

**Note to the Income Statement of Komercijalna Banka AD Skopje
as at 31.03.2014**

In the period 01.01.-31.03.2014, the Bank realized **negative financial results** from its operation in the amount of MKD 99.7 million, versus the negative financial results realized within the same period last year in the amount of MKD 374.4 million. The profit realized prior to provisioning, being the indicator of the Bank's operative capability to cover the operative expenses, is for 6.5% lower in regards to the previous year, which is due to the realized net unrealized loss from securities valuation, lower amount of FX gains and less net income from fees and commissions. However, the negative financial result is under dominant negative influence of the impairment loss for the assets foreclosed after 01.01.2010, which, according to the law regulations, is recorded on 01.01.2014.

The **net interest income** is the basic component in the creation of the total income from operation, and as at 31.03.2014 it shows an increase of 4.9%, compared to the same period last year, despite the decrease of the deposit and loan interest rates starting from 01.01.2014.

The **net income from fees and commissions** realized as at 31.03.2014 reached the amount of MKD 214.6 million, which compared to the same period last year means a decrease for 1.2%.

As at 31.03.2014, **net FX gains** amount in MKD 29.8 million and compared to their statement in the previous year they showed a decline for 44.2%.

Other income from operation of the Bank, as at 31.03.2013, reached the amount of MKD 33.8 million, which, compared to the same period last year, is a decrease of about 48%. The total *other income* realized have negative trend, mainly as a result of less income realized form the FX operation.

In the period 01.01.-31.03.2014, the **total expenses for employees and amortization** amount in MKD 252.4 million and compared to the same period last year they show an increase for 3.5% as a result of increased amortization expenses upon putting into use of the new business premises of the Bank.

Impairment loss on non-financial assets on net basis reached the amount of MKD 238.2 million, which compared to the same period last year means multiple increase. Most of the impairment loss recorded refers to the assets foreclosed after 01.01.2010, which, according to NBRM's regulations, have to be recognized by the Bank not latter than 01.01.2014, while the rest is impairment loss under sale of foreclosed assets and under reappraisals made. Pursuant to the Conclusion of the Risk Management Committee, the total impairment loss for the assets foreclosed after 01.01.2010 was recorded in two equal amounts and on 31.12.2013 and 01.01.2014 in order to decrease the financial burden of the total impairment loss being due on 01.01.2014.

The **impairment of financial assets on net basis** on 31.12.2014 reached the amount of MKD -335.7 million and compared to the same period last year it declined by 61.9%.