



KOMERCIJALNA BANKA

Meni najbliža

ANNUAL REPORT FOR THE YEAR 2011

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Dear Shareholders, Business Partners and Clients,

We have to admit that the year 2011 truly exceeded our expectations, both regarding the operating environment and circumstances as well as regarding the Bank's operations and results.

Only the most pessimistic scenarios could have predicted the macroeconomic environment in which we operated in 2011, what with the severe crisis in the EU and our local structural problems that surfaced.

The economy grew at a pace much slower than planned with highly uncertain sustainability of such growth, given the structure of the economy, and was accompanied by decreased production levels in a great number of industries, a decrease in the total number of employed people, lower standard of living and demand, lower foreign currency inflow and investments. Additionally, the dinar appreciated in 2011, which may not have come as a surprise only to those who bet on the moment when it would change direction. On the other hand, instability and risks were on the rise, limited sources of finance raised the price of funds and inflation exceeded the projected value.

Additionally, the banking world was plagued by uncertainties about the local regulations governing the implementation of Basel II, by the announcements and promises of lower reserve requirements that were not fully honoured, but more than anything by a lack of quality demand that had never been more severe.

Despite such circumstances, we are proud and pleased to present the Bank's business results for 2011, the year in which we managed, in our opinion, to proactively face the challenges and protect the Bank from the ever increasing risks, build a solid basis for continued and, more importantly, sustainable growth and development through hard work, analytical assessments and new ideas.

All indicators point to this. Assets grew in real terms, as well as the Bank's market share, with the positive gap between the Bank and the banking sector in Serbia getting increasingly wider. Total deposits grew by 3.5% of which FX savings only, with realized growth of 8.6%, reached 1.24 billion euros, with constant optimization of maturity and price.

Profits increased by 41.6%, which, together with numerous activities aimed at streamlining and improving the Bank's organisation, increased the return on total capital from 6.98% to 9.21%. Assets per employee also increased, liquidity and capital adequacy were also improved... to mention but a few and escape the danger of sounding too boastful.

Surely, however, the most important achievement in these times is the quality of portfolio, which, to our great satisfaction, was successfully maintained. At the time when the level of non-performing loans in the banking sector rose to over 18%, we reduced it to acceptable 10.7%, which a large number of economic and banking analysts already consider a somewhat unique phenomenon, given the circumstances. It may have come as a surprise to them, but not to us. We are aware that this is the result of a long-term planned and consistent effort to improve the loan portfolio and the result of a whole series of other improvements both in the Bank's internal organisation and in its systematic orientation towards clients.

Guided by a vision and fully aware that we are not running a sprint but a marathon, while fostering a long-term orientation towards clients, traditional banking and sustainability and stability of business, we consider it our greatest success the fact that we maintained the quality of operations and increased profitability on a sound, long-term basis.

All this has built a reputation that has to be lived up to, just as we have to live up to the public perception of the Bank's quality and to the trust that the Bank enjoys in the market. We believe that these are due not only to superbly conceived and implemented marketing and CSR campaigns and projects but even more due to the genuine belief in the Bank's quality and in the prospects of future development.

It is with great pleasure but also with the sense of additional responsibility for the Bank, the managing of which has been entrusted to us, that we perceive the awards received in 2011 and early 2012 for the results achieved in 2011.

In order to preserve and reinforce this trust, last year we completed or started several very important projects. The project portfolio was unified; the Basel II implementation project was nearly completed; Back Office centralization reached an advance stage, with the aim of increasing the efficiency of management and control, and reducing the overall expenses and risks in the Bank; the Disaster Recovery Plan is in its final stage which will provide the technical aspect of the Bank's operations with protection from unpredictable disasters; Enterprise Resource Planning projects were launched, with the aim of improving property management, human resources, inventory and material accounting; the second stage of improving Document Management System was started; the project of unifying and automating the reporting system of the Bank, Business Intelligence...

We undertook many activities aimed at strengthening the coordination on the regional level and reinforcing the Group Komercijalna banka.

Your help and support were instrumental in everything mentioned above and they will play an even greater role in the upcoming period, no matter how well prepared we may be. All the indications are that the next year will be harder than any of the previous ones.

We would like to thank you in advance for the attention with which you will read and study the Report that we hereby present to you.

Sincerely,
Executive Board

1 OVERVIEW OF KEY PERFORMANCE INDICATORS OF THE BANK FOR THE PERIOD FROM 2007 TO 2011

1.1. Bank's Performance Indicators

(IN RSD 000)

ITEM	2011	2010	2009	2008	2007
BALANCE SHEET ASSETS	275,488,718	255,868,309	205,257,221	170,861,369	147,203,203
Increase (in %)	7.7%	24.7%	20.1%	16.1%	44.1%
LOANS AND ADVANCES TO CUSTOMERS	155,719,207	150,566,311	115,106,246	106,231,447	89,743,089
Increase (in %)	3.4%	30.8%	8.4%	18.4%	79.2%
NPL share (in %)	10.7%	11.1%	11.8%	11.9%	15.0%
Loans and advances to retail customers*	48,555,491	45,372,699	38,831,745	34,827,292	23,785,675
Loans and advances to corporate customers	107,163,716	105,193,612	76,274,501	71,404,155	65,957,414
CALLABLE DEPOSITS AND LOANS (excl. FX required reserves)	11,500,000	200,000	11,500,000	1,201,711	6,274,477
TOTAL REQUIRED RESERVES	52,753,142	56,918,321	53,751,817	43,160,605	29,139,349
DEPOSITS FROM CUSTOMERS	206,123,280	199,090,740	167,210,761	132,903,416	121,642,181
Increase (in %)	3.5%	19.1%	25.8%	9.3%	53.2%
Retail deposits	143,061,647	130,964,790	104,438,978	76,933,266	68,029,296
Corporate deposits	63,061,633	68,125,950	62,771,783	55,970,150	53,612,885
OPERATING PROFIT	3,952,066	2,791,964	2,055,495	2,815,222	2,916,093
Increase / Decrease (in %)	41.6%	35.8%	-27.0%	-3.5%	271.4%
PROFITABILITY INDICATORS:					
ROA – profit** / average balance-sheet assets	1.53%	1.15%	1.06%	1.76%	2.50%
ROE – profit** / average total capital	9.21%	6.98%	7.78%	11.90%	16.73%
ROE – profit** / average share capital	13.89%	12.27%	12.05%	18.61%	22.56%
INTEREST GAINS	9,853,368	7,437,483	6,334,099	6,300,214	5,373,722
Increase (in %)	32.5%	17.4%	0.5%	17.2%	
FEE AND COMMISSION GAINS	4,423,399	3,892,459	3,531,165	2,767,714	2,405,341
Increase / Decrease (in %)	13.6%	10.2%	27.6%	15.1%	
NUMBER OF EMPLOYEES	3,022	3,101	3,155	3,209	3,053
Increase / Decrease (in %)	-2.5%	-1.7%	-1.7%	5.1%	2.3%
Assets per employee in 000 RSD	91,161	82,512	65,058	53,244	48,216
Assets per employee in 000 EUR	871	782	678	601	609
OPERATING EXPENSES	8,995,578	8,462,471	7,940,766	7,363,183	6,604,818
Increase (in %)	6.3%	6.6%	7.8%	11.5%	18.7%
CIR = OPEX / net interest and fees	63.0%	74.7%	80.5%	81.2%	84.9%
CAPITAL ADEQUACY	17.25%	17.14%	14.82%	13.60%	13.56%
FX RISK RATIO	1.68%	7.19%	18.12%	18.99%	14.30%
LIQUIDITY RATIO	2.91	2.45	2.71	2.93	3.94
OPERATING CASH FLOW (in 000 RSD)	6,136,179	3,784,821	2,571,081	2,484,094	2,357,247

* As of 2009 loans to micro-clients are recorded within Retail.

** Profit before tax

1.2. Macroeconomic business environment

ITEM	2011	2010	2009	2008	2007
GDP***	1.6%*	1.0%	-3.5%	5.5%	6.9%
INFLATION RATE	7.0%	10.3%	6.6%	8.6%	11.0%
NBS KEY POLICY RATE	9.75%	11.50%	9.50%	17.75%	10.00%
RSD/EUR EXCHANGE RATE	104.6	105.5	95.9	88.6	79.2
GROWTH RATE OF THE BANKING SECTOR	4.6%**	17.3%	21.6%	13.8%	33.6%

*** GDP – estimate of the Statistical Office of the Republic of Serbia

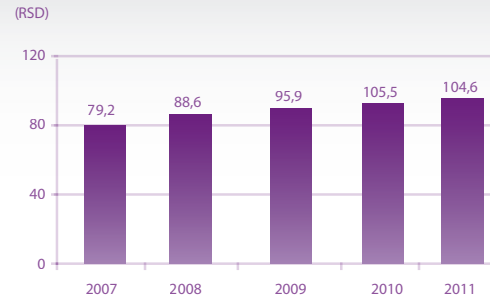
2 MACROECONOMIC BUSINESS ENVIRONMENT IN THE PERIOD FROM 2007 TO 2011

INFLATION IN THE PERIOD FROM 2007 TO 2011



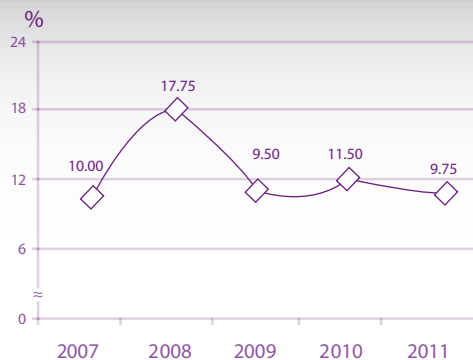
The inflation rate (rise in consumer prices) varied from 11.0% in 2007 to 7.0% in 2011. In 2011 inflation exceeded planned values (planned inflation rate 4.5%, ± 1.5 pp).

DINAR EXCHANGE RATE AGAINST THE EURO FROM 2007 TO 2011



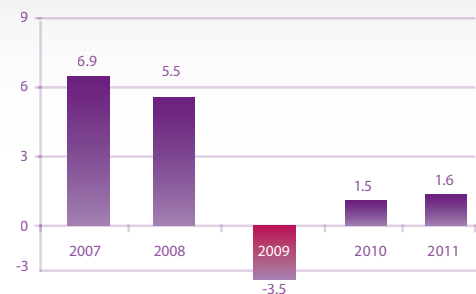
In 2011 dinar appreciated against the euro for the first time by 0.82%, despite the fact that the National Bank of Serbia did not make significant interventions in the FX market in 2011, as it had in 2010 when it sold approximately 3 billion euros worth of foreign currency.

NBS KEY POLICY RATE IN THE PERIOD FROM 2007 TO 2011



Given the deviations from the targeted inflation rate, NBS was decreasing its key-policy rate in the second half of 2011.

