

**STOPANSKA BANKA AD - SKOPJE**

**Financial Statements and  
Independed Auditor's Report  
for the year ended  
December 31, 2009**

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**RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Management of Stopanska Banka AD - Skopje (the “Bank”) is responsible for ensuring that the financial statements are prepared for each financial year in accordance with accounting standards applied in the Republic of Macedonia, which give a true and fair view of the state of affairs and results of the Bank for the year.

After making enquiries, the Management of the Bank has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management of the Bank continues to adopt the going concern basis in preparing the financial statements. In preparing those financial statements, the responsibilities of the Management of the Bank include ensuring that:

- Suitable accounting policies are selected and then applied consistently;
- Judgments and estimates are reasonable and prudent;
- Applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

Management of the Bank is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with accounting standards applied in the Republic of Macedonia. Management of the Bank is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of Stopanska Banka AD - Skopje:

Mr. Gligor Bishev  
First General Manager

Ms. Konstantina Panagiotopoulou  
Second General Manager

## INDEPENDENT AUDITORS' REPORT

### TO THE MANAGEMENT AND THE SHAREHOLDERS OF STOPANSKA BANKA AD, SKOPJE

We have audited the accompanying financial statements (page 3 to 120) of Stopanska Banka AD, Skopje (hereinafter referred to as the "Bank"), which comprise the balance sheet as of December 31, 2008 and the related income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting standards applied in the Republic of Macedonia and regulations of the National Bank of the Republic of Macedonia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects the financial position of Stopanska Banka AD, Skopje as of December 31, 2009, and the results of its operations, changes in equity and its cash flows for the year then ended in accordance with accounting standards applied in the Republic of Macedonia and regulations of the National Bank of the Republic of Macedonia.

Deloitte DOO  
Skopje, Macedonia  
February 20, 2009

Jovica Stojcevski  
Chartered Accountant

**INCOME STATEMENT**  
**for the period from January 1, 2009 to December 31, 2009**  
**(In thousands of Denars)**

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
Interest income		5,212,928	4,891,383
Interest expense		<u>(2,285,040)</u>	<u>(1,897,036)</u>
<b>Net interest income</b>	6	2,927,888	2,994,347
Fee and commission income		921,509	1,028,075
Fee and commission expense		<u>(69,225)</u>	<u>(67,313)</u>
<b>Net fee and commission income</b>	7	852,284	960,762
Trading (expense)/income, net	8	42,524	(7,402)
Trading (expense)/income from other financial instruments, net	9	-	-
Foreign exchange gains, net	10	161,875	200,701
Other operating income	11	224,234	288,015
Share in the profit of associates	24	-	-
Impairment losses on financial assets, net	12	(1,478,707)	(1,055,157)
Impairment losses on non-financial assets, net	13	(79,833)	(95,671)
Personnel expenses	14	(717,180)	(659,212)
Depreciation and amortization	15	(186,378)	(170,830)
Other operating expenses	16	(1,049,428)	(955,657)
Share in the loss of associated companies	24	<u>-</u>	<u>-</u>
<b>Profit before tax</b>		697,279	1,499,896
Income tax	17	<u>(7,106)</u>	<u>(165,475)</u>
<b>Net profit for the year</b>		<u>690,173</u>	<u>1,334,421</u>
<b>Earning per shares</b>	41		
Basic earnings per share (in MKD)		54,79	76,43
Diluted earnings per share (in MKD)		54,79	76,43

The accompanying notes are an integral part of these financial statements.

The financial statements were approved by the management of the Bank on January 27, 2010 and are proposed for approval to the Bank's Supervisory Board.

Signed on behalf of Stopanska Banka AD - Skopje:

Mr. Gligor Bishev  
 First General Manager

Ms. Konstantina Panagiotopoulou  
 Second General Manager

**BALANCE SHEET**  
**As at December 31, 2009**  
**(In thousands of Denars)**

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>			
Cash and cash equivalents	18	18,003,692	11,039,895
Trading financial assets	19	199,274	117,769
Financial assets at fair value through income statement determined as such at initial recognition	20	-	-
Derivative assets held for risk management	21	-	-
Placements with, and loans to banks	22.1	146,775	464,308
Loans to customers	22.2	41,600,738	41,680,290
Investments in securities	23	3,469,777	3,869,467
Investments in associates	24	-	-
Receivables for income tax (current)	30.1	10,283	-
Other receivables	25	262,833	349,663
Collateralized assets	26	-	-
Assets acquired through foreclosure proceedings	27	606,635	572,925
Intangible assets	28	127,196	145,123
Property and equipment	29	1,186,619	1,203,620
Deferred tax assets	30.2	9,684	1,630
Non-current assets held for sale and group for sale	31	-	-
<b>Total assets</b>		<u>65,623,506</u>	<u>59,444,690</u>
<b>LIABILITIES</b>			
Trading financial liabilities	32	1,196	-
Financial liabilities at fair value through income statement determined as such at initial recognition	33	-	-
Derivative obligation held for risk management	21	-	-
Deposits from banks and financial institutions	34.1	2,695,175	821,632
Deposits from customers	34.2	51,798,454	47,970,980
Issued debt securities	35	-	-
Loans payable	36	267,327	285,725
Subordinated debt	37	2,763,333	2,783,597
Special reserve and provisions	38	155,873	192,069
Income tax payable (current)	30.1	-	49,054
Deferred tax liabilities	30.2	-	3,335
Other liabilities	39	436,101	501,232
Liabilities directly related to group of assets for sale	31	-	-
<b>Total liabilities</b>		<u>58,117,459</u>	<u>52,607,624</u>
<b>EQUITY</b>			
Share capital	40	3,511,242	3,511,242
Share premia		-	-
Registered shares		-	-
Capital component of hybrid financial instruments		-	-
Other equity instruments		-	-
Revaluation Reserves	32	9,575	30,767
Other Reserves	32	607,446	407,283
Retained earnings		<u>3,377,784</u>	<u>2,887,774</u>
<b>Total equity and reserves</b>		<u>7,506,047</u>	<u>6,837,066</u>
<b>Total liabilities and equity and reserves</b>		<u>65,623,506</u>	<u>59,444,690</u>
Contingent assets	42	-	-
Contingent liabilities	42	<u>9,899,233</u>	<u>11,521,578</u>

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity and reserves  
for the period from January 1, 2009 to December 31, 2009  
(In thousands of Denars)

	Equity				Other reserves		Revalued reserves				Retained earnings		Total equity and reserves	
	Subscribed capital	Share premia	(Registered shares)	Capital component of hybrid financial instruments	Other equity instruments	Statutory reserve	Other reserves	Revalued reserve for assets available for sale	Reserve for protection against risk	Foreign exchange gains/losses reserves	Other revalued reserves	available for distribution to shareholders		limited for distribution to shareholders
<b>As at January 1, 2008</b>	3,511,242	-	-	-	-	240,131	1,083	11,763	-	-	-	1,719,422	-	5,483,641
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	21,032	-	-	-	-	-	21,032
Changes in fair value of protection against cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of protection against risk of net investment in international operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains/losses recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax (assets)/liabilities recognized in equity	-	-	-	-	-	-	-	(2,028)	-	-	-	-	-	(2,028)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total unrealized profit/(loss) recognized in equity</b>	-	-	-	-	-	-	-	19,004	-	-	-	-	-	19,004
Issued shares within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	1,334,421	-	1,334,421
Allocation of statutory reserve	-	-	-	-	-	166,069	-	-	-	-	-	(166,069)	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold registered shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at December 31, 2008</b>	<b>3,511,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>406,200</b>	<b>1,083</b>	<b>30,767</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,887,774</b>	<b>-</b>	<b>6,837,066</b>

STOPANSKA BANKA AD - SKOPJE

Statement of changes in equity and reserves (continued)  
for the period from January 1, 2009 to December 31, 2009  
(In thousands of Denars)

	Equity					Other reserves		Revalued reserves			Retained earnings		Total equity and reserves	
	Subscribed capital	Share premia	(Registered shares)	Capital component of hybrid financial instruments	Other equity instruments	Statutory reserve	Other reserves	Revalued reserve for assets available for sale	Reserve for protection against risk	Foreign exchange gains/losses reserves	Other revalued reserves	available for distribution to shareholders		limited for distribution to shareholders
<b>As at January 1, 2009</b>	3,511,242	-	-	-	-	406,200	1,083	30,767	-	-	-	2,887,774	-	6,837,066
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	(24,527)	-	-	-	-	-	(24,527)
Changes in fair value of protection against cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of protection against risk of net investment in international operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains/losses recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax (assets)/liabilities recognized in equity	-	-	-	-	-	-	-	3,335	-	-	-	-	-	3,335
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total unrealized profit/(loss) recognized in equity</b>	-	-	-	-	-	-	-	(21,192)	-	-	-	-	-	(21,192)
Issued shares within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	690,173	-	690,173
Allocation of statutory reserve	-	-	-	-	-	200,163	-	-	-	-	-	(200,163)	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold registered shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at December 31, 2009</b>	<b>3,511,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>606,363</b>	<b>1,083</b>	<b>9,575</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,377,784</b>	<b>-</b>	<b>7,506,047</b>

The accompanying notes are an integral part of these financial statements.



**STATEMENT OF CASH FLOW**  
**for the period from January 1, 2009 to December 31, 2009**  
**(In thousands of Denars)**

	<u>2009</u>	<u>2008</u>
<b>Cash flows (used in)/ generated from operating activities</b>		
<b>Profit before taxation</b>	697,279	1,499,896
<i>Adjustments for:</i>		
Depreciation of:		
- intangible assets	40,754	49,394
- property and equipment	145,624	121,436
Gain on sale of:		
- intangible assets	-	-
- property and equipment	(9,504)	(34,936)
- assets acquired through foreclosures	(13,453)	(47,262)
Loss on sale of:		
- intangible assets	-	-
- property and equipment	14	8
- assets acquired through foreclosures	-	221
Interest income	(5,212,928)	(4,891,383)
Interest expense	2,285,040	1,897,036
Net trading expense / (income)	(42,524)	7,402
Value adjustment of financial assets, on a net basis		
- Additional value adjustment	1,884,763	1,223,669
- Release of value adjustment	(406,056)	(168,512)
Impairment loss of non-financial assets, on a net basis:		
- Additional impairment loss	79,833	95,671
- Release of impairment loss	-	-
Special reserves:		
- additional provisions	50,742	16,598
- release of provisions	(86,938)	-
Dividend income	-	-
Share in profit/(loss) of associates	-	-
Other rectifications	78,467	(33,463)
Interest receipts	5,196,371	4,434,159
Interest paid	(2,255,399)	(1,815,493)
<b>Operating profit before changes in operating assets</b>	<b>2,432,085</b>	<b>2,388,063</b>
<i>(Increase)/decrease of operating assets:</i>		
Trading assets	(81,505)	135,532
Derivative assets held for risk management	-	-
Due from banks and financial institutions	321,642	4,786,380
Loans to customers	(1,396,076)	(9,841,626)
Pledged assets	-	-
Assets acquired through foreclosure proceedings	(93,708)	91,404
Reserve requirements in foreign currency	(494,037)	(633,475)
Obligatory deposit with NBRM in accordance with special legislative	335,360	810,739
Other receivables	96,610	(36,128)
Deferred tax assets	(8,054)	2,028
Non-current assets held for sale and group for sale	-	-
<i>Increase/(decrease) of operating liabilities:</i>		
Trading liabilities	1,196	-
Derivative liabilities held for risk management	-	-
Deposits from banks and financial institutions	1,873,543	(2,896,604)
Deposits from customers	3,827,474	4,658,076
Other liabilities	(57,109)	(177,171)
Liabilities directly related to group of assets for sale	-	-
<b>Net cash flows (used in)/ generated from operating activities before tax</b>	<b>6,757,420</b>	<b>(746,404)</b>
(Paid)/Return on income tax	(53,483)	(119,009)
<b>Net cash flows (used in)/ generated from operating activities</b>	<b>6,713,243</b>	<b>(865,413)</b>

**STATEMENT OF CASH FLOWS (continued)**  
**for the period from January 1, 2009 to December 31, 2009**  
**(In thousands of Denars)**

	<u>2009</u>	<u>2008</u>
<b>Cash flows from investing activities</b>		
(Investments in securities)	(1,915,537)	(309,148)
Inflows from sale of investments in securities	2,276,727	543,734
(Outflows for investments in subsidiaries and affiliates)	-	-
Inflows from sale of investments in subsidiaries and affiliates	-	-
(Acquisition of intangible assets)	(23,402)	(104,922)
Inflows from sale of intangible assets	-	-
(Acquisition of property and equipment)	(162,455)	(259,894)
Inflows from sale of property and equipment	37,532	158,668
(Outflows for non-current assets held for sale)	-	-
Inflows from non-current assets held for sale	-	-
(Other outflows from investing activities)	-	-
Other inflows from investing activities	<u>8,749</u>	<u>15,352</u>
<b>Net cash flows from investing activities</b>	<b>217,028</b>	<b>43,790</b>
<b>Cash flows from financing activities</b>		
(Repayment of issued debt securities)	-	-
Inflows from issued debt securities	-	-
(Repayment of loan payables)	(38,662)	(26,062)
Increase in loan payables	-	1,558,991
(Repayment of issued subordinated debt)	-	-
Inflows from issued subordinated debt	-	-
Inflows from issued shares/equity instruments within the period	-	-
(Acquisition of registered shares)	-	-
Sold registered shares	-	-
(Paid dividends)	(8,022)	(7,785)
(Other outflows from financing activities)	-	-
Other inflows from financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>(46,684)</b>	<b>1,525,144</b>
Effects from adjustment of value of cash and cash equivalents	-	-
Effects from foreign exchange gains/losses of cash and cash equivalents	<u>(78,467)</u>	<u>33,622</u>
<b>Net-increase/(decrease) of cash and cash equivalents</b>	<b>6,805,120</b>	<b>737,143</b>
Cash and cash equivalents as at January 1	<u>8,337,484</u>	<u>7,600,341</u>
<b>Cash and cash equivalents as at December 31</b>	<b><u>15,142,604</u></b>	<b><u>8,337,484</u></b>

The accompanying notes are an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**1. INTRODUCTION**

**a) General Information**

Stopanska Banka AD - Skopje was established as a shareholding bank on December 29, 1989. The address of its registered office and principal place of business is 11 Oktomvri 7, 1000 Skopje. The Bank operates in the Republic of Macedonia with 68 branches (2008: 66 branches).

The Bank is registered as a universal type of commercial bank in accordance with Macedonian laws. The principal activities of the Bank are as follows:

- Collecting deposits and other recurrent sources of funds;
- Financing in the country and abroad, including factoring and financing commercial transactions;
- Issuance and administration of payment instruments (cards, checks, bills of exchange);
- Domestic and international payment operations, including purchase/sale of foreign currency funds;
- Fast money transfer;
- Trading in instruments at the money market (bills of exchange, certificates of deposit);
- Trading in foreign currency funds, securities and financial derivatives;
- Financial leasing;
- Foreign exchange operations;
- Purchase/sale, guaranteeing and placement of securities issue;
- Economic and financial consulting;
- Providing services in collection of invoices, keeping records;
- Issuing payment guarantees, backing guarantees and other forms of security;
- Managing assets and securities portfolio at order and for account of clients;
- Rendering services as custody bank;
- Intermediating in concluding agreements for loans and borrowings and in selling insurance policies;
- Providing services of renting safe deposit boxes, depositories and depot;
- Other financial services defined by law, which can be performed only by a bank.

The Bank is controlled by National Bank of Greece, headquartered in Greece, which owns 73.04% of the capital of the Bank and represents its ultimate parent company.

The shares of the Bank quote at the regular market of the Macedonian Stock Exchange, at the market of joint-stock companies with special liability for reporting and the code under which they are quoted is:

<u>Code of the security</u>	<u>ISIN number</u>
STB (common share)	MKSTBS101014
STBP (preferred share)	MKSTBS120014

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

**1. INTRODUCTION (continued)****a) General Information (continued)**

The financial statements of the Bank for the year ended December 31, 2009 were approved for issuing by the Supervisory Board of the Bank on February 27, 2010.

**b) Bases for preparing the financial statements****Standards on the basis of which the financial statements were prepared**

The data for the current year in the enclosed financial statements of the Bank were prepared in accordance with the Methodology for recording and valuating the accounting items and for preparing the financial statements ("Official Gazette of the Republic of Macedonia" Nos. 118/2007, 80/2009 and 157/09), (hereinafter "Methodology"), prescribed by the National Bank of Republic of Macedonia ("NBRM") which is in application as of January 1, 2009.

The data for the previous year were prepared in accordance with the Law on banks and the by-laws prescribed by NBRM in force as of December 31, 2008, the Company Law ("Official Gazette of the Republic of Macedonia" No. 28/2004 and No. 84/2005) and the Accounting Management Rulebook ("Official Gazette of RM" Nos. 94/2004, 11/2005 and 116/2005). As per this Rulebook, the accounting standards in application in the Republic of Macedonia are the International Accounting Standards (IAS) dated 2003 determined by the Board of International Accounting Standards. The supplement to this Rulebook dated February 10, 2005 refers to the application of the International Financial Reporting Standard (IFRS) 1, as well as the supplement dated December 29, 2005 for application of IFRS 2, 3, 4, 5, 6 and 7.

The accounting policies applied in the preparation of the enclosed balance sheet and income statement as at December 31, 2008 differ potentially and significantly from the Methodology requirements in the following:

- The Bank calculated the value adjustment amount of financial instruments as at December 31, 2008 in compliance with the relevant regulations prescribed by NBRM applicable on December 31, 2008 (Note 1.v). The mentioned accounting policy can cause significant differences regarding the estimated value adjustment and provisions for estimated uncollectability of financial instruments on the basis of the Methodology and the Decision on credit risk management ("Official Gazette of RM" Nos. 17/2008 and 31/2009).

**Standards which are published, but still not in application**

On the date these financial statements were approved, new Accounting Management Rulebook was published ("Official Gazette of RM" 159/2009) by which new IFRS 8 has started to be implemented and update has been made of the published and translated International Financial Reporting Standards (IFRS) and their Interpretation in the Republic of Macedonia, which is in application as of January 1, 2010. The Management of the Bank decided not to apply these amendments sooner than the date of their legal application and has the opinion that their adoption shall not have material influence on the financial statements of the Bank in the period of their initial application.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

**1. INTRODUCTION (continued)****b) Bases for preparing the financial statements (continued)****Presentation of financial statements**

The accompanying financial statements of the Bank are presented in accordance with the form and contents of the balance sheet schemes referred to in the Instructions for the types and contents of banks' financial statements published in the Official Gazette of RM Nos. 118/2007, 20/2009 and 157/2009, (hereinafter referred to as "Instructions"), which in certain separate parts differ from the manner of presenting certain positions of the financial statements in accordance with the provisions of the International Accounting Standard (IAS) 1 - presentation of financial statements. Namely, certain reclassifications of separate positions were made in order to present the financial statements in form required according to the Instructions, and which potentially significantly differ with regard to IAS 1 in the following:

- Presentation of "Investments in real estate" (IAS 40) with net present value as at December 31, 2009 in the amount of MKD 79,682 thousand (2008: MKD 86,427 thousand) is included in Property and equipment and Assets acquired in foreclosures in the amount of MKD 41,923 thousand and MKD 37,759 thousand respectively (2008: MKD 44,130 thousand and MKD 42,297 thousand, respectively).

The other reclassifications did not result in significant amendments of the content and form of the financial information presented in the financial statements.

Some disclosures in the contents of certain notes regarding the previous year of 2008, where applicable, are reclassified according to the best possible information and circumstances in preparing these financial statements in order to be in compliance with the requirements of the Methodology.

The Bank management estimates the effects of the changes in IAS, new IFRS and their interpretations on the financial statements as well as the requirements for the form and contents of certain balance sheet schemes under the Instructions and the valuations of assets, liabilities, income and expenditures under the Methodology requirements. As a result, the Bank management does not express explicit and unconditional statement on the compliance of the financial statements both with IAS and IFRS, applied during the period presented in these financial statements.

These financial statements have been prepared under the historical cost convention, except for the valuation of investment in financial assets available for sale assessed at fair value, as well as other financial assets and financial liabilities assessed at fair value through the income statement based on the going concern assumption.

The presentation of the financial statements in conformity with the accounting standards applied in the Republic of Macedonia requires the Bank management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the income and expenditure arising within the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2009

**1. INTRODUCTION (continued)****b) Bases for preparing the financial statements (continued)****Presentation of financial statements (continued)**

The presented financial statements are expressed in thousands of Macedonian Denars. The Denar represents functional and reporting currency of the Bank for the reporting purposes to NBRM.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of estimation and future periods if the revised estimation affects both current and future periods.

Information about significant areas of estimation uncertainty and critical estimates in applying the accounting policies that have the most significant effect on the amounts disclosed in the financial statements are described in Note 1.d) to the financial statements.

The financial statements of the Bank are prepared in accordance with the accounting policies disclosed in Note 1.c) to the financial statements.

The accompanying financial statements are the Bank's stand-alone financial statements. On January 31, 2008, the Bank had 100% ownership in Stoba Trejd ("the Entity"). Since the investment is considered immaterial and the Entity has not been significantly operational, the financial statements of the Entity are not consolidated and the Bank's investments are stated as investment in subsidiaries and affiliated companies at cost less impairment losses. In compliance with the modifications to the Banking Law, the above entity was liquidated in 2008.

**c) Significant accounting policies****Interest income and expense**

Interest income and expense is recognized in the income statement for all interest-bearing instruments on a calculation basis, hence taking into account the non-repaid principal and using the method of real income, based on real supply value.

Interest income involves as well coupons acquired on the basis of trading securities and securities held to maturity and calculated discount and premium on treasury bills and other discount bearing instruments.

Income from interest non-performing loans and their respective expenses on the basis of adjustment of value are calculated, but not presented in the income statement, but only as carrying amount in the balance sheet together with the appropriate adjustment amount of these loans.

**Fee and commission income**

Fees and commissions, except the fees on approval of loans, are generally recognized on an accrual basis over the period of service rendering. Other fees relating to the acquisition and origination of loans are deferred over the life of the loan and amortized using the effective interest rate method.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

## 1. INTRODUCTION (continued)

## c) Significant accounting policies (continued)

**Dividend income**

Dividend income is recognized when the right to receive payment is established for all shareholders that participate in the Bank's capital.

**Foreign exchange translation**

Transactions denominated in foreign currencies have been translated into Denars at rates set by the National Bank of the Republic of Macedonia ("NBRM") at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Denars at the balance sheet date using official rates of exchange ruling on that date. Foreign exchange gains or losses arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the income statement.

Commitments and contingent liabilities denominated in foreign currencies are translated into Denars by applying the official exchange rates at the balance sheet date.

**Financial assets**

Financial assets are classified into the following specified categories: trading securities, available-for-sale financial assets, held-to-maturity financial assets and loans to banks and customers. The classification depends on the nature and the purposes of the financial assets and is determined at the time of initial recognition. Financial assets are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the agreed timeframe.

**Securities held-for-trading**

Securities held-for-trading, which comprise securities issued in local currency by the Ministry of Finance are securities included in a portfolio in which a pattern of short-term profit making exists. Initially, these securities are recognized at cost and subsequently measured at fair value as determined based on their market price.

All the respective realized and unrealized gains and losses are included under net trading income. Interest, if realized, during managing securities, is recorded as interest income. The sale of securities held-for-trading is recognized on trading date, which is the date when the Bank is obliged to buy/sell the asset.

