INVEST BANK MONTENEGRO AD, PODGORICA

Financial Statements
Year Ended December 31, 2013 and
Independent Auditors' Report

This Report is translation of the Auditors' Report issued in the Montenegrin language. In the case of any discrepancy between the Montenegrin and English versions, the Montenegrin shall prevail.

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Deloitte d.o.o.
Bulevar Svetog Petra Cetinjskog bb,
Zgrada Maxim
81000 Podgorica
Crna Gora

Tel: +382 (0) 20 228-324
+382 (0) 20 228-096
Fax: +382 (0) 20 228-327
www.deloitte.com

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INDEPENDENT AUDITORS' REPORT

To the Shareholder Assembly of Invest banka Montenegro AD, Podgorica

We have audited the accompanying financial statements (pages 3 to 50) of Invest bank Montenegro AD, Podgorica (the "Bank"), which comprise the balance sheet as of December 31, 2013 and the related income statement, statement of changes in equity and cash flow statement for the year than 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 of Montenegro and regulations of the Central Bank of Montenegro governing financial reporting of banks, as well as for internal control relevant to 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 and the Law on Accounting and Auditing of Montenegro. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2013 and its financial performance and cash flows for the year then ended in accordance with the the accounting regulations of Montenegro and regulations of the Central Bank of Montenegro governing financial reporting of banks.

Emphasis of Matter

The Bank has credit risk concentration in respect of loans approved to a small number of customers, where loan restructuring was applied in terms of repayment period extension, whereby both the principal and interest due are repaid in a lump sum upon loan maturity. The total gross exposure to such customers amounts to at least EUR 7,966 thousand as of December 31, 2013 for which impairment allowance in the amount of EUR 9 thousand was made. Given the fact that the Bank possesses no records on historical collections from these customers, it is possible that the recoverability of these loans in the upcoming period will depend on the Bank's ability to foreclose collaterals in the amounts necessary to cover at least amounts of the Banks' exposure to these borrowers. Accordingly, there may be uncertainty as to the ability of the Bank to foreclose the collaterals in the required amounts, as well as to the time required for such foreclosure. Our opinion is not qualified in respect to this matter.

(Continued)

To the Shareholder Assembly of Invest banka Montenegro AD, Podgorica (continued)

Other Matter

The Bank's financial statements as of and for the year ended December 31, 2012 were audited by another auditor, whose report dated May 23, 2013 expressed a qualified opinion thereon.

Deloitte d.o.o. Podgorica
Montenegro
May 23, 2014

Žarko Mionić, Certified Auditor
(License no. 062 issued on March 10, 2011)

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INCOME STATEMENT
Year Ended December 31, 2013
(Thousands of EUR)

	Note	2013	2012 *(restated)*
Interest income	3.1., 6a	2,203	2,099
Interest expenses	3.1., 6b	(901)	(767)
Net interest income		**1,302**	**1,332**
Dividend income		10	9
Impairment losses	3.6., 7a	74	(326)
Provision charges	3.6., 7b	(2)	7
Fee and commission income	3.1.,8a	282	162
Fee and commission expenses	3.1.,8b	(191)	(172)
Net fee and commission income		**91**	**(10)**
Net gains from financial instruments held for trading		9	9
Net (losses)/gains on investment securities		(100)	337
Foreign exchange gains/(losses), net	3.2	12	(14)
Staff costs	9	(609)	(586)
General and administrative expenses	10	(477)	(443)
Depreciation/amortization charge	11	(184)	(248)
Other expenses		(121)	(29)
Other income	12	46	54
OPERATING PROFIT		**51**	**92**
Income taxes	3.3.,13	-	(17)
PROFIT FOR THE YEAR		**51**	**75**

Notes on the following pages
form an integral part of these financial statements.

These financial statements were approved by the management of Invest bank Montenegro AD, Podgorica, in Podgorica, on January 29, 2014.

Approved by and signed on behalf of Invest bank Montenegro AD, Podgorica by:

Preparer of the Financial Statements

Executive Director

BALANCE SHEET
As of December 31, 2013
(Thousands of EUR)

	Note	December 31, 2013	December 31, 2012 *(Restated)*
ASSETS			
Cash and deposit accounts held with central banks	14	2,337	2,033
Loans and receivables due from banks	15	323	612
Loans and receivables due from customers	3.7.,16	25,231	26,289
Financial assets held for trading		100	101
Investment securities			
- available for sale	17.a	989	842
- held to maturity	17.b	50	442
Investments in associates and joint ventures at equity method	17c	1,261	1,261
Investment in subsidiaries	17d	2,000	2,000
Property and equipment	18	1,417	1,492
Intangible assets	19	207	212
Other financial receivables	20	2,444	2,390
Other operating receivables	21	1,279	1,283
TOTAL ASSETS		**37,638**	**38,957**
LIABILITIES			
Deposits due to banks		5,400	5,400
Deposits due to customers	22	11,336	12,487
Borrowings from banks	23	5,438	5,778
Borrowings from customers		10	42
Provisions	24	4	2
Deferred tax liabilities		7	7
Other liabilities	25	321	170
TOTAL LIABILITIES		22,516	23,886
EQUITY			
Share capital	26	13,844	13,844
Share issue premium		2	2
Retained earnings		114	39
Profit for the year		51	75
Other reserves		1,111	1,111
TOTAL EQUITY		15,122	15,071
TOTAL EQUITY AND LIABILITIES		**37,638**	**38,957**
OFF-BALANCE SHEET ITEMS	28	80,933	76,888

Notes on the following pages
form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2013
(Thousands of EUR)

	Share Capital	Share Issue Premium	Retained Earnings / Accumulated Losses	Profit for the Year	Other Reserves
Balance at January 1, 2012	13,844	2	1,073	39	14,958
Profit for the year	-	-	-	75	75
Balance at December 31, 2012	13,844	2	1,073	114	15,033
Effects of change in the accounting policies - first-time adoption of IAS 39	-	-	38	-	38
Balance at December 31, 2012, *restated*	13,844	2	1,111	114	15,071
Profit for the year	-	-	-	51	51
Balance at December 31, 2013	13,844	2	1,111	165	15,122

Notes on the following pages
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CASH FLOW STATEMENT
Year Ended December 31, 2013
(Thousands of EUR)

	Note	2013	2012
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		1,659	1,461
Interest paid		(901)	(766)
Fee and commission receipts		282	363
Fees and commissions paid		(191)	(172)
Payments to and on behalf of employees and to suppliers		(1,381)	(1,407)
Increase/decrease in loans and other assets		1,583	(1,716)
Inflows from deposits and other liabilities		(1,185)	2,452
Taxes paid		(31)	(59)
Other inflows		9	459
Net cash (used in)/generated by operating activities		(156)	615
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(20)	(5)
Purchase of intangible assets		(94)	(70)
Government Treasury bills		392	(120)
Net cash generated by/(used in) investing activities		278	(195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in borrowings		(372)	(340)
Net cash used in financing activities		(372)	(340)
Foreign exchange gains		12	11
Net (decrease)/increase in cash and cash equivalents		(238)	91
Cash and cash equivalents, beginning of period		1,498	1,407
Cash and cash equivalents, end of year	3.5.,30	1,260	1,498

Notes on the following pages
form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of EUR, unless otherwise stated.

1. BANK'S FOUNDATION AND ACTIVITY

Invest banka Montenegro AD, Podgorica (hereinafter: the "Bank") is the legal successor Pljevaljska banka AD, Pljevlja. General Shareholders Assembly Pljevaljska banka AD, Pljevlja, November 20, 2006, issued a decision which is changing name and seat Bank. The decision on the change bank's name, the number 03-3437/3, changing the name of the Bank to Invest banka Montenegro Airlines, the Joint-stock Company Podgorica. In accordance with the decision on the change the lo and addresses, the number 03-3437/4, bank headquarters is in Podgorica, in St. Peter's street Boulevard Cetinje number 115.

In accordance with the Law on Banks, and the Bank's Articles of Incorporation, Statute and Decision of the Central Bank of Montenegro, the Bank is involved in depositary and crediting operations for its own account.

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

- issue guarantees and undertake other commitments;
- purchase, sell and collect receivables (factoring, forfeiting, etc.);
- issue, process and record payment instruments;
- international Payment Operations;
- perform finance lease operations;
- trade in its name and for its own account or for the account client foreign means of payment;
- data collection, analysis and development of information and the Council of credit ability companies and entrepreneurs;
- depositary operations;
- preservation of funds and securities,
- strategy jobs and
- other operations in accordance with the law upon obtaining prior approval from the Central Bank of Montenegro.

The Bank's governing bodies are: Shareholder Assembly and Board of Directors. The Board of Directors has two standing committees – Audit committee and Credit risk Management Committee. Members of the Board of directors are appointed by the Shareholder Assembly. The Board of Directors has 5 (five) members, most of whom are not employees of the Bank.

Permanent bodies of Boards of Directors are Audit Committee, the IT Steering Committee and the Assets and Liability Committee (ALCO). IT Steering Committee and the Assets and Liability Committee have six members each, whose presidents are Bank's executive directors, and other member's managers or directors of organizational units of the Bank. The Audit Committee has three members, most of who are not connected with the Bank.

The main Executive Director Bank is the executive officer of Bank. For my work the Chief Executive Director is responsible for the Assembly and Bank board of directors.

As of December 31, 2013 Bank had 30 employees (December 31, 2012: 30 employees).

The Bank is headquartered in Podgorica, at no. 115, Svetog Petra Cetinjskog.

The Bank is a member of Atlas Group, which operates in the areas of Montenegro, Serbia, Cyprus and Russia. This group member in Montenegro are the following chamber society: Atlas Center d.o.o. , Podgorica, Atlas life a.d. , Podgorica, Atlas banka a.d. , Podgorica, Atlas pensions a.d. , Podgorica, Aqua Monte d.o.o. , Podgorica, Montenegro broker-dealer a.d. , Podgorica, Atlas Invest d.o.o. , Podgorica, HTP Atlas Hotel Group a.d. , Bar, Montenegro Airlines Invest Banka a.d. , Podgorica, Adriatic fair a.d. , Budva, Montenegro Airlines express a.d. , Budva, RTV Atlas d.o.o. , Podgorica and the University the Mediterranean.

As of December 31, 2013 the Bank has control, and significant influence over the following entity whose consolidation has not been carried out in with individual financial reports:

Entity	percent of share
Global Carbon d.o.o., Podgorica	100%

All amounts expressed in thousands of EUR, unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1. Basis of Preparation and Presentation of the Financial Statements

The Bank is obligated to maintain its accounting records and prepares its statutory financial statements in conformity with the Accounting and Auditing Law of Montenegro (Official Gazette of Montenegro no. 69/05, no. 80/08 and no. 32/11) which entails implementation of the International Financial Reporting Standards and Decisions of the Central Bank of Montenegro governing financial reporting of banks.

The Bank's financial statements have been prepared in accordance with the Decision On The Content, Deadlines and Manner of Compiling and Submitting Financial Statements of Banks (Official Gazette of Montenegro no. 15/12 and 18/13). Comparative information for 2012 were reclassified for comparability with the reporting format adopted for the year 2013 (Notes 2.3 and 4). Within the accompanying financial statements adjustments were made to the balance sheet as of December 31, 2012 for the effects of postings the Bank made as of January 1, 2013 in accordance with the Guidelines on the Manner of Recording Reserves for Estimated Losses, Impairment Allowances and Written-Off Balance Sheet Items (Official Gazette of Montenegro no. 61/12).

Upon preparation of these financial statements, the Bank implemented policies in accordance with the regulations of the Central Bank of Montenegro, which depart from the requirements of IFRS and IAS effective as of December 31, 2013 in respect of recording receivables qualifying for derecognition form the Bank's balance sheet.

Due to the potentially significant effects of the above described matters on the accuracy and fair presentation of the financial statements, these financial statements cannot be treated as having been prepared in accordance with International Financial Reporting Standards.
These financial statements include only claims, obligations, the results of operations, changes in equity and money flows Bank without inclusions: legal persons.

Consolidated financial statements and financial reports include following's: legal persons:

Name of society	Headquarters	Percent of share December 31, 2013	Percent of share December 31, 2012	Main activity
Global Carbon d.o.o.	Podgorica	100%	100%	Financial activities

In the preparation of the accompanying financial statements, the Bank has adhered to the accounting policies described in Note 3, which are in conformity with the accounting, banking and tax regulations prevailing in Montenegro.

