



Pursuant to the Decision of the National Bank of the Republic of Macedonia on publishing reports and data by the Bank (Official Gazette No.134/2007), Komercijalna Banka AD Skopje hereby announces:

REPORT AND DATA
as at 31.12.2016
announced on 12.05.2017

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1. DATA ON THE BANK		Item 8
1. Name Registered office Corporate number	Komercijalna Banka AD Skopje Orce Nikolov No.3, 1000 Skopje 4065573	
2. Organization structure	Organization structure	
3. Number of employees	1055	
4. Financial activities the Bank is licensed to perform pursuant to the license for foundation and operation issued by the Governor of NBRM	<ul style="list-style-type: none"> • Accepting deposits and other repayable sources of funds; • Lending activities in the country, including factoring and financing commercial transactions; • Lending abroad, including factoring and financing commercial transactions; • Issuance and administration of means of payment (money cards, cheques, travelers cheques, bills of exchange); • Issuance of electronic money, if regulated by separate law; • Financial leasing; • Currency exchange operations; • Domestic and international payment operations, including purchase/sale of foreign currency; • Fast money transfer; • Issuance of payment guarantees, backing guarantees and other forms of collateral; • Lease of safe boxes, depositories and depots, • Trade in instruments on the money market; • Trade in foreign assets, including trade in precious metals; • Trade in securities; • Trade in financial derivatives; • Assets and securities portfolio management of clients and/or investment consulting for clients; • Providing services of a custodian bank to investment and pension funds; • Purchasing/selling, underwriting or placements of securities issue; • Custody of securities for clients; • Advising legal entities regarding the capital structure, business strategy or other related matters or providing services related to mergers or acquisitions of legal entities; 	



	<ul style="list-style-type: none"> • Sale of insurance policies; • Intermediation in concluding credit and loan agreements; • Processing and analyzing information on creditworthiness of legal entities; • Economic and financial consulting; • Sale of stakes in investment funds and • Other financial services specified by law that may be carried out by a bank. <p><u>Decision No. 2064, No. 5791 and No. 15815 of the Governor of NBRM</u></p>
<p>5. Financial activities currently performed by the Bank</p>	<ul style="list-style-type: none"> • Accepting deposits and other repayable sources of funds; • Lending activities in the country, including factoring and financing commercial transactions; • Lending abroad, including factoring and financing commercial transactions; • Issuance and administration of means of payment (money cards, cheques, travelers cheques, bills of exchange); • Exchange operations; • Domestic and international payment operations, including purchase/sale of foreign currency; • Fast money transfer; • Issuance of payment guarantees, backing guarantees and other forms of collateral; • Lease of safe boxes, depositories and depots; • Trade in instruments on the money market; • Trade in foreign currencies; • Trade in securities; • Providing services of a custodian bank to investment and pension funds; • Safekeeping clients' securities; • Sale of insurance policies; • Processing and analyzing information on creditworthiness of legal entities; • Sale of stakes in investment funds and • Other financial services specified by law that may be carried out by a bank.
<p>6. Financial activities for which the Governor of NBRM had sentenced prohibition or limitation for their exercising, or are subject to withdrawn license</p>	<p>NONE</p>

1.1. DATA ON THE BANKING GROUP Item 9	
<p>Line 3 Participation of the Bank in the total number of shares and in the voting shares in each member of the banking group</p>	<p>KB PRVO PENZISKO DRUSTVO AD SKOPJE Blvd. Ilinden no.1, 1000 Skopje RM Main activity: Pension funds management</p> <p>Participation in the total number of shares: 49% Participation in the total number of voting shares: 49%</p> <p>KB PUBLIKUM INVEST AD SKOPJE Str. Ss. Kiril and Metodij no.50, 1000 Skopje, RM Main activity: Investment funds management</p> <p>Participation in the total number of shares: 64.29% Participation in the total number of voting shares: 64.29%</p>

**2. DATA ON THE SHAREHOLDERS' STRUCTURE OF THE BANK**

Item 11

1. Name, address, legal form, main business line and percent of participation in the total number of shares and in the total number of issued voting shares of the Bank for shareholders legal entities with qualified participation	<p>1. East Capital Explorer Investments AB Box 7214, 103 88 Stockholm, Sweden Private company with limited liability, Main activity: assets management specialized for Financial markets in Eastern Europe.</p> <ul style="list-style-type: none"> - Participation in the total shares: 10.00%, - Participation in the total number of voting shares: 10.012% <p>2. European Bank for Reconstruction and Development (EBRD) One Exchange Square EC2A 2JN, London, GB International Financial Organization</p> <ul style="list-style-type: none"> - Participation in the total shares: 5.245% - Participation in the total number of voting shares: 5.251%
2. Name, family name, address and percent of participation in the total number of shares and in the total number of issued voting shares of the Bank for shareholders individuals with qualified participation	NONE
Item 11 paragraph 2 Total number and total participation in the total number of shares and in the total number of issued voting shares of the Bank without qualified participation in the Bank	<p>Number of shareholders – individuals without qualified participation in the Bank: 4,681</p> <p>Participation of shareholders – individuals in the total number of shares issued by the Bank: 38.614%</p> <p>Participation of shareholders – individuals in the total number of voting shares issued: 38.659%</p> <p>Number of shareholders – legal entities without qualified participation in the Bank: 363¹</p> <p>Participation of shareholders – legal entities in the total number of shares issued by the Bank: 46.141%</p> <p>Participation of shareholders – legal entities in the total number of voting shares: 46.078%</p>

