INVEST BANKA MONTENEGRO A.D., PODGORICA

Stand Alone Financial Statements For the Year Ended 31 December 2010 and Independent Auditors' Report

CONTENTS

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This is English translation of the Report originally issued in Montenegrin language (For management purposes only)

INDEPENDENT AUDITORS' REPORT
TO THE OWNERS OF INVEST BANKA MONTENEGRO A.D. PODGORICA

Report on Financial Statements

We have audited the accompanying financial statements of Invest Banka Montenegro a.d. Podgorica (hereinafter: the Bank), which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and Auditing and the regulations of the Central Bank of Montenegro governing financial reporting of banks, 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 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

PIB: 02759080 • Matični broj: 02759080 • Upisan i unet osnovni kapital: 5.000,00 EUR
Registarski broj: 5-0537154/001 kod Centralnog registra Privrednog suda u Podgorici
Poslovni račun: 2325011-02759080 kod Crnogorske Komercijalne Banke AD Podgorica

ERNST & YOUNG

Opinion

In our opinion, the financial statements give a true and fair view of 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 Law on Accounting and Auditing and the regulations of the Central Bank of Montenegro governing financial reporting of banks.

Other matter

The financial statements of the Bank for the year ended 31 December 2009 were audited by another auditor who expressed an unmodified opinion on those statements on 28 May 2010.

Report on Other Legal and Regulatory Requirements

In accordance with the Law on Accounting and Auditing and the regulations of the Central Bank of Montenegro governing financial reporting of banks, the Bank's management has prepared analyses to the financial statements which are presented on pages 46 to 58. Information presented in these analyses to the financial statements does not form an integral part of the financial statements of the Bank. This information is the responsibility of the Bank's management. This information has been properly derived from the primary financial statements which were prepared in accordance with the Law on Accounting and Auditing and the regulations of the Central Bank of Montenegro governing financial reporting of banks as presented on pages 3 - 6, and are based on the underlying accounting records of the Bank.

Podgorica, 9 May 2011

Ernst & Young Montenegro d.o.o.
Podgorica, Crna Gora

Stephen Fish
Partner

Danijela Dimovski
Authorized auditor

INVEST BANKA MONTENEGRO A.D., PODGORICA

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	2010	EUR 000 2009
Interest income	3	1,190	1,045
Interest expense	3	(222)	(92)
Net interest income		968	953
Expenses for losses	4	(24)	(422)
Net income		944	531
Fee and commission income	5	137	347
Fee and commission expense	5	(122)	(224)
Net fee and commission income		15	123
NET FEE AND COMMISSION INCOME		959	654
Other income/(expenses), net	6	1,103	1,112
Other expenses	7	(1,356)	(1,433)
NET INCOME/(EXPENSES)		706	333
PROFIT BEFORE TAX		706	333
Income taxes	8	(64)	(30)
PROFIT FOR THE YEAR		642	303
Earnings per share	9		
-ordinary share		-	-
-preference share		43.8469	-

The accompanying notes on pages 7 to 45 form an integral part of these stand alone financial statements.

These stand alone financial statements were approved by the Management Board of Invest Banka Montenegro A.D., Podgorica, as of February 21, 2011.

Signed on behalf of Invest Banka Montenegro A.D., Pogorica by:

The person responsible for the preparation of financial statements	Chief Executive Officer
Radunović M.	
Milanka Radunović	Zoran Nikolić

BALANCE SHEET AS OF DECEMBER 31, 2010

	Notes	2010	EUR 000 2009
ASSETS			
Cash and deposit accounts held with depository institutions	10	3,006	4,358
Securities available for sale, excluding shares	11	50	1,377
Loans and leases	12	13,931	10,334
Securities held to maturity	13	139	178
Business premises and other fixed assets	14	1,667	1,831
Repossessed assets	15	1,343	581
Equity investments in other legal entities	16	5,144	5,296
Other assets	17	3,207	567
Less: Provisions for potential losses on other assets	17	(410)	(272)
TOTAL ASSETS		28,077	24,250
LIABILITIES			
Deposits	18	7,462	5,757
Borrowings	19	4,037	2,055
Liabilities to Government	20	288	663
Other liabilities	21	342	262
Provisions for losses contingent on off-balance sheet items	22	17	20
TOTAL LIABILITIES		12,146	8,757
EQUITY			
Share capital	23	12,494	12,494
Share premium		2	2
General reserves		73	73
Revaluation reserves		2,001	2,205
Retained earnings		1,361	719
TOTAL EQUITY		15,931	15,493
TOTAL LIABILITIES AND EQUITY		28,077	24,250
OFF-BALANCE-SHEET ITEMS	25	28,058	20,965

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Radunović M.	
Milanka Radunović	Zoran Nikolić

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2010

EUR 000

	Share Capital	General Reserves	Revaluation Reserves	Retained Earnings	Total
Balance at January 1, 2009	12,496	154	2,641	335	15,626
Transfer (write-off of general reserves)	-	(81)	-	81	-
Fair value adjustment of securities available-for sale	-	-	(436)	-	(436)
Dividends paid to preference shareholders	-	-	-	303	303
Balance at 31 December 2009	12,496	73	2,205	719	15,493
Balance at January 1, 2010	12,496	73	2,205	719	15,493
Fair value adjustment of securities available-for sale	-	-	(204)	-	(204)
Profit for the year	-	-	-	642	642
Balance at 31 December 2010	12,496	73	2,001	1,361	15,931

The accompanying notes on pages 7 to 45 form
an integral part of these stand alone financial statements.

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Signed on behalf of Invest Banka Montenegro A.D., Pogorica by:

The person responsible for the preparation of financial statements

Radunović M.

Milanka Radunović

Chief Executive Officer

Zoran Nikolić

Invest banka Montenegro A.D. PODGORICA

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

	Notes	2010	EUR 000 2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest, fee and commission received		1,326	1,463
Other cash receipts		58	60
Interest, fee and commission paid		(345)	(317)
Cash paid to employees and suppliers		(1,052)	(1,098)
Net cash provided by operating activities before changes in operating assets and liabilities		(13)	108
Changes in operating assets and liabilities			
(Decrease)/Increase in loans and advances, net		(3,406)	(749)
Other assets		(2,368)	(3)
(Decrease)/Increase in deposits from customers		1,704	1,600
Other liabilities		(8)	-
Net cash used in and from operating activities		(4,078)	848
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of equipment and intangible assets		(83)	(1,476)
Dividend received		12	12
Cash from the purchase and sale of AFS securities, excluding shares, net		1,327	1,027
Equity investments in other legal entities, net		(125)	(501)
Net cash used in and from investing activities		1,131	(937)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings received, net		1,607	1,884
Payment of share capital		-	-
Net cash provided by financing activities		1,607	1,884
Effects of foreign exchange gains and losses		1	(30)
Net increase /(decrease) in cash and cash equivalents		(1,352)	1,874
Cash and cash equivalents, beginning of year		4,358	2,484
Cash and cash equivalents, end of year		3,006	4,358
Components of cash and cash equivalents:			
Cash and deposit accounts held with depository institutions	10	3,006	4,358
		3,006	**4,358**

The accompanying notes on pages 7 to 45 form an integral part of these stand alone financial statements.

These stand alone financial statements were approved by the Management Board of Invest Banka Montenegro A.D., Podgorica, as of February 21, 2011.

Signed on behalf of Invest Banka Montenegro A.D., Pogorica by:

The person responsible for the preparation of financial statements

Milanka Radunović

Chief Executive Officer

Zoran Nikolić

1. THE BANK'S ESTABLISHMENT AND OPERATING POLICY

Invest Banka Montenegro A.D., Podgorica (hereinafter: the "the Bank") is the legal successor of Pljevaljska Banka A.D., Pljevlja. On November 20, 2006, the Shareholder Assembly of Pljevaljska banka A.D., Pljevlja enacted a Decision on the Change of the Bank's Registered Name, number 03-3437/3 into Invest Banka Montenegro, a Shareholding Company, Podgorica. As in accordance with the Decision on the Change of Registered Office and Address, number 03-3437/4, the Bank is headquartered at number 115 Bulevar Svetog Petra Cetinjskog Street in Podgorica.

In accordance with the Law on Banks and the Bank's Articles of Incorporation and Association, the Bank in engaged in the business of keeping deposits and other assets of private individuals and legal entities and it approves loans and makes other advances from these funds entirely or in part for its own account.

In addition to these operations, the Bank is also registered to perform the following activities:

- to issue guarantees and undertake other commitments;
- to purchase and collect receivables;
- to issue, process and record payment instruments;
- to perform payment transactions performed abroad;
- to perform finance lease operations;
- to trade in its own name for its own account or for the account of a customer with foreign payment instruments;
- to collect data, prepare analysis and provide information and advice on the company and entrepreneur creditworthiness;
- depositary operations;
- safekeeping of assets and securities and
- to perform other activities accompanying the Bank's business operations.

The Bank's bodies are: the Shareholder Assembly and the Board of Directors. The Shareholder Assembly is the supreme body in the Bank. The shareholders have voting rights commensurate with the number of shares in their possession. The Board of Directors is the managing body of the Bank. Shareholders Assembly appoints and relieves of duties the members of the Bank's Board of Directors. It consists of 5 members, the majority of which are not the Bank's employees. Bank executive directors can be members of the Board of Directors and the total number of executive directors of the Board of Directors does cannot exceed one third of the members of the Board of Directors. President of the Board of Directors elects members of the Board of Directors from among its members. The Chief Executive Director is the member of the Board of Directors, but cannot be President and/or Chairman. The standing bodies within the Board of Directors are the Audit Board, Information System Change Management Board and Asset and Liability Committee (ALCO). The Information System Change Management Board and Asset and Liability Committee have six members each and their presidents are managers and heads of the Bank's organizational units. The Audit Board counts three members majority of which are not the Bank's employees.

The General Director of the Bank is at the same time the Executive Manager of the Bank. For its results, the General Director is directly answerable to the Bank's Assembly and the Board of Directors.

As at 31 December 2010 the Bank have 36 employees (December 31, 2009: 34 employees). The Bank's Central Office is located at number 115 Svetog Petra Cetinjskog Street in Podgorica and one counter in Pljevlja, number 10 Skerlićeva Street.

The Bank is a member of ATLAS Group, which operates on the territory of Montenegro, Serbia, Cyprus and Russia. Members of this group in Montenegro are the following companies: Atlas Centar, Atlas life, Atlas Banka AD, Atlas Mont fond, Atlas penzija, Aqua Monta, CG Broker, Fin Invest, HTP Korali, Invest Banka Montenegro, Jadranski sajam, Montenegro express, RTV Atlas and Univerzitet Mediteran.

2. BASIS OF PREPARATION AND PRESENTATION OF THE STAND ALONE FINANCIAL STATEMENTS

2.1. Basis of Preparation and Presentation of the Stand Alone Financial Statements

The Bank maintains its accounting records and prepares its statutory financial statements in conformity with the Law on Accounting and Auditing of Montenegro (Official Gazette of Montenegro no. 69/2005 and no. 80/2008) and specifically, in accordance with the relevant decision dated 24 December 2002 pertaining to the application of International Accounting Standards ("IAS") in Montenegro (Official Gazette of Montenegro numbered 69/2002) with effective date of 1 January 2003.

The stand alone financial statements are presented in the format required under Articles 17 and 18 of the Law on Accounting and Auditing of Montenegro and European Union Directive numbered 86/635/EEC of December 8, 1986 which relates to the annual reports of banks and other financial institutions. Such statements represent the complete legally-defined set of financial statements, which differs in some respects from the set defined under the provisions of IAS 1, "Presentation of Financial Statements."

The accounting policies adopted in the preparation and presentation of the stand alone financial statements for the year ended 31 December 2010 differ from the IFRS requirements in number of areas, including but not limited to the allowances for the impairment of financial instruments and in respect of disclosures of financial instruments in accordance with IFRS 7 "Financial Instruments: Disclosures." The Bank calculates the amount of allowance for impairment of financial instruments in accordance with the applicable Regulations of the Central Bank of Montenegro. Such a policy might result in significant departures from the amounts which would be determined, had the allowances for impairment of financial instruments been estimated based on discounted expected future cash flows by applying the original effective interest rate, as required by IAS 39, "Financial Instruments: Recognition and Measurement."

