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Račun 265-1100310000190-61

Raiffeisen banka a.d. Beograd

PIB 100058593

**TRANSLATION****Independent Auditors' Report**

TO THE SHAREHOLDERS

AIK BANKA A.D. NIŠ

We have audited the accompanying financial statements of AIK banka a.d. Niš (*"the Bank"*), which comprise the balance sheet as at 31 December 2010, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and true and objective presentation of these financial statements in accordance with the applicable Law on Accounting and Auditing of the Republic of Serbia, applicable Law on Banks and other relevant by-laws issued by the National Bank of Serbia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the financial statements present truly and objectively, in all material respects, the financial position of the Bank as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the applicable Law on Accounting and Auditing of the Republic of Serbia, applicable Law on Banks and other relevant by-laws issued by the National Bank of Serbia.

*Other Matters*

The financial statements of the Bank as at and for the year ended 31 December 2009 were audited by another auditor who expressed an unqualified opinion on those statements in his report dated 1 March 2010.

Belgrade, 15 March 2011

KPMG d.o.o. Beograd

(L.S.)

Stana Jovanović  
*Certified Auditor*

*This is a Translation of the Original Independent Auditors' Report  
issued in the Serbian Language.*

Belgrade, 5 April 2011

KPMG d.o.o. Beograd



*Stana Jovanović*  
Stana Jovanović  
*Certified Auditor*

**INCOME STATEMENT**  
**Year Ended December 31**  
**(Thousands of RSD)**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
Interest income	5	11,748,271	12,162,955
Interest expense	5	(5,106,562)	(4,545,377)
<b>Net interest income</b>		<u>6,641,709</u>	<u>7,617,578</u>
Fee and commission income	6	859,666	792,903
Fee and commission expense	6	(128,128)	(180,433)
<b>Net fee and commission income</b>		<u>731,538</u>	<u>612,470</u>
Net gain on sale of securities held-to-maturity		-	2,261
Net gain on sale of equity investments		753	-
Net foreign exchange losses		(1,151,834)	(399,712)
Dividends and other income from equity investments		79	1
Other operating income	7	598,202	103,158
Net losses on impairment and provisions	8	(1,967,997)	(2,528,161)
Staff costs	9	(608,408)	(695,082)
Depreciation and amortization		(149,477)	(142,844)
Operating and other business expenses	10	(1,680,423)	(1,180,369)
Gains on revaluation of assets and liabilities	11	7,139,424	4,359,084
Losses on revaluation of assets and liabilities	11	(3,355,116)	(1,584,612)
<b>PROFIT BEFORE TAXATION</b>		6,198,450	6,163,772
<b>Income tax</b>			
Current income tax	12	(610,478)	(585,599)
Deferred tax income	12	2,860	1,290
<b>PROFIT FOR THE YEAR</b>		<u>5,590,832</u>	<u>5,579,463</u>
Basic earnings per share (in RSD)		653	708

21 February 2011

Snežana Živković, Person responsible for preparing the financial statements

Vladan Đorđević, Legal representative of the Bank

**BALANCE SHEET**  
**As of December 31**  
**(Thousands of RSD)**

	<u>Notes</u>	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>			
Cash and cash equivalents	13	5,833,831	12,092,785
Revocable deposits and loans	14	20,219,755	11,409,919
Receivables arising from interest, fee and commission, trade, fair value adjustments of derivatives and other receivables	15	1,629,067	1,340,340
Loans and deposits to customers	16	96,670,937	64,454,470
Securities	17	3,945,444	3,910,858
Equity investments	18	71,240	693,801
Other placements	19	5,255,213	7,727,867
Intangible assets	20	45,383	46,833
Property, equipment and investment property	20	2,856,992	1,416,869
Other assets	21	5,055,565	6,332,737
<b>Total assets</b>		<u>141,583,427</u>	<u>109,421,479</u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Transaction deposits	22	4,522,625	5,363,609
Other deposits	23	86,665,808	58,442,523
Borrowings	24	2,120,159	3,789,220
Interest, fee and commission payables and changes in the value of derivatives		97,325	141,171
Provisions	25	665,180	841,614
Income taxes payable		13,006	12,977
Tax and dividend payables		796,068	526,566
Deferred tax liabilities		9,221	13,303
Other liabilities	26	2,526,138	1,196,454
<b>Total liabilities</b>		<u>97,415,530</u>	<u>70,327,437</u>
<b>EQUITY</b>	27		
Share and other capital		25,390,565	25,390,565
Reserves		13,165,376	8,091,898
Revaluation reserves		21,353	32,339
Unrealized losses on securities available-for-sale		(229)	(223)
Retained earnings		5,590,832	5,579,463
<b>Total Equity</b>		<u>44,167,897</u>	<u>39,094,042</u>
<b>Total Liabilities and Equity</b>		<u>141,583,427</u>	<u>109,421,479</u>
<b>OFF-BALANCE-SHEET ITEMS</b>	28	113,583,652	89,550,914

21 February 2011

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Vladan Đorđević, Legal representative of the Bank

**TRANSLATION**

AIK BANKA A.D., NIŠ

**STATEMENT OF CHANGES IN EQUITY  
Year Ended December 31  
(Thousands of RSD)**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Reserves</b>	<b>Revaluation Reserves</b>	<b>Retained Earnings</b>	<b>Unrealized Losses on AFS Securities</b>	<b>Total</b>
Balance at January 1, 2009	15,970,503	7,157,924	5,340,695	48,314	5,468,548	(265)	33,985,719
Capital increase from retained earnings	2,262,138	-	-	-	(2,262,138)	-	-
Dividends	-	-	-	-	(455,207)	-	(455,207)
Profit allocation	-	-	2,751,203	-	(2,751,203)	-	-
Remeasurement of AFS securities to their fair value	-	-	-	(15,975)	-	42	(15,932)
Profit for the year	-	-	-	-	5,579,463	-	5,579,463
Balance at December 31, 2009	<u>18,232,641</u>	<u>7,157,924</u>	<u>8,091,898</u>	<u>32,339</u>	<u>5,579,463</u>	<u>(223)</u>	<u>39,094,042</u>
Balance at January 1, 2010	18,232,641	7,157,924	8,091,898	32,339	5,579,463	(223)	39,094,042
Profit allocation	-	-	5,073,478	-	(5,073,478)	-	-
Dividends	-	-	-	-	(341,072)	-	(341,072)
Profit allocated for employees	-	-	-	-	(164,913)	-	(164,913)
Remeasurement of AFS securities to their fair value	-	-	-	(10,986)	-	(6)	(10,991)
Profit for the year	-	-	-	-	5,590,832	-	5,590,832
Balance at December 31, 2010	<u>18,232,641</u>	<u>7,157,924</u>	<u>13,165,376</u>	<u>21,353</u>	<u>5,590,832</u>	<u>(229)</u>	<u>44,167,897</u>

21 February 2011

Snežana Živković, Person responsible for preparing the financial statements

Vladan Đorđević, Legal representative of the Bank

## CASH FLOW STATEMENT

Year Ended December 31

(Thousands of RSD)

	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash receipts from operating activities</b>	11,029,907	11,138,653
Interest receipts	10,064,613	10,308,029
Fee and commission receipts	870,522	768,663
Receipts from other operating income	93,793	61,960
Receipts from dividends and equity investments	79	1
<b>Cash used in operating activities</b>	<b>(5,341,863)</b>	<b>(8,302,633)</b>
Interest paid	(3,018,187)	(6,329,755)
Fee and commission paid	(130,317)	(174,349)
Payments to, and on behalf of employees	(690,964)	(590,798)
Taxes, contributions and other duties paid	(322,514)	(143,120)
Payments for other operating expenses	(1,179,881)	(1,064,611)
<b>Net cash from operating activities</b>		
<b>prior to increases or decreases in placements and deposits</b>	5,687,144	2,836,020
<b>Decrease in placements and increase in deposits</b>	<b>23,752,929</b>	<b>16,757,993</b>
Decrease in securities at fair value through profit or loss, trading placements and short-term securities held to maturity	672,155	745,687
Increase in deposits from banks and customers	23,080,774	16,012,306
<b>Increase in placements and decrease in deposits</b>	<b>(33,744,412)</b>	<b>(16,693,297)</b>
Increase in loans and advances to banks and customers	(33,744,412)	(16,693,297)
<b>Net cash (used)/provided from operating activities before income taxes</b>	<b>(4,304,339)</b>	<b>2,990,716</b>
Income taxes paid	(581,614)	(660,417)
Dividends paid	(265,666)	(6,883)
<b>Net cash (used)/provided from operating activities</b>	<b>(5,151,619)</b>	<b>2,233,416</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash provided by investing activity</b>	5,641	146
Proceeds from the sale of equity investments	986	-
Proceeds from the sale of intangible assets and fixed assets	4,257	146
Other proceeds from investment activities	398	-
<b>Cash used in investing activities</b>	<b>(185,611)</b>	<b>(844,812)</b>
Acquisition of equity investments	-	(609,598)
Acquisition of intangible and fixed assets	(185,611)	(235,214)
<b>Net cash used in investing activities</b>	<b>(179,970)</b>	<b>(844,666)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash (outflows)/inflows from financing activities</b>	<b>(1,588,977)</b>	<b>2,062,320</b>
Net (outflow)/inflow from borrowings	(1,588,977)	2,062,320
<b>Net cash (used in)/ provided from financing activities</b>	<b>(1,588,977)</b>	<b>2,062,320</b>
<b>TOTAL NET CASH INFLOW</b>	<b>34,787,577</b>	<b>29,959,112</b>
<b>TOTAL NET CASH OUTFLOW</b>	<b>(41,708,143)</b>	<b>(26,508,042)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,920,566)</b>	<b>3,451,070</b>
<b>Cash and cash equivalents, end of year (Note 13)</b>	<b>12,092,785</b>	<b>8,413,988</b>
<b>FOREIGN EXCHANGE GAINS</b>	<b>946,366</b>	<b>511,858</b>
<b>FOREIGN EXCHANGE LOSSES</b>	<b>(284,754)</b>	<b>(284,131)</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR (Note 13)</b>	<b>5,833,831</b>	<b>12,092,785</b>

21 February 2011

Snežana Živković, Person responsible for preparing the financial statements

Vladan Đorđević, Legal representative of the Bank

**1. GENERAL INFORMATION**

Agroindustrijska komercijalna banka AIK banka a.d. Niš (hereinafter: the “Bank”) was established based on the August 10, 1993 Articles of Incorporation. The Bank reconciled its operations and organization with the Law on Banks and Other Financial Institutions in 1995 and pursuant to Decision Fi 1291/95 enacted on June 22, 1995, the Bank was registered with the Commercial Court in Niš as a shareholding company.

The Bank is registered in the Republic of Serbia to perform activities that include payment transfers, credit and depositary operations in the country and abroad and in accordance with the Law on Banks, it is under obligation to operate based on the principles of liquidity, solvency and profitability.

The Bank is headquartered in Niš, at 42 Nikole Pašića Street. The Bank operates through the Central Office located in Niš and Branch Offices in Niš, Belgrade, Novi Sad, Kragujevac, Kruševac, Čačak, Sombor, Pančevo, Vrbas, Novi Pazar, Požarevac, Užice, Kraljevo, Šabac, Zaječar, Leskovac, Valjevo, Smederevo, Jagodina, Zrenjanin, and Subotica. At the balance sheet date, the Bank operated through 21 branch offices, 39 branches and 24 counters located on the territory of the Republic of Serbia.

As at December 31, 2010, the Bank had 478 employees, where the average number of employees in 2010 was 480 (December 31, 2009: 481 employees, and the average number of employees in 2009 was 463). The tax identification number of the Bank was 100618836.

**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS****2.1. Basis of Preparation and Presentation of the Financial Statements**

The management of the Bank has prepared these financial statements in accordance with the Law on Accounting and Auditing of the Republic of Serbia (Official Gazette of the Republic of Serbia 46/2006, 111/2009), the Law on Banks (Official Gazette of the Republic of Serbia 107/05, 91/10) and other relevant laws prescribed by the National Bank of Serbia, as well as other enacted legislation in the Republic of Serbia.

In accordance with the requirements of the Law on Accounting and Auditing, legal entities and entrepreneurs incorporated in the Republic of Serbia are required to prepare and submit financial statements in conformity with the prevailing legislation and professional rules, which include the Framework for the Preparation and Presentation of Financial Statements (“Framework”), International Accounting Standards (“ISA”) and International Financial Reporting Standards (“IFRS”), as well as the related interpretations representing an integral part of these standards, but without related basis for conclusions, illustrative examples, application of guidance, comments, dissenting opinions and other additional material.

The amendments to IAS, as well as the newly-issued IFRS and the related interpretations issued by the International Accounting Standards Board („IASB“) and the International Financial Reporting Interpretations Committee („IFRIC“) until 1 January 2009 were officially adopted pursuant to a Decision enacted by the Ministry of Finance No. 401-00-11/2008-16 and published in the Official Gazette of the Republic of Serbia 77/2010. The amendments and newly-issued IFRS and related interpretations, after the mention date, have not been translated and published, and were not used for the preparation of these financial statements.

The accompanying financial statements are presented in the format prescribed under the Rules on the Charts of Accounts and the Contents of Accounts in the Chart of Accounts for Banks (Official Gazette of the Republic of Serbia no. 74/08, 3/09,12/09 and 5/10). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the revised IAS 1, "Presentation of Financial Statements," whose application is mandatory for accounting periods starting as of January 1, 2009.

In the preparation of the accompanying financial statements the Bank has adhered to the accounting policies described in Note 3, which are based on accounting, banking and tax regulations of the Republic of Serbia.

The Bank's financial statements are presented in thousands of dinars (RSD). The dinar represents the functional currency and the currency in which financial statements are released in the Republic of Serbia.

The accompanying financial statements give a true and objective view of the financial position of the Bank in all materially significant aspects, as at 31.12.2010, as well as results of its operations, changes in equity, and cash flows for the year then ended.

## **2.2. Comparative data**

Comparative data for the past two years (2010 and 2009) are presented in the financial statements, for the purpose of providing information on dynamic movement.

## **2.3. Use of estimates**

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

## **2.4. Going concern concept**

The financial statements have been prepared in accordance with the going concern convention that implies that the Bank will continue to operate for the foreseeable future.

# **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## **3.1. Interest and Fee and Commission Income and Expenses**

Interest income and interest expenses are recognized in the income statement for all interest bearing financial instruments based on interest accrued by applying the effective interest rate method. Interest income and expenses are recorded in the income statement in the period to which they relate to as per the matching principle and contractual provisions agreed between the Bank and the customer. The Bank ceases to accrue interest income once it files lawsuits. Interest accrued thereupon is stated as suspended interest within off-balance sheet items, in accordance with the effective Rules on the Chart of Accounts.

Fee and commission income from loans, guarantees and letters of credit issued is deferred and recognized within income in proportion to the loans, guarantees and letters of credit maturity period.

## **3.2 Foreign Exchange Translation**

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

Assets and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates that are prevailing at the balance sheet date. Net foreign exchange gains or losses arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the income statement, such as foreign exchange gains/losses.

### **3.3. Property, Equipment, Intangible Assets and Investment property**

At December 31, 2010 property, equipment and intangible assets are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Depreciation and amortization are calculated on a straight-line basis by applying the following, annual rates in order to write off assets over their estimated useful lives:

Buildings	1.30%
Computer equipment	20.00%
Furniture and other equipment	11.00%-20.00%
Motor vehicles	15.50%
Software	20.00%

The depreciation of property and equipment commences when these assets are placed into use.

The Bank's building property also includes investment property used to earn rental income. Investment property is stated at cost net of accumulated depreciation.

### **3.4. Loans**

Loans are stated in the balance sheet at the initially approved amount net of repaid principal and allowance for impairment based on the assessment of actually identified risks inherent in certain placements and risks historically present in the loan portfolio.

Loans in dinars linked to EUR exchange rate or by linking these amounts to retail price growth index, are revalued in accordance with individual loan agreements. The revaluation effects are credited or charged to gains and losses on the valuation of assets.

The write-off of uncollectible receivables is performed either pursuant to a court order, or based on a settlement agreed between the parties involved, or otherwise, on the basis of a resolution of the Bank's Board of Directors, as further approved by the Shareholders' Assembly.

### **3.5. Held-to-maturity securities**

Held-to-maturity securities represent securities for which there is a positive intention and ability to hold to maturity. Held-to-maturity securities consist of bills of exchange and foreign savings bonds. All securities are carried at cost. As at the balance sheet date, securities held-to-maturity are recorded at amortized cost, less provisions for impairment, if any.

### **3.6. Available-for-sale securities**

Available-for-sale securities comprise of securities which can neither be classified as trading securities nor as securities held-to maturity. These securities represent financial instruments that can be sold to meet liquidity needs or due to prices of capital. Available-for-sale securities consist of securities initially classified as equity investments in banks and other legal entities. Available-for-sale securities for non-listed companies are measured at fair value unless circumstances are such that their fair value cannot be reliably determined, in which case they are measured at cost net of allowance for impairment, whereas exchange listed available-for-sale securities are measured as of the balance sheet date at market value.

**3.7. Trading securities**

Trading securities comprise of securities which are held for the purpose of making a profit by trading them in the near term. Trading securities are initially recorded at cost. However, as of the balance sheet date, these securities are revalued to their fair values.

**3.8. Tangible Assets Received in Lieu of Debt Settlement**

Tangible assets received in lieu of debt settlement represent properties that were initially under mortgage inscribed in favor of the Bank as collateral for placements which the Bank took over in the process of collecting its receivables.

Tangible assets received in lieu of debt settlement are valued at gross placements value that is received through material value, and that is lower than market value, determined by court appraisers. As a result there was no need for impairment.

**3.9. Impairment of Financial Assets**

At each balance sheet date, the Bank's management assesses the Bank's assets or group of assets for impairment. A financial asset is considered to be impaired if and only if there is objective evidence of impairment that arises from one or several events that have occurred subsequent to initial recognition of the asset in question and such event (or events) affects the estimated future cash flow from the financial asset or group of assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about loss events such as significant financial difficulty of the obligor or a group of obligors, a breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganization, observable data indicating that there is a measurable decrease in the estimated future cash flows, including adverse changes in the payment status of borrowers in the group and economic conditions that correlate with defaults on contractual terms.

