STOPANSKA BANKA AD – Skopje

Financial Statements
Year Ended December 31, 2015 and
Independent Auditors' Report

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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 International Financial Reporting Standards ("IFRS"), which give a true and fair view of the financial position and the 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 these 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 ensure that the financial statements comply with IFRS. 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. Diomidis Nikoletopoulos

Chief Executive Officer,
Chairman of the Board of Directors

Mrs. Milica Chaparovska - Jovanovska

Chief Retail Officer,
Member of the Board of Directors

Mr. Toni Stojanovski

Chief Risk Officer,
Member of the Board of Directors

Mr. Theodoulos Skordis

Chief Corporate Officer,
Member of the Board of Directors

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERSAND MANAGEMENT
OF STOPANSKA BANKA AD – Skopje

We have audited the accompanying financial statements (page 3 to 74) of STOPANSKA BANKA AD – Skopje (hereinafter referred to as the "Bank"), which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 International Financial Reporting Standards. 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 at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte DOO Skopje

April 26, 2016

STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2015
(In thousands of Denars)

	Notes	2015	2014
Interest income		4,341,929	4,485,592
Interest expense		(1,130,620)	(1,542,182)
Net interest income	6	3,211,309	2,943,410
Fee and commission income		1,033,688	1,053,074
Fee and commission expense		(106,675)	(97,960)
Net fee and commission income	7	927,013	955,114
Trading income, net	8	13,307	41,874
Foreign exchange gains, net	9	71,670	79,910
Other operating income	10	118,356	72,599
Impairment reversal/(loss), net	11	30,061	(49,148)
Personnel expenses	12	(797,551)	(759,289)
Depreciation and amortization	13	(110,173)	(113,263)
Other operating expenses	14	(995,164)	(1,109,484)
Profit before tax		2,468,828	2,061,723
Income tax expense	15	(225,239)	(177,841)
Profit for the year		2,243,589	1,883,882
Other comprehensive income			
Profit on available-for-sale financial assets, net	32	161	2,586
Service & interest income/(cost) related to defined benefits obligation	32	1,225	(12)
Other comprehensive income for the year, net of tax		1,386	2,574
Total comprehensive income for the year		2,244,975	1,886,456
Profit attributable to:			
Owners of the Bank		2,243,589	1,883,882
Total comprehensive income attributable to:			
Owners of the Bank		2,244,975	1,886,456
Earnings per share	33		
Basic (in Denars)		128.50	107.90
Diluted (in Denars)		128.50	107.90

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

The financial statements have been approved by the management of the Bank on January 26, 2016 and accepted by the Bank's Supervisory Board.

Signed on behalf of STOPANSKA BANKA AD – Skopje:

Mr. Diomidis Nikoletopoulos
Chief Executive Officer,
Chairman of the Board of Directors

Mrs. Milica Chaparovska - Jovanovska
Chief Retail Officer,
Member of the Board of Directors

Mr. Toni Stojanovski
Chief Risk Officer,
Member of the Board of Directors

Mr. Theodoulos Skordis
Chief Corporate Officer,
Member of the Board of Directors

STATEMENT OF FINANCIAL POSITION
At December 31, 2015
(In thousands of Denars)

	Notes	2015	2014
ASSETS			
Cash and cash equivalents	16	16,897,661	18,460,009
Financial assets through profit and loss	17	329,981	293,003
Available-for-sale financial assets	18	10,488,640	11,632,877
Held-to-maturity financial assets	19	-	132,274
Placement with, and loans to banks	20	172,202	154,693
Loans to customers	21	56,988,064	52,609,713
Other assets	22	496,018	613,811
Investment property	23	75,909	83,479
Intangible assets	24	117,897	97,327
Property and equipment	25	850,497	834,454
Total assets		86,416,869	84,911,640
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks	26	731,949	293,180
Deposits from customers	27	67,103,738	65,906,557
Loans payable	28	745,597	854,845
Subordinated debt	29	-	2,775,970
Other liabilities	30	2,018,602	1,484,392
Provisions	31	172,405	197,093
Total liabilities		70,772,291	71,512,037
EQUITY			
Share capital	32	3,511,242	3,511,242
Reserves	32	835,549	834,163
Retained earnings		11,297,787	9,054,198
Total equity		15,644,578	13,399,603
Total liabilities and equity		86,416,869	84,911,640
Commitments and contingencies	35	11,589,008	11,567,066