**Available-for-sale financial assets**

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. This portfolio comprises quoted and unquoted equity investments in shares of banks and other financial institutions and enterprises, where the Bank does not exercise control.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

## 1. INTRODUCTION (continued)

## c) Significant accounting policies (continued)

**Available-for-sale financial assets (continued)**

Available-for-sale financial assets are initially recognized at cost, and subsequently re-measured at fair value based on quoted prices in active markets or amounts derived from cash flow models for unquoted equity investments.

Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative unrealized gain or loss previously recognized in equity should be recognized in profit or loss. However, interest calculated using the effective interest method, as well as contingent impairment losses and foreign exchange gains and losses are recognized in the income statement.

**Held-to-maturity financial assets**

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. If the Bank is to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. These securities are measured at amortized cost using the effective interest rate method.

**Loans originated by the Bank**

Loans originated by the Bank include loans where cash is provided directly to the borrower. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost using the effective interest rate method.

Interest on loans originated by the Bank is included in interest income and is recognized on an accrual basis.

Loans to customers and financial institutions are stated at their net amount reduced by provisions for impairment.

**Impairment of financial assets**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available-for-sale, if there is a significant or prolonged decline in the fair value of the security below its cost, they are considered in determining whether the assets are impaired.



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

## 1. INTRODUCTION (continued)

## c) Significant accounting policies (continued)

**Impairment of financial assets (continued)**

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

The amount of the impairment loss for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

**Impairment losses on loans and advances**

Allowances for losses on impairment and uncollectability are determined if there is objective evidence that the Bank cannot collect all amounts due on a claim according to the original contractual terms. A "claim" means a loan, a commitment such as a letter of credit, guarantee or commitment to extend the credit. A provision for loan impairment is reported as a reduction of the carrying amount of the loan, whereas for off-balance sheet items it is presented within the provisions. Additions to provisions are made through impairment losses on financial assets in the income statement.

The allowances for losses on impairment and uncollectability and for other active on-balance sheet and off-balance sheet positions are determined in accordance with the regulations prescribed by the NBRM with validity on each balance sheet date, according to which the Bank is obliged to classify the active on-balance sheet and off-balance sheet positions into groups on the basis of the degree (size) of the risk and assess the amount of contingent impairment losses calculated by application of objective and subjective criteria with the following percentages:

<u>Risk category</u>	<u>31.12.2009 Percentage</u>	<u>31.12.2008 Percentage</u>
A	0%-10%	0%
B	10%-25%	10%
C	25%-50%	25%
D	50%-75%	50%
E	100%	100%

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

## 1. INTRODUCTION (continued)

## c) Significant accounting policies (continued)

**Impairment losses on loans and advances (continued)**

The allowances for losses on impairment and uncollectability are determined on the basis of the degree (size) of the risk of uncollectability or specific country risk on the basis of the following principles:

- Separate loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals. Allowances for losses on impairment and uncollectability are measured and determined for the difference between the carrying value of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted by effective loan interest rate.
- If there is objective proof of uncollectability of loans in the loan portfolio that may not be identified on a specific basis, the allowances for losses on impairment and uncollectability are determined at level of risk for overall loan portfolio. These losses are determined on the basis of historical data on loan classification of borrowers and express the current economic environment of the borrowers.
- Losses on impairment and uncollectability is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing, since the contractual liabilities for payment of the principal and/or interest are in default, i.e. uncollected for a period longer than 90 days. All allowances for losses on impairment and uncollectability are reviewed and tested at least once a quarter, and any further changes in the amount and timing of expected future cash flows in comparison to previous assessments result in changes in allowances for losses on impairment and uncollectability recorded as credit or charge of impairment losses in the income statement.
- The loan which is believed that is impossible to be collected is written off against the relevant allowance for losses on impairment and uncollectability. Further collections are recorded as reduction of losses on impairment and uncollectability in the income statement.
- In case of loans granted to borrowers in countries with increased risk of difficulties for servicing external debt, the political and economic circumstances are assessed and additional allowances for sovereign risk are allocated.

**Derecognition of financial assets**

The Bank derecognizes financial assets when the rights to receive cash from the financial asset have expired or have been transferred to another entity, thus transferring as well substantially all the risks and rewards of ownership of the assets.

**Financial liabilities**

Financial liabilities are classified in accordance with the substance of the contractual arrangement. Financial liabilities are classified as deposits from banks, financial institutions and customers, loans payable and other payables.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

## 1. INTRODUCTION (continued)

## c) Significant accounting policies (continued)

**Deposits from banks and other financial institutions and clients**

These financial liabilities are initially recognized at fair value net of transaction costs incurred.; subsequently, they are measured at amortized cost.

**Loans payable**

Loans payable are initially recognized at fair value net of transaction costs incurred. Subsequent measurement is at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the loan using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

**Other payables**

Other payables, other than deferred loan origination fees, which are stated at fair value on initial recognition and subsequently measured at amortized cost, are stated at their nominal amounts.

**Derivative financial instruments**

The derivative financial instruments include contracts subject to exchange rate fluctuations and are initially and consequently valued at fair value. These contracts are not qualified for hedging accounting in accordance with the specific criteria of IAS 39 and are accordingly treated as derivative instruments held for trading, i.e. gains and losses are recognized in net trading income.

**Derecognition of financial liabilities**

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired.

**Property and equipment**

Property and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the income statement as an expense as incurred. Depreciation is charged at estimated rates so as to write off the cost of assets over their estimated useful lives, using the straight-line method. No depreciation is provided on construction in progress until the constructed assets are put into use. The annual depreciation rates are as follows:

Buildings	2.5% -5%
Furniture and equipment	10% - 25%

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss.

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2009

**1. INTRODUCTION (continued)****c) Significant accounting policies (continued)****Property and equipment (continued)**

The Bank annually reviews its property and equipment for impairment. Where the carrying amount on an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

**Intangible assets**

Intangible assets are assets acquired separately and are reported at cost less accumulated amortization and accumulated impairment losses, if there are such. Intangible assets include computer software and software that was acquired apart from hardware. Expenditure on software is amortized on a straight-line basis over the estimated useful life, which is 5 years. The Bank annually reviews its intangible assets and assesses whether there is any indication for impairment. If such indications exist, an estimate is performed to assess whether the carrying amount is recoverable. If the carrying amount exceeds the recoverable amount, a write down is made.

**Impairment of tangible and intangible assets**

The Bank's management regularly reviews the carrying amounts of its tangible and intangible assets. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period. A reversal of an impairment loss is recognized as income immediately.

**Assets acquired through foreclosure proceedings**

Foreclosed assets include property and equipment acquired through foreclosure proceedings in full or partial satisfaction of a related loan and are reported in foreclosed assets. Initially, these assets are measured at the lower of the cost of the loan, including transaction costs (usually the cost value of the loan stated in an enactment passed by a competent body from where the legal grounds for acquiring of ownership arise) and the fair value less estimated cost to sell, as determined by local certified valuers on the date of asset foreclosure.

After initial recognition, foreclosed assets are reviewed for impairment annually and are measured at the lower of their carrying amount less estimated costs to sell and accumulated impairments.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

## 1. INTRODUCTION (continued)

## c) Significant accounting policies (continued)

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand and nostro accounts, which represent unrestricted demand deposits and placements with other banks and financial institutions, unrestricted account balances with the NBRM and other financial assets such as treasury and other eligible bills, as highly liquid assets with maturity up to three months and insignificant changes to fair value.

**Managed funds**

The Bank provides fiduciary and trust services to legal entities and citizens, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Bank receives fee income for providing these services. Managed funds are not assets of the Bank and are not recognized in the financial statements. The Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

**Provisions**

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**Employment benefits**

Health, pension and social insurance contributions from gross and net wages and salaries are being paid by the Bank during the year to the national organizations at the statutory rates. Such contributions represent defined contribution benefit plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans.

In accordance with the statutory requirements, the collective agreement, and the internal rules and regulation, the Bank is obliged to pay to its employees a termination lump sum upon retirement equal to two monthly average salaries. These benefits are considered defined pension benefit plans. The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (there are currently no plan assets recognized), together with adjustments for unrecognized actuarial gains or losses less past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

**1. INTRODUCTION (continued)****c) Significant accounting policies (continued)****Income tax**

The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is to be settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

**Leases**

Assets leased out under operating lease are included in the balance sheet as investment property. Rental income from investment property is recognized in the income statement on a straight-line basis over the term of the lease.

**d) Critical accounting judgments and estimates**

The most significant areas, for which judgments, estimates and assumptions are required, are:

**Fair value of financial instruments**

The fair value of the financial instruments that are not quoted in active markets is determined using internal valuation techniques. These include present value methods, models based on observable input parameters. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed by qualified personnel independent of the area that created the model. Wherever possible, the Bank compares valuations derived from models with quoted prices of similar instruments, and with actual values when realized, in order to further validate and standardize models. A variety of factors are incorporated into the models, including actual or estimated market prices and rates, such as time value and volatility, and market conditions and liquidity.

The Bank applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment.

In the Republic of Macedonia sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

**1. INTRODUCTION (continued)****d) Critical accounting judgments and estimates****Fair value of financial instruments (continued)**

The Management assesses its overall risk exposure and in instances in which it estimates that the value in the books may not be realized, it recognizes a provision. In the opinion of management, the reported carrying amounts for the assets that are not quoted in an active market represent the most valid and useful reporting values under the present market conditions.

**Allowance for loan losses**

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**Useful lifetime of tangible and intangible assets**

The Bank's management determines estimated useful lives and related depreciation and amortization charges for its tangible and intangible assets. The appropriateness of the estimated useful lives is reviewed annually or whenever there is an indication of significant changes in the underlying assumptions, such as anticipated technological developments and changes in the broad economic and industry factors.

**Actuarial assumptions in respect of defined benefit plan**

The eventual cost to Bank depends on actual future experience and in particular change in discount rate and pay increase. Other factors will also change the overall liability such as the number of employees leaving service before the retirement and the number of new employees.

**Financial crises**

Recent developments on the financial markets may affect future cash flows of the Bank that otherwise would be expected under the regular public interest. As a result, future cash flows are subject to possible fluctuations and whether the fluctuations are significant relative to the previously expected cash flows remains uncertain.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

**1. INTRODUCTION (continued)****e) Change of accounting policies, accounting estimates and correction of errors**

Except as stated in Note 1.b), there are no other changes in the accounting policies in preparing the enclosed financial statements. These changes in the accounting policies refer to the calculation of loan impairment provisions and other active on-balance and off-balance sheet items and are the result of changes in legal regulations prescribed by NBRM, which do not require retrospective application of these changes.

**f) Compliance with legislation**

The Bank maintains its accounting records and prepares its financial statements in accordance with legal regulations prescribed by NBRM.

The accompanying financial statements are in compliance with the regulations prescribed by NBRM which are in force on any balance sheet date.

**2. RISK MANAGEMENT**

Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. Therefore, the Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems in order to reflect the changes in markets, products and the best practices.

The Bank's risk management organization structure ensures existence of clear lines of responsibility, efficient segregation of duties and prevention of conflicts of interest at all levels, including the Supervisory Board, Executive and Senior Management, as well as between the Bank and NBG Group, its clients and all other related parties. Within the Bank, risk management activities broadly take place at the following levels:

- Strategic level encompasses risk management functions performed by the Supervisory Board. These include the approval of risk strategy, ascertaining the Bank's risk definitions, profile and appetite, as well as, the risk reward profile and other high-level risk related policies and internal guidelines.
- Tactical level encompasses risk management functions performed by the Board of Directors, Executive and Senior Management. These include the approval of risk policies and procedure manuals for managing specific risks and establishing adequate systems and controls to ensure that the overall risk and reward relationship remains within acceptable levels. Generally, the risk management activities performed by the Risk Management Department of the Bank, as well as other critical support functions, fall into this category.



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

**2. RISK MANAGEMENT (continued)**

- Operational (business line) level – It involves management of risks at the point of direct performance of Bank's activities. The relevant activities are performed by individuals who undertake risk on the organization's behalf. Risk management at this level is implemented by means of appropriate controls incorporated into the relevant policies, procedures and guidelines defined by management.

The most important types of risk are credit risk, liquidity risk, operational risk and market risk.

**2.1 Credit risk**

Credit risk is the most important risk for the Bank's business defined as current or future risk on the financial result and capital arising from a counter party's failure to meet the terms of any contract with the Bank or otherwise fail to perform as agreed. The exposure to this risk arises principally from retail and corporate lending activities, as well as activities related to off-balance sheet financial instruments (loan commitments, L/G and L/C).

**2.1.1 Credit risk measurement, limits and mitigation policies**

Initially, when approving loans and loan commitments, different Credit Committees assess creditworthiness of the clients depending on the type and size of the exposure based on defined criteria. The Bank credit risk management, which encompasses identification, measurement, monitoring and control of credit risk, is performed by the Risk Management Committee and Committee for classification of assets and provisioning for potential losses, commitments and contingencies and it is mainly based on reports and analyses prepared by relevant organization units of the Bank. The Board of Directors and Supervisory Board are regularly informed of the credit risk that the Bank is exposed to.

The Bank has internal system of client classification the main purpose of which is to determine their creditworthiness and assess the acceptable level of credit risk at the start of lending. Classification of clients to which the Bank is exposed to is reviewed at least on annual basis.

The Bank employs a range of practices to mitigate credit risk. Common practice is accepting suitable collateral for approved loans. The main collateral types for loans and other credit exposures are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt and equity securities;
- Pledges over movables such as automobiles and equipment and other;

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

**2. RISK MANAGEMENT (continued)****2.1 Credit risk (continued)****2.1.1 Credit risk measurement, limits and mitigation policies (continued)**

The Bank monitors compliance with the legally and internally established limits and controls concentrations of credit risk. Credit risk limits regarding an individual borrower, related parties, exposure to Bank internal persons, and large exposures are set in the Risk Strategy. The Bank structures the levels of credit risk that undertakes towards domestic and foreign banks by placing limits on the amount of risk accepted subject to at least an annual review. In addition, the exposure concentration risk by sectors and activities is regularly monitored on the basis of set limits.

**2.1.2 Impairment and provisioning policies**

The impairment losses are identified losses of the Bank credit portfolio that incurred at the Balance Sheet date and for which there is objective evidence of impairment. The Bank calculates the impairment provision after making the classification of credit exposure in the appropriate risk category.

The classification is made according to the following criteria:

- client's creditworthiness;
- client's regularity in settling the liabilities, and
- collateral quality.

According to the Bank policies, impairment and provisioning are defined on individual and collective base.

The individual approach encompasses the individually significant exposures that are above materiality thresholds set by the Bank. The materiality threshold is 0.007% of the total exposure to credit risk of the Bank. Impairment provision of individually assessed items on individual base are determined by evaluation of generated loss on the Balance Sheet date, which represents difference between the carrying and current value of projected future cash flows. Effective interest rate is used at discounting the future cash flows that include also the collateral value.

All non-performing loans are encompassed by the value adjustment on individual base.

The calculated impairment losses on group base are provisioned on portfolios of homogenous assets that are individually lower than the materiality thresholds.

Impairment and provisioning are calculated by using parameters that are obtained from historical data on the delinquency rate of certain portfolios.

The following parameters are used at collective calculation of impairment and provisions:

- EAD (Exposure at Default) – Carrying value of certain group of loans;
- PD (Probability of Default) – Average probability that the loan in the group will be impaired during its lifetime;

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2009**

**2. RISK MANAGEMENT (continued)**

**2.1 Credit risk (continued)**

**2.1.2 Impairment and provisioning policies(continued)**

- LGD (Loss Given Default) – Expected average loss per loan in the group (shown as % of EAD);
- LIP (Loss Identification Period) – Factor reflecting the period between the loss occurrence and its identification.

Individually important exposures for which there is no identified adjustment on individual basis, and which can be grouped in homogenous portfolios according to credit risk similarity, are included in the collective approach of adjustment calculation.

Calculated impairment provision moves within the following limits:

- 0-10% of credit risk exposure classified into A risk category
- 10-25% of credit risk exposure classified into B risk category
- 25-50% of credit risk exposure classified into C risk category
- 50-75% of credit risk exposure classified into D risk category
- 75-100% of credit risk exposure classified into E risk category

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

A. Analysis of maximum exposure to credit risk

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
I. Carrying amount of exposures for which value adjustment/special reserve has been allocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Carrying amount of separate significant exposures before value adjustment and special reserve on an individual basis</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A risk category	146,808	464,308	6,071,289	16,942,963	439,415	247,780	3,028,979	3,607,226	18,003,692	11,039,895	16,157	4,993	242,391	345,501	2,689,348	3,384,837	30,638,079	36,037,503
B risk category	-	-	1,928,261	870,499	-	-	-	-	-	-	64	36	18	1	22,639	48,452	1,950,982	870,536
C risk category	-	-	2,057,920	443,894	-	-	-	-	-	-	2,743	3,460	116	-	4,710	4,303	2,065,489	447,354
D risk category	-	-	1,331,247	1,046,632	-	31,286	-	-	-	-	387	9,013	4,084	3	-	31,934	1,335,718	1,118,868
E risk category	24,708	29,093	1,962,460	1,955,939	286,579	251,353	-	-	-	-	14,341	44,763	3,391	5,278	81,570	51,349	2,373,049	2,337,775
(Value adjustment and special reserve on an individual basis)	171,516	493,401	13,351,177	21,259,927	725,994	530,419	3,028,979	3,607,226	18,003,692	11,039,895	33,692	62,265	250,000	350,783	2,798,267	3,468,120	38,363,317	40,812,036
	(24,741)	(29,093)	(3,839,989)	(2,845,327)	(285,196)	(268,178)	-	-	-	-	(15,327)	(56,747)	(13,400)	(6,638)	(88,589)	(95,265)	(4,267,242)	(3,301,248)
<b>Carrying amount of separate significant exposures less value adjustment and special reserve on an individual basis</b>	<b>146,775</b>	<b>464,308</b>	<b>9,511,188</b>	<b>18,414,600</b>	<b>440,798</b>	<b>262,241</b>	<b>3,028,979</b>	<b>3,607,226</b>	<b>18,003,692</b>	<b>11,039,895</b>	<b>18,365</b>	<b>5,518</b>	<b>236,600</b>	<b>344,145</b>	<b>2,709,678</b>	<b>3,372,855</b>	<b>34,096,075</b>	<b>37,510,788</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

A. Analysis of maximum exposure to credit risk (continued)

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
	<i>Carrying amount of exposures assessed on a group basis before value adjustment and special reserve on a group basis</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- separate insignificant exposures (small loans portfolio)	-	-	23,204,598	24,123,500	-	-	-	-	-	-	-	-	7,921	-	7,202,612	8,226,030	30,415,131	32,349,530
- separate significant exposures not impaired on a separate basis	-	-	1,164,066	-	-	-	-	-	-	-	-	-	9	-	-	-	1,164,075	-
(Value adjustment and special reserve on a group basis)	-	-	(169,288)	(857,810)	-	-	-	-	-	-	-	-	(62)	-	(13,057)	(77,307)	(182,407)	(935,117)
<b>Carrying amount of exposures assessed on a group basis less value adjustment and special reserve on a group basis</b>	-	-	24,199,376	23,265,690	-	-	-	-	-	-	-	-	7,868	-	7,189,555	8,148,723	31,396,799	31,414,413

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

A. Analysis of maximum exposure to credit risk (continued)

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
	II. Carrying amount of exposures for which there has been no value adjustment/special reserve allocated																	
mature claims	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Maturity structure of mature claims for which no value adjustment has been allocated</i>																		
up to 30 days	-	-	60,447	-	-	-	-	-	-	-	-	-	-	-	-	-	60,447	-
<i>Carrying amount of mature claims for which no value adjustment has been allocated</i>	-	-	60,447	-	-	-	-	-	-	-	-	-	-	-	-	-	60,447	-
non-mature claims																		
Restructured claims	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other claims	-	-	7,829,727	-	-	-	-	-	-	-	-	-	-	-	-	-	7,829,727	-
<i>Carrying amount of non-mature claims for which no value adjustment has been allocated</i>	-	-	7,829,727	-	-	-	-	-	-	-	-	-	-	-	-	-	7,829,727	-

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

A. Analysis of maximum exposure to credit risk (continued)

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
Total carrying amount of claims with credit risk before value adjustment and special reserve	171,516	493,401	45,610,015	45,383,427	725,994	530,419	3,028,979	3,607,226	18,003,692	11,039,895	33,692	62,265	257,930	350,783	10,000,879	11,694,150	77,824,776	73,161,566
(Total value adjustment and special reserve)	(24,741)	(29,093)	(4,009,277)	(3,703,137)	(285,196)	(268,178)	-	-	-	-	(15,327)	(56,747)	(13,462)	(6,638)	(101,646)	(172,572)	(4,449,649)	(4,236,365)
Total carrying amount of claims with credit risk less value adjustment and special reserve	146,775	464,308	41,600,738	41,680,290	440,798	262,241	3,028,979	3,607,226	18,003,692	11,039,895	18,365	5,518	244,468	344,145	9,899,233	11,521,578	73,375,127	68,925,201

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

B. Value of collateral (fair value) taken for protection against credit risk

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Other receivables		Off-balance sheet exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
<i>Value of collateral for credit exposure assessed for impairment on an individual basis</i>																
First-class security instruments:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
cash deposits (in depot and/or restricted in accounts with the Bank)	-	-	623,717	711,232	-	-	305,866	307,062	-	-	-	-	-	-	929,583	1,018,294
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	519,780	754,267	-	-	-	-	-	-	-	-	370,596	424,305	890,376	1,178,572
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except for bank and insurance company guarantees)	-	-	4,029,240	4,168,196	-	-	-	-	-	-	-	-	-	-	4,029,240	4,168,196
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on property:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
private property (flats, houses)	-	-	4,906,022	6,033,156	-	-	-	-	-	-	-	-	-	-	4,906,022	6,033,156
commercial property	-	-	29,331,813	32,164,641	-	-	-	-	-	-	-	-	-	-	29,331,813	32,164,641
Pledge over movables	-	-	16,155,590	16,700,080	-	-	-	-	-	-	-	-	-	-	16,155,590	16,700,080
Other types of security	-	-	2,434,503	2,090,234	-	-	-	-	-	-	-	-	-	-	2,434,503	2,090,234
<b>Total value of collateral for credit exposure assessed for impairment on an individual basis</b>	-	-	58,000,665	62,621,806	-	-	305,866	307,062	-	-	-	-	370,596	424,305	58,677,127	63,353,173



NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

B. Value of collateral (fair value) taken for protection against credit risk (continued)

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Other receivables		Off-balance sheet exposure		Total	
	current	previous	current	previous	current	previous	current	previous	current	previous	current	previous	current	previous	current	previous
	year 2009	year 2008	year 2009	year 2008	year 2009	year 2008	year 2009	year 2008	year 2009	year 2008	year 2009	year 2008	year 2009	year 2008	year 2009	year 2008
<i>Value of collateral for credit exposure assessed for impairment on a group basis</i>																
First-class security instruments:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
cash deposits (in depot and/or restricted in accounts with the Bank)	-	-	93,221	33,064	-	-	-	-	-	-	-	-	-	-	93,221	33,064
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except for bank and insurance company guarantees)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on property:	-	-	82,680	38,860	-	-	-	-	-	-	-	-	-	-	82,680	38,860
private property (flats, houses)	-	-	18,238,558	15,668,061	-	-	-	-	-	-	-	-	-	-	18,238,558	15,668,061
commercial property	-	-	3,006,941	2,657,472	-	-	-	-	-	-	-	-	-	-	3,006,941	2,657,472
Pledge over movables	-	-	3,860,496	3,260,703	-	-	-	-	-	-	-	-	-	-	3,860,496	3,260,703
Other types of security	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total value of collateral for credit exposure assessed for impairment on a group basis</b>	-	-	25,281,896	21,658,160	-	-	-	-	-	-	-	-	-	-	25,281,896	21,658,160

