



## Comment on the unconsolidated unaudited Income Statement and Balance Sheet of Komerčijalna Banka AD Skopje as of 01.01 - 30.09.2016

### 1. Income Statement

In the period 01.01-30.09.2016, Komerčijalna Banka AD Skopje realized a **positive financial result** in the amount of MKD 526.2 million compared to the realized **positive financial result** of MKD 316.7 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 13.1% 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 foreclosed assets, collected written-off claims and income from f/x operations) with simultaneous decrease of the operating expenses.

The decrease of the impairment loss of the foreclosed assets recorded in accordance with the regulation had a positive influence on the financial result in the reporting period.

**Total income** from operation is in the amount of MKD 3,480.7 million and notes an increase of 7.4% 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 30.09.2016 it noted an increase of 0.6%, compared to the same period in 2015. The Plan for the analyzed period is realized by 98.5%.

**The net income from fees and commissions** as at 30.09.2016 amounted to MKD 635.2 million and compared to the realization in the previous year, it showed a decrease of 3%. The Plan is realized by 93.7%.

As at 30.09.2016, the **net FX gains** are in the amount of MKD 102.7 million and compared to the same period last year, note an increase of 33.2%. The Plan is realized by 125.6%.

**Other operating income of the Bank** as at 30.09.2016 amounted in MKD 414.3 million and compared to the same period last year noted an increase for 113.3% due to the realized capital gains from the sale of foreclosed property, collected written-off claims (sued) and f/x income. The Plan is realized by 77.2%.

**Operating expenses** for the period 01.01-30.09.2016 are in the amount of MKD 1,255.8 million and compared to the same period last year show a decrease of 1.2%, mainly as a result of decreased amortization, material expenses and administrative and marketing expenses. The Plan is realized by 93.6%.

**Impairment loss on non-financial assets on net basis** as at September 2016 reached the amount of MKD 162.9 million and has been decreased for 55.6% versus the same period in the previous year.



**The provisioning on financial assets on net basis** as at 30.09.2016 reached the amount of MKD 1,535.8 million and compared to the same period last year noted an increase of 19.6%.

## 2. Balance Sheet

The **total assets** of the Bank as at 30.09.2016 reached the amount of MKD 95,413.7 million, and compared to December 2015, they have decreased for 1.8%. The decrease in the total assets is mainly due to the decrease of the loans to other clients, investments in securities and the foreclosed assets. The plan is realized by 95.4%.

The **cash and cash equivalents** noted an increase of 1.7% and realization of the Plan by 95.7%.

The **loans to other clients** as an item with the largest participation of 47.4% in the Bank's assets have been decreased by 5%. The Plan has been realized by 93.7%.

The decrease of the **foreclosures** for 38.2% compared to December 2015 is a result of the recorded impairment of the foreclosed property in accordance with the regulation.

The **securities held for trading** note an increase of 16.2% compared to December 2015. The Plan is realized by 115.4%.

The **Loans to banks** category notes an increase of 13.1% and realization of the Plan by 101.8%.

The **liabilities** noted a decrease in the most part as a result of decreased deposits from customers for 2.1%, 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 94.8%.

As at 30.09.2016, 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 100.9%.

## 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 will mainly 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 planned. The same refers on the liability side, therefore 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 reporting period.

#### **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 reporting period 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. 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 reporting period real estate and equipment noted a decrease of 2.9% compared to December 2015.

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

In the reporting period, liabilities under loans (loans from credit lines by EIB, Italian credit line, Agriculture credit discount fund and Fund for social development) noted a decrease of 19.6% 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, 27.10.2016