3. DATA ON THE OWN FUNDS AND CAPITAL ADEQUACY OF THE BANK

Item 12

1. Amount of the initial capital registered in the Central Register	MKD 2,279,067,000.00
2. Number of shares of each kind and class and nominal amount of shares	<p>Ordinary shares: 2,279,067 Nominal value per share: MKD 1,000.00</p>

¹As at the date of the report, 4 (four) summary accounts were recorded in the shareholders structure of the Bank on which, pursuant to the Law on Securities, the Bank's shares are kept on behalf of an individual client or more non-resident clients of the custodian bank in whose name the account has been opened.



3. Description of characteristics of the basic components of own funds	<u>DESCRIPTION OF THE OWN FUNDS</u>
4. Amount and components of the core capital, set by the Decision on the Methodology for determination of the capital adequacy	<u>STATEMENT OF THE BANK'S OWN FUNDS</u>
5. Amount and components of the supplementary capital, as well as their amount which, pursuant to the Methodology for determination of the capital adequacy, may be part of the own funds of the Bank	<u>STATEMENT OF THE BANK'S OWN FUNDS</u>
6. Type of deductions from the core capital and supplementary capital and the amount thereof	<p>Deductions from the core capital refer to licenses, patents and other intangibles to the extent of MKD 0.4 million.</p> <p>Deductions from the core and the supplementary capital are direct investments of the Bank in the capital of financial institutions and pension fund management companies in the total amount of MKD 259.3 million.</p>
7. Total amount of own funds and capital adequacy ratio	<u>STATEMENT OF THE CAPITAL ADEQUACY RATIO</u>
8. Amount of the capital required for covering the credit risk set out by the Methodology for determination of the capital, disclosed separately for balance sheet and off-balance sheet items	<p>Total capital required for covering the credit risk is in the amount of MKD 4,260.0 million.</p> <p>The capital required for covering the credit risk for balance sheet items is in the amount of MKD 3,901.3 million.</p> <p>The capital required for covering the credit risk for off-balance sheet items is in the amount of MKD 358.7 million.</p>
9. Amount of the capital required for covering the currency risk set out by the Methodology for determination of the capital adequacy	MKD 116.3 million
10. Amount of the capital required for covering the market risk set out by the Methodology for determination of the capital adequacy	As at 31.12.2016, the Bank does not exceed the limitation under item 30 of the Decision on the methodology for determination of the capital adequacy (Official Gazette No.47/2012), so, the Bank need not to have the capital required for covering the market risks.
11. Amount of the capital required for covering the risk from changed prices of goods	/
12. Amount of the capital required for covering the exceeding of the exposure limits	/
13. Amount of the capital required for covering the operative risk	MKD 616.8 million



14. Amount of the capital required for covering other risks if the Bank at its own assessment had set additional amount of capital needed to cover those risks or if NBRM had set additional amount of required capital due to the nature, type and volume of activities performed by the Bank and the risks it is exposed to as a result of those activities

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4. DATA ON THE RISK MANAGEMENT PROCESS

4.1. Data in accordance with the aims and objectives of the Risk Management Policy

Item 13

1. Strategies and processes of managing each individual risk

The Supervisory Board of the Bank has adopted **Strategy for risk management of Komerčijalna Banka AD Skopje** referring to all types of risks which, according to the nature, size and complexity of financial activities are part of the risk management system of the Bank which includes:

- internal acts for risk management,
- appropriate organization of risk management and
- process of determining the internal capital of the Bank

1.1 Credit risk, including the country risk

1.2. Liquidity risk

1.3. Currency risk

1.4. Market risk

1.5. Risk from change of the interest rates in the portfolio of banking activities

1.6. Exposure concentration risk of the Bank

1.7. Operative risk, including the legal risk

1.8. Reputation risk

1.9. Strategic risk

2. Structure and organization of the risk management function

2.1. Credit risk, including the country risk

2.2. Liquidity risk

2.3. Currency risk

2.4. Market risk

2.5. Risk from changes of the interest rates in the portfolio of banking activities

2.6. Exposure concentration risk of the Bank

2.7. Operative risk, including the legal risk

2.8. Reputation risk

2.9. Strategic risk



3. Structure of the risk measuring system and of the internal reporting system

- 3.1. Credit risk, including the country risk**
- 3.2. Liquidity risk**
- 3.3. Currency risk**
- 3.4. Market risk**
- 3.5. Risk from changes in the interest rates in the portfolio of banking activities**
- 3.6. Risk from concentration of the Bank's exposure**
- 3.7. Operative risk including the legal risk**
- 3.8. Reputation risk**
- 3.9. Strategic risk**

