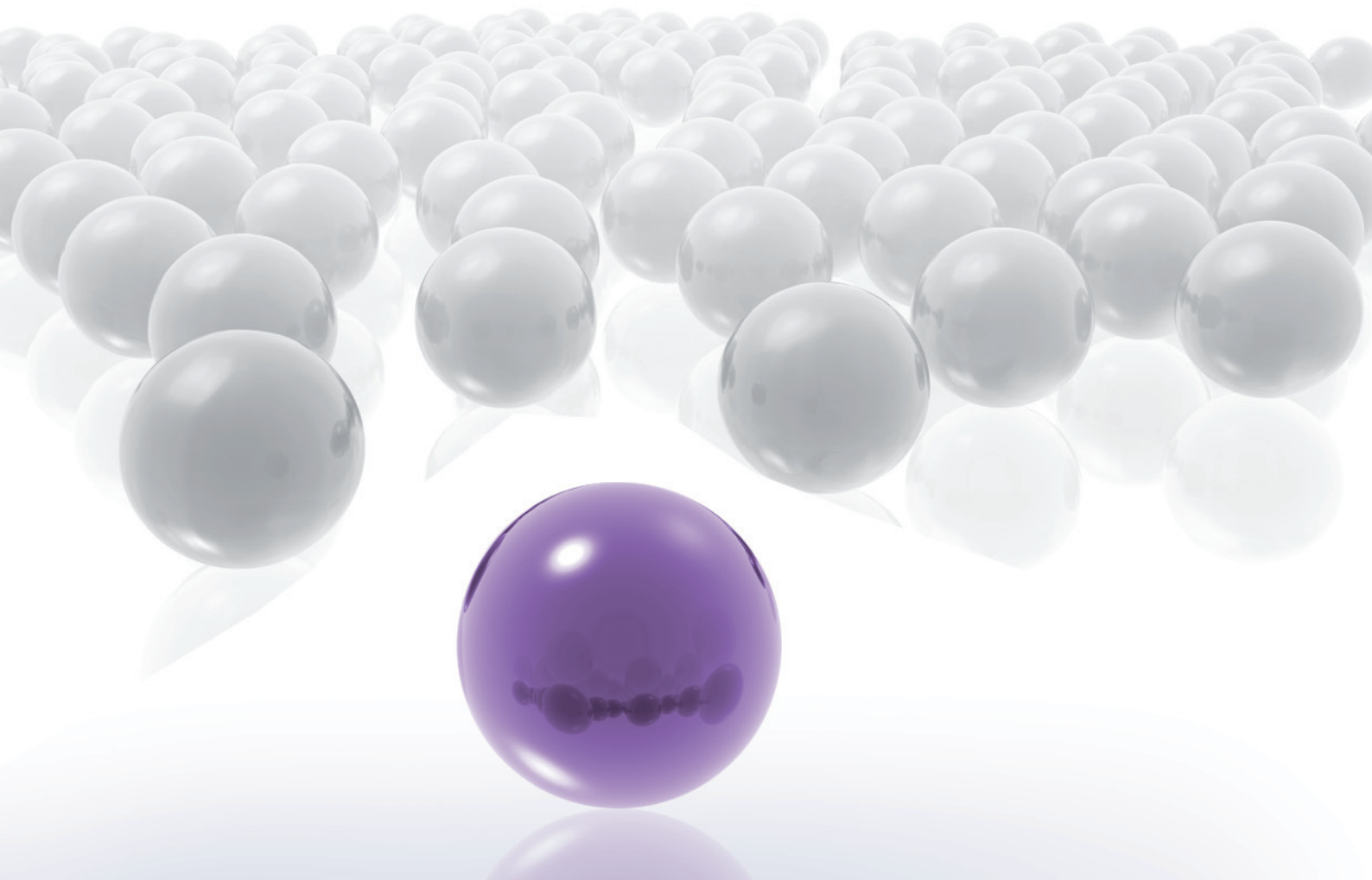


ANNUAL REPORT 2007.



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INTRODUCTION

Dear business partners and clients,

It is our pleasure to present you the Annual Report on the Bank's Business Operations, which contains information on another successful business year of Komercijalna Banka. Although we have always believed in the exceptional potential and success of our Bank, we did not expect that the 2007 results would exceed both our last year's figures and our ambitious plans to this extent, both in terms of quality and quantity.

In brief:

In 2007 the Bank recorded a total operating volume of 2,7 billion EUR, which is 38% more than in 2006 and almost 3 times more than only 3 years ago. The balance sheet exceeded 1,8 billion EUR, 44% more than a year before and 17% over plan.

Total deposits increased 52%, and retail savings exceeded 800 million EUR. Thus the Bank was able to keep its leading position on the market in this segment. We consider these exceptional developments to be an expression of the utmost trust of our clients and the market for our Bank

But the Bank was not only successful in attracting deposits. The total off 1,1 billion EUR in loans and payments to clients, represented an impressive 80% increase in relation to the last year.

An Operating Profit of 36 million EUR was realized. That is almost 3.5 times more than last year, and the best performance in our history. As a result our ROA increased from 6,51 to 16,7, and our ROE from 0,97 to 2,5.

It is important to be reminded that all these results were achieved in a period of an extremely severe banking competition and numerous economic uncertainties.

On the banking group level we finalised the implementation of our new risk management policies and procedures, adopted a new methodology for the assessment of our credit risks and introduced international accounting standards, which are now standard for the Serbian banking community.

In addition, we implemented a considerable number of organisational changes, a difficult task, as the current operations had to be upheld at the same time. These changes concentrated mainly on our data base and on rendering our organisation, departments and units more efficient and transparent.

The 15th successful year of the business operations of our subsidiary bank in Montenegro, with its head office in Budva, and the results of the first year of operations of our subsidiary bank in Bosnia and Herzegovina, with its head office in Banja Luka, justified fully our orientation to the regional expansion and strengthened our Bank as a group.

With its continually growing investments into marketing activities, the Bank clearly positioned itself as a strong, recognizable, permanently present and reputable institution in the Republic of Serbia.

During 2007 Komercijalna Banka proved that realization of enviable business results is not contradictory to investments in socially responsible projects: on the contrary. It managed to prove that the financing of socially responsible projects pays back manyfold, contributing not only to social prosperity but also to the corporate image, which is ultimately reflected in the achievement of business results.

By helping orphaned children, disabled persons, by investing in the improvement of working conditions in medical establishments, by responding to blood donation efforts, organising cultural and educational events, supporting



Predrag Mihajlović
DEPUTY PRESIDENT



Ivica Smolić
PRESIDENT

young music talents, financing low-budget sport clubs and other similar activities, Komercijalna Banka presented itself as a socially responsible financial institution, which cares about its environment and invests part of its profit to improve life and working conditions of its community.

The various awards that the Bank won have "officially" placed it among the strongest Serbian corporate brands. Last year we were active in numerous projects which all had as a common denominator our priority goal: to increase our operating efficiency but even more to increase our customers' satisfaction. To that aim we have started to implement an ambitious and comprehensive new core IT system, which shall be finalized towards the end of 2008.

Considerable investments were made in the refurbishment of our business network and in the acquisition of new equipment. More importantly, the comprehensive process of a continuous professional development of our employees was introduced, setting a new basis for a modern employees' performance appraisal and compensation system. In order to keep our present staff and attract new employees, particularly young professional people, we must provide the best possible working environment.

We developed standard programs for the introduction of new banking products and services. In that respect we have completed differentiated catalogues of products for all segments of our clients, from the most numerous retail clients to the very important individual clients with specific requests. In order to satisfy the needs of the latter, we have opened a new sub-branch that is two steps ahead of our competitors in terms of its functionality, style and design.

Regarding a more efficient organisation, we have high expectations from the newly founded Belgrade Branch, which shall enable high-quality relation to the clients in general, dedication and better segmentation of the market, considering that Belgrade does have special business significance on the market, not only in Serbia but also in the region.

We also founded the Investment Funds Management Company, which shall demonstrate its full impact once the wider economic situation has stabilized, consequently leading to normalization of the securities market.

We would particularly wish to stress that all these results have been achieved owing to the enormous enthusiasm and effort of our employees, and to participation and cooperation of our esteemed partners and clients. For this we would like to take this opportunity to extend our deepest appreciation to all of you.

Every one of the above mentioned achievements in 2007 has in essence defined new, higher goals for us in 2008.

And to achieve those goals in 2008., your assistance shall be our most precious support and your satisfaction shall be our highest incentive.

Deputy President of the Executive Board
Dr Predrag Mihajlović

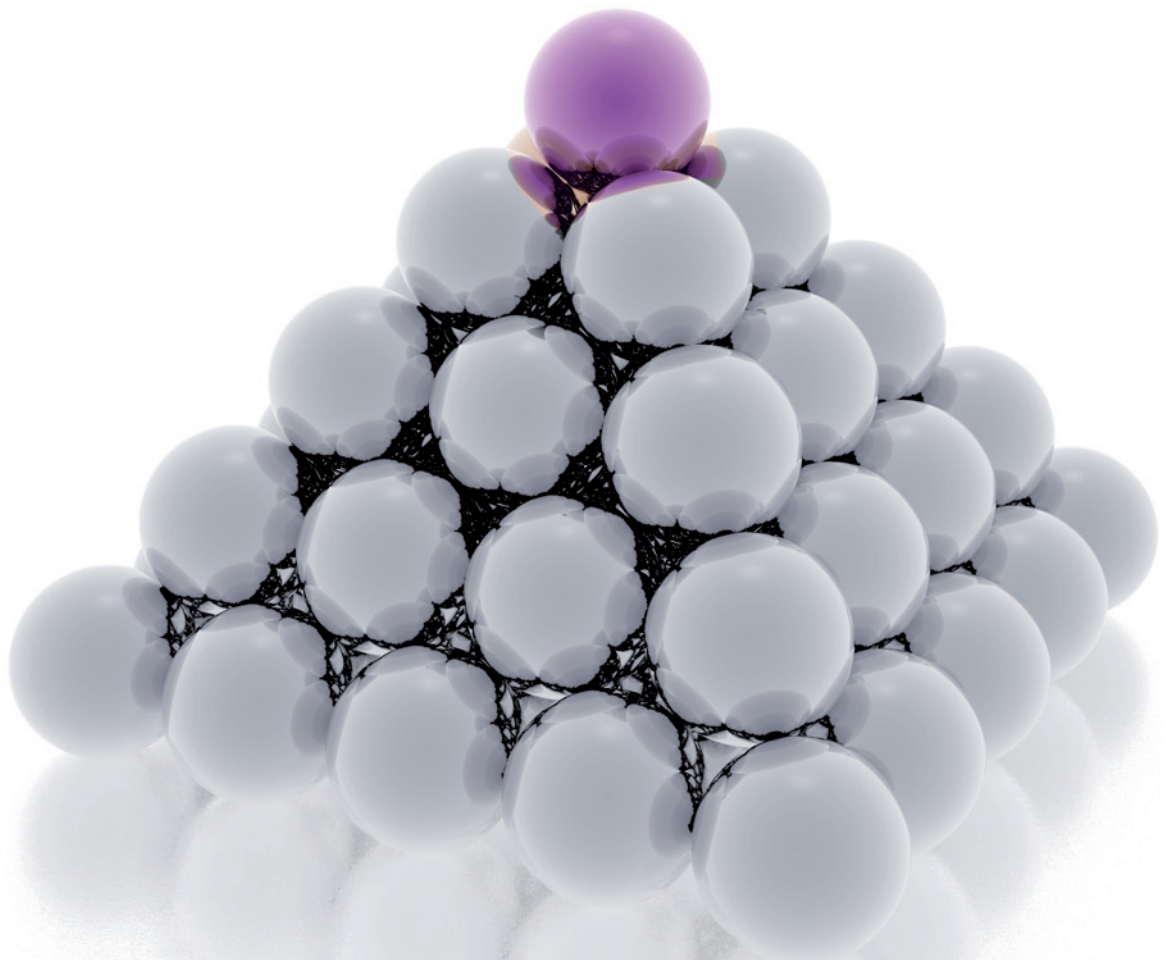


President of the Executive Board
Ivica Smolić



01

ACTIVITIES OF THE BANK'S
BOARD OF DIRECTORS IN 2007



1. ACTIVITIES OF THE BANK'S BOARD OF DIRECTORS IN 2007

The Board of Directors consists of the following members:

IME I PREZIME	AKCIONAR / ČLAN NEZAVISAN OD BANKE	FUNKCIJA
1. Mr Vladislav Cvetković	Republic of Serbia	Predsednik
2. Anka Gajić	Republic of Serbia	director
3. Dr Miroslav Todorović	Republic of Serbia	director
4. Dragica Pilipović-Chaffey	EBRD	director
5. Dr Franz Leitner	EBRD	director
6. Mr Mirko Petrović	independent director	director
7. Prof. dr Boško Živković	independent director	director

The responsibilities of the Board of Directors are set forth in the Law on Banks and the Bank's Articles of Association.

In accordance with these responsibilities the Board of Directors in 2007:

- drafted proposals for the General Meetings of Shareholders,
- convened General Meetings of Shareholders and executed their decisions,
- discussed changes in the Bank's capital and proposed to the General Meeting of Shareholders the adoption of the decision for the 20th issue of ordinary shares,
- monitored the execution of the Medium-Term Plan of the Bank and approved its revision in view of the changed business conditions,
- approved the external auditor's report,
- approved internal documents of the Bank within the area of its responsibilities,
- approved decisions setting up the Bank's committees,
- discussed interim reports and approved the draft annual accounts of the Bank and Komercijalna Banka Group for 2006,
- performed other activities in accordance with the law and the Bank's Articles of Association.

Bank operations in 2007 were conducted amidst:

- intense competition among the banks operating in the Republic of Serbia,
- difficult macroeconomic trends: the inflation rate reached 10.1%, while the exchange rate of the dinar to the euro remained approximately at the same level as at the end of the previous year,
- restrictive monetary policy, in particular regarding measures for withdrawing money from circulation. This was done in order to curb bank credit expansion to keep the inflation rate within the planned band and
- the need to implement the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

In 2007 there were nine meetings of the Board of Directors together with the Executive Board. Apart from its regular responsibilities the Board of Directors' activities were primarily focused on:

- assessing the capital needs of the Bank and the decision to raise more capital.
The 20th increase in the share capital of the Bank will lead to a higher capital adequacy ratio and improve all other prescribed parameters. This will allow additional lending activities and enlarge the possibility to expand regionally.
- monitoring of the Bank's regional expansion plans,

- harmonisation of the Bank's operations with the new regulations of the Law on Banks ,
- monitoring the Bank's Business Plan and strategy for the following three years,
- improving the IT support for the Bank's operations,
- upgrading the Bank's organisational structure and improvement of the work processes within the Bank
- monitoring of the Bank's operations by means of discussing relevant quarterly reports.

In all its activities the Board of Directors was led by the principle of sound banking principles with a particular focus on liquidity, solvency, credit risk minimisation and the protection against operational risks.

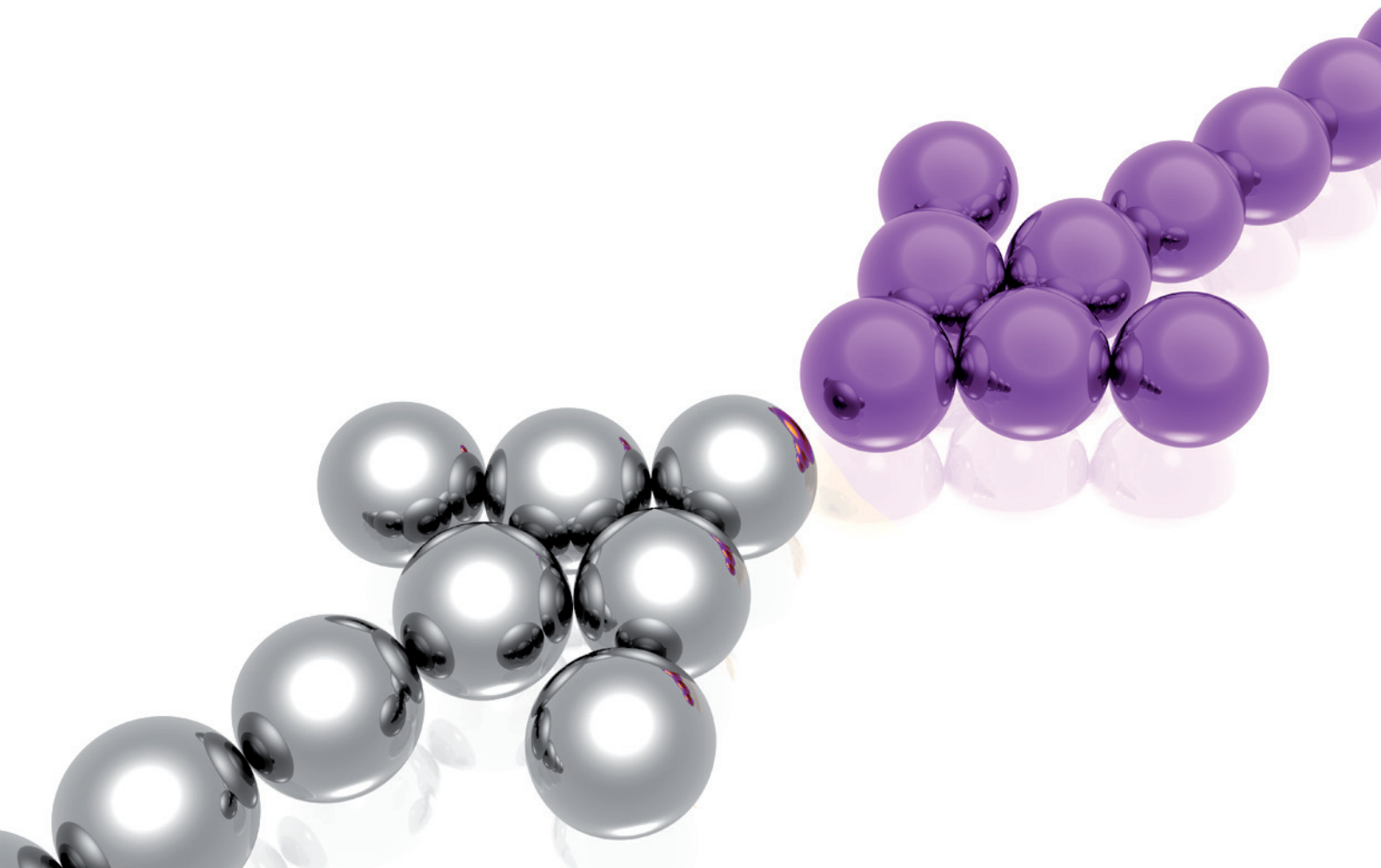
1. MAIN BUSINESS INDICATORS IN THE 2004 - 2007 PERIOD

