Continued)

Since irrevocable commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. The Bank monitors maturity periods of credit commitments and undrawn credit facilities because longer term commitments have a greater degree of loan risk than short-term commitments.

As disclosed in Note 31 to the financial statements, as of 31 December 2009, provision for guarantees and other irrevocable commitments amounts to RSD 29,612 thousand (31 December 2008: RSD 123,685 thousand).

(c) Received Guarantees for Liabilities

	In RSD thousand	
	2009	2008
Received guarantees for liabilities:		
- in Dinars	43,413,690	38,351,504
- in foreign currency	39,878,624	6,450,339
Securities received as a pledge	-	17,527
Balance as of 31 December	<u>83,292,314</u>	<u>44,819,370</u>

Received guarantees for liabilities in Dinars mostly relate to mortgages received as collateral for the loans granted by the Bank.

(d) Derivatives

	In RSD thousand	
	2009	2008
Receivables with respect to currency swaps (nominal amount - purchase of EUR)	12,159,574	16,609,598
Receivables with respect to currency swaps (nominal amount - purchase of RSD)	566,737	-
Receivables with respect to currency swaps (nominal amount - purchase of AUD)	-	69,695
Receivables with respect to currency swaps (nominal amount - sale of EUR)	9,311,652	20,224,691
Receivables with respect to currency swaps (nominal amount - sale of USD)	1,340,635	-
Receivables with respect to currency swaps (nominal amount - sale of RSD)	2,815,489	-
Balance as of 31 December	<u>26,194,087</u>	<u>36,903,984</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

34. OFF-BALANCE SHEET ITEMS (Continued)

(e) Other Off-balance Sheet Items

	2009	In RSD thousand 2008
Suspended interest receivable	6,870,498	6,019,994
Other off-balance sheet items	<u>21,065,964</u>	<u>15,495,223</u>
Balance as of 31 December	<u>27,936,462</u>	<u>21,515,217</u>

Other off-balance sheet items as of 31 December 2009 mostly comprise placements in respect of purchase and sale of foreign currency in the amount of RSD 8,184,928 thousand and receivables for administrative polish loan and cross border loans in the amount of RSD 10,717,464 thousand.

As of 31 December 2008, other off-balance sheet items comprised the amount of RSD 723,386 thousand, which relates to other revocable undrawn credit facilities which the Bank included in the risky off-balance sheet items subject to classification.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

35. RELATED PARTY DISCLOSURES

A number of banking transactions are entered into with shareholders, subsidiaries and other related parties from the NBG Group in the ordinary course of business. These transactions are carried out on commercial terms and conditions and at market rates.

- (a) Outstanding balances of receivables and liabilities as of 31 December 2009 and 2008, resulting from transactions with the Bank's related parties are summarized below:

Related party	Type of transaction	In RSD thousand	
		31 December 2009	31 December 2008
VOBEX d.o.o. Novi Sad - interest in capital 100%	Loans	-	2,323
	Allowance for loan impairment	-	(2,323)
	Overdue receivables	64,075	59,284
	Allowance for impairment of overdue receivables	(34,053)	(31,569)
	Interest receivable	5,136	5,136
	Allowance for impairment of interest receivables	(865)	(859)
	Other receivables	11,747	11,887
	Allowance for impairment of other receivables	(11,619)	(11,758)
	Deposits	(35)	(50)
	Trade payables	-	(5)
	<i>Net receivables</i>	<u>34,386</u>	<u>32,066</u>
IMOS a.d. Sid - interest in capital 51.55%	Loans	-	5,157
	Interest receivables	4	4
	Deposits	(9,161)	(7,579)
	Interest payable	(135)	(103)
	Deferred fees on guarantees	(13)	-
	<i>Net liabilities</i>	<u>(9,305)</u>	<u>(2,521)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

35. RELATED PARTY DISCLOSURES (Continued)

(a) Receivables and Liabilities (Continued)

Related party	Type of transaction	In RSD thousand	
		31 December 2009	31 December 2008
National Bank of Greece S.A. Athens	Current foreign currency account	3,677	4,399
	Derivatives - receivables	32,516	12,081
	Derivatives - liabilities	(15,127)	(116,631)
	Other receivables	26	690
	Sight deposits	(21,598)	(171,229)
	Short-term deposits	-	(2,061,360)
	Other liabilities	(119,575)	(110,486)
	<i>Net liabilities</i>	<u>(120,081)</u>	<u>(2,442,536)</u>
NBG Leasing d.o.o. Belgrade	Loans	61,000	80,174
	Sight deposits	(268)	(18,142)
	Short-term deposits	(716,275)	-
	Other deposits	(720,695)	(665,920)
	Finance lease liabilities	(26,689)	(28,563)
	Other liabilities	(30)	-
	<i>Net liabilities</i>	<u>(1,402,957)</u>	<u>(632,451)</u>
National Bank of Greece S.A. London	Current foreign currency account	39,403	4,819
	Other receivables	105,739	105,739
	Overnight loans	-	40,889
	Short-term deposits	(3,931,441)	(1,873,414)
	<i>Net liabilities</i>	<u>(3,786,299)</u>	<u>(1,721,967)</u>
Ethnoplan S.A. Greece	Trade payables	(44,956)	(17,720)
	<i>Net liabilities</i>	<u>(44,956)</u>	<u>(17,720)</u>
	Total net liabilities	<u>(5,329,212)</u>	<u>(4,785,129)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

35. RELATED PARTY DISCLOSURES (Continued)

- (b) The following table summarizes total income and expenses arising from related party transactions realized during the years ended 31 December 2009 and 2008:

	In RSD thousand	
	2009	2008
Interest income	13,785	18,542
Interest expense	(248,049)	(299,746)
Fee and commission income	4,839	-
Fee and commission expense	(701)	(419)
Other income	2,035	-
Other expenses	(5,680)	-
Net expenses	(233,771)	(281,623)

- (c) Salaries and other benefits of the Executive Board's members and the Board of Directors' members (stated in gross amounts), during 2009 and 2008, are presented in the table below:

	In RSD thousand	
	2009	2008
Salaries and fringe benefits of the Executive Board's members	52,938	41,627
Remunerations to the members of the Board of Directors	10,067	8,941
Total	63,005	50,568

36. RISK MANAGEMENT

36.1. Introduction

The Risk Management Division in the Bank consist of eight departments responsible for the management of the corporate credit risk (3), the retail credit risk (3), the market risk, liquidity risk and interest rate risk management (1) and the operational risk management, and one office responsible for the risk management integration with the one of the NBG Group and development of risk management capabilities in accordance with Basel Accord II.

With the support of the NBG Group Risk Management Authorities, the Bank established a strong Risk Management Function in line with the Group principles, with the following overall objectives:

- To establish a set of fundamental standards for risk management across the Bank in order to maximize earnings potential and provide returns for shareholder.
- To support the Bank's business strategy by ensuring that business objectives are pursued in a risk-controlled manner in order to preserve earnings stability by protecting against unforeseen losses.
- To improve the usage and allocation of capital and to enhance risk adjusted return on capital by incorporating risks into business performance measures.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.1. Introduction (Continued)

- To support decision making processes by providing necessary and reasonable risk related estimates.
- To ensure consistency with the best practices and compliance with local regulatory, quantitative and qualitative requirements.
- To ensure the cost-effectiveness of risk management by reducing overlaps and avoiding inappropriate, excessive or obsolete policies, processes, methodologies, models, controls and systems.

The Bank distinguishes the two main types of losses:

- **Expected loss** - is the amount expected to be lost on average within a given period of time (e.g. one year) and is considered as a standard cost of doing business which is provisioned for and taken into account in the pricing of products.
- **Unexpected loss** - is the statistically estimated loss at a given confidence level (e.g. 99.9%) associated with adverse events and is considered as a risk of doing business. Capital typically serves as a buffer absorbing such losses.

The Bank acknowledges the following major types of banking risks arising from its activities:

Credit Risk

Credit risk - the current or prospective risk of adverse effects to earnings and capital arising from credit beneficiary's failure to discharge contractual obligations to the Bank or otherwise fail to perform as agreed. It also includes:

Pre-settlement risk - the current or prospective risk of adverse effects to earnings and capital arising from a counterparty's default on off-balance sheet products, where the credit equivalent exposure reflects both the current replacement cost (marked to market) of the product plus an estimate of the Bank's potential future credit exposure from the product as a result of prevailing market prices.

Settlement risk - the current or prospective risk of adverse effects to earnings and capital arising from a counterparty's default on transactions in the process of being settled and where the sold asset or cash has been delivered to the counterparty but the purchased asset or cash has not yet been received in return as expected.

