



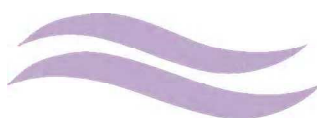
KOMERCIJALNA BANKA AD BEOGRAD

## **CONSOLIDATED FINANCIAL STATEMENT**

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OF THE GROUP KOMERCIJALNA BANKA AD BEOGRAD AS OF 30/06/2012

August, 2012





## **Summary of Item 2. – Consolidated financial statement of the Group Komercijalna banka AD Beograd as of 30/06/2012**

**The afore-mentioned Statement is submitted to the Board of Directors of the Bank, in accordance with Article 73 of the Law on Banks and in accordance with Article 27 of the Bank's Statute.**

Pursuant to Article 27 of the Bank's Statute, the Board of Directors adopts the semiannual reports on the Bank's operations from the Executive Board.

- The Group Komercijalna banka AD Beograd is composed of:
  - Komercijalna banka AD Beograd – as a parent bank
  - Komercijalna banka AD Budva – as a Group member
  - Komercijalna banka AD Banja Luka – as a Group member
  - Investment funds management company KomBank INVEST AD Beograd – as a member of the Group.
- Consolidation of financial statements of the Group Komercijalna banka has been conducted in accordance with the Law on Accounting and Audit and IAS 27 – “Consolidated and stand alone financial statements”, as well as the Instructions for Preparation of Consolidated Financial Statements.
- Subordinated banks: Komercijalna banka AD Budva and Komercijalna banka AD Banja Luka keep accounting books and prepare financial statements in accordance with the accounting regulations of the Republic of Montenegro and Republic of Srpska, whereas KomBank INVEST AD Beograd complies with the regulations that govern such business activities in the Republic of Serbia. For the purpose of preparing consolidated financial statements, stand-alone financial statements from subordinated banks and KomBank INVEST have been adjusted to the accounting regulations of the Republic of Serbia for the purpose of presenting them.
- For the purpose of preparing consolidated financial statements, Komercijalna banka AD Beograd, as the parent bank, has reclassified, adjusted and consolidated the financial statements from the Group members to match its stand-alone statement.
- In preparing the consolidated financial statements, the method of full consolidation was applied. This means that consolidation was carried out by aggregating all identical items of assets, liabilities, share capital, revenues and expenditures, and by excluding all values included in stand-alone accounts, which arise from mutual relations of the Group members.
- The following have been fully eliminated from consolidation:
  - the amount of the parent bank's share in the capital of subordinated members,
  - internal receivables and payables among all Group members,
  - internal revenues and expenditures among all Group members,
  - accrued unrealized internal profit, and
  - accrued unrealized internal losses.

As financial statements of the Group Komercijalna banka have been consolidated on the basis of stand-alone financial statements, in accordance with the Law on Accounting and Auditing and IAS 27 – “Consolidated and stand-alone financial statements”, the Law on Capital Market and regulations by the National Bank of Serbia, it is proposed to the Board of Directors to adopt the draft Consolidated Statements of the Group Komercijalna banka AD Beograd as of 30/06/2012.

EXECUTIVE BOARD



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### ENCLOSURE:

DRAFT DECISION ON ADOPTION OF CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP  
KOMERCIJALNA BANKA AD BEOGRAD AS OF 30/06/2012



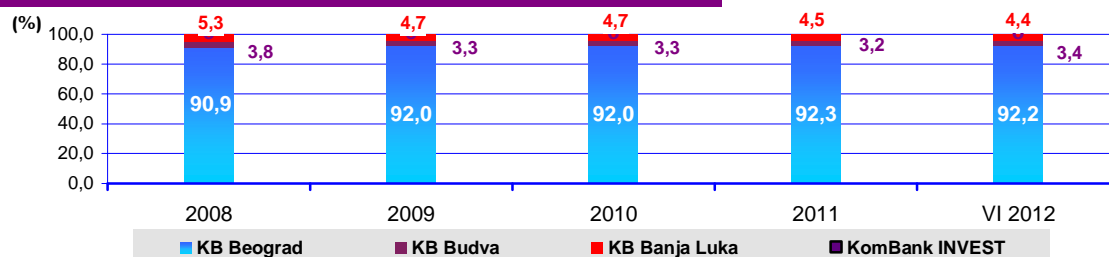
## 1. KEY PERFORMANCE INDICATORS FOR THE GROUP KOMERCIJALNA BANKA AD BEOGRAD FOR THE PERIOD 2008 TO 30/06/2012

ITEM	(IN RSD 000)				
	VI 2012	2011*	2010*	2009*	2008*
<b>CONSOLIDATED BALANCE SHEET ASSETS OF THE GROUP</b>	<b>322,242,189</b>	<b>292,697,098</b>	<b>272,203,483</b>	<b>219,355,286</b>	<b>183,828,357</b>
<i>% OF GROWTH</i>	<i>10.1%</i>	<i>7.5%</i>	<i>24.1%</i>	<i>19.3%</i>	<i>16.4%</i>
<b>CONSOLIDATED LOANS AND DEPOSITS TO CUSTOMERS</b>	<b>197,213,487</b>	<b>169,380,487</b>	<b>163,214,267</b>	<b>124,558,724</b>	<b>116,575,057</b>
INTEREST GAINS	5,664,237	10,930,909	8,372,843	7,100,445	7,069,264
FEE AND COMMISSION GAINS	2,246,002	4,668,720	4,094,571	3,745,536	2,986,840
OPERATING AND OTHER EXPENSES	5,418,939	10,039,654	9,488,317	8,841,080	6,045,722
<b>CONSOLIDATED OPERATING PROFIT FOR THE GROUP</b>	<b>2,453,597</b>	<b>3,987,990</b>	<b>3,171,743</b>	<b>2,095,118</b>	<b>2,910,639</b>
<i>%</i>	<i>-38.5%</i>	<i>25.7%</i>	<i>51.4%</i>	<i>-28.0%</i>	<i>-9.3%</i>
ROA - profit before tax / average balance-sheet assets	1.6%	1.4%	1.5%	1.0%	1.7%
ROE – profit before tax / average total equity	10.3%	9.0%	10.5%	7.7%	12.7%
<b>CAPITAL ADEQUACY</b>	<b>16.93</b>	<b>18.27</b>	<b>18.73</b>	<b>15.80</b>	<b>14.70</b>
<b>FX RISK RATIO</b>	<b>19.66</b>	<b>18.86</b>	<b>19.93</b>	<b>19.73</b>	<b>19.80</b>
<b>CASH FLOW (IN 000 RSD)</b>	<b>2,411,973</b>	<b>6,569,861</b>	<b>4,022,920</b>	<b>2,880,727</b>	<b>2,884,419</b>
<b>NUMBER OF EMPLOYEES</b>	<b>3,266</b>	<b>3,282</b>	<b>3,343</b>	<b>3,401</b>	<b>3,444</b>
Assets per employee in 000 RSD	98,666	89,177	81,425	64,497	53,376
Assets per employee in 000 EUR	852	852	772	673	602
<b>CONSOLIDATED BALANCE SHEET ASSETS OF THE GROUP</b>	<b>322,242,189</b>	<b>292,679,098</b>	<b>272,203,483</b>	<b>219,366,286</b>	<b>183,828,357</b>
Komercijalna banka AD Beograd	297,181,360	270,003,848	250,379,734	201,855,180	166,976,826
Komercijalna banka AD Budva	10,777,329	9,456,653	8,987,204	7,145,564	7,034,197
Komercijalna banka AD Banja Luka	14,181,901	13,119,415	12,720,668	10,332,060	9,800,887
KomBank Invest Beograd	101,599	99,182	115,877	22,492	16,447

\* Data for the previous years are taken from the official audited annual consolidated financial statements of the Group.



### CONSOLIDATED BALANCE SHEET ASSETS OF THE GROUP BY GROUP MEMBER

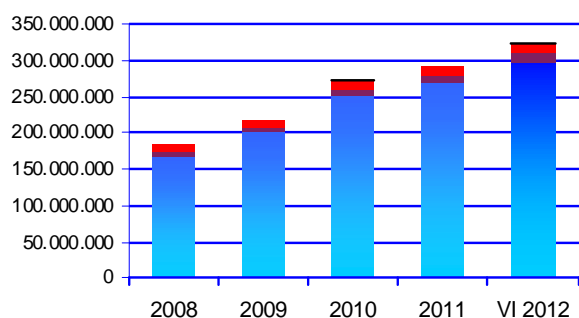


(IN RSD 000)

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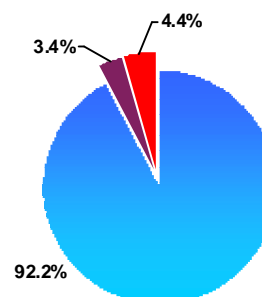
### CONSOLIDATED BALANCE SHEET ASSETS OF THE GROUP

(IN 000 RSD)



■ KB Beograd ■ KB Budva ■ KB Banja Luka ■ KomBank Invest

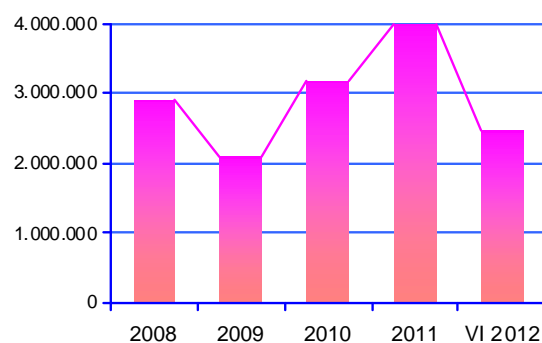
### CONSOLIDATED BALANCE SHEET ASSETS OF THE GROUP BY GROUP MEMBER



■ KB Beograd ■ KB Budva ■ KB Banja Luka ■ KomBank Invest

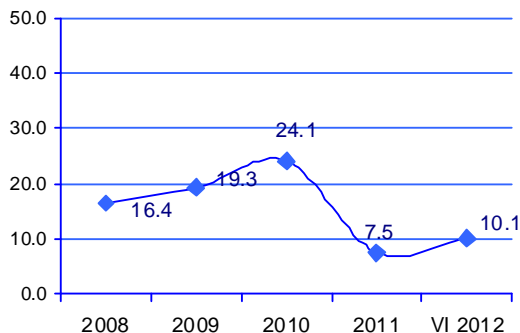
### CONSOLIDATED OPERATING PROFIT OF THE GROUP

(IN 000 RSD)



### % OF GROWTH OF BALANCE SHEET ASSETS OF THE GROUP

(%)

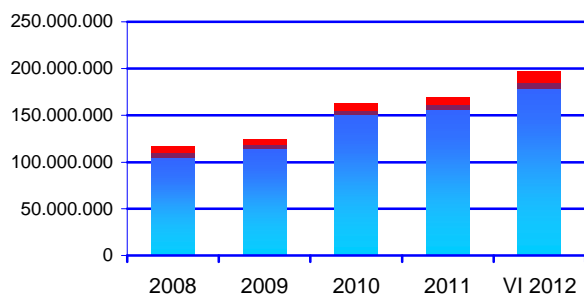




ITEM	(IN RSD 000)				
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<b>CONSOLIDATED LOANS AND DEPOSITS TO CUSTOMERS</b>	<b>197,213,487</b>	<b>169,380,487</b>	<b>163,214,267</b>	<b>124,558,724</b>	<b>116,575,057</b>
<i>% OF GROWTH</i>	<i>16.4%</i>	<i>3.8%</i>	<i>31.0%</i>	<i>6.8%</i>	<i>17.4%</i>
Komercijalna banka AD Beograd	178,256,043	155,719,207	150,566,311	114,051,469	104,708,795
Komercijalna banka AD Budva	7,121,419	5,615,791	5,179,892	4,633,476	5,335,596
Komercijalna banka AD Banja Luka	11,836,025	8,045,489	7,468,064	5,873,778	6,518,666
KomBank INVEST Beograd	-	-	-	-	12,000
<b>CONSOLIDATED DEPOSITS</b>	<b>241,054,919</b>	<b>219,922,916</b>	<b>212,627,373</b>	<b>179,789,819</b>	<b>144,587,806</b>
<i>% OF GROWTH</i>	<i>9.6%</i>	<i>3.4%</i>	<i>18.3%</i>	<i>24.3%</i>	<i>7.3%</i>
Komercijalna banka AD Beograd	225,653,781	205,917,714	199,072,251	167,094,451	132,771,133
Komercijalna banka AD Budva	5,621,687	4,932,913	4,768,923	3,645,389	3,161,004
Komercijalna banka AD Banja Luka	9,779,451	9,072,289	8,786,199	9,049,979	8,655,669
KomBank INVEST Beograd	-	-	-	-	-