GROSS DOMESTIC PRODUCT IN THE PERIOD BETWEEN 2007 AND 2011



GDP growth of approximately 1.6% in 2011 came mostly as a result of the rise in the volume of production in manufacturing industry, i.e. production of pharmaceuticals, coke and petroleum products. In 2011 commodity export and import expressed in euros increased by 14.1% and 14.5% respectively.

GROWTH OF THE BANKING SECTOR IN THE PERIOD BETWEEN 2007 AND 2011 - balance-sheet assets



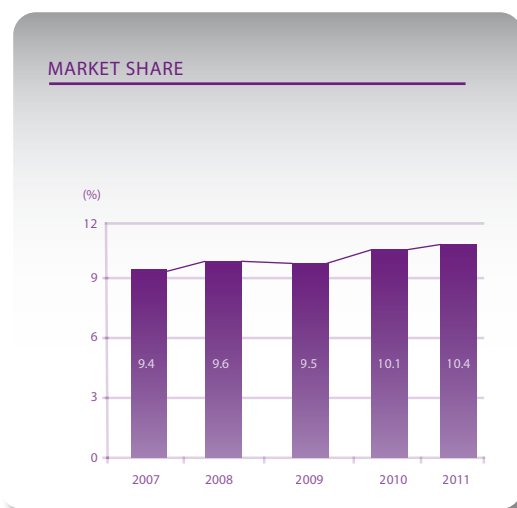
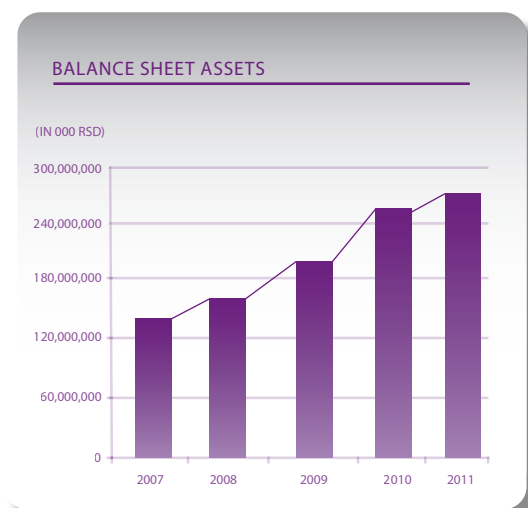
The banking sector in the Republic of Serbia recorded a significantly lower growth compared to the previous years.

3 KEY PERFORMANCE INDICATORS OF THE BANK IN THE PERIOD FROM 2007 TO 2011

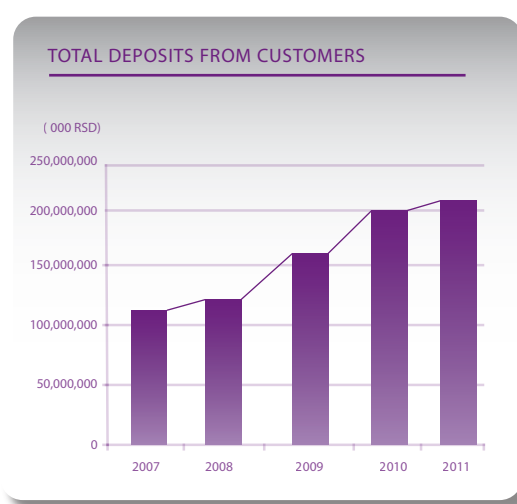
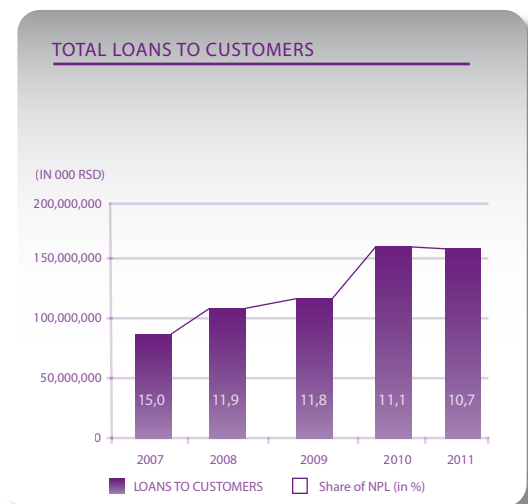
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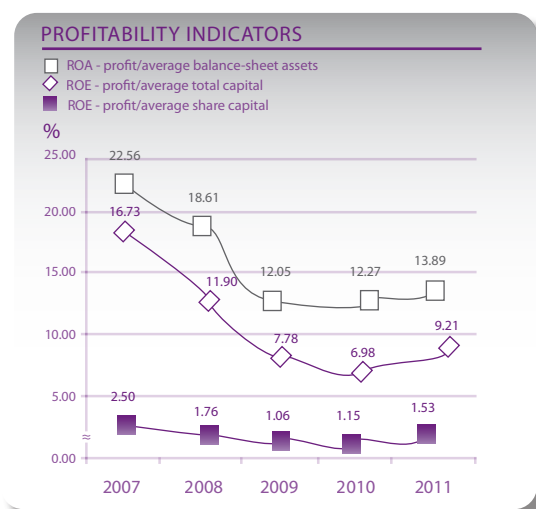
* As of 2009 loans to micro-clients are recorded within Retail.



In this period the Bank's balance-sheet assets grew by 22.5% on average per year, loans to customers rose by 28.0%, NPLs decreased and deposits from customers rose by 22.2% a year, which enabled the Bank to increase its market share from 9.4% in 2007 to 10.4% in 2011.

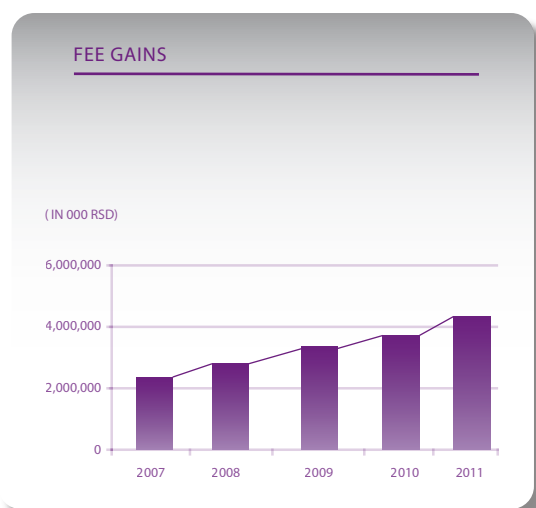


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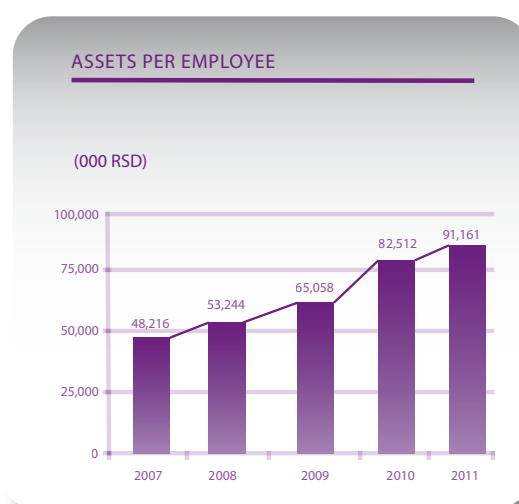
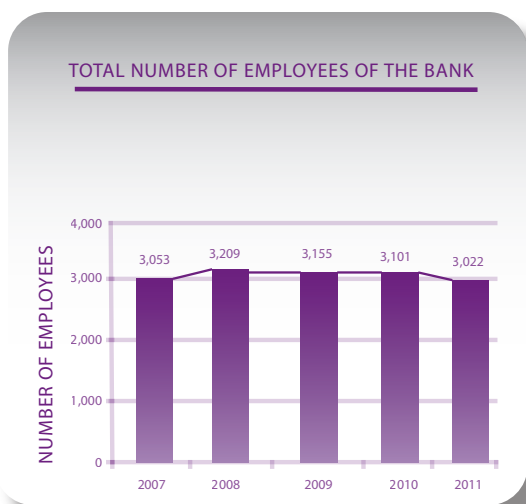
Despite the adverse effect of the global financial crisis, last year the Bank achieved a significant increase in profitability of 41.6%. In 2011 the Bank made a profit of RSD 3,952.1 million, which was an increase of RSD 1,160.1 million, compared to the previous year. Such a significant increase in profit ensured that in 2011 return on total capital and return on share capital reached 9.21% and 13.89% respectively.

What most influenced the increase in profit in 2011 was the growth of net interest income (by 32.5%) and net fee income (by 13.6%).

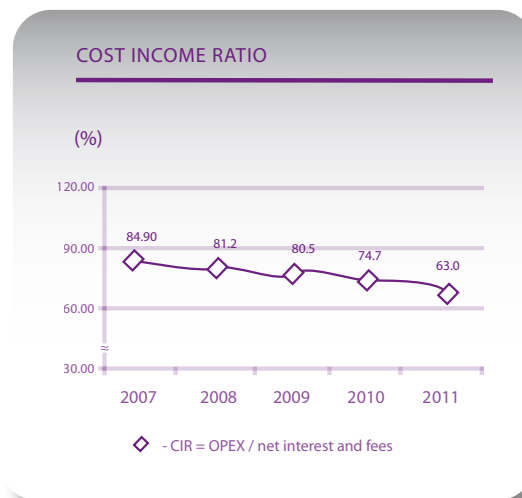
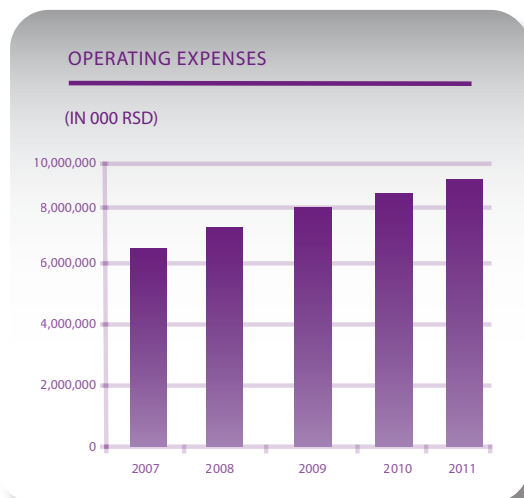


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NUMBER OF EMPLOYEES	3,022	3,101	3,155	3,209	3,053
Assets per employee in 000 RSD	91,161	82,512	65,058	53,244	48,216
Assets per employee in 000 EUR	871	782	678	601	609
TOTAL OPERATING EXPENSES	8,995,578	8,462,471	7,940,766	7,363,183	6,604,818
% of growth	6.3%	6.6%	7.8%	11.5%	18.7%
CIR = OPEX / net fee and interest	63.0%	74.7%	80.5%	81.2%	84.9%

In the period from 2007 to 2011 the Bank had 3,100 employees on average. Since 2008 the Bank took measures aimed at improving work organisation and downsizing the branch network, which gradually resulted in a reduction of the Bank's staff to 3,000.

