



**KOMERCIJALNA BANKA AD SKOPJE**  
***Kej "Dimitar Vlahov" 4, 1000 Skopje***

Pursuant to the Securities and Exchange Commission` Decision number 07-2893/7 adopted on 25.09.2008, the Decision on increase of the initial capital of Komercijalna banka AD Skopje by 5<sup>th</sup> issue of shares number 02-1610-12888 adopted on 25.03.2008, the Decision on determining the number of shares and the price of the shares issued by Komercijalna banka AD Skopje by 5<sup>th</sup> issue of shares number 02-1610-26793 adopted on 26.06.2008 and the Decision on amendments and supplements to the Decision on increase of the initial capital of Komercijalna banka AD Skopje by 5<sup>th</sup> issue of shares number 02-1610-37209 adopted on 24.09.2008

A N N O U N C E

**PROSPECTUS**

***for increasing the initial capital of the Bank by public offer***

“The Securities and Exchange Commission is not responsible for both trustworthiness and totality of the information given in the Prospectus for subscription and payment of securities, as well as for the ability of the issuer for fulfilling the obligations proceeded from securities that are subject of issue.”

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**Attachments:**

**Audited financial statements for 2005, 2006 and 2007**

**Non-audited profit and loss account for 30.06.2008**

## **1. Persons responsible**

### **1.1. Data about the persons responsible for information that are contained in the Prospectus**

#### **Members of the Board of Directors of Komercijalna banka AD Skopje:**

1. Maja Stevkova Sterieva – Chief Financial Director
2. Ilija Iloski – Chief Operative Director
3. Hari Kostov – Chief Executive Director

#### **Members of the Supervisory Board of Komercijalna banka AD Skopje:**

1. Sava Dimitrova – President
2. Taki Fiti – Vice President
3. Aleko Angelovski – Member
4. Simon Naumoski – Member
5. Zvone Taljat – Member
6. Majkl Herold Tejlor – Member

### **1.2. A declaration by all aforementioned responsible persons**

“According to our assurance and evidences and in accordance with the information that we have under the moral, material and criminal responsibility, we announce that all information needed for making a resolution by the investor to invest in securities that are subject of this offer, are contained in the Prospectus, that published information are truthful and in accordance with the real state of the company and that any information that could have influence on the decision for investment or no investment in securities that are subject of the offer are not missed out.”

## **2. Information about the Licensed Securities Market Participant who had prepared the Prospectus**

Komercijalna banka AD Skopje  
Kej “Dimitar Vlahov” 4, 1000 Skopje, R. Macedonia  
(hereinafter referred as: the Bank or the issuer)

### 3. Information about the auditors

#### 3.1. Name and headquarters of the audit companies that conducted an auditing of the companies` financial statements in the last three years

- Price Waterhouse Coopers DOOEL, Marshal Tito 12 Palace Macedonia, 1000 Skopje, the Republic of Macedonia, for 2006 and 2007.
- KPMG Macedonia Ltd, Dame Gruev 28, 1000 Skopje, the Republic of Macedonia, for 2005.

#### 3.2. Information about the reasons for changing the audit company in the last three years

The change of the audit company is done pursuant to Article 72, paragraph 2 of the Law on Banks ("Official Gazette of the Republic of Macedonia number 63/2000, 37/2002, 51/2003 and 85/2003) where "Same auditing company may conduct up to three successive audits of the annual financial statements in one bank".

### 4. Risk factors

#### 4.1. Risk factor data, which are specific for the Issuer and for the industry that the Issuer is a part off

The Bank's activities expose it to a variety of risks, so the adequate risk management is basic Bank's aim. The efforts for maintaining adequate balance between acceptable level of risk from one, and stability and profitability from the other side are permanent.

Most significant types of risk are:

- **Credit risk** (risk that a counterparty will be unable to pay amounts partially or in full when due);
- **Liquidity risk** (risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn);
- **Market risk** (Market risk arise from general and specific market movements). It includes currency risk, interest rate risk and price risk; and,
- **Operational risk** (risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk).

According to the bank's Risk management policies, that include several limits and risk controls, specific risk are identified, current risks are monitored and analyzed on daily bases.

- We can easily say that the early mentioned types of risks are characteristic for the entire bank system of Republic of Macedonia.

## **4.2. Risk factors data which are materially significant for the shares that are subject of an offer, in purpose to asses the associated market risk**

### **4.2.1. Credit risk**

Credit risk is the most important risk in the Bank's business, so the Bank takes significant attention in the management of this risk. Credit risk exposure, mainly originate from crediting activities, and less from investing in financial instruments.

#### **4.2.1.1. Credit risk management**

Credit risk management is the duty of the Bank's bodies according to the Law on Banks and bylaws acts.

#### **4.2.1.2. Credit risk assessment**

##### **(a) Loans**

When assess the credit risk of granting loans to retail sector, companies and banks, the Bank uses three components: (1) the probability of counterparty's default; (2) Loss given default; (3) the value and quality of collateral used for credit risk mitigation.

These credit risk assessments, which reflect expected loss (the 'expected loss model') are required by the IAS 39, and are based on losses that have been incurred at the balance sheet data (the 'incurred loss model') rather than expected losses.

##### **(b) Debt instruments**

The bank intend to maintain the acceptable level of credit risk exposure regarding debt instruments, so investment activities are generally in government debt securities.

#### **4.2.1.3. Risk limits control and mitigating policies**

The Bank manages and controls concentration of credit risk to individual and group basis, and to industries and countries.

The Bank structures the levels of credit risk it takes up by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

As measures for specific control and mitigation of credit risk prescribed in Bank's act that regulates credit activities and procedures are obtaining collateral and credit-related contingencies.

#### **4.2.1.4. Impairment and provisioning policies**

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are specific loss component that relates individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been occurred but have not been identified on loans subject to individual assessment impairment, by using the available historical experience, experienced judgment and statistical techniques.

According to the Bank's policy, there are four internal rating grades. The majority of the impairment provision comes from the bottom two grading. The table below shows the structure of Bank's loans and advances portfolio regarding internal rating system and the associated impairment provision for each internal rating grade and the portfolio quality could be seen. The table is made according IAS 39 requirements:

	<b>2007</b>		<b>2006</b>	
	<b>Loans %</b>	<b>Impairment %</b>	<b>Loans %</b>	<b>Impairment %</b>
Pass/acceptable for financing (A)	73.5	2.8	72.9	2.7
Watch (careful) (B)	10.2	10.3	9.3	11.7
Sub-standard ( C )	6.2	24.6	3.1	26.6
Suspicious (doubtful)+Loss (D) + (E)	10.1	75.0	14.6	73.7
<b>Total</b>	<b>100.0</b>	<b>12.2</b>	<b>100.0</b>	<b>14.7</b>

#### **4.2.1.5. Loans and advances**

Loans and advances are summarized as follows:

(000 MKD)

	<b>31 December 2007</b>		<b>31 December 2006</b>	
	<b>Loans and advances to customers</b>	<b>Loans and advances to banks</b>	<b>Loans and advances to customers</b>	<b>Loans and advances to banks</b>
Neither past due nor impaired	10,986,630	13,653,705	6,368,346	17,337,237
Past due but not impaired	2,804,981	-	1,619,293	-
Impaired	14,206,243	181,731	12,452,803	-

<b>Gross</b>	27,997,854	13,835,436	20,440,442	17,337,237
Less: allowance for impairment	(3,409,791)	(1,818)	(3,000,939)	-
<b>Net</b>	<b>24,588,063</b>	<b>13,833,618</b>	<b>17,439,503</b>	<b>17,337,237</b>

#### **4.2.1.6. Debt securities, Treasury bills and other eligible bills**

The table below presents an analysis of debt securities, treasury bills and other eligible bills regarding issuer as at 31 December 2007.

(000 MKD)

<b>Issuer</b>	<b>Treasury bills and other bills</b>	<b>Trading securities</b>	<b>Investment securities</b>	<b>Total</b>
Central bank of Republic of Macedonia	3,191,943	-	-	3,191,943
Republic of Macedonia	-	923,979	228,544	1,152,523
<b>Total</b>	<b>3,191,943</b>	<b>923,979</b>	<b>228,544</b>	<b>4,344,466</b>

#### **4.2.1.7. Concentration of risks of financial assets with credit risk exposure**

##### *(a) Geographical sectors*

The following table breaks down the Bank's credit exposure at their carrying amount, categorized by geographic region, based on the country of domicile of our counterparties:

(000 MKD)

	<b>Total</b>	<b>Republic of Macedonia</b>	<b>EU Countries</b>	<b>Non-EU Countries in Europe</b>	<b>Other countries</b>
<b>Total assets at 31 December 2007</b>	<b>51,281,336</b>	<b>36,523,212</b>	<b>11,368,435</b>	<b>3,222,507</b>	<b>167,182</b>
<b>Total assets at 31 December 2006</b>	<b>42,103,588</b>	<b>23,984,839</b>	<b>15,631,698</b>	<b>1,616,901</b>	<b>870,150</b>

##### *(b) Industry structure*



The following table breaks down the Bank's credit exposure at their carrying amount, categorized by industry sector of our counterparties.

(000 MKD)

	total	Industry	Commerce and finance	Retail customers	Agriculture	Gove. instit. and local authorities	Construction	Transport	Catering and Tourism	Other
Total assets at 31 December 2007	51.361.529	6.952.576	24.518.109	5.332.278	678.274	814.651	2.597.367	1.346.016	165.737	8.956.521
Total assets at 31 December 2006	42.183.781	6.807.226	21.971.459	4.292.007	957.336	187.820	1.574.022	1.540.288	165.348	4.688.275

#### **4.2.2.1. Liquidity risk management process**

Liquidity risk management policy of Komercijalna banka AD Skopje defines the method of managing the Bank's liquidity. Perception and monitoring of Bank's liquidity is a postulate of its stability and successful working. Implementation of the liquidity risk management policy is done using defined risk management process which includes planning and managing with cash flows, maintaining adequate structure of assets and liabilities, financial instruments for liquidity risk management, adequate diversification of deposits and other liabilities by maturity and client, procedures for identification and monitoring the deposit's stability, monitoring the maturity of assets and liabilities, monitoring the off-balance sheet items, monitoring liquidity ratios, liquidity stress testing and continuity plan in irregular conditions, reporting the Bank's bodies and adequate management information system and responsibilities of Bank's organizational units in liquidity risk management process. The aim of the Bank is maximizing the profitability, by applying the optimum combination of maturity and foreign currency structure of the assets and liabilities.

The table below analyses assets and liabilities of the Bank into relevant maturity structure based on the remaining period at balance sheet date to the contractual maturity date for liabilities and expected maturity for assets. Although the Bank has shortage of short-term assets over short-term liabilities maturing within one month, one to three months and three to twelve months, the Bank's management considers its deposit base as being stable and liquidity not jeopardized. This is based on statistical data and calculations of expected maturity in order to determine the funding and stability of the deposit base.