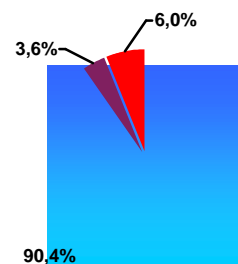
#### CONSOLIDATED LOANS AND DEPOSITS TO CLIENTS

(IN 000 RSD)



■ KB Beograd ■ KB Budva ■ KB Banja Luka ■ KomBank Invest

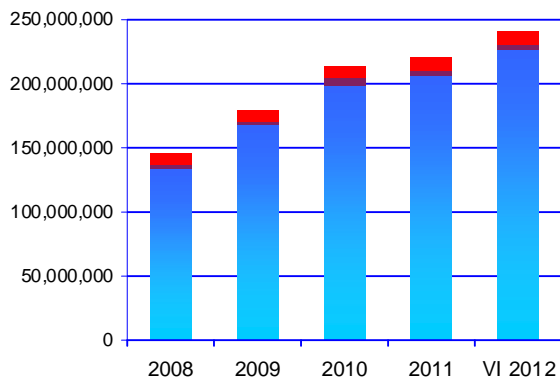
#### CONSOLIDATED LOANS AND DEPOSITS TO CLIENTS OF THE GROUP BY GROUP MEMBER



■ KB Beograd ■ KB Budva  
■ KB Banja Luka ■ KomBank Invest

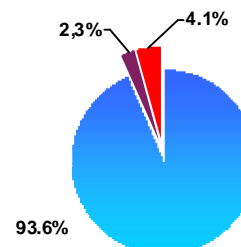
#### CONSOLIDATED DEPOSITS

(IN 000 RSD)



■ KB Beograd ■ KB Budva ■ KB Banja Luka ■ KomBank Invest

#### CONSOLIDATED DEPOSITS OF THE GROUP BY GROUP MEMBER



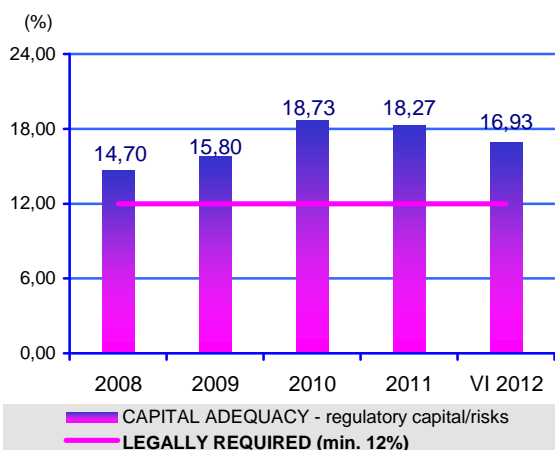
■ KB Beograd ■ KB Budva  
■ KB Banja Luka ■ KomBank Invest



## 2. REGULATORY REQUIREMENTS FOR THE GROUP KOMERCIJALNA BANKA AD BEOGRAD

No.	ITEM	PRESCRIBED	30.06.2012	31.12.2011	31.12.2010	31.12.2009	31.12.2008
1	CAPITAL ADEQUACY RATIO	MIN 12%	16.93%	18.27%	18.73%	15.80%	14.70%
2.	RATIO OF INVESTMENT INTO ENTITIES OUTSIDE THE FINANCIAL SECTOR AND INTO FIXED ASSETS	MAX 60%	22.70%	23.85%	18.83%	29.60%	33.36%
3.	EXPOSURE TO ENTITIES RELATED TO THE BANK	MAX 20%	2.20%	2.10%	1.63%	11.26%	11.49%
4.	BANK'S LARGE EXPOSURE RATIO	MAX 400%	119.41%	92.86%	61.24%	87.78%	71.04%
5.	FX RISK RATIO	MAX 20%	19.66%	18.86%	19.93%	19.73%	19.80%

### CAPITAL ADEQUACY



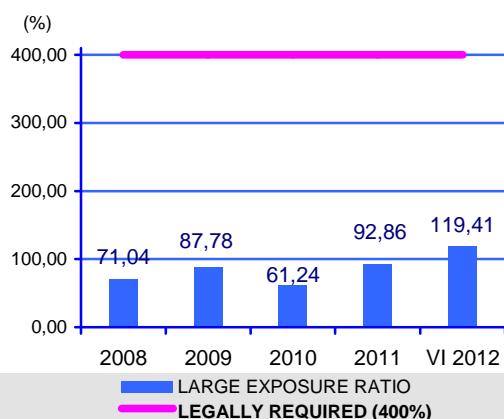
Capital adequacy ratio is the key indicator of the Group's operations and its level is influenced by:

- level of regulatory capital,
- total credit risk-weighted assets,
- "net open FX position" and
- exposure to operating risk.

### FX RISK RATIO



### LARGE EXPOSURE RATIO





According to the Law on Banks: "For a banking group on consolidated basis the following shall be determined:

- capital adequacy ratio,
- large exposure,
- investment in other legal entities and in fixed assets,
- open net fx position. "

The Group Komercijalna banka meets the prescribed ratios on consolidated basis:

No.	Performance indicator	Prescribed value	30.06.2012.	31.12.2011	31.12.2010	31.12.2009	31.12.2008
1	2	3	4	5	6	7	8
1.	<b>Capital adequacy (2/3)</b>	min. 12 %	<b>16.93</b>	<b>18.27</b>	<b>18.73</b>	<b>15.80</b>	<b>14.70</b>
2.	<b>Bank's investment</b> into entities outside the financial sector and into fixed assets (4/2)	max. 60%	<b>22.70</b>	<b>23.85</b>	<b>18.83</b>	<b>29.60</b>	<b>33.36</b>
3.	<b>Exposure to entities related to the Bank (5.2/2)</b>	max.20%	<b>2.20</b>	<b>2.10</b>	<b>1.63</b>	<b>11.26</b>	<b>11.49</b>
4.	<b>Sum of large exposures of the Bank (5/2)</b>	max.400%	<b>119.41</b>	<b>92.86</b>	<b>61.24</b>	<b>87.78</b>	<b>71.04</b>
5.	<b>FX risk ratio (6/2)</b>	max.20%	<b>19.66</b>	<b>18.86</b>	<b>19.93</b>	<b>19.73</b>	<b>19.80</b>

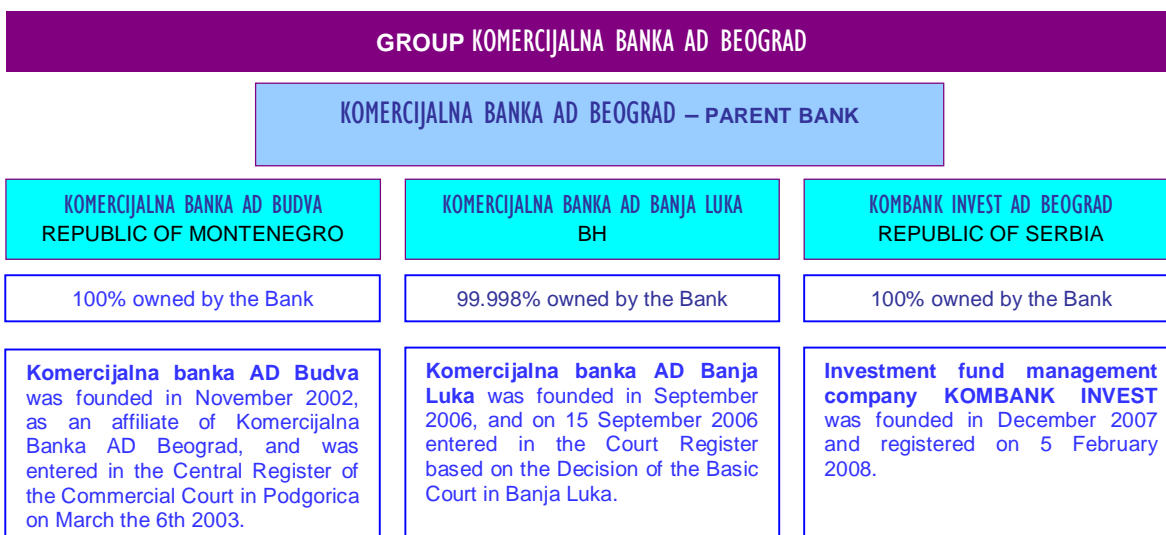
(in RSD 000)

1.	<b>Core capital</b>		<b>40,742,085</b>	<b>43,190,509</b>	<b>39,269,697</b>	<b>24,480,683</b>	<b>23,543,576</b>
2.	<b>Regulatory capital</b>		<b>34,375,353</b>	<b>33,038,521</b>	<b>38,257,027</b>	<b>25,095,971</b>	<b>22,971,751</b>
3.	<b>Risks for capital adequacy calculation</b>		<b>203,016,625</b>	<b>180,875,523</b>	<b>204,249,418</b>	<b>158,791,646</b>	<b>156,229,406</b>
3.1.	Total credit risk-weighted assets		186,025,458	164,932,865	196,623,027	153,841,445	151,680,319
3.2.	Exposure to market risks		274,900	436,125	7,626,391	4,950,201	4,549,087
3.2.1.	<i>Exposure to price risk of items from the trading book</i>						
3.2.2.	<i>Net open FX position (credit FX risk)</i>		274,900	436,125	7,626,391	4,950,201	4,549,087
3.2.3.	<i>Exposure to commodity risk</i>						
3.3.	Exposure to operating risk		16,716,267	15,506,533			
4.	<b>Bank's investment into entities outside the financial sector and into fixed assets</b>		<b>7,803,197</b>	<b>7,880,791</b>	<b>7,204,499</b>	<b>7,427,995</b>	<b>7,662,688</b>
4.1.	Investment into capital of entities outside the financial sector		6,905	8,631	18,644	21,578	34,526
4.2.	Fixed assets and investment property		7,796,292	7,872,160	7,185,855	7,406,417	7,628,162
5.	<b>Sum of large exposures of the Bank</b>		<b>41,047,013</b>	<b>30,679,602</b>	<b>23,428,395</b>	<b>22,028,636</b>	<b>16,318,572</b>
5.1.	Exposures of over 10% of the Bank's capital to a single entity or a group of related entities		40,292,009	29,986,879	22,803,565	19,203,883	13,679,658
5.2.	Exposure to entities related to the Bank		755,004	692,723	624,830	2,824,753	2,638,914
6.	<b>Net open FX position (FX)</b>		<b>6,759,203</b>	<b>6,261,061</b>	<b>7,626,391</b>	<b>4,950,201</b>	<b>4,549,087</b>





### 3. GROUP KOMERCIJALNA BANKA AD BEOGRAD



#### ***Subsidiaries – members of the Group Komercijalna banka AD Beograd***

	KOMERCIJALNA BANKA AD BUDVA	KOMERCIJALNA BANKA AD BANJA LUKA	KomBank INVEST AD BEOGRAD Investment Fund Management Company
STREET	Podkošljun bb	Veselina Masleše 6	Kralja Petra 19
TELEPHONE	00382-33-426-300	00387-51-244-700	011-330-8310

Republic of Montenegro  
Komercijalna banka AD Budva

Bosnia and Herzegovina  
Komercijalna banka AD Banja Luka



*Komercijalna banka AD Budva has:*  
- 115 employees,  
- 16 organisational units (F/A)



