KOMERCIJALNA BANKA AD SKOPJE

Pursuant to the Decision of the National Bank of the Republic of Macedonia on publishing reports and data by the Bank (Official Gazette No.134/2007), Komercijalna Banka AD Skopje announces

REPORT AND DATA
as at 31.12.2011
announced on 11.05.2012

CONTENTS:

1. Data on the Bank
   1.1. Data on the bank group
2. Data on the shareholder structure of the Bank – shareholders with qualified participation and total number of shareholders without qualified participation
3. Data on the own funds and capital adequacy of the Bank
4. Data on the process of risks management

1. DATA ON THE BANK	**Item 8**
1. Name **Registered office** **Corporate number**	Komercijalna Banka AD Skopje Skopje, Kej Dimitar Vlahov No.4 4065573
2. Organization structure	Organization structure
Number of employees	**1213**
3. Financial activities the Bank is licensed to perform pursuant to the license for foundation and operation issued by the Governor of NBRM	• Accepting deposits and other return resources; • Credit activities in the country, including factoring and financing commercial transactions; • Credit activities abroad, including factoring and financing commercial transactions; • Issuance and administration of payment instruments (money cards, cheques, travelers cheques, bills of exchange); • Financial leasing; • Exchange operations; • Domestic and international payment operations, including purchase/sale of foreign currencies; • Issuance of payment guarantees, avails and other

	forms of security; • Renting safe boxes, depositories and depot, • Trading with instruments on the money market (bills of exchange, cheques, certificates of deposit); • Trading with foreign currencies, including trading with precious metals; • Trading with securities; • Trading with financial derivatives; • Management of assets and portfolio of securities by order of and for account of clients; • Providing services of a bank-custodian; • Purchasing and selling, underwriting and placements of securities issue; • Intermediation in sale of insurance policies; • Intermediation in concluding credit and loan agreements; • Processing and analysis of information on creditworthiness of legal entities; • Economic - financial consulting; • Sale of stakes in investment funds. **Decision No. 2064 and 5791 of the Governor of NBRM**
4. Financial activities currently performed by the Bank	• Accepting deposits and other return resources; • Credit activities in the country, including factoring and financing commercial transactions; • Credit activities abroad, including factoring and financing commercial transactions; • Issuance and administration of payment instruments (money cards, cheques, travelers cheques, bills of exchange); • Exchange operations; • Domestic and international payment operations, including purchase/sale of foreign currencies; • Issuance of payment guarantees, avails and other forms of security; • Renting safe boxes, depositories and depot, • Trading with instruments on the money market (bills of exchange, cheques, certificates of deposit); • Trading with foreign currencies, including trading with precious metals; • Trading with securities; • Providing services of a bank-custodian; • Intermediation in sale of insurance policies; • Processing and analysis of information on creditworthiness of legal entities; • Economic - financial consulting; • Sale of stakes in investment funds.

5. Financial activities for which the Governor of NBRM had sentenced prohibition or limitation for their exercising, or are subject to withdrawn license	NONE
1.1. DATA ON THE BANKING GROUP	**Item 9**
Line 3 **Participation of the Bank in the total number of shares and in the voting shares in each member of the banking group**	**KB PRVO PENZISKO DRUSTVO** Participation in the total number of shares – **49%** Participation in the total number of voting shares – **49%** **KB PUBLIKUM INVEST AD SKOPJE** Participation in the total number of shares – **50%** Participation in the total number of voting shares – **50%**
2. DATA ON THE SHAREHOLDERS' STRUCTURE OF THE BANK	**Item 11**
1.Name, address, legal form, main business line and percent of participation in the total number of shares and in the total number of issued voting shares of the Bank for shareholders legal entities with qualified participation	1. East Capital Explorer Investments AB Box 7214 10388 Stockholm, Sweden Private company with limited liability, Main activity: assets management specialized for financial markets in Eastern Europe. - Participation in the total shares: 10.000%, - Participation in the total number of voting shares: 10.522% 2. European Bank for Reconstruction and Development (EBRD) One Exchange Square EC 2A 2JN 14, London, GB International Financial Organization - Participation in the total shares: 5.245% - Participation in the total number of voting shares: 5.518%
2. Name, family name, address and percent of participation in the total number of shares and in the total number of issued voting shares of the Bank for shareholders individuals with qualified participation	NONE