Residual risk - the current or prospective risk of adverse effects to earnings and capital arising from the fact that recognized risk measurement and mitigation techniques used (e.g. collaterals, guarantees, netting agreements), prove less effective than expected.

Market Risk - the current or prospective risk of adverse effects to earnings and capital arising from adverse changes in market prices of bonds, shares, trading commodity and derivatives in the trading book. This risk arises in market making, dealing, and position taking activities. This risk comprises:

Equity instruments risk - the current or prospective risk of adverse effects to earnings and capital arising from changes in the direction or volatility of equity instruments/equity derivatives prices indices or changes in the relationship between different equity instruments/equity derivatives prices indices.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.1. Introduction (Continued)

Market Risk (Continued)

Foreign exchange risk - the current or prospective risk of adverse effects to earnings and capital arising from movements in spot and forward currency exchange rates in the banking book and the trading book.

Interest rate risk - the current or prospective risk of adverse effects to earnings and capital arising from changes in the direction or volatility of interest rates/interest rate derivatives, the shape of the yield curve and the spread between different interest rates that affect the trading book positions.

Commodity risk - the current or prospective risk of adverse effects to earnings and capital arising from changes in the direction or volatility of commodity/commodity derivatives prices, the spread between spot and forward commodity prices and the relationship between different commodity/commodity derivatives prices.

Furthermore, market risks include:

Underwriting risk - the current or prospective risk of adverse effects to earnings and capital arising from underwriting commitments in the trading book on bonds, equity investments or other securities.

Market liquidity risk - refers to market positions, which cannot be sold within a desired time period or only at a discount. Such are the cases of securities/derivatives in illiquid markets, or when large positions that cannot be sold easily are held.

Operational risk - the risk of adverse effects on the Bank's financial result and capital due to failures in performance of system failure, human errors, frauds or unforeseen external events. This definition specifies the broad categories of operational risk sources and in particular:

- Processes - refers to losses that have been incurred due to a deficiency in an existing procedure, or the absence of procedure documentation. Losses in this category can result from human error or failure to follow an existing procedure. Process-related losses are unintentional.
- People - refers to losses associated with intentional violation of internal policies by current or former employees. In some specific cases, the risk extends to people who are being considered for employment.
- Systems - reflects losses that are caused by breakdowns in existing systems or technology (IT risk falls in this category). Losses in this category are unintentional. If intentional technology-related losses occur, they would be categorized in either the People or External events.
- External events - reflects losses occurring as a result of natural or man-made forces, or the direct result of a third party action.

IT risk is considered as a subcategory of the operational risk, defined as the current or prospective risk of adverse effects to earnings and capital arising from inadequate information technology and processing in terms of manageability, exclusivity, integrity, controllability and continuity, or arising from an inadequate IT strategy and policy or from inadequate use of the entity's information technology.

Legal and compliance risk is considered as a subcategory of the operational risk, defined as the current or prospective risk of adverse effects to earnings and capital arising from violations or non compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.1. Introduction (Continued)

Liquidity risk - the current or prospective risk of adverse effects to earnings and capital arising from the entity's inability to meet its liabilities when due without incurring unacceptable losses. The definition of liquidity risk includes:

Term liquidity and withdrawal/call risk - reflects the potential mismatch of payment obligations to incoming payments, taking into account unexpected delays in repayments (term liquidity risk) or unexpectedly high payment outflows (withdrawal/call risk).

Structural liquidity risk (funding liquidity risks) - refers to the cost of liquidity for the purpose of closing liquidity gaps, which would change if refinancing becomes more expensive due to a decline in the Bank's creditworthiness, or adverse market conditions.

Concentration risk - It is acknowledged that the key source of concentration risk is **credit concentration risk**, which is the current or prospective risk of adverse effects to earnings and capital arising from excessive exposure places with one counterparty or group of related counterparties whose likelihood of default is driven by common underlying factors, e.g. economic sector, industry, geographical location, collateral type. Concentration risk refers both to banking and trading book exposures. Concentration risk can also arise in other risk types, such as:

Liquidity concentration risk - relates to funding liquidity risk and arises from the existence of a limited number of funding sources.

Market concentration risk - arises from excessive exposure to specific market risk factors (stock prices/indices, foreign exchange and interest rates).

Country risk - the current or prospective risk of adverse effects to earnings and capital, caused by events in a particular country which are at least to some extent under the control of the government but definitely not under the control of a private enterprise or individual. Possible events include deterioration of economic conditions, political and social upheaval, nationalization and expropriation of assets and disruptive currency depreciation or devaluation. This definition includes all forms of cross-border lending in a country whether to the government, a bank, a private enterprise or an individual. It also includes:

Sovereign risk, where the government of a certain country cannot service its own debt because it does not have the required amount of foreign currency or is unwilling to service its debts or enters in renegotiation and rescheduling schemes or any other form of technical default. Country risk assessment does not only involve an assessment of willingness of the state to fulfil its obligations, as other factors can also cause losses. In practice, sovereign risk and country risk are highly correlated, considering that the government is the major factor in sovereign and country risk affairs.

Transfer risk is defined as the inability of private companies or individuals to fulfil their obligations due to government actions. One example of a transfer risk is when the government imposes prohibitive exchange restrictions, which may make it impossible for private agents to transfer payments.

Convertibility risk is defined as the inability of private companies or individuals to fulfil their obligations due to government/central bank actions. One example of a convertibility risk is when the central bank imposes prohibitive foreign exchange controls, which may make it impossible for private agents to convert local to foreign currency payments and vice versa.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.1. Introduction (Continued)

Finally, the Bank further acknowledges:

Strategic risk - the current or prospective risk of adverse effects to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Bank treats strategic risk within the processes related to strategic planning at the Group level.

Reputation risk - the current or prospective risk of adverse effects to earnings and capital arising from adverse perception of the Bank's image on the part of customers, counterparties, shareholders, investors or regulators.

In order to manage the aforementioned risks, the Bank complies with the relevant decisions of the domestic regulatory bodies, and relies on the following strategic documents:

- Bank risk management strategy,
- Credit risk management policy for corporate customers,
- Credit risk management policy for retail customers (which is in the final revision phase),
- Trading book policy,
- Liquidity risk management policy,
- Strategy, policy and framework for operational risk management,

as well as on different methodologies, procedures and guidelines (allowance for impairment of financial assets and provision, assessment of foreign currency risk, other estimates, early collection of receivables, etc.).

36.2. Credit Risk

The Bank has implemented and it maintains appropriate on-going credit underwriting, administration, measurement and monitoring processes, including in particular:

- Sufficient and fully documented credit risk policies which are in place (Corporate Lending Policy and Retail Policies), such ensuring consistency across the Bank and acknowledging key regulatory requirements of the National Bank of Serbia, including the definition of default and credit portfolio segmentation according to regulatory rules (National Bank of Serbia, Basel II).
- Sound, well-defined credit granting criteria based on the particular target market, the borrower or counterparty and the transaction, as well as the purpose and structure of the credit and its source of repayment.
- Credit limits that aggregate in a comparable and meaningful manner different types of exposures, at various levels:
 - Individual borrowers and counterparties,
 - Groups of related borrowers and counterparties,
 - Industry/sector limits, and
 - Product limits (loans, bonds, derivatives, etc.).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

- Clearly established procedures for approving new loans as well as the amendment, renewal and re-financing of existing loans, while any exceptions are monitored with particular care taking appropriate steps to control or mitigate the relevant risks.
- Consistent credit grading/scoring tools to standardize and enhance credit risk assessment and portfolio management (RM3 corporate credit risk rating system, introduced during 2008 and Scorecards for the Retail Lending) to support a robust credit assessment process.
- Adequate and detailed procedures covering all aspects of the credit related activities.
- Information systems and analytical techniques that enable measurement of credit risk inherent in all relevant activities, providing adequate information on the composition of the credit portfolio, including identification of any concentration of risk.
- The monitoring process that covers the condition of individual credits, including determining the adequacy of provisions and reserves, as well as the overall composition and quality of the credit portfolio, taking into consideration potential future changes in economic conditions and allowing the assessment of credit risk exposures under stressful conditions.