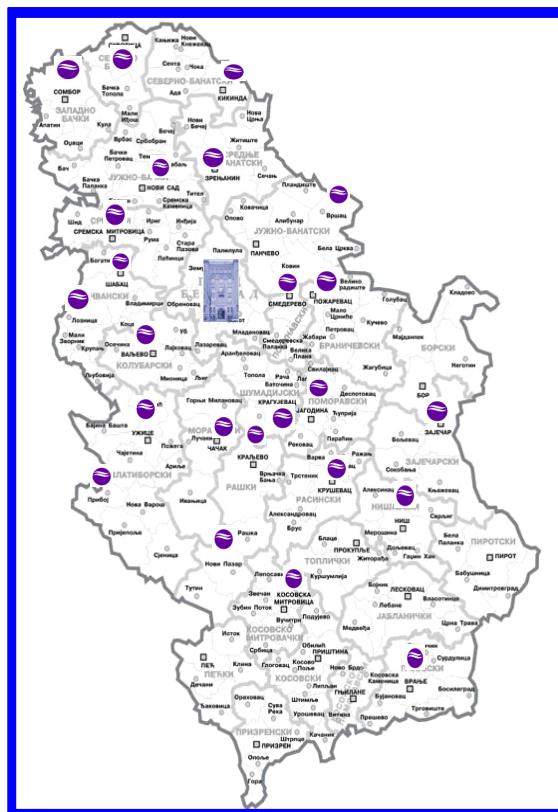
*Komercijalna banka AD Banja Luka has:*  
- 142 employees,  
- 17 organisational units (F/A)



## Parent Bank Komercijalna banka AD Beograd

STREET	Svetog Save 14	Svetogorska 42-44	Kralja Petra 19-21	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 dealing code	KOMB	KOMB	KOMB	KOMB
INTERNET	<a href="http://www.kombank.com">http://www.kombank.com</a>	<a href="http://www.kombank.com">http://www.kombank.com</a>	<a href="http://www.kombank.com">http://www.kombank.com</a>	<a href="http://www.kombank.com">http://www.kombank.com</a>
INTERNET E - mail	<a href="mailto:posta@kombank.com">posta@kombank.com</a>	<a href="mailto:posta@kombank.com">posta@kombank.com</a>	<a href="mailto:posta@kombank.com">posta@kombank.com</a>	<a href="mailto:posta@kombank.com">posta@kombank.com</a>

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



Komercijalna banka AD Beograd, as a parent bank has:  
 - 3,005 employees,  
 - 226 outlets that organisationally belong to 24 regionally distributed branches



Macroeconomic operating conditions for the members of the Group according to data available from competent bodies:

Macroeconomic business environment		
Republic of Serbia	Republic of Montenegro	Republic of Srpska (BH)
Gross domestic product approx. 31.1 bn EUR	Gross domestic product approx. 3.2 bn EUR	Gross domestic product of appr. EUR 4.4 bn (BH EUR 8.2 billion)
Decrease in GDP approx. -0.6%	GDP growth rate approx. 2.5%	Decrease in GDP of approx. 0.9% (BH -0.9%)
Consumer price index 5.2%	Consumer price index 3.5%	Consumer price index 3.9% (BH 3.6%)
Rise in banking sector assets 6.1%	Rise in banking sector assets 2.5%	Rise in banking sector assets 2.4% (BH -3%)
Decrease in the value of dinar against EUR of 10.7%	Stable exch. rate, Euro is the national currency	Stable exchange rate, fixed rate of convertible mark to the EUR
Fall in industrial production 4.2%	Fall in industrial production 5.3%	Fall in industrial production approx 1.6% (BH -2.1%)
Foreign direct investment approx. -189.3 m EUR	Foreign direct investment approx EUR 389.1 million	Foreign direct investment approx. EUR 360 million (BH EUR 313 million) in 2011
NPL of the banking sector 20.4%	NPL of the banking sector 21.2%	NPL of the banking sector 16.8%
Unemployment rate 25.5%	Unemployment rate 20.8%	Unemployment rate 25.6%

#### 4. CONSOLIDATED BALANCE SHEETS OF THE GROUP KOMERCIJALNA BANKA AD BEOGRAD

Subordinated banks: Komercijalna banka AD Budva and Komercijalna banka AD Banja Luka keep their business books and prepare financial statements in accordance with the regulations of the Republic of Montenegro and Bosnia and Herzegovina, respectively.

For the purpose of preparing the consolidated financial statement, individual financial statement of the subordinated banks and the Company have been adapted to financial statement presentation that reflects:

- accounting regulations of the Republic of Serbia,
- internal by-laws of the Parent Bank - Komercijalna banka AD Beograd and
- relevant IAS and IFRS.

Functional currencies, the EURO from the financial statements of Komercijalna banka AD Budva and the BAM from the financial statements of Komercijalna banka AD Banja Luka, have been converted to the reporting currency of the Parent bank, or the functional currency of the Parent bank – the Dinar (RSD) on the basis of the officially published exchange rates in the Republic of Serbia, namely:

- Income Statement and Cash Flow Statement by applying average exchange rate in the Republic of Serbia, and
- Other financial statements (Balance Sheet and Statement of Changes in Equity) by applying the closing exchange rate as at the balance sheet date.

In the conducted consolidation procedure the following have been fully consolidated:

- the amount of the parent bank's share in equity of the subordinated banks and the Company at the initial exchange rate of the investment (RSD 5,480.9 million),
- internal receivables and liabilities between the Group members (RSD 444.0 million),
- internal income and expenses between all Group members (net positive effect RSD 25.8 million),
- unrealized internal gains (not achieved) and
- unrealized internal losses (not achieved).

In the conducted consolidation procedure the Group's capital increased by unrealized gains from currency conversion in foreign transaction to the amount of RSD 1,493.8 million (of which the amount of gains from currency conversion of permanent investment in Group members account for RSD 1,383.5 million, not recognized in stand-alone financial statements of the parent bank).



Work organization of the Group and Risk Management Policies adopted by the Board of Directors of the parent bank established the rules and procedures of risk management. Risk Management Policies defined the key principles and aims in managing individual types of risk which the Group is exposed to in the course of its operations as well as the system of managing such risks. Consolidated risk management report is presented separately.

Impairment of loans (loan loss provision) of the members of the Group, as well as provisioning for contingent liabilities have been recognized in accordance with IAS 39 and IAS 37, according to the adopted internal methodology of the Group.

#### 4.1. Consolidated Income Statement for the period 01/01/2012 to 30/06/2012

( IN RSD 000)						
	ITEM	Beograd	Budva	Banja Luka	Kombank INVEST	GROUP TOTAL
1	2	3	4	5	6	7
1	Interest income	9,665,683	333,557	442,853	5,876	10,447,969
2	Interest expenses	-4,604,716	-70,455	-108,561	0	-4,783,732
<b>3</b>	<b>Net interest income/expenses (1+2)</b>	<b>5,060,967</b>	<b>263,102</b>	<b>334,292</b>	<b>5,876</b>	<b>5,664,237</b>
4	Fee income	2,473,180	64,571	84,917	873	2,623,541
5	Fee expenses	-346,660	-8,783	-21,811	-285	-377,539
<b>6</b>	<b>Net fee income/expenses (4+5)</b>	<b>2,126,520</b>	<b>55,788</b>	<b>63,106</b>	<b>588</b>	<b>2,246,002</b>
<b>7</b>	<b>Other operating income</b>	<b>202,189</b>	<b>432</b>	<b>1,048</b>	<b>1,300</b>	<b>204,969</b>
<b>8</b>	<b>Net income/expenses of indirect write-off of loans</b>	<b>-287,262</b>	<b>-16,722</b>	<b>-16,821</b>	<b>0</b>	<b>-320,805</b>
9	Cost of gross salaries	-2,014,605	-105,084	-140,089	-5,984	-2,265,762
10	Other operating expenses	-2,855,556	-124,640	-169,887	-3,094	-3,153,177
<b>11</b>	<b>Operating expenses (9+10)</b>	<b>-4,870,161</b>	<b>-229,724</b>	<b>-309,976</b>	<b>-9,078</b>	<b>-5,418,939</b>
<b>12</b>	<b>Net exchange rate differences and currency clause</b>	<b>72,849</b>	<b>2,573</b>	<b>2,195</b>	<b>516</b>	<b>78,133</b>
<b>I</b>	<b>RESULTS PER SEGMENT. (3+6+7+8+11+12)</b>	<b>2,305,102</b>	<b>75,449</b>	<b>73,844</b>	<b>-798</b>	<b>2,453,597</b>
-	<i>Structure of adjusted positions</i>					
-	Net consolidated interest	256	0	684	-940	0
-	Net consolidated fees	-395	108	215	72	0
-	Consolidated effect of currency clause	0	0	0	0	0
-	Exchange rate differences from relations within the Group	30,817	-2,850	-2,061	-155	25,751
<b>II</b>	<b>Result for consolidation</b>	<b>2,274,424</b>	<b>78,191</b>	<b>75,006</b>	<b>225</b>	<b>2,427,846</b>
-	Effect of IAS 37 and 39	0	-27,370	0	0	-27,370
-	Other adjustments to RS regulations	0	0	0	0	0
<b>III</b>	<b>Result in separate Balance Sheets</b>	<b>2,274,424</b>	<b>105,561</b>	<b>75,006</b>	<b>225</b>	<b>2,455,216</b>
<b>III</b>	Result in original currency	2,274,424 RSD thousand	953 EUR thousand	1,324 KM thousand	225 RSD thousand	



**STAND-ALONE INCOME STATEMENTS OF THE MEMBERS OF THE GROUP PRIOR TO CONSOLIDATION FOR THE PERIOD JANUARY - JUNE 2012**

(IN RSD 000)				
30.06.2012	KB Beograd	KB Budva	KB Banja Luka	KomBank INVEST
Interest income	9,666,651	333,557	443,138	6,815
Interest expenses	-4,605,940	-70,455	-109,530	-
<b>Interest gains</b>	<b>5,060,711</b>	<b>263,102</b>	<b>333,608</b>	<b>6,815</b>
Fee and commission income	2,473,767	64,763	84,917	873
Fee and commission expenses	-346,852	-9,083	-22,027	357
<b>Fee and commission gains</b>	<b>2,126,915</b>	<b>55,680</b>	<b>62,890</b>	<b>516</b>
Net gains/loss from sale of securities	80,965	-51	-	1,288
Net gains/loss from exchange rate differences and currency clause	42,032	5,422	4,256	671
Other operating income	121,224	483	1,048	12
Net expenses from indirect write-off of loans and provisions	-287,262	-16,722	-16,821	-
Operating and other expenses	-4,870,161	-229,723	-309,976	-9,077
<b>OPERATING PROFIT</b>	<b>2,274,424</b>	<b>78,191</b>	<b>75,005</b>	<b>225</b>

Stand-alone income statements of the members of the Group, as independent legal entities, according to the regulations of the Republic of Serbia and with application of standardised accounting policies on the level of the Group, show positive results as of 30/06/2012.

The consolidation process requires that all items from business transactions within the Group: interests, fees, commission and other income/expense be eliminated from stand-alone income statements.

The total gross result of the Group of RSD 2,427.8 million has been increased for net negative exchange rate differences of RSD 25.8 million, realized in intergroup transactions by the members of the Group and expressed in stand-alone income statements for the period 01/01/2012 to 30/06/2012, which are recognized as capital, in accordance with the relevant IAS.

In the first half of 2012 the Group Komercijalna banka AD realized a profit in the amount of RSD 2,453.6 million, which is a year-on-year rise of 23.7%.