*a) Loans and Placements*

The Bank assesses the impairment of loans and placements by means of an internal classification model (auth. Ernst-Young) and techniques defined in the methodology for calculating allowance for impairment of balance sheet assets and provisioning against off-balance sheet items of the Bank. At each balance sheet date and at the end of each annual quarter, the Bank assesses whether there is objective evidence of impairment in an asset or groups of assets. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about loss events such as significant financial difficulty of the obligor or a group of obligors, a breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or other financial reorganization, observable data indicating that there is a measurable decrease in the estimated future cash flows including adverse changes in the payment status of borrowers in the group and economic conditions that correlate with defaults on contractual terms, and that the Bank needs to take appropriate measures in collecting its receivables.

Credit risk is assessed individually and collectively.

Individual assessment of loan impairment is performed in cases where credit risk is estimated as increased, and where exposure is above the materiality threshold of RSD 6 million.

On a collective basis, the Bank assesses impairment of the high quality portion of portfolio comprised of corporate customers and entrepreneurs, as well as the impairment of placements that is below the materiality threshold (RSD 6 million), regardless of quality and the impairment of placements in which credit risk exposure has not increased. For the purpose of impairment assessment, financial assets are grouped into segments depending on the number of days in default of liabilities towards the Bank, where the Bank determines if there is impairment through use of its

internal methodologies. Financial assets or a group of assets are impaired only if there is objective evidence of impairment arising from one or more subsequent events after initial valuation of an asset, and that event (or a group of events) have effect on future cash flows of a financial asset or group of financial assets that can be reliably measured.

If there is objective evidence that an asset has been impaired, the amount of impairment loss is recognized as the difference between the carrying value of assets and the present value of future cash flows (regardless of expected credit losses that are yet to be incurred). The carrying value of assets is decreased through the allowance account and the resultant loss is charged to the income statement. Loans and the related allowance for impairment are entirely derecognized when it is likely that resources will be recovered in the future and when collaterals are realized or have been transferred to the Bank. If, in a subsequent period, the amount of impairment loss decreases or increases, the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

The present value of expected future cash flows is discounted by applying the interest rate originally agreed for the financial asset. The calculation of the estimated future cash flows arising from the collateralized financial asset reflects cash flows that may arise in collecting the collateral net of cost of realization and sale of collateral, irrespective of whether collateral will be collected or not.

Pursuant to the regulations enacted by the National Bank of Serbia, banks are obligated to calculate and allocate a special reserve for potential losses. According to the NBS Decision on Classification, loans, other placements and other exposures are classified into the categories A, B, V, G and D in accordance with the evaluation of their collectability, number of days in default, financial standing of the counterparty, and quality of the collateral obtained on the exposures. The estimated amount of special reserve for potential losses is calculated by applying the percentages: 0% for placements classified into the A category, between 5% and 10% for the placements classified into the B category, between 20% and 35% for the V category placements, percentage of 40% to 75% for the G category placements and 100% for placements in D category.

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

*b) Investments in Securities Held-to-Maturity*

The Bank performs individual assessment in order to determine objective evidence of impairment in securities held-to-maturity. If there is such evidence, the amount of impairment loss is measured as the difference between the carrying value of the asset and the present value of estimated future cash flows. The carrying amount of assets is reduced and the amount of loss is charged to the income statement. If, in a subsequent year, the fair value of an asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

*c) Securities Available-for-Sale (Equity Investments)*

When it comes to equity investments available-for-sale, the Bank performs an assessment as of the balance sheet date in order to determine whether there is objective evidence that an investment has been impaired. In case there is evidence of impairment, cumulative loss measured as the difference between the acquisition cost and current fair value, less any impairment loss on that investment previously recognized in profit or loss, and removed from equity and charged to income statement and credited to revaluation reserves, i.e. directly to equity.

*d) Trading Securities*

Trading securities are also assessed for impairment as of the balance sheet date in order to determine whether there is objective evidence that these securities have been impaired. If there is such evidence, impairment is charged to profit and loss, whereas in case there is increase in the value of securities previously impaired, the impairment loss is reversed, and the amount of the reversal is recognized in profit or loss.

**3.10. Cash and Cash Equivalents**

For the purposes of the cash flow statement, “Cash and cash equivalents” include cash, liquidity surpluses held with the National Bank of Serbia, including the obligatory reserve in dinars and balances held on accounts with other banks.

**3.11. Managed funds**

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

**3.12. Income taxes****Current Income Taxes**

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

The tax regulations in the Republic of Serbia do not allow 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 not longer than ten years.

**Deferred Income Taxes**

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of receivables and liabilities and their carrying values in the financial statements. The currently-enacted tax rates as of the balance sheet date or the subsequently enacted tax rates are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax liabilities are recognized as either gains or losses based on the effects of temporary differences in accordance with IAS 12.

**Indirect Taxes and Contributions**

Indirect taxes and contributions include property taxes and various other taxes and contributions paid, pursuant to effective republic and municipal regulations.

**3.13. Employee benefits**

In accordance with regulatory requirements of the Republic of Serbia, the Bank is obligated to pay contributions to various state social security funds that guarantee social security insurance benefits to employees. These obligations involve the payment of contributions on behalf of the employee, by the employer, in an amount computed by applying the specific, legally-prescribed rates. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to the applicable government funds.

Pursuant to the Labour Law, the Bank pays to its employees retirement benefits and, as required by its formal documents, jubilee awards for each 10, 20, 30 and 40 years of service with the Bank. In accordance with IAS 19, long-term benefits associated with retirement benefits and jubilee awards represent the present value of expected future payments as determined in an actuarial valuation.

### **3.14 Equity**

The equity of the Bank includes the founders share, the subsequent share issue, the accumulated result and the previous period result.

The equity of the Bank was formed from invested capital by founders in the form of cash.

## **4 RISK MANAGEMENT POLICIES**

The risk management processes are crucial for continued profitable operations of the Bank and each individual in the Bank bears respective responsibilities within his/her own domain. The Bank is exposed to credit, liquidity and market risk, as well as operational risk.

The independent process of risk management does not include business risks such as changes in the environment, technology and industry. The Bank monitors these risks by means of strategic planning.

The Board of Directors and Executive Board are responsible for identifying and controlling risk. In addition, the Bank has established a separate organizational unit – Risk Management Sector in charge of risk monitoring and control. In addition, the Boards, as separate and independent bodies, are answerable for risk management and monitoring.

### **Board of Directors and Executive Board**

The Board of Directors and the Executive Board are responsible for a comprehensive risk management approach, approval of risk management strategy and principles, as well as for ensuring that the principles, framework, policies and limits are well implemented. These Boards are responsible for enactments and monitoring of relevant risk related decisions.

### **Risk Management Sector**

The Risk Management Sector manages measures and assesses risks to which the Bank is exposed in its operations. This sector is in charge of the implementation and maintenance of risk managing procedures, thus ensuring an independent control process. This unit also provides for complete risk accounting by the risk measurement and reporting system.

### **Asset and Liability Committee**

The Asset and Liability Committee keeps track of the Bank's exposure to risks arising from the structure of its balance sheet payables and receivables, as well as off-balance sheet items, and proposes measures in respect of interest rate risk and, in particular, liquidity risk management. Also, it is primarily responsible for financing and liquidity of the Bank.

### **Risk Management and Reporting Systems**

The Bank's risk exposures are measured by applying methods reflecting losses that may arise in the course of regular operations, and expected losses, which represent the assessment of final losses based on probable events. Models use probabilities derived from available and historical data adjusted to reflect the present economic environment.

The monitoring and control of risk is principally based on establishing limits and procedures. These limits mirror business strategy and market surroundings of the Bank, as well as the risk levels acceptable to the Bank. The Bank continually monitors and measures the capacity of acceptable levels of exposure, considering the aggregate exposure to all types of risks and activities. Information gathered from all business activities is examined and processed with the object of identifying, analyzing and controlling additional risks. This information is presented and explained to the Board of Directors and Executive Board. The reports contain total credit exposure, investment forecast, deviations from set limits, and assessment of market risk, liquidity ratio and changes of risk profiles. The senior management of the Bank reviews quarterly the adequacy of the calculated allowance for impairment. The Asset and Liquidity Committee is provided with a quarterly report on risks containing all information necessary for assessment and for drawing conclusions on risks present in the Bank. Daily report on the utilization of market limits, liquidity, foreign exchange risk, and other significant information is presented to the Executive Management Board's members, as well as to other pertinent Directors.

#### **4.1. Credit risk**

As a creditor, the Bank is exposed to credit risk representing the possibility that the loans or placement beneficiary may become unable to settle liabilities as they fall due.

In implementing credit policy, the Bank adheres to certain principles established by the Decision on Credit and Other Banking Operations and, in this way, the Bank insures against excessive exposure to credit risk. The Bank controls and manages credit risk by establishing limits, defining the level of risk acceptable at the level of individual customers, at the level of related legal entities and private individuals, as well as at the level of customers' operating segments, type of business financed from the Bank's lending per separate branches of economy to which the Bank's customers belong, with constant monitoring of such risk exposures.

The Bank has established the process of monitoring credit quality, aiming to ensure timely identification of potential changes in client creditworthiness, including regular control over collaterals. The limits in respect to customers are determined by applying the credit risk classification system that places customers into adequate groups based on their credit rating. The classification of customers is subject to regular reviews. Credit quality is regularly reassessed. This process enables the Bank to assess potential losses and assume corrective measures. The credit proposal is formed based on the analysis of the customer's financial statements, data of indebtedness derived from the report provided by the Credit Bureau and data obtained from customers, data on account liquidity and business plans. The analysis includes the structure of operating income and expenses, business profitability, development of net working funds, financial stability, liquidity, allowance for impairment of assets, turnover ratio of certain categories of assets, as well as cash flows. Creditworthiness of guarantors, mortgage marketability, and the value and quotation of securities (provided as collateral) on the Stock Exchange, as well as the value and marketability of goods placed under mortgage are also analyzed.

The Bank continually keeps track of customer financial performance and standing and makes sure that resources are used as intended if such arrangement was agreed with the loan beneficiary.

#### **Risks Inherent in Contingent Liabilities Similar to Credit Risk**

The Bank issues guarantees and letters of credit to its clients, and on these grounds, the Bank may be required to make payments on behalf of a third party. Thus, the Bank is exposed to risks similar to credit risk which may be overcome by the same control processes and procedures, so the Bank in the same manner reviews risk exposure present in guarantee issuance and in the issuance of letters of credit, as well as loan origination.

*Collaterals and Other Hedges against Credit Risk*

The amount and type of required collateral depends upon the estimated credit risk of each customer. Basic types of collaterals are the following:

- for commercial loans: mortgage and pledge liens on property, inventories and receivables, deposits, guarantees of other entities, pledges against shares, goods and equipment.
- for placements with retail customers: mortgage and pledge liens on property and deposits; for housing loans, the Bank also obtains insurance policies with the National Mortgage Insurance Corporation of Serbia.

The Bank also obtains guarantees (joint and several liabilities) from parent companies when it extends loans to their subsidiaries.

The management monitors the market value of collaterals and requests for additional collaterals in conformity with the relevant contracts. In addition, the management takes into consideration the market value of collaterals upon reassessing the adequacy of allowance for impairment of placements. Pursuant to the Bank's policies, collaterals assumed are available for sale in the regular course of business. In this manner, the amounts of uncollected receivables from customers are decreased or collected.

*Assessment of Impairment*

The assessment of impairment of balance sheet and off-balance sheet receivables of the Bank is performed in accordance with the accounting policy and Methodology for calculating the allowance for impairment and Guidance for Methodology Implementation IAS 39 (author Ernst – Young).

The most significant factors that are taken into account in the assessment of impairment in placements are the following: delays in servicing debt principle or interest matured, noted weaknesses in customer cash flows, indications of a decline in customer credit rating, as well as non-compliance with contractually defined terms. The Bank assesses impairment based on individual credit rating, as well as collective assessment for financial assets with little individual significance.

*Assessment of Impairment in Loans to and Placements with Banks and Legal Entities*

The assessment of impairment in loans to and placements with banks and corporate customer is based on the division of the Bank's credit portfolio into the performing portfolio (placements not in default) and the non-performing portfolio (placements that are in default). Defaulting placements are placements that are above the materiality threshold and over 90 days overdue after contractually agreed the date of payment or rescheduling agreed in an annex. The materiality threshold in the case of legal entities and entrepreneurs is set at RSD 10,000 per individual placements or customer, if the customer is liable to the Bank based on a single placement. The Bank individually assesses the impairment of non-performing portfolio of customers liable to the Bank in the amount exceeding RSD 6 million, with the aim to determine whether there is objective evidence of impairment for each financial asset, determined as individually significant. The group assessment of impairment is performed by the Bank for financial assets included in the performing portfolio and for the portion of financial assets included in the non-performing portfolio which are below the materiality threshold of RSD 6 million.

Individual assessment of allowance for impairment is based on the estimation of the expected time necessary for collection, taking into account time intervals for the assessment of potential losses-impairment of receivables. The assessment is based on the adjustment of future cash flows from collection of receivables to their present value by applying the contractual annual effective interest rate. The estimated balance of individual allowance for impairment is the difference between the total present value of future cash flows and total balance of all receivables arising from a particular loan agreement. The estimate of the time necessary for collection, as well as the assessment of degree of receivable collection from property provided as collateral, depends on the type of property, mortgage ranking as inscribed in the relevant land registers, from its location, market, current state of the economy, prospective buyers and other factors.

The individual assessment of impairment for a non-performing portion of the portfolio of the Bank is performed for debtors that have liability towards the Bank over RSD 6,000 thousand.

Expected future cash flows are adjusted to their present value using the effective interest rate of the financial asset (for financial assets for which such rate is computed pursuant to the regulations of the Republic of Serbia) or by applying the contractually agreed interest rate recalculated to the annual level (for financial assets for which effective interest rate is not calculated) or at the NBS discount rate applied to placements for which effective or nominal interest rate recalculated to the annual level is below the NBS discount rate. The calculation of present value of future cash flows from the collateralized financial asset incorporates potential cash flows that could arise from the realization of that collateral.

Collective assessment is performed for the high quality portion of the portfolio of legal entities and entrepreneurs, impairment of placements of small exposures (those below RSD 6 million) regardless of their quality, as well as impairment of placements whose credit risk exposure has not increased.

The collective assessment of impairment in performing loans is based on probability of default (PD) and assessment of loss given default (LGD). The collective impairment assessment in the non-performing portfolio is based on the estimated loss given default. PD is assessed by monitoring receivables not in default over a specified period of time and estimation of receivables percentage that have been in default during the observed period. The Bank performs segmentation of the credit portfolio starting from the number of days in default in settling liabilities. Probability of default in the period of loss identification is assessed by using transitional matrixes. These matrixes show transitions of customers from different groups of performing portfolios into a default group between two periods under review. Loss given default (LDG) is the amount of placements that have not been recovered i.e. placements that are not restored to regular status and placements not recovered through collection.

The assessment of risk inherent in guarantees and letters of credit is determined by applying the average rate of guarantees and letters of credit charged to the Bank to their balance at the impairment assessment date. The average rate is calculated as a proportion between guarantees and letters of credit charged to the Bank compared and the total guarantees and letters of credit issued in the preceding 12 months.

The exceptions are those guarantees and letters of credit fully provided for in an earlier period, as well as those collateralized by deposits, where provisions are not calculated for the securitized portion of a receivable.

For other off-balance sheet exposures, provisions are assessed on the individual customer level by applying the average weighted provisioning rate for balance sheet receivables from the customer at hand. For off-balance sheet exposures to customers that do not have balance sheet exposures, provisioning is performed by applying the rate for performing loans that are not in default.

#### *Assessment of Impairment in Retail Placements*

The assessment of impairment in retail loans and placements is based on the division of the Bank's credit portfolio into the performing portfolio (placements not in default) and non-performing portfolio (placements that are in default). Defaulting placements are placements that are above the materiality threshold and over 90 overdue as of the date of payment. The materiality threshold in the case of natural entities is set at RSD 1,000. The Bank individually assesses the impairment of non-performing portfolio of customers liable to the Bank in the amount exceeding RSD 6 million with the aim to determine whether there is objective evidence of impairment for each financial asset determined as individually significant. Group assessment of impairment is performed by the Bank for financial assets included in performing portfolio and for the portion of financial assets included in the non-performing portfolio which are below the materiality threshold of RSD 6 million.

Individual assessment of allowance for impairment is based on the estimation of the expected time necessary for collection, taking into account time intervals for the assessment of potential losses-impairment of receivables. The assessment is founded on the adjustment of future cash flows from collection of receivables to their present value by applying the contractual annual effective interest rate. The estimated balance of individual allowance for impairment is the difference between the total present value of future cash flows and total balance of all receivables arising from the subject credit arrangement. The estimate of the time necessary for collection, as well as the assessment of degree of receivable collection from property provided as collateral, depends on the type of property, mortgage ranking as inscribed in the relevant land registers, from its location, market, current state of the economy, prospective buyers and other factors.

The collective assessment of impairment of performing retail loans as well as in legal entities is based on the probability of default (PD) and assessment of loss given default (LGD), wherewith the PD in regards to retail placements is assessed by type of credit products with similar risk profiles. Afterwards each product group is divided into segments based on the number of days in defaults that are later used for calculating unrecoverable amounts.

Transition matrices for retail placements and owners of agricultural farms are based on a credit arrangement.

The assessment for risky off-balance sheet exposure arising from guarantees to retails is performed in the same way as it is done for corporate clients. Potential liabilities that the Bank can cancel unconditionally and without notice are not subject to assessment.

#### **4.2. Currency risk**

Currency risk relates to the risk that the values of assets and liabilities may change due to a change in foreign currency exchange rates. The Bank placed limits to the positions in currencies and these positions are reviewed on a daily basis.

The principle of the Company's currency risk management policy is to establish and maintain its total foreign currency receivables (foreign currency assets) at the level of the amount of its total foreign currency payables (foreign currency liabilities). This amount is reconciled from the aspect of maturities of foreign currency receivables and payables.

#### **4.3. Liquidity risk**

Liquidity risk in the Bank relates to the possibility that the Bank will not be able to settle its liabilities when due. In order to decrease or limit this risk, the Bank's management invests efforts in diversifying its sources of financing, tries to manage assets by considering their liquidity and keeps track of future cash flows and the Bank's daily liquidity. This includes the assessment of expected future cash flows and existence of highly ranked collaterals that may be used to provide additional financial resources when necessary.