#### 4.2.2.2. Maturities of assets and liabilities

(000 MKD)

As at 31 December 2007	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Total liabilities	30.580.689	6.969.335	8.716.743	1.286.756	246.511	47.800.034
Total assets	23.231.406	5.461.710	7.042.537	11.017.166	6.256.337	53.009.157

(000 MKD)

As at 31 December 2006	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	Total
Total liabilities	27.119.931	5.356.591	5.505.234	1.355.112	164.443	39.501.311
Total assets	23.585.701	3.072.712	5.863.237	7.469.281	4.337.341	44.328.271

#### 4.2.2.3. Off-balance sheet items (uncollateralized)

(000 MKD)

31.12.2007	Up to 1 year	1-5 years	Over 5 years	Total
Guarantees	5.566.423	2.149.425	533.53	<b>8.249.378</b>
Letter of credit	901.648	-	-	<b>901.648</b>
Other	2.750.949	-	-	<b>2.750.949</b>
Total	<b>9.219.020</b>	<b>2.149.425</b>	<b>533.53</b>	<b>11.901.975</b>

(000 MKD)

31.12.2006	Up to 1 year	1-5 years	Over 5 years	Total
Guarantees	3.530.462	1.236.074	-	<b>4.766.536</b>
Letter of credit	1.026.543	-	-	<b>1.026.543</b>
Other	1.514.986	5.317	-	<b>1.520.303</b>
Total	<b>6.071.991</b>	<b>1.241.391</b>	-	<b>7.313.382</b>

#### 4.2.3. Market risk

The Bank takes on exposure to market risk. Market risk arises from open positions in interest rate and currency, all of which are exposed to general and specific market movements. The Bank estimates the market risk of positions

held and the maximum losses expected based upon a number of assumptions for various changes in market conditions. The Board of Directors sets limits on the value of risk that may be accepted, which is monitored on a regular basis.

Regarding market risk managing and measuring, the Bank's management on a regular basis through adequate analysis and reporting process, is monitoring:

- interest rate changes regarding market movements and internal decisions, and the influence on interest bearing assets and liabilities and the interest rate margin;
- changes of foreign currency rates regarding foreign currency assets and liabilities and maintain adequate structure regarding foreign exchange risk exposure;

The aim of the Bank is maximizing the stability and profitability, by applying the optimum combination of foreign currency and interest rate structure of the assets and liabilities.

#### **4.2.3.1 Currency risk**

The Bank takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows

##### **4.2.3.1.1. Currency risk exposure**

The following table shows Bank's exposure in foreign currencies. The assets and liabilities are presented in their book value, categorized according to types of currencies.

AS AT 31DECEMBER 2007	EUR	USD	MKD	OTHER	TOTAL
Total Assets	22,392,656	2,761,131	26,185,455	1,610,672	52,949,914
Total Liabilities	21,035,942	2,785,585	23,013,155	849,694	47,684,376
net exposure 2007	1,356,714	-24,454	3,172,300	760,978	5,265,538
Off-balance liabilities	4,011,597	598,263	6,963,244	328,871	11,901,975

AS AT 31DECEMBER 2006	EUR	USD	MKD	OTHER	TOTAL
Total Assets	19,630,343	3,391,541	19,284,242	1,457,538	43,763,664
Total Liabilities	18,395,651	3,382,273	16,813,191	787,197	39,378,312
net exposure 2007	1,234,692	9,268	2,471,051	670,341	4,385,352
Off-balance liabilities	2,319,319	646,105	4,144,919	203,039	7,313,381

The bank manages Currency risk, by adjusting the Bank's open FX position, especially the Bank's total open FX position, which is targeted with Bank's internal acts, according to the total risk position of all types of risks, and by

separate currency, according to the changes of the exchange rate. The bank manages the open FX position by its decrease or increase, according to the market changes.

#### 4.2.3.2 Interest rate analysis

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the savings rate, and three or six months EURIBOR/LIBOR and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Assets-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In general, the Bank is asset sensitive because of the majority of the interest-earning assets and liabilities; the Bank has the right simultaneously to change the interest rates. In decreasing interest rate environments, margins earned will narrow as liabilities interest rates will decrease with a lower percentage compared to assets interest rate. However the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

( 000 MKD)

As at 31 December 2007	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	non-interest bearing	total
<b>Total assets</b>	26.736.293	8.230.731	7.447.868	2.439.061	740.782	7.355.179	52.949.914
<b>Total liabilities</b>	29.396.045	6.778.401	8.530.461	658.09	29.2	2.292.179	47.684.376
<b>Total interest re-pricing gap</b>	(2.659.752)	1.452.330	(1.082.593)	1.780.971	711.582	5.063.000	5.265.538

( 000 MKD)

As at 31 December 2006	Up to 1 month	1-3 months	3-12 months	1-5 years	over 5 years	non-interest bearing	total
<b>Total assets</b>	25.129.201	3.990.828	8.473.993	664.692	25.869	5.479.080	43.763.994
<b>Total liabilities</b>	24.886.067	5.456.162	5.351.742	550.369		3.133.972	39.378.312
<b>Total interest re-pricing gap</b>	243.134	(1.465.334)	3.122.251	114.322	25.869	2.345.108	4.385.352

#### 4.2.3.3. Price risk

The Bank monitors the price risk on a regular basis. Subject of analyses and monitoring is the respect of the limits defined in the adequate policy regarding the security investment, as follow:

- legal limits;
- security portfolio structure; and
- security portfolio regarding the evidence of the estimated value as well as the effects of its eventual realization

The main objective is to establish rules for investment portfolio management of the Bank with simultaneous respect of the principle of banking, safety of the invested funds, regulating and maintaining liquidity and profitability of the Bank, as well as risk diversification etc.

Regarding the relatively small participation of the security portfolio in the total Bank's portfolio, as well as its structure where government securities are dominated, the price risk does not have significant influence to the Bank's risk profile.

#### **4.2.4. Operative risk**

The Bank, in its everyday operation continually follows, records, analyses the events that had caused damage or are potential operation risk. Within the operation risk, the Bank also follows the reputation risk.

Based on gathered information and analyses made, the Bank undertakes certain measures for rehabilitation of the disruption and for elimination/limitation and control of the risk in the future.

## **5. Information about the issuer**

### **5.1. Data about the history and development of the issuer**

#### **5.1.1. The full name, title and seat of the issuer (address and phone number)**

Komercijalna banka AD Skopje with its headquarters in Republic of Macedonia, Kej "Dimitar Vlahov" number 4,1000 Skopje. Phone number: 02 3107-107.

#### **5.1.2. Date of registration in the Trade Companies Register and identification number of the company**

The number of the Register Court` Decision is Sreg.no.2330/89 and the number of the Trade Register `Decision is Treg.no.388/2001.

The Decision for issuing a license to establish Komercijalna banka AD Skopje no.221 from 27.12.1989 from the National bank of Jugoslavija.

The Decision for changing the license for founding and operating of Komercijalna banka AD Skopje no. 02-14/627 from 23.12.2003.

The Decision for readjustment in accordance with the Decision for issuing approvals and the Banking Law no. 2064 from 24.03.2008.

The unique identification number of Komercijalna banka AD Skopje is 4065573.

### **5.1.3. The date of the company` establishment**

The date of establishment of the Bank is 29.12.1989.

### **5.1.4. The legal form of the company and the laws on the basis of which the company is working**

Komercijalna banka AD Skopje is organized as the joint stock company according to the Company Law.

Komercijalna banka AD Skopje operates on the basis of the Company Law, Banking Law, Law on Securities and all other secondary regulations that are relevant for the banks operation.

## **6. Business overview**

### **6.1. Main activities**

#### **6.1.1. Description of activities performed by the issuer in accordance with the law, as well as data on the main categories of products and services sold in the last three financial years.**

The Bank is authorized to perform the following financial activities:

- accepting deposits and other repayable sources of funds;
- lending in the country, including factoring and financing commercial transactions;
- lending abroad, including factoring and financing commercial transactions;
- issuance and administration of means of payment (payment cards, checks, traveller's checks, bills of exchange);
- issuance of e-money, if regulated by special law;
- financial leasing;
- currency exchange operations;
- domestic and international payment operations, including purchase and sale of foreign currency;
- fast money transfer;
- issuance of payment guarantees, backing guarantees and other forms of collateral,
- lease of safe deposit boxes, depositories and depots;
- trade in instruments on the money market (bill of exchange, checks, deposit certificates);

- trade in foreign assets, including trade in precious metals;
- trade in securities;
- trade in financial derivatives;
- asset and securities portfolio management on order and for the account of clients;
- providing services of a custodian bank;
- purchasing and selling, underwriting and placement of securities issue;
- intermediation in sale of insurance policies;
- intermediation in concluding credit and loan agreements;
- processing and analyzing information on the legal entities' creditworthiness;
- economic and financial consulting; and
- other financial services specified by law.

Out of all foregoing activities, as at the date of submission of the Prospect, the Bank does not perform only the activity of financial leasing. The activities of asset and securities portfolio management on order and for the account of clients; providing services of a custodian bank; and purchasing and selling, underwriting and placement of securities issue are in process of establishing.

#### **6.1.2. Data on introduction of any new significant product or service or on initiation new activity**

- New 5th issue of shares that would provide capital adequacy ratio appropriate to the planned credit activities;
- Development of new functionalities of the application Internet Bank regarding FX payments, credit activities and cards operations;
- In the domain of cards operations, joining of the Bank to Visa International, introduction of new chip technology, implementation of PCI DSS (Payment Card Industry Data Security Standard), realization of Global Authorization Migration Project, introduction of new functionalities of the ATMs and POS terminals, implementation of solution for the MasterCard winning game, implementation of solution for sending significant information from the payment cards system by SMS;
- More aggressive extension of the network for acceptance of the cards, according to which in the course of 2008 the Bank is planning to purchase and install 60 ATMs and 2,500 POS terminals, in order to provide complete covering of the whole territory of the country. The Bank is planning to install ATMs in all residential areas having over 20,000 population, or to have one ATM on every 20,000 population in the larger towns, as well as installation of ATMs with legal entities – Bank's clients where the employees receive their salaries on bank cards. The projected participation in this segment of the Bank's operation is about 28% of the total turnover of all ATMs installed on the whole territory of the country. The additional projections for 2008 refer to ATMs branding (marking of the ATMs with the Bank's logo and the logos of the cards that are accepted, by installing light advertisements over the ATMs, in order to provide better perceptibility thereof);