(IN RSD 000)			
Total unconsolidated profit in the Income Statement	AMOUNT of consolidation from the Income Statement		Consolidated profit
	income	expenses	
2,427,846	2,971	28,722	2,453,597



## 4.2. Consolidated Balance Sheet as of 30/06/2012

( IN RSD 000)

	ITEM	Beograd	Budva	Banja Luka	Kombank INVEST	GROUP TOTAL
1	2	3	4	5	6	7
	<b>Item / ASSETS</b>					
1	Cash and cash equivalents	20,821,715	1,081,342	459,764	0	22,362,821
2	Callable deposits and loans	43,003,040	358,891	1,415,237	0	44,777,168
3	Interest and fee receivables	1,619,984	83,368	127,662	153	1,831,167
4	Loans and deposits to customers	178,256,043	7,121,419	11,836,025	0	197,213,487
5	Investment into securities	37,791,009	602,053	0	99,988	38,493,050
6	Other investments	3,540,485	0	2,172	1	3,542,658
7	Fixed assets, intangible investment and investment property	8,002,093	262,844	144,609	1,203	8,410,749
8	Other assets	4,146,991	1,267,412	196,432	254	5,611,089
<b>9</b>	<b>TOTAL ASSETS ( 1 to 8)</b>	<b>297,181,360</b>	<b>10,777,329</b>	<b>14,181,901</b>	<b>101,599</b>	<b>322,242,189</b>
	<b>Item / LIABILITIES</b>					
10	Deposits	225,653,781	5,621,687	9,779,451	0	241,054,919
11	Borrowings	2,525,916	148,114	661,714	0	3,335,744
12	Interest payable	193,932	10,625	1,622	0	206,179
13	Provisions	1,659,952	41,456	19,089	351	1,720,848
14	Other liabilities	25,940,465	845,206	190,112	1,360	26,977,143
<b>15</b>	<b>TOTAL LIABILITIES (10 to 14)</b>	<b>255,974,046</b>	<b>6,667,088</b>	<b>10,651,988</b>	<b>1,711</b>	<b>273,294,833</b>
16	Capital and reserves	47,642,717	1,063,100	266,825	-25,286	48,947,356
<b>17</b>	<b>TOTAL LIABILITIES (15+16)</b>	<b>303,616,763</b>	<b>7,730,188</b>	<b>10,918,813</b>	<b>-23,575</b>	<b>322,242,189</b>
<b>I</b>	<b>Assets per segments</b>	<b>297,181,360</b>	<b>10,777,329</b>	<b>14,181,901</b>	<b>101,599</b>	<b>322,242,189</b>
	<i>Structure of adjusted items</i>					
-	Consolidated cash	-4,953	-127,190	-4,852	-3,215	-140,210
-	Consolidated deposits to customers	0	0	-289,550	-11,580	-301,130
-	Consolidated loans to customers	0	0	0	0	0
-	Consolidated interest receivable	0	0	0	-31	-31
-	Consolidated deferred interest and other	-2,559	0	-66	0	-2,625
-	Consolidated holdings in equity	-5,480,888	0	0	0	-5,480,888
<b>II</b>	<b>Assets for consolidation</b>	<b>302,669,760</b>	<b>10,904,519</b>	<b>14,476,369</b>	<b>116,425</b>	<b>328,167,073</b>
-	Effect of IAS 39	0	300,041	0	0	300,041
-	Other adjustments to RS regulations	0	-2,123	0	0	-2,123
<b>III</b>	<b>Assets in individual Balance Sheets</b>	<b>302,669,760</b>	<b>10,606,601</b>	<b>14,476,369</b>	<b>116,425</b>	<b>327,869,155</b>
<b>I</b>	<b>Liabilities per segment</b>	<b>303,616,763</b>	<b>7,730,188</b>	<b>10,918,813</b>	<b>-23,575</b>	<b>322,242,189</b>
	<i>Structure of adjusted items</i>					
-	Consolidated deposits	-436,389	-1,934	-3,017	0	-441,340
-	Consolidated borrowings	0	0	0	0	0
-	Consolidated interest payable and other	-98	-1,040	-1,518	0	-2,656
-	Consolidated capital	1,383,490	-3,171,357	-3,553,021	-140,000	-5,480,888
<b>II</b>	<b>Liabilities for consolidation</b>	<b>302,669,760</b>	<b>10,904,519</b>	<b>14,476,369</b>	<b>116,425</b>	<b>328,167,073</b>
-	Effect of IAS 39	0	300,041	0	0	300,041
-	Other adjustments to RS regulations	0	-2,123	0	0	-2,123
<b>III</b>	<b>Liabilities in stand-alone Balance Sheets</b>	<b>302,669,760</b>	<b>10,606,601</b>	<b>14,476,369</b>	<b>116,425</b>	<b>327,869,155</b>
	Balance-sheet total in original currency	302,669,760 RSD thousand	91,578 EUR thousand	244,459 KM thousand	116,425 RSD thousand	



Consolidation of balance-sheet items and off-balance sheet items per Group member as of 30/06/2012:  
(IN RSD 000)

Members of Komercijalna banka Group	Joint assets	AMOUNT of assets consolidation	Consolidated assets	% of share in consolidated assets of the Group
1	2	3	4= (2-3)	5
Komercijalna banka AD Beograd	302,669,760	5,488,400	297,181,360	92.2%
Komercijalna banka AD Budva	10,904,518	127,189	10,777,329	3.3%
Komercijalna banka AD Banja Luka	14,476,370	294,469	14,181,901	4.4%
KomBank INVEST AD Beograd	116,425	14,826	101,599	0.03%
<b>TOTAL</b>	<b>328,167,073</b>	<b>5,924,884</b>	<b>322,242,189</b>	<b>100.0%</b>

Members of Komercijalna banka Group	Joint liabilities	AMOUNT of liabilities consolidation	Consolidated liabilities	% of share in consolidated liabilities of the Group
1	2	3	4= (2-3)	5
Komercijalna banka AD Beograd	302,669,760	(917,003)	303,616,763	94.2%
Komercijalna banka AD Budva	10,904,518	3,174,330	7,730,188	2.4%
Komercijalna banka AD Banja Luka	14,476,370	3,557,557	10,918,813	3.4%
KomBank INVEST AD Beograd	116,425	140,000	-23,575	-0.007%
<b>TOTAL</b>	<b>328,167,073</b>	<b>5,924,884</b>	<b>322,242,189</b>	<b>100.0%</b>

Members of Komercijalna banka Group	Joint off-balance sheet	AMOUNT of off-balance sheet consolidation	Consolidated off-balance sheet	% of share in consolidated off-balance sheet of the Group
1	2	3	4= (2-3)	5
Komercijalna banka AD Beograd	194,030,418	926,762	193,103,656	97.8%
Komercijalna banka AD Budva	1,329,270	-	1,329,270	0.7%
Komercijalna banka AD Banja Luka	3,849,015	926,562	2,922,453	1.5%
KomBank INVEST AD Beograd	200	200	-	-
<b>TOTAL</b>	<b>199,208,903</b>	<b>1,853,524</b>	<b>197,355,379</b>	<b>100.0%</b>

The percentage of total consolidated items in the Balance Sheet is not materially significant and accounts for 1.8% of balance-sheet total in the joint Balance-Sheet and 0.9% of joint off-balance sheet.

The share of subsidiaries in the total potential of the Group is not significant as it accounts for only 7.8% of consolidated assets of the Group. Liabilities are lower by 5.8%, as the capital invested into subsidiaries by the Parent Bank is deleted in the process of consolidation.

As in previous years, the Parent Bank dominates the structure of all items of the Group, accounting for more than 92%.



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- 5. FINANCIAL STATEMENTS OF THE GROUP KOMERCIJALNA BANKA AD BEOGRAD**  
**Consolidated Balance Sheet as of 30/06/2012**  
**Consolidated Income Statement for the period 01/01/2012 to 30/06/2012**  
**Consolidated Cash Flow Statement for the period 01/01/2012 to 30/06/2012**  
**Consolidated Statement of Changes in Equity for the period 01/01/2012 to 30/06/2012**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30/06/2012**

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## BALANCE SHEET - consolidated

on

30.06.2012.

(in RSD thousand)

POSITION	ADP code	Amount	
		Current year amount	Previous year amount
1	2	3	4
<b>ASSETS</b>			
Cash and cash equivalents	001	22.362.821	19.245.682
Revocable deposits and loans	002	44.777.168	59.038.570
Revocables from interest, compensations, sale, change of derivatives fair value and other receivables	003	1.831.167	1.320.367
Loans, advances and deposits of clients	004	197.213.487	169.380.487
Securities (without own shares)	005	38.092.022	27.150.573
Shares (participation) in non affiliated legal entities	006	401.028	342.755
Other investments	007	3.542.658	2.206.812
Intangible assets	008	614.419	605.494
Fixed assets and invested immovables	009	7.796.330	7.872.205
Permanent assets for sale and assets of businesses to be ceased	010	234.955	222.029
Deferred tax assets	011	29.870	-
Other assets	012	5.346.264	5.294.124
Losses above equity	013	-	-
Shares (participation) in affiliated legal entities per capital method	014	-	-
<b>TOTAL ASSETS (from 001 to 014)</b>	<b>015</b>	<b>322.242.189</b>	<b>292.679.098</b>
<b>LIABILITIES</b>			
Transaction deposits	101	34.842.967	36.844.907
Other deposits	102	206.211.952	183.078.009
Received loans	103	3.335.744	2.255.677
Liabilities for issued securities	104	-	-
Liabilities for interest, compensations and change of derivatives fair value	105	206.179	206.901
Provisions	106	1.720.848	2.188.093
Liabilities for tax	107	56.159	45.021
Liabilities for profit	108	88.040	184.440
Liabilities from assets for sale and assets of businesses to be ceased	109	-	-
Deferred tax liabilities	110	47.260	17.361
Other liabilities	111	26.785.684	21.814.667
<b>TOTAL LIABILITIES (from 101 to 111)</b>	<b>112</b>	<b>273.294.833</b>	<b>246.635.076</b>
<b>EQUITY</b>			
Equity	113	28.462.612	28.462.607
Reserves from profit	114	15.483.970	12.261.615
Revaluation reserves	115	760.666	689.620
Unrealized losses from securities for sale	116	77.483	63.940
Profit	117	2.823.830	3.830.588
Loss up to equity	118	-	-
Positive cumulative differentials from quotation of foreign operations	119	1.493.761	863.532
Negative cumulative differentials from quotation of foreign operations	120	-	-
<b>TOTAL EQUITY (from 113 to 115+117+119-116-118-120)</b>	<b>121</b>	<b>48.947.356</b>	<b>46.044.022</b>
<b>TOTAL LIABILITIES (112+121)</b>	<b>122</b>	<b>322.242.189</b>	<b>292.679.098</b>
Majority owners interest	123	64	56
<b>OFF-BALANCE SHEET ITEMS (from 125 to 129)</b>	<b>124</b>	<b>197.355.379</b>	<b>186.996.187</b>
Transactions for and on behalf of third parties	125	4.849.771	4.367.427
Future obligation acceptance	126	42.544.329	38.500.501
Received warranties for liabilities	127	-	-
Derivatives	128	-	261.602
Other off-balance sheet items	129	149.961.279	143.866.657

  
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**PROFIT AND LOSS ACCOUNT- consolidated**

from 01.01.2012. to 30.06.2012.