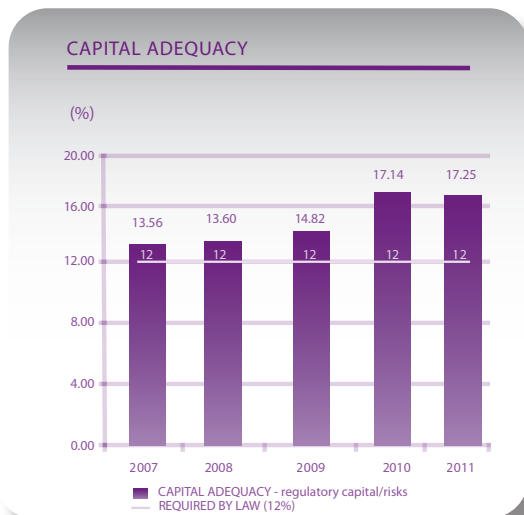


The ratio of assets to employees greatly improved as a result of reduced number of employees and increased volume of business. In the period between 2007 and 2011 assets per employee almost doubled, i.e. rose from RSD 48.2 million per employee in 2007 to RSD 91.2 million in 2011.

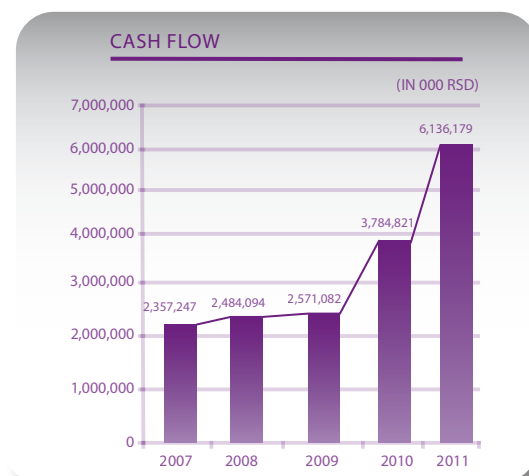


The Bank continued to actively manage and control operating expenses and to improve efficiency, which resulted in substantially lower Cost Income Ratio (CIR) of 63%.

ITEM	2011	2010	2009	2008	2007
CAPITAL ADEQUACY	17.25%	17.14%	14.82%	13.60%	13.56%
FX RISK RATIO	1.68%	7.19%	18.12%	18.99%	14.30%
LIQUIDITY RATIO	2.91	2.45	2.71	2.93	3.94
CASH FLOW (in 000 RSD)	6,136,179	3,784,821	2,571,081	2,484,094	2,357,247

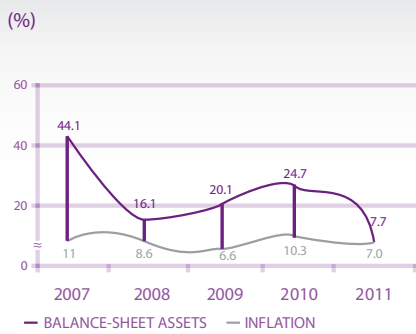


The Bank significantly improved its capital adequacy, i.e. insurance against risk and stability of business operations. The prescribed capital adequacy indicator is 12%. In 2007 the Bank had capital adequacy of 13.56% and at the end of 2011 it stood at 17.25%. The increase in capital adequacy, despite the implementation of Basel II standards, came as a result of the capital increase of the Bank, increase in supplementary capital (subordinated loan) and the policy of allocating the profit from previous years into the Bank's credit loss reserve on the one hand, and the Bank's strategy aimed at minimizing risk, primarily credit risk and FX risk, on another.

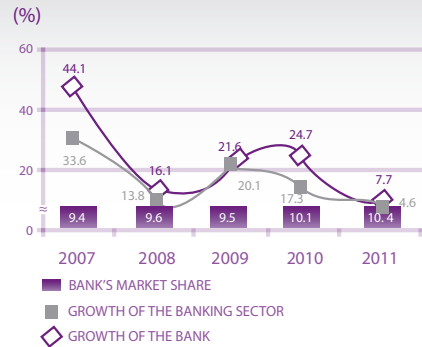


In the observed period the Bank had a stable dinar and FX liquidity, while cash flow from realized income and expenses recorded a continuous growth.

GROWTH OF BANK'S BALANCE-SHEET ASSETS IN THE PERIOD FROM 2007 TO 2011



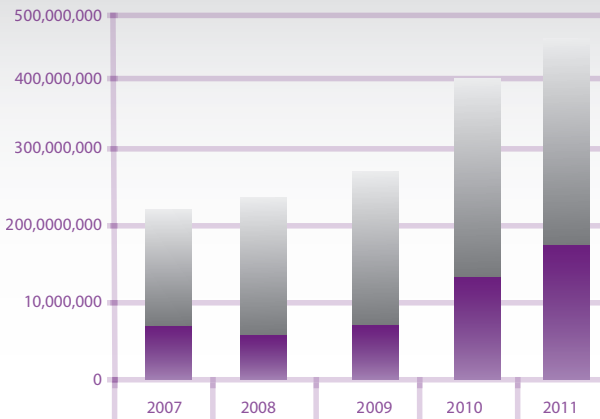
GROWTH OF THE BANK VS. GROWTH OF THE BANKING SECTOR FROM 2007 TO 2010



Given the environment of a relatively high inflation rate and significant fluctuations in the dinar exchange rate, the year-on-year increase in balance-sheet assets still significantly exceeded the inflation rate, which led to increased volume of business and profitability of the Bank in real terms, and to an increase of market share from 9.4% in 2007 to 10.4% in 2011.

BALANCE-SHEET ASSETS AND OFF-BALANCE SHEET ASSETS IN THE PERIOD FROM 2007 TO 2011

(IN 000 RSD)



	2007	2008	2009	2010	2011
Total	211,224,944	230,226,626	271,505,703	401,048,835	459,013,615
Balance	147,203,203	170,861,369	205,257,221	255,868,309	275,488,718
Off-balance	64,021,741	59,365,257	66,248,482	145,180,526	183,524,897

Total balance-sheet assets of the Bank in the period from 2007 to 2011 grew at the rate of 22.5% on average.

As at 31/12/2011 the balance-sheet assets of the Bank were RSD 275,488,7 million and had risen by RSD 19,620.4 million or 7.7%, compared against the corresponding period in the previous year.

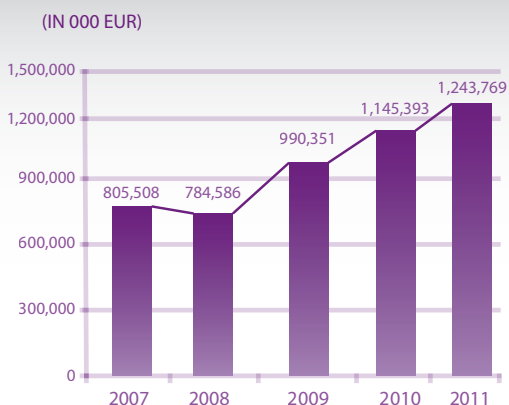
Off-balance sheet assets rose by 26.4% and stood at RSD 183,524.9 million at the end of 2011.

For the past five years the Bank's total volume of business increased 2.2 times.

What generated growth of the Bank's business in the observed period was a rise in deposits from customers of 22.2% a year on average, which in turn resulted in the average annual growth of loans to customers of 28.0%. Aside from the newly-received deposits, the increase in the volume of business came also as a result of capital increase and the use of credit lines.

In the period from 2007 until the end of 2011 total liabilities increased 1.7 times, primarily as a result of the rise in deposits from customers. Retail FX savings accounted for a large portion (approx. 60%) of the Bank's total liabilities. This phenomenon of "growth of FX savings" in the situation of high unemployment and a fall in the standard of living came as a result of great trust that the population has in the stability of the Bank and in its long-term client-oriented strategy.

FX SAVINGS IN THE PERIOD FROM 2007 TO 2011



With its reputation as the most trusted bank in Serbian banking market, the Bank managed to increase FX savings deposits by EUR 438.3 million or 54.4% in the observed period.

Despite a difficult financial situation in 2011 FX savings increased by additional EUR 98.4 million or 8.6% and reached EUR 1,243.8 million.

The view that the depositors hold of the Bank has enabled the Bank to occupy a leading position in Serbian banking sector in terms of collected FX savings, trust and recognition.

STATUTORY OPERATING RATIOS

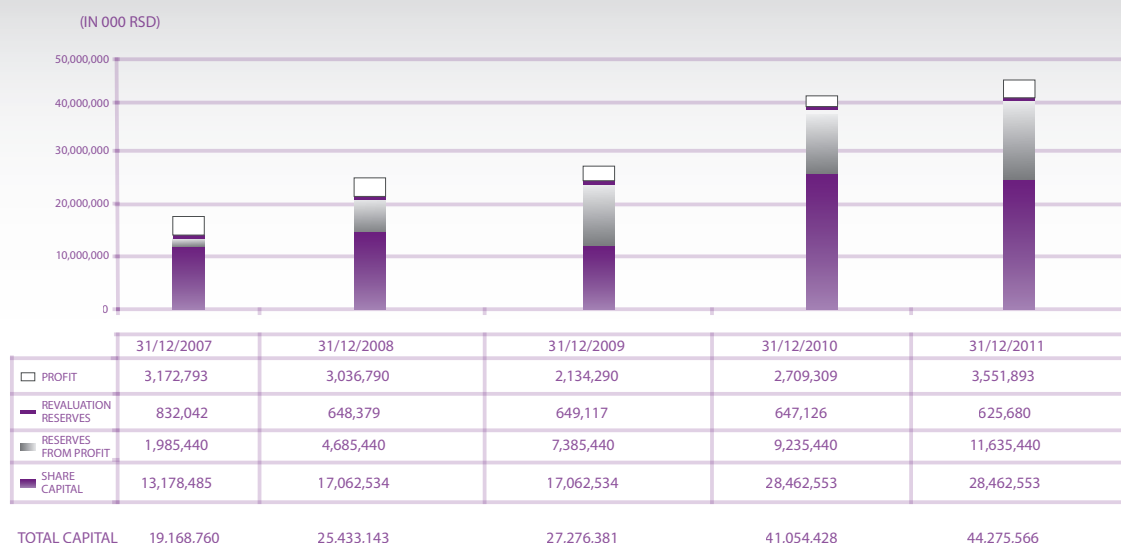
No.	ITEM	REQUIRED	31/12/2011	31/12/2010	31/12/2009	31/12/2008	31/12/2007
1.	CAPITAL ADEQUACY RATIO (NET EQUITY / CREDIT RISK + OPERATING RISKS + OPEN FOREX POSITION)	MIN 12%	17.25%	17.14%	14.82%	13.60%	13.56%
2.	RATIO OF INVESTMENT IN ENTITIES OUTSIDE FINANCIAL SECTOR AND IN FIXED ASSETS	MAX 60%	27.98%	21.70%	32.47%	37.06%	38.92%
3.	LARGE EXPOSURE RATIO	MAX 400%	109.51%	82.51%	114.30%	88.69%	115.46%
4.	FOREIGN EXCHANGE RISK RATIO	MAX 20%	1.68%	7.19%	18.12%	18.99%	14.30%
5.	LIQUIDITY RATIO	MIN 1	2.91	2.45	2.71	2.09	4.05

The Bank meets all the prescribed business parameters and has increased its capital adequacy ratio, which is a reliable indicator of improved security and safety of business.