- In the domain of marketing communications, in the course of 2008 the Bank shall organize campaigns for products and services promotion, for the purpose of indication of their favors in relation to the competition, campaign for strengthening the corporate image of the Bank, as well as more aggressive campaign when introducing the VISA and MasterCard and Maestro Gold cards by combining more promotion instruments and media, for the purpose of providing better information to the public on the products and services offered by the Bank;
- Realization of the project on business intelligence, as more sophisticated model of Management Information System and the systems for information of the external institutions;
- Development and realization of investment banking operations, such as:
  - trading with ownership securities on behalf of and for the account of the clients;
  - trading with debt securities on behalf of and for the account of the clients;
  - trading with short-term and long-term government securities on behalf of and for the account of the clients;
  - organizing, preparing and purchase of newly issued long-term securities;
  - investment advisory, and
  - financial property management for the account of the clients, or portfolio management according to the international practice applied for this type of services;
- Carrying out corporate services that at the beginning will be directed towards larger clients for the purpose of offering services, such as:
  - Advising and organizing securities issue for the clients;
  - Consulting services in the domain of purchasing and merging of companies, joint ventures, payment of dividends, etc.;
  - Custody services; In this respect, the Bank shall continue to open and keep custody accounts for investors - non-residents, investing in securities issued in the Republic of Macedonia, preparation and realization of deposit services for investment and pension funds, as well as other types of custody services to domestic and international investors in securities;
- Providing support to the company for pension fund management; Pursuant to the law regulations related to establishing investment funds, the Bank has, together with Prva Pokojniska druzba DD Ljubljana from the Republic of Slovenia, established the Company for Pension Fund management – KB Prvo Penzisko Drustvo AD. The Company is investing the Pension Fund assets into financial instruments under strict adherence to the investment provisions of the Law on Compulsory Fully Funded Pension-Insurance, for the purpose of realization of the highest income in favour of the Pension Fund members. After two years of existence and in conditions of defined legislation framework, in the course of 2008 KB Prvo Penzisko Drustvo shall register and start managing voluntary pension insurance fund;
- Investment in new financial institutions. The development of the financial market during the last two years, as well as the completion of the respective law regulations, have created the conditions for the Bank,



together with a renowned foreign partner, to establish the Company for Investment Funds Management KB PUBLIKUM INVEST AD SKOPJE, which enables the Bank to be present in the domain of management with open investment funds;

- In the sphere of deposit operations, the activities shall be directed towards:
  - Permanent monitoring of the market conditions, competition and measures of the monetary authorities for the purpose of adjustment of the interest rates level, thus, taking into account the Bank's finance needs and maintenance of its market participation;
  - Introduction of new types of savings products: deposits with anticipative payment of interest, or stimulation of family savings, for the purpose of covering additional part of the population having the need of such product;
- Within the tasks of the business policy of the Bank for 2008 the Bank undertakes that if the shareholders of Komercijalna Banka AD Skopje provide control package of shares and determine respective parameters, the Bank's management shall undertake appropriate procedures, measures and activities to attract potential strategic investor, which will fulfill the conditions defined by the consortium of shareholders of the Bank, as follows:
  - To represent a bank whose name is renowned international "brand";
  - The offer should reflect the real value of shares of Komercijalna Banka; and
  - To submit a strategic plan for the future development of the Bank.

## **6.2. Markets where the issuer operates**

According to the data presented in the financial statements, based on net credit exposure per country of origin of the credit users, as at 31.12.2007, Komercijalna Banka AD Skopje performs its activities as follows: 71.3% in the Republic of Macedonia, 22.1% in the European Union countries, 6.3% in countries outside the EU and 0.3% in other countries.

In the course of 2008 Komercijalna Banka AD Skopje shall perform its activities in the environment specific to the overall economic activities in the Country.

Based on the Macroeconomic Policy of the Government of the Republic of Macedonia, the following will be emphasized: intensifying the ongoing reforms and starting of new reforms in order to accelerate the economic growth and development of the country, increase the employment and the living standard of the citizens.

Starting assumptions and aims of the Macroeconomic Policy for 2008 are: continuing of the disciplined macroeconomic policy, creating favorable business environment, increasing of the employment, improvement of the citizens' living standard and reduction of the poverty, as well as intensified preparations of the Republic of Macedonia for integration in the Euro Atlantic organizations.

Projected real GDP growth rate for 2008 is 6%, with projected relatively low inflation rate of approximately 3% (measured through the living expenses).

In 2008 the Monetary Policy will be focused on further maintenance of price stability for the purpose of creating a favourable environment for dynamic and

sustainable economic development. Maintenance of stable exchange rate of the MKD in relation to the Euro currency, as an indirect monetary aim, is expected to contribute for successful realization of the low inflation rate. In terms of the monetary aggregates, in the course of 2008 the growth of primary money is expected to be 17,4%, while the demand for cash is expected to show an increase of 6,8% which is a slow dynamics of the annual growth in accordance with the expected development of the non-cash way of payment. Also, the increase of the balance of the denar accounts of banks with the NBRM and the cash in the treasury is expected to be 27,8%, denar and FX deposits of the private sector are expected to show an increase of 40,2% and 17,5% accordingly, and the annual rate of growth of the total loans to the private sector is expected to be around 37,2%, with expected active use of the FX assets of banks for the purpose of intensifying the lending activity in the country.

In the course of 2008 the macroeconomic trends indicate short and medium term risks expressed mainly through increased inflation rate of 10% and could have negative impact on the fulfilment of the aims of the Monetary Policy. Due to this, the NBRM has increased the interest rate of the treasury bills on several occasions, as follows: from 5.08% to 5.25%; from 5.25% to 6% and from 6% to 7%.<sup>1</sup>

## **7. Organizational structure**

### **7.1. The issuer's position within the group or more complex business system**

The issuer is not part of the bank group or more complex business system.

## **8. Trends**

**The most significant movements regarding operation of the issuer that could have essential significance of the perspective of the issuer for the latest financial year and up to the date of workout of the prospect.**

1. Improved lending conditions, in terms of quality projects, operation of officers and increased credit support to clients and business lines which are currently successful and have good perspective (metallurgy, civil engineering...). The Bank shows a trend of continuous growth in the corporative sector.
  - Intensive expansion of network of ATMs and their installment especially in those towns where the Bank does not have its city-branch or branch, in each newly opened city-branch, as well as in the companies having a pretty number of cards. Currently, the project for

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<sup>1</sup> Program of business policy measures and activities of Komercijalna Banka AD Skopje, Macroeconomic Policy and Announcements by the NBRM on the increased interest rates of the treasury bills

network connection of POS terminals installed in several large company is in progress;

- Implementation and realization of the project with Visa International which in this period refers to: connection of the computer system of the Bank with the computer system of Visa International, provision of the working BINs (numbers necessary for identification of the Bank with the system of Visa International), for the new VISA products, defining VISA working packages which should be made out by the supplier of the system for payment card operation, off-line and on-line certification with Visa International, approval of plastics to the Card Design team, procedure for opening VISA Settlement accounts for domestic and international settlement etc.;
2. Introducing new credit products for individuals for the purpose of following the needs of clients and improving the market share in this segment, as well as organizing campaigns and promotion materials;
    - For the purpose of raising the turnover in trade with cards as well as improving the market share of the Bank in this segment the Bank organized the winning game “Komerčijalna Banka AD Skopje takes you to EURO 2008” in cooperation with Worldwide;
  3. In accordance with the provisions of the new Law on Payment Operations which has been applied since 1 January, 2008, all cash payments in and payments out, as well as transfers of funds from one account to another are exercised through transaction accounts reported to the Unique Transaction Accounts Register (UTAR). Accordingly, the Bank performs additional activities in operations with transaction accounts for citizens which encompasses new services, education and placements, as well as continuous communicating and concluding new agreements with companies for collective payout of salaries and other income through transaction accounts;
    - preparations for implementation of the Decision on Chart of Accounts and the Decision on the Methodology for recording and valuation of the accounting positions and for preparation of financial statements, announced in the “Official Journal of R. Macedonia” No. 118 of 2 October, 2007;
    - preparations for reorganization of the identification system, monitoring and control of the credit risk in accordance with the new amendments to the law regulations (Decision on credit risk management of February 2008);
    - introducing new forms and services and improving the functionality of the electronic banking;
    - activities for the conduct of the Project for implementation of the Bank Business Intelligence Integral System;
    - preparation activities for foundation of a company for investment fund management;
    - cooperation with KB Prvo penzisko drustvo in terms of providing more types of services;
  - development of the function of custodian bank which encompasses further advancement of the services for custody accounts and preparation activities for exercising deposit services to investment and pension funds.

## 9. Profit forecast

The Program of measures and activities of the business policy and the financial plan of the Bank for 2008 was adopted on the meeting of Komercijalna banka AD Skopje held on 25.03.2008. In this document the Balance sheet and Income statement for 2008 are presented, but those statements are not integral part of the Prospectus because the Bank did not requested the opinion from authorized auditors which would confirm the correctness of those forecasts and its compliance with the accounting procedures of the Bank.

## 10. Issuer's bodies

Detailed data for the members of the Supervisory Board, Risk Management Committee, Audit Committee, Board of Directors, Credit Committee and IT Supervision Committee of Komercijalna Banka AD Skopje

### 1. Supervisory Board – members:

#### 1. Sava Dimitrova

Date of birth	13.10.1949	
Working experience	35 years	
1991 up to date	Factory Evropa AD Skopje	President of the Board of Directors
1987 - 1991	Factory Evropa AD Skopje	General Manager
1979 - 1987	Factory Evropa AD Skopje	Production Manager
1973 - 1979	Factory Evropa AD Skopje	Production Controller
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	100	
Member of other managing body within the last five years	Board of Directors of AD Factory Evropa Skopje	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	8.718 shares issued by AD Factory Evropa Skopje	

#### 2. Taki Fiti

Date of birth	07.11.1950	
Working experience	34 years	
1998 - 2007	“Sts. Cyril and Methodius” University – Skopje, Faculty of Economics	Professor
1996 - 1998	Government of the Republic of Macedonia	Minister of Finance
1993 - 1996	“Sts. Cyril and Methodius” University – Skopje, Faculty of Economics	Professor
1988 - 1993	“Sts. Cyril and Methodius” University –	Associate Professor

	Skopje, Faculty of Economics	
1983 – 1988	“Sts. Cyril and Methodius” University – Skopje, Faculty of Economics	Assistant Professor
1974 - 1983	“Sts. Cyril and Methodius” University – Skopje, Faculty of Economics	Assistant
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	112	
Member of other managing body within the last five years	BoD of Makosped, currently not a member	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre- bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

### 3. Aleko Angelovski

Date of birth	06.12.1938	
Working experience	40 years	
1988 - 2007	Factory Karpos	General Manager
1978 - 1988	Factory Karpos	Production Manager
1972 - 1978	Factory Karpos	Chief of technical control
1969 - 1972	Factory Karpos	Chief of laboratory
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	100	
Member of other managing body within the last five years	<ul style="list-style-type: none"> <li>– BoD of the Basketball Association of RM</li> <li>– SB of the Chamber of Commerce of RM</li> <li>– BoD of AD Factory Karpos until 31.12.2006</li> </ul>	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre- bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

### 4. Simon Naumoski

Date of birth	21.10.1941	
Working experience	40 years	
1990 – 2007	Factory “Vitaminska”	General Manager
1990 - 1990	Federal Assembly of SFRY	Delegate of RM
1974 - 1990	Factory “Vitaminska”	General Manager

