



KOMERCIJALNA BANKA AD SKOPJE

ANNUAL REPORT
OF KOMERCIJALNA BANKA AD SKOPJE
for the period from 01.01. to 31.12.2018

Skopje, February 2019

BALANCE SHEET

as at 31.12.2018

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
	ASSETS		
1.	Cash and cash equivalents	30.255.029.938	42.038.622.230
2.	Investments in debt securities that can be used for refinancing in NBRM	14.796.209.031	14.366.164.341
2a.	Treasury bills	6.124.553.189	5.616.762.394
2b.	Government securities	8.671.655.842	8.749.401.947
2c.	Impairment	-	-
3.	Loans and advances to banks	5.834.393.539	2.515.918.600
3a.	Loans	49.056.214	50.521.239
3b.	Deposits	5.781.140.353	2.461.754.412
3c.	Other receivables	5.811.568	5.870.374
3d.	Impairment	1.614.596	2.227.425
4.	Loans and advances to other customers	45.366.240.834	46.406.938.000
4a.	Loans	52.549.992.309	52.325.681.305
4b.	Other receivables	206.410.548	23.460.849
4c.	Impairment	7.390.162.023	5.942.204.154
5.	Debt securities	2.084.821.473	3.495.721.686
5a.	Treasury bills	-	-
5b.	Government securities	2.084.821.473	3.495.721.686
5c.	Other debt securities	-	-
5d.	Impairment	-	-
6.	Investments in equity instruments	446.662.017	93.686.116
7.	Investments in associates	235.163.623	274.036.651
7a.	Investments in banks	-	-
7b.	Other investments in associates	235.163.623	274.036.651

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	39.684.615	38.009.645
10a.	Founding expenditures	-	-
10b.	Expenditures for research and development	-	-
10c.	Concessions, patents, licences, trademarks and similar rights	1.635.051	6.754.625
10d.	Goodwill	-	-
10e.	Other intangible assets	38.049.564	31.255.020
11.	Tangible assets	2.865.607.754	2.807.323.040
11a.	Land	88.735.481	88.735.481
11b.	Property and equipment	2.747.339.351	2.673.885.523
11c.	Other tangible assets	29.532.922	44.702.036
12.	Other assets/receivables	2.911.998.619	2.321.833.416
12a.	Restricted deposits	829.190.807	1.140.940.608
12b.	Derivative assets held for risk management	-	-
12c.	Embedded derivatives	-	-
12d.	Non - current assets held - for - sale and disposal group	267.913	-
12e.	Executed collateral	776.851.344	179.522.098
12f.	Assets pledged as collateral	-	-
12g.	Advances for intangible assets	174.216	-
12h.	Advances for tangible assets	8.135.263	3.621.009
12i.	Income tax receivable	498.286	-
12j.	Deferred tax assets	-	-
12k.	Financial assets at fair value through profit or loss upon initial recognition	-	331.829.239
12l.	Other receivables	1.404.175.494	743.835.191
12m.	Impairment	107.294.704	77.914.729
13.	Deferred incomes and prepaid expenses	11.652.680	19.382.986
14.	TOTAL ASSETS	104.860.202.204	114.390.374.792