The Bank is exposed to daily calls on its available cash resources from deposits, current accounts, and loan withdrawals. The Bank does not seek to maintain cash resources to meet all of these needs, estimating that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Bank's management reviews the balances per gyro accounts and deposits placed with the Bank on daily basis. The Bank's critical days are determined based on experience, as dates of most significant cash outflows. Based on the identification of available funds and daily calls for resources, the Bank enacts decisions on how the funds should be used.

The Bank does not expect that it will be requested to settle all of its contingent and irrevocable liabilities before maturity.

**4.4. Interest rate risk**

The interest rate risk is contingent on the effects which the fluctuations in the prevailing interest rates could have on the market values of financial instruments. The Bank is susceptible to interest rate risk due to a mismatch in maturities of assets and liabilities for which fixed interest rates have been agreed.

**4.5. Equity management**

The Bank's management regularly monitors capital adequacy and other operating ratios in the Bank, as well as their compliance with the prescriptions of the National Bank of Serbia. Accordingly, the Bank delivers quarterly reports to the National Bank of Serbia on such ratios. Pursuant to the Law on Banks of the Republic of Serbia, banks are under obligation to maintain the minimum amount of capital of EUR 10 million as translated into dinars by applying the official exchange rates, keep the capital adequacy ratio at no less than 12%, and the scope and structure of its operations must be in conformity with the operating ratios set forth by the Decision on Risk Management by Banks (Official Gazette of RS, number 129/2007, 63/2008 and 112/2008) and Decisions on Capital Adequacy of Banks (Official Gazette of RS, number 129/2007 and 63/2008).

**5 INTEREST INCOME AND EXPENSES**

	<b>In RSD thousands</b>	
	<b>Year Ended December 31</b>	
	<b>2010</b>	<b>2009</b>
<b>Interest income</b>		
Loans:		
- in dinars (700)	9,741,136	10,082,748
- in foreign currency (705)	170,960	287,553
	<u>9,912,096</u>	<u>10,370,301</u>
Deposits:		
- in dinars (701)	246,809	233,040
- in foreign currency (706)	271,365	189,063
	<u>518,174</u>	<u>422,103</u>
Securities - in dinars (702):		
- treasury bills issued by NBS	279,046	453,491
- Republic of Serbia treasury bills	146,118	244,431
- bills of exchange	752,560	627,945
- bonds issued by RS	30,657	-
	<u>1,208,381</u>	<u>1,325,867</u>
Other placements:		
- in dinars (703)	109,620	44,684
	<u>109,620</u>	<u>44,684</u>
	<u>11,748,271</u>	<u>12,162,955</u>
<b>Interest expense</b>		
Borrowings in dinars :(acc.600)	<u>-170,191</u>	<u>-166,790</u>
Deposits:		
- in dinars (acc.601+603)	-1,623,844	-2,488,876
- in foreign currency (acc.606)	-3,312,527	-1,889,711
	<u>-4,936,371</u>	<u>-4,378,587</u>
	<u>-5,106,562</u>	<u>-4,545,377</u>
<b>Net interest income</b>	<u>6,641,709</u>	<u>7,617,578</u>

## a) Interest income

	In RSD thousands	
	<u>2010</u>	<u>2009</u>
Deposits with the National Bank of Serbia	176,812	152,933
Placements with banks	308,626	288,410
Placements with customers	10,054,452	10,395,745
Securities:		
- treasury bills issued by NBS from REPO transactions	279,046	453,491
- Republic of Serbia government bills	146,118	244,431
- bills of exchange	752,560	627,945
- bonds issued by RS	30,657	-
	<u><u>11,748,271</u></u>	<u><u>12,162,955</u></u>

## b) Interest expense

	In RSD thousands	
	<u>2010</u>	<u>2009</u>
Loans and deposits with banks	621,765	512,363
Loans and deposits with customers	4,484,797	4,033,014
	<u><u>5,106,562</u></u>	<u><u>4,545,377</u></u>

## 6 FEE AND COMMISSION INCOME AND EXPENSE

	In RSD thousands	
	<u>2010</u>	<u>2009</u>
<b>Fee and commission income:</b>		
- payment card transactions	76,859	86,991
- payment card transactions	384,353	422,357
- payment transfers	398,454	283,555
	<u><u>859,666</u></u>	<u><u>792,903</u></u>
<b>Fee and commission expense:</b>		
- payment card transactions	-4,310	-1,957
- payment transfers	-123,818	-178,476
	<u><u>-128,128</u></u>	<u><u>-180,433</u></u>
<b>Fee and commission income</b>	<u><u>731,538</u></u>	<u><u>612,470</u></u>

## 7 OTHER OPERATING INCOME

	In RSD thousands	
	<u>2010</u>	<u>2009</u>
Rental of business premises (7461000)	160,355	48,958
Refund of expenses (746 d)	26,630	14,496
Income on sale of tangible assets received in lieu of debt settlement (761)	338,498	-
Write-off of liabilities (762)	65,313	10,702
Other income	7,406	29,002
	<u><u>598,202</u></u>	<u><u>103,158</u></u>

## 8. IMPAIRMENT LOSSES AND PROVISIONS

## a) Credited/ (charged) to Income Statement

	In RSD thousands	
	<u>2010</u>	<u>2009</u>
Expenses from impairment losses of placements included in the balance sheet:		
- interest, fee and commissions	-700,942	-1,101,818
- loan and deposits	-4,611,368	-6,267,737
- securities	-141,691	-448,735
- equity investments	-522	-
- other placements	-286,359	-379,100
- other assets	-8,369	-909
	<u>-5,749,251</u>	<u>-8,198,299</u>
Provisions formed against off-balance sheet items	-524,500	-354,273
Provisions formed for employee benefits	-13,515	-2,444
	<u><b>-6,287,266</b></u>	<u><b>-8,555,016</b></u>
Reversal of impairment losses of placements included in the balance sheet items:		
- interest, fees and commissions	291,481	147,963
- loans and deposits	3,003,474	4,566,214
- securities	114,718	254,904
- other placements	198,162	325,716
- other assets	2,706	8,135
	<u>3,610,541</u>	<u>5,302,932</u>
Reversal of provisions formed against off-balance sheet items	356,904	722,426
Reversal of provisions formed against litigations	338,794	-
Reversal of provisions formed against long-term employee benefits	11,210	-
Suspended interest collected	1,820	1,497
	<u><b>4,319,269</b></u>	<u><b>6,026,855</b></u>
Net losses on impairment and provisions	<u><b>-1,967,997</b></u>	<u><b>-2,528,161</b></u>

## b) Structure of allowance for impairment (balance)

	In RSD thousands	
	<u>2010</u>	<u>2009</u>
- interest, fees and commissions	1,528,023	1,155,091
- loans and deposits	9,143,056	7,640,492
- securities	641,472	614,499
- equity investments	19,795	19,273
- other placements	821,631	756,358
- other assets	107,879	102,224
	<u><b>12,261,856</b></u>	<u><b>10,287,937</b></u>

**TRANSLATION**

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**c) Movements on the account of allowance for impairment**

	<b>Interest, Fees And Commissions (Note 15)</b>	<b>Loans and Deposits (Note 16)</b>	<b>Securities (Note 17)</b>	<b>Equity Investments (Note 18)</b>	<b>Other Placements (Note 19)</b>	<b>Other Assets (Note 21)</b>	<b>Total</b>
<b>Balance at January 1, 2009</b>	<b>218,856</b>	<b>5,938,969</b>	<b>420,668</b>	<b>19,273</b>	<b>702,978</b>	<b>109,446</b>	<b>7,410,190</b>
Charge for the year	1,101,818	6,267,737	448,735		379,100	909	8,198,299
Reversal of allowance for impairment	-147,963	-4,566,214	-254,904		-325,716	-8,135	-5,302,932
Write-off and transfer to suspended interest	-17,620				-4	4	-17,620
<b>Balance at January 1, 2010</b>	<b>1,155,091</b>	<b>7,640,492</b>	<b>614,499</b>	<b>19,273</b>	<b>756,358</b>	<b>102,224</b>	<b>10,287,937</b>
Charge for the year	700,942	4,611,368	141,691	522	286,359	8369	5,749,251
Reversal of allowance for impairment	-291,481	-3,003,474	-114,718	-	-198,162	-2,706	-3,610,541
Write-off and transfer to suspended interest	-36,529	-105,330	-	-	-22,924	-8	-164,791
<b>Balance, end of year</b>	<b>1,528,023</b>	<b>9,143,056</b>	<b>641,472</b>	<b>19,795</b>	<b>821,631</b>	<b>107,879</b>	<b>12,261,856</b>

**d) Special reserve for potential losses**

In accordance with the National Bank of Serbia's Decision on the Classification of Balance Sheet and Off-Balance Sheet Exposures as of December 31, 2010, a special reserve for potential losses on the Bank's aggregate credit risk exposure was as follows:

	<b>31 Dec 2010</b>	<b>In RSD thousands 31 Dec 2009</b>
Special reserve for potential losses determined as per the National Bank of Serbia requirements with respect to:		
- balance sheet exposures	24,631,145	18,890,881
- off-balance sheet exposures	1,483,600	478,990
	<b>26,114,745</b>	<b>19,369,871</b>
Allowances for impairment and provisions determined in accordance with internally adopted methodology (IAS 39):		
- allowance for impairment of balance sheet items	-12,261,856	-10,287,937
- provision for losses contingent on off-balance sheet items	-651,665	-484,069
	<b>-12,913,521</b>	<b>-10,772,006</b>
Provisions determined in accordance with the internal methodology exceeding the amount of provision as per the NBS decision	699,503	828,716
<b>Special reserve for potential losses</b>	<b>13,900,727</b>	<b>9,426,581</b>
<b>Reserve for potential losses formed in prior years</b>	<b>-9,426,582</b>	<b>-4,573,104</b>
<b>Additional provision for potential losses to be set aside as appropriation of retained earnings</b>	<b>4,474,145</b>	<b>4,853,477</b>

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

Once a relevant Decision has been enacted by the Bank's Assembly, the outstanding amount of reserve for potential losses will be allocated from retained earnings.

**9. Staff costs**

	<b>2010</b>	<b>In RSD thousands 2009</b>
Salaries (630)	304,979	326,366
Benefits (631)	112,528	116,009
Taxes and contributions (632,633)	152,500	148,423
Other staff costs (634,635)	38,401	104,284
	<b>608,408</b>	<b>695,082</b>

**10. OPERATING AND OTHER BUSINESS EXPENSES**

	<b>In RSD thousands</b>	
	<b>2010</b>	<b>2009</b>
Material (640d)	77,513	99,124
Servicing (640d)	41,178	39,811
Rentals (6410,6461)	187,693	158,943
Telecommunication (6411, 6438002)	118,821	116,976
Maintenance and security (6413)	110,746	119,584
Marketing and advertising (6412)	86,360	91,242
Donations and sponsorships (6433)	25,997	62,984
Entertainment (6435)	31,459	25,811
Audit and expertise expenses (6434)	16,455	9,553
Insurance premiums (6437)	217,243	120,820
Membership fees (64380000)	10,990	12,204
Court and other fees (64385, 6439006)	29,374	14,436
Brokerage fees and cost of Securities Commission (6438604, 6438704)	15,983	13,885
Securing property (64388000)	100,961	71,762
Cost of acquiring tangibles (64389006,643891,6460)	67,895	17,356
The costs of additional insurance of staff and funding of disabled (6439)	17,916	17,230
Other non-material costs	26,045	30,511
Taxes and contributions (644,645)	258,747	141,167
Expenses for subsequently determined obligations for recovery of loans (668004)	160,100	-
Other expenses (66d)	78,947	16,970
	<b>1,680,423</b>	<b>1,180,369</b>

**11. NET GAINS ON REVALUATION OF ASSETS AND LIABILITIES**

	<b>In RSD thousands</b>	
	<b>2010</b>	<b>2009</b>
Gains on revaluation of:		
- placements and receivables (770)	6,902,660	4,206,756
- securities (771)	-	50,677
- liabilities (772)	236,764	101,651
	<b>7,139,424</b>	<b>4,359,084</b>
Losses on revaluation of:		
- placements and receivables (670)	-2,532,320	-1,004,349
- securities (671)	-22,050	-
- liabilities (672)	-800,746	-567,443
- tangible assets received in lieu of debt settlement (673)	-	-12,820
	<b>-3,355,116</b>	<b>-1,584,612</b>
<b>Net gain</b>	<b>3,784,308</b>	<b>2,774,472</b>

**12. INCOME TAXES****a) Income tax components**

	<b>In RSD thousands</b>	
	<b>2010</b>	<b>2009</b>
Current income taxes	-610,478	-585,599
Deferred income taxes	2,860	1,290
	<b>-607,618</b>	<b>-584,309</b>

## b) Reconciliation between tax expense, profit before tax and applicable tax rate

	In RSD thousands	
	2010	2009
Profit before tax	6,198,450	6,163,772
Income tax at the statutory tax rate of 10%	619,845	616,375
Tax effects of expenses not recognized for tax purposes	-1,870	6,721
Tax credits for capital expenditures and	-7,489	-22,268
Tax credits for employees hired on open-end basis	-	-15,229
Tax effects of dividend income	-8	-
Effects of changes in temporary differences on property and equipment	-2,860	-1,290
	<u>607,618</u>	<u>584,309</u>

## c) Deferred Tax Liabilities

	In RSD thousands	
	2010	2009
Temporary differences in property, equipment and intangible assets	6,874	9,734
Temporary differences arising on remeasurement of AFS securities	2,347	3,569
	<u>9,221</u>	<u>13,303</u>

## d) Movements on Deferred Tax Liabilities

	In RSD thousands	
	2010	2009
<b>Balance at January 1</b>	13,303	16,363
(Decrease)/increase in deferred tax liabilities based on:		
- temporary differences in property, equipment and intangible assets	-2,860	-1,290
- temporary differences arising on remeasurement of AFS securities	-1,222	-1,770
<b>Balance at December 31</b>	<u>9,221</u>	<u>13,303</u>

## 13. CASH AND CASH EQUIVALENTS

	In RSD thousands	
	31 Dec 2010	31 Dec 2009
In dinars:		
- gyro account (000)	3,106,903	7,398,331
- cash in hand (001)	709,213	796,462
- Republic of Serbia treasury bills up to 3m (002)	-	1,539,075
	<u>3,816,116</u>	<u>9,733,868</u>
In foreign currency:		
- foreign currency accounts with other banks (0500)	154,432	54,889
- foreign currency accounts with foreign banks (0501)	939,422	786,931
- cash in hand (051)	923,861	1,517,097
	<u>2,017,715</u>	<u>2,358,917</u>
	<u>5,833,831</u>	<u>12,092,785</u>

Pursuant to the “Decision on the Obligatory Reserves of Banks to be Held with the NBS,” the obligatory reserve is to be calculated on the dinars base:

- At the rate of 5% - to the portion of dinar basis comprised of liabilities in dinars;
- At the rate of 25% - to the portion of dinar basis comprised of liabilities in dinars with foreign currency clause;
- At the rate of 25% - to the liabilities in foreign currency arising from currency deposits and loans.

The calculated dinar obligatory reserve from December 2010 (based on the average balance of deposits registered in November) amounted to RSD 3,285,581 thousand (December 31, 2009: RSD 7,567,587 thousand).

Throughout the accounting period, the Bank maintains the average daily balance of the allocated obligatory reserve in dinars held on its gyro account, until the next calculation date, 17 January 2011.

In the period from 18 December 2010 to 17 January 2011, at its current account, the Bank held available funds above the calculated obligatory reserve in dinars.

The Bank did not use the aforementioned assets for liquidity purposes in 2010.

In 2010, the annual interest rate earned on the Bank’s obligatory reserve account amounted to 2.5% p.a.

#### 14. REVOCABLE DEPOSITS AND LOANS

	<b>In RSD thousands</b>	
	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
In dinars:		
- Liquidity surpluses deposited with the NBS (010)	-	300,000
- Placements with NBS arising from repurchase transactions (013)	4,000,000	2,200,000
	<u>4,000,000</u>	<u>2,500,000</u>
In foreign currency:		
- Obligatory reserves held with the NBS (060)	16,219,755	8,904,919
	<u><b>20,219,755</b></u>	<u><b>11,404,919</b></u>

At December 31, 2010, there were no deposited surpluses of liquidity funds held with the National Bank of Serbia. The annual interest rates on these types of funds ranged from 5.5% p.a. to 9% p.a. during the year.

The obligatory reserves in foreign currencies represent minimum deposits set aside in accordance with the NBS Regulation on the “Obligatory Reserves of Banks to be Held with the NBS” (Official Gazettes numbered: 12/2010 and 78/2010), that prescribes the 25% rate that is to be applied to the previous month’s average amount of foreign currency assets in order to obtain the obligatory foreign currency reserve. Since 1 July 2005, the Bank does not pay interest on the obligatory foreign currency reserve.

As of 31 December 2010, the derived obligatory foreign currency reserve was in accordance with the NBS regulation.

**15. RECEIVABLES ARISING FROM INTEREST, FEES AND COMMISSIONS, TRADE, FAIR VALUE ADJUSTMENTS OF DERIVATIVES AND OTHER RECEIVABLES**

	<b>31 Dec 2010</b>	<b>In RSD thousands 31 Dec 2009</b>
Interest receivables:		
- in dinars	3,061,023	2,423,645
- in foreign currency	58,385	47,499
	<u>3,119,408</u>	<u>2,471,144</u>
Allowance for impairment of interest receivables:		
- in dinars	-1,475,800	-1,116,246
- in foreign currency	-34,838	-29,092
	<u>-1,510,638</u>	<u>-1,145,338</u>
Fee and commission receivables in dinars	37,633	24,238
Allowance for impairment of fee and commission receivables	-17,342	-9,707
	<u>20,291</u>	<u>14,531</u>
Receivables from selling tangible assets	49	49
Allowance for impairment of receivables from selling tangibles:	-43	-46
Net	<u>6</u>	<u>3</u>

**16. LOANS AND DEPOSITS TO CUSTOMERS**

	<b>31 Dec 2010</b>	<b>In RSD thousands 31 Dec 2009</b>
<b>Deposits (acc 11+ 21)</b>		
Short-term deposits in dinars with banks (acc 111)	187	187
Long-term deposits in dinars with customers ( acc 113)	69	69
Short-term deposit with in foreign currency banks (acc 211)	36,503,629	18,132,572
Short-term deposit with in foreign currency customers (acc 213 )	16,625	16,625
	<u>36,520,510</u>	<u>18,149,453</u>
Allowance for impairment of deposits	-187	-187
	<u><b>36,520,323</b></u>	<u><b>18,149,266</b></u>
<b>Loans (acc 10 + 20)</b>		
Short-term loans - din:		
- banks (acc 108800b)	9,608	9,608
- customers (10d)	44,202,549	35,323,381
Long-term loans to customers in dinars (10 d)	23,647,598	16,871,086
Short-term loans to customers in foreign currency (20)	1,127,854	1,326,347
Long-term loans to customers in foreign currency (2011, 2031)	305,874	415,088
	<u><b>69,293,483</b></u>	<u><b>53,945,510</b></u>
Allowance for impairment of loans	-9,142,869	-7,640,306
	<u><b>60,150,614</b></u>	<u><b>46,305,204</b></u>
Net	<u><b>96,670,937</b></u>	<u><b>64,454,470</b></u>

Short-term deposits with domestic banks in foreign currency are placed for a period ranging from 1 day (over-night) to 1 year, at interest rates from 0.5% to 5% charged annually, and for placed long-term deposits the interest rate went up to 6% p.a.