1970 - 1974	Factory "Partizan"	Technical Manager
1968 - 1970	High School of Chemistry "Borka Taleski"	Professor
1968 - 1968	Factory "8 Noemvri"	Technical Manager
1964 - 1968	Factory "Partizan"	
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	none	
Member of other managing body within the last five years	<ul style="list-style-type: none"> <li>- BoD of Vitaminka AD Prilep</li> <li>- BoD of the Chamber of Commerce of RM</li> <li>- SB of Vedrina Prilep</li> </ul>	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	19.252 shares issued by PI Vitaminka AD Prilep	

## 5. Zvone Taljat

Date of birth	14.07.1950	
Working experience	21 years	
2007 -	Privredna Banka Beograd, Bulevar Oslobođenja No. 4, Beograd, Serbia	Member of Supervisory Board
2002 -	Publikum Holding d.o.o., Miklosiceva 38, 1000 Ljubljana, Slovenia, Holding Company	Manager
2002 -	DDOR Insurance a.d. Novi Sad, Mihjla Pupina 8, 21000 Novi Sad, Serbia, Insurance Company	Vice President of Supervisory Board
2002 - 2005	Metals Banka a.d., Strazilovska 2, 21000 Novi Sad, Serbia, Banka	Member of Supervisory Board
1998 - 2002	Lek d.d. Verovškova 57 1000 Ljubljana, Slovenia, Pharmaceutical Company	Member of Supervisory Board
1996 - 2000	Ljubljanska borza d.d., Slovenska cesta 156, 1000 Ljubljana, Slovenia, Shareholding	Member of Supervisory Board
1987 - 2004	Legal Company Taljat, Tratnik, Socan & Bogataj	Manager of the legal company
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	none	
Member of other managing body within the last five years	<ul style="list-style-type: none"> <li>- SB of Privredna Banka Beograd, Serbia</li> <li>- SB of Publikum borzno posredovanje d.d. Ljubljana, Slovenia</li> <li>- SB of Publikum PDU d.d.</li> </ul>	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

## 6. Michael Harold Taylor

Date of birth	12.03.1969	
Working experience	17 years	
1991-1994	Barclays Bank and Barclays de Zoete Wedd, Banking and investment banking	Associate
1994-1995	South Shore Bank Chicago, Banking	Banking consultant
1995-up to date	European Bank for Reconstruction and Development, Banking	Banker Specialist
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	none	
Member of other managing body within the last five years	<ul style="list-style-type: none"> <li>- SB of KAZINVESTBANK KAZAKHSTAN</li> <li>SB of FAR EAST BANK, VLADIVOSTOK, RUSSIAN FEDERATION</li> <li>- SB of Primosotsbank Vladivostok Russia</li> </ul>	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

## 2. Risk Management Committee – members:

### 1. Hari Kostov

Date of birth	13.11.1959	
Working experience	23 years	
March 2008 -	Komercijalna Banka AD Skopje	President of BoD, Chief Executive Officer
December 2004– March 2008	Komercijalna Banka AD Skopje	First General Manager
June 2004 – December 2004	Government of the Republic of Macedonia	Prime Minister
November 2002 – June 2004	Ministry of Internal Affairs	Minister of Internal Affairs
October 1996 – October 2002	Komercijalna Banka AD Skopje	General Manager
August 1995 – October 1996	World Bank, USA	Assistant to the Chief Executive Officer
February 1994 – August 1995	Minister of Finance	Deputy Minister of Finance
September 1988 – February 1994	Government of the Republic of Macedonia	Advisor to the Prime Minister on the Economic System and the Economic Policy
February 1986 –	Government of the Republic of Macedonia	Advisor

August 1988		
July 1983 – January 1986	Government of the Republic of Macedonia	Expert
Mandate	6 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	2000	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

## 2. Maja Stevkova Sterieva

Date of birth	10.12.1970	
Working experience	14 years	
April 2008 -	Komercijalna Banka AD Skopje	Member of BoD, Chief Finance Officer
September 2005	Komercijalna Banka AD Skopje	Risk Management and Planning Division Manager
March 2002 – August 2005	Komercijalna Banka AD Skopje	Risk Management Department Manager
March 2001 – February 2002	Komercijalna Banka AD Skopje	Senior Coordinator in Business Policy Sector
September 1999 – February 2001	Komercijalna Banka AD Skopje	Coordinator in Business Policy Sector
August 1999 – August 1999	Komercijalna Banka AD Skopje	Senior Officer in Planning and Analyses Department
November 1998 – July 1999	Komercijalna Banka AD Skopje	Senior Officer in Assets, Liquidity, FX Market and Securities Department
August 1994 – October 1998	Komercijalna Banka AD Skopje	Officer in FX Assets and Liquidity Unit
October 1993 – July 1994	Komercijalna Banka AD Skopje	Apprentice
Mandate	6 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	26	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	



### 3. Suzana Moskovska

Date of birth		29.03.1960
Working experience		25 years
03.05.2005	Komercijalna Banka AD Skopje	Liquidity and Financial Market Division Manager
01.09.2002 – 03.05.2005	Komercijalna Banka AD Skopje	Liquidity and Back Office Operations Department Manager
01.06.1998 – 01.09.2002	Komercijalna Banka AD Skopje	Head of Denar Assets and Liquidity Unit
01.08.1997 – 01.06.1998	Komercijalna Banka AD Skopje	Senior Customer Relationship Officer
01.07.1995 - 01.08.1997	Komercijalna Banka AD Skopje	Senior Officer for Relationships with Trade companies
01.06.1985 – 01.07.1995	Komercijalna Banka AD Skopje	Officer
17.01.1983 – 01.06.1985	Komercijalna Banka AD Skopje	Apprentice, Junior Officer
Mandate		6 years
Non-conviction certificate		no ban for conducting profession, business activities or duties has been sentenced by any court
Number of shares of Komercijalna Banka AD Skopje банка АД Скопје		332
Member of other managing body within the last five years		Supervisory Board of Insurance Company QBE Makedonija AD Skopje, currently not a member
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years		no
Number of shares with other companies		none

### 4. Biljana Maksimovska Popovik

Date of birth		03.12.1973
Working experience		10 years
01.01.2007	Komercijalna Banka AD Skopje	Corporate Lending Division Manager
June 2003 – 01.01.2007	Komercijalna Banka AD Skopje	Corporate Lending Division – Industry Sector Manager
December 2002 – June 2003	Komercijalna Banka AD Skopje	Coordinator at the Corporate Lending Division
June 2000 – December 2002	Komercijalna Banka AD Skopje	Senior Officer at the Corporate Lending Division
September 1997 – June 2000	Komercijalna Banka AD Skopje	Credit Officer at Corporate Lending Division – Construction and Transport Sector
Mandate		6 years

Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court
Number of shares of Komercijalna Banka AD Skopje	31
Member of other managing body within the last five years	no
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no
Number of shares with other companies	none

## 5. Teodora Guskova Prodanova

Date of birth	17.06.1968	
Working experience	18 years	
January 2007	Komercijalna Banka AD Skopje	Legal Affairs, Problem Loan Workout and Management Division Manager
December 2004 - December 2006	Komercijalna Banka AD Skopje	Advisor to the Manager of the Legal Affairs, Problem Loan Workout and Management Division
June 2002 – December 2004	Komercijalna Banka AD Skopje	Head of Internal Inspection and Control department
November 1998 – June 2002	Komercijalna Banka AD Skopje	Officer in the FX Credit/Guarantee Department
January 1998 – October 1998	ASIBA ING DOO SKOPJE	Executive Director
May 1997 November 1997	AUTOMOBILE SK – importer for FIAT in Macedonia	Executive director for sale and marketing
January 1994 May 1997	ASIBA MG Skopje – Exclusive importer for VW, Audi and Porsche in Macedonia	Manager for sale of Audi and Porsche
July 1992 – January 1994	Elektrovodomont Skopje and Zito Makedonija Skopje	Legal Officer
January 1987 – October 1989	TERMOVENT Belgrade, Representative Office Skopje	Business Secretary
Mandate	6 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	

Number of shares of Komercijalna Banka AD Skopje	5
Member of other managing body within the last five years	no
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no
Number of shares with other companies	none

### 3. Auditing Committee – members:

1. Sava Dimitrova (as per the foregoing data)
2. Taki Fiti (as per the foregoing data)
3. Aleko Angelovski (as per the foregoing data)
4. Blazo Nedev

Date of birth	24.03.1948
Working experience	35 years
	<ul style="list-style-type: none"> <li>- Full-time Professor at Management Accounting and International Accounting at the Faculty of Economics in Skopje</li> <li>- Head of the Accounting and Audit Department</li> </ul>
Mandate	2 years
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court
Number of shares of Komercijalna Banka AD Skopje	none
Member of other managing body within the last five years	no
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no
Number of shares with other companies	none

### 5. Marjan Andonov

Date of birth	18.11.1961
Working experience	22 years
	<ul style="list-style-type: none"> <li>- Fluid d.o.o. Skopje – enterprise for accounting and consulting services, Accounting and Consulting Manager</li> <li>- Zito Luks AD Skopje, Senior Officer – finance operation</li> </ul>

	<ul style="list-style-type: none"> <li>- Deloitte&amp;Touche Skopje, Auditor</li> <li>- MBC Excel, Representing Arthur Andersen in Macedonia Skopje, Manager, Partner responsible for planning, organization, allocation and supervision of different audit projects, relations with clients and preparation of audited financial statements</li> <li>- Business consulting</li> <li>- Grant Thornton, Skopje, Partner and responsible for planning, organization, allocation and supervision of different audit projects, relations with clients and preparation of audited financial statements</li> </ul>
Mandate	2 years
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court
Number of shares of Komercijalna Banka AD Skopje	9
Member of other managing body within the last five years	no
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no
Number of shares with other companies	none

#### 4. Board of Directors – members:

1. Hari Kostov (as per the foregoing data)
2. Ilija Iloski

Date of birth	30.07.1958	
Working experience	23 years	
March 2008 -	Komercijalna Banka AD Skopje	Member of BoD, Chief Operative Director
July 2006 – March 2008	Komercijalna Banka AD Skopje	General Manager
March 2006 – July 2006		Appanage
December 2004 – March 2006	Customs Administration of the Republic of Macedonia, customs administration	General Manager
March 2003 – December 2004	Macedonian Bank for Development Promotion	General Manager
September 2002 – March 2003		Appanage
December 1998 – September 2002	Assembly of the Republic of Macedonia	Delegate
March 1995 – December 1998	Customs Administration of the Republic of Macedonia	General Manager
March 1984 – March 1995	EMO Ohrid	<ul style="list-style-type: none"> <li>- finance officer</li> <li>- head of finance department</li> </ul>

		- Manager of finance department - Assistant general manager for finance operations - deputy-general manager - general manager
Mandate	6 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	756	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	161 AD EMO Ohrid	

