

Presentation of Komercijalna Banka AD Skopje as at September 30, 2019



komercijalna banka ad skopje

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Skopje, January 2020



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Komercijalna Banka Overview



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Overview (I): A cornerstone of the Macedonian financial sector...

Leading Market Position

- Expected to keep market position as one of the leading banks in North Macedonia with assets (EUR 1,920.8 m)* and total deposits (EUR 1,673.2 m) and in terms of net loans to customers (EUR 779.3 m) as at September 30, 2019.

Customer Base

- Leading corporate customer base (33,620 customers**)
- Second largest retail customer base (948,704 customers)

One of Macedonia's Most Prominent Financial Institutions

- Long-standing history
- Well-established customer relationships

Strong Brand Recognition

- Associated with quality, innovation and trustworthiness

Modern Corporate Governance Structure

- Privatisation completed with 98.75% private ownership (5.5% foreign, as at September 30, 2019) and about 1.25% held by the Public sector
- Diversified ownership structure with one single shareholder owning 10.09% (Adora Inzenering DOOEL export-import Skopje)
- EBRD has sold its share of 5.245% in November 2017
- East Capital Explorer Investments AB has sold its share of 13.076% in March 2018
- Comprehensive, 'best-practice' corporate governance
- Rigorous risk management and anti-money laundering practices

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* The data in the presentation are according to NBRNM methodology

** Resident and non-resident corporate customers



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Overview (II):...with a track record of significant achievements...

Experienced Team of Executives

- Providing leading position in number of areas combined with maintaining stable market position
- History of product innovation and investments in new technologies

Well Invested Distribution channels

- Very well presented branch network covering all major cities and economically significant regions
- Rapidly developing multi channel distribution network comprising POS Terminals, ATM's, Info kiosks, E-Banking (both retail & corporate, as well as f/x and in denars), Telephone banking, m-banking, SMS banking

Fully Integrated IT platform

- State-of-the-art system
- Fully protected and readily upgradeable

Driver of Sector Innovation

- First to issue credit cards (1996)
- First to operate ATMs and POS terminals (1996)
- First to establish a dedicated brokerage house (1997)
- Founded one of the country's two second pillar pension funds (2005)
- Founded the investment fund KB Publikum Invest AD (2009)
- First issuer of contactless card payment (2015)
- Introduction of 3D secure technology for safe on-line purchasing with VISA and MasterCard cards (2016)
- Acceptance of MasterCard cards with BIN 2 (2016)
- Creation of new investment fund KB Publikum MBI 10 by the investment fund KB Publikum Invest AD (2017)
- KomPay – strategically innovative service with the most sophisticated technology for contactless payment with debit and credit cards in collaboration with MasterCard (2018)
- MBankaCo – mobile application for legal entities providing safe, quick and easy 24-hour access to the most frequently used e-banking services (2018)

Profitable Operation with Sound Asset Quality

- History of profitable operations
- Adequately provisioned loan portfolio

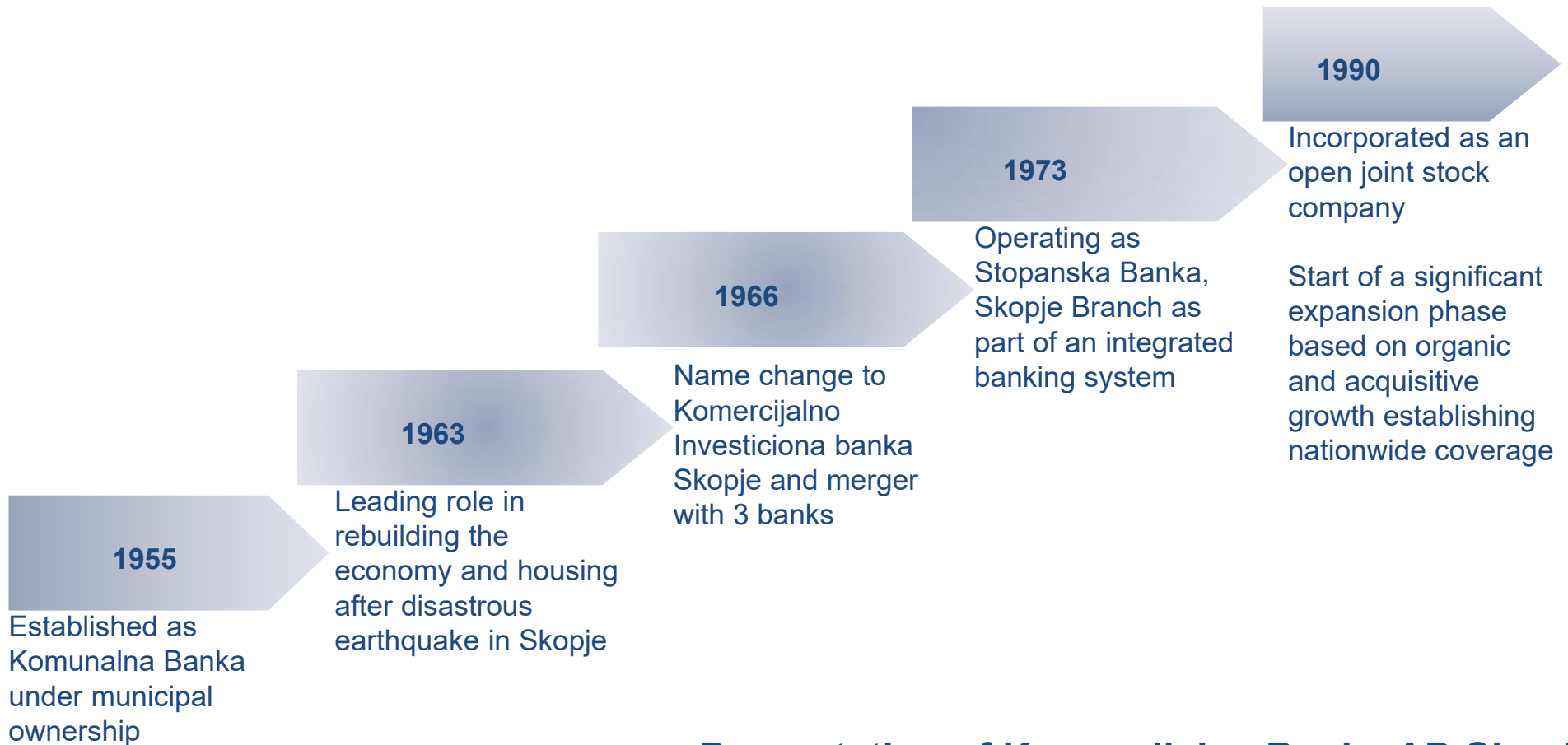
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Overview (III):...a long-standing successful history...



Presentation of Komerčijalna Banka AD Skopje



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Overview (IV): ...the largest distribution network in the country...

65 branches including headquarters as at September, 2019:

- Coverage of all major cities and economically significant regions
- 54 city branches (36 in Skopje and 18 regional)
- 11 regional branches

Largest ATM network in the country:

- 161 active ATMs as at September 2019. (158 as at December 2018)

Total number of sales points*:

- 4,317 as at September 2019 (4,568 in December 2018);
- Average number of active sale places** in September 2019 is 4,368 (4,232 in December 2018).

State-of-the-art IT infrastructure

- Fully integrated
- Real time

Branch Network



*According to the new methodology of NBRNM for representation of this type of data.