Due to the potentially significant effects of the above-described matters, these stand alone financial statements cannot be described as having been prepared in accordance with International Financial Reporting Standards.

In the preparation of the accompanying stand alone financial statements, the Bank has adhered to the accounting policies described in Note 2.3, which are in conformity with the accounting, banking and tax regulations prevailing in the Montenegro.

The official currency in Montenegro and the Bank's functional currency is Euro (EUR).

Pursuant to the Decision of the Central Bank of Montenegro regarding the bank control on consolidated basis, the Bank is under obligation to submit to the Central Bank its consolidated financial statements for the banking group with equity investments or voting shares in other group members providing for no less than 20% equity interest. The consolidated financial statements accompanied by an independent auditors' report must be submitted no later than June 30 of the current year with the balances as of December 31 of the previous years.

These stand alone financial statements represent separate stand-alone financial statements of the Bank. The Bank separately presents its consolidated financial statements pursuant to the Decision of the Central Bank regarding the bank control on consolidated basis.

BASIS OF PREPARATION AND PRESENTATION OF THE STAND ALONE FINANCIAL STATEMENTS (continued)

2.2. Use of Estimates

The presentation of stand alone financial statements requires from the Bank's management to make best estimates and reasonable assumptions that affect the assets and liabilities' amounts, as well as the disclosure of contingent liabilities and receivables as of the date of the preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the stand alone financial statements' preparation date, and mostly relate to: assessments of provisions against loans and interest, provisions against deposits placed with other banks, provisions against permanent investments and off-balance sheet items. However the Bank's operating results may vary from the estimated values.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1. Interest Income and Expense Recognition

Interest income and interest expense, including penalty interest and other income and expenses related to interest bearing assets and liabilities are accounted for on an accrual basis. The Bank suspends interest accrual on loans classified into the categories C, D and E ("non-performing assets," in accordance with the Decision of the Central Bank of Montenegro regarding the minimum standards for credit risk management within banks).

Fee and commission income from banking services and fee and commission expenses arising thereof are recorded when due, i.e., when realized.

In accordance with IAS 18, "Revenues" and IAS 39, "Financial Instruments: Recognition and Measurement," loan origination fees are considered to be an integral part of an ongoing involvement with the resultant financial instrument, which is deferred and recognized as an adjustment to the yield by applying the pro rata method.

2.3.2. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into Euros at the official exchange rates prevailing on the Interbank Market, at the date of each transaction.

Assets and liabilities denominated in foreign currencies are translated into Euros by applying the official exchange rates, as determined on the Interbank Market that are prevailing at the balance sheet date.

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

Commitments and contingent liabilities denominated in foreign currencies are translated into euros by applying the official exchange rates prevailing on the Interbank Market, at the balance sheet date.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.3. Taxes and Contributions

Income Taxes

Current Income Taxes

Income taxes are calculated and paid in conformity with the income tax regulations defined under the Article 28. of Montenegro Tax Law (Official Gazette of Montenegro 80/2004, no. 40/2008 and no.86/09) as per the effective proportional tax rate of 9% on taxable income.

A taxpaying entity's taxable income is determined based upon the income stated in its statutory statements of income following certain adjustments to its income and expenses performed in accordance with the Republic of Montenegro Tax Law (Articles 8 and 9, regarding the adjustment of income and Articles 10 to 20 pertaining to the adjustment of expenses).

Capital losses may be set off against capital gains earned in the same year. In case there are outstanding capital losses even after the set-off of capital losses against capital gains earned in the same year, these outstanding losses are available for carry forward in the ensuing 5 years.

The Montenegrin tax regulations do not envisage any tax losses of the current period to be used to recover taxes paid within a specific carry back period. However, any current year losses reported in the annual corporate income tax returns may be carried forward and used to reduce or eliminate taxes to be paid in future accounting periods, but only for an ensuing period of a maximum of five years.

Deferred Income Taxes

Deferred income tax is determined using the balance sheet liability method, for the temporary differences arising between the tax bases of assets and liabilities, and their carrying values in the stand alone financial statements. The currently-enacted tax rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for the deductible temporary differences, and the tax effects of income tax losses and credits available for carry forward, to the extent that it is probable that future taxable profit will be available against which deferred tax assets may be utilized.

Taxes, Contributions and Other Duties Not Related to Operating Results

Taxes, contributions and other duties that are not related to the Bank's operating results, include property taxes, employer contributions on salaries, and various other taxes and contributions paid pursuant to republic and municipal regulations.

2.3.4. Cash and Cash Equivalents

For purposes of the cash flow statement, Cash and cash equivalents include cash and balances on the current accounts held with the Central Bank of Montenegro, other banks, including the obligatory reserve, and balances held on the accounts of other banks in the country and abroad.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.5. Loans

Loans originated by the Bank are recorded in the books of account at the moment of when funds are being transferred to the loan beneficiary.

Loans originated by the Bank are stated at the amount of principal outstanding, less an allowance for impairment, which is based on an evaluation of the specifically-identified exposures and any risks historically inherent in the Bank's loan portfolio. The Bank's management applies the methodology prescribed by the Central Bank of Montenegro in its evaluation of such risks (Note 2.3.6).

2.3.6. Allowances for Impairment and Provisions for Potential Losses

The Decision issued by the Central Bank of Montenegro regarding the minimum standards for credit risk management in banks (Official Gazette of Montenegro, number 60/2008 and number 87/2009) and the Decision on interim measures for managing credit risk in banks ("Official Gazette. Gazette of Montenegro", no. 66/2010) sets forth the following: elements of credit risk management, minimum criteria and manner of classifying assets and off-balance sheet items which render the Bank susceptible to credit risk, manner of calculation and suspension of unpaid interest, manner of determining the minimum provisions for potential losses contingent on the Bank's exposure to credit risk and criterion and way of determining the provisions for general credit losses. The Bank's risk-weighted assets, within the meaning of this Decision, are comprised of loans, interest, fees and commissions, lease receivables, deposits with banks, advances and all other items included in the balance sheet exposing the Bank to default risk, as well as guarantees issued, other sureties, effectuated letters of credit and approved, but undrawn loan facilities, as well as all other off-balance sheet items being the Bank's contingent liabilities.

Pursuant to the aforementioned Decision, loans and other risk-weighted assets are classified into the following categories:

- A category ("Pass") – including assets assessed collectible in full pursuant to the agreement;
- B category ("Special Mention") – including items for which there is low probability of loss, but which, still the same, require special attention, as the potential risk, if not adequately monitored, could lead to diminish their collectability;
- C category ("Substandard assets") – with C1, C2 and C3 subcategories for which there is high probability of loss, due to the clearly identified collectability issues;
- D category ("Doubtful assets") – including items the collection of which is, given the creditworthiness of loan beneficiaries, quality of collaterals, highly unlikely;
- E category ("Loss") – including the items which are uncollectible in full, or will be collectible in an insignificant amount.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.6. Allowances for Impairment and Provisions for Potential Losses (continued)

The amount of provisions for potential losses does not provide for the Bank's placements included in category A. The estimated amount of provision for potential losses is computed by applying the following applicable percentages to the corresponding categories: 3% to the placements classified into category B, from 15% to 50% to the placements classified into category C, 75% to the placements of category D, and 100% to the placements under category E.

In accordance with the Decision of the Central Bank of Montenegro, the Bank is to suspend any accrued, uncollected interest and should terminate any further accruals of interest on its non-performing assets, with the exception of the non-performing assets that are secured by quality collateral and that are in the process of collection, to the extent that such asset recoveries are anticipated within a reasonable period of time (generally defined as not exceeding three months). Following the suspension of interest accruals on non-performing assets, the Bank remains under an obligation to record the subsequent, matured interest thereof in its off-balance sheet records and upon classification, it should designate the accrued interest receivables into E category The Decision further prescribes that the risk-weighted assets classified into E category be written off from the off-balance sheet records under the heading of "Loans written off".

Pursuant to the Decision, provision for potential losses contingent on assets is calculated based on the carrying value net of any deductible items of collaterals based on:

- Monetary deposits and
- Irrevocable guarantees of the countries or central banks of the OESD member countries, the banks with credit rating better than BBB+ pursuant to the ratings of the agency Standard & Poor's, i.e., any equivalent rating of other internationally acclaimed rating agencies and legal entities whose business operations are under the control of the Central Bank of Montenegro.

In accordance with amendments to the above decisions on minimum standards for credit risk management in banks, the Bank has applied the following percentages and days of delay by categories of risk:

	As at 31 December 2010		As at 31 December 2009	
Risk category	% provisions	Days of delay	% provisions	Days of delay
A	-	<30	-	<30
B1	3	31-90	3	31-60
B2	-	-	8	61-90
C1	15	91-150	20	91-110
C2	30	151-210	30	111-130
C3	50	211-270	40	131-150
C4	-	-	50	151-180
D	75	271-365	75	181-270
E	100	>365	100	>271

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.7. Securities held for trading

Held for trading comprise securities which are held for the purpose of selling it in the short term and realizing a gains on that basis. Held for trading are comprised of shares held for trading and bonds issued by the Government of Montenegro, initially recorded at cost. As of the balance sheet date, these securities are recorded at market value. All realized and unrealized gains and losses arising on sale, and any changes in their fair values are included in the income statement.

2.3.8. Securities held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the management has the positive intention and ability to hold to maturity. If the Bank sells more than an insignificant amount of held-to-maturity investment, the entire category of investments is designated and reclassified as available-for-sale.

2.3.9. Equity Investments in Subsidiaries and Related Parties and Securities Available- for-Sale

Securities available-for-sale are comprised of equity investments in third parties, which cannot be classified as securities held for trading or securities held-to-maturity. Following the initial recognition, securities available-for-sale are stated at fair value. The fair value of securities quoted on the market is based on the currently offered prices. Unrealized gains and losses on securities available-for-sale are recorded within revaluation reserves, until such security is sold, collected or otherwise realized or until it is permanently impaired. When securities available-for-sale are disposed of or their value is impaired, the accumulated adjustments of fair value previously recognized within equity are transferred and recognized on the face of the income statement.

Securities available for sale that are not listed on the market are carried at cost net of impairment.

Equity investments for unlisted companies are valued at fair value unless circumstances are such that the fair value cannot be reasonably determined in which case they, are measured at cost net of allowance for impairment.

2.3.10. Business Premises, Other Fixed Assets and Intangible Assets

Business premises and other fixed assets at 31 December 2010 are stated at cost less accumulated depreciation. Cost represents the prices billed by suppliers together with all costs incurred in bringing the respective asset to the location and condition necessary for its intended use.

Depreciation and/or amortization are provided for on a straight-line basis to the cost of business premises, other fixed assets and intangible assets in order to write them off over their expected useful lives. Depreciation and/or amortization are calculated using the following prescribed annual rates:

Computers	20%
Furniture and other equipment	12.5%
Motor vehicles	15.5%

In accordance with Article 13, paragraph 6 of the Income Tax Law ("Official Gazette. Gazette of Montenegro" no. 80/2004, no. 40/2008 and no. 86/2009) amortization of licenses, other intangible assets and buildings for tax purposes is calculated using the proportional method, equipment and application software is calculated using digressive method for the entire period of use, regardless of the date of activation.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.10. Business Premises, Other Fixed Assets and Intangible Assets (continued)

The calculation of depreciation and amortization commences when an asset is placed into use.

2.3.11. Impairment of Tangible and Intangible assets

At each balance sheet date, the Bank's management reviews the carrying amounts of the Bank's tangible and intangible assets. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognized as an expense of the current period and is recorded under other operating expenses. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset in prior years.

