

***KOMERCIJALNA BANKA AND
THE BANKING SECTOR OF THE REPUBLIC
OF SERBIA***

IN 2008 AND 2009

May 2009



KOMERCIJALNA BANKA AD BEOGRAD

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KOMERCIJALNA BANKA

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KMBN highlights

- Second largest bank in Serbia -10,3% market share, as of March 2009
- Largest customer base and leading deposit-taker
- 750,000 customers and 1,200,000 accounts
- Largest branch network with 269 outlets
- Regional presence via 2 subsidiaries
- Focus on SME and retail
- Strong brand recognition and reputation



Macroeconomic Environment in 2008

- ❑ *Expanding fiscal and restrictive monetary policy*
 - *Depreciation of dinar almost twice as high as the rate of inflation*
 - *Dinar directly dependent on the level of repo "stock"*
- ❑ *Unstable regulatory environment*
 - *Main goal defense of the exchange rate and reduction in inflation/consumption*
 - *Decisive influence on profitability and business strategies of the banks*
- ❑ *October 2008 – new era*
- ❑ *Deposit outflow and rise in cost of funds*
- ❑ *Illiquidity of economy*

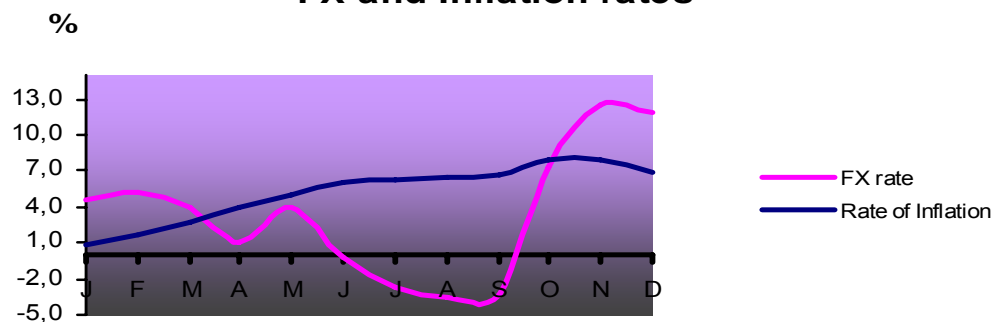
Measures of the RS Government and NBS aimed at mitigating the consequences of crisis

- *Decision on increase of guarantees for savings deposits from EUR 3.000 to EUR 50.000, including the SMEs*
- *Abolished interest tax paid on savings deposits*
- *Abolished tax on capital gains from listed securities*
- *Abolished securities transfer tax*

POSITION	2007	2008
1. GDP Growth	7,00%	5,4%*
2. Inflation Rate (core)	6,50%	10,10%*
3. Interest rates (reference interest rate)	10,50%	17,75%
4. Risk premium for Serbia in BPS	300	700
5. Exchange rate (RSD/EUR)	79,20	88,60

* Most recently published data for the end of the year 2008

FX and Inflation rates



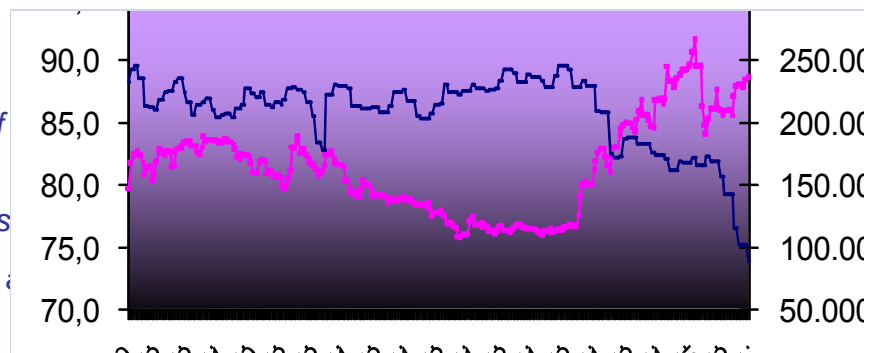
Macroeconomic Environment in 2008

New measures of NBS

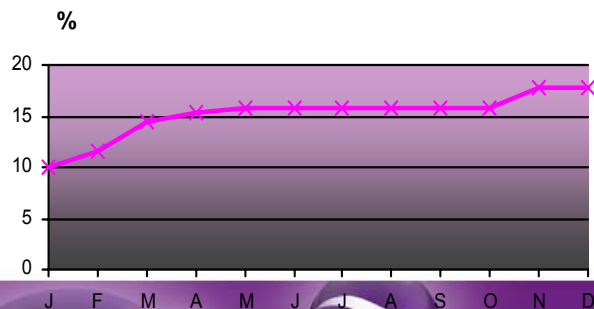
Growth of reference interest rate from 10% to 17,75%