(IN 000 RSD)

DESCRIPTION	2007	2006	2005	2004
BALANCE SHEET ASSETS	147,203,203	102,143,501	74,799,353	52,222,109
TOTAL LOANS AND ADVANCES TO BANK CUSTOMERS	89,980,931	49,927,604	35,512,356	26,558,767
Total retail loans and advances	23,785,675	14,713,893	9,251,820	4,625,438
Total corporate loans and advances	66,195,256	35,213,711	26,260,536	21,933,329
Deposits with the NBS and securities that can be refinanced	35,413,826	33,371,741	17,160,262	1,739,836
TOTAL LIABILITIES TO CUSTOMERS	120,356,763	79,327,802	60,271,629	40,294,172
Total liabilities to individuals	68,029,296	50,784,956	38,981,064	24,363,833
Total liabilities to legal persons	52,327,467	28,542,846	21,290,565	15,930,339
OPERATING PROFIT	2,916,093	785,122	513,310	304,101
PROFITABILITY INDICATORS:				
ROA - profit / average balance sheet assets	2.5	0.97	0.82	0.68
ROE - profit / average total equity and reserve	16.7	6.51	7.39	5.01
Cost income ratio - after allowances for impairment and provisions	54.03	75.33	71.70	107.8
Cover of operating expenses by net interest income and fee and commission income	84.9	81.1	70.1	99.3
AVERAGE LIQUIDITY RATIO	3.94	3.73	4.23	3.84
FOREIGN EXCHANGE RISK RATIO	14.30	24.3	8.27	24.58
CAPITAL ADEQUACY	13.56	17.29	15.37	13.39
NUMBER OF EMPLOYEES	3,053	2,984	2,699	2,771
Assets per employee in RSD	48,216	34,230	27,714	18,846
Assets per employee in 000 EUR	609	433	324	239

02

KOMERCIJALNA BANKA AD BEOGRAD
PARTNER FOR COOPERATION



2. KOMERCIJALNA BANKA AD BEOGRAD PARTNER FOR COOPERATION

The Bank has been operating for 37 years. During these years the Bank has acquired considerable experience and knowledge and has laid the organisational, personnel and technical foundation for a successful and sustained operation in the future.

The years 2004-2007 have been remarkable for two reasons.

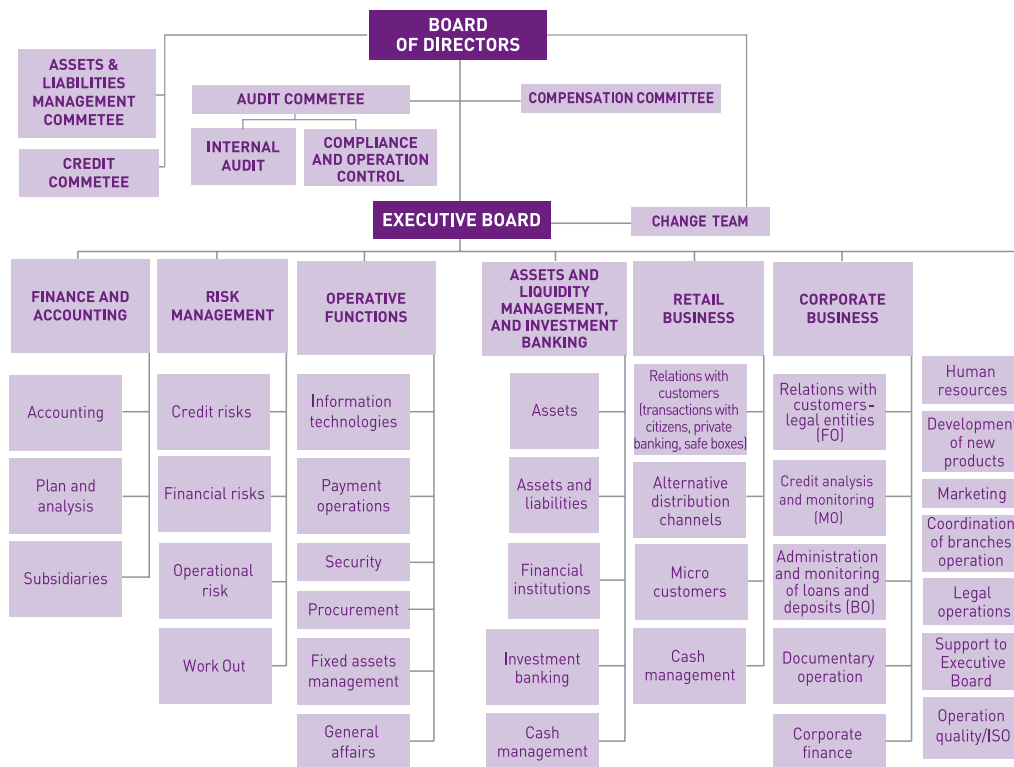
On the one hand the competition amongst banks has intensified greatly, mainly due to legislation opening the market to a large number of competitors and products.

For the Bank, on the other hand, it was a transition period in which it focused on:

- the introduction of a new business strategy,
- the radical improvement of the Bank's operations organisationally,
- the promotion of a totally new corporate culture,
- the setting up of corporate governance rules and regulations,
- and lastly implanting the awareness of its corporate social responsibility.

These massive changes were introduced at the same time as the Bank was following a strategy of dynamic growth in all of its business segments.

2.1. Organisational Chart

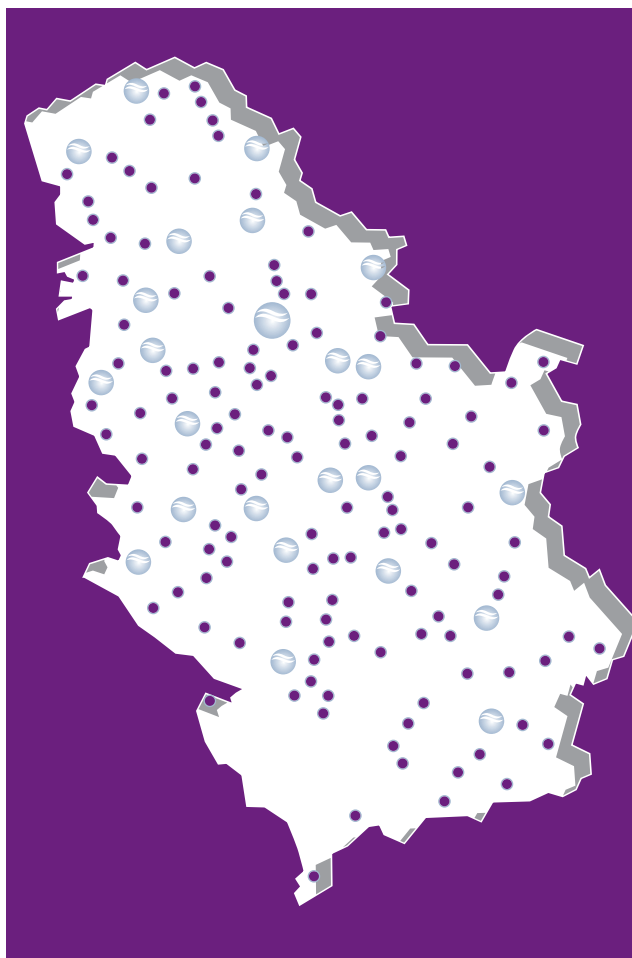


2.2. Seat of the Bank

ULICA	Svetog Save 14	Svetogorska 42-44	Kralja Petra 19-21	Makedonska
TELEPHONE	381 11- 30-80-100	381-11-32-40-911	381-11-33-08-002	381-11-33-39-001
TELEX	12133 COMBANK YU	12133 COMBANK YU	12133 COMBANK YU	12133 COMBANK YU
FAX	3442-372	32-36-160	32-82-732	33-39-196
S.W.I.F.T. code	KOBBCSBG	KOBBCSBG	KOBBCSBG	KOBBCSBG
REUTERS dealing code	KOMB	KOMB	KOMB	KOMB
INTERNET	http://www.kombank.com	http://www.kombank.com	http://www.kombank.com	http://www.kombank.com
INTERNET E - mail	posta@kombank.com	posta@kombank.com	posta@kombank.com	posta@kombank.com

2.3. Regional Distribution of Bank Branches in the Republic of Serbia

	BRANCH	HEAD OFFICE
1.	Kruševac Branch	Trg oktobarske revolucije 1
2.	Niš Branch	Episkopska 32
3.	Zrenjanin Branch	Trg Slobode 5
4.	Čačak Branch	Železnička bb
5.	Kraljevo Branch	Trg S. Ratnika bb
6.	Novi Pazar Branch	Njegoševa 1
7.	Priboj Branch	Meše Selimovića 1
8.	Novi Sad Branch	Trg slobode 4
9.	Užice Branch	D. Tucovića 151
10.	Vranje Branch	Stefana Prvovenčanog 58
11.	Valjevo Branch	Gradski Trg bb
12.	Subotica Branch	Korzo 10
13.	Šabac Branch	Gospodar Jevremova 2
14.	Kragujevac Branch	Kneza Miloša 3
15.	Smederevo Branch	Karađorđeva 28
16.	Požarevac Branch	Moše Pijade 2
17.	Jagodina Branch	Kneginje Milice 24
18.	Loznica Branch	Gimnazijska 1
19.	S. Mitrovica Branch	Kralja Petra I 5-7
20.	Zaječar Branch	Nikole Pašića 25
21.	Kikinda Branch	Kralja Petra I 39
22.	Sombor Branch	Staparski Put 14
23.	Vršac Branch	Trg Save Kovačevića 2
24.	Belgrade Branch	Svetogorska 42 - 44
25.	K. Mitrovica Branch	Kralja Petra I 23



2.4. Bank's Business Units Abroad

The representative office of the Bank in Germany has been operating since 1996 and was transformed into a branch in 2007, concentrating in particular on money transfers from Germany to Serbia. The representative office in Zagreb has been operating since 2004.

In general the branch and the representative office perform the following activities:

- establish business contacts with banks and companies,
- organise meetings between Bank's customers and interested business partners abroad,
- gather and provide data and information on the possibilities for foreigners to do business in the Republic of Serbia and for domestic businessmen to do business abroad,
- mediate in the conclusion of agreements and business arrangements for and on behalf of the Bank or its customers,
- monitor and analyse the developments in the money and capital market.

2.5. Komercijalna Banka AD Beograd Group

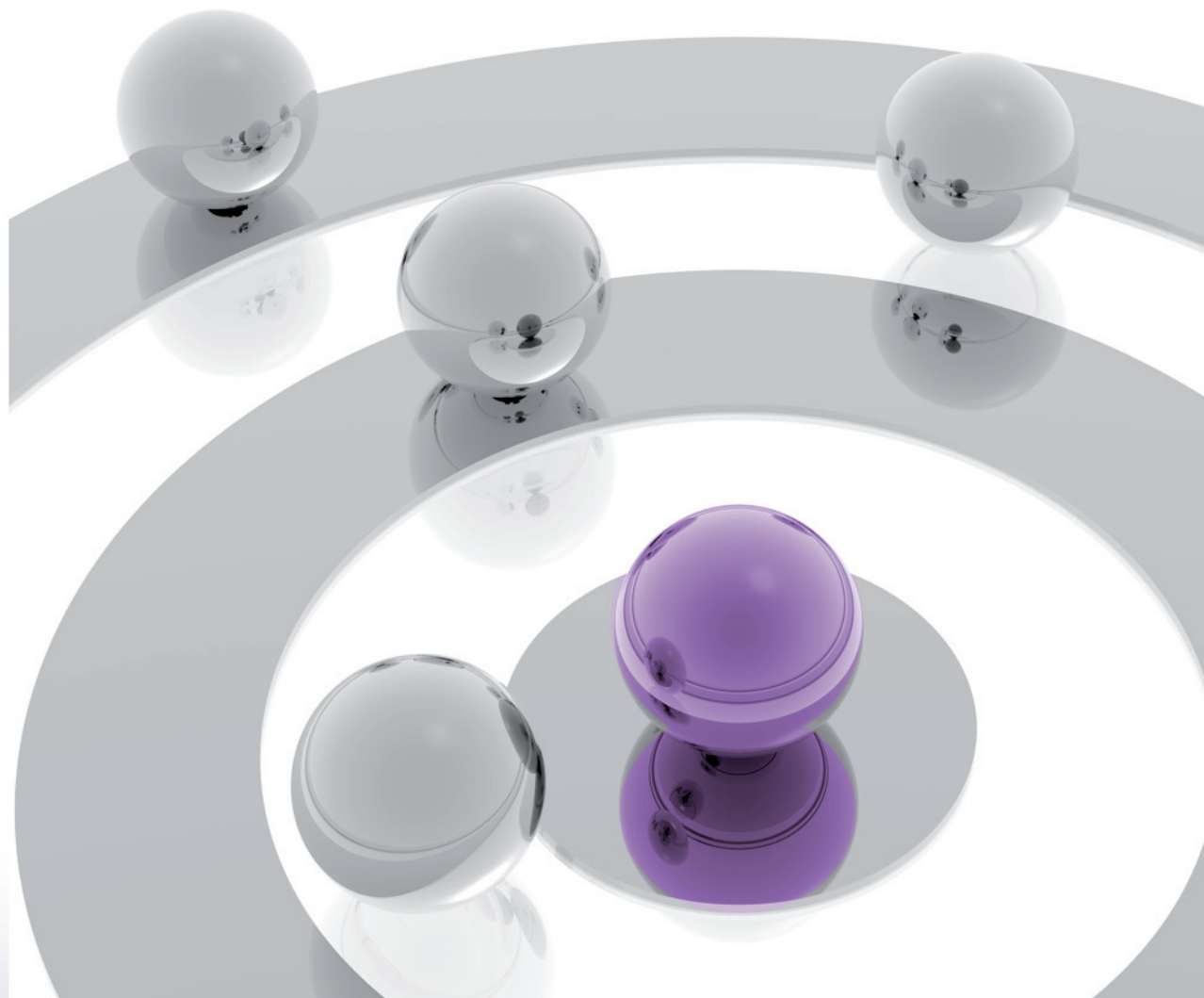
Grupu Komercijalne banke A.D. Beograd čine:

1. Komercijalna Banka AD. Budva in the Republic of Montenegro
2. Komercijalna Banka AD. Banja Luka in Republika Srpska
3. Investment Funds KombankInvest AD Beograd Management Company - In foundation

	BUDVA	BANJALUKA	DRUŠTVO ZA UPRAVLJANJE INVESTICIONIM FONDovima
STREET	Potkošljun bb	Veselina Masleše 6	Makedonska 29
TELEPHONE	086-451-471	051-244-701	011-330-8312

03

MACROECONOMIC CONDITIONS
IN THE 2004 - 2007 PERIOD



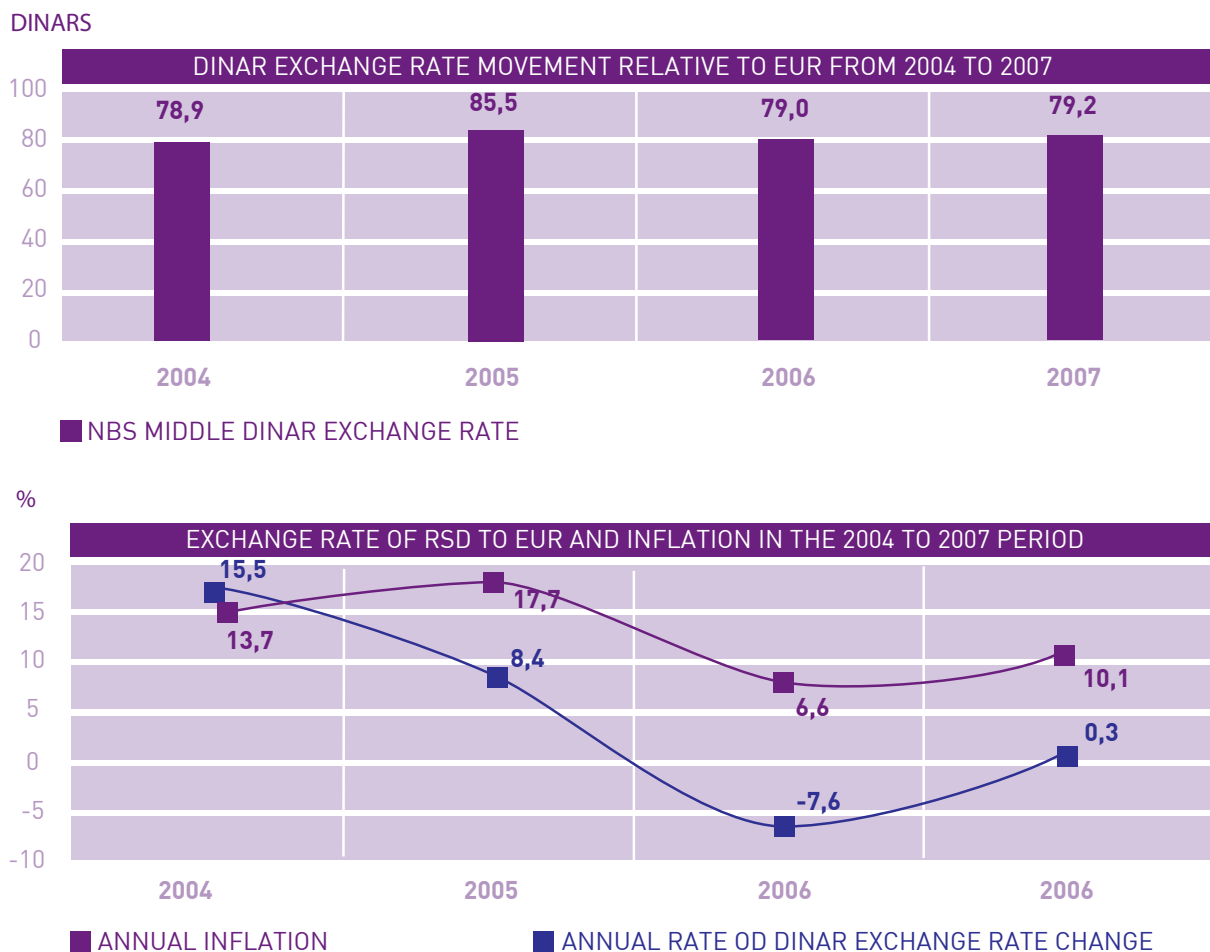
3. MACROECONOMIC CONDITIONS IN THE 2004 - 2007 PERIOD

3.1. Trends in the 2004 - 2007 period

Domestic banking reforms, initiated back in December 2000, were primarily directed to restore confidence in the banking sector and to fight inflation. To that end, the main policy measures were, and still are, geared to reduce credit expansion in order to dampen aggregate demand and hence inflation.

