

**KOMERCIJALNA BANKA AD SKOPJE**

**ANNUAL REPORT**  
**OF KOMERCIJALNA BANKA AD SKOPJE**  
**for the period from 01.01. to 31.12.2020**

**Skopje, February 2021**

**BALANCE SHEET**

as at 31.12.2020

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
	<b>ASSETS</b>		
1.	Cash and cash equivalents	41.600.041.457	46.023.775.024
2.	Investments in debt securities that can be used for refinancing in NBRM	10.943.234.820	7.858.049.908
2a.	Treasury bills	5.832.534.723	2.408.696.041
2b.	Government securities	5.110.700.097	5.449.353.867
2c.	Impairment	-	-
3.	Loans and advances to banks	4.693.021.256	1.021.079.579
3a.	Loans	29.053.438	29.047.616
3b.	Deposits	4.660.330.451	989.205.806
3c.	Other receivables	5.697.437	2.940.254
3d.	Impairment	2.060.070	114.097
4.	Loans and advances to other customers	50.791.396.708	50.953.837.661
4a.	Loans	54.652.864.206	54.997.102.899
4b.	Other receivables	147.467.038	62.682.459
4c.	Impairment	4.008.934.536	4.105.947.697
5.	Debt securities	7.951.618.370	19.570.588.712
5a.	Treasury bills	-	-
5b.	Government securities	7.328.349.357	18.942.417,964
5c.	Other debt securities	623.269.013	628.170.748
5d.	Impairment	-	-
6.	Investments in equity instruments	261.311.497	104.454.881
7.	Investments in associates	289.650.040	324.115.246
7a.	Investments in banks	-	-
7b.	Other investments in associates	289.650.040	324.115.246

No.	ITEM	Amount	
		Previous year	Previous year
1	2	3	4
8.	Investments in subsidiaries	12.738.081	12.738.081
8a.	Investments in banks	-	-
8b.	Other investments in subsidiaries	12.738.081	12.738.081
9.	Joint ventures	-	-
9a.	Joint ventures in banks	-	-
9b.	Other joint ventures	-	-
10.	Intangible assets	55.996.875	70.219.145
10a.	Founding expenditures	-	-
10b.	Expenditures for research and development	-	-
10c.	Concessions, patents, licences, trademarks and similar rights	25.999.894	29.430.935
10d.	Goodwill	-	-
10e.	Other intangible assets	29.996.981	40.788.210
11.	Tangible assets	2.754.491.398	2.767.333.496
11a.	Land	89.188.636	89.200.713
11b.	Property and equipment	2.633.349.704	2.640.243.820
11c.	Other tangible assets	31.953.058	37.888.963
12.	Other assets/receivables	2.519.153.004	2.543.421.020
12a.	Restricted deposits	1.300.667.007	1.255.159.545
12b.	Derivative assets held for risk management	-	-
12c.	Embedded derivatives	-	-
12d.	Non - current assets held - for - sale and disposal group	-	-
12e.	Executed collateral	40.970.657	24.548.402
12f.	Assets pledged as collateral	-	-
12g.	Advances for intangible assets	407.066	-
12h.	Advances for tangible assets	2.448.278	15.207.978
12i.	Income tax receivable	4.591.091	390.225
12j.	Deferred tax assets	-	-
12k.	Financial assets at fair value through profit or loss upon initial recognition	339.193.210	344.454.803
12l.	Other receivables	861.306.421	935.569.352
12m.	Impairment	30.430.726	31.909.285
13.	Deferred incomes and prepaid expenses	1.145.436.581	1.333.964.685
14.	<b>TOTAL ASSETS</b>	<b>123.018.090.087</b>	<b>132.583.577.438</b>

No.	ITEM	Amount	
		Previous year	Previous year
1	2	3	4
15.	<b>LIABILITIES</b>	109.775.411.644	118.684.496.225
16.	Liabilities to banks	1.171.586.610	762.559.363
16a.	Current accounts	86.824.167	186.000.628
16b.	Deposits	234.510.974	133.594
16c.	Restricted deposits	128.025.344	-
16d.	Borrowings	722.226.125	576.425.141
16e.	Other liabilities	-	-
17.	Liabilities to other customers	107.302.857.461	116.587.586.898
17a.	Current accounts	47.460.198.864	57.469.186.640
17b.	Deposits	57.188.573.241	56.769.125.438
17c.	Restricted deposits	2.539.303.059	2.349.274.820
17d.	Borrowings	114.782.297	-
17e.	Other liabilities	-	-
18.	Issued debt securities liabilities	-	-
18a.	Issued instruments on money market	-	-
18b.	Issued deposit certificates	-	-
18c.	Bonds issued	-	-
18d.	Other issued debt securities	-	-
19.	Other liabilities	941.386.319	1.026.170.169
19a.	Derivative liabilities held for risk management	-	-
19b.	Embedded derivatives	-	-
19c.	Trading liabilities	361.330	5.667.619
19d.	Liabilities related to disposal group	-	-
19e.	Income tax payable	8.873.879	2.466.313
19f.	Deferred tax liabilities	-	-
19g.	Financial liabilities at fair value through profit or loss	-	-
19h.	Other liabilities	932.151.110	1.018.036.237
20.	Deferred income and expenses payment in the future periods	26.816.210	12.116.002
21.	Risks and liabilities provisions	332.765.044	296.063.793
21a.	Provisions for off - balance credit exposure	269.821.359	258.451.011
21b.	Provisions for pensions and other employee benefits	62.943.685	37.612.782
21c.	Other provisions	-	-
22.	Subordinated debt	-	-