- Reduction of BPS from 200 to 150%
- Reduction of open FX position from 30% to 20%
- Alteration of obligatory reserve calculation method (40% of obligatory reserve is allocated in dinars)
- Cancellation of obligatory reserve for international borrowings
- New Decision on Classification of Balance Sheet Assets and Off-Balance Sheet Items (tightening of criteria)
- New Decision on Capital Adequacy
- New set of decisions on risk management
- New Chart of accounts and new methodology of financial reporting
- Preparation for Basel II standards implementation

MOVEMENTS OF DINAR EXCHANGE RATE AND REPO STOCK IN 2008



Reference Rate of NBS



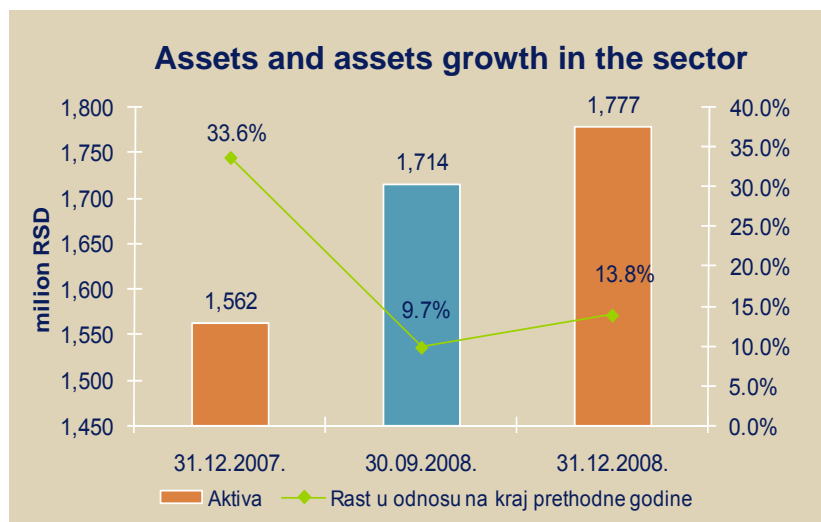
MONTH	Reference Interest rate p.a.
JANUARY	10,00
FEBRUARY	11,50
MARCH	14,50
APRIL	15,25
MAY	15,75
JUNE	15,75
JULY	15,75
AUGUST	15,75
SEPTEMBER	15,75
OKTOBER	15,75
NOVEMBER	17,75
DECEMBER	17,75



KOMERCIJALNA BANKA

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Growth Indicators of the Key Balance Sheet Positions in the Banking Sector

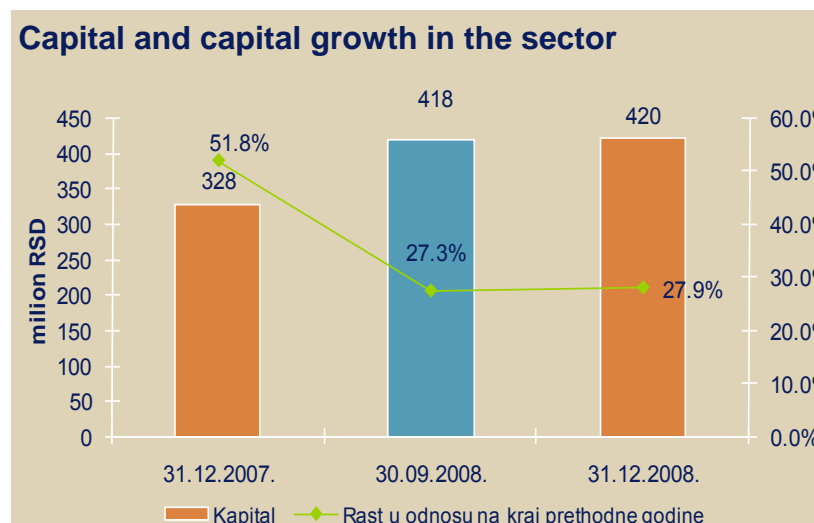


As of December 31, 2008 the total balance sheet assets of banking sector amounted to RSD 1.777 billion. In comparison to the end of the year 2007 it represents the growth of 13.8%. The growth rate of total assets in banking sector in Serbia in 2008 is significantly lower when compared to 2006 and 2007 when the total assets of banking sector were increased at the rate of more than 50%, or 30% respectively.

The largest portion of the balance sheet assets of the banks (60,1%) accounts for claims arising from granted loans and deposits, which is then followed by revocable deposits and loans (15,5%). Cash and cash equivalents account for 15,0% of the balance sheet assets of the sector.