2.3.12. Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

2.3.13. Employee Benefits

Employee Taxes and Contributions for Social Security

In accordance with the regulations prevailing in Montenegro, the Bank has an obligation to pay contributions to various State Social Security Funds. These obligations involve the payment of contributions on behalf of the employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of the employees, to transfer the withheld portions directly to government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

Retirement Benefits

Pursuant to the Labor Law and the Collective Bargaining Agreement, the Bank is bound to pay retirement benefits to a vesting employee. Long-term liabilities related to provisions for retirement benefits payable once the legally prescribed conditions for retirement have been met represent the present value of expected future payments to employees as determined pursuant to the actuarial valuation, based on the following assumptions: a discount rate of 10%, salary growth of 5% and fluctuation rate of 5%.

2.3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3.14. Financial liabilities-borrowings

The borrowings are initially recognized at fair value less transaction costs. Subsequently, borrowings are recognized at amortized costs; all the differences between the inflow (less transaction costs) and outflows for repayments are recognized in income statement.

2.3.15. Fair Value

In accordance with IAS 32, "Financial Instruments: Disclosures and Presentation," the fair value of financial assets and liabilities should be disclosed in the Notes to the Stand Alone Financial Statements. For these purposes, the fair value is defined as an amount at which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's-length transaction. The Bank should disclose the fair value information of those components of assets and liabilities for which published market information is readily available, and for which their fair value is materially different from their recorded amounts.

In Montenegro, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables, investments and other financial assets or liabilities, for which published market information is presently not readily available. Fair value cannot readily be determined in the absence of active capital and financial markets, as generally required under the provisions of IFRS/IAS. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions. In the amount of the identified estimated risk that the carrying value will not be realized, a provision is recognized based on a relevant decision of the Bank's management.

3. INTEREST INCOME AND EXPENSE

a) Interest income

	2010	EUR 000 2009
Banks:		
- deposits	3	43
- loans	-	22
	3	65
Corporate customers	573	478
Retail customers	326	415
MNE Government	2	11
Other financial institutions	42	-
Municipalities	89	4
Schools and institutions of culture	147	70
Other	8	2
Total	**1,190**	**1,045**

b) Interest expenses

	2010	EUR 000 2009
Banks	115	7
Other financial institutions	18	28
MNE Government	14	26
Corporate customers	29	6
Retail customers	46	25
Total	**222**	**92**

4. EXPENSES FOR LOSSES

a) Structure of provisions

	2010	EUR 000 2009
Provisions against:		
- loans and lease operations (Note 12)	135	326
- interest (Note 17)	4	-
- other assets (Note 17)	6	2
- retirement Benefits (Note 21)	3	2
- repossessed asset (Note 17)	400	270
- off-balance sheet items (Note 25)	17	20
	565	**620**

4. EXPENSES FOR LOSSES (Continued)

b) Structure of income and expenses based on the allowance for impairment and provisions

	2010	2009
		EUR 000
Net provisions against:		
- loans (corporate and retail customers)	(34)	312
- interest	33	39
- repossesed assets	20	183
- deposits with banks	-	(6)
- off-balance sheet items	(3)	(49)
- operational risk	-	(76)
- retirement Benefits	1	1
- other assets	7	18
	24	422

4. EXPENSES FOR LOSSES (Continued)

c) Movements on the accounts of allowance for impairment and provisions

EUR 000

	Loans and Lease Operations (Note 12)	Interest, Fees and Commissions (Note 17)	Off-Balance Sheet Items (Note 25)	Retirement Benefits (Note 21)	Other asset (Note 17)	Repossessed asset (Note 17)	Total
Balance, beginning of year	326	-	20	2	2	270	620
Charge for the year	-	33	-	1	7	20	27
Reversal of impairment	(34)	-	(3)	-	-	-	(3)
Transfer to off-balance sheet items	(157)	(29)	-	-	(3)	110	(79)
Balance, end of year	135	4	17	3	6	400	565

5. FEE AND COMMISSION INCOME AND EXPENSE

a) Fee and Commission Income

	2010	EUR 000 2009
Loan origination fees	63	98
Fee and commission income from off-balance-sheet operations	11	12
Fee and commission income from payment transfers	29	107
Fee and commission income from trading in currency	-	1
Fee and commission income from custody activities	3	-
Other fee and commission income	31	129
Total	**137**	**347**

c) Fee and Commission Expense

	2010	EUR 000 2009
Fees and commission payable to the Central Bank	75	65
Fees and commission payable to other financial institutions	34	138
Fees and commission expense arising from trading in currency	-	-
Fees and commission expense arising from deposit insurance premium	11	20
Other fee and commission expense	2	1
Total	**122**	**224**

6. OTHER INCOME/(EXPENSES), net

	2010	EUR 000 2009
Collected receivables previously written off	1	-
(Losses)/gains on the foreign exchange operations	(19)	(42)
Foreign exchange gains/(losses), net	20	12
Dividend income	12	12
Net gains/(losses) on the remeasurement of trading securities to their fair value	5	88
Net gains/(losses) on the sale of securities	509	982
Other income	575	60
Total	**1,103**	**1,112**

7. OTHER EXPENSES

		EUR 000
	2010	**2009**
Net salaries	330	367
Taxes and contributions on salaries	242	234
Other staff costs (redundancies, annual leave allowance)	39	30
Remunerations to the members of the Board of Directors	45	40
Business trip expenses	8	19
Rentals	3	5
Maintenance of property and equipment	149	130
Securing business premises	23	24
Energy expenses	8	34
Insurance premiums	4	5
Depreciation and amortization charges:		
- equipment	149	147
- intangible assets	155	123
Costs of telephone and communication network	52	53
Production expenses	1	1
Non-production expenses	12	9
Marketing and advertising	75	101
Professional services	1	46
Professional education of employees	5	2
Entertainment	11	18
Memberships, subscriptions and donations	18	18
Office material	11	10
Other costs	15	17
Total	**1,356**	**1,433**

8. INCOME TAXES

a) Components of Income Taxes

		EUR 000
	2010	**2009**
Current income taxes	69	28
Deferred income tax	(5)	2
Total	**64**	**30**

8. INCOME TAXES (Continued)

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

	2010	EUR 000 2009
Profit/(Loss) before tax	706	333
Income tax at the statutory tax rate of 9%	64	30
Effects of expenses not recognized for tax purposes	5	1
Income not recognized for tax purposes	-	(1)
Unrecognized tax losses	-	-
Other	(5)	-
Tax effect on the income statement	64	30
Effective interest rate	*9,07%*	*9.01%*

c) Deferred Tax Liabilities

Deferred tax liabilities stated as of 31 December 2010 in the amount of EUR 8 thousand (31 December 2009: EUR 13 thousand) (Note 21) relate to taxable temporary differences between the tax base of business premises and other fixed assets as presented in the tax balance and the carrying values of these assets as included in the financial statements.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the annual net gain that is attributable to holders of ordinary shares, divided by the weighted average number of ordinary shares that were outstanding during the period.

The Bank is registered as a limited company whose share capital is divided into 51.1292 ordinary shares and 51.1292 preferred shares. Earnings per ordinary share at 31 December 2010 was equal to zero (31 December 2009: zero), while earnings per preferred share is EUR 43,8469, total number of preferred shares is 6,217, (31 December 2009: zero).

According to Article 83 on the Law on Banks ("Official Gazette of Montenegro," no. 17/2008), there is no distinction between ordinary and preference shares, so the dividend restriction applies to both types of shares. If shares, preferred and ordinary (127,819 ordinary and 6,217 preferred shares), are treated equally earning per share will be EUR 5,0230.

The Bank had no financial instruments with a right of conversion into equity.

10. CASH AND DEPOSIT ACCOUNTS HELD WITH DEPOSITORY INSTITUTIONS

EUR 000

	31 December 2010	31 December 2009
Cash on hand:		
- in EUR	153	98
- in foreign currency	16	9
Gyro account	386	725
Correspondent account with foreign banks	708	1,844
Obligatory reserves with the Central Bank of Montenegro	586	550
Special purpose deposits with financial institutions abroad	1,157	1,132
Total	**3,006**	**4,358**

As at 31 December 2010, the amount of obligatory reserve was calculated and allocated pursuant to the Decision on Reserve Requirements for Banks to be held with the Central Bank of Montenegro ("Official Gazette of Montenegro," nos. 5/2008, 15/2009 and 41/2009) requiring that banks set aside obligatory reserve by applying the 10% rate.

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

Special purpose deposits held with banks abroad as of 31 December 2010 in the amount EUR 1,157 thousand (31 December 2009: EUR 1,132 thousand) relate to assets entrusted to investment managers. The Bank closed agreements for financial services with Atlas Capital Financial Services Limited, Limassol – Cyprus and based on this agreement, the Bank has funds deposited with this institution to be used for financing purposes and brokering operations.

11. SECURITIES AVAILABLE-FOR-SALE, EXCLUDING SHARES

EUR 000

	31 December 2010	31 December 2009
Assets available for sale:		
- Restitution bonds of the Government of MNE (Note 17)	8	1,343
- Old foreign savings bonds	34	22
	42	1,365
Trading assets:		
- Structural bank bills	8	12
	8	*12*
Total	**50**	**1,377**

12. LOANS AND LEASES

	31 December 2010	31 December 2009
		EUR 000
Matured loans:		
- privately-owned corporate entities	21	77
- entrepreneurs	-	-
- retail customers	102	133
Short-term loans:		
- privately-owned corporate entities	4,268	3,842
- entrepreneurs	-	-
- retail customers	67	43
Long-term loans, including current portions:		
- privately-owned corporate entities	4,313	1,386
- entrepreneurs	-	-
- municipalities	1,000	1,000
- retail customers	2,245	2,349
- other (educational and cultural facilities)	2,050	1,830
	14,066	10,660
Less: Provisions for credit losses	(135)	(326)
Total	**13,931**	**10,334**

The Bank extends to retail customers different types of special purpose and general purpose loans:

- General purpose cash loans, loans for refinancing liabilities towards other banks, cash loans for start-ups and special purpose loans in cash (for the purchase of consumables) for non-depositors at nominal interest rates from 14% to 20% annually;
- General purpose cash loans, loans for refinancing liabilities towards other banks, cash loans for start-ups and special purpose loans in cash (for the purchase of consumables) approved to depositors at nominal interest rate of 12% annually;
- General purpose cash loans to the Bank's VIP customers at nominal interest rate of 10% annually;
- Overdrafts against current accounts of VIP customers at a nominal interest rate of 10% annually.

Short-term loans are approved to legal entities at nominal interest rates from 10% to 16% annually. Long-term loans approved to legal entities for the purpose of financing working assets mature within 5 years accruing interest at nominal interest rates ranging from 10% to 16% annually.

Short-term loans collateralized by a cash deposit are approved to customers at interest rates charged to cash deposits placed as collateral as increased by 4% to 6.5% annually.

From the assets of the Development Fund of Montenegro received in prior years, long-term loans were approved as a support to small and medium enterprises for the term of 4 to 6 years, with up to 4-year grace period and an interest rate of 7% annually, out of which the Bank retains up to 2% to cover expenses.

As at 31 December 2010, all loans were approved to customers domiciled on the territory of Montenegro.

12. LOANS AND LEASES (Continued)

The concentration of total gross loans to customers per industry as of 31 December 2010 is as follows:

		EUR 000
	31 December 2010	**31 December 2009**
Agriculture, hunting and fishing	130	152
Civil engineering	885	350
Energy supply and mining	664	711
Trade	1,797	1,081
Services, tourism, accommodation industry	569	228
Transport, storage, postal services and telecommunication	487	276
Administration and other public services	3,218	2,830
Banks and other financial institutions	-	-
Retail customers	2,416	2,524
Other	3,900	2,508
Total	**14,066**	**10,660**

13. SECURITIES HELD TO MATURITY

Securities held to maturity as at 31 December 2010 in the amount of EUR 139 thousand (31 December 2009: EUR 178 thousand) relate to treasury bills of the Government of Montenegro. The Bank has 1,400 bills with a total nominal value of EUR 100.