** An active sale place is the one where at least one transaction has been performed.

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Overview (V): ...and an enviable market position

Market share of Komercijalna Banka AD Skopje as at 30.09.2019

Total assets	22.4%
Capital and reserves	19.1%
Total deposits from non-financial sector	26.1%
Total net-loans to non-financial sector	15.5%
Total number of issued cards	12.6%
- debit cards	13.4%
- credit cards	9.5%
Total number of POS and ATM acquiring cards	17.1%
Credit transfers in the country	
- by value	25.1%
- by number of transactions	18.2%
Total number of transactional accounts	18.8%
Total number of deponents	43.1%
Total trading realized at the MSE	21.4%
Total number of transactions realized at the MSE	33.0%

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Overview (VI): ...International banking awards



Bank of the Year for:

- 2001
- 2002
- 2004
- 2005
- 2010
- 2011
- 2012



STP Excellence Award for:

- 2007
- 2009
- 2010
- 2011 &
- 2014



- The Best Bank for 2002, 2003 & 2004
- The Best Bank by Assets Strength for 2005, 2006 & 2007
- The Best Bank by Capital Strength for 2005
- The Best Bank by Gross Profit for 2005 & 2007
- The Best Bank by ROE for 2007



European Bank
for Reconstruction and Development

- Best Developing Trade Financier for 2003, 2004, & 2008;
- Most active issuing bank In RM in 2009 & 2017
- Award for most active participant in the program of EBRD TFP (Trade Facilitation Program) for 2014, 2015 & 2016 (already thirteen years in a row).
- Deal of the year for KB/938



- The Best Bank in Macedonia for:
 - 2004, 2005
 - 2006, 2007
 - 2008, 2009
 - 2010, 2011
 - 2012 & 2013
- Best FX service provider in Macedonia for 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019.



2007 Participant in the best financial deal



Euro STP Excellence Award for 2014

Award for excellent quality for performing payment and financial transfers – STP (Straight-Through-Processing) Award for 2016 & 2017



US Dollar payments STP Excellence Award 2017
Best Performance









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Overview (VI-continuing): ...Domestic banking awards

 <p><u>Awards from the Macedonian Stock Exchange</u></p> <ul style="list-style-type: none"> • Crystal bell award for the most transparent company for: <ul style="list-style-type: none"> ○ 2008, 2009, 2010, 2011 ○ 2014, 2015, 2016, ○ 2017 (II place) and 2018 (II place) • Plaque for achieving first place in turnover and number of transactions carried out in 2012, 2014 and 2018; second place in 2016; • Second place in 2015 & 2017 - Award for listed company with biggest turnover and number of transactions; • Award for listed company with largest turnover in the last 20 years from the existence of the MSE; • Award for MSE`s member with largest number of transactions and largest turn-over in the last 20 years since the founding of the MSE. 	 <p>Non government organization Transparency zero corruption</p> <ul style="list-style-type: none"> • Prize for best corporate governance
 <ul style="list-style-type: none"> • Super brand in Macedonia for 2009 • Super brand in Macedonia for 2015/2016 	<ul style="list-style-type: none"> • National prize for the social responsibility practice of companies in the Republic of Macedonia for 2008, 2009, 2011 & 2014.
 <ul style="list-style-type: none"> • Promoter of the humanitarian movement Pay it forward 	 <ul style="list-style-type: none"> • Award for Corporate Social Responsibility Integrated Approach for 2009, 2010 and 2011
	 <ul style="list-style-type: none"> • Gold Supporter Award 2012 • Certificates of appreciation to blood donors of Komercijalna Banka
	<ul style="list-style-type: none"> • Web site of the year for 2014 - under sponsorship by the Ministry of Information Technology

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The Republic of North Macedonia



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The Republic of North Macedonia - Macroeconomic Environment:

Key economic indicators (1)	2015	2016	2017	2018	Q3 2019
Industrial production volume index	4.9%	3.4%	0.2%	5.4%	5.6%
External Trade of RNM (%)	-10.7%	6.7%	14.8%	19.0%	5.5%
Real GDP growth (%)	3.9	2.8	1.1	2.7	3.6
Central Government Budget surplus/deficit (% of GDP)	-3.5	-2.6	-2.7	-1.8	-0.2
Inflation (CPI%) av.	-0.3	-0.2	1.4	1.5	1.0
Current Account Bal. (EUR'm)	-177.1	-275.5	-105.2	-14.9	-184.0
Gross External Debt (EUR'm)	6,290	7,217	7,373	7,844	8,575
FX Reserves (EUR'm)	2,262	2,613.4	2,336	2,867.1	3,127.5
Foreign direct invest. (EUR'm)	202.8	316.9	180.0	603.7	62.4
Unemployment Rate (%)	26.1	23.7	22.4	20.7	17.1
MKD/EUR year end.	61.61	61.6	61.57	61.51	61.50*

In **June 2019**, The Fitch agency has increased the credit rating of North Macedonia from BB to BB +, with stable outlook as a result of the country's progress towards NATO membership and opening membership negotiations with the European Union, which in turn supports its investor's confidence as well as the progress of reforms in key fields such as the rule of law, judiciary and public administration.

In **September 2019** the Credit Rating agency "Standard & Poor's" has confirmed the credit rating of North Macedonia in domestic and foreign currency to "BB- stable", emphasizing the stability of the domestic currency and the level of foreign reserves, as well as the stability of the banking system. The Agency also notes positive assessments of the credit growth in the country, accenting the positive movements, especially in the corporate lending segment.

(1) Source: Ministry of Finance, State Statistical office, NBRNM

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The Macedonian Banking Sector



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Macedonian Banking Sector (I): Structure and characteristics as at 30.09.2019

Structure

- 15 active banks (5 large*, 7 medium and 3 small)
- 2 saving houses

Characteristics

- High concentration with the large banks
- Low level of financial intermediation

Significant growth prospects

- Continuous growth of the level of privatization
- Continuous growth of the participation of the foreign capital
- Improvement of the ownership structure
- Increased network
- Continuous growth of the assets
- Growth in loans
- Growth of deposits
- Increased banking capital
- Constant increase in profitability and efficiency

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*As at 30.09.2019, the group of large banks is consisted of the following banks: Komercijalna Banka AD Skopje, Stopanska Banka AD Skopje, NLB Banka AD Skopje, Ohridska Banka AD Skopje and Halk Bank AD Skopje.

