

ANNUAL REPORT 2012



KOMERCIJALNA BANKA

Meni najbliža

Dear Shareholders, Partners and Clients,

Our lives and our every-day business unfold in an environment fraught with constant and major changes, and yet, very little change is plainly visible. In an economy trapped in its inflexibility and characterised by negative growth, widespread illiquidity, countless business and developmental failures, lack of new ideas and projects, stop-gap solutions, defeatist attitudes and decreasing competitiveness, it seems that finding a *modus vivendi*, achieving profitability while maintaining growth and having a clear and realistic perspective is quite an art and no mean feat. Even when all this is achieved, it is met with a tide of deprecation from competent and incompetent critics alike, subjected to relativisation in the media and even outright condemnation, with the public fostering an increasingly negative attitude to banks and the banking industry in general.

That said, what would be there for us to do if everything went smoothly?

The year 2012 was another banner year, and not only in terms of the total business results, realised profit and profitability. What is even more important is the fact that in 2012 we worked equally assiduously both on achieving current results and on preparation for the upcoming, undoubtedly more difficult years, as well as on the long-term increase in the value of the company.

Eleven important business projects were completed in 2012 in the area of optimisation, improvement of organisation and business, in accordance with the 2009 plan. Two of these projects were strategic. Through our Project Management Office much work was done on a range of new projects (23 of which are currently active) aimed at improving the quality of Basel II implementation, increasing the efficiency and flexibility of the Bank in managing its risks, expenses, human resources, as well as improving the reporting system, process management...

In keeping with long-term strategy, great improvement was made in further optimizing and diversifying the sources of funds, credit lines and capital, while also decreasing their total average price and investing at an NPL 30% lower than the banking sector average. This helped the Bank achieve satisfactory results both in terms of profitability and growth, while also maintaining the interest margin and ROE. This was accompanied by a further reduction of cost-income ratio, a strong growth of assets per employee and a rise in profit of over 17%, quite contrary to the average results of the banking sector.

Thanks to the exceptionally responsible approach to risk loans, the portfolio is already ready to provide sound support for successful competition in the market and for continuation of successful business in the upcoming period. What is probably the most important achievement at the moment is the fact that the management of all operational risks is organised and set up in a way that protects the Bank in the long run and strengthens the Bank's already established reputation as one of the safest financial institutions in Serbia. Despite general economic instability, restrictive monetary policy, stagnation and decreased business activity of our corporate clients, as well as diminished borrowing capacity of the population and a decreasing demand for loans, the Bank's total lending activities recorded a significant increase, as did the Bank's activities on the securities market, while also maintaining high liquidity, which means that the Bank has greatly increased its assets and exceeded planned market share.



KOMBANK Arena

However, if we were to single out one, most important result (effect) of our business activities in 2012, that would be the fact that Komercijalna banka is gaining increasingly greater trust! We are trusted by clients and partners - they have entrusted us with more than 2 billion euros of deposits. We are trusted by the general population - foreign currency savings also continued to grow in 2012, by over 6%, enabling us to preserve our dominant market position, with every sixth euro of savings in Serbia being deposited with our bank. Shareholders trust us - the latest recapitalisation by the Republic of Serbia increased the Bank's capital by 41% which places us second in Serbia in terms of capital. Capital adequacy of over 20% and the long awaited and now finally achieved formula 2:2:2 (capital:deposits:loans) guarantee smooth long-term running of our business engine without overheating. Creditors trust us - after several independent detailed due diligence reviews, we were granted full access to international financial markets which created an opportunity to draw down significant amounts in new credit lines - an opportunity we took full advantage of. The general public trust us - attested by independent surveys and the Bank's reputation as a desirable employer for all professions.

Finally, we ourselves trust what we are doing, what we are achieving and what we are planning to achieve.

As has been the case so far, and probably even more so now, your support and help is of great importance to us. Regardless of how well prepared we are, there is no doubt that we are set to experience another difficult and turbulent year.

Thank you for your trust and the attention with which you are about to read this report!

Executive Board



CONTENTS

| | |
|---|----|
| 1. KEY PERFORMANCE INDICATORS _____ | 5 |
| 2. MACROECONOMIC OPERATING CONDITIONS _____ | 7 |
| 3. BANKING SECTOR IN THE REPUBLIC OF SERBIA _____ | 10 |
| 4. OPERATIONS OF KOMERCIJALNA BANKA IN 2012 _____ | 13 |
| 5. CAPITAL _____ | 27 |
| 6. FINANCIAL RATIOS _____ | 30 |
| 7. BALANCE SHEET FOR 2012 _____ | 32 |
| 8. INCOME STATEMENT FOR 2012 _____ | 35 |

1. KEY PERFORMANCE INDICATORS



From the Arena photo archive - Ruzica Corba - Photo by Zoran Ivanović

KOMBANK ARENA is the most modern multipurpose venue for sports, culture, entertainment, exhibitions, fairs, and other events. In 2012 Komercijalna banka became title sponsor of Arena with spectacular results.

1. KEY PERFORMANCE INDICATORS

| ITEM | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|-------------|-------------|-------------|-------------|-------------|
| BALANCE SHEET | | | | | |
| Balance-sheet assets (000 RSD) | 324,187,773 | 275,488,718 | 255,868,309 | 205,257,221 | 170,861,369 |
| growth in percentage | 17.7% | 7.7% | 24.7% | 20.1% | 16.1% |
| Off-balance sheet operations (000 RSD) | 204,642,280 | 183,524,897 | 145,180,526 | 66,248,482 | 59,365,257 |

| RETAIL | | | | | |
|------------------------------|-------------|-------------|-------------|-------------|------------|
| Loans and advances (000 RSD) | 55,917,000 | 48,555,491 | 45,372,699 | 38,831,745 | 34,827,292 |
| growth in percentage | 15.2% | 7.0% | 16.8% | 11.5% | 43.3% |
| Deposits (000 RSD) | 164,532,866 | 143,061,647 | 130,964,790 | 104,438,978 | 76,933,266 |
| growth in percentage | 15.0% | 9.2% | 25.4% | 35.8% | 13.1% |

| CORPORATE | | | | | |
|------------------------------|-------------|------------|------------|------------|------------|
| Loans and advances (000 RSD) | 118,860,421 | 98,486,288 | 90,244,925 | 75,091,060 | 69,347,419 |
| growth in percentage | 20.7% | 9.1% | 20.2% | 8.3% | 59.7% |
| Deposits (000 RSD) | 62,826,756 | 56,243,065 | 61,540,409 | 57,966,269 | 49,787,113 |
| growth in percentage | 11.7% | -8.6% | 6.2% | 16.4% | -4.9% |

| LOANS TO DEPOSITS RATIO | | | | | |
|--------------------------------|-------|-------|-------|-------|-------|
| Gross loans/deposits | 80.2% | 80.7% | 80.9% | 74.6% | 86.7% |
| Net loans/deposits | 75.2% | 75.5% | 75.6% | 68.8% | 79.9% |

| CAPITAL (000 RSD) | | | | | |
|----------------------------------|--------|--------|--------|--------|--------|
| Capital adequacy ratio | 21.88% | 17.25% | 17.14% | 14.82% | 13.60% |
| Number of employees | 2,989 | 3,022 | 3,101 | 3,155 | 3,209 |
| Assets per employee in (000 EUR) | 954 | 871 | 782 | 678 | 601 |

| PROFITABILITY INDICATORS | | | | | |
|---|------------|-----------|-----------|-----------|-----------|
| Profit before tax (000 RSD) | 4,572,662 | 3,952,066 | 2,791,964 | 2,055,495 | 2,815,222 |
| ROA | 1.51% | 1.53% | 1.15% | 1.06% | 1.76% |
| ROE – on share capital | 15.05% | 13.89% | 12.27% | 12.05% | 18.61% |
| ROE – on total capital | 9.44% | 9.21% | 6.98% | 7.78% | 11.90% |
| Net interest margin on total assets | 3.6% | 3.8% | 3.1% | 3.3% | 3.9% |
| Net interest income (000 RSD) | 10,910,317 | 9,853,368 | 7,437,483 | 6,334,099 | 6,300,214 |
| Net fee and commission income (000 RSD) | 4,554,466 | 4,423,399 | 3,892,459 | 3,531,165 | 2,767,714 |
| Cost income ratio | 63.5% | 63.0% | 74.7% | 80.5% | 81.2% |
| Operating expenses (000 RSD) | 9,812,888 | 8,995,578 | 8,462,471 | 7,940,766 | 7,363,183 |

| | | | | | |
|---|------------|------------|------------|------------|------------|
| Net gains from exchange rate differentials (000 RSD) | 95,890 | -152,498 | 1,141,520 | 1,245,486 | 2,410,976 |
| Net expenses for indirect loan write-off and provisions (000 RSD) | -1,444,299 | -1,335,461 | -1,416,354 | -1,365,223 | -1,525,237 |
| Asset quality - NPL | 13.1% | 10.7% | 11.1% | 11.7% | 11.9% |

2. MACROECONOMIC OPERATING CONDITIONS

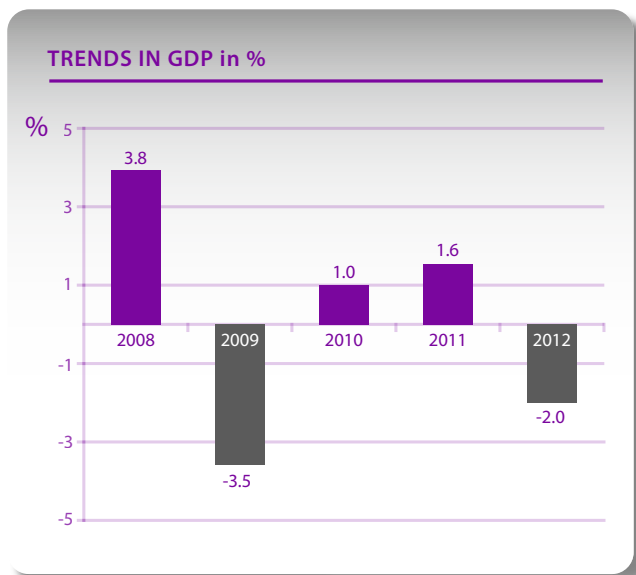


From the Arena photo archive - Riblja Čorba - Photo by Zoran Ivanović

KOMBANK ARENA receives between 600,000 and 800,000 visitors a year.

2. MACROECONOMIC OPERATING CONDITIONS

Continued recessionary tendencies and a decrease in GDP of 0.4% in the eurozone, as well as the usual slow-down of economic activity during the election and in the wake of it, accompanied by adverse weather conditions during both summer and winter season had a negative effect on the Serbian economy in 2012. This resulted in estimated decrease in GDP of 2%. However, industrial production recorded its first signs of recovery in the final quarter, primarily thanks to oil, pharmaceuticals, chemical and automobile industry. Key factors that contributed to a fall in economic activity in 2012 were US Steel's exit, due to increase in price of input and decrease in demand in the global market, extremely poor agricultural season (resulting in a decrease in production of 20%), absence of foreign direct investments (until November 2012 EUR 137 million - net, including, among other things, the effect of repurchasing Telekom shares from Greek OTE) despite the continuation of the Government's credit support program, by means of which approx. EUR 950 million was invested in subsidized loans. More considerable effects of the growing automobile industry, announced infrastructural projects, modernization of Pančevo oil refinery and investments in NIS are expected in 2013. According to the latest official data, unemployment figure stands at 22.4% (September 2012).



Considerable increase in current account deficit in 2012 to 10.5% of GDP came primarily as a consequence of the deficit in the balance of trade of EUR 5.9 bn. NBS's expectations are that the current account deficit will decrease in 2013 (8.1% of GDP) as a result of further expansion of oil refining and automobile industry, anticipated recovery of agricultural production and implementation of measures aimed at fiscal consolidation.

Revision of 2012 budget marked a process of fiscal consolidation that was initiated in September after pursuing an exceptionally expansionist fiscal policy, especially in the first half of the year, and after exceeding the limit set by law at 45% of GDP, which was the key cause why an arrangement with IMF was postponed.

The most important measures were:

- increase in VAT from 18% to 20%,
- increase in profit tax from 10% to 15%,
- increase in taxation of income gained by non-resident legal person originating from the countries with privileged tax system,
- increase in excise duties on tobacco and oil products,
- limited growth of salaries in public sector and pensions to 2% in October 2012 and April 2013 and
- limitation on maximum salaries in the public sector.