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

C. Concentration of credit risk by industry and by geographical region

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
<i>Industry</i>																		
Non-residents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, hunting and forestry	-	-	910,908	804,893	-	10,282	-	-	-	-	75	-	-	-	27,266	23,973	938,249	839,148
Fishing	-	-	11,556	14,839	-	-	-	-	-	-	-	-	-	-	-	-	11,556	14,839
Ore and stone extraction	-	-	103,579	121,629	-	-	-	-	-	-	-	-	-	-	461	-	104,040	121,629
Processing industry	-	-	8,041,075	8,734,238	2,189	17,443	-	-	-	-	1,915	3,857	4,731	1	760,725	1,713,215	8,810,635	10,468,754
Power, gas and water	-	-	482,301	796,324	-	-	-	-	-	-	9	1	-	-	156,638	128,005	638,948	924,330
Construction	-	-	981,946	1,226,546	-	-	-	-	-	-	130	12	117	-	1,064,632	909,310	2,046,825	2,135,868
Wholesale and retail trade	-	-	3,923,236	4,012,060	1,491	2,021	-	-	-	-	157	54	203,532	285,204	162,479	146,004	4,290,895	4,445,343
Hotels and restaurants	-	-	454,818	659,817	-	-	-	-	-	-	56	-	22	10,725	556	8,245	455,452	678,787
Traffic, warehousing and communications	-	-	777,013	821,523	-	2	-	-	-	-	100	-	52	14,400	106,209	31,317	883,374	867,242
Financial intermediation	146,775	464,308	-	297	77,571	77,574	311,508	314,212	17,026,972	11,039,895	2	-	-	370,596	424,305	17,933,424	12,320,591	
Activities related to real estate, renting	-	-	538,384	534,498	-	-	-	-	-	-	53	-	13	26	55,506	41,237	593,956	575,761
Public administration and defense; mandatory social welfare	-	-	58,121	31,159	359,547	138,496	2,717,471	3,293,014	976,720	-	-	676	11,659	10	-	-	4,123,518	3,463,355
Education	-	-	312,246	313,217	-	-	-	-	-	-	-	-	-	-	62	-	312,308	313,217
Health care and social work	-	-	175,877	231,605	-	-	-	-	-	-	-	-	-	-	1,695	-	177,572	231,605
Other public utilities, cultural, general and service activities	-	-	89,070	111,956	-	16,423	-	-	-	-	9	-	-	-	2,723	-	91,802	128,379
Private households with employees	-	-	3,672	-	-	-	-	-	-	-	-	-	-	-	-	-	3,672	-
Extraterritorial organizations and bodies	-	-	24,724,294	23,265,689	-	-	-	-	-	-	-	918	8,118	33,779	7,189,685	8,095,967	31,922,097	31,396,353
Individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individual merchants and individuals not considered to be merchants	-	-	12,642	-	-	-	-	-	-	-	15,859	-	16,224	-	-	-	44,725	-
<b>Total</b>	<b>146,775</b>	<b>464,308</b>	<b>41,600,738</b>	<b>41,680,290</b>	<b>440,798</b>	<b>262,241</b>	<b>3,028,979</b>	<b>3,607,226</b>	<b>18,003,692</b>	<b>11,039,895</b>	<b>18,365</b>	<b>5,518</b>	<b>244,468</b>	<b>344,145</b>	<b>9,899,233</b>	<b>11,521,578</b>	<b>73,383,048</b>	<b>68,925,201</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

C. Concentration of credit risk by industry and by geographical region (continued)

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
<i>Geographical region</i>																		
Republic of Macedonia	50,479	380,809	41,600,738	41,680,290	440,767	262,206	3,028,979	3,607,226	12,681,936	9,370,383	18,365	5,518	244,468	344,145	9,899,233	11,521,578	67,964,965	67,172,155
EU member countries	44,135	36,807	-	-	31	35	-	-	4,472,158	851,235	-	-	-	-	-	-	4,516,324	888,077
Europe (other)	-	-	-	-	-	-	-	-	468,257	499,811	-	-	-	-	-	-	468,257	499,811
OECD member countries (less European OECD member countries)	-	-	-	-	-	-	-	-	381,341	318,466	-	-	-	-	-	-	381,341	318,466
Other (more than 10% of total credit exposure)	52,161	46,692	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,161	46,692
<b>Total</b>	146,775	464,308	41,600,738	41,680,290	440,798	262,241	3,028,979	3,607,226	18,003,692	11,039,895	18,365	5,518	244,468	344,145	9,899,233	11,521,578	73,383,048	68,925,201

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2009

**2. RISK MANAGEMENT (continued)****2.2 Liquidity risk**

Liquidity risk represents a risk of Bank's inability to provide sufficient monetary assets to settle its short-term liabilities when they come due, i.e. a risk that the necessary liquid assets will be provided at much higher cost.

**2.2.1 Liquidity risk management process**

The Bank's liquidity risk management process encompasses:

- Application of operating standards related to the Bank's liquidity risk, including appropriate policies, procedures and resources for controlling and limiting liquidity risk.
- Maintenance of stock of liquid assets appropriate for the cash flow profile of the Bank which can be readily converted into cash without incurring undue capital losses.
- Measurement, control and scenario testing of funding requirements, as well as access to funding sources.
- Preparing contingency plans of the Bank for handling liquidity disruptions by means of the ability to fund some or all activities in a timely manner and at a reasonable cost.
- Monitoring liquidity risk limits and ratios, taking into account the Bank's risk appetite and profile, as well as the regulatory requirements for prescribed minimum level of liquidity rates.

The basic tool for measuring, monitoring and evaluating liquidity needs and liquidity sources is the cash flow gap report. Cash flow or liquidity gap reports reflect the liquidity provided by cash inflows and the liquidity needed to fund cash outflows. They incorporate cash flows associated with assets and liabilities into time buckets.

Monitoring of the Bank's liquidity is performed by the Treasury Division. The Treasury Division reconciles all inflows and/or outflows in all currencies along with money orders, checks, bank transfers and account transfers.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

## 2. RISK MANAGEMENT (continued)

## 2.2 Liquidity risk (continued)

## 2.2.1 Liquidity risk management process (continued)

## Analysis according to the maturity of financial assets and liabilities (remaining maturity)

In thousands of Denars

December 31, 2009

	Up to 1 month	From 1 to 3 months	From 3 months to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
<b>FINANCIAL ASSETS</b>							
Cash and cash equivalents	16,312,138	1,691,554	-	-	-	-	18,003,692
Trading assets	199,274	-	-	-	-	-	199,274
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Placements with, and loans to banks	50,324	122	52,194	-	-	44,135	146,775
Loans to customers	3,094,581	3,968,179	15,933,941	3,659,363	7,435,546	7,509,128	41,600,738
Investment securities	368	132,488	796,404	350,328	2,108,940	81,249	3,469,777
Income Tax receivable (current)	10,283	-	-	-	-	-	10,283
Other receivables	262,833	-	-	-	-	-	262,833
Collateralized assets	-	-	-	-	-	-	-
Deferred tax assets	9,684	-	-	-	-	-	9,684
<b>Total financial assets</b>	<b>19,939,485</b>	<b>5,792,343</b>	<b>16,782,539</b>	<b>4,009,691</b>	<b>9,544,486</b>	<b>7,634,512</b>	<b>63,703,056</b>
<b>FINANCIAL LIABILITIES</b>							
Trading liabilities	-	1,196	-	-	-	-	1,196
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	2,389,309	-	-	305,866	-	-	2,695,175
Deposits from customers	23,743,046	9,213,034	16,165,888	1,717,971	867,430	91,085	51,798,454
Loans payable	36,694	-	12,342	16,864	46,070	155,357	267,327
Subordinated debt	-	10,539	-	-	-	2,752,794	2,763,333
Income tax liabilities (current)	-	-	-	-	-	-	-
Differed tax liabilities	-	-	-	-	-	-	-
Other liabilities	345,123	-	-	-	-	90,978	436,101
<b>Total financial liabilities</b>	<b>26,514,172</b>	<b>9,224,769</b>	<b>16,178,230</b>	<b>2,040,701</b>	<b>913,500</b>	<b>3,090,214</b>	<b>57,961,586</b>
<b>Net liquidity gap</b>	<b>(6,574,687)</b>	<b>(3,432,426)</b>	<b>604,309</b>	<b>1,968,990</b>	<b>8,630,986</b>	<b>4,544,298</b>	<b>5,741,470</b>

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

## 2. RISK MANAGEMENT (continued)

## 2.2 Liquidity risk (continued)

## 2.2.1 Liquidity risk management process (continued)

Analysis according to the maturity of financial assets and liabilities (remaining maturity)  
(continued)

In thousands of Denars

December 31, 2008

	Up to 1 month	From 1 to 3 months	From 3 months to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
<b>FINANCIAL ASSETS</b>							
Cash and cash equivalents	11,020,271	19,624	-	-	-	-	11,039,895
Trading assets	117,769	-	-	-	-	-	117,769
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Placements with, and loans to banks	427,501	-	-	-	-	36,807	464,308
Loans to customers	12,951,544	2,337,233	8,276,967	3,663,055	7,426,150	7,025,341	41,680,290
Investment securities	145,681	126,786	147,380	532,593	1,881,697	1,035,330	3,869,467
Other receivables	273,562	-	8,285	21,332	46,484	-	349,663
Collateralized assets	-	-	-	-	-	-	-
Deferred tax assets	1,630	-	-	-	-	-	1,630
<b>Total financial assets</b>	<b>24,937,958</b>	<b>2,483,643</b>	<b>8,432,632</b>	<b>4,216,980</b>	<b>9,354,331</b>	<b>8,097,478</b>	<b>57,232,022</b>
<b>FINANCIAL LIABILITIES</b>							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	511,570	-	3,000	-	307,062	-	821,632
Deposits from customers	22,556,610	9,236,879	14,433,973	993,546	677,685	72,287	47,970,980
Loans payable	5,538	1,742	67,045	3,911	51,255	156,233	285,724
Subordinated debt	-	20,043	-	-	-	2,763,554	2,783,597
Income tax liabilities (current)	49,054	-	-	-	-	-	49,054
Differed tax liabilities	3,335	-	-	-	-	-	3,335
Other liabilities	409,633	622	-	-	-	90,978	501,233
<b>Total financial liabilities</b>	<b>23,535,740</b>	<b>9,259,286</b>	<b>14,504,018</b>	<b>997,457</b>	<b>1,036,002</b>	<b>3,083,052</b>	<b>52,415,555</b>
<b>Net liquidity gap</b>	<b>1,402,218</b>	<b>(6,775,643)</b>	<b>(6,071,386)</b>	<b>3,219,523</b>	<b>8,318,329</b>	<b>5,014,426</b>	<b>5,107,467</b>

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

**2. RISK MANAGEMENT (continued)****2.2 Liquidity risk (continued)****2.2.1 Liquidity risk management process (continued)****Analysis according to the maturity of financial assets and liabilities (remaining maturity) (continued)**

Bank's assets and liabilities are classified according to their relevant maturities as at December 31, 2009 and 2008, except for loans and claims on other clients where the schedule in specific time intervals for loan products that have no defined maturity date (credit cards, OK loans, etc) is made by using the historical data on the collection amount in relation to the total on-balance sheet claims under these products. There are indications for significant non-reconciliation for the period up to one year. The primary reason for the aforementioned unreconciled amounts lies in the fact that the short-term sources of funds with maturities up to 3 months have been engaged for granting loans with longer maturities. According to the Bank's management estimation based on different analyses, within the deposits from legal entities and citizens, there is a deposit core in the amount of MKD 35,313,666 thousand (2008 – MKD 30,388,000 thousand) which helps the maturity non-reconciliation to be overcome.

**2.3 Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in currency, interest rate, and equity products, all of which are exposed to market movements and changes in the level of volatility of market rates or prices (such as interest rates, credit spreads, foreign exchange rates and equity prices).

**Foreign exchange risk**

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank sets limits on the level of exposure by currency and in aggregate for all currencies, which are monitored on a daily basis. The tables below summarize Bank's exposure to foreign exchange risk as at December 31, 2009, and 2008

**Risk of changes in interest rates**

The Bank is exposed to effects arising from movements at level of interest rates in the market that affect its financial position and cash flows. Taking into account the fact that the trading portfolio of the Bank is inconsiderable and refers mainly to government securities, the interest rate risk exposure is assessed from the aspect of Banking Book. The risk of change in interest rates in the Banking Book is the current or possible risk for profit (net interest income) and / or capital that arises from negative movements in interest rates, which affect the positions in the Banking Book. The assuming of this risk is part of banking activities and may be a significant source for profitability and shareholder value. Nonetheless, excessive risk of change in interest rates may represent a significant threat to the profit and capital base of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2009**

**2. RISK MANAGEMENT (continued)**

**2.3 Market risk (continued)**

**Risk of changes in interest rates (continued)**

The Bank has established a framework for managing this risk in order to minimize the effects of negative changes in future interest rates by establishing and monitoring appropriate limits and utilizing techniques to measure the exposure to risk of changes in interest rates in Banking Book.

The table shows Analysis of compliance of interest rates on financial assets and liabilities as at December 31, 2009, and 2008

**Operational risk**

The operational risk is defined as risk of loss that arises from inappropriate or unsuccessful internal processes and systems, human factor or external events. The Bank has established an operational risk management framework based on Strategy and Policy and methodology for managing this risk. It ensures, within the various processes in the Bank, that there are identified risks, which originate from these processes, that they are measured and that there is undertaking of remedial actions in order to avoid potential negative effect over the financial result and capital position of the Bank.



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**2. RISK MANAGEMENT (continued)**

**2.3 Market risk (continued)**

**A. Analysis of value exposed to risk**

	<b>December 31, 2009</b>		<b>In thousands of Denars December 31, 2008</b>	
	<b>As at December 31</b>	<b>Average value</b>	<b>As at December 31</b>	<b>Average value</b>
	Value exposed to risk at interest-bearing instruments	-	-	-
Value exposed to risk at foreign currency instruments	-	-	-	-
Value exposed to risk at equity instruments	-	-	-	-
Variant	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**B. Sensitivity analysis at interest rate changes**

	<b>In thousands of Denars</b>			
	<b>Growth of yield curves by 1%</b>	<b>Decrease of yield curves by 1%</b>	<b>Growth of yield curves by 0.5% following 1<sup>st</sup> year</b>	<b>Decrease of yield curves by 0.5% following 1<sup>st</sup> year</b>
<b>December 31, 2009</b>				
As at December 31	-	-	-	-
Average value for the period	-	-	-	-
Highest value for the period	-	-	-	-
Lowest value for the period	-	-	-	-
<b>December 31, 2008</b>				
As at December 31	-	-	-	-
Average value for the period	-	-	-	-
Highest value for the period	-	-	-	-
Lowest value for the period	-	-	-	-

The Bank does not make Analysis of the risk exposed value and Analysis of the sensitivity to interest rate fluctuations according to the above presentation in Tables A and B and in that segment it is still undergoing activities for compliance with the Methodology.

**NOTES TO THE FINANCIAL REPORTS**  
**December 31, 2009**

**2. RISK MANAGEMENT (continued)**

**2.3 Market risk (continued)**

**Sensitivity analysis (interest rates)**

As part of the interest rate risk monitoring, the Bank does not make Analysis of the risk exposed value and Analysis of the interest rate fluctuation sensitivity according to the above presentation in Tables A and B and it is still taking actions for compliance with the Methodology. However, the Bank makes analysis of the sensitivity of balance sheet items. The sensitivity analysis is made taking into consideration the interest-bearing claims and liabilities. Testing was made of what would happen if increase/decrease by +2, i.e. -2 % occurs.

	<b>In thousands of Denars</b>		
	<b>31 December 2009</b>		
	<b>Total</b>	<b>Change + 2%</b>	<b>Change - 2%</b>
	<hr/>	<hr/>	<hr/>
<b>ASSETS</b>			
Cash and cash equivalents	18,003,692	315,108	(315,108)
Trading assets	199,274	2,128	(2,128)
Placements with, and loans to banks	146,775	883	(883)
Loans to customers	41,600,738	733,488	(733,488)
Investment securities	3,469,777	-	-
	<hr/>	<hr/>	<hr/>
<b>Total assets</b>	<u>63,420,256</u>	<u>1,051,607</u>	<u>(1,051,607)</u>
<b>LIABILITIES</b>			
Deposits from banks and financial institutions	2,695,175	(7,375)	7,375
Deposits from customers	51,798,454	(520,102)	520,102
Loans payable (including subordinated debt)	3,030,660	(55,966)	55,966
	<hr/>	<hr/>	<hr/>
<b>Total liabilities</b>	<u>57,524,289</u>	<u>(583,443)</u>	<u>583,443</u>
	<hr/>	<hr/>	<hr/>
<b>Net interest gap</b>	<u>5,895,967</u>	<u>468,164</u>	<u>(468,164)</u>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

Sensitivity analysis (interest rates) (continued)

	In thousands of Denars 31 December 2008		
	Total	Change + 2%	Change - 2%
<b>ASSETS</b>			
Cash and cash equivalents	18,003,692	315,108	(315,108)
Trading assets	199,274	2,128	(2,128)
Placements with, and loans to banks	146,775	883	(883)
Loans to customers	41,600,738	733,488	(733,488)
Investment securities	3,469,777	-	-
<b>Total assets</b>	<u>63,420,256</u>	<u>1,051,607</u>	<u>(1,051,607)</u>
<b>LIABILITIES</b>			
Deposits from banks and financial institutions	2,695,175	(7,375)	7,375
Deposits from customers	51,798,454	(520,102)	520,102
Loans payable (including subordinated debt)	3,030,660	(55,966)	55,966
<b>Total liabilities</b>	<u>57,524,289</u>	<u>(583,443)</u>	<u>583,443</u>
<b>Net interest gap</b>	<u>5,895,967</u>	<u>468,164</u>	<u>(468,164)</u>

If interest rates had been 2% higher with all other variables held constant, taking into account the balances of assets and liabilities as at December 31, 2009, the profit for the year would have been MKD 468,164 thousand (2008: MKD 174,395 thousand) higher. Conversely, if the interest rates had been 200 p.p. lower with all other variables held constant, profit for the year would have been MKD 468,164 thousand (2008: MKD 174,935 thousand) lower. Such an effect arises due to higher sensitivity of assets compared to the sensitivity of liabilities when experiencing a change of the interest rates.

**NOTES TO THE FINANCIAL REPORTS**  
**December 31, 2009**

**2. RISK MANAGEMENT (continued)**

**2.3 Market risk (continued)**

**Sensitivity analysis (foreign currency)**

The currency risk management, through monitoring the balance sheet by separate currencies, is supplemented by conducting sensitivity analysis of the Bank's assets and liabilities by using appropriate scenario (change of the exchange rates by +10% i.e. -10%, with respect to the Denar) is used.

**In thousands of Denars**

<b>31 December 2009</b>	<b>Total</b>	<b>Change in exchange rate</b>	
		<b>+10%</b>	<b>-10%</b>
<b>ASSETS</b>			
Cash and cash equivalents	18,003,692	956,299	(956,299)
Trading assets	199,274	13,651	(13,651)
Placements with, and loans to banks	146,775	9,674	(9,674)
Loans to customers	41,600,738	2,587,076	(2,587,076)
Investment securities	3,469,777	338,856	(338,856)
Other receivables	262,833	312	(312)
<b>Total assets</b>	<b>63,683,089</b>	<b>3,905,868</b>	<b>(3,905,868)</b>
<b>LIABILITIES</b>			
Deposits from banks	2,695,175	(267,487)	267,487
Deposits from customers	51,798,454	(3,123,855)	3,123,855
Loans payable (including subordinated debt)	3,030,660	(284,349)	284,349
Other liabilities	436,101	(9,303)	9,303
<b>Total liabilities</b>	<b>57,960,390</b>	<b>(3,684,994)</b>	<b>3,684,994</b>
<b>Net currency gap</b>		<b>220,874</b>	<b>(220,874)</b>

**NOTES TO THE FINANCIAL REPORTS**  
**December 31, 2009**

**2. RISK MANAGEMENT (continued)**

**2.3 Market risk (continued)**

**Sensitivity analysis (foreign currency) (continued)**

31 December 2008	In thousands of Denars		
	Total	Change in exchange rates	
		+10%	-10%
<b>ASSETS</b>			
Cash and cash equivalents	11,039,895	453,101	(453,101)
Trading assets	117,769	11,420	(11,420)
Placements with, and loans to banks	464,308	8,352	(8,352)
Loans to customers	41,680,290	2,657,138	(2,657,138)
Investment securities	3,869,467	359,787	(359,787)
Other receivables	349,663	-	-
<b>Total assets</b>	<u>57,521,392</u>	<u>3,489,798</u>	<u>(3,489,798)</u>
<b>LIABILITIES</b>			
Deposits from banks and financial institutions	821,632	(49,056)	49,056
Deposits from customers	47,970,980	(2,656,271)	2,656,271
Loans payable (including subordinated debt)	3,069,321	(286,139)	286,139
Other liabilities	501,233	( 4,091)	4,091
<b>Total liabilities</b>	<u>52,363,166</u>	<u>(2,995,557)</u>	<u>2,995,557</u>
<b>Net currency gap:</b>		<u>494,241</u>	<u>(494,241)</u>

At 31 December, 2009, if Denar had weakened 10% against the EUR (and all other currencies) with all other variables held constant, the profit for the year would have been MKD 242,870 thousand higher (2008: MKD 494,241 thousand). Conversely, if the MKD had strengthened 10% against the EUR (and all other currencies), the profit for the year would have been MKD 242,870 thousand lower (2008: MKD 494,241 thousand). The lower sensitivity of the Bank's assets and liabilities in case of change in foreign exchange rates compared to the previous year is a result of the lower open currency position at the end of 2009.

