

## **Note to the Income Statement of Komercijalna Banka AD Skopje as at 31.03.2012**

The unfavourable ambience in the economy at the end of previous year, characterized by slow down of the growth of the Macedonian economy as a result of the external unfavourable impact, as well as due to the influence of certain domestic factors, continued in the first quarter of the current 2012.

In such economic conditions, Komercijalna Banka AD Skopje realized **negative financial results** from its operation in the amount of MKD 293,118 thousand. This negative result realized as at the end of March is due to the allocated provisioning for the claims, which exceeded the projections for the first quarter as a result of the unfavourable conditions with the corporate clients of the Bank. The net provisioning for the first three months of the current year is in the amount of MKD 765.1 million.

Although the profit realized before the provisioning, being the indicator of the operative ability of the Bank to cover the operative expenses, is higher in regards to the same period last year as a result of the significant increase of the total income from operation, it is insufficient for covering the above mentioned provisioning.

In the course of the period reported, the Bank realized increase of the net interest income, net income under fees and commissions, net income under FX gains, as well as decreased administrative expenses.

The realized **net interest income** showed growth of 8.9%, compared to the previous year, due to the higher dynamics of growth of the interest income versus interest expenses. As at 31.03.2012, the planned net interest income is 96% realized.

The **net income from fees and commissions** realized as at 31.03.2012, reached the amount of MKD 207 million, which compared to the same period last year means an increase for 6.1% and realization of the Plan by 90.6%.

In the first quarter of the current year, the Bank realized **net FX gains**, compared to the FX losses realized in the same period last year.

**Total administrative expenses and amortization** for the period 01.01.-31.03.2012 are in the amount of MKD 334.9 million, and compared to the same period in the previous year, they show a decrease of 1.9%, which is in compliance with the Bank's aim for economical management mainly of the material expenses. As at 31.03.2012, the projections for the administrative expenses and amortization were 95.2% realized. The increase of the **other operative expenses** is mainly due to the increased deposit insurance premiums for 14.8% pursuant to the continuous growth of the deposits of the non-financial sector, as well as due to the increased provisioning of the foreclosures for 99.4%.

**Impairment loss to approved loans and investments** as at 31.03.2012 reached the amount of MKD 765.1 million and marked 3.7 times increase compared to the same period last year, as a result of simultaneous deterioration of performance of a number of corporate clients with higher exposures and worsening of the Bank's credit portfolio.

These conditions in the operation of the companies are mainly due to the problems the companies are facing with at the international markets and at the domestic markets, as well. The provisioning does not mean definite impairment loss of the above mentioned placements, where, if the conditions with the clients improve and the claims are partially or fully collected, the Bank will make correction or release of provisioning. This will be consequently reflected in the financial results of the Bank.