



Comment on the unconsolidated unaudited Income Statement of Komercijalna Banka AD Skopje for the period 01.01 - 31.03.2017

1. Income Statement

In the period 01.01-31.03.2017, Komercijalna Banka AD Skopje realized **a positive financial result** from its operations in the amount of MKD 39 million compared to the realized **positive financial result** of MKD 170.1 million for the same period in the previous year.

The realized profit before provisioning, being an indicator for the operational ability of the Bank to cover its operating expenses is for 0.3% lower relative to the previous year, mainly due to the decrease of the net interest income and net fee and commission income.

The reduced financial result in the reporting period was also influenced by the significant increase of the provisioning for corporate loans due to deterioration in the quality of the portfolio, which was expected. This dynamic is estimated to continue until the end of the first half of the year.

The realized total income is in the amount of MKD 1,067.1 million and notes a decrease of 1.7% 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 31.03.2017 it noted a decrease of 7.1%, compared to the same period last year. The decrease is the result of decreased balance and withholding from additional credit exposure to non-financial legal entities, in order to prevent further deterioration of the quality of the portfolio. The Plan for the analyzed period is realized by 90.8%.

The **net fees and commission income** as at 31.03.2017 amounted in MKD 199.8 million and compared to the realization in the previous year, showed a decrease of 5.2%. The Plan is realized by 96.2%.

As at 31.03.2017, the **net FX gains** are in the amount of MKD 30.4 million and compared to the same period last year it note an increase of 14.3%. The Plan is realized by 93.6%.

The **other operating income of the Bank** as at 31.03.2017 amounted in MKD 101.9 million and compared to the same period last year it noted an increase of 65.8%. The Plan is realized by 105.9%.

Operating expenses for the period 01.01-31.03.2017 are in the amount of MKD 404.6 million and compared to the same period last year they have decreased by 3.9%. The Plan is realized by 93.6%.

Impairment loss on non-financial assets on net basis as at March 2017 reached the amount of MKD 16.8 million and refers to additional impairment of newly acquired foreclosures based on uncollected claims.

The **provisioning on financial assets on net basis** as at 31.03.2017 reached the amount of MKD 606.6 million and compared to the same period last year it noted a decrease of 53.8%

2. Balance Sheet

The **total assets** of the Bank as at 31.03.2017 reached the amount of MKD 99,762.7 million, and compared to December 2016, they have decreased for 1.0%. The reduction in the total assets is mainly due to the decrease of the money in cash and cash equivalents and the receivables from other clients. The plan is realized by 98.1%.

Loans to customers have been decreased for 1.9% and realization of the Plan is 97.7%.



The decrease of the **real estate and equipment** is a result of the calculated amortization. The Plan is realized by 98.6%.

The other positions in the Bank's assets noted an increase, such as: **assets held for trading** by 1.6% and realization of the Plan by 100.7%, **loans to banks** note an increase of 0.6% and realization of the Plan by 113.3% and **foreclosures based on uncollected claims** have increased by 27.1% as a result of new foreclosures during March 2017.

The decrease of the Bank's resources is mostly due to the decrease of the clients' deposits and the decrease of the liabilities under borrowings.

Total Deposits (client deposits and banks' deposits) reached the amount of MKD 86,995.4 million, which represents a decrease of 0.9%. The plan is realized by 98.2%.

In the reporting period, **the liabilities under borrowings** reached the amount of MKD 1,520.9 million and are decreased compared to December 2016 as a result of paid due installments from the credit lines. The Plan was realized by 96.7%.

As at 31.03.2017, **the equity and reserves** of the Bank were in the amount of MKD 10,582.7 million and the same noted an increase of 0.4% as a result of the increased amount of retained earnings. The Bank's reserves are on the same level as in December 2016 and the same will increase after the distribution of the profit for 2016 in accordance with the Decision of the Shareholders Assembly held on 05.04.2017, which further strengthens the Bank's capital position.

3. Expectations for the forthcoming period

In 2017 the macroeconomic conditions in which the Bank will realize its activity are expected to be more stable and with less uncertainty, compared to 2016.

The Bank will undertake all necessary activities in order to realize its goals and objectives in accordance with the Program of Business Policy Measures and Activities for 2017 and will be focused on improving the quality of the loan portfolio. The growth of the lending activity 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, and no significant structural changes on the asset side are planned. The same refers on the liability side, with the non-financial sector deposits to continue to retain their dominant share in the total resources of the Bank.

During 2017, additional activities for extra provisioning for the credit exposures to clients are expected to be implemented, referring to clients which in the past couple of years noted negative trend in their financial standing 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, as well as regular write-off of claims which have been fully provisioned for longer than two years. The Bank will continue to try and collect written-off claims and will continue this endeavor until all legal possibilities have been exhausted.

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 quarter of 2017.

5. Dividends paid

Pursuant to the Decision on determining the dividend amount and dates of dividend payment for 2016, made at the General Meeting of Shareholders Assembly of Komercijalna Banka AD Skopje held on 05.04.2017, the dividend amounts to MKD 150.00 per share i.e. 15.0% on its nominal value of MKD 1.000,00. According to the Decision, the last day of trading with dividend right for the year 2016 was 18.04.2017 and dividend payments for the year 2016 will begin on 10.05.2017.



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 the first quarter of 2017 noted a decrease of 0.9% relative to December 2016, mainly due to calculated amortization.

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

In the first quarter of 2017, the liabilities under borrowings noted a decrease of 7.8% compared to December 2016 mainly due to higher amount of regular repayment of loan installments compared to the amount of disbursements under loan agreements.

Skopje, 26.04.2017