14. BUSINESS PREMISES AND OTHER FIXED ASSETS

The movements for the year 2010 and 2009 are presented in the table below:

EUR 000

	Computers	Leasehold Improvements	Other Assets Used in Operations	Construction in Progress	Total
Cost					
Balance, 1 January 2009	303	421	224	10	958
Additions	-	-	-	1,293	1,293
Transfer from assets acquired	70	31	1	(102)	-
Sale and disposal	(10)	-	(2)	-	(12)
Balance, 31 December 2009	363	452	223	1,201	2,239
Balance, 1 January 2010	363	452	223	1,201	2,239
Additions	-	-	-	83	83
Transfer from assets acquired	31	2	3	(36)	-
Transfer to intangible assets	-	-	-	(99)	(99)
Sale and disposal	(9)	-	(2)	-	(11)
Balance, 31 December 2010	385	454	224	1,149	2,212
Accumulated Depreciation					
Balance, 1 January 2009	172	26	75	-	273
Amortization	74	44	29	-	147
Sale and disposal	(10)	-	(2)	-	(12)
Balance, 31 December 2009	236	70	102	-	408
Balance, 1 January 2010	236	70	102	-	408
Amortization	76	46	27		149
Sale and disposal	(10)	-	(2)		(12)
Balance, 31 December 2010	302	116	127	-	545
Net Book Value:					
- 31 December 2010	**83**	**338**	**97**	**1,149**	**1,667**
- 31 December 2009	**127**	**382**	**121**	**1,201**	**1,831**

At 31 December 2010 there are no encumbrances over the Bank's assets to serve as collateral for the timely and regular repayment of loans and other liabilities.

15. REPOSSESSED ASSET

Repossessed asset in the amount EUR 1,343 thousand as of 31 December 2010 (31 December 2009: EUR 581 thousand), subsequent to the impairment of EUR 400 thousand (31 December 2009: EUR 270 thousand) are associated with assets acquired based on the foreclosure of collateral against loans. These assets are measured in the amount of placements outstanding.

16. EQUITY INVESTMENTS IN OTHER LEGAL ENTITIES

	% of interest	31 December 2010	EUR 000 31 December 2009
Equity investments in subsidiaries and related parties:			
- Global Carbon d.o.o., Podgorica	100.00%	2,000	2,000
- Atlasmont banka a.d., Podgorica – common shares	2.92%	2,451	2,723
- Atlasmont banka a.d., Podgorica – priority shares	1.75%	100	91
		4,551	4,814
Securities held for trading:			
- Atlas capital financial	n/a	23	8
- Other		19	23
		42	31
Securities available for sale:			
- Fond Atlas Mont	1.56%	255	277
- CVMU "Meljine"	0.49%	125	-
- Crnogorski Telekom	0.01%	26	20
- Montenegroberza AD	6.68%	103	103
- Other		42	51
		551	451
Total		**5,144**	**5,296**

The Bank established a company Global Carbon d.o.o., Podgorica with the aggregate amount of founding capital of EUR 2 million. At 31 December 2009, the Bank is the sole owner of Global Carbon d.o.o., Podgorica. As of December 31, 2008, an amount of EUR 1,500 thousand of founding capital was paid in, and until January 9, 2009, the balance of EUR 500 thousand was also paid in.

The Bank has equity investments in Atlasmont banka a.d., Podgorica of EUR 2,451 thousand (2.92%) in the form of 1,068 common shares whose market value amounted to EUR 2,295 thousand. The Bank has equity investments in Atlasmont banka a.d., Podgorica amounted EUR 100 thousand (1.75%) in the form of 175 priority shares the market value of which amounted EUR 572 thousand.

As at 31 December 2010, the Bank holds 3,254,378 ordinary shares of the Fund Atlas Mont, the market value of EUR 0.0784 per share, the Bank has an interest in shares of the Fund in the amount of 1.56%.

17. OTHER ASSETS

	31 December 2010	EUR 000 31 December 2009
Interest, fee and commission receivables	218	47
Accrued interest	193	42
Accruals	20	15
Receivables from F002-Atlas CAP	2,333	-
Receivables on fees from custody activities	1	-
Other receivables	54	18
	2,819	122
Intangible assets	388	445
Total	**3,207**	**567**

Other receivables mainly relates to the receivables from Atlas Capital in the amount of EUR 2,333 thousand. The receivables relate to sale of bonds to Atlas Capital. Those bonds are used by the Atlas Capital for the purchase of Health Center Meljine.

	31 December 2010	EUR 000 31 December 2009
Provisions for potential losses contingent on other assets		
- interest	(4)	-
- other assets	(6)	(2)
- deposits with banks	-	-
- country risk and market risks	-	-
- repossessed assets	(400)	(270)
Total	**(410)**	**(272)**

The movements on intangible assets in 2010 and 2009 are as follows:

	2010	EUR 000 2009
Cost		
Balance, beginning of year	733	550
Transfers from construction in progress	98	183
Balance, end of year	**831**	**733**
Accumulated Amortization		
Balance, beginning of year	288	164
Charge for the year	155	124
Balance, end of year	**443**	**288**
Net Book Value:		
- 31 December	**388**	**445**
- 1 January	**445**	**386**

18. DEPOSITS

	31 December 2010	EUR 000 31 December 2009
On Demand deposits:		
- government agencies	3	4
- municipalities (public organizations)	3	4
- companies with majority state-ownership	1	19
- privately-owned corporate entities	970	1,018
- financial institutions	-	1
- retail customers	204	214
- other	11	33
	1,192	1,293
Short-term deposits:		
- privately-owned corporate entities	2,900	1,900
- companies with majority state-ownership	400	-
- privatization funds	8	-
- financial institutions	685	737
- retail customers	795	575
- other	-	1
	4,788	3,213
Long-term deposits		
- Montenegro Government	-	-
- privatization funds	80	-
- financial institutions	307	-
- privately-owned corporate entities	1,001	1,251
- retail customers	94	-
	1,481	1,251
Total	**7,462**	**5,757**

Demand deposits placed by retail customers in EUR were deposited at an interest rate of 1.5% annually.

18. DEPOSITS (Continued)

Short-term deposits of retail customers in EUR fall due within:

- 3 months and were deposited at an interest rate of 4% annually
- 6 months and were deposited at an interest rate of 5.5% annually
- 12 months and were deposited at an interest rate of 7.5% annually
- 24 months and were deposited at an interest rate of 8% annually
- 36 months and were deposited at an interest rate of 8.5% annually.

Demand deposits of corporate customers in EUR were deposited at an interest rate ranging from 0% to 1.5% annually.

Short-term deposits placed by corporate customers in EUR maturing within:

- 3 months and were deposited at an interest rate of 5% annually
- 6 months and were deposited at an interest rate of 6% annually
- 12 months and were deposited at an interest rate of 6.5% annually.

Long-term deposits of corporate customers in EUR fall due within:

- 24 months and were deposited at an interest rate of 7% annually
- 36 months and were deposited at an interest rate of 7.5% annually.

At 31 December 2010 the Bank had EUR 3,897 thousand (31 December 2009: EUR 2,995 thousand) of special purpose deposits placed as collaterals against lending and placements.

19. BORROWINGS

	Period/ Year	Annual interest rate	31 December 2010	31 December 2009
Domestic creditors				
Central Bank of Montenegro	15	1%	37	55
Foreign creditors:				
European Investment Bank	12	3.847%	4,000	2,000
Total			**4,037**	**2,055**

Borrowings stated as of 31 December 2010 in the amount of EUR 4,037 thousand (2009: EUR 2,055 thousand) are associated with the amounts owed to the European Investment Bank arising from a long-term loan for financing projects of small and medium sized entities and infrastructural projects with a 3-year grace period with interest rate EURIBOR 3M + 12.5 bps(The Bank has signed two credit agreements with European Investment Bank as of 26 August 2009 in the amount of EUR 2,000 thousand and as of 5 March 2010 in the amount of EUR 2,000 thousand) and payables based on securities converted into long-term debts as in accordance with the Law on Converting Loans and Other Receivables of the National Bank of Yugoslavia into long-term borrowings with a 5-year grace period.

20. LIABILITIES TO GOVERNMENT

Amounts owed to the Government as of 31 December 2010 amounted to EUR 288 thousand (31 December 2009: EUR 663 thousand) are associated with long-term loans obtained from the Republic of Montenegro Development Fund with a 4-year grace period, as well as with the liabilities towards the Directorate for Development of Small and Medium Sized Enterprises in Montenegro arising from long-term loans with a grace period of 24 months.

21. OTHER LIABILITIES

EUR 000

	31 December 2010	31 December 2009
Interest payables	1	1
Prepaid interest	21	20
Prepaid loan origination fees	97	59
Accounts payable	60	112
Income taxes payable	68	12
Deferred tax expenses	8	13
Winter food allowance	26	-
Payables to employees – housing fund	35	33
Retirement benefits payable to employees (Note 4)	3	2
Other liabilities	23	10
Total	**342**	**262**

22. PROVISIONS FOR LOSSES CONTINGENT ON OFF-BALANCE SHEET ITEMS

EUR 000

	31 December 2010	31 December 2009
Reserves for losses on:		
- off-balance sheet exposures	17	20
- operational risk	-	-
Total	**17**	**20**

23. SHARE CAPITAL

Share Symbol	Type of Shares	Par Value	Share Count	EUR 000 31 December 2010
PLJB	common	51.1292	121,602	6,217
INBA	priority	51.1292	95,792	4,898
INVE	priority	85.0000	16,221	1,379
Total				**12,494**

The Law on Banks ("Official Gazette of Montenegro," no. 17/2008) defines that the minimum cash amount of initial capital may not be less that EUR 5,000 thousand. At 31 December 2010, the Bank's capital complied with the prescribed minimum capital requirements.

Based on the Decision enacted by the Shareholder Assembly regarding VIII share issue via public offering as of February 6, 2007, the Bank's core capital increased through the issuance of 95,792 priority cumulative shares, with the par value of EUR 51.1292. Shares issued on this occasion carry rights to cumulative dividend of no more than EUR 1.70 per share, i.e. no more than 2% annually from the share par value before the payment of dividends to common shareholders.

Based on the Decision of the Shareholder Assembly on the Closed Offer of Shares to Existing Shareholders based on preemption rights number 03-137, as of January 23, 2008, the Bank's core capital was increased through the issuance of 16,221 priority cumulative shares with the par value of EUR 85.0000. Shares from this issue vest their holders in rights to cumulative dividend of no less than EUR 3.5790 per share i.e. at least 7% annually of the par value of share issue before the payment of dividend to the common shareholders.

Both share issues vest their shareholders in the following rights: right of convert their shares into common shares or the second class priority shares; priority right in bankruptcy or liquidation estate distribution; right to attend Shareholder Assembly meetings; these shares are non-voting ones, they do not allow insight into general acts, other documents, information and reports on the Bank's operations; they do not carry preemption rights to purchasing shares in case of capital increase in the Bank and other rights determined by the Law and the Bank's Articles of Association.

As at 31 December 2010, the Bank had commitments of EUR 1,352 thousand arising from undistributed dividends from priority cumulative shares for 2007, 2008, 2009 and 2010. The Bank's management did not recognize its liabilities towards holders of priority cumulative shares as in accordance with Article 83 of the Law on Banks prescribing that a bank may pay out dividends in cash if such payment exceeds net profit realized in the year for which dividend is to be paid only if it has previously obtained a written consent of the Central Bank of Montenegro.