4. Policies for protection and decreasing of risk and procedures for monitoring the efficiency from the realization of these policies

- 4.1. Credit risk, including the country risk**
- 4.2. Liquidity risk**
- 4.3. Currency risk**
- 4.4. Market risk**
- 4.5. Risk from changes of the interest rates in the portfolio of banking activities**
- 4.6. Risk from concentration of the Bank's exposure**
- 4.7. Operative risk, including the legal risk**
- 4.8. Reputation risk**
- 4.9. Strategic risk**

4.2. Data regarding the management of the credit risk

Item 14

1. Description of the policy for impairment loss and allocation of special reserve

The Policy and Procedures for impairment loss of the financial instruments of Komercijalna Banka AD Skopje refers to the definition of the exposures that are subject to impairment, calculation of the impairment amount of the performing balance sheet claims, i.e. special reserve for the performing off-balance sheet claims, in accordance with the IFRS and IAS and the law regulations of NBRM.

The Policy and Procedures for impairment loss of the financial instruments of the Bank includes:

- the criteria for classification of the credit exposures (objective proof for impairment, i.e. the general indicators used for determining the impairment loss on the basis of credit risk),
- risk categories for classification of the credit exposure and percentages of impairment, depending on the risk category defined, and the procedure for calculation of the impairment loss/special reserve by appropriate impairment formulas.



<p>2. The amount of credit risk exposure before and after impairment loss or after allocation of the special reserve</p>	<p>As at 31.12.2016, the credit risk exposure before the impairment loss is in the amount of MKD 108,010.0 million.</p> <p>As at 31.12.2016, impairment loss/special reserve is in the amount of MKD 8,093.7 million.</p> <p>As at 31.12.2016, the credit risk exposure after impairment is in the amount of MKD 99,916.3 million.</p>		
<p>3. The average credit risk exposure for the respective reporting period and exposure by risk categories</p>	<p>As at 31.12.2016, the risk ratio is 7.51%.</p> <ul style="list-style-type: none"> - The credit risk exposure in A risk category is in the amount of MKD 94,947.8 million, - The credit risk exposure in B risk category is in the amount of MKD 3,735.1 million, - The credit risk exposure in C risk category is in the amount of MKD 919.7 million, - The credit risk exposure in D risk category is in the amount of MKD 1,633.8 million, - The credit risk exposure in E risk category is in the amount of MKD 6,773.6 million. 		
<p>4. Amount of matured loans</p>	<p>The matured amount under principal is MKD 8,750.9 million.</p>		
<p>5. The amount of credit risk exposures for which impairment of value is made, i.e. special reserve is allocated</p>	<p>The credit risk exposure that is subject to impairment loss and for which correction of value/special reserve is made is in the amount of MKD 56,039.8 million.</p>		
<p>6. Geographic distribution of the credit risk exposure</p>	(in MKD million)		
	<ul style="list-style-type: none"> - Republic of Macedonia - EU Member States - Europe (other) - OECD Member States (without European States - members of OECD) TOTAL: 	<ul style="list-style-type: none"> 82,119.9 14,729.0 1,566.9 1,500.5 99,916.3 	<ul style="list-style-type: none"> 82.19% 14.74% 1.57% 1.5% 100.00
<p>7. Distribution of credit risk exposure by sectors</p>	(in MKD million)		
	<p>1. RESIDENTS</p> <ul style="list-style-type: none"> Banks Other financial institutions Non-financial institutions Households Government Non-profit institutions in service to households <p>2. NON-RESIDENTS</p> <p>TOTAL:</p>	<ul style="list-style-type: none"> 82,119.9 15,108.2 93.8 41,945.5 16,296.4 8,526.9 149.1 17,796.4 99,916.3 	<ul style="list-style-type: none"> 82.19% 15.12% 0.09% 41.98% 16.31% 8.54% 0.15% 17.81% 100.00%

**8. Residual agreed maturity structure of credit risk exposure**

The credit risk exposure with maturity period of up to 1 year is 67.36% of the total credit portfolio of the Bank.

The credit risk exposure with maturity period of over 1 year is 32.64% of the total credit portfolio of the Bank.