No.	ITEM	Amount	Amount
		Previous year	Previous year
1	2	3	4
23.	<b>EQUITY AND RESERVES</b>	13.242.678.443	13.899.081.213
24.	Subscribed capital	2.279.067.000	2.279.067.000
25.	Share premium	771.526.243	771.526.243
26.	Treasury shares repurchased	-	-
27.	Reserves	8.056.651.426	8.609.920.183
27a.	Statutory reserve	455.813.400	455.813.400
27b.	Other reserves	7.600.838.026	8.154.106.783
28.	Revaluation reserves and other valuation differences	5.594.139	3.517.468
29.	Profit for the financial year	1.806.755.607	1.911.966.291
30.	Loss for the financial year	-	-
31.	Retained earnings	323.084.028	323.084.028
32.	Accumulated loss	-	-
33.	Minority interest	-	-
34.	<b>TOTAL LIABILITIES AND EQUITY AND RESERVES</b>	<b>123.018.090.087</b>	<b>132.583.577.438</b>
	OFF - BALANCE RECORDS		
35.	Off – balance records - assets	47.995.778.455	51.695.591.727
36.	Off – balance records - liabilities	47.995.778.455	51.695.591.727

**INCOME STATEMENT**

for the period from 01.01. to 31.12.2020

No	I T E M	Amount	
		Previous year	Current year
1	2	3	4
1.	Interest income	2.916.287.917	2.816.671.827
2.	Interest expense	512.771.498	397.327.780
3.	Fee and commission income	1.386.069.144	1.336.817.031
4.	Fee and commission expense	438.907.161	444.601.415
5.	Income from investments in associates, subsidiaries and joint ventures	75.890.889	84.623.706
6.	Net gains from securities operations	29.403.258	15.381.560
7.	Net losses from securities operations	-	-
8.	Net foreign exchange gains	118.060.505	165.077.469
9.	Net foreign exchange losses	-	-
10.	Other operating income	796.145.619	1.786.516.535
11.	Personnel expenses	978.760.011	1.024.783.715
11a.	Salaries	603.627.521	614.284.713
11b.	Expenses for taxes and compulsory contributions for social insurance	300.968.526	310.973.776
11c.	Other employees benefits	74.163.964	99.525.226
12.	Amortization and depreciation of intangible assets and tangible assets	163.220.292	174.448.618
13.	Impairment of intangible assets and tangible assets	4.512.824	4.399.374
14.	Impairment, special reserve and provisions	589.473.854	1.348.554.657
14a.	Impairment of assets	756.206.772	1.381.645.949
14b.	Special reserve for off – balance credit exposure	(167.698.263)	(11.896.714)

No	ITEM	Amount	
		Previous year	Current year
1	2	3	4
14c.	Other provisions	965.345	(21.194.578)
15.	Expense from investments in associates, subsidiaries and joint ventures	-	-
16.	Other operating expenses	647.458.842	743.836.553
17.	Profit from continuing operations	1.986.752.850	2.067.136.016
18.	Loss from continuing operations	-	-
19.	Profit from discontinuing operations	-	-
20.	Loss from discontinuing operations	-	-
21.	Profit before tax	1.986.752.850	2.067.136.016
22.	Loss before tax	-	-
23.	Profit tax (part of the Tax balance)	179.997.243	155.169.725
24.	Profit for the financial year	1.806.755.607	1.911.966.291
25.	Loss for the financial year	-	-
26.	Average number of employees based on working hours during the financial year (in an absolute amount)	991	974
27.	Number of working months	12	12

**EXPLANATION**  
of the Income Statement of  
Komerčijalna banka AD Skopje  
for the period from 01.01. - 31.12.2020

The annual report is made according to the law legislation in the Republic of North Macedonia, by – law legislation prescribed by National Bank of the Republic of North Macedonia, as well as according to the Regulations on the form and content of the annual report of banks and other financial institutions.