Item 11 paragraph 2 **Total number and total participation in the total number of shares and in the total number of issued voting shares of the Bank without qualified participation in the Bank**	Number of shareholders – individuals without qualified participation in the Bank: 4,593 Participation of shareholders – individuals in the total number of shares issued by the Bank: 28.194% Participation of shareholders – individuals in the total number of voting shares issued: 29.664% Number of shareholders – legal entities without qualified participation in the Bank: 411 Participation of shareholders – legal entities in the total number of shares issued by the Bank: 56.561% Participation of shareholders – legal entities in the total number of voting shares: 54.296%

3. DATA ON THE OWN FUNDS AND CAPITAL ADEQUACY OF THE BANK	**Item 12**
1. Amount of the initial capital registered in the Central Register	**MKD 2,279,067,000.00**
2. Number of shares of each kind and class and nominal amount of shares	Ordinary shares: **2,279,067** Nominal value per share: **1,000.00 MKD**
3. Description of characteristics of the basic components of own funds	**DESCRIPTION OF THE OWN FUNDS**
4. Amount and components of the capital, set by the Decision on the Methodology for determination of the capital adequacy	**STATEMENT OF THE BANK`S OWN FUNDS**
5. Amount and components of the supplementary capital I and II, as well as their amount which, pursuant to the Methodology for determination of the capital adequacy, may be part of the own funds of the Bank	**STATEMENT OF THE BANK`S OWN FUNDS**

6. Type of deductions from the core capital and supplementary capital and the amount thereof	Deductions from the core capital refer to licenses, patents and other intangibles to the extent of **MKD 11.2 million.** Deductions from the supplementary capital I are direct investments of the Bank in the capital of financial institutions, pension fund management companies and insurance and reinsurance companies in the total amount of **MKD 159.5 million.**
7. Total amount of own funds and capital adequacy ratio	**STATEMENT OF CAPITAL ADEQUACY RATIO**
8. Amount of the capital required for covering the credit risk set out by the Methodology for determination of the capital, disclosed separately for balance sheet and off-balance sheet items	Total capital required for covering the credit risk is in the amount of **MKD 4,724.3 million.** The capital required for covering the credit risk for balance sheet items is in the amount of **MKD 4,114.7 million.** The capital required for covering the credit risk for off-balance sheet items is in the amount of **MKD 609.6 million.**
9. Amount of the capital required for covering the currency risk set out by the Methodology for determination of the capital adequacy	**MKD 180.4 million.**
10. Amount of the capital required for covering the market risk set out by the Methodology for determination of the capital adequacy	As at 31.12.2011, the Bank does not exceed the limitation under item 29 of the Decision on the methodology for determination of the capital adequacy (Official Gazette No.159/2007), so, the Bank need not to have the capital required for covering the market risks.
11. Amount of the capital required for covering the risk from changed prices of goods	/
12. Amount of the capital required for covering the exceeding of the exposure limits	/
13. Amount of the capital required for covering the operative risk	The Bank is not obliged to calculate the capital required for covering the operative risk.

14. Amount of the capital required for covering other risks if the Bank at its own assessment had set additional amount of capital needed to cover those risks or if NBRM had set additional amount of required capital due to the nature, type and volume of activities performed by the Bank and the risks it is exposed to as a result of those activities	/

4. DATA ON THE RISK MANAGEMENT PROCESS

4.1. Data in accordance with the aims and objectives of the Risk Management Policy	**Item 13**
1. Strategies and processes of managing each individual risk	The Supervisory Board of the Bank has adopted **Strategy for risk management of Komercijalna Banka AD Skopje** referring to all types of risks which, according to the nature, size and complexity of financial activities are part of the risk management system of the Bank which includes: - internal acts for risk management, - appropriate organization of risk management and - process of internal determination and assessment of the required Bank's capital adequacy. **1.1 Credit risk, including the country risk** **1.2 Liquidity risk** **1.3 Currency risk** **1.4 Market risk** **1.5 Risk from change of the interest rates in the portfolio of banking activities** **1.6 Exposure concentration risk of the Bank** **1.7 Operative risk, including the legal risk**

	1.8 Reputation risk 1.9 Strategic risk
2. Structure and organization of the risk management function	2.1 Credit risk, including the country risk 2.2 Liquidity risk 2.3 Currency risk 2.4 Market risk 2.5 Risk from changes in the interest rates in the portfolio of banking activities 2.6 Exposure concentration risk of the Bank 2.7 Operative risk, including the legal risk 2.8. Reputation risk 2.9 Strategic risk
3. Structure of the risk measuring system and of the internal reporting system	3.1 Credit risk, including the country risk 3.2 Liquidity risk 3.3 Currency risk 3.4 Market risk 3.5 Risk from changes in the interest rates in the portfolio of banking activities 3.6 Risk from concentration of the Bank's exposure 3.7 Operative risk including the legal risk