Capital of the banks reached RSD 420 billion at the end of 2008, which represents the growth of 27,9% in comparison to the end of the year 2007. Within the structure of the capital the largest portion (RSD 333 billion) accounts for share and other capital, which is followed by reserves that amount to RSD 74 billion and accumulated profit amounting to RSD 13 billion.

Absolute real growth of capital over the year 2008 amounts to EUR 675 million. Share capital was increased by 16,6% (in EUR), which amounts to approximately EUR 400 million, the reserves were increased by 39,1% (in EUR), or EUR 236 million and accumulated profit was increased by 42,5% (in EUR) and as of December 31, 2008 amounts to EUR 103 million.

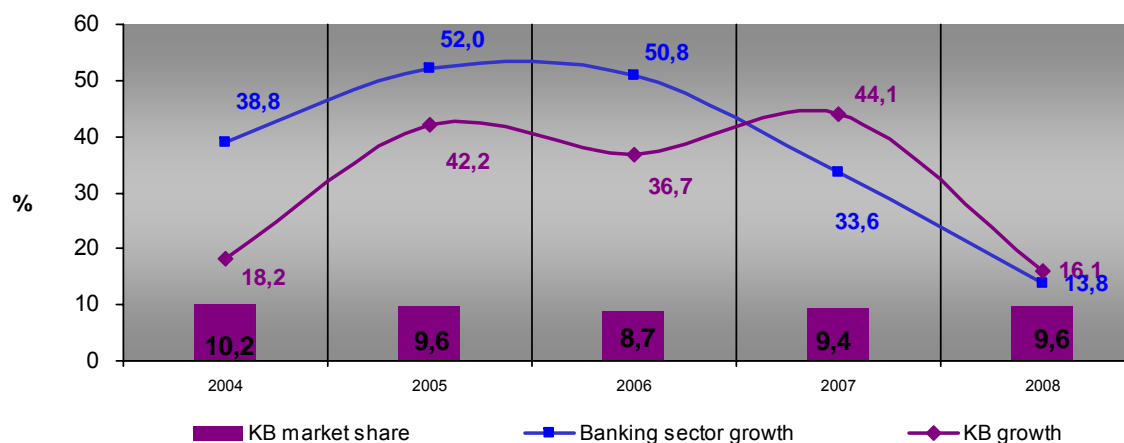


Banking Sector in 2008

S/N	POSITION	2007	2008
1.	Depositors confidence	Improving	Deteriorating
2.	Banking Assets Growth – in EUR	33,17%	1,7%
3.	Banking Assets Growth– in RSD	33,57%	13,8%
4.	F/X deposits – real	44,50%	11,79%**
5.	Dinar deposits	52,00%	-7,70%**

** Data for 30/09/2008

Banking sector and KB asset growth 2004/2008



Macroeconomic Environment in the first quarter of 2009

□ Unstable environment

- Depreciation of dinar by 6,5% (exchange rate growth by 7%)
- Illiquidity of economy
- Growth of banking sector of merely 1,6% (nominal)
- Slow increase (recovery) of savings deposits
- Level of repo stock of approximately RSD 100 billion
- Trading with treasury notes started in March (by the end of the quarter there

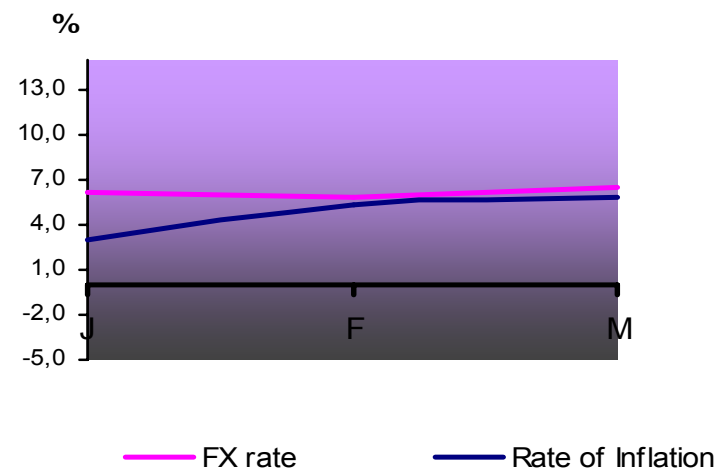
□ Adjustment of fiscal and monetary policy with a view to maintaining the credit activities of the banks under the conditions of reduced liquidity of economy and recession.