1	2	3	4
	LIABILITIES AND EQUITY AND RESERVES		
15.	LIABILITIES	93.832.954.240	101.985.199.824
16.	Liabilities to banks	1.570.849.975	1.164.678.661
16a.	Current accounts	67.452.061	107.611.971
16b.	Deposits	191.781.233	242.923.813
16c.	Restricted deposits	189.763.851	-
16d.	Borrowings	1.121.852.830	814.142.877
16e.	Other liabilities		
17.	Liabilities to other customers	91.382.693.009	99.220.018.028
17a.	Current accounts	35.867.967.531	41.786.917.981
17b.	Deposits	52.894.362.607	54.445.062.160
17c.	Restricted deposits	2.504.392.774	2.873.255.590
17d.	Borrowings	115.970.097	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	626.987.972	1.090.021.944
19a.	Derivative liabilities held for risk management	-	-
19b.	Embedded derivatives	-	-
19c.	Trading liabilities	-	-
19d.	Liabilities related to disposal group	-	-
19e.	Income tax payable	7.995.693	126.271.638
19f.	Deferred tax liabilities	-	-
19g.	Financial liabilities at fair value through profit or loss	-	-
19h.	Other liabilities	618.992.279	963.750.306
20.	Deferred income and expenses payment in the future periods	8.996.073	7.560.492
21.	Risks and liabilities provisions	243.427.211	502.920.699
21a.	Provisions for off - balance credit exposure	183.395.426	437.559.543
21b.	Provisions for pensions and other employee benefits	60.031.785	65.361.156
21c.	Other provisions	-	-
22.	Subordinated debt	-	-
23.	EQUITY AND RESERVES	11.027.247.964	12.405.174.968
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	7.146.302.928	7.556.651.426
27a.	Statutory reserve	455.813.400	455.813.400
27b.	Other reserves	6.690.489.528	7.100.838.026
28.	Revaluation reserves and other valuation differences	9.771.235	17.638.131
29.	Profit for the financial year	820.580.558	1.780.292.168
30.	Loss for the financial year	-	-
31.	Retained earnings	-	-
32.	Accumulated loss	-	-
33.	Minority interest	-	-
34.	TOTAL LIABILITIES AND EQUITY AND RESERVES	104.860.202.204	114.390.374.792
	OFF - BALANCE RECORDS		
35.	Off – balance records - assets	67.577.386.686	67.495.600.125
36.	Off – balance records - liabilities	67.577.386.686	67.495.600.125

INCOME STATEMENT

for the period from 01.01. to 31.12.2018

No	ITEM	Amount	
		Previous year	Current year
1	2	3	4
1.	Interest income	3.562.263.777	2.993.064.870
2.	Interest expense	492.594.514	522.495.133
3.	Fee and commission income	1.125.996.043	1.235.637.810
4.	Fee and commission expense	300.335.306	358.724.420
5.	Income from investments in associates, subsidiaries and joint ventures	55.128.053	69.586.428
6.	Net gains from securities operations	28.732.391	17.537.714
7.	Net losses from securities operations	-	-
8.	Net foreign exchange gains	119.460.023	139.863.942
9.	Net foreign exchange losses	-	-
10.	Other operating income	1.067.194.625	1.413.527.878
11.	Personnel expenses	865.625.153	978.114.642
11a.	Salaries	536.977.543	615.796.884
11b.	Expenses for taxes and compulsory contributions for social insurance	260.986.287	290.624.185
11c.	Other employees benefits	67.661.323	71.693.573
12.	Amortization and depreciation of intangible assets and tangible assets	178.845.409	166.441.272
13.	Impairment of intangible assets and tangible assets	102.456.029	413.039.724
14.	Impairment, special reserve and provisions	2.462.541.624	802.392.817
14a.	Impairment of assets	2.381.267.052	539.580.489
14b.	Special reserve for off – balance credit exposure	70.826.523	254.275.492

1	2	3	4
14c.	Other provisions	10.448.049	8.536.836
15.	Expense from investments in associates, subsidiaries and joint ventures	-	-
16.	Other operating expenses	643.932.298	635.274.762
17.	Profit from continuing operations	912.444.579	1.992.735.872
18.	Loss from continuing operations	-	-
19.	Profit from discontinuing operations	-	-
20.	Loss from discontinuing operations	-	-
21.	Profit before tax	912.444.579	1.992.735.872
22.	Loss before tax	-	-
23.	Profit tax (part of the Tax balance)	91.864.021	212.443.704
24.	Profit for the financial year	820.580.558	1.780.292.168
25.	Loss for the financial year	-	-
26.	Average number of employees based on working hours during the financial year (in an absolute amount)	1.021	1.002
27.	Number of working months	12	12

EXPLANATION
of the Income Statement of
Komerčijalna banka AD Skopje
for the period from 01.01. - 31.12.2018

The annual report is made according to the law legislation in the Republic of Macedonia, by – law legislation prescribed by National Bank of the Republic of 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 31.12.2018, the financial result is achieved, as follows:

	<u>(in thousand denars)</u>
1. Total income	5.869.219
2. Total expenses	3.876.483
3. Profit before tax	1.992.736
4. Income tax expense	212.444
5. Net profit	1.780.292

1. Income

The total income at the end of 2018 is decreased for 1,5% compared to 2017 (Table 1).