	3.8 Reputation risk 3.9 Strategic risk
4. Policies for protection and decreasing of risk and procedures for monitoring the efficiency from the realization of these policies	4.1 Credit risk, including the country risk 4.2 Liquidity risk 4.3 Currency risk 4.4 Market risk 4.5 Risk from the changes of the interest rates in the portfolio of banking activities 4.6 Risk from concentration of the Bank's exposure 4.7 Operative risk, including the legal risk 4.8 Reputation risk 4.9 Strategic risk

4.2. Data regarding the management of the credit risk	Item 14
1. Description of the policy for impairment loss and allocation of special reserve	The Policy and Procedures for impairment loss of the financial instruments of Komercijalna Banka AD Skopje refers to the definition of the exposures that are subject to impairment, definition of the criteria for separation of the exposure on individual and group basis, calculation of the impairment amount of the performing balance sheet claims, i.e. special reserve for the performing off-balance sheet claims on individual and group basis, in accordance with the IFRS and IAS and the law regulations of NBRM. The Policy and Procedures for impairment loss of the financial instruments of the Bank includes: - the criteria for classification of the credit exposures (objective proof for impairment, i.e. the general indicators used for determining the impairment loss on the basis of credit risk), - risk categories for classification of the credit exposure and percentages of impairment, depending on the risk category defined, and - the procedure for calculation of the impairment loss/special reserve by appropriate impairment formulas.
2. The amount of credit risk exposure before and after impairment loss or after allocation of the special reserve	As at 31.12.2011, the credit risk exposure before the impairment loss is in the amount of MKD 83,926.7 million. As at 31.12.2011, impairment loss/special reserve is in the amount of MKD 5,781.9 million. As at 31.12.2011, the credit risk exposure after impairment is in the amount of MKD 78,144.8 million.
3. The average credit risk exposure for the respective reporting period and exposure by risk categories	As at 31.12.2011, the risk ratio is 6.89%. – The credit risk exposure in A risk category is in the amount of MKD 73,794.0 million. – The credit risk exposure in B risk category is in the amount of MKD 3,784.0 million – The credit risk exposure in C risk category is in the amount of MKD 1,699.4 million – The credit risk exposure in D risk category is in the amount of MKD 481.8 million. – The credit risk exposure in E risk category is in the amount of MKD 4,167.5 million
4. Amount of matured loans	The matured amount under principal is MKD 435.0 million.

5. The amount of credit risk exposures for which correction of value is made, i.e. special reserve is allocated	The credit risk exposure that is subject to impairment loss and for which correction of value/special reserve is made is in the amount of MKD 83,926.7 million.

6 Geographic distribution of the credit risk exposure

	(in MKD million)	
- Republic of Macedonia	63,104.6	80.75%
- EU Member States	9,598.9	12.28%
- Europe (other)	3,436.8	4.40%
- OECD Member States (without European States - members of OECD)	2,004.5	2.57%
TOTAL:	***78,144.8***	***100.00***

7. Distribution of credit risk exposure by sectors

	(in MKD million)	
1. RESIDENTS	63,104.6	80.75%
Banks	5,505.8	7.05%
Other financial institutions	111.4	0.14%
Non-financial institutions	45,749.4	58.54%
Households	10,044.0	12.85%
Government	1,645.1	2.11%
Non-profit institutions in service to households	48.9	0.06%
2. NON-RESIDENTS	15,040.2	19.25%
TOTAL:	***78,144.8***	***100.00%***

8. Residual agreed maturity structure of credit risk exposure

The credit risk exposure with maturity period of up to 1 year is 60.67% of the total credit portfolio of the Bank.

The credit risk exposure with maturity period of over 1 year is 39.33% of the total credit portfolio of the Bank.