The National Bank of Serbia by means of reserve requirements, repo operations and other measures succeeded in curbing bank loan activity and loan volume and consequently, the amount of money in circulation.

NOTE: Banking sector growth refers to the balance sheet aggregate of all banks in Serbia



Interventions of the National Bank of Serbia in the foreign exchange market and its floating dinar exchange rate policy resulted in the following movements of the dinar exchange rate

3.2. Trends in 2007

In the area of monetary policy, the National Bank of Serbia in 2007 continued with its anti-inflationary policy and its exchange rate strategy to stabilise the dinar with the following measures:

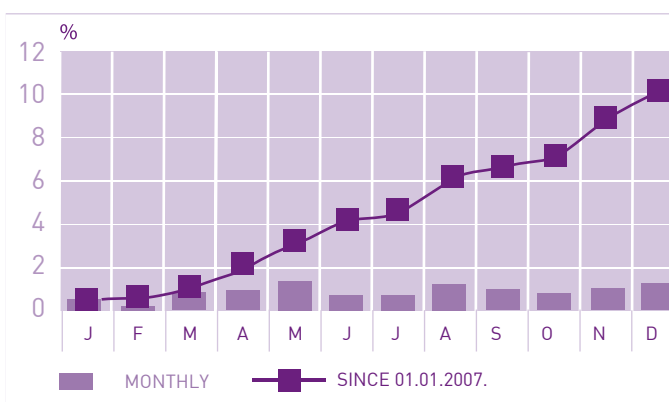
significant withdrawal of money from circulation through the imposition of very high reserves (around 40% on average) on foreign currency savings on which the National Bank of Serbia pays no interest.

restrictions on retail credit growth (reducing the limit of total volume of retail lending of a bank relative to its primary capital from 200% to 150%),

In 2007 the retail price growth rate, i.e. inflation rate, fluctuated between 0.1% and 1.4% a month, and cummulative amounted to 10.1% for the entire period.

INFLATION IN 2007

PERIOD	PRICE GROWTH RATE RELATIVE TO PREVIOUS MONTH*	PRICE GROWTH RATES RELATIVE TO 31.12.2006.
JANUARY 2007.	0,4	0,4
FEBRUARY	0,1	0,5
MARCH	0,8	1,2
APRIL	0,9	2,1
MAY	1,4	3,6
JUNE	0,6	4,2
JULY	0,6	4,8
AUGUST	1,2	6,1
SEPTEMBER	0,8	6,9
OCTOBER	0,6	7,5
NOVEMBER	1,1	8,7
DECEMBER	1,3	10,1

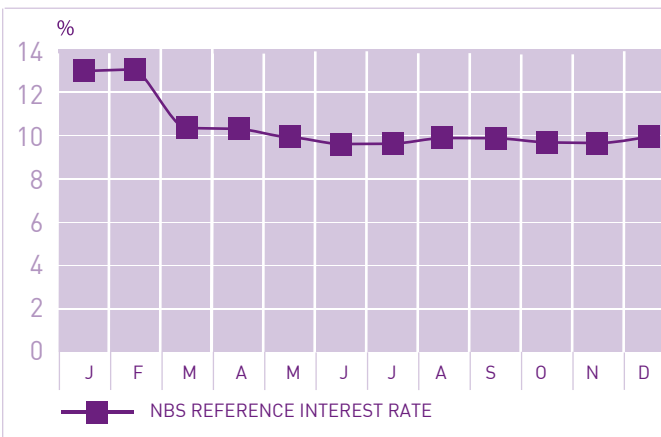


PRESENTED AT MONTHLY LEVEL

The NBS reference interest rate for open market operations was reduced from 13.0% in January to 10.0% in December 2007.

NBS REFERENCE INTEREST RATE IN 2007

PERIOD	NBS REFERENCE RATE (ANNUAL)
JANUARY 2007	13,00
FEBRUARY	13,00
MARCH	10,50
APRIL	10,50
MAY	10,00
JUNE	9,50
JULY	9,50
AUGUST	9,75
SEPTEMBER	9,75
OCTOBER	9,50
NOVEMBER	9,50
DECEMBER	10,00

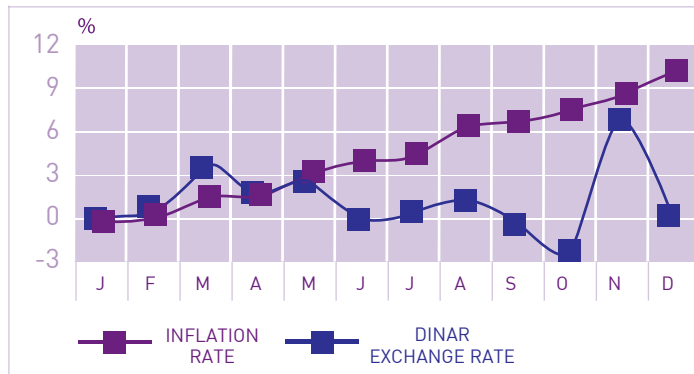


Note: All rates are presented at the annual level

In 2007 the dinar exchange rate did not adjust for the inflation rate movement. Whilst the inflation rate rose to 10.1% the exchange rate at year end remained at approximately the same level as at the beginning of the year.

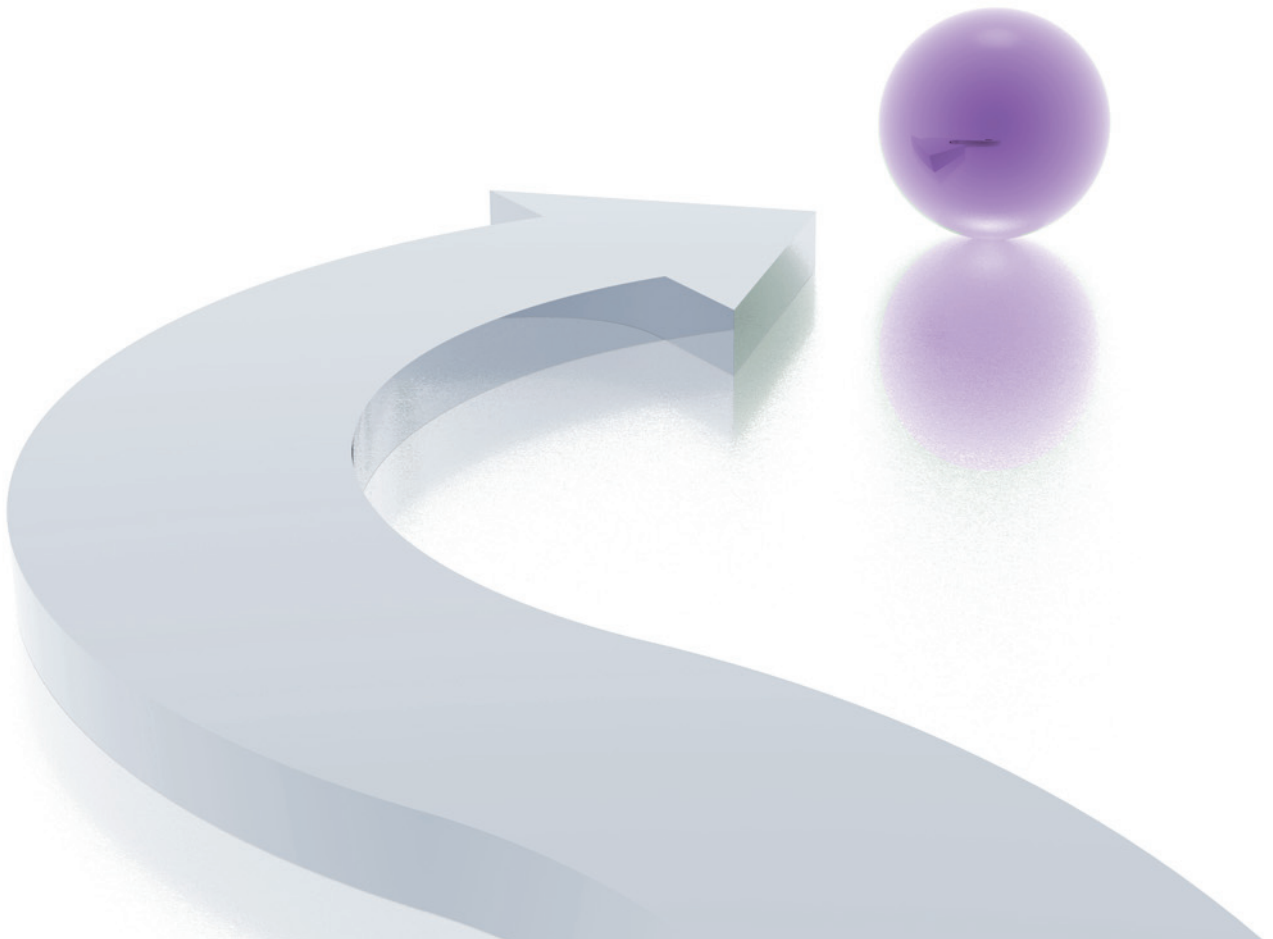
MOVEMENT OF DINAR EXCHANGE RATE AND INFLATION RATE IN 2007

PERIOD	PRICE GROWTH RATES RELATIVE TO 31.12.2006.	RATES OF EXCHANGE RATE CHANGE RELATIVE TO 31.12.2006
JANUARY	0,4	0,0
FEBRUARY	0,5	1,3
MARCH	1,2	3,3
APRIL	2,1	2,2
MAY	3,6	2,8
JUNE	4,2	0,0
JULY	4,8	0,7
AUGUST	6,1	1,1
SEPTEMBER	6,9	-0,2
OCTOBER	7,5	-2,2
NOVEMBER	8,7	7,3
DECEMBER	10,1	0,3



04

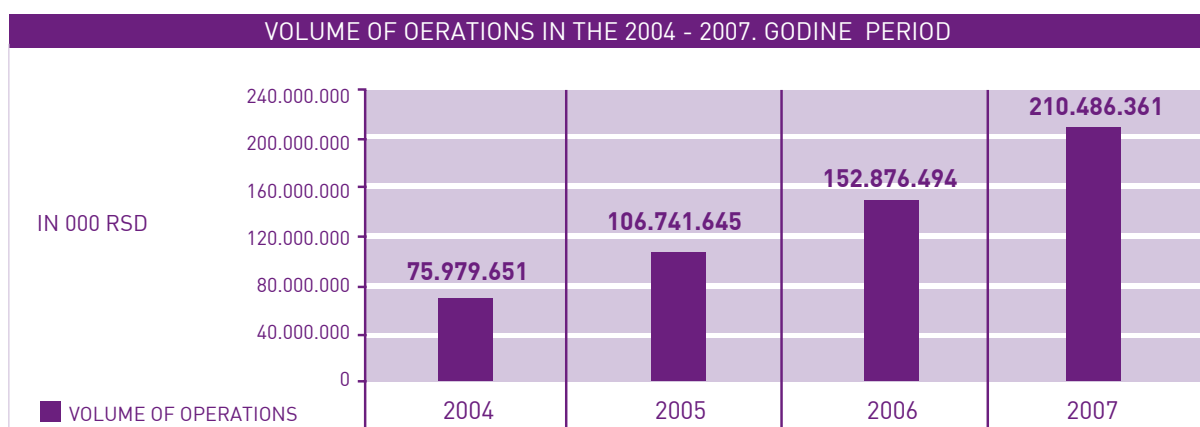
4. MAIN TRENDS IN BANK OPERATIONS IN THE 2004 - 2007 PERIOD



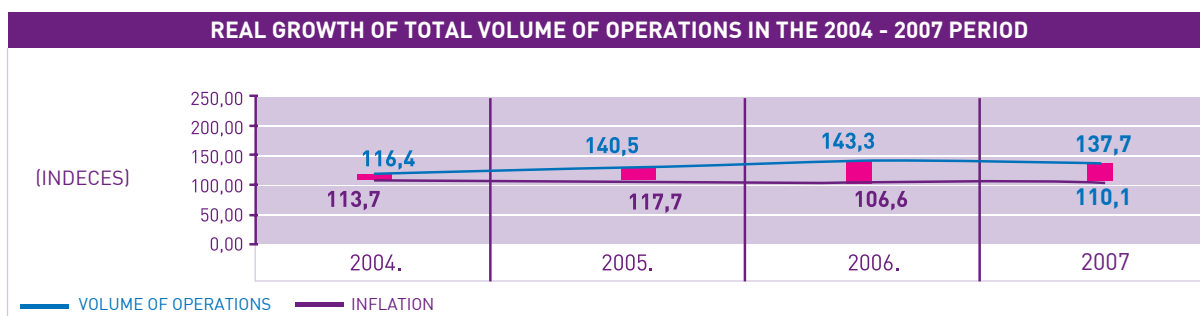
4. MAIN TRENDS IN BANK OPERATIONS IN THE 2004 - 2007 PERIOD

4.1. Volume of Operations in the 2004 to 2007 period

YEAR	VOLUME OF OPERATIONS (IN 000 RSD)	INDEX YR.toYR,	OPERATING PROFIT (IN 000 RSD)	INDEX YR.TO YR.	RETAIL PRICE INDEX	EXCHANGE RATE OF RSD TO EUR
31.12.2004.	75.979.651	116,3	304.101	244,0	113,7	78,89
31.12.2005.	106.741.645	140,5	513.310	168,8	117,7	85,50
31.12.2006.	152.876.494	143,2	785.122	167,6	106,6	79,00
31.12.2007.	210.486.361	137,7	2.916.093	371,4	110,1	79,24

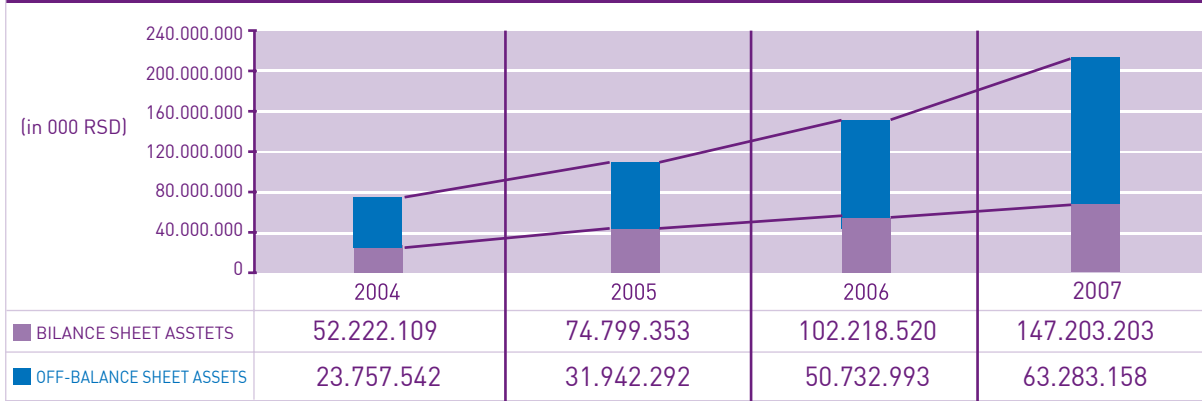


Over the period of 2004-2007 both the total volume of operations and the total balance sheet assets grew significantly faster in nominal and in real terms than inflation.



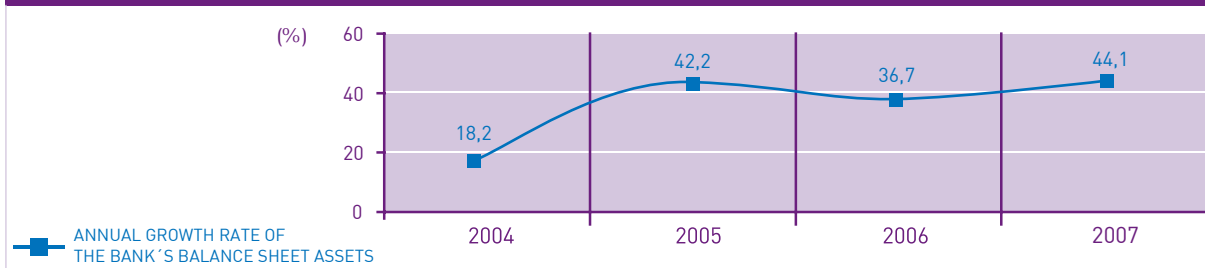
In 2004 - 2007 period the total balance sheet accounted on average for 70% and the off-balance sheet items for 30% of the Bank's volume of operations.