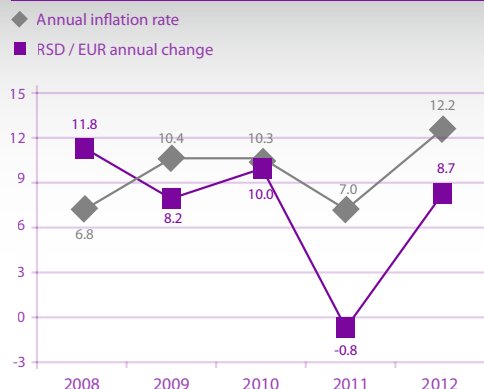
According to the preliminary data from the Ministry of Finance and Economy, budget deficit was below planned value of RSD 203.6 bn by approximately RSD 11.7 bn (estimated figure is approx. 6% GDP). RS budget for 2013 was prepared and adopted within record time with deficit planned at 3.5%. Talks with IMF over a new stand-by arrangement are expected to take place in spring 2013.

Despite a standstill in talks with IMF, postponed date for the start of EU accession negotiations, along with the re-emergence of the Kosovo issue and revision of Serbia's credit rating down to BB-(S&P), there was a decrease in Serbia's risk premium, which currently stands at 380 pp. This came primarily as a result of ECB's measures to protect the euro and further expansionist policy of the world's leading economies, but affected Serbia with a delay of several months i.e. after the announcement of consolidation measures and preparation of Fiscal Consolidation Strategy 2013-2015.

Eurobonds were successfully issued on two occasions in the total amount of USD 1.75 bn and at a return of 6.625% (10Y) and 5.45% (5Y). Additional indebtedness on domestic market, run up in the process of issuing T-bills (with a decrease in interest rates at the end of the year) increased the public debt to EUR 17.7 bn (+EUR 3.2 bn) or approx. 61.5% of GDP, breaking the limit that was set by law at 45% of GDP.

Consequently, foreign debt rose by EUR 1.6 bn, to EUR 25.7 bn or approx. 87% of GDP.

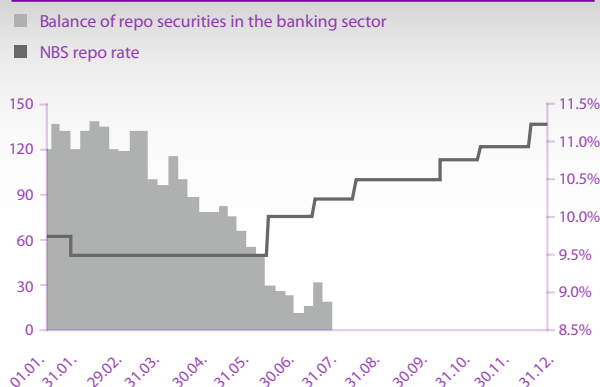
RSD/EUR AND INFLATION 2008/2012



The year 2012 saw the greatest rise in prices since 2007 - inflation rate was 12.2% (base inflation of 8.2%), which was significantly above the targeted level of $4\pm 1.5\%$, mostly as a result of a rise in food prices (almost 50%, despite limiting retail mark-ups on certain groups of products), trends in the price of oil on the world market, exchange rate spill-over effect, rise in regulated prices (heating and transportation) as well as increase in VAT and excise tax. According to NBS, key deflationary factors in the upcoming period will be low aggregate demand, cheaper agricultural produce from the new agricultural season, as well as lower prices of imports as a consequence of dinar appreciation.

During 2012 NBS made its monetary policy more restrictive, with the aim of decreasing inflationary pressures and expectations. After a trend characterized by the lowering of key policy rate (the last one in January 2012 to 9.50%), NBS raised key policy rate on several occasions (December 2012 to 11.25%) and changed regulations on required reserve which raised the amount of RSD to be allocated into required reserve, leading to sterilization of approx. RSD 66 billion in total in 2012. Additionally, after discontinuation of reverse repo operations and introduction of direct ones in the middle of the year, in December, investment of banks' liquid funds into commercial papers was again enabled, but by auction and at multiple interest rates that are currently much lower than the key policy rate.

2012 REPO OPERATIONS

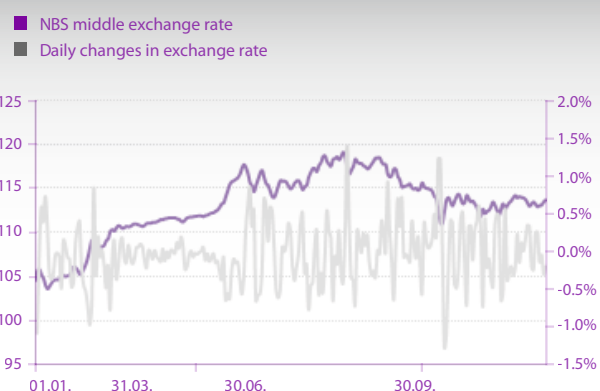


All these monetary policy measures also affected the trends in FX exchange rate in 2012. Despite interventions from NBS in the amount of EUR 1.3 billion and the change in required reserve regulations, the dinar significantly depreciated again by September (approx. 12% against the euro) and then changed its direction, primarily as a result of restrictive NBS measures, implementation of the Government's subsidized loan program for corporates, but also as a result of renewed interest in government securities among portfolio investors.

In the final quarter we witnessed for the first time an intervention by NBS that was caused by significant daily appreciation of the local currency. In total, the dinar depreciated against the euro by 7.98%.

At the end of 2012 foreign currency reserves held by NBS amounted to EUR 10.9 bn, which is enough to cover 7 months' imports of goods and services.

EUR/RSD middle exchange rate



3. BANKING SECTOR IN THE REPUBLIC OF SERBIA



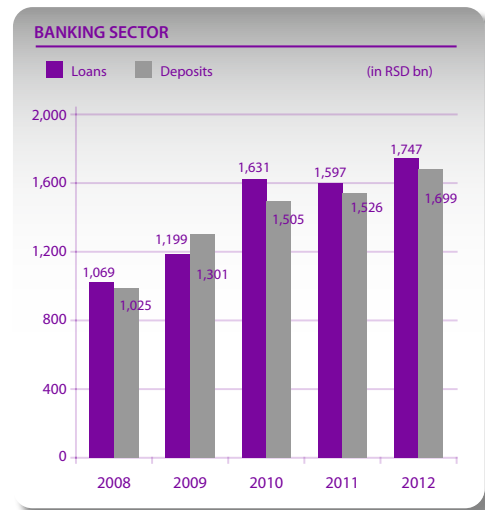
From the Arena photo archive - Alegria - Photo by Zoran Ivanović

KOMBANK ARENA is a facility with state-of-the-art technology, universal use, sophisticated marketing, exceptional comfort with comprehensive services for spectators and visitors.

3. BANKING SECTOR IN THE REPUBLIC OF SERBIA



At the end of 2012 the banking sector in Serbia comprised 32 banks with assets of approx. EUR 25.3 bn. Agrobanka was put into receivership and part of its assets and liabilities (via Nova Agrobanka, as the bridge bank) was transferred to Poštanska štedionica. Razvojna banka Vojvodine has been bankrupt since April 2013. Sberbank bought Volks bank.



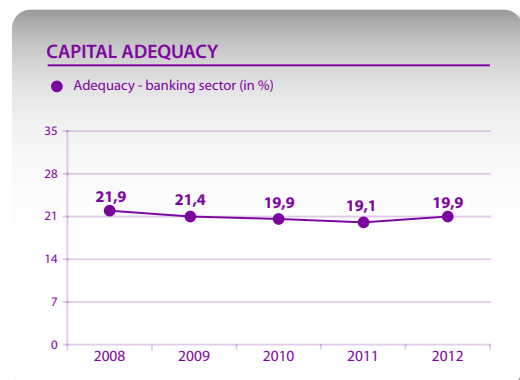
Lending activity of banks stagnated in the first 8 months and was somewhat more intensive from September, thanks to the subsidized loan program. According to NBS data, by December 2012 inclusive, net loans rose by EUR 151.4 million. Significant portion of funds was invested in government securities (EUR 2.4 bn). After reaching its maximum of 19.9% in August, NPL level (loans in default of over 90 days) stagnated and went down slowly at the end of the year to 18.6%. Considerably higher NPL level, compared with other countries in the region, is partly a result of the current tax treatment of loan write-offs and limitations imposed on sale of receivables. In the upcoming period we can expect the effects of the Law on deadlines for settlement of monetary liabilities, which should, as of 1 April 2013, limit a payment deadline to 60 days and even 45 for liabilities of the state.



What is evident is the outflow of funds i.e. foreign debt settlement by banks, which has been a trend since mid-2011 among European banks operating in this region through their subsidiaries. According to the report from the Vienna Initiative, deleveraging in Serbia started later than in other countries (probably due to the implementation of Basel II) but has reached almost EUR 2 billion or over 5% of GDP, of which banks' direct debt settlement accounts for approx. EUR 1 bn (note: approx. EUR 40bn has left the entire region). Despite LTRO program for banks, it is expected that the gradual debt settlement of banks in the region will continue and that subsidiaries will increasingly focus on local sources of funds. Withdrawal of funds was buffered by substantial credit lines from international financial institutions.

Retail FX savings continued to grow and reached EUR 8 bn at the end of December, with a still high level of insured deposits (EUR 50,000)

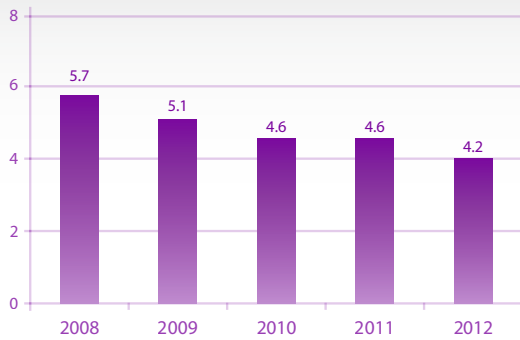
Capital adequacy, although on the decrease, is still significantly above the prescribed minimum of 12%. Apart from the rise in credit risk, currency depreciation also contributed to this, given that the capital is denominated in RSD and risk bearing assets are, in most part, tied to the EUR. By December 2012, total banking sector's capital was EUR 5.2 bn.



Bank's profitability in 2012 was affected by pressures on interest margin and rising cost of risk, but also as a result of changes in required reserve regulations.

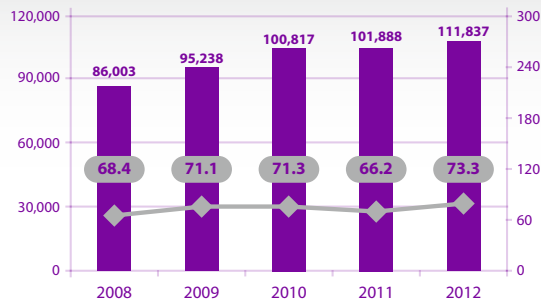
INTEREST MARGIN IN %

■ Banking sector



OPERATING EXPENSES AND COST TO INCOME RATIO

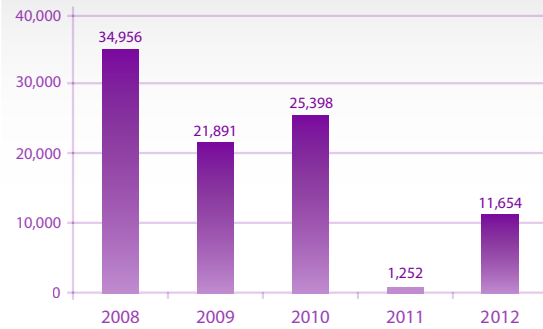
■ Opex (in RSD million) ◆ CIR (in %)



Operating expenses and cost to income ratio. Despite decreasing the number of employees, these were on the rise as a result of increased operating expenses and their sensitivity to the exchange rate.

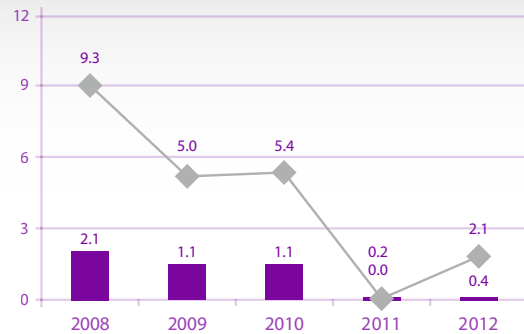
PROFIT

■ Profit before tax in RSD million



ROA, ROE

■ ROA in % ◆ ROE - on total capital in %



Factors that had a decisive effect on profitability of banks in Serbia include high level of capital, high level of required reserve, focus on local sources of funds (regional trend), limited possibilities for investment (lack of retail demand, limited number of quality corporate clients) and the Government's borrowing strategy.

4. OPERATIONS OF KOMERCIJALNA BANKA IN 2012



KOMBANK ARENA comprises a complex that includes: a large hall, small hall, and the parking space. The facility has 18,386 seats.