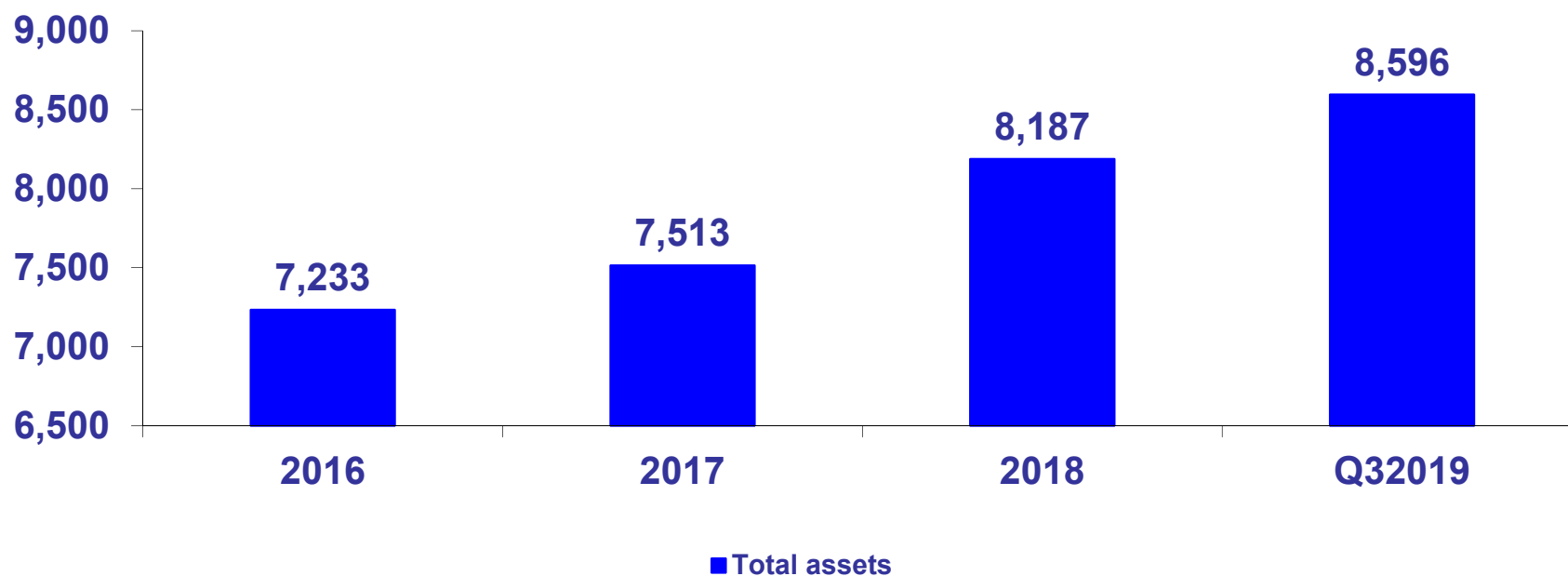


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Macedonian Banking Sector (II) ...assets...

Total assets (EUR'm)



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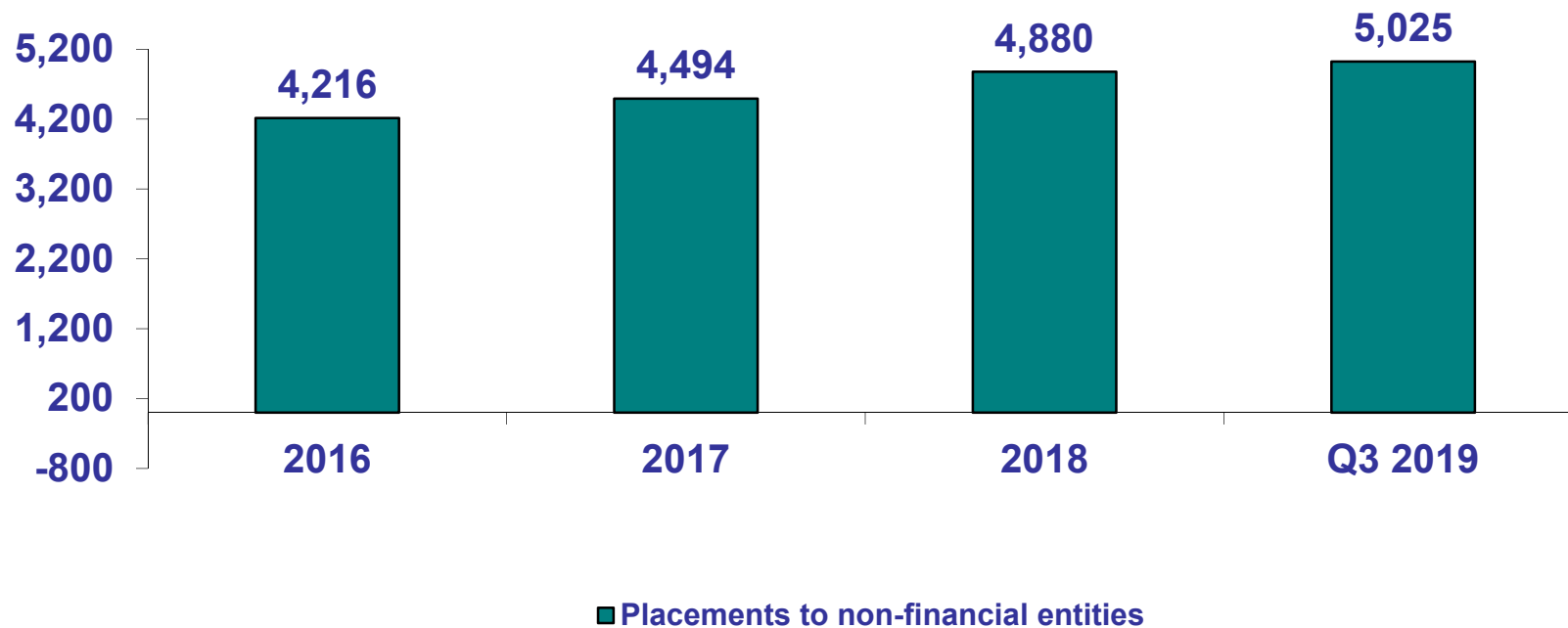
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Macedonian Banking Sector (III) ...and placements to non-financial entities...

Placements to non-financial entities (net) (EUR'm)



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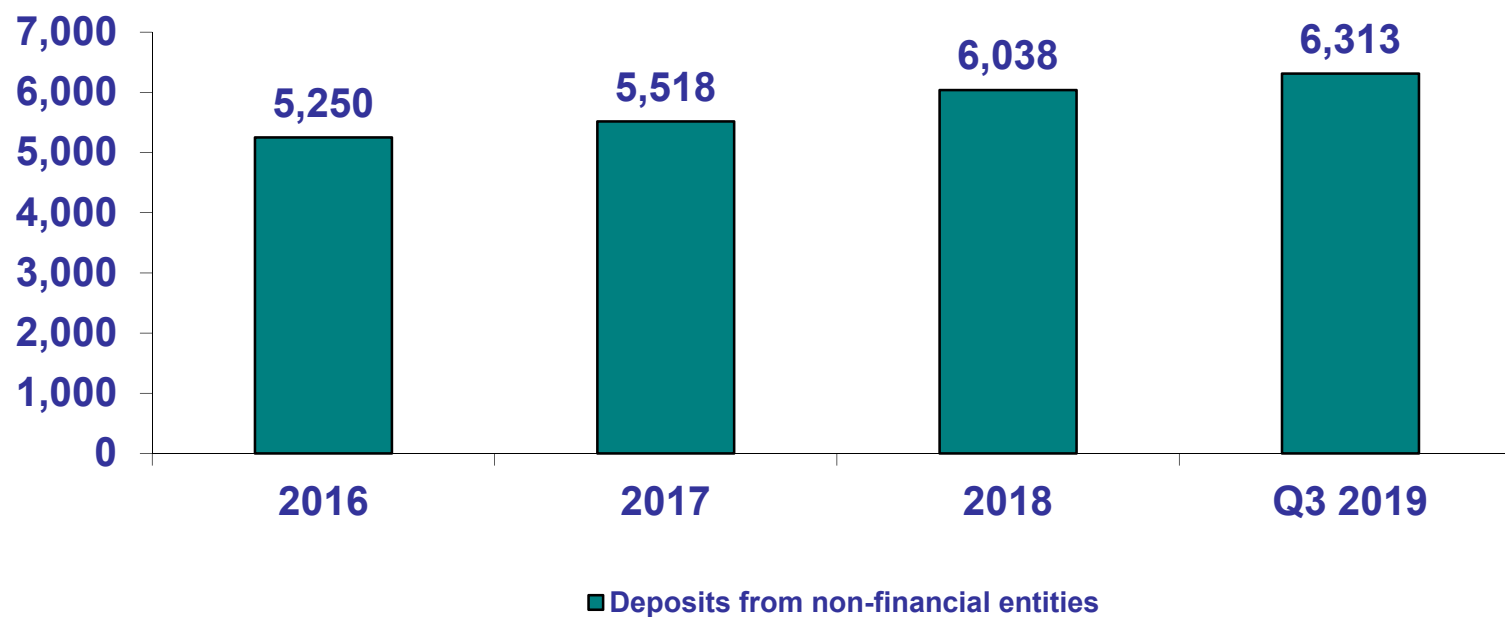
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Macedonian Banking Sector (IV) ...and deposits from non-financial entities...