BREAKDOWN BETWEEN BALANCE SHEET OPERATIONS AND OFF-BALANCE SHEET OPERATIONS IN THE 2004-2007 PERIOD



In the 2004 - 2007 period the total balance sheet of the Bank recorded an average annual increase of 35.4%. On 31 December 2007 the Bank's total balance sheet amounted to 147,203.2 million dinars, an increase of 45,059.7 million dinars or 44.1% relative to the end of last year.

ANNUAL BALANCE SHEET GROWTH RATE IN THE 2004 - 2007 PERIOD



4.2. Structural Changes in the Bank's Balance Sheet in the 2004 - 2007 period

4.2.1. Bank Assets

ITEM	2007	2006	2005	2004
1	2	3	4	5
ASSETS				
Cash and cash equivalents	9.657.029	8.026.663	10.041.929	8.847.784
Deposits with the central bank and securities that can be refinanced with the central bank	35.413.826	33.371.741	17.160.262	11.576.788
Interest and fees receivables	394.653	483.487	424.858	231.957
Loans and advances to local banks	546.194	149.508	1.166.748	1.105.580
Loans and advances to customers	89.980.931	49.927.604	35.512.356	26.558.767
Securities held for trading	305.912	328.482	687.143	47.772
Securities held to maturity	129.521	139.160	1.101.585	144.884
Equity investments and other securities available for sale	2.787.993	1.687.098	727.255	699.613
Non-current assets held for sale and assets of discontinued operations	-	3.525	-	-
Income tax prepayments	53.549	26.746	-	-
Goodwill	-	-	-	-
Intangible assets	205.478	21.333	90115	146.452
Investment property	2.500.029	3.092.489		
Fixed assets	4.550.638	3.875.723	3.439.055	1.871.262
Other assets and accrued income	563.155	643.530	4.149.785	915.990
Deferred tax assets	114.295	366.412	298.262	75.260
Loss over the amount of capital	-	-	-	-
TOTAL ASSETS	147.203.203	102.143.501	74.799.353	52.222.109

4.2.2. Liabilities

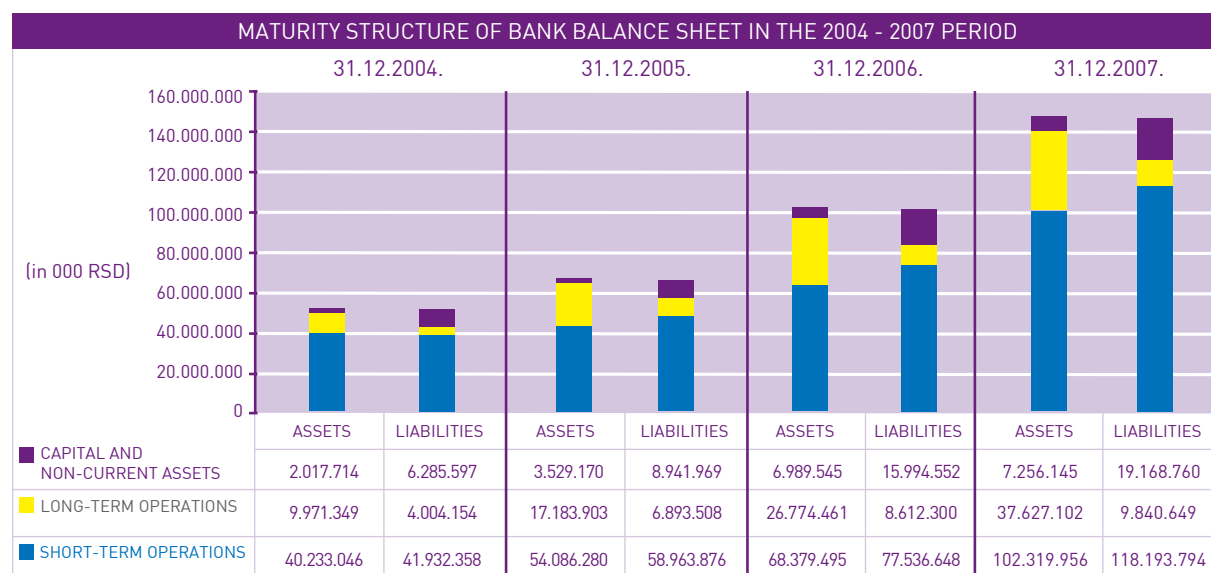
POZICIJA	2007	2006	2005	2004
1	2	3	4	5
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits and borrowings from local banks	4.253.626	3.829.558	2.509.884	3.628.152
Deposits and borrowings from customers	120.356.763	79.327.802	60.271.629	40.294.172
Interest and fees liabilities	68.508	48.722	35.594	28.763
Liabilities based on securities				
Liabilities from profit distributions	4.918	4.284	851	318
Liabilities based on current income tax	-	-	-	-
Liabilities based on assets intended for sale and assets of discontinued operations	-	-	-	-
Other operating liabilities	535.043	648.775	843.511	377.030
Provisions	1.146.965	1.147.830	1.185.130	960.652
Other liabilities and accruals	1.668.619	1.152.769	960.846	647.425
Deferred tax liabilities	-	64.226	49.939	-
TOTAL LIABILITIES	128.034.443	86.223.966	65.857.384	45.936.512
EQUITY				
Share and other capital	13.187.635	12.662.890	6.744.999	5.372.764
Reserve	2.808.332	1.962.557	1.450.785	474.449
Accumulated profit	3.172.793	1.294.088	746.185	438.384
Accumulated loss	-	-	-	-
TOTAL EQUITY	19.168.760	15.919.535	8.941.969	6.285.597
TOTAL LIABILITIES AND EQUITY	147.203.203	102.143.501	74.799.353	52.222.109
OFF-BALANCE SHEET ITEMS	63.283.158	50.732.993	31.942.292	23.757.542
Managed funds for and behalf of third parties	6.517.782	3.934.303	2.430.050	844.654
Guarantees, sureties, assets for securing liabilities and undertaken irrevocable liabilities	22.150.771	20.194.905	16.617.097	10.061.240
Other off-balance sheet items	34.614.605	26.603.785	12.895.145	12.851.648

4.3. Maturity Structure of the Bank Balance Sheet in the 2004 - 2007 Period

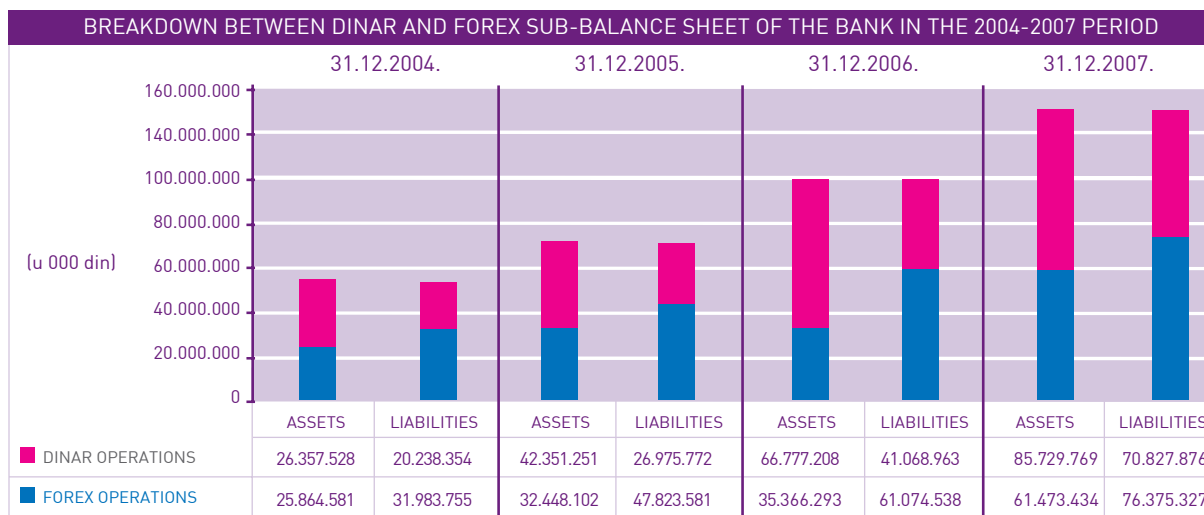
(In 000 RSD)

BALANCE SHEET ITEM	BALANCE 31.12.2007	BALANCE 31.12.2006	BALANCE 31.12.2005	BALANCE 31.12.2004
1	2	3	4	5
ASSETS				
I SHORT-TERM ASSETS	102.319.956	68.379.495	54.086.280	40.233.046
1. In foreign currency	53.394.892	29.668.673	26.927.986	20.739.272
2. In dinars	48.925.064	38.710.822	27.158.294	19.493.774
II LONG-TERM ASSETS	37.627.102	26.774.461	17.183.903	9.971.349
1. In foreign currency	8.078.542	5.697.620	5.520.116	5.125.309
2. In dinars	29.548.560	21.076.841	11.663.787	4.846.040
III FIXED ASSETS AND INVESTMENT PROPERTY	7.256.145	6.989.545	3.529.170	2.017.714
TOTAL BALANCE SHEET ASSETS (I+II+III)	147.203.203	102.143.501	74.799.353	52.222.109
LIABILITIES				
I SHORT-TERM LIABILITIES	118.193.794	77.536.649	58.963.876	41.932.358
1. In foreign currency	68.175.653	54.098.600	42.350.952	29.184.896
2. In dinars	50.018.141	23.438.049	16.612.924	12.747.462
II LONG-TERM LIABILITIES	9.840.649	8.612.300	6.893.508	4.004.154
1. In foreign currency	8.199.674	6.975.937	5.472.629	2.798.859
2. In dinars	1.640.975	1.636.363	1.420.879	1.205.295
III CAPITAL AND RESERVES	19.168.760	15.994.552	8.941.969	6.285.597
TOTAL BALANCE SHEET LIABILITIES (I+II+III)	147.203.203	102.143.501	74.799.353	52.222.109
ANNUAL INFLATION RATE	10,1%	6,6%	17,7%	13,7%

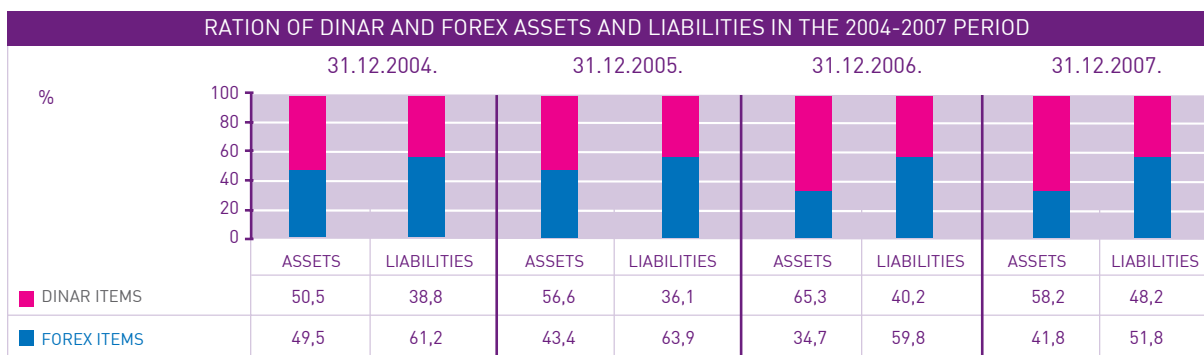
In 2004-2007 the growth of the balance sheet was driven by increases both in short-term assets and short-term liabilities. A further source of growth was the acceleration of long-term loans to corporate and retail customers in the years 2006 and 2007.



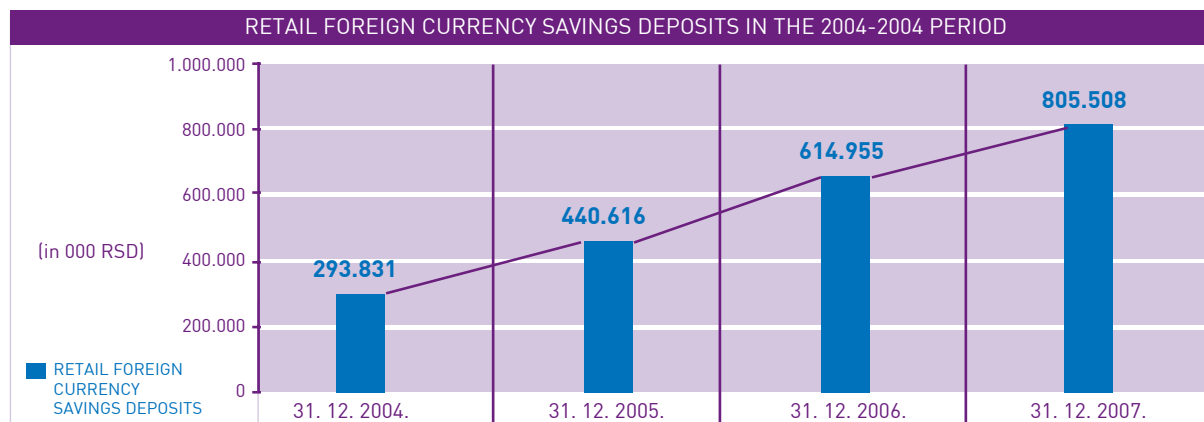
4.4. Breakdown of the Banks Balance Sheet in 2004 - 2007 period between the Dinar and Foreign Currency



The average share of foreign currency assets in the balance sheet was 42.4%, while the average share of foreign currency liabilities was 59.2% in the 2004 - 2007 period.



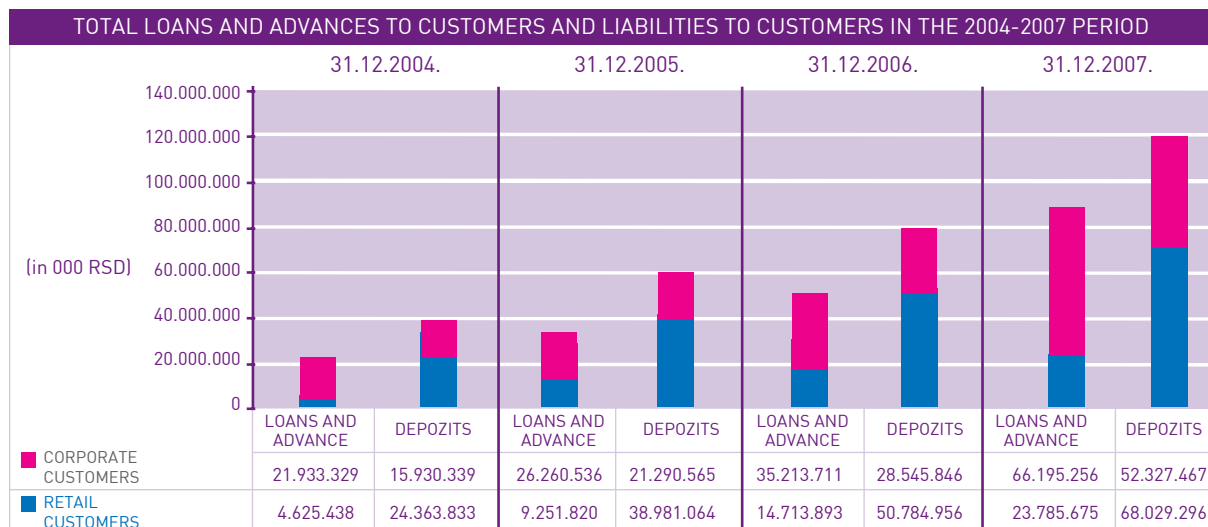
The amount of foreign currency liabilities was predominantly affected by the foreign currency savings deposits of retail customers, which on 31 December 2007 amounted to RSD 63,825.4 million dinars or EUR 805.5 million.



In view of the floating dinar exchange rate policy and the fluctuations of the dinar [the dinar depreciated until 2005, appreciated in 2006 and remained unchanged in 2007], the Bank maintains a policy of managing a conservative foreign exchange position in order to minimise the foreign exchange risk.

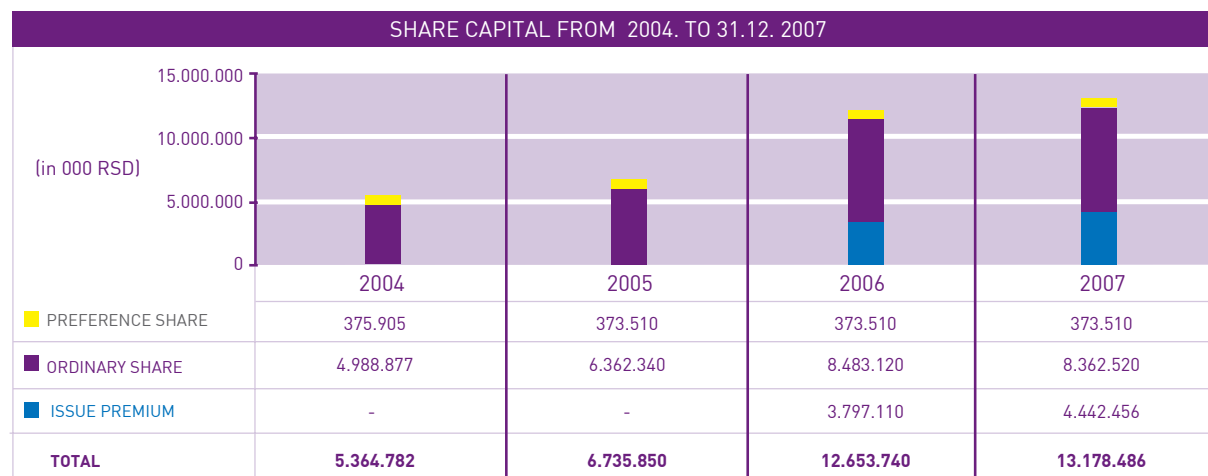
4.5. Total Loans and Advances to Customers and Liabilities to Customers in the 2004 - 2007 Period

The most important changes in the Bank's balance sheet in the 2004-2007 involved both marked increases in customer deposits on the one, and in loans and advances to customers on the other hand.