The Bank has ensured adequate internal controls over the credit risk related processes, including:

- Segregation of lending business functions from loan approval, monitoring and follow-up and credit portfolio management functions.
- Approving Committees for all types of credit exposure, with escalation of credit authorization in accordance with the level of the exposure.
- Participation of the Risk Management Division in such Committees under a veto right.
- Proper management of the credit-granting functions ensuring that credit exposures are within set limits, while exceptions to policies, procedures and limits are appropriately reported.
- Periodical, early remedial actions on deteriorating credits, managing problem credits and similar workout situations.
- Independent, ongoing assessment of the credit risk management processes by Internal Audit, covering in particular the credit risk systems/models employed by the Bank. The results of such reviews are communicated to the Board of Directors and the Senior Management of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

For the rating of the corporate customers' risk, during the course of 2008, the Bank implemented the rating model RM3, which had been calibrated in March 2009. The model has 10 notches with defined debtor's limits per Corporate Lending Policy, and which correspond to estimated Probabilities of Default (PD) as follows:

<u>RATING</u>	<u>RISK</u>	<u>PD%</u>	<u>Limit per debtor in EUR</u>
A1	Fair	0.4	250,000
A2	Fair	0.7	140,000
B1	Fair	1.8	90,000
B2	Moderate	3.3	50,000
V1	Moderate	4.3	30,000
V2	Moderate	6.6	25,000
G1	Significant	9.6	15,000
G2	Significant	14.5	6,000
D1	High	22.9	2,000
D2	High	28.9	2,000

In accordance with the regulations of the National Bank of Serbia, the Bank regularly examines and classifies its corporate and retail portfolio (A to E scale). For the purposes of this report, A and B rated credit risks may be considered as "Satisfactory", C as "Special Mention" and D and E as "Unsatisfactory".

In order to mitigate credit risk, the Bank takes different types of collaterals, on which it calculates a securing value with the use of conservative coefficients, which reflect the time needed for the liquidation of the collateral and the uncertainty about the market prices at the time of liquidation.

For the calculation of the necessary provisions as per the National Bank of Serbia's regulations, the Bank recognizes as prime and adequate the collaterals defined in the relevant Decision, when the conditions for their recognition are met.

The Bank recognizes committed and uncommitted credit limits and that the unused committed credit limits bear the same credit risk with its used part. Other off-balance sheet items, which bear counterparty credit risk (guarantees, letters of credit, etc.) are also accepted as bearing credit risk, the height of which varies depending on the applicant's creditworthiness and the purpose of the off-balance sheet item.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

(a) Maximum Exposure to Credit Risk by Balance Sheet and Off-balance Sheet Items

Breakdown of maximum credit risk exposure, presented in gross, before collaterals held or other credit enhancements, as of 31 December 2009 and 2008 is presented in the table below:

	In RSD thousand	
	2009	2008
Exposure to credit risk by balance sheet items:		
Loans to banks and customers	54,906,974	60,365,057
Interest and fees receivable, receivables from sales, changes in fair value of derivatives and other receivables	1,113,227	1,195,053
Securities	124,762	94,647
Equity investment	1,061,590	872,102
Other placements	1,721,889	1,733,467
Other assets	1,122,533	956,981
Total	60,050,975	65,217,307
Exposure to credit risk by off-balance sheet items:		
Financial guarantees	3,065,741	4,719,718
Undrawn credit facilities	6,768,063	6,890,809
Other irrevocable commitments	89,674	148,605
Total	9,923,478	11,759,132
Total exposure	69,974,453	76,976,439

Breakdown of maximum credit risk exposure as of 31 December 2009, before taking into account collaterals held or other credit enhancements, grouped by geographical locations is presented in the table below:

	In RSD thousand					
	Loans to, and placements with banks	Loans and advances to customers	Securities and equity investments	Interest, fees and other assets	Guarantees and other commitments	Total 2009
Serbia	780,595	54,766,551	935,258	2,121,412	9,923,478	68,527,294
European Union	309,428	772,289	251,094	114,348	-	1,447,159
Total	1,090,023	55,538,840	1,186,352	2,235,760	9,923,478	69,974,453

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

(a) Maximum Exposure to Credit Risk by Balance Sheet and Off-balance Sheet Items (Continued)

Breakdown of maximum credit risk exposure as of 31 December 2008, before taking into account collaterals held or other credit enhancements, grouped by geographical locations is presented in the table below:

	In RSD thousand					Total 2008
	Loans to, and placements with banks	Loans and advances to customers	Securities and equity investments	Interest, fees and other assets	Guarantees and other commit- ments	
Serbia	461,014	60,839,664	746,403	2,019,038	11,759,132	75,825,251
European Union	84,254	713,592	220,346	132,996	-	1,151,188
Total	545,268	61,553,256	966,749	2,152,034	11,759,132	76,976,439

The Bank's credit risk exposure analysis, by industry sectors, before and after taking into account collateral held and other credit enhancements, as of 31 December 2009 and 2008 is presented in the table below:

	In RSD thousand			
	Gross maximum exposure 2009	Net maximum exposure 2009	Gross maximum exposure 2008	Net maximum exposure 2008
Mining and processing industry	17,591,724	8,537,332	19,244,163	9,347,229
Energetics	936,395	882,985	773,763	691,186
Trade	12,046,568	9,454,142	12,020,116	10,318,112
Finance	2,024,036	1,201,857	3,774,261	1,407,359
Agriculture and forestry	2,098,242	1,524,606	2,623,764	2,198,705
Construction	1,714,034	1,618,435	2,562,297	2,338,927
Tourism, hospitality and services	2,576,829	1,901,073	3,326,034	2,670,396
Retail customers	28,702,533	27,620,222	30,151,433	29,361,780
Other	2,284,092	1,571,108	2,500,608	1,956,228
Total	69,974,453	54,311,760	76,976,439	60,289,922

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

(b) Portfolio Quality

The Bank manages the quality of its financial assets using the internal classification of placements.

The structure of the loan portfolio (loans and advances to banks and customers, including other placements and securities from the maximum credit risk exposure table) according to internal credit rating 31 December 2009 and 2008 is presented in the following table:

In RSD thousand

	<u>2009</u>					<u>2008</u>				
	Neither past due nor impaired			Past due and impaired	Total 2009	Neither past due nor impaired			Past due and impaired	Total 2008
High rating	Standard rating	Sub- standard rating	High rating			Standard rating	Sub- standard rating			
Loans to banks	241,898	-	-	848,125	1,090,023	42,498	-	-	502,770	545,268
Loans to customers	3,579,401	2,822,726	123,315	23,804,653	30,330,095	6,840,784	329,283	78,657	26,596,517	33,845,241
Loans to entrepreneurs	489,280	4,190	4,390	1,012,914	1,510,774	631,930	9,843	6,479	1,239,996	1,888,248
Loans to retail customers	18,163,185	32,327	534,143	4,968,316	23,697,971	22,718,270	256,759	476,645	2,368,093	25,819,767
Total loans and placements	22,473,764	2,859,243	661,848	30,634,008	56,628,863	30,233,482	595,885	561,781	30,707,376	62,098,524
Quoted securities - other securities	47,326	-	-	74,412	121,738	94,647	-	-	-	94,647
Not quoted securities- equity and debt instruments	-	-	-	3,024	3,024	-	-	-	-	-
Total	22,521,090	2,859,243	661,848	30,711,444	56,753,625	30,328,129	595,885	561,781	30,707,376	62,193,171

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

(b) Portfolio Quality (Continued)

The table below represents the structure of the Bank's loans and advances to banks and customers, including other placements, as of 31 December 2009 and 2008, according to their quality:

	In RSD thousand							
	Neither past due nor impaired	Past due but not impaired	Impaired	Total gross loans and placements	Individual allowance for impairment	Collective allowance for impairment	Total allowance for impairment	Total net loans and placements
31 December 2009								
Credit cards	1,891,386	280,979	-	2,172,365	-	-	-	2,172,365
Consumer loans	10,248,027	2,467,643	1,340,610	14,056,280	(194,055)	(789,914)	(983,969)	13,072,311
Housing loans	6,590,241	631,006	248,079	7,469,326	(9,007)	(48,254)	(57,261)	7,412,065
Loans to small entities	497,859	743,692	269,222	1,510,773	(124,027)	-	(124,027)	1,386,746
Loans to corporate customers	6,525,444	9,901,092	13,903,560	30,330,096	(11,071,505)	(973,184)	(12,044,689)	18,285,407
	<u>25,752,957</u>	<u>14,024,412</u>	<u>15,761,471</u>	<u>55,538,840</u>	<u>(11,398,594)</u>	<u>(1,811,352)</u>	<u>(13,209,946)</u>	<u>42,328,894</u>
Loans to banks	241,898	39	848,086	1,090,023	(796,874)	-	(796,874)	293,149
Total	<u>25,994,855</u>	<u>14,024,451</u>	<u>16,609,557</u>	<u>56,628,863</u>	<u>(12,195,468)</u>	<u>(1,811,352)</u>	<u>(14,006,820)</u>	<u>42,622,043</u>
31 December 2008								
Credit cards	1,976,875	454,049	-	2,430,924	-	(10,764)	(10,764)	2,420,160
Consumer loans	15,139,326	1,064,502	743,596	16,947,424	-	(725,886)	(725,886)	16,221,538
Housing loans	6,335,473	39,487	66,460	6,441,420	-	(53,003)	(53,003)	6,388,417
Loans to small entities	648,252	844,949	395,047	1,888,248	(290,832)	-	(290,832)	1,597,416
Loans to corporate customers	6,948,892	12,545,129	14,351,219	33,845,240	(13,208,995)	(152,932)	(13,361,927)	20,483,313
	<u>31,048,818</u>	<u>14,948,116</u>	<u>15,556,322</u>	<u>61,553,256</u>	<u>(13,499,827)</u>	<u>(942,585)</u>	<u>(14,442,412)</u>	<u>47,110,844</u>
Loans to banks	42,498	1,708	501,062	545,268	(500,881)	-	(500,881)	44,387
Total	<u>31,091,316</u>	<u>14,949,824</u>	<u>16,057,384</u>	<u>62,098,524</u>	<u>(14,000,708)</u>	<u>(942,585)</u>	<u>(14,943,293)</u>	<u>47,155,231</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