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

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2015
(In thousands of Denars)

	Share capital	Revalua-tion reserve	Statutory reserve	Special fund	Retained earnings	Total
Balance, January 1, 2014	3,511,242	216	830,290	1,083	7,170,316	11,513,147
Other comprehensive income for the year, net of tax	-	2,574	-	-	-	2,574
Profit for the year	-	-	-	-	1,883,882	1,883,882
Balance, December 31, 2014	3,511,242	2,790	830,290	1,083	9,054,198	13,399,603
Balance, January 1, 2015	3,511,242	2,790	830,290	1,083	9,054,198	13,399,603
Other comprehensive income for the year, net of tax	-	1,386	-	-	-	1,386
Profit for the year	-	-	-	-	2,243,589	2,243,589
Balance, December 31, 2015	3,511,242	4,176	830,290	1,083	11,297,787	15,644,578

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

STATEMENT OF CASH FLOWS
Year Ended December 31, 2015
(In thousands of Denars)

	2015	2014
Profit before tax	2,243,589	1,883,882
Adjustments for:		
Depreciation of property and equipment	71,879	72,992
Depreciation of investment property	2,778	2,969
Amortization of intangible assets	35,516	37,302
Gain on sale of property and equipment, net	(34,364)	(5,811)
Interest income	(4,341,929)	(4,485,592)
Interest expense	1,130,620	1,542,182
Net trading income	(13,307)	(41,874)
Impairment losses on financial assets, net	(85,498)	(39,526)
Impairment losses on non-financial assets	55,437	88,674
Provision for employee benefits, net	490	832
Provision for litigation, net	6,442	1,869
Interest receipts	4,509,382	4,466,375
Interest paid	(1,129,866)	(1,526,188)
Operating profit before changes in operating assets and liabilities:	2,451,169	1,998,086
(Increase)/decrease of operating assets:		
Financial assets through profit and loss	(36,978)	(59,939)
Due from banks	(18,862)	16,495
Loans to customers	(4,311,513)	(3,636,288)
Mandatory reserves and restricted deposits according NBRM regulations	(17,927)	73,007
Other receivables	122,148	62,599
Increase/(decrease) of operating liabilities:		
Deposits from banks	438,769	103,416
Deposits from customers	1,197,181	2,721,738
Other liabilities	630,424	363,651
Net cash flows generated from operating activities before income tax	454,411	1,642,765
Income tax paid	(321,516)	(6,064)
Net cash flows generated from operating activities	132,895	1,636,701

(Continued)

STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2015
(In thousands of Denars)

	2015	2014
Cash flows from investing activities		
Acquisition of property and equipment	(95,525)	(89,439)
Acquisition of intangible assets	(48,929)	(44,452)
Receipts from investments, net	1,314,192	519,009
Payments for sale of property and equipment	(61)	(28,226)
Dividend received	6,170	6,436
Net cash flows generated from investing activities	1,175,847	363,328
Cash flows from financing activities		
Net decrease of loans (including subordinated debt)	(2,885,218)	(90,651)
Dividends paid	(3,799)	(4,396)
Net cash flows used in financing activities	(2,889,017)	(95,047)
Net(decrease)/increase of cash and cash equivalents	(1,580,275)	1,904,982
Cash and cash equivalents, beginning of the year	15,616,722	13,711,740
Cash and cash equivalents at the end of the year	14,036,447	15,616,722

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

1. 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 St. 11 Oktomvri 7, 1000 Skopje. The Bank operates in the Republic of Macedonia with a network of 64 branches (2014: 65 branches).

The Bank is registered as a universal type of commercial bank in accordance with the Macedonian Laws.