In the course of the period from 01.01 to 31.12.2020, the financial result is achieved, as follows:

	<u>(in thousand denars)</u>
1. Total income	6.205.088
2. Total expenses	4.137.952
3. Profit before tax	2.067.136
4. Income tax expense	155.170
5. Net profit	1.911.966

**1. Income**

The total income at the end of 2020 is increased for 16,6% compared to 2019 (Table 1).

Table 1 (in 000 denars)

I T E M	Realization		Structure 31.12.2020	Index 3:2
	2019	2020		
1	2	3	4	5
1 Interest income	2.916.288	2.816.672	45,4	96,6
2 Fee and commission income	1.386.069	1.336.817	21,5	96,4
3 Income from investments in associates, subsidiaries and joint ventures	75.891	84.624	1,4	111,5
4 Net gains from securities operations	29.403	15.382	0,2	52,3
5 Net foreign exchange gains	118.060	165.077	2,7	139,8
6 Other operating income	796.146	1.786.516	28,8	224,4
<b>TOTAL:</b>	<b>5.321.857</b>	<b>6.205.088</b>	<b>100,0</b>	<b>116,6</b>

In the structure of the total income, the interest income from loans and other placements approved participate with 45,4%. The total interest income is decreased for 3,4% compared to 2019, as a result of a decrease of the interest income on loans approved to non-residents for 66,3%, decrease of the interest income from loans approved to non-profit institutions in service of households for 50,0%, decrease of the interest income on loans approved to banks for 39,9%, decrease of the interest income from loans approved to other financial companies for 33,2%, as well as a decrease in interest income from loans approved to non - financial companies for 4,5%.

At the same time, there is an increase of interest income of government for 37,4%, as well as increase of the interest income from loans approved to households for 7,6%. (Table 2).

Table 2 (in 000 denars)

ITEM	Realization		Structure 31.12.2020	Index 3:2
	2019	2020		
1	2	3	4	5
1 Interest income from loans and other placements approved to non - financial companies	1.451.890	1.386.866	49,2	95,5
2 Interest income from loans and other placements approved to government	213.141	292.961	10,4	137,4
3 Interest income from loans and other placements approved to non - profit institutions in service of households	9.653	4.831	0,2	50,0
4 Interest income from loans and other placements approved to banks	158.132	95.022	3,4	60,1
5 Interest income from loans and other placements approved to other financial companies	1.538	1.027	0,0	66,8
6 Interest income from loans and other placements approved to households	884.667	951.560	33,8	107,6
7 Interest income from loans and other placements approved to non - residents	133.956	45.085	1,6	33,7
8 Impairment of interest income, on net basis	(27.405)	(9.533)	0,3	34,8
9 Collected previously written - off interests	90.716	48.853	1,7	53,9
<b>TOTAL:</b>	<b>2.916.288</b>	<b>2.816.672</b>	<b>100,0</b>	<b>96,6</b>

The fees and commission income is decreased for 3,6% compared to 2019, as a result of decrease of the income under fees and commissions under payment operations of legal entities in the country and abroad, the decrease of income under fees and commissions from issued foreign currency letters of credit and guarantees, a decrease of the income under fees and commissions on the basis of keeping current accounts, as well as a decrease of the income under fees and commissions from cashier operations.

The decrease of income under fees and commissions is a result of the decreased volume of business activities in the corporate sector as a result of the current state caused by the health covid19 crisis.

The income from investments in associates, subsidiaries and joint ventures in the structure of the total income participates with 1,4%, and shows an increase of 11,5% compared to 2019 which refers to participation in the net profit of the associate company KB First Pension Company AD Skopje (67.614 thousand denars) and the realized dividend from the subsidiary KB Publikum Invest AD Skopje (17.010 thousand denars).

In the structure of the total income, net gains from securities operations participate with 0,2%, and compared to 2019 is has decreased for 47,7%.

In the structure of the total income, net foreign exchange gains participate with 2,7%, and compared to 2019 it has increased for 39,8%.

The other operating income in the structure of the total income participates with 28,8% and shows a significant increase compared to 2019, which is mostly due to the increased capital gain from the sale of foreclosed assets (property and equipment). The capital gain from the sale of foreclosed assets is mostly derived from the sale of foreclosed assets of the Bank which covers a large area of administrative and business premises in attractive locations in Skopje and other cities, production plants with production lines and work equipment, as well as land. The sold foreclosed assets from which the capital gain was realized was foreclosed from legal entities that had significant credit exposure in the Bank

Also, there is an increase of the income under collected previously written off claims.