In 2011 the National Bank of Serbia passed new regulations (Decision on capital adequacy and Decision on classification of balance-sheet assets and off-balance sheet items) aimed at implementing Basel II standards. The key changes are aimed at including capital requirements for operating and market risk, as well as capital requirements for credit risk and FX risk. Additionally, there have been significant changes in the calculation of capital. According to the new Decision on classification, new regulations mandate that, when calculating regulatory capital, instead of the shortfall amount of special credit loss reserve, the total calculated required credit loss reserve in balance-sheet assets and off balance-sheet items should be considered a capital deductible, which considerably decreased banks' regulatory capital.

At the end of the year the Bank secured supplementary capital - subordinated debt in the amount of EUR 50.0 million with the aim of ensuring the stability of business operations in uncertain and unpredictable macroeconomic and regulatory environment and with the aim of further improving the source structure in terms of price and maturity.

CHANGES IN EQUITY IN THE PERIOD FROM 2007 TO 2011

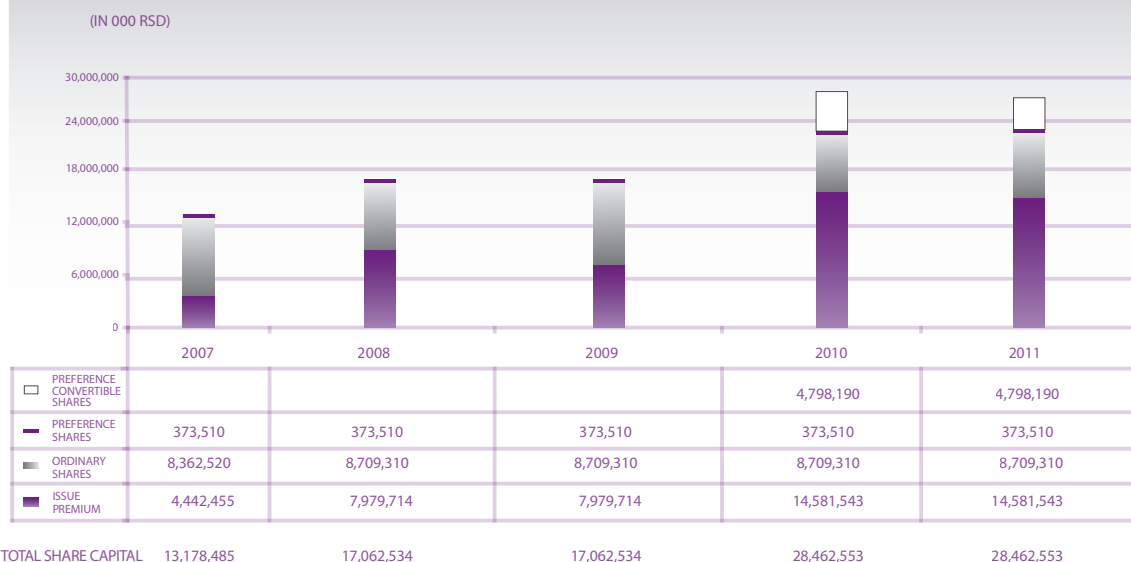


Komercijalna banka was founded as a public joint-stock company. Share capital was formed out of twenty-one share issues that were successfully carried out from 1990 to 2011.

Changes in equity of the Bank in the period from 2007 to 2011, i.e. the greatest increase in capital, came as a result of capital increase of the Bank and allocation of realized profit into credit risk reserves.

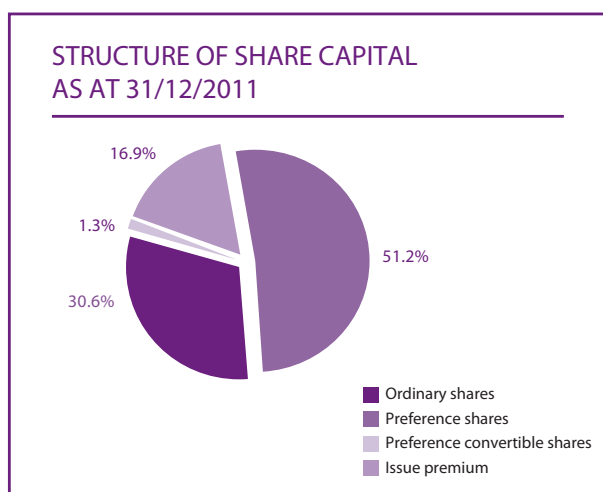
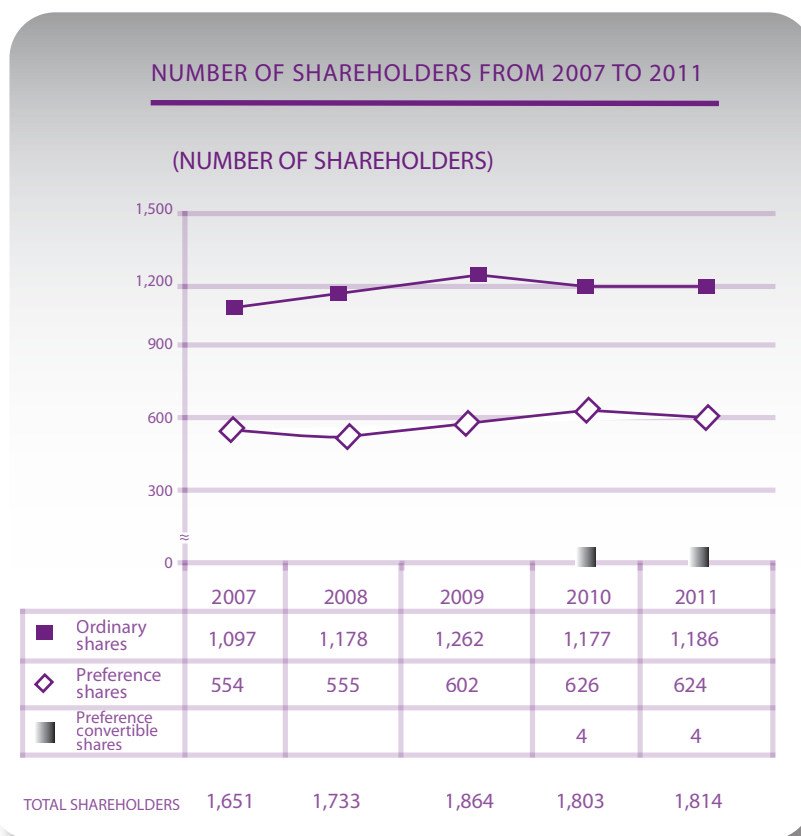
At the end of 2011 total capital of the Bank was RSD 44,275.6 million and had more than doubled in the previous five years. Share capital increased by RSD 15,284.1 million in the observed period as a result of two capital increases (XX issue of ordinary shares in the amount of RSD 3,884.0 million and XXI issue of preference convertible shares in the amount of RSD 11,400.0 million). Reserves from profit increased by RSD 9,650.0 million. Substantial increase in reserves from profit for each year was a rational decision passed by shareholders and the management with the aim of protecting the Bank's operations from risk, on the one hand, and ensuring the stability of business operations of the Bank in the environment of adverse macroeconomic conditions and restrictive NBS measures, on another.

SHARE CAPITAL FROM 2007 TO 2011



The Bank's shares have been traded at the Standard Market of Belgrade Stock Exchange since 2010.

In the past five years the number of shareholders owning ordinary (controlling) shares has increased. As of the end of 2011 there are 1,186 shareholders in possession of ordinary shares of the Bank, 624 shareholders in possession of preference shares and 4 shareholders in possession of preference convertible shares.



4 KOMERCIJALNA BANKA AD BEOGRAD

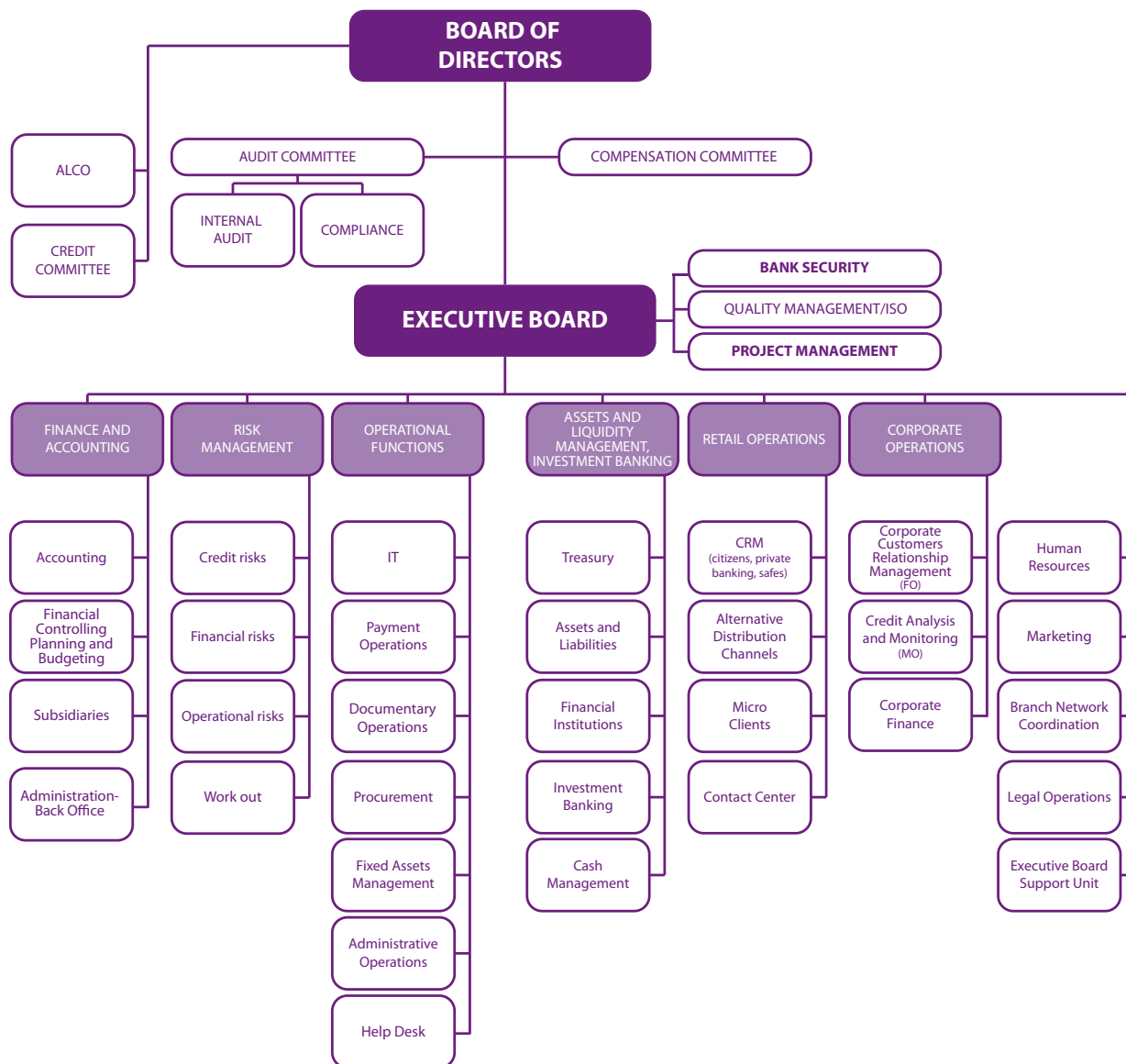
4.1. Board of Directors of the Bank

NAME AND SURNAME	SHAREHOLDER / INDEPENDENT MEMBER	FUNCTION
Vesna Džinić	Republic of Serbia	Chairperson
Dejan Erić, PhD	Republic of Serbia	Member
Vladimir Šarić	Republic of Serbia	Member
Dragica Pilipović – Chaffey	EBRD	Member
Philippe Delpal	EBRD	Member
Khosrow Zamani	IFC	Member
Miroslav Todorović, PhD	Independent member	Member
Marija Pantelić, MSc	Independent member	Member
Mats Kjaer	Independent member	Member