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

2.2. Use of Estimates

Presentation of the financial statements requires the Bank's management to make the best possible estimates and reasonable assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities as at the financial statements preparation date, and income and expenses arising during the accounting period. The estimates and assumptions are the basis of making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimations and assumptions are based on information available to us as at the financial statements preparation date. The most significant estimates and assumptions were made for the following balance sheet items:

- Provisions for loans and interest receivables;
- Provisions for deposits held with other banks;
- Provisions for permanent investments;
- Provisions for losses per off-balance sheet items;
- Provisions for retirement benefits;
- Provisions for litigations;
- Useful lives of intangible assets, property and equipment.

The Bank's financial statements include provisions, calculated by the actuary, based on the estimated present value of retirement benefits and jubilee awards to employees upon vesting, using the Projected Unit Credit method. However, actual results may differ from these estimates.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.3. Amended Regulations of the Central Bank of Montenegro

Decision on the Minimum Standards for Credit Risk Management in Banks (Official Gazette of Montenegro, no. 22/12, 55/12 and 57/13) (hereinafter: the "Decision")stipulates adoption and implementation of the International Accounting Standards in measurement of balance sheet assets and off-balance sheet items and presentation thereof in conformity with International Financial Reporting Standards.

The Bank has defined methodology for assessment of balance sheet assets' impairment and estimated losses per off-balance sheet items in accordance of the aforesaid Decision. The Bank applies the methodology consistently, reviews it at least annually and adjusts it to the results of such reviews, as appropriate. The Bank also adjusts the assumptions underlying the methodology.

The Guidelines on the Manner of Recording Reserves for Estimated Credit Losses, Impairment Allowances and Written-Off Balance Sheet Items upon Determining Opening Balances in Banks' Books of Account (Official Gazette of Montenegro, no. 61/12) for 2013 govern the following:

- accounting for receivables classified into category E – loss;
- calculation and accounting for interest accrued on bad assets;
- accounting for reserves for potential losses per regulatory requirements and impairment allowances per IAS;
- recording reserves for potential losses in accordance with the Decision upon transition to the new chart of accounts (opening balance of the balance sheet);
- recording impairment allowances upon transition to the new chart of accounts (opening balance of the balance sheet);
- calculation and accounting for impairment allowance per IAS and reserves per Decision as of January 1, 2013 (in the balance sheet and income statement).

In accordance with the guidelines, the Bank reclassified balance sheet and off-balance sheet items, calculated impairment allowances per IAS and regulatory reserves, and charged the net effects of the changes in in estimates to the other reserves within equity. In accordance with the aforecited regulatory requirements, the Bank did not adjust income statement of the comparative period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bank consistently applied accounting policies from the period in period. In case of change accounting policy, when such a change show pertinent, bank retroactively applied changed accounting policy in earlier periods shown in financial reports composed for the year in which the accounts management policy change.

3.1. Interest, Fee and Commission Income and Expense Recognition

Interest income and interest expense are recognized in the income statement for all instruments at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the present value of financial assets or financial liabilities. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of financial instrument (e.g. prepayment options) but does not consider future credit losses arising from credit risk. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income and interest expense, including penalty interest and other income and other expenses related to interest-bearing assets and interest-bearing liabilities are calculated for on an accrual basis income and expenses

Income compensation for the banking services and expenditures on the basis fees and fee to be determined by maturity in the moment for the collection, or when they are realized.

Revenues and expenditures on the basis of fees and guarantee loan approval by the principle calculate the revenues and expenditures, by applying methods effective interest rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into EUR at the official exchange rates prevailing at the Interbank Foreign Exchange Market, at each transaction date.

Assets and liabilities denominated in foreign currencies are translated into EUR by applying the official middle exchange rates 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 EUR by applying the official exchange rates prevailing on the Interbank Foreign Exchange Market, at the balance sheet date.

3.3. Leasing

Companies shall include real estate and equipment which is fully transferred all risks and benefits arising from ownership of means of accounting department to include as well as financial leasing.

At the moment closing the contract financial leasing is recognized as a tool for fair value and as well as financial obligations, excluding amount of interest for the payment of future rental income. Lease repayment is divided into interest and principal according to return as measured annuities. A depreciation fund which is the lease object is done during century use of funds or during the duration of lease depending on which of the two periods shorter.

Costs are charged with interest deduction period, or balance on proportional basis lease on the remaining balance. Difference between future value minimum lease payment and their current value is a future lease payment record as well as the financial lease differences on the basis.

Lease of assets to which they are all used and the risks in connection with ownership retained by lessor shall be deemed to be and are recorded as well as operating (business) leasing companies. On the basis of Payment lease business leasing allowable as an expense in the foreign trade balance success during the duration of lease.

3.4. Taxes and Contributions

Income Taxes

Current Income Tax

Income taxes are calculated and paid under Article 28 of the Montenegrin Corporate Income Tax Law (Official Gazette of Montenegro, no. 65/01, 80/04, 40/08, 86/09, 14/12 and 61/13) at the proportional income tax rate of 9% applied to the taxable income.

Taxable income is determined based on the profit stated in the Bank's statutory income statement after the adjustments of income and expenses performed in accordance with Montenegro Corporate Income Tax Law (Articles 8 and 9, regarding the adjustment of income and Articles 10 to 20 pertaining to the adjustment of expenses) and Central Bank of Montenegro’s Decision on the New Layout of Chart of Accounts for Banks (Official Gazette of Montenegro, no. 55/12).

Capital losses may be offset against capital gains earned in the same year. In case there are outstanding capital losses even after the offsetting of capital losses against capital gains earned in the same year, these outstanding losses are available for carry forward during the ensuing 5 years. Montenegro tax regulations do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback 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 duration of no longer than 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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Taxes and Contributions (continued)

Income Taxes (continued)

Indirect Taxes, Contributions and Other Duties Payable

Indirect taxes, contributions and other duties payable include property ad other taxes, contributions and charges payable pursuant to various republic and municipal regulations.

3.5. Cash and Cash Equivalents

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

Cash equivalents shown in the foreign trade balance sheet include short-term, high-quick investment which is quickly turned into known amounts cash and which are subject influence risk of change of the value.

The monetary flows arising from transactions in foreign currency are recorded in currency, exchange rate applying on the date of monetary flows, i.e. on the day cash inflow and outflow.

The monetary value stream a foreign entity with investments in foreign subject bank calculates in its currency exchange rate applying on the date of monetary flows.

Bank uses direct method for reporting on cash flow statement from the business activities.

3.6. Financial Instruments

Bank balance includes financial instruments in accordance with IAS 39, financial instruments - Recognition and determination.

Under financial instrument means any contract by which is created financial credit or financial obligations Bank, while at the same time emergence financial obligations, or financial claims of third persons.

All financial instruments, in accordance with the international standards for financial reporting, shall be classified in the appropriate categories:

Placements for loans and other investments, as well as claims arising from them are classified as loans to other banks and loans to customers and are recorded on the balance sheet at amortized cost, which represents the initial value of investments net of repayments made, adjusted for:

- amount calculated in accordance with internal methodology bank. In accordance to the Decision on minimum standards for credit risk in the banks, and that the logs through the account correction value is defined by a decision on the chart of accounts. Settled interest rate, and the effects of change of the value placement loans are as well as income from interest and other similar income.

The estimated value of reserves for credit losses on the basis risk (determined by applying methodology Central Bank of Montenegro is calculated but does not record. The amount of the reserves will be at the end of business year will reflect on the amount capital bank, in the manner defined by a decision on the minimum standards of managing credit risk.

Loans approved in other currencies contain foreign currency clause, respectively, whose calculated by multiplying in EUR depends on foreign currency exchange rate on the day maturities or index of growth retail prices, is treated as a financial instruments with embedded derivates. Principal amount in EUR is disclosed by amortized values defined in the previous paragraph. Differences between values have been calculated as credit according to the rate on the balance sheet day, or contracted by applying an index, and principal values in Eur has shown to be in the framework of the income interest, and other similar revenues to the amount that is collected, or even before they were for payment up to date. No deviation from the actual value contains as well as positive or negative exchange rate difference, depending on the exchange rate in which the credit.

Assessment is carried out by bank credit in accordance with internal methodology bank, and so calculated amounts on accounts corrections values are charged with operating costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Financial instruments (continued)

Receivables that meet the criteria for derecognition and writ-off form the balance sheet records are to be fully written off and charged to expenses, derecognized from the balance sheet assets and transferred to the off-balance sheet liabilities used for the Bank's internal records. The cost of such write- must be transferred to the account write-off of receivables.

The Bank recognizes collected receivables previously written off as income.

Based on realized transfer of ownership rights over collaterals securitizing receivables, the Bank accounts for all the assets acquired in this manner as assets acquired in lieu of debt collection, which assets can be carried at this account for maximum 4 years from the acquisition date. Following the expiry of the four-year period from the acquisition date, all the assets acquired in lieu of debt collection are accounted for as investments in property and equipment.

Deleting uncollectible receivables memorandum accounts to which transferred all the bad debts, which serves as an internal bank records may be made only on the basis of a final court decision or the decision of the Board of Directors.

Obligations of borrowings are recognized in the balance sheet using the accounting policies which is identical with the accounting policy for investments loan.

Securities trading without which is organized for the balance sheet contains as well as property or obligations according to market value. The increase their market value is in benefit income, a reduction in the benefit expenditure.

The securities held-to-maturity is classified as financial instruments with maturities set forth, and which management intends to hold to maturity, that is implemented on the maturity date. These securities are recorded on the balance sheet at amortized cost defined in the preceding paragraph. Accrued interest and the effects of changes in the value of these securities are recorded as interest income and similar income. Impairment of securities held to maturity is carried out in accordance with the methodology of the bank, and accounting implemented through an allowance account and charged to operating expenses.

In securities organized for the sale shall be classified all other securities, including equity participation in other legal persons and in the foreign trade balance sheet contains:

- a market value determined by the stock exchange, or the grant of the second financial market; or
- if market value is not known, or cannot be determined, the amount of correction is calculated by applying the same methodology internal bank, and at the expense of business costs.

Securities that are held by maturities and securities organized for sale contains the according to market value. Share capital participation in other legal persons in which Bank is making a significant impact (more than 20 to 50% participation in share capital) contains the method capital, respectively in the amounts-conforming with partly completed capital value of those legal persons. All realized or non-realized winnings on the basis change market value these securities are recognized in income or benefit expenditure in the burden.

Dividends received from investments in shares of other legal entities are recognized as income from dividends at the time of their collection. For an estimated amount of risk for equity investments in other entities Bank are allocated to the burden of costs.

3.7. Loans

Loans originated by the Bank are recorded in the books of account at the moment of the transfer of funds to the loan beneficiary - borrower.

Loans originated by the Bank are stated in the balance sheet in the amount originally approved, increased by interest and net of principal repaid and an allowance for impairment which is based on the management's estimate of the specifically identified risk exposures inherent in the Bank's loan portfolio. In assessing the above risk management Bank is being applied methodology which is to be made public in under 3.8.

All amounts expressed in thousands of EUR, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Provisions and Impairment Allowance of Irrecoverable Receivables

The Central Bank of Montenegro Decision on the Minimum Standards for Credit Risk Management in Banks (Official Gazette of Montenegro no. 22/12, 55/12 and 57/13) defines elements of credit risk management, minimum criteria and manner of classification of assets and off-balance sheet items in respect of which the Bank is exposed to credit risk and the manner of determining reserves for potential losses arising from the Bank's credit risk exposure. Within the meaning of the aforesaid Decision, the Bank's risk-weighted assets comprise loans, interest, fees and commissions, lease receivables, deposits held with other banks and advances as well as all other asset items where the Bank is exposed to default risk, and, on the other hand, guarantees issued, other sureties, opened letters of credit, approved and unused loans and other off-balance-sheet items representing the Bank's contingent liabilities.

The Bank is obligated to assess balance sheet assets and off-balance sheet items for impairment at least on a monthly basis, where balance sheet items are assessed for impairment whereas for off-balance sheet items probable losses are estimated. All these items are to be classified in appropriate classification groups in accordance with the effective Decision on the Minimum Standards for Credit Risk Management in Banks (Official Gazette of Montenegro no. 22/12, 55/12 and 57/13).

Calculation of Provisions for Potential Losses:

Pursuant to the Decision on the Minimum Standards for Credit Risk Management in Banks (Official Gazette of Montenegro no. 22/12, 55/12 and 57/13), the Bank implemented the following percentages and numbers of days in default per risk category in calculation of provisions:

	As at December 31, 2013	
Risk Category	**% Provisioning**	**Number of days past due**
A	-	<30
B1	2	31-60
B2	7	61-90
C1	20	91-150
C2	40	151-270
D	70	271-365
E	100	>365

Pursuant to the internal policy, the Bank forms provisions for loans credit cards, approved current account overdraft facilities, guarantee protests, commissions per retail customer accounts and balances sheet assets of the Bank exposed to credit risk as well as off-balance sheet exposures that may be exposed to risk.