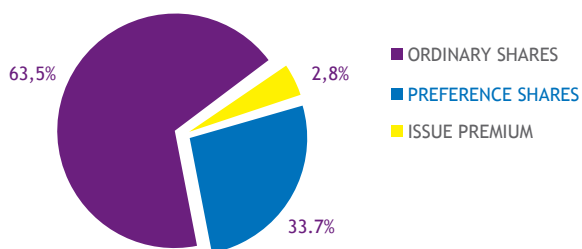
4.6. Changes in the Share Capital in the 2004 - 2007 Period

Komercijalna Banka was established as a public joint-stock company. The share capital was formed through nineteen share issues from 1990 to 2006. The Bank's shares are traded on the Belgrade Stock Exchange.



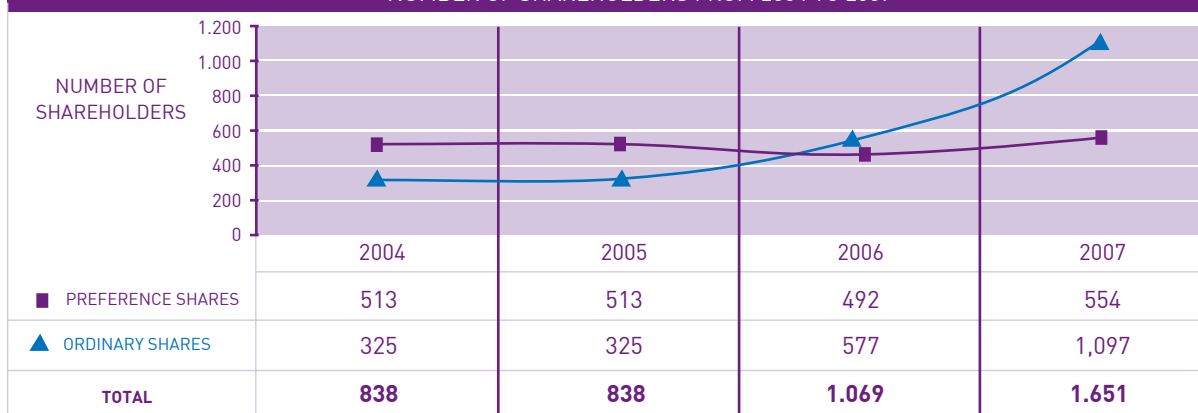
As at 31 December 2007 the total share capital of the Bank amounted to 13,178.4 million dinars, of which ordinary shares amounted to 8,362.5 million dinars, issue premium to 4,442.5 million dinars and preference shares to 373.5 million dinars.

SHARE CAPITAL FROM 2004 TO 31.12.2007

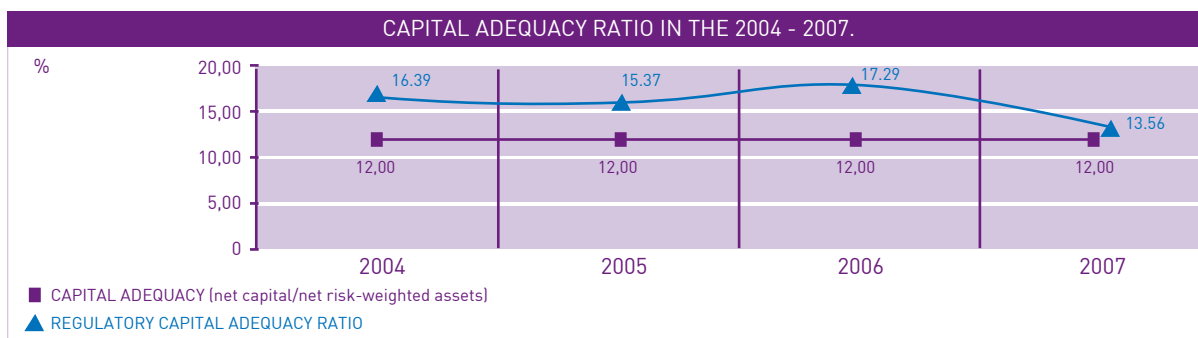


In the 2004 - 2007 period the number of shareholders owning ordinary (voting) shares increased significantly. At the end of 2007 1,097 shareholders held ordinary shares, an increase of 772 or more than a threefold increase in comparison to 2004.

NUMBER OF SHAREHOLDERS FROM 2004 TO 2007



4.6.1. Capital Adequacy Ratio in the 2004 - 2007 Period



In view of the rapid increase of the Bank's balance sheet in the observed period, it was necessary to decide on a new ordinary share issue for the purpose of improving the capital adequacy ratio to allow for further growth of the Bank's loan activity in order to meet the rising demand of its customers.

After the last capital increase by the EBRD in June 2006, the Bank initiated its 20th issue of ordinary shares in 2007. The related capital increase has been finished in the first quarter of 2008 in the amount of 46.4 million EUR.

4.6.2. Operating Indicators in the 2004 - 2007 Period

The Law on Banks provides, inter alia, for the following:

the capital required must amount to at least EUR 10.0 million,

capital adequacy ratio, expressed as the capital / net risk-weighted asset ratio, must amount to at least 12%,

a large loan shall be understood to mean a loan that exceeds 10% of the Bank's capital. The large loan indicator implies that the total of all large loans may not exceed 400% of the Bank's capital.

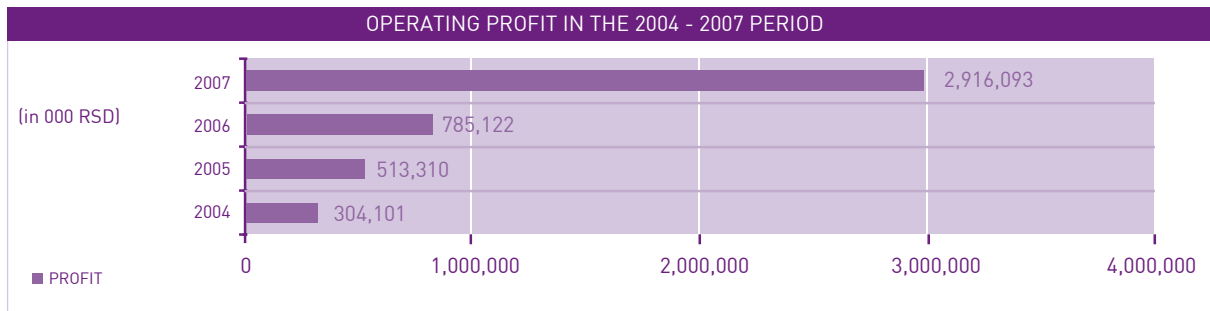
investments in legal entities from the non-financial sector and fixed assets may not exceed 60% of the Bank's capital,

NO.	DESCRIPTION	PRESCRIBED	31.12.2007	31.12.2006	31.12.2005	31.12.2004
1.	CAPITAL REQUIREMENT	MIN: EUR 10.0 million	EUR 150.5 million	EUR 156.4 million	EUR 80.5 million	EUR 74.7 million
2	CAPITAL ADEQUACY RATIO (NET CAPITAL/ NET RISK-WEIGHTED ASSETS + OPEN FOREX POSITION)	MIN 12%	13.56%	17.29%	15.37%	16.39%
3.	PERMANENT INVESTMENT RATIO	MAX 60%	38.92%	33.95%	46.55%	47.73%
4.	INDICATOR OF LARGE AND THE LARGEST LOANS RELATIVE TO THE CAPITAL	MAX 400%	115.46%	27.31%	62.50%	249.47%
5.	LIQUIDITY INDICATOR	MIN 1%	3.60%	3.73%	4.23%	3.84%
6.	FOREX RISK INDICATOR	MAX 30%	14.30%	24.30%	8.27%	24.58%

4.7. Income Statement and Profitability of the Bank in the 2004 - 2007 Period

(IN 000 RSD)

ITEM	2007	2006	2005	2004
1	2	3	4	5
OPERATING INCOME AND EXPENSES				
Interest income	7,515,187	6,548,498	5,302,228	3,054,730
Interest expenses	(2,561,615)	(2,059,774)	(1,850,660)	(1,027,883)
Net interest income	4,953,572	4,488,724	3,451,568	2,026,847
Fee and commission income	3,046,096	2,632,557	2,610,575	2,013,115
Fee and commission expenses	(220,605)	(260,944)	(313,125)	(284,283)
Net fee and commission income	2,825,491	2,371,613	2,297,450	1,728,832
Gains on the sale of securities and equity investments	77,249	33,453	61,399	408
Loss on the sale of securities and equity investments	-	-	-	-
Net foreign exchange gains	477,372	1,910,833	983,181	1,949,351
Net foreign exchange losses	-	-	-	-
Dividends and other income from equity investments	83,949	76,107	21,774	56,355
Other operating income	1,501,632	291,224	988,163	1,475,768
Losses on impairment and provisions	(345,012)	(2,195,378)	(3,367,339)	(3,140,503)
Other operating expenses	(6,648,710)	(5,609,717)	(4,065,529)	(3,793,008)
Net gains / losses on the valuation of assets and liabilities	(9,450)	(581,737)	124,643	51
OPERATING PROFIT	2,916,093	785,122	513,310	304,101
OPERATING LOSS	-	-	-	-
GAINS FROM DISCONTINUED OPERATIONS	-	-	-	-
LOSSES FROM DISCONTINUED OPERATIONS	-	-	-	-
PROFIT BEFORE TAX	2,916,093	785,122	513,310	304,101
LOSS BEFORE TAX	-	-	-	-
Income tax	-	-	-	-
Deferred tax income	34,501	68,151	-	-
Deferred tax expenses	2,738	14,287	-	-
PROFIT AFTER TAX	2,947,856	838,986	513,310	304,101



The steady increase of the operating profits has had a positive impact on its profitability ratios:

NOTE:

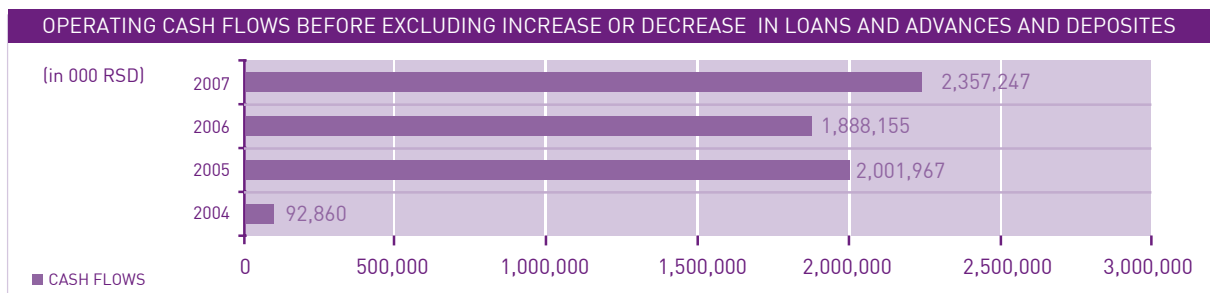
- ROA is calculated as the profit / average balance sheet assets ratio.
- ROE is calculated as the profit / average total equity and reserves ratio.



4.8. Cash Flows in the 2004 - 2007 Period

After 2004, when the Bank recorded low net inflows, the Bank recorded average net inflows of 2,082.4 million dinars in 2005, 2006 and 2007 with a rising trend.

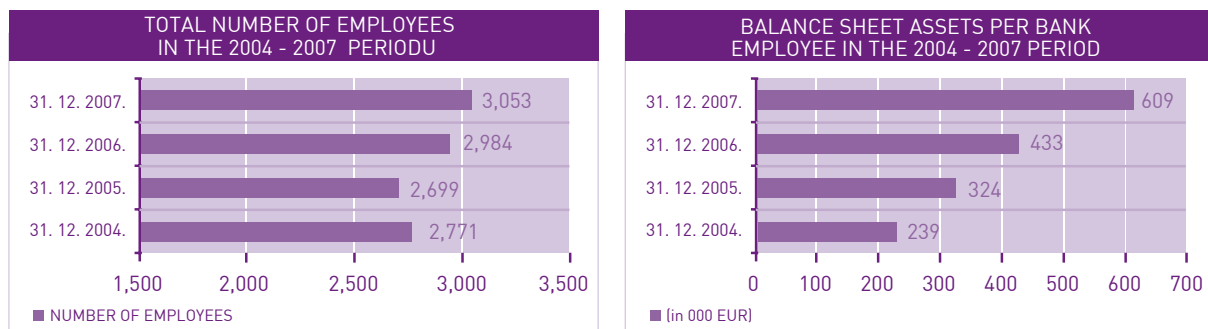
Operating cash flows represent the net inflow from operating activities, i.e. covers the inflows related to interest, commissions and fees and other operating income, on the one hand, and outflows related to interest, commissions and fees, gross salaries, contributions and other operating costs, on the other.



4.9. Human Resources in the 2004 - 2007 period

Increased business volume, introduction of new operations and rapid expansion of the Bank's business network in the territory of the Republic of Serbia necessitated the hiring the new employees in 2004-2007 period.

In the observed period the number of Banks employees increased by 282 or 10,2 %.. Despite this increase in employees, assets per employee exhibited a marked upward trend, reaching EUR 600.000 at the end of 2007, growing at a factor of 2.5% over the last three years.



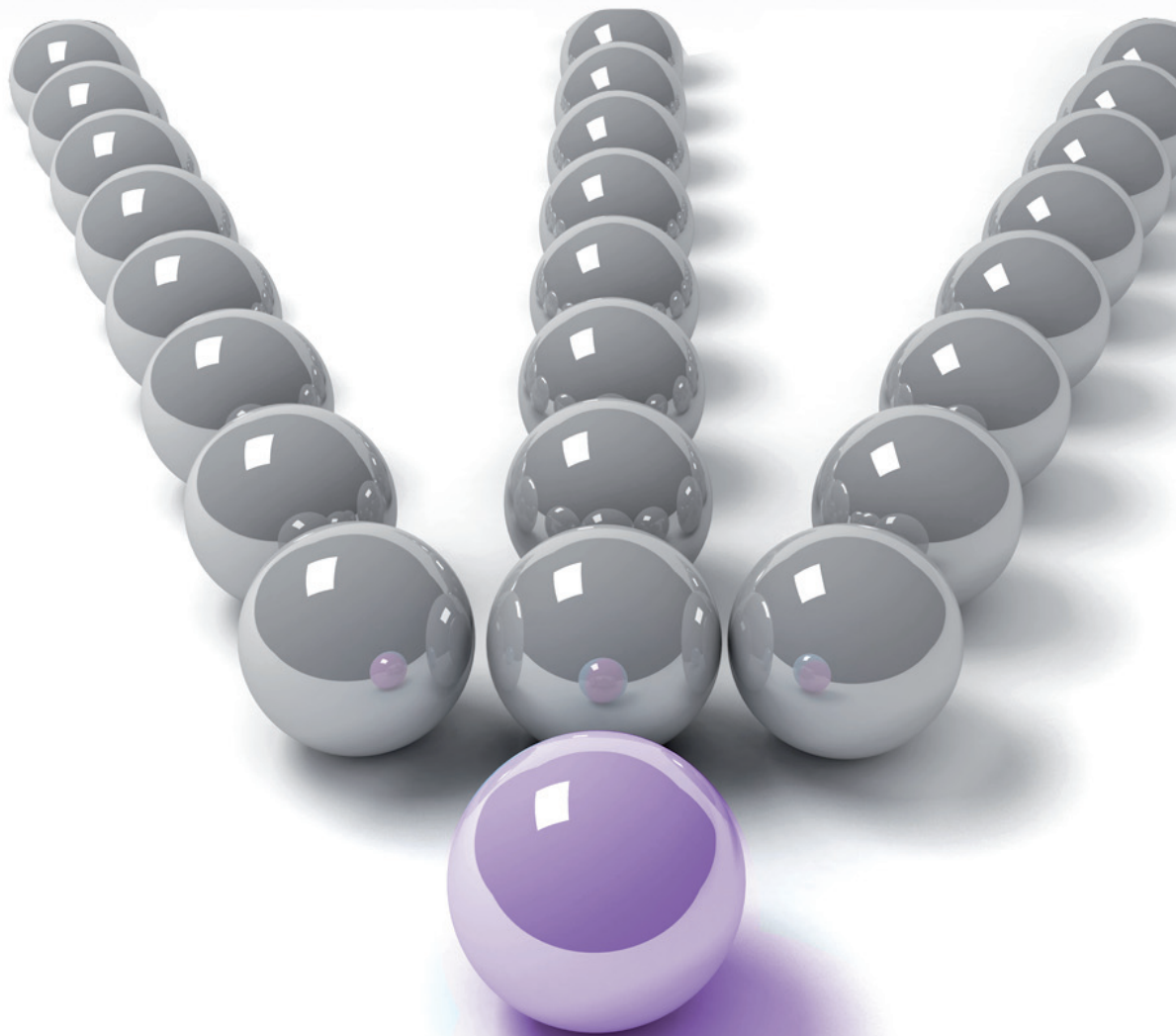
At the end of 2007 the Bank had a total of 3,053 employees, of which:

- 46.5% with university degree,
- 49.9% with high school degree,
- 3.6% with other qualification levels.

In 2007 the Bank intensified the professional training of its staff in all segments of its operations. This included in particular seminars, workshops and lectures in the area of internal audit, International Accounting Standards, human resources, risk management, foreign languages, staff performance appraisal and many other areas.