23. SHARE CAPITAL (Continued)

The list of common shareholders of the Bank as of 31 December 2010 and 2009 is as follows:

	31 December 2010			31 December 2009		
Shareholder	Number of Shares	EUR 000	% Share	Number of Shares	EUR 000	% Share
Atlasmont banka a.d.,	32,392	1,656	26.64	38,292	1,958	31.49
FZU Atlas Mont a.d.,	32,284	1,651	26.55	32,284	1,651	26.56
Fin Invest d.o.o., Podgorica	29,166	1,491	23.99	29,166	1,491	23.98
IK Zbirni Kastodi račun	6,000	307	4.93			
Prenos a.d.	4,140	212	3.40	4,170	213	3.43
Elektroprivreda RCG	4,140	212	3.40	4,110	210	3.38
Uprava za šume Pljevlja	3,138	160	2.58	3,138	160	2.58
HA – Zbirni custody račun	2,282	117	1.88	2,282	117	1.88
Lovćen osiguranje a.d.,	2,200	112	1.81	2,200	112	1.80
Sekretarijat za urbanizam, građevinarstvo i stambeno-komunalne poslove	848	43	0.70	848	43	0.69
GP Građevinar d.d., Pljevlja	527	27	0.43	527	27	0.43
Other Shareholders	4,481	229	3.69	4,585	235	3.78
Total	**121,598**	**6,217**	**100.00**	**121,602**	**6,217**	**100.00**

The list of priority shareholders of the Bank as of 31 December 2010 and 2009 is as follows:

	31 December 2010			31 December 2009		
Shareholder	Number of Shares	EUR 000	% Share	Number of Shares	EUR 000	% Share
FZU Atlas Mont a.d.,	80,417	4,289	68.34	80,408	4,287	68.30
Atlasmont banka a.d.,	6,217	528	8.42	6,217	528	8.42
Fin Invest d.o.o., Podgorica	4,735	402	6.41	4,735	402	6.41
Kuzman Mladen	10,000	511	8.15	10,000	511	8.14
Podravska banka d.d.,	5,788	296	4.71	5,788	296	4.71
HA – Zbirni custody račun	300	15	0.24	400	20	0.32
Vujadinović Radivoje	500	26	0.41	500	26	0.41
Popović Ivan	500	26	0.41	500	26	0.41
DOO Institut za transport	300	15	0.24	-	-	-
Hrvatska poštanska banka	-	-	-	74	12	0.19
Sofico d.o.o.	293	15	0.24	293	15	0.24
Raguz Mario	290	15	0.24	-	-	-
Other Shareholders	2,673	139	2.19	3,098	154	2.45
Total	**112,013**	**6,277**	**100.00**	**112,013**	**6,277**	**100.00**

24. COMPLIANCE WITH REGULATORY REQUIREMENTS OF THE CENTRAL BANK OF MONTENEGRO

The Bank is required to maintain certain ratios pertaining to the volume of its activities and composition of risk assets in compliance with the Law on Banks and regulations of the Central Bank of Montenegro.

The Bank's core capital formed in accordance with the Decision on Capital Adequacy amounted to EUR 7,267 thousand. The Bank's core capital as of 31 December 2010 comprised of the basic elements of the Bank's own assets: paid-in share capital at par value, share premium collected, legal reserves, prior year retained earnings and current year retained earnings net of amount of intangible assets.

Supplementary capital amounted to EUR 7,267 thousand as of 31 December 2010 and was comprised of the sum of par values of priority cumulative shares and revaluation reserves created through the fair value adjustment of equity investments in other legal entities up to the amount of the Bank's core capital.

The Bank's own assets as of 31 December 2010 in the amount of EUR 9,880 thousand and represented the sum of the Bank's core capital, supplementary capital and deductions based on the following:

- Direct investments in another bank or another credit or financial institution in the amount exceeding 10% of capital of these institutions amounting to EUR 2,103 thousand; and
- Direct investments in another bank or credit institution up to 10% of capital that particular institution that exceed 10% of the Bank's own assets before deductions of EUR 2,551 thousand.

Risk-weighted balance sheet and off-balance sheet assets formed in accordance with the Decision on Capital Adequacy amounted to EUR 14,033 thousand at 31 December 2010.

In accordance with the Decision on Capital Adequacy in Banks in effect as of 31 December 2010, the Bank is to maintain minimum capital adequacy of 10%.

The capital adequacy ratio computed by the Bank as of 31 December 2010 amounted to 52.02% (2009: 56.96%) and it is above the prescribed minimum.

The major exposure towards a single entity and a group of related entities as of 31 December 2010 amounted to 18.56% and is within the prescribed maximum of 25% of the Bank's own assets. As at 31 December 2010, the Bank had no sum of large exposures exceeding 800% of own assets that would be considered excessive.

25. OFF-BALANCE SHEET ITEMS

	31 December 2010	EUR 000 31 December 2009
Guarantees to corporate entities:		
- payment guarantees	1,013	643
- performance bonds	212	111
- other guarantees	-	113
- undrawn loans	108	1,503
- loans written off and other assets	1,352	2,465
Other off-balance sheet items:		
- commission loans	203	-
- custody activities	2,301	1,385
- collateral	22,869	14,745
Total	**28,058**	**20,965**

As at 31 December 2010 the Bank assessed the provisions for potential losses for off-balance sheet items in the amount of EUR 20 thousand (31 December 2009: EUR 20 thousand). This reserve is recorded as a liability in the balance sheet.

There were no liabilities arising on forward operations as of 31 December 2010.

26. RELATED PARTY TRANSACTIONS

Law on Banks ("Official Gazette of Montenegro", no. 52/00, 32/02, 17/08 and 44/10) defines that a significant impact on the Bank have those persons who put one representative on the Board of Directors or a similar body of such legal entity, either through share of ownership, with the consent of shareholders or in any other way, and persons involved in decision making in the legal entity, regardless of whether that person can influence the prevailing on these decisions, or exercise influence over the entity.

Related party transactions relate to members of Atlas Group, Bank's shareholders, Bank's management and employees of the Bank.

The review of receivables and payables arising from transactions with related parties as of 31 December 2010 is presented in the following table:

		EUR 000
	31 December 2010	**31 December 2009**
Receivables		
Deposits:		
- Atlascapital Financial Services Limited, Nikozija	1,155	1,018
	1,155	1,1018
Loans:		
- Fin Invest d.o.o., Podgorica	3,000	2,000
- Univerzitet Mediteran, Podgorica	1,830	1,830
- Atlas grupa d.o.o., Podgorica	450	450
- Hotel Pljevlja a.d., Pljevlja	8	18
	5,288	4,298
Interest:		
- Fin Invest d.o.o., Podgorica	54	7
- Univerzitet Mediteran, Podgorica	4	-
- Atlas CAP	42	-
- Atlas grupa d.o.o., Podgorica	14	-
	114	7
Other receivables:		
- Trojica d.o.o., Pljevlja	538	538
- "Obnova" ad Pljevlja	574	-
- Opština Pljevlja	-	2
- Fin Invest d.o.o., Podgorica	-	-
- Global Carbon d.o.o., Podgorica	-	-
	1,112	540
Total	**7,609**	**5,863**

26. RELATED PARTY TRANSACTIONS (Continued)

		EUR 000
	31 December 2010	**31 December 2009**
Payables		
A vista Deposits:		
- Fin Invest d.o.o., Podgorica	-	2
- Global Carbon d.o.o., Podgorica	2	14
- Atlas Centar d.o.o., Podgorica	-	416
- DZU Atlasmont a.d., Podgorica	73	60
- FZU Atlasmont a.d., Podgorica	15	4
- Atlas Grupa d.o.o., Beograd	-	3
- Atlas Capital Financial services	162	-
- Atlas Group Limited	61	61
- Atlas Life a.d., Podgorica	1	-
- Univerzitet Mediteran, Podgorica	-	1
	314	561
Term Deposits:		
- Fin Invest d.o.o., Podgorica	-	60
- Global Carbon d.o.o., Podgorica	750	750
- Atlas Grupa d.o.o., Podgorica	1,050	50
- DZU Atlasmont a.d., Podgorica	100	350
- FZU Atlasmont a.d., Podgorica	600	600
- Atlas Group Limited	100	100
- Atlas Life a.d., Podgorica	377	110
- Društvo za upravljanje penzionim fondom Atlas Penzija a.d., Podgorica	43	27
	3,020	2,047
Interest expenses:		
- Atlas Grupa d.o.o., Podgorica	4	-
- DZU Atlasmont a.d., Podgorica	9	4
- FZU Atlasmont a.d., Podgorica	-	10
- Atlas Life a.d., Podgorica	6	20
	19	34
Total	**3,353**	**2,642**
Receivables/(payables), net	**4,256**	**3,221**
Off-balance sheet items		
Guarantees given:		
- Opština Pljevlja	-	113
Total	**-**	**113**

26. RELATED PARTY TRANSACTIONS (Continued)

The Bank's receivables arising from loans approved to related parties were collateralized by a cash deposit in the amount of 66.75% of receivable (2009: 57.38%), i.e. the cash deposit for these loans amounts to EUR 3,530 thousand (2009: EUR 2,530 thousand).

Income earned in related party transactions in 2010 in the amount EUR 243 thousand (2009: 232 thousand) and is associated with interest, fee and commission income charged on approved loans. Expenses incurred in related party transactions in the course of 2010 amounted to EUR 19 thousand (2009: EUR 54 thousand) and were associated with deposit expenses.

As at 31 December 2010, receivables from employees amounted to EUR 150 thousand (2009: EUR 123 thousand), and pertain to loans approved.

In 2010, the Bank paid to key management, including the General Director and heads of departments, an amount of EUR 101 thousand as remunerations (2009: EUR 136 thousand). The remunerations paid to the members of the Board of Directors amounted to EUR 32 thousand (2009: EUR 40 thousand).

27. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

The Bank is exposed to daily calls on its available cash resources which influence the available cash resources held on the current accounts or from deposits, The Bank does not maintain cash resources to meet all of these needs since historical experience demonstrates that a minimum level of reinvestment of maturing funds can be predicted with a high degree of certainty,

27. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (Continued)

The contractual maturities of the Bank's assets and liabilities components as of 31 December 2010 is as follows:

EUR 000

	Less than One month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial assets							
Cash and deposit accounts with depository institutions	3,006	-	-		-	-	3,006
Trading and available-for-sale excluding shares	50	-	-		-	-	50
Loans and other receivables	182	506	1,992	4,797	4,428	2,162	14,067
Securities held to maturity	-	139	-	-	-	-	139
Other financial assets including investments in shares	3,185	-	-	-	-	4,782	7,967
Total	6,423	645	1,992	4,797	4,428	6,944	25,229
Financial liabilities							
Deposits	1,438	1,888	1,025	2,561	550	-	7,462
Loans and borrowings	-	-	-	18	1,496	2,523	4,037
Liabilities towards the MNE	35	31	25	89	107	-	287
Other financial liabilities	253	-	-	-	-	-	253
Total	1,726	1,919	1,050	2,668	2,153	2,523	12,039
Maturity GAP:							
- 31 December 2010	4,697	(1,274)	942	2,129	2,275	4,421	13,190
- 31 December 2009	4,357	432	850	964	1,721	4,931	13,255
Cumulative GAP:							
- 31 December 2010	4,697	3,423	4,365	6,494	8,769	13,190	
- 31 December 2009	4,357	4,789	5,639	6,603	8,324	13,225	
% of total liquidity-bearing assets:							
- 31 December 2010	39%	28.4%	36.3%	53.9%	72.8%	109.6%	
- 31 December 2009	49.9%	54.8%	64.5%	75.6%	95.3%	151.7%	

27. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (Continued)

The contractual maturities of the Bank's assets and liabilities components as of 31 December 2009 is as follows:

EUR 000

	Less than One month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial assets							
Cash and deposit accounts with depository institutions	4,358	-	-	-	-	-	4,358
Trading and available-for-sale excluding shares	1,377	-	-	-	-	-	1,377
Loans and other receivables	352	515	1,777	3,775	2,893	1,347	10,659
Securities held to maturity	-	178	-	-	-	-	178
Other financial assets including investments in shares	503	-	-	-	-	4,917	5,420
Total	6,590	693	1,777	3,775	2,893	6,264	21,992
Financial liabilities							
Deposits	1,736	213	893	2,665	250	-	5,757
Loans and borrowings	-	-	-	18	704	1,333	2,055
Liabilities towards the MNE	35	48	34	128	218	-	463
Other financial liabilities	462	-	-	-	-	-	462
Total	**2,233**	**261**	**927**	**2,811**	**1,172**	**1,333**	**8,737**
Maturity GAP:							
- 31 December 2009	**4,357**	**432**	**850**	**964**	**1,721**	**4,931**	**13,255**
- 31 December 2008	**5,475**	**307**	**1,847**	**551**	**6,271**	**50**	**14,501**
Cumulative GAP:							
- 31 December 2009	**4,357**	**4,789**	**5,639**	**6,603**	**8,324**	**13,255**	
- 31 December 2008	**5,475**	**5,782**	**7,629**	**8,180**	**14,451**	**14,501**	
% of total liquidity-bearing assets:							
- 31 December 2009	**49.9%**	**54.8%**	**64.5%**	**75.6%**	**95.3%**	**151.7%**	
- 31 December 2008	**106.3%**	**112.2%**	**148.1%**	**158.8%**	**280.5%**	**281.4%**	

27. MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES (Continued)

The Bank's liquidity, as well as its ability to settle its liabilities when due, principally depends upon the Bank's balance sheet structure i.e. matching or balanced mismatching between inflows and outflows of assets. The structure of financial assets and liabilities as of 31 December 2010 is indicative of a constant net long position in the Bank within all its segments of maturities of financial receivables and payables. The main reason for the aforementioned is the fact that financial assets greatly exceed financial liabilities, which mostly comprise of special purpose deposits and securitize the Bank's payables arising from borrowings.