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.1 Analysis of compliance of interest rates of financial assets and liabilities (without trading and derivative portfolio)

In thousands of Denars

	Weighted EIR (in %)	Instruments at variable interest rate	Instruments at fixed interest rate, including instruments at variable interest rate, subject to decision by Bank bodies					over 5 years	Non-interest bearing	Total
			up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years			
<b>December 31, 2009</b>										
<b>FINANCIAL ASSETS</b>										
Cash and cash equivalents	3.47	-	15,049,988	1,682,131	-	-	-	-	1,271,573	18,003,692
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-	-	-	-
Placements with, and loans to banks	4.51	44,135	50,000	-	-	-	-	-	52,640	146,775
Loans to customers	10.67	36,674,378	16,534	33,798	652,264	1,803,489	1,719,667	-	700,608	41,600,738
Investment securities	1.80	-	368	-	488,094	350,328	2,108,940	81,249	440,798	3,469,777
Investments in associates	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	262,833	262,833
Collateralized assets	-	-	-	-	-	-	-	-	-	-
		<u>36,718,513</u>	<u>15,116,890</u>	<u>1,715,929</u>	<u>1,140,358</u>	<u>2,153,817</u>	<u>3,828,607</u>	<u>81,249</u>	<u>2,728,452</u>	<u>63,483,815</u>
<b>FINANCIAL LIABILITIES</b>										
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-	-	-	-
Deposits from banks	0.87	368,760	2,263,408	-	-	-	-	-	63,007	2,695,175
Deposits from customers	4.40	26,005,079	3,975,170	6,200,898	13,623,724	1,320,214	304,920	89,433	279,016	51,798,454
Issued debt securities	-	-	-	-	-	-	-	-	-	-
Loans payable	3.45	45,526	30,688	-	7,819	31,277	-	-	152,017	267,327
Subordinated debt	2.98	2,752,794	-	-	-	-	-	-	10,539	2,763,333
Other liabilities	-	-	-	-	-	-	-	-	436,101	436,101
		<u>29,172,159</u>	<u>6,269,266</u>	<u>6,200,898</u>	<u>13,631,543</u>	<u>1,351,491</u>	<u>304,920</u>	<u>89,433</u>	<u>940,680</u>	<u>57,960,390</u>
<b>Non-compliance of interest rates of financial assets and liabilities</b>		<u>7,546,354</u>	<u>8,847,624</u>	<u>(4,484,969)</u>	<u>(12,491,185)</u>	<u>802,326</u>	<u>3,523,687</u>	<u>(8,184)</u>	<u>1,787,782</u>	<u>5,523,425</u>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.1 Analysis of compliance of interest rates of financial assets and liabilities (without trading and derivative portfolio) (continued)

In thousands of Denars

	Weighted EIR (in %)	Instruments at fixed interest rate, including instruments at variable interest rate, subject to decision by Bank bodies						Non-interest bearing	Total	
		Instruments at variable interest rate	up to 1 month	1-3 months	3-12 months	1-2 years	2-5 years			over 5 years
<b>December 31, 2008</b>										
<b>FINANCIAL ASSETS</b>										
Cash and cash equivalents	3.83	1,670,159	5,573,415	19,624	-	-	-	-	3,776,697	11,039,895
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-	-	-	-
Placements with, and loans to banks	3.70	36,807	380,000	-	-	-	-	-	47,501	464,308
Loans to customers	9.55	22,746,363	14,899,273	96,908	251,310	523,748	2,413,386	-	749,302	41,680,290
Investment securities	3.99	-	-	10,226	147,380	532,593	1,881,697	1,035,330	262,241	3,869,467
Investments in associates	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	349,663	349,663
Collateralized assets	-	-	-	-	-	-	-	-	-	-
		<u>24,453,329</u>	<u>20,852,688</u>	<u>126,758</u>	<u>398,690</u>	<u>1,056,341</u>	<u>4,295,083</u>	<u>1,035,330</u>	<u>5,185,404</u>	<u>57,403,623</u>
<b>FINANCIAL LIABILITIES</b>										
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-	-	-	-
Deposits from banks	2.58	746,015	18,000	-	-	-	-	-	57,617	821,632
Deposits from customers	3.63	35,245,311	868,602	1,483,917	9,630,756	459,102	21,500	-	261,792	47,970,980
Issued debt securities	-	-	-	-	-	-	-	-	-	-
Loans payable	3.53	50,791	35,513	-	7,850	7,850	23,550	7,850	152,320	285,724
Subordinated debt	5.17	2,763,504	-	-	-	-	-	-	20,093	2,783,597
Other liabilities	-	-	-	-	-	-	-	-	501,233	501,233
		<u>38,805,621</u>	<u>922,115</u>	<u>1,483,917</u>	<u>9,638,606</u>	<u>466,952</u>	<u>45,050</u>	<u>7,850</u>	<u>993,055</u>	<u>52,363,166</u>
<b>Non-compliance of interest rates of financial assets and liabilities</b>		<u>(14,352,292)</u>	<u>19,930,573</u>	<u>(1,357,159)</u>	<u>(9,239,916)</u>	<u>589,389</u>	<u>4,250,033</u>	<u>1,027,480</u>	<u>4,192,349</u>	<u>5,040,457</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**2. RISK MANAGEMENT (continued)**

**2.3 Market risk (continued)**

**2.3.2 Currency risk**

	<b>MKD</b>	<b>EUR</b>	<b>USD</b>	<b>Other currency</b>	<b>Total</b>
<b>MONETARY ASSETS</b>					
Cash and cash equivalents	8,440,703	8,133,941	581,166	847,882	18,003,692
Trading assets	62,766	46,772	79,925	9,811	199,274
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Placement with, and loans to banks	50,036	23,870	50,914	21,955	146,775
Loans to customers	15,729,979	24,385,890	1,147,804	337,065	41,600,738
Investments in securities	81,219	3,388,558	-	-	3,469,777
Investments in affiliated companies	-	-	-	-	-
Receivables for income tax (current)	10,283	-	-	-	10,283
Other receivables	259,713	2,468	528	124	262,833
Collateralized assets	-	-	-	-	-
Deferred tax assets	9,684	-	-	-	9,684
<b>Total monetary assets</b>	<b>24,644,383</b>	<b>35,981,499</b>	<b>1,860,337</b>	<b>1,216,837</b>	<b>63,703,056</b>
<b>MONETARY LIABILITIES</b>					
Trading liabilities	-	1,196	-	-	1,196
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Deposits from banks	20,309	2,624,152	6,605	44,109	2,695,175
Deposits from customers	20,559,899	28,639,482	1,781,413	817,660	51,798,454
Loans payable	187,174	39,450	40,703	-	267,327
Subordinated debt	-	2,763,333	-	-	2,763,333
Income tax payable (current)	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	343,076	93,025	-	-	436,101
<b>Total monetary liabilities</b>	<b>21,110,458</b>	<b>34,160,638</b>	<b>1,828,721</b>	<b>861,769</b>	<b>57,961,586</b>
<b>Net currency gap:</b>	<b>3,533,925</b>	<b>1,820,861</b>	<b>31,616</b>	<b>355,068</b>	<b>5,741,470</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**2. RISK MANAGEMENT (continued)**

**2.3 Market risk (continued)**

**2.3.2 Currency risk (continued)**

	In thousands of Denars				
	December 31, 2008				
	MKD	EUR	USD	Other currency	Total
<b>MONETARY ASSETS</b>					
Cash and cash equivalents	6,508,888	3,196,381	590,348	744,278	11,039,895
Trading assets	3,569	55,494	49,861	8,845	117,769
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Placement with, and loans to banks	380,792	23,780	43,007	16,729	464,308
Loans to customers	15,108,907	24,973,671	1,374,637	223,075	41,680,290
Investments in securities	271,601	3,597,866	-	-	3,869,467
Investments in affiliated companies	-	-	-	-	-
Receivables for income tax (current)	-	-	-	-	-
Other receivables	349,663	-	-	-	349,663
Collateralized assets	-	-	-	-	-
Deferred tax assets	1,630	-	-	-	1,630
<b>Total monetary assets</b>	<u>22,625,050</u>	<u>31,847,192</u>	<u>2,057,853</u>	<u>992,927</u>	<u>57,523,022</u>
<b>MONETARY LIABILITIES</b>					
Trading liabilities	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Deposits from banks	331,074	445,909	5,909	38,740	821,632
Deposits from customers	21,408,267	23,779,984	1,967,890	814,839	47,970,980
Loans payable	207,929	27,004	50,791	-	285,724
Subordinated debt	-	2,783,597	-	-	2,783,597
Income tax payable (current)	49,054	-	-	-	49,054
Deferred tax liabilities	3,335	-	-	-	3,335
Other liabilities	460,317	40,688	81	147	501,233
<b>Total monetary liabilities</b>	<u>22,459,976</u>	<u>27,077,182</u>	<u>2,024,671</u>	<u>853,726</u>	<u>52,415,555</u>
<b>Net currency gap:</b>	165,074	4,770,010	33,182	139,201	5,107,467

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009****3. CAPITAL ADEQUACY****Capital management**

The Bank's objectives when managing capital, which is a broader concept than the 'equity' presented in the balance sheet, are:

- To comply with the capital requirements set by NBRM;
- To safeguard the Bank's ability to continue functioning as successful company and to continue providing returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the directives set by the regulator, for supervisory purposes. The required information is sent to NBRM on a quarterly basis.

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by retained earnings. The Bank's uncovered loss from previous years, the current loss, the book value of goodwill are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan, cumulative preferred shares and premia from cumulative preferred shares sold, revaluation reserves from fixed assets, hybrid capital instruments. Investments in financial institutions are deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are classified as per the nature of each asset and counterparty and are measured by means of a hierarchy of four risk weights. These weights reflect the credit risk, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

3. CAPITAL ADEQUACY (continued)

Own assets

The table below presents a survey of the Statement of own assets (Form OA) prepared in accordance with the Instructions on implementing the Decision on the methodology of determining the capital adequacy according to the applicable prescribed regulations of NBRM on December 31, 2009 and 2008.

	In thousands of Denars	
	current year 2009	previous year 2008
<b>Paid-in and subscribed common and non-cumulative preferred shares and premium under these shares</b>	<b>3,511,242</b>	<b>3,511,242</b>
Nominal value	3,511,242	3,511,242
Nominal value of common shares	3,511,242	3,511,242
Nominal value of non-cumulative preferred shares	-	-
Premium	-	-
Premium under ordinary shares	-	-
Premium under non-cumulative preferred shares	-	-
<b>Reserves and retained profit or loss</b>	<b>3,293,975</b>	<b>3,293,975</b>
Reserve fund	606,364	406,201
Retained earnings	n/a	1,553,353
Retained earnings restricted for distribution to shareholders	2,687,611	n/a
Accumulated loss from previous years	-	-
Current profit	-	1,334,421
Retained loss from available-for-sale treasury shares	-	n/a
<b>Positions as a result of consolidation</b>	-	-
Minority share	-	-
Reserves under foreign exchange gains/losses	-	-
Other differences	-	-
<b>Deducted items</b>	-	-
Loss at the year-end or current loss	-	-
Treasury shares	-	n/a
Intangible assets	-	-
Net negative revalorization reserves	-	n/a
Own common non-cumulative preferred shares	n/a	-
Difference between the amount of required special reserves for potential losses and allocated special reserves	n/a	-
Difference between the amount of required and made value adjustment/special reserves	-	n/a
Amount of allocated value adjustment and special reserves as a result of accounting delay	-	n/a
<b>Common shares, reserves and retained earnings and deducted items</b>	<b>6,805,217</b>	<b>6,805,217</b>
<b>Amount of other positions that can be included in the initial capital</b>	<b>-</b>	<b>-</b>
<b>Initial capital</b>	<b>6,805,217</b>	<b>6,805,217</b>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

3. CAPITAL ADEQUACY (continued)

Own assets (continued)

	In thousands of Denars	
	current year 2009	previous year 2008
<b>Additional capital I</b>		
<b>Paid-in and subscribed cumulative preferred shares and premium under these shares</b>		
Nominal value	90,978	90,978
Premium	90,978	90,978
Equity cumulative preferred shares	-	-
Revaluation reserves	n/a	-
Hybrid capital instruments	26,847	n/a
Subordinated instruments	-	-
Amount of subordinated instruments that can be part of the additional capital I	2,752,794	2,763,554
<b>Additional capital I</b>	<u>2,752,794</u>	<u>2,763,554</u>
<b>Additional capital I</b>	2,870,619	2,854,532
<b>Deducted items from initial capital and additional capital</b>	-	-
Investments in capital of other banks or financial institutions that are over 10% of the capital of those institutions	-	-
Investments in subordinated and hybrid capital instruments and other instruments	-	-
Aggregate amount of investments in capital, subordinated and hybrid instruments and other instruments that exceeds 10% of (I+II)	-	-
Direct investments in capital of insurance and reinsurance companies and pension fund management companies	-	-
Investments in financial instruments issued by insurance and reinsurance companies and pension fund management companies that are included in their capital	-	-
Amount of exceeding the limits for investments in non-financial institutions	-	-
Positions as a result of consolidation (negative amounts)	-	-
<b>Deducted items</b>	-	-
<b>Initial capital under deducted items</b>	<u>6,805,217</u>	<u>n/a</u>
<b>Additional capital I under deducted items</b>	<u>2,870,619</u>	<u>n/a</u>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

3. CAPITAL ADEQUACY (continued)

Own assets (continued)

<b>Additional capital II</b>		
Subordinated instruments of the additional capital II	-	n/a
Additional capital I and II	2,870,619	n/a
Allowed amount of additional capital I and II	2,870,619	n/a
Additional capital I	2,870,619	n/a
Additional capital II	-	n/a
Initial capital surplus	2,318,445	n/a
Initial capital surplus (150%)	3,477,667	n/a
Initial capital surplus (250%)	5,796,112	n/a
<b>Allowed amount of additional capital II</b>	-	n/a
<b>Own assets</b>		
Initial capital	6,805,217	n/a
Additional capital I	2,870,619	n/a
Additional capital II	-	n/a
<b>OWN ASSETS</b>	<b>9,675,836</b>	<b>9,659,749</b>

n/a – not applicable

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

3. CAPITAL ADEQUACY (continued)

Capital adequacy ratio

The table below presents a survey of the Statement of the capital adequacy ratio (Form CA) prepared in accordance with the Instructions on implementing the Decision on the methodology of determining the capital adequacy according to the applicable prescribed regulations of NBRM on December 31, 2009 and 2008.

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<b>Credit risk weighted assets</b>		
Credit risk weighted balance sheet assets	45,239,971	45,264,050
Credit risk weighted off-balance sheet assets	6,113,359	7,355,417
<b>Credit risk weighted assets</b>	<b>51,353,330</b>	<b>52,619,467</b>
Capital required for covering the credit risk	4,108,266	4,209,557
<b>Currency risk weighted assets</b>		
Aggregate foreign currency position	4,731,323	6,944,435
Net position in gold	-	-
Capital required for covering the currency risk	4,731,323	6,944,435
<b>Currency risk weighted assets</b>	<b>378,506</b>	<b>555,555</b>
<b>Other risk weighted assets</b>		
Capital required for covering the risk of changes in the commodity prices	-	H/Π
Capital required for covering the market risks	-	H/Π
Capital required for covering the specific risk of investments in debt instruments	-	H/Π
Capital required for covering the general risk of investments in debt instruments	-	H/Π
Capital required for covering the specific risk of investments in equity securities	-	H/Π
Capital required for covering the general risk of investments in equity securities	-	H/Π
Capital required for covering the settlement/delivery risk	-	H/Π
Capital required for covering the counterparty risk	-	H/Π
Capital required for covering the exceeding of exposure limits	-	H/Π
Capital required for covering the market risks of option positions	-	H/Π
Capital required for covering other risks	-	H/Π
Capital required for covering currency risks	-	H/Π
<b>Other risk weighted assets</b>		
<b>Risk weighted assets</b>	<b>56,084,653</b>	<b>59,563,902</b>
Capital required for covering the risks	4,486,772	4,765,112
<b>Own assets</b>	<b>9,675,836</b>	<b>9,659,647</b>
<b>Capital adequacy ratio</b>	<b>17.25%</b>	<b>16.22%</b>

n/a not applicable

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

## 4. NOTIFICATION ACCORDING TO SEGMENTS

## A. Primary business segments

In thousands of Denars  
December 31, 2009

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment banking</u>	<u>Other</u>	<u>Unallocated</u>	<u>Total</u>
Net interest income /(expense)	1,374,987	1,194,759	373,276	(15,134)	-	2,927,888
Net fees and commissions income / (expense)	342,277	502,508	6,957	542	-	852,284
Net trading income	-	-	42,524	-	-	42,524
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	192,602	77,072	-	-	116,435	386,109
Income realized between segments	-	-	-	-	-	-
<b>Total income by segments</b>	<u>1,909,866</u>	<u>1,774,339</u>	<u>422,757</u>	<u>(14,592)</u>	<u>116,435</u>	<u>4,208,805</u>
Financial result by segment	<u>8,485</u>	<u>731,698</u>	<u>405,011</u>	<u>(14,804)</u>	<u>(433,111)</u>	<u>697,279</u>
Income tax						7,106
<b>Profit/(loss) for the financial year</b>						<u>690,173</u>
Total assets by segment	24,831,871	24,897,403	9,778,348	5,289	-	59,512,911
Unallocated assets per segment	-	-	-	-	6,110,595	<u>6,110,595</u>
<b>Total assets</b>	<u>24,831,871</u>	<u>24,897,403</u>	<u>9,778,348</u>	<u>5,289</u>	<u>6,110,595</u>	<u>65,623,506</u>
Total liabilities by segment	32,827,314	17,671,772	3,354,245	2,984	-	53,856,315
Unallocated liabilities by segment	-	-	-	-	4,261,144	<u>4,261,144</u>
<b>Total liabilities</b>	<u>32,827,314</u>	<u>17,671,772</u>	<u>3,354,245</u>	<u>2,984</u>	<u>4,261,144</u>	<u>58,117,459</u>
Adjustment of value of financial assets, on net basis	631,955	839,575	17,018	-	(9,841)	1,478,707
Impairment loss of non-financial assets, on net-basis	2,674	77,159	-	-	-	79,833
Depreciation	112,413	576	-	212	73,177	186,378
Restructuring costs	-	-	-	-	-	-
Costs for investment in real estate and equipment	80,837	856	-	600	80,162	162,455
Other expense	1,154,339	125,331	728	-	486,210	1,766,608

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

## 4. NOTIFICATION ACCORDING TO SEGMENTS (continued)

## A. Primary business segments (continued)

In thousands of Denars  
December 31, 2008

	<u>Retail banking</u>	<u>Corporate banking</u>	<u>Investment banking</u>	<u>Other</u>	<u>Unallocated</u>	<u>Total</u>
Net interest income /(expenses)	1,406,197	1,221,878	381,122	(14,850)	-	2,994,347
Net fees and commissions income / (expenses)	364,086	588,221	7,796	659	-	960,762
Net trading income	-	-	(7,402)	-	-	(7,402)
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	248,490	99,437	-	-	140,789	488,716
Income realized between segments	-	-	-	-	-	-
<b>Total income by segments</b>	<u>2,018,773</u>	<u>1,909,536</u>	<u>381,516</u>	<u>(14,191)</u>	<u>140,789</u>	<u>4,436,423</u>
<b>Financial result by segment</b>	<u>324,870</u>	<u>1,188,771</u>	<u>366,632</u>	<u>(14,385)</u>	<u>(365,992)</u>	<u>1,499,896</u>
Income tax						165,475
<b>Profit/(loss) for the financial year</b>						<u>1,334,421</u>
Total assets by segment	22,402,793	22,661,282	8,822,179	4,772	-	53,891,026
Unallocated assets by segment	-	-	-	-	5,553,664	5,553,664
<b>Total assets</b>	<u>22,402,793</u>	<u>22,661,282</u>	<u>8,822,179</u>	<u>4,772</u>	<u>5,553,664</u>	<u>59,444,690</u>
Total liabilities by segment	29,715,455	15,997,013	3,036,362	2,702	-	48,751,532
Unallocated liabilities by segment	-	-	-	-	3,856,092	3,856,092
<b>Total liabilities</b>	<u>29,715,455</u>	<u>15,997,013</u>	<u>3,036,362</u>	<u>2,702</u>	<u>3,856,092</u>	<u>52,607,624</u>
Adjustment of value of financial assets, on net basis	527,996	517,682	14,219	-	(4,740)	1,055,157
Impairment loss of non-financial assets, on net-basis	7,682	87,989	-	-	-	95,671
Depreciation	103,035	528	-	194	67,073	170,830
Restructuring costs	-	-	-	-	-	-
Costs for investment in real estate and equipment	129,005	1,366	-	958	128,565	259,894
Other expense	1,055,190	114,566	665	-	444,448	1,614,869



NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

## 4. NOTIFICATION ACCORDING TO SEGMENTS (continued)

## B. Secondary geographical segments

In thousands of Denars  
December 31, 2009

	Republic of Macedonia	Member countries of European Union	Europe (other)	Member- countries of OECD (without European Member- countries of OECD)	Other	Unallocated	Total
Net interest income /(expenses)	3,027,854	(109,085)	21,132	(9,152)	-	(2,861)	2,927,888
Net fees and commissions income / (expenses)	806,449	(6,685)	53,123	(556)	-	(47)	852,284
Net trading income	10,947	-	(405)	31,982	-	-	42,524
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-	-
Other operating income	385,546	5	556	-	-	2	386,109
Income realized between segments	-	-	-	-	-	-	-
<b>Total income by segments</b>	<b>4,230,796</b>	<b>(115,765)</b>	<b>74,406</b>	<b>22,274</b>	<b>-</b>	<b>(2,906)</b>	<b>4,208,805</b>
<b>Financial result by segment</b>	<b>772,888</b>	<b>(160,291)</b>	<b>73,021</b>	<b>16,434</b>	<b>-</b>	<b>(4,773)</b>	<b>697,279</b>
Income tax							7,106
<b>Profit/(loss) for the financial year</b>							<b>690,173</b>
Total assets by segment	60,205,423	4,516,324	468,257	381,341	52,161	-	65,623,506
Unallocated assets by segment	-	-	-	-	-	-	-
<b>Total assets</b>	<b>60,205,423</b>	<b>4,516,324</b>	<b>468,257</b>	<b>381,341</b>	<b>52,161</b>	<b>-</b>	<b>65,623,506</b>
Total liabilities by segment	55,392,938	2,287,832	181,823	192,103	62,763	-	58,117,459
Unallocated liabilities by segment	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>55,392,938</b>	<b>2,287,832</b>	<b>181,823</b>	<b>192,103</b>	<b>62,763</b>	<b>-</b>	<b>58,117,459</b>
Adjustment of value of financial assets, on net basis	1,507,869	(25,020)	(4,142)	-	-	-	1,478,707
Impairment loss of non-financial assets, on net- basis	79,833	-	-	-	-	-	79,833
Depreciation	186,378	-	-	-	-	-	186,378
Restructuring costs							
Costs for investment in real estate and equipment	162,455	-	-	-	-	-	162,455
Other expense	1,683,828	69,546	5,527	5,840	-	1,867	1,766,608

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

## 4. NOTIFICATION ACCORDING TO SEGMENTS (continued)

## B. Secondary geographical segments (continued)

In thousands of Denars  
December 31, 2008

	Republic of Macedonia	Member countries of European Union	Europe (other)	Member- countries of OECD (without European Member- countries of OECD)	Other	Unallocated	Total
Net interest income /(expenses)	3,096,582	(111,562)	21,612	(9,360)	-	(2,925)	2,994,347
Net fees and commissions income / (expenses)	909,093	(7,536)	59,884	(626)	-	(53)	960,762
Net trading income	(1,906)	-	70	(5,566)	-	-	(7,402)
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-	-
Other operating income	487,991	7	718	-	-	-	488,716
Income realized between segments	-	-	-	-	-	-	-
<b>Total income by segments</b>	<b>4,491,760</b>	<b>(119,091)</b>	<b>82,284</b>	<b>(15,552)</b>	<b>-</b>	<b>(2,978)</b>	<b>4,436,423</b>
<b>Financial result by segment</b>	<b>1,616,858</b>	<b>(170,613)</b>	<b>79,227</b>	<b>(20,890)</b>	<b>-</b>	<b>(4,686)</b>	<b>1,499,896</b>
Income tax	-	-	-	-	-	-	165,475
<b>Profit/(loss) for the financial year</b>							<b>1,334,421</b>
Total assets by segment	57,691,644	888,077	499,811	318,466	46,692	-	59,444,690
Unallocated assets by segment	-	-	-	-	-	-	-
<b>Total assets</b>	<b>57,691,644</b>	<b>888,077</b>	<b>499,811</b>	<b>318,466</b>	<b>46,692</b>	<b>-</b>	<b>59,444,690</b>
Total liabilities by segment	50,142,527	2,071,014	164,592	173,898	55,593	-	52,607,624
Unallocated liabilities by segment	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>50,142,527</b>	<b>2,071,014</b>	<b>164,592</b>	<b>173,898</b>	<b>55,593</b>	<b>-</b>	<b>52,607,624</b>
Adjustment of value of financial assets, on net basis	1,069,202	(12,050)	(1,995)	-	-	-	1,055,157
Impairment loss of non-financial assets, on net- basis	95,671	-	-	-	-	-	95,671
Depreciation	170,830	-	-	-	-	-	170,830
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in real estate and equipment	259,894	-	-	-	-	-	259,894
Other expense	1,539,199	63,572	5,052	5,338	-	1,708	1,614,869

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009**

**5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

	<b>December 31, 2009</b>		<b>In thousands of Denars December 31, 2008</b>	
	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair Value</b>
<b>Financial assets</b>				
Cash and cash equivalents	18,003,692	18,003,692	11,039,895	11,039,895
Trading assets	199,274	199,274	117,769	117,769
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Placement with, and loans to banks	146,775	146,775	464,308	464,308
Loans to customers	41,600,738	41,600,738	41,680,290	41,680,290
Investment securities	3,469,777	3,469,777	3,869,467	3,869,467
Investments in affiliated companies	-	-	-	-
Receivables for income tax (current)	10,283	10,283	-	-
Other receivables	262,833	262,833	349,663	349,663
Collateralized assets	-	-	-	-
Differed tax assets	9,684	9,684	1,630	1,630
	<u>63,703,056</u>	<u>63,703,056</u>	<u>57,523,022</u>	<u>57,523,022</u>
<b>Financial liabilities</b>				
Liabilities for trading	1,196	1,196	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	2,695,175	2,695,175	821,632	821,632
Deposits from customers	51,798,454	51,798,454	47,970,980	47,970,980
Issued debt securities	-	-	-	-
Loans payable	267,327	267,327	285,724	285,724
Subordinated debt	2,763,333	2,763,333	2,783,597	2,783,597
Income tax liabilities (current)	-	-	49,054	49,054
Differed tax liabilities	-	-	3,335	3,335
Other liabilities	436,101	436,101	501,233	501,233
	<u>57,961,586</u>	<u>57,961,586</u>	<u>52,415,555</u>	<u>52,415,555</u>

*a) Cash and cash equivalents*

The carrying amount of cash and cash equivalents equals their fair values as they include cash and nostro accounts representing unrestricted demand deposits and placements with NBRM, which mature shortly.