Calculation of Impairment Allowance (for Balance Sheet Assets) and Estimate of the Probable Losses (for Off-Balance Sheet Items)

Keep in possession (EIA) and the recognition of balance sheet assets keepers carried out according this fair value, while the subsequent usefulness and recognition of balance sheet assets the IG carried out by a method depreciable costs knowing the interpret of concept.

Bank shall be issued by assessing the recognition and reservation, for losses the off-balance sheet. Reservation, conditions for the recognition of losses he the basis off-balance sheet Assets are:

- that there is a current obligation ace well ace and acts: may result many years confess entirely forgotten,
- that the outflow of ESF that satisfy the obligation and

that there is a possibility that the obligations a self-access

Assessing reservation, and the recognition of losses on the basis of unutilized potential for loans will hill are action is carried out in the own way ace well ace assessing credit and recognition of credit, da Bank has:
an obligation he the basis of stronger green of untapped credit. Impairment (EIA) performed the alignment and both he and group alignment.

All amounts expressed in thousands of EUR, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Provisions and Impairment Allowance of Irrecoverable Receivables (continued)

Assessment overview of balance sheet assets and very plausible on the basis of loss off-balance sheet assets, on an individual basis Bank is obliged to perform for:

- all materially significant credit with a proviso that the material significantly credit gross exposure Bank, according to a person or group of related persons greater than EUR 50 thousand,
- all claims on the basis that the debtor bank or some other financial institution,
- despite the securities which are not notes on the stock exchange and securities which are stored up to maturity regardless of the material should acknowledge
- materially significant potential obligations, if there is a material evidence that will guarantee drop to burden Bank,
- other items assets

If the claims of the bank materially, and the Decision on the capital adequacy ratio is deducted own funds, then the same does not perform impairment assessments.

Assessment overview of balance sheet assets and very plausible on the basis of loss off-balance sheet assets, the group basis Bank is obliged to perform for all despite belonging to group of small claims, or claims of up to EUR 50 thousand.

The Assessment reservation for guarantees, credentials, and both also be done on an individual or group basis, depending on whether the amount potential obligations exceeds EUR 50 thousand, or not, and whether there is an objective evidence of written off or not. If it is in the material a significant amount then the correction is working on an individual basis if there is material evidence that the Bank will be in a position to make payments to the warranty

3.9. Property (Business Premises), Equipment and Intangible Assets

All procurement real estate, equipment, and intangible investments are carried at cost which consists of purchase price plus purchase costs, a net of trade discounts and rebates.

Real Estate, equipment, and intangible assets are after the initial recognition of actually understate the value for the total amount calculated depreciation and losses due written off.

For buildings with a value for the assessment of the Bank's management, significantly underestimated or overestimated, the Bank may apply the allowed alternative treatment in IAS 16 and align the value of these buildings with the values determined by independent professionally qualified valuer. Net increase in value of these buildings the Bank will be recorded as revaluation reserves.

If it is determined that the intangible assets and equipment significantly understated or overstated, the bank may apply the allowed alternative method which involves expression at revalued amount, which represents their fair value at the date of revaluation less subsequent depreciation for the total losses due to impairment.

The fair value of intangible assets and equipment makes their market value, unless there is evidence of market value are valued at the amortized cost of their replacement.

Subsequent investments in property and equipment, which affect the improvement of state funds in excess of its initial estimated useful lives, are included in the carrying value of the asset.

Investments on the basis of regular maintenance are recognized as an expense in the period in which they arise.

Depreciation/amortization is provided on a straight-line basis applying the following depreciation/amortization rates to the cost of business premises, equipment and intangible asset in order to write them off over their expected useful lives. The depreciation/amortization rates in use are as follows:

	Rate %
Buildings	10
Computer equipment	33
Furniture and other equipment	10-12.5
Software	20

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Property (Business Premises), Equipment and Intangible Assets (continued)

The calculation of depreciation/amortization of business premises, equipment and intangible assets commences upon asset's placement in use.

Difference between amount of depreciation charge calculated in accordance with accounting levels depreciation policy and the amount that is recognized tax legislation be entered in the tax balance in the manner set out tax regulations.

3.10. Correction values material and non-material property

On balance sheet, bank analyzes the leadership values on which is shown intangible assets and tangible property Bank. If there is an indication that amount, it is estimated that property in order to determine the amount written-off. If the amount of funds gauges as well as lowers than values on which it is tool feature, the current value of funds is reduced by the amount of values.

Loss on the basis values property is recognized by the current period as well as deduction and is disclosed within other business expenditure. If subsequently come to a situation that loss due written off recognized in the previous years there is not or has decreased, the value funds is increasing flexible approach to assessment on his values, but so that increased the value of which is a tool does not be greater than values on which would be a tool that has not been tried in the previous years recognized as determined by loss due written off funds.

3.11. Reservation

Reservation is recognize when Bank has a valid legal or politically an obligation that is a result past events, when there is a great likelihood that it will primarily for his personal needs obligations will be needed outflow of funds and when the amount obligation reliable gauge.

Reservation does not recognize for future business losses. The amount that is recognized as well as libraries is the best assessment expenditures which are needed for the satisfaction current obligations on the day balance sheet.

Reservations are examined on the day balance and data for tracks can be viewed so those reflect best current assessment. If it is no longer likely that will drain resources that represents economic benefit will be required to satisfy an obligation, libraries be canceled.

3.12. Employee Benefits

Taxes and Contributions for Social Security of Employees

Pursuant to the regulations effective 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 an employee, by the employer, in amounts calculated by applying the specific, legally prescribed rates. The Bank is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

Retirement Benefits or Other Long-Term Employee Benefits

In accordance with the Industry Collective Bargaining Agreement, the Bank is under obligation to pay retirement benefits to an employee upon his/her regular retirement in the amount of 6 net average salaries earned by the Bank's employees in the month preceding the month of benefit payment. In the opinion of management, the amounts shown the Bank in financial reports reflect a realistic value which in the circumstances and most beneficial for the needs reporting in accordance with the accounting regulations of Montenegro and regulations Central Bank of Montenegro, which regulate financial reporting banks.

3.13. Financial liabilities - Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement in the period of the borrowings using the effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14. Transactions with related parties:

as defined by IAS 24 Related parties are parties which represent:

- Enterprises that directly, or indirectly through one or more intermediaries, controls or reporting company under his control, the reporting company controlled jointly with other entities;
- Associated companies in which the Bank has significant influence and which are neither a subsidiary nor a joint venture of the investor;
- Individuals who directly or indirectly have the right to vote in the Bank that gives them significant influence over the Bank, and any other entity that is expected to influence, or be influenced by, that person in their dealings with the Bank;
- Key management, or persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and key management personnel.

During each possible related party transactions attention is directed to the substance of the relationship, not merely the legal form.

3.15. Fair Value

In accordance with International Financial Reporting Standards, the fair value of financial assets and liabilities should be disclosed in the notes to the 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 available. Therefore, fair value cannot readily be determined in the absence of active capital and financial markets, as generally required under the provisions of IFRS/IAS. According to the opinion of the Bank's management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions and accounting regulations of Montenegro and Central Bank's regulations governing the financial reporting of banks.

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RESTATEMENT OF THE FINANCIAL STATEMENTS FOR FY 2012

The Bank made certain adjustments to the balance sheet and off-balance sheet items stated as of December 31, 2012 as well as reclassifications to the balance sheet and income statement for the purpose of comparability to the financial statements for FY 2013, modified as from January 1, 2013 in accordance with the new Decision on the Contents, Terms and Method of Preparation and Submission of Financial Statements of Banks (Official Gazette of Montenegro no. 15/12 and 18/13), Decision of the Chart of Accounts for Banks (Official Gazette of Montenegro no. 55/12), Decision on the Minimum Standards for Credit Risk Management in Banks (Official Gazette of Montenegro no. 22/12, 55/12 and 57/13) and the Guidance on the Manner of Recording Loan Loss Provisions, Value Adjustments and Written Off Items of the On-Balance Sheet Assets When Determining Opening Balance in Banks' Business Books for 2013 (Official Gazette of Montenegro no. 61/12), as disclosed in Note 2.3 and the following tables:

INCOME STATEMENT *)
Year Ended December 31, 2013
(Thousands of EUR)

	2012 prior to Adjustment	Adjustments	2012 Restated
Interest income	2,180	(81)	2,099
Interest expenses	(767)	-	(767)
Net interest income	1,413	(81)	1,332
Dividend income	-	9	9
Impairment losses	(399)	73	(326)
Provision charges	-	7	7
Fee and commission income	162	-	162
Fee and commission expenses	(172)	-	(172)
Net fee and commission income	(10)	-	(10)
Net gains from financial instruments held for trading	9	-	9
Net (losses)/gains on investment securities	337	-	337
Foreign exchange gains/(losses), net	(14)	-	(14)
Staff costs	(583)	(3)	(586)
General and administrative expenses	(432)	(11)	(443)
Depreciation/amortization charge	(248)	-	(248)
Other expenses	(29)	-	(29)
Other income	48	6	54
	(912)	(8)	(920)
OPERATING PROFIT	**92**	**-**	**92**
Income taxes	(17)	-	(17)
PROFIT FOR THE YEAR	**75**	**-**	**75**

*Forms in accordance with the new Chart of Accounts in accordance with the Central Bank's Decision of the Chart of Accounts for Banks (Official Gazette of Montenegro no. 55/12).

All amounts expressed in thousands of EUR, unless otherwise stated.

4. RESTATEMENT OF THE FINANCIAL STATEMENTS FOR FY 2012 (Continued)

BALANCE SHEET*)
Year Ended December 31, 2013
(Thousands of EUR)

	December 31, 2012	Adjustments	December 31, 2012 Restated
ASSETS			
Cash and deposit accounts held with central banks	2,760	(727)	2,033
Loans and receivables due from banks	-	612	612
Loans and receivables due from customers	25,035	1,254	26,289
Financial assets held for trading	-	101	101
Investment securities:			
- available for sale	842	-	842
- held to maturity	442	-	442
Investments in associates and joint ventures at equity method	1,261	-	1,261
Investment in subsidiaries	2,000	-	2,000
Property and equipment	1,492	-	1,492
Intangible assets	212	-	212
Other financial receivables	2,390	-	2,390
Other operating receivables	2,565	(1,282)	1,283
TOTAL ASSETS	38,999	(42)	38,957
LIABILITIES			
Deposits due to banks	-	5,400	5,400
Deposits due to customers	17,743	(5,256)	12,487
Borrowings from banks	5,778	-	5,778
Borrowings from customers	42	-	42
Provisions	2	-	2
Deferred tax liabilities	7	-	7
Other liabilities	394	(224)	170
TOTAL LIABILITIES	23,966	(80)	23,886
EQUITY			
Share capital	13,844	-	13,844
Share issue premium	2	-	2
Accumulated losses	39	-	39
Profit for the year	75	-	75
Other reserves	1,073	38	1,111
TOTAL EQUITY	15,033	38	15,071
TOTAL EQUITY AND LIABILITIES	38,999	(42)	38,957

OFF-BALANCE SHEET ITEMS	**December 31, 2012**	**Transfer to the Balance Sheet**	**Transfer to the Internal Records**	**December 31, 2012 Restated**
Guarantees, sureties and commitments	815	-	-	815
Collaterals received	45,738	-	-	45,738
Written-off loans	1,076	(140)	(936)	-
Other written-off assets	30,335	-	-	30,335
Written-off and suspended interest	346	(85)	(261)	-
Off-balance sheet liabilities	(78,310)	225	1,197	(76,888)

*Forms in accordance with the new Chart of Accounts in accordance with the Central Bank's Decision of the Chart of Accounts for Banks (Official Gazette of Montenegro no. 55/12).

5. FINANCIAL INSTRUMENTS

5.1. Risk Management

In its operations the Bank is exposed to various risks, the most significant of which are the following:

- credit risk;
- market risk;
- liquidity risk;
- operational risk.

The risk management procedures are designed to identify and analyze risks, to define limits and controls required for risk management and to monitor the Bank's exposure to each individual risk. The risk management procedures are subject to regular review in order to allow adequate response to the changes in the market, products and services.