Deposits from non-financial entities (EUR'm)



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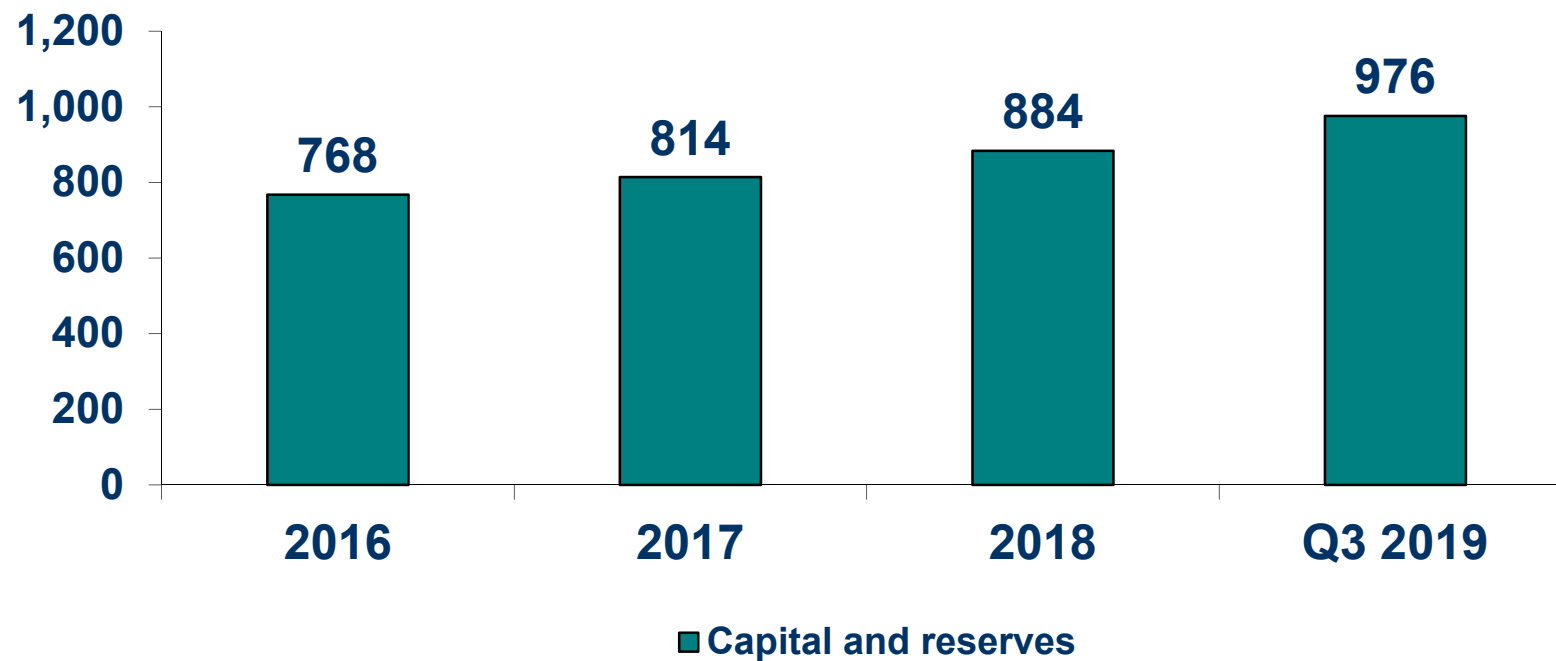
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Macedonian Banking Sector (V) ...and capital & reserves...

Capital & reserves (EUR'm)



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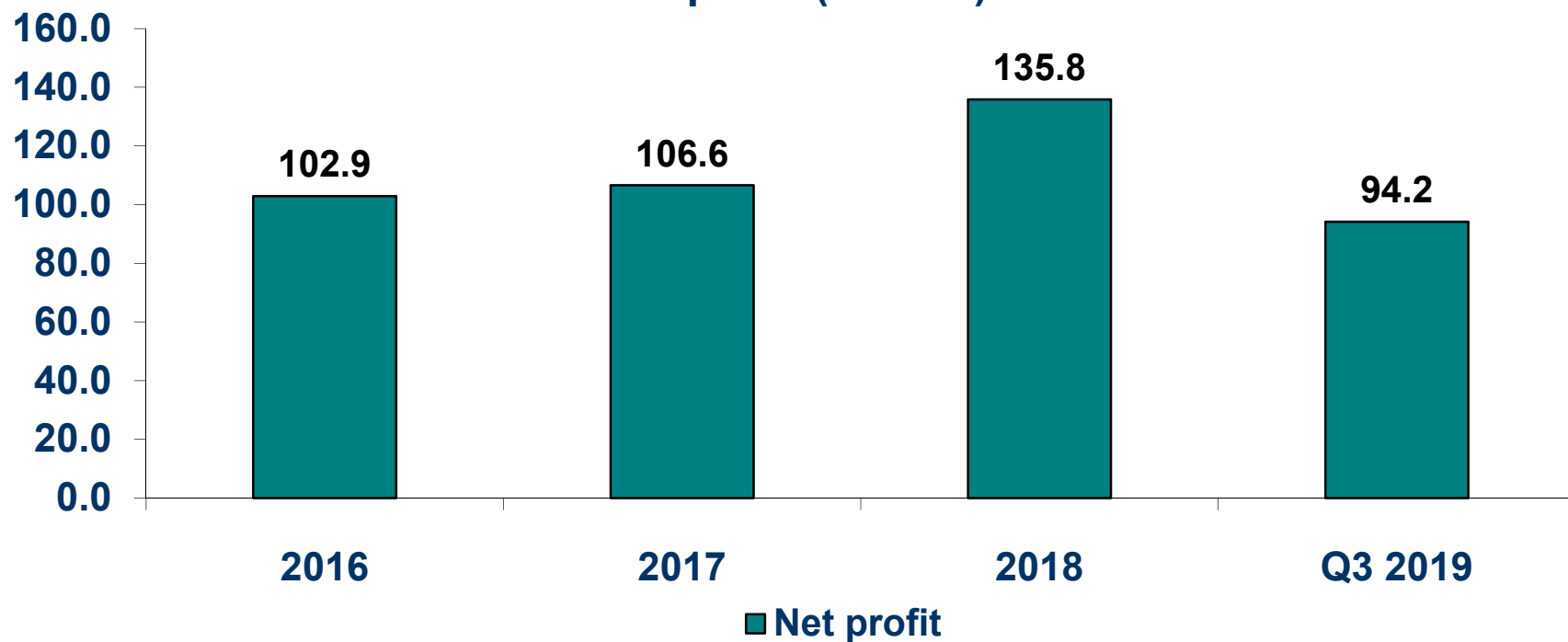
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Macedonian Banking Sector (VI) ...and financial results...