(b) Portfolio Quality (Continued)

Neither Past Due nor Impaired Loans and Placements

	In RSD thousand			
	Satisfactory	Special Mention	Substandard	Total
31 December 2009				
Credit cards	1,852,300	8,881	30,205	1,891,386
Consumer loans	9,796,627	21,374	430,026	10,248,027
Housing loans	6,514,258	2,071	73,912	6,590,241
Loans to small entities	489,279	4,190	4,390	497,859
Loans to corporate customers	3,579,403	2,822,726	123,315	6,525,444
	<u>22,231,867</u>	<u>2,859,242</u>	<u>661,848</u>	<u>25,752,957</u>
Loans to banks	241,898	-	-	241,898
Total	<u>22,473,765</u>	<u>2,859,242</u>	<u>661,848</u>	<u>25,994,855</u>
31 December 2008				
Credit cards	1,964,839	3,689	8,347	1,976,875
Consumer loans	14,441,433	241,263	456,630	15,139,326
Housing loans	6,311,998	11,806	11,669	6,335,473
Loans to small entities	631,930	9,843	6,479	648,252
Loans to corporate customers	6,540,903	329,283	78,706	6,948,892
	<u>29,891,103</u>	<u>595,884</u>	<u>561,831</u>	<u>31,048,818</u>
Loans to banks	42,498	-	-	42,498
Total	<u>29,933,601</u>	<u>595,884</u>	<u>561,831</u>	<u>31,091,316</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

(b) Portfolio Quality (Continued)

Ageing Analysis of Loans and Placements Past Due but Not Impaired

	In RSD thousand							
	Up to 30 days past due	From 31 to 60 days	From 60 to 90 days	From 91 to 180 days	From 180 to 365 days	From 1 to 5 years	Over 5 years	Total
31 December 2009								
Credit cards	123,859	34,312	21,687	31,460	39,190	30,471	-	280,979
Consumer loans	1,639,781	209,923	89,534	192,911	149,840	167,664	17,990	2,467,643
Housing loans	571,129	45,169	8,457	4,239	664	1,348	-	631,006
Loans to small entities	556,516	18,096	18,486	26,391	28,343	95,860	-	743,692
Loans to corporate customers	7,672,099	472,042	164,671	471,822	573,855	546,603	-	9,901,092
	<u>10,563,384</u>	<u>779,542</u>	<u>302,835</u>	<u>726,823</u>	<u>791,892</u>	<u>841,946</u>	<u>17,990</u>	<u>14,024,412</u>
Loans to banks	39	-	-	-	-	-	-	39
Total	<u>10,563,423</u>	<u>779,542</u>	<u>302,835</u>	<u>726,823</u>	<u>791,892</u>	<u>841,946</u>	<u>17,990</u>	<u>14,024,451</u>
31 December 2008								
Credit cards	201,220	151,921	96,360	2,401	1,045	1,102	-	454,049
Consumer loans	588,915	129,949	83,974	108,685	99,916	52,669	394	1,064,502
Housing loans	33,859	1,066	655	1,783	1,008	1,116	-	39,487
Loans to small entities	615,499	24,082	14,898	40,329	49,253	100,888	-	844,949
Loans to corporate customers	10,912,268	949,782	288,879	132,490	107,835	153,875	-	12,545,129
	<u>12,351,761</u>	<u>1,256,800</u>	<u>484,766</u>	<u>285,688</u>	<u>259,057</u>	<u>309,650</u>	<u>394</u>	<u>14,948,116</u>
Loans to banks	1,708	-	-	-	-	-	-	1,708
Total	<u>12,353,469</u>	<u>1,256,800</u>	<u>484,766</u>	<u>285,688</u>	<u>259,057</u>	<u>309,650</u>	<u>394</u>	<u>14,949,824</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.2. Credit Risk (Continued)

(b) Portfolio Quality (Continued)

Ageing Analysis of Impaired Loans and Placements

	In RSD thousand							
	Up to 30 days past due	From 31 to 60 days	From 60 to 90 days	From 91 to 180 days	From 180 to 365 days	From 1 to 5 years	Over 5 years	Total
31 December 2009								
Consumer loans	96,516	248,968	108,458	175,816	309,858	382,230	18,764	1,340,610
Housing loans	32,724	78,502	19,762	34,574	37,587	44,229	701	248,079
Loans to small entities	2,266	13,187	8,362	21,264	107,629	116,514	-	269,222
Loans to corporate customers	965,475	79,498	8,966	108,162	810,374	11,874,634	56,451	13,903,560
	<u>1,096,981</u>	<u>420,155</u>	<u>145,548</u>	<u>339,816</u>	<u>1,265,448</u>	<u>12,417,607</u>	<u>75,916</u>	<u>15,761,471</u>
Loans to banks	14	-	-	-	18,263	829,809	-	848,086
Total	<u>1,096,995</u>	<u>420,155</u>	<u>145,548</u>	<u>339,816</u>	<u>1,283,711</u>	<u>13,247,416</u>	<u>75,916</u>	<u>16,609,557</u>
31 December 2008								
Consumer loans	64,558	7,403	8,782	8,486	605,409	48,958	-	743,596
Housing loans	-	-	582	7,555	58,323	-	-	66,460
Loans to small entities	85,458	-	-	-	2,433	224,898	82,258	395,047
Loans to corporate customers	913,558	98,867	66,869	385,908	384,516	11,107,384	1,394,117	14,351,219
	<u>1,063,574</u>	<u>106,270</u>	<u>76,233</u>	<u>401,949</u>	<u>1,050,681</u>	<u>11,381,240</u>	<u>1,476,375</u>	<u>15,556,322</u>
Loans to banks	79	-	-	-	-	500,983	-	501,062
Total	<u>1,063,653</u>	<u>106,270</u>	<u>76,233</u>	<u>401,949</u>	<u>1,050,681</u>	<u>11,882,223</u>	<u>1,476,375</u>	<u>16,057,384</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)**36.2. Credit Risk (Continued)****(c) Default Receivables**

The Bank gives special attention to default receivables by monitoring the total outstanding balance and the trend of these loans and advances. Default is monitored at the Bank level and in accordance with the product criteria (for retail customers) and the industrial sector the customer belongs to, as well as the maturity structure (for corporate clients and entrepreneurs).

In accordance with the regulations, default receivables related to corporate customers and entrepreneurs are monitored at customer (counter party) level, and, as for retail customers, at the level of individual receivable.

As of 31 December 2009, default receivables amount to RSD 18,332,369 thousand (31 December 2008: RSD 17,120,748 thousand). Allowances for impairment of default receivables amount of RSD 14,333,252 thousand (31 December 2008: RSD 15,177,901 thousand).

Default off-balance sheet items amount to RSD 113,558 thousand as of 31 December 2009 (31 December 2008: RSD 192,319 thousand), while the related provision for those items amounts to RSD 21,623 thousand (31 December 2008: RSD 69,900 thousand).

(d) Rescheduled Loans

The Bank introduced, within 2009, guidelines and/or criteria for rescheduling of corporate and retail loans. Through the aforesaid, the Bank aims to help the debtors/borrowers which are positively assessed as strong enough to overcome the present adverse period to repay properly their debts towards the Bank.

Loans to customers, with more significant problems, for which there are doubts about their capability to repay their debts, are not rescheduled.

As of 31 December 2009, gross rescheduled loans and advances amounted to RSD 5,245,656 thousand.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.3. Liquidity Risk

The Bank manages the relevant risk in accordance with its Liquidity Risk Management Policy, which provides for diversified funding sources in addition to its core deposit base, proper management of assets and liabilities and monitoring of the future cash flows and the liquidity on a daily basis. The Bank daily assesses the expected cash flows in Dinars and foreign currency and the availability of assets which could be used as collaterals to secure additional funding if required.