3. Maja Stevkova Sterieva (as per the foregoing data)

#### 5. Credit Committee – members:

1. Ilija Iloski (as per the foregoing data)

2. Maja Stevkova Sterieva (as per the foregoing data)

3. Biljana Maksimovska Popovik (as per the foregoing data)

4. Gabriela Stojanovska

Date of birth	24.01.1974	
Working experience	11 years	
October 2006 -	Komercijalna Banka AD Skopje	Retail Banking Division Manager
May 2006 – October 2006	Komercijalna Banka AD Skopje	Manager of the Bank Cards and Current Accounts Department
November 2004 – May 2006	Komercijalna Banka AD Skopje	Advisor in the Retail Banking Division
September 2003 – November 2004	Komercijalna Banka AD Skopje	Manager of the Lending to Citizens Department
September 1997 – September 2003	Komercijalna Banka AD Skopje	loan officer
February 1997 – September 1997	M&M –International forwarding agency	officer
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	31	

Member of other managing body within the last five years	no
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no
Number of shares with other companies	none

5. Suzana Moskovska (as per the foregoing data)

## 6. IT Supervision Committee – members:

1. Igor Bislimovski

Date of birth	02.06.1972	
Working experience	11 years	
01.12.2005 -	Komercijalna Banka AD Skopje	responsible for information system security
01.04.2002 – 01.12.2005	Komercijalna Banka AD Skopje	administrator in the IT Division
01.11.1998 – 01.04.2002	Payment Operations Bureau	administrator of the database
01.10.1997 – 28.02.1998	InetX Skopje	service officer
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	/	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

2. Ilija Iloski (as per the foregoing data)

3. Zorica Cerepnalkovska

Date of birth	05.09.1968
Working experience	15 years

February 2004 -	Komercijalna Banka AD Skopje	IT Division Manager
November 2000 – January 2004	Komercijalna Banka AD Skopje	IT Department Manager
June 1999 – October 2000	Komercijalna Banka AD Skopje	senior coordinator
April 1994 – May 1999	Komercijalna Banka AD Skopje	senior programmer
September 1993 – March 1994	Jugobanka	system programmer
May 1991 – August 1993	Software company Grnarov	programmer
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	/	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

#### 4. Nikolco Petrov

Date of birth	04.12.1964	
Working experience	18 years	
2004 -	Komercijalna Banka AD Skopje	Manager of the Infrastructure Support Department
2002 – 2004	Komercijalna Banka AD Skopje	senior coordinator
1999 – 2002	Komercijalna Banka AD Skopje	head
1995 – 1999	Komercijalna Banka AD Skopje	system organizer
1990 – 1995	Komercijalna Banka AD Skopje	programmer
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	8	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	Alkaloid AD Skopje, 6 Makpetrol 1 Beton 6 Ohim Ges 300 Toplifikacija 5	

5. Vesna Taskovska (as per the foregoing data)

Date of birth	14.03.1966	
Working experience	18 years	
February 2004 -	Komercijalna Banka AD Skopje	Manager of the Software Development and Maintenance Department
July 2001 – February 2004	Komercijalna Banka AD Skopje	head of the unit for software maintenance and operative activities
July 2001 – 1996	Komercijalna Banka AD Skopje	coordinator in the IT Division
June 1990 – 1996	Komercijalna Banka AD Skopje	senior programmer in the IT Division
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	20	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

6. Teodora Guskova Prodanova (as per the foregoing data)

7. Gabriela Stojanovska (as per the foregoing data)

8. Irena Zivkovik

Date of birth	17.11.1971	
Working experience	13 years	
February 2004 -	Komercijalna Banka AD Skopje	Manager of the Management and Informing Department
September 2003 – February 2004	Komercijalna Banka AD Skopje	coordinator in the Legal Affairs Problem Loans Workout and management Division
February 2000 – September 2003	Ministry of Finance	advisor to the Minister of Finance
June 1995 – February 2000	Ministry of Finance	advisor in the International Finance Department
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	/	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure	no	



has been initiated within the last five years	
Number of shares with other companies	AD Toplifikacija Skopje, 44 shares

## 9. Biljana Blazevska

Date of birth	27.07.1973	
Working experience	12 years	
February 2004 -	Komercijalna Banka AD Skopje	senior coordinator in the IT Division
November 2000 – February 2004	Komercijalna Banka AD Skopje	head of the project for development of services
November 2000 – November 2001	Komercijalna Banka AD Skopje	coordinator for informatics
July 1999 – October 2000	Komercijalna Banka AD Skopje	senior programmer
March 1998 – July 1999	Government of the Republic of Macedonia	system engineer
January 1998 – March 1998	Mak-Sistem	programmer
June 1997 – October 1997	Spec, S.A., Barcelona, Spain	students exchange
September 1996	Faculty of Electronics, Ljubljana, Slovenia	students exchange
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	/	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

## 10. Tatjana Leskarovska

Date of birth	17.01.1976	
Working experience	9 years	
01.06.2008 -	Komercijalna Banka AD Skopje	Manager of the Other Risk Management Department
01.11.2006 – 01.06.2008	Komercijalna Banka AD Skopje	Manager of the Risk Management Department
01.12.2005 – 01.11.2006	Komercijalna Banka AD Skopje	coordinator in the Risk Management and Planning Division
01.03.2002 – 01.12.2005	Komercijalna Banka AD Skopje	senior officer in the Risk Management Department
01.01.2002 – 01.03.2002	Komercijalna Banka AD Skopje	senior officer in the Planning and Analyses Department
15.09.2001 – 01.01.2002	Komercijalna Banka AD Skopje	senior officer in the International Division

19.07.1999 – 15.09.2001	Komercijalna Banka AD Skopje	officer in the International Division
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	/	
Member of other managing body within the last five years	no	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	no	
Number of shares with other companies	none	

## 11. Ana Madevska Bogdanova

Date of birth	01.11.1967	
Working experience	18 years	
2004 -	University “Sts. Cyril and Methodius”, Faculty of Mathematics and Natural Sciences Skopje	docent
1992 – 2004	University “Sts. Cyril and Methodius”, Faculty of Mathematics and Natural Sciences Skopje	assistant
1991 – 1992	High School Rade Jovcevski Korcagin, Skopje	math’s professor
Mandate	4 years	
Non-conviction certificate	no ban for conducting profession, business activities or duties has been sentenced by any court	
Number of shares of Komercijalna Banka AD Skopje	/	
Member of other managing body within the last five years	/	
Member of Board of Directors or Supervisory Board of any legal entity against which bankruptcy, pre-bankruptcy or liquidation procedure has been initiated within the last five years	/	
Number of shares with other companies	none	

**There is no potential conflict of interests between the responsibilities of the members of the Bank’s bodies and their private interests or other responsibilities.**

## 11. Employees

The number of employees and the qualification structure at the end of each year in last three years and the changed situation until the day of Prospectus` preparation.

<b>The number of employees according to the qualification structure</b>					
<b>ordinal number</b>	<b>education</b>	<b>31.12.2005</b>	<b>31.12.2006</b>	<b>31.12.2007</b>	<b>30.06.2008</b>
1	Ph.D	1	1	1	1
2	MA	22	20	23	23
3	University graduate	390	386	401	425
4	Advance School graduate	90	90	89	88
5	High School-IV	667	671	638	633
6	High School-III	34	34	24	24
7	Elementary School	40	41	11	4
8	Qualified workers	1	1		
	<b>Total:</b>	<b>1245</b>	<b>1244</b>	<b>1187</b>	<b>1198</b>

## 12. Major shareholders

According to the issuer` information, the major shareholder who have more than 5% of the issued shares of the issuer is European Bank for Reconstruction and Development (EBRD) that have 119.540 ordinary shares or 5,98% of the total number of shares.

According to the issuer` information, there are no agreements, options or warrants which realization on a certain date could result in a change of control of the issuer.

## 13. Financial Information

### 13.1. Financial reports

The Prospectus contains audited financial statements of Komercijalna Banka AD Skopje for the last three years prepared according to the legislation applied in the Republic of Macedonia with independent auditor`s opinion for the last three years prepared according to the International Standards on Auditing.

The audited financial statements contain prescribed obligatory elements:

- a. Balance Sheet
- b. Income statement
- c. Statement of changes in equity
- d. Cash flow statement
- e. Accounting politics and auditors notes

### **13.2. Auditing of the years financial statements**

13.2.1. The financial statements are audited, and in addition we submit the auditor's reports for the financial statements for the last 3 years.

### **13.3. Periodical and other financial information**

13.3.1. The Bank submits a financial statement for the first half of the year 2008 made according to the current legislation. The financial statement of the Bank for the first half of the year 2008 is not audited from a certified auditor.

## **13. 4. Dividend policy**

### **13. 4. 1. Issuer's policy description the for dividend distribution and any kind of limitation in connection with it**

The policy for the dividend distribution of different kind of shares is based on the provisions of the Bank's Statute. Therewith :

- The owners of the common shares have the right of the part of the profit (dividend) of the Bank;
- The dividend is paid ones a year from the earned profit of the Bank in money or in shares, on the basis of the Decision made on the Shareholders assembly,
- The owners of the common shares won't receive dividend for the business years when the Bank will not make profits, and
- The level of the dividend from the common shares is determined in percentages from the nominal value of the common share.

One of the Bank's main determinations is increase of capital through maintaining dividend payment rate of 40%, and significant part of the profit will remain in the reserves and would influence on capital expansion and increase on the book value of the shares.

### **13.4.2. The amount of dividend paid per share in the last three financial years:**

- In 2005 year: 150,00 denars for a common share and 95,00 denars for a priority share;
- In 2006 year: 165,00 denars for a common share and 92,00 denars for a priority share;
- In 2007 year: 190,00 denars for a common share and 95,00 denars for a priority share.

### 13.5. Legal acts

There are no information regarding any acts (administrative, court or other legal acts), including the potential acts and for those that the issuer has been aware, that might have in the period of 12 months or in the near past influence on the financial position or on the profitability of the issuer.

### 13.6. Important changes in the financial or in the trade position of the issuer

We declare that there has not been any important financial or trade changes in the period after the finishing of the last financial year for which the audited financial reports are published.

## 14. Additional information

### 14.1. Data on the issuer's capital

#### 14.1.1. Data on the capital of the Company as at 31.12.2007

	( 000 MKD)
-equity	2.014.067
-share premium	109.026
-revaluation reserve	109.675
-reserves	1.886.667
-retained earning	1.146.103

At 31.12.2007, the capital of Komercijalna Banka AD Skopje is comprised of 1.992.590 ordinary shares with nominal value of 1.000,00 denars per share and 21.477 preferred shares with nominal value of 1.000,00 denars per share. While as, at 30.06.2008 capital of Komercijalna Banka AD Skopje is comprised of 1.996.508 ordinary shares with nominal value of 1.000,00 denars per share and 17.559 preferred shares with nominal value of 1.000,00 denars per share.

Pursuant to the Statute of the Bank ordinary shares are shares providing for the holders right to:

- vote at the General Meeting of the Assembly according to the principle one share-one vote;
- payout of a part of the profit (dividend); and
- payout of a part of the rest of the liquidation or bankruptcy estate of the Bank.