Net profit (EUR'm)



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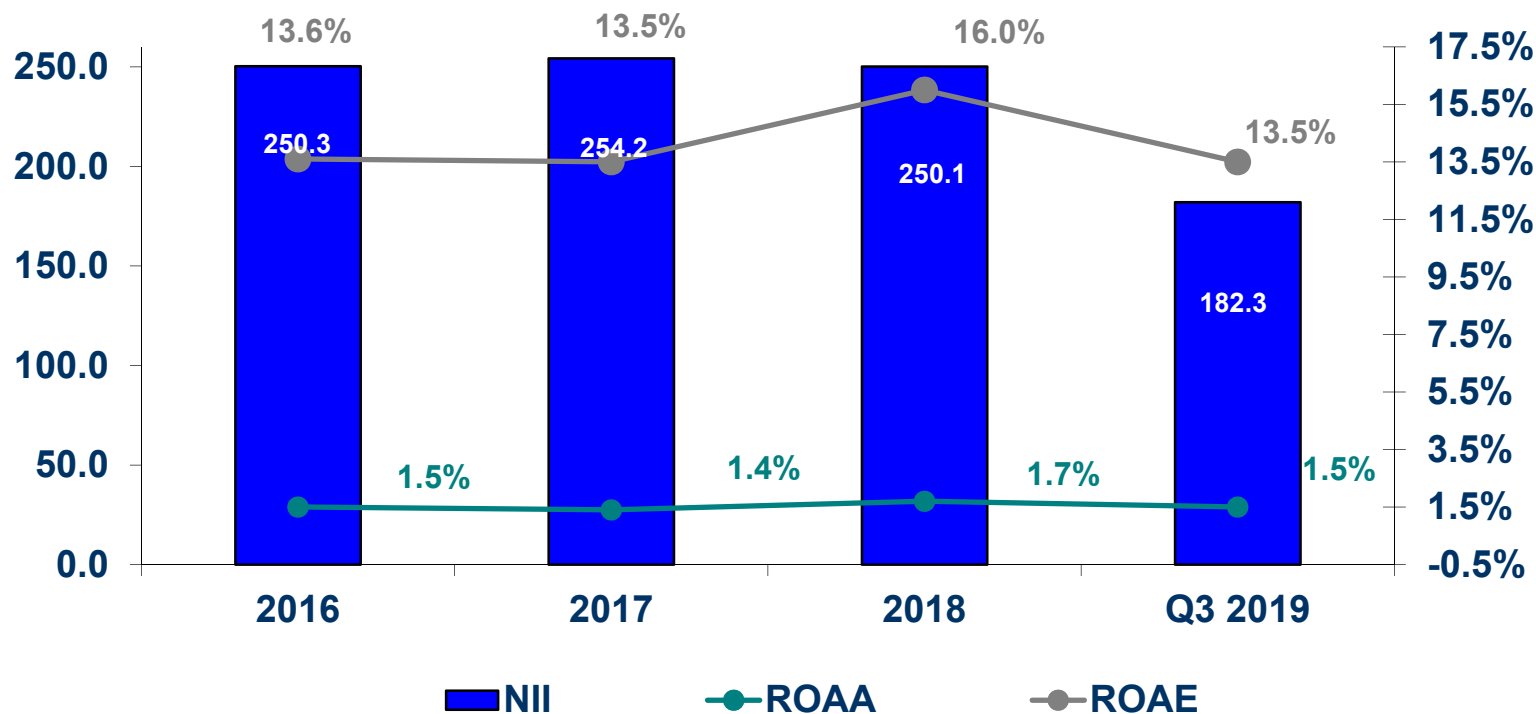
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Macedonian Banking Sector (VII) ...and increased profitability

Profitability indicators (EUR'm and %)



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Komercijalna Banka Financial Overview



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Financial Performance (I):

- In 2013 Komercijalna Banka AD Skopje acquired 200 ordinary shares issued by Investment fund Management Company KB Publikum Invest AD Skopje in total amount of EUR 200 thousand. The share of Komercijalna Banka AD Skopje increased from 50% to 64.29%. Thus, KB Publikum became subsidiary of the Bank.
- Pursuant to legislation, financial statements of subsidiary are incorporated in consolidated financial reports, starting from the date the control commences.*
 - As at 30.09.2019 the amount of total assets on consolidated basis is EUR 1,920.8 million,
 - the amount of total capital and reserves is EUR 207.1 million,
 - the amount of consolidated net profit is EUR 21.1 million,
 - Total assets of subsidiary as at 30.09.2019 represent less than 1% of the Bank's total assets.
- According to the Decision on consolidated supervision by the NBRNM (Official Gazette of the RM No.17/2008) if the amount of total assets of subsidiary is less than 1% of the amount of total assets of the parent entity, then subsidiary will not be included into the consolidated financial reports for the purposes of consolidated supervision. Therefore, the capital adequacy is not calculated on consolidated basis.
- The data from the Income statement and Balance sheet in this presentation are on unconsolidated basis.

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* The Bank prepares semi-annual and annual consolidated financial reports in accordance with the requirements of NBRNM



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Financial Performance (II): Income statement in million EUR

	2016*	2017*	2018*	Q3 2019*	Index 17/16	Index 18/17
Net interest income	50.1	49.9	40.2	29.0	99.6	80.6
Net fee & commission income	14.1	13.4	14.3	11.5	95.0	106.7
Other income	11.4	19.8	25.6	9.4	173.7	129.3
Total income	75.6	83.1	80.1	49.9	109.9	96.4
Operating expenses	-27.9	-27.6	-29.1	-19.6	98.9	105.4
Impairment losses	-34.2	-41.6	-19.6	-9.2	121.6	47.1
Operating profit	13.5	13.9	31.4	21.1	103.0	225.9
Share of profit/loss from associate	0.7	0.9	1.1	0.0	128.6	122.2
Profit before tax/loss	14.2	14.8	32.5	21.1	104.2	219.6
Taxation	-1.5	-1.5	-3.5	0.0	100.0	233.3
Profit after tax/loss	12.7	13.3	29.0	21.1	104.7	218.0

* Unconsolidated data, according to NBRNM methodology

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Financial Performance (III): Balance sheet in million EUR

	2016*	2017*	2018*	Q3 2019*	Index 17/16	Index 18/17	Index Q3 19/18
Assets							
Cash and cash equivalents	545.5	605.1	793.5	756.9	110.9	131.1	95.4
Customer loans	736.3	737.8	754.7	781.7	100.2	102.3	103.6
Bank placements and loans	164.0	94.9	40.9	76.1	57.9	43.1	186.1
Total loans and placements	1,445.8	1,437.8	1,589.1	1,614.7	99.4	110.5	101.6
Other assets	192.7	267.5	271.1	306.1	138.8	101.3	112.9
Total assets	1,638.5	1,705.3	1,860.2	1,920.8	104.1	109.1	103.3
Liabilities							
Total deposits	1,428.0	1,491.5	1,617.3	1,676.9	104.4	108.4	103.7
Borrowings & other liabilities	39.0	34.5	41.1	30.6	88.5	119.1	74.5
Total liabilities	1,467.0	1,526.0	1,658.4	1,707.5	104.0	108.7	103.3
Shareholders funds							
Share capital	37.1	37.1	37.1	37.1	100.0	100.0	100.0
Share premium	12.5	12.5	12.5	12.5	100.0	100.0	100.0
Reserves	109.2	116.4	123.2	131.1	106.6	105.8	106.4
Retained earnings	12.7	13.3	29.0	26.4	104.7	218.0	91.0
Shareholders funds	171.5	179.3	201.8	207.1	104.5	112.5	102.6
Total liabilities and shareholders funds	1,638.5	1,705.3	1,860.2	1,920.8	104.1	109.1	103.3

