



Comment on the unconsolidated unaudited Income Statement and Balance Sheet of Komerцијална Банка АД Скопје as at 01.01 - 31.03.2020

1. Income Statement

In the period 01.01-31.03.2020, Komerцијална Банка АД Скопје realized a **positive financial result** from its operations in the amount of MKD 217.5 million, which represents a 50% decrease compared to the **positive financial result** from the same period last year in the amount of MKD 435.2 million. The planned gross profit for the first quarter of the year is realized by 44.4%. The decrease in realized gross profit in the current period is due to the larger amount of impairment of financial assets on net basis, whilst income from regular activities notes an increase. The profit realized before provisioning, which is an indicator of the Bank's operational capability to cover the operating expenses, is increased by 10.3% compared to the same period from the previous year. The increase in profit before provisioning is mainly derived from the increase in net interest income, primarily from the household sector, and to a lesser extent from the government and non-financial legal entities' sectors, as a result of increased lending. In addition, the net FX gains and other income (income from capital gains from the sale of foreclosed assets and a larger amount of collected previously written-off claims) also note an increase. The Bank achieved the positive result from its operations in conditions when a state of emergency was declared in the country, starting from March 18, 2020, due to the Covid-19 pandemic, whereas this situation continues in the next period and the Bank faces uncertainty regarding the consequences from the global health and economic crisis.

The **total income** realized is in the amount of MKD 1,017.5 million and notes an increase of 9.6% relative to the same period last year.

The **net interest income** represents a basic component in the formation of the total operating income and as at 31.03.2020 it notes an increase of 6.3% relative to the same period last year, which arises mainly from the increase in interest income on loans to households, government sector and non-financial legal entities, as a result of increased lending to these sectors. The plan for the period is realized by 101.6%.

The **net income from fees and commissions**, as at 31.03.2020, amounted in MKD 225.6 million and compared to the same period last year notes a decrease by 2.9% as a result of the more dynamic increase in expenses than income under fees and commissions. The plan is realized by 93.4%.

The **net FX gains** as at 31.03.2020 amount to MKD 43.5 million and compared to the same period last year, note an increase of 37.5%. The plan is realized by 147.5%.

Other operating income of the Bank as at 31.03.2020 amounts in MKD 142.4 million and note an increase as a result of a larger amount of collected previously written-off claims and larger amount of capital gains from sale of foreclosed property. The plan is realized by 43.2%.

Operating expenses for the period 01.01 - 31.03.2020 are in the amount of MKD 421 million and compared to the same period last year have increased for 8.6% as result of increased premium for insurance of deposits, maintenance costs for computer equipment and telecommunications services, depreciation costs and increased sponsorships and donations. The plan is realized by 96%.

In the reporting period, the Bank has not recorded **impairment losses on non-financial assets on net basis**.

In the course of the period reported, the Bank realized **impairment on financial assets and special reserve for off balance sheet exposures on net basis** in the amount of MKD 378.9 million, compared to MKD 102.7 million in the same period last year.



2. Balance Sheet

The **total assets** of the Bank as at 31.03.2020 amounted in MKD 124,400.5 million and compared to December 2019 note an increase by 1.1%. The increase in total assets is mostly due to an increase in loans to clients, investments in securities and other claims. The plan is realized by 100.2%.

Cash and cash equivalents note a decrease of 4.1%. The plan is realized by 94%.

Financial securities at fair value through the Income Statement designated as such at the initial recognition in the amount of MKD 339.6 million consist of investments in stakes in investment funds.

The loans to and claims from other banks note a decrease of 55.5% as a result of placement of the matured assets on current accounts in foreign banks and short-term deposits in domestic and foreign banks with a maturity up to 3 months.

The loans to and claims from other clients note an increase by 9% as a result of increased lending to the households, non-financial legal entities and government sector. The plan is realized by 108.0%.

Investments in securities are increased for 8.7%, as a result of a larger amount of subscribed than matured government bills in denars and purchased Macedonian Eurobonds at nominal value of EUR 4 million. The plan is realized by 108.9%.

Foreclosed assets have increased by 16.6%.

Total deposits (deposits from customers and from banks) reached the amount of MKD 108.909,7 million and note an increase of 1.2%. The plan is realized by 100.3%.

The Bank's borrowings as at 31.03.2020 amounted in MKD 678.1 million and have decreased compared to December 2019 as a result of paid installments due under the credit lines. The plan is realized by 87.1%.

Share capital and reserves of the Bank as at 31.03.2020 reached the amount of MKD 13.458,8 million and note an increase of 1.6% as a result of the realized current profit and the included undistributed profit for 2019. The plan is realized by 98.8%.

3. Expectations for the forthcoming period

The global Covid-19 pandemic is expected to have strong economic consequences on the global economy, and consequently on the Macedonian economy as open-ended, which can be expected based on the experience of the global financial crisis, the effects of which spilled over to the real sector in the domestic economy, and then indirectly on the financial system.

The Bank closely follows the economic trends in the national, regional and global economies in order to obtain information useful for the decision-making process.

The macroeconomic conditions in which the Bank will realize its activity in 2020 are expected to differ significantly from the initial growth projections of the domestic economy provided by the financial plan for 2020. According to World Bank's estimates, the GDP is expected to fall by -0.4%.

The Bank will undertake all necessary activities to adjust to the new situation, properly correct the financial projections for 2020 while focusing primarily on maintaining the quality of the portfolio and finding flexible solutions to the requirements of clients who will be most affected by the health and economic crisis.



4. Information on changes in the accounting policies and evaluation methods

In the first quarter of 2020 there were no changes in the accounting policies and valuation methods.

5. Dividends paid out

On March 02, 2020, the Bank released a Public Call for participation at the Annual General Meeting of Shareholders held on April 02, 2020, in accordance with the extraordinary conditions in the country by written correspondence. Constituent part to the materials for the Assembly are the Decision on the use and distribution of the undistributed profit until 31.12.2019 and the Decision on determining the amount of the dividend and the dates for payout of dividends for 2019. In accordance with the proposed decisions, the amount that the Bank distributes for dividends for ordinary shareholders is MKD 1,253,486,850.00. The date on which the list of shareholders entitled to a dividend will be determined is April 23, 2020, and the amount of gross dividend per share is MKD 550.00, or 55.0% of the nominal value of the share. The anticipated starting date for dividend payout is April 29, 2020.

6. Investments in or sale of tangible assets (real estate, plants and equipment) or significant write-off (exceeding 30% of the assets value, compared to the last audited financial statements)

The real estate and equipment in the first quarter of 2020 note a decrease of 0.9% compared to December 2019, mainly due to calculated depreciation.

7. Changes in the credit indebtedness (decrease or increase exceeding 30%)

As at 31.03.2020, the borrowings note a decrease of 19% compared to December 2019, mainly as a result of the larger amount of regular repayment of loan instalments compared to new withdrawals under loan agreements.

Skopje, April 24, 2020