POSITION	ADP code	Amount	
		Current year	Previous year
		01.01.-30.06.	01.01.-30.06.
1	2	3	4
<b>OPERATING INCOME AND EXPENSES</b>			
Interest income	201	10.447.969	9.318.506
Interest expenses	202	4.783.732	4.191.268
<b>Interest profit (201-202)</b>	<b>203</b>	<b>5.664.237</b>	<b>5.127.238</b>
<b>Interest losses (202-201)</b>	<b>204</b>	<b>-</b>	<b>-</b>
Fees and compensations income	205	2.623.541	2.517.435
Fees and compensations expense	206	377.539	299.980
<b>Fees and compensations profit (205-206)</b>	<b>207</b>	<b>2.246.002</b>	<b>2.217.455</b>
<b>Fees and compensations loss (206-205)</b>	<b>208</b>	<b>-</b>	<b>-</b>
Net profit from sale of securities per fair value in Profit and loss account	209	-	-
Net loss from sale of securities per fair value in Profit and loss account	210	1.075	4.063
Net profit from sale of securities	211	82.018	1.254
Net loss from sale of securities	212	-	-
Net profit from sale of securities held to maturity	213	-	-
Net losses from sale of securities held to maturity	214	-	-
Net profit from sale of participation shares (participations)	215	-	-
Net losses from sale of participation shares (participations)	216	-	-
Net profit from sale of other investment	217	1.259	1.573
Net losses on sale of other investment	218	-	-
Net income from exchange rate changes	219	-	1.677.253
Net expenses from exchange rate changes	220	9.968.345	-
Income from dividends and participation	221	1.306	7.081
Other operating income	222	121.461	201.400
Net income from indirect write-off of advances and provisioning	223	-	-
Net expenses on indirect write-off of advances and provisioning	224	320.805	627.172
Salaries, Wages, and other personal indemnities	225	2.265.762	2.045.090
Depreciation costs	226	414.390	357.127
Other operating expenses	227	2.738.787	2.252.801
Income from change in value of assets and liabilities	228	13.137.743	7.855.039
Expenses on change in value of assets and liabilities	229	3.091.265	9.817.848
<b>PROFIT FROM REGULAR OPERATIONS (203-204+207-208+209-210+211 - 212+213-214+215-216+217-218+219-220+221 +222+223-224-225-226-227+228-229)</b>	<b>230</b>	<b>2.453.597</b>	<b>1.984.192</b>
<b>LOSSES FROM REGULAR OPERATIONS (204-203+208-207+210-209+212-211 +214-213+216-215+218-217+220-219-221 -222+224-223+225+226+227-228+229)</b>	<b>231</b>	<b>-</b>	<b>-</b>
NET PROFIT OF BUSINESSES TO BE CEASED	232	-	-
NET LOSS OF BUSINESSES TO BE CEASED	233	-	-
<b>RESULT FOR THE PERIOD - PROFIT BEFORE TAX (230-231+232-233)</b>	<b>234</b>	<b>2.453.597</b>	<b>1.984.192</b>
<b>RESULT FOR THE PERIOD - LOSSES BEFORE TAX (231-230+233-232)</b>	<b>235</b>	<b>-</b>	<b>-</b>
Tax on profit	236	-	-
Profit from created deferred tax assets and decrease of deferred tax liabilities	237	-	-
Loss from decrease of deferred tax assets and creation of deferred tax liabilities	238	-	-
<b>PROFIT (234-235-236+237-238)</b>	<b>239</b>	<b>2.453.597</b>	<b>1.984.192</b>
<b>LOSSES (235-234+236+238-237)</b>	<b>240</b>	<b>-</b>	<b>-</b>
Net profit of minor investors	241	1	-
Net profit of owners of parent legal entity	242	2.453.596	1.984.192
Net loss of minor investors	243	-	-
Net loss of owners of parent legal entity	244	-	-
Earnings per share (in dinars)	245	-	-
Basic earnings per share (in dinars)	246	-	-
Diluted earnings per share (in dinars)	247	-	-

**CASH FLOW STATEMENT - consolidated**

from 01.01.2012. to 30.06.2012.

(in RSD thousand)

POSITION 1	ADP code 2	Amount	
		01.01. - 30.06.2012. 3	01.01. - 30.06.2011. 4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
I. Cash inflows from operating activities (from 302 to 305)	301	11.457.237	11.172.525
1. Inflows from interest	302	8.708.609	8.457.958
2. Inflows from allowances	303	2.633.468	2.551.363
3. Inflows from other operating income	304	113.854	156.123
4. Inflows from dividends and participation in profit	305	1.306	7.081
II. Cash outflows from operating activities (from 307 to 311)	306	9.045.264	7.860.911
5. Outflows from interest	307	3.510.148	3.354.619
6. Outflows from allowances	308	384.119	306.791
7. Outflows from gross salaries, wages and other personal indemnities	309	2.078.789	1.851.632
8. Outflows from taxes, contributions and other obligations from income	310	423.504	374.044
9. Outflows from other operating expenses	311	2.648.704	1.073.825
III. Net cash inflow from operating activities prior to increase or decrease in advances and deposits (301 minus 306)	312	2.411.973	3.311.614
IV. Net cash outflow from operating activities prior to increase or decrease in advances and deposits (306 minus 301)	313	-	-
V. Decrease in advances and increase in deposits withdrawn (from 315 to 317)	314	17.636.711	-
10. Decrease in loans and advances to banks and clients	315	-	-
11. Decrease in securities per fair value in profit and loss account, tradeable advances and short-term securities held to maturity	316	258.849	-
12. Increase in banks and clients deposits	317	17.377.862	-
VI. Increase in advances and decrease in deposits withdrawn (from 319 to 321)	318	1.371.234	14.001.725
13. Increase in loans and advances to banks and clients	319	1.371.234	4.752.762
14. Increase in securities per fair value in profit and loss account, tradeable advances and short-term securities held to maturity	320	-	3.827.345
15. Decrease in deposits from banks and clients	321	-	5.421.618
VII. Net cash inflow from operating activities before tax on profit (312 minus 313 plus 314 minus 318)	322	18.677.450	-
VIII. Net cash outflow from operating activities before tax on profit (313 plus 318 minus 314 minus 314)	323	-	10.090.111
16. Profit tax paid	324	396.354	186.875
17. Dividends paid	325	252.665	288.853
IX. Net cash inflow from operating activities (322 minus 323 minus 324 minus 325)	326	18.028.431	-
X. Net cash outflow from operating activities (323 minus 322 plus 324 plus 325)	327	-	11.165.839
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
I. Cash inflows from investing activities (from 329 to 333)	328	1.235.692	19.726
1. Inflows from long-term investment in securities	329	1.229.370	8.951
2. Inflows from sale of shares (participation)	330	-	58
3. Inflows from sale of intangible and fixed assets	331	6.322	10.717
4. Inflows from sale of investment immovables	332	-	-
5. Other inflows from investing activities	333	-	-
II. Cash outflows from investing activities (from 335 to 339)	334	11.603.958	311.174
6. Outflows from investment in long-term securities	335	11.262.382	509
7. Outflows from purchase of shares (participation)	336	751	1.846
8. Outflows from purchase of sale of intangible and fixed assets	337	340.825	308.819
9. Outflows from purchase investment immovables	338	-	-
10. Other outflows from investing activities	339	-	-
III. Net cash inflow from investing activities (328 minus 334)	340	-	-
IV. Net cash outflow from investing activities (334 minus 328)	341	10.368.266	291.448
<b>V. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
I. Cash inflows from financing activities (from 343 to 348)	342	5.239.524	2.884.725
1. Inflows from capital increase	343	-	-
2. Net cash inflows from subordinated obligations	344	558.970	-
3. Net cash inflows from loans received	345	4.680.554	2.884.725
4. Net inflows from securities	346	-	-
5. Net inflows from sale of own shares	347	-	-
6. Other inflows from financing activities	348	-	-
II. Cash outflows from financing activities (from 350 to 354)	349	13.544	-
7. Outflows from purchase of own shares	350	-	-
8. Net outflows from subordinated obligations	351	-	-
9. Net cash outflows from loans received	352	13.544	-
10. Net outflows from securities	353	-	-
11. Other outflows from financing activities	354	-	-
III. Net cash inflow from financing activities (342 minus 349)	355	5.225.980	2.884.725
IV. Net cash outflow from financing activities (349 minus 342)	356	-	-
G. TOTAL NET CASH INFLOWS (301 plus 314 plus 328 plus 342)	357	35.569.164	14.076.976
D. TOTAL NET CASH OUTFLOWS (306 plus 318 plus 324 plus 325 plus 334 plus 349)	358	22.683.019	22.649.638
DJ. NET INCREASE IN CASH (357 minus 358)	359	12.886.145	-
E. NET DECREASE IN CASH (358 minus 357)	360	-	8.572.562
Z. CASH AT THE BEGINNING OF THE YEAR (Note: ___) (361, col. 3 = 001, col. 6)	361	19.245.682	23.254.940
Z. PROFIT ON EXCHANGE	362	8.008.924	5.620.900
I. LOSS ON EXCHANGE	363	17.777.930	3.844.959
J. CASH AT END-PERIOD (Note: ___) 359 minus 360 plus 361 plus 362 minus 363) (364, col. 3 = 001, col. 5 and 364, col. 4 = 001, col. 6) (364, col. 4 = 361, col. 3)	364	22.062.021	16.458.319



**CAPITAL CHANGES STATEMENT - consolidated**

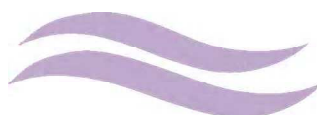
from 01.01.2012. to 30.06.2012.

DESCRIPTION	BHRSD (Romanian)																									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15											
	State at 1 January, of the previous 2011, year	Share capital (acc. 800) ADP	Other capital (acc. 801) ADP	Subscribed share capital (acc. 802) ADP	Share Premium (acc. 802) ADP	Reserves from profit and other reserves (group of accounts 81) ADP	Regulation (group of accounts 82, except for acc. 823) ADP	Profits (group of accounts 83) ADP	Loans up to equity (acc. 84, ADP)	Own shares (acc. 103) ADP	Unsettled losses on ADP accounts for risk (acc. 823) ADP	Positive cumulative difference from quotation of ADP (group of accounts 9) ADP	Negative cumulative difference from quotation of ADP (group of accounts 10) ADP	Total out of 2-14 (no. 1-14) ADP	Loans above equivalent ADP (acc. 847)											
State at 1 January, of the previous 2011, year	401	13,981,064	414	427	440	14,581,543	453	9,669,217	466	663,308	479	2,267,526	492	505	518	15,862	531	300,150	544	557	42,356,634	570				
Correction of material important mistakes and changes of accounting policies in the prior year - increase	402		415	428	441	454	467	480	493	506	519	532	545	558										571		
Correction of material important mistakes and changes of accounting policies in the prior year - decrease	403		416	429	442	455	468	481	494	507	520	533	546	559											572	
Corrected opening balance as at 1 January of the previous 2011 year (no. 1+2-3)	404	13,981,064	417	430	443	14,581,543	456	9,669,217	469	663,308	483	2,267,526	495	508	521	15,862	534	300,150	547	560	42,356,634	573				
Total increase in the previous year	405		418	431	444	457	470	483	496	509	522	535	548	561											574	
Total decrease in the previous year	406		419	432	445	458	471	484	497	510	523	536	549	562												575
State at 31 December of the previous 2011 year (no. 4+5-6)	407	13,981,064	420	433	446	14,581,543	459	12,261,615	472	669,120	485	3,330,989	498	511	524	63,940	537	663,532	550	563	46,844,022	576				
Correction of material important mistakes and changes of accounting policies in the current year - increase	408		421	434	447	460	473	486	499	512	525	538	551	564												577
Correction of material important mistakes and changes of accounting policies in the current year - decrease	409		422	435	448	461	474	487	500	513	526	539	552	565												578
Corrected opening balance as at 1 January of the current 2012 year (no. 7+8-9)	410	13,981,064	423	436	449	14,581,543	462	12,261,615	475	669,120	488	3,330,989	501	514	527	63,940	540	663,532	553	566	46,844,022	579				
Total increase in the current year	411		424	437	450	463	476	489	502	515	528	541	554	567												580
Total decrease in the current year	412		425	438	451	464	477	490	503	516	529	542	555	568												581
State at 31 December of the current 2012 year (no. 10+11-12)	413	13,981,069	426	439	452	14,581,543	465	15,483,970	478	760,666	491	3,323,830	504	517	530	77,483	543	1,493,761	556	569	48,947,356	582				

# **NOTES**

## **TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 30.06.2012**

**Belgrade, August 2012**



## 1. ESTABLISHMENTS AND OPERATIONS OF THE BANKING GROUP

Komercijalna Banka AD Beograd (hereinafter „the Parent Bank“) was founded on December the 1st 1970, and was transformed into a limited company on May the 6th 1992.

As at June the 30th 2012, the following shareholders held the major controlling stakes in the parent bank:

1. The Republic of Serbia
2. EBRD, London and
3. ARTIO INT. EQUITY FUND, New York

The capital structure review is provided in the Note no. 4

The Parent Bank owns three dependent entities with the following shareholder ownership:

- 100% - Komercijalna Banka AD Budva, Montenegro
- 100% - KomBank INVEST AD Beograd, Serbia
- 99,998% - Komercijalna Banka AD Banja Luka, Bosnia and Herzegovina.

Minority shareholder in Komercijalna Banka AD Banja Luka, holding 0,002%, is the Export Credit and Insurance Agency of the Republic of Serbia.

The consolidated financial statements and notes to financial statements present information of Komercijalna Banka AD Beograd as the Parent Bank, Komercijalna Banka AD Budva, Komercijalna Banka AD Banja Luka and the Investment Fund Management Company KomBank INVEST AD Beograd (hereinafter „the Group“).

Komercijalna Banka AD Budva was founded in November 2002, as an affiliate of Komercijalna Banka AD Beograd, and was entered in the Central Register of the Commercial Court in Podgorica on March the 6th 2003.

