



**Comment on the unconsolidated unaudited
Income Statement and Balance Sheet
of Komercijalna Banka AD Skopje
for the period 01.01 - 30.09.2020**

1. Income Statement

In the period 01.01-30.09.2020, Komercijalna Banka AD Skopje realized a **positive financial result** from its operations in the amount of MKD 1,310.6 million compared to the **positive financial result** from the same period last year in the amount of MKD 1,300.6 million, which represents an increase of 0.8%. The planned gross profit for the nine months of the year is realized by 89.1%.

The increase in gross profit is realized in conditions of a more significant increase in the additional impairment of the value of financial assets due to the deterioration of the quality of the corporate loan portfolio. The profit realized before provisioning is increased by 37.8% compared to the same period of the previous year. The significant increase in profit before provisioning is mainly derived from the increase in other income, i.e. income from capital gains from the sale of foreclosed assets from the clients Prototip DOOEL Skopje and Tehnometal Vardar AD Skopje. The Bank achieved the positive result from its operations in conditions of a declared state of emergency in the country due to the Covid-19 pandemic in the period March-July, and it is certain that in the next period the health and economic crisis will be prolonged and the risks related to it remain present. In the period after the state of emergency was declared until September 30, 2020, the Bank fully adjusted its operations with the recommendations and decrees adopted by the Government, as well as with the amendments to the regulations related to credit risk management and other decisions adopted by the Central Bank that were created primarily to protect the banks' clients directly affected by the crisis.

The **total income** realized is in the amount of MKD 3,833.2 million and notes an increase of 25% compared to the same period last year.

The **net interest income** notes an increase of 2% relative to the same period last year, as a result of the increase in interest income from the households and government sectors. This is realized in conditions of a continuous trend of reduction in loan interest rates, as well as a reduction in the offer of and interest rates on the CB bills, as one of the measures related to the health crisis. The plan for the period is realized by 99.7%.

The **net income from fees and commissions**, as at 30.09.2020 notes a decrease of 9.2% compared to the same period last year. This reduction is due to several contributing factors: reduced economic activity of clients in time of crisis, cessation of fee charging for electronic and mobile banking as one of the measures to mitigate the negative effects for clients during the state of emergency and increased commissions that the Bank pays to external service providers. The plan for the analyzed period is realized by 88.4%.

The **net FX gains** as at 30.09.2020 amount to MKD 119.8 million and note an increase of 45% due to activities related to the FX market, as well as exchange rate valuation of the balance sheet positions due to changes in the middle exchange rates of the US dollar and EURO. The plan for the analyzed period is realized by 135.4%.

Other operating income of the Bank as at 30.09.2020 amounts to MKD 1,251 million and note a multiple increase as a result of increased income from capital gains from the sale of foreclosed assets, as well as a larger amount of collected previously written-off claims. The plan for the reporting period has been tripled.

Operating expenses for the period 01.01-30.09.2020 are in the amount of MKD 1,263.1 million and compared to the same period last year note an increase of 5.1% as a result of increased premiums for insurance of deposits, depreciation costs and increased sponsorships and donations. In conditions of a pandemic, the Bank made multiple payments to help the health system in time of crisis. Also, the Bank invested an increased amount of funds for sponsorships in sports based on vouchers issued by the Agency of Youth and Sports, thus acquiring the right for a reduction of the income tax amount due for the total amount of donated funds. The plan



is realized by 102%.

In the period 01.01-30.09.2020, the Bank has recorded **impairment losses on non-financial assets** in the amount of MKD 991 thousand, i.e. 20% of the net value of the foreclosed assets in accordance with the NBRNM regulations.

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 1,258.5 million, compared to MKD 560.8 million realized in the same period last year, due to the deterioration of the corporate loan portfolio.

2. Balance Sheet

The **total assets** of the Bank, as at 30.09.2020, amount in MKD 130,066.9 million and compared to December 2019 note an increase by 5.7%. The increase in total assets is mostly due to an increase in loans to clients and investments in securities. The plan is realized by 102.8%.