The large hall has a surface area of 48 000m² and a capacity to receive 20 000 - 25 000 visitors.

4. OPERATIONS OF KOMERCIJALNA BANKA IN 2012

A positive trend from 2011 continued, with mid-term orientation to sustainable growth as the key strategic objective, while observing all the limitations that arise from the nature of the market in which we operate and the attendant risks.

Balance-sheet total. According to the published data for the banking sector in 2012, the market share of over 10% is preserved (11.3%), with a rise in assets of 17.7%. With a focus still on sustainable growth of profitability, activities were continued in the direction of quality growth of portfolio and further optimization of the structure of sources by encouraging IFIs to grant credit lines.

Sources. At the end of October 2012 the Government increased the Bank's capital by RSD 11.6 bn. Similarly as in 2011, a rise in FX savings and corporate deposits continued, despite deterioration in market circumstances and competitors' strong focus on local sources along with a decreasing tendency in cross border financing. EFSE Green for Growth credit line was drawn in the amount of EUR 23 million. Credit lines from several international financial institutions in the amount of EUR 155 million are currently either in the process of negotiation or in the drawdown stage.

Loans. Growth of corporate loans is evident as a result of intensive activities, with a somewhat slower growth of retail portfolio, but with an increase in interest margin. Despite the re-launch of the subsidized loan program and its quick depletion, deterioration of the quality of demand is still present with widespread underestimation of risk premium, making the Government still the most attractive investment. A portion of liquid funds was invested in dinar and FX securities.

Loan portfolio quality. Contrary to market tendencies, the loan portfolio of the Bank is characterized by considerably lower share of NPL. This came as a result of constant caution, monitoring and proactive approach to each client. Financing structure and liquidity of corporate clients remain the greatest problem and an absolute priority in the upcoming period. Despite decreased living standards, there are still no considerable shifts in the retail portfolio, but we may expect them in the upcoming period, given the level of unemployment.

Profitability. Strong pressures on the interest margin, especially from the loans side, in the form of price to risk ratio, but also changes in required reserve regulations that resulted in a twofold increase in RSD portion of required reserve (additional amount of RSD 10.5 bn), had an adverse effect on the income side. There is little manoeuvring space for profitability growth - planned stabilization of interest margin in 2012 was achieved through further optimization and diversification of sources.

4.1. Board of Directors

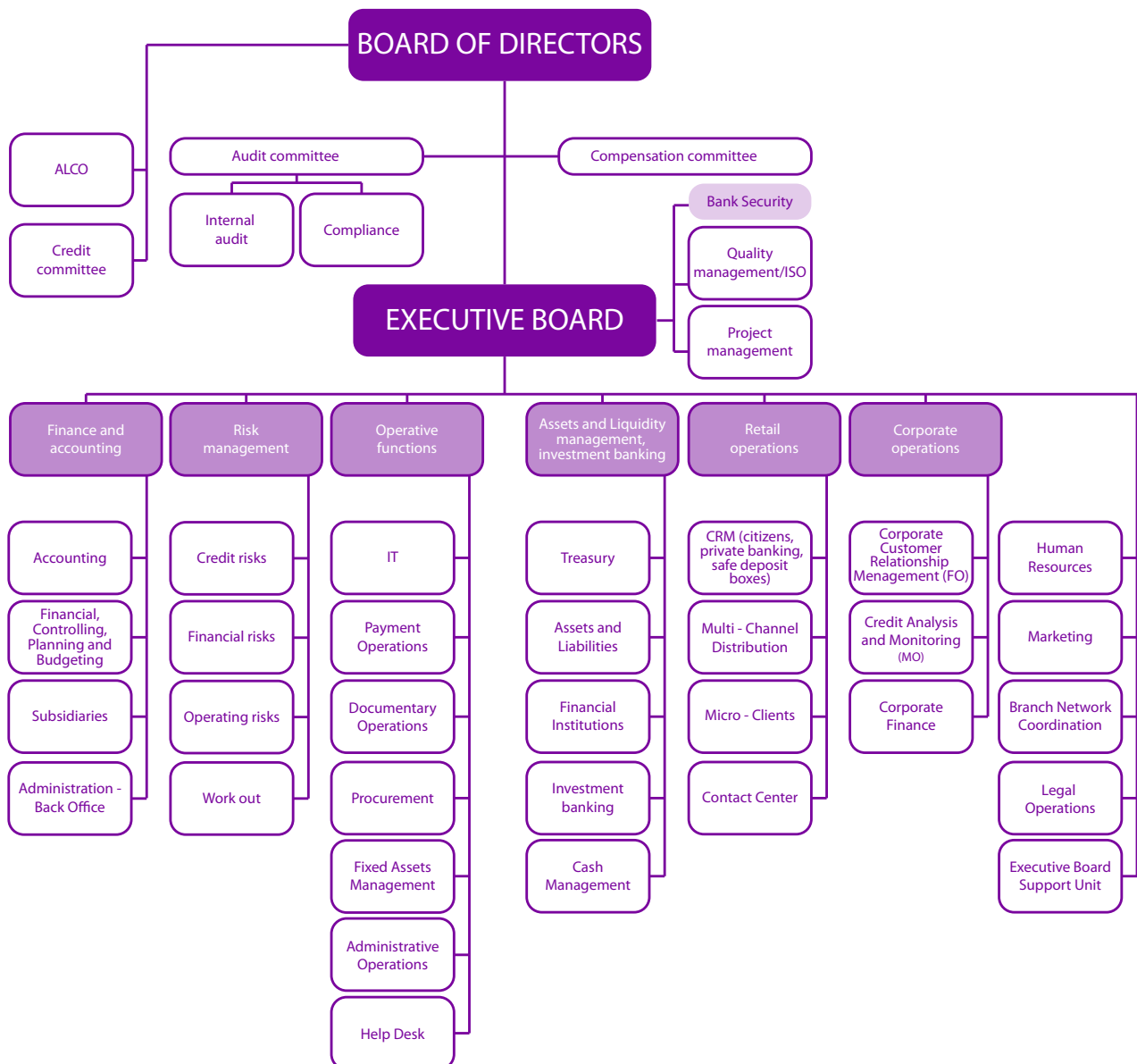
| NAME AND SURNAME | SHAREHOLDER / MEMBER INDEPENDENT OF THE BANK | POSITION |
|-----------------------------|--|-------------|
| Vesna Džinić | Republic of Serbia | Chairperson |
| Dejan Erić, Ph.D. | Republic of Serbia | Member |
| Vladimir Šarić | Republic of Serbia | Member |
| Dragica Pilipović – Chaffey | EBRD | Member |
| Philippe Delpal | EBRD | Member |
| Khosrow Zamani | IFC | Member |
| Miroslav Todorović Ph.D. | Member independent of the Bank | Member |
| Marija Pantelić, MSc | Member independent of the Bank | Member |
| Mats Kjaer | Member independent of the Bank | Member |

4.2. Audit Committee

| NAME AND SURNAME | MEMBER OF THE BOARD OF DIRECTORS / INDEPENDENT OF THE BANK | POSITION |
|-----------------------------|--|-------------|
| Miroslav Todorović, Ph.D. | Member of the Board of Directors | Chairperson |
| Dragica Pilipović – Chaffey | Member of the Board of Directors | Member |
| Jelka Milošević | Independent of the Bank | Member |

4.3. Executive Board

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

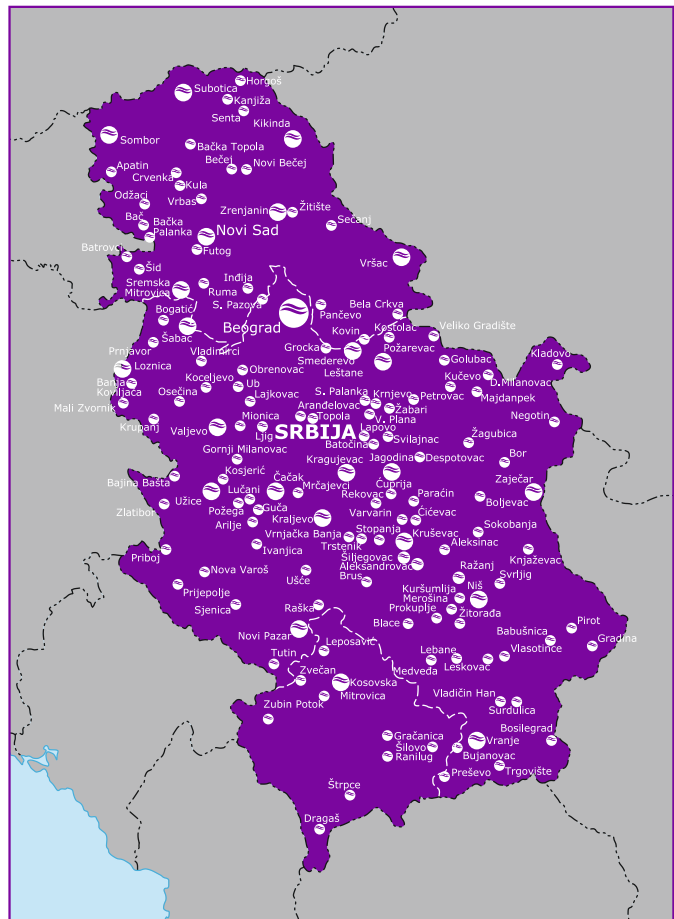


4.4. Bank's Head Office in Belgrade

| ADDRESS | Svetog Save 14 | Svetogorska 42-44 | Kralja Petra 19 | Makedonska 29 |
|-----------------|--------------------|-------------------|-------------------|-------------------|
| 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 | KOBBRSBG | KOBBRSBG | KOBBRSBG | KOBBRSBG |
| 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 |

4.5. Regional distribution of the Bank's branches in the Republic of Serbia

| | BRANCH | ADDRESS |
|-----|--------------|-------------------------------|
| 1. | Kruševac | Trg fontana 1 |
| 2. | Niš | Episkopska 32 |
| 3. | Zrenjanin | Trg Slobode 5 |
| 4. | Čačak | Gradsko šetalište 10-14 |
| 5. | Kraljevo | Trg S. Ratnika bb |
| 6. | Novi Pazar | Njegoševa 1 |
| 7. | Novi Sad | Novosadskog sajma 2 |
| 8. | Užice | Petra Čelovića 4 |
| 9. | Vranje | Stefana Prvovenčanog 58 |
| 10. | Valjevo | Gradski Trg bb |
| 11. | Subotica | Korzo 10 |
| 12. | Šabac | Gospodar Jevremova 2 |
| 13. | Kragujevac | Save Kovačevića 1 |
| 14. | Smederevo | Karađorđeva 37 |
| 15. | Požarevac | Moše Pijade 2 |
| 16. | Jagodina | Kneginje Milice 10 |
| 17. | Loznica | Gimnazijska 1 |
| 18. | S. Mitrovica | Kralja Petra I 5-7 |
| 19. | Zaječar | Nikole Pašića 25 |
| 20. | Kikinda | Braće Tatić 7 |
| 21. | Sombor | Štatarski Put 14 |
| 22. | Vršac | Trg Svetog Teodora vršačkog 2 |
| 23. | Beograd | Svetogorska 42 - 44 |
| 24. | K. Mitrovica | Kralja Petra I 23 |



4.6. 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 the Republic of 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 | 00382-86-426-300 | 00387-51-244-700 | 011-330-8310 |

Republic of Montenegro Komercijalna banka AD Budva



Komercijalna banka AD Budva has:

- 117 employees,
- 21 organizational units (6 branches and 15 outlets).

Bosnia and Herzegovina Komercijalna banka AD Banja Luka



Komercijalna banka AD Banja Luka has:

- 144 employees,
- 17 organizational units (10 branches and 7 agencies).

4.7. Corporate Operations

Market - key tendencies:

2012 was characterized by a significant decrease in economic activity. This was exacerbated by the recession in countries which are Serbia's key foreign trade partners and the pre-election and election period, as well as adverse weather conditions in Q1 and Q3 2012.

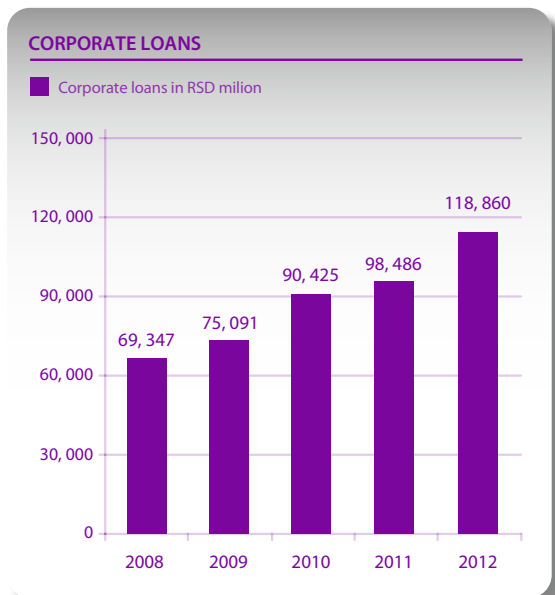
Liquidity remains the greatest problem in the market. A decreasing trend in the number of registered business entities (1255 business entities fewer in the first half of the year) was halted due to suspended implementation of provisions from the Bankruptcy Law, which refer to automatic receivership and liquidation.