Short-term deposits with banks placed in dinars are placed for period ranging from 1 to 7 days at interest rates between 6.1% and 12% annually.

Short-term loans in dinars are extended to legal entities and entrepreneurs for a period of 12 months at nominal interest rates ranging from 6% to 29% annually (effective interest rates ranging from 7% to 34%). Long-term loans in dinars with foreign currency clause are approved to legal entities and entrepreneurs at nominal interest rates ranging from 5% to 15% annually (effective interest rate ranging from 6.5% to 16.5%).

Nominal interest rates on short-term loans in foreign currency ranged from 4% to 15% annually (effective interest rates ranged from 4.5% to 20%). Long-term loans in foreign currency carried nominal interest rates from 4% to 12% annually (effective interest rates ranged from 4.5% to 14%).

Loans to entrepreneurs were approved at the same terms as those approved to corporate entities.

Short-term placements denominated in dinars approved to retail customers carry effective interest rate ranging from 20.27% to 36.19% annually. Short-term placements with retail customers denominated in dinars with foreign currency clause were approved at effective interest rates ranging from 4.59 to 19.78% annually.

Short-term placements in dinars to registered farmers carry effective interest rate from 15% to 29.46% annually.

Long-term placements denominated in dinars were approved to retail customers at effective interest rates ranging from 23.14% to 36.13% annually (subsidized cash loans were approved at 8.04%), and placements in dinars with foreign currency carry effective interest rates from 4.66% to 18.93% annually.

Long-term placements in dinars (with foreign currency clause) to registered farmers were approved at effective interest rate ranging from 4.71% to 17.89% annually.

## 17. SECURITIES

	<b>31 Dec 2010</b>	<b>In RSD thousands 31 Dec 2009</b>
Securities at fair value through profit and loss:		
- shares of Agrobanka A.D., Beograd	<b>160,421</b>	<b>80,404</b>
Securities held-to-maturity:		
In dinars:		
- bills of exchange issued by other corporate entities	3,749,033	3,552,081
- Republic of Serbia treasury bills	627,062	845,677
- bonds issued by other corporate entities	15,197	15,197
Less: Allowance for impairment	-641,472	-614,499
	<b>3,749,820</b>	<b>3,798,456</b>
In foreign currency:		
- Foreign currency savings bonds	<b>35,203</b>	<b>31,998</b>
	<b>3,945,444</b>	<b>3,910,858</b>

Changes in the impairment provision of securities:

	In RSD thousands	
	2010	2009
Balance as of 1 January	614,499	420,668
Impairments during the year (note 8)	141,691	448,735
Reversal of impairment (note 8)	-114,718	-254,904
Balance as of 31 December	<u>641,472</u>	<u>614,499</u>

#### 18. EQUITY INVESTMENTS (available for sale)

	In RSD thousands	
	31 Dec 2010	31 Dec 2009
Equity investments not listed on the stock exchange	49,659	658,808
Equity investments listed on the stock exchange	41,376	54,266
	91,035	713,074
<i>Less:</i> Allowance for impairment	-19,795	-19,273
	<u>71,240</u>	<u>693,801</u>

The allowance for impairment of equity investments is pertinent to impairment of investments not listed on the stock exchange. The impairment is assessed based on the received information from the issuer and other findings.

Other equity investments listed on the stock exchange are recorded at fair value.

The remeasurement of fair value is performed periodically and the effects thereof are directly reflected as changes in equity.

At December 31, 2010, the Bank has equity investments in the following legal entities:

	In RSD thousands	
	31 Dec 2010	31 Dec 2009
Equity investments up to 10% capital share:		
- Tržište novca a.d., Beograd	267	347
- Univerzal banka a.d., Beograd	11,357	21,097
- OTP banka Srbija a.d., Novi Sad	16,128	16,128
- Marfin Bank a.d., Beograd	115	115
- PB Agrobanka a.d., Beograd	50	57
- Hypo Alpe-Adria Bank a.d., Beograd	-	986
- AMS Osiguranje a.d., Beograd	700	806
- Politika a.d., Beograd	13,026	15,076
- BetaTrans a.d., Beograd	57	57
- Šar holding	19,050	19,050
- Plava tačka a.d. – in liquidation	746	223
- Agroživ a.d., Pančevo	-	609,593
	<u>61,496</u>	<u>683,535</u>
Equity investments greater than 10% capital share:		
- Štedno kreditna organizacija AIK, Vranje	29,080	29,080
- AIK Company	418	418
- Small Business Development Centre in Niš	41	41
	<u>29,539</u>	<u>29,539</u>
	<u>91,035</u>	<u>713,074</u>

The equity investment in Hypo Alpe Adria Bank was sold for RSD 986 thousands. As the reorganization of Agroživ was unsuccessful, the equity investment was cancelled and set to previous state – loan receivables.

#### 19. OTHER PLACEMENTS (acc 16 + 26)

	<u>31 Dec 2010</u>	<u>In RSD thousands 31 Dec 2009</u>
Receivables based on payments on guarantees, bills of exchange and letters of credit (acc.163+263+265)	826,224	612,999
Short-term dinar placements with public entities (164 )	861,867	2,619,430
Receivables from banks based citizen cheques (1680...B)	34,722	13,403
Receivables from payment cards, not matured (acc.168006+168007)	3,114,764	3,498,315
Short-term dinar placements with corporate entities (16802 G)	-	310,404
Long-term dinar placements with public entities (acc.16812.F)	730,743	994,928
Receivables from payment cards, matured (acc. 1688)	474,830	393,879
Other placements	33,694	40,867
	<b><u>6,076,844</u></b>	<b><u>8,484,225</u></b>
Allowance for impairment based on:		
- payments on guarantees, bills of exchange and letter of credit (acc.1693, 2693)	-423,989	-446,543
-short-term dinar placements with public entities (1694 )	-16,183	-44,268
- receivables from banks based citizen cheques (16980.B)	-888	-498
- receivables from payment cards, not matured (acc.1698006+1698007)	-119,223	-93,341
- short-term dinar placements with corporate entities (169802.G)	-	-9,082
- long-term dinar placements with public entities(acc.169812.F)	-11,838	-16,814
- receivables from payment cards, matured (acc. 16988.)	-193,224	-116,778
- other placements (169d, 269d)	-56,286	-29,034
	<b><u>-821,631</u></b>	<b><u>-756,358</u></b>
<b>Net</b>	<b><u>5,255,213</u></b>	<b><u>7,727,867</u></b>

**Short-term placements** denominated in dinars extended to public enterprises in the amount of RSD 861,867 thousands mostly relate to the amounts due from the:

- DP NOVI SAD – GAS in the total amount of RSD 368,587 thousand (one time fee of 11.5%, repayment in instalments – last repayment of principal in august 2011);
- JKP GRADSKA TOPLANA ZRENJANIN in the total amount of RSD 217,153 thousand (one time fee of 11.5%, repayment in instalments – last repayment of principal in august 2011);
- GREJANJE JKP PANČEVO in the total amount of RSD 97,262 thousand (one time fee of 11.5%, repayment in instalments – last repayment of principal in august 2011);
- DIREKCIJA ZA PUTEVE GRADA ŠAPCA in the total amount of RSD 79,979 thousand (one time fee of 11.5%, repayment in instalments – last repayment of principal in august 2011);

- GAS – FEROMONT AD in the total amount of RSD 40,461 thousand (one time fee 10%, repayment in instalments – last repayment of principal in March 2011).

**Long-term placements** in dinars with public enterprises amounting to RSD 730,743 thousand represent receivables from the Public Enterprise “Putevi Srbije” and relate to the following:

- In the amount of RSD 331,642 thousand based on contract for cession of receivables and loan arrangement with road industry companies (loan matured on 30/06/2010, interest rate 1.415%, effective interest rate method, monthly);
- In the amount of RSD 399,101 thousand, based on contract for cession of receivables and loan arrangement with road industry companies (based on the 5 year reprogram, with semi-annual repayments based on the 3 month BELIBOR plus 4% annual margin).

**TRANSLATION**

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**20. PROPERTY, EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS**

	In RSD thousands				
	Land and Buildings	Equipment and Other assets	Investment Property	Total	Intangible Assets
<b>Cost</b>					
<b>Balance, January 1, 2010</b>	579,874	849,322	522,580	1,951,776	79,993
Transfers			1,404,583	1,404,583	
Additions		171,602		171,602	14,488
Sale and disposal	-2,264	-1,157		-3,421	
<b>Balance, December 31, 2010</b>	<b>577,610</b>	<b>1,019,767</b>	<b>1,927,163</b>	<b>3,524,540</b>	<b>94,481</b>
<b>Accumulated Depreciation and Amortization:</b>					
<b>Balance, January 1, 2010</b>	48,625	441,700	44,582	534,907	33,160
Amortization	6,584	120,163	6,794	133,541	15,938
Sale and disposal	-304	-596		-900	
<b>Balance, December 31, 2010</b>	<b>54,905</b>	<b>561,267</b>	<b>51,376</b>	<b>667,548</b>	<b>49,098</b>
<b>Net Book Value, December 31, 2010</b>	<b>522,705</b>	<b>458,500</b>	<b>1,875,787</b>	<b>2,856,992</b>	<b>45,383</b>
<b>Net Book Value, December 31, 2009</b>	<b>531,249</b>	<b>407,622</b>	<b>477,998</b>	<b>1,416,869</b>	<b>46,833</b>

At December 31, 2010 the Bank did not have any property and equipment under mortgage or pledge liens.

## 21. OTHER ASSETS

	<b>In RSD thousands</b>	
	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
Other receivables: (03, 09, 304)		
- Advances for current assets (acc.030, 090) - in dinars	5,604	5,504
- Advances for fixed assets (acc.031) – in dinars	15,731	16,607
- Receivables from Beogradska Banka a.d.- in bankruptcy-in dinars	92,300	92,300
- Tangible assets received in lieu of debt settlement. (acc.304) - din.	4,572,905	4,555,041
- Other receivables in dinars	133,080	22,194
- Other receivables in foreign currency	2,906	5,522
	<b>4,822,526</b>	<b>4,697,168</b>
Less: Allowance for impairment of other receivables		
- Receivables from Beogradska Banka a.d.- in bankruptcy- in dinars	-92,300	-92,300
- Other receivables in dinars. (acc 039+309)	-15,363	-8,454
- Other receivables in foreign currency (acc 099)	-216	-1,470
	<b>-107,879</b>	<b>-102,224</b>
Prepayments:		
- Deferred interest receivables in dinars (190,191) – in din.	137,775	44,178
- Prepaid interest on savings deposits placed by retail customers (192 ) - in dinars	193,624	1,680,736
- Prepaid rental expenses (194) – in dinars	8,284	7,271
- Deferred receivables for interest accrued (290) – in foreign currency	1,235	5,608
	<b>340,918</b>	<b>1,737,793</b>
<b>Net</b>	<b>5,055,565</b>	<b>6,332,737</b>

Other net assets are comprised of dinars assets and foreign currency assets. Dinars assets amount to RSD 5,051,640 thousand, while foreign currency assets amount to RSD 3,925 thousand.

## 22. TRANSACTION DEPOSITS

	<b>31 Dec 2010</b>	<b>In RSD thousand 31 Dec 2009</b>
In dinars:		
- Banks and other financial organizations	201,817	239,496
- Public companies	379,607	673,629
- Other corporate entities	1,619,992	2,340,524
- Entrepreneurs	192,655	179,841
- Retail customers	528,453	521,091
- Foreign legal entities	79	186
- Public sector	126,943	108,084
- Other customers	191,522	116,048
	<b>3,241,068</b>	<b>4,178,899</b>
In foreign currency:		
- Banks and other financial organizations	16,063	294,416
- Public companies	22,348	16,061
- Other corporate entities	863,867	574,418
- Entrepreneurs	12,003	8,878
- Retail customers	282,038	216,772
- Foreign legal entities	384	62,368
- Public sector	9,486	346
- Other customers	75,368	11,451
	<b>1,281,557</b>	<b>1,184,710</b>
	<b>4,522,625</b>	<b>5,363,609</b>

The interest rate applied to transaction deposits in dinars of corporate entities ranged between 3% and 12% annually.

Transaction deposits in dinars placed by public sector do not accrue interest. Also, the Bank does not pay interest on transaction deposits denominated in foreign currency and placed with public sector or to deposits of foreign legal entities.

Transaction deposits of retail customers denominated in dinars accrue interest at the rate of 3% annually, while transaction deposits of retail customers in foreign currency are non-interest bearing.

**TRANSLATION**

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**23. OTHER DEPOSITS**

The structure of deposits per sectors and currencies is presented in the following table:

	31 Dec 2010			31 Dec 2009		
	In RSD	In foreign currency	Total	In RSD	In foreign currency	Total
<b>In RSD thousand</b>						
<b>Savings deposits:</b>						
Retail customers	3,172,335	59,186,594	62,358,929	560,989	35,267,962	35,828,951
Foreign legal entities	299,470	533,861	833,331	116	456,011	456,127
	<b>3,471,805</b>	<b>59,720,455</b>	<b>63,192,260</b>	<b>561,105</b>	<b>35,723,973</b>	<b>36,285,078</b>
<b>Deposits based on loans to customers:</b>						
Banks and other financial organizations	118,341	147,697	266,038	200	1,588	1,788
Other corporate entities	469,979	202,879	672,858	314,108	175,694	489,802
Entrepreneurs	17,798	-	17,798	2,553	-	2,553
Retail customers	644	846,243	846,887	1,440	945,828	947,268
Public sector	2,826	-	2,826	4,758	-	4,758
Other customers	2,045	-	2,045	-	-	-
	<b>611,633</b>	<b>1,196,819</b>	<b>1,808,452</b>	<b>323,059</b>	<b>1,123,110</b>	<b>1,446,169</b>
<b>Special purpose deposits:</b>						
Banks and other financial organizations	8,631	16	8,647	1,475	498	1,973
Other corporate entities	47,249	538	47,787	76,496	813	77,309
Entrepreneurs	12	906	918	9	1,045	1,054
Retail customers	12,887	1,558	14,445	26,293	1,415	27,708
Foreign natural persons	4	-	4	-	-	-
Public sector	693	-	693	1,405	-	1,405
Other customers	284	431	715	1,372	2	1,374
	<b>69,760</b>	<b>3,449</b>	<b>73,209</b>	<b>107,050</b>	<b>3,773</b>	<b>110,823</b>
<b>Other deposits:</b>						
Banks and other financial organizations	5,830,433	1,114,902	6,945,335	4,489,575	138,012	4,627,587
Other corporate entities	7,452,923	2,672,744	10,125,667	7,078,530	3,799,493	10,878,023
Entrepreneurs	19,129	7,986	27,115	22,953	6,465	29,418
Retail customers	283	-	283	88	-	88
Foreign natural persons	1,316	-	1,316	1,476	-	1,476
Public sector	1,220,244	39	1,220,283	4,551,151	-	4,551,151
Other customers	2,965,242	306,646	3,271,888	462,094	50,616	512,710
	<b>17,489,570</b>	<b>4,102,317</b>	<b>21,591,887</b>	<b>16,605,867</b>	<b>3,994,586</b>	<b>20,600,453</b>
<b>Total other deposits</b>	<b>21,642,768</b>	<b>65,023,040</b>	<b>86,665,808</b>	<b>17,597,081</b>	<b>40,845,442</b>	<b>58,442,523</b>

Effective interest rate on RETAIL a vista savings denominated in EUR ranged from 0.5% to 1.2% (at the beginning of the year it was 2%); for savings denominated in CHF equalled 1.4% until October 2010, afterwards it was reduced to .15% annually; for savings denominated in USD equalled 1.8% until October 2010, afterwards it was reduced to 0.25% annually.

The effective interest rate on savings up to 1 year denominated in EUR ranged from 2% to 7.25% annually; from 1.5% to 2% for savings denominated in CHF; from 1.9%-2.6% for savings denominated in USD.

Effective interest rate on term deposits up to 1 year denominated in DINARS ranged from 6% to 12% annually.

Effective interest rate on term deposits greater than 1 year (from 13 to 36 months) denominated in EUR ranged from 6.5% to 8% annually.

Effective interest rate on term deposits greater than 1 year (from 13 to 15 months) denominated in DINARS ranged from 14% to 15% annually.

The effective interest rate applied to special purpose foreign currency deposits denominated in EUR (serving as collateral against placements approved) ranged from 0.5% to 8% annually (exception are non-interest bearing collateral, as well as special purpose deposits with effective interest rate starting at 9.06% annually-previous year savings with a interest payoff in advance, with accruing interest relating to 2010). For special purpose deposits denominated in RSD the interest rate ranged from 0.5% to 15% annually.

Foreign currency demand deposit for cover of assignments are non-interest bearing.

Short-term dinar deposits of BANKS are placed for a period of one to 12 months at an interest rate ranging from 4.5% to 12% annually.

Short-term dinar deposits of PUBLIC SECTOR are placed for a period from one to 12 months at interest rates ranging from 8% to 14.4% annually.