*b) Held-for-trading financial assets*

Fair value as determined by reference to market prices equal to their carrying amount.

**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2009****5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)***c) Placement with, and loans to banks*

The majority of the time deposits represent overnight deposits. The fair value of the overnight deposits and demand placements with banks is their carrying amount. The smaller portion of the time deposits are fixed interest bearing deposits, which estimated fair value determined based on discounting cash flow using interest rates for similar placements.

*d) Loans to customers*

Loans are net of provisions for impairment. The major part of the loans to customers is with floating interest rate (over 95%). The remaining part of the loans with fixed interest rate relates to "teaser loans", for which the fair value is estimated based on the discounted cash flow.

*e) Investment in securities*

The fair value of investments in held-to-maturity financial assets is their carrying amount having regard to the fact that their carrying amount is determined on the basis of discounted cash flows. The fair value of investments in available-for-sale financial assets is determined on the basis of quoted market prices or amounts derived from cash flow models. Consequently, their fair value is their carrying amount.

*f) Other receivables*

Other receivables approximate their fair value as they will mature shortly.

*g) Deposits from banks*

The fair value of demand and time deposits from banks and other financial institutions is their carrying amount.

*h) Deposits from other customers*

The fair value of demand deposits and time deposits with floating interest rate is their carrying amount. The estimated fair value of the deposits with fixed interest rate is based on discounted cash flows using the interest rate for similar deposits with similar maturity.

*i) Loans payable (including subordinated debt)*

Subordinated debt represents the major part of this position. This loan is with floating interest rate. The remaining part relates to the loans from specific sources for which the market interest rate can not be reliably determined, taking into consideration the fact that there are no similar instruments on the market.

*j) Other liabilities*

Other liabilities approximate their fair value as they will mature shortly.

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

6. NET INTEREST/(EXPENSE) INCOME

A. Structure of interest income and expense by category of financial instruments

	In thousands of Denars	
	Current year 2009	Previous year 2008
	<u>2009</u>	<u>2008</u>
<b>Interest income</b>		
Cash and cash equivalents	309,053	54,957
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-
Derivative assets held for risk management	-	-
Placements with and loans to banks	9,586	134,283
Placements with and loans to customers	4,437,978	3,775,135
Investments in securities	123,191	473,869
Other receivables	2,494	4,208
(Adjustment of value of income interest, on net-basis)	297,676	312,408
Collected previously written-off interest	32,950	136,523
<b><i>Total interest income</i></b>	<u>5,212,928</u>	<u>4,891,383</u>
<b>Interest expense</b>		
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	8,840	9,966
Deposits from customers	2,147,270	1,780,404
Issued debt securities	-	-
Loans payable	6,050	2,237
Subordinated debt	113,547	96,469
Other liabilities	9,333	7,960
<b><i>Total interest expense</i></b>	<u>2,285,040</u>	<u>1,897,036</u>
<b>Net interest income / (expense)</b>	<u>2,927,888</u>	<u>2,994,347</u>

NOTES TO THE FINANCIAL STATEMENTS  
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6. NET INTEREST/(EXPENSE) INCOME (continued)

B. Sector analysis of interest income and expense

	<b>In thousands of Denars</b>	
	<b>current year 2009</b>	<b>previous year 2008</b>
<b>Interest income</b>		
Non-financial companies	1,405,555	1,352,529
State	130,986	262,147
Non-profit institutions servicing households	1,619	1,778
Banks	212,165	189,574
Other financial companies (non-banking)	137,734	244,345
Households	2,994,243	2,392,079
Non-residents	-	-
(Adjustment of value of interest income, on net-basis)	297,676	312,408
Collected previously written-off interest	32,950	136,523
<b>Total interest income</b>	<u>5,212,928</u>	<u>4,891,383</u>
<b>Interest expenses</b>		
Non-financial companies	421,205	538,148
State	6,195	5,119
Non-profit institutions servicing households	17,192	-
Banks	8,905	146,944
Other financial companies (non-banking)	53,338	11,392
Households	1,648,007	1,183,454
Non-residents	130,198	11,979
<b>Total interest expense</b>	<u>2,285,040</u>	<u>1,897,036</u>
<b>Net interest income / (expense)</b>	<u><u>2,927,888</u></u>	<u><u>2,994,347</u></u>

NOTES TO THE FINANCIAL STATEMENTS  
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## 7. NET FEE AND COMMISSION INCOME/(EXPENSE)

## A. Structure of fee and commission income and expense by financial activity

	<b>In thousands of Denars</b>	
	<b>current year 2009</b>	<b>previous year 2008</b>
<b>Fees and commissions income</b>		
Financing	120,757	284,668
Payment operations		
Domestic	172,721	228,378
International	117,603	268,016
L/Cs and L/Gs	60,549	61,644
Brokerage operations	5,857	2,605
Asset management	1,101	2,561
Commission and creditor activities	-	324
Issue of securities	-	-
Card operations	288,060	70,292
Deposit operations	83,510	85,905
Renting safe-deposit-boxes	6,716	7,250
Third party accounts collection	8,144	7,581
Other	56,491	8,851
<b>Total fees and commissions income</b>	<b>921,509</b>	<b>1,028,075</b>
<b>Fees and commissions expense</b>		
Financing	-	-
Payment operations		
Domestic	60,122	57,840
International	9,027	8,534
L/Cs and L/Gs	-	-
Brokerage operations	-	157
Asset management	-	-
Commission and creditor activities	-	-
Issue of securities	-	-
Other	76	782
<b>Total fees and commissions expense</b>	<b>69,225</b>	<b>67,313</b>
<b>Net fees and commissions income / (expense)</b>	<b>852,284</b>	<b>960,762</b>

NOTES TO THE FINANCIAL STATEMENTS  
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7. NET FEE AND COMMISSION INCOME/(EXPENSE) (continued)

B. Sector analysis of fee and commission income and expense

	<b>In thousands of Denars</b>	
	<b>current year 2009</b>	<b>previous year 2008</b>
<b>Fees and commissions income</b>		
Non-financial companies	527,176	612,367
State	441	6,007
Non-profit institutions servicing households	101	-
Banks	31,571	17,596
Other financial companies (non-banking)	-	-
Households	340,346	357,383
Non-residents	21,874	34,722
<b>Total fees and commissions income</b>	921,509	1,028,075
<b>Fees and commissions expense</b>		
Non-financial companies	-	-
State	-	-
Non-profit institutions servicing households	-	-
Banks	9,735	8,346
Other financial companies (non-banking)	59,490	58,967
Non-residents	-	-
<b>Total fees and commissions expense</b>	69,225	67,313
<b>Net fees and commissions income / (expense)</b>	852,284	960,762



NOTES TO THE FINANCIAL STATEMENTS  
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## 8. NET TRADING INCOME

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>Previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<i>Trading assets</i>		
Profit /(loss) from the changes in fair value of debt securities, on net-basis		
realized	34	-
unrealized	(2,092)	228
Profit /(loss) from the changes in fair value of equity instruments, on net basis		
realized	-	-
unrealized	31,576	(22,547)
Income from dividend from trading assets	-	71
Income from interest from trading assets	14,202	14,846
<i>Trading liabilities</i>		
Profit /(loss) from the changes in fair value of debt securities, on net-basis		
realized	-	-
unrealized	-	-
Profit /(loss) from the changes in fair value of trading deposits, on net-basis		
realized	-	-
unrealized	-	-
Profit /(loss) from the changes in fair value of other financial liabilities for trading, on net-basis		
realized	-	-
unrealized	-	-
Expenses for interest from financial liabilities held for trading	-	-
<i>Profit /(loss) from the changes in fair value of derivatives held for trading, on net-basis</i>		
realized	-	-
unrealized	(1,196)	-
<b>Net trading income</b>	<b>42,524</b>	<b>(7,402)</b>

NOTES TO THE FINANCIAL STATEMENTS  
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9. NET INCOME FROM OTHER FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

	In thousands of Denars	
	current year 2009	previous year 2008
	<hr/>	<hr/>
<i>Financial assets at fair value through the income statement determined as such at initial recognition</i>		
Profit / (loss) from the changes in fair value of debt securities, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of equity instruments, on net basis		
realized	-	-
unrealized	-	-
Income from dividend from financial assets at fair value through the income statement	-	-
Profit / (loss) from the changes in fair value of loans and claims at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
<i>Financial liabilities at fair value through the income statement determined as such at initial recognition</i>		
Profit / (loss) from the changes in fair value of debt securities, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from changes in fair value of deposits at fair value through the income statement, on net-basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of loan liabilities at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of other financial liabilities at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
<i>Profit / (loss) from changes in fair value of derivative held for risk management at fair value through the income statement, on net-basis</i>		
realized	-	-
unrealized	-	-
<b>Net income from other financial instruments recorded at fair value</b>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2009

## 10. NET FOREIGN EXCHANGE GAIN/(LOSS)

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
Realized net foreign exchange gains/(losses)	150,528	119,152
Non-realized net foreign exchange gains/(losses)	-	-
- foreign exchange gains/(losses) of adjustment of the value of financial assets, on net basis	-	-
- other foreign exchange gains/(losses), on net basis	11,347	81,549
<b>Net foreign exchange gains/(losses)</b>	<b>161,875</b>	<b>200,701</b>

## 11. OTHER OPERATING INCOME

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
Profit from sales of assets available for sale	233	-
Dividend from equity instruments available for sale	8,749	15,352
Net income from investments in subsidiaries and affiliates	-	-
Capital gain from sales of:		
real estate and equipment	9,504	34,936
intangible assets	-	-
foreclosed assets	13,453	47,262
non-current assets held for sale and group for sale	-	-
Income from rent	3,604	6,267
Income from won court disputes	4,688	2,706
Collected previously written-off claims	39,279	-
Release of special reserves and provisions for:		
off-balance sheet credit exposures	85,591	-
contingent liabilities based on court disputes	-	-
pensions and other benefits for employees	1,347	-
restructuring	-	-
unfavorable agreements	-	-
other provisions	-	-
Other:		
managing accounts for the Ministry of Finance	-	9,117
early withdrawal of deposits of non-residents	34,031	29,871
received shares from JUBMES Bank a.d., Belgrade, Serbia	-	4,443
income from shares of VISA Inc, USA	-	95,995
written off liabilities for employees bonuses	7,311	-
other income	16,444	42,066
<b>Total other operating income</b>	<b>224,234</b>	<b>288,015</b>

NOTES TO THE FINANCIAL STATEMENTS  
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12. ADJUSTMENT OF VALUE OF FINANCIAL ASSETS, NET

written In thousands of Denars

	<u>Placements with and loans to banks</u>	<u>Placements with and loans to customers</u>	<u>Investments in financial assets available for sale</u>	<u>Investments in financial assets held to maturity</u>	<u>Cash and cash equivalents</u>	<u>Fees and commissions receivables</u>	<u>Other receivables</u>	<u>Total</u>
<b>December 31, 2009</b>								
<i>Adjustment of value on individual basis</i>								
Additional adjustment of value	33	1,675,646	17,018	-	-	2,764	13,521	1,708,982
(Release of adjustment of value)	(4,142)	(369,306)	-	-	-	(20,207)	(5,908)	(399,563)
	(4,109)	1,306,340	17,018	-	-	(17,443)	7,613	1,309,419
<i>Adjustment of value at group basis</i>								
Additional adjustment of value	-	175,781	-	-	-	-	-	175,781
(Release of adjustment of value)	-	(6,493)	-	-	-	-	-	(6,493)
	-	169,288	-	-	-	-	-	169,288
<b>Total adjustment of value of financial assets, on net-basis</b>	<b>(4,109)</b>	<b>1,475,628</b>	<b>17,018</b>	<b>-</b>	<b>-</b>	<b>(17,443)</b>	<b>7,613</b>	<b>1,478,707</b>
<b>December 31, 2008</b>								
<i>Adjustment of value on individual basis</i>								
Additional adjustment of value	4,928	581,558	-	-	-	-	15,209	601,695
(Release of adjustment of value)	(1,902)	(119,602)	(8,971)	-	-	-	(32,846)	(163,321)
	3,026	461,956	(8,971)	-	-	-	(17,637)	438,374
<i>Adjustment of value at group basis</i>								
Additional adjustment of value	-	621,974	-	-	-	-	-	621,974
(Release of adjustment of value)	-	(5,191)	-	-	-	-	-	(5,191)
	-	616,783	-	-	-	-	-	616,783
<b>Total adjustment of value of financial assets, on net-basis</b>	<b>3,026</b>	<b>1,078,739</b>	<b>(8,971)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,637)</b>	<b>1,055,157</b>

NOTES TO THE FINANCIAL REPORTS  
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## 13. IMPAIRMENT LOSS ON NON-FINANCIAL ASSETS, NET

	In thousands of Denars					
	Real estate and equipment	Intangible assets	Foreclosed assets	Non- current assets held for sale and group for sale	Other non- financial assets	Total
<b>December 31, 2009</b>						
Additional impairment loss	19,834	-	59,999	-	-	79,833
(Release of impairment loss)	-	-		-	-	-
<b>Total impairment loss of non-financial assets, on net-basis</b>	<b>19,834</b>	<b>-</b>	<b>59,999</b>	<b>-</b>	<b>-</b>	<b>79,833</b>
<b>December 31, 2008</b>						
Additional impairment loss	10,565	-	85,106	-	-	95,671
(Release of impairment loss)	-	-		-	-	-
<b>Total impairment loss of non-financial assets, on net-basis</b>	<b>10,565</b>	<b>-</b>	<b>85,106</b>	<b>-</b>	<b>-</b>	<b>95,671</b>

**NOTES TO THE FINANCIAL REPORTS**  
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**14. PERSONNEL EXPENSES**

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<b>Short-term personnel benefits</b>		
Salaries	458,156	385,532
Compulsory contributions for social and health insurance	218,905	178,321
Short-term paid leaves	-	-
Costs for temporary employment	-	-
Share in profit and remuneration	18,351	18,424
Non-monetary benefits	-	-
Other personnel benefits	21,768	76,935
	<u>717,180</u>	<u>659,212</u>
<b>Post retirement benefits</b>		
Defined pension benefit plans	-	-
Retirement benefits	-	-
Increase of liability for defined pension benefit plans	-	-
Increase of liability for other long-term benefits	-	-
Other benefits upon termination of employment	-	-
	<u>-</u>	<u>-</u>
Benefits due to termination of employment	-	-
Payments to employees based on shares, settled with equity instruments	-	-
Payments to employees based on shares, settled with monetary assets	-	-
Other	-	-
	<u>-</u>	<u>-</u>
<b>Total personnel expenses</b>	<u><u>717,180</u></u>	<u><u>659,212</u></u>

The amounts referring to provisions for retirement benefits in the amount of MKD 23,837 thousand (2008: MKD 1,389 thousand) are presented in Note 16.

	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
Average number of employees for the period	1,149	1,170
Number of permanent employees at year-end	1,142	1,185
Number of temporary employees at year-end	6	4

NOTES TO THE FINANCIAL REPORTS  
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15. DEPRECIATION

	<b>In thousands of Denars</b>	
	<b>current year 2009</b>	<b>previous year 2008</b>
	<hr/>	<hr/>
<b>Depreciation of intangible assets</b>		
Internal developed software	-	-
Software acquired from external suppliers	40,754	49,394
Other internal developed intangible assets	-	-
Other intangible assets	-	-
Intangible leasehold improvements	-	-
	<hr/>	<hr/>
	40,754	49,394
<b>Depreciation of property and equipment</b>		
Buildings	30,042	28,530
Means of transport	2,294	1,108
Furniture and equipment	9,137	5,021
Other equipment	86,863	76,619
Other items of property and equipment	6,154	3,075
Property and equipment leasehold improvements	11,134	7,083
	<hr/>	<hr/>
	145,624	121,436
<b>Total depreciation</b>	<hr/> <hr/>	<hr/> <hr/>
	186,378	170,830

**NOTES TO THE FINANCIAL REPORTS**  
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**16. OTHER OPERATING EXPENSES**

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
Loss from sale of assets available for sale	-	-
Software licensing expense	-	-
Deposit insurance premia	233,254	202,962
Premia on property and employee insurance	15,665	16,158
Materials and services	506,078	453,653
Administrative and marketing expense	104,122	166,930
Other taxes and contributions	3,356	11,207
Rental expense	45,469	32,115
Court dispute expense	27,095	23,578
Special reserve for off-balance sheet exposure, on a net basis	14,665	15,209
Provisions for pension and other employee benefits, on a net basis	23,837	1,389
Provisions for contingent liabilities based on court disputes, on a net basis	12,240	-
Other provisions, on a net basis	-	-
Loss from sale of:		
property and equipment	14	8
intangible assets	-	-
foreclosed assets	-	221
non-current assets held for sale and group for sale	-	-
Other:		
business trip expense	11,113	17,413
extraordinary expense and other costs	52,520	14,814
<b>Total other operating expense</b>	<b>1,049,428</b>	<b>955,657</b>



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## 17. INCOME TAX

## A. Expense/(income) for current and deferred tax

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<b>Current income tax</b>		
Expense/(income) based on current income tax for the year	15,160	165,316
Adjustments for previous years	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	-	-
	<u>15,160</u>	<u>165,316</u>
<b>Deferred income tax</b>		
Deferred income tax that arises from temporary differences for the year	(11,389)	2,187
Recognition of previous unrecognized tax losses	-	-
Changes in tax rate	-	-
Introduction of new taxes	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Other	-	-
	<u>(11,389)</u>	<u>2,187</u>
<b>Total expense/(return) on income tax</b>	<u><u>3,771</u></u>	<u><u>167,503</u></u>

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<b>Current income tax</b>		
Recognized in income statement	15,160	165,316
Recognized in capital	-	-
	<u>15,160</u>	<u>165,316</u>
<b>Deferred income tax</b>		
Recognized in income statement	(8,054)	159
Recognized in capital	(3,335)	2,028
	<u>(11,389)</u>	<u>2,187</u>
<b>Total expense/(return) on income tax</b>	<u><u>3,771</u></u>	<u><u>167,503</u></u>

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**17. INCOME TAX (continued)**

**B. Reconciliation between average effective tax rate and applicable tax rate**

	<u>in %</u>	<u>in thousands of Denars</u>	<u>in %</u>	<u>in thousands of Denars</u>
	<u>current year 2009</u>		<u>previous year 2008</u>	
Profit/(loss) before taxation	100.00	697,279	100.00	1,499,896
Income tax as per applicable tax rate	10.00	69,728	10.00	149,990
Effects from different tax rates in other countries	-	-	-	-
Adjustments for previous years and changes in tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Expense unrecognized for tax purposes	2.35	16,365	1.17	17,609
Tax-exempt income	-	-	(0.24)	(3,630)
Tax exemption unrecognized in income statement	-	-	0.09	1,347
Recognition of previous unrecognized tax losses	-	-	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	(0.17)	(1,205)	-	-
Changes in deferred tax	(1.16)	(8,054)	0.01	159
Other	(10.00)	(69,728)	-	-
<b>Total expense/(return) on income tax</b>		<b>7,106</b>		<b>165,475</b>
<b>Average effective tax rate</b>	<b>1.02</b>		<b>11.03</b>	

In accordance with amendments to income tax implemented on fiscal 2009, the realized profit, after taxation of certain expenses that are not tax recognized, is not taxable in full if it is not intended for paying dividends and other distributions from the profit in cash or non-cash that are taxable at the time of their disbursement. This amendment has no effect on distribution of accumulated earnings realized for the previous 2008 year and earlier.

For the fiscal 2009, the Bank used the right to full exemption from paying income tax based on undistributed profit realized for the current year.

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## 18. CASH AND CASH EQUIVALENTS

	<b>In thousands of Denars</b>	
	<b>current year 2009</b>	<b>previous year 2008</b>
Cash on hand	889,586	1,279,696
Accounts and deposits with NBRM, besides mandatory FC deposits	2,809,629	2,847,449
Current accounts and transaction deposits with foreign banks	352,387	431,026
Current accounts and transaction deposits with local banks	1,831	794
T-bills that may be traded in the secondary market	5,116,501	2,486,424
Government bills that may be traded in the secondary market	976,720	49,645
Time deposits up to 3 months	4,968,962	1,238,338
Other short-term highly liquid assets	1,234	2,005
Receivables based on interest	25,754	2,107
(Value adjustment)	-	-
<b>Included in cash and cash equivalents for the needs of the Statement on cash flows</b>	<b>15,142,604</b>	<b>8,337,484</b>
Mandatory FC deposits	2,861,088	2,367,051
Restricted deposits	-	335,360
(Value adjustment)	-	-
<b>Total</b>	<b>18,003,692</b>	<b>11,039,895</b>

	<b>In thousands of Denars</b>	
	<b>current year 2009</b>	<b>previous year 2008</b>
<b>Movements in value adjustment</b>		
As at January 1	-	-
Value adjustment for the year	-	-
Additional value adjustment	-	-
(Release of value adjustment)	-	-
Discount effects	-	-
(Written off receivables)	-	-
<b>As at December 31</b>	<b>-</b>	<b>-</b>

Level of mandatory deposits in foreign currency is determined in the amount of 2.861.088 thousand of Denars (2008:2.367.051 thousand of Denars) and it represents the prescribed amount of deposits allocated in accordance with the Decision on mandatory reserves with NBRM. The mandatory reserves in foreign currency are based on the average amount of deposits in foreign currencies existing during one calendar month. These reserves earn no interest.

