



## Comment on the unconsolidated unaudited Income Statement and Balance Sheet of Komercijalna Banka AD Skopje as of 31.12.2014

### 1. Income Statement

In the period 01.01-31.12.2014, Komercijalna Banka AD Skopje realized **net profit for the financial year in the amount of MKD 95.6 million** compared to the net profit of MKD 78.9 million from the previous year. This positive financial result is realized in conditions characterized by growth of the domestic economy, whereas the state of the corporate loan portfolio of the Bank continued its trend of deterioration, which then resulted with higher provisioning of the financial assets on net basis. The impairment losses on non-financial assets had significant negative effect on the financial results, recorded in accordance with the regulation of NBRM. In addition, the increased income from fees and commissions, net FX gains, as well as decreased operating expenses for the employees and other expenses from business line have impact effects on the realized financial results.

The realized **total income** is in the amount of MKD 4,043.8 million and notes a decrease of 4.7% versus the net income in the same period last year, as a result of the lower interest income which is the dominant category in the total interest income.

The **realized net interest income** noted a decrease of 4.7% compared to the same period in 2013, as a result of the decrease of loan and deposit interest rates during the year, as well as due to the increased provisioning on the interest income, which arises from the deteriorated corporate loan portfolio and lower amount of collected written-off claims under interest. The plan is realized by 97.6%.

The **net income from fees and commissions** as at 31.12.2014 amounted in MKD 909.5 million and compared to last year's realization showed an increase of 1.9%. The plan is realized by 102.0%.

The **net FX gains** as at 31.12.2014 amount in MKD 115.9 million and compared to the same period last year, note an increase of 54.6%. The plan is realized by 154.5%.

The **other operating income of the Bank** as at 31.12.2014 amounted in MKD 176.4 million and compared to the same period last year noted a decrease of 26.3% mainly due to the decrease in collected written-off claims and decreased income under international operations. The plan is realized by 84.9%.

**Operating expenses** for the period 01.01 - 31.12.2014 are in the amount of MKD -1,796.7 million and compared to the same period last year show a decrease of 8.2%, mainly as a result of decreased operating expenses or primarily the operating expenses for the employees. The plan is realized by 93.9%.

**Impairment losses on non-financial assets on net basis** have reached an amount of MKD -308.5 million and noted a decrease of 20.8% versus the previous year. The largest part of the registered impairment loss refers to the property foreclosed after 01.01.2010, for which, in accordance with the regulation of NBRM, the Bank has an obligation to recognize the same not later than 01.01.2014. The other part relates to impairment loss for foreclosed property until 01.01.2010 in accordance with the Conclusion of the Risk Management Committee, while the remaining represent impairment losses in respect to reappraisal and impairment losses in respect of the sale of the foreclosed property.



The **impairment of financial assets on net basis** on 31.12.2014 reached amount of MKD - 1,829.1 million and compared to the same period last year noted an increase of 1.1%.

## 2. Balance Sheet

The **total assets** of the Bank as at 31.12.2014 reached the amount of MKD 92,770.5 million, and compared to December 2013, they have increased for 6.8%. The growth in the total assets mainly due to the increase of placements in and loans to other banks, loans to and receivables from other clients, trading assets and the investment in associates. The plan is realized by 102.8%.

The significant increase in **placements in and loans to other banks** is a result of the growth of term deposits in foreign currency with maturity from 3 months to 1 year, which was not predicted with the plan for 2014, since the foreign banks have started listing negative interest rate on their term assets with maturity up to one month. The plan is exceeded for almost nine times.

The **loans to clients**, as the largest item in the total assets, noted an increase of 5.4% as a result of the increase of gross loans to individuals, mainly housing and consumer loans with EUR clause, as well as the growth in gross loans to legal entities. The plan is realized by 100.5%

The **investment in associates** noted an increase of 4.5% in regards to December 2013, as a result of the Bank's share in the profit of KB Prvo Penzisko drustvo AD Skopje - Company for management of mandatory and voluntary pension funds in the amount of MKD 36.6 million and correction of the book value by applying "the principal method" on the basis of paid dividend from the company in the amount of MKD 29.8 million. The plan is realized by 99.2%.

The increase in **trading assets** is achieved on the basis of stake documents which are bought in order to increase the yield in period of permanent decreasing of the interest rates on the domestic and foreign markets. The plan is realized by 410.2%.

The decrease of **foreclosures** relative to December 2013 is a result of impairment provision of foreclosed assets, recorded in accordance with the regulation of NBRM, additional impairment loss in respect to reappraisals, as well as on the basis of foreclosures which have been sold.

The growth of total assets in 2014 is supported by proper increase of the clients' deposits and the increase of the Bank's share capital and reserves.

**Deposits from customers** reached the amount of MKD 79,914.1 million, which represents an increase of 9.3%, despite the decreased interest rates. The plan is realized by 104.1%.

As at 31.12.2014, **share capital and reserves** reached the amount of MKD 9,519.1 million which is an increase of 1%, as a result of increased amount of retained earnings and increased reserves during 2014. This increase was contributed by the profit from 2013, which was entirely allocated into reserves in the amount of MKD 78.9 million. The Bank will continue with increasing the amount of capital and strengthening its capital position. The plan is realized by 96.9%.



### **3. Expectations for the forthcoming period**

Analyzed from the macroeconomic aspect, it is expected for 2015 to be similar with the previous year, with continuation of the solid economic growth and retention of the business environment.

The Bank will undertake all necessary measures and activities in order to realize its goals and assignments in accordance with the Program of Business Policy Measures and Activities for 2015. First of all, the Bank will be focused on improving the quality of the loan portfolio. The growth of the loan portfolio is expected to be on the level of GDP growth, whereas significant changes in total assets and Bank's resources structure are not planned. The non-financial sector deposits will continue to retain their dominant share in the total resources of Komercijalna Banka.

During 2015, additional activities for extra reservation for the clients' credit exposures are expected to be implemented. This concerns those clients which in the past couple of years note negative trend in their financial state and irregularity in the repayment of their liabilities, further impairment provision of foreclosed assets in accordance with the regulation of NBRM and total compliance with the regulatory limits.

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

There were no changes in the accounting policies and evaluation methods in 2014.

### **5. Dividends paid**

Pursuant to the Decision on appropriation and allocation of unallocated profit gained up to 31.12.2013, made at the General Meeting of Shareholders of Komercijalna Banka AD Skopje held on 26.03.2014, the whole unallocated profit was allocated at reserves of the Bank and no dividend was distributed to the shareholders.

### **6. Investments in or sale of material 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 2014 noted decrease of 2.8% mainly due to calculated amortization.

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

In 2014, liabilities under loans noted decrease of 21.8% in regards to 2013 mainly due to higher amount of regular repayment of loan installments compared to the amount of withdrawals under loans agreements.

Skopje, 29.01.2015