



Comment on the unconsolidated unaudited Income Statement and Balance Sheet of Komercijalna Banka AD Skopje for the period 01.01 - 31.03.2021

1. Income Statement

In the period 01.01-31.03.2021, Komercijalna Banka AD Skopje realized a **positive financial result** from its operations in the amount of MKD 360.2 million, being an increase of 65.6%, compared to the **positive financial result** from the same period last year in the amount of MKD 217.5 million. . The planned gross profit for the first quarter of the year is realized by 73.1%. The profit realized before provisioning, which is an indicator of the Bank's operational capability to cover the operating expenses, is increased by 8.2% compared to the same period from the previous year. The increase in profit before provisioning is mainly derived from the increase in net income from fees and commissions, the increase in net trading income and other income, which includes the increased income from capital gains from the sale of foreclosed assets. The Bank achieved the positive result from its operations in conditions of a prolonged health and economic crisis caused by the Covid-19 pandemic, due to which the Government made a Decision to extend the state of crisis in the country until June 30, 2021.

The **total income** realized is in the amount of MKD 1,053.1 million and notes an increase of 3.5% compared 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 31.03.2021 notes a decrease of 5.7% relative to the same period last year, mainly as a result of the decrease in interest income on loans to households and non-financial legal entities due to reduced interest rates, as well as the financial entities' sector due to reduced interest rates and reduced placements in Treasury Bills. The plan for the analyzed period is realized by 91.1%.

The **net income from fees and commissions**, as at 31.03.2021, amounted in MKD 241.1 million and compared to the same period last year notes an increase by 6.9% as a result of lower basis for comparison in the same period last year, when due to the declared pandemic and the closure of the country, the Bank's activities registered a significant decrease. The plan is realized by 114.1%.

The **net FX gains** as at 31.03.2021 amount to MKD 41.9 million and compared to the same period last year, note a decrease of 3.8%. The plan is realized by 101.5%.

Other operating income of the Bank as at 31.03.2021 is in the amount of MKD 187.7 million and notes an increase mainly as a result of a larger amount of realized income from capital gains from the sale of foreclosed property. The plan is realized by 128.6%.

Operating expenses for the period 01.01-31.03.2021 are in the amount of MKD 407.8 million and compared to the same period last year have decreased by 3.2%. The plan is realized by 96.7%.

In the period 01.01-31.03.2021, the Bank has recorded **impairment losses on non-financial assets on net basis** in the amount of MKD 1.5 million.

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 283.7 million, compared to MKD 378.9 million in the same period last year.

2. Balance Sheet

The **total assets** of the Bank, as at 31.03.2021, amount in MKD 135,987.3 million and compared to December 2020 note an increase by 2.6%. The increase in total assets is mostly due to the increase in cash, loans to clients and other receivables. The plan is realized by 101.3%.



Cash and cash equivalents note an increase by 7.7%. The plan is realized by 107.0%.

Trading assets note an increase due to market valuation and purchased shares.

Financial assets at fair value through the Income Statement designated as such at the initial recognition in the amount of MKD 346 million consist of investments in stakes in investment funds.

The loans to and claims from other banks note a decrease of 2.9% due to matured and repaid liquidity loans from domestic banks. The plan is realized by 97.1%.

The loans to and claims from other clients note an increase by 0.5% as a result of increased lending to non-financial legal entities and the government sector. The plan is realized by 99.8%.

Investments in securities have decreased by 2.9%, as a result of a larger amount of overdue from subscribed Government Bills in MKD. The plan is realized by 93.3%.

Foreclosed assets have decreased by 8.8% and represent an insignificant position in the Bank's Balance Sheet.

Total deposits (deposits from customers and from banks) reached the amount of MKD 119.725,0 million and note an increase of 2.5%. The plan is realized by 101.3%.

The Bank's borrowings amounted to MKD 553.6 million and have decreased compared to December 2020 as a result of paid installments due under the credit lines. The plan is realized by 101.1%.

Share capital and reserves of the Bank as at 31.03.2021 reached the amount of MKD 14,257.4 million and have increased by 2.6 as a result of the realized current profit, increased reserves and recorded retained profit for 2020, in accordance with the decision of the Shareholders' Assembly and the Decision on temporary limitation of the distribution and payment of dividends to bank shareholders issued by the NBRNM on 26.02.2021. The plan was realized with 102.5%.

3. Expectations for the forthcoming period

The macroeconomic conditions in which the Bank will realize its activity in 2021 are expected to be conditioned by the effects of the health and economic crisis caused by the Covid-19 virus.

In conditions of significant deterioration of the international economic environment and negative economic implications from the implementation of measures to prevent the spread of the coronavirus in the country, the economic activity in 2020 experienced a downturn, whereby economic recovery is expected to continue at a more moderate pace of 3.9% during 2021.

Macroeconomic stability in the Republic of N. Macedonia is expected to be preserved by maintaining price stability and the stability of the nominal exchange rate of the denar against the euro. The average annual inflation rate, measured according to the Consumer Price Index, is expected to be around 1.5% in 2021.

The realization of macroeconomic projections is accompanied by risks related to the duration and consequences of the health crisis, the intensity of the effects on the economy and the results of the economic mitigation measures, as well as risks related to European integration processes and maintaining the political stability in the country.



The Bank will undertake all necessary activities to adjust to the new situation while focusing primarily on maintaining the quality of the portfolio in the next period and finding flexible solutions to meet 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 evaluation methods.

5. Dividends paid out

On 26.02.2021, the Bank announced the Public Call for participation in the Annual General Meeting of the Shareholders' Assembly held on 29.03.2021. In accordance with the extraordinary conditions in the country, the Bank invited the shareholders to participate and vote at the Assembly by written correspondence or by electronic voting. An integral part of the materials for the Assembly were the Decision on the use and distribution of retained profit until 31.12.2020 and the Decision on determining the amount and dates of dividend pay-out for 2020.

Pursuant to the proposed decisions, the amount that the Bank will allocate for dividend on ordinary shares is MKD 1,367,440,200.00, where, according to the Decision of NBRNM No. 02-15/III-6/2021 of 26.02.2021 on temporary limitation of the distribution and payment of dividend to bank shareholders, the dividend amount is recorded as retained profit available for distribution to shareholders up to the date when the restriction adopted by the NBRNM cease to be valid, or up to the date of adoption of a decision or other act of a competent body by which the restriction on the distribution and payment of dividends by the Bank will cease to be valid.

The recording date at which the list of shareholders entitled to dividend pay-out will be determined is 14.05.2021, or the eighth day from the date when the restriction on the distribution and payment of dividend shall cease to be valid for the Bank by the termination of validity of the Decision on temporary restriction of the distribution and payment of dividend to bank shareholders, or by an adopted decision or other act of a competent body by which the restriction of the distribution and payment of dividend will cease to be valid for the Bank.

According to the Decision, the amount of dividend per share is MKD 600.00, i.e. 60.0% of the share nominal value. The estimated commencement date for dividend pay-out is 25.05.2021, or at the earliest, twenty days after the expiration of the applicable restrictions to the Bank on the distribution and payment of dividend in any of the ways described above, depending which of the due dates determined will occur later.

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 31.03.2021 note a decrease of 0.3% compared to December 2020 due to calculated depreciation for the period.

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

As at 31.03.2021, the borrowings note a decrease of 4% compared to December 2020, mainly as a result of the larger amount of regular repayment of loan instalments compared to the new withdrawals under the loan agreements.

Skopje, 28.04.2021