The Risk Management Department is responsible for monitoring the Bank's exposures to certain risks, which is reported to the Board of Directors on a monthly basis. In addition, monitoring of the Bank's exposures to certain risks is the responsibility of Credit Risk Management Committee, Operational Risk Management Committee and Asset and Liability Management Committee (ALCO).

5.2. Credit Risk

The Bank is exposed to credit risk which is a risk that counterparty will be unable to settle liabilities to the bank in full and as due. The Bank makes provisions for impairment losses related to the losses incurred as at the balance sheet date. Significant changes in the economy and certain industries comprising the Bank's loan portfolio could result in the losses different from losses that gave rise to provisions formed as at the balance sheet date. Hence, the bank's management manages credit risk exposure observing the prudency principle.

5.2.1. Credit Risk Management

Credit risk exposure is a risk of a financial loss resulting from the borrower's inability to meet all the contractual obligations toward the Bank. The bank manages the risk assumed by setting limits in respect of large loans, single borrowing entities and groups of related borrowing entities. Such risks are monitored and reviewed on an ongoing basis. All loans exceeding the defined limits are to be approved by the Credit Risk Management Committee.

Industry loan concentrations are continuously monitored as in accordance with the limits prescribed by the Central Bank of Montenegro.

Risk exposure per single borrowing entity, including other banks and broker-dealer companies, is further limited by determining sub-limits relative to the balance sheet and off-balance sheet exposures. Actual exposure relative to the limits defined is subject to regular monitoring.

Credit risk exposure is managed by means of regular analyses of the ability of borrowers and potential borrowers to discharge principal and interest repayment liabilities.

Loan-Related Commitments and Contingent Liabilities

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, and therefore carry the same credit risk as loans. Documentary and commercial letters of credit, which represent written undertakings of the Bank on behalf of a customer authorizing a third party to draw bills of exchange on the Bank up to the amount agreed under specific terms, are securitized by the underlying deliveries of goods that they relate to and therefore carry less risk than loans.

5.2.2. Provisions for Impairment Losses in Accordance with Requirements of IAS 39

As of the balance sheet date, the Bank assesses whether there is any objective evidence that a financial asset or a group of financial assets has suffered impairment in accordance with IAS 39.

If the Bank determines that an event occurs which negatively affects the expected cash flows, exposure is reclassified from normal to bad loans / exposures. The bank shall at least quarterly estimated asset quality, determine whether there is objective evidence of impairment of items of balance sheet assets and the likely loss arising from off-balance sheet items.

All amounts expressed in thousands of EUR, unless otherwise stated.

5. FINANCIAL INSTRUMENTS (continued)

5.2. Credit Risk (Continued)

5.2.2. Provisions for Impairment Losses in Accordance with Requirements of IAS 39 (continued)

Events that indicate the materially significant positions on the basis of which the bank is exposed by credit risk, and which are related to legal persons, are the following:

- Significant financial difficulties debtor,
- Violation of the agreed terms of the contract by the debtor, as of default on interest and / or principal,
- Delay in settlement of liabilities over 90 days for any of a material obligation of the debtor to the Bank.. Maturity period exceeding 90 days shall be considered to be points to an increased credit risk level. Here does not take into account debtor's obligation that is not greater than EUR 200,
- The existence of a large there is a great possibility for debtor to enter the process bankruptcy or liquidation or restructuring due to financial difficulties,
- Restructuring placement (individual loans) due to deteriorating financial situation of debtor, or extension of return of principal and/or reduction in interest rates and/or fees, as defined by the Decision on minimum standards for credit risk,
- Blockade debtor's account.
- Economic, national, local, technological or legal conditions which can negatively affect the debtor's settlement of obligations (significant increase in price entry raw materials, reducing price for real estate mortgage in the area, other changes market conditions in which debtor operates, change regulations which may negatively affect the debtor's business, technological limitation for products which debtor products and similar).

Events that indicate the materially significant positions on the basis of which the bank is exposed by credit risk and the seminary for natural persons are:

- Increasing debtor (total monthly obligations of the debtor chamber of the total monthly income debtor);
- breach of contract conditions of the contract by the debtor, such as default on interest and/or principal payments;
- a delay in obligation 90 days for any materially significant obligation of the debtor according to the bank or continual disallowed minus 90 days. Overdraft maturity period 90 days is considered points to an increased credit risk level. Here does not take into account obligations of a debtor that is less than 20 Eur;
- initiate court proceedings for any claim of debtor;
- Restructuring placement (individual loans) due to deteriorating financial situation of debtor's debtor's indebtedness (increase) or extension of the deadline of return of principal and/or reduction in interest rates and/or fees;
- Frozen accounts.

5.2.3. Maximum Credit Risk Exposure per Balance Sheet and Off-Balance Sheet Items

	2013	2012
Balance sheet items		
Loans and receivables due from banks	323	612
Loans and receivables due from clients	23,453	24,956
Interest and other receivables	1,778	1,333
Financial assets that are held for trading	100	101
Securities available for sale	989	842
Securities held to maturity	50	442
The trial chamber said investment companies and joint endeavors by a method capital	1,261	1,261
Investments in dependent enterprises	2,000	2,000
	29,954	31,547
Off balance sheet items		
Payment guaranties	988	409
Performance guaranties	-	288
Undrawn loan facilities	96	118
	1,084	815
Total credit risk exposure	31,038	32,362

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of EUR, unless otherwise stated.

5. FINANCIAL INSTRUMENTS (continued)

5.2. Credit Risk (Continued)

5.2.3. Maximum Credit Risk Exposure per Balance Sheet and Off-Balance Sheet Items (continued)

Exposure to credit risk is partially controlled by obtaining collateral and guaranties of legal entities and individuals. In addition, all natural persons are obliged to receive their monthly earnings through current account with the Bank, in order to reduce credit risk.
Types of collaterals are as follows:

- deposits;
- pledge liens instituted over industrial machinery, securities, inventories and vehicles;
- mortgages assigned over property and fiduciary transfer of ownership;
- bills of exchange;
- collection authorizations;
- garnishments and injunctions;
- guarantors;
- insurance policies; and
- guarantees.

5.2.4. Loans and Advances

Loans and advances are presented in the following tables:

	Neither Past due nor Impaired	Past Due but not Impaired	Individually Impaired	Total, Gross	Individual Impairment Allowance	Group Impairment Allowance	Total Impairment Allowance	Total, Net
December 31, 2013								
Housing Loans	49	-	-	49	-	-	-	49
Dedicated Loans	929	99	33	1,061	32	-	32	1,029
Other retail loans secured by mortgages	158	18	-	176	-	-	-	176
Other loans	950	30	65	1,045	-	47	47	998
Loans to micro and small enterprises	20,869	330	130	21,329	120	8	128	21,201
	22,955	477	228	23,660	152	55	207	23,453

	Neither Past due nor Impaired	Past Due but not Impaired	Individually Impaired	Total, Gross	Individual Impairment Allowance	Group Impairment Allowance	Total Impairment Allowance	Total, Net
December 31, 2012								
Housing Loans	50	-	-	50	-	-	-	50
Dedicated Loans	946	155	39	1,140	19	20	39	1,101
Other retail loans secured by mortgages	173	10	-	183	-	-	-	183
Other loans	1,596	46	53	1,695	2	51	53	1,642
Loans to micro and small enterprises	20,680	184	357	21,221	340	17	357	20,864
Loans to Government and municipalities	-	1,116	37	1,153	37	-	37	1,116
	23,445	1,511	486	25,442	398	88	486	24,956

Loans and advances neither past-due nor impaired in 2013 and 2012 are classified as 'good assets.'

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of EUR, unless otherwise stated.

5. FINANCIAL INSTRUMENTS (continued)

5.2. Credit Risk (Continued)

5.2.4. Loans and Advances (continued)

a) Loans and Advances Past-Due but not Individually Impaired

	Up to 30 days past-due	From 31 to 60 days past-due	From 61 to 90 days past-due	From 91 to 180 days past-due	From 181 to 365 days past-due	From 1 to 5 years past-due	More than 5 year past-due	Total
December 31, 2013								
Dedicated Loans	-	-	-	-	-	99	-	99
Other retail loans secured by mortgages	-	5	1	1	5	6	-	18
Loans to micro and small enterprises	10	-	-	-	1	19	-	30
Loans to medium and large enterprises	5	-	-	15	94	216	-	330
	15	5	1	16	100	340	-	477

	Up to 30 days past-due	From 31 to 60 days past-due	From 61 to 90 days past-due	From 91 to 180 days past-due	From 181 to 365 days past-due	From 1 to 5 years past-due	More than 5 year past-due	Total
December 31, 2012							-	
Dedicated Loans	-	-	-	-	-	155	-	155
Other retail loans secured by mortgages	4	2	2	2	-	-	-	10
Other loans	17	3	1	19	6	-	-	46
Loans to micro and small enterprises	10	9	5	63	22	75	-	184
Loans to Government and municipalities	-	-	-	-	-	1,116	-	1,116
	31	14	8	84	28	1,346	-	1,511

b) Fair Value of Collaterals

	December 31, 2013	December 31, 2012
Deposits	1,528	4,969
Pledge liens	7,436	6,246
Mortgages	12,532	11,875
Guarantees	2,164	2,352
Total	23,660	25,442

All amounts expressed in thousands of EUR, unless otherwise stated.

5. FINANCIAL INSTRUMENTS (continued)

5.2. Credit Risk (Continued)

5.2.5. Loans and Advances (continued)

b) Fair Value of Collaterals (continued)

Matured but individually shown by placement of the height of which were provided by the funds	December 31 2013	December 31 2012
Deposits	1,528	4,904
Pledge liens	7,435	6,060
Mortgages	12,487	11,865
Guarantees	2,003	2,127
Total	23,453	24,956

Individually impaired	December 31 2013	December 31 2012
Deposits	-	65
Pledge liens	1	186
Mortgages	45	10
Guarantees	161	225
Total	207	486

A mortgage, the Bank as well as the subject takes real estate whose value, the assessment authorized, usually should be greater at a minimum 25% for exposure approved population, i.e. 50% for exposure approved economy, from the amount of placement, except if certain decisions are not defined otherwise. Real estate is taken as well as collateral housing spaces, family residential buildings, business premises, business premises and land depending on the location, and his future purposes.

c) Restructured Loans and Advances

The Bank has restructured a loan due to the deterioration in the borrower's creditworthiness if it has:
Extended the principal and interest maturity, replaced the existing loan with a new one, decreased the interest rate on the loan approved, made other concessions to facilitate the borrower's financial position. Upon restructuring of the loan, the Bank performs financial analysis of the borrower and assesses its capacitates to realize cash flows necessary for the repayment of the loan principal, as well as the corresponding interest once the loan is restructured. During 2013 the Bank restructured loans in the amount of EUR 11,278 thousand (2012: EUR 7,301 thousand).

d) Concentration per Geographic Regions

Concentration per geographic regions of the Bank's credit risk exposure, net of impairment allowance, is presented in the following table:

	Montenegro	European Union	USA and Canada	Other	Total
Loans and advances to banks	-	253	-	70	323
Loans and advances to customers	17,082	7,793	504	281	25,660
Financial assets held for trading	100	-	-	-	100
Securities available for sale	989	-	-	-	989
Securities held to maturity	50	-	-	-	50
Investments in associates and joint ventures at equity method	1,261	-	-	-	1,261
Investment in subsidiaries	2,000	-	-	-	2,000
December 31, 2013	21,482	8,046	504	351	30,383
December 31, 2012	18,098	8,527	-	276	26,901

5. FINANCIAL INSTRUMENTS (continued)

5.2. Credit Risk (Continued)

5.2.6. Loans and Advances (continued)

e) Concentration per Industry

Concentration per industry of the Bank's credit risk exposure, net of impairment allowance, is presented in the following table:

	Finance and Insurance Sector	Transportation, Traffic and Tele-communication	Services, Tourism, Hotel Management	Whole sale and Retail and Vehicle Repairs	Construction Industry	Power Industry	Ore and Stone Mining	Administration and Service Industry	Real Estate Trade	Agriculture Hunting and Fishing	Manu-facturing	Other	Retail Clients	Total
Loans and advances to banks	323	-	-	-	-	-	-	-	-	-	-	-	-	323
Loans and advances to customers	-	515	1,387	1,870	5,041	228	600	9	265	85	1,119	11,142	1,399	23,660
Financial assets held for trading	100	-	-	-	-	-	-	-	-	-	-	-	-	100
Securities - available for sale	989	-	-	-	-	-	-	-	-	-	-	-	-	989
Securities held to maturity	50	-	-	-	-	-	-	-	-	-	-	-	-	50
Investments in associates and joint ventures at equity method	1,261	-	-	-	-	-	-	-	-	-	-	-	-	1,261
Investment in subsidiaries	2,000	-	-	-	-	-	-	-	-	-	-	-	-	2,000
December 31, 2013	4,723	515	1,387	1,870	5,041	228	600	9	265	85	1,119	11,142	1,399	28,383
December 31, 2012	1,284	682	820	2,549	143	0	820	6,208	303	85	-	11,412	3,072	27,378

All amounts expressed in thousands of EUR, unless otherwise stated.