The Bank may perform the following activities:

- accept deposits and other repayable sources of funds,
- lend in the country, including factoring and financing commercial transactions,
- lend abroad, including factoring and financing commercial transactions,
- issuance and administration of means of payment (payment cards, checks, traveler’s checks, bills of exchange),
- financial leasing,
- currency exchange operations,
- domestic and international payment operations, including purchase and sale of foreign currency,
- fast money transfer,
- issuance of payment guarantees, backing guarantees and other forms of collateral,
- lease of safe deposit boxes, depositories and depots,
- trade in instruments on the money market (bill of exchange, checks, deposit certificates),
- trade in foreign assets, including trade in precious metals,
- trade in securities,
- trade in financial derivatives,
- asset and securities portfolio management for clients and/or investment advising for clients,
- provides custodian services for investment and pension funds,
- purchase and sale, underwriting or placement of securities issue,
- custody of clients’ securities,
- giving advices to legal entities in relation to the structure of capital, business strategy or other related issues, or providing services related to merging or acquisition of legal entities,
- sale of insurance policies,
- intermediation in concluding credit and loan agreements,
- process and analyze information on the legal entities' creditworthiness,
- economic and financial consulting, and
- other financial services specified by law allowed to be performed exclusively by a bank.

The Bank is controlled by National Bank of Greece, incorporated in Greece, which has 94.64% (2014: 94.64%) shareholding in the Bank and represents its ultimate parent company.

The shares of the Bank are not listed on the Regular Market on the Macedonian Stock Exchange (MSE), but are listed on MSE on the Market of publicly held companies with the special disclosure requirements and the ID quotation code is the following:

Symbol	ISIN code
STB (common shares)	MKSTBS101014
STBP (preference shares)	MKSTBS120014

The Bank’s financial statements for the year ended December 31, 2015 have been approved by the management of the Bank on January 26, 2016 and accepted by the Bank’s Supervisory Board.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement on compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the International Accounting Standards Board (the ”IASB”).

The IFRS accounting policies set below have been consistently applied by the Bank to all periods presented in these financial statements.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (included derivative financial instruments) held at fair value through profit or loss, under the going concern assumption.

(c) Functional and reporting currency

The financial statements are presented in Denars which is the Bank’s functional currency. All financial information is presented in Denars rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated 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 values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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 the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical estimates in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 3.22 to the financial statements.

A summary of the principal accounting policies applied in preparing the IFRS financial statements are set out within Note 3 to the financial statements.

(e) *Standards and Interpretations effective in the current period*

The following new amendments to the existing standards issued by the International Accounting Standards Board are effective for current financial period:

- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014),

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014),

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 July 2014).

The adoption of these amendments to the existing standards has not led to any material changes in the Bank’s financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

(f) *Standards and Interpretations in issue not yet adopted*

At the date of authorization of these financial statements the following new standards and amendments to existing standards were in issue, but not yet effective:

- IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016),
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date was deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 12 “Income Taxes” - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Bank has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Bank anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Bank in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income for all instruments measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3.2 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 as well as for payment transactions in the moment when the service is rendered. 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.

3.3 Dividend income

Dividend income is recognized when the right to receive payment is established for all shareholders who participate in income distribution.

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

3.5 Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit and loss, 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.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss, which comprise of securities and shares issued by banks and other institutions included in a portfolio in which a pattern of short-term profit making exists. Initially, these securities are recognized at transaction price, which represents the fair value 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 at fair value through profit and loss is recognized on trading date, which is the date when the Bank is obliged to buy/sell the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

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.

Available-for-sale financial assets are initially recognized at transaction price, which represents the fair value, 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.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and accumulated in the revaluation reserves, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously accumulated in the revaluation reserves should be recognized in profit or loss. However, interest calculated using the effective interest method and foreign exchange gains and losses are recognized in the statement of comprehensive income.

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 and deferred loan's origination fees.