## 2. Expenses

The total expenses show an increase of 24,1% compared to 2019 (Table 3).

Table 3 (in 000 denars)

ITEM	Realization		Structure 31.12.2020	Index 3:2
	2019	2020		
1	2	3	4	5
1 Interest expense	512.771	397.328	9,6	77,5
2 Fee and commission expense	438.907	444.601	10,7	101,3
3 Net loss from securities transactions	-	-	-	-
4 Personnel expenses	978.760	1.024.784	24,8	104,7
5 Amortization and depreciation of intangible assets and tangible assets	163.220	174.449	4,2	106,9
6 Impairment of intangible assets and tangible assets	4.513	4.399	0,1	97,5
7 Impairment, special reserve and provisions	589.474	1.348.555	32,6	228,8
8 Expense from investments in associates, affiliates and joint venture	-	-	-	-
9 Other operating expenses	647.459	743.836	18,0	114,9
<b>TOTAL</b>	<b>3.335.104</b>	<b>4.137.952</b>	<b>100,0</b>	<b>124,1</b>

In the structure of total expenses, interest expenses participates for 9,6% and show a decrease of 22,5% compared to 2019. This decrease is a result of a decrease of the interest expenses from government by 54,0%, a decrease of interest expenses from banks for 49,2%, decrease of the expenses of interest from households for 26,7%, decrease of interest expenses from non-profit institutions in service of households for 24,9%, the decrease of expenses from of interest from non-residents for 24,4%, as well as the decrease of interest expenses from non-financial companies for 8,9%. At the same time, there is an increase in interest expenses from financial companies for 11,1% (Table 4).

Table 4

(in 000 denars)

I T E M	Realization		Structure 31.12.2020	Index 3:2
	2019	2020		
1	2	3	4	5
1 Interest expense from non - financial companies	49.386	44.975	11,3	91,1
2 Interest expense from government	315	145	0,1	46,0
3 Interest expense from non - profit institutions in service of households	6.109	4.588	1,1	75,1
4 Interest expense from banks	5.908	3.001	0,8	50,8
5 Interest expense from other financial companies	34.901	38.758	9,7	111,1
6 Interest expense from households	373.718	273.794	68,9	73,3
7 Interest expense from non - residents	42.434	32.067	8,1	75,6
<b>TOTAL:</b>	<b>512.771</b>	<b>397.328</b>	<b>100,0</b>	<b>77,5</b>

The fee and commission expense in the structure of the total expenses participates with 10,7% and is higher for 1,3% compared to 2019.

The personnel expenses in the structure of the total expenses participate with 24,8%, and show an increase for 4,7% compared to 2019.

The amortization and depreciation of the intangible and tangible assets in the structure of total expenses participates with 4,2% and shows an increase of 6,9% compared to 2019.

The expenses under impairment of intangible and tangible assets, i.e. impairment of executed collateral, in the structure of total expenses participate with 0,1%, and show a decrease of 2,5% compared to 2019 and refer to regular subsequent impairment in accordance with the Decision from NBRNM.

The expenses under impairment, special reserve and provisions, i.e. impairment loss of active balance sheet receivables (loans and placements, interests, commissions, other receivables and securities), special reserve for off – balance credit exposure and the other provisions, show an increase of 128,8%, and in the structure of the total expenses participate with 32,6%.

The total impairment of financial assets and special reserve for off-balance sheet exposure on a net basis in 2020 is higher compared to 2019 due to the fact that in 2020 a lower amount of impairment relief and special reserve was realized. At the same time, in 2020 there is a higher amount of additions to the impairment compared to 2019, due to reduced creditworthiness of customers, and it is estimated that the Bank made a certain anticipation of the expected deterioration of the loan portfolio in 2021, as a result of the crisis caused by COVID-19.

The other operating expenses in the structure of the total expenses participate with 18,0%, and show an increase of 14,9% compared to 2019 and mainly refer to increase in administrative and marketing costs, as well as increase in deposit insurance premiums.

The increase of administrative and marketing costs mostly refers to donations of financial assistance and medical equipment to the Ministry of Health of the Republic of North Macedonia and public health institutions in order to support the efforts and engagements of the health sector of the country during the period of the Covid19 health Crisis.

In 2020 the Bank realized gross profit of 2.067.136 thousand denars, i.e. net profit of 1.911.966 thousand denars.

Thus, the return on assets ratio (ROA) is 1,4% (2019:1,5%), and return on equity ratio (ROE) is 13,8% (2019: 13,6%).

**BANK'S BOARD OF  
DIRECTORS**