The Government's program of subsidized loans to corporates was launched in September and was characterised by an extremely competitive offer on the market, that is, banks offered these loans under more favourable terms than those set by the Program.

Loans - KB operations

| CORPORATE | 31. 12. 2011. | | 31. 12. 2012. | | Rise in % 12/11 |
|------------|-------------------|--------------|-------------------|--------------|--------------------|
| | Amount (RSD m) | Share (%) | Amount (RSD m) | Share (%) | |
| LOANS | 98,486 | | 118,816 | | 20.7% |
| Short-term | 27,182 | 27.6% | 40,961 | 34.5% | 50.7% |
| Long-term | 58,183 | 59.1% | 61,831 | 52.0% | 6.3% |
| FX loans | 13,122 | 13.3% | 16,069 | 13.5% | 22.5% |

Despite market circumstances, there was a real growth of corporate loan portfolio from the start of the year, of EUR 104 million.



Due to considerable RSD depreciation and still favourable RSD interest rates, the demand for RSD loans increased, resulting in a greater share of these loans in portfolio which stands at 19.1%.

In accordance with the strategy to compensate limited price competitiveness with extended maturities, a rising trend in the share of long-term loans slowed down in September due to a rise in demand for loans from the Program.

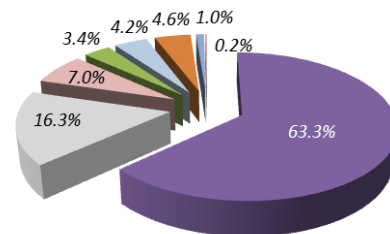
Approx. EUR 12 million was invested from the GGF energy efficiency credit line.



Interest income was RSD 10.1 bn and was 6% higher than in the same period 2011, despite lower key policy rates and competitors' focus on a limited number of clients.

Client structure as at 31.12.2012

- Large enterprises
- Small enterprises
- Publicly owned companies
- Municipalities
- Medium enterprises
- Non-residents
- Other government institutions
- Other



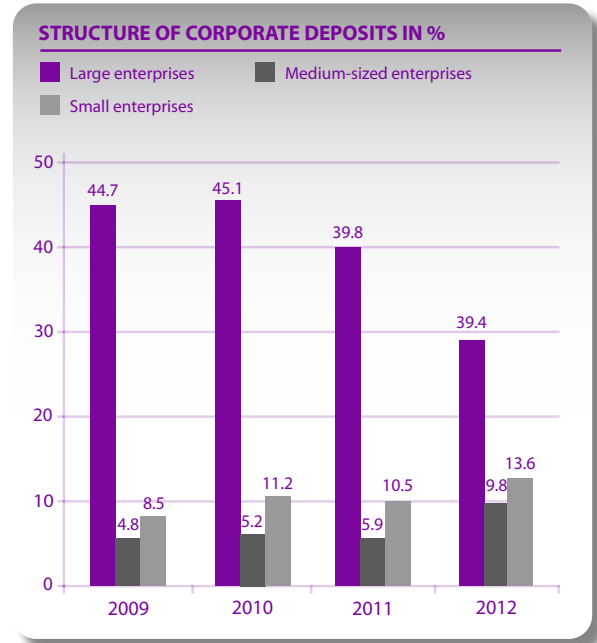
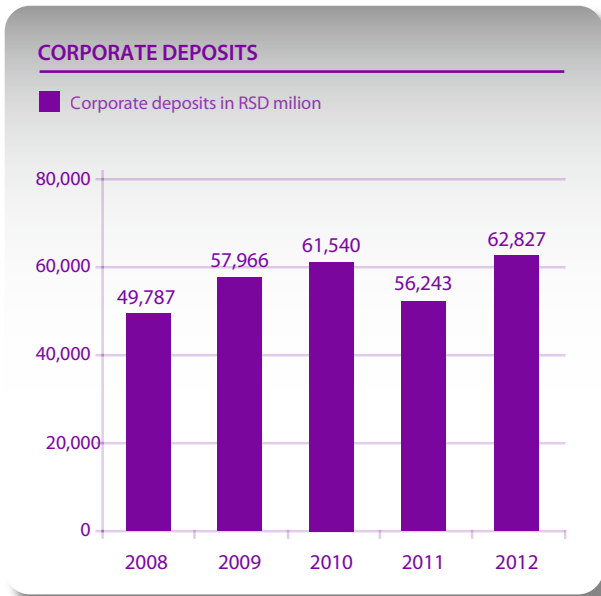
Deposits

| CORPORATE | 31. 12. 2011. | | 31. 12. 2012. | | Rise in % 12/11 |
|-------------------|-------------------|--------------|-------------------|--------------|--------------------|
| | Amount (RSD m) | Share (%) | Amount (RSD m) | Share (%) | |
| DEPOSITS | 56,234 | 100% | 62,827 | 100% | 11.7% |
| Transaction - RSD | 12,104 | 21.5% | 16,974 | 27.0% | 40.2% |
| Short-term - RSD | 22,487 | 40.0% | 19,859 | 31.6% | -11.7% |
| Long-term - RSD | 653 | 1.2% | 410 | 0.7% | -37.1% |
| FX | 21,000 | 37.3% | 25,584 | 40.7% | 21.8% |

Despite significantly deteriorated market circumstances, a rise in corporate deposits was recorded. RSD transaction deposits recorded a particularly substantial rise.

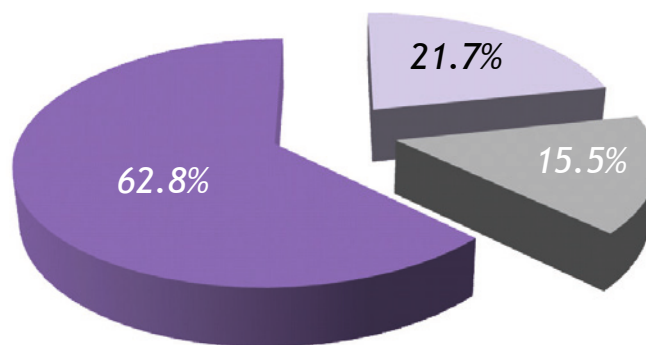
Despite a rise in NBS key policy rate, a decrease in the cost price of RSD deposits was recorded.

Despite a rise in the market price of corporate deposits, interest expenses were 5% lower than in 2011.



STRUCTURE OF DEPOSITORS AS AT 31.12.2012.

■ Small enterprises ■ Medium-sized enterprises ■ Large enterprises



4.8. Retail Operations

Market - key tendencies:

What is evident is the decrease in demand for loans and a decrease in the borrowing capacity of the general population (RSD depreciation), except for cash loans in RSD (particularly because these loans no longer require a deposit).

Average indebtedness is still relatively low compared to other countries in the region and stands at EUR 812 or 2.2 average salaries, of which EUR 732 is for loans, EUR 29 for overdraft, EUR 45 for credit cards and EUR 6 for leasing.

Demand for housing loans is on the decrease. In 2012 the amount of approved loans was 21.8% lower than in 2011, with subsidized loans recording a rise of 9.7% and unsubsidized ones recording a fall of 32.0%.

The demand for cash loans, primarily RSD ones, is on the increase - the banks offer longer repayment period.

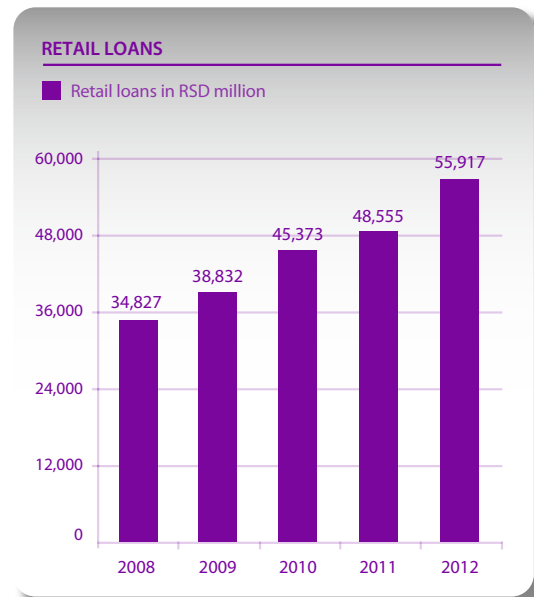
In order to overcome the problem of illiquidity, the Government introduced a subsidy program for this purpose, which led to a rise in loans granted to micro-clients.

The number of defaulting retail clients continued to rise - NPL level of the banking sector is 8.6%.

| HOUSING LOANS INSURED BY NMIC WITH NO SUBSIDY | | | | | |
|---|----------------|-------------|--------------------|------------|---------------------------|
| Year | Banking sector | | Komercijalna banka | | Share of KB in the amount |
| | Number | Amount | Number | Amount | |
| 2012 | 4,394 | 146,409,524 | 633 | 17,707,779 | 12.09% |
| SUBSIDIZED HOUSING LOANS | | | | | |
| Year | Banking sector | | Komercijalna banka | | Share of KB in the amount |
| | Number | Amount | Number | Amount | |
| 2012 | 2,374 | 85,606,678 | 525 | 17,970,377 | 20.99% |
| INSURED HOUSING LOANS - TOTAL | | | | | |
| Year | Banking sector | | Komercijalna banka | | Share of KB in the amount |
| | Number | Amount | Number | Amount | |
| 2012 | 6,768 | 232,018,202 | 1,158 | 35,678,156 | 15.38% |

Loans - KB operations

In 2012 RSD 16.5 bn worth of loans was disbursed, which was 20.9% more than in 2011. Cash loans accounted for the greatest part of disbursed loans (41.4%), followed by loans to micro-clients and housing loans. Of the total number of disbursed loans approx. 60% were in RSD, which contributed to a rise in their share in total retail loans to 31.3% (from 28.5% in 2011).



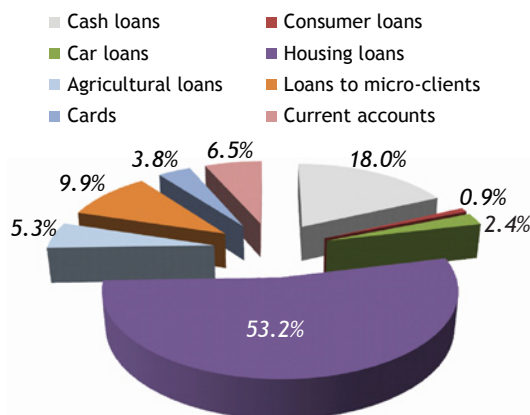
| PRODUCTS | 31.12.11 (RSD m) | % of share | 31.12.12 (RSD m) | % of share | 31.12.11 / 31.12.12 |
|------------------------|------------------|---------------|------------------|---------------|---------------------|
| Cash loans | 8,853 | 18.2% | 10,071 | 18.0% | 13.8% |
| Consumer loans | 773 | 1.6% | 492 | 0.9% | -36.4% |
| Car loans | 1,722 | 3.5% | 1,355 | 2.4% | -21.3% |
| Housing loans | 25,503 | 52.5% | 29,735 | 53.2% | 16.6% |
| Agricultural loans | 3,385 | 7.0% | 2,971 | 5.3% | -12.2% |
| Loans to micro-clients | 3,137 | 6.5% | 5,537 | 9.9% | 76.5% |
| Cards | 2,063 | 4.2% | 2,101 | 3.8% | 1.8% |
| Current accounts | 3,119 | 6.4% | 3,655 | 6.5% | 17.2% |
| TOTAL | 48,555 | 100.0% | 55,917 | 100.0% | 15.2% |

Drought and more restrictive conditions for the granting of subsidies (purpose and amount) led to negative trends in agricultural loans.

Due to decreased demand and absence of Government subsidies, car and consumer loans are gradually decreasing.

Interest income was RSD 6.1 bn and recorded a rise of 15.5% from 2011.

CLIENT STRUCTURE AS AT 31.12.2012



Alternative methods of payment

In payment cards operations the Bank places particular emphasis on the quality of its product range (by introducing new products and services), increased security of payments and high quality of service.