The Bank manages its assets and liabilities in such a way that it can always fulfill its due obligations and honor its commitments on time.

The Bank's framework for managing liquidity risk encompasses:

- Operating standards relating to liquidity risk, including appropriate policies, procedures and resources for controlling, limiting and managing liquidity risk.
- Maintenance of a stock of liquid assets appropriate for the cash flow profile that can be readily converted into cash without incurring undue capital losses.
- Management of access to funding sources and measurement, control and scenario testing of funding requirements.
- Management information and other systems that identify, measure, monitor and control liquidity risk.
- Contingency plans for handling liquidity disruptions by means of the ability to fund some or all activities in a timely manner and at a reasonable cost.
- Liquidity risk limits (e.g. maturity mismatch ratio, liquid asset ratio) taking into account the existing regulatory limits.

The Bank has established and maintains adequate liquidity measurement, monitoring and control and reporting functions, addressing:

- The maturity profile of cash flows under varying scenarios, including scenarios for non-maturing assets and liabilities (e.g. savings, credit cards).
- The stock of liquid assets available to the institution and their market values.
- The ability of the Bank to execute assets sales in various markets (notably under adverse conditions) and to borrow in markets.
- Potential sources of volatility in assets and liabilities (including claims and obligations arising from off-balance sheet business).
- The impact of adverse trends in asset quality on future cash flows and market confidence at the Bank level.
- Creditworthiness and capacity of providers of standby facilities to meet their obligations.
- The impact of market disruptions on cash flows and customers.
- The type of new deposits being obtained, as well as its source, maturity and price.
- The regulatory reporting requirements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.3. Liquidity Risk (Continued)

The Market Risk Department of the Risk Management Division is responsible for the monitoring of the liquidity risk. The daily management of the liquidity is performed by the Treasury Division. The Assets and Liabilities Committee may recommend to the Executive Board measures and actions to improve the maturity structure, and other measures important for the better managing of the liquidity.

The level of liquidity is expressed using the ratio of the liquid sum of the first and second level (cash, assets on accounts with other banks, deposits with the National Bank of Serbia, receivables in the process of realization, irrevocable credit lines approved to the Bank, quoted financial instruments and other receivables due within a month) and sum of liabilities on demand without determined maturity date and liabilities with fixed maturity up to a month.

In 2009 and 2008, the Bank had an indicator of daily liquidity significantly above the legally-prescribed levels.

The aforementioned ratio in 2009 and 2008 was as presented in the table below:

	2009.	2008.
Average during the period	1.62	1.60
Highest	2.01	1.99
Lowest	1.24	1.20
As of 31 December	1.88	1.60

The maturity structure of guarantees, undrawn loans and limits and other commitments based on the remaining period as of 31 December 2009 and 2008 to the contractual maturity date is presented in the table below:

	In RSD thousand						
	Up to 14 days	From 15 days to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
31 December 2009	<u>1,962,092</u>	<u>227,940</u>	<u>1,094,096</u>	<u>3,601,451</u>	<u>2,684,707</u>	<u>353,192</u>	<u>9,923,478</u>
31 December 2008	<u>1,367,884</u>	<u>282,599</u>	<u>807,425</u>	<u>4,998,079</u>	<u>3,768,500</u>	<u>534,645</u>	<u>11,759,132</u>

The Bank expects that not all of the contingencies and irrevocable commitments will be withdrawn before they expire.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.3. Liquidity Risk (Continued)

Exposure to the liquidity risk as of 31 December 2009 is presented in the following table. The table includes financial assets and financial liabilities, presented at their carrying amounts at the reporting date.

	In RSD thousand					
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents and revocable deposits and loans	33,377,664	-	-	-	-	33,377,664
Loans to, and placements with banks	421,662	-	-	-	-	421,662
Loans and advances to customers	5,593,756	3,509,002	8,637,056	16,148,075	10,363,531	44,251,420
Securities and equity investments	274,573	-	-	-	502,307	776,880
Other assets	17,325	38,626	491,634	99,304	92,245	739,134
Total assets	<u>39,684,980</u>	<u>3,547,628</u>	<u>9,128,690</u>	<u>16,247,379</u>	<u>10,958,083</u>	<u>79,566,760</u>
LIABILITIES						
Banks' deposits	2,903,624	2,013,665	-	-	-	4,917,289
Customers' deposits	31,073,695	4,282,849	16,669,140	1,865,618	795,533	54,686,835
Borrowings	2,624,221	-	52,908	101,160	5,841	2,784,130
Other liabilities	921,009	1,083	5,069	-	-	927,161
Total liabilities	<u>37,522,549</u>	<u>6,297,597</u>	<u>16,727,117</u>	<u>1,966,778</u>	<u>801,374</u>	<u>63,315,415</u>
Net open liquidity position as of:						
- 31 December 2009	<u>2,162,431</u>	<u>(2,749,969)</u>	<u>(7,598,427)</u>	<u>14,280,601</u>	<u>10,156,709</u>	<u>16,251,345</u>
- 31 December 2008	<u>(7,819,393)</u>	<u>(6,589,788)</u>	<u>6,245,391</u>	<u>16,006,023</u>	<u>9,267,142</u>	<u>17,109,375</u>

The Bank's management judges that the diversification of deposits by the type of deposit placed and the number of customers, as well as the historical experience of the Bank, provide adequate assurance that its deposits represent a stable and reliable source of finance.

The structure of the Bank's assets and liabilities components as classified into their relevant maturities at 31 December 2009 indicates the existence of liquidity gaps in the periods from one-to-three months and in the periods from three-to twelve-months.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.3. Liquidity Risk (Continued)

Maturity Mismatch Analysis

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period on the balance sheet date to the contractual maturity date. The Bank experience is also hereby noted, based on which, assets and liabilities of a nominal short term, because of continuous roll-overs, may have practically a much longer term. The following table presents Maturity Mismatch report as of 31 December 2009:

	In RSD thousand					
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
ASSETS						
Cash and cash equivalents	8,841,481	-	-	-	-	8,841,481
Revocable deposits and loans	24,536,183	-	-	-	-	24,536,183
Interest and fees receivable, receivables from sales, changes in fair value of derivatives	421,662	-	-	-	-	421,662
Loans and advances	5,593,756	3,509,002	8,637,056	16,148,075	10,363,531	44,251,420
Securities	274,573	-	-	-	-	274,573
Equity investments	-	-	-	-	502,307	502,307
Other placements	-	-	239,732	-	109,689	349,421
Intangible assets	-	-	-	-	372,891	372,891
Property, plant and equipment and investment property	-	-	-	-	5,856,207	5,856,207
Deferred tax assets and other assets	17,325	38,626	251,902	80,996	1,317,883	1,706,732
Total assets	39,684,980	3,547,628	9,128,690	16,229,071	18,522,508	87,112,877
LIABILITIES AND EQUITY						
Sight deposits	14,585,443	-	-	-	-	14,585,443
Other deposits	19,391,876	6,296,514	16,669,140	1,865,618	795,533	45,018,681
Borrowings	2,624,221	-	52,908	101,160	5,841	2,784,130
Interest and fees payable and changes in fair value of derivatives	117,568	-	-	-	-	117,568
Provisions	-	-	-	792,026	-	792,026
Tax liabilities	39,365	-	-	-	-	39,365
Deferred tax liabilities	-	-	-	151,903	-	151,903
Other liabilities and securities issued	174,891	11,251	251,902	8,198	835,476	1,281,718
Total liabilities	36,933,364	6,307,765	16,973,950	2,918,905	1,636,850	64,770,834
Total equity	-	-	-	-	22,342,043	22,342,043
Total liabilities and equity	36,933,364	6,307,765	16,973,950	2,918,905	23,978,893	87,112,877
Maturity mismatch as of:						
- 31 December 2009	<u>2,751,616</u>	<u>(2,760,137)</u>	<u>(7,845,260)</u>	<u>13,310,166</u>	<u>(5,456,385)</u>	
- 31 December 2008	<u>(7,874,681)</u>	<u>(6,605,399)</u>	<u>6,231,000</u>	<u>16,041,392</u>	<u>(7,792,312)</u>	

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.4. Market Risks

The main document, based on which the Bank manages the market risks is the Trading Book Policy, which defines the measurement methodologies, processes and tools, risk limits, reporting and remedial action guidelines and responsibilities, as well as trading book definition, for both accounting and capital adequacy purposes.

Apart from it, several other procedures are applied, in accordance with the risk strategy, the instructions of the NBG Group and the regulations of the local authorities.