Cash and cash equivalents note a minimal reduction as a result of the decrease in cash in denars. The plan is realized by 93.6%.

Trading assets in the amount of MKD 208 million note an increase by 5.6% as a result of increased investments of the Bank in equity securities classified for trading, issued by domestic issuers. The plan is more than doubled.

Financial securities at fair value through the Income Statement designated as such at the initial recognition in the amount of MKD 342.8 million consist of investments in stakes in investment funds.

The loans to and claims from other banks note a decrease of 78.3% mainly due to the maturity of foreign currency term deposits from 3 months to one year and their placement on shorter terms. In addition, the decrease, to a lesser extent, is due to the continuation of the activities for restructuring of foreign currency assets that started last year, in order to provide higher returns by placing funds in debt securities. The plan is realized by 22.2%.

The loans to and claims from other clients note an increase by 9.9% as a result of increased lending to the households, non-financial legal entities and the government sector. Thereby, the growth of loans to households has slowed down, while loans to non-financial legal entities grew faster. During this period, the Bank and five other banks participated in lending to the Ministry of Finance for budget financing needs, due to which lending to the government sector increased significantly. The plan is realized by 106.7%.

Investments in securities have increased by 42.6%, mainly as a result of a larger amount of subscribed than matured government bills in denars and purchased Macedonian Eurobonds. The plan is realized by 143.6%.

Foreclosed assets have decreased by 29.7% and represent an insignificant position in the Bank's Balance Sheet.

Total deposits (deposits from customers and from banks) reached the amount of MKD 114.807,8 million and note an increase of 6.7%. The plan is realized by 103.9%.

The Bank's borrowings amounted to MKD 636.7 million and have decreased compared to December 2019 as a result of paid installments due under the credit lines. The plan is realized by 96.5%.

Share capital and reserves of the Bank as at 30.09.2020 reached the amount of MKD 13,298.8 million and are increased compared to 31.12.2019. In the period reported, the Bank increased the reserve fund by 6.9% based on the distribution of net profit for 2019, thus strengthening the capital base and ensuring full compliance with regulatory requirements.



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. According to the published data and indicators of performance in the real sector, the negative effects are visible by the end of the second quarter, while the consequences on the financial system will be experienced with a certain time lag.

The Bank closely follows the economic trends in the national, regional and global economies in order to obtain useful information 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 the estimates published by the Central Bank, the GDP is expected to fall by -3.5%. According to the international financial organizations, the expected decline in GDP is higher and ranges between -4.1% (World Bank) and -5.4% (IMF).

The Bank will undertake all necessary activities to adjust to the new situation, properly correcting the financial projections for 2020 while focusing primarily on maintaining the quality of the portfolio and finding flexible solutions to the requirements of the 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 reporting period there were no changes in the accounting policies and valuation methods.

5. Dividends paid out

In accordance with the Decision on appropriation and allocation of the unallocated profit gained up to 31.12.2019 and the Decision on determining the amount and dates for payout of the dividend for 2019, the Bank realized the dividend payout on April 29, 2020 to shareholders of ordinary shares that are recorded in the Shareholders Register as at April 23, 2020. Out of the total calculated dividend for 2019 in the amount of MKD 1,253,486,850.00, a dividend in the amount of MKD 720,755,200.00 was paid to legal entities and MKD 532,731,650.00 to individuals. The amount of dividend per share is MKD 550.00, or 55.0% of the nominal value of the share.

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 as at 30.09.2020 note an increase of 0.5% compared to December 2019. The increase is due to the net-effect of new purchases and calculated depreciation for the period.

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

As at 30.09.2020, the borrowings note a decrease of 23.9% compared to December 2019, mainly as a result of the larger amount of regular repayment of loan instalments compared to the new withdrawals under the loan agreements.

Skopje, 29.10.2020