* Unconsolidated data, according to NBRNM methodology

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Financial Performance (IV): Financial indicators

Financial indicators	2016	2017	2018	Q3 2019
Earnings per share (EPS)	5.56	5.86	12.7	9.65
Book value (BV)	75.3	78.7	88.5	90.89
Market price per share(1)	46.8	45.2	82.1	91.88
Dividend Yield	5.21%	6.48%	8.32%	7.43%
Price/Earnings (P/E)(2)	8.42	7.72	6.46	9.52
Price/Book value (P/B)(2)	0.62	0.57	0.93	1.01
Price/Total assets (P/A)(2)	0.065	0.060	0.101	0.109
Market capitalization (in mill. EUR)	106.8	103.0	187.1	209.4

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1) Last traded price

2) Calculation according data in MKD

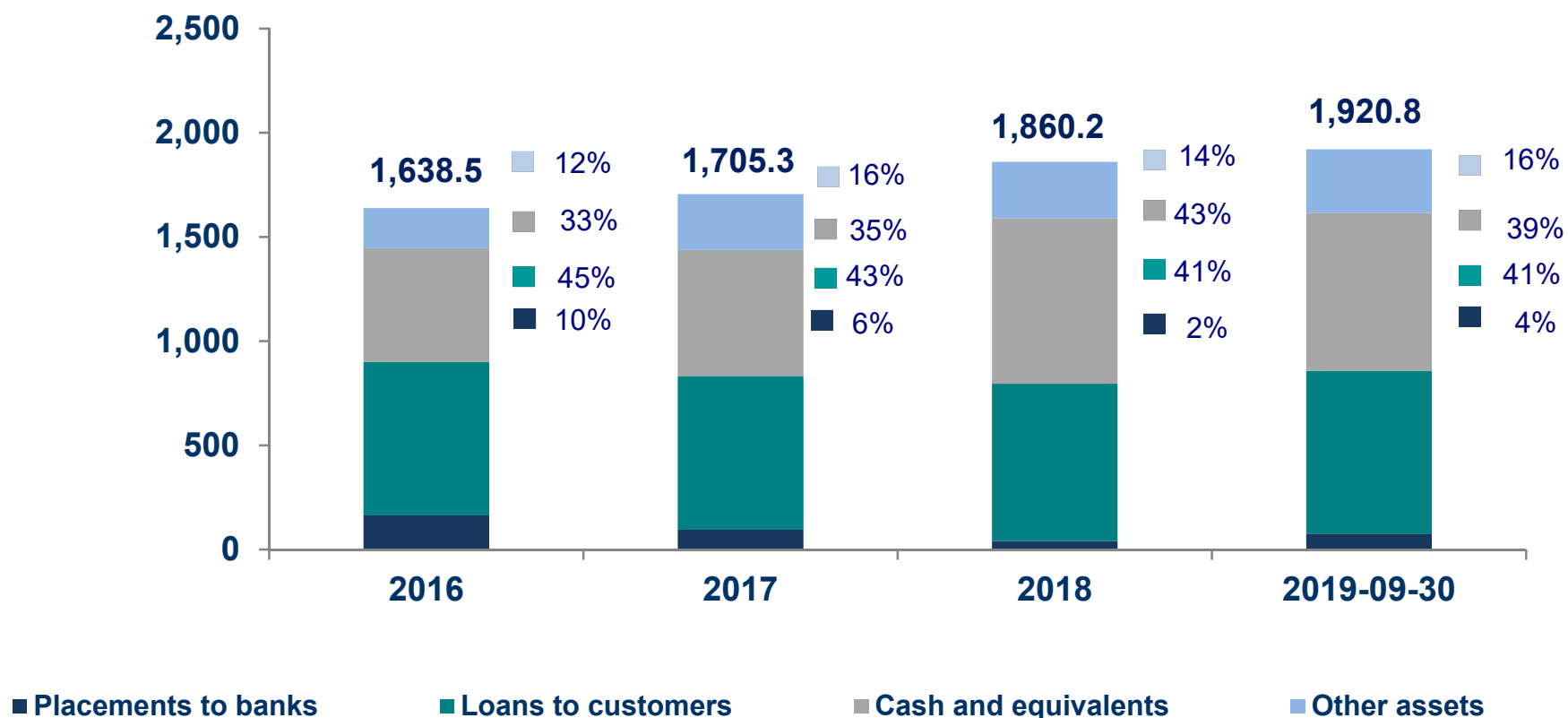
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Financial Performance (V): Total Assets

Total assets ⁽¹⁾ (in million EUR)



(1) Total balance sheet assets (based on net loans after provisions)

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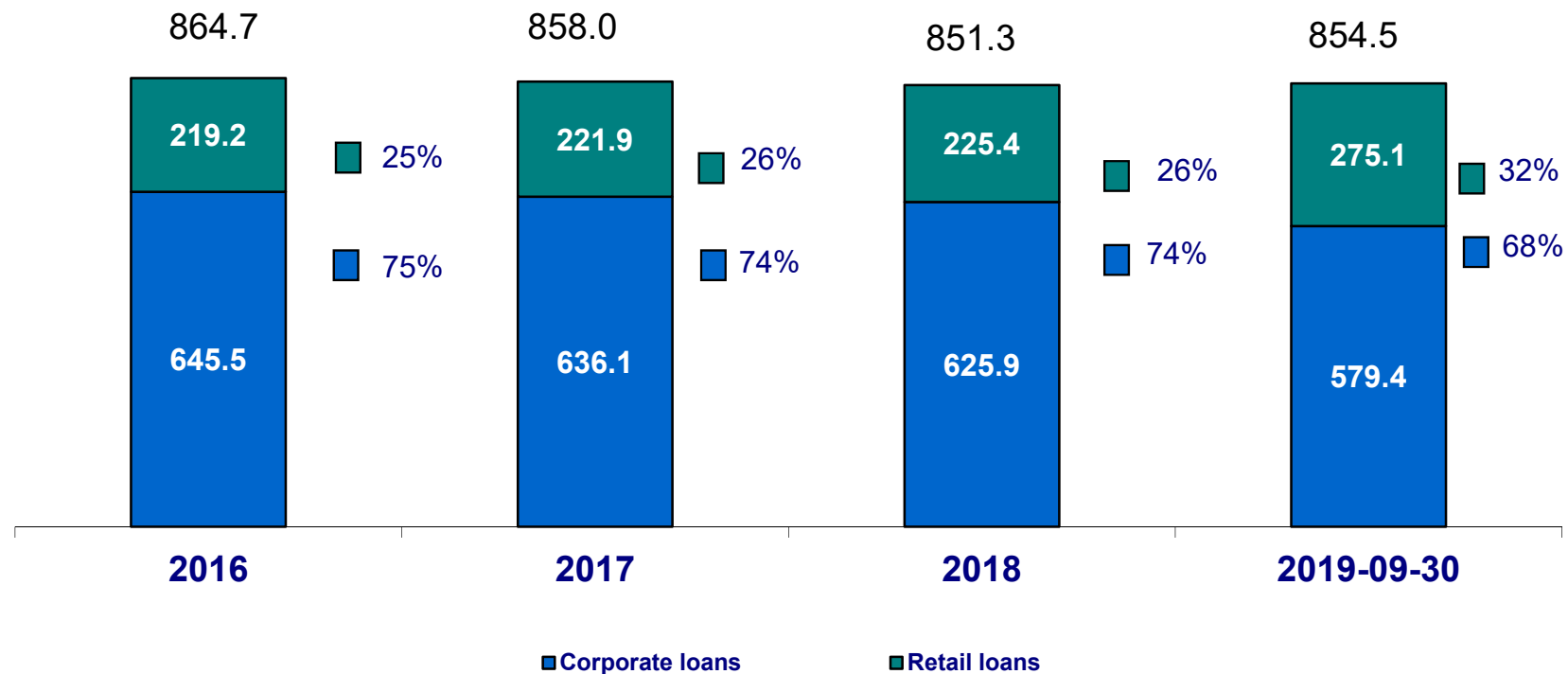