Komercijalna Banka AD Banja Luka was founded in September 2006, and was entered into the Court Register on September the 15th 2006 in accordance with the Decision of the Basic Court in Banja Luka.

Investment Fund Management Company KomBank INVEST AD Beograd was founded in December 2007 and registered on February the 5th 2008.

Activities of the Group include credit, deposit and guarantee operations, operations of national and international payment transactions in accordance with the Law on Banks, as well as the operations related to the investment fund management. The Group is committed to operate according to the principles of liquidity, security and profitability.

As at June the 30th 2012, the Group consists of the Head Office and seat in Belgrade, 14 Svetog Save St, the seat of Komercijalna Banka AD Budva in Budva, the seat of Komercijalna Banka AD Banja Luka in Banja Luka, the seat of Investment Fund Management Company KomBank INVEST AD Beograd in Belgrade, 40 branches and 243 outlets in the territories of Serbia, Montenegro and Bosnia and Herzegovina.

On June the 30th 2012, the Group had 3.266 employees and on December the 31st 2011, it had 3.282 employees.

## 2. THE BASIS FOR PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

### 2.1. The Statement of Compliance

Members of the Group kept their business books and prepared individual financial statements as of June the 30th 2012 in accordance with the local legislation, other regulations based on the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS), as well as the regulations of the relevant central banks and regulatory bodies.

In order to prepare the consolidated financial statements the individual financial statements of the dependent bank were adjusted to the presentation of the financial statements prepared based on the accounting regulations of the Republic of Serbia.

The parent bank keeps records and prepares the consolidated financial reports in accordance with the effective Law on Accounting and Audit of the Republic of Serbia (Official Gazette of the RoS 46/2006, 111/2009), Law on Banks (Official Gazette of the RoS 107/2005, 91/2010) and other relevant bylaws of the National Bank of Serbia, as well as all other regulations that apply in the Republic of Serbia.

In accordance with the Law on Accounting and Audit, legal entities and entrepreneurs in the Republic of Serbia prepare and present the consolidated financial statements in accordance with the law and professional and internal regulations, wherewith the professional regulations include the applicable Framework for the Preparation and Presentation of the Financial Statements („the Framework“), International Accounting Standards (IAS) and International Financial Reporting Standards („IFRS“), as well as interpretations that form the integral part of these standards, that is to say, the text of IAS and IFRS which is in effect, does not include the basis for conclusions, illustrative examples, guidelines, remarks, opposing viewpoints, elaborated examples or other supplementary material.

In preparing and presenting the interim consolidated financial statements January through June 2012, the Parent Bank has been using the same accounting policies and methods of calculation as in preparing the Annual Consolidated Financial Statements for 2011.

Enclosed consolidated financial statements are prepared in the form prescribed by the Instruction on the manner in which the public companies and certain persons related to them shall deliver information to the Securities Commission, pursuant to the Law on Capital Market (Official Gazette 31/2011). The prescribed set of semi-annual consolidated financial statements includes Balance Sheet – Consolidated, Income Statement – Consolidated, Cash Flow Statement – Consolidated, Changes in Equity Statement – Consolidated and Notes to the consolidated financial statements.

### 2.2. The Rules of Assessment

The consolidated financial statements have been prepared based on the historical value principle, except regarding the following positions:

- Financial instruments at fair value through profit or loss, evaluated at fair value;
- Financial instruments available for sale, evaluated at fair value;
- Derivatives, which are evaluated at fair value and
- Buildings, which are evaluated at revaluated value.

### 2.3. Functional and Reporting Currency

The consolidated financial statements of the Group are stated in thousands of Dinars (RSD). Dinar is the official reporting currency in the Republic of Serbia and the functional currency of the Parent Bank.

Functional currencies EUR from the financial statements of Komercijalna Banka AD Budva and BAM from the financial statements of Komercijalna Banka AD Banja Luka, have been translated into presentation currency and functional currency of the Parent Bank – the Dinar (RSD) based on the official exchange rates published in the Republic of Serbia.

### 2.5. Use of assessments

The preparation and presentation of the consolidated financial statements requires from the management of the Group to use the best possible assessments and understanding of the assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as income and expenses in the reporting period.

These assessments and assumptions are based on historical experience, and on various information available on the date of the consolidated financial statements, which seem realistic and reasonable in the given circumstances. Based on these data, we form the assumption of the value of assets and liabilities that cannot be directly confirmed against other information. The real value of assets and liabilities can deviate from the value that has been assessed in this manner.

Both the assessments and assumptions, under which the estimates have been made, come as the result of the regular checks. If, during checking, we determine that a change in the assessed value of assets and liabilities occurred, the effects determined in such a way are recognized in the consolidated financial statements for the period when the change in assessment occurred, but only when the change in assessment affects just that particular accounting period; when the change in assessment also affects current and future accounting periods, the effects of such change are recognized both in the period when the change in assessment occurred and in the upcoming accounting periods.

Information about the areas in which the level of assessment is the highest, and which may therefore have the most significant effect on the amounts recognized in the consolidated financial statements of the Group, is provided in the Note 3.15.

## 3. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

The consolidated financial statements present the financial reports of the Group, consisting of the consolidated financial statements of Komercijalna Banka AD Beograd, as the Parent Bank, and the following dependent and related legal entities:

- Komercijalna Banka a.d. Budva, Montenegro, 100% owned by the Parent Bank,
- Investment Fund Management Company KomBank Invest AD Beograd, 100% owned by the Parent Bank and
- Komercijalna Banka a.d. Banja Luka, Bosnia and Herzegovina, 99,998% owned by the Parent Bank.



Income Statement and Cash Flow Statement have been reclassified by applying the average exchange rate in effect in the Republic of Serbia for the first half of 2012, which came to RSD 110,8181 for one EUR and RSD 56,6604 for one BAM, and the other financial statements (Balance Sheet and Changes in Equity Statement) by applying the exchange rate in effect on the concluding date - 30.06.2012, i.e. RSD 115,8203 for one EUR or RSD 59,2180 for one BAM.

### **3.1. Interest income and expenses**

Interest income and expenses, including the default rate and other income and expenses related to the interest bearing assets / liabilities, have been calculated on accrual basis and according the terms arising from the obligatory relationship, as specified by the contract entered into between the members of the Group and their clients.

Fee and commission income arising from granted loans has been booked as deferred income; these are recognized as the interest income for the period according to the effective interest rate (EIR) method, i.e. effective yield arising from lending.

Interest income also includes income arising from the risk hedged financial instruments, mainly based on the annuities hedged by tying the local currency to Euro or another foreign currency rate, or to the retail prices index, with the calculation at the end of each month during the repayment term and on annuity due date.

### **3.2. Fees and commission income and expenses**

Fees and commission income and expenses are recognized based on the accrual principle.

Income arising from fees charged for the banking services and fees and commission expenses are determined once the payment falls due, i.e. when realized. In the income statement, they are recognized when incurred, or due and payable. Income arising from fees for guarantees and other contingent obligations are being accrued in accordance with the duration period and recognized in the income statement in proportion to the duration time.

### **3.3. Gains and losses on securities**

Realized or unrealized gains and losses arising from the changes in the market value of trading securities are recognized through the income statement.

Gains and losses arising from change in depreciated value of securities held to maturity are recognized as income or as expense.

Unrealized gains and losses on securities available for sale are recognized in the revaluation reserves included in equity. In case of sale or permanent reduction in value of these securities, the related revaluation reserves previously established are included in the income statement as gains and losses arising from investments in securities.

Gains/losses arising from the stipulated foreign currency hedge clause and changes in the rate of securities available for sale, as well as the interest income on securities available for sale, are stated in the income statement.

Dividends received from investments in shares of other legal entities are stated as dividend income at the time of collection.

Impairment of the assessed value of risk by all types of securities is recognized in the income statement.

### 3.4. Translation of foreign currency in Financial Statements

Business transactions in foreign currency are translated into Dinars by middle rate established on the interbank FOREX market, which has been effective at the transaction date.

Assets and liabilities declared in foreign currency at the balance sheet date are translated into Dinars by middle rate established on the interbank FOREX market, which was effective on that date.

Net FX gains or losses incurred in business transactions in foreign currency and during translation of the balance sheet positions stated in foreign currency are booked as FX gains or losses.

Undertaken and contingent liabilities in foreign currencies are translated into Dinars by middle rate established on the interbank FOREX market, which was in effect at the balance sheet date.

### 3.5. Real estate, investment property, equipment and intangible assets

#### 3.5.1. Intangible assets

Intangible assets are valued at cost. After the initial recognition, the intangible assets are stated at cost reduced by the accumulated depreciation and losses resulting from impairment.

Calculation of depreciation of the intangible asset will begin in the month that follows the month when the intangible assets were made available for use.

The basis for calculating depreciation consists of the cost value reduced by the remaining (residual) value. If the residual value comes out as materially insignificant, it is not taken into account in calculation of depreciation, i.e. it does not reduce depreciation basis.

The intangible assets are depreciated by applying straight-line method, with the use of 14.29 to 33.34% depreciation rate.

#### 3.5.2. Fixed assets

// Recognition and valuation

Except for real estate, the fixed assets are valued at cost, reduced by valuation adjustment and losses resulting from impairment. As of January the 1<sup>st</sup>, 2005, the Group has adopted the method of revaluation of the real property owned by the Group members. Based on the market value assessment for the real property owned by the Parent Bank approved by the Board of Directors, the calculation of revaluation has been carried out and the value of real property was increased in 2005.

Fixed assets are initially measured at cost.

The cost value includes expenditure that can be directly attributed to an asset acquisition. Purchased software, which is an integral part necessary for the functional usefulness of the equipment, is capitalized as part of that equipment.

When parts of the fixed asset have different useful lives, they are listed as separate items (main components) of the equipment.

For the subsequent measurement of fixed assets other than real estate, after the initial recognition, the Group applies the cost value method. For the subsequent measurement of the real property, the Group applies revaluation model.

/ii/ Subsequent costs

Costs of replacement of a part of the fixed asset are recognized at book value, if the future economic benefits associated with that part are likely to flow into the Group, and if the cost of that part can be reliably measured. When spent, the spare parts and service equipment are recorded through the income statement.

/iii/ Depreciation

Depreciation of the fixed assets is calculated proportionally to the cost or revaluated value of the fixed assets, by applying the following annual rates, which have been determined to depreciate the cost or revaluated value reduced by the remaining (residual) value of the fixed assets in equal annual amounts during its useful life.

The applied annual rates of depreciation are as follows:

Buildings	2,50%
Computer equipment	25%
Furniture and other equipment	6,7%-33,33%
Investments in extraneous fixed assets	4,25%-86,20%

### 3.5.3. Investment property

The Group keeps investment property in order to earn income from rentals or for increase in value of capital, or both.

Investment property is initially measured at cost. Costs of transaction are not included in the initial measurement.

For the subsequent measurement of investment property, after the initial recognition, the Group applies the cost value method.

Depreciation of investment property is calculated equally at cost value of investment property, by applying the annual 2.5% rate.

### 3.6. Supplies

#### 3.6.1. Supplies

Supplies are stated at cost or by net selling value, depending on which is lower.

The Group states assets acquired by collection of due credit receivables within this item.

#### 3.6.2. Fixed assets held for sale

Assets held for sale is an asset whose book value can primarily be compensated through a sale transaction, and not through continued use.

Fixed asset is classified as fixed asset held for sale if it meets the following criteria:

- An asset (or the group of assets) is available for direct sale in its current state
- The fixed assets is planned for sale and the activities related to realization of such sale have begun
- There is an active market for such asset and the asset is actively present on that market
- The probability of sale is very high, or there is an expectation that the sale will be realized within a year starting from the day of asset classification as a fixed asset held for sale.

Fixed asset held for sale is initially valued by current (book) value or market (fair) value reduced by the costs of sale, depending on which of these values is lower. From the moment of classification of the asset as a fixed asset held for sale, calculation of depreciation for such asset stops.

If there is a change in the sales plan, the fixed asset ceases to be classified as fixed asset held for sale. In that case, the lower of the following two values is used to evaluate the fixed asset:

- Book value of the asset before it has been classified as a fixed asset held for sale, adjusted for accrued depreciation and impairment, which would have been recognized if the fixed asset had not been classified as the fixed asset held for sale, and
- Recoverable value effective at the date of the decision not to sell the respective asset.