05

BALANCE SHEET OF
THE BANK IN 2007

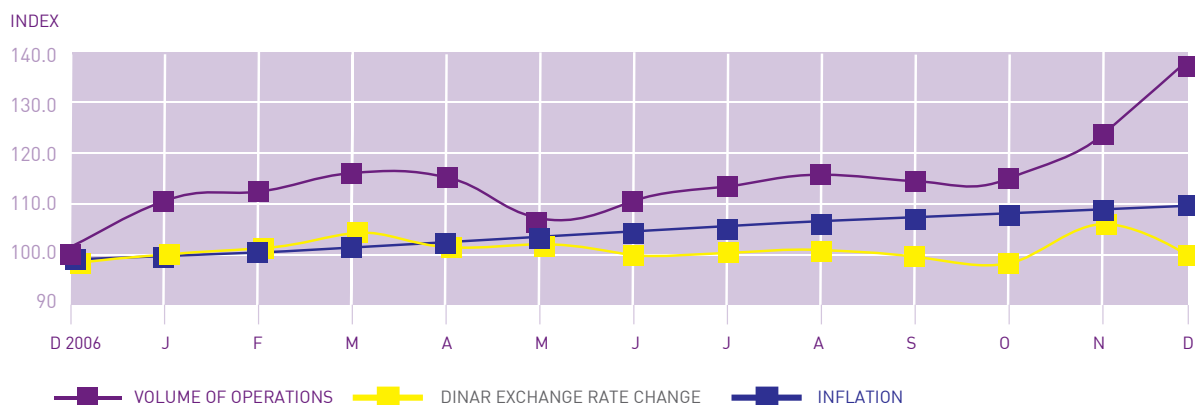


5.1. Volume of Operations in 2007

Given an inflation of 10.1% and practically unchanged dinar exchange rate the 37.7% growth of the Bank's volume of operation in 2007 was respectable.

PERIOD	BANK VOLUME OF OPERATIONS (IN 000 RSD)	INDICES 31.12.2006 =100	PRICE GROWTH INDEX 31.12.2006 =100	INDEX* OF DINAR EXCHANGE RATE CHANGE 31.12.2006 = 100
31.12.2006	152,876,434	100.0	100.0	100.0
JANUARY 2006	167,250,273	109.4	100.4	100.0
FEBRUARY	169,854,151	111.2	100.5	101.3
MARCH	178,455,172	116.8	101.2	103.3
APRIL	177,899,043	116.4	102.1	102.2
MAY	164,350,547	107.6	103.6	102.8
JUNE	167,320,165	109.5	104.2	100.0
JULY	171,152,114	111.9	104.8	100.7
AUGUST	176,189,381	115.3	106.1	101.1
SEPTEMBER	175,102,357	114.6	106.9	99.8
OCTOBER	175,463,026	114.8	107.5	97.8
NOVEMBER	187,754,350	122.9	108.7	107.3
31.12.2007	210,486,361	137.7	110.1	100.3

*NOTE: EUR 1 = 79.24 (Middle exchange rate 31.12.07)



The total balance sheet in 2007 rose by 45,059.7 million dinars or 44.1%:

- the total short-term assets rose by 33,940.5 million dinars or 49.6%, while the total short-term liabilities increased by 40,657.1 million dinars or 52.4%.
- the total long-term loans and advances rose by 10,852.6 million dinars or 40.5%, while the total long-term liabilities went up by 1,228.4 million dinars or 14.3%.
- non-current assets of the Bank (fixed assets and intangible assets) rose by 266.6 million dinars or 3.8%, while the capital and reserves went up by 3,174.2 million dinars or 19.8%.

Off-balance sheet operations amounted to 63,283.2 million dinars, increasing by 24.7% relative to the previous year.

5.2. Maturity Structure of the Bank's Balance Sheet in 2007

At the end of 2007 the maturity structure of the Bank's balance sheet is as follows:

(In 000 RSD)

BALANCE SHEET ITEM	BALANCE 31.12.2007	% SHARE	BALANCE SHEET ITEM	BALANCE 31.12.2007	% SHARE
1	2	3	1	2	3
ASSETS			LIABILITIES		
I SHORT-TERM ASSETS	102,319,956	69.5	I SHORT-TERM LIABILITIES	118,193,794	80.3
1. In foreign currency	53,394,892	52.2	1. In foreign currency	68,175,653	57.7
2. In dinars	48,925,064	47.8	2. In dinars	50,018,141	42.3
II LONG-TERM ASSETS	37,627,102	25.1	II LONG-TERM LIABILITIES	9,840,649	6.7
1. In foreign currency	8,078,542	21.5	1. In foreign currency	8,199,674	83.3
2. In dinars	29,548,560	78.5	2. In dinars	1,640,975	16.7
III FIXED ASSETS AND OTHER INTANGIBLE ASSETS	7,256,145	4.9	III CAPITAL AND RESERVES	19,168,760	13.0
TOTAL BALANCE SHEET ASSETS (I+II+III)	147,203,203	100.0	TOTAL BALANCE SHEET LIABILITIES (I+II+III)	147,203,203	100.0

The total short term assets amounted to 102,319.9 million dinars, 69.5% of the total balance sheet assets, while the total short-term liabilities amounted to 118,193.8 million dinars or 80.3% of the total balance sheet liabilities of the Bank.

The total long-term assets amounted to 37,627.1 million dinars, which presents 25.6% of the total balance sheet assets, while the total long-term liabilities amounted to 9,840.6 million dinars or 6.7% of the total balance sheet liabilities of the Bank.

The fixed assets and other intangible assets amounted to 7,265.1 million dinars, accounting for 4.9% of the total balance sheet assets, whereas the capital, reserves and retained earnings amounted to 19,168.8 million dinars or 13.0% of the total balance sheet liabilities of the Bank.

5.3. Balance Sheet of the Bank in 2007

(IN 000 RSD)

R. BR	OPIS BILANSNE POZICIJE	31.12.2007.	31.12.2006.	INDEKSI (3:4)
1	2	3	4	5
	ASSETS			
A I	Cash and cash equivalents		8.026.663	121,8
A II	Deposits with the central bank and securities that can be refinanced with the central bank		33.371.741	106,1
A III	Interests and fees receivables		483.487	81,6
A IV	Loans and advances to local banks		149.508	365,3
A V	Loans and advances to customers		49.927.604	180,0
A VI	Securities held for trading		328.482	93,1
A VII	Securities held to maturity		139.160	93,1
A VIII	Equity investments and other securities available for sale		1.687.098	165,2
A IX	Equity investments in related parties (only in consolidated balance sheet)		-	-
A X	Non-current assets held for sale and assets of discontinued operations		3.525	-
A XI	Income tax prepayments		26.746	200,2
A XII	Goodwill		-	-
A XIII	Intangible assets		21.333	963,2
A XIV	Investment property		3.092.489	80,8
A XV	Fixed assets		3.875.723	117,4
A XVI	Other assets and accrued income		643.530	114,0
A XVII	Deferred tax assets		366.412	31,1
A XVIII	Loss over the amount of capital		-	-
	TOTAL ASSETS (A I to A XVIII)	147.203.203	102.143.501	144,1
A XIX	OFF-BALANCE SHEET ITEMS	63.283.158	50.732.993	124,7
	LIABILITIES			
P I	Deposits and borrowings from local banks	4.253.626	3.829.558	111,1
P II	Deposits and borrowings from customers	120.356.763	79.327.802	151,7
P III	Interest and fees liabilities	68.508	48.722	140,6
P IV	Liabilities based on securities	-	-	-
P V	Liabilities from profit distributions	4.918	4.284	114,8
P VI	Liabilities based on current income tax	-	-	-
P VII	Liabilities based on assets intended for sale and assets of discontinued operations	-	-	-
P VIII	Other operating liabilities	535.043	648.775	82,5
P IX	Provisions	1.146.965	1.147.830	99,9
P X	Other liabilities and accruals	1.668.620	1.152.769	159,5
P XI	Deferred tax liabilities	-	64.226	-
	TOTAL LIABILITIES (P I to P IX)	128.034.442	86.223.967	148,7
PXII.1	Share and other capital	13.187.635	12.662.890	104,1
PXII.2	Reserve	2.808.332	1.962.557	143,1
PXII.3	Accumulated profit	3.172.793	1.369.106	231,7
PXII.4	Accumulated loss	-	-	-
PXII.5	Positive cumulative differences	-	-	-
PXII.6	Negative cumulative differences	-	-	-
P XII	TOTAL EQUITY (PXII.1 to PXII.4)	19.168.760	15.919.535	120,4
	TOTAL LIABILITIES AND EQUITY (P I to P XII)	147.203.203	102.143.501	144,1
P XIII	OFF-BALANCE SHEET ITEMS	63.283.158	50.732.993	124,7

06

ANALYSIS OF THE BANK'S BALANCE SHEET AS AT 31.12.2007



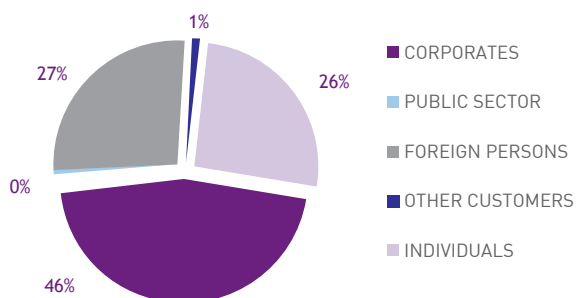
6. ANALYSIS OF THE BANK'S BALANCE SHEET AS AT 31.12.2007

6.1. Loans and Advances to Bank Customers

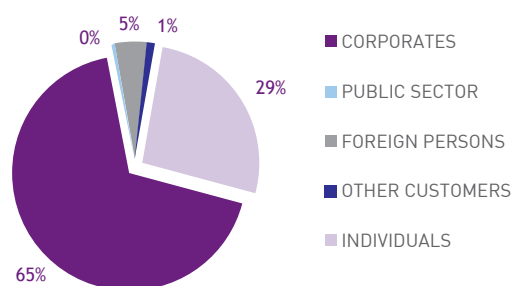
(U 000 RSD)

DESCRIPTION	TOTAL LOANS AND ADVANCES 31.12.2007	TOTAL LOANS AND ADVANCES 31.12.2006	INDEX (2:3)
1	2	3	4
1. Corporates	41.052.896	32.307.319	127,1
2. Public sector	76.542	171.415	44,7
3. Foreign persons	24.594.342	2.382.524	-
4. Other customers	471.476	352.454	133,8
5. Individuals	23.785.675	14.713.893	161,7
TOTAL LOANS AND ADVANCES TO CUSTOMERS (FROM 1 TO 5)	89.980.931	49.927.604	180,2

CUSTOMER SHARE IN TOTAL LOANS AND ADVANCES OF THE BANK IN 2007



CUSTOMER SHARE IN TOTAL LOANS AND ADVANCES OF THE BANK IN 2006



The total loans and advances to the Bank's customers as at 31 December 2007 amounted to 89,980.9 million dinars and rose by 40.053,3 million dinars or 80.2% relative to the end of last year.

Within the total loans and advances the most significant changes in 2007 were as follows:

- retail loans and advances rose by 9,071.8 million dinars or 61.7% relative to the previous year. At the end of 2007 retail loans totalled 23,785.7 million dinars,
- corporate loans and advances amounted to 41,053.0 million dinars at the end of 2007, increase by 8,745.6 million dinars or 27.1%.
- loans and advances to foreign persons and funds deposited with foreign banks amounted to 24,594.3 million dinars at the end of 2007.

Within the total loans, dinar loans reached 59,714.9 million dinars, or 66.4%, while foreign currency loans amounted to 30,265.9 million dinars or 33.6% of the total loans.

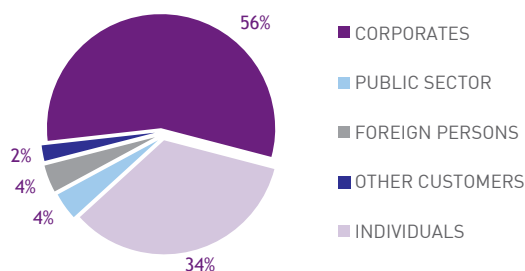
For the purpose of protecting the credit portfolio against risk, the Bank further strengthened its credit risk management systems in 2007.

6.2. Liabilities to Customers

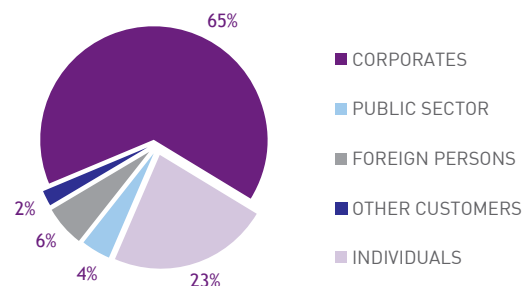
(In 000 RSD)

DESCRIPTION	TOTAL LIABILITIES 31.12.2007	TOTAL LIABILITIES 31.12.2006	INDEX (2:3)
1	2	3	4
1. Corporates	41.685.681	18.330.604	227,4
2. Public sector	4.272.803	3.505.367	121,9
3. Foreign persons	4.555.395	4.812.269	94,7
4. Other customers	1.813.588	1.894.607	95,7
5. Individuals	68.029.296	50.784.956	133,9
UKUPNE OBAVEZE BANKE PREMA KOMITENTIMA (OD 1 DO 5)	120.356.763	79.327.802	151,7

DEPOSITOR PORTFOLIO
STRUCTURE IN 2007



DEPOSITOR PORTFOLIO
STRUCTURE IN 2006



The total liabilities of the Bank to customers as at 31 December 2007 amounted to 120,356.8 million dinars and increased relative to the end of the previous year by 41,029.0 million dinars or by 51.7%.

Corporate deposits accounted for 34.6% and retail deposits 56.5% of the total deposits.

Within the total deposits, dinar deposits amounted to 46,944.3 million dinars, or 39.0%, while foreign currency deposits reached 73,412.5 million dinars or 61.0% of the total deposits.

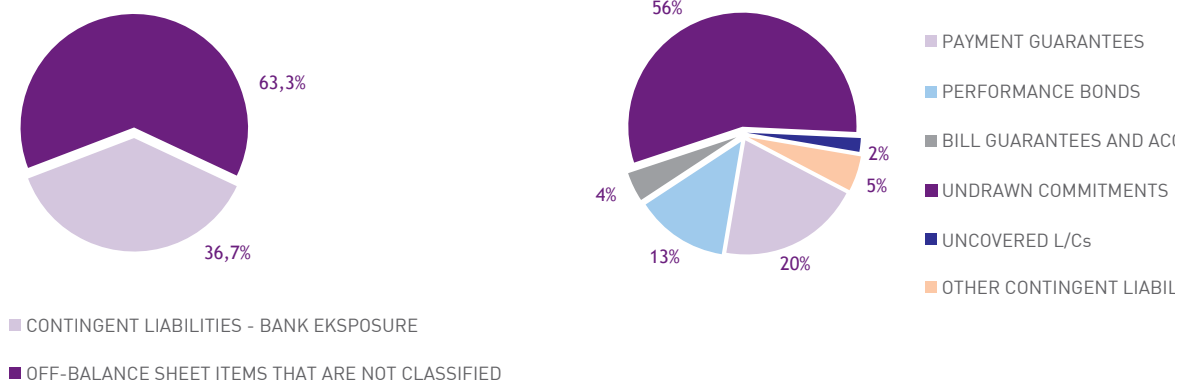
6.3. Guarantee Operations

(in 000 RSD)

DESCRIPTION	BALANCE 31.12.2007.	BALANCE 31.12.2006.	Index (2:3)
1	2	3	4
I. CONTINGENT LIABILITIES	23.228.520	20.261.532	114,6
1. PAYMENT GUARANTEES	4.738.452	6.232.731	76,0
2. PERFORMANCE GUARANTEES	2.957.658	2.073.309	142,7
3. BILL GUARANTEES AND ACCEPTANCES	880.029	1.594.999	55,2
4. UNDRAWN UNDERTAKEN COMMITMENTS	13.103.111	9.671.344	135,5
5. OTHER OFF-BALANCE SHEET ITEMS THAT MAY LEAD TO PAYMENT	1.077.749	117.464	917,5
6. UNCOVERED L/Cs	471.520	571.685	82,5
II. OFF-BALANCE SHEET ITEMS NOT CLASSIFIED	40.054.638	30.471.462	131,4
1. MANAGED FUNDS FOR AND ON BEHALF OF THIRD PARTIES	6.517.782	3.934.304	165,7
2. FOREX SAVINGS BONDS	9.682.999	8.630.281	112,2
3. SAVINGS BILLS	681.530	2.007.385	34,0
4. SECURITIES IN CUSTODY	9.819.192	10.219.197	96,1
5. EQUITY SECURITIES	8.607.670	3.526.259	244,1
6. OTHER OFF-BALANCE SHEET ITEMS	4.745.465	2.154.036	220,3
TOTAL (I +II)	63.283.158	50.732.993	124,7

The overview of contingent off-balance sheet liabilities shows that as at 31 December 2007 contingent off-balance sheet liabilities that expose the Bank to risk amount to the total of 23,228.5 million dinars, which relative to the end of the previous year presents an increase by 2,967.0 million dinars or 14.6% and accounts for 36.7% of the total off-balance sheet assets. Non classified off-balance sheet items do not expose the Bank to risk.

GARANTEE OPERATIONS



6.4. Foreign Currency Sub-Balance Sheet

As in previous years, foreign currency activities have had a strong impact on the 2007 operations.

In 2007 foreign currency assets increased by EUR 328.2 million or 73.8% to EUR 775.8 million (61,473.4 million dinars). In the same period foreign currency liabilities rose by EUR 190.8 million or 24.7% to EUR 963.9 million (76,375.3 million dinars).

Of the total balance sheet foreign currency assets amount to 41.8% and foreign liabilities to 51.8%.