Preferred shares are shares without voting right, but with right to:

- dividend to the extent of the interest rate of 2 percentage points over the rate of the time deposits over 12 months and a part of the profit of the Bank, but not more than the participation of the holders of ordinary shares in accordance with the Decision of the Assembly;
- collection of cumulated, outstanding dividends from the previous years prior to collection of any dividends of the holders of ordinary shares.

- conversion into ordinary shares in proportion 1:1 in accordance with the Decision made by the Bank's Assembly.

14.1.2. The issued preferred shares may be converted into ordinary shares in proportion expressed by the nominal value on the way and under conditions, in accordance with the Decision made by the Bank's Assembly. The proportion determined for conversion of the preferred into ordinary shares is 1:1. the conversion process is conducted upon submission of request of the holder of preferred shares for conversion into ordinary shares.

14.1.3. The management body is not authorized by the issuer's Statute to increase the capital (approved capital).

Pursuant to Article 48 of the Statute of Komercijalna Banka AD Skopje, the Bank's Assembly may pass a decision on increasing the capital of the Bank. In this case the amount of the approved capital is 3.068.565.000,00 denars. This decision shall be valid 12 month as from the public announcement date.

14.1.4. Previous issues:

Ordinal number of issue	Types of shares	Date of issue	Approved shares	Subscribed and paid shares	Nominal value in MKD	Sale value in MKD
I	Ordinary	01.01.1990	150,000	137,715	5,000.00	5,000.00
I	Preferred	01.01.1990	100,000	100,000	1,000.00	1,000.00
II	Ordinary	01.10.1992	180,000	174,843	5,000.00	5,000.00
II	Preferred	01.10.1992	100,000	99,317	1,000.00	1,000.00
III	Ordinary	08.06.1999	16,977	16,977	5,000.00	5,167.50
IV	Ordinary	10.09.2001	31,922	31,922	5,000.00	5,302.00
IV	Preferred	10.09.2001	7,465	7,465	1,000.00	1,060.500

For the purpose of complying with the Companies Act, and in accordance with the Decision on amendment to the Statute of the Bank, passed at the General Meeting of shareholders held on 22.03.2005, Komercijalna Banka AD Skopje divided thee shares in proportion 1:5, dividing each ordinary share of MKD 5.000,00 into 5 ordinary shares with nominal value of MKD 1.000,00 per share.

After the division, with the 4<sup>th</sup> issue, the Bank has 1.807.285 ordinary shares and 206.782 preferred shares issued.

## **14.2. Relative indicators for the issuer's performance on the date of last financial reports presented in the prospect**

14.2.1. The capital adequacy of the Bank as at 31.12.2007 was 10.5%, while as at 30.06.2008 it was 10.6%.

14.2.2. The participation of the own funds in the Bank's liabilities as at 31.12.2007 was:

- 7,25% (including commission operations)
- 7,30% (without commission operations)

	(000 MKD)
Acc.903 – Equity Capital	2,232,768
Acc.904 – Reserve fund	1,886,667
Total capital	4,119,435
Total liabilities (with commission operations)	56,805,713
Total liabilities (without commission operations)	46,439,161

The participation of the own funds in the Bank's liabilities as at 30.06.2008 was:

- 8,07% (including commission operations)
- 8,12% (without commission operations)

	(000 MKD)
Acc.903 – Equity Capital	2,232,768
Acc.904 – Reserve fund	2,653,136
Total capital	4,885,904
Total liabilities (with commission operations)	60,514,505
Total liabilities (without commission operations)	60,151,386

14.2.3. As at 31.12.2007 the participation of the citizens' resources in the total Bank's liabilities was 53.1%, while as at 30.06.2008 it was 57.6%.

14.2.4. As at 31.12.2007 the relation between short-term placements and short-term resources was 0.27, while as at 30.06.2008 it was 0.29.

14.2.5. Aggregate open FX position

The aggregate open FX position as at 31.12.2007 reached the amount of 1.621.011.000 MKD (35.8% of the own funds according to the methodology of NBRM), while as at 30.06.2008 it reached the amount of 1.523.867.000 MKD, or 31,8% of the Bank's own funds.

#### 14.2.6. Large credit exposure in relation to own funds

- As at 31.12.2007

The total amount of large credit exposure is 25.482.257 thousand denars or 619.45% in relation to own funds of the Bank. This data is according paragraph 72 from the Banking Law (official Gazette 67/2007), which means that total amount of large credit exposure shall not exceed eight times of the bank's own funds.

- As at 30.06.2008

The total amount of large credit exposure is 16.835.218 thousand denars or 351.74% in relation to own funds of the Bank. This data is according paragraph 72 from the Banking Law (official Gazette 67/2007), which means that total amount of large credit exposure shall not exceed eight times of the bank's own funds.

#### 14.2.7. Capital investments in nonfinancial institutions without portfolio for trade

As at 31.12.2007

	(MKD)
MZT – Oprema	1,730.00
MZT – FOP	1,210.50
MZT – Komerc	3,639.00
MZT – Energomontinvest	3,636.50
MZT – Metalna	4,321.00
MZT – Monting	4,201.50
RZ - Skopje	1,255.00
Cik Kumanovo	114,970.00
Sloga 2000	2,502,200.00
<b>Total</b>	<b>2,637,163.00</b>

As at 30.06.2008

	(MKD)
MZT – Oprema	1,730.00
MZT – FOP	1,210.50
MZT – Komerc	3,639.00
MZT – Energomontinvest	3,636.50
MZT – Metalna	4,321.00
MZT – Monting	4,201.50
RZ - Skopje	1,255.00
Cik Kumanovo	114,970.00
Sloga 2000	2,502,200.00
<b>Total</b>	<b>2,637,163.00</b>



14.2.8 Capital investments in banks, saving institutions and other financial institution.

As at 31.12.2007

	( MKD)
Konzorcium Vardarska Dolina	1,729,832.50
Osiguruvanje Kjubi Makedonija AD	41,458,025.00
Master card International	4,917,090.00
SVIFT Belgium	1,255,857.00
Klirinska kuka KIBS AD Skopje	10,510,021.00
CDHV Skopje	5,502,021.00
Društvo za upravuvanje so penziski fondovi	35,519,536.00
Makedonska Berza za hartii od vrednost	5,485,877.50
<b>Total</b>	<b>106,378,239.50</b>

As at 30.06.2008

	( MKD)
Konzorcium Vardarska Dolina	1,730,832.50
Osiguruvanje Kjubi Makedonija AD	41,458,025.00
Master card International	350.142.00
SVIFT Belgium	1,255,857.00
Klirinska kuka KIBS AD Skopje	10,510,021.00
CDHV Skopje	5,502,021.00
Društvo za upravuvanje so penziski fondovi	35,519,536.00
Makedonska Berza za hartii od vrednost	15,117,111.50
<b>Total</b>	<b>111,441,960.50</b>

14.2.9. The participation of fixed assets in total own funds of the bank, as at 31.12.2007 is 39.23% and as at 30.06.2008 is 33.98%.

14.2.10. The participation of credit exposure in risk categories C, D and E in total credit exposure is 8.3%, as at 31.12.2007, according the Decision of NBRM for determining the methodology for classification of on balance sheet and off balance sheet assets according the risk level.

<b>A</b>	<b>85.8%</b>
<b>B</b>	<b>5.9%</b>
<b>C</b>	<b>3.2%</b>
<b>E</b>	<b>1.5%</b>
<b>F</b>	<b>3.6%</b>

The participation of credit exposure in risk categories C, D and E in total credit exposure is 7,1%, as at 30.06.2008, according the Decision of NBRM for

determining the methodology for classification of on balance sheet and off balance sheet assets according the risk level.

<b>A</b>	<b>84.4%</b>
<b>B</b>	<b>8.5%</b>
<b>C</b>	<b>2.5%</b>
<b>E</b>	<b>1.2%</b>
<b>F</b>	<b>3.4%</b>

#### 14.3. Total internal payment operation in the past two years:

	(mil. USD)	
	<b>2006</b>	<b>2007</b>
Total internal payment operation	2.114	2.759

#### 14.4. Liquidity movement: Coverage of the Bank's liabilities with highly liquid assets (cash balances and securities issued by NBRM and Republic of Macedonia)

- Coverage of the liabilities with highly liquid assets as at 31.12.2007 is 18,48 while as at 30.06.2008 is 17,94.

#### 14.5. Statute of the issuer and the acts of foundation

##### 14.5.1. Subject of operation of the issuer in accordance with the Statute:

- accepting deposits and other repayable sources of funds;
- lending in the country, including factoring and financing commercial transactions;
- lending abroad, including factoring and financing commercial transactions;
- issuance and administration of means of payment (payment cards, checks, traveller's checks, bills of exchange);
- issuance of e-money, if regulated by special law;
- financial leasing;
- currency exchange operations;
- domestic and international payment operations, including purchase and sale of foreign currency;
- fast money transfer;
- issuance of payment guarantees, backing guarantees and other forms of collateral,
- lease of safe deposit boxes, depositories and depots;
- trade in instruments on the money market (bill of exchange, checks, deposit certificates);
- trade in foreign assets, including trade in precious metals;
- trade in securities;
- trade in financial derivatives;

- asset and securities portfolio management on order and for the account of clients;
- providing services of a custodian bank;
- purchasing and selling, underwriting and placement of securities issue;
- intermediation in sale of insurance policies;
- intermediation in concluding credit and loan agreements;
- processing and analyzing information on the legal entities' creditworthiness;
- economic and financial consulting; and
- other financial services specified by law.

**14.5.2. Description of the rights, advantages and limitations arising from each class of shares issued by the issuer:**

Ordinary shares are shares that provide for the shareholders the following rights:

- voting right in the Bank's Assembly,
- payout of a part of the profit (dividends); and
- payout of a part of the remaining liquidation, or bankruptcy estate of the Bank

Preferred shares are shares without voting right, but with right to:

- dividend to the extent of the interest rate of 2 percentage points over the rate of the time deposits over 12 months and a part of the profit of the Bank, but not more than the participation of the holders of ordinary shares in accordance with the Decision of the Assembly;
- priority at collection of dividend and collection in the bankruptcy procedure;
- collection of cumulated, outstanding dividends from the previous years prior to collection of any dividends of the holders of ordinary shares.

The total nominal amount of the preferred shares without voting right may not be higher than 10% of the total nominal amount of the total shares of the Bank.

The priority shares may be converted into ordinary shares in proportion expresses by the nominal value on the way and under conditions, in accordance with the Decision made by the Bank's Assembly.

The number of ordinary shares is increased for the converted preferred shares in the proportion of the previous paragraph, without change of the amount of the initial capital.

Each voting share provides one vote in the Bank's Assembly.

**14.5.3.** When the Bank's Assembly decides on issues changing or limiting any right connected with a type of shares and for the cases determined by law, the Decision shall be deemed as valid if the shareholders representing the respective type of shares give their consent for decision making. The Decision, depending on the items of the Agenda of the Assembly, as assessed by the body that convenes the meeting, may be passed at the same meeting of the Assembly by separate voting of these shareholders, or at a separate meeting. The Decision shall be made by majority of not less than 2/3 of the shares represented at the Assembly.