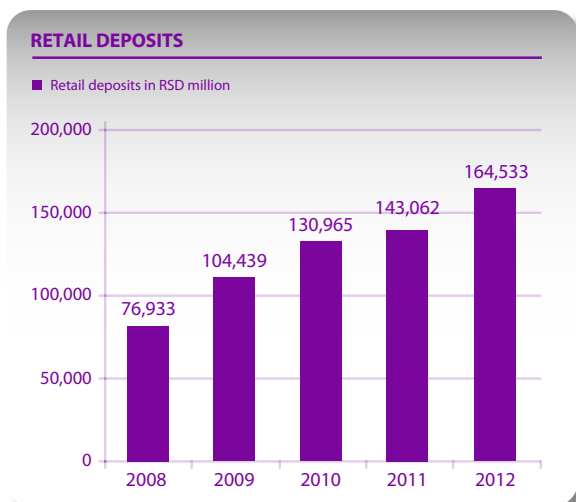
- With the aim of increasing security we switched Master and Visa cards to chip technology;
- New service: Dynamic Currency Converter
- Compared to 2011:
 - increased volume of transactions at POS by 26%, at ATM by 15%
 - rise in the number of issued cards of 12%
 - sale in instalments: over 280 vendors in 860 locations



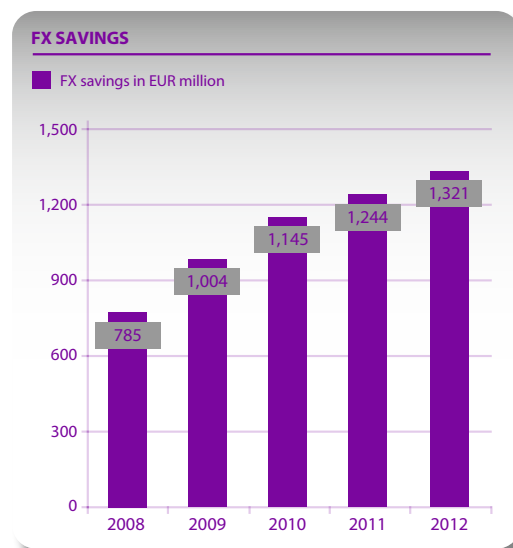
All this contributed to the fact that, according to Visa and Master, the Bank's main business activities are growing faster than the Serbian banking sector, resulting in increased market share of the Bank.

Deposits - KB operations

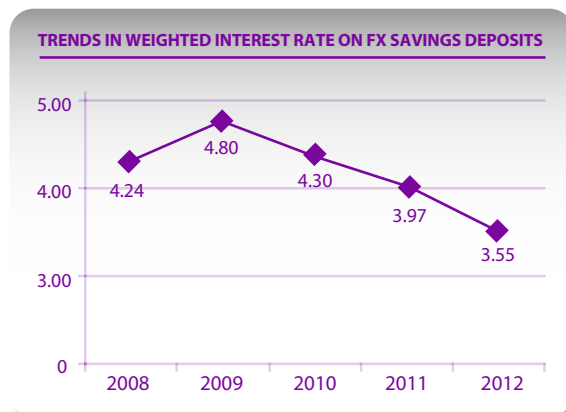
Slower rise in FX savings in the first three quarters was compensated for in Q4 ("savings month") which resulted in a rise of approx. € 600 million (2011 approx. € 506 m) in the banking sector.



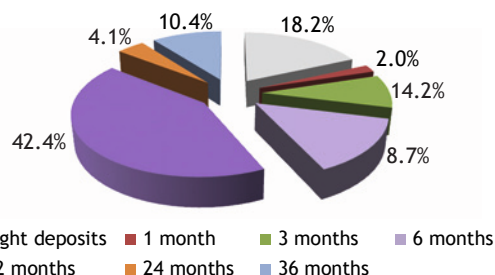
Average price of (total) retail deposits continued to fall. Given the market conditions, it appears that a right balance has been achieved between the price, image i.e. the Bank's brand on the one hand and a targeted and stable growth of deposits on another.



Trends in weighted interest rate on FX savings deposits.



The Bank achieved growth of € 78 million in 2012 and performed above plan, while keeping the leading position in the market with a market share of 16.1%.



In FX savings, the share of term FX savings to a period of 12 months or longer was stable and stood at 64.2%, and so was the dominant participation of small deposits - up to 50,000 € (in terms of number over 99%, in terms of amount 79%).

The Bank will continue with its active interest rate policy in order to preserve the balance of price and the targeted growth of deposits, while making full use of the Bank's brand.

4.9. Treasury Operations

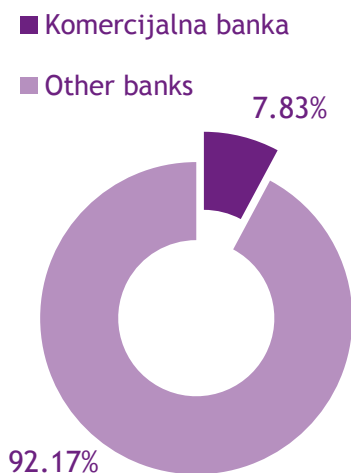
In accordance with the Bank’s strategic orientation, the key objectives and business activities of the Treasury business function in 2012 focused on:

- Appropriate liquidity management with the aim of securing unhindered functioning of the Bank, despite all the limitations imposed by the nonexistence of a parent bank and the resultant lack of support to liquidity;
- Support to the Bank’s core activities (retail and corporate clients);
- Optimization of the sources of finance in terms of structure and price;
- Investing surplus funds into the money market and capital market for the purpose of making a profit.

By agreeing new foreign credit lines in 2012, completing the capital increase process and restructuring a number of larger deposits, Komercijalna banka rearranged its sources in the direction of their full optimization in the medium run. Achieved effects include simultaneous decrease in the average price of funds and decrease in the concentration of deposits. Also, the Government’s capital increase in October 2012, with the presence of IFIs in the ownership structure, secured for Komercijalna banka an image of one of the safest financial institutions in Serbia.

Concurrently, through a policy of cautious investment of funds into first-class financial instruments, in 2012 Komercijalna banka reaffirmed itself as one of the most active participants in the domestic financial market.

Sale and purchase of foreign currency

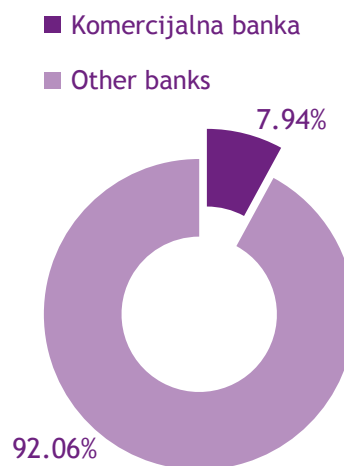


With a total sale of EUR 769 million and a total purchase of EUR 749 million, Komercijalna banka is one of the few and rare financial institutions that have approximately equal volume of sale and purchase of foreign currency, thanks to a considerably higher number of clients that are net exporters, compared to the average figure in the banking sector.

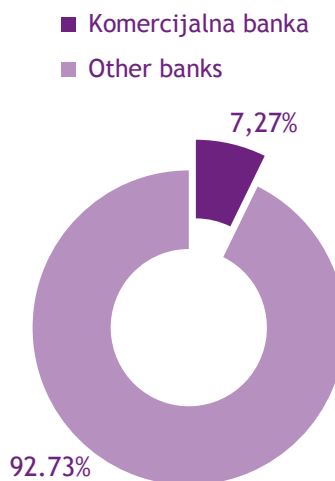
Investment in securities

In 2012 NBS changed its decision on required reserve on three occasions. Additionally, the direction of key operations in the open market was changed twice: in July from reverse repo to active repo operations and in December from active repo to reverse repo operations. The results of these changes included sterilization of a considerable amount of RSD liquid funds and a release of liquid FX funds, which had a considerable effect on Komercijalna banka’s policy on funds investment in 2012.

Share of Komercijalna Banka in total investment in securities of the Republic of Serbia as at 31.12.2012



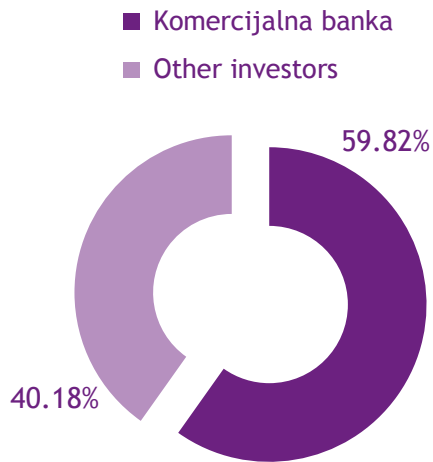
Share of Komercijalna Banka in reverse repo operations with NBS in 2012



As a result of NBS’s measures, which effected a considerable decrease in RSD liquidity, the share of Komercijalna banka in RSD investments in securities and reverse repo operations was considerably below its share in the total assets of the banking sector in 2012.

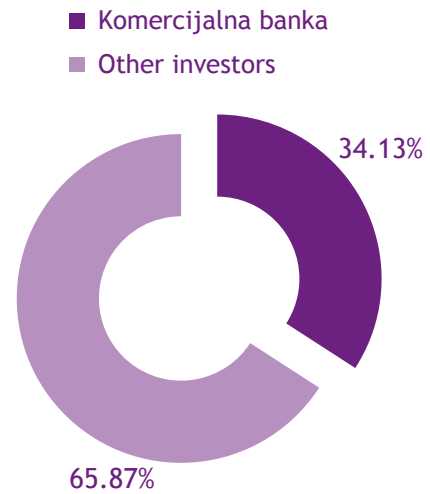
Additionally, during 2012, RSD bank bonds were issued for the first time and included bonds from Societe Generale and Erste.

Share of Komercijalna banka in IPO of Societe Generale bonds



Societe Generale banka Beograd issued three-year RSD bonds (coupon - reference rate + 5.25%) in the amount of RSD 1.7 billion. Komercijalna banka was the largest single investor, having purchased approx. RSD 1 billion worth of these bonds.

Share of Komercijalna banka in IPO of Erste bank bonds

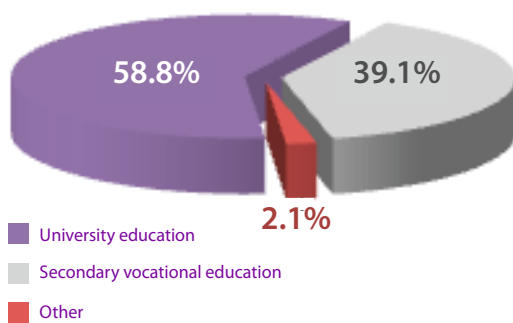


Out of the total RSD 2.1 bn of two-year RSD bonds that were offered by Erste bank Beograd (coupon - 15%) RSD 1.46 billion was realized. Komercijalna banka was the largest single investor, having purchased RSD 500 million worth of these bonds.

4.10. Bank's Human Resources

Considerable increase in the volume of business along with continued optimization of the number and structure of employees, resulted in a drastic increase in Bank's efficiency, measured in terms of assets per employee in both RSD and EUR.

STRUCTURE OF EMPLOYEES IN 2012



The Bank invests in professional training and development of its employees. Training includes seminars, working groups and lectures on all activities related to internal audit, international accounting standards, human resources, risk management, performance appraisals and other areas. Apart from professional training, the Bank invests especially in training which focuses on developing employees' skills with the aim of performing duties in a more efficient way (sales skills, presentation skills, management skills, communication).

In cooperation with business functions, HR identifies the needs that business functions may have for certain profile of employees. The Bank resorted to external recruitment of employees only in the situations where it was clear that there were no employees within the Bank who had the necessary knowledge and skills or their knowledge and skills could not be improved through training.

The Bank evaluates employees' performance for an extended period of time. The evaluation is done against set annual objectives, their achievement, but also against the employees' abilities exhibited during accomplishment of objectives. Annual performance evaluation is the basis for bonus, career and budget planning and employee training program.

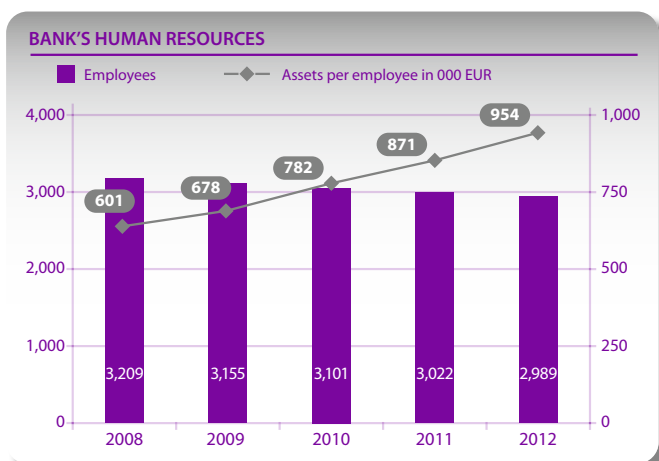
Principles of employee remuneration are clearly defined in the Remuneration Policy passed by the Board of Directors of the Bank at the proposal of the Compensation Committee which is the body of the Board of Directors. The aim of this policy is not only to appropriately remunerate employees, but also to motivate them to achieve better work results. The amount of bonus depends on the tasks an employee performs and an annual performance evaluation mark.