The accounts and deposits with NBRM, except for the mandatory deposits in foreign currency in the amount of 2,809,629 thousand of Denars (2008: 2,847,449 thousand of Denars), represent mandatory reserve in Denars. The mandatory reserves in Denars bear an interest at a rate of 2% p.a. (2008: 2% p.a.).

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**18. CASH AND CASH EQUIVALENTS (continued)**

Treasury bills that can be traded at the secondary market in the amount of 5,116,501 thousand of Denars (2008: 2,486,424 thousand of Denars) have been purchased from NBRM with maturity period of 28 days. Depending on maturity, interest rates on these bills are 8.50 (2008: 4.09% to 7.00% p.a.).

Government bills that can be traded at the secondary market in amount of 976,720 thousands of Denars (2008: 49,645 thousands of Denars) have been purchased from the Ministry of Finance of the Republic of Macedonia with a maturity of three months up to six months. Depending on maturity, interest rates range from 5.3% to 5.5% (2008: 4.71% to 8.00% p.a.)

**19. TRADING ASSETS**

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<i>Trading securities</i>		
<i>Debt securities for trading</i>		
T-bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	109,538	59,062
Corporate bonds	-	-
Other debt instruments	-	-
	<u>109,538</u>	<u>59,062</u>
Quoted	47,361	59,062
Unquoted	62,177	-
<i>Equity instruments for trading</i>		
Equity instruments issued by banks	89,736	58,707
Other equity instruments	-	-
	<u>89,736</u>	<u>58,707</u>
Quoted	89,736	58,707
Unquoted	-	-
<i>Trading derivatives</i>		
Agreements dependant on interest rate change	-	-
Agreements dependant on exchange rate change	-	-
Agreements dependant on changes in price of securities	-	-
Other agreements that meet the IAS 39 criteria	-	-
	<u>-</u>	<u>-</u>
<b>Total trading assets</b>	<u><u>199,274</u></u>	<u><u>117,769</u></u>

The Bank trades in the trading securities in order to generate profit from the short-term fluctuations in their stock price. The Bank is not able to exert significant influence over the companies in which it holds equity securities due to the insignificant percentage it has in the ordinary share capital in these companies.

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20. FINANCIAL ASSETS AT FAIR VALUE THROUGH THE INCOME STATEMENT,  
DETERMINED AS SUCH AT INITIAL RECOGNITION

	In thousands of Denars	
	current year 2009	previous year 2008
	-----	-----
<i>Debt securities</i>		
T-bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-----	-----
	-	-
Quoted	-	-
Unquoted	-	-
<i>Equity instruments</i>		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-----	-----
	-	-
Quoted	-	-
Unquoted	-	-
Placements with and loans to banks	-	-
Placements with and loans to other clients	-	-
	-----	-----
<b>Total financial assets at fair value through the income statement determined as such at initial recognition</b>	<b>-----</b>	<b>-----</b>
	<b>-</b>	<b>-</b>

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21. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

	current year 2009		In thousands of Denars previous year 2008	
	derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
<b>A. Derivatives for protection against risk/Derivatives held for risk management</b>				
A.1 <i>by type of variable</i>				
<b>Derivatives held for risk management</b>				
Agreements dependant on interest rate change	-	-	-	-
Agreements dependant on exchange rate change	-	-	-	-
Agreements dependant on changes in price of securities	-	-	-	-
Other agreements that meet the IAS 39 criteria	-	-	-	-
<b>Total derivatives held for risk management</b>	-	-	-	-
A.2 <i>by type of protection against risk</i>				
Protection against risk to fair value	-	-	-	-
Protection against risk to cash flows	-	-	-	-
Protection against risk to net investment in international operations	-	-	-	-
<b>Total derivatives held for risk management</b>	-	-	-	-
<b>B Inherent derivatives</b>				
Agreements dependant on interest rate change	-	-	-	-
Agreements dependant on exchange rate change	-	-	-	-
Agreements dependant on changes in price of securities	-	-	-	-
Other agreements that meet the IAS 39 criteria	-	-	-	-
<b>Total inherent derivatives</b>	-	-	-	-
<b>Total derivatives held for risk management</b>	-	-	-	-

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## 22. LOANS AND PLACEMENTS

## 22.1 PLACEMENTS WITH AND LOANS TO BANKS

	current year 2009		In thousands of Denars previous year 2008	
	short-term	long-term	short-term	long-term
Loans to banks				
domestic banks	50,045	-	380,077	-
foreign banks	76,902	-	75,785	-
Time deposits at maturity period of				
over 3 months			-	
domestic banks		-	-	-
foreign banks	-	-	-	-
Repo				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Other receivables				
domestic banks	-	-	-	-
foreign banks	-	44,135	-	36,807
Receivables based on interests	434	-	732	-
Current maturity	-	-	-	-
<b>Total placements with and loans to banks before value adjustment</b>	<b>127,381</b>	<b>44,135</b>	<b>456,594</b>	<b>36,807</b>
(Value adjustment)	(24,741)	-	(29,093)	-
<b>Total placements with and loans to banks less value adjustment</b>	<b>102,640</b>	<b>44,135</b>	<b>427,501</b>	<b>36,807</b>

	In thousands of Denars	
	current year 2009	previous year 2008
<b>Movements in value adjustment</b>		
As at January 1	29,093	26,067
Value adjustment for the year		
additional value adjustment	33	4,928
(release of value adjustment)	(4,142)	(1,902)
Discount effects	-	-
(Written off receivables)	(243)	-
<b>As at December 31</b>	<b>24,741</b>	<b>29,093</b>

**22. LOANS AND PLACEMENTS (continued)**

**22.2 PLACEMENTS WITH AND LOANS TO BANKS (continued)**

Part of loans and advances with banks amounting to 75,975 thousand of Denars (2008: 75,785 thousand of Denars) are limited and represent funds with banks in Republic of Serbia, for which bankruptcy proceedings were initiated in January 2002.(Note 34.1).

Part of facilities with foreign banks are as well the restricted accounts totaling 44,135 thousand of Denars (2008: 36,807 thousand of Denars), which represent deposits with Barclays' Bank, London, Great Britain, as collateral for VISA credit card transactions. These funds are not available in Bank's daily operations.



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## 22. LOANS AND PLACEMENTS (continued)

## 22.2 PLACEMENTS WITH AND LOANS TO CUSTOMERS

## A. Structure of placements with and loans to customers by type of debtor

	current year 2009		In thousands of Denars previous year 2008	
	short-term	long-term	short-term	long-term
Non-finance companies				
receivables upon principal	9,710,926	9,874,623	10,512,680	10,260,558
interest receivables	73,752	-	73,307	-
Government				
receivables upon principal	22,254	29,727	23,035	205,070
interest receivables	205	-	449	-
Non-profit institutions that serve households				
receivables upon principal	351	15,227	259	17,748
interest receivables	103	-	75	-
Financial companies, besides banks				
receivables upon principal	-	83	190	235
interest receivables	1	-	2	-
Households				
receivables upon principal				
housing loans	116,870	5,982,100	58,167	5,045,662
consumer loans	412,987	4,999,938	380,100	5,226,734
auto loans	51,403	1,846,432	32,929	1,714,131
mortgage loans	-	-	-	-
credit cards	1,052,387	10,061,070	370,098	10,289,254
other loans	150,623	1,081,484	146,566	908,646
interest receivables	127,454	-	117,516	-
Non-residents, besides banks				
receivables upon principal	15	-	16	-
interest receivables	-	-	-	-
Current maturity	4,278,490	(4,278,490)	4,406,272	(4,406,272)
<b>Total placements with and loans to customers before value adjustment</b>	<b>15,997,821</b>	<b>29,612,194</b>	<b>16,121,661</b>	<b>29,261,766</b>
(Value adjustment)	(4,009,277)	-	(3,703,137)	-
<b>Total placements with and loans to customers less value adjustment</b>	<b>11,988,545</b>	<b>29,612,194</b>	<b>12,418,524</b>	<b>29,261,766</b>

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## 22. LOANS AND PLACEMENTS (continued)

## 22.2 PLACEMENTS WITH, AND LOANS TO CUSTOMERS (continued)

## A. Structure of placements with and loans to customers by type of debtor (continued)

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<b>Value adjustment movement on a separate basis</b>		
As at 1 January	2,845,327	2,816,338
Value adjustment for the year		
additional value adjustment	1,675,646	581,558
(release of value adjustment)	(369,306)	(119,602)
Exchange rate gains/losses effects	-	-
(Written off receivables)	(311,678)	(432,967)
<b>As at 31 December</b>	<b>3,839,989</b>	<b>2,845,327</b>
<b>Value adjustment movement on a group basis</b>		
As at 1 January	857,810	241,027
Value adjustment for the year		
additional value adjustment	175,781	621,974
(release of value adjustment)	(6,493)	(5,191)
Exchange rate gains/losses effects	-	-
(Written off receivables)	(857,810)	-
<b>As at 31 December</b>	<b>169,288</b>	<b>857,810</b>
<b>Total value adjustment for placements with and loans to customers</b>	<b>4,009,277</b>	<b>3,703,137</b>

For presentation purposes, the data for the previous year of 2008 referring to non-performing interest have been corrected, thereby decreasing the total gross exposure of loans and claims on other clients and the appropriate total value adjustment by the amount of 2,952,315 thousands of denars (1 January 2008: 3,027,684 thousands of denars).

NOTES TO THE FINANCIAL REPORTS  
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22. LOANS AND PLACEMENTS (continued)

22.2 PLACEMENTS WITH AND LOANS TO CUSTOMERS (continued)

B. Structure of placements with and loans to customers by type of security

	In thousands of Denars current year 2009	previous year 2008
<i>(current carrying amount of placements and loans)</i>		
First-class security instruments:		
cash deposits (in depot and/or restricted in accounts with the Bank)	556,782	287,376
government securities	-	-
government unconditional guarantees	-	-
bank guarantees	80,024	104,279
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except for bank and insurance company guarantees)	1,361,496	1,741,939
Guarantees from individuals	-	-
Mortgage on property:		
private property (flats, houses)	9,402,181	8,642,407
commercial property	9,907,761	10,106,714
Pledge over movables	4,249,151	4,388,898
Other types of security	277,465	242,215
Unsecured	15,765,878	16,166,462
<b>Total placements with and loans to customers less value adjustment</b>	<u>41,600,738</u>	<u>41,680,290</u>

**NOTES TO THE FINANCIAL REPORTS**  
**December 31, 2009****22. LOANS AND PLACEMENTS (continued)****22.2 LOANS TO CUSTOMERS (continued)****Risks and uncertainties**

Management of the Bank has recorded provisions for impairment losses for all known and estimated risks as of the date of the financial statements. The Bank's portfolio contains a number of debtors whose ability to service and repay their debts has been impacted by economic developments in the Republic of Macedonia. The portfolio also contains a number of debtors that are involved in restructuring processes that are expected to lead to either partial or complete recoveries of the Bank's receivables. The receivables from such debtors were classified on the latest available information and the expected course of the restructuring process.

The Bank continues to be collateralized primarily by real estate, industrial land, buildings and equipment and in the case of retail loans depending on the type of loan product. Depending on the classification of loans, management is maximizing efforts to realize collateral on a timely basis. In the event that this proves to be unsuccessful, additional provisions for impairment losses will need to be made in future.

The Bank's operation could be influenced by the financial trends in case of worsening of the overall global and local economic environment. During the third and fourth quarter of 2009, when the global financial crisis have commenced to influence the local economy, the Bank did not face any liquidity problems and undertook measures of strengthening its capital base through additional subordinated loans obtained from its parent company and retaining the earnings.

The potential impact of the financial crisis could be expected in restraining domestic savings. The management of the Bank is reacting appropriately to any new developments to the market and economy as a whole. Some of the measures undertaken are: limiting long-term financing as compared to the short-term financing, developing new loan products with higher interest margins, strengthening monitoring of the large customers and industry sectors to which the Bank is mostly exposed, making appropriate balance between the lending and borrowing interest rates, reassessment of the relationships with the corresponding banks and other participants in the local financial markets, where possible increase of collateral limits. All the above is focusing to protect and develop current and future customer/depositor base and achievement of the Bank's goals and objectives for 2010 and beyond.

Currently, the impact of the financial crisis has limited impact on the Bank's operations; however, future unfavorable developments in certain industry sectors may have impact on the customer's ability for loan's repayment, which may consequently have impact on the level of loan value adjustment. Based on the above, any additional adjustment, if any, cannot be determined at this stage with any reasonable accuracy.

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

## 23. INVESTMENTS IN SECURITIES

## 23.1 INVESTMENT IN AVAILABLE-FOR-SALE SECURITIES

	<b>In thousands of Denars current year 2009</b>	<b>previous year 2008</b>
<i>Debt securities</i>		
T-bills	-	-
Government bills	359,548	138,496
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	<u>359,548</u>	<u>138,496</u>
Quoted	359,548	138,496
Unquoted	-	-
<i>Equity instruments</i>		
Equity instruments issued by banks	3,476	3,476
Other equity instruments	362,970	388,447
	<u>366,446</u>	<u>391,923</u>
Quoted	21,720	21,720
Unquoted	344,726	370,203
	<u>366,446</u>	<u>391,923</u>
<b>Total investment in financial instruments available for sale before value adjustment</b>	725,994	530,419
(Value adjustment)	<u>(285,196)</u>	<u>(268,178)</u>
<b>Total investment in financial instruments available for sale less value adjustment</b>	<u><u>440,798</u></u>	<u><u>262,241</u></u>
	<b>In thousands of Denars current year 2009</b>	<b>previous year 2008</b>
<b>Movements in value adjustment</b>		
As at January 1	268,178	277,149
Value adjustment for the year		
additional value adjustment	17,018	-
(release of value adjustment)	-	(8,971)
Exchange rate gains/losses effects	-	-
(Written off receivables)	-	-
	<u>285,196</u>	<u>268,178</u>
<b>As at December 31</b>	<u><u>285,196</u></u>	<u><u>268,178</u></u>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

## 23. INVESTMENTS IN SECURITIES (continued)

## 23.2 INVESTMENT IN HELD-TO-MATURITY SECURITIES

	<b>In thousands of Denars</b>	<b>previous</b>
	<b>current</b>	<b>year</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<i>Debt securities</i>		
T-bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds	2,722,287	3,298,078
Corporate bonds	306,692	309,148
Other debt instruments	-	-
	<u>3,028,979</u>	<u>3,607,226</u>
Quoted	2,722,287	3,298,078
Unquoted	<u>306,692</u>	<u>309,148</u>
<b>Total investment in financial instruments held to maturity before value adjustment</b>	3,028,979	3,607,226
(Value adjustment)	-	-
<b>Total investment in financial instruments held to maturity less value adjustment</b>	<u><u>3,028,979</u></u>	<u><u>3,607,226</u></u>

	<b>In thousands of Denars</b>	<b>previous</b>
	<b>current</b>	<b>year</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<b>Movements in value adjustment</b>		
As at January 1	-	-
Value adjustment for the year		
additional value adjustment	-	-
(release of value adjustment)	-	-
Exchange rate gains/losses effects	-	-
(Written off receivables)	-	-
	<u>-</u>	<u>-</u>
<b>As at December 31</b>	<u><u>-</u></u>	<u><u>-</u></u>

Part of the government bonds amounting to 2,625,064 thousand of Denars (2008: 3,162,390 thousand of Denars) represent bonds issued by the Republic of Macedonia in exchange for the Bank's receivables from four major debtors in accordance with the Law for guaranteeing the investment of strategic investors and taking over of receivables from end beneficiaries by the Republic of Macedonia in the Bank. These bonds bear an interest rate of three month EURIBOR plus 1 p.p. and are repayable in 56 equal quarterly installments commencing from 2001 to 2014.

Part of the government bonds amounting to 74,835 thousand of Denars (2008: 107,653 thousand of Denars) represent bonds from old foreign exchange savings deposits issued by the Republic of Macedonia in May 2000. These bonds bear a fixed interest rate of 2% p.a. and are repayable in semi-annual installments commencing from April 2002 to October 2011.

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**December 31, 2009**

**23. INVESTMENTS IN SECURITIES (continued)**

**23.2 INVESTMENT IN HELD-TO-MATURITY SECURITIES (continued)**

The rest of the bonds amounting to 22,388 thousand of Denars (2008: 25,861 thousand of Denars) represent denationalization bonds issued by the Republic of Macedonia in February 2004. These bonds bear a fixed interest rate of 2% p.a. and are repayable in annual installments commencing from June 2006 to June 2014.

The Corporate bonds represent bond issued from NLB Tutunska Banka a.d. Skopje in the amount of 306,692 thousand of Denars (2008: 309,148 thousand of Denars), which is non-convertible and non-transferable. This bond bears an interest rate of six-month EURIBOR plus 1.2 p.a. with semi-annual payment of interest. The principal amount is repayable in three years commencing from May 2009 to November 2011.

**24. INVESTMENT IN AFFILIATED ENTITIES**

**A. Bank's participation in subsidiaries and affiliated entities**

Name of subsidiaries and affiliated entities	Country	Percentage of share in ownership		Percentage of voting right	
		current	previous	current	previous
		year 2009	year 2008	year 2009	year 2008
-	-	-	-	-	-

**B. Financial data on affiliated companies – 100 percent**

Name of affiliated entities	Total assets	Total liabilities	Total equity and reserves	In thousands of Denars	
				Income	Profit/(loss) for the financial year
Current year 2009	-	-	-	-	-
Previous year 2008	-	-	-	-	-

Investments in affiliated entities at 1 January 2008 consist of 100% investment in the company Stoba Trejd, Skopje in nominal amount of 249 thousand of Denars, for which the Bank made provisions for potential losses and uncollectability of 100% in 2007. In compliance with the amendments to the Banking Law, the above-mentioned company was liquidated in 2008.

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## 25. OTHER RECEIVABLES

	In thousands of Denars	
	current year 2009	previous year 2008
Receivables on buyers	104,321	186,932
Costs paid in advance	44,255	59,826
Calculated deferred income	-	-
Receivables upon fees and commissions	33,692	62,265
Receivables on employees	-	-
Advances for intangible assets	-	-
Advances for property and equipment	9,751	12,169
Other:		
Stock of materials	8,929	8,285
Receivables for overpaid VAT	11,659	10
Numismatic collections	10,034	10,078
Arka Sub-branch (court dispute)	11,500	11,500
Receivables under disbursements upon foreign VISA cards	44,792	47,450
Other	12,689	14,533
<b>Total other receivables before value adjustment</b>	<b>291,622</b>	<b>413,048</b>
(Value adjustment)	(28,789)	(63,385)
<b>Total other receivables less value adjustment</b>	<b>262,833</b>	<b>349,663</b>

	In thousands of Denars	
	current year 2009	previous year 2008
<b>Movements in value adjustment</b>		
As at January 1	63,385	81,022
Value adjustment for the year		
additional value adjustment	16,285	15,209
(release of value adjustment)	(26,115)	(32,846)
Exchange rate gains/losses effects	-	-
(Written off receivables)	(24,766)	-
<b>As at December 31</b>	<b>28,789</b>	<b>63,385</b>

## 26. COLLATERALIZED ASSETS

	In thousands of Denars	
	current year 2009	previous year 2008
Debt securities	-	-
Equity instruments	-	-
<b>Total collateralized assets</b>	<b>-</b>	<b>-</b>



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## 27. ASSETS ACQUIRED THROUGH FORECLOSURE PROCEEDINGS

	In thousands of Denars					Total
	Land	Buildings	Equipment	Residential facilities and flats	Other valuables	
<b>Purchase value</b>						
As at January 1, 2008	6,109	561,373	15,261	276,457	3,098	862,298
Assets acquired during the year	237	38,302	24,281	13,710	-	76,530
Sold during the year	-	(76,422)	-	(91,134)	(378)	(167,934)
Transfer to own assets	-	-	-	-	-	-
<b>As at December 31, 2008</b>	<b>6,346</b>	<b>523,253</b>	<b>39,542</b>	<b>199,033</b>	<b>2,720</b>	<b>770,894</b>
As at January 1, 2009	6,346	523,253	39,542	199,033	2,720	770,894
Assets acquired during the year	19	306,401	-	16,264	-	322,684
Sold during the year	-	(213,706)	(4,676)	(10,594)	-	(228,976)
Transfer to own assets	-	-	-	-	-	-
<b>As at December 31, 2009</b>	<b>6,365</b>	<b>615,948</b>	<b>34,866</b>	<b>204,703</b>	<b>2,720</b>	<b>864,602</b>
<b>Impairment</b>						
As at January 1, 2008	-	67,201	3,526	41,149	987	112,863
Impairment loss during the year	2,251	42,576	25,865	14,414	-	85,106
Transfer to own assets	-	-	-	-	-	-
<b>As at December 31, 2008</b>	<b>2,251</b>	<b>109,777</b>	<b>29,391</b>	<b>55,563</b>	<b>987</b>	<b>197,969</b>
As at January 1, 2009	2,251	109,777	29,391	55,563	987	197,969
Impairment loss during the year	203	58,010	938	848	-	59,999
Transfer to own assets	-	-	-	-	-	-
<b>As at December 31, 2009</b>	<b>2,454</b>	<b>167,787</b>	<b>30,329</b>	<b>56,411</b>	<b>987</b>	<b>257,968</b>
<b>Current carrying amount</b>						
As at January 1, 2008	6,109	494,172	11,735	235,308	2,111	749,435
<b>As at 31 December 2008</b>	<b>4,095</b>	<b>413,476</b>	<b>10,151</b>	<b>143,470</b>	<b>1,733</b>	<b>572,925</b>
<b>As at 31 December 2009</b>	<b>3,911</b>	<b>448,162</b>	<b>4,537</b>	<b>148,292</b>	<b>1,733</b>	<b>606,635</b>

The assets acquired through foreclosure procedure include business premises, flats and buildings not used in Bank's regular operations. In the course of 2009, the Bank recorded impairment losses for these assets in total amount of 59,999 thousand of Denars (2008: 85,106 thousand of Denars) (Note 13).

During 2009, the Bank engaged two external appraisal companies (2008: two) that appraised the total assets in order to determine their fair value.

During this period, the Bank sold 9 assets (2008: 54 assets) at total value of 224,300 thousand of Denars (2008: 132,525 thousand of Denars), and foreclosed 28 buildings (2008: 5 buildings) at total value of 297,606 thousand of Denars (2008: 16,397 thousand of Denars). Activities are being undertaken for preparing the foreclosed assets during 2009 for sale, as the Bank policy is to sell these buildings in a period of 3 years.