Executive Board of the Bank

NAME AND SURNAME	FUNCTION
Ivica Smolić	President
Dragan Santovac	Deputy President
Slavica Đorđević	Member
Andrijana Milanović	Member
Lidija Sklopić	Member

4.2. Organisational Structure of the Bank

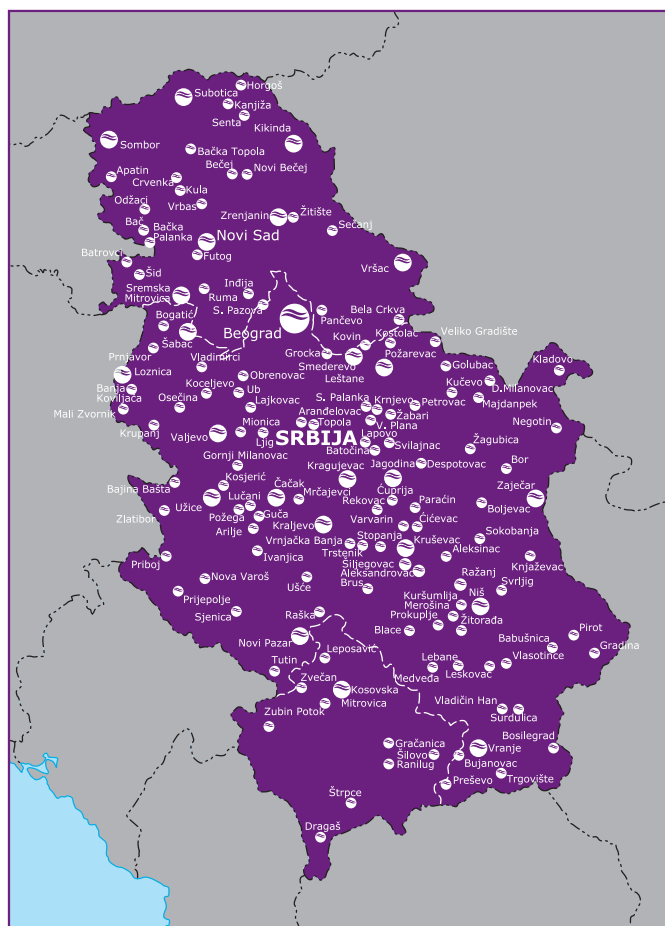


4.3. Head Office Locations in Belgrade

ADDRESS	14 Svetog Save St.	42-44 Svetogorska St.	19-21 Kralja Petra St.	29 Makedonska St.
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	+381-11-3442-372	+381-11-32-36-160	+381-11-32-82-732	+381-11-33-39-196
S.W.I.F.T. code	KOBBSBG	KOBBSBG	KOBBSBG	KOBBSBG
REUTERS code	KOMB	KOMB	KOMB	KOMB
INTERNET	www.kombank.com	www.kombank.com	www.kombank.com	www.kombank.com
E-mail	posta@kombank.com	posta@kombank.com	posta@kombank.com	posta@kombank.com

4.4. Branches by Region

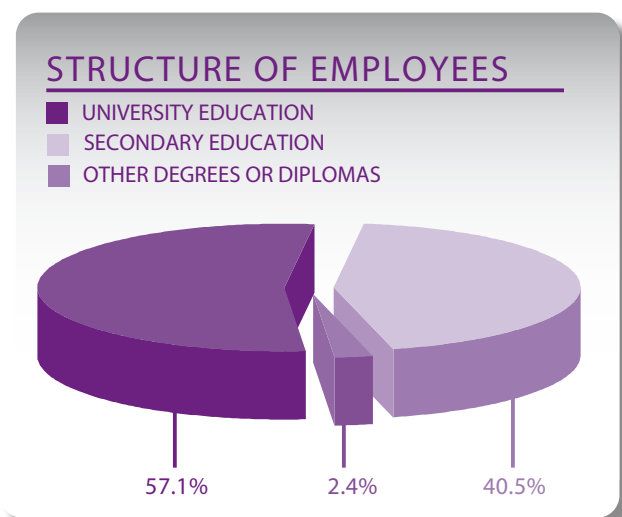
BRANCH	ADDRESS
1. Kruševac	Trg oktobarske revolucije 1
2. Niš	Episkopska 32
3. Zrenjanin	Trg Slobode 5
4. Čačak	Železnička bb
5. Kraljevo	Trg S. Ratnika bb
6. Novi Pazar	Njegoševa 1
7. Novi Sad	Trg slobode 4
8. Užice	D. Tucovića 151
9. Vranje	Stefana Prvovenčanog 58
10. Valjevo	Gradski Trg bb
11. Subotica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



By the end of 2011 the Bank had 217 sub-branches and 13 counters, organizationally linked to 24 branches located regionally.

4.5. Human Resources of the Bank

The number of employees is directly related to the volume of business, the introduction of new business activities and the number of business units of the Bank on the territory of the Republic of Serbia, as well as the implemented measures of reduction and optimisation of the number of employees. In 2011 the number of employees in the Bank decreased by 79 or 2.5% in accordance with the staff optimization program.



At the end of 2011 the Bank had a total of 3,022 employees with the following educational background:

- 1,725 employees or 57.1% with a university degree,
- 1,224 employees or 40.5% with secondary education,
- 73 employees or 2.4% with other degrees or diplomas.

The Bank invests in the training and development of its staff. The training includes seminars, working groups and lectures for all tasks related to internal audit, international accounting standards, human resources, risk management, performance appraisals and other areas.

The Bank has been conducting performance appraisals and career planning for a long time.

4.6. Marketing and CSR Activities

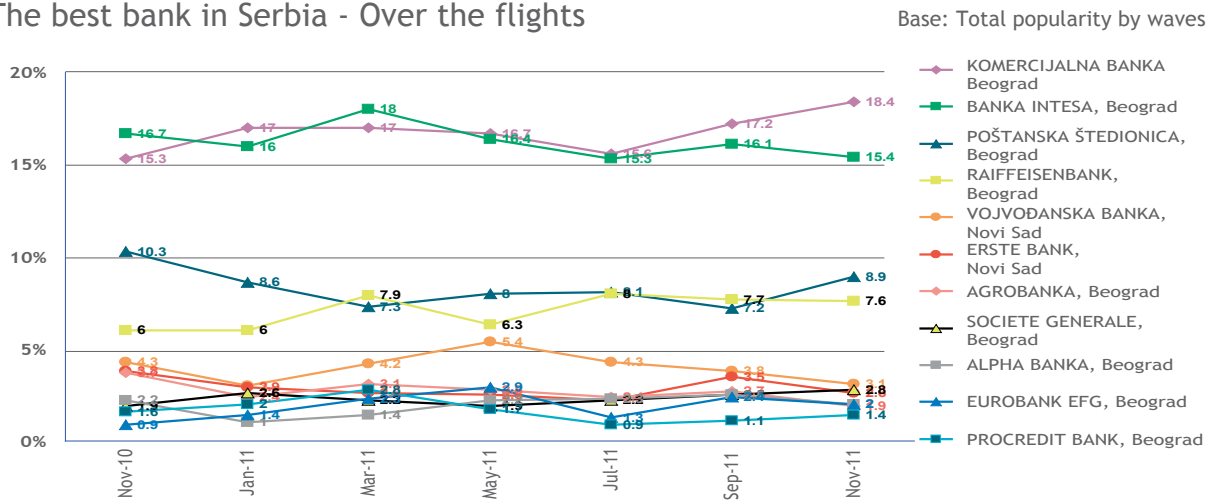
Marketing activities have greatly contributed to the successful positioning of Komercijalna banka in the market and to the Bank's efficiency and profitability.

The Bank's success in the market was specially aided by the brand campaign and campaigns aimed at increasing the sales of the Bank's products and services, and also by careful implementation of PR and CSR activities. With the implementation of the Project of standardizing the appearance of the Bank's sub-branches, the branch network was given a new, more modern, professional and original look, in accordance with the corporate philosophy and standards of visual identity, whereas careful monitoring and analysis of results of quantitative and qualitative market research and information on positioning, contributed to the improvement of business operations and establishment of appropriate marketing strategy.

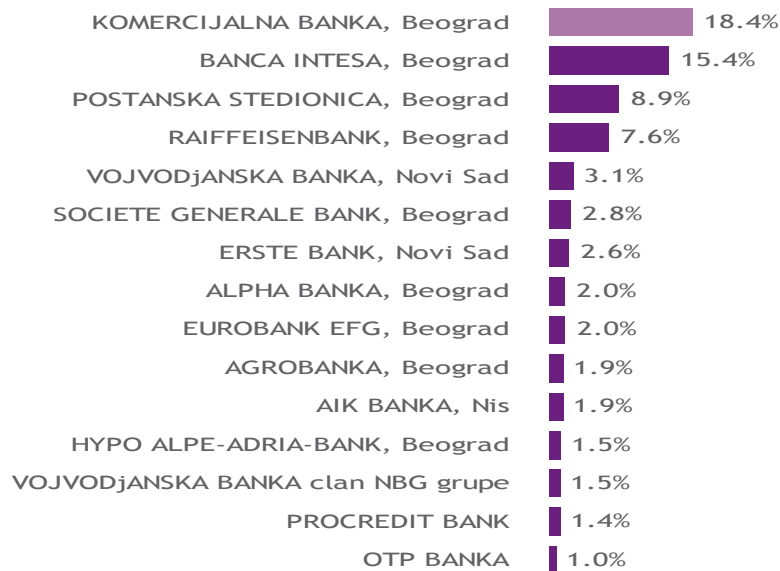
There is no doubt that business success has its own measurable financial aspects, but what particularly distinguished the Bank in 2011 was its Investment into future - a comprehensive campaign dedicated to the real problems and needs of the people, and systematic support to projects that promote social responsibility.