4.11. Marketing and CSR Activities

The Bank's marketing division had a demanding but rewarding task to advertise the good performance of the Bank and its business results, and at the same time open sales channels for the Bank's existing and new products.

Marketing activities revolved around tried and tested methods that included brand campaigns and sales promotion campaigns for the Bank's products and services, complemented by PR activities and social responsibility campaigns. Marketing activities focused on further strengthening of external public's trust, improvement of products and services, emphasizing functional benefits, continuing expansion and consolidation of client base in terms of quality, primarily by paying adequate attention to younger and more affluent population (e-banking services, improvement of payment card products...).

Special attention was given to digital media and communication via the most popular social networks. Interactive communication with existing and prospective clients intensified, which contributed to a noticeable rise in regular followers, whose number reached thirty thousand on Facebook, by way of example, with a tendency of further rise. Apart from this, mobile phone application "Closest to me" was improved through our own effort and adjusted to all three existing platforms.



Carefully planned marketing campaigns resulted in winning professional recognition from the Serbian Market Communications Association that included:

- Silver award for the TV commercial “Housing loans”,
- Silver award for appearance at the “Agricultural fair in Novi Sad” and
- Silver award for promotional integrated campaign “E-services”
- Award for best commercial in Serbia for August 2012.

In 2012 we made a leap forward against competitors. We entered new areas of advertising, the most effective of which was the use of exceptionally large marketing potential generated by the naming sponsorship of Kombank arena, the most prestigious sports and concert venue in Serbia. The introduction and media positioning of the new name completed successfully and ahead of the planned schedule, turning Kombank arena into the Bank’s sub-brand of its kind.

The Bank completed the branding of its branch network in keeping with its visual identity standards that were set by the Standardization of the Bank’s Appearance Project. Although the Project was completed in 2012, it has been agreed to apply the same standards in the future as well as when opening new and renovating existing branches.

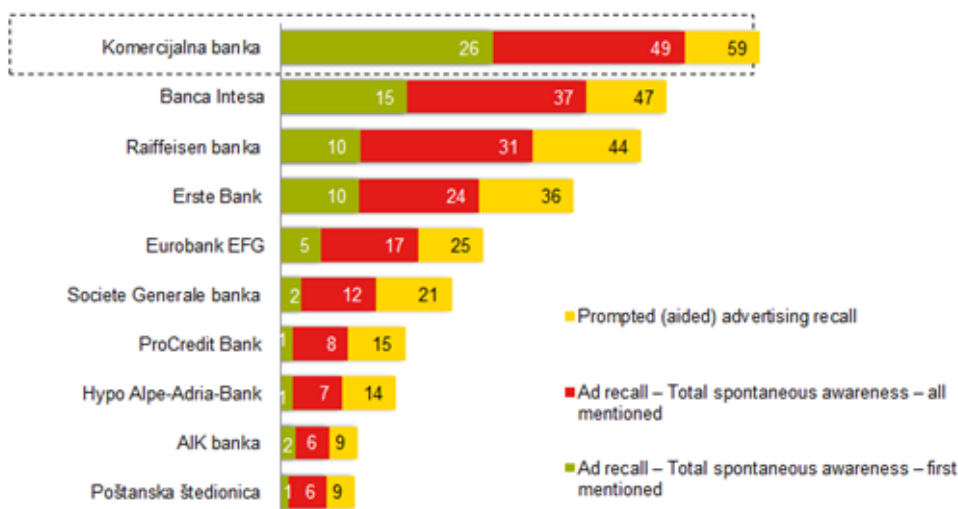
As for the corporate social responsibility, the

Bank continued with the current good practice of investing in a small number of big, carefully chosen and focused campaigns that will have a long-term positive effect on both the society and the Bank’s image, and which attract a lot of public attention. Younger population remains our priority, either by supporting the development of general and special talents or helping handicapped population. The Bank supported, to an extent, a great number of cultural and sports events, TV series, multimedia events, etc., invariably those that enjoy wider social recognition, while maximizing the effects of investment in all sponsorship deals.

The Bank continued to carefully monitor and analyse results of quantitative and qualitative surveys of Serbian banking market and the Bank’s position, with the aim of improving the quality of marketing activities. The results show that the Bank firmly holds the leading position in the eye of the public as well, as measured by standards of recognisability and quality. With the aim of reinforcing the company loyalty and power of communication with external public, all survey results, primarily those obtained from IPSOS (Strategic marketing) and GFK, are regularly posted on the Bank’s portal.

As for the activities of the Marketing Division, they are best assessed by the results of the abovementioned survey which relate to the awareness of commercials:

Advertising recall - Total awareness



The list of banks for the November 2012 is to some extent different compared to the previous flight. Komercijalna banka has the most recognizable commercials, Banca Intesa holds the second place, whereas Raiffeisen, Erste and EFG bank remain at the same positions.

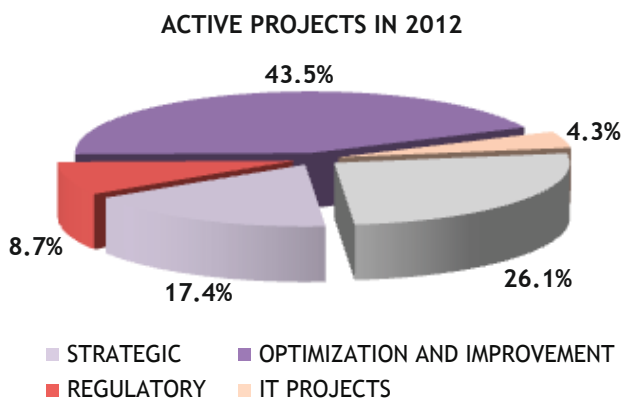
4.12. Project Management and Project Portfolio Management

In 2009 the Bank set up corporate PMO (Project Management Office), which enables the achievement of 2 key targets through implementation of project portfolio management concept:

- implementation of the adopted Strategy of the Bank i.e. introducing changes in the Bank through selecting the right project initiatives with the greatest benefit and maximum added value;
- best possible implementation of selected projects with optimum allocation of resources i.e. their use in the most rational way, prompt solutions to problems that arise and prevention of delay in project implementation.

In 2012 a total of 11 projects were implemented, with a total budget of EUR 6.87 million. At the end of 2012 the Bank had 23 active projects.

| CATEGORY | Number of implemented projects |
|------------------------------|--------------------------------|
| Strategic | 2 |
| Regulatory | 1 |
| Optimization and improvement | 5 |
| New products | 1 |
| IT projects | 1 |
| Other | 1 |
| Total | 11 |



The most important active projects are:

- **Basel II implementation program, internal approach**

The Program comprised 5 projects. The purpose of implementing the internal approach in the Bank is to improve risk management through developing internal models adjusted to the Bank's specific risk profile. Improving the Bank's capacity to more precisely measure and assess the risks the Bank is exposed to would also result in lower negative effects on the Bank's financial result and capital and this, in turn, would increase capital adequacy ratio. The project is scheduled to complete by 31.12.2016.

- **ALM Software WO2 implementation project**

Improvement of the process of assets and liabilities management in the aspect of technical support for the preparation of static and dynamic analysis of liquidity risk and interest risk in the process of further implementation of Basel II standard. The project is scheduled to complete by 31.12.2013.

- **Improvement of the Project Management System and Project Portfolio**

More efficient selection and allocation of the Bank's resources on projects and programs that will contribute to achievement of the Bank's set strategic targets; improvement of the cost management system; improvement of the HR management system; improvement of reporting system; improvement of PMO document management system; increased efficiency of PMO activities and better use of human resources. The Project is scheduled to complete by 31.12.2013.

- **Management of business processes**

The aim of the project is to improve the Bank's business processes through the "Six Sigma" methodological approach. By successfully completing the pilot project, the Bank will obtain an adequate Know-How that could later be used for other processes. The Project is scheduled to complete by 31.12.2013.

5. CAPITAL



KOMBANK ARENA, as the most modern facility of its kind in Europe, definitely merits attention.

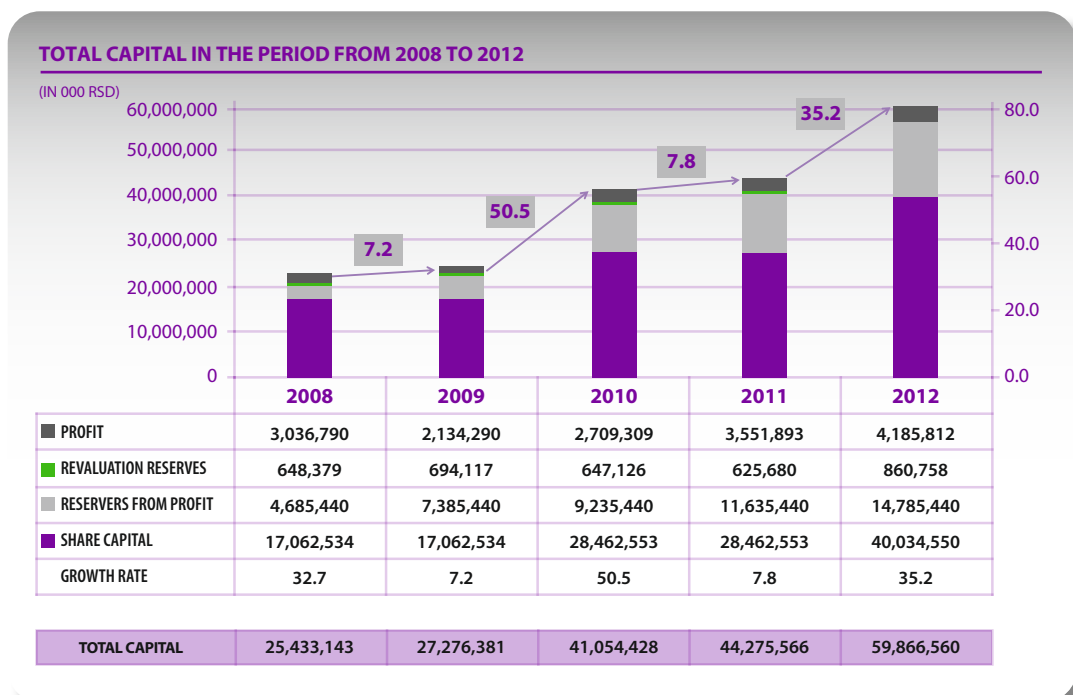
5. CAPITAL

The most important change in capital in 2012 was the issue of preference convertible shares and capital increase conducted by the Republic of Serbia in the amount of RSD 11,572 million, in accordance with the Agreement between RS and the group of international financial institutions (the Bank's shareholders - EBRD, IFC, SwedFund and DEG) from 2009, with total capital amounting to RSD 59,866.6 million at the end of 2012.