Table 1 (in 000 denars)

I T E M	Realization		Structure	Index
	2017	2018	31.12.2018	3:2
1	2	3	4	5
1 Interest income	3.562.264	2.993.065	51,0	84,0
2 Fee and commission income	1.125.996	1.235.637	21,0	109,7
3 Income from investments in associates, subsidiaries and joint ventures	55.128	69.587	1,2	126,2
4 Net gains from securities operations	28.732	17.538	0,3	61,0
5 Net foreign exchange gains	119.460	139.864	2,4	117,1
6 Other operating income	1.067.195	1.413.528	24,1	132,4
TOTAL:	5.958.775	5.869.219	100,0	98,5

In the structure of the total income, the interest income from loans and other placements approved participate with 51,0%. The total interest income is decreased for 16,0% compared to 2017, as a result of a decrease of the interest income on loans approved to banks for 20,8%, decrease of the interest income from loans approved to non - financial companies for 12,3%, decrease of the interest income from loans approved to government for 4,4%, as well as interest income from loans approved to households for 3,4%. At the same time, there is a significant increase of the interest income from loans approved to other financial companies, increase of interest income of non-residents for 88,6% as well as increase of the interest income from loans approved to non-profit institutions in service of households 28,5%. (Table 2).

Table 2

(in 000 denars)

ITEM	Realization		Structure 31.12.2018	Index 3:2
	2017	2018		
1	2	3	4	5
1 Interest income from loans and other placements approved to non - financial companies	1.715.873	1.504.442	50,2	87,7
2 Interest income from loans and other placements approved to government	258.415	246.927	8,2	95,6
3 Interest income from loans and other placements approved to non - profit institutions in service of households	9.325	11.983	0,4	128,5
4 Interest income from loans and other placements approved to banks	241.073	191.013	6,4	79,2
5 Interest income from loans and other placements approved to other financial companies	868	1.911	0,1	220,2
6 Interest income from loans and other placements approved to households	876.602	846.738	28,3	96,6
7 Interest income from loans and other placements approved to non - residents	61.641	116.240	3,9	188,6
8 Impairment of interest income, on net basis	(91.732)	(33.589)	1,1	36,6
9 Collected previously written - off interests	490.199	107.400	3,6	21,9
TOTAL:	3.562.264	2.993.065	100,0	84,0

The fees and commission income is increased for 9,7% compared to 2017, as a result of increase of the income under fees and commissions from banking card transactions in the country and abroad, an increase of the income under fees and commissions under payment operations in the country and abroad, as well as increase the income under fees and commissions on the basis of keeping current accounts from citizens.

The income from investments in associates, subsidiaries and joint ventures in the structure of the total income participates with 1,2%, shows an increase of 26,2% compared to 2017 which refers to participation in the net profit of the associate company KB First Pension Company AD Skopje (64.187 thousand denars) and the realized dividend from the subsidiary KB Publikum Invest AD Skopje (5.400 thousand denars).

In the structure of the total income, net gains from securities operations participate with 0,3%, and compared to 2017 is has decreased for 39,0%.

In the structure of the total income, net foreign exchange gains participate with 2,4%, and compared to 2017 it has increased for 17,1%.

The other operating income in the structure of the total income participates with 24,1%, and shows a increase of 32,4% compared to 2017, which refers to the increased income under capital gain from the sale of foreclosed property and equipment, and from the debtor Brilliant Group, a part of the property was sold to the buyer Vitaminka AD Prilep and part of the property was sold to the buyer Embassy of the Republic of China, from the debtor Tehnometal Vardar to the buyer Anamark MK, from the debtor AMAK SP Ohrid to the buyer Andros Farm Ohrid, from the debtor Ful Tajm Company to the buyer Feniks 93 Kumanovo, and other smaller companies. Also, there is an increase of the income under collected previously written off claims.