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**Other deposits presented per separated products, maturity and currency:**

	In RSD thousand					
	31 Dec 2010			31 Dec 2009		
	In RSD	In foreign currency	Total	In RSD	In foreign currency	Total
<b>Savings deposits: ( acc 402, 502 )</b>						
Short-term	360,828	33,602,202	33,963,030	561,105	34,332,624	34,893,729
Long-term	3,110,977	26,118,253	29,229,230	-	1,391,349	1,391,349
	<b>3,471,805</b>	<b>59,720,455</b>	<b>63,192,260</b>	<b>561,105</b>	<b>35,723,973</b>	<b>36,285,078</b>
<b>Deposits – collaterals against loans approved: ( acc 403, 503 )</b>						
Short-term	148,299	178,713	327,012	41,489	275,464	316,953
Long-term	463,334	1,018,106	1,481,440	281,570	847,646	1,129,216
	<b>611,633</b>	<b>1,196,819</b>	<b>1,808,452</b>	<b>323,059</b>	<b>1,123,110</b>	<b>1,446,169</b>
<b>Special purpose deposits: (acc 404, 504)</b>						
Short-term	69,760	3,449	73,209	107,050	3,773	110,823
	<b>69,760</b>	<b>3,449</b>	<b>73,209</b>	<b>107,050</b>	<b>3,773</b>	<b>110,823</b>
<b>Other deposits: (acc 405, 505 )</b>						
Short-term	17,434,006	3,986,269	21,420,275	16,585,314	3,946,642	20,531,956
Long-term	55,564	116,048	171,612	20,553	47,944	68,497
	<b>17,489,570</b>	<b>4,102,317</b>	<b>21,591,887</b>	<b>16,605,867</b>	<b>3,994,586</b>	<b>20,600,453</b>
<b>Total</b>	<b>21,642,768</b>	<b>65,023,040</b>	<b>86,665,808</b>	<b>17,597,081</b>	<b>40,845,442</b>	<b>58,442,523</b>

Short-term deposits denominated in dinars of PUBLIC SECTOR have been placed from one to 12 months at an interest rate that ranged from 8.1% to 11.5%.

## 24. BORROWINGS

	<b>31 Dec 2010</b>	<b>In RSD thousands 31 Dec 2009</b>
In dinars:		
Short-term loans:		
- Hypo Alpe-Adria Bank a.d., Beograd	2,109,964	1,917,776
- Raiffeisen Bank a.d., Beograd	-	480,000
- Erste Bank a.d., Novi Sad	-	380,000
- Banca Intesa a.d., Beograd	-	920,000
	<b>2,109,964</b>	<b>3,697,776</b>
<b>Other financial liabilities (acc409, 509 )</b>	<b>10,195</b>	<b>91,445</b>
<b>Total</b>	<b>2,120,159</b>	<b>3,789,221</b>

Short-term borrowings in dinars from Hypo Alpe-Adria Bank have maturity of 14 days with an applicable interest rate of 5.5% annually.

## 25. PROVISIONS

	<b>31 Dec 2010</b>	<b>In RSD thousands 31 Dec 2009</b>
Provisions for litigations	-	338,794
Provisions for losses on off-balance sheet items	651,665	484,069
Provisions for retirement benefits and jubilee awards	13,515	11,781
Other provisions	-	6,970
	<b>665,180</b>	<b>841,614</b>

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The movements in provisions throughout 2010 were the following:

In RSD thousand

	Provisions for litigations	Provisions for losses on off- balance sheet items	Provisions for retirement benefits and jubilee awards	Other provisions	Total
<b>Balance, January 1, 2009</b>	<b>338,794</b>	<b>852,222</b>	<b>9,886</b>	<b>3,960</b>	<b>1,204,862</b>
Charge for the year (note 8, 10)	-	354,273	2,444	3,010	359,727
Reversals (note 8)	-	-722,426	-549	-	-722,975
<b>Balance, December 31, 2009</b>	<b>338,794</b>	<b>484,069</b>	<b>11,781</b>	<b>6,970</b>	<b>841,614</b>
<b>Balance, January 1, 2010</b>	<b>338,794</b>	<b>484,069</b>	<b>11,781</b>	<b>6,970</b>	<b>841,614</b>
Charge for the year (note 8, 10)	-	524,500	13,515	-	538,015
Reversals (note 8)	-338,794	-356,904	-11,210	-6,970	-713,878
Reversal of employee benefits provision arising from severance pay			-571		-571
<b>Balance, December 31, 2010</b>	<b>-</b>	<b>651,665</b>	<b>13,515</b>	<b>-</b>	<b>665,180</b>

During 2010 there was a reversal of reservation for litigation and claims, since the AIK NIS LTD had withdrawn claim.

## 26. OTHER LIABILITIES

	In RSD thousand	
	31 Dec 2010	31 Dec 2009
Other liabilities:		
- accounts payable in dinars (430)	42,349	35,910
- advances received in dinars (431)	1,136	27,508
- liabilities for issued guarantees and other sureties in dinars (433)	320	325
- liabilities arising from assets managed in the name and for the account of customers in dinars(436)	6,744	8,638
- liabilities arising from ceded receivables in dinars (4374)	-	208,281
- funds received from state for interest on subsidized mortgage loans 437709) –in dinars	1,095,060	-
- other payable to employees in dinars (445)	68	76,416
- other liabilities in dinars (437d, 438,439)	65,874	73,476
- other liabilities in foreign currency (53)	966	1,169
	<b>1,212,517</b>	<b>431,723</b>
Accruals:		
- accrued interest payable in dinars (490)	89,363	36,437
- other accrued expenses in dinars (491)	4,345	-
- accrued interest payable in foreign currency (590)	740,036	135,544
- interest charged in advance in dinars(492d)	146,075	179,976
- accrued fee and commission income in dinars(492d)	273,494	377,000
- interest on Republic of Serbia bills charged in advance in dinars 492d	17,504	21,837
- fee on guarantees issued paid in advance in dinars(494)	42,804	13,937
	<b>1,313,621</b>	<b>764,731</b>
<b>Total</b>	<b>2,526,138</b>	<b>1,196,454</b>

## 27. EQUITY

The Bank's capital is comprised of: share capital, reserves, share premium and retained earnings.

	In RSD thousand	
	31 Dec 2010	31 Dec 2009
Share capital:		
- Ordinary shares	15,857,218	15,857,218
- Priority shares	2,375,423	2,375,423
	18,232,641	18,232,641
Share premium	7,157,924	7,157,924
Reserves	13,165,376	8,091,898
Revaluation reserves	21,353	32,339
Unrealized losses on securities available-for-sale	-229	-223
Retained earnings		
- current year	5,590,832	5,579,463
	5,590,832	5,579,463
	<b>44,167,897</b>	<b>39,094,042</b>

**Structure of Shareholders**

Structure of shareholders as of 31 December 2010 with the interest greater than 1% is presented in the table below:

	<b>In RSD thousand</b>	
	<u>Share capital</u>	<u>% Interest</u>
Agricultural Bank of Greece	3,800,500	20.84
Unicredit Bank Austria AG	992,422	5.44
National bank of Greece SA, Greece	902,793	4.95
Venturer Management AG	664,687	3.65
Unicredit Bank Serbia AD	630,530	3.46
JP EPS Beograd	810,084	4.44
East capital asset management	539,469	2.96
Aida Asset Association Aktiengesellschaft	525,770	2.88
ZB Invest doo, for management of investment funds	493,136	2.70
Hypo Alpe Adria Bank a.d. – custody account	519,235	2.85
Templeton E.M. small cap fund	399,714	2.19
Franklin Templeton Investments	377,823	2.07
See Capital Group AG	344,991	1.89
Sunoko doo Novi Sad	324,115	1.78
Globos osiguranje a.d. Beograd	341,939	1.88
Other	6,565,433	36.02
<b>Total</b>	<u><b>18,232,641</b></u>	<u><b>100.00</b></u>

**Earnings per share**

Basic earnings per share are equal to the profit for the period attributable to holders of ordinary shares and divided by weighted average number of ordinary shares outstanding during the period.

Earnings per share on 31 December 2010 amount to 653 dinars (2009: 708).

**Capital Adequacy and Operating Ratios Prescribed by the Law on Banks**

The Bank is required to maintain a minimum capital adequacy ratio of 12 percent, as established by the NBS.

As of 31 December 2010, according to the Bank's calculation, all operating indicators, i.e. the volume and structure of risk placements were in accordance with prescribed values:

<u>Indicators of operations</u>	<u>Achieved</u>	<u>Prescribed</u>
Capital adequacy ratio	32%	min. 12%
Bank's total exposure to related persons of the Bank	5.01%	max. 20%
Bank's exposure to a person related to the Bank	3.46%	max. 5%
The sum total of all large exposures	47.96%	max. 400%
Exposure of the Bank to one person or a group of related persons	17.18%	max. 25%
Bank's total investments in non-financial sector entities and in fixed assets	2.92%	max. 60%
Bank's investment in a single non-financial sector entity	0.038%	max. 10%
Average liquidity ratio for all business days in a month	4.26	min. 1
Foreign exchange risk ratio	6.92%	max. 10%

## 28. OFF-BALANCE SHEET ITEMS

	In RSD thousand	
	31 Dec 2010	31 Dec 2009
Managed funds	652,789	587,695
Commitments and contingent liabilities	15,090,839	11,260,557
Accepted sureties for liabilities	2,058,170	2,517,822
Other off-balance sheet items	95,781,854	75,184,840
	<b>113,583,652</b>	<b>89,550,914</b>
<b>a) Managed Funds</b>		
Managed funds in dinars:		
- short-term	114,002	111,023
- long-term	538,787	473,182
Long-term managed funds in foreign currency:	-	3,490
	<b>652,789</b>	<b>587,695</b>
<b>b) Commitments and Contingent Liabilities</b>		
Payment guarantees:		
- in dinars (acc 9100)	3,581,956	3,304,352
- in foreign currency (9150)	2,116,006	1,874,735
Performance guarantees:		
- in dinars (acc 9101)	5,651,370	3,561,756
- in foreign currency (9151)	141,153	117,709
Issued sureties and acceptances (9102)	18,938	16,105
	11,509,423	8,874,657
Letters of credit without coverage (acc 9155)	429,544	291,880
Undrawn loan facilities ( acc 913 )	3,142,737	2,084,884
	<b>15,081,704</b>	<b>11,251,421</b>
Own guarantees (acc 914)	9,135	9,136
	<b>15,090,839</b>	<b>11,260,557</b>

Irrevocable commitments relate to undrawn loan facilities that cannot be revoked: overdraft, revolving loans granted to companies, multipurpose lines of credit, foreign currency forward contracts, and other irrevocable commitments.

Irrevocable commitments usually have fixed maturities when they expire and other provisions in respect of expiry dates. Since irrevocable commitments may expire before loans are drawn by the obligors, the total agreed-upon amount does not necessarily represent definite future outflow of resources. The Bank keeps track of irrevocable commitments arising from approved loans, because long-term commitments carry a higher level of credit risk than short-term commitments.

**c) Accepted Sureties for Liabilities**

	31 Dec 2010	31 Dec 2009
Securities received as collaterals (acc 932)	2,058,170	2,517,822
	<b>2,058,170</b>	<b>2,517,822</b>

**d) Other Off-Balance Sheet Items**

Suspended interest (acc 930)	145,082	140,712
Pledges on movables received as collaterals (acc 9330)	19,748,847	5,654,916
Mortgages received (acc 9331)	69,829,121	64,011,220
Undrawn revocable credit arrangements (acc 9333)	<b>4,134,922</b>	<b>3,835,764</b>
Other	1,923,882	1,542,228
	<b>95,781,854</b>	<b>75,184,840</b>

## 29. RELATED PARTY TRANSACTIONS

## a) Business Transactions with Management Members

Remunerations payable to the members of the Executive Board and Board of Directors are based on the ordinary market terms

Remunerations	In RSD thousand	
	(Expense) 2010	(Expense) 2009
Executive Board members	-60,208	-65,332
Board of Directors	-75,392	-57,961
<b>Total remuneration</b>	<b>-135,600</b>	<b>-123,293</b>

Other business transaction with Management members	31.12.2010	31.12.2009	Income/(expense)	
			2010	2009
Overdrafts per current accounts		108		30
Credit cards, cash and consumer loans	9,208	940		135
Housing loans	11,599	3,090	4,298	241
Deposits	318,060	241,748		-7,712
Other liabilities	6,936	11	-17,055	-314
<b>Total other business transaction with Management members</b>	<b>345,803</b>	<b>245,897</b>	<b>-12,757</b>	<b>-7,620</b>

## b) Business Transactions with the Bank's Related Parties

In every day operations, the Bank enters into business transactions with its shareholders and employees at usual market conditions.

The following table presents receivables and payables based on business transactions performed with other related parties in the period until the balance sheet date:

	Balance sheet gross exposure	Off- balance sheet exposure	Total	Liabilities
<b>December 31, 2010</b>				
Employees	330,677	52,997	383,674	414,361
Other private individuals	86,826	46,185	133,011	1,012,484
Legal entities *	409,659	1,127,679	1,537,338	206,755
	<b>827,162</b>	<b>1,226,861</b>	<b>2,054,023</b>	<b>1,633,600</b>
<b>December 31, 2009</b>				
Employees	225,658	71,576	297,324	439,572
Other private individuals	92,011	50,369	142,380	644,759
Legal entities *	284,833	521,376	806,209	63,577
	<b>602,502</b>	<b>643,321</b>	<b>1,245,913</b>	<b>1,147,908</b>

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**RELATED LEGAL ENTITIES**

	Balance sheet		Total	Liabilities	Income	Expenses
	Gross exposure	Off-balance Sheet exposure				
<b>December 31, 2010</b>						
FSH Maksiprotein zatvoreno AD Pozega	0	500	500	3,825	784	
MK Commerce d.o.o. Novi Sad	0	73,033	73,033	7	18,087	9,932
MK Group d.o.o, Beograd	211,001	897,446	1,108,447	6,711	46,370	45,490
Agrounija AD Indija	0	149,843	149,843	11	1,902	105
Sunoko Doo Novi Sad	0	0	0	158,504	65,347	26,899
Vojvodina AD Novo Miloševo	52,749	0	52,749	4	8,112	2,438
AD Granexport, Pančevo	0	0	0	16,376	38,185	9,851
Maks Dill Doo Beograd	87,800	527	88,327	1,786	26,981	3,372
Parmons Doo Novi Sad	38,901	0	38,901	0	6,932	0
Flop SZR, Šabac	212	289	501	1	62	-8
Gavrilović Inženjering Čačak	399	657	1,056	214	76	9
Radulaski Dragan, SZTR Radulaski Bečej Glavna 76	209	435	644	216	159	69
Singl d.o.o, Niš	105	0	105	33	109	31
MTK Profesional d.o.o. Niš	105	0	105	0	607	0
Emco d.o.o. Valjevo	3,936	332	4,268	0	1,095	26
MDM Drina Doo Beograd Batajnica	1,859	0	1,859	0	503	832
Panonija Komerc	5,262	0	5,262	4,508	1,656	788
Makel elektro d.o.o. Pančevo	0	0	0	5,532	235	0
Vijanović-Petrović Group, Novi Sad	6,882	3,802	10,684	24	63	192
Andela SZR	239	815	1,054	1	206	44
Other	0	0	0	9,002	1,262	0
<b>Total</b>	<b>409,659</b>	<b>1,127,679</b>	<b>1,537,338</b>	<b>206,755</b>	<b>218,733</b>	<b>100,070</b>
<b>December 31, 2009</b>						
MTK Profesional d.o.o	1,063	0	1,063	0	282	356
Andela Super Market	608	351	959	1	119	13
Flop SZR, Šabac	3	450	453	2	69	24
СЗ ПРОРТОР БЕОГРАД	2,048	0	2,048	2	1,370	150
Singl d.o.o., Niš	306	0	306	74	163	23
Emco d.o.o, Valjevo	4,055	0	4,055	122	1,002	2
Proinkom Beograd	0	0	0	159	9	107
"Atrium" DOO	0	0	0	191	8	196
Masinac-Lider	0	0	0	212	50	53
Mildeprom d.o.o., Niš	0	0	0	251	24	3
Mašinar-Agencija Radnja	0	0	0	258	62	22
MK Commerce d.o.o.,	95,894	44,003	139,897	281	22,061	4,316
Vijanović-Petrović Group, Novi Sad	0	0	0	302	2	0
AD Granexport, Pančevo	102,989	5,000	107,989	1,793	13,369	3,959
BDD M&V Investments AD	0	0	0	1,832	7	2
Sunoko Doo Novi Sad	0	0	0	3,841	30,801	77
MK Group d.o.o, Beograd	5	470,604	470,609	7,027	21,594	58,619
MK Mountain Resort	0	0	0	4,661	218	11,272
Max Dill a.d., Beograd	77,860	468	78,328	10,724	12,644	11,445
Makel elektro d.o.o. Pančevo	0	0	0	31,268	510	41
Other	2	500	502	576	59,636	12,581
<b>Total</b>	<b>284,833</b>	<b>521,376</b>	<b>806,209</b>	<b>63,577</b>	<b>164,000</b>	<b>103,261</b>

## 30. CREDIT RISK

## 30.1. Maximum Exposure to Credit Risk

The following table represents the maximum exposure to credit risk irrespective of collaterals or other enhancements of credit rating of securities. The exposure is based on carrying values included in the balance sheet.

	<b>In RSD thousand</b>	
	<b>31 Dec 2010</b>	<b>31 Dec 2009</b>
Interest, fee and commission receivables	3,157,039	2,495,424
Loans and placements with banks	36,683,764	18,149,197
Loans and advances to customers (including credit cards)	75,282,020	62,429,981
Securities at fair value through profit and loss	160,421	80,404
Securities held-to-maturity in dinars	3,764,231	4,444,952
Securities available-for-sale	91,034	713,074
Other assets	2,957,489	146,935
	<b>122,095,998</b>	<b>88,459,967</b>
Guarantees and sureties	11,509,423	8,874,658
Letters of credit without coverage	429,544	291,881
Irrevocable loan facilities	3,142,735	2,094,022
Undrawn revocable loan facilities	4,134,922	3,826,625
	<b>19,216,624</b>	<b>15,087,186</b>
<b>Maximum gross exposure per off-balance sheet items</b>		

In case of financial instruments carried at fair value through profit and loss (market value), the amounts presented are the current exposure to credit risk but not the maximum risk exposure that may arise in the future as a result of changes in the fair values.

The concentration of risk is managed by setting limits with respect to individual customers, as well as geographic and industrial diversification.

The following table shows credit risk per customer groups. Gross balance sheet and off -balance sheet items based on which credit risk is incurred, are presented without taking into account collateralized amounts or other hedges.