The Bank has established and maintains adequate market risk measurement, monitoring, and control functions, including:

- Market risk measurement processes that capture all material sources of market risk and assess the effect of market risk factors' changed in ways that are consistent with the scope of Bank's activities. These measurement systems include VaR for the major foreign currencies and models where appropriate.
- Operating limits and other practices that maintain exposures within levels consistent with internal policies, in terms of exposure to individual market risk types, position and loss limits.
- Measurement of vulnerability to loss under stressful market conditions (including the breakdown of key assumptions) considering those results when establishing and reviewing policies and limits for market risks.
- Adequate and effective processes and information systems for measuring, monitoring, controlling and reporting market risk exposures. Related IT systems must be sophisticated enough to cover the complexity of trading activities of Bank. Controls (limits) are embedded in these systems. Reports must be provided on a timely basis to the Board of Directors, Senior Management, and all other appropriate levels.

36.4.1. Interest Rate Risk

The Bank is exposed to this risk based on items from the banking book, and it assesses the aforementioned risk in total and per each significant foreign currency for whose definition it has established criteria. In accordance with these criteria, the Bank considers RSD and Euro to be materially significant currencies.

In determining interest rates the Bank considers market interest rates and their movements. Interest rate changes result in increases or decreases in interest margins. Interest risk management has as its goal the optimization of this influence, on interest increase on one side and economic value of capital at the other side.

The Market Risk Department of the Risk Management Division monitors the interest rate risk, while the Asset and Liability Management Committee may propose to the Bank's Executive Board measures and actions for the maturity matching of assets and liabilities based on the Bank's strategy, on macroeconomic analysis, on forecasts of the Bank's liquidity and on interest trends analysis for different segments of assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.4. Market Risks (Continued)

36.4.1. Interest Rate Risk (Continued)

The following table shows Reprising Gap report, i.e. the Bank's exposure to the interest rate risk as of 31 December 2009. The table includes the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

						In RSD thousand	
	Up to 1 month	From 1 to 3 months	From 3 to 12 months	Over 1 year	Non-interest bearing	Total	
ASSETS							
Cash and cash equivalents	4,314,862	-	-	-	4,526,619	8,841,481	
Revocable deposits and loans	11,000,000	-	-	-	13,536,183	24,536,183	
Interest and fees receivable, receivables from sales, changes in fair value of derivatives	421,662	-	-	-	-	421,662	
Loans and advances	5,593,756	3,509,002	8,637,056	26,511,606	-	44,251,420	
Securities	31,645	-	-	-	242,928	274,573	
Equity investments	-	-	-	-	502,307	502,307	
Other placements	106,757	-	239,732	2,932	-	349,421	
Intangible assets	-	-	-	-	372,891	372,891	
Property, plant and equipment and investment property	-	-	-	-	5,856,207	5,856,207	
Deferred tax assets and other assets	-	-	-	-	1,706,732	1,706,732	
Total assets	21,468,682	3,509,002	8,876,788	26,514,538	26,743,867	87,112,877	
LIABILITIES AND EQUITY							
Sight deposits	3,538,156	-	-	-	11,047,287	14,585,443	
Other deposits	19,391,876	6,296,514	15,084,172	75,893	4,170,226	45,018,681	
Borrowings	2,624,221	-	52,908	107,001	-	2,784,130	
Interest and fees payable and changes in fair value of derivatives	-	-	-	-	117,568	117,568	
Provisions	-	-	-	-	792,026	792,026	
Tax liabilities	-	-	-	-	39,365	39,365	
Deferred tax liabilities	-	-	-	-	151,903	151,903	
Other liabilities and securities issued	26,689	-	-	-	1,255,029	1,281,718	
Total liabilities	25,580,942	6,296,514	15,137,080	182,894	17,573,404	64,770,834	
Total equity	-	-	-	-	22,342,043	22,342,043	
Total liabilities and equity	25,580,942	6,296,514	15,137,080	182,894	39,915,447	87,112,877	
Interest sensitivity gap as of:							
- 31 December 2009	<u>(4,112,260)</u>	<u>(2,787,512)</u>	<u>(6,260,292)</u>	<u>26,331,644</u>	<u>(13,171,580)</u>		
- 31 December 2008	<u>34,196,259</u>	<u>(15,983,154)</u>	<u>(6,793,951)</u>	<u>727,235</u>	<u>(12,146,389)</u>		

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.4. Market Risks (Continued)

36.4.1. Interest Rate Risk (Continued)

Interest rate risk is also monitored by scenario analyses, i.e. observing the effect of interest rate fluctuations to the Bank's income and expenses, as presented in the following table:

	Change in percentage	Income statement sensitivity 2009	Change in percentage	In RSD thousand Income statement sensitivity 2008
<i>Increase in percentage</i>	1.11%	146,351	1.11%	153,919
<i>Decrease in percentage</i>	0.91%	(119,742)	0.91%	(125,934)

Interest Rate Risk in the Banking Book

The Bank has established and maintains adequate measurement, monitoring, and control functions for interest rate risk in the banking book, including measurement systems that capture all material sources of interest rate risk and that assess the effect of interest rate changes in ways that are consistent with the scope of the Bank's activities. Exposure to the interest rate risk arising from financial instruments as of 31 December 2009 is presented in the following table:

	In RSD thousand		
	Interest bearing	Non- interest bearing	Total
ASSETS			
Cash, cash equivalents and revocable deposits and loans	15,314,862	18,062,802	33,377,664
Loans to, and placements with banks	239,825	-	239,825
Loans and advances to customers, interest, fees and other receivables	44,782,678	-	44,782,678
Securities and equity investments	31,645	745,235	776,880
Other assets	-	389,713	389,713
Total assets	60,369,010	19,197,750	79,566,760
LIABILITIES			
Banks' deposits	4,862,851	54,438	4,917,289
Customers' deposits	39,523,760	15,163,075	54,686,835
Borrowings	2,784,130	-	2,784,130
Other liabilities	26,689	900,472	927,161
Total liabilities	47,197,430	16,117,985	63,315,415
Net open interest rate position as of:			
- 31 December 2009	<u>13,171,580</u>	<u>3,079,765</u>	<u>16,251,345</u>
- 31 December 2008	<u>13,852,707</u>	<u>3,256,668</u>	<u>17,109,375</u>

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.4. Market Risks (Continued)

36.4.2. Foreign Currency Risk

The banking operations in different foreign currencies cause the exposure to fluctuation in foreign currencies exchange rates. The Bank manages foreign currency risk, striving to prevent adverse effects of changes in cross-currency rates and foreign exchange rates comparing to dinar (foreign currency losses) on the Bank's financial result, as well as on customers' ability to repay loans in foreign currency. For the purposes of protection against the foreign currency risk, the Bank monitors the changes in foreign currency exchange rate on the financial market on daily basis, carries out the policy of low level exposure to the foreign currency risk and contracts the foreign currency clause with its customers.

The Bank has established and maintains adequate FX risk measurement, monitoring and control functions, including an application to daily monitor the open position of the Bank in foreign currencies, which at 31 December 2009, was as follows:

	In RSD thousand					
	EUR	USD	Other foreign currencies	Total in foreign currency	Total in local currency	Total
ASSETS						
Cash and cash equivalents and revocable deposits and loans	15,005,427	249,632	704,706	15,959,765	17,417,899	33,377,664
Loans to, and placement with banks	-	239,825	-	239,825	-	239,825
Loans and advances to customers, interest, fees and other receivables	27,568,389	991,966	6,109,308	34,669,663	10,113,015	44,782,678
Securities and equity investments	31,645	12,155	-	43,800	733,080	776,880
Intangible assets, property, plant, equipment and investment property	-	-	-	-	6,229,098	6,229,098
Deferred tax assets and other assets	677,139	5,600	6,884	689,623	1,017,109	1,706,732
Total assets	<u>43,282,600</u>	<u>1,499,178</u>	<u>6,820,898</u>	<u>51,602,676</u>	<u>35,510,201</u>	<u>87,112,877</u>
LIABILITIES						
Banks' deposits	4,782,290	-	8	4,782,298	134,991	4,917,289
Customers' deposits	38,171,215	661,647	517,410	39,350,272	15,336,563	54,686,835
Borrowings	1,951,927	707,336	5,805	2,665,068	119,062	2,784,130
Other liabilities, deferred tax liabilities, provisions and securities issued	397,086	3,973	3,546	404,605	1,977,975	2,382,580
Total liabilities	<u>45,302,518</u>	<u>1,372,956</u>	<u>526,769</u>	<u>47,202,243</u>	<u>17,568,591</u>	<u>64,770,834</u>
Forward and spot position	<u>2,911,460</u>	<u>(124,363)</u>	<u>(6,218,939)</u>	<u>(3,431,842)</u>	<u>3,428,873</u>	
Net foreign currency position as of:						
- 31 December 2009	<u>891,542</u>	<u>1,859</u>	<u>75,190</u>	<u>968,591</u>	<u>21,370,483</u>	
- 31 December 2008	<u>2,389,523</u>	<u>38,412</u>	<u>(143,634)</u>	<u>2,284,301</u>	<u>11,866,088</u>	

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.4. Market Risks (Continued)

36.4.2. Foreign Currency Risk (Continued)

The sensitivity analysis provides for two scenarios prepared on the basis of the assumed potential movements in foreign exchange, where all other variables remain constant, and presents potential effects on the financial result.