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Financial Performance (VI): Gross Loans to Customers

Gross loans to customers - Corporate vs Retail (EUR'm)



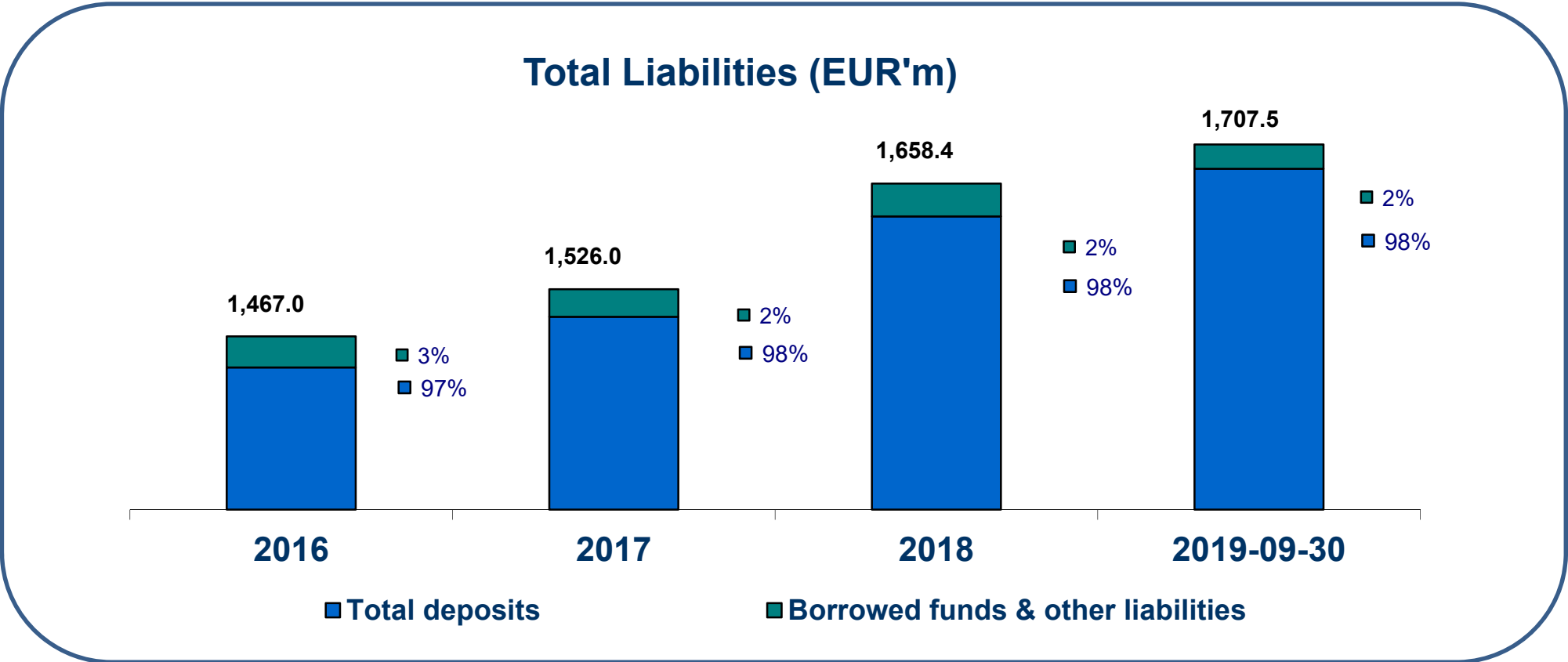
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Financial Performance (VII): Liabilities



(1) Total deposits include deposits from banks which represent 0.4% within total liabilities in September 2019

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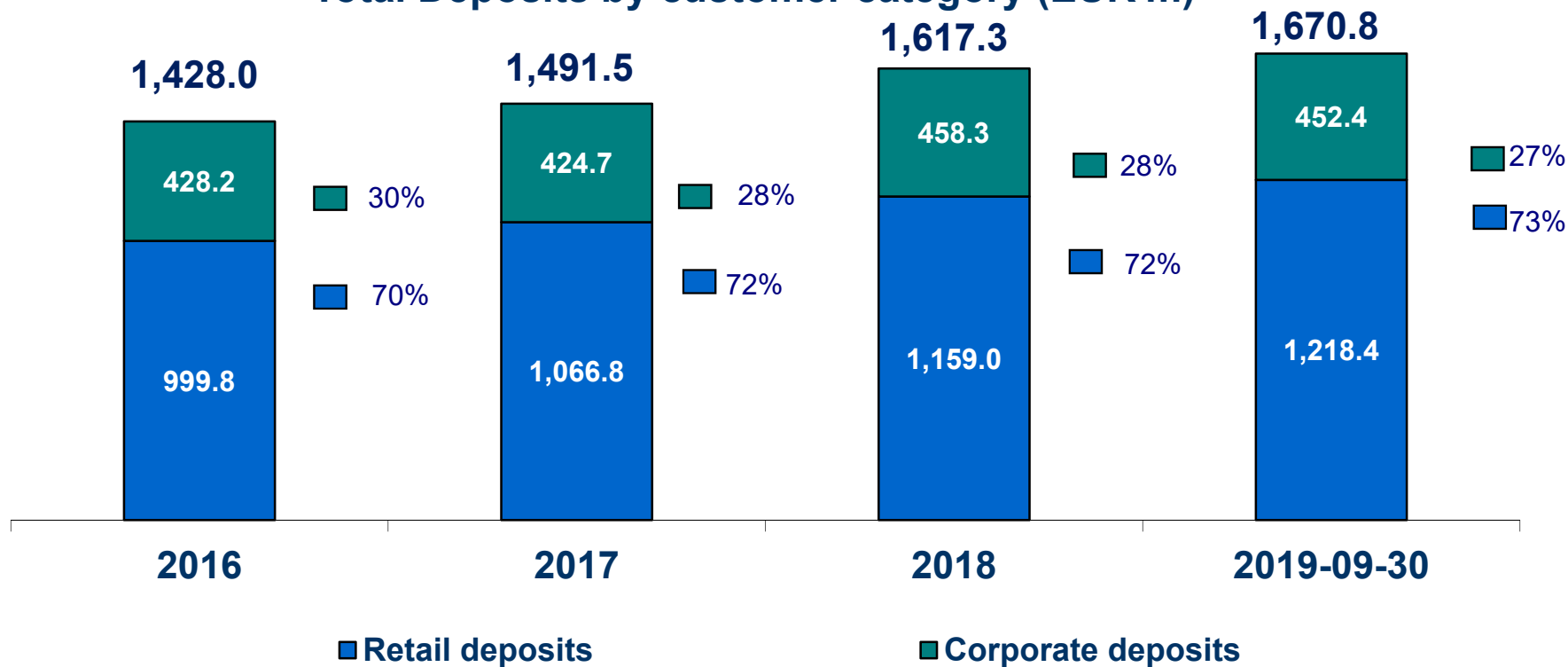
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Financial Performance (VIII): Total Deposits – Customer Breakdown