These and other marketing activities influenced the perception held by the general public who perceive Komercijalna banka as the best bank in Serbian market. Results of independent research testify to this.

The best bank in Serbia - Over the flights



The best bank in Serbia - Top 15



Such exceptionally positive public perception came greatly as a result of many social responsibility projects which the Bank had carried out throughout Serbia and in doing so reciprocated and expressed gratitude to the community in which it operates and with which it does business. The most ambitious of the projects was the CSR project which the Bank implemented during the “savings month”, when the Bank gave up its paid advertising space to those in need of help or to those who needed support to speak publicly about their needs. The end result was increased confidence in the Bank and a strong growth in FX savings.

Apart from all this, in 2011 the Bank helped organise many cultural events (exhibitions of paintings, popular TV series, concerts of classical music...). The Bank also launched and supported certain charity campaigns (treatment for children suffering from serious diseases, donations for the purchase of incubators and other modern medical equipment...) and conducted other social welfare activities.

Not only did marketing activities contribute to the strengthening of the Bank’s market position, but they also resulted in numerous recognitions. It is a pleasure to remind you that Komercijalna banka AD Beograd:

- was named the best bank in Serbia in 2011, in a survey conducted by the renowned world magazine “Global Finance“,
- received a prestigious award “Belgrade Victor” from the Belgrade Chamber of Commerce for exceptional contribution to the development of our economy,
- was named the Best Bank in Serbia in 2011 by the jury of the Economic Journalists Club and has continued to invest in future.

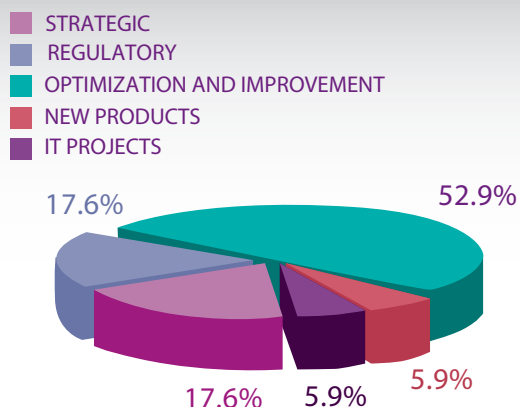
4.7. Project Management and Project Portfolio Management

Category	Number of projects
Strategic	1
Regulatory	1
Optimization and improvement of operations	7
New products	7
IT projects	1
Other	2
Total	19

In 2011 the project portfolio of the whole Bank was unified and IT project portfolio was incorporated into the corporate PMO (Project Management Office). In 2011 there were a total of 19 projects with a total budget of EUR 1.82 million.

As of the end of 2011 the Bank has 17 active projects.

ACTIVE PROJECTS IN 2011



Most important active projects:

- **Implementation of Basel II standard** - The aim of this project is to achieve modern risk management standards and to meet the regulatory requirements contained in the strategy and operational plan of the National Bank of Serbia. The program of Implementation of Basel II standard comprises 4 projects (Amendments to legal documents, Improvement of IT core system, Implementation of the Risk&ALM software and Improvement of ICAAP). Completion rate of all projects is more than 90%. The program is schedule to be completed by 29/02/2012.

- **Back Office Centralization** - The aim of this project is to increase efficiency, lower operating expenses and rationalize resources, decrease operating risk and improve the internal control systems, standardize access and processes on the level of the whole Bank, increase the number of transactions per employee and increase the level of collected receivables. The first stage of the project was implemented on 30/06/2011 and involved the Head Office and five branches. Implementation of the second stage of the project began with the first phase which included centralization of 11 branches and establishment of the retail loan unit outside Belgrade. Planned deadline for completion is 31/03/2012.

- **Disaster Recovery Plan** - The main purpose of planning the recovery of ICT service from catastrophic events is to enable the Bank to "survive" emergency situations and continue with regular operation. One of the key tasks within the process of ensuring business continuity is to set up a comprehensive system for a quick recovery of ICT service in the event of catastrophic damage done to key IT resources (Disaster Recovery). Four stages of the project have been completed in total. The final stage V, which relates to service migration, is currently being implemented. Planned deadline for completion is 28/02/2012.

- **Document Management System II** - continuation of the Document Management System project on the level of the Bank; Scope of the project covers 17 business processes. This project is at the planning stage. Planned deadline for completion is 16/11/2012.

- **Enterprise Resource Planning (ERP)** - with the aim of improving the internal processes in the Bank, such as managing the Bank's assets, human resources, inventory and material accounting. Project is being implemented at the moment. Planned deadline for completion is 18/06/2012.

- **Business Intelligence (BIN)** - the aim of the project is to unify and automate the reporting system on the level of the Bank. The project is being implemented at the moment. Planned deadline for completion is 29/06/2012.

4.8. Group Komercijalna banka AD Beograd

Apart from the parent bank Komercijalna banka AD Beograd, other members of the Group are:

1. Komercijalna banka AD Budva in Montenegro,
2. Komercijalna banka AD Banja Luka in Bosnia and Herzegovina and
3. KomBank INVEST AD Beograd

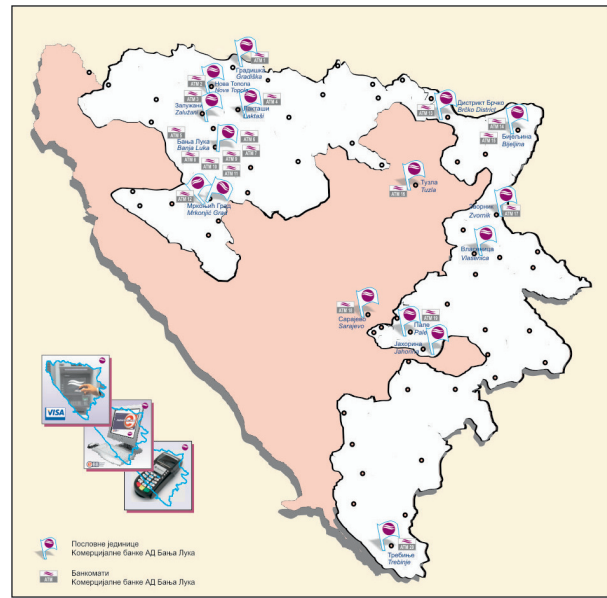
	BUDVA	BANJA LUKA	INVESTMENT FUNDS MANAGEMENT COMPANY
ADDRESS	Potkošljun bb	Veselina Masleše 6	Kralja Petra 19
TELEPHONE	+382-86-426-300	+387-51-244-700	+381-11-330-8310

Republic of Montenegro
Komercijalna banka AD Budva



Komercijalna banka AD Budva has:
 - 113 employees,
 - 16 organisational units

Bosnia and Herzegovina
Komercijalna banka AD Banja Luka



Komercijalna banka AD Banja Luka has:
 - 141 employees,
 - 16 organisational units

5 BALANCE SHEET FOR 2011

5.1. Bank's assets as at 31/12/2011

(IN 000 RSD)

1	ITEM DESCRIPTION	31/12/2011	31/12/2010	INDICES	% OF SHARE AS AT 31/12/2011
1	2	3	4	5=(3:4)	6
	ASSETS				
1.	Cash and cash equivalents	17,228,970	20,724,645	83.1	6.3
2.	Callable deposits and loans	55,260,711	43,615,232	126.7	20.1
3.	Interest, fees and sale receivables	1,187,573	1,185,242	100.2	0.4
4.	Loans and advances to customers	155,719,207	150,566,311	103.4	56.5
5.	Securities (other than own)	25,637,972	18,267,497	140.3	9.3
6.	Equity investments	5,823,583	5,826,005	100.0	2.1
7.	Other investments	2,187,533	2,308,011	94.8	0.8
8.	Intangible assets	555,415	467,547	118.8	0.2
9.	Fixed assets and investment property	7,530,271	6,820,704	110.4	2.7
10.	Non-current assets held for sale	101,040	735,432	13.7	0.0
11.	Deferred tax assets	-	-	-	-
12.	Other assets	4,256,444	5,351,683	79.5	1.5
	TOTAL ASSETS (1 to 12)	275,488,718	255,868,309	107.7	100.0

The Bank's balance-sheet assets in 2011 increased by RSD 19,620.4 million or 7.7% compared with the previous year. Loans to customers increased by RSD 5,152.9 million or 3.4%. As at 31/12/2011 total lending to customers was RSD 155,719.2 million, which accounted for 56.5% of total balance-sheet assets.

In 2011 cash and cash equivalents recorded a fall of 16.9% due to changed NBS regulations on required reserve for banks i.e. lower amount of required dinar reserve.

The most significant relative increase in the previous year was recorded in investment into securities. At the end of the year total amount of funds invested into risk-free government securities was RSD 25,472.2 million.

5.2. Bank's Liabilities as at 31/12/2011

(IN 000 RSD)

	ITEM DESCRIPTION	31/12/2011	31/12/2010	INDICES	% OF SHARE AS AT 31/12/2011
1	2	3	4	5=(3:4)	6
I	LIABILITIES				
1.	Transaction deposits	31,456,575	29,662,069	106.0	11.4
2.	Other deposits	174,666,705	169,428,671	103.1	63.4
3.	Borrowings	1,603,761	923,106	173.7	0.6
4.	Liabilities related to securities	-	-	-	-
5.	Interest and fee liabilities	205,079	227,933	90.0	0.1
6.	Provisions	2,135,436	877,386	243.4	0.8
7.	Tax liabilities	39,737	13,993	284.0	0.0
8.	Liabilities related to profit	172,197	71,256	241.7	0.1
9.	Liabilities based on assets of discontinued operations	-	-	-	-
10.	Deferred tax liabilities	17,036	5,351	318.4	0.0
11.	Other liabilities	20,916,626	13,604,117	153.8	7.6
12.	TOTAL LIABILITIES (1 to 11)	231,213,152	214,813,881	107.6	83.9
	EQUITY				
13.	Share capital and issue premium	28,462,553	28,462,553	100.0	10.3
14.	Reserves from profit	11,635,440	9,235,440	126.0	4.2
15.	Revaluation reserves	689,620	663,008	104.0	0.3
16.	Unrealized losses from securities available for sale	-63,940	-15,882	402.6	-
17.	Profit	3,551,893	2,709,309	131.1	1.3
18.	TOTAL EQUITY (13 to 17)	44,275,566	41,054,428	107.8	16.1
19.	TOTAL LIABILITIES (12+18)	275,488,718	255,868,309	107.7	100.0
II	COMMISSION OPERATIONS AND OFF-BALANCE SHEET ITEMS	183,524,897	145,180,526	126.4	

In the structure of balance-sheet liabilities, deposits from customers (transaction and other deposits) amount to RSD 206,123.3 million, which accounts for 74.8% of total balance-sheet liabilities and is an increase of RSD 7,032.5 million or 3.5%.