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, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. 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 statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. 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 statement of comprehensive income. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

Impairment losses on loans and advances

Allowances for losses on impairment and un-collectability 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 are presented within the provisions. Additions to provision are recognized through impairment losses on financial assets in the statement of comprehensive income. The allowances for losses on impairment and un-collectability are determined on the basis of the degree (size) of the risk of un-collectability or specific country risk on the basis of the following principles:

- Individual 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 un-collectability 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 un-collectability of loans in the loan portfolio that may not be identified on a specific basis, the allowances for losses on impairment and un-collectability are determined at level of risk for specific loan portfolio, i.e. collective assessment. 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 un-collectability 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 un-collectability are reviewed monthly, 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 un-collectability recorded in the statement of comprehensive income.
- The loan which is believed that is impossible to be collected is written off against the relevant allowance for losses on impairment and un-collectability. Further collections are recorded as income in the statement of comprehensive income.

Renegotiated loans

Once the terms of the loan have been renegotiated, the loan is no longer considered past due provided that all conditions required under the new arrangement are satisfied. The Bank continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Derecognition of financial assets

The Bank derecognizes financial assets when the right to receive cash from the financial asset has expired or has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of ownership of the assets to another entity.

3.6 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, financial liabilities through profit and loss, loans payable and other payables.

Deposits from banks and other financial institutions and customers

These financial liabilities are initially recognized at fair value net of transaction costs incurred. Subsequently are measured at amortized cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial liabilities (Continued)

Financial liabilities through profit and loss

These financial liabilities include derivative financial instruments of foreign exchange contracts and initially and subsequently are measured/re-measured at fair value. These contracts do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated in the same way as derivative instruments held-for-trading, i.e. fair value gains and losses are recognized in net-trading income.

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 statement of comprehensive income 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 are stated at their nominal amounts.

Derecognition of financial liabilities

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

3.7 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 statement of comprehensive income 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 for 2015 and 2014are 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. The Bank annually reviewed 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Intangible assets

Intangible assets are assets acquired separately and are reported at cost less accumulated amortization and accumulated impairment losses, Intangible assets include:

- Computer software and software that was acquired apart from hardware;
- Leasehold improvements; and
- Other intangibles.

Expenditure on software is amortized on a straight-line basis over the estimated useful life, which is five years. The leasehold improvements and other intangible assets are amortized on a straight-line basis over the relevant contract period. The Bank annually reviewed its intangible assets and assess 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.

3.9 Impairment of tangible and intangible assets

The Bank's management reviews regularly the carrying amounts of the Bank's 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.

3.10 Investment property

Investment property includes buildings owned by the Bank with the intention of earning rentals or for capital appreciation or both, and is initially recorded at cost, which includes transaction costs. The classification of the investment property is based on the criteria that the property is mostly held to earn rentals when compared to the property used by the Bank for its own needs.

Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation of investment property is calculated on straight-line basis in a way to write off the cost value of assets over their estimated useful lives, which approximates the useful life of similar assets included in property and equipment.

Investment property is annually reviewed for impairment. 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.

3.11 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 other assets as non-current assets held for sale. Initially, these asset 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 arises) and the fair value less estimated cost to sell, as determined by local certified appraisers on the date of asset foreclosure. After initial recognition, foreclosed assets are reviewed for impairment at least annually and are measured at the lower of their carrying amount less estimated costs to sell and accumulated impairments.

3.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand and nostro accounts, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 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.

3.14 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, 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 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 statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets (there are currently no plan assets recognized), together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3.15 Income tax

The current income tax payable is calculated based on the local tax regulation by 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 basis 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.

3.16 Leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of the Bank. The Bank has determined the Management Board as its chief operating decision-maker.

All transactions between business segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

Geographical areas include income from assets that are either located or are managed in the respective geographical area.

3.18 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when there is there is a legally enforceable right to offset the recognized amounts and there is an intention to realize the asset and settle the liability simultaneously or on a net basis.

3.19 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract, other than those assessed as insurance contracts, is recognized initially at their fair value and subsequently measured at the higher of: a) the unamortized balance of the related fees received and deferred, and b) the best estimate of the amount required to settle the guarantee at the reporting date.