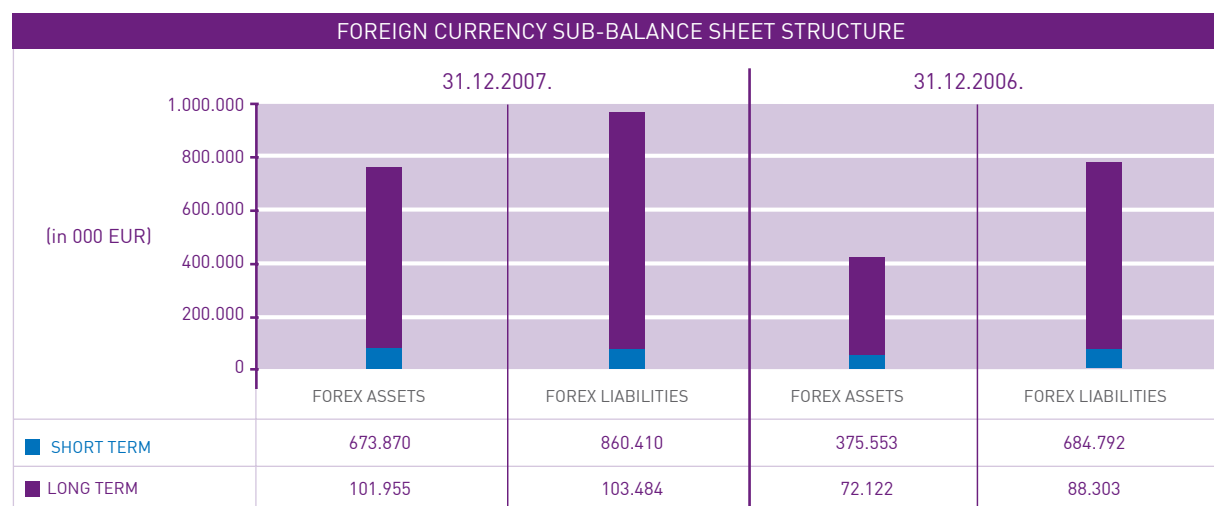
In order to reduce the currency risk caused by the overhang of foreign exchange liabilities the Bank grants dinar loans and advances secured by foreign currency clauses.

FOREIGN CURRENCY SUB-BALANCE SHEET (expressed in dinars)

ASSETS (IN 000 RSD)				LIABILITIES (IN 000 RSD)			
DESCRIPTION	BALANCE 31.12.2007	BALANCE 31.12.2006.	INDEX (2:3)	DESCRIPTION	BALANCE 31.12.2007.	BALANCE 31.12.2006.	INDEX (3:2)
1	2	3	4	1	2	3	4
1. Short-term FOREX assets	53.394.892	29.668.673	180,0	1. Short-term FOREX liabilities	68.175.653	54.098.600	126,0
2. Long-term FOREX assets	8.078.542	5.697.620	141,8	2. Short-term FOREX liabilities	8.199.674	6.975.937	117,5
TOTAL (1+2)	61.473.434	35.366.293	173,8	TOTAL (1+2)	76.375.327	61.074.537	125,1

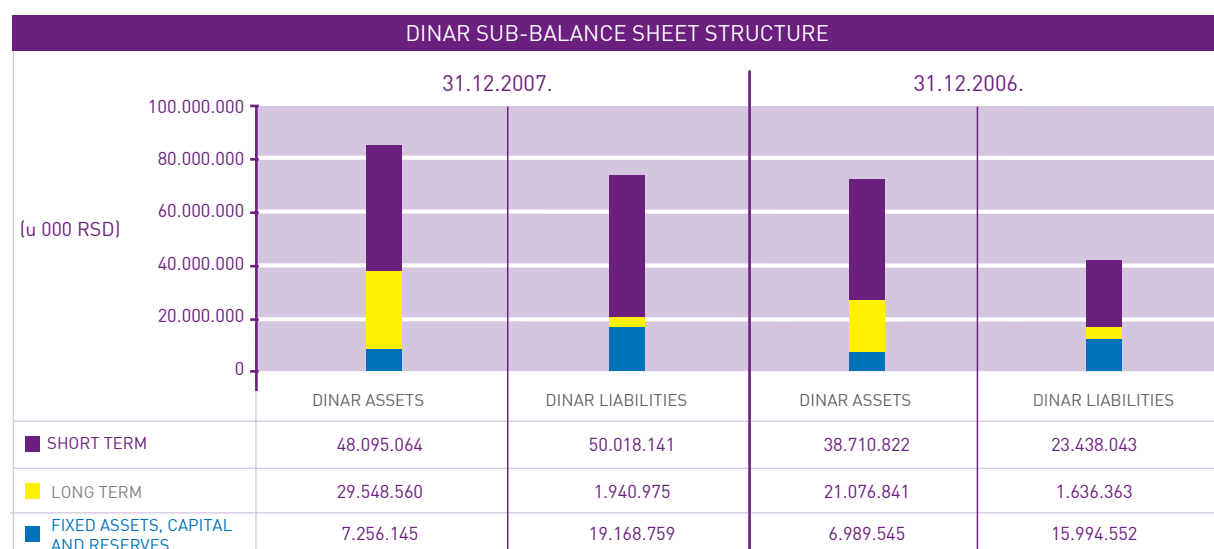
FOREIGN CURRENCY SUB-BALANCE SHEET (expressed in EUR)

ASSETS (IN 000 RSD)				LIABILITIES (IN 000 RSD)			
DESCRIPTION	BALANCE 31.12.2007	BALANCE 31.12.2006.	INDEX (2:3)	DESCRIPTION	BALANCE 31.12.2007.	BALANCE 31.12.2006.	INDEX (3:2)
1	2	3	4	1	2	3	4
1. Short-term FOREX assets	673,870	375,553	179.4	1. Short-term FOREX liabilities	860,410	684,792	125.6
2. Long-term FOREX assets	101,955	72,122	141.4	2. Short-term FOREX liabilities	103,484	88,303	117.2
TOTAL (1+2)	775,825	447,675	173.3	TOTAL (1+2)	963,894	773,095	124.7



6.5. Dinar Sub-Balance Sheet

ASSETS (IN 000 RSD)				LIABILITIES (IN 000 RSD)			
DESCRIPTION	BALANCE 31.12.2007	BALANCE 31.12.2006	INDEX (2:3)	DESCRIPTION	BALANCE 31.12.2007	BALANCE 31.12.2006	INDEX (2:3)
1	2	3	4	1	2	3	4
1. Short-term dinar assets	48,925,064	38,710,822	126.4	1. Short-term dinar liabilities	50,018,141	23,438,048	213.4
2. Long-term dinar assets	29,548,560	21,076,841	140.2	2. Long-term dinar liabilities	1,640,975	1,636,363	100.3
3. Fixed assets	7,256,145	6,989,545	103.8	3. Capital and reserves	19,168,759	15,994,552	119.8
U TOTAL	85,729,769	66,777,208	128.4	TOTAL	70,827,875	41,068,963	172.5



Total dinar assets as of 31 December 2007 amounted to 85,729.8 million dinars, which is an increase of 28.4% relative to the end of the last year. Total dinar liabilities of 70,827,9 million dinars, increased by 72.5% in 2007.

The increase in short-term dinar liabilities mostly refers to the increase in short-term dinar deposits related to a privatisation transaction in December 2007.

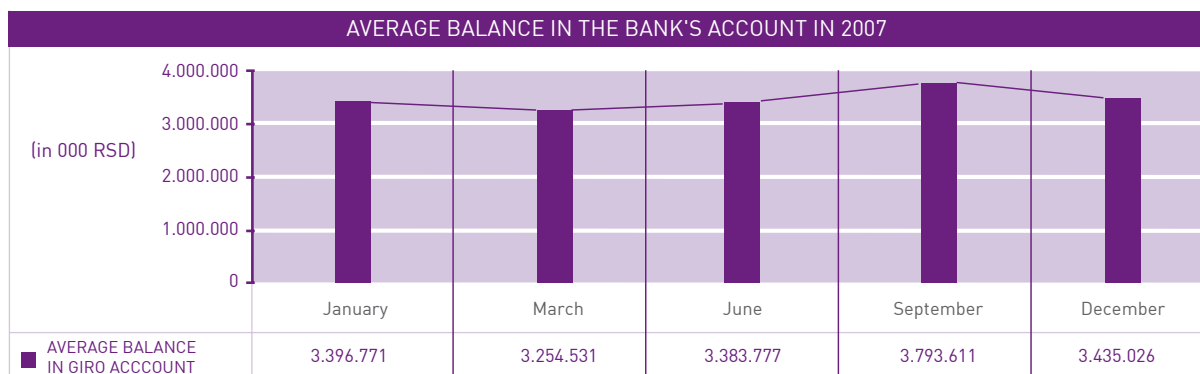
Both dinar assets and dinar liabilities include dinar loans and advances and dinar liabilities with a foreign currency clause.

DESCRIPTION	BALANCE 31.12.2007	BALANCE 31.12.2006	INDEX (2:3)	DESCRIPTION	BALANCE 31.12.2007	BALANCE 31.12.2006	INDEX (2:3)
1	2	3	4	1	2	3	4
Dinar loans and advances with FOREX clause	48,032,558	34,194,833	140.5	Dinar liabilities with FOREX clause	25,514,600	3,411,798	-

6.6. Dinar Liquidity

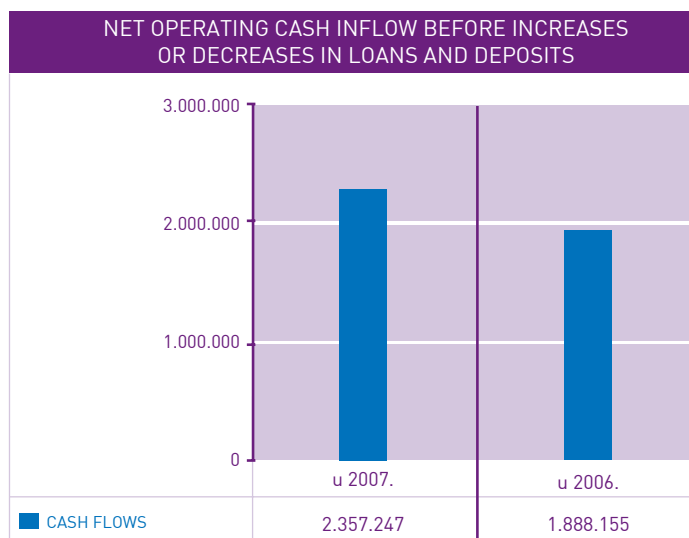
Dinar liquidity was stable over the year owing to the constant monitoring and the activities and measures undertaken by the liquidity management of the Bank.

Average balances of funds in the Bank's giro account¹ in 2007 were 3,531.6 million dinars, which were always sufficient to cover the Bank's liquidity needs throughout the year.



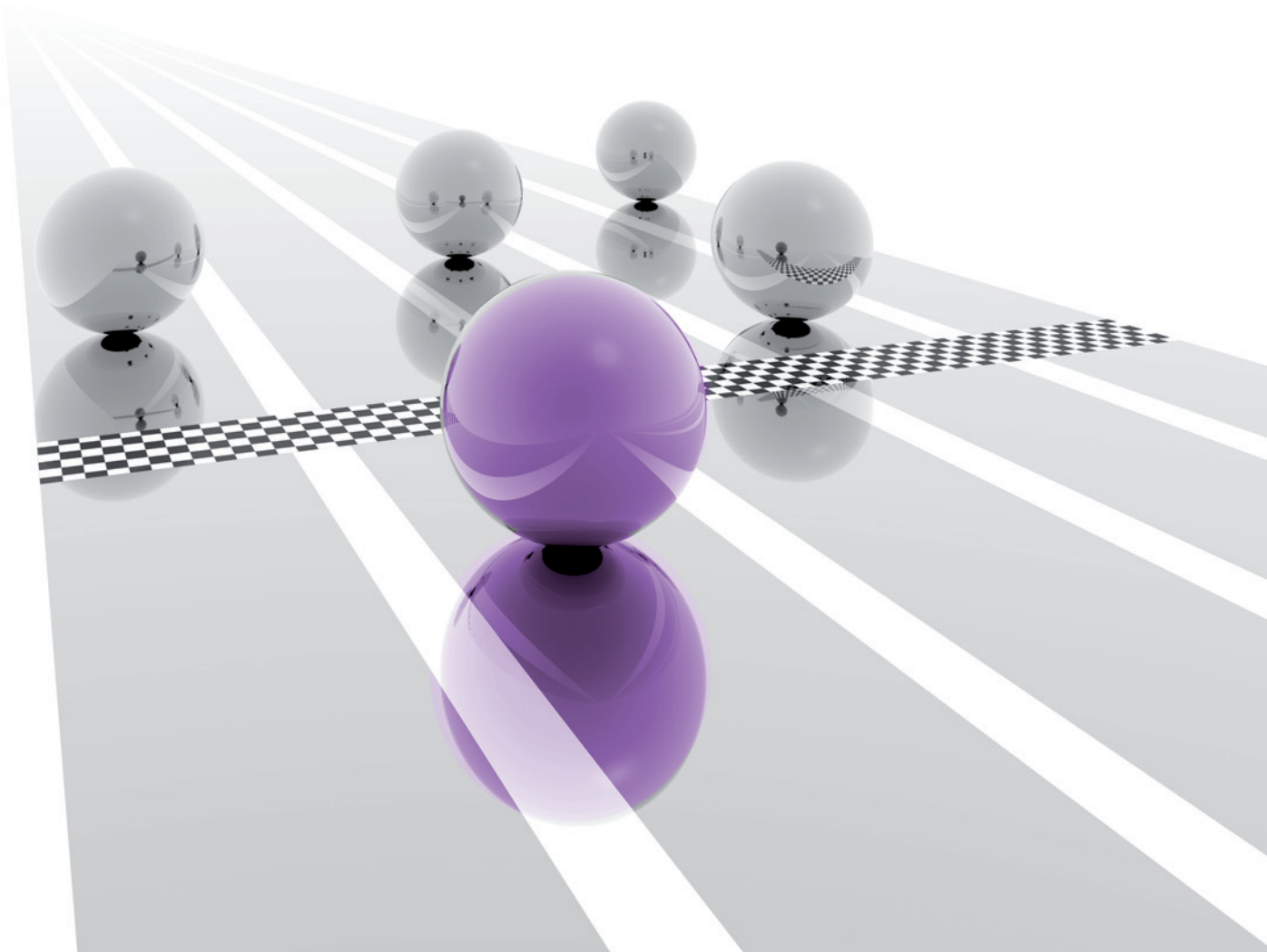
Giro account balance also includes dinar reserve requirements

Cash flows generated in 2007 enabled the Bank to meet all its obligations at any time:



07

INCOME STATEMENT IN 2007



7. INCOME STATEMENT IN 2007

(IN 000 RSD)

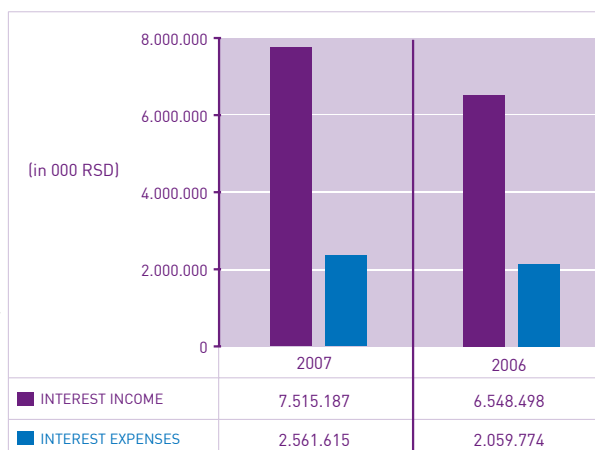
ITEM	2007	2006	INDEX
1	2	3	4 (2:3)
OPERATING INCOME AND EXPENSES			
Interest income	7,515,187	6,548,498	114.8
Interest expenses	(2,561,615)	(2,059,774)	124.4
Net interest income	4,953,572	4,488,724	110.4
Fee and commission income	3,046,096	2,632,557	115.7
Fee and commission expenses	(220,605)	(260,944)	84.5
Net fee and commission income	2,825,491	2,371,613	119.1
Net gains on the sale of securities and equity investments	77,249	33,453	230.9
Net loss on the sale of securities and equity investments	-	-	
Net foreign exchange gains	477,372	1,910,833	25.0
Net foreign exchange losses	-	-	
Dividends and other income from equity investments	83,949	76,107	110.3
Other operating income	1,501,632	291,224	515.6
Losses on impairment and provisions	(345,012)	(2,195,378)	15.7
Other operating expenses	(6,648,710)	(5,609,717)	118.5
Net gains / losses on the valuation of assets and liabilities	(9,450)	(581,737)	
OPERATING PROFIT	2,916,093	785,122	371.4
OPERATING LOSS	-	-	-
GAINS FROM DISCONTINUED OPERATIONS	-	-	-
LOSSES FROM DISCONTINUED OPERATIONS	-	-	-
PROFIT BEFORE TAX	2,916,093	785,122	371.4
Income tax	-	-	
Deferred tax income	34,501	68,151	50.6
Deferred tax expenses	(2,738)	(14,287)	19.2
PROFIT AFTER TAX	2,947,856	838,986	351.4

7.1. Interest Income and Expenses

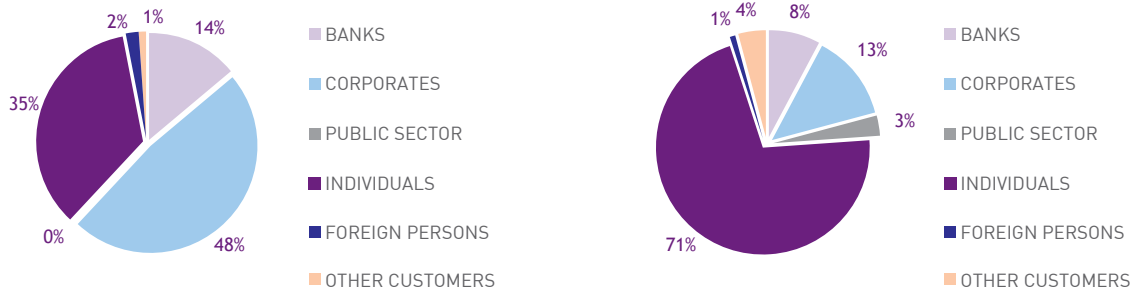
Total interest income in 2007 amounted to 7,515.2 million dinars, whereas the total interest expenses reached 2,561.6 million dinars.