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## 28. INTANGIBLE ASSETS

## A. Reconciliation of current carrying amount

	In thousands of Denars					Total
	Internal developed software	Software bought from external suppliers	Other internal developed intangible assets	Other intangible assets	Investments in intangible assets taken under lease	
<b>Purchase value</b>						
As at January 1, 2008	-	429,828	-	-	-	429,828
increases by new supplies	-	104,922	-	-	-	104,922
increases by internal development	-	-	-	-	-	-
increases by business combinations (sale and entering as expenditure)	-	(282)	-	-	-	(282)
(entering as expenditure through business combinations)	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-
<b>As at 31 December, 2008</b>	-	534,468	-	-	-	534,468
As at January 1, 2009	-	534,468	-	-	-	534,468
increases by new supplies	-	23,402	-	-	-	23,402
increases by internal development	-	-	-	-	-	-
increases by business combinations (sale and entering as expenditure)	-	(63,864)	-	-	-	(63,864)
(entering as expenditure through business combinations)	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-
<b>As at 31 December, 2009</b>	-	494,006	-	-	-	494,006
<b>Accumulated depreciation and impairment</b>						
As at January 1, 2008	-	340,239	-	-	-	340,239
depreciation for the year	-	49,394	-	-	-	49,394
Impairment loss in the course of the year (release of impairment loss in the course of the year)	-	-	-	-	-	-
(sale and entering as expenditure)	-	(288)	-	-	-	(288)
<b>As at 31 December, 2008</b>	-	389,345	-	-	-	389,345
As at January 1, 2009	-	389,345	-	-	-	389,345
depreciation for the year	-	40,754	-	-	-	40,754
Impairment loss in the course of the year (release of impairment loss in the course of the year)	-	-	-	-	-	-
(sale and entering as expenditure)	-	(63,289)	-	-	-	(63,289)
<b>As at 31 December, 2009</b>	-	366,810	-	-	-	366,810
<b>Current carrying amount</b>						
As at January 1, 2008	-	89,589	-	-	-	89,589
<b>As at 31 December, 2008</b>	-	145,123	-	-	-	145,123
<b>As at 31 December, 2009</b>	-	127,196	-	-	-	127,196

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**28. INTANGIBLE ASSETS (continued)**

**B. Carrying amount of intangible assets for which there is limitation regarding ownership and/or have been pledged as security for Bank's liabilities**

	In thousands of Denars					
	Internal developed software	Software bought from external suppliers	Other internal developed intangible assets	Other intangible assets	Investments in intangible assets taken under lease	Total
<b>Current carrying amount as at</b>						
December 31, 2008	-	-	-	-	-	-
December 31, 2009	-	-	-	-	-	-

As at December 31, 2009 and 2008, the Bank has no intangible assets for which there is limitation regarding ownership and/or have been pledged as security for Bank's liabilities.

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**29. PROPERTY AND EQUIPMENT**

**A. Reconciliation of the present carrying amount**

**In thousands of  
Denars**

	<b>Buildings</b>	<b>Transport vehicles</b>	<b>Furniture and office equipme nt</b>	<b>Other equipme nt</b>	<b>Other items of propert y and equipme nt</b>	<b>Property and equipme nt in progress</b>	<b>Leasehold improve ments</b>	<b>Total</b>
<b>Purchase value</b>								
As at 1 January 2008	1,175,880	49,584	1,202,191	71,968	64,053	74,681	52,556	2,690,913
Increments	25,528	2,634	144,018	4,474	-	61,076	22,164	259,894
Increments by business combinations (sale and entering as expenditure )	(34,304)	-	(67,169)	-	(5,119)	(113,463)	-	(220,055)
(entering as expenditure through business combinations)	-	-	-	-	-	-	-	-
Transfer to non-current assets held-for-sale ( transfer from non-current assets held-for- sale )	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
<b>As at 31 December 2008</b>	<b>1,167,104</b>	<b>52,218</b>	<b>1,279,040</b>	<b>76,442</b>	<b>58,934</b>	<b>22,294</b>	<b>74,720</b>	<b>2,730,752</b>
As at 1 January 2009	1,167,104	52,218	1,279,040	76,442	58,934	22,294	74,720	2,730,752
Increments	21,652	2,640	37,983	5,748	-	81,428	13,004	162,455
Increments by business combinations (sale and entering as expenditure )	(18,564)	(28,181)	(155,577)	(5,017)	(1,175)	-	(351)	(208,865)
(entering as expenditure through business combinations)	-	-	-	-	-	-	-	-
Transfer to non-current assets held-for-sale ( transfer from non-current assets held-for- sale )	-	-	-	-	-	-	-	-
Other transfers	4,120	-	51,634	-	-	(61,675)	6,498	577
<b>As at 31 December 2009</b>	<b>1,174,312</b>	<b>26,677</b>	<b>1,213,080</b>	<b>77,173</b>	<b>57,759</b>	<b>42,047</b>	<b>93,871</b>	<b>2,684,919</b>
<b>Amortization and impairment</b>								
As at 1 January 2008	322,806	46,725	1,027,225	47,956	14,439	-	32,295	1,491,446
Depreciation for the year	28,530	1,108	76,619	5,021	3,075	-	7,083	121,436
Impairment loss during the year (release of impairment loss during the year)	-	-	10,565	-	-	-	-	10,565
(sale and entering as expenditure )	(15,207)	-	(78,398)	-	(2,710)	-	-	(96,315)
(transfer to non-current assets held-for-sale) transfer from non-current assets held-for- sale	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-
<b>As at 31 December 2008</b>	<b>336,129</b>	<b>47,833</b>	<b>1,036,011</b>	<b>52,977</b>	<b>14,804</b>	<b>-</b>	<b>39,378</b>	<b>1,527,132</b>
As at 1 January 2009	336,129	47,833	1,036,011	52,977	14,804	-	39,378	1,527,132
Depreciation for the year	28,571	2,294	97,283	4,871	1,471	-	11,134	145,624
Impairment loss during the year (release of impairment loss during the year)	19,834	-	-	-	-	-	-	19,834
(sale and entering as expenditure )	(5,472)	(28,181)	(154,863)	(4,984)	(439)	-	(351)	(194,290)
(transfer to non-current assets held-for-sale) transfer from non-current assets held-for- sale	-	-	-	-	-	-	-	-
Other transfers	4	-	(4)	-	-	-	-	-
<b>As at 31 December 2009</b>	<b>379,066</b>	<b>21,946</b>	<b>978,427</b>	<b>52,864</b>	<b>15,836</b>	<b>-</b>	<b>50,161</b>	<b>1,498,300</b>
<b>Present carrying amount</b>								
As at 1 January 2008	853,074	2,859	174,966	24,012	49,614	74,681	20,261	1,199,467
<b>As at 31 December 2008</b>	<b>830,975</b>	<b>4,385</b>	<b>243,029</b>	<b>23,465</b>	<b>44,130</b>	<b>22,294</b>	<b>35,342</b>	<b>1,203,620</b>
<b>As at 31 December 2009</b>	<b>795,246</b>	<b>4,731</b>	<b>234,653</b>	<b>24,309</b>	<b>41,923</b>	<b>42,047</b>	<b>43,710</b>	<b>1,186,619</b>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

29. PROPERTY AND EQUIPMENT (continued)

B. Carrying amount of intangible assets over which there is limited ownership and/or over which collateral was established as security for the Bank's liabilities

In thousands of  
Denars

	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Leasehold improvements	Total
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Present carrying amount as at:  
31 December 2008  
31 December 2009

The Bank's buildings as of December 31, 2009 include property with a net carrying amount of Denar 131,995 thousand (2008: Denar 130,584 thousand), for which the Bank does not possess appropriate ownership title deeds due to incomplete cadastral records.

30. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

30.1 Current tax assets and current tax liabilities

	In thousands of Denars	
	current year 2009	previous year 2008
Income tax receivable (current)	10,283	-
Income tax payable (current)	-	49,054

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

30. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES (continued)

30.2 Deferred tax assets and deferred tax liabilities

A. Recognized deferred tax assets and deferred tax liabilities

	31 December 2009			In thousands of Denars 31 December 2008		
	Deferred tax assets	Deferred tax liabilities	On net basis	Deferred tax assets	Deferred tax liabilities	On net basis
Derivative assets held for risk management	-	-	-	-	-	-
Placements with and loans to banks	-	-	-	-	-	-
Placements with and loans to other clients	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unutilized tax losses and unutilized tax loans	-	-	-	-	-	-
Other	9,684	-	9,684	1,630	-	1,630
<b>Deferred tax assets/liabilities recognized in the Income Statement</b>	<b>9,684</b>	<b>-</b>	<b>9,684</b>	<b>1,630</b>	<b>-</b>	<b>1,630</b>
Investments in financial assets available-for-sale	-	-	-	-	(3,335)	(3,335)
Protection against cash flow risk	-	-	-	-	-	-
<b>Deferred tax assets/liabilities recognized in the capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,335)</b>	<b>(3,335)</b>
<b>Total recognized deferred tax assets/liabilities</b>	<b>9,684</b>	<b>-</b>	<b>9,684</b>	<b>1,630</b>	<b>(3,335)</b>	<b>(1,705)</b>

B. Unrecognized deferred tax assets

	In thousands of Denars	
	current year 2009	previous year 2008
Tax losses	-	-
Tax loans	-	-
<b>Total unrecognized deferred tax assets</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL REPORTS**  
**December 31, 2009**

**30. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES (continued)**

**30.2 Deferred tax assets and deferred tax liabilities (continued)**

**C. Reconciliation of movements of the deferred tax assets and deferred tax liabilities in the course of the year**

	As at January 1	Recognized in Income Statement	In thousands of Denars Recognized in capital	As at December 31
<b>31 December 2008</b>				
Derivative assets held for risk management	-	-		-
Placements with and loans to banks	-	-		-
Placements with and loans to other clients	-	-		-
Investments in securities	-	-		-
Intangible assets	-	-		-
Property and equipment	-	-		-
Other receivables	1,789	(159)		1,630
Derivative liabilities held for risk management	-	-		-
Other liabilities	-	-		-
Unutilized tax losses and unutilized tax loans	-	-		-
Other	-	-		-
Investments in financial assets available-for-sale	(1,307)		(2,028)	(3,335)
Protection against cash flow risk	-		-	-
<b>Total recognized deferred tax assets/(liabilities)</b>	<b>482</b>	<b>(159)</b>	<b>(2,028)</b>	<b>(1,705)</b>

**NOTES TO THE FINANCIAL REPORTS**  
**December 31, 2009**

**30. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES (continued)**

**30.2 Deferred tax assets and deferred tax liabilities (continued)**

**C. Reconciliation of movements of the deferred tax assets and deferred tax liabilities in the course of the year (continued)**

	In thousands of Denars			
	As at January 1	Recognized in Income Statement	Recognized in capital	As at December 31
<b>31 December 2009</b>				
Derivative assets held for risk management	-	-	-	-
Placements with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	1,630	8,054	-	9,684
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and unutilized tax loans	-	-	-	-
Other	-	-	-	-
Investments in financial assets available-for-sale	(3,335)	-	3,335	-
Protection against cash flow risk	-	-	-	-
<b>Total recognized deferred tax assets/(liabilities)</b>	<b>(1,705)</b>	<b>8,054</b>	<b>3,335</b>	<b>9,684</b>

**31. NON-CURRENT ASSETS HELD FOR SALE AND GROUP FOR SALE**

**A. Non-current assets held for sale**

	In thousands of Denars	
	current year 2009	previous year 2008
Intangible assets	-	-
Property and equipment	-	-
<b>Total non-current assets held for sale</b>	<b>-</b>	<b>-</b>



NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

31. NON-CURRENT ASSETS HELD FOR SALE AND GROUP FOR SALE (continued)

B. Group for sale

	In thousands of Denars current year 2009	Previous year 2008
<i>Group of assets for sale</i>		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investments in affiliates	-	-
Income tax receivables	-	-
Other assets	-	-
<b>Total group of assets for sale</b>	<b>-</b>	<b>-</b>
<i>Liabilities directly related to the group of assets for sale</i>		
Financial liabilities	-	-
Special reserve	-	-
Income tax payable	-	-
Other liabilities	-	-
<b>Total liabilities directly related to the group of assets for sale</b>	<b>-</b>	<b>-</b>

C. Profit/(loss) recognized from sale of assets held for sale and group for sale

	In thousands of Denars current year 2009	Previous year 2008
Profit/(loss) recognized from sale of held for sale assets and group for sale	-	-

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

32. TRADING LIABILITIES

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
<i>Deposits from banks</i>		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
<i>Deposits from other clients</i>		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
<i>Issued debt securities</i>		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
<i>Other financial liabilities</i>	-	-
<i>Trading derivatives</i>		
Agreements depending on interest rate change	-	-
Agreements depending on exchange rate change	1,196	-
Agreements depending on securities price change	-	-
Other agreements that fulfill IAS 39 criteria	-	-
	-	-
<b>Total trading liabilities</b>	<b>1,196</b>	<b>-</b>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

33. FINANCIAL LIABILITIES AT FAIR VALUE VIA THE INCOME STATEMENT,  
DETERMINED AS SUCH AT INITIAL RECOGNITION

	current year 2009		In thousands of Denars previous year 2008	
	Present carrying amount	Agreed amount, payable at maturity	Present carrying amount	Agreed amount, payable at maturity
<i>Deposits from banks</i>				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Deposits from other clients</i>				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Issued debt securities</i>				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
<i>Subordinated debt</i>	-	-	-	-
<i>Other liabilities</i>	-	-	-	-
<b>Total financial liabilities at fair value via the Income Statement, determined as such at initial recognition</b>	-	-	-	-

NOTES TO THE FINANCIAL REPORTS  
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## 34. DEPOSITS

## 34.1 DEPOSITS FROM BANKS

	current year 2009		In thousands of Denars previous year 2008	
	short-term	long-term	short-term	long-term
Current accounts				
with domestic banks	7,889	-	14,532	-
with foreign banks	53,732	-	64,960	-
Demand deposits				
with domestic banks	-	-	-	-
with foreign banks	-	-	-	-
Time deposits				
with domestic banks	-	-	381,480	-
with foreign banks	2,263,408	-	-	-
Restricted deposits				
with domestic banks	-	305,866	-	307,062
with foreign banks	63,640	-	51,819	-
Other deposits				
with domestic banks	-	-	-	-
with foreign banks	-	-	-	-
Liabilities on the basis of deposit interest				
with domestic banks	449	-	1,779	-
with foreign banks	191	-	-	-
Current maturity	-	-	-	-
<b>Total deposits from banks</b>	<b>2,389,309</b>	<b>305,866</b>	<b>514,570</b>	<b>307,062</b>

The restricted deposits held with domestic banks amounting to Denar 63,640 thousand (2008: Denar 51,819 thousand) represent deposits from banks in the Republic of Serbia which went into bankruptcy in January 2002 (Note 22.1).

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**December 31, 2009**

**34. DEPOSITS (continued)****34.2 DEPOSITS FROM OTHER CLIENTS**

	<b>current year 2009</b>		<b>In thousands of Denars previous year 2008</b>	
	<b>short-term</b>	<b>long-term</b>	<b>short-term</b>	<b>long-term</b>
Non-financial companies				
Current accounts	4,484,974	-	5,287,278	-
Demand deposits	16,628	-	58,947	-
Time deposits	7,294,278	451,255	8,053,232	473,565
Restricted deposits	136,077	263,802	244,791	169,176
Other deposits	79,156	-	28,292	-
Liabilities on the basis of deposit interest	121,646	-	100,616	-
	<u>12,132,759</u>	<u>715,057</u>	<u>13,773,156</u>	<u>642,741</u>
Government				
Current accounts	73,486	-	152,765	-
Demand deposits	-	-	-	-
Time deposits	2,500	-	5,350	-
Restricted deposits	361	-	-	-
Other deposits	-	-	-	-
Liabilities on the basis of deposit interest	14	-	21	-
	<u>76,361</u>	<u>-</u>	<u>158,136</u>	<u>-</u>
Non-profit institutions serving the households				
Current accounts	348,240	-	376,912	-
Demand deposits	617	-	2,202	-
Time deposits	216,063	9,180	221,638	9,180
Restricted deposits	3,151	10,539	-	4,422
Other deposits	-	-	-	-
Liabilities on the basis of deposit interest	4,278	-	4,175	-
	<u>572,349</u>	<u>19,719</u>	<u>604,927</u>	<u>13,602</u>
Financial companies, except banks				
Current accounts	64,251	-	85,408	-
Demand deposits	-	-	-	-
Time deposits	774,841	44,602	663,739	34,037
Restricted deposits	478	29,961	45	-
Other deposits	-	-	-	-
Liabilities on the basis of deposit interest	10,191	-	4,068	-
	<u>849,761</u>	<u>74,563</u>	<u>753,260</u>	<u>34,037</u>
Households				
Current accounts	11,349,822	-	9,111,819	-
Demand deposits	-	-	-	-
Time deposits	21,368,896	3,527,870	20,345,396	1,457,598
Restricted deposits	224,492	99,516	4,078	-
Other deposits	-	-	-	-
Payables based on interest under deposits	77,586	-	60,356	-
	<u>33,020,796</u>	<u>3,627,386</u>	<u>29,521,649</u>	<u>1,457,598</u>
Non-residents, except banks				
Current accounts	417,376	-	817,297	-
Demand deposits	-	-	-	-
Time deposits	173,099	8,996	134,953	5,581
Restricted deposits	55,887	-	-	-
Other deposits	-	-	-	-
Liabilities on the basis of deposit interest	54,345	-	54,043	-
	<u>700,707</u>	<u>8,996</u>	<u>1,006,293</u>	<u>5,581</u>
Current maturity	<u>1,769,235</u>	<u>(1,769,235)</u>	<u>410,041</u>	<u>(410,041)</u>
<b>Total deposits from other clients</b>	<u>49,121,968</u>	<u>2,676,486</u>	<u>46,227,462</u>	<u>1,743,518</u>

**NOTES TO THE FINANCIAL REPORTS**  
**December 31, 2009**

**35. ISSUED DEBT SECURITIES**

	<b>In thousands of Denars</b>	
	<b>current year 2009</b>	<b>previous year 2008</b>
	<u>          </u>	<u>          </u>
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Liabilities on the basis of interest on issued securities	<u>          </u>	<u>          </u>
<b>Total issued debt securities</b>	<u>          </u>	<u>          </u>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

## 36. LOANS PAYABLE

## A. Loans payable structure according to the type of liability and sector of the creditor

	current year 2009		In thousands of Denars previous year 2008	
	short-term	long-term	short-term	long-term
	Banks			
Residents			-	-
Loans payable	-	40,703	-	50,792
Repo-transactions	-	-	-	-
Liabilities based on interest	98	-	611	-
Non-residents				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Liabilities based on interest	-	-	-	-
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Liabilities based on interest	-	-	-	-
Government				
Loans payable	27,763	190,287	18,806	207,248
Repo-transactions	-	-	-	-
Liabilities based on interest	2,519	-	2,311	-
Non-profit institutions serving to households				
Loans payable	-	-	-	-
Liabilities based on interest	-	-	-	-
Financial companies, except banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Liabilities based on interest	-	-	-	-
Non-residents, except banks	-	-	-	-
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	5,957	-	5,957
Interest payables	-	-	-	-
Households				
Loans payable	-	-	-	-
Liabilities based on interest	-	-	-	-
	-	-	-	-
Current maturity	18,656	(18,656)	52,597	(52,597)
<b>Total loans payable</b>	<b>49,036</b>	<b>218,291</b>	<b>74,325</b>	<b>211,400</b>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

## 36. LOANS PAYABLE (continued)

## B. Loans payable according to the creditor

	current year 2009		In thousands of Denars previous year 2008	
	short-term	long-term	short-term	long-term
<i>domestic sources:</i>				
<b>Asset Management Agency</b> - long-term loans amounting to MKD 150,529 thousand (2008: MKD 150,526 thousand) matures and is payable in January 2020 on a one-time basis. Related fees for these loans are 1.5% per annum	1,130	149,399	1,127	149,399
<b>Agency for underdeveloped regions</b> – matures in 2010 and the interest rate is equal to 3.9% per annum (2008: 3.9% p.a.)	28,896	1,792	19,682	10,751
	30,026	151,191	20,809	160,150
<i>Foreign sources:</i>				
<b>Council of Europe Social Development Fund</b> - matures in 2014 and bears fixed interest rate of 6.73% per annum.	256	39,096	308	47,098
<b>ICDF Taiwan</b> - to be repaid in 20 equal semi-annual installments until 2014 and bears interest rate of six month LIBOR decreased by 0.5% per annum.	98	40,703	611	50,792
Other banks	-	5,957	-	5,957
	354	85,756	919	103,847
Current maturity	18,656	(18,656)	52,597	(52,597)
<b>Total loans payable</b>	<b>49,036</b>	<b>218,291</b>	<b>74,325</b>	<b>211,400</b>



NOTES TO THE FINANCIAL REPORTS  
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## 37. SUBORDINATED DEBT

	<u>Maturity</u>	<u>Interest rate</u>	<u>In thousands of Denars</u>	
			<u>current year 2009</u>	<u>previous year 2008</u>
<i>Liabilities under subordinated deposits</i>				
Liabilities under principal			-	-
Liabilities based on interest			-	-
<i>Liabilities under subordinated loans</i>				
NBG Athens, Greece (principal EUR 20 million)	27.12.2016	3 month EURIBOR +0.85% p.a.	1,223,464	1,228,246
NBG Athens, Greece (principal EUR 25 million)	05.11.2018	3 month EURIBOR +3.7% p.a.	1,529,330	1,535,308
Liabilities based on interest			10,539	20,043
			<u>2,763,333</u>	<u>2,783,597</u>
<i>Liabilities under subordinated issued debt securities</i>				
Liabilities under principal			-	-
Liabilities based on interest			-	-
Redeemable preferred shares			-	-
<b>Total subordinated debt</b>			<u><u>2,763,333</u></u>	<u><u>2,783,597</u></u>

The received funds are aimed for strengthening the guarantee capital of the Bank, realization of the Bank's projected goals in accordance with the Business Plan of the Bank, increasing the competitive position and market share of the Bank, its profitability as well as for increasing Tier two coefficient of the capital adequacy and other qualitative and quantitative indicators of the Bank.

The interest is payable quarterly. It is mutually agreed with the creditor that the subordinated debt shall:

- be unconditionally irrevocable;
- be fully and timely available for covering the Bank's risks and operating losses;
- not be covered by other type of collateral by the Bank or a person related to the Bank;
- in the case of bankruptcy or liquidation of the Bank, the subordinated debt will be paid before settling the liabilities to the Bank's shareholders
- not be used for claims and contingent liabilities of the Bank
- not be treated as deposit.

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## 38. SPECIAL RESERVES AND PROVISIONS

In thousands of Denars

	Special reserves for off-balance sheet credit exposures	Provisions for contingent liabilities based on court disputes	Provisions for pensions and other employees benefits	Provisions for restructuring	Provisions for unfavorable agreements	Other provisions	Total
Balance as at January 1, 2008	157,363	3,200	14,908	-	-	-	175,471
Additional provisions during the year (utilized provisions during the year)	15,209	-	1,389	-	-	-	16,598
(provisions recovery during the year)	-	-	-	-	-	-	-
<b>Balance as at 31 December 2008</b>	<b>172,572</b>	<b>3,200</b>	<b>16,297</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>192,069</b>
Balance as at January 1, 2009	172,572	3,200	16,297	-	-	-	192,069
Additional provisions during the year (utilized provisions during the year)	14,665	12,240	23,837	-	-	-	50,742
(provisions recovery during the year)	-	-	(396)	-	-	-	(396)
<b>Balance as at 31 December 2009</b>	<b>101,646</b>	<b>15,440</b>	<b>38,787</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>155,873</b>

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

The principal actuarial assumptions used were as follows:

	<b>2009</b>	<b>2008</b>
Interest rate	6.0%	6.0%
Average salary increase	5.5%	6.0%
Inflation rate	3.0%	3.0%

Mortality rate:

From the study of the mortality rates in the last years, we have determined a representation of the expected current mortality rate in the Republic of Macedonia. We have used the Swiss mortality table, which is a reasonable approximation of the long-term mortality rate in the country.