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**30.2. Balance Sheet Exposure**

In thousand of RSD

Portfolio – December 31, 2010	Gross assets			Impairment	Gross assets			Impairment	Total allowance for impairment	Total Net 31.12.2010
	Neither due nor impaired	Individually Impaired Not Matured	Individually Impaired Matured	Individual allowance for impairment	Collective impairment Not Matured	Collective impairment Matured	Collective based allowance for impairment	Total Gross		
1. Banks	30,142,876	6,687,724	14,256	127,097	-	-	-	36,844,856	127,097	36,717,759
2. Enterprises	2,770,665	462,972	15,838,488	9,188,646	49,229,651	4,993,739	1,919,217	73,295,515	11,107,863	62,187,652
3. Entrepreneurs		8,409	184,363	46,540	480,084	27,324	25,960	700,180	72,500	627,680
Total Corporate:	32,913,541	7,159,105	16,037,107	9,362,283	49,709,735	5,021,063	1,945,177	110,840,551	11,307,460	99,533,091
4. Retail Consumer loans			7,691	259	4,633,183	137,835	164,748	4,778,709	165,007	4,613,702
5. Retail Housing loans		28,702	8,738	11,204	1,627,146	10,495	43,212	1,675,081	54,416	1,620,665
6. Retail Agricultural loans		5,275	961	3,117	435,175	59,693	173,031	501,104	176,148	324,956
7. Retail Credit cards					3,108,298	465,862	308,379	3,574,160	308,379	3,265,781
8. Retail Borrowings per current accounts					201,176	73,898	41,424	275,074	41,424	233,650
9. Retail Other			196,933	188,878	2,187	743	348	199,863	189,226	10,637
Total Retail:		33,977	214,323	203,458	10,007,165	748,526	731,142	11,003,991	934,600	10,069,391
Securities available for sale and equity investments	160,422	91,034	-	19,795	-	-	-	251,456	19,795	231,661
Total	33,073,963	7,284,116	16,251,430	9,585,536	59,716,900	5,769,589	2,676,319	122,095,998	12,261,855	109,834,143
Portfolio – December 31, 2009										
1. Banks	8,054,659	10,119,214	105,201	122,969	-	-	-	18,279,074	122,969	18,156,105
2. Enterprises	1,110,168	2,133,375	12,929,364	7,832,652		2,096,384	1,540,460	59,329,896	9,373,112	49,956,784
3. Entrepreneurs	-	66,657	158,112	67,138	332,518	21,413	19,673	578,700	86,811	491,889
Total Corporate:	9,164,827	12,319,246	13,192,677	8,022,759	41,393,123	2,117,797	1,560,133	78,187,670	9,582,892	68,604,778
4. Retail Consumer loans	-	34,491	10,426	21,513	3,073,297	70,045	89,624	3,188,259	111,137	3,077,122
5. Retail Housing loans	-	7,944	6,563	4,843	1,447,448	6,400	23,506	1,468,355	28,349	1,440,006
6. Retail Agricultural loans	-	-	-	-	549,956	27,457	131,306	577,413	131,306	446,107
7. Retail Credit cards	-	-	1,431	1,431	3,491,378	378,796	201,512	3,871,605	202,943	3,668,662
8. Retail Borrowings per current accounts	-	-	-	-	207,708	48,021	26,977	255,729	26,977	228,752
9. Retail Other	-	-	193,220	184,131	1,715	2,927	929	197,862	185,060	12,802
Total Retail:	-	42,435	211,640	211,918	8,771,502	533,646	473,854	9,559,223	685,772	8,873,451
Securities available for sale and equity investments	693,801	19,273	-	19,273	-	-	-	713,074	19,273	693,801
Total	9,858,628	12,380,954	13,404,317	8,253,950	50,164,625	2,651,443	2,033,987	88,459,967	10,287,937	78,172,030

**30.2. Off-Balance Sheet Items**

Off-Balance Sheet Items	December 31, 2010			December 31, 2009		
	Gross		%	Gross		%
	Balance	Provisions	Risk	Balance	Provisions	Risk
Corporate entities	14,946,442	648,343	4.34	11,119,673	481,656	4.33
Entrepreneurs	138,082	3,322	2.41	84,691	2,413	2.85
Retail customers	4,132,100	0	0.00	3,882,822	0	0.00
<b>Total off-balance sheet items</b>	<b>19,216,624</b>	<b>651,665</b>	<b>3.39</b>	<b>15,087,186</b>	<b>484,069</b>	<b>3.21</b>

**30.3. Individual and Collective Impairment of Balance Sheet Assets per Customer Segments and Placement Quality**

Impairment of receivables is assessed on the basis of credit risk assessment. In the assessment of individual impairment each receivable is closely scrutinized, while, on the other hand, for group assessment of impairment, average credit risk is determined.

Assets classified as “pass” include the following receivables:

- due from debtors with satisfactory financial standing or due from customers whose financial standing is not expected to deteriorate in the future, despite certain difficulties in business operations;
- due from debtors that are highly likely to settle their liabilities;
- receivables that are secured by first class collaterals;
- receivables that are secured by adequate collaterals;
- due from debtors with debt to equity ratio below 0.85%;
- due from debtors that duly settle their liabilities or with less than 60 days of default.

Special mention category (risk assets) includes the following receivables:

- due from debtors with unsatisfactory financial standing or from entities experiencing issues in operations;
- due from debtors with inadequate cash flows and maturity gaps between assets and liabilities;
- due from debtors settling their liabilities with 61 to 180 days of default;
- due from illiquid and insolvent debtors and debtors operating with loss.

Substandard assets include the receivables:

- due from debtors in liquidation or bankruptcy proceedings;
- due from debtors settling their liabilities with over 181 days of default;
- with doubtful or questionable legal grounds;
- tangible assets acquired through debt settlement that the Bank did not alienate, or put into use within one year from the date of acquisition, and receivables for which collection is very problematic.

## 30.3. Individual and collective impairment of loans and placements per customer segments and placement quality, under IAS- continued

Category	In thousand of RSD									
	Banks		Enterprises		Entrepreneurs		Retail		Total	
	Gross Balance	Impairment provision	Gross Balance	Impairment provision	Gross Balance	Impairment provision	Gross Balance	Impairment provision	Gross Balance	Impairment provision
<b>December 31, 2010</b>										
<b>Assets classified as PASS :</b>										
Category A	6,574,530	0	16,172,648	322,329	353,798	6,575	8,355,890	82,080	31,456,866	410,984
Category B	28,112	338	21,539,555	779,421	22,394	631	731,674	30,594	22,321,735	810,984
	<b>6,602,642</b>	<b>338</b>	<b>37,712,203</b>	<b>1,101,750</b>	<b>376,192</b>	<b>7,206</b>	<b>9,087,564</b>	<b>112,674</b>	53,778,601	1,221,968
<b>Assets classified as RISKY</b>										
Category C	426	195	16,115,834	670,293	73,461	1,551	285,835	42,498	16,475,556	714,537
Category D			2,016,492	75,457	44,101	2,519	494,486	137,232	2,555,079	215,208
	<b>426</b>	<b>195</b>	<b>18,132,326</b>	<b>745,750</b>	<b>117,562</b>	<b>4,070</b>	<b>780,321</b>	<b>179,730</b>	19,030,635	929,745
<b>Assets classified as SUBSTANDARD:</b>										
Category E	126,564	126,564	14,743,703	9,260,363	206,426	61,225	1,136,106	642,196	16,212,799	10,090,348
<b>Classifiable ASSETS</b>	<b>6,729,632</b>	<b>127,097</b>	<b>70,588,232</b>	<b>11,107,863</b>	<b>700,180</b>	<b>72,501</b>	<b>11,003,991</b>	<b>934,600</b>	89,022,035	12,242,061
									122,095,998	Total Gross
									33,073,963	Neither Due
									89,022,035	Nor Impaired
<b>December 31, 2009</b>										
<b>Assets classified as PASS :</b>										
Category A	9,823,766	67	7,949,678	245,749	295,607	6,061	6,924,653	65,284	24,993,704	317,161
Category B	17,560	12	22,252,159	784,498	3,960	145	925,359	31,150	23,199,038	815,805
	<b>9,841,326</b>	<b>79</b>	<b>30,201,837</b>	<b>1030247</b>	<b>299,567</b>	<b>6206</b>	<b>7,850,012</b>	<b>96434</b>	<b>48,192,742</b>	<b>1,132,966</b>
<b>Assets classified as RISKY:</b>										
Category C	2	2	13,123,114	385,176	54,997	1,552	418,601	53,736	13,596,714	440,466
Category D			2,658,105	940,107	196,736	56,861	453,759	118,444	3,308,600	1,115,412
	<b>2</b>	<b>2</b>	<b>15781219</b>	<b>1325283</b>	<b>251733</b>	<b>58413</b>	<b>872360</b>	<b>172180</b>	<b>16905314</b>	<b>1,555,878</b>
<b>Assets classified as SUBSTANDARD:</b>										
Category E	383,087	122,953	12,255,945	7,036,790	27,400	22,192	836,851	417,158	13,503,283	7,599,093
<b>Classifiable ASSETS:</b>	<b>10,224,415</b>	<b>123,034</b>	<b>58,239,001</b>	<b>9,392,320</b>	<b>578,700</b>	<b>86,811</b>	<b>9,559,223</b>	<b>685,772</b>	<b>78,601,339</b>	<b>10,287,937</b>

## 30.4. Default in collection of matured placements

In thousand of RSD

Matured assets as of 31/12/2010	Days of default						Over 5 years	Total
	Up to 30 days	From 31 to 60	From 61 to 90	From 91 to 180	From 181 to 360	From 1 to 5 year		
Loans to corporate entities	2,260,478	1,730,361	465,082	1,873,283	2,283,627	9,984,249	190,934	18,788,015
Loans to entrepreneurs	4,699	455,09235	1,050	1,025	3,238	185,849	42,058	196,360
Loans to retail customers	39,808	17,246	11,258	25,996	36,497	90,081	4528.146	225,414
Payment cards	158,066	13,980	9,982	32,428	77,421	183,252	213.64	475,343
Other placements	58,850	8740.5805	4,701	2,888	15,529	320,497	167,727	578,933
Guarantees and sureties charged to the Bank	12,648	0	7,641	55,166	84,164	578,091	0	737,711
Bills of exchange and bonds	281,821	99710	0	8,397	1,000	600,095	28,222	1,019,245
<b>Balance of mature assets as of 31/12/2010</b>	<b>2,816,371</b>	<b>1,870,493</b>	<b>499,714</b>	<b>1,999,184</b>	<b>2,501,477</b>	<b>11,942,114</b>	<b>391,666</b>	<b>22,021,019</b>
Out of which mortgages and deposits covered %	1,081,483 38.40%	304,810 16.30%	324,461 64.93%	1,292,358 64.64%	1,765,384 70.57%	6,926,943 58.00%	29524.09 7.54%	11,724,963 53.24%

Matured assets as of 31/12/2009	Days of default						Over 5 years	Total
	Up to 30 days	From 31 to 60	From 61 to 90	From 91 to 180	From 181 to 360	From 1 to 5 year		
Loans to corporate entities	2,531,323	303,773	441,316	723,095	4,391,671	5,183,017	199,675	13,773,870
Loans to entrepreneurs	4,502	47	1,082	41885	111356	7,421		166,293
Loans to retail customers	22,004	12,776	9,137	18,901	22,950	35,026	97	120,891
Payment cards	187,984	16,352	11,499	27,533	58,785	93,673		395,826
Other placements	134,768	937	20,366	5,332	17349	37,962	142765	359,479
Guarantees and sureties charged to the Bank	9,084	165	133,460	67987	63,990	323932		598,618
Bills of exchange and bonds	3,550			7,283	137045	477,708	15,197	640,783
<b>Balance of mature assets as of 31/12/2009</b>	<b>2,893,215</b>	<b>334,050</b>	<b>616,860</b>	<b>892,016</b>	<b>4,803,146</b>	<b>6,158,739</b>	<b>357,734</b>	<b>16,055,760</b>
Out of which mortgages and deposits covered %	1,710,674 59.13%	257,726 77.15%	356,035 57.72%	766,258 85.90%	2,828,450 58.89%	3,813,784 61.92%	0.00%	9,732,926 60.62%

Total amount of matured placement at the end of 2010 amounts to RSD 22,109,954 thousand and in absolute comparison with 2009 grew by more than RSD 6 billion or 37.71%.

In compared to 2009, the matured placement secured by mortgages also grew in an absolute amount by RSD 2 billion dinars.

It can be noticed that in two consecutive years the default data has shifted, which is justified from the aspect of general environment in which banks operated and issues present in the real estate sector mostly arising from the global economic crisis. It can be noticed that in 2010 most defaults ranged from 1 year up to 5 years.

Such a situation is not surprising given that activation and realization of collaterals take time.

### 30.5. Fair Value of Collaterals

	<b>In RSD thousand</b>	
	<b><u>31 Dec 2010</u></b>	<b><u>31 Dec 2009</u></b>
Deposits collateralizing placements	5,244,204	3,554,729
Mortgages collateralizing placements	28,266,254	24,128,778
Pledges in shares collateralizing placements	2,058,171	2,517,824

The Bank accepts mortgages against property the value of which, as appraised by certified appraisers, must be at least 1.1 times greater than the placements they collateralize.

Building property accepted as collateral comprises apartments, family houses and apartment buildings, business premises and land depending on the location and its future purpose. In case of placements with legal entities emphasis is placed on commercial buildings, business premises and land (agricultural and construction), and in the case of placements with retail customers, emphasis is on residential property (apartments, family houses) built or under construction, if the property is to be purchased from the funds loaned by the Bank.

When accepting pledge on securities, the Bank monitors daily price of securities obtained as collateral. The value of pledges in shares are recognized in the amount net of allowance for impairment of at least 30% compared with the price applied in trading on the Stock Exchange on the day of placing the pledge.

### 30.6. Restructured Loans

Restructuring of placements is performed with debtors with deteriorating financial positions that are no longer able to service their debts to the Bank, with concurrent implementation of debtor's financial consolidation program.

Through a placement restructuring agreement, the terms and provisions applied to debt repayment are significantly changed, and all receivables from such debtors are replaced by new placements. The significant change refers to the principal or interest maturity extension, reduction of the applicable interest rate, changes in the manner of valuation and the like. The restructuring of placements is acceptable for the Bank only if these placements can hardly be collected in any other way, while the restructuring pursuant to the program of financial consolidation provides a deadline acceptable for the Bank, significant improvement of debtor's financial situation, high percentage of certainty that the placement will be collected in the agreed amount and new maturities, additional collateral in the form of sureties, loan assumptions and pledges against the debtor's or some other party's property, which further improves the quality of assets, and impacts the classification of placements from the aspect of potential risks, collection of a portion of a placement, while restructuring the remaining balance.

Before a placement is restructured, the Bank performs financial analysis and if it assesses that the restructuring will enable the debtor to realize cash flows that would make the principal and interest repayment possible, the Bank enters the loan restructuring procedure.

During 2010 there were no restructured receivables.

### **30.7. Tangible Assets Received in Lieu of Debt Settlement**

The opening balance on 1 January 2010 of tangibles acquired through debt settlement of receivables from prior years amounted to RSD 4,555,041 thousand and consisted of building property and land ( RSD 4,552,023 thousand) and movables (7 cars) RSD 3,018 thousand.

- 1) During 2010 the bank has sold the following tangibles:
  - Building property acquired from Universal Holding with book value equal to RSD 142,137 thousand or EUR 1.5 million. It was sold for around EUR 2.8 million.
  - Building property acquired from catering and tourist organization Kastel Ečka with book value of RSD 142,137 thousand or EUR 1.5 million. It was sold for around EUR 1.7 million.
  - Agricultural land acquired from Agrostan Plus Novi Sad with book value of RSD 285,955 thousand or EUR 2.96 million. It was sold for around EUR 4 million.
  
- 2) Part of tangibles acquired through debt settlement of receivables from the prior year the Bank has reclassified into Investment Properties that it rents and collects rental income. The following are reclassified:
  - Building property acquired from “Impeks Promet” Nis, found on address 12 February BB in Niš, in the amount of RSD 617,165 thousand or EUR 6.5 million as well as building property “Supermarket Pevac”, found on the attractive location in the street Vojvode Mišića 36 Niš in the amount of RSD 69,229 thousand or EUR 734.4 thousand.
  - Building property acquired from “Rodić M&B Invest Novi Sad”, “Elnos” Senandrejski put, in the amount of RSD 245,604 thousand.
  - Building property acquired from “Stoteks Novi Sad” in the amount of RSD 472,584 thousand.
  
- 3) In 2010 the acquisition of tangibles through debt settlement was continued:
  - Cash and Carry and Management Building in Vrbas from Figrad in the amount of RSD 231,330 thousand or EUR 2,332 million
  - Office building- market in Odžaci, received from Figrad in the amount of RSD 32,002 thousand or EUR 322,6
  - Textile industry office in Prijepolje, from Lj. Miodragović, in the amount of RSD 2,188 thousand or EUR 21.5 thousand
  - Apartment located at the address Teodora Drajzera Beograd (from Habit Farm) in the amount of RSD 116,189 thousand or EUR 1.1 million.
  - Office building from Luton in Belgrade found on the address Đure Jakšića #8 in the amount of RSD 253,504 thousand or EUR 2,4 million
  - Hotel “Aleksandar” in Vrnjačka Banja from (Product trade finance) in the amount of RSD 295,755 thousand or EUR 2,8 million.
  - Field in Jakovci in the area of 2ha 8a, received from Euroluxpetrol-ELP 16, in the amount of RSD 134,327 thousand or EUR 1,27 million.
  - Field "KRČEVINE" received from Euroluxpetrol-ELP 15, in the amount of RSD 210,779 thousand or EUR 2.0 million.
  - Residential and business premise "Jezero" Žunje Knić, in the amount of RSD 162,218 thousand or EUR 1.25 million.
  - Office property found on address Teodora Drajzera 27 Beograd from Habit Farm in the amount of RSD 316,880 thousand or EUR 2.98 million
  - Office building “Vit Bel” Niš in the amount of RSD 114,680 thousand or EUR 1.07 million.

- Three-bedroom apartment found on address Cara Dušana # 87 Novi Sad in the amount of RSD 5,020 thousand or EUR 47 thousand.

There were 6 movables (cars) at the end of the year whose book value was RSD 2.5 million, while one car was sold during the year.

Balance of tangibles acquired through debt settlement amount to RSD 4,572,905 dinars as of 31 December 2010.

All tangibles that were acquired through debt settlement were appraised by certified appraisers.

Estimated values are in all cases greater than book values.

The Bank intends to sell the assets acquired as collaterals in the forthcoming period and to restore the cash invested, and until such time, it rents most of these tangibles and realizes rental income thereof.