2. Expenses

The total expenses show an decrease of 23,2% compared to 2017 (Table 3).

Table 3

(in 000 denars)

I T E M	Realization		Structure 31.12.2018	Index 3:2
	2017	2018		
1	2	3	4	5
1 Interest expense	492.595	522.495	13,5	106,1
2 Fee and commission expense	300.335	358.724	9,2	119,4
3 Net loss from securities transactions	-	-	-	-
4 Personnel expenses	865.625	978.114	25,2	113,0
5 Amortization and depreciation of intangible assets and tangible assets	178.845	166.441	4,3	93,1
6 Impairment of intangible assets and tangible assets	102.456	413.040	10,7	403,1
7 Impairment, special reserve and provisions	2.462.542	802.393	20,7	32,6
8 Expense from investments in associates, affiliates and joint venture	-	-	-	-
9 Other operating expenses	643.932	635.276	16,4	98,7
TOTAL	5.046.330	3.876.483	100,0	76,8

In the structure of total expenses, interest expenses participates for 13,5% and show a increase of 6,1% compared to 2017. This increase is a result of an increase of the non-residents interest expenses for 93,9%, an increase of interest expenses from non-financial companies for 2,2%, an increase in interest expenses from other financial companies for 0,7%, as well as increase of expenses from of interest from households for 0.2%. At the same time, there is also a decrease of the expenses of interest from government for 53,0%, decrease of interest expenses for banks by 15,4%, as well as decrease of interest expenses from non-profit institutions in service of households for 10,9%. (Table 4).

Table 4 (in 000 denars)

ITEM	Realization		Structure 31.12.2018	Index 3:2
	2017	2018		
1	2	3	4	5
1 Interest expense from non - financial companies	47.719	48.762	9,3	102,2
2 Interest expense from government	964	453	0,1	47,0
3 Interest expense from non - profit institutions in service of households	7.481	6.664	1,3	89,1
4 Interest expense from banks	12.618	10.681	2,0	84,6
5 Interest expense from other financial companies	10.619	10.695	2,1	100,7
6 Interest expense from households	379.839	380.547	72,8	100,2
7 Interest expense from non - residents	33.355	64.693	12,4	193,9
TOTAL:	492.595	522.495	100,0	106,1

The fee and commission expense in the structure of the total expenses participates with 9,2% and is higher for 19,4% compared to 2017.

The personnel expenses in the structure of the total expenses participate with 25,2%, and show an increase for 13,0% compared to 2017.

The amortization and depreciation of the intangible and tangible assets in the structure of total expenses participates with 4,3% and shows a decrease of 6,9% compared to 2017.

The expenses under impairment of intangible and tangible assets, i.e. impairment of executed collateral, in the structure of total expenses participate with 10,7%, and show a significant increase compared to 2017.

The expenses under impairment of intangible and tangible assets (foreclosed assets) for this reporting period are in the amount of 413.040 thousand denars of which 331.731 thousand denars refer to performed total impairment (making their carrying value zero,) of the assets foreclosed in the period from 01.01.2010 until the date of entry into force of the Decision of the NBRM (11.04.2013), and 81.309 thousand denars refer to performed subsequent impairment of foreclosed assets.

The expenses under impairment, special reserve and provisions, i.e. impairment loss of receivables (loans and placements, interests, commissions, other receivables and securities), special reserve for off – balance credit exposure and the other provisions, show an decrease of 67,4%, and in the structure of the total expenses participate with 20,7%.

The other operating expenses in the structure of the total expenses participate with 16,4%, and show a decrease of 1,3% compared to 2017 and mainly refer to expenses under deposits insurance premiums.

In 2018 the Bank realized gross profit of 1.992.736 thousand denars, i.e. net profit of 1.780.292 thousand denars.

Thus, the return on assets ratio (ROA) is 1,6% (2017:0,8%), and return on equity ratio (ROE) is 14,4% (2017: 7,4%).

**BANK'S BOARD OF
DIRECTORS**