Total Deposits by customer category (EUR'm)



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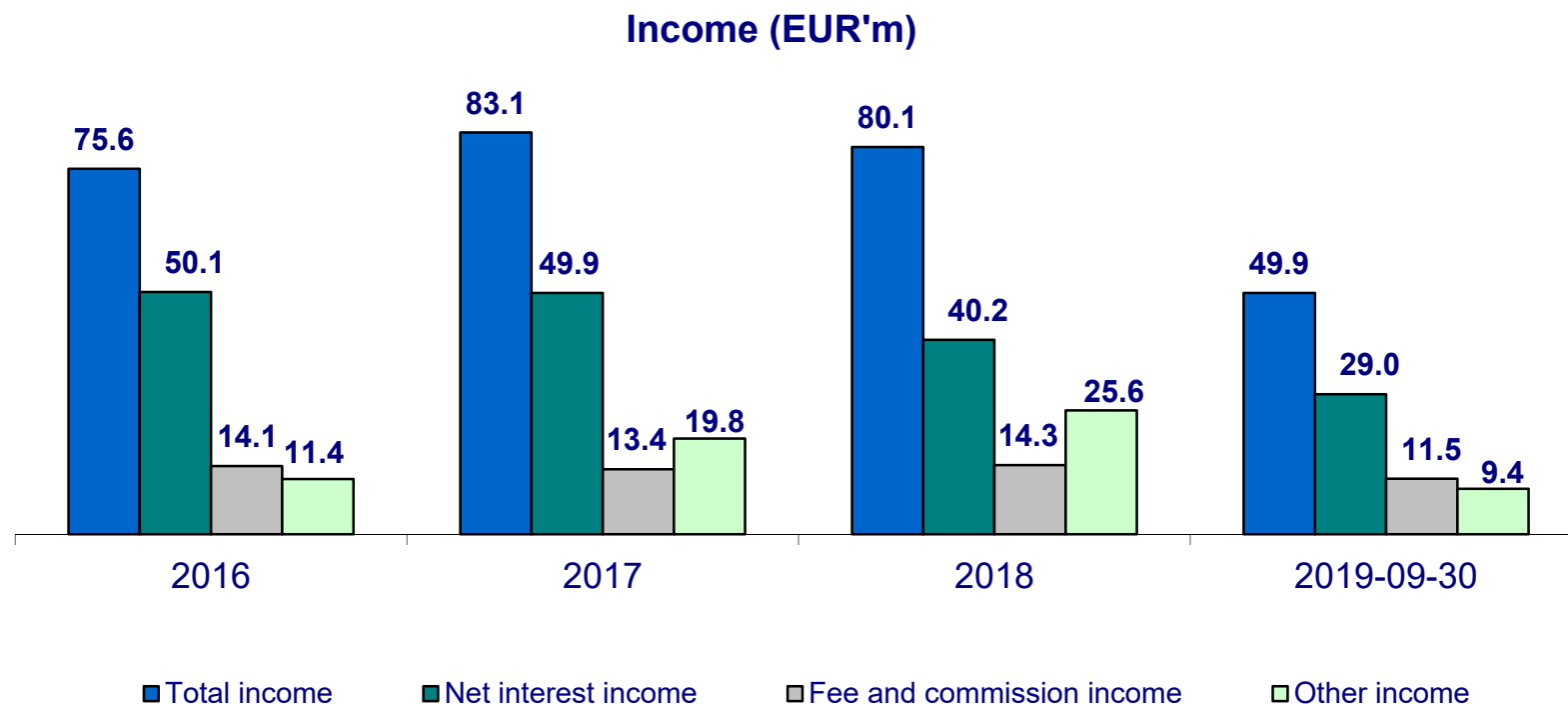
(1) Corporate deposits include deposits from banks which represent 0.4% within total deposits in September 2019.

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Financial Performance (IX): Income Breakdown



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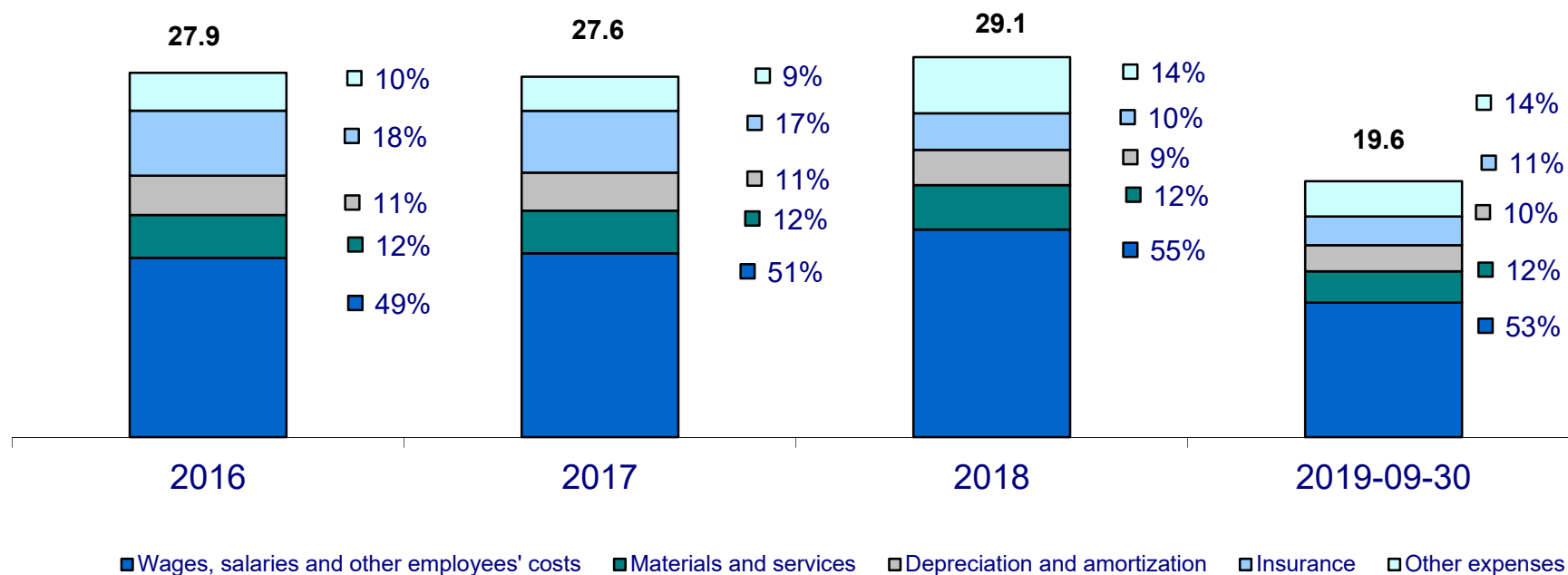
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Financial Performance (X): Expenses Breakdown

Operating expenses (EUR'm)



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Thank you!



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