□ Government Program (subsidized interest rates) and measures of NBS aimed at maintaining the credit activities

- Reduced reference interest rate
- BPS from 150% to 200%

	POSITION	IN 2008	IN THE FIRST QUARTER OF 2009
1.	Inflation rate	10,90%	5,80%
2.	Interest rates (reference interest rate)	17,75%	16,50%
3.	Risk premium for Serbia in BPS	700	700
4.	Exchange rate (RSD/EUR)	88,60	94,78

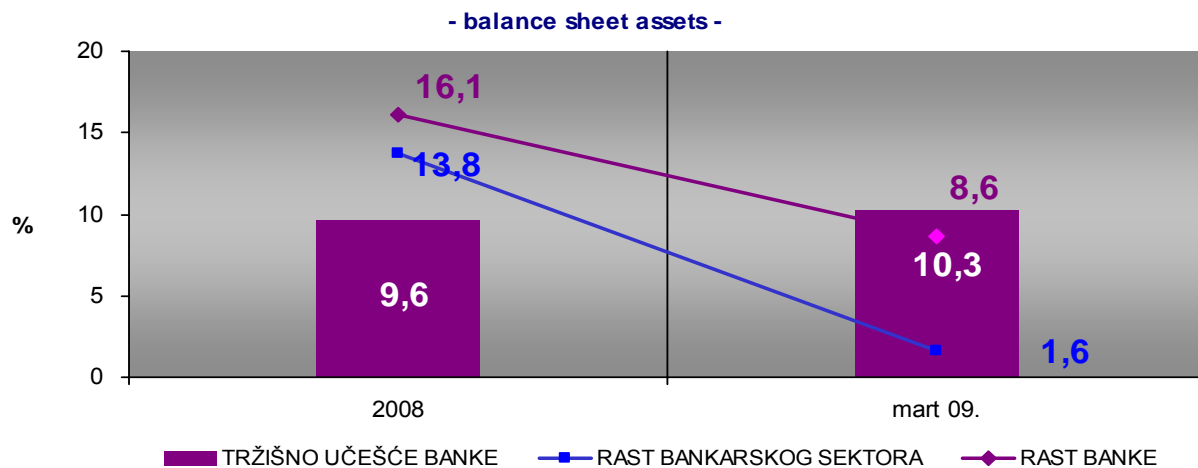
MOVEMENTS OF DINAR EXCHANGE RATE AND INFLATION IN 2009



Banking Sector in the First Quarter of 2009

S/N	POSITION	First quarter of 2009 BANKING SECTOR	First quarter of 2009 KOMERCIJALNA BANKA
1.	Depositors confidence	Improving	Improving
2.	Banking assets growth	1,58%	8,64%
3.	Loans growth	3,31%	5,95%
4.	Deposits growth	3,00%	10,98%

REALIZED GROWTH OF BANK AND BANKING SECTOR IN 2008 AND DURING THE FIRST QUARTER OF 2009



Growth of total assets of banking sector during the first quarter of 2009 by 1,6% and the growth of the Bank's assets of 8,6% during the same period led to increased market share of the Bank from 9,6% to 10,3%.

Banking Sector in the First Quarter of 2009

(IN MILLION)

S/N	Balance sheet position	RSD/ EUR	Banking sector	Top 4 banks (excluding KB)*	KB	% of growth for the sector I-III 09	Growth rate of top 4 banks (without KB)	% of growth of KB I-III 09	Rank of KB as of 31.03.09	% of market share of KB as of 31.03.09	% of market share of KB as of 31.12.08
1	2		4	5	6	7	8	9	10	11	12
1	Balance sheet assets	RSD	1.804.933	651.658	185.616	1,6	0,3	8,6	2	10,3	9,6
		EUR	19.944	6.876	1.958						
2	Total capital	RSD	431.958	156.811	25.934	2,9	4,5	2,0	6	6,0	6,1
		EUR	4.558	1.655	274						
3	Share capital	RSD	337.932	111.467	17.063	1,6	3,1	-	6	5,0	5,1
		EUR	3.566	1.176	180						
4	Due to customers and banks	RSD	1.230.000	443.986	148.248	1,3	-1,1	10,3	2	12,1	11,1
		EUR	12.978	4.684	1.564						
5	Loans and advances to customers and banks	RSD	1.103.868	403.348	112.548	4,0	-1,2	5,9	2	10,2	9,9
		EUR	11.647	4.256	1.187						
6	Net profit	RSD	6.865	3.543	485	-37,8	-22,2	21,0	6	7,1	8,1
		EUR	72	37	5						



KOMERCIJALNA BANKA

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Strategy for the Upcoming Period of Komercijalna banka a.d.

- *Sustaining and/or increasing of market share*
- *Growth of balance sheet assets*
- *Capital increase*
- *Regional expansion and enforcing of subsidiaries*
- *Improving the retail operations*
- *Enhancing the operations with SMEs*
- *Improving the operations of branches*
- *Intensified monitoring of loans*
- *Making new credit arrangements with international financial institutions in relation to providing loans to legal entities and entrepreneurs*
- *Launching of new products*



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