9. Structure of the credit risk exposure by industry

(in MKD million)

Financial intermediation and insurance activities	32,832.8	32.86%
Individuals	16,252.8	16.27%
Wholesale and retail sale, motor vehicles repair and motorcycles	12,771.9	12.78%
Public administration and defence, obligatory social insurance	8,507.6	8.51%
Construction	7,783.3	7.79%
Food industry	3,883.4	3.89%
Production of metals, machines, tools and equipment	3,726.4	3.73%
Chemical industry, production of construction materials, production and processing of fuels, pharmaceutical industry	1,974.4	1.98%
Transport and warehousing	1,510.9	1.51%
Electricity supply, gas, steam and air conditioning, waste management and disposal of wastewater	1,788.9	1.79%
Agriculture, forestry and fishing	1,137.3	1.14%
Health and social protection issues	1,089.9	1.09%
Textile industry and production of clothing and footwear	1,076.9	1.08%
Real estate related business activities	939.6	0.94%
Professional, scientific and technical activities	819.2	0.82%
Other processing industry	620.9	0.62%
Hotels and restaurants	593.9	0.59%
Information and communications	530.8	0.53%
Education	440.0	0.44%
Administrative and auxiliary services	439.7	0.44%
Mining and stone extraction	404.7	0.41%
Arts, entertainment and recreation	400.8	0.40%
Non-residents	176.3	0.18%
Other services	170.2	0.17%
Sole proprietors and individuals not considered as proprietors	43.7	0.04%
Total	99,916.3	100.00%

Data on the largest exposure by business line:

Financial intermediation:

(in MKD million)

a) Amount of loans due	0
b) Amount of exposure with correction of value made	32.8
c) Amount of correction of value made	3.8



10. Amount of rescheduled claims, in accordance with the Decision on supervisory standards for regulation of outstanding claims of banks		(in MKD million)
	1. Rescheduled claims	
	- Exposure	1,677.0
	- Correction of value	594.8
	2. Prolonged claims	
- Exposure	8,719.7	
- Correction of value	532.2	
11. Movement of correction of value (impairment loss) / special reserve for the period reported		(in MKD million)
	<i>Opening balance as at 01/01/2016</i>	12,600.0
	Additional correction of value	3,806.8
	Release of the correction of value	(2,090.3)
	Effect from the FX differences	(7.8)
	Claims written-off	(6,210.4)
	Foreclosed assets on the basis of uncollected claims	(4.6)
<i>Closing balance 31/12/2016</i>	8,093.7	
4.3. Data regarding the management of the market risk		Item 15
a) Structure of the trading portfolio		(in MKD million)
	1. Ownership instruments	385
	2. Debt instruments	23
	<i>TOTAL:</i>	408
b) Policies applied by the Bank when determining certain position in the trading portfolio or in the portfolio of banking activities	When determining the financial instrument in the trading portfolio or the portfolio of banking activities, the Bank acts in accordance with the provisions of the Policy for Investing in Securities and the Accounting Policy of Komercijalna Banka AD Skopje. The investments in securities acquired by the Bank in order to gain income from their sale at short term, or to gain income as a result of the current or expected short-term changes in the market price, are classified in the trading portfolio, while the investments with fixed or determined payments and with fixed maturity, which the Bank intends and is capable to held to maturity, or for which the intention when purchasing is not known, or may be subject to sale or held to maturity, are classified into portfolio of banking activities.	
4.4. Data regarding management of the operative risk		Item 16
Method used by the Bank for calculation of the capital needed for covering the operative risk	Pursuant to the Decision on the methodology for determining the capital adequacy, made by the National Bank of the Republic of Macedonia, for calculation of the capital required for covering the operative risk the Bank applies standardized approach.	
4.5. Data regarding management of the risk arising from the capital investments that are not part of the trading portfolio		Item 17
1. Short description of the Bank's Strategy for acquiring equity investments in other legal entities	Komercijalna Banka AD Skopje shall intend to acquire equity investments only in financial institutions related to its business line and shall classify them as available for trading.	
2. Short description of the Bank's policy on accounting evaluation of the capital investments	The investments in ownership instruments available for sale are presented at their fair value, except for the investments for which there is not active market or listed market price, whose fair value cannot be reliably measured, and in this case they are measured at purchase value.	



3. Amount of capital investments and their classification according to the type	MKD 65 million are classified into non-listed ownership instruments for which no active market is available
	(in MKD million)
4. Capital investments structure by sectors	
	- Banks 0
	- Other financial institutions 63.1
	- Non-financial institutions 0
	- Non-residents 1.9
	<i>TOTAL:</i> 65.0
5. Cumulative amount of realized profit (loss) arising from the sale of the equity investments in the course of the reported period	In the course of 2016 the Bank does not alienate venture.
6. Total amount of unrealized profit (loss) from equity investments	The Bank realized net-unrealized FX gain in total amount of MKD 15 thousand, under investments in foreign financial companies.