28. INTEREST RATE RISK

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk requires special treatment under the existing local circumstances of frequent interest rate movements, and the irregular relationship between capital supply and demand. Interest rate risk is unfavourable when there is fluctuation in the price of a loan in relation to the level of the effective interest rates on deposits, and the potential of a reduction in the optimal difference between the average interest rates on loans on one side, and deposits on the other.

28. INTEREST RATE RISK (Continued)

The table below shows the Bank's exposure to interest rate risk as of 31 December 2010:

EUR 000

	Less than One month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over one year	Total
Interest rate sensitive assets						
Interest-bearing deposits in other institutions	263	-	-	-	-	263
Interest bearing securities	-	139	-	-	-	139
Loans and other receivables	189	406	1,992	4,895	6,585	14,067
Total	452	545	1,992	4,895	6,585	14,469
% of total interest-bearing assets	3.12%	3.77%	13.77%	33.83%	45.51%	100.00%
Interest rate sensitive liabilities						
Interest bearing deposits	645	646	427	1,201	596	3,515
Interest-bearing borrowings	35	31	25	108	4,125	4,324
Total	680	677	452	1,309	4,721	7,839
% of total interest-bearing liabilities	8.67%	8.64%	5.77%	16.70%	60.22%	100.00%
Interest rate exposure:						
- 31 December 2010	(228)	(132)	1,540	3,586	1,864	6,630
- 31 December 2009	1,083	429	1,058	3,514	1,733	7,817
Cumulative GAP:						
- 31 December 2010	(228)	(360)	1,180	4,766	6,630	
- 31 December 2009	1,083	1,512	2,570	6,084	7,817	

28. INTEREST RATE RISK (Continued)

The table below shows the Bank's exposure to interest rate risk as of 31 December 2009:

EUR 000

	Less than One month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over one year	Total
Interest rate sensitive assets						
Interest-bearing deposits in other institutions	1,288	-	-	-	-	1,288
Interest bearing securities	-	177	-	-	-	177
Loans and other receivables	362	513	1,775	3,771	4,238	10,659
Total	1,650	690	1,775	3,771	4,238	12,124
% of total interest-bearing assets	13.61%	5.69%	14.64%	31.10%	34.96%	100.00%
Interest rate sensitive liabilities						
Interest bearing deposits	532	213	683	111	250	1,789
Interest-bearing borrowings	35	48	34	146	2,255	2,518
Total	567	261	717	257	2,505	4,307
% of total interest-bearing liabilities	13.16%	6.06%	16.65%	5.97%	58.16%	100.00%
Interest rate exposure:						
- 31 December 2009	1,083	429	1,058	3,514	1,733	7,817
- 31 December 2008	2,800	807	2,007	1,361	2,472	9,447
Cumulative GAP:						
- 31 December 2009	1,083	1,512	2,570	6,084	7,817	
- 31 December 2008	2,800	3,607	5,614	6,975	9,447	

29. CURRENCY RISK

The following table summarizes the net foreign currency position of the Bank's monetary assets and liabilities as of 31 December 2010 The Bank takes on exposure resulting from fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The management sets limits on exposures per individual currencies and monitors such exposure on regular basis.

The table below shows the Bank's exposure to interest rate risk as of 31 December 2010 and 31 December 2009:

EUR 000

	RSD	USD	GBP	CHF	Other	Total
Assets in foreign currencies	-	14		1	3	18
Liabilities in foreign currencies	-	10	-	-	-	10
Net foreign exchange position:						
- 31 December 2010	-	4	-	1	3	
- 31 December 2009	-	1	-	-	2	
% of first-tier capital:						
- 31 December 2010	-	0%	0%	0%	0%	
- 31 December 2009	-	0.02%	-	-	0.03%	
Aggregate open position:						
- 31 December 2010	8					
- 31 December 2009	3					
% of first-tier capital:						
- 31 December 2010	0%					
- 31 December 2009	0.05%					

29. CURRENCY RISK (Continued)

EUR 000

	RSD	USD	GBP	CHF	Other	Total
Assets in foreign currencies	-	2	-	-	2	4
Liabilities in foreign currencies	-	1	-	-	-	1
Net foreign exchange position:						
- 31 December 2009	-	1	-	-	2	
- 31 December 2008	-	11	-	-	1	
% of first-tier capital:						
- 31 December 2009	-	0.02%	-	-	0.03%	
- 31 December 2008	-	0.14%	-	-	0.01%	
Aggregate open position:						
- 31 December 2009	3					
- 31 December 2008	12					
% of first-tier capital:						
- 31 December 2009	0.05%					
- 31 December 2008	0.16%					

30. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

In Montenegro, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result of this, fair value cannot readily or reliably be determined in the absence of an active market. The Bank's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision.

Bank's management believes that fair values of assets and liabilities do not significantly differ from their book values.

31. LITIGATION

As at 31 December 2010, there were several legal suits filed against the Bank in the amount of EUR 216 thousand. The aforementioned amount does not include penalties which may be assessed upon the resolution of litigations. Management of the Bank and the Legal Department do not anticipate materially significant negative effects thereof on the financial statements of the Bank.

32. TAXATION RISKS

Montenegro tax legislation is subject to varying interpretations, and legislative changes occur frequently. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Bank may not concur with the views of the Bank's management. Consequently, transactions may be challenged by the relevant tax authorities and the Bank could be assessed additional taxes, penalties and interest, which can be significant. The fiscal periods remain open for review by the tax and customs' authorities with regard to the tax-paying entity's tax liabilities for a period of five years. The Bank's management holds that tax liabilities recorded in the financial statements are fairly stated.

33. EXCHANGE RATES

The official exchange rates for major currencies used in the translation of balance sheet items denominated in foreign currencies, into Euros as at 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
USD	0.7530	0.6974
CHF	0.8016	0.6721
GBP	1.1625	1.1062

34. SUBSEQUENT EVENTS

The Bank did not have any significant after balance sheet events that would have materially significant influence on the financial statements.

ANALYSIS OF
STAND ALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

A ANALYSIS OF THE INDIVIDUAL FINANCIAL STATEMENTS

I INTRODUCTION

Stand alone financial statements of Invest Banka Montenegro A.D., Podgorica (hereinafter "the Bank"), which were subject of audit, have been prepared in accordance with accounting standards and regulations of Montenegro and regulations of Central Bank of Montenegro governing financial reporting of banks. The prescribed forms of financial statements were submitted within the legal deadline of the Central Bank of Montenegro.

II INCOME STATEMENT AND BALANCE SHEET ANALYSIS

Detailed analysis of the balance sheet and income statement is provided in the notes (from 3 to 24).

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK

I BANK ASSET QUALITY

Classification of assets and the relevant off balance sheet items, in the terms of determining asset quality, was performed in accordance with the Decision of the Central Bank of Montenegro on the Minimum Standards for Credit Risk Management in Banks ("Official Gazette "no. 60/2008 and 87/2009), the Decision on Amendments of Decision on Minimum Standards for Credit Risk Management ("Official Gazette of Montenegro", no. 41/09) and in accordance with the Decision on the temporary measures Credit Risk Management in Banks.

The Bank's classification is verified by auditors on a sample covering 92.33% of total credit risk exposure at 31 December 2010.

Performance Indicators of Bank debtors are taken in consideration when determining the classification of assets and the required provisions for potential losses of the Bank as well as the quality of debt service, renewal of loans to debtors in the same year, the quality of collateral instruments and confirmation of credit and interest collection during the 2011 year, until the audit conclusion.

Summarizing the results of a quality of the Banks' balance sheet and off-balance sheet assets from the point of collectability and the need for creating reserves for providing the Bank against potential losses, provided the following relations and parameters:

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

I BANK ASSET QUALITY (Continued)

The structure of risk weighted assets and off balance sheet items as at 31 December 2010 and 2009 is shown in the following table:

EUR 000

	2010			2009		
	Amount	%	Formed reserves	Amount	%	Formed reserves
Loans	14,066		135	10,660		326
Less: Loans collateralized	(3,897)			(2,995)		-
	10,169	79	135	7,665	83	326
Accrued interest	155	1	4	28	-	-
Other risk balance sheet assets	1,312	10	406	581	6	272
Contingent liabilities	1,224	10	17	997	11	20
Total risk exposure	12,860	100	562	9,271	100	618

Asset structure by categories of risk, after allowing for cash deposits, as at 31 December 2010, is shown in the following table:

EUR 000

Category	Loans	Accrued interest	Other asset	Off-balance evidence	Total	%
A	6,700	20	21	681	7,422	58
B	3,317	135	43	543	4,038	31
C	142	-	1,248	-	1,390	11
D	10	-	-	-	10	
Total	10,169	155	1,312	1,224	12,860	100

Bank's credit policy, adopted by Committee for Credit Risk Management in January 2010, is in compliance with the Decision of the Central Bank on minimum standards for loan concentration risk management.

The highest exposure to a single entity at 31 December 2010 amounts to 18.56%, and it is within the prescribed maximum of 25% of the own funds. As at 31 December 2010 the Bank did not have the sum of large exposures exceeding 800% of own funds.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

II EQUITY AND CAPITAL ADEQUACY

As at 31 December 2010 share capital of the Bank comprise 121,602 ordinary shares, with nominal value EUR 51.1292 and 112.014 preferred shares, of which 95.792 shares with nominal value of EUR 51.1292 and 16.221 shares with nominal value of EUR 85.0000. The Law on Banks ("Official Gazette of Montenegro," no. 17/2008) defines that the minimum cash amount of initial capital may not be less that EUR 5,000 thousand.

The Bank completed two share issues in 2007 and 2008. Based on the Decision enacted by the Shareholder Assembly regarding VIII share issue via public offering as of February 6, 2007, the Bank's core capital increased through the issuance of 95,792 priority cumulative shares, with the par value of EUR 51.1292. Based on the Decision of the Shareholder Assembly on the Closed Offer of Shares to Existing Shareholders based on preemption rights number 03-137, as of January 23, 2008, the Bank's core capital was increased through the issuance of 16,221 priority cumulative shares with the par value of EUR 85.0000.

Shares from this issue vest their holders of preference shares the following rights: the right to cumulative dividends, a minimum of EUR 1.70 per share, at least 2% annually of the par value of share issue, before the payment of dividend to the common shareholders based on emissions on 6 February 2007, or the right to cumulative dividends at least at the level of EUR 3.5790 per share, or at least 7% per annum of the nominal value of share issues, before the payment of dividend to the common shareholders based on emissions from 23 January 2008, right of convert their shares into common shares or the second class priority shares; priority right in bankruptcy or liquidation estate distribution; right to attend Shareholder Assembly meetings; these shares are non-voting ones, they do not allow insight into general acts, other documents, information and reports on the Bank's operations; they do not carry preemption rights to purchasing shares in case of capital increase in the Bank and other rights determined by the Law and the Bank's Articles of Association

As at 31 December 2010, the Bank had commitments of EUR 1,352 thousand arising from undistributed dividends from priority cumulative shares for 2007, 2008, 2009 and 2010. In accordance with Article 83 of the Law on Banks ("Official Gazette of RM" no. 17/2008) prescribing that a Bank may pay out dividends in cash if such payment exceeds net profit realized in the year for which dividend is to be paid only if it has previously obtained a written consent of the Central Bank of Montenegro. The Central Bank may forbid or restrict the payment of dividends to shareholders if dividend payments threaten the capital adequacy, liquidity or operations activities of the Bank.