Changes in capital from 2008 to 2012:

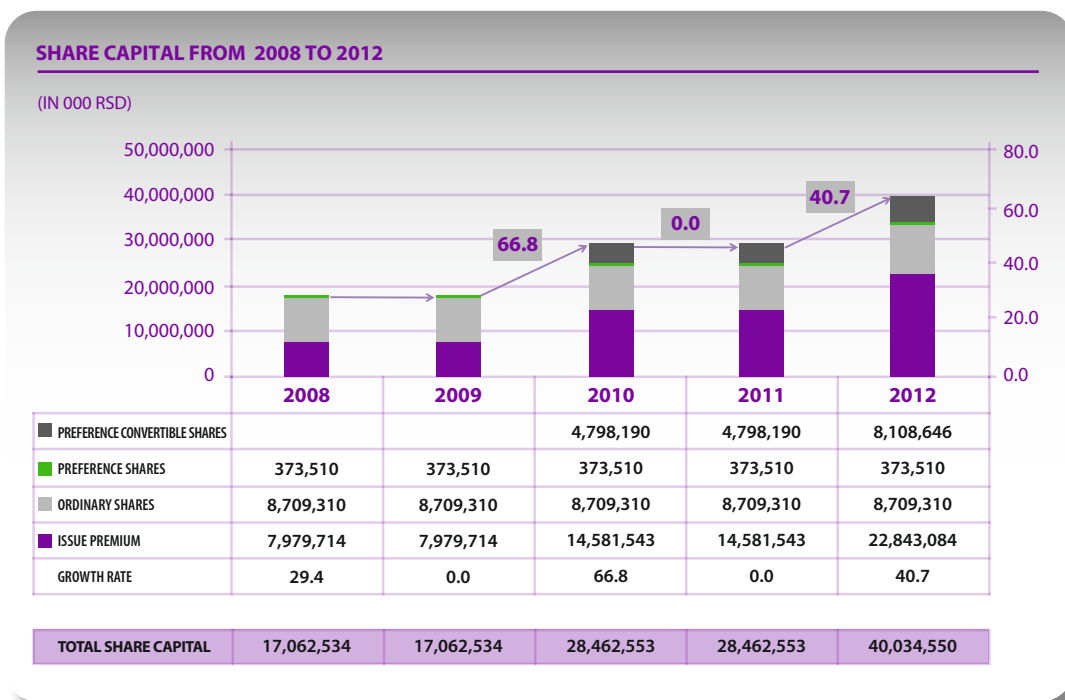
| ITEM | 2012 | 2011 | 2010 | 2009 | 2008 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| BANK'S CAPITAL (000 RSD) | | | | | |
| Share capital | 40,034,550 | 28,462,553 | 28,462,553 | 17,062,534 | 17,062,534 |
| Reserves from profit | 14,785,440 | 11,635,440 | 9,235,440 | 7,385,440 | 4,685,440 |
| Revaluation reserves | 860,758 | 625,680 | 647,126 | 694,117 | 648,379 |
| Retained earnings | 4,185,812 | 3,551,893 | 2,709,309 | 2,134,290 | 3,036,790 |
| TOTAL CAPITAL | 59,866,560 | 44,275,566 | 41,054,428 | 27,276,381 | 25,433,143 |

| SHAREHOLDER | 31.12.2012. | |
|----------------------------------|-------------------|---------------|
| LARGEST SHAREHOLDERS OF THE BANK | in 000 RSD | in PERCENTAGE |
| Republic of Serbia | 7,020,346 | 40.84 |
| EBRD | 4,109,440 | 23.90 |
| IFC | 1,706,810 | 9.93 |
| DEG | 772,850 | 4.50 |
| SWEDFUND | 386,420 | 2.25 |
| OTHER | 3,195,600 | 18.58 |
| TOTAL | 17,191,466 | 100.00 |



Changes in the Bank’s capital in the period from 2008 to 2012, that is, the largest increase in capital came as a result of capital increase and as a result of allocation of realized profit into credit loss reserve. At the end of 2012, the Bank’s total capital stood at RSD 59,866.6 million and has more than doubled in the past five years. In the observed period, share capital rose by RSD 22,972.0 million from two increases in capital (XXI issue of preference convertible shares in the amount of RSD 11,400.0 million and XXVI issue of preference convertible shares in the amount of RSD 11,572.0 million).

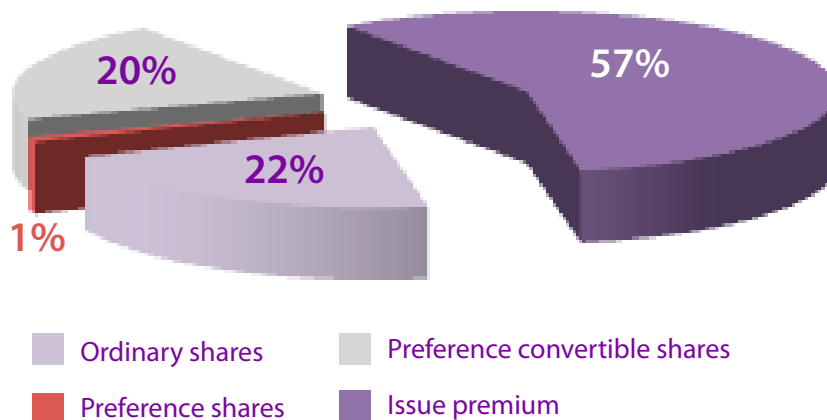
Reserves from profit rose by RSD 10,100.0 million. Considerable increase in reserves from realized profit, for each year, was a rational choice of shareholders and the management with the aim of protecting the Bank from risk, on the one hand, and ensuring safe operation of the Bank in the environment of adverse macroeconomic conditions and restrictive measures by the National Bank of Serbia, on another.



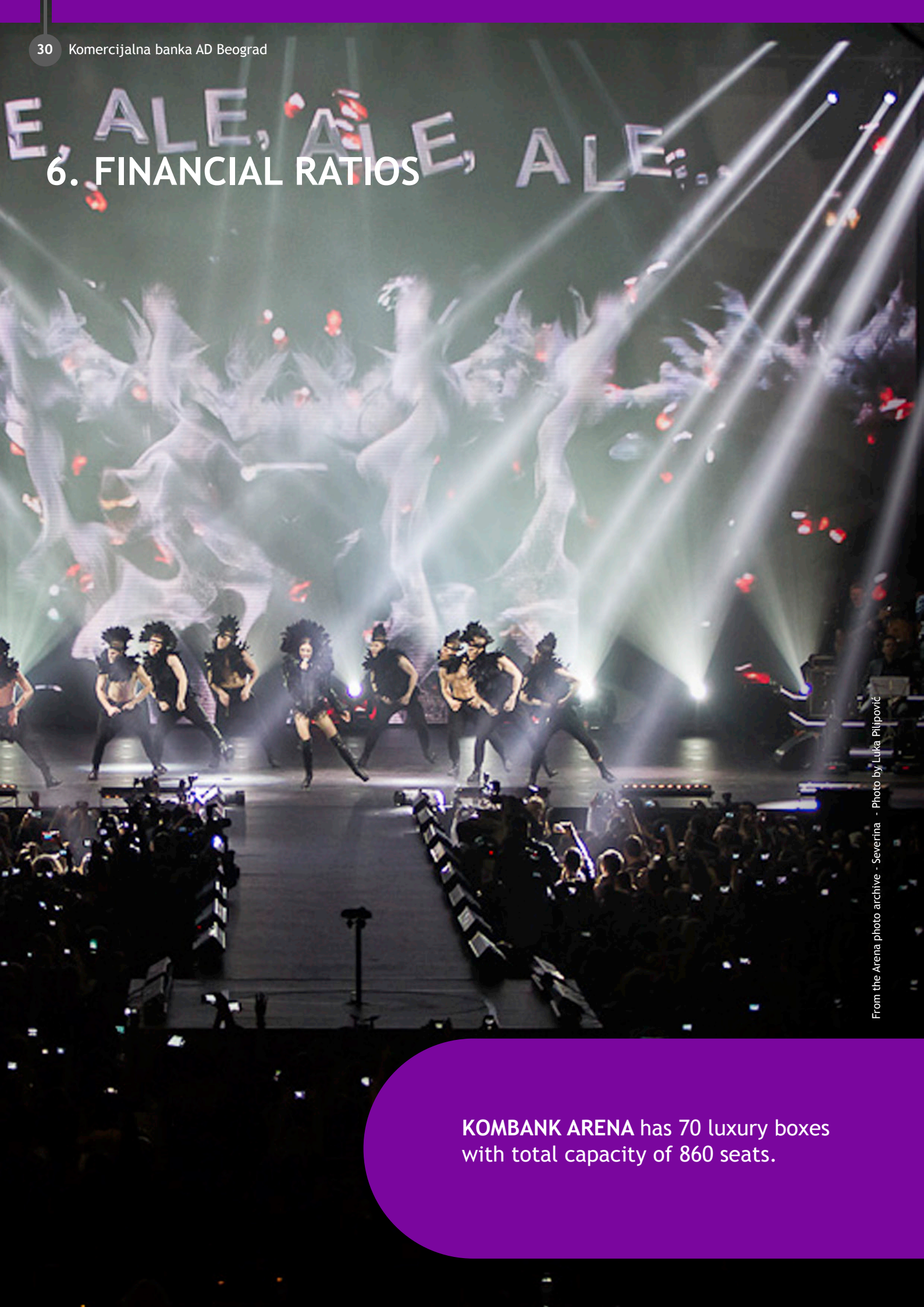
Since 2010 the Bank’s shares have traded on the Standard Market of the Belgrade Stock Exchange.

In the past five years, the number of shareholders in possession of ordinary (voting) shares has increased. At the end of 2012 1,214 shareholders owned ordinary shares of the Bank, 641 shareholders owned preference shares and 5 shareholders owned preference convertible shares.

STRUCTURE OF SHARE CAPITAL AS AT 31.12.2012



6. FINANCIAL RATIOS



From the Arena photo archive - Severina - Photo by Luka Plipović

KOMBANK ARENA has 70 luxury boxes with total capacity of 860 seats.

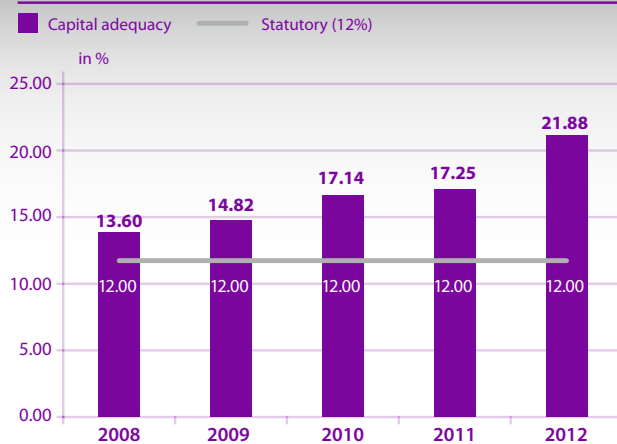
6. FINANCIAL RATIOS

| No. | ITEM | STATUTORY | 31. 12. 2012 | 31. 12. 2011 | 31. 12. 2010 | 31. 12. 2009 | 31. 12. 2008 |
|-----|--|-----------|--------------|--------------|--------------|--------------|--------------|
| 1. | CAPITAL ADEQUACY RATIO (NET CAPITAL/CREDIT RISK + OPERATIONAL RISK + OPEN FX POSITION) | MIN. 12% | 21.88% | 17.25% | 17.14% | 14.82% | 13.60% |
| 2. | INVESTMENT IN ENTITIES OUTSIDE FINANCIAL SECTOR AND IN FIXED ASSETS | MAX. 60% | 18.38% | 27.98% | 21.70% | 32.47% | 37.06% |
| 3. | LARGE EXPOSURES OF THE BANK | MAX. 400% | 107.37% | 109.51% | 82.51% | 114.30% | 88.69% |
| 4. | FX RISK RATIO | MAX. 20% | 0.82% | 1.68% | 7.19% | 18.12% | 18.99% |
| 5. | LIQUIDITY RATIO | MIN. 1% | 2.18% | 2.91% | 2.45% | 2.71% | 2.09% |

The Bank meets all the prescribed operating parameters, along with an increased capital adequacy, which is a reliable indicator of improved security of operation.

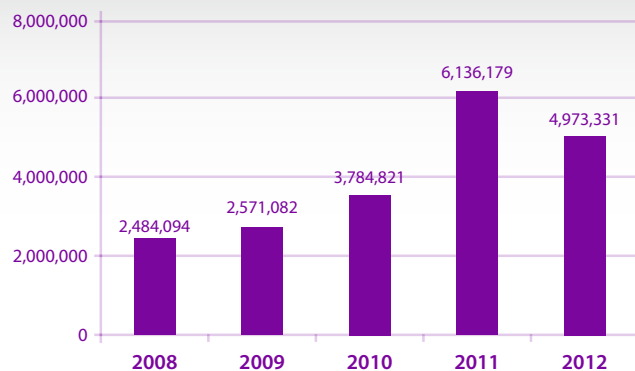
The greatest effect of completed capital increase was the rise in the Bank's capital adequacy, given the constant increase in credit risk and changes in macroeconomic parameters, especially RSD depreciation, that placed additional pressure leading to a rise in exposure, rise in credit loss reserve and decrease in capital adequacy.

CAPITAL ADEQUACY



OPERATING CASH FLOW

(in 000 RSD)



Percentage of collected interest in 2012 was 98.6%

During 2012 NBS amended and supplemented the following decisions, within its regulatory competence which includes control of banks' activities: Decision on classification of balance-sheet assets and off-balance sheet items, Decision on risk management, Decision on banks' reporting and Decision on external audit of banks.

In accordance with the requirements set in regulations, the Bank conducted an internal capital adequacy assessment process in which it analysed all the risks the Bank is or might be exposed to, and calculated the internal capital requirements for materially significant risks, as well as the available internal capital.

The process of internal capital adequacy assessment is a continuous process that involves decision-making on a daily basis and forms an integral part of the risk management system.