3.20 Related party transactions

Related parties are related to the Bank if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Bank (this includes parent and fellow subsidiaries in the NBG Group) and has an interest in the Bank that gives it significant influence over the Bank, or the party is a member of the key management personnel of the Bank or its parent or is a close member of the family of any individual which is described above. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. All banking transactions entered into which related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

3.21 Earnings per share

Basic earnings per share (EPS) ratio is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

Diluted earnings per share ration is computed using the same method as for basic EPS, but the determinants are adjusted to reflect the potential dilution that could occur if convertible debt securities, options, warrants or other contracts to issue ordinary shares were converted or exercised into ordinary shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 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 are 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 standardized models. A variety of factors are incorporated into the models, including actual or estimated market prices and rates, such as time value and volatility, 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.

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 on monthly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, 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 lives 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Critical accounting judgments and estimates (Continued)

Risk related to the Greek crisis and the European debt crisis

The ongoing financial crisis so far had a limited effect on the Bank's financial position and performance, mostly due to the Bank's internal risk management and capital management bylaws, as well as limits prescribed by the effective legislation. The Bank has adopted strict procedures for loan approval, appraisal and acceptance of collaterals and treasury operations. The Bank regularly monitors credit risk and develops contemporary capital monitoring practices in order to be able to support the desired risk profile and continued business growth at the same time.

Despite risks and challenges in 2015, STOPANSKA BANKA AD – Skopje remained well-capitalized, highly liquid, and funded by domestic deposits. The Bank has no exposure to any foreign European government debt nor significant placements or significant financial commitments with its Parent company. The recent stress test, performed under strict criteria demonstrated that the Bank is adequately capitalized and sufficiently liquid, and the management believes that any eventual withdrawal of the deposits by the Parent or by other related parties would not affect significantly the liquidity of STOPANSKA BANKA AD – Skopje. The strong capital base with a capital adequacy ratio of 17.01%, as disclosed in Note 4.6, enables the Bank to face any reasonably foreseeable adversity. Management believes that the Bank is well positioned to adequately support its business plan over the coming year.

4. FINANCIAL INSTRUMENTS

4.1 Financial risk management

Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. 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 to reflect changes in markets, products and emerging best practice.

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, Board of Directors, Senior Management, as well as between the Bank and the NBG Group, its customers and any other stakeholders. 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 and capital 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 and the Senior Management. These include the establishment 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 Division of the Bank, as well as, other critical support functions fall into this category.

4. FINANCIAL INSTRUMENTS (Continued)

4.1 Financial risk management (Continued)

- Operational (business line) level – It involves management of risks at the point where they are actually created. 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 operational procedures and guidelines set by management.

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

4.2 Credit risk

4.2.1 Credit risk measurement, limits and mitigation policies

Initially, when approving loans and loan commitments, the authorized Credit Approval Committees assess creditworthiness of the clients depending on the type and size of the exposure and 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 Risk Management Committee, Board of Directors and Supervisory Board are regularly informed of the credit risk that the Bank is exposed to.

The Bank has an internal system of classification of customers whose main aim is determining their creditworthiness and evaluation of the acceptable level of credit risk in starting lending. Classification of customers to which the Bank is exposed is reviewed at least annually. The Bank has implemented a system of early warning signals in order to timely identify any deterioration in the creditworthiness of the client and take appropriate action to mitigate credit risk.

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 securities;
- Pledges over movables, such as cars, equipment and other,

The Bank monitors compliance with the legally and internally established limits and controls concentrations of credit risk. Credit risk limits towards different types of borrowers, industry sectors, geographic location and type of collateral, also limit of the exposure to Bank internal persons, and large exposures, exposure by sector of activity are set in the Risk Strategy and further detailed in the Bank's credit risk management policies and procedures. 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.

The loan portfolio of the Bank remains widely dispersed across different types of borrowers, asset categories and number of industries, thus preventing excessive concentration risks. For that purpose, the Bank has introduced a set of limits that control the exposure of the Bank towards different types of borrowers, industry sectors, geographic location and type of collateral.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.2 Impairment and provisioning policies

The impairment losses are identified losses of the Bank credit portfolio that incurred at the statement of financial position 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 basis.

