



Comment on the unconsolidated unaudited Income Statement and Balance Sheet of Komercijalna Banka AD Skopje as of 01.01 - 30.06.2016

1. Income Statement

In the period 01.01-30.06.2016, Komercijalna Banka AD Skopje realized **positive financial result** in the amount of MKD 201.3 million compared to the realized **negative financial result** of MKD 181.4 million for the same period previous year.

The realized profit before provisioning, being an indicator for the operational ability of the Bank to cover its operating expenses is for 13.2% higher compared to the previous year, mostly due to the increase of the net interest income, increase of the other income (mainly income under capital gain from sale of assets and income from f/x operations) with simultaneous decrease of the operative expenses.

The decreased impairment of the corporate loans, as well as the decrease of the impairment loss of the foreclosed assets recorded in accordance with the regulation had positive influence on the financial result in the reporting period.

Total income from operation is in the amount of MKD 2,267.8 million and notes an increase of 6.5% versus the net income in the same period last year.

The realized net interest income is the basic item in the formation of the total income and as at 30.06.2016 it noted increase of 3.7%, compared to the same period in 2015. The Plan for the analyzed period is realized by 99.5%.

The net income from fees and commissions as at 30.06.2016 amounted in MKD 419.7 million and compared to the realization in the previous year showed a decrease of 5.4%. The Plan is realized by 92.8%.

As at 30.06.2016, the **net FX gains** are in the amount of MKD 67.7 million and compared to the same period last year, note an increase of 34.9%. The Plan is realized by 124.2%.

Other operating income of the Bank as at 30.06.2016 amounted in MKD 207.2 million and compared to the same period last year noted an increase for 71.5% due to the realized capital gains from the sale of foreclosed property and collected written-off claims (sued). The Plan is realized by 98%.

Operating expenses for the period 01.01-30.06.2016 are in the amount of MKD 844.9 million and compared to the same period last year show a decrease of 3.2%, mainly as a result of decreased amortization, material expenses and administrative and marketing expenses. The Plan is realized by 94.6%.

Impairment loss on non-financial assets on net basis as at June 2016 reached the amount of MKD 139 million and has been decreased for 60% versus the same period in the previous year.

The provisioning on financial assets on net basis as at 30.06.2016 reached the amount of MKD 1.082 million and compared to the same period last year noted a decrease of 0.7%.



2. Balance Sheet

The **total assets** of the Bank as at 30.06.2016 reached the amount of MKD 93,504.5 million, and compared to December 2015, they have decreased for 3.7%. The decrease in the total assets is mainly due to the decrease of the money in cash and cash equivalents and the loans to other clients category. The plan is realized by 94.4%.

The **cash and cash equivalents** noted a decrease of 6.7% and realization of the Plan by 89.6%.

The **loans to other clients** as an item with largest participation from 50% in the Bank's assets have been decreased for 1.8%. The Plan has been realized with 97.3%.

The decrease of the **foreclosures** for 34.1% compared to December 2015 is a result of the recorded impairment of the foreclosed property in accordance with the regulation.

The decrease of the **real estate property and equipment** is a result of the calculated amortization. The Plan is realized by 96.9%.

The **securities held for trading** note an increase of 3.1% compared to December 2015. The Plan is realized by 102.7%.

Loans to banks category notes an increase of 3.6% and realization of the Plan for 96.5%.

Resources noted decrease in largest part as a result of decreased deposits from customers for MKD 3.3 million or 3.8% mainly as a result of drastic withdrawing of the household deposits in the period April-May 2016 due to the political crisis in Republic of Macedonia. The plan is realized by 94.1%.

As at 30.06.2016, **the Bank's reserves** noted an increase of 3.7%, as a result of the distribution of part of the gain for 2015 into reserves, by which the Bank keeps on increasing the amount of capital and strengthening its capital position. The plan is realized by 97.9%.

3. Expectations for the forthcoming period

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

The Bank will undertake all necessary measures and activities in order to realize its goals and objectives in accordance with the Program of Business Policy Measures and Activities for 2016 and mainly will be focused on improving the quality of the loan portfolio. The growth of the loan portfolio of the Bank is expected to be moderate in the area of lending activities towards non-financial legal entities, as well as in the retail segment in accordance with the newly adopted regulation by NBRM, thus no significant structural changes on the asset side are not planned. The same refers on the liability side, thus the non-financial sector deposits will continue to retain their dominant share in the total resources of Komercijalna Banka.

During 2016, additional activities for extra provisioning for the credit exposures to clients are expected to be implemented, referring to clients who in the previous years noted negative trend in their financial state and irregularity in the repayment of their liabilities, further



impairment 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 the first half of 2016.

5. Dividends paid

Pursuant to the Decision on appropriation and allocation of unallocated profit gained up to 31.12.2015 and the Decision for determining data for dividend payment for 2015, in the first half of 2016 the Bank has made a dividend payout to the shareholders (owners of ordinary shares) in total amount of MKD 284,883 thousand, out of which MKD 177.668 thousand to legal entities and MKD 107.215 thousand to individuals, thus the dividend per share was MKD 125.

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)

In the first half of 2016 real estate and equipment noted decrease of 2.0% compared to December 2015, mainly due to calculated amortization.

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

In the first half of 2016, liabilities under loans (loans from credit lines by EIB, Italian credit line, Agriculture credit discount fund and Fund for social development) noted decrease of 14.3% in regards to 2015 mainly due to higher amount of regular repayment of loan installments compared to the amount of withdrawals under loans agreements.

Skopje, 18.07.2016