At the end of 2011 transaction deposits stood at RSD 31,456.6 million and had risen by 6.0% compared to the previous year.

Other deposits rose in 2011 by RSD 5,238.0 million or 3.1%. At the end of 2011 other deposits totalled RSD 174,666.7 million, which accounted for 63.4% of total balance-sheet liabilities. Growth of other deposits was a result of increase in retail FX savings.

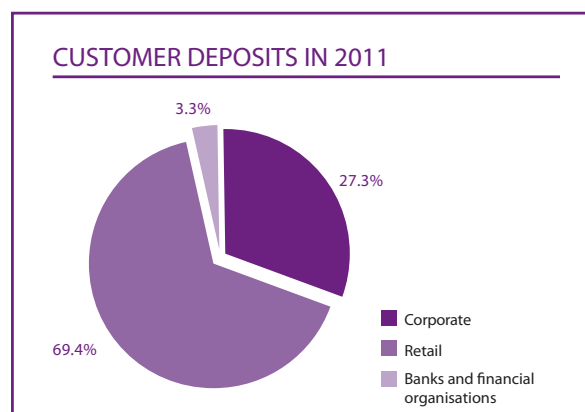
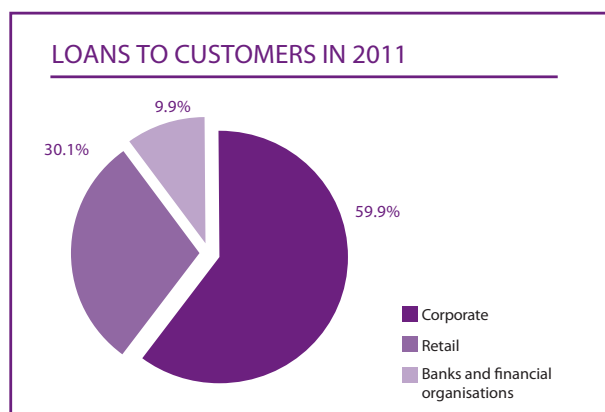
Included in other liabilities are the subordinated loan, in the amount of RSD 5,232.0 million, for the purpose of increasing the supplementary capital, and credit lines in the amount of RSD 9,577.0 million for the purpose of securing the funds for loans to small and medium-sized enterprises in order to finance export, securing permanent working capital, purchasing machines and equipment, investing into purchase of tangible assets and for other purposes.

5.3. Loans to Customers and Customer Deposits as at 31/12/2011

(IN 000 RSD)

	ITEM	AS AT 31/12/2011	AS AT 31/12/2010	Index (2:3)*100
	1	2	3	4
I	LOANS TO CUSTOMERS (I + II + III)	155,719,207	150,566,311	103.4
1.	Corporate	98,486,288	90,244,925	109.1
2.	Retail	48,555,491	45,372,699	107.0
3.	Banks and financial organizations	8,677,427	14,948,687	58.0
II	CUSTOMER DEPOSITS (I + II + III)	206,123,280	199,090,740	103.5
1.	Corporate	56,243,065	61,540,409	91.4
2.	Retail	143,061,647	130,964,790	109.2
3.	Banks and financial organizations	6,818,567	6,585,540	103.5

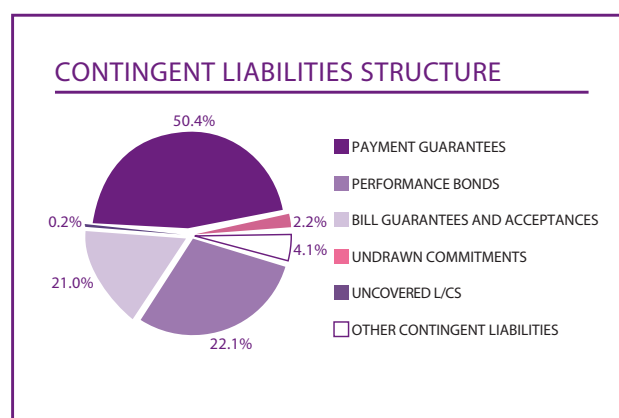
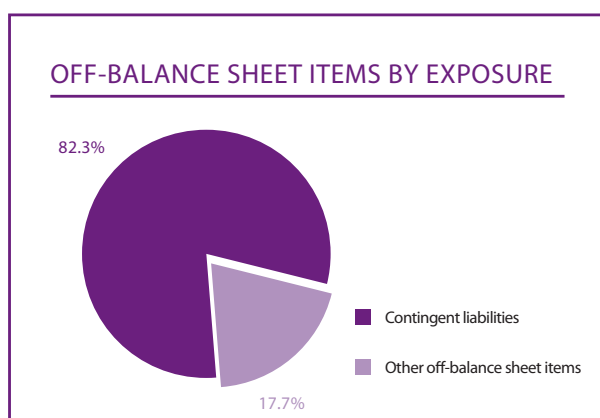
NOTE: Deposits include transaction deposits.



As at 31/12/2011 total loans to customers were RSD 155,719.2 million which is a rise of RSD 5,152.9 million or 3.4% compared with the end of the previous year. The level of loans and deposits to customers at the end of 2011 was greatly influenced by corporate lending, which reached the amount of RSD 98,486.3 million by the end of the year.

5.4. Commission Operations and Off-Balance Sheet Items

No.	ITEM	AS AT 31/12/2011	AS AT 31/12/2010	Index (2:3)*100
	1	2	3	4
I	OPERATIONS FOR AND ON BEHALF OF CUSTOMERS (commission operations)	4,332,764	4,230,755	102.4
II	CONTINGENT LIABILITIES	32,402,457	28,011,714	115.7
1.	Payment guarantees	7,145,564	8,745,663	81.7
2.	Performance bonds	6,812,395	4,689,980	145.3
3.	Bill guarantees and acceptances	77,853	216,889	35.9
4.	Undrawn commitments	16,324,350	12,233,660	133.4
5.	Other off-balance sheet items that may lead to payment	1,328,990	1,074,214	123.7
6.	Uncovered L/Cs	713,306	1,051,309	67.8
III	OTHER OFF-BALANCE SHEET ITEMS	146,789,676	112,938,057	130.0
1.	Forex savings bonds	7,843,967	8,415,111	93.2
2.	Securities in custody	127,962,425	98,073,077	130.5
3.	Other off-balance sheet items	10,983,284	6,449,869	170.3
	TOTAL (I +II+III)	183,524,897	145,180,526	126.4



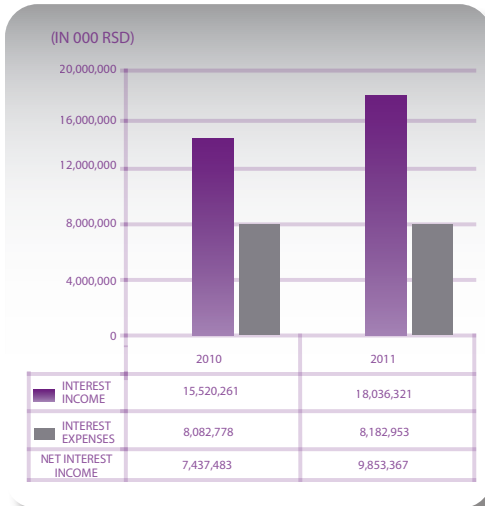
As at 31/12/2011 potential off-balance sheet liabilities stood at RSD 32,402.5 million - an increase of RSD 4,390.7 million or 15.7% compared to the end of the previous year, mostly due to increase in issued guarantees and undrawn credit lines. In 2011 there was a significant rise in the number of securities in custody due to securities portfolios that had been taken over from broker-dealers that ceased operations and due to higher investment into RS securities and NBS securities.

6 INCOME STATEMENT FOR 2011

(IN 000 RSD)

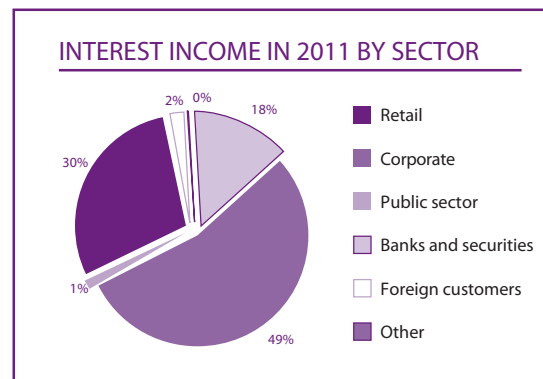
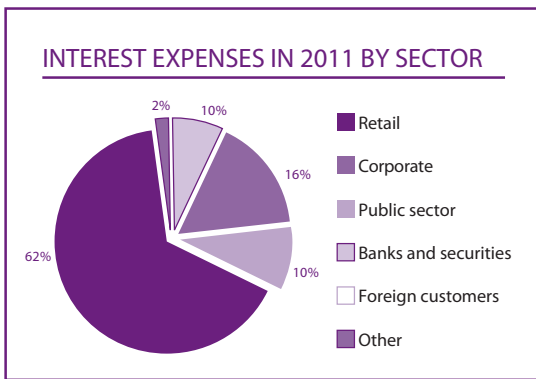
No.	ITEM DESCRIPTION	31/12/2011	31/12/2010	INDICES (3:4)
	2	3	4	5
	INCOME AND EXPENSES FROM BUSINESS ACTIVITIES			
1.1.	Interest income	18,036,321	15,520,261	116.2
1.2.	Interest expenses	-8,182,953	-8,082,778	101.2
1.	Net interest gains	9,853,368	7,437,483	132.5
2.1.	Fee and commission income	5,051,445	4,423,483	114.2
2.2.	Fee and commission expenses	-628,046	-531,024	118.3
2.	Net fee and commission gains	4,423,399	3,892,459	113.6
3.	Net gains/losses from sale of securities at fair value through income statement	-19,110	11,499	-
4.	Net gains/losses from sale of securities available for sale	1,254	53,720	2.3
5.	Net gains/losses from sale of equity (shares)	-	-	-
6.	Net gains/losses from sale of other loans and advances	-	393	-
7.	Net foreign exchange gains/losses and valuation adjustments of assets and liabilities	-152,498	1,141,520	-
8.	Dividends and other income from equity investments	7,997	2,951	271.0
9.	Other operating income	191,207	158,480	120.7
10.	Net income/expenses for indirect write-offs and provisions	-1,335,461	-1,416,354	94.3
11.	Salaries, benefits and other personnel expenses	-3,925,085	-3,647,396	107.6
12.	Depreciation expenses	-672,099	-596,057	112.8
13.	Other operating expenses	-4,420,905	-4,246,734	104.1
14.	OPERATING PROFIT BEFORE TAX (1 to 13)	3,952,066	2,791,964	141.6
15.	Profit tax	-426,027	-157,343	270.8
16.	Profit from increased deferred tax assets and decreased deferred liabilities	11,578	16,697	69.3
17.	Losses from decreased deferred tax assets and increased deferred tax liabilities	-23,937	-131,264	18.2
18.	RESULT FOR THE YEAR (14 to 17)	3,513,680	2,520,054	139.4