- Proportionate fluctuations in foreign exchange of +10% (foreign exchange depreciation); and
- Proportionate fluctuations in foreign exchange of -10 % (RSD depreciation).

	2009 Total	In RSD thousand Foreign exchange fluctuations	
		10%	-10%
ASSETS			
Cash, cash equivalents and revocable deposits and loans	15,959,765	1,773,307	(1,450,888)
Loans to, and advances to banks	239,825	26,647	(21,802)
Loans and advances to customers	34,669,663	3,852,185	(3,151,788)
Securities and equity investments	43,800	4,867	(3,982)
Other assets	689,623	76,625	(62,693)
Total assets	51,602,676	5,733,631	(4,691,153)
LIABILITIES			
Banks' deposits	4,782,298	531,366	(434,754)
Customers' deposits	39,350,272	4,372,252	(3,577,297)
Borrowings	2,665,068	296,119	(242,279)
Other liabilities	404,605	44,956	(36,782)
Total liabilities	47,202,243	5,244,693	(4,291,112)
Net exposure to currency risk:			
- 31 December 2009		488,938	(400,041)
- 31 December 2008		1,163,352	(951,834)

36.5. Exposure/Concentration Risk

The Bank's exposure risk includes the risk of its exposure to a single person or a group of related parties, as well as its exposure risk to a person related to the Bank.

The Bank's Corporate Lending Policy defines the maximal limits per customer/debtor or a group of customers corresponding to each credit rating notch. Exceptions can be approved only under the consent of the Risk Management Division.

At the same time, the above policy complies with the prescribed requirements in respect of exposure risks to a single person or a group of related parties defined by the relevant decisions of the National Bank of Serbia.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.6. Investment Risk

The Bank's investment risks include equity investments of the Bank in the other legal entities' capital and in property, plant and equipment.

In accordance with the National Bank of Serbia legislation, the level of the Bank's investments and the level of regulatory capital is being monitored by the Risk Management Function in order to ensure that the Bank's investments in a single non-financial sector entity do not exceed 10% of its capital, while the total investments of the Bank in non-financial entities and in property, plant and equipment can not exceed 60% of its regulatory capital.

In 2009, the Bank maintained the investment risk indicators within the range prescribed by the National Bank of Serbia.

36.7. Country Risk

The Trading Book Policy of the Bank clearly defines roles, responsibilities and procedures for the management of the country risk. The Market Risk Department, organized within the Risk Management Function, is responsible for ensuring and monitoring that internally determined limits of exposures per countries of origin are observed. In general, the Bank has an almost insignificant country risk exposure.

36.8. Operational Risk

The Bank treats operational risks as a distinct risk category. Accountability and responsibilities for these risks reside locally, as close as possible to where the risks actually originate. The Bank has approved a firm-wide and high quality Operational Risk Management Framework in order to:

- Promote a Bank wide operational risk awareness and management culture further contributing to process efficiency and control effectiveness;
- Establish a set of fundamental standards for Operational Risk Management across the Bank leading to the avoidance of unexpected and catastrophic losses and the minimization of expected losses;
- Ensure that business objectives are pursued in a risk-controlled manner;
- Ensure the cost-effectiveness of operations by reducing overlaps and avoiding excessive or obsolete controls;
- Ensure consistency with relevant best practices and compliance with regulatory (quantitative and qualitative) requirements, and
- Improve the use of capital and enhance return on capital, regarding operational risk.

The Bank's Operational Risk Management Framework is business and process oriented aiming to be both proactive and reactive in the management of operational risks. The Bank's Operational Risk Management Framework includes:

- Regular monitoring of operational risk exposure;
- An operational risk methodology including risk and control self assessment, key risk indicators and loss data collection; and
- The collection of material operational losses at the Bank level.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.8. Operational Risk (Continued)

The Operational Risk Management Framework, including the applicable strategies of controls and mitigation of risks are reviewed periodically and adjusted in accordance with the overall risk profile of the Bank, as prescribed for the operational risk.

Data on operational risks are gathered in all organizational units of the Bank. Data is classified and analyzed, and the methods of risk mitigation and its impact reduction are recommended.

During the course of 2009, the Bank developed its Business Continuity Plan in order to respond to unexpected business disruptions of its Critical Divisions and recover their operations in an organized and efficient way.

The Business Continuity Plan aims to:

- Ensure the achievement of the desired business recovery and continuity level;
- Prevent a Division's business disruption from having significant impact on another Division's business continuity;
- Achieve business resumption under the predefined business recovery time period;
- Maintain a high level of plan activation and implementation readiness and effectiveness in relation to the Bank's critical process recovery; and
- Mitigate (if possible) the impact of a potential business disruption and the occurring possibility.

The Disaster Recovery Plan was developed as description of the procedures related to recovery and continuity of the Bank applications, data, hardware, communication and other IT infrastructure, and presumes the existence of an alternative site (Disaster recovery site).

36.9. Capital Management

The Bank permanently manages its capital, which is a broader concept than "equity" stated in the balance sheet, in order to:

- Comply with the capital requirements set by the National Bank of Serbia;
- Provide an adequate level of capital so as to enable the Bank to continue its operations as a going concern; and
- Maintain a strong capital base to support the development of its business.

The Bank's management monitors regularly the Bank's capital adequacy ratios and other ratios established by the National Bank of Serbia and delivers quarterly reports on achieved values of ratios. The Bank manages its capital structure and may make adjustments to it, after approval by the NBG Group and in the light of changes in economic conditions and the risk characteristic of its activities.

The National Bank of Serbia has defined the following capital limits:

- The minimum amount of the capital of EUR 10 million; and
- Capital adequacy ratio of 12%.

In accordance with the Decision on the Capital Adequacy of Banks ("Official Gazette of the Republic of Serbia", no. 129/2007 and 63/2008), the method of calculating the regulatory capital adequacy has been determined.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.9. Capital Management (Continued)

The Bank's total capital comprises Tier 1 and Tier 2 capital, as decreased by prescribed deductible items:

- Tier 1 capital includes: share capital from ordinary shares, share premium, statutory reserves and retained earnings, decreased by intangible assets (goodwill, licenses, and similar right) as Tier 1 deductible items.
- Tier 2 capital includes: revaluation reserves related to property, plant and equipment and equity investments.

Deductible items in the Bank's case include shortfall amount of the special reserves for potential losses.

Capital adequacy ratio of the Bank is equal to the ratio of the Bank's capital and the sum of the risk-weighted assets (balance sheet assets, off-balance sheet items and derivatives), capital requirement in relation to foreign currency risk which is multiplied with the reciprocal value of the capital adequacy indicators (the prescribed 12%) and capital requirements in relation to other market risks (price risk in respect of legal entities' equity instruments, debt securities and options, settlement risk and counterparty risk) multiplied with the reciprocal value of the capital adequacy indicators.

The table below summarizes the structure of the Bank's capital as of 31 December 2009 and 2008, as well as the capital adequacy ratio:

	In RSD thousand	
	2009	2008
Regulatory capital		
Tier 1 capital	19,492,469	19,486,357
Tier 2 capital	1,394,072	1,472,477
Total Tier 1 and Tier 2 capital	20,886,541	20,958,834
Deductible items:		
Shortfall amount of the special reserves for potential losses	(7,441,183)	(4,085,986)
Total (1)	13,445,358	16,872,848
Risk weighted assets		
Balance sheet assets	48,547,785	52,820,438
Off balance sheet items	4,700,243	6,238,096
Non-trading derivatives	19,783	26,514
Foreign currency risk exposure	818,084	174,224
Price risk exposure	308,999	1,398,263
Total (2)	54,394,894	60,657,535
Capital adequacy (1/2 x 100)	24.72%	27.82%

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.10. Judgements on the Effects of the Global Financial Crisis

The effects of the ongoing global financial crises that had begun in mid 2007, started to become felt in Serbia in the last quarter of 2008, first impacting the banking sector through a significant withdrawal of retail deposits, with a further impact on the general liquidity crisis, fluctuation and decrease in the exchange rate of the Dinar against foreign currencies and decrease in the commercial activities and the purchasing power of the population and economy.