9. Structure of the credit risk exposure by industry sector

(in MKD million)

1. Financial intermediation	20,745.2	26.55%
2. Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household appliances	13,670.6	17.49%
3. Processing industry	13,608.7	17.41%
4. Individuals	10,000.1	12.80%
5. Construction	6,170.3	7.90%
6. Supply of electric power, gas and water	3,334.2	4.27%
7. Traffic, storage and communication	2,602.5	3.33%
8.Activities related to immovable property, renting and business activities	2,040.0	2.61%
9. Excavating mine and stone	1,582.3	2.02%
10. Agriculture, hunting and forestry	1,147.4	1.47%
11. Hotels and restaurants	1,102.2	1.41%
12. Education	815.5	1.04%
13.Other communal, cultural, general and personal service activities	618.5	0.79%
14. Health protection and social issues	501.6	0.64%
15. Public administration and defense, obligatory social insurance	85.8	0.11%
16. Non-residents	76.9	0.10%
17. Sole proprietors and individuals not considered as proprietors	43.0	0.06%
TOTAL:	***78,144.8***	***100.00%***

Data on the largest exposure by business line:

Financial intermediation:

(in MKD million)

a) Amount of loans due	0
b) Amount of exposure with correction of value made	209.6
c) Amount of correction of value made	95.9

10. Amount of rescheduled claims, in accordance with the Decision on supervisory standards for regulation of outstanding claims of banks

(in MKD million)

1. Rescheduled claims	
- Exposure	828.1
- Correction of value	318.1
2. Prolonged claims	
- Exposure	9,924.1
- Correction of value	825.5

11. Movements of the impairment of value/special reserve in the course of the period reported		(in MKD million)
	Opening balance as at 01.01.2011	*4,924.8*
	Additional correction of value	4,448.9
	Release of the correction of value	-3,353.9
	Effect from the FX differences	-210.0
	Claims written-off	-27.9
	Closing balance 31.12.2011	*5,781.9*

4.3. Data regarding the management of the market risk — Item 15

a) Structure of the trading portfolio		(in MKD million)
	1. Ownership instruments	24.3
	2. Debt instruments	0.0
	TOTAL:	*24.3*

б) Policies applied by the Bank when determining certain position in the trading portfolio or in the portfolio of banking activities

When determining the financial instrument in the trading portfolio or the portfolio of banking activities, the Bank acts in accordance with the provisions of the Policy for investing in securities and the Accounting Policy of Komercijalna Banka AD Skopje. The investments in securities acquired by the Bank in order to gain income from their sale at short term, or to gain income as a result of the current or expected short-term changes in the market price, are classified in the trading portfolio, while the investments with fixed or determined payments and with fixed maturity, which the Bank intends and is capable to held to maturity, or for which the intention when purchasing is not known, or may be subject to sale or held to maturity, are classified into portfolio of banking activities.

The Bank may classify the debt securities into both mentioned categories, while the ownership securities are classified only as securities for trade or securities available for trade.

4.4. Data regarding the management of the operative risk — Item 16

Method used by the Bank for calculation of the capital needed for covering the operative risk

Pursuant to the Decision on the methodology for determining capital adequacy, made by the National Bank of the Republic of Macedonia, the Bank does not have the obligation for calculation of the capital needed for covering the operative risk yet

44.5. Data regarding the management of the risk arising from the capital investments that are not part of the trading portfolio — Item 17

1. Short description of the Bank's strategy for acquiring equity investments in other legal entities

Komercijalna Banka AD Skopje shall intend to acquire equity investments only in financial institutions related to its business line and shall classify them as available for trading.

2. Short description of the Bank's policy on accounting evaluation of the capital investments	The investments in ownership instruments available for sale (equity investments of the Bank) include the investments in securities acquired by the Bank in accordance with the positive law regulations, as well as investments in securities bought by the Bank at the primary market on the basis of equity investment in any company's capital or at the secondary market, as an increase of the stake in the financial institution. The investments in securities available for sale are presented at their purchase value, as there is no active market or recent transactions that may be taken as a proof for their current objective value. The market for these securities is not regular and sufficiently developed, so the objective value can not be authentically measured. The remaining part of the investments in ownership securities available for sale refers to the investments in loss-making companies, acquired by the Bank on the basis of law regulations, according to which the claims of the Bank from these companies were transformed into equity investments (shares).
3. Amount of capital investments and their classification according to the type	MKD 99.6 million are classified into non-listed ownership instruments for which no active market is available.
4. Capital investments structure by sectors	(in MKD million) - Banks 0 - Other financial institutions 95.2 - Non-financial institutions 2.6 - Non-residents 1.8 *TOTAL: 99.6*
5. Cumulative amount of realized profit (loss) arising from the sale of the equity investments in the course of the reported period	In the course of 2011, the Bank did not sell any equity investment.
6. Total amount of unrealized profit (loss) from equity investments	The Bank recorded net-unrealized FX gains in total amount of MKD 157 thousand under investments in foreign financial companies