

DRAFT

Pursuant to article 48 of the Statute of Komercijalna Banka AD Skopje, the Assembly of the Bank at its General Meeting, held on 29.03.2021, made the following

DECISION
on appropriation and allocation of unallocated profit gained up to 31.12.2020

Article 1

The undistributed Bank's profit realized up to 31.12.2020 in the total amount of MKD 1,911,966,291 shall be distributed as follows:

1. The amount of MKD 294,526,091 shall be distributed into reserves;
2. The amount of MKD 250,000,000 shall be distributed as retained earnings for investments – reinvested earning that the Bank will use in 2021;
3. The amount of MKD 1,367,440,200 remains as retained earnings available for distribution to the shareholders, up to the date when the restriction of distribution and payment of dividend to shareholders of banks shall cease to be valid: (1) by termination of validity of the Decision on temporary restriction of the distribution and payment of dividend to shareholders of banks No. 02-15/III-6/2021 of 26.02.2021 (Official Gazette of RNM No. 47/26.02.2021) or (2) by making a resolution, decision or any other act by a competent authority under which the restriction of the distribution and payment of dividend shall cease to be valid for the Bank.

As from the date when the restriction of the distribution and payment of dividend in any of the ways prescribed by the previous paragraph shall cease to be valid for the Bank, the retained earnings available for distribution to shareholders in the amount of MKD 1,367,440,200 shall be distributed as dividend on ordinary shares.

Article 2

Upon fulfillment of the conditions of Article 1, paragraph 1, item 3, the funds for dividend on ordinary shares shall be distributed in cash.

Article 3

The profit that is distributed in retained earnings for investments (reinvested earnings) serves for development purposes of the Bank, i.e. for investments in tangible and intangible assets for expanding the scope of operating activities of the Bank, thus exercising the right to reduce the tax base for the Income tax as well. The profit that is distributed in retained earnings for investments is included in the calculation of the regular share capital of the Bank and increases it, whereby it is not available for payment of dividend to the shareholders in the future (it will be restricted for distribution to the shareholders).

Article 4

The funds for remuneration for the Supervisory Board in the amount of MKD 1.925.000, which represent a cost for the Bank, shall be distributed in cash.

The distribution of the funds referred to in paragraph 1 of this Article to the individual members of the Supervisory Board shall be performed by the Board for Establishing and Implementing the Remuneration Policy.

Article 5

This Decision shall be in effect from the date of its adoption.

BANK'S ASSEMBLY

CHAIRMAN

EXPLANATION to the Decision

As a result of its performance in 2020, Komercijalna Banka AD Skopje realized profit before taxation in the amount of MKD 2,067,136,016. After deducting the income tax expense in the amount of MKD 155,169,725, the profit after taxation is MKD 1,911,966,291. As at the date of coming into effect of this Decision, part of the total amount of undistributed profit of MKD 1,911,966,291 shall be distributed as follows: a part into reserves and part as retained earnings for investments (reinvested earning) that the Bank will use in 2021.

1. Pursuant to article 11, paragraph 3 of the Memorandum of foundation of Komercijalna Banka AD Skopje, the holders of the ordinary shares shall be given proportional part of the distributed profit.

On 26.02.2021, the Council of the National Bank of the Republic of North Macedonia made a Decision on temporary restriction of the distribution and payment of dividend to shareholders of banks No. 02-15/III-6/2021 of 26.02.2021 (Official Gazette of RNM No. 47/26.02.2021) by which the distribution and payment of dividend to shareholders of banks is restricted for the purpose of further increase of the resistance of the banking system as a whole and maintenance of the financial stability in conditions of extended Covid-19 pandemic crisis effects and the uncertainty cause thereby.

Having in mind the Decision made by the Council of NBRNM, as well as the Draft-Decision on appropriation and allocation of unallocated profit gained up to 31.12.2020 made by the Supervisory Board of the Bank and published together with the Announcement for convening a General Meeting of the Bank's Assembly on 26.02.2021, this Draft-Decision proposes that the amount of MKD 1,367,440,200 remains as retained earnings available for distribution to shareholders as from the date when the restriction of the distribution and payment of dividend shall cease to be valid for the Bank.

As from the date when the restriction of the distribution and payment of dividend in any of the ways shall cease to be valid for the Bank, the retained earnings available for distribution to shareholders in the amount of MKD 1,367,440,200 shall be distributed as dividend on ordinary shares.

Thus, upon fulfillment of the conditions for distribution and payment, the profit for the holders of ordinary shares shall be distributed in the amount of MKD 1,367,440,200, or MKD 600 per share (on gross basis), being 60% of the individual nominal share value.

2. Pursuant to article 483 and 485 of the Trade Company Law and article 22 of the Bank's Statute, it is proposed to allocate a part of the profit for reserves in the amount of MKD 294,526,091.

The amount proposed for allocation in reserves is according to the strategic determination of the Bank for maintenance of the equity value and its increase through a policy of allocation of a part of the net profit for reserves and represents an additional increase of the level of the total equity for the purpose of a further growth of the Bank.

3. Pursuant to Article 28 of the Income Tax Law, it is proposed to allocate an amount of MKD 250,000,000 to retained earnings (reinvested earnings) for investments that will serve for development purposes and expansion of the Bank's scope of operating activities, by investing in tangible and intangible assets.

By allocating a part of retained earnings for investments, the Bank has the right to reduce the tax base in 2021 for the amount of investments, and to pay less income tax when preparing the Tax Balance for 2021.

The amount of MKD 250,000,000 will not be available for payment of dividends to shareholders in the future (it will be restricted for distribution to shareholders) and in accordance with the relevant NBRSM regulations, has a treatment as the Bank's regular share capital when calculating its own funds, which will increase the capital adequacy ratio.

4. Pursuant to article 365 of the Law on Trade Companies, remuneration has been calculated for the Supervisory Board members based on expected earnings for 2020.

**SUPERVISORY BOARD
OF THE BANK**