The individual approach encompasses at least 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 basis are determined by evaluation of generated loss on the balance sheet date, which represents the difference between the carrying and present value of projected future cash flows. Effective interest rate is used for discounting the future cash over a year.

The calculated impairment losses on group basis are provisioned on portfolios of homogenous assets that are individually lower than the materiality thresholds and for which sufficient long data series for the average life of the portfolio to calculate the impairment parameters. 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;
- 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 impairment on individual basis, and which can be grouped in homogenous portfolios according to credit risk similarity, are included in the collective assessment for impairment calculation.Theimpairment methodology assists Management in determining whether objective evidence of impairment exists under IAS 39 – Financial Instruments: Recognition and Measurement in full, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest,
- Initiated bankruptcy procedures or some form of financial reorganization,
- Significant financial difficulty of the debtor,
- Loss of significant customer(s),
- Damage of property, plant or equipment, used in the obligor's operations or taken as collateral,
- Conviction for criminal activities,
- Fraud relating to the granting of the loan,
- Obligor operates in an industry sector with financial difficulties, or in a country whose economy is in recession.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	In thousands of Denars	
	31 December 2015	31 December 2014
Credit risk exposure relating to on balance sheet assets		
Cash and cash equivalents	16,897,661	18,460,009
Financial assets through profit and loss	329,981	293,003
Available-for-sale financial assets	10,488,640	11,632,877
Held-to-maturity financial assets	-	132,274
Placement with, and loans to banks	172,202	154,693
Loans to customers	56,988,064	52,609,713
Other receivables (less foreclosure assets)	127,814	136,914
	85,004,362	83,419,483
Credit risk exposure relating to off-balance sheet assets/liabilities		
Financial guarantees	3,400,332	3,446,662
Standby letters of credits	92,034	260,691
Commitments to extend credits	8,212,722	7,629,597
Other off-balance sheet commitments	1,080	348,363
Gross exposure	11,706,168	11,685,313
Less: Provision for off-balance sheet items	(117,160)	(118,247)
	11,589,008	11,567,066
Total credit risk exposure	96,593,370	94,986,549

Deposits, property, cars, government bonds, pledges over machines and other movables are accepted as collateral in order to secure the credit exposures.

Mortgages are fully secured by property (residential and business premises) or deposits with a loan to value ratio up to 75%. Consumer loans in the amounts over EUR 15,000 are fully secured by property (only residential premises) or deposits.

Auto loans (included in category-consumer loans) are secured by vehicles.

The corporate loans and small business lines are secured with different types of collaterals: residential mortgage, commercial premises, cars, pledge over machines and other movables, L/Gs from first-class banks, corporate L/Gs and personal bills of exchange taking into consideration the quality of the collateral and the loan to value ratio.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers

Loans to customers are summarized below:

a) Loans to customers neither past due nor impaired, past due but not impaired and individually impaired

	Neither past due nor impaired	Past due but not impaired	Individ. Impaired	Total gross	Allowance for individ. impaired loans	Allowance for collectively impaired loans	Total allowance for impairm.	Total net
December 31, 2015								
Cards	3,420,263	506,437	10,606	3,937,306	(9,244)	(183,398)	(192,642)	3,744,664
Consumer	19,425,341	4,272,880	261,046	23,959,267	(222,300)	(1,260,346)	(1,482,646)	22,476,621
Mortgage	7,556,673	1,183,165	183,995	8,923,833	(36,234)	(17,330)	(53,564)	8,870,269
Small business Loans	1,682,825	273,350	291,526	2,247,701	(142,248)	(288)	(142,536)	2,105,165
Corporate Loans	14,544,081	2,040,552	6,421,400	23,006,033	(3,135,981)	(78,707)	(3,214,688)	19,791,345
Total	46,629,183	8,276,384	7,168,573	62,074,140	(3,546,007)	(1,540,069)	(5,086,076)	56,988,064