5. FINANCIAL INSTRUMENTS (continued)

5.2. Credit Risk (Continued)

5.2.5. Off-Balance Sheet Items

Maturities of off-balance sheet items exposing the Bank to credit risk were as follows:

	Undrawn Loan Facilities	Guarantees	Letters of Credit	Total
December 31, 2013				
Up to one year	96	942	-	1,038
From 1 to 5 years	-	46	-	46
	96	988	-	1,084

	Undrawn Loan Facilities	Guarantees	Letters of Credit	Total
December 31, 2012				
Up to one year	118	697	-	815
	118	697	-	815

5.3. Market Risk

The Bank is exposed to market risks. Market risks arise from open positions due to changes in interest rates, foreign currency exchange rates and prices of securities which change according to the market volatility. Market risk exposure limits are prescribed internally and aligned with the limits prescribed by the Central Bank of Montenegro.

5.3.1. Currency Risk

The Bank's financial position and cash flows are exposed to the effects of the changes in foreign currency exchange rates. Currency risk exposure is continuously monitored and reconciled with the limits prescribed by the Central Bank of Montenegro.

The Bank's exposure to foreign currency risk as of December 31, 2013 is presented in the following table:

	USD	GBP	CHF	Other	Total
Assets in foreign currencies	80	1	37	36	154
Liabilities in foreign currencies	285	-	20	34	339
Net foreign exchange exposure:					
- December 31, 2013	(205)	1	17	2	(185)
- December 31, 2012	50		10	1	61
% of the core capital:					
- December 31, 2013	1.48%	0.01%	0.12%	0.01%	
- December 31, 2012	0.36%	0%	0.07%	0.01%	

Aggregate open position:	
- December 31, 2013	(185)
- December 31, 2012	61
% of the core capital:	
- December 31, 2013	-1.34%
- December 31, 2012	0.44%

NOTES TO THE FINANCIAL STATEMENTS
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5. FINANCIAL INSTRUMENTS (continued)

5.3. Market Risk (continued)

5.3.2. Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank assumes exposure to the effects of fluctuations in the prevailing levels of market interest rates on cash flows. Interest margins may increase as a result of such changes; however, these may reduce profit or give rise to losses in instances of unexpected fluctuations. Interest rates are based on market rates and the Bank performs regular repricing.

The following table presents the Bank's interest bearing and non-interest bearing assets and liabilities as of December 31, 2013:

	Interest Bearing	Non-Interest Bearing	Total
ASSETS			
Cash and deposit accounts held with central banks	2,042	295	2,337
Loans and advances to banks	249	74	323
Loans and advances to customers	25,231	-	25,231
Investments in associates and joint ventures at equity method	-	1,261	1,261
Investment in subsidiaries	-	2,000	2,000
Securities available for sale	-	989	989
Securities held to maturity	50	-	50
Total assets	27,572	4,619	32,191
LIABILITIES			
Deposits due to banks	5,400	-	5,400
Deposits due to customers	9,403	1,933	11,336
Borrowings from banks	5,438	-	5,438
Borrowings from customers	10	-	10
Total liabilities	20,251	1,933	22,184
Interest rate GAP:			
- December 31, 2013	7,321	2,686	10,007
- December 31, 2012	4,611	2,854	6,465

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of EUR, unless otherwise stated.

5. FINANCIAL INSTRUMENTS (continued)

5.3. Market Risk (continued)

5.3.2. Interest Rate Risk (continued)

The following table presents annual lending and borrowing interest rates for monetary financial instruments:

Loan type	Interest rate %
Corporate customers:	
- short-term loans from Bank's own funds	8-12%
- short-term loans from other resources	8%
- short-term loans banks and other financial organizations	
- arrangement agreements containing Loans	
- long-term loans from Bank's own funds	8-12%
- long-term loans from other resources	8%
- loans to entrepreneurs for periods of up to 24 months	8-12%
- loans to entrepreneurs for periods of over 24 months	8-12%
- loans for entrepreneurs up to 24 months	8-12%
- loans for entrepreneurs 24 months	8-12%

Lending interest rates applied to loans granted to retail customers during 2013 were as follows:

Loan type	Interest rate %
Retail customers:	10-14%
- cash loans	10-14%
- consumer loans	
- loans for buying cars	10-14%
- loans for renovation and financing for periods of up to 60 months	10-14%
- loans for renovation and financing for periods of over 60 months	10-14%

Deposit interest rates applied to corporate customer deposits during 2013 were as follows:

Loan type	Interest rate %
Demand deposits	0-1.5%

Deposit interest rates applied to retail customer deposits during 2013 were as follows:

Loan type	Interest rate %
Demand deposits	0-1.5%
Savings demand deposits	0-1.5%
Term deposits in EUR placed:	0-1.5%
- other currencies	0.75%
Term deposits in EUR placed:	
- for a month	3.30%
- for 3 months	3.30%
- for 6 months	4.75%
- for 12 months	5.75%
- for 24 months	6%
- for 36 months	6.25%
Term deposits in foreign currencies (USD):	
- for 3 months	1.75%
- for 6 months	2.25%
- for 12 months	3%

NOTES TO THE FINANCIAL STATEMENTS
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5. FINANCIAL INSTRUMENTS (continued)

5.4. Liquidity Risk

Liquidity risk includes both the risk of the Bank being unable to provide cash to settle liabilities upon maturity and the risk that the Bank will have to obtain funds at reasonable prices and in a timely manner to be able to settle its matured liabilities.

5.4.1. Liquidity Risk Management

The matching and controlled mismatching between the maturities and interest rates of assets and of liabilities are fundamental to the management of the Bank. It is uncommon for banks to have completed matching since business transactions are often made for indefinite term and are of different types. A mismatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability of the Bank to obtain sources of funding upon maturity of liabilities at an acceptable cost are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and foreign exchange rates. Liquidity requirements to support calls on guarantees and standby letters of credit are considerably less than the amount of the commitments because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments for approved loans with extended maturities does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

For determining the conformity of cash inflow and outflow, the bank uses scale maturity period (GAP analysis).

In the table that follows is shown are the means and obligations Bank for the remaining period up to contracted maturity date, in relation to date report on the financial position: The expected maturity matching of financial assets and liabilities as of December 31, 2013 data in follows:

	Up to a 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 held with central banks	2,337	-	-	-	-	-	2,337
Loans and advances to banks	323	-	-	-	-	-	323
Loans and advances to customers	646	598	2,389	6,737	13,448	1,413	25,231
Financial assets held for trading	100	-	-	-	-	-	100
Securities available for sale	989	-	-	-	-	-	989
Securities held to maturity	-	50	-	-	-	-	50
Investments in associates and joint ventures at equity method	1,261	-	-	-	-	-	1,261
Investment in subsidiaries	2,000	-	-	-	-	-	2,000
Total	7,656	648	2,389	6,737	13,448	1,413	32,291
Financial liabilities							
Deposits due to banks	-	5,400	-	-	-	-	5,400
Deposits due to customers	1,240	1,172	2,210	4,782	1,917	15	11,336
Borrowings from banks and other clients	10	-	229	346	2,771	2,092	5,448
Total	1,250	6,572	2,439	5,128	4,688	2,107	22,184
Maturity GAP							
- December 31, 2013	6,406	(5,924)	(50)	1,609	8,760	(694)	10,107
- December 31, 2012	4,446	(2,704)	2,867	4,225	1,011	2,815	12,660

NOTES TO THE FINANCIAL STATEMENTS
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All amounts expressed in thousands of EUR, unless otherwise stated.

FINANCIAL INSTRUMENTS (continued)

5.4. Liquidity Risk (continued)

5.4.1. Liquidity Risk Management (continued)

The structure of the Bank's financial assets and liabilities as classified into their relevant maturity groups as of December 31, 2013 indicates the existence of a liquidity gap in maturity period from 1 to 6 month and period over 5 years. The Bank's liquidity, which is its ability to settle its liabilities as due, depends on one hand on the balance sheet structure, and on the other hand, on the matching between cash inflows and outflows. As of December 31, 2013, demand deposits in the table above are presented by the expected maturity using the model based on the Bank's historical data. The Bank has applied this approach for liquidity management based on historical data of Bank.

5.4.2. Outstanding Maturities of Financial Liabilities (Undiscounted Cash Flows)

	Demand	Up to 1 Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Total
December 31, 2013							
Liabilities							
Deposits due to banks	-	-	5,400	-	-	-	5,400
Deposits due to customers	767	473	1,172	6,992	1,917	15	11,336
Obligations of loans	10	-	-	575	2,771	2,092	5,448
	777	473	6,572	7,567	4,688	2,107	22,184

	Demand	Up to 1 Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Total
December 31, 2012							
Liabilities							
Deposits due to banks	-	-	-	5,400	-	-	5,400
Deposits due to customers	1,611	187	3,700	5,341	1,648	-	12,487
Obligations of loans	20	-	11	351	2,654	2,784	5,820
	1,631	187	3,711	11,092	4,302	2,784	23,707

5.5. Fair Value of Financial Instruments

5.5.1 Fair Value of Financial Instruments Measured at Fair value

Fair value hierarchy for financial instruments measured at fair value

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) on active markets for identical assets or liabilities. This level includes listed equity securities.

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or a liability, either directly (that is, as prices) or indirectly (that is, as derived from prices).The Bank does not have financial instruments included within Level 2.

- Level 3 – inputs for a asset or a liability that are not based on observable market data (unobservable inputs). This level includes equity investments with Bank's market assumption (no observable market data available). The Bank does not have financial instruments measured at fair value included within Level 3

FINANCIAL INSTRUMENTS (continued)

5.5. Fair Value of Financial Instruments (continued)

5.5.1 Fair Value of Financial Instruments Measured at Fair value (continued)

Fair value hierarchy for financial instruments measured at fair value (continued)

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible. As at December 31, 2013, for securities measured at fair value in Bank's portfolio, market prices were available.

Valuation techniques and inputs to valuation techniques for financial instruments measured at fair value

The fair value for available-for-sale securities and securities designated at fair value through profit or loss is based on market prices. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar characteristics. As at December 31, 2013, for securities measured at fair value in Bank's portfolio, market prices were available.

5.5.2 Fair Value of Financial Instruments Not Measured at Fair value

Valuation techniques and inputs to valuation techniques for financial instruments not measured at fair value

For financial assets and liabilities not measured at fair value, fair values are calculated only for disclosure purposes, and do not impact the balance sheet or income statement. In addition, since the instruments generally do not trade, there are significant management judgments required to determine their fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. However, no readily available market prices exist for a certain portion of the Bank's financial instruments, and those were accordingly classified into Level 2 and Level 3 based on fair value hierarchy. In this circumstances where the quoted market prices are not readily available, the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affects the estimates. Therefore, the calculated fair market estimates cannot be realized in a current sale of the financial instrument.

In estimating the fair value of the Bank's financial instruments not measured at fair value and classified into Level 2 and Level 3, the following assumptions were used:

The carrying amount represents reasonable estimates of fair value for the flowing financial instruments which are predominately short-term:

- Cash and balances with the Central Bank;
- Securities held-to-maturity (relate to treasury bonds maturing up to 3 months);
- Other liabilities.

Loans and advances to banks

Loans and advances to banks include inter-bank placements and line items in the course of collection, linked with floating interest rates. Ffuture anticipated cash flows are discounted to their present value using current interest rates. Due to the fact that floating interest rates are agreed, changes in those interest rates lead to changes in agreed interest rates, so the fair value of floating rate placements and overnight deposits approximates their carrying amount at the balance sheet date.