7. BALANCE SHEET FOR 2012



From the Arena photo archive - Swan Lake - Photo by Ranko Đurović

KOMBANK ARENA venue with the highest ticket sales across all of Serbia.

7. BALANCE SHEET FOR 2012

7.1. Bank's assets as at 31.12.2012.

(IN 000 RSD)

| No. | ITEM | 31.12.2012. | 31.12. 2011. | INDICES | % OF SHARE AS AT 31.12.2012. |
|------|--|--------------------|--------------------|--------------|------------------------------|
| 1 | 2 | 3 | 4 | 5=(3:4)*100 | 6 |
| | ASSETS | | | | |
| 1. | Cash and cash equivalents | 40,514,180 | 17,228,970 | 235.2 | 12.5 |
| 2. | Callable deposits and loans | 43,053,502 | 55,260,711 | 77.9 | 13.3 |
| 3. | Receivables for interest, fee and sale | 1,547,342 | 1,187,573 | 130.3 | 0.5 |
| 4. | Loans and deposits to customers | 177,106,865 | 155,719,207 | 113.7 | 54.6 |
| 4.1. | Corporate | 118,860,421 | 98,486,288 | 120.7 | 36.7 |
| 4.2. | Retail | 55,917,000 | 48,555,492 | 115.2 | 17.2 |
| 4.3. | Banks and financial organizations | 2,329,444 | 8,677,427 | 26.8 | 0.71 |
| 5. | Securities (other than own) | 41,347,719 | 25,637,972 | 161.3 | 12.8 |
| 6. | Equity investments | 5,917,033 | 5,823,583 | 101.6 | 1.8 |
| 7. | Other investments | 3,227,896 | 2,187,533 | 147.6 | 1.0 |
| 8. | Intangible assets | 600,438 | 555,415 | 108.1 | 0.2 |
| 9. | Fixed assets and investment property | 7,416,846 | 7,530,271 | 98.5 | 2.3 |
| 10. | Fixed assets intended for sale | 78,763 | 101,040 | 78.0 | - |
| 11. | Deferred tax assets | 4,896 | - | - | - |
| 12. | Other assets | 3,372,293 | 4,256,443 | 79.2 | 1.0 |
| | TOTAL ASSETS (from 1. to 12.) | 324,187,773 | 275,488,718 | 117.7 | 100.0 |

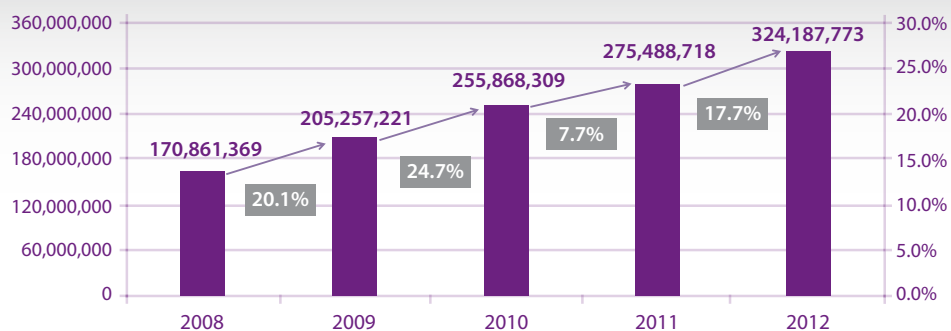
7.2. Bank's liabilities as at 31.12.2012

(IN 000 RSD)

| No. | ITEM | 31.12.2012. | 31.12.2011. | INDICES | % OF SHARE AS AT 31.12.2012. |
|-----------|---|--------------------|--------------------|--------------|------------------------------|
| 1 | 2 | 3 | 4 | 5=(3:4)*100 | 6 |
| I | LIABILITIES | | | | |
| 1. | Transaction and other deposits | 235,520,744 | 206,123,280 | 114.3 | 72.6 |
| 1.1. | Corporate | 62,826,756 | 56,243,065 | 111.7 | 19.4 |
| 1.2. | Retail | 164,532,865 | 143,061,647 | 115.0 | 50.8 |
| 1.3. | Banks and financial organizations | 8,161,123 | 6,818,568 | 119.7 | 2.5 |
| 2. | Borrowings | 637,264 | 1,603,761 | 39.7 | 0.2 |
| 3. | Liabilities from securities | - | - | - | - |
| 4. | Liabilities from interest and fees | 188,910 | 205,079 | 92.1 | 0.1 |
| 5. | Provisions | 2,331,760 | 2,135,436 | 109.2 | 0.7 |
| 6. | Tax liabilities | 21,799 | 39,737 | 54.9 | - |
| 7. | Liabilities from profit | 85,114 | 172,197 | 49.4 | - |
| 8. | Liabilities from funds held for sale and from discontinued operations | - | - | - | - |
| 9. | Deferred tax liabilities | - | 17,036 | - | - |
| 10. | Other liabilities | 25,535,622 | 20,916,626 | 122.1 | 7.9 |
| 11. | TOTAL LIABILITIES (from 1. to 10.) | 264,321,213 | 231,213,152 | 114.3 | 81.5 |
| | CAPITAL | | | | |
| 12. | Share capital and issue premium | 40,034,550 | 28,462,553 | 140.7 | 12.3 |
| 13. | Reserves from profit | 14,785,440 | 11,635,440 | 127.1 | 4.6 |
| 14. | Revaluation reserves | 867,774 | 689,620 | 125.8 | 0.3 |
| 15. | Unrealized losses from securities available for sale | 7,016 | 63,940 | 11.0 | - |
| 16. | Profit | 4,185,812 | 3,551,893 | 117.8 | 1.3 |
| 17. | TOTAL CAPITAL (from 12. to 16.) | 59,866,560 | 44,275,566 | 135.2 | 18.5 |
| 18. | TOTAL LIABILITIES (11.+17.) | 324,187,773 | 275,488,718 | 117.7 | 100.0 |
| II | COMMISSION OPERATIONS AND OFF-BALANCE SHEET ITEMS | 204,642,280 | 183,524,897 | 111.5 | |

GROWTH OF BALANCE SHEET ASSETS FROM 2008 TO 2012

(IN 000 RSD)



8. INCOME STATEMENT FOR 2012



From the Arena photo archive - SMAX - Photo by Luka Plitpović

KOMBANK ARENA the most popular music arena in this part of Europe.

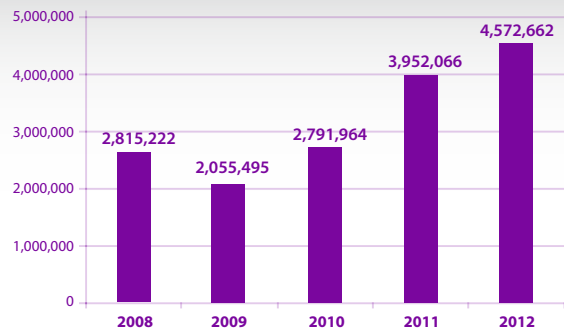
8. INCOME STATEMENT FOR 2012

(IN 000 RSD)

| No. | ITEM | 31.12.2012. | 31.12.2011. | INDICES (3:4)*100 |
|------------|--|-------------------|------------------|----------------------|
| 1 | 2 | 3 | 4 | 5 |
| | OPERATING INCOME AND EXPENSES | | | |
| 1.1. | Interest income | 20,130,880 | 18,036,321 | 111.6 |
| 1.2. | Interest expenses | -9,220,564 | -8,182,953 | 112.7 |
| 1. | Interest gains | 10,910,316 | 9,853,368 | 110.7 |
| 2.1. | Fee and commission income | 5,334,914 | 5,051,445 | 105.6 |
| 2.2. | Fee and commission expenses | -780,448 | -628,046 | 124.3 |
| 2. | Fee and commission gains | 4,554,466 | 4,423,399 | 103.0 |
| 3. | Net gains/losses from sale of securities at fair value through income statement | 776 | -19,110 | -4.1 |
| 4. | Net gains/losses from sale of securities available for sale | 83,947 | 1,254 | 6.694.3 |
| 5. | Net gains/losses from sale of securities held to maturity | - | - | - |
| 6. | Net gains/losses from sale of equity (shareholding) | - | - | - |
| 7. | Net gains/losses from sale of other loans and advances | - | - | - |
| 8. | Net foreign exchange gains/losses and valuation adjustment of assets and liabilities | 95,890 | -152,498 | -62.9 |
| 9. | Income from dividends and equity investments | 2,251 | 7,997 | 28.1 |
| 10. | Other operating income | 241,022 | 191,207 | 126.1 |
| 11. | Net income/expenses for indirect loan write-off and provisions | -1,444,299 | -1,335,461 | 108.1 |
| 12. | Salaries, benefits and other personnel expenses | -4,186,346 | -3,925,085 | 106.7 |
| 13. | Depreciation | -752,356 | -672,099 | 111.9 |
| 14. | Other operating expenses | -4,933,005 | -4,420,906 | 111.6 |
| 15. | RESULT FOR THE PERIOD – PROFIT BEFORE TAX (from 1. to 14.) | 4,572,662 | 3,952,066 | 115.7 |
| 16. | Profit tax | -472,448 | -426,027 | 110.9 |
| 17. | Profit from increased deferred tax assets and decreased deferred liabilities | 32,885 | 11,578 | 284.0 |
| 18. | Loss from decreased deferred tax assets and increased deferred tax liabilities | -10,953 | -23,937 | 45.8 |
| 19. | PROFIT (from 15. to 18.) | 4,122,146 | 3,513,680 | 117.3 |

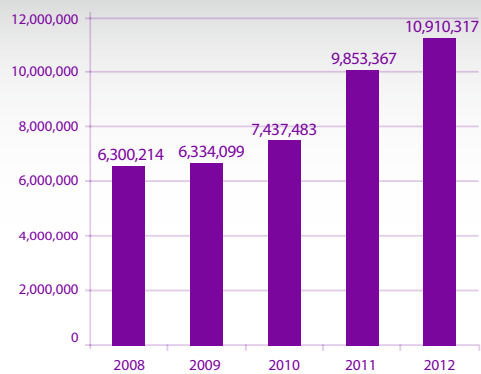
REALIZED PROFIT BEFORE TAX FROM 2008 TO 2012

(IN 000 RSD)



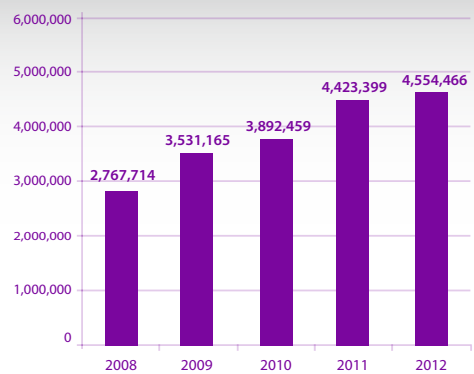
INTEREST GAINS

(IN 000 RSD)



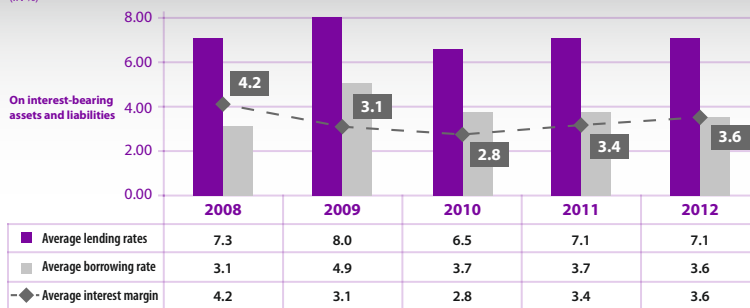
FEE GAINS

(IN 000 RSD)



TRENDS IN BANK'S INTEREST MARGIN FROM 2008 TO 2012

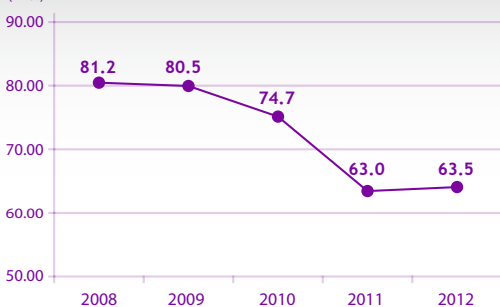
(IN %)



COST INCOME RATIO

CIR = OPEX / net interest and fees

(IN %)



Interest margin recorded a rise despite market pressures from the loans side (keen competition for limited demand) and deposits side (pronounced focus of banks on domestic sources of finance).

Activities aimed at optimizing the sources of funds in terms of price, structure and maturity yielded results and made interest margin sustainable in the medium run.

The Bank continued to actively manage and control operating expenses and increase efficiency of operation, which resulted in maintaining Cost Income Ratio (CIR) at an acceptable level.