	Neither past due nor impaired	Past due but not impaired	Individ. impaired	Total gross	Allowance for individ. impaired loans	Allowance for collectively impaired loans	Total allowance for impairm.	Total net
December 31, 2014								
Cards	3,161,992	490,910	11,308	3,664,210	(9,892)	(168,511)	(178,403)	3,485,807
Consumer	17,263,978	4,316,202	312,694	21,892,874	(237,027)	(1,231,446)	(1,468,473)	20,424,401
Mortgage	7,238,771	1,258,469	238,164	8,735,404	(37,828)	(19,783)	(57,611)	8,677,793
Small business loans	1,342,925	264,163	242,430	1,849,518	(138,442)	(2,246)	(140,688)	1,708,830
Corporate loans	11,578,927	4,335,184	5,635,145	21,549,256	(3,123,636)	(112,738)	(3,236,374)	18,312,882
Total	40,586,593	10,664,928	6,439,741	57,691,262	(3,546,825)	(1,534,724)	(5,081,549)	52,609,713

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

a) Loans to customers neither past due nor impaired, past due but not impaired and individually impaired (Continued)

All the loans to customers neither past due nor impaired have been mapped to the group of the satisfactory credit risk based on the criteria of the internal credit-quality grading system.

b) Loans to customers past due but not individually impaired

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Past due 1-2 years	Past due over 2 years	Total
December 31, 2015								
Cards	291,857	21,831	7,335	11,072	23,246	151,096	-	506,437
Consumer	2,340,398	292,702	113,260	97,958	164,623	1,263,939	-	4,272,880
Mortgage	854,929	112,488	77,882	56,790	15,227	65,849	-	1,183,165
Small-business loans	273,350	-	-	-	-	-	-	273,350
Corporate loans	2,040,552	-	-	-	-	-	-	2,040,552
Total	5,801,086	427,021	198,477	165,820	203,096	1,480,884	-	8,276,384

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Past due 1-2 years	Past due over 2 years	Total
December 31, 2014								
Cards	280,486	30,684	9,980	15,225	21,007	133,528	-	490,910
Consumer	2,298,432	411,581	146,977	114,856	159,735	1,184,621	-	4,316,202
Mortgage	842,953	156,550	142,237	31,237	16,466	69,026	-	1,258,469
Small-business loans	264,163	-	-	-	-	-	-	264,163
Corporate loans	4,335,184	-	-	-	-	-	-	4,335,184
Total	8,021,218	598,815	299,194	161,318	197,208	1,387,175	-	10,664,928

The fair value of collateral is based on valuation techniques that are used for similar assets.

The fair value of collateral for retail portfolio is as follows:

	2015	2014
Cash and balances with the Central bank	758,452	544,052
Movable property	340,414	622,205
Residential property	27,538,783	27,879,610
Other real estate	1,960,279	2,484,503
Total	30,597,928	31,530,370

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

b) Loans to customers past due but not individually impaired (Continued)

The fair value of collateral for corporate portfolio is summarized below:

	2015	2014
Cash and balances with the Central bank	770,133	1,015,236
Financial and corporate guarantees	10,494,183	8,924,620
Movable property	18,882,700	18,918,089
Real estate	28,974,077	30,017,647
Total	59,121,093	58,875,592

c) Renegotiated loans to customers

The Bank is renegotiating the loan to the borrower due to a diminishing of the borrower's creditworthiness, if it has:

a. Extended the principal and interest maturity;
b. Decreased the interest rate on the loan approved;
c. Reduced the amount of debt, principal or interest;
d. Made other concessions, which place the borrower in better financial position.

Upon renegotiating of the loan, the Bank performs a financial analysis of the borrower and assesses its capacities to realize cash flows necessary for the repayment of the loan principal, as well as the corresponding interest once the loan is renegotiated.

During 2015 the Bank has renegotiated loans at a total amount of Denar 639,318 thousand (2014: Denar 944,047 thousand).

4.2.5 Foreclosed assets

During 2015, the Bank conducted appraisals on the total foreclosed assets portfolio in order to determine the fair value of the assets.