The National Bank of Serbia ("NBS") and the Government of the Republic of Serbia introduced a set of measures in order to mitigate the early effects of the crisis, thus contributing to the return of the confidence in the banking sector, as well as establishing the conditions for reviving the commercial activities through more favourable financing terms and conditions. The goal of these measures was to enable protection of commercial banks against difficulties related to liquidity by obtaining a loan from the NBS for the purposes of overcoming temporary difficulties related to liquidity; increase of the liquidity of the banking sector which is jeopardized by a decreased confidence into the banking sector and money market, by amendments to the regulations regarding statutory reserve for foreign sources and other debts until mid-2010; overcoming of difficulties at repayment of the Bank's customers' loans; measures for stimulating credit activities and an increase of the insured amount of deposit from EUR 3,000 to EUR 50,000. In 2009, the aforementioned measures and the financial support the country secured from the International Monetary Fond ("IMF") resulted in the stabilization of the banking sector liquidity and regaining citizens' confidence in the banking system, which was reflected in the return of the drawn deposits and increase in retail savings.

In accordance with the regulatory requirements and the NBS measures, as well as the internal risk management policies, the Bank conducts appropriate activities in order to maintain the quality of its credit portfolio and to provide appropriate sources of financing in the future period. Such measures particularly include: careful policy of granting loans and analysis of the credit worthiness of the debtor, obtaining relevant collaterals for securing the collection of receivables, as well as establishing appropriate provisions for credit risks. The Bank management deems that the liquidity risk management and securing the appropriate sources of financing shall be the key determination of the management and the management bodies of the Bank in the future period. So far, the ongoing financial crisis has had a limited impact on the financial position and performance of the Bank, mainly due to the implemented internal risk management policies and regulatory restrictions. The Bank has adopted robust policies on credit approvals, collateral acceptance and evaluation policies and treasury operations. The Bank monitors closely the credit, liquidity, interest rate and foreign exchange risks on a regular basis. The capital adequacy of the Bank is expected to remain at higher levels than those required by the NBS, sufficient to guarantee the continuance of its operations under even more adverse market conditions. This conclusion is supported by the stress test performed by the IMF/NBS in July 2009, according to which the stressed capital adequacy ratio (CAR) of the Bank for 2009 and 2010 were projected several points over the minimum and over the average local banking system indication. The achieved 2009 CAR of the Bank over performed the stressed CAR as per the test. The Bank continues to maintain a very comfortable ratio Loans to Deposits, standing at 74.24% as per 31 December 2009.

The management deems that, in the given circumstances, it undertakes all necessary measures in order to secure the sustainable growth and development of the Bank. Furthermore, the management cannot reliably estimate further effects of the crisis to the economic environment in Serbia, or the impact on the financial position and the results of the Bank's operations, but they consider that the crisis cannot jeopardize the Bank's ability to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.11. Fair Value of Financial Assets and Liabilities

It is a policy of the Bank to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their carrying amounts.

In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result of this, fair value cannot readily or reliably be determined in the absence of an active market.

The Bank's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision.

In the opinion of the Bank's management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions, as required under the Law on Audit and Accounting and regulations of the National Bank of Serbia prescribing financial reporting of the banks.

The following table presents the carrying amounts and fair values of the main categories of financial assets and liabilities at the reporting date:

	In RSD thousand			
	<u>Carrying Value</u>		<u>Fair Value</u>	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Financial assets				
Revocable deposits	24,536,183	11,143,209	24,536,183	11,143,209
Loans and advances	44,251,420	46,840,868	43,774,650	46,301,350
Total	68,787,603	57,984,077	68,310,833	57,444,559
Financial liabilities				
Sight deposits	14,585,443	14,510,489	14,585,443	14,510,489
Other deposits	45,018,681	40,780,536	44,732,051	40,571,995
Borrowings	2,784,130	3,987,987	2,760,726	3,970,872
Total	62,388,254	59,279,012	62,078,220	59,053,356

The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments as of 31 December 2009 and 2008:

Cash and Cash Equivalents: The carrying amount of cash and cash equivalents approximates their fair value.

Revocable Deposits: The fair value of revocable deposits with no defined maturity is determined to be the amount payable on demand at the reporting date. The fair value for fixed-maturity deposits is estimated using discounted cash flow models based on rates for similar remaining maturities.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

36. RISK MANAGEMENT (Continued)

36.11. Fair Value of Financial Assets and Liabilities (Continued)

Loans and Advances: The fair value of loans to customers is estimated using discounted cash flow models. The discount rates are based on current market interest rates offered for instruments with similar terms to borrowers of similar credit quality. The fair value for impaired loans is estimated using discounted cash flow analysis or underlying collateral values, where applicable.

Trading and Available-for-Sale Securities: Fair value of trading and available-for-sale assets, which is also the amount recognized in the balance sheet, is based on quoted market prices of the same or comparable instruments. These instruments are included in level 1 of the fair value measurement hierarchy. For debt instruments, for which such quoted market prices are not available the fair value is estimated using discounted cash flow analysis based on contractual cash flows discounted at the corresponding market rates.

Derivative Financial Instruments: All derivatives are recognized on the balance sheet at fair value. For exchange-forward contracts and options traded on active markets, fair value is based on quoted market prices. For non-exchange traded contracts, fair value is based on dealer quotes and discounted cash flow analysis.

Transaction Deposits, Other Deposits and Borrowings: Deposits from other banks and customers are mostly on demand and with short-term maturity, all deposits bear variable market interest rates; therefore management of the Bank is of the opinion that the fair value of deposits is equal to their carrying values. The fair value of other borrowed funds is estimated using discounted cash flow analysis based on the Bank's current incremental borrowing rates for similar types of borrowings arrangements.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

37. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Operating Lease Commitments

The Bank has entered into commercial operating leases on certain business premises.

The future minimum lease payments are as follows:

	In RSD thousand	
	2009	2008
Up to 1 year	406,038	330,638
From 1 to 5 years	816,272	755,054
Over 5 years	697,535	645,222
	<u>1,919,845</u>	<u>1,730,914</u>

(b) Litigations

As of 31 December 2009, the Bank acted as a defendant in a certain number of legal proceedings. The total estimated value of damage claims arising from the litigations, including court expenses and interest, amounts to RSD 1,170,429 thousand (31 December 2008: RSD 2,345,621 thousand).

The final outcome of the legal proceedings still in process is uncertain. As disclosed in Note 31 to the financial statements, as of 31 December 2009, the Bank recognized provision of RSD 411,909 thousand (31 December 2008: RSD 413,547 thousand) for potential losses that might arise as a result of the litigations with estimated negative outcome. The above stated amount includes penalty interest from damage claims together with court expenses calculated throughout 31 December 2009. The Bank's management considers that no material losses will arise from the remaining litigations still in course, other than those provided for.

The Bank is subject to a number of lawsuits, as a plaintiff so as to collect its receivables. All disputed receivables from corporate and retail customers have been fully or at least 85% provided for.

(c) Tax Risks

Tax system in the Republic of Serbia is undergoing continuous amendments. Tax period in the Republic of Serbia is considered to be open in the five-year period. In different circumstances, tax authorities could have different approach to some problems, and could detect additional tax liabilities together with related penalty interest and fines. The Bank's management believes that tax liabilities recognized in the accompanying financial statements are fairly presented.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2009

38. RECONCILIATION OF OUTSTANDING BALANCES WITH COUNTERPARTIES

In accordance with Article 20 of the Law on Accounting and Auditing, the Bank performed reconciliation of receivables and payables with its debtors and creditors, and it maintains credible documentation on the circularization process.

The Bank submitted the confirmations to its customers and debtors with the outstanding balance of receivables/payables as of 31 November 2009.

Based on the exchanged confirmations, the following receivables and payables remained unreconciled:

- The disputed confirmations relate to receivables and payables amounting to RSD 590,193 thousand.
- Returned confirmations, due to incorrect addresses, comprise receivables amounting to RSD 332,278 thousand.

39. EXCHANGE RATES

The official exchange rates of the National Bank of Serbia, determined on the Interbank Foreign Currency Market, used in the translation of balance sheet items denominated in foreign currencies as of 31 December 2009 and 2008 into Serbian Dinars (RSD), for the major currencies were as follows:

	<u>2009</u>	<u>In RSD 2008</u>
EUR	95.8888	88.6010
USD	66.7285	62.9000
CHF	64.4631	59.4040

40. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events subsequent to the reporting date, which would require adjustments and/or disclosures in the notes to the accompanying financial statements of the Bank as of and for the year ended 31 December 2009.



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