### 3.7. Financial Instruments

#### */i/ Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value whose effects in changes of fair values are stated in the income statement, loans and receivables, financial assets available for sale and assets held to maturity. Classification depends on the purpose for which the funding has been obtained. The management of the Group classifies its financial lending at its initial recognition.

#### */ii/ Recognition*

Purchases or sales of financial assets and financial liabilities are recorded using the accounting recognition at the transaction settlement date.

#### */iii/ Evaluation*

Financial instruments are initially valued at market value, which includes transaction costs for all financial assets or liabilities other than those that are valued at fair value through the income statement. Financial assets kept at fair value, whose effects of changes in fair value are stated in the income statement, are initially recognized at fair value, and the transaction costs are declared as the operating expenses in the income statement.

Financial assets available for sale and financial assets at fair value, whose effects of changes in fair value are stated in the income statement after the initial recognition, are stated at fair value. Loans and receivables, as well as the financial assets held to maturity are measured at amortized cost using the effective interest rate method.

After initial recognition, the financial liabilities are declared at amortized cost by use of effective interest rate method, except for the financial liabilities at fair value through the income statement.

#### */iv/ Derecognizing*

A Group Member shall remove financial asset from the books when the rights to receive cash from an asset expire, or when these rights are transferred to another person. Each right as per transferred financial assets, created or kept by the Group Member, shall be recognized as a separate asset or liability.

A Group Member shall remove liability from the books once it is settled, suspended or transferred to another person.

#### */v/ Valuation at amortized cost*

Amortized costs of the financial assets or liabilities are the amounts by which assets or liabilities are initially valued, reduced by principal repayment, plus or minus the cumulative amortization using the effective interest

rate method on the difference between the initial value and face value at the instrument maturity date, reduced by impairment.

/vi/ Valuation at fair value

The fair value of financial instruments is the amount by which the asset can be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

The available market information at the reporting date and other models of valuation the Group Member is using determine fair value.

Fair value of certain financial instruments declared by nominal value is approximately equal to their book value. These instruments include cash, and receivables and payables with no agreed maturity, or the agreed fixed interest rate. Other receivables and liabilities are reduced to their currency value by discounting the future cash flows with the use of current interest rates. The management believes that due to the nature of the Group's business and its general policies, there are no significant differences between the book and fair value of the financial assets and liabilities.

The fair value of irrevocable loans and off balance items is the same as their book value.

/vii/ Impairment

Group's financial assets are estimated at the balance sheet date, in order to determine whether the objective evidence of impairment exist. If there is evidence of impairment, the recoverable amount of the loan is determined. In order to manage the credit risk adequately and efficiently, in the scope of its internal regulations, the Group has prescribed specific policies and procedures for the identification of bad assets and management of such assets.

The management of the Group evaluates recoverability of receivables, i.e. impairments of loans and advances based on the individual assessment of doubtful receivables. Doubtful receivables include all claims with default repayment. Members of the Group evaluate the recoverable amount of receivables and loans, bearing in mind the regularity of payments, financial state of the debtor and quality of the collateral, as well as the agreed cash flow and historical data on losses.

Members of the Group calculate the impairment cost that shows in the expense side for the period when the impairment occurred. If, in the following periods, the management determines that conditions changed in the sense that impairment no longer exists, previously impaired asset will be suspended in favour of the income side. Suspension of impairment cannot result in higher value of the asset in question than the value such asset would have if there had been no impairment.

### 3.8. Loans

Loans are stated in the balance sheet up to the amount of granted lending, reduced by the principal amount repaid, and by the valuation adjustment based on the estimate of specifically identified risks related to certain loans and risks for which the experience shows should be included in the loan portfolio. In assessing these risks, the management uses methodology based on the full application of IAS 39, disclosed in the Note 3.15.

Dinar loans hedged by binding the local currency to exchange rate of Euro or other foreign currency, or the retail price index, are revaluated in accordance with the specific contract for each loan. The difference between nominal value of the outstanding principal and revaluated amount is stated within the position of receivables

arising from loans and advances. The effects of this revaluation are recorded in the position of income and expenses from changes in value of assets and liabilities.

### **3.9. Financial Assets**

#### **3.9.1. Financial assets at fair value whose effects of changes in fair value are recognized in profit or loss**

Financial assets at fair value whose effects of changes in fair value are recognized in the profit&loss are the financial assets held for trading. The financial asset is classified in this category if it has been acquired primarily for sale in the short term. Derivatives are also classified as the assets held for trading, unless identified as the hedging instrument. We classify assets in this category as current. The financial assets at fair value whose effect of changes in fair value are recognized in the profit&loss include old FX savings bonds issued by the Republic of Serbia and shares of banks and companies acquired for trading.

#### **3.9.2. Financial assets held to maturity**

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity terms, which the Group Members intend to hold and can hold to maturity. These financial assets include obligations of legal entities and govt. T-bills of Montenegro.

In case a member of the Group decides to sell a considerable portion of financial assets held to maturity, the entire category is reclassified as available for sale. Financial assets held to maturity are classified as long-term assets, unless the maturity terms are shorter than 12 months as at the balance sheet date, in which case they are classified as short-term assets.

Financial assets held to maturity are initially recorded at cost value, and at the balance sheet date these are recognized at amortized value, i.e. current value of the future cash flows determined by use of the effective interest rate contained in the instrument.

#### **3.9.3. Equity investments and other financial assets available for sale**

Financial assets available for sale are non-derivative financial assets that are designated as available for sale and not classified as loans and receivables, financial assets held to maturity or financial assets at fair value whose effects of change in fair value are recognized in the profit or loss. Financial assets available for sale are investments intended to be kept for an indefinite period, which can be sold because of the liquidity requirements or change in interest rates, foreign exchange rate or market prices. If there is no active market for the financial assets available for sale, or if these assets bear fixed maturity term, the financial assets available for sale are evaluated at amortized value using the effective interest rate method. The financial assets available for sale consist of T-bills and bonds issued by the Republic of Serbia, shares of other banks and stakes in other legal entities.

Financial assets available for sale are initially estimated at cost value, and at the balance sheet date at market value, if known. Change in market value is recognized in the capital position, credited or debited to revaluation reserves, until the disposal of these financial assets, when revaluation reserves are transferred to income.

In terms of share in equity, there is the intention to hold indefinitely. These shares can be sold depending on the liquidity requirements or in case of change in market prices. If there is no active market for a share in equity, it is valued at cost.

### 3.10. Cash and cash equivalents

In the Cash Flow Statement, the position cash and cash equivalents includes cash, funds deposited on the accounts of other banks and cheques presented for collection.

### 3.11. Funds managed on behalf and for the account of third persons

Funds managed by the Group members for the fee on behalf and for the account of the third persons are not included in the Group balance sheet, but in the off balance positions.

### 3.12. Taxes and Contributions

#### 3.12.1. Corporate Profit Tax

Profit tax is the amount calculated by use of the prescribed tax rate to the profit amount before tax, stated in accordance with the IAS / IFRS, after deduction of the effects of permanent differences that reduce the prescribed tax rate to an effective tax rate.

The Parent Bank has no possibility of exercising fiscal consolidation based on the regulations effective in the Republic of Serbia.

The Group Members determine the final amounts of tax liabilities arising from profit by applying the tax rate on the tax base established by local regulations.

Tax rates for 2012 are as follows:

Serbia	10%
Montenegro	9%
Bosnia and Herzegovina	10%

#### 3.12.2. Taxes and contributions not related to the corporate business result

Taxes and contributions that are not related to the company's business result include property tax; value added tax, tax contributions on wages paid by the employer, as well as other taxes and duties in accordance with the state, local and tax regulations. These taxes and contributions are stated in the OPEX.

### 3.13. Deposits

Deposits are stated up to the amount of deposited funds, which can be increased by accrued interest, depending on the obligatory relationship established between the depositor and member of the Group. Members of the Group have stipulated the interest rates on deposits depending on the amount of a deposit.

FX deposits are stated in Dinars according to the middle rate of the deposit currency effective at the balance sheet date.

Deposits are stated in the balance sheet as transaction and other deposits.

### 3.14. Capital

Capital of the Group includes the initial capital, shares of the subsequent issues, reserves from profit, revaluation reserves, retained earnings and current earnings reduced by unrealized losses on securities available for sale.

Capital of the Group was formed with the funds invested by the founder- the Parent Bank and minority founder of Komercijalna Banka AD Banja Luka in cash. The founder cannot withdraw the funds invested in the capital of the Group.

### 3.15. Key accounting assessments and assumptions

Management makes assessments and assumptions that influence the value of assets and liabilities in the subsequent fiscal year. Estimated values are rarely equal to achieved results. Assessments and assumptions that involve the risk of significant material corrections of the book value of assets and liabilities in the coming fiscal year are stated below.

/i/ Credit loss reserves

The Group reviews its accounts receivable and other investments in order to assess the credit loss reserves and impairments on a monthly level. In determining whether the losses arising from the impairment of receivables and other investments should be recognized in the profit&loss, members of the Group assess if there is information / evidence that suggest the existence of a measurable reduction of the estimated future cash flows on the group level, before such losses can be identified on the level of a single account receivable, i.e. loan. Information that can indicate losses arising from receivables and investments include irregularity and delay in settlement of obligations, market and economic conditions on the local level, which cause delay in settlement of obligations etc. Management's assessments on impairment of receivables and other investments by estimating the future cash flow are based on the real losses from the previous periods, which were realized on the financial assets with a similar risk and similar impairment reasons. The methodology and assumptions, which make the starting point for defining the amount and period of cash flow from loans and other investments, is the subject of regular reviews in order to minimize the differences between loss estimates and actual losses.

The impairment assessment procedure is carried out specifically, for each materially significant loan, and on the group level, for less materially significant loans. The impairment amount is assessed individually, as a difference between the book and current value of the expected future cash flows, determined by discounting, by applying the effective interest rate of a loan in question.

Impairment of the less materially significant loans is assessed at the group level for each credit rating group separately, bearing in mind their similar features in terms of credit risk, and to the level of migration percentage of the corresponding credit rating group into the V credit rating group adjusted by the percentage of the collection of loans which were classified into the V credit rating group.

If, when assessing the specific materially significant loans, a conclusion is made that no objective evidence exist to impair these loans, devaluation of such loans will be carried out in the percentage of impairment of the credit rating group to which they belong.

The methodology and assumptions, which serve as the starting point when defining the amounts and periods of cash receivables from loans and advances, undergo regular checks in order to minimize differences between estimated and actual losses. The amounts of expected loan inflows are estimated based on the evidence of projected revenues of the debtor, and if insufficient, the estimate of the cash flow from exercising the collateral. The assessment of default days for collection of certain claims from the debtor, are determined by identifying all the relevant evidence concerning the periods of the debtor's projected net income, as well as historical data about the default in payment of the debtor in question.



/ii/ Fair value

Determining the fair value of financial assets and liabilities for which there is no market price requires the use of different models and techniques. Concerning the financial instruments that have less trading volume and whose market prices are therefore less transparent, determination of the fair value is more subjective, i.e. requires higher level of assessment depending on the liquidity of the instrument, concentration of risk, market uncertainties, assumptions regarding the price and other factors that affect the specific financial instrument.

### 3.16. Employee benefits

In accordance with the regulations, the Group Members are obligated to pay contributions to the state funds in order to insure social security for the employees. These obligations include contributions for employees paid by the employer in an amount calculated at the rates prescribed by the relevant legislation. Members of the Group are also obligated to reduce the gross salaries of employees by the amount of contributions, and to make payments to the funds referred to above on behalf of the employees. Contributions paid by the employers and contributions charged to the expense of the employee are booked to the expense side of the period they refer to.

The Group has no own pension funds or options to make share payments to employees, thus it has no identified liabilities on that basis as of June the 30th of the current year.

The Group allocated the provisions in 2011 according to the IAS 19 for a part of increase in long-term liabilities for retirement benefits and increase in obligations for unused days of vacation of the employees.

### 3.17. Information by segments

The Group conducts most of its business on the territory of the Republic of Serbia.

