



## Comment on the unconsolidated unaudited Income Statement of Komercijalna Banka AD Skopje as of 01.01 - 30.06.2017

### 1. Income Statement

In the period 01.01-30.06.2017, Komercijalna Banka AD Skopje realized **a positive financial result** from its operations in the amount of MKD 39.2 million compared to the realized **positive financial result** of MKD 201.3 million for the same period in the previous year. The reason for the diminished financial result in the reporting period is the significant increase of impairment on corporate loans due to the worsened quality of the portfolio, which was expected.

The realized profit before provisioning, being an indicator for the operational ability of the Bank to cover its operating expenses is for 2.5% higher compared to the previous year, mainly due to the increase of other income which incorporates the increased collected previously written-off claims and the capital gains from sale of foreclosures.

**The realized total income** is in the amount of MKD 2,313.5 million and notes an increase of 2% compared to the same period last year.

The **realized net interest income** is the basic item in the formation of the total income and as at 30.06.2017 it noted a decrease of 6.4%, compared to the same period last year. The Plan for the analyzed period is realized by 91%.

The **net fees and commission income** as at 30.06.2017 amounted to MKD 419.9 million and, compared to the realization in the previous year, are almost on the same level. The Plan is realized by 101.1%.

As at 30.06.2017, the **net FX gains** are in the amount of MKD 60.3 *million* and compared to the same period last year, note a decrease of 10.9%. The Plan is realized by 92.8%.

The **other operating income of the Bank** as at 30.06.2017 amounted to MKD 354.3 *million* and compared to the same period last year noted an increase of 71% as a result of the increased amount of realized capital gains from sale of foreclosures and collected previously written-off claims. The Plan is realized by 143.9%.

**Operating expenses** for the period 01.01-30.06.2017 are in the amount of MKD 854.4 million and have increased by 1.1% mostly due to the increased employees' expenses. The Plan is realized with 98.6%.

**Impairment loss on non-financial assets on net basis** as at June 2017 reached the amount of MKD 18.3 million and has decreased by 86.9% relative to the same period last year. This loss refers to additional impairment of newly acquired foreclosures based on uncollected claims.

The **provisioning on financial assets on net basis** as at 30.06.2017 reached the amount of MKD 1,401.5 million and compared to the same period last year notes an increase of 29.5%



## 2. Balance Sheet

The **total assets** of the Bank as at 30.06.2017 reached the amount of MKD 98,839.9 million, and compared to December 2016, they have decreased for 1.9%. The reduction in the total assets is mainly due to the decrease of the money in cash and cash equivalents, loans to customers and placements with and short-term loans to banks. The plan is realized by 96.4%.

**The money in cash and cash equivalents** noted a decrease of 6.1% and a realization of the Plan with 82.3%. The decrease is a result of the decreased assets on the regular f/x current accounts in foreign banks due to the unfavorable interest rates. Part of these assets have been placed in foreign banks as deposits with longer maturities because of the more favorable interest rates, while part of them have been placed in risk-free securities.

**Placements with and short-term loans to banks** note a decrease of 8.7% and a realization of the Plan with 117.6%. The decrease is due to the matured f/x deposits placed with NBRM that were canceled and the same can't be placed again with NBRM with a favorable interest rate. As a result, part of the f/x assets were placed in foreign banks with longer maturities and part were placed in risk-free securities in order to secure a better financial outcome.

**Loans to customers** as the largest item in total assets with a participation of 45% have been decreased for 1.7% and realization of the Plan is 97.5%.

The decrease of the **real estate property and equipment** is a result of the calculated amortization. The Plan is realized by 97.4%.

**Assets held for trading** increased by 34.4% and realized the Plan with 132.1%,

**Investments in securities** note an increase of 20% compared to December 2016 as a result of increased investments in government bills available for sale. The Plan for these investments was realized with 121.9%

**The foreclosures** are increased by 13.9% compared to December 2016 as a result of newly foreclosed assets.

The decrease of the Bank's liabilities is mostly due to the decrease of the **clients' deposits** for around MKD 1.3 billion or 1.5% as well as decrease of the borrowings. The Plan for the deposits was realized with 96.7% and for the borrowings with 94.8%

As at 30.06.2017, **the equity and reserves** of the Bank were in the amount of MKD 10,247.6 million and the same noted a decrease of 2.8% as a result of the decreased amount of retained earnings compared to December 2016.

The Bank's **reserves** increased by 6.5% compared to December 2016 due to the distribution of part of the profit for 2016 in reserves, which enables the Bank to continuously increase the value of the capital and to strengthen the capital position and fulfill the prescribed capital buffer layers in accordance with NBRM regulations. The Plan was realized with 102.2%.

## 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 adopted regulation by NBRM, and no significant structural changes on the assets 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 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, as well as regular write-off of claims which have been completely impaired 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 half of 2017.

#### **5. Dividends paid**

Pursuant to the Decision to determine and distribute the undistributed profit as at 31.12.2016 and the Decision to determine the dates of dividend payment for 2016, in the first half of 2017 the Bank paid dividend to the shareholders – owners of regular shared in total amount of MKD 341,860 thousand, of which: to legal entities MKD 210,401 thousand and to individuals MKD 131,459 thousand. The dividend was MKD 150 per share.

#### **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 half of 2017 noted a decrease of 1.8% relative to December 2016, mainly due to calculated amortization.

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

In the first half of 2017, the borrowings (from the credit lines of EIB, Italian credit line, the Agricultural credit discount fund and the Fund for social development) noted a decrease of 14.1% compared to December 2016 mainly due to higher amount of regular repayment of loan installments compared to the amount of withdrawals under loans agreements.

Skopje, 27.07.2017