#### **14.5.4. Description of the conditions for convening annual meeting and extraordinary meeting of shareholders, including data on the way the shareholders report their participation.**

The Bank's shareholders realize their rights and interest in the Bank at the meeting of the Bank's shareholders. The Banks Assembly is comprised of all shareholders of the bank. Each shareholder may assign a proxy by a written notarized power of attorney, in accordance with the Companies Act.

Each shareholder has the right to take part and vote at the work of the Assembly, unless otherwise provided by the Law.

Requests for convening meetings of the Assembly may be submitted by the shareholders having at least 1/10 of the voting shares. The purpose and reasons for convening the meeting, the matters to be decided on and data on shareholders shall be stated in the request. Attached to the request, the shareholders shall submit statement of account for securities issued by the Central Securities Depository, having the number of voting shares stated therein.

The Board of Directors is obliged at request of the shareholders to make a decision within 8 days from the date of receipt of the request, i.e. make a decision by which it shall accept or deny the request, stating the reasons therefore.

If, at request of shareholders having majority of all voting shares, the board of Directors does not convene meeting of the assembly within 24 hours from the date of submission of the request, the shareholders shall realize their rights in accordance with the Companies Act.

The Assembly's session is convened upon an invitation to shareholders in the way that shall provide a confirmation that the invitation had been received by the shareholder or upon an announcement to the shareholders published in at least one daily newspaper.

The way of convening the General Meeting is determined by the Decision on convening the Meeting.

The invitation or the announcement for participation at the Bank's Assembly meeting shall contain:

- title and Head Office of the Bank;
- place and date of holding the General Meeting;
- other procedural formalities of significance for presence at the General Meeting and the way of voting;
- agenda under which the General Meeting will be run;
- way of making the materials under items of the agenda available; and
- possibility of appointing a proxy of the shareholder and the way of his/her appointment.

The period from the invitation date or from the announcement date until the Assembly's meeting date, must be neither shorter than 21 days, nor longer than 50 days.

#### **14.5.5. Increase of the Bank's initial capital**

The increase of the initial capital of the Bank is carried out:

- by deposits;

- by conditional increase;
- by approved capital; and
- by the Bank's resources.

The increase of the initial capital is carried out upon a decision made by the Shareholders' Assembly, with accordance of both types of shares. The decision on consent is made with the majority of not less than 2/3 of shares present at the General Meeting.

Decrease of the initial capital of the Bank is carried out by:

- decrease of the nominal amount of shares;
- joint of shares; and
- withdrawal of treasury and other shares.

Decrease of the initial capital is carried out upon a decision made by the Shareholders' Assembly, with accordance of both types of shares. The decision on consent is made with the majority of not less than 2/3 of shares present at the General Meeting.

## **15. Agreement of significance for the operation of the issuer**

There is no agreement, out of the everyday operation of the issuer, which is significant for the operation of the issuer to which the issuer is an agreement party.

## **16. Information received from third parties and reports from experts and statement of any interest**

The Prospect does not include any report of a third-party expert.

## **17. Information about the offer of securities**

### **17.1. Reasons for the offer and use of funds that will be collected with the offer**

One of the Bank's main determinations is the increase of capital through maintaining dividend payout ratio of 40%. By running this policy, the Bank will provide that significant part of the profit to remain in the reserves and would influence on capital expansion. At the same time, the increased growth of the banking market in Republic of Macedonia as well as the bank's plans to follow this dynamics can't be supported only by the current model of capital expansion.

The new issue is not necessity that derives from not having enough fund sources for accomplishment of the bank's activities, nor a problem with bank's liquidity.

There are certain limiting factors that, if additional capitalization of the bank is not performed, will limit bank's further growth and development.

Most significant factor that is not just a regulatory question, but also a question for prudent risk management combined with dynamic growth of

activities, is the capital that is necessary on certain risk level, represented through capital adequacy rate.

As at 31.12.2007 the bank's capital adequacy rate is 10.5% without a part of the profit for 2007 (including the profit the capital adequacy rate is 11.38% at 31.03.2008) and is in the legal framework of minimum of 8%, but below of 12% which is suggested rate by the NBRM.

Regarding the level of capital adequacy, two significant moments should be emphasized:

- According to the Law of banks, legal assigned capital adequacy rate is minimum 8%, but if it is needed for the reason of nature, kind and amount of activities that Bank is realizing and the risk that is result of those activities, the Governor may prescribe higher capital adequacy rate.
- During the regular on-the-field control made by the Supervision department of NBRM at the end of 2007, the management of the Bank was given a recommendation to increase the capital.

In the management plans for the further growth of the Bank, as in the proposal plan for 2008, calculations include:

- Increasing of loans between 25-30%;
- Increasing of off-balance items up to 30%;
- Further redirecting of low interest assets in the high interest assets;
- Investing in other finance legal entities (voluntary pension fund, managed Investment companies and similar);
- Increasing of certain non interest investments that have significant meaning of contemporary working (software licenses, computer and other equipment, and etc.);
- Developing of e-banking and card working;
- Keeping the aggregate open FX effect position that generates net positive effect gains.

Every prolongation of the moment of the new issuance might slow down the growths dynamic of the Bank, and it might endanger its market participation.

For that reasons, in the previous mentioned growth rates that affect on accomplishment of supervisory standards, it's evaluated that optimal level of new emission is 3.068 million denars.

This would lead to improvement in fulfilment of supervisory standards, a growth in the following few years, increasing of the book price per share, and further increasing of the profit, although in the first year a little decreasing of quantitative indicators ROE and ROA is possible.

This amount will contribute to increasing of the Banks' Own Funds, as an accounting category that is included in calculation of compliance with Supervisory standards, and would lead to increase of:

- Capital adequacy rate about 15% (projection at 31.12.2008), that enables continuity in increase of the Banks' activity in 2009 and 2010, with similar conditions and regulation;
- Increasing of individual credit exposure (max. 25%) as support of individual creditworthy debtors and their related parties, so the credit exposure of 1.028 million denars would be increased to 1.954 mil. denars;

- Aggregate open FX exposure will be increasing for about 1.200 million denars that represents adequate part of new issuance;
- The big credit exposure, as a total amount of all big credit exposures that is by law limited on eightfold amount of own funds.

Regarding to the balance positions realization of the plan for 2008 will be obtained trough:

- Realization of gross profit in amount of 1.370 million denars, that presents an increase of 28%;
- Increasing of net interest income for 17%,
- Increase of book value per share for about 32% to 35%.

## **17.2. Basic data for the securities**

### 17.2.1. Number and the date of the act for issuing of the equity securities

The Decision on increase of the initial capital of Komercijalna Banka AD Skopje with 5th shares issue No. 02-1610-12888 from 25.03.2008, the Decision on determination of the number of shares and the price of shares of the 5th shares issue, issued by Komercijalna banka AD Skopje No. 02-1610-26793 from 26.06.2008 and the Decision amending the decision on increase of the initial capital of Komercijalna Banka AD Skopje with 5th shares issue No. 02-1610-37209 from 24.09.2008.

17.2.2. The Decision on increase of the initial capital of Komercijalna Banka AD Skopje with 5th shares issue No. 02-1610-12888 was adopted and approved by the shareholders assembly on 25.03.2008, the Decision on determination of the number of shares and the price of shares of the 5th shares issue, issued by Komercijalna banka AD Skopje No. 02-1610-26793 was adopted and approved from the Supervisory Board on 26.06.2008, and the Decision amending the decision on increase of the initial capital of Komercijalna Banka AD Skopje with 5th shares issue was adopted and approved from the Supervisory Board on 24.09.2008.

With the Announcement No. 10-200-16329 from 23.04.2008 the NBRM is notified about the adopted Decision on increase of the initial capital of Komercijalna Banka AD Skopje with 5th shares issue, in compliance with the article 61 from the Law on Banks, the part for compliances and reports.

In case of successful closing of the public offer i.e. after subscription of the shares in the Central Securities Depository JSC Skopje, the Bank will make amendments of the Statute of the Bank, and will apply for consent from NBRM, in compliance with the article 57 from the Law on Banks.

17.2.3. With the 5<sup>th</sup> issuance of shares 471.000 shares with nominal value of 1.000,00 denars per share are issued i.e. the total nominal value amounts 471.000.000,00 denars.

17.2.4. The securities are issued in accordance with the Law on Securities, the Law on Banks and the Trade Company Law.

17.2.5. The shares will be registered in the Central Securities Depository JSC Skopje, with the headquarters on 1 Kuzman Josifovski Pitu St, 1000 Skopje, R. Macedonia.

17.2.6. In a period of 8 days after successful subscription of the 5<sup>th</sup> share issuance, the Bank will submit the increase of the initial capital to be recorded in the trade register. To all investors that have successfully subscribed and paid common shares from the 5<sup>th</sup> share issuance from the public offer, within 3 days upon recording of the increase of the initial capital in the trade register, the shares will be distributed to their accounts in the Central Securities Depository JSC Skopje.

17.2.7. Taxation of shares incomes

***For domestic legal entities***

According to the article 4 from the Profit Tax Law, a profit tax payer is a legal entity (a subject) – a resident of the Republic of Macedonia, that realizes a profit from operations in the country and abroad. A basis for profit tax calculation (article 8 from the Profit Tax Law) is the profit stated in the tax balance and which represents a difference between the total incomes and expenses of the tax payer in amounts determined according to the accounting regulations and accounting standards, except the incomes and expenses which by this law, are determined otherwise.

Incomes from dividends realized by a participation in the equity of other tax payer - resident of the Republic of Macedonia, are not included in the tax basis, under the condition to be taxed to the tax payer that makes the pay-out according to the general rate from the article 28 from the Law.

Profit tax rate is 10%. (article 28 from the Profit Tax Law).

***For non-resident legal entities***

According to the article 29-b, point 1 from the Profit Tax Law and article 5-b from the Regulations of amendments to the regulations for calculation and payment of the profit tax and avoiding of double exemption or double taxation, the withholding tax is applied over the income from dividends.

Tax rate of the non-resident legal entity's income from dividends is 10%. If the Republic of Macedonia has concluded an Agreement for avoidance of double taxation with a country that the non-resident legal entity is a resident in, the conditions from the Agreement may be applied in a way prescribed in the article 5-c from the Regulations of amendments to the regulations for calculation and payment of the profit tax and avoiding of double exemption or double taxation.

***For citizens (domestic and non-residents)***

According to the articles 7, 8 and 9 from the Income Tax Law, an income tax payer is each citizen resident of the Republic of Macedonia for the income that realises in the country and abroad and a non-resident of the Republic of Macedonia for the income realised in the Republic of Macedonia.



According to the article 12 from the Income Tax Law, the income tax is paid at a rate of 10%. Dividends incomes realised by a participation in the profit of the legal entities, are included in the incomes from equity (article 47 from the Income Tax Law), and a calculation basis for the dividend tax is the gross dividend, i.e. incomes from participation in the equity distributed to the tax payer. (article 49 from the Income Tax Law).