As at 31 December 2010, profit for the year is EUR 642 thousand, and retained profit from previous years amounted to EUR 719 thousand.

The Bank is obligated to obtain the extent of its operations within the prescribed parameters, i.e. that the scope and structure of risk assets is in compliance with the Law on Banks and the regulations of the Central Bank of Montenegro.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

II EQUITY AND CAPITAL ADEQUACY (continued)

The Bank's core capital formed in accordance with the Decision on Capital Adequacy amounted to EUR 7,267 thousand. The Bank's core capital as of 31 December 2010 comprised of the basic elements of the Bank's own assets: paid-in share capital at par value, share premium collected, legal reserves, prior year retained earnings and current year retained earnings net of amount of intangible assets.

Supplementary capital amounted to EUR 7,267 thousand as of 31 December 2010 and was comprised of the sum of par values of priority cumulative shares and revaluation reserves created through the fair value adjustment of equity investments in other legal entities up to the amount of the Bank's core capital.

The Bank's own assets as of 31 December 2010 in the amount of EUR 9,880 thousand and represented the sum of the Bank's core capital, supplementary capital and deductions based on the following:

- Direct investments in another bank or another credit or financial institution in the amount exceeding 10% of capital of these institutions amounting to EUR 2,103 thousand; and
- Direct investments in another bank or credit institution up to 10% of capital that particular institution that exceed 10% of the Bank's own assets before deductions of EUR 2,551 thousand.

Risk-weighted balance sheet and off-balance sheet assets formed in accordance with the Decision on Capital Adequacy amounted to EUR 14,033 thousand at 31 December 2010.

In accordance with the Decision on Capital Adequacy in Banks in effect as of 31 December 2010, the Bank is to maintain minimum capital adequacy of 10%.

The capital adequacy computed by the Bank as of 31 December 2010 amounted to 52.02% (2009: 56.96%) and it is above the prescribed minimum.

The major exposure towards a single entity and a group of related entities as of 31 December 2009 amounted to 18.56% and is within the prescribed maximum of 25% of the Bank's own assets. At 31 December 2010, the Bank had no sum of large exposures exceeding 800% of own assets that would be considered excessive.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

III LIQUIDITY OF THE BANK

Liquidity risk management is defined by Policies and procedures for managing liquidity risk, adopted in March 2009, which defines the responsibilities of the Bank's liquidity management, through the following organs:

- the management of the Bank;
- Risk Manager;
- The Committee on Asset and Liability Management (ALCO).

The liquidity of the Bank is defined as its ability to settle its overdue obligations. The Bank is exposed to daily obligations for withdrawal of funds by customers, affecting the funds available from current accounts, deposits, withdrawals of loans. The Bank does not have to maintain the level of funds in order to meet all potential requirements, estimating that the minimum level of reinvestment of maturing funds can be predicted with certainty. Compliance and controlled inconsistency of interest rates and maturities of assets and liabilities are fundamental for Bank's management. It is unusual for banks to completely harmonize investments and sources, since the different types of business transactions perform for an indefinite period.

Bank's liquidity risk management implies that the liquidity is based on a regular and stable collection of receivables on their maturity dates, and accordingly the Bank monitors the funds disbursed from the point of probability of collection in agreed period. The primary sources of Banks funds are deposits of domestic legal entities and retail clients as well as short-term credit lines granted by Banks.

The Bank maintains liquidity by constantly monitoring of liquidity risk prescribe the following: The minimum of funds the Bank shall maintain in cash and cash equivalents in relation to current liabilities, in order to maintain adequate liquidity, that comply with the Decision on Minimum Standards for Liquidity Risk Management in Banks ("Official Gazette of RM" no. 60/08); Activities undertaken by the Bank in case of unexpected situations, where there is the possibility of threat to liquidity; Reports on exposures and liquidity ratios.

The policy for managing liquidity risk management defines the critical circumstances and situations, critical description of all circumstances and situations, activities and measures and responsibilities for the same, measures and opportunities to secure additional sources of funds and adjust the current structure of resources in emergency situations and plans for communication with regulatory authorities, public and the largest customers in case of emergencies.

Procedures for measurement, control and monitoring of liquidity risk prescribe the following: The minimum of funds the Bank shall maintain in cash and cash equivalents in relation to current liabilities, in order to maintain adequate liquidity, that comply with the Decision on Minimum Standards for Liquidity Risk Management in Banks ("Official Gazette of RM" no. 60/08); Activities undertaken by the Bank in case of unexpected situations, where there is the possibility of threat to liquidity; Reports on exposures and liquidity ratios.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

III LIQUIDITY OF THE BANK (continued)

As at 31 December 2010 and 31 December 2009 liquidity of the Bank can be closer consider from the following indicators:

				2010	2009
Loans / Deposits	=	14,066 / 7,461	x 100 =	188.53%	185.17%
Liquid assets / Deposits	=	3,006 / 7,461	x 100 =	40.29%	75.70%
Liquid assets / Total assets	=	3,006 / 28,077	x 100 =	10.71%	17.97%
Liquid assets / Current liabilities	=	3,006 / 7,363	x 100 =	40.83%	69.93%

The ratio of loans and deposits slightly increased compared to the indicator in 2009 as a result of loan growth by 34.81% in 2010 compared to slower growth in deposits by 29.60% in 2010.

The ratio of liquid assets and deposits, on the one side and the ratio of total assets and current liabilities, on the other side, are declining in relation to comparable indicators, due to the declining of liquid assets of 31.02%. The liquid assets comprise cash and cash equivalents, in which structure there was decrease in nostro accounts, bank accounts, as well as cash on hand and term deposit, while the obligatory reserve with the Central Bank has been reduced.

Maturity gap of financial assets and liabilities as at 31 December 2010 is shown in Note 28.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

IV INTEREST RATE RISK

Existing interest rate determined by the Decision on interest rates and fees by the commercial banking sector. This decision defines the basic goals and guidelines for interest rate policy, principles and method of determining the interest rates agreed by contract, calculate and charge interest on loans and other receivables, or pays on deposits and other received funds.

The Bank accepts a certain exposure to the effects of changes in levels of market interest rates on its financial position and cash flows. As a result of such changes the Bank's interest margin may increase, but it may also occur in the reduction or loss occurring in case of unexpected movements in interest rates.

In accordance with the Policies and procedures for managing interest rate risk, adopted in March 2009, the Bank manages the risk of interest rate risk and should provide:

- identification of existing interest rate risk and the risks that may arise from new business product or activity;
- measure of interest rate risk through the establishment of mechanisms and procedures for accurate and timely assessment of interest rate risk;
- monitoring of interest rate risk by analyzing the situation, changes and trends;
- controlling of interest rate risk, risk management on level acceptable to the Bank's risk profile.

The system of interest-rate risk management must be appropriate to the level of risk taken and the complexity of products and services used by the Bank in its operation activities.

By defining the limits for the level of exposure to interest rate risk in the following manner, and in accordance with the policy of interest rate risk management:

The Bank measures interest rate risk through the preparation of GAP reports for all items of assets, liabilities and off balance sheet items, as well as other fees or expenses that are exposed to interest rate risk.

GAP analysis calculates the coefficient of interest rate risk by the following formula:

$$\text{Coefficient of interest rate risk} = \frac{\text{Interest bearing assets}}{\text{Interest bearing liabilities}}$$

The value of the coefficient may be greater than one, less than or equal to one. GAP is positive if the coefficient of risk is greater than one, which means the greater influence of interest rates on assets in the balance than on the liabilities, meaning a high risk in case of falling interest rates.

If the coefficient is less than one GAP is negative. This entails a greater impact of interest rate on liabilities than on assets, which means a big risk if interest rates increase.

If the GAP is zero there is no exposure to interest rate risk to the Bank.

The optimum range for the coefficient of interest rate risk, IBA compared to IBL, is from 0.85 to 7 for one year.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

IV INTEREST RATE RISK (continued)

Active interest rates on loans approved to corporate clients during 2010 are as follows:

Type of Loan	Interest rate
Short term loan	10% - 16%
Long term loan	10% - 16%
Loans secured by deposit	Passive interest rate + 4.5% - 6.5% p.a.
Loans from the earmarked funds	Interest margin is defined in the grant Agreement and is at least 2% p.a.
tive interest on interbank loans	From 4.5% to 6.5% p.a.

Active interest rates on loans approved to retail clients during 2010 are as follows:

Type of Loan	Interest rate
Cash loans, loans for refinancing of obligations with other banks, cash loans for start up business and cash earmarked loans for the purchase of consumer goods (non-clients)	14% - 20%
Cash loans, loans for refinancing of obligations with other banks, cash loans for start up business and cash earmarked loans for the purchase of consumer goods (clients)	12%
Cash loans for special clients of the Bank	10%
Overdraft for special clients of the Bank	10%

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

IV INTEREST RATE RISK (continued)

The passive interest rates on deposits of corporate clients during 2010 are as follows:

Type of deposit	Interest rate
Deposits in EUR:	
A-Vista	0%-1.5%
Up to 3 months	5%
Up to 6 months	6%
Up to 12 months	6.5%
Up to 24 months	7.0%
Over 24 months	7.5%
Deposits in foreign currencies:	
A-Vista	Without interest
Term	Under contract

The passive interest rates on deposits of retail clients during 2010 are as follows:

Type of deposit	Interest rate
Deposits in EUR:	
A-Vista	1.5%
Up to 3 months	4%
Up to 6 months	5,5%
Up to 12 months	7.5%
Up to 24 months	8%
Up to 36 months	8.5%
Deposits in foreign currencies:	
A-Vista	Without interest
Term	Under contract

V FOREIGN-EXCHANGE RISK

According to the Decision of the Central Banks minimum standards for market risk management in banks ("Official Gazette of Montenegro", no. 60/08), the following limits related to open foreign exchange position are established:

- Individual open position at the end of the day for the currencies from exchange rate list of Europe Central Bank – max. 15% of share capital;
- Aggregate open position at the end of the day for the currencies from referral exchange rate list of Europe Central Bank – max. 20% of share capital;
- Net open position at the end of the day for other currencies, cannot exceed 5% of the Bank's capital on an individual basis (currencies that are not at the reference exchange rate list of the European Central Bank);
- Net open position at the end of the day for other currencies, not exceed 10% of the Bank's capital on aggregate basis.

As at 31 December 2010 the Bank has not differed from the prescribed exposure. Net foreign exchange position as at 31 December 2010 is shown in Note 28.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

V FOREIGN-EXCHANGE RISK (continued)

The Bank manages foreign exchange risk on the basis of policies for market risk management and procedures for measurement, control and monitoring of foreign exchange risk. In accordance with this policy, the Bank manages foreign exchange risk by monitoring the rate of currency in world markets, maintaining foreign currency receivables at least in the volume of foreign currency payables, as well as maintaining maturity harmonization of foreign currency assets and liabilities.

Risk manager, financial management sector and ALCO are responsible for the monitoring and management of foreign exchange risk.

The Bank had no irrevocable stand-by arrangements as at 31 December 2010.

VI COUNTRY RISK

The Bank manages country risk based on country risk management policy and procedure for measurement, control and monitoring of country risk.

Basis for managing country risk are defined in the Policy for Country Risk Management, adopted in October 2010 The country risk is probability of incurring losses for the Bank, due to the inability to collect receivables from entities outside of Montenegro for political, social and economic reasons of the debtor's country of origin.