The balance sum of the Parent Bank comes to 92.22% of the total consolidated balance sheet sum (2011: 92.25%).

The balance sum of Komercijalna Banka AD Budva is 3.35% of the total consolidated assets (2011: 3.24%), Komercijalna Banka AD Banja Luka 4.40% (2010: 4.48%) and KomBank INVEST 0.03% (2011: 0.03%).

During consolidation, we eliminated all mutual relationships from the balance sheet, in total amount of RSD 5.924.886 thousands (2011: RSD 5.690.480 thousands). Income was eliminated from the balance sheet amounting to RSD 2.971 thousands (2011: RSD 165.859 thousands), and RSD 28.722 thousands were eliminated from expenses (2011: RSD 46.767 thousands) – Note 7.

Segmented information is disclosed in the Note 6.

#### 4. CAPITAL

Capital of the Group consists of:

RSD thousands	30.06.2012	31.12.2011
Share capital	13.881.069	13.881.064
Issue premium	14.581.543	14.581.543
Capital	28.462.612	28.462.607
Reserves from profit	15.483.970	12.261.615
Revaluation reserves	760.666	689.620
Unrealized losses on securities held for sale	(77.483)	(63.940)
Reserves	16.167.153	12.887.295
Accumulated profit	2.823.830	3.830.588
Positive cumulative differences on exchange translation of foreign operations	1.493.761	863.532
Negative cumulative differences on exchange translation of foreign operations	-	-
<b>Balance</b>	<b>48.947.356</b>	<b>46.044.022</b>

#### 5. CAPITAL ADEQUACY AND PERFORMANCE INDICATORS COMPLIED WITH THE LAW ON BANKS

##### Capital adequacy

The Group's capital adequacy, according to the NBS methodology, amounts to 16.93% on June the 30th 2012. The Group is obliged to adjust its business scope with the parameters prescribed by the Law on Banks. As at 30.06.2012, all the indicators were complied with the requirements.

**Parent Bank** is required to maintain the minimum capital adequacy ratio of 12%, as determined by the National Bank of Serbia pursuant to the Basel Convention applicable to all banks. The capital adequacy ratio of the Parent Bank as at June the 30th 2012, calculated based on the financial statements, amounts to 15.50% when applying effective decisions of the National Bank of Serbia for 2012. As at 30.06.2012, all indicators were adjusted with the prescribed parameters.

**Komercijalna Banka AD Budva** is required to maintain the minimum capital solvency ratio of 10%, as determined by the Central Bank of Montenegro. The solvency ratio as at 30.06.2012, calculated as the ratio of total risk capital amount and total weighted assets, amounts to 38,28% according to the methodology of calculation prescribed by the Central Bank of Montenegro. As at 30.06.2012, all the indicators were complied with the prescribed parameters.

**Komercijalna Banka AD Banja Luka** is required to maintain the minimum capital adequacy ratio of 12%, as determined by the Banking Agency of Republika Srpska. As at 30.06.2012, the capital adequacy ration amounted to 27.04%. As at 30.06.2012, all the indicators were complied with the prescribed parameters.

6. REPORT BY SEGMENTS

A. BALANCE SHEET at June 30, 2012

	RSD thousands				
	Kom. banka AD Beograd	Kom. banka AD Budva	Kom. banka AD Banja Luka	KomBank INVEST AD Beograd	Total
<b>ASSETS</b>					
Cash and cash equivalents	20.821.715	1.081.342	459.764	-	22.362.821
Callable deposits and loans	43.003.040	358.891	1.415.237	-	44.777.168
Receivables arising from interest, fees, sale, sale of derivative fair value and other receivables	1.619.984	83.368	127.662	153	1.831.167
Loans and advances to customers	178.256.043	7.121.419	11.836.025	-	197.213.487
Securities (other than own shares)	37.390.047	601.987	-	99.988	38.092.022
Equity investments (shares) in non-related legal entities	400.962	66	-	-	401.028
Other investments	3.540.485	-	2.172	1	3.542.658
Intangible assets	562.448	14.498	36.308	1.165	614.419
Fixed assets and investment property	7.439.645	248.346	108.301	38	7.796.330
Non-current assets held for sale and discontinuing operations	101.040	-	133.915	-	234.955
Differed tax assets	29.870	-	-	-	29.870
Other assets	4.016.081	1.267.412	62.517	254	5.346.264
Loss over the amount of capital	-	-	-	-	-
Equity investments (shares) in related legal entities by capital method	-	-	-	-	-
<b>Total assets</b>	<b>297.181.360</b>	<b>10.777.329</b>	<b>14.181.901</b>	<b>101.599</b>	<b>322.242.189</b>
<b>LIABILITIES</b>					
Transaction deposits	29.551.288	1.436.980	3.854.699	-	34.842.967
Other deposits	196.102.493	4.184.707	5.924.752	-	206.211.952
Loans received	2.525.916	148.114	661.714	-	3.335.744
Liabilities arising from interest, fees and changes in derivatives value	193.932	10.625	1.622	-	206.179
Provisions	1.659.952	41.456	19.089	351	1.720.848
Tax liabilities	51.350	3.419	1.274	116	56.159
Liabilities relating to profit	88.040	-	-	-	88.040
Deferred tax liabilities	46.906	282	-	72	47.260
Other liabilities	25.754.169	841.505	188.838	1.172	26.785.684
<b>Total liabilities</b>	<b>255.974.046</b>	<b>6.667.088</b>	<b>10.651.988</b>	<b>1.711</b>	<b>273.294.833</b>
<b>CAPITAL</b>					
Capital	28.462.553	-	59	-	28.462.612
Reserves from profit	14.785.440	510.155	188.375	-	15.483.970
Revaluation reserves	760.666	-	-	-	760.666
Unrealized losses on securities available for sale	77.483	-	-	-	77.483
Profit	2.222.846	550.095	76.330	69	2.823.830
Loss up to the amount of capital	-	-	-	25.510	-
Positive cumulative rate of exchange differentials foreign op.	1.488.695	2.850	2.061	155	1.493.761
Negative cumulative rate of exchange differentials foreign op.	-	-	-	-	-
<b>TOTAL CAPITAL</b>	<b>47.642.717</b>	<b>1.063.100</b>	<b>266.825</b>	<b>-25.286</b>	<b>48.947.356</b>
<b>TOTAL LIABILITIES</b>	<b>303.616.763</b>	<b>7.730.188</b>	<b>10.918.813</b>	<b>-23.575</b>	<b>322.242.189</b>
Minority owners interest	-	-	64	-	64
<b>OFF BALANCE SHEET POSITIONS</b>	<b>193.103.656</b>	<b>1.329.270</b>	<b>2.922.453</b>	<b>-</b>	<b>197.355.379</b>
Operation on behalf and for the account of third persons	4.811.805	37.966	-	-	4.849.771
Future undertaken commitments	39.517.934	768.572	2.257.823	-	42.544.329
Other off-balance positions	148.773.917	522.732	664.630	-	149.961.279

**B.INCOME STATEMENT**

January 1 through June 30, 2012

	RSD thousands				
	Kom. Banka AD Beograd	Kom. Banka AD Budva	Kom. Banka AD Banja Luka	KomBank INVEST AD Beograd	Total
Interest income	9.665.683	333.557	442.853	5.876	10.447.969
Interest expenses	4.604.716	70.455	108.561	-	4.783.732
<b>Net interest income</b>	<b>5.060.967</b>	<b>263.102</b>	<b>334.292</b>	<b>5.876</b>	<b>5.664.237</b>
Fees and commission income	2.473.180	64.571	84.917	873	2.623.541
Fees and commission expenses	346.660	8.783	21.811	285	377.539
<b>Net fees and commission income</b>	<b>2.126.520</b>	<b>55.788</b>	<b>63.106</b>	<b>588</b>	<b>2.246.002</b>
Net gains on sale of securities at fair value through income statement	-	-	-	29	-
Net loss on sale of securities at fair value through income statement	1.104	-	-	-	1.075
Net gains on sale of securities available for sale	82.069	-	-	-	82.018
Net loss on sale of securities available for sale	-	51	-	-	-
Net gains on sale of other investments	-	-	-	1.259	1.259
Net FX gains	-	2.573	2.195	139	-
Net FX losses	9.973.252	-	-	-	9.968.345
Dividends and other income from equity investments	1.306	-	-	-	1.306
Other operating income	119.918	483	1.048	12	121.461
Impairment and other provisions	287.262	16.722	16.821	-	320.805
Salaries, benefits and other personal expenses	2.014.605	105.084	140.089	5.984	2.265.762
Depreciation expenses	369.461	17.065	27.271	593	414.390
Other operating expenses	2.486.095	107.575	142.616	2.501	2.738.787
Income from assets and liabilities valuation adjustments	13.137.349	-	-	394	13.137.743
Expenses from assets and liabilities valuation adjustments	3.091.248	-	-	17	3.091.265
<b>Operating profit</b>	<b>2.305.102</b>	<b>75.449</b>	<b>73.844</b>	<b>-</b>	<b>2.453.597</b>
<b>Operating loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>798</b>	<b>-</b>
Income tax					
Profit from created deferred tax assets and reduction of deferred tax liabilities					
Loss on decrease of deferred tax assets and creation of deferred tax liabilities					
<b>PROFIT</b>	<b>2.305.102</b>	<b>75.449</b>	<b>73.844</b>	<b>-</b>	<b>2.453.597</b>
<b>LOSS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>798</b>	<b>-</b>
Minority interest	-	-	1	-	1

## 7. CONSOLIDATED POSITIONS OF RELATED PERSONS

### Balance sheet

Cumulative non-consolidated balance sheet	RSD thousands	
	Amount of balance sheet consolidation	Consolidated balance sheet
<b>328.167.073</b>	<b>5.924.884</b>	<b>322.242.189</b>
Cash / liabilities	140.210	
Loans and advances / liabilities	303.786	
Equity investments / capital	5.480.888	

### Income statement

Cumulative non-consolidated profit in the income statement (before tax)	RSD thousands		
	Amount of consolidation from the Income statement		Consolidated profit (before tax)
	Income	Expenses	
<b>2.427.846</b>	<b>2.971</b>	<b>28.722</b>	<b>2.453.597</b>
Interest	2.193	2.193	
Fees	778	778	
Rate of exchange differences	-	25.751	

## 8. EVENTS AFTER THE BALANCE SHEET DATE

There are no important events after the balance sheet date - 30.06.2012, until the date of disclosure of these Notes.

## 9. FX RATES

FX rates established on the interbank meeting of the FX market applied for translation of the balance sheet positions into Dinars (RSD) on June 30, 2012 and December 31, 2011, for main currencies were as follows:

	Official NBS rate		Average NBS rate	
	30.06.2012	31.12.2011	I-VI 2012	I-VI 2011
USD	92,1476	80,8662		
EUR	115,8203	104,6409	110,8181	101,9265
CHF	96,3724	85,9121		
BAM	59,2180	53,5020	56,6604	52,1142

In Belgrade on August the 8th, 2012.

Persons responsible for preparation of  
The financial statements

*Jovana Stokich*



# KOMERCIJALNA BANKA AD BEOGRAD

Svetog Save 14, 11000 Beograd  
Tel: +381 11 30 80 100  
Fax: +381 11 344 13 35  
Registration number: 07737068  
Tax Identification Number: SR 100001931  
VAT number: 134968641  
Activity code: 6419  
Business Registers Agency: 10156/2005  
Account number: 908-20501-70  
SWIFT: KOBBCSBG  
E-mail: [posta@kombank.com](mailto:posta@kombank.com)

## STATEMENT

In our opinion, semi-annual consolidated financial statements for the period 01/01/2012 to 30/06/2012 present fairly, in all material respects, the financial position of the Group Komercijalna banka AD Beograd, its assets, liabilities, gains and losses as well as results of its operations, and have been prepared in accordance with the Law on Accounting and Audit, Law on Banks and other relevant by-laws of the National Bank of Serbia as well as the IAS and IFRS, as published by January 1, 2009, which were translated and published in the Official Gazette, in October 2010, pursuant to the decision by the Finance Minister.

Persons responsible for the preparation of financial statements

  
Gordana Zorić  
Subsidiaries Department  
Director

  
Savo Petrović  
Executive Director for  
Finance and Accounting