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**39. OTHER LIABILITIES**

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
Liabilities to suppliers	11,209	15,101
Received advance payments	-	-
Liabilities for fees and commissions	30,651	29,190
Calculated costs	32,751	22,388
Deferred income from previous year	21,792	7,711
Short-term liabilities to employees	66	11
Short-term liabilities for employees benefits	25,661	23,254
Other:		
preferred cumulative shares	90,978	90,978
liabilities for dividend on preferred shares	10,251	8,022
disputed VISA cards transactions	4,811	10,257
unallocated inflows upon deposits and other inflows	173,933	81,764
other liabilities	33,998	212,556
<b>Total other liabilities</b>	<b>436,101</b>	<b>501,232</b>

As at December 31, 2009 the Bank has 227,444 non-redeemable cumulative preferred shares with a nominal value of Denar 400.

The non-redeemable cumulative preferred shares give preferential rights for dividend payments and are without voting rights. Preferred shares have no equal participation in equity in the event of a bankruptcy, i.e. liquidation of the Bank.

As at December 31, 2009 the Bank allocated an amount of Denar 9,325 thousand as a dividend to the holders of the non-redeemable cumulative preferred shares for the year 2009 (2008: Denar 7,960 thousand for the year 2008).

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## 40. SUBSCRIBED CAPITAL

## A. Subscribed capital

	In MKD		Number of issued shares				In thousands of Denars	
	Share nominal value		Common shares		Non-redeemable preferred shares		Total subscribed capital	
	Common shares	Non-redeemable preferred shares	Current year 2009	Previous year 2008	Current year 2009	Previous year 2008	Current year 2009	Previous year 2008
As at 1 January – paid in full	201,1	400	17,460,180	17,460,180	227,444	227,444	3,602,220	3,602,220
Subscribed shares during the year	-	-	-	-	-	-	-	-
Realization of stock options	-	-	-	-	-	-	-	-
Division/accumulation of share nominal value	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
<b>As at 31 December – paid in full</b>			<u>17,460,180</u>	<u>17,460,180</u>	<u>227,444</u>	<u>227,444</u>	<u>3,602,220</u>	<u>3,602,220</u>

## B. Dividends

## B.1 Announced dividends and paid dividends by the Bank

	In thousands of Denars	
	current year 2009	previous year 2008
Announced dividends and paid dividends for the year	7,960	7,847

Announced dividends and paid dividends for the year in the amount of MKD 7,960 thousand are allocated from the realized net profit for 2008 (2008: MKD 7,847 thousand from net profit for 2007)

	In Denar	
	current year 2009	previous year 2008
Dividend per common share	-	-
Dividend per preferred share	35,00	34,50

## B.1 Announced dividends after the Balance Sheet date (liabilities for dividends are not presented in the Balance Sheet)

	In thousands of Denars	
	current year 2009	previous year 2008
Announced dividends after 31 December	-	-

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**40. SUBSCRIBED CAPITAL (continued)**

**B. Dividends (continued)**

**B.1 Announced dividends after the Balance Sheet date (liabilities for dividends are not presented in the Balance Sheet) (continued)**

	<u>current year 2009</u>	<u>In Denar previous year 2008</u>
Dividend per common share	-	-
Dividend per preferred share	-	-

**C. Shareholders whose stake exceeds 5% of the voting shares**

The structure of shareholders whose stake exceeds 5% of the issued voting shares as at December 31, 2009 and 2008 was officially announced and accepted by the Central Securities Depository of the Republic of Macedonia, as follows:

	<u>In thousands of Denars</u>		<u>In %</u>	
	<u>current year 2009</u>	<u>previous year 2008</u>	<u>current year 2009</u>	<u>previous year 2008</u>
<b>Name of shareholder</b>	<b>Subscribed capital (nominal value)</b>	<b>Subscribed capital (nominal value)</b>	<b>Voting right</b>	<b>Voting right</b>
National Bank of Greece	2,564,602	2,564,602	73.04%	73.04%
International Financial Corporation	379,246	379,246	10.80%	10.80%
European Bank for Reconstruction and Development	379,246	379,246	10.80%	10.80%
Other	188,148	188,148	5.36%	5.36%
<b>Total</b>	<u>3,511,242</u>	<u>3,511,242</u>	<u>100.00%</u>	<u>100.00%</u>

The share capital of the Bank as at December 31, 2009 consists of 17,460,180 fully paid up common shares with a nominal value of Denar 201.1.

The holders of common shares have the right to receive dividends when announced and are entitled to one vote per a common share at the Bank's General Assembly meetings, as well as they have the right to participate equally in equity in the event of a bankruptcy, i.e. liquidation of the Bank.

**40. SUBSCRIBED CAPITAL (continued)****Revalued reserves**

Revalued reserves consist of unrealized gains and losses arising from changes in fair value of securities investments available for sale, until such are sold or it is estimated that they have lost value, whereby cumulative unrealized gains or losses previously recognized within the revalued reserves are recognized in the net gain or loss for the period.

**Statutory reserves**

In accordance with the local law regulation the Bank is required to set aside at least 15% of its net profit for the year in a statutory reserve until the level of statutory reserve reaches 1/5 of the share capital. Until reaching the minimum required level, the statutory reserve could be used only for loss recovery. When the statutory reserve exceeds the minimum level even after recovery of all losses upon annual financial statements, it can also be used for distribution of dividends, based on a decision of the Shareholders Assembly, but only if, for the business year, it has not reached the minimum amount prescribed by the Company Law or by the Bank's Statute.

**Other reserves**

Other reserves represent a fund set up on the basis of the internal Bank's policy for various purposes, broadly classified as restrictive.

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## 41. EARNINGS PER SHARE

## A Basic earnings per share

	<b>current year 2009</b>	<b>In Denar previous year 2008</b>
<i>Net gains to which the holders of common shares are entitled</i>		
Net gains for the year	690,173	1,334,421
Dividend for non-redeemable preferred shares	-	-
Adjustment of net gains to which the holders of common shares are entitled	690,173	1,334,421
<b>Net gains to which the holders of common shares are entitled</b>	<b>690,173</b>	<b>1,334,421</b>
	<b>current year 2009</b>	<b>Number of shares previous year 2008</b>
<i>Weighted average number of common shares</i>		
Common shares issued on 1 January	17,460,180	17,460,180
Effects from changes in the number of common shares during the year	-	-
<b>Weighted average number of common shares on 31 December</b>	<b>17,460,180</b>	<b>17,460,180</b>
<b>Basic earnings per share (in MKD)</b>	<b>39,53</b>	<b>76,43</b>

## B. Diluted earning per share

	<b>current year 2009</b>	<b>In Denar previous year 2008</b>
<i>Net gains to which the holders of common shares are entitled (diluted)</i>		
Net gains for the year to which the holders of common shares are entitled	690,173	1,334,421
Adjustment of net gains to which the holders of common shares are entitled for the effects on all issued potential common shares	-	-
<b>Net gains to which the holders of common shares are entitled (diluted)</b>	<b>690,173</b>	<b>1,334,421</b>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

## 41. EARNINGS PER SHARE (continued)

## B. Diluted earnings per share (continued)

	Number of shares	
	current year 2009	previous year 2008
<i>Weighted average number of common shares (diluted)</i>		
Common shares issued on 1 January	17,460,180	17,460,180
Effects from issuance of potential common shares	-	-
<b>Weighted average number of common shares (diluted) on 31 December</b>	<u>17,460,180</u>	<u>17,460,180</u>
<b>Diluted earnings per share (in MKD)</b>	<u>39,53</u>	<u>76,43</u>

## 42. COMMITMENTS AND CONTINGENCIES

## 42.1 COMMITMENTS

	In thousands of Denars	
	current year 2009	previous year 2008
Payment uncovered guarantees		
in Denar	931,359	1,326,661
in foreign currency	653,219	544,036
in Denar with FC Clause	155,381	317,601
Performance uncovered guarantees		
in Denar	609,824	441,955
in foreign currency	236,435	370,866
in Denar with FC Clause	512,718	512,114
Uncovered letters of credit		
in Denar	-	-
in foreign currency	63,083	420,379
in Denar with FC Clause	-	-
Unutilized overdrafts under current accounts	1,117,401	1,098,966
Unutilized limits under credit cards	5,405,173	6,262,098
Taken liabilities for financing and unutilized credit limits	-	-
Other uncovered contingent liabilities	-	-
Issued covered letters of guarantee	249,018	300,607
Covered letters of credit	67,268	98,867
Other covered contingent liabilities	-	-
<b>Total contingent liabilities before special reserve</b>	<u>10,000,879</u>	<u>11,694,150</u>
(Special reserve)	<u>(101,646)</u>	<u>(172,572)</u>
<b>Total contingent liabilities reduced by special reserve</b>	<u>9,899,233</u>	<u>11,521,578</u>



**NOTES TO THE FINANCIAL REPORTS**  
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**42. COMMITMENTS AND CONTINGENCIES (continued)**

**Litigations**

For presentation purposes, the data for the previous year of 2008 referring to non-performing interest have been corrected, thereby decreasing the total gross exposure of loans and claims on other clients and the appropriate total value adjustment by the amount of 2,952,315 thousands of denars (1 January 2008: 3,027,684 thousands of denars).

The Bank is involved in legal proceedings from its daily operations. As of December 31, 2009 the legal proceedings filed against the Bank amounted to Denar 432,794 thousand. This amount does not include any default interest. The Bank's management believes that the final outcome of most litigations will be favorable for the Bank, and that no significant material losses will result from the settlement of the aforementioned litigations. The Bank allocated provisions for impairment losses upon litigations in the amount of Denar 12,240 thousand (2008: Denar 0 thousand).

**42.2 CONTINGENCIES**

	<b>In thousands of Denars</b>	
	<b>current</b>	<b>previous</b>
	<b>year</b>	<b>year</b>
	<b>2009</b>	<b>2008</b>
	<hr/>	<hr/>
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>
<b>Total contingent assets</b>		

**43. OPERATIONS ON BEHALF AND FOR ACCOUNT OF THIRD PARTIES**

	<b>Current year 2009</b>			<b>In thousands of Denars</b>		
				<b>Previous year 2008</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
	<hr/>	<hr/>	<b>position</b>	<hr/>	<hr/>	<b>position</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Administration of assets on behalf and for account of third parties						
Denar deposits	-	-	-	-	-	-
FC deposits	-	-	-	-	-	-
Denar loans	265,309	265,309	-	265,838	265,838	-
FC loans	227,502	227,502	-	230,194	230,194	-
Other Denar claims	591,007	591,007	-	900,818	900,818	-
Other FC claims	202,803	202,803	-	59,334	59,334	-
Asset management on behalf and for account of third parties						
Denar deposits	-	-	-	-	-	-
FC deposits	-	-	-	-	-	-
Denar loans	-	-	-	-	-	-
FC loans	-	-	-	-	-	-
Other Denar claims	-	-	-	-	-	-
Other FC claims	-	-	-	-	-	-
Custody accounts	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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<b>Total</b>	<u>1,286,621</u>	<u>1,286,621</u>	<u>-</u>	<u>1,456,184</u>	<u>1,456,184</u>	<u>-</u>
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#### 44. RELATED PARTY TRANSACTIONS

##### A. Balance Sheet

	In thousands of Denars					Total
	Parent company	Subsidiaries	Affiliates	Management personnel of the Bank	Other related parties	
<b>31 December 2009</b>						
<b>Assets</b>						
Current accounts	5,441	-	-	-	6,864	12,305
Trading assets	-	-	-	-	-	-
Loans and claims	-	-	-	-	-	-
mortgage loans	-	-	-	2,733	-	2,733
consumer loans	-	-	-	-	-	-
claims under financial leasing	-	-	-	-	-	-
claims under factoring and forfeiting	-	-	-	-	-	-
other loans and claims	734,708	-	-	-	-	734,708
Investments in securities (Value adjustment)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
<b>Total</b>	<u>740,149</u>	<u>-</u>	<u>-</u>	<u>2,733</u>	<u>6,864</u>	<u>749,746</u>
<b>Liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Deposits	2,267,643	-	-	9,204	4,235	2,281,082
Issued securities	-	-	-	-	-	-
Liabilities under loans	-	-	-	-	-	-
Subordinated debt	2,752,794	-	-	-	-	2,752,794
Other liabilities	10,832	-	-	-	-	10,832
<b>Total</b>	<u>5,031,269</u>	<u>-</u>	<u>-</u>	<u>9,204</u>	<u>4,235</u>	<u>5,044,708</u>
<b>Contingent liabilities</b>						
Issued letters of guarantee	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities (Special reserve)	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Contingent assets</b>						
Received letters of guarantee	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

## 44. RELATED PARTY TRANSACTIONS (continued)

## A. Balance Sheet (continued)

	In thousands of Denars					
	Parent company	Subsidiari es	Affiliates	Managem ent personnel of the Bank	Other related parties	Total
<b>31 December 2008</b>						
<b>Assets</b>						
Current accounts	5,303	-	-	-	5,229	10,532
Trading assets	-	-	-	-	-	-
Loans and claims						
mortgage loans	-	-	-	-	-	-
consumer loans	-	-	-	56	-	56
claims under financial leasing	-	-	-	-	-	-
claims under factoring and forfeiting	-	-	-	-	-	-
other loans and claims	-	-	-	-	-	-
Investments in securities (Value adjustment)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
<b>Total</b>	<b>5,303</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>5,229</b>	<b>10,588</b>
<b>Liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	-	2,495	4,235	6,730
Issued securities	-	-	-	-	-	-
Liabilities under loans	-	-	-	-	-	-
Subordinated debt	2,763,554	-	-	-	-	2,763,554
Other liabilities	20,043	-	-	-	6,145	26,188
<b>Total</b>	<b>2,783,597</b>	<b>-</b>	<b>-</b>	<b>2,495</b>	<b>10,380</b>	<b>2,796,472</b>
<b>Contingent liabilities</b>						
Issued letters of guarantee	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities (Special reserve)	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Contingent assets</b>						
Received letters of guarantee	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

NOTES TO THE FINANCIAL REPORTS  
December 31, 2009

44. RELATED PARTY TRANSACTIONS (continued)

B. Income and expenses arising from the related party transactions

	In thousands of Denars					
	Parent company	Subsidiari es	Affiliates	Managem ent personnel of the Bank	Other related parties	Total
<b>2009 current year</b>						
<b>Income</b>						
Interest income	4,726	-	-	195	-	4,921
Income from fees and commissions	-	-	-	-	-	-
Net gains from trading	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non- current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
<b>Total</b>	<b>4,726</b>	<b>-</b>	<b>-</b>	<b>195</b>	<b>-</b>	<b>4,921</b>
<b>Expenditures</b>						
Interest expenditures	118,844	-	-	-	-	118,844
Expenditures for fees and commissions	-	-	-	-	-	-
Net losses from trading	-	-	-	-	-	-
Expenditures for procurement of non-current assets	-	-	-	-	-	-
Value adjustment of financial assets, on net basis	-	-	-	-	-	-
Other expenditures	-	-	-	25,942	-	25,942
Transfers between entities	-	-	-	-	-	-
<b>Total</b>	<b>118,844</b>	<b>-</b>	<b>-</b>	<b>25,942</b>	<b>-</b>	<b>144,786</b>

NOTES TO THE FINANCIAL REPORTS  
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44. RELATED PARTY TRANSACTIONS (continued)

B. Income and expenses arising from the related party transactions (continued)

	In thousands of Denars					
	Parent company	Subsidiari es	Affiliates	Managem ent personnel of the Bank	Other related parties	Total
<b>2008 previous year</b>						
<b>Income</b>						
Interest income	80	-	-	65	37	182
Income from fees and commissions	-	-	-	-	-	-
Net gains from trading	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
<b>Total</b>	<b>80</b>	<b>-</b>	<b>-</b>	<b>65</b>	<b>37</b>	<b>182</b>
<b>Expenditures</b>						
Interest expenditures	96,469	-	-	-	16	96,485
Expenditures for fees and commissions	-	-	-	-	-	-
Net losses from trading	-	-	-	-	-	-
Expenditures for procurement of non-current assets	-	-	-	-	-	-
Value adjustment of financial assets, on net basis	-	-	-	-	-	-
Other expenditures	-	-	-	17,454	7,613	25,067
Transfers between entities	-	-	-	-	-	-
<b>Total</b>	<b>96,469</b>	<b>-</b>	<b>-</b>	<b>17,454</b>	<b>7,629</b>	<b>121,552</b>

C. Remuneration for the management personnel of the Bank

	In thousands of Denars	
	current year 2009	previous year 2008
Short-term benefits for employees	13,810	14,524
Benefits after employment termination	-	-
Benefits due to employment termination	-	-
Payments to employees on the basis of shares, settled by equity instruments	-	-
Payments to employees on the basis of shares, settled by monetary funds	-	-
Other	12,132	2,930
<b>Total</b>	<b>25,942</b>	<b>17,454</b>

NOTES TO THE FINANCIAL REPORTS  
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44. RELATED PARTY TRANSACTIONS (continued)

Related parties include major shareholders, affiliates and jointly controlled entities, control/management with the Bank, or whose activities the Bank has an ability to control. All transactions with related parties arise in the normal course of the Bank business and their value is not materially different from the terms and conditions that would prevail in arms-length transactions.

45. Lease commitments

A. Lessor

A.1 Payables under financial leaseholds

	Total claims under financial leasehold	In thousands of Denars Maturity period of claims under financial leasehold		
		up to 1 year	from 1 to 5 years	over 5 years
<b>31 December 2009 (current year)</b>				
Current value of minimum payment for the leasehold	-	-	-	-
<b>31 December 2008 (previous year)</b>				
Current value of minimum payment for the leasehold	-	-	-	-

A.2 Payables under irrevocable operating leaseholds

	Total claims under financial leasehold	In thousands of Denars Maturity period of claims under financial leasehold		
		up to 1 year	from 1 to 5 years	over 5 years
<b>31 December 2009 (current year)</b>				
Current value of minimum payment for the leasehold	3,604	3,604	-	-
<b>31 December 2008 (previous year)</b>				
Current value of minimum payment for the leasehold	6,267	6,267	-	-

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45. Lease commitments (continued)

A. Lessor (continued)

A.2 Payables under irrevocable operating leaseholds (continued)

	In thousands of Denars						Total
	Land	Buildings	Means of transporta tion	Furniture and office equipment	Other equipment	Other items of property and equipment	
Value of property given under operating leasehold:							
31 December 2009 (current year)	-	41,922	-	-	-	-	41,922
31 December 2008 (previous year)	-	44,129	-	-	-	-	44,129
<b>Total</b>	-	-	-	-	-	-	-

Agreed liabilities for operating leases relate to the property not used by the Bank, which comprises a number of commercial real estate leased to third parties. All operating lease contracts contain market review clause in the event that the lessee exercise its option to renew the lease contract. The expiration of the lease period range from one to five years. Rental income amounts to Denar 3,604 thousand (2008: Denar 6,267 thousand).

B. Lessee

B.1 Liabilities under financial leaseholds

	Total liabilities under financial leasehold	In thousands of Denars Maturity period of liabilities under financial leasehold		
		up to 1 year	from 1 to 5 years	over 5 years
As at 31 December 2009 (current year)	-	-	-	-
As at 31 December 2008 (previous year)	-	-	-	-

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45. Lease commitments (continued)

B. Lessee (continued)

B.1 Liabilities under financial leaseholds (continued)

	In thousands of Denars						
	<u>Land</u>	<u>Buildings</u>	<u>Means of transporta tion</u>	<u>Furniture and office equipment</u>	<u>Other equipment</u>	<u>Other items of property and equipment</u>	<u>Total</u>
Value of the property taken under financial leasehold:							
<b>Purchase value</b>							
As at 1 January 2008	-	-	-	-	-	-	-
increases	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
<b>As at 31 December 2008</b>	-	-	-	-	-	-	-
As at 1 January 2009	-	-	-	-	-	-	-
increases	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
<b>As at 31 December 2009</b>	-	-	-	-	-	-	-
<b>Accumulated depreciation and impairment</b>							
As at 1 January 2008	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
<b>As at 31 December 2008</b>	-	-	-	-	-	-	-
As at 1 January 2009	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
<b>As at 31 December 2009</b>	-	-	-	-	-	-	-
<b>Current carrying amount</b>							
As at 1 January 2008	-	-	-	-	-	-	-
<b>As at 31 December 2008</b>	-	-	-	-	-	-	-
<b>As at 31 December 2009</b>	-	-	-	-	-	-	-



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## 45. Lease commitments (continued)

## B. Lessee (continued)

## B.2 Liabilities under irrevocable operating leaseholds

	Total liabilities under operating leasehold	In thousands of Denars Maturity period of liabilities under operating leasehold		
		up to 1 year	from 1 to 5 years	over 5 years
As at 31 December 2009 (current year)	426	426	-	-
As at 31 December 2008 (previous year)	-	-	-	-

## 46. SHARE BASED PAYMENTS

	In thousands of Denars	
	current year 2009	previous year 2008
Date of giving the option	-	-
Date of option expiry	-	-
Price of option realization	-	-
Price of the share on the date of giving the option	-	-
Variance	-	-
Expected dividend yield	-	-
Interest rate	-	-
Fair value on the date of giving the option	-	-

  

	Current year 2009		Previous year 2008	
	number of options for shares	weighted average price of options for shares	number of options for shares	weighted average price of options for shares
<b>As at 1 January</b>	-	-	-	-
Changes during the year:	-	-	-	-
options given to the members of Supervisory Board	-	-	-	-
options given to the members of Board of Directors	-	-	-	-
other given options	-	-	-	-
forfeited options	-	-	-	-
options with expired deadline	-	-	-	-
<b>As at 31 December</b>	-	-	-	-

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**47. TAXATION RISK**

The tax authorities may at any time inspect the Bank's books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any additional circumstances which may give rise to a potential material liability in this respect.

**48. RECLASSIFICATIONS**

Certain amounts in prior year have been reclassified to conform to the current year reporting in accordance with the requirements of the NBRM Methodology. Reclassifications are listed below:

**Income statement**

	<b>In MKD thousand December 31, 2008</b>		
	<b>As currently reported</b>	<b>As previously reported</b>	<b>Reclassifica tion</b>
Interest income	4,891,383	4,442,452	448,931
Impairment losses on financial assets, net	(1,055,157)	(606,226)	(448,931)
Personnel expenses	(659,212)	(660,601)	(1,389)
Other operating expenses	(955,657)	(954,268)	1,389
	<u>2,221,357</u>	<u>2,221,357</u>	<u>-</u>

**Balance sheet**

	<b>In MKD thousand December 31, 2008</b>		
	<b>As currently reported</b>	<b>As previously reported</b>	<b>Reclassifica tion</b>
Cash and cash equivalents	11,039,895	9,799,751	1,240,144
Trading financial assets	117,769	258,350	(140,581)
Placements with, and loans to banks	464,308	1,704,625	(1,240,317)
Loans to customers	41,680,290	41,846,539	(166,249)
Investments in securities	3,869,467	3,728,886	140,581
Other receivables	349,663	341,660	8,003
<b>Total assets</b>	<b><u>57,521,392</u></b>	<b><u>57,697,811</u></b>	<b><u>(158,419)</u></b>
Deposits from banks	821,632	1,504,211	682,579
Deposits from customers	47,970,980	47,288,900	(682,080)
Other liabilities	501,232	659,153	157,921
	<u>49,293,845</u>	<u>49,452,264</u>	<u>(158,419)</u>

**NOTES TO THE FINANCIAL REPORTS**  
**December 31, 2009****48. EXCHANGE RATES**

Official exchange rates used in the translation of the balance sheet items denominated in foreign currencies were as follows:

	<u>2009</u>	<b>In Denars</b> <u>2008</u>
1 USD	42.6651	43.5610
1 EUR	61.1732	61.4123