Country risk at 31 December 2010 was calculated using the current methodology rating of debtors countries. The following percentages of reserves are defined by the Policy of country risk management, in accordance with the rating of the country to which the bank has exposure (Standard & Poor's):

Risk categories	**Ponder of risk**
Non-risk countries	0%
Low-risk countries	50-100%
The medium risk countries	150-250%
High risk countries	Minimal 300%

Responsible for monitoring of country risk are: Department of International Affairs, Manager of Risk Management and ALCO. The manager has an obligation to take care of identifying, measuring and monitoring the Bank's exposure to country risk. Risk manager reports ALCO which reports to the Board of Directors once a month.

In accordance with the Decision on Capital adequacy the Bank is obliged to calculate required capital for country risk. Calculated required capital for country risk as at 31 December 2010 is EUR 81 thousand.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

VII OPERATIONAL RISK

In accordance with the Decision of the Central Bank of minimum standards for operational risk management in banks ("Official Gazette of RM" no. 24/2009), which was adopted at the session of the Central Bank of Montenegro, held on 23 and 24 February 2009, the Bank adopted in March 2009 a policy and procedures for managing operational risk. This policy prescribes the methods and procedures to identify and measure risks, precautions, responsibilities and reporting system.

Operational risk is defined as the risk of loss due to improper or inappropriate conduct and actions of employees, inadequate and / or errors in processes and organization, inadequate and / or error in systems and infrastructure or due to external factors and influences.

In accordance with the Decision of the Central Bank, the Bank is obliged that for operational risk exceeding 1% of venture capital and for the losses arising from, inform the Central Bank of Montenegro, at the latest within eight working days from the date of loss occurred.

In accordance with the Decision on Capital adequacy the Bank is obliged to calculate required capital for operational risk. Calculated required capital for operational risk as at 31 December 2010 is EUR 340 thousand.

VIII SYSTEM OF INTERNAL CONTROL AND INTERNAL AUDIT

Organizational structure of the Bank established levels and lines of authority and responsibility with a clear delimitation between the functions of management and functions of governance. The management bodies are: the Assembly of the Bank and the Board of Directors of the Bank.

Bank managed by the Chief Executive Officer.

The Bank has not established a special department of internal audit, but has established function of mandatory independent internal audit, so that the internal auditor reports directly to the Board of Directors. Internal audit activities are performed in accordance with the Rulebook of internal audit:

- Compliance with relevant rules, guidelines, instructions and standards;
- Evaluation of the reliability of rules and division of duties within the banking operations;
- Review and assess the effectiveness and benefits of financial and administrative controls;
- Monitoring the adequacy, reliability, security inviolability of accounting and other management information systems;
- Review of effectiveness and efficiency of banking operations;
- Testing the validity of measures used to achieve banking operations;
- Test and evaluation of the adequacy and effectiveness of internal controls;
- Review of application and effectiveness of risk management procedures and assessment methodologies of risk assessment;
- Customer information systems, with special emphasis on electronic information systems and banking applications;
- Assessment of the accuracy and reliability of accounting financial statements;
- Assessment of the banking system in the determination of capital in relation to the estimated risk;
- Testing of transactions and functioning of specific internal control procedures;
- Adherence to legal and statutory regulations, code of ethics, implementation of policies and procedures;
- Conducting special investigations.

Internal audit plan is passed at the beginning of the year for the next year. Internal audit plan determines areas of business that will be audited, the extent of coverage of internal audits in various areas of operations, procedures and activities that will be implemented in the audit process of the planned business areas, the deadlines for implementation of planned activities and for reporting.

B REVIEW AND EVALUATION OF OPERATION QUALITY AND FINANCIAL POSITION OF THE BANK (Continued)

VIII SYSTEM OF INTERNAL CONTROL AND INTERNAL AUDIT (continued)

The internal auditor submits the Management of the Bank quarterly and annual reports on audit activity. Audit report contains a description of performed audit procedures, audit findings and recommendations for remedying the irregularities, suggestions for improving the functioning of internal control and review of corrected irregularities identified in previous audits and evaluations of the proposed correction of irregularities.

C REVIEW OF ORGANIZATIONAL STRUCTURE

The Bank carries on business in the Headquarters in Podgorica and branch in Pljevlja.

The bank carries on business through the following organizational units - the Department or independent of the Department, as follows:

1. Executive management
1.1 Chief Executive Officer
1.2 The Deputy Chief Executive Director
1.3 Executive Director
2. Internal Audit
3. Anti money laundering and terrorist financing
4. Advisor to the Board of Directors of the Bank
5. Investment banking and information technology
5.1. Investment Banking
5.1.1. Department of custody operations
5.2. Information Technology Sector
6. Commercial banking, control, operations, finance and accounting
6.1. Commercial banking sector
6.1.1. Branch in Pljevlja
6.2. Department for controlling
6.2.1. Department of Legal and Administrative Affairs
6.2.2. Risk Management
6.2.3. Monitoring compliance with the regulations of the Bank
6.2.4. Managing IT Security
6.3. Operations Department
6.3.1. Department for international payments (domestic and foreign)
6.3.2. Department for operations management
6.4. Department for finance and accounting.

As at 31 December 2010, the Bank has 36 employees (31 December 2009: 34 employees).

Qualification structure as at 31 December 2010 is as follows:

	Number of employees	%
University degree	30	79
Secondary education	6	21
	36	100

C REVIEW OF ORGANIZATIONAL STRUCTURE (Continued)

Members of the Board of Directors on 31 December 2010 are:

Name	Role
Rajko Bujković (Jadranski sajam a.d., Budva)	President
Nina Ivančev (Atlas grupa, Beograd)	Member
Sonja Burzan (AtlasMont banka ad, Podgorica)	Member
Predrag Dašić (Banka)	Member
Basil Petrides	Member

Members of Audit Committee as at 31 December 2010 are as follows:

Name	Role
Sonja Burzan	President
Danijela Laketić	Member
Slobodan Manojlović	Member

Members of ALCO Committee as at 31 December 2010 are as follows:

Name	Role
Zoran Nikolić	President
Milanka Radunović	Member
Ana Brailo	Member
Jelena Laban	Member
Enes Kurpejović	Member
Danijela Žarković	Member

As at 31 December 2010 General Executive Manager of the Bank is Mr. Zoran Nikolić.

As at 31 December 2010 Internal Auditor of the Bank is Mrs. Marina Dedić.

D INFORMATION SYSTEM

Ernst & Young has been engaged to check the adequacy of information system of the Bank and made Report on quality of informational system of the Bank in 2010.

E REPORT IN SUMMARY FORM

In accordance with the Decision on Reports that banks submit to the Central Bank of Montenegro, the report in a short form consists of audit opinions on financial statements, income statement and balance sheet, data on members of the Board of Directors, the Audit Committee, data on ALCO Committee, data on Chief Executive Officer and internal auditor of the Bank and data on performance indicators.

ERNST & YOUNG

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This is English translation of the Report originally issued in Montenegrin language (For management purposes only)

INDEPENDENT AUDITORS' REPORT
TO THE OWNERS OF INVEST BANKA MONTENEGRO A.D. PODGORICA

Report on Financial Statements

We have audited the accompanying financial statements of Invest Banka Montenegro a.d. Podgorica (hereinafter: the Bank), which comprise the balance sheet as at 31 December 2010, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and Auditing and the regulations of the Central Bank of Montenegro governing financial reporting of banks, 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 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of 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 Law on Accounting and Auditing and the regulations of the Central Bank of Montenegro governing financial reporting of banks.

Other matter

The financial statements of the Bank for the year ended 31 December 2009 were audited by another auditor who expressed an unmodified opinion on those statements on 28 May 2010.

Podgorica, 9 May 2011

Ernst & Young Montenegro d.o.o.
Podgorica, Crna Gora

Stephen Fish
Partner

Danijela Dimovski
Authorized auditor

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2010

EUR 000

	Notes	2010	2009
Interest income	3	1,190	1,045
Interest expense	3	(222)	(92)
Net interest income		968	953
Expenses for losses	4	(24)	(422)
Net income		944	531
Fee and commission income	5	137	347
Fee and commission expense	5	(122)	(224)
Net fee and commission income		15	123
NET FEE AND COMMISSION INCOME		959	654
Other income/(expenses), net	6	1,103	1,112
Other expenses	7	(1,356)	(1,433)
NET INCOME/(EXPENSES)		706	333
PROFIT BEFORE TAX		706	333
Income taxes	8	(64)	(30)
PROFIT FOR THE YEAR		642	303
Earnings per share	9		
-ordinary share		-	-
-preference share		43.8469	-

These stand alone financial statements were approved by the Management Board of Invest Banka Montenegro A.D., Podgorica, as of February 21, 2011.

Signed on behalf of Invest Banka Montenegro A.D., Pogorica by:

The person responsible for the preparation of financial statements	Chief Executive Officer
Radunović M.	
Milanka Radunović	Zoran Nikolić

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BALANCE SHEET AS OF DECEMBER 31, 2010

	Notes	2010	EUR 000 2009
ASSETS			
Cash and deposit accounts held with depository institutions	10	3,006	4,358
Securities available for sale, excluding shares	11	50	1,377
Loans and leases	12	13,931	10,334
Securities held to maturity	13	139	178
Business premises and other fixed assets	14	1,667	1,831
Repossessed assets	15	1,343	581
Equity investments in other legal entities	16	5,144	5,296
Other assets	17	3,207	567
Less: Provisions for potential losses on other assets	17	(410)	(272)
TOTAL ASSETS		28,077	24,250
LIABILITIES			
Deposits	18	7,462	5,757
Borrowings	19	4,037	2,055
Liabilities to Government	20	288	663
Other liabilities	21	342	262
Provisions for losses contingent on off-balance sheet items	22	17	20
TOTAL LIABILITIES		12,146	8,757
EQUITY			
Share capital	23	12,494	12,494
Share premium		2	2
General reserves		73	73
Revaluation reserves		2,001	2,205
Retained earnings		1,361	719
TOTAL EQUITY		15,931	15,493
TOTAL LIABILITIES AND EQUITY		28,077	24,250
OFF-BALANCE-SHEET ITEMS	25	28,058	20,965

These stand alone financial statements were approved by the Management Board of Invest Banka Montenegro A.D., Podgorica, as of February 21, 2011.

Signed on behalf of Invest Banka Montenegro A.D., Pogorica by:

The person responsible for the preparation of financial statements	Chief Executive Officer
Radunović M.	
Milanka Radunović	Zoran Nikolić

Invest Banka Montenegro • PODGORICA •

INFORMATION ON THE BOARD OF DIRECTORS, AUDIT COMMITTEE, CHIEF EXECUTIVE OFFICER AND INTERNAL AUDITOR

Members of the Board of Directors as at 31 December 2010 are as follows:

Name	Role
Rajko Bujković (Jadranski sajam a.d., Budva)	President
Nina Ivančev (Atlas grupa, Beograd)	Member
Sonja Burzan (AtlasMont banka ad, Podgorica)	Member
Predrag Dašić (Banka)	Member
Basil Petrides	Member

Members of Audit Committee as at 31 December 2010 are as follows:

Name	Role
Sonja Burzan	President
Danijela Laketić	Member
Slobodan Manojlović	Member

Members of ALCO Committee as at 31 December 2010 are as follows:

Name	Role
Zoran Nikolić	President
Milanka Radunović	Member
Ana Brailo	Member
Jelena Laban	Member
Enes Kurpejović	Member
Danijela Žarković	Member

As at 31 December 2010 General Executive Manager of the Bank is Mr. Zoran Nikolić.

As at 31 December 2010 Internal Auditor of the Bank is Mrs. Marina Dedić.

PERFORMANCE INDICATORS OF THE BANK AS AT 31 DECEMBER 2010

The performance indicators at 31 December 2010 are as follows:

Indicators	Achieved
Capital stock	EUR 7,267 thousand
Additional paid-in capital	EUR 7,267 thousand
Net Asset	EUR 9,880 thousand
Weighted balance and off-balance Asset	EUR 14,033 thousand
capital adequacy	52.02%
ROA	2,51%
ROE	4,03%