5. FINANCIAL INSTRUMENTS (continued)

5.5. Fair Value of Financial Instruments (continued)

5.5.2 Fair Value of Financial Instruments Not Measured at Fair value (continued)

Valuation techniques and inputs to valuation techniques for financial instruments not measured at fair value (continued)

Loans and advances to customers

Fair value is determined using discounting cash flow models that include inputs for credit risk, interest rate risk, probability of default estimates, loss given default estimates, as appropriate. Given the fact that significant portion of the loan portfolio is extended at fixed interest rates, in order to determine the fair value of loans and advances to customers with fixed interest rate, the Bank has performed comparison of the Bank’s interest rate on loans and advances to customers with available information on the current market interest rates in the banking sector of Montenegro (i.e. average weighted market rates by activities),

According to the Bank’s management, the fair value of loans and advances to customers calculated as the present value of discounted future cash flows, using current market rates (average weighted interest rates in the banking sector), does not materially differ from the carrying amount of loans at balance sheet date. According to the Bank’s management, carrying values as presented in the Bank’s financial statements represent values that are believed to be the most valid under the circumstances and most useful for the purposes of financial reporting.

Deposits and borrowings:

The estimated fair value of demand deposits and deposits with remaining contractual maturities less than one year approximates their carrying amount.

The estimated fair value of fixed interest bearing deposits with remaining contractual maturities over one year, without a quoted market price, is based on discounted cash flows using interest rates for new debts with similar remaining maturity. According to the Bank’s management, Bank’s interest rates are harmonized with the current market rates and the amounts stated in the financial statements represent the values that are believed under the circumstances, to approximate the fair value of these financial instruments

The carrying value of borrowings with floating interest rates approximates their fair value at the balance sheet date.

5.6. Capital Risk Management

The Bank’s capital management objectives are:

- to comply with the capital requirements set by the regulator;
- to safeguard the Bank’s ability to continue as a going concern so that it can continue to provide returns to shareholders and ensure benefits for other stakeholders; and
- to maintain a strong capital base to support further growth of its business.

The Bank’s management controls capital adequacy by applying the methodology and limits prescribed by the Central Bank of Montenegro (Official Gazette of Montenegro no. 60/08, 41/09 and 55/12). In accordance with the regulations, the Bank submits quarterly reports on the balance and structure of capital to the Central Bank of Montenegro.

The Bank's own assets are comprised of:

- Tier 1 capital (paid-in share capital, retained earnings from prior years, profit for the year decreased for current year losses); and
- Tier 2 capital (reserves from profit after taxation, legal, statutory and other reserves, subordinated debt);
- Both decreased for intangible assets.

All amounts expressed in thousands of EUR, unless otherwise stated.

5. FINANCIAL INSTRUMENTS (continued)

5.6. Capital Risk Management (continued)

Risk-weighted assets are comprised of items of assets and loan equivalents of off-balance sheet items exposed to risk. The loan equivalents of off-balance sheet assets are computed by multiplying the book value of off-balance sheet items with the prescribed conversion factors. Total risk-weighted assets are comprised of assets and loan equivalents of off-balance sheet items exposed to risk (the Bank's risk weighted assets) classified in four categories and multiplied by adequate prescribed risk weights.

In accordance with the requirements of the Central Bank of Montenegro, the Bank is under obligation to maintain a minimum capital adequacy ratio of 10%. The Bank is required to maintain certain minimum or maximum ratios with respect to its activities and composition of risk assets in compliance with the Law on Banks of the Republic of Montenegro and with the Central Bank of Montenegro Regulations. As of December 31, 2013 the capital adequacy ratio calculated by the Bank for statutory financial statements equaled 30.26%.

5.7. Sensitivity Analyses

5.7.1. Sensitivity Analysis (Currency Risk Exposure)

The management of currency risk, in addition to the analysis of Bank's assets and liabilities in foreign currencies, includes the analysis of risk inherent in the fluctuations in foreign currency exchange rates. The following table sets out the scenario for the changes in foreign currency exchange rates ranging from +10% to -10% against EUR.

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	Total	2013 FX Amount	Change in Exchange Rates 10%	-10%
Assets				
Loans and advances to banks	323	154	15	(15)
Total assets	323	154	15	(15)
Liabilities				
Deposits due to customers	11,336	339	33	(33)
Total liabilities	11,336	339	33	(33)
Net Open Currency Position:				
- December 31, 2013			(18)	18

As of December 31, 2013, under the assumption that all other parameters remained unaltered upon the change in the EUR exchange rate against other currencies, by +10%, i.e., -10%, the Bank's profit would have increased/decreased by EUR 18 thousand. The Bank's exposure to changes in the foreign exchange rates is insignificant due to the fact that the largest portion of the Bank's receivables and liabilities are denominated in EUR.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
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5. FINANCIAL INSTRUMENTS (continued)

5.7. Sensitivity Analyses (continued)

5.7.2. Sensitivity Analysis (Currency Risk Exposure)

In the process of interest rate risk management, the Bank analyzes the sensitivity of its receivables and liabilities with variable interest rates to changes in interest rates. The following table presents the effect of the changes in variable interest rates for receivables and liabilities denominated in EUR and foreign currencies ranging from +0.4% p.p. to -0.4% p.p., and from +0.3% p.p. to -0.3% p.p., respectively

		Net effect of changes in interest rates	
	2013	**+0.4 b.p. EUR KS +0.3 b.p. FX IR**	**-0.4 b.p. EUR KS -0.3 b.p. FX IR**
Assets			
Cash and deposit accounts held with central banks	2,337	-	-
Loans and advances to banks	323	-	-
Loans and advances to customers	25,331	101	(101)
Financial assets held for trading	100	-	-
Securities available for sale	989	-	-
Securities held to maturity	50	-	-
Investments in associates and joint ventures at equity method	1,261	-	-
Investment in subsidiaries	2,000	-	-
	32,391	101	(101)
Liabilities			
Deposits due to banks	5,400	-	-
Deposits due to customers	11,336	-	-
Borrowings from banks	5,438	-	-
Borrowings from customers	10	-	-
	22,184	-	-
Net interest rate sensitivity GAP:			
- December 31, 2013		101	(101)

Under the assumption that all other parameters remained unaltered, variable interest rate increase/decrease by 0.4 p.p. for EUR-denominated assets and liabilities and by 0.3 p.p. for assets and liabilities in foreign currencies, the Bank's profit would have decreased/increased by EUR 101 thousand.

The Bank's exposure to changes in the variable interest rates is insignificant due to the fact that the largest portion of the Bank's receivables and liabilities were contracted at fixed interest rates.

NOTES TO THE FINANCIAL STATEMENTS
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6. INTEREST INCOME AND EXPENSES

a) Interest Income

	2013	2012
Loans approved to:		
- Municipitalies	86	96
- Corporate customers	1,648	1,548
- Retail customers	273	283
- Other	181	192
	2,188	2,119
Securities		
Securities Held to Maturity	17	10
Deposits with:		
- Other financial institutions	46	48
- Central Bank	-	3
	46	51
Impairment allowances of interest receivables	(48)	(81)
	2,203	2,099

a) Interest Expenses

	2013	2012
Deposits of:		
- Banks and other financial institutions	452	428
- Government of Montenegro	-	3
- Corporate customers	100	136
- Retail customers	345	192
- Other	4	8
	901	767

7. IMPAIRMENT LOSSES AND PROVISIONS

a) Impairment losses

	2013	2012
Net increase in provisions/(reversal of provision) in respect of:		
- loans	75	(333)
- fees and commissions	-	7
- other	(1)	-
	74	(326)

b) Provisions

	2013	2012
Net increase in provisions/(reversal of provision) in respect of:		
- off-balance sheet items	-	9
- other	(2)	(2)
	(2)	7

NOTES TO THE FINANCIAL STATEMENTS
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8. FEE AND COMMISSION INCOME AND EXPENSES

a) Fee and Commission Income

	2013	2012
Loan origination and processing fees	66	67
Fees and commissions from off-balance-sheet operations	39	5
Fee for payment transaction services	60	41
Revenues from fees on the basis of foreign currency	9	1
Revenues from fees on the basis custody operations	6	4
Revenues from fees from other financial institutions	88	33
Other fees and commissions	14	11
	282	162

b) Fee and Commission Expenses

	2013	2012
Fees and commissions payable to the Central Bank	80	76
Fees and commissions for foreign payment transactions	9	9
Deposit insurance premium fees	80	68
Other fees and commissions	22	19
	191	172

9. STAFF COSTS

	2013	2012
Net salaries	252	270
Taxes and contributions on salaries	255	227
Other employee benefits, net	33	26
Remunerations to members of the Board of Directors	42	41
Employee transportation allowance, net	7	6
Business travel costs and per diems	4	3
Employee training costs	3	-
Other staff costs	13	13
	609	586

10. GENERAL AND ADMINISTRATIVE EXPENSES

	2013	2012
Computer and other equipment maintenance	160	157
Advertising and marketing	138	88
Security services	26	27
Supplies	18	13
Court expenses	16	7
Subscriptions and donations	16	21
Electricity and fuel bills	12	8
Audit fee	11	13
Communication network costs	8	8
Entertainment	8	12
Phone cots	8	9
Insurance costs	5	5
Other expenses	51	75
	477	443

All amounts expressed in thousands of EUR, unless otherwise stated.

11. DEPRECIATION/AMORTIZATION CHARGE

	2013	2012
Property and equipment (Note 18)	85	109
Intangible assets (Note 19)	99	139
	184	248

12. OTHER INCOME

	2013	2012
Rent	6	7
Collected written-off receivables	39	45
Other income	1	2
	46	54

13. INCOME TAXES

a) Components of Income Taxes

	2013	2012
Current income tax expense	-	16
Deferred income tax benefits	-	1
	-	17

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

	2013	2012
Profit before taxes	51	92
Income tax at statutory rate of 9%	5	8
Tax effects of expenses not recognized for tax purposes	(5)	7
Other	-	2
Income tax reported in the income statement	-	17
Effective interest rate	-	*18.48*

14. CASH AND DEPOSIT ACCOUNTS HELD WITH CENTRAL BANKS

	December 31, 2013	December 31, 2012
Cash on hand:		
- in EUR	238	201
- in foreign currencies	57	99
Gyro account	642	586
Obligatory reserves held with the Central Bank of Montenegro	1,400	1,147
	2,337	2,033

All amounts expressed in thousands of EUR, unless otherwise stated.

14. CASH AND DEPOSIT ACCOUNTS HELD WITH CENTRAL BANKS (continued)

As of December 31, 2013, the Bank's obligatory reserves were set aside in accordance with the Decision of the Central Bank of Montenegro on Obligatory Reserves of Banks to Be Held with the Central Bank of Montenegro (Official Gazette of Montenegro no. 35/11, 22/12, 61/12 and 57/13), stipulating that banks calculate the obligatory reserve applying the following rates.

Deposits contracted with the more than one year that have a clause about the possibility of these deposits within a short of one year, or within a short of the 365 days, are being applied with rate of 9.5 %. Bank can be up to 25% reserve allocate and keep in the form state recording which is aired by Montenegro. The 15% of funds reserve the Central Bank is paying Bank monthly compensation a settled at the rate of 1% at the annual level, up to eighth month for the previous month.

15. LOANS AND RECEIVABLES DUE FROM BANKS

	December 31, 2013	December 31, 2012
Correspondent accounts with foreign banks	323	612
	323	612

16. LOANS AND RECEIVABLES DUE FROM CUSTOMERS

	December 31, 2013	December 31, 2012
Matured loans:		
- municipalities (public organizations)	353	129
- privately-owned companies	-	1,153
- state owned companies	206	223
- retail customers	-	6
Short-term loans:		
- privately-owned companies	1,175	504
- others	144	170
Long-term loans including current portion,		
- privately-owned companies	17,338	18,043
- state owned companies	2,423	2,455
- retail customers	39	23
- municipalities	-	61
- others	1,982	2,675
	23,660	25,442
Deposits with other depositary institutions	73	162
Interest receivables:		
- loans	179	355
Deferrals:		
- interest on loans	1,638	899
- fees	(97)	(83)
	1,720	1,171
Total	25,453	26,775
Less:		
Impairment allowance of loans	(207)	(486)
Impairment allowance of interest receivables	(15)	-
	25,231	26,289

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All amounts expressed in thousands of EUR, unless otherwise stated.

16. LOANS AND RECEIVABLES DUE FROM CUSTOMERS (continued)

To individuals, Bank approves various types of special purpose and general purpose loans:

Loans for pensioners, with an interest rate of 10% - 14% per annum,
Cash loans, with an interest rate of 10% - 14% per annum,

Short-term loans to legal entities approved at a nominal interest rate of 8% to 12% annually. Long-term loans granted to legal entities for a period of three years, at a nominal interest rate of 8% to 12% annually.

