



Comment on the unconsolidated unaudited Income Statement and Balance Sheet of Komercijalna Banka AD Skopje as of 31.12.2015

1. Income Statement

In the period 01.01-31.12.2015, Komercijalna Banka AD Skopje realized **net profit for the financial year** in the amount of MKD 525.1 million compared to the net profit of MKD 95.6 million from the previous year. The gain realized before impairment, which represents an indicator for the operational capability of the Bank to cover its operational expenses is for 26.8% higher than the one from the previous year, which mainly is a result of the increased net interest income and increase of the other operating income category, by simultaneously decreasing of the other operating expenses category. Positive impact on the profit for the financial year 2015 also has the improvement of the loan portfolio during the year and increased collection of claims, thus the amount of the additional impairment on loans has been decreased relative to the last year.

The realized **total income** is in the amount of MKD 4,563.6 million and notes an increase of 12.9% relative to the last year.

The **realized net interest income** represent a basic component in the formation of the total operating income and the same note an increase of 12.4% relative to the same period last year. The plan is realized by 104.8%.

The **net income from fees and commissions** as at 31.12.2015 amounted in MKD 897.3 million and compared to last year's realization have been decreased for 1.3%. The plan is realized by 97.7%.

The **net FX gains** as at 31.12.2015 amount in MKD 109.6 million and compared to the same period last year, note a decrease of 5.4%. The plan is realized by 94.5%.

The **other operating income of the Bank** as at 31.12.2015 amounted in MKD 331.9 million and compared to the same period last year noted an increase of 88.1% mainly due to the increase in collected written-off claims and income under FX operations (arbitrages). The plan is realized by 108.5%

Operating expenses for the period 01.01 - 31.12.2015 are in the amount of MKD -1,715.2 million and compared to the same period last year show a decrease of 4.5%, mainly as a result of decreased other operating expenses category. Within this category the decrease arises from the deposit insurance premium and material and service expenses. The plan is realized by 93.2%.

The **impairment of financial assets on net basis** on 31.12.2015 reached amount of MKD -1,727.4 million and compared to the same period last year noted a decrease of 5.6%.

Impairment losses on non-financial assets on net basis have reached an amount of MKD -532.6 million and noted an increase of 72.7% versus the previous year. The largest part of the registered impairment loss refers to the property foreclosed after 01.01.2010, the other part relates to impairment loss for foreclosed property until 01.01.2010, while the remaining represents impairment losses in respect to reappraisal. The plan has been realized by 143.2%.



2. Balance Sheet

The **total assets** of the Bank as at 31.12.2015 reached the amount of MKD 97,142.3 million, and compared to December 2014, they have increased for 4.7%. The growth in the total assets is mainly due to the increase of investment in securities, placements in and loans to other banks and investments in associates. The plan is realized by 100.1%.

The growth of **placements in and loans to other banks**, first of all is a result of the time deposits placed in foreign banks from 3 months to 1 year. The Plan is realized by 111.3%

The **investment in associates** noted an increase of 20.0% in regards to December 2014, 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 39.0 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 7.5 million. The plan is realized by 102.9%.

The decrease of **foreclosures** relative to December 2014 is a result of recorded impairment of the existing foreclosed assets, 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 2015 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 83,798.8 million, which represents an increase of 4.9%, despite the decreased interest rates. The plan is realized by 101%.

As at 31.12.2015, **share capital and reserves** reached the amount of MKD 10,044.3 million which is an increase of 5.5%, as a result of increased amount of retained earnings and increased reserves during 2015. This increase was contributed by the profit from 2014, which was entirely allocated into reserves in the amount of MKD 95.6 million. The Bank will continue with increasing the amount of capital and strengthening its capital position. The plan is realized by 97.6%.

3. Expectations for the forthcoming period

Despite the existing high uncertainty, it is expected that the macroeconomic environment in the Republic of Macedonia in 2016 will remain stable and directed towards realization of faster economic growth and increase of its sustainability.

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 2016. 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 2016 additional activities for credit risk exposure are expected to be implemented. Those activities include additional reservations for exposures towards clients which in the last couple of years have continuously noted a trend of worsening of their financial standing and



default payments of the liabilities; additional impairment of the foreclosed assets in accordance with the NBRM regulation and complete compliance with the regulation limits.

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

There were no changes in the accounting policies and evaluation methods in 2015.

5. Dividends paid

Pursuant to the Decision on appropriation and allocation of unallocated profit gained up to 31.12.2014, made at the General Meeting of Shareholders of Komercijalna Banka AD Skopje held on 25.03.2015, 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 2015 noted decrease of 3.8% mainly due to calculated amortization.

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

In 2015, liabilities under loans noted decrease of 17.2% in regards to 2014 mainly due to higher amount of regular repayment of loan installments compared to the amount of withdrawals under loans agreements.

Skopje, 28.01.2016