### 30.8. Geographical Concentration

	In RSD thousand		
	Serbia	European Union	Total 2010
<b>December 31, 2010</b>			
Fee and commission receivables	3,157,039		3,157,039
Loans and placements with banks	6,721,023	29,962,741	36,683,764
Loans and advances to customers	75,282,020		75,282,020
Securities carried at fair value through profit and loss	160,421		160,421
Securities held-to-maturity	3,764,231		3,764,231
Securities available-for-sale and equity investments	91,034		91,034
Other assets	2,957,489		2,957,489
<b>Maximum exposure per balance sheet assets</b>	<b>92,133,257</b>	<b>29,962,741</b>	<b>122,098,008</b>
Guarantees and sureties	11,509,423		11,509,423
Letters of credit without coverage	429,544		429,544
Irrevocable loan facilities	3,142,735		3,142,735
Undrawn revocable loan facilities	4,134,922		4,134,922
<b>Maximum exposure per off-balance sheet items</b>	<b>19,216,624</b>	-	<b>19,216,624</b>
<b>Total exposure</b>	<b>111,349,881</b>	<b>29,962,741</b>	<b>141,314,632</b>
		<b>European Union</b>	<b>Total 2009</b>
<b>December 31, 2009</b>			
Fee and commission receivables	2,495,424		2,495,424
Loans and placements with banks	10,094,538	8,054,659	18,149,197
Loans and advances to customers	62,429,981		62,429,981
Securities carried at fair value through profit and loss	80,404		80,404
Securities held-to-maturity	4,444,952		4,444,952
Securities available-for-sale	713,074		713,074
Other	146,935		146,935
<b>Maximum exposure per balance sheet assets</b>	<b>80,405,308</b>	<b>8,054,659</b>	<b>88,459,967</b>
Guarantees and sureties	8,874,658	-	8,874,658
Letters of credit without coverage	291,881		291,881
Irrevocable loan facilities	2,094,022		2,094,022
Undrawn revocable loan facilities	3,826,625		3,826,625
<b>Maximum exposure per off-balance sheet items</b>	<b>15,087,186</b>	-	<b>15,087,186</b>
<b>Total exposure</b>	<b>95,492,494</b>	<b>8,054,659</b>	<b>103,547,153</b>

The placements in the European Union as of December 31, 2010 represent deposits with Commerzbank AG, Frankfurt in the amount of EUR 249,000,000 and USD 8,000,000, and a deposit placed with Deutsche Bank AG, Frankfurt in the amount of EUR 29,700,000, which is equivalent to RSD 29,962,741 thousand. As of 31 December 2009 there was a deposit with Commerzbank AG Frankfurt in the amount of EUR 84,000,000 which is equivalent to RSD 8,054,659 thousand.

### 30.9. Country Risk

Country risk is the risk from potential adverse effects on the Bank's financial results and equity due to the Bank's inability to collect its receivables due to political, economic or social circumstances in the debtor's country of origin. The exposure limits of the Bank to the country risk are determined individually per separate countries, and in the assessment and measurement of risk, the Bank relies upon internationally defined and accepted standards for country risk assessment. The Bank observes internally adopted policies and procedures for managing country risk in order to protect its business from the mentioned risk.

### 30.10. Credit Risk Concentration per Separate Industries

The following table presents gross exposures of the Bank, categorized per industrial sectors to which customers belong.

#### Credit Risk per Balance Sheet and Off-Balance Sheet Items

	December 31, 2010			December 31, 2009		
	Maximum gross exposure			Maximum gross exposure		
	Balance sheet	Off-balance sheet	Total	Balance sheet	Off-balance sheet	Total
Finance, leasing, investment and pension funds	42,396,842	1,052,398	43,449,240	19,872,701	94,108	19,966,809
Agriculture, hunting, forestry, water management and fishing industry	4,578,631	297,010	4,875,641	3,882,754	170,987	4,053,741
Ore and stone extraction and processing industry	16,121,818	4,116,438	20,238,256	14,112,649	2,820,345	16,932,994
Production and delivery of electricity, gas and water	1,733,581	220,228	1,953,809	2,879,605	251,942	3,131,547
Civil engineering	12,859,941	3,307,087	16,167,028	7,467,421	2,326,092	9,793,513
Trade	17,165,269	2,558,007	19,723,276	19,999,231	2,611,115	22,610,346
Services, tourism, accommodation, traffic and communications	4,774,219	1,811,611	6,585,830	5,486,804	1,372,329	6,859,133
Education, health and social work			0	666,914	54,335	721,249
Real estate activities, public services and other public utilities	2,960,232	670,714	3,630,946	2,787,148	1,373,217	4,160,365
Entrepreneurs	700,047	138,082	838,129	578,701	84,691	663,392
State administration (public sector)	4,579,363	818,906	5,398,269	567,116	156	567,272
Retail clients	10,417,975	4,094,218	14,512,193	8,894,945	3,848,369	12,743,314
Foreign natural persons	11,785	5,967	17,752	1,718	192	1,910
Private household	576,838	31,915	608,753	664,075	34,261	698,336
Other customers	3,219,457	94,043	3,313,500	598,185	45,047	643,232
	<b>122,095,998</b>	<b>19,216,624</b>	<b>141,312,622</b>	<b>88,459,967</b>	<b>15,087,186</b>	<b>103,547,153</b>

\*Note:

Data on credit risk exposure for balance sheet and off-balance assets for segment structure were formed based on the USSPO data.

**TRANSLATION**

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**31. CURRENCY RISK**

The following table sets out the exposure of the Bank to currency risk per separate currencies for foreign exchange positions. The positions indexed by a currency clause are included under local currency.

ASSETS	EUR	USD	CHF	Other Currencie s	Total	In thousand	
						Local Currency	Total
Cash and cash equivalents	1,553,964	148,472	286,799	28,480	2,017,715	3,816,116	5,833,831
Revocable deposits and loans	16,219,755				16,219,755	4,000,000	20,219,755
Interest, fee and commission receivables	23,547				23,547	1,605,520	1,629,067
Loans and advances to customers	37,074,581	653,986			37,728,567	58,942,370	96,670,937
Securities	35,203				35,203	3,910,241	3,945,444
Equity investments					0	71,240	71,240
Other placements	130,519				130,519	5,124,694	5,255,213
Intangible assets					0	45,383	45,383
Property, equipment and investment property					0	2,856,992	2,856,992
Other assets	4,740	1,799	6	4	6,549	5,049,016	5,055,565
<b>Total assets</b>	<b>55,042,309</b>	<b>804,257</b>	<b>286,805</b>	<b>28,484</b>	<b>56,161,855</b>	<b>85,421,572</b>	<b>141,583,427</b>
<b>LIABILITIES</b>							
Transaction deposits	1,174,161	85,145	19,691	2,559	1,281,556	3,241,069	4,522,625
Other deposits	63,825,246	1,083,012	114,629	153	65,023,040	21,642,768	86,665,808
Borrowings	9,298	899			10,197	2,109,962	2,120,159
Interest, fee and commission payables	24,733	5	48		24,786	72,539	97,325
Provisions					0	665,180	665,180
Tax payables					0	13,006	13,006
Income taxes and dividends payable					0	796,068	796,068
Deferred tax liabilities					0	9,221	9,221
Other liabilities	738,984	1,670	349		741,003	1,785,135	2,526,138
<b>Total liabilities</b>	<b>65,772,422</b>	<b>1,170,731</b>	<b>134,717</b>	<b>2,712</b>	<b>67,080,582</b>	<b>30,334,948</b>	<b>97,415,530</b>
<b>Net Foreign Currency Exposure</b>							
– December 31, 2010	<b>-10,730,113</b>	<b>-366,474</b>	<b>152,088</b>	<b>25,772</b>	<b>-10,918,727</b>	<b>55,086,624</b>	<b>44,167,897</b>
– December 31, 2009	<b>-9,393,988</b>	<b>-2,037,471</b>	<b>117,355</b>	<b>24,849</b>	<b>-11,289,255</b>	<b>50,383,297</b>	<b>39,094,042</b>

At December 31, 2010, total assets denominated in dinars hedged by indexing dinar exchange rate to the foreign currency in question amounted to RSD 40,919,859 thousand and were presented within the dinar position.

Total liabilities linked to foreign currency clause of RSD 7,657,889 thousand were also presented within the dinar position.

During the period under review, the Bank managed to protect itself from changes in foreign currencies by means of its business policies. The principle of protection from changes in foreign currency was to realize and maintain receivables in foreign currency at the level not exceeding the payables in foreign currency. In addition, this ratio is reconciled to take into account the due dates of foreign currency receivables and liabilities which enabled the Bank to compensate foreign exchange losses from foreign currency liabilities by foreign exchange gains from foreign exchange receivables in case of currency fluctuations.

**TRANSLATION**

AIK BANKA A.D., NIŠ

**32. INTEREST RATE RISK**

The exposure to interest rate risk as of December 31, 2010 is presented in the following table:

	<b>In thousand</b>						
	<b>Up to 1 Month</b>	<b>From 1 to 3 Months</b>	<b>From 3 to 6 Months</b>	<b>From 6 to 12 Months</b>	<b>Over 1 Year</b>	<b>Non Interest Bearing</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and cash equivalents	3,106,903					2,726,928	5,833,831
Revocable deposits and loans	4,000,000					16,219,755	20,219,755
Interest, fee and commission receivables	1,629,067					0	1,629,067
Loans and advances to customers	44,748,977	618,694	10,111,780	20,745,583	19,015,173	1,430,730	96,670,937
Securities	879,834	675,460	611,149	1,578,967	200,034		3,945,444
Equity investments						71,240	71,240
Other placements	3,103,729					2,151,484	5,255,213
Intangible assets						45,383	45,383
Property, equipment and investment property						2,856,992	2,856,992
Other assets						5,055,565	5,055,565
<b>Total assets</b>	<b>57,468,510</b>	<b>1,294,154</b>	<b>10,722,929</b>	<b>22,324,550</b>	<b>19,215,207</b>	<b>30,558,077</b>	<b>141,583,427</b>
<b>LIABILITIES</b>							
Transaction deposits	882,556					3,640,069	4,522,625
Other deposits	3,373,480	12,347,431	6,761,164	32,624,912	31,067,098	491,723	86,665,808
Borrowings	2,109,964					10,195	2,120,159
Interest, fee and commission payables						97,325	97,325
Provisions						665,180	665,180
Tax payables						13,006	13,006
Income taxes and dividends payable						796,068	796,068
Deferred tax liabilities						9,221	9,221
Other liabilities						2,526,138	2,526,138
<b>Total liabilities</b>	<b>6,366,000</b>	<b>12,347,431</b>	<b>6,761,164</b>	<b>32,624,912</b>	<b>31,067,098</b>	<b>8,248,925</b>	<b>97,415,530</b>
<b>Net exposure to interest rate risk</b>							
– December 31, 2010	<b>51,102,510</b>	<b>-11,053,277</b>	<b>3,961,765</b>	<b>-10,300,362</b>	<b>-11,851,891</b>	<b>22,309,152</b>	<b>44,167,897</b>
– December 31, 2009	30,051,962	-7,735,542	1,790,153	-12,322,416	11,178,760	16,131,125	39,094,042

## 33. LIQUIDITY RISK

## Liquidity Risk in Balance Sheet Assets

The following table sets out the maturities of the Bank's assets and liabilities as of the balance sheet date, i.e. according to their remaining maturities.

	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
<b>ASSETS</b>						
Cash and cash equivalents	5,833,831					5,833,831
Revocable deposits and loans	20,219,755					20,219,755
Interest, fee and commission receivables	1,629,067					1,629,067
Loans and advances to customers	42,205,701	752,423	33,457,931	8,814,874	11,440,008	96,670,937
Securities	679,638	728,688	2,337,414	199,704		3,945,444
Equity investments	71,240					71,240
Other placements	3,701,313		507,133	1,001,045	45,722	5,255,213
Intangible assets	45,383					45,383
Property, equipment and investment property	2,856,992					2,856,992
Other assets	5,055,565					5,055,565
<b>Total assets</b>	<b>82,298,485</b>	<b>1,481,111</b>	<b>36,302,478</b>	<b>10,015,623</b>	<b>11,485,730</b>	<b>141,583,427</b>
<b>LIABILITIES</b>						
Transaction deposits	4,522,625					4,522,625
Other deposits	3,765,839	12,349,749	39,443,824	30,580,095	526,301	86,665,808
Borrowings	2,120,159					2,120,159
Interest, fee and commission payables	97,325					97,325
Provisions	665,180					665,180
Tax payables	13,006					13,006
Income taxes and dividends payable	796,068					796,068
Deferred tax liabilities	9,221					9,221
Other liabilities	2,526,138					2,526,138
<b>Total liabilities</b>	<b>14,515,561</b>	<b>12,349,749</b>	<b>39,443,824</b>	<b>30,580,095</b>	<b>526,301</b>	<b>97,415,530</b>
<b>Liquidity gap:</b>						
- December 31, 2010	67,782,924	-10,868,638	-3,141,346	-20,564,472	10,959,429	44,167,897
- December 31, 2009	40,561,690	-11,280,722	-6,642,363	6,426,317	10,029,120	39,094,042

## Liquidity Risk in Off-Balance Sheet Items

	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
<b>December 31, 2010</b>						
Contingent liabilities	3,606,698	3,360,972	5,171,354	2,750,506	192,172	15,081,702
Irrevocable commitments	18,525	10,292	45,211	4,060,891	2	4,134,921
<b>Total</b>	<b>3,625,223</b>	<b>3,371,264</b>	<b>5,216,565</b>	<b>6,811,397</b>	<b>192,174</b>	<b>19,216,623</b>
<b>December 31, 2009</b>						
Contingent liabilities	2,696,097	2,999,100	3,449,685	1,862,295	244,247	11,251,424
Irrevocable commitments	204,346	85,537	87,263	3,458,590	27	3,835,763
<b>Total</b>	<b>2,900,443</b>	<b>3,084,637</b>	<b>3,536,948</b>	<b>5,320,885</b>	<b>244,274</b>	<b>15,087,187</b>

### 34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Since there are no enough market experience for certain positions of financial instruments of the Bank, it is necessary that the assessment of fair value is made based on the existing economic conditions and specific risks related to a certain instrument.

The fair value of placements with variable interest rates and deposits approximates the book value of financial assets stated as of the balance sheet date.

The Bank's placements, including those with fixed interest rates, have contractually agreed clause allowing the Bank to change loan origination terms due to changes in market conditions.

As for demand deposits, as well as for deposits maturing within a year, it is assumed that the estimated fair value does not significantly depart from their book values presented as of the balance sheet date.

The fair value of liabilities arising from loans with variable interest stated at amortized cost is assumed to approximate the book value of these liabilities as of the reporting date.

The values included in the financial statements quite fairly reflect the financial position and assets of the Bank and under the given circumstances; these values are most reliable and useful for the financial reporting performed in accordance with the accounting regulations of the Republic of Serbia.

### 35. SENSITIVITY ANALYSES

#### 35.1 Sensitivity Analyses (Currency Risk)

The impact of fluctuations from +10% to -10% in the exchange rates of foreign currencies when compared to RSD is presented in the following table:

December 31, 2010	In Foreign Currency	Exchange Rate Fluctuations	
		10%	-10%
<b>ASSETS</b>			
Cash and cash equivalents	2,017,715	201,772	-201,772
Revocable deposits and loans	16,219,755	1,621,976	-1,621,976
Interest, fee and commission receivables	23,547	2,355	-2,355
Loans and advances to customers	37,728,567	3,772,857	-3,772,857
Securities	35,203	3,520	-3,520
Equity investments	-	-	-
Other placements	130,519	13,052	-13,052
Other assets	6,549	655	-655
<b>Total assets</b>	<b>56,161,855</b>	<b>5,616,186</b>	<b>-5,616,186</b>
<b>LIABILITIES</b>			
Transaction deposits	1,281,556	128,156	-128,156
Other deposits	65,023,040	6,502,304	-6,502,304
Borrowings	10,197	1019.7	-1019.7
Interest, fee and commission payables	24,786	2,479	-2,479
Other liabilities	741,003	74,100	-74,100
<b>Total liabilities</b>	<b>67,080,582</b>	<b>6,708,058</b>	<b>-6,708,058</b>
<b>Net currency exposure:</b>			
– December 31, 2010	-10,918,727	-1,091,873	1,091,873
<b>Net currency exposure:</b>			
– December 31, 2009	-11,289,255	-1,128,926	1,128,926

At December 31, 2010, under the assumption that all other parameters remained unchanged, the fluctuation of foreign exchange rate to the dinar by +10% or -10% would cause the Bank's profit to decrease/increase by RSD 1,091,873 thousand.

### 35.2. Sensitivity Analyses (Interest Rate Movements)

In the process of managing interest rate risk, the Bank analyzes the sensitivity of receivables and payables to movements in variable interest rates.

It should be pointed out that regardless of market trends, it could never be said that movements in interest rates applied to placements equalled the rates applied to deposits. This happens to be so since rates applied to placements are influenced by other forms of risks as well causing the rates applied to placements to show certain resistance in the situation where rates tend to decline, particularly those applied to the Bank's deposits or external sources.

Hypothetically, under the assumption of identical movements in interest rates applied to deposits and placements, interest rate risk could be as follows:

	Statutory		Interest Rate Movements				In thousands	
	Foreign currency	Local currency	Foreign currency receivables and liabilities		Local currency receivables and liabilities		Total	Total
			4%	-4%	4%	-4%	Interest rate increase	Interest rate decrease
<b>December 31, 2010</b>								
<b>ASSETS</b>								
Interest, fee and commission receivables	23,547	1,605,520	942	-942	64,221	-64,221	65,163	-65,163
Loans and advances to customers	37,728,567	58,942,370	1,509,143	-1,509,143	2,357,695	-2,357,695	3,866,837	-3,866,837
Other placements	130,519	5,124,694	5,221	-5,221	204,988	-204,988	210,209	-210,209
<b>Total</b>	<b>37,882,633</b>	<b>65,672,584</b>	<b>1,515,305</b>	<b>-1,515,305</b>	<b>2,626,903</b>	<b>-2,626,903</b>	<b>4,142,209</b>	<b>-4,142,209</b>
<b>LIABILITIES</b>								
Other deposits	66,304,596	24,883,837	2,652,184	-2,652,184	995,353	-995,353	3,647,537	-3,647,537
Borrowings	10,197	2,109,962	408	-408	84,398	-84,398	84,806	-84,806
Interest, fee and commission payables	24,786	72,539	991	-991	2,902	-2,902	3,893	-3,893
<b>Total</b>	<b>66,339,579</b>	<b>27,066,338</b>	<b>2,653,583</b>	<b>-2,653,583</b>	<b>1,082,654</b>	<b>-1,082,654</b>	<b>3,736,237</b>	<b>-3,736,237</b>
<b>Net exposure to interest rate risk as of December 31, 2010</b>	<b>-28,456,946</b>	<b>38,606,246</b>	<b>-1,138,278</b>	<b>1,138,278</b>	<b>1,544,250</b>	<b>-1,544,250</b>	<b>405,972</b>	<b>-405,972</b>
<b>Net exposure to interest rate risk as of December 31, 2009</b>	<b>-22,458,036</b>	<b>28,244,190</b>	<b>-898,321</b>	<b>898,321</b>	<b>1,129,768</b>	<b>-1,129,768</b>	<b>231,446</b>	<b>-231,446</b>

The assumption is that interest rates in extreme conditions raise/drop by 400 basis points which could impact the operating result and in the final instance it could impact the Bank's equity, as well.