The concentration of the Bank's gross loans extended to customers per industry was as follows:

	December 31, 2013	December 31, 2012
Construction industry	1,781	143
Trade	1,869	2,549
Services, tourism, catering	1,154	820
Transport, storage and telecommunications	406	682
Real estate trade	265	303
Administration and other public services	9	6,208
Retail customers	2,330	3,068
Non-resident	8,719	8,455
Other	7,127	3,214
	23,660	25,442

17. INVESTMENT SECURITIES

a) Securities Available for Sale

	December 31, 2013	December 31, 2012
Shares of companies engaged in financial activities	561	668
Other residents	250	-
Shares in companies engaged in non-financial activities	171	164
Bonds Restitution	2	2
Government bonds	-	3
Foreign currency savings bonds	5	5
	989	842

Securities classified as available for sale totaling EUR 561 thousand as of December 31, 2013 refer to the following securities:

	December 31, 2013	December 31, 2012
Montenegroberza a.d., Podgorica	123	123
Oif atlas mont a.d., Podgorica	324	312
Zif atlas mont a.d., Podgorica	99	215
Other	15	18
	561	668

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17. INVESTMENT SECURITIES (continued)

Other residents totaling EUR 250 thousands as of December 31, 2013 refer to investments in shares of Atlas Life AD, Podgorica. 25 thousand shares at a price of EUR 10 were purchased on October 23, 2013.

Shares in companies engaged in non-financial activities as of December 31, 2013 amounted EUR 170 thousand (December 31, 2012 EUR 165 thousand) refer to the following:

	December 31, 2013	December 31, 2012
- Bolnica Meljine AD, Herceg Novi	125	125
- Crnogorski elektroprenosni sistem AD, Podgorica	3	3
- Jugopetrol AD, Kotor	6	6
- Željeznice Crne Gore	1	2
- Kontejnerski terminal i generalni tereti AD, Bar	2	2
- Jadransko brodogradilište AD, Bijela	1	1
- Crnogorski Telekom AD, Podgorica	31	23
- Other	2	3
	171	165

b) Securities Held to Maturity

	December 31, 2013	December 31, 2012
Governement of Montenegro	50	450
State notes	-	(8)
	50	442

c) **Investments in associates and joint ventures at equity** method

The bank has a share in the capital of Atlas Bank AD Podgorica in the amount of EUR 1,261 thousand (1.93%) in the form of 706 ordinary shares with a market value of EUR 1.8 thousand (2012: EUR 1,261 thousand).

d) Investment in subsidiaries

The Bank has established a company Global Carbon doo, Podgorica in the amount of the initial capital of EUR 2,000 thousand. As at December 31, 2013 the Bank 100% owned enterprises Global Carbon d.o.o., Podgorica. On December 31, 2008th year was paid EUR 1,500 thousand for equity until January 9, 2009. When was paid the remaining of EUR 500 thousand.

NOTES TO THE FINANCIAL STATEMENTS
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18. PROPERTY AND EQUIPMENT

Movements on property and equipment and other assets for 2013 and 2012 are presented in the following table

	Computer Equipment	Investments in assets owned by others	Other Equipment	Investment In Progress	Total
Cost					
Balance at January 1, 2012	365	463	190	1,139	2,157
Additions	-	-	-	82	82
Transfers	2	2	1	(5)	-
Decreases (sales)	-	-	-	(70)	(70)
Retirement	(2)	-	-	-	(2)
Balance at December 31, 2012	365	465	191	1,146	2,167
Cost					
Balance at January 1, 2013	365	465	191	1,146	2,167
Charge for the year	-	-	-	104	104
Transfers	8	-	9	(17)	-
Transfer to intangible assets	-	-	-	(94)	(94)
Retirement	(2)	-	-	-	(2)
Balance at December 31, 2013	371	465	200	1,139	2,175
Accumulated Depreciation					
Balance at January 1, 2012	281	161	126	-	568
Charge for the year (note 11)	49	46	14	-	109
Decreases (sales)	(2)	-	-	-	(2)
Balance at December 31, 2012	328	207	140	-	675
Accumulated Depreciation					
Balance at January 1, 2013	328	207	140	-	675
Charge for the year (note 11)	25	46	14	-	85
Retirement	(2)	-	-	-	(2)
Balance at December 31, 2013	351	253	154	-	758
Net Book Value:					
- at December 31, 2013	20	212	46	1,139	1,417
- at December 31, 2012	37	258	51	1,146	1,492

As of December 31, 2013, the Bank had no assets assigned under pledge liens to securitize the repayment of borrowings and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS
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19. INTANGIBLE ASSETS

The movements on intangible assets in the course of 2013 and 2012 were as follows:

	Patents and Trademarks	Software	Total
Cost			
Balance at January 1, 2012	112	761	873
Transfers	54	16	70
Balance at December 31, 2012	166	777	943
Cost			
Balance at January 1, 2013	166	777	943
Transfers	50	44	94
Balance at December 31, 2013	216	821	1,037
Accumulated Amortization			
Balance at January 1, 2012	41	551	592
Charge for the year (note 11)	31	108	139
Balance at December 31, 2012	72	659	731
Accumulated Amortization			
Balance at January 1, 2013	72	659	731
Charge for the year (note 11)	33	66	99
Balance at December 31, 2013	105	725	830
Net Book Value:			
- at December 31, 2013	111	96	207
- at December 31, 2012	94	118	212

20. OTHER FINANCIAL RECEIVABLES

	December 31, 2013	December 31, 2012
Receivables from Atlas Capital d.o.o., Podgorica	2,333	2,333
Advances	46	55
Receivables from operations	53	-
Receivables from state funds	49	2
Other financial receivables	7	-
Impairment allowance of other assets	(44)	-
	2,444	2,390

Claims of Atlas Capital Company, Ltd. , Podgorica refer to claims on the basis of buying of CVMU Meljine, Herceg Novi, in whose purchase the Bank has paid part of total purchase price in the name and for the account Atlas Capital d.o.o.

21. OTHER OPERATING RECEIVABLES

	December 31, 2013	December 31, 2012
Assets acquired in lieu of debt collection	1,246	1,246
Precious metals	3	3
Advances paid	30	34
	1,279	1,283

Assets acquired in lieu of debt collection totaling EUR 1,246 thousand as of December 31, 2013 (December 31, 2012: EUR 1,246 thousand) relate to assets acquired from collateral foreclosure, which were in the Bank's ownership no longer than 12 months. Assets acquired in lieu of debt collection are recorded at the lower of the total amount of receivable and the estimated fair value of the assets.

All amounts expressed in thousands of EUR, unless otherwise stated.

21. OTHER OPERATING RECEIVABLES (continued)

Decision on Minimum Standards for Bank's Investment in Immovable Property and Fixed Assets (Official Gazette of Montenegro, no. 24/09, 66/10, 58/11, 61/12 and 13/13) prescribes that the Bank treat investments in immovable property and fixed assets exceeding 40% of the Bank's own assets as deductible items upon calculation of the total amount of the Bank's own assets. Investments in immovable property shall not be considered property acquired in lieu of debt collection in debt restructuring procedure, within bankruptcy or liquidation proceedings over the Bank's debtor or in the debtor reorganization procedure pursuant to the regulations governing bankruptcy, or in the execution procedure instigated to settle the Bank's claims if no more than 4 years have passed since property acquisition date.

22. DEPOSITS DUE TO CUSTOMERS

Deposits bank deposits which are invested:

	December 31, 2013	December 31, 2012
Demand deposits:		
- municipalities	5	3
- privately-owned companies	1,575	2,763
- state owned companies	133	107
- retail customers	333	308
- non-profit organizations	21	18
- others	190	772
	2,257	3,971
Short-term deposits:		
- privately-owned companies	1,070	2,420
- municipalities	2,997	1,641
- retail customers	575	674
	4,642	4,735
Long-term deposits:		
- privately-owned companies	34	31
- retail customers	2,725	2,819
- others	1,500	787
	4,259	3,637
	11,158	12,343
Interest and other liabilities		
Accrued interest on deposits	178	144
	11,336	12,487

Demand deposits of retail customers denominated in EUR were placed at interest rates ranging from 0-1.5% in foreign currencies to the interest rate of 0.75%, annually.

Time Deposits in EUR with maturity date up to:

- 3 months were deposited at interest rate of 3.30% per year
- 6 months were deposited at interest rate of 4.75% per year
- 12 months were deposited at interest rate of 5.75% per year
- 24 months were deposited at interest rate of 6.00% per year
- 36 months were deposited at interest rate of 6.50% per year.

Time Deposits in foreign currencies with maturity date up to:

- 3 months were deposited at interest rate of 1.75 %. per year
- 6 months were deposited at interest rate of 2.25% per year
- 12 months were deposited at interest rate of 3.00% per year
- 24 months were deposited at interest rate of 3.05% per year
- 36 months were deposited at interest rate of 3.10% per year.

All amounts expressed in thousands of EUR, unless otherwise stated.

22. DEPOSITS DUE TO CUSTOMERS (continued)

Time Deposits legal persons in EUR with maturity date up to:

- 3 months were deposited at interest rate of 2.75% per year
- 6 months were deposited at interest rate of 3.50% per year
- 12 months were deposited at interest rate of 4.50% per year
- 24 - 36 months are deposited at interest rate of 5.75% per year

Time Deposits legal persons in foreign currencies with maturity date up to:

- 3 months were deposited at interest rate of 2.75% per year
- 6 months were deposited at interest rate of 3.50% per year
- 12 months were deposited at interest rate of 4.50% per year
- 24 - 36 months are deposited at interest rate of 5.75% per year

At December 31, 2013 the bank had EUR 1,528 thousand (December 31, 2012 EUR 4,968 thousand) earmarked deposits represent the collateral of loans and advances.

23. BORROWINGS FROM BANKS

	Period (years)	Annual Interest Rate	December 31, 2013	December 31, 2012
European Investment Bank (EIB)	11	3.85%	1,556	1,778
European Investment Bank (EIB)	11	4.04%	2,000	2,000
European Investment Bank (EIB)	11	3.33%	946	1,005
European Investment Bank (EIB)	11	3.16%	936	995
			5,438	5,778

As at December 31, 2013, the Bank had liabilities towards the EIB based on long-term loans in the amount of EUR 5,438 thousand (December 31, 2012: EUR 5,778 thousand). In prior periods, EIB approved to the Bank loan funds for stimulating development, with a grace period of maximum 2 years. According to the above loans Bank has no obligation to fulfill the financial indicators.

Maturity of the borrowings is shown in the following table:

	December 31, 2013	December 31, 2012
Up to 1 year	575	340
from 1 to 2 years	693	575
from 2 to 3 years	693	693
from 3 to 4 years	693	693
from 4 to 5 years	693	693
over 5 years	2,091	2,784
	5,438	5,778

NOTES TO THE FINANCIAL STATEMENTS
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24. PROVISIONS

	December 31, 2013	December 31, 2012
Provisions for potential losses per:		
- off-balance sheet exposures	4	2
	4	2

25. OTHER LIABILITIES

	December 31, 2013	December 31, 2012
Liabilities from consignment operations	23	27
Other taxes payable	132	17
Liabilities in respect of dividend payments	1	1
Rejection of payroll	-	22
Accounts payable	70	61
Other liabilities	55	11
Temporary accounts	40	31
	321	170

26. CAPITAL

	December 31, 2013			December 31, 2012		
Shareholder	**Number of share**	**In thousands of EUR**	**% Ownership**	**Number of share**	**In thousands of EUR**	**% Ownership**
Closed investment fund Atlas Mont a.d. in the procedure of transformation	136,301	6,969	50.34%	136,301	6,969	50.34%
Atlas Grupa d.o.o. Podgorica	43,249	2,211	15.97%	43,249	2,211	15.97%
Atlas Invest d.o.o. Podgorica	37,532	1,919	13.86%	37,432	1,914	13.83%
Kuzman Mladen	12,618	645	4.66%	12,618	645	4.66%
Podravska banka d.d.	7,303	373	2.70%	7,303	373	2.70%
Ik - Summary custody account 1	6,000	307	2.22%	6,000	307	2.22%
Elektroprivreda crne gore a.d., Nikšić	4,140	212	1.53%	4,140	212	1.53%
Crnogorski elektroprenosni sistem a.d., Podgorica	4,140	212	1.53%	4,140	212	1.53%
Direkcija šuma Pljevlja	3,138	160	1.16%	3,138	160	1.16%
OIF HLT-in process of transformation	2,269	116	0.84%	-	-	0.00%
Other shareholders	14,082	720	5.19%	16,451	841	6.06%
Total	270,772	13,844	100.00%	270,772	13,844	100.00%

As of 31 December 2013 and 2012, the Bank's share capital amounted to EUR 13,844 thousand was comprised of 270,772 ordinary shares with the par value of EUR 51.1292. As at December 31, 2012, the share capital of the Bank amounted to EUR 13.844 thousand.