### **17.3. Data for the equity securities**

17.3.1. The shares are issued with the ISIN number MKKMBS101019.

17.3.2. The shares that are issued have:

- a right on dividend;
- a right to vote with ratio 1 share 1 vote; and
- a right to participate in bankruptcy estate of the issuer.

17.3.3. The securities are with the right of transferability

17.3.4. Until the publishing of this Prospectus, there is no any legal or natural person, that even in case of total realization i.e. payment made upon this public offer, will meet requirements for takeover procedure in accordance with the existing legislation.

17.3.5. There has not been given any takeover offer for the Bank during the 2007 and 2008 until the publishing of this Prospectus.

17.3.6. Dilution (the amount and the percentage of the dilution of the earnings per share (EPS) as a result of the offer)

According to the Program of the measures and activities of the business policy and the financial plan of the Bank for the year 2008, the projected gross profit amounts 1.370 million denars. Assuming that public offer will not be closed until the end of 2008, the new issue will not have diluting effect on the EPS for the year 2008, i.e. the EPS will be 680,22 denars.

In case all shares are subscribed immediately after publishing the public offer for the new subscription i.e. having the number of shares increased for the shares from the new issuance in the last quarter of year 2008, the expected EPS will be 642,64 denars, taking into consideration the effects of the dilution because of the increased number of shares.

With the dilution, the EPS decreases 37,68 denars i.e. 5,52%

## **18. Terms and conditions of the offer**

### **18.1. Price of the securities**

18.1.1. The price of the offered shares is **6.515,00 MKD per share**.

18.1.2. Costs and provisions for the registrar ( buyer)

There are no other additional costs or commissions upon registration that will beared by the (subscriber) buyer.

## **18.2. Conditions, terms and activities for subscription and payment of the shares, which are the subject of the offer**

18.2.1. The total value of the offered shares is 3.068.565.000,00 MKD.

18.2.2. According to the Law on Securities, the procedure for subscription of the shares will start 14 calendar days upon announcing of the Invitation for subscription and payment of the shares i.e. on 18.10.2008.

The date of beginning of period for subscription and payment of the shares, is 14 calendar days upon announcing of the Invitation for registration subscription and payment of the shares i.e. on 03.11.2008.

The date of closing of period for subscription and payment of the shares, is 12 months upon announcing the Invitation for subscription and payment of the shares i.e. on 18.10.2009.

The subscription of the shares which are subject of the public offer, will be done according to the time principle described with the Rules on conduct in applying the Decision for increasing of the initial capital of Komercijalna Banka AD Skopje with the V-th issue of shares, made by the Supervisory Board of the Bank under number 02-1610-37209/1 from 24.09.2008 which are consistent part of the Prospectus.

The bank will announce the Invitation for subscription and payment of the shares on Macedonian language in one of the daily newspapers published in the Republic of Macedonia, 14 calendar days, before the begining of the subscription of the shares.

The bank will announce the Prospectus and the Invitation for subscription and payment of the shares on the website of the Macedonian Stock exchange, 14 calendar days, before the subscription of the shares.

The Prospectus will be available to all interested parties, in premises of Komercijalna Banka AD Skopje, Kej Dimitar Vlahov, 4, 1000 Skopje, office number 217, second floor, the old part of the bank.

Subscription of the shares will be conducted in Komercijalna Banka AD Skopje, Kej Dimitar Vlahov, 4, 1000 Skopje, office number 217, second floor, the old part of the bank.

The person who subscribes shares, or its authorized person, must fill and sign written statement (subscription note).

The payment of the shares will be in Macedonian denars on special account in Komercijalna banka AD Skopje 300-000000000-133, with number of loading 25499203. The payment must be made at once.

During the subscription, all the payments from the buyers for the offered shares will be kept on the special account in the bank, which can not be used from the issuer till the public offer is not successfully realized.

The funds that an investor is paying during the subscription of the shares, can not be a part of the bunruptcy estate, in case of bunkrupcty of the issuer before the successful realization of the offer.

If, before the deadline 100% of the offered shares of the V-th issue are subscribed and paid, The Bank will cease the procedure, and inform the

Security Exchange Commission and the public with the announcement for the successfully realized issue.

18.2.3. The Public offer will be successful if at least 60% of the offered shares from the V-th issue are subscribed and paid;

18.2.4. After ending of the determined 12 months period from the day of announcing the public offer for subscription and payment of the shares, it will be closed. If the total amount of shares are paid and subscribed before the end of 12 months from the day of announcing the public offer for registration and payment of the shares, the Bank closes the procedure for the public offer.

18.2.5. The public offer will be declared as unsuccessful if, in the predetermined period 60% of the shares which are subject of the public offer are not subscribed and paid. If the public offer ends unsuccessfully, the payments will be returned in period of 3 days with deposit interest (average interest rate which the commercial banks in Republic of Macedonia pay for the deposits in denars for the citizens, placed for the period of one year).

18.2.6. The procedure of distribution of the shares, if more shares than offered are registered and paid.

The distribution of the shares to the subscribers will be realized in chronological order, according to the date, hour and minute of the payments, according to the Rules on conduct in applying the Decision on increase of the initial capital of Komercijalna Banka AD Skopje with the V-th issue of shares, made by the Supervisory Board of the Bank under number 02-1610-37209/1 from 24.09.2008.

In order to ensure equal treatment and opportunity to all interested parties to subscribe shares in the public offer, If two or more buyers of shares make payments in **the first 7 days** from the beginning of the procedure for subscription and payment, and their payments exceed the total amount of the offered shares for sale, the distribution of the shares between these buyers will be done according to the individual percentage participation of each of the payers, in the total payments in this time period. Each subscriber, who, on the basis of the percentage participation in total payments has received non-integer number of shares, number of distributed shares will be round up to the higher number if the decimal number is bigger than 0,5, or round down to the lower number if decimal number is less or equal to 0,5. If by applying the rounding rule, more than offered shares are subscribed, the difference will be distributed from the subscriber with the largest number of subscribed shares.

After the end of the time period of 7 days from the beginning of the procedure for subscription and payment, if according to the time of payment, one part of the payment, according to the use of the abovementioned provision, exceed the total amount of shares which are subject of selling, only a portion of the subscribed shares up to the amount reaching the total amount of shares, which are subject of the selling, will be distributed to the subscriber.

Those persons who made payments for subscription of shares after expiry of the time period of 7 days from the beginning of the procedure for subscription and payment, but according to the use of the chronological order, total amount of shares which are subject of selling is already paid, do not participate in the distribution of the offered shares.

After expiry of the time period of 7 days from the beginning of the procedure for subscription and payment, if two or more buyers of shares made payments in the same time (date, hour and minute are the same) , and their payments exceed the total amount of offered shares for selling, the distribution of the shares between these buyers will be done according to the individual percentage participation of payment of each subscriber in the total payments, in the same moment. To every subscriber according to the percentage participation in the total payments, who qualify's for non-integer number of shares, the number of subscribed shares will be rounded up to the higher number, if the decimal number is bigger than 0,5, or, rounded down to the lower number, if the decimal number is smaller or equal to 0,5. In case where, as a result of using the rule for rounding, more shares than the offered are subscribed, the difference will be distributed from the shares of the subscriber with the largest number of subscribed shares.

18.2.7. In the Act, it is not predicted to sell the shares in lots.

18.2.8. The payment of the shares will be in Macedonian denars on special account in Komercijalna banka AD Skopje 300-000000000-133, with number of loading 25499203. The payment must be made at once.

18.2.9. The shares that are subject of the public offer, after the registration of the account of the subscribers in the Central securities Depository, are transferable, and they bear all the rights stipulated in the point 17.3.2. in this Prospectus.

18.2.10. If the total amount of the offered shares from the V-th issue made by public offer, are paid and subscribed before the end of 12 months from the starting day for subscription and payment of V-th issue shares determined in the Prospectus, the Bank, within period of 15 days upon the closing day of the public offer , will announce in one of daily newspapers published in Republic of Macedonia, and on the website of Macedonian Stock Exchange, that the offered shares from the 5-th issue in a public offer, are paid and registered completely in the period of 12 months, and also that the procedure of the public offer is closed.

If, after expiry of 12 months from the starting day for subscription and payment of the shares from 5-th issue, determined in the Prospectus, all the offered shares are not subscribed, the Bank within 15 days from the closing day of the public offer, will announce the number of registered and paid shares, and also the percentage of realization. The announcement for the result of the public offer will be announced in one of daily newspapers published in Republic of Macedonia, and on the website of Macedonian Stock Exchange.

18.2.11. The public offer is not divided in tranches.

18.2.12. Is there any intend, some of the shareholders to subscribe more than 5% of the public offer?

Up the moment of publishing the Prospectus, the Bank does not have any information that some shareholder has intention to subscribe more than 5% of the public offer.

18.2.13. All persons who subscribed and paid the shares, will be officially informed in written about the entitled amount of shares, in the period of 7 days, by the officials of Komercijalna banka AD Skopje.

### **18.3. Placement of the shares**

18.3.1. Insight into the credibility of the data for the 5-th issue of shares with public offer and subscription of the shares can be made in premises of Komercijalna Banka AD Skopje, Kej Dimitar Vlahov, 4, 1000 Skopje, office number 217, second floor, the old part of the bank. Contact phone numbers are: +389 2 3 107 291 and +389 2 3 220 980.

18.3.2. Komercijalna Banka AD Skopje did not made agreement with any authorized legal person for doing services, transactions and other activities conected with this public offer of shares.

### **19. Admission on listing**

Komercijalna Banka AD Skopje will apply for admission on listing of the shares at the authorized stock exchange, after the successfull ending of the public offer.

### **20. Information for the guarantee**

The Prospectus refers to the issue of shares, where the issuer is the only one liable for the obligations which comes with the shares.

### **21. Available documents**

#### **21.1. Statement for availability of the documents**

We hereby state that, during the validity of this Prospectus, following documents (copies of the documents), can be reached in premises of Komercijalna Banka AD Skopje, Kej Dimitar Vlahov, 4, 1000 Skopje, office number 217, second floor, the old part of the bank.

- a) The Statute of the issuer
- b) Rules on conduct in applying of the Decision for increasing of the starting capital of Komercijalna Banka AD Skopje with the 5-th issue of shares
- c) Audited financial reports with opinion from independent auditor for the last 3 years.

**21.2. Information for the place where insight of the documents can be done.**

Insight in the documents can be done in premises of Komercijalna Banka AD Skopje, Kej Dimitar Vlahov, 4, 1000 Skopje, office number 217, second floor, the old part of the bank, phone: +389 2 3107 291

**Members of the Board of Directors of Komercijalna Banka AD Skopje:**

Maja Stevkova Sterieva – Chief Financial Director

Ilija Iloski – Chief Operative Director

Hari Kostov - Chief Executive Director

**Members of the Supervisory Board of Komercijalna Banka AD Skopje:**

Sava Dimitrova

Taki Fiti

Aleko Angelovski

Simon Naumovski

Zvone Taljat

Michael Harold Taylor