In this period, the Bank sold 20 assets (2014: 21 assets) at a total value of Denar 54,286 thousand (2014: Denar 22,659 thousand), whereas it foreclosed 1 facilities (2014: 2 facilities) at a total value of Denar 862 (2014: Denar 13,871 thousand). The general policy of the Bank is to sell these facilities within a period of 3 years, based on which the Bank is undertaking appropriate activities to release it.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.6 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of December 31, 2015 and 2014. In this table, the Bank has allocated exposures to regions based on the country of domicile of the counterparties.

	Cash and cash equivalents		Financial assets through profit and loss		Available-for-sale financial assets		Held-to-maturity financial assets		Placements with and loans to banks		Loans to customers		Other receivables		Total	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Geographical region																
Republic of Macedonia	13,824,841	15,812,129	-	-	10,488,640	11,632,877	-	132,274	-	-	56,988,064	52,609,713	127,814	136,914	81,429,359	80,323,907
EU member countries	3,072,820	2,647,880	-	-	-	-	-	-	-	154,693	-	-	-	-	3,072,820	2,802,573
Europe (other)	-	-	2,378	7,485	-	-	-	-	172,202	-	-	-	-	-	174,580	7,485
OECD member countries (less European OECD member countries)	-	-	327,603	285,518	-	-	-	-	-	-	-	-	-	-	327,603	285,518
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	16,897,661	18,460,009	329,981	293,003	10,488,640	11,632,877	-	132,274	172,202	154,693	56,988,064	52,609,713	127,814	136,914	85,004,362	83,419,483

Credit risk exposure relating to net to off-balance sheet items entirely relates to the geographical region of the Republic of Macedonia.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.6 Concentration of risks of financial assets with credit risk exposure (Continued)

Industry sector

The table breaks down the Bank's main credit exposure of the on balance sheet financial assets at their carrying amounts, as summarized by the industry sectors of the counterparties

	Cash and cash equivalents		Financial assets through profit and loss		Available- for-sale financial assets		Held- to- maturity financial assets		Placements with and loans to banks		Loans to customers		Other receivables		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Industry																
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-	659,290	874,962	13	2,277	659,303	877,239
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	124,206	69,093	-	180	124,206	69,273
Manufacturing	-	-	-	-	-	-	-	-	-	-	8,100,826	7,876,173	15,294	20,497	8,116,120	7,896,670
Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	-	-	2,228,050	1,837,379	-	4,782	2,228,050	1,842,161
Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	-	-	35,584	33,865	-	88	35,584	33,953
Construction	-	-	-	-	-	-	-	-	-	-	1,522,055	1,375,143	5,314	3,579	1,527,369	1,378,722
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	-	1,133	983	-	-	-	-	6,372,076	5,434,947	606	14,143	6,373,815	5,450,073
Transportation and storage	-	-	-	-	-	-	-	-	-	-	1,085,440	858,872	170	2,235	1,085,610	861,107
Accommodation and food service activities	-	-	-	-	-	-	-	-	-	-	536,508	287,021	610	747	537,118	287,768
Information and communication	-	-	-	-	-	-	-	-	-	-	222,284	240,454	10	626	222,294	241,080
Financial and insurance activities	9,685,951	11,084,954	329,981	285,518	76,074	76,350	-	-	172,202	154,693	6,256	153,693	26,551	400	10,297,015	11,755,608
Real estate activities	-	-	-	-	-	-	-	-	-	-	445,270	444,553	-	1,157	445,270	445,710
Professional, scientific and technical activities	-	-	-	-	-	-	-	-	-	-	390,351	313,222	727	815	391,078	314,037
Administrative and support service activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administration and defence; compulsory social security	7,211,710	7,375,055	-	7,485	10,411,433	11,555,544	-	132,274	-	-	-	1064	-	3	17,623,143	19,071,425
Education	-	-	-	-	-	-	-	-	-	-	63,434	98,366	36	256	63,470	98,622
Human health and social work activities	-	-	-	-	-	-	-	-	-	-	31,000	36,388	11	95	31,011	36,483
Arts, entertainment and recreation	-	-	-	-	-	-