The Law on Banks (Official Gazette of Montenegro, no. 17/2008, 44/2010, and 40/2011) stipulates that the minimum cash amount of the share capital may not be less that EUR 5,000 thousand. At December 31, 2013, the Bank's capital complied with the prescribed minimum capital requirements.

All amounts expressed in thousands of EUR, unless otherwise stated.

27. COMPLIANCE WITH THE REGULATIONS 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

In accordance with the Decision on Capital Adequacy in Banks ("Official Gazette of Montenegro," no. 38/11, 55/12), the Bank's capital is comprised of the Bank's core capital and supplementary capital, minus deductible items. The Bank's capital as of December 31, 2013 amounted to EUR 10,392 thousand (December 31, 2012: EUR 11,746 thousand).

The Bank's core capital formed in accordance with the Decision on Capital Adequacy in Banks, as of December 31, 2013 amounted to EUR 12,392 thousand (December 31, 2012: EUR 13,746 thousand). The Bank's capital as of December 31, 2013 was comprised of the following components: paid-in share capital at nominal value, collected share premiums decreased by the amount of prior period losses and amount of intangible assets and unrealized loss on fair value adjustment of financial assets available for sale, at fair value, as well as the positive difference between the amount of the calculated reserve for potential losses and the sum of the amounts of impairment allowance per balance sheet assets and provisions per off-balance sheet items.

Pursuant to Decision on Capital Adequacy in Banks effective as of December 31, 2013, the Bank is required to maintain the minimum capital adequacy ratio of 10%. As of December 31, 2013, the Bank's capital adequacy ratio equaled 30.26% (December 31, 2012: 29.17%) and was above the prescribed minimum. As of December 31, 2013 all of the Bank's performance /adequacy ratios were in compliance with the prescribed minimum values required by the regulations of the Central Bank of Montenegro.

28. OFF-BALANCE SHEET ITEMS

	December 31, 2013	December 31, 2012
Undrawn loan facilities	96	118
Guarantees issued		
- Payment guarantees	988	409
- Other types of guarantees	-	288
Collaterals securitizing receivables	50,801	45,738
Other items of the Bank's off-balance sheet exposures	29,048	30,335
	80,933	76,888

The Bank transfers receivables from its balance sheet into the internal records if, in the course of collection thereof, the Bank assesses that the amount of receivables measured at amortized cost will not be recovered and that, in accordance with IAS/IFRS, criteria are met for derecognition of a financial asset, which includes the flowing instances:

1) for unsecuritized receivables:
- when bankruptcy proceedings have been instigated over the debtor lasting for over a year; or
- when the debtor is in default of over two years;
2) for securitized receivables with the debtor default of over four years, i.e. if the Bank has not received a single payment from the collateral foreclosure within the aforesaid period.

In accordance with the regulations in effect, the Bank derecognizes the aforesaid receivables form the balance sheet and transfers them to the internal records where these are maintained until their collection or final write-off. Upon transition to the new effective layout of chart of accounts, as of January 1, 2013, the Bank transferred all the receivables meeting the criteria defined by the Central Bank of Montenegro Decision on the Minimum Standards for Credit Risk Management of Banks (Official Gazette of Montenegro no. 22/12, 55/12 and 57/13) for transfer to the balance sheet assets to appropriate accounts. Broken-period interest, i.e. interest accrued within off-balance sheet items was not transferred to the balance sheet accounts.

NOTES TO THE FINANCIAL STATEMENTS
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29. RELATED PARTY TRANSACTIONS

Bank performs numerous transactions with related persons during its regular business. Related persons are: legal persons, members of Atlas group, as well as a leadership of Bank. Transactions include: deposits, transactions in foreign currency and the personal income of members of administration and persons with individual contracts concluded in the Bank.

Transactions with related persons, the state of assets and liabilities as of December 31, 2013 and 2012, respectively, and expenditures and revenues in the foreign trade balance success are shown in the following tables:

	December 31, 2013	December 31, 2012
Receivables		
Purpose deposit		
Atlas capital Financial Services Limited, Nicosia	74	162
	74	**162**
Given loans		
Atlas invest DOO, Podgorica	400	3,050
Univerzitet Mediteran, Podgorica	2,194	2,241
RTV Atlas DOO, Podgorica	110	130
Atlas CAP DOO, Podgorica	25	25
Rekreaturs DOO, Budva	115	115
Atlas grupa DOO, Podgorica	300	450
RT Mimoza DOO, Herceg-Novi	660	210
	3,804	**6,221**
Interest		
Fin invest DOO, Podgorica	-	115
Univerzitet Mediteran, Podgorica	-	5
RTV Atlas DOO, Podgorica	-	2
Atlas grupa DOO, Podgorica	-	7
RT Mimoza DOO, Herceg-Novi	-	26
	-	**155**
Other Receviables		
Atlas CAP DOO, Podgorica	2,333	2,333
Trojica DOO, Pljevlja	432	432
Obnova AD, Pljevlja	465	465
	3,230	**3,230**
Total payables	**7,108**	**9,768**

NOTES TO THE FINANCIAL STATEMENTS
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29. RELATED PARTY TRANSACTIONS (continued)

	December 31, 2013	December 31, 2012
Payables		
Demand deposits:		
DZU Atlasmont a.d., Podgorica	12	59
FZU Atlasmont a.d., Podgorica	-	96
Atlas Capital Financial services	16	165
Atlas Group Limited	-	64
Atlas Life a.d., Podgorica	5	1
	33	**385**
Term deposits		
Global Carbon d.o.o., Podgorica	540	540
Atlas Grupa d.o.o., Podgorica	-	1,050
DZU Atlasmont a.d., Podgorica	100	100
Atlas Group Limited	100	100
Atlas Life a.d., Podgorica	1,081	497
Atlas banka a.d., Podgorica	5,400	5,400
Society for private pension fund management Atlas Pensions a.d. Podgorica	300	55
	7,521	**7,742**
	7,554	**8,127**
(Obligations) /credit, net	**(446)**	**1,641**

	2013.	2012.
Revenues from interest:		
- Loans	456	495
Revenues from fees:		
- loans	5	6
- custody	-	1
- depositary	64	15
Service business broker-dealer	69	22
	525	**517**
Expenditures interest:		
- on deposits	98	226
Net income	**427**	**291**

As of December 31, 2013, the claims of employees amounted EUR 144 thousand (2012: EUR 138 thousand), and referrer to loans given to employees.

During 2013 the Bank has disbursed a crucial leadership which included Chief Executive Directors, Executive directors and directors sector amount of EUR 92 thousand on behalf fees (2012: EUR 87 thousand). Members of the Board of Directors and the Board to the Audit Committee on behalf compensation paid the amount of EUR 42 thousand (2012: EUR 41 thousand) (note 9).

30. CASH AND CASH EQUIVALENTS (for the preparation of the statements of cash flow statement).

	December 31, 2013	December 31, 2012
Cash on hand	238	201
Cash on hand in foreign currency	57	99
Gyro account	642	586
Correspondent accounts with foreign banks	323	612
	1,260	1,498

All amounts expressed in thousands of EUR, unless otherwise stated.

31. LITIGATION

There were 54 legal suits filed against the Bank by legal entities and private individuals totaling EUR 49 thousand (in the 2012 the Bank had a number of legal proceedings in the amount of EUR 556 thousand). The Bank's management and legal services are estimated not to expect negative outcomes of disputes which may have materially significant effects on the financial statements of the Bank.

32. EVENTS AFTER THE REPORTING PERIOD

On March 28, 2014 the Bank received report on the control from Central bank of Montenegro performed on financial statements of the Bank as of January 31, 2014. The main findings in this report are related to: the classification of loan arrangements in accordance with the requirements of the Central bank of Montenegro, omissions in calculating the impairment loss in accordance with IAS and concentration of exposure to banks, on the basis that the bank determines the required capital to risk concentrations. Management is committed corrections classification by Central bank of Montenegro and the methodology for the calculation of the impairment loss. About activities Central bank of Montenegro is informed, in response management.

33. 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.

34. EXCHANGE RATES

The official exchange rates for major currencies used in the translation of the balance sheet components denominated in foreign currencies into EUR as at December 31, 2013 and 2012 were as follows:

	December 31, 2013	**December 31, 2012**
USD	1.3783	1.3182
CHF	1.2259	1.2080
GBP	0.8364	0.8169

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35. GENERAL INFORMATION ON THE BANK

In accordance with the Decision on the Content, Deadlines and Manner of Preparation and Submission of Financial Statements of Banks (Official Gazette of Montenegro no. 15/12 and 18/13), general information on the Bank is presented below:

Bank's registered name:	Invest banka Montenegro AD, Podgorica;
Registered address:	Bulevar Svetog Petra Cetinjskog 115., 81000 Podgorica;
Bank's ID number:	2009960
Telephone/Fax number:	: +382 20 407 900; +382 20 407951
Web page:	www.invest-banka.com
Headcount s at December 31, 2013:	30;
Gyro account:	907-54501-62

Information on the President and members of the Board of Directors

	First name, last name	Date of birth	Residence Place	Residence Number
1. President	Burzan Sonja	22.05.1961.	Podgorica	B.Jovanovića br.3
2. Member	Martinović Igor	31.05.1976.	Podgorica	Njegoševa br.3
3. Member	Basil Petrides	05.09.1963.	London	58 Hurstwood Road London NW11 0AU
4. Member	Bujković Rajko	18.07.1960.	Budva	Jadranski put bb
5. Member	Dašić Predrag	07.11.1954.	Podgorica	Vasa Raičkovića br.34
Executive director and Executive Officer authorized to sign documents	Zoran Nikolić	05.02.1978.	Podgorica	Veliša Mugoša bb

Top ten shareholders of the Bank:

Name, last name / Company name	Residence / Registered address (place, street, number)	Data on Shares Share count	 Ownership %
ZIF ATLASMONT	Montenegro	136,301	50.34%
ATLAS GRUPA	Montenegro	43,244	15.97%
ATLAS INVEST DOO	Montenegro	37,532	13.83%
KUZMAN MLADEN	Montenegro	12,618	4.66%
PODRAVSKA BANKA	Croatia	7,303	2.69%
IK ZBIRNI CUSTODY RACUN 1	Montenegro	6,000	2.22%
ELEKTROPRIVREDA CRNE GORE	Montenegro	4,140	1.53%
AD PRENOS	Montenegro	4,140	1.53%
DIREKCIJA SUMA PLJEVLJA	Montenegro	3,138	1.16%
IBM ZBIRNI DEPOZITARNI RACUN	Montenegro	2,269	0.84%
Total share capital	**EUR 13,844 thousand**		

Share issues and share issue designations:

Ordinary shares:

Share issue designation	Share par value	Share count
Transformation	51.1292	13,340
From profit	51.1292	7,088
New emission	51.1292	35,000
Public offer	51.1292	17,705
Recapitalization	51.1292	15,340
Public offer	51.1292	13,570
New emission	51.1292	19,559
Conversion	51.1292	149,170

All amounts expressed in thousands of EUR, unless otherwise stated.

35. GENERAL INFORMATION ON THE BANK (continued)

Priority shares:

Mark of emissions	The nominal value of shares	Number of share
Public offer	51.1292	95,792
New emission	85	16,221
Mulching	51	26,967
From profit	51.1292	25,063
From profit	51.1292	1,348

International identification number of ordinary shares (ISIN): MEIBMNRA1PG0

The stock exchange and quotations where the Bank's shares are listed: Montenegro AD Podgorica, B list.

Share prices when traded on the stock exchange:

Ordinary shares:

	Ordinary shares	
	Lowest	Highest
Pervious year	124.64	124.64
Current year	-	-

Priority shares:

	Ordinary shares	
	Lowest	Highest
Pervious year	62	68.6
Current year	-	-

Share prices at the beginning and end of the reporting period:

Ordinary shares:

	Ordinary shares	
	Lowest	Highest
Pervious year	114.8999	124.6402
Current year	124.6402	124.6402

Priority shares:

	Ordinary shares	
	Lowest	Highest
Pervious year	77	68.607
Current year	68.607	-

Market capitalization: EUR 33,749 thousand

Carrying value per share:

Pervious year	51.1292
Current year	51.1292

The auditing company that audited the 2012 financial statements KPMG d.o.o. Podgorica, street Svetlana Kane Radević 3.