6.1. Interest Income and Expenses

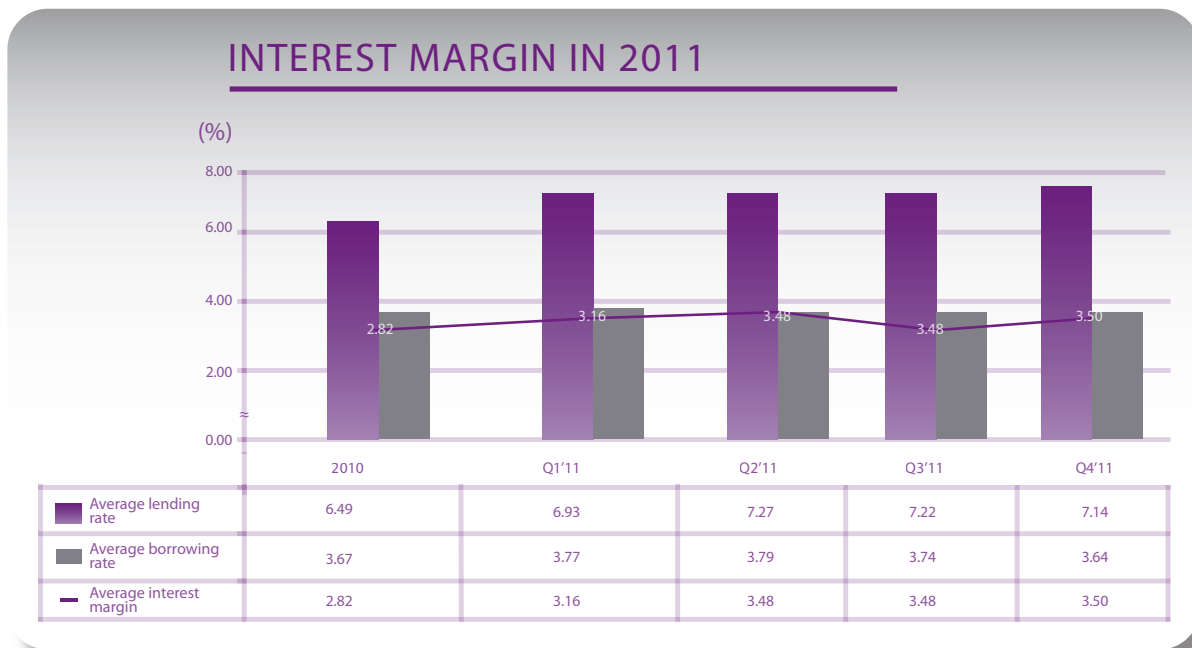


Interest gains were RSD 9,853.4 million which, compared to the same period previous year is an increase of 32.5%.

Compared with the previous year, income from interest receivable increased by RSD 2,516.1 million or 16.2%, whereas expenses from interest payable rose only slightly (RSD 100.2 million) or 1.2%.

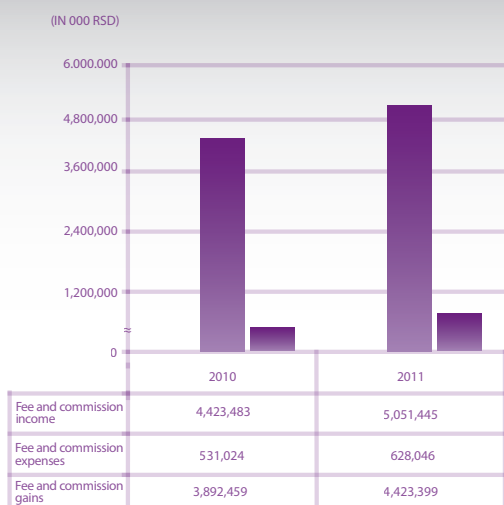


Interest income from corporate loans accounts for the greatest part of total interest income (RSD 9,526.9 million or 52.8%), whereas interest on retail deposits accounts for the greatest share of total interest expenses (RSD 5,040.0 million or 61.6%). These deposits are mostly retail FX savings deposits.



Average lending rate in 2011 was 7.14% and average borrowing rate 3.73% which resulted in average interest margin of 3.41% in 2011. This was a rise of 25% compared to 2010 despite market pressures coming both from the cost of loan (strong competition with low demand) and from deposits (banks' pronounced focus on domestic sources of finance). Activities aimed at optimizing the source of funds in terms of price, structure and maturity have yielded results and, what is more important, make interest margin sustainable in the medium run.

Fee Income and Expenses

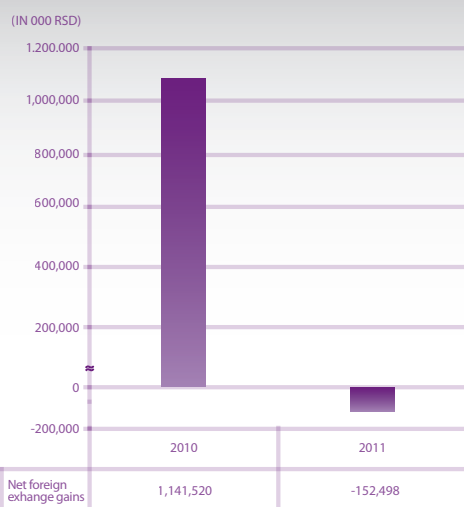


6.2. Fee Income and Expenses

Fee and commission gains in 2011 were RSD 4,423.4 million and were 13.6% higher than in the previous year.

Compared to the previous year fee and commission income for banking services increased by RSD 628.0 million or 14.2% and fee and commission expenses rose by RSD 97.0 million or 18.3%.

Net Foreign Exchange Gains and Losses



6.3. Net Foreign Exchange Gains and Losses

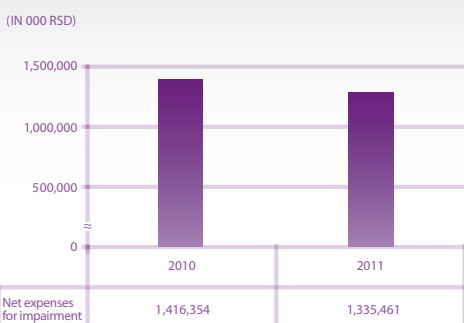
During the reporting period net foreign exchange losses and valuation adjustments of assets and liabilities amounted to RSD 152.5 million.

RSD-EUR exchange rate had the following trend:

- 31/12/2009: 1 EUR = 95.9 RSD (7.68%)
- 31/12/2010: 1 EUR = 105.5 RSD (10.0%)
- 31/12/2011: 1 EUR = 104.6 RSD (-0.8%)

Note: Net foreign exchange gains include gains/losses from transactions conducted in foreign currency during the year and gains/losses from the netting of balance sheet positions expressed and indexed in foreign currencies at the official middle rate at the end of each month within the year, according to NBS regulations.

Expenses for Indirect Write-Offs of Balance Sheet Assets and Provisions for Off-Balance Sheet Items

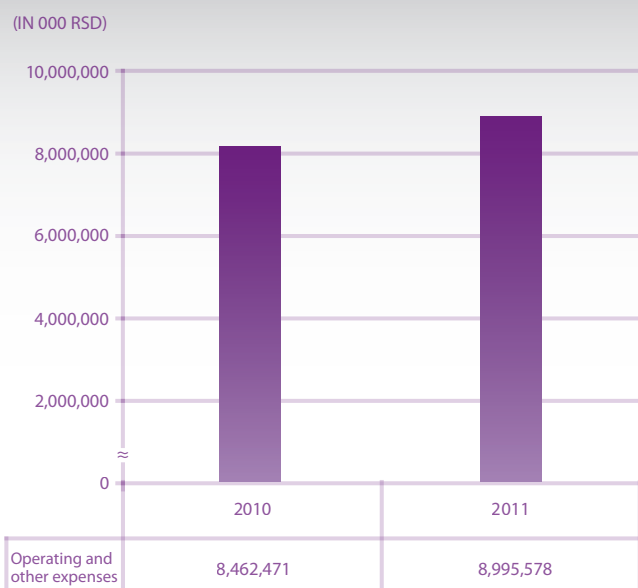


6.4. Expenses for Indirect Write-Offs of Balance Sheet Assets and Provisions for Off-Balance Sheet Items

In 2011 total expenses for impairment of balance sheet assets and provisions for contingent off-balance sheet liabilities amounted to RSD 1,335.5 million.

From 2007 onwards the Bank has consistently applied the internal methodology of calculating impairment and provisions based on IAS 39 and IAS 37.

Operating and Other Expenses

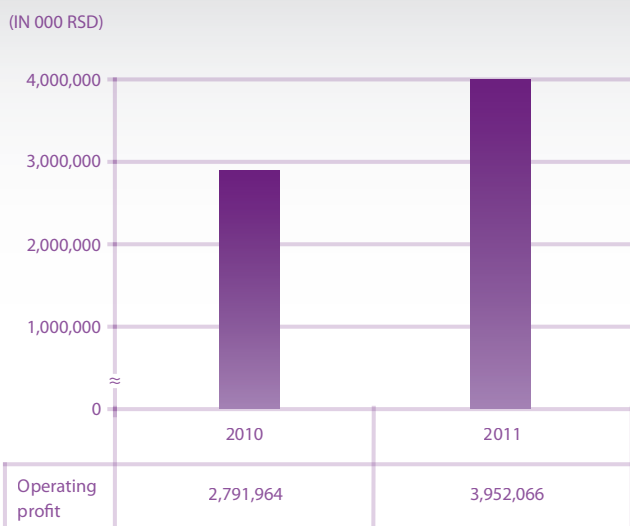


6.5. Operating and Other Expenses

Operating and other expenses in 2011 amounted to RSD 8,995.6 million, a year-on-year increase of RSD 533.1 million or 6.3%. The implemented policy of rationalization of expenses, especially wages and other personnel expenses allowed for the growth rate of operating expenses to be lower than the inflation rate (7.0% in 2011).

NOTE: Operating and other expenses include: salaries, benefits and other personnel expenses, depreciation expenses, other operating expenses.

Operating profit



6.6. Operating profit

Despite the background of unstable and unpredictable macroeconomic conditions and recession in both global and domestic economy, in 2011 the Bank managed to turn an operating profit of RSD 3,952.1 million. This was an increase of 41.6% from the previous year.

Such substantial increase in realized operating profit enabled the Bank to record a return on total capital of 9.21% and return on share capital of 13.89% in 2011.

Profit tax for 2011 was calculated in accordance with the Law on Profit Tax and amounted to RSD 438.4 million which leaves RSD 3,513.7 million of net profit for distribution.