In comparison to last year, interest income rose by 966.7 million dinars or by 14.76%. Interest expenses went up by 501.8 million dinars or 26.36%.

The resulting net interest income of 4,953.6 million dinars showed an increase of 10.4% relative to the same period of last year.



Interest income is dominated by interest income from corporate loans (3,587.1 million dinars or 47.7%). Total interest expenses in turn are dominated by interest for retail deposits (1,815.0 million dinars or 70.9%), which refer mostly to foreign currency savings of individuals.

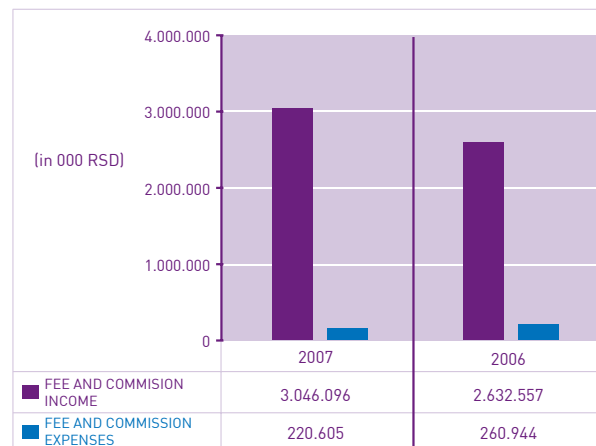


7.2. Fee and Commission Income and Expenses

Net fee and commission income reached 2,825.5 million dinars in 2007, which is 19.1% higher than last year.

In 2007 the total fee and commission income amounted to 3,046.1 million dinars. Fee and commission expenses amounted to 220.6 million dinars.

Fee and commission increased by 413.5 million dinars or by 15.7%, while fee and commission expenses were 40.3 million dinars or 15.5% lower.



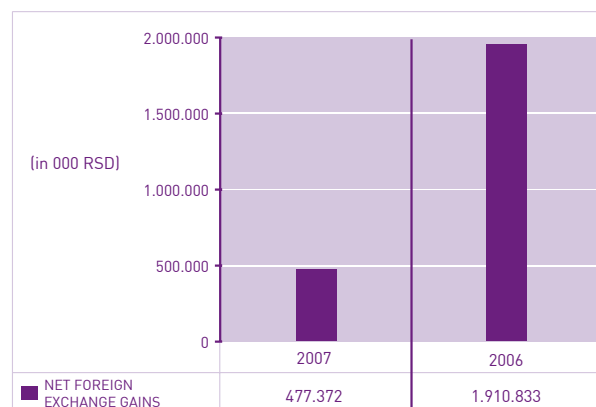
7.3. Net Foreign Exchange Income/Expences

Given greater dinar exchange rate stability in 2007, the net foreign exchange income declined 447.3 million dinars.

The exchange rate of the dinar to the euro was:

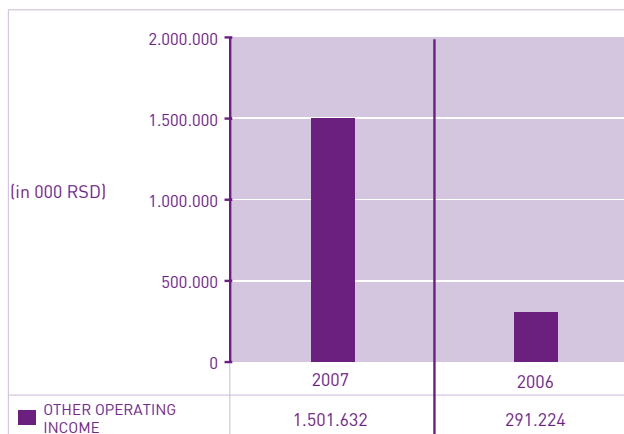
- 31.12.2005: EUR 1 = 85,6 dinars,
- 31.12.2006: EUR 1 = 79.0 dinars,
- 31.12.2007: EUR 1 = 79.2 dinars,

NOTE: Foreign exchange income and expences include income and expences from transactions carried out in foreign currency in the course of the year and income/expences from restating balance sheet items expressed in foreign currencies at official exchange rates at the end of each month in the course of the year.



7.4. Other Operating Income

Other operating income in 2007 amounted to 1,501.6 million dinars. Most of this income refers to the net income from the revaluation of balance sheet assets and off-balance sheet items in an amount of 1,150.3 million dinars. This revaluation is in connection with the introduction of IAS 39 and IAS 37 in 2007.

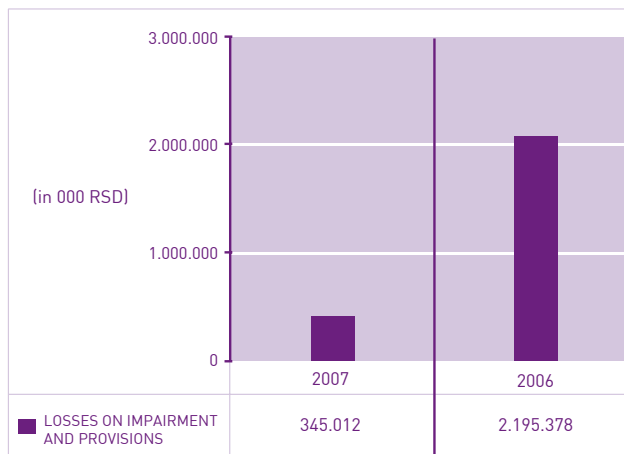


7.5. Net expenses on Impairment and Provisions

Total losses on impairment and provisions in 2007 amounted to 345.0 million dinars and refer mainly to provisioning expenses:

- for court disputes 85.6 million dinars and
- for employee severance payments (IAS 19) 259.4 million dinars.

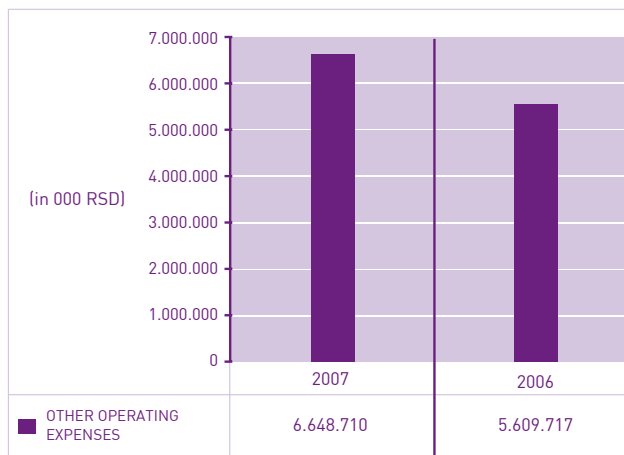
The 2006 figures, apart from provisions, contained net expenses for the revaluation of balance sheet assets and off-balance sheet items of 2,145.4 million dinars, recognised on the basis of the internal regulations. The regulation, that were in force at that time were, based on the NBS methodology.



7.6. Other Operating Expenses

Other operating expenses in 2007 amounted to 6,648.7 million dinars, rising by 1,038.9 million dinars or 18.5% relative to the previous year.

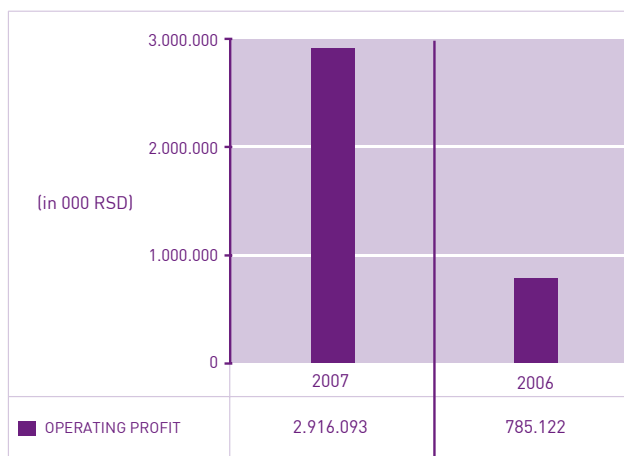
NOTE: Other operating income includes: net personnel salaries, taxes, contributions, insurance and expenses for material, rentals, services, maintenance, advertising, depreciation and all other operating expenses.



7.7. Operating Profit in 2007

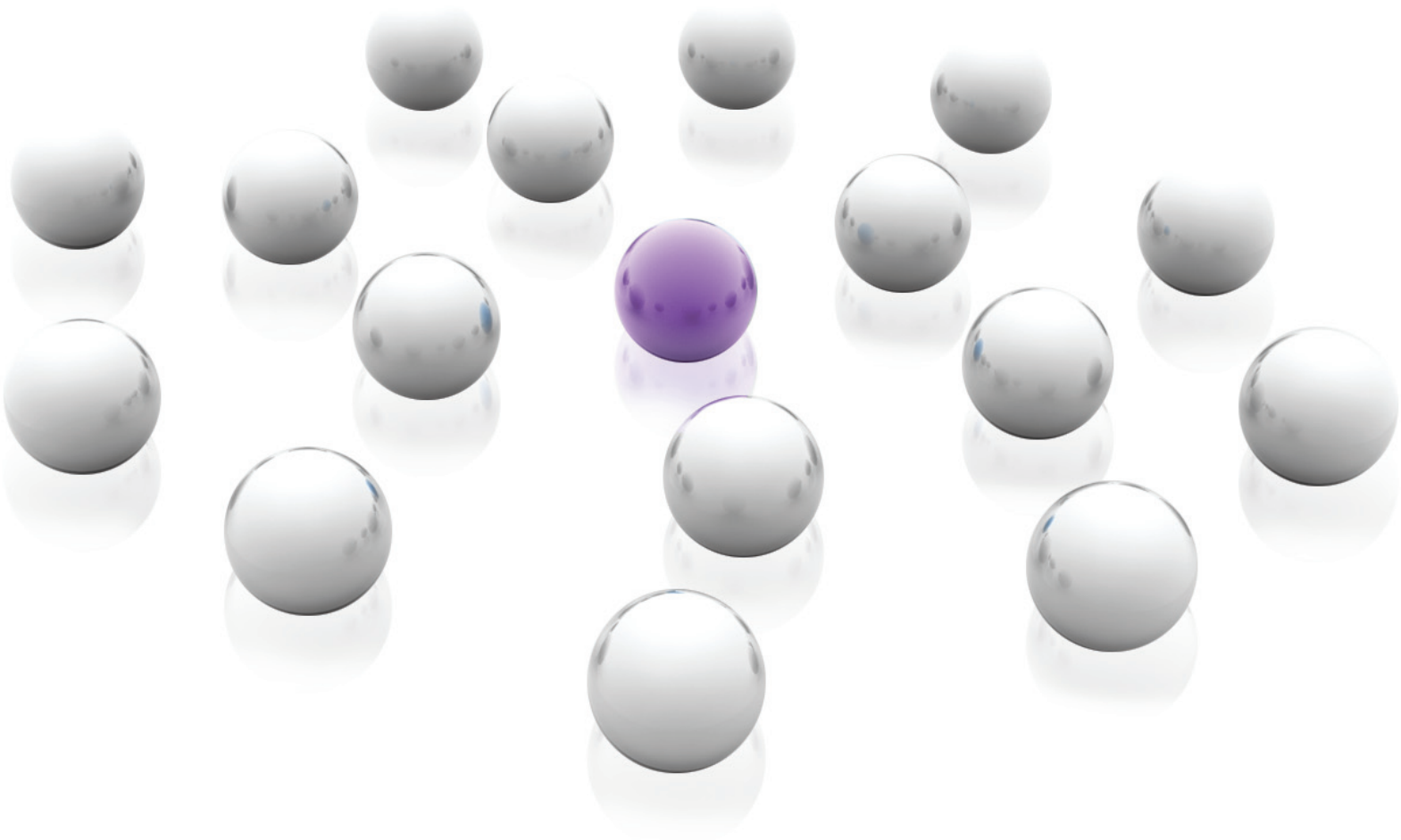
After covering all expenses in 2007 the Bank recorded an operating profit of 2,916.1 million dinars, an increase of 2,130.9 million dinars or 271.4% relative to the previous year.

This profit was fully in line with the Bank's plan for the year 2007.



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INCOME STATEMENT IN 2007



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Račun 265-1100310000190-61
Raiffeisen banka a.d. Beograd
PIB 100058593

TRANSLATION

TO THE SHAREHOLDERS OF
KOMERCIJALNA BANKA A.D. BEOGRAD

Report on the Financial Statements

We have audited the accompanying balance sheet of Komercijalna banka a.d. Beograd (hereinafter: the Bank) as at 31 December 2007 and the related statement of income, cash flows and changes in shareholders equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The opening balances are based on the statutory financial statements of the Bank as at and for the period ended 31 December 2006, which were audited by another auditor whose report dated 26 March 2007 expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting and Auditing of the Republic of Serbia (as published in the "Official Gazette of the Republic of Serbia" 46/2006), Banks Law ("Official Gazette of the RS", no. 107/2005) and other relevant by-laws issued by National Bank of Serbia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Law on Accounting and Auditing of the Republic of Serbia (as published in the "Official Gazette of the Republic of Serbia" 46/2006) and International Standards on Auditing as issued by the International Federation of Accountants as well as in accordance with the Decision on External Audit of Banks. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the 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 principles 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2007, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the Law on Accounting and Auditing of the Republic of Serbia (as published in the "Official Gazette of the Republic of Serbia" 46/2006) and Banks Law ("Official Gazette of the RS", no. 107/2005) and relevant National Bank of Serbia's by-laws.

Belgrade, 10 March 2008

KPMG d.o.o. Beograd

(L.S.)

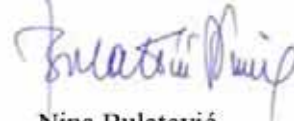
Nina Bulatović
Certified Auditor

*This is a Translation of the Original Report on the Financial Statements
issued in Serbian Language.*

Belgrade, 10 March 2008



KPMG d.o.o. Beograd



Nina Bulatović
Certified Auditor

FINANCIAL STATEMENTS

For the period ended 31 December 2007

INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

In thousands of RSD	Note	2007	2006
Interest income	3.1, 4	7,515,187	6,548,498
Interest expenses	3.1, 4	(2,561,615)	(2,059,774)
Net interest income		4,953,572	4,488,724
Fee and commission income	3.2, 5	3,046,096	2,632,557
Fee and commission expenses	3.2, 5	(220,605)	(260,944)
Net fee and commission income		2,825,491	2,371,613
Gains on the sale of securities	3.3	77,249	33,453
Foreign exchange gains, net	3.4, 6	477,372	1,910,833
Dividends and other income from equity investments	7	83,949	76,107
Other operating income	8	1,501,632	291,224
Losses on impairment and provisions	3.8, 9	(345,012)	(2,195,378)
Other operating expenses	11	(6,648,710)	(5,609,717)
Gains on the valuation of assets and liabilities	12	5,683,700	1,577,197
Losses on the valuation of assets and liabilities	12	5,693,150	2,158,934
Operating profit		2,916,093	785,122
Profit before tax		2,916,093	785,122
Income tax	3.12,13	-	-
Deferred tax income	3.12,13	34,501	68,151
Deferred tax expenses	3.12,13	(2,738)	(14,287)
PROFIT AFTER TAX		2,947,856	838,986

FINANCIAL STATEMENTS

For the period ended 31 December 2007

BALANCE SHEET AS AT 31 DECEMBER 2007

In thousands of RSD	Note	2007	2006
ASSETS			
Cash and cash equivalents	3.10, 16	9,657,029	8,026,663
Deposits with the Central Bank and securities that can be refinanced with the Central Bank	17	35,413,826	33,371,741
Interest and fees receivables	18	394,653	483,487
Loans and advances to banks	3.7, 3.8, 19	546,194	149,508
Loans and advances to customers	3.7, 3.8, 20	89,980,931	49,927,604
Securities held for trading	3.9, 21	305,912	328,482
Securities held to maturity	3.9, 21	129,521	139,160
Equity investments and other financial assets available for sale	3.9, 21	2,787,993	1,687,098
Non-current assets held for sale	3.6, 22	-	3,525
Income tax prepayments		53,549	26,746
Intangible assets	3.5, 23	205,478	21,333
Investment property	3.5, 23	2,500,029	3,092,489
Fixed assets	3.5, 23	4,550,638	3,875,723
Other assets and accrued income	24	563,155	643,530
Deferred tax assets	3.12, 25	114,295	386,412
Total assets		147,203,203	102,143,501
LIABILITIES AND EQUITY			
Deposits and borrowings from local banks	26	4,253,626	3,829,558
Deposits and borrowings from customers	27	120,356,763	79,327,802
Interest and fees liabilities	28	68,508	48,722
Liabilities from income distribution	29	4,918	4,284
Other operating liabilities	29	535,043	648,775
Provisions	3.8, 3.14, 30	1,146,965	1,147,830
Other liabilities and accruals	31	1,668,620	1,152,769
Deferred tax liabilities	3.12	-	64,226
Total liabilities		128,034,443	86,223,966
Share capital	32	13,187,635	12,662,890
Reserve	3.8, 33	2,808,332	1,962,557
Retained earnings	34	3,172,793	1,294,088
Total equity		19,168,760	15,919,535
Total liabilities and equity		147,203,203	102,143,501
Off-balance sheet items	3.11, 35, 36	63,283,158	50,732,993