The decrease in interest rates by 400 basis points led to a decline in the Bank's operating results by RSD 406 million, whereas the result would increase by the same amount in case of respective increase in interest rates. Given the Bank's realized operating result for the year 2010, we may infer that the Bank was not exposed to interest rate risk.

Compared with the figures from 2009, the Bank decreased its assets sensitive to movements in interest rates, and so it additionally decreased the impact of interest rate fluctuations on the Bank's result.

### 36. EQUITY MANAGEMENT

The Decision on Capital Adequacy of Banks issued by the National Bank of Serbia (Official Gazette of RS numbers 129/2007 and 63/2008) determines the manner of calculating the Bank's capital and capital adequacy ratios. According to the Decision, the Bank's core capital shall equal at least 50% of its capital.

The following table presents the calculated amounts of core capital, supplementary capital and total capital, as well as the calculation of capital adequacy as of December 31, 2010:

	<b>In RSD thousand</b>	
	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Core capital	36,252,564	31,179,086
Supplementary capital	2,324,502	2,335,494
	<u>38,577,066</u>	<u>33,514,580</u>
Capital deductions	-4,503,225	-4,882,558
<b>Capital</b>	<b>34,073,841</b>	<b>28,632,022</b>
Total risk-weighted balance sheet items	93,195,126	77,885,757
Total risk-weighted off-balance sheet items	10,141,215	7,964,432
<b>Total risk-weighted assets</b>	<b>103,336,341</b>	<b>85,850,189</b>
<b>Capital adequacy as of December 31</b>	32	32

The minimum capital adequacy ratio for banks is 12%.

At December 31, 2010, the capital adequacy ratio in the Bank was above the legally prescribed minimum.

The Bank is under obligation to reconcile the scope and structure of its operations with the operating ratios provided in the Law on Banks and regulations of the National Bank of Serbia.

### 37. WORLD ECONOMIC CRISIS AND ITS IMPACT ON THE BANK'S PERFORMANCE

The economic crisis is still present and the recovery of the economy is still uncertain. In 2010 the Bank operated in a more difficult and uncertain economic environment and the effects of the crisis on its operations are not entirely possible to predict; therefore there is the element of general uncertainty.

In 2010 the Bank did not have difficulties in maintaining liquidity thanks to availability of its own capital, in spite of constant illiquidity of its clients.

The Bank used its advantages: that it is still a domestic bank (domestic capital accounts for the majority portion of its founding capital), that it has operating autonomy (there is no majority shareholder), and that it is politically independent; the Bank based its business activities primarily on liquidity maintenance, so that it based its profit margins on the placement of resources into more secure activities. Also, in its lending activities, the Bank applies more restrictive criteria in the assessment of creditworthiness of its prospective customers, accepting collaterals, shorter maturities; the Bank systematically and continually decreased its exposure to certain customers and greater placement dispersion is applied towards safer clients (public sector) and the acquisition of government securities.

For the purpose of earning profit within the projected framework and for the purpose of preserving the integrity of its capital, in the fourth quarter of 2010, the Bank significantly decreased its credit activity and increased its activities towards collection. As a result of these activities total assets of the Bank increased.

Bearing in mind the influences of the outside factors (the negative effects of the financial crisis on the real estate sector, as well as the measures undertaken by the Government of Serbia to overcome its anticipated negative effects on business), the main task of the Bank's management is the revival and expansion of credit and depositary operations with the concurrent optimization of potential business risks (risk management).

**TRANSLATION****AIK BANKA A.D., NIŠ****38. SEGMENT REPORTING (IFRS 8)****38.1. Bank's Income per Separate Operating Segments****In RSD thousand**

<b>INCOME STATEMENT</b>	<b>2010</b>				<b>2009</b>			
	Retail operations	Corporate operations	Other	Total	Retail operations	Corporate operations	Other	Total
Net interest income	-1,742,453	7,331,591	1,052,571	6,641,709	-451,013	8,077,912	-9,321	7,617,578
Net fee and commission income	64,926	648,697	17,915	731,538	76,943	577,803	-42,276	612,470
Net gains on sale of securities			753	753	2,261	0	0	2,261
Net foreign exchange gains and losses			-	-			-	-
Other income			1,151,834	1,151,834			-399,712	-399,712
Net losses on impairment and provisions	-248,810	-1,804,137	84,951	1,967,997	-118,175	-2,407,542	-2,444	2,528,161
Staff costs			-608,408	-608,408			-695,082	-695,082
Depreciation and amortization			-149,477	-149,477			-142,844	-142,844
Operating and other business expenses			-	-			-	-
Net gains on the valuation of assets and liabilities			1,680,423	1,680,423			1,180,369	1,180,369
	10,264	3,374,272	399,772	3,784,308	36,380	2,316,962	421,130	2,774,472
<b>Profit before taxation</b>	<b>-1,916,073</b>	<b>9,550,423</b>	<b>1,435,899</b>	<b>6,198,450</b>	<b>-453,604</b>	<b>8,565,135</b>	<b>1,947,759</b>	<b>6,163,772</b>
<b>Income taxes</b>				-607,618				-584,309
<b>Net profit</b>				<b>5,590,832</b>				<b>5,579,463</b>

**TRANSLATION**

**AIK BANKA A.D., NIŠ**

**38.2. Bank's Asset/Liability Position per Separate Operating Segments**

**In thousand**

	2010				2009			
	Retail operations	Corporate operations	Other	Total	Retail operations	Corporate operations	Other	Total
<b>BALANCE SHEET</b>								
<b>ASSETS</b>								
Cash and cash equivalents			5,833,831	5,833,831			12,092,785	12,092,785
Revocable deposits and loans			20,219,755	20,219,755			11,404,919	11,404,919
Interest, fee and commission receivables	21,665	1,451,385	156,017	1,629,067	16,939	1,226,572	96,829	1,340,340
Loans and advances to customers	6,773,763	46,116,992	43,780,182	96,670,937	5,177,072	40,796,404	18,480,994	64,454,470
Securities		3,121,739	823,705	3,945,444	31,997	3,798,457	80,404	3,910,858
Equity investments		14,509	56,731	71,240		625,184	68,617	693,801
Other placements	3,271,546	1,699,795	283,872	5,255,213	3,677,590	3,907,441	142,836	7,727,867
Intangible assets			45,383	45,383			46,833	46,833
Property, equipment and investment property			2,856,992	2,856,992			1,416,869	1,416,869
Other assets	1,775	85,405	4,968,385	5,055,565	859	10,140	6,321,738	6,332,737
<b>Total assets</b>	<b>10,068,749</b>	<b>52,489,825</b>	<b>79,024,853</b>	<b>141,583,427</b>	<b>8,904,457</b>	<b>50,364,198</b>	<b>50,152,824</b>	<b>109,421,479</b>
<b>LIABILITIES</b>								
Transaction deposits	810,491	3,303,093	409,041	4,522,625	799,979	4,455,155	108,475	5,363,609
Other deposits	64,063,405	14,627,535	7,974,868	86,665,808	37,261,619	14,953,766	6,318,582	58,533,967
Borrowings			2,120,159	2,120,159			3,697,776	3,697,776
Interest, fee and commission payables	25,214	39,108	33,003	97,325	43,938	58,078	39,155	141,171
Provisions			665,180	665,180	0	841,614	0	841,614
Income taxes payable			13,006	13,006			12,977	12,977
Tax and dividend payables			796,068	796,068			526,566	526,566
Deferred tax liabilities			9,221	9,221			13,303	13,303
Other liabilities	26,887	35,040	2,464,211	2,526,138	21,745	260,416	914,293	1,196,454
<b>Total liabilities</b>	<b>64,925,997</b>	<b>18,004,776</b>	<b>14,484,757</b>	<b>97,415,530</b>	<b>38,127,281</b>	<b>20,569,029</b>	<b>11,631,127</b>	<b>70,327,437</b>
<b>EQUITY</b>								
Share and other capital			25,390,565	25,390,565			25,390,565	25,390,565
Reserves			13,165,376	13,165,376			8,091,898	8,091,898
Revaluation reserves			21,353	21,353			32,339	32,339
Unrealized losses on securities available-for-sale				-229				-223
Accumulated profit			5,590,832	5,590,832			5,579,463	5,579,463
<b>Total Equity</b>			<b>44,167,897</b>	<b>44,167,897</b>			<b>39,094,042</b>	<b>39,094,042</b>
<b>Total Liabilities and Equity</b>	<b>64,925,997</b>	<b>18,004,776</b>	<b>58,652,654</b>	<b>141,583,427</b>	<b>38,127,281</b>	<b>20,569,029</b>	<b>50,725,169</b>	<b>109,421,479</b>

**TRANSLATION**

**AIK BANKA A.D., NIŠ**

**39. GEOGRAPHICAL SEGMENT**

**39.1. Bank's Income Position per Geographical Segments**

**In thousand**

	<b>Regional Centre Nis</b>	<b>Regional Centre Belgrade</b>	<b>Regional Centre Novi Sad</b>	<b>Regional Centre Kragujevac</b>	<b>Head Office</b>	<b>Bank Total</b>
<b>INCOME STATEMENT</b>						
<b>2010</b>						
Net interest income	1,364,129	-17,866	1,840,294	394,220	3,060,932	6,641,709
Net fee and commission income	272,485	177,124	145,024	41,880	95,025	731,538
Net gains on sale of securities	753				0	753
Net foreign exchange gains and losses	-1,102,505	-1,933,747	-754,934	-470,077	3,109,429	-1,151,834
Other income	25,468	19,475	36,599	5,957	510,782	598,281
Net losses on impairment and provisions	-481,902	-99,014	-1,007,547	-355,621	-23,913	-1,967,997
Staff costs	-112,112	-154,898	-134,488	-63,656	-143,254	-608,408
Depreciation and amortization					-149,477	-149,477
Operating and other business expenses	-196,044	-418,803	-226,785	-103,528	-735,263	-1,680,423
Net gains on the valuation of assets and liabilities	799,428	814,162	1,105,556	370,603	694,559	3,784,308
<b>Profit before taxation</b>	<b>569,700</b>	<b>-1,613,567</b>	<b>1,003,719</b>	<b>-180,222</b>	<b>6,418,820</b>	<b>6,198,450</b>
<b>Income taxes and deferred tax</b>						-607,618
Net profit						<b>5,590,832</b>
<b>2009</b>						
Net interest income	871,635	347,058	2,244,947	564,369	3,589,569	7,617,578
Net fee and commission income	208,019	174,977	122,341	25,278	81,855	612,470
Net gains on sale of securities					2,261	2,261
Net foreign exchange gains and losses	-485,050	-820,017	-295,969	-172,684	1,374,008	-399,712
Other income	36,432	9,289	3,283	3,954	50,201	103,159
Net losses on impairment and provisions	422,417	612,220	-1,709,464	-713,055	-1,140,279	-2,528,161
Staff costs	-112,745	-163,941	-145,512	-68,816	-204,068	-695,082
Depreciation and amortization charge					-142,844	-142,844
Operating and other business expenses	-146,459	-309,792	-197,834	-83,712	-442,572	-1,180,369
Net gains on the valuation of assets and liabilities	638,325	583,517	713,764	224,418	614,448	2,774,472
<b>Profit before taxation</b>	<b>1,432,574</b>	<b>433,311</b>	<b>735,556</b>	<b>-220,248</b>	<b>3,782,579</b>	<b>6,163,772</b>
<b>Income taxes and deferred tax</b>						-584,309
Net profit						<b>5,579,463</b>

**TRANSLATION****AIK BANKA A.D., NIŠ****39.2. Bank's Asset/Liability Position per Separate Geographical Segments****In thousand  
December 31, 2010**

	<b>Regional Centre Nis</b>	<b>Regional Centre Belgrade</b>	<b>Regional Centre Novi Sad</b>	<b>Regional Centre Kragujevac</b>	<b>Head Office</b>	<b>Bank Total</b>
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Cash and cash equivalents	495,532	502,606	419,386	215,551	4,200,756	5,833,831
Revocable deposits and loans					20,219,755	20,219,755
Interest, fee and commission receivables	239,069	284,386	582,276	160,201	363,135	1,629,067
Loans and advances to customers	12,129,020	14,011,395	14,871,779	4,042,668	51,616,075	96,670,937
Securities	782,284	1,075,691	1,094,363	20,356	972,750	3,945,444
Equity investments	71,239				1	71,240
Other placements	1,451,138	1,634,704	1,557,562	480,542	131,267	5,255,213
Intangible assets					45,383	45,383
Property, equipment and investment property					2,856,992	2,856,992
Other assets	71,571	200,098	77,575	26,929	4,679,392	5,055,565
<b>Total assets</b>	<b>15,239,853</b>	<b>17,708,880</b>	<b>18,602,941</b>	<b>4,946,247</b>	<b>85,085,506</b>	<b>141,583,427</b>
<b>LIABILITIES</b>						
Transaction deposits	1,089,741	1,515,584	1,350,466	296,237	270,597	4,522,625
Other deposits	19,230,388	38,390,084	15,520,117	8,765,141	4,760,078	86,665,808
Borrowings	304	16		11	2,119,828	2,120,159
Interest, fee and commission payables	17,178	56,626	15,730	3,187	4,604	97,325
Provisions	77,687	194,836	194,709	26,600	171,348	665,180
Income taxes payable	8,911	413	362	171	3,149	13,006
Tax and dividend payables	0				796,068	796,068
Deferred tax liabilities	0				9,221	9,221
Other liabilities	346,942	1,597,169	340,909	145,224	95,894	2,526,138
<b>Total liabilities</b>	<b>20,771,151</b>	<b>41,754,728</b>	<b>17,422,293</b>	<b>9,236,571</b>	<b>8,230,787</b>	<b>97,415,530</b>
<b>EQUITY</b>						
Share and other capital					25,390,565	25,390,565
Reserves					13,165,376	13,165,376
Revaluation reserves					21,353	21,353
Unrealized losses on securities available for sale					-229	-229
Accumulated profit					5,590,832	5,590,832
<b>Total Equity</b>					<b>44,167,897</b>	<b>44,167,897</b>
<b>Total Liabilities and Equity</b>	<b>20,771,151</b>	<b>41,754,728</b>	<b>17,422,293</b>	<b>9,236,571</b>	<b>52,398,684</b>	<b>141,583,427</b>

**TRANSLATION****AIK BANKA A.D., NIŠ****In thousand  
December 31, 2009**

	<b>Regional Centre Nis</b>	<b>Regional Centre Belgrade</b>	<b>Regional Centre Novi Sad</b>	<b>Regional Centre Kragujevac</b>	<b>Head Office</b>	<b>Bank Total</b>
<b>BALANCE SHEET</b>						
<b>ASSETS</b>						
Cash and cash equivalents	672,705	493,872	777,216	369,766	9,779,226	12,092,785
Revocable deposits and loans					11,404,919	11,404,919
Interest, fee and commission receivables	83,113	130,139	475,784	113,815	537,489	1,340,340
Loans and advances to customers	8,254,739	7,025,013	13,051,633	4,231,057	31,892,028	64,454,470
Securities	742,596	843,672	932,872	31,641	1,360,077	3,910,858
Equity investments					693,801	693,801
Other placements	2,243,536	3,357,084	1,535,927	553,141	38,179	7,727,867
Intangible assets					46,833	46,833
Property, equipment and investment property					1,416,869	1,416,869
Other assets	468,366	639,049	423,661	232,886	4,568,775	6,332,737
<b>Total assets</b>	<b>12,465,055</b>	<b>12,488,829</b>	<b>17,197,093</b>	<b>5,532,306</b>	<b>61,738,196</b>	<b>109,421,479</b>
<b>LIABILITIES</b>						
Transaction deposits	1,322,321	2,065,262	1,477,532	299,334	199,160	5,363,609
Other deposits	12,335,055	25,374,883	12,601,888	5,217,544	3,004,597	58,533,967
Borrowings					3,697,776	3,697,776
Interest, fee and commission payables	28,963	65,346	36,900	5,534	4,428	141,171
Provisions	374,650	116,066	130,585	21,050	199,263	841,614
Income taxes payable	8,538	59	25	116	4,239	12,977
Tax and dividend payables					526,566	526,566
Deferred tax liabilities					13,303	13,303
Other liabilities	308,723	267,077	395,424	49,430	175,800	1,196,454
<b>Total liabilities</b>	<b>14,378,250</b>	<b>27,888,693</b>	<b>14,642,354</b>	<b>5,593,008</b>	<b>7,825,132</b>	<b>70,327,437</b>
<b>EQUITY</b>						
Share and other capital					25,390,565	25,390,565
Reserves					8,091,898	8,091,898
Revaluation reserves					32,339	32,339
Unrealized losses on securities available for sale					-223	-223
Gain					5,579,463	5,579,463
<b>Total Equity</b>					<b>39,094,042</b>	<b>39,094,042</b>
<b>Total Liabilities and Equity</b>	<b>14,378,250</b>	<b>27,888,693</b>	<b>14,642,354</b>	<b>5,593,008</b>	<b>46,919,174</b>	<b>109,421,479</b>

**40. EXCHANGE RATES**

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

	<b>December 31, 2010</b>	<b>In RSD December 31, 2009</b>
USD	79.2802	66.7285
EUR	105.4982	95.8888
GBP	122.4161	107.2582
CHF	84.4458	64.4631

Snežana Živković  
Executive Director of Accounting and IT Departments  
Person responsible for preparing the financial statements

Vladan Đorđević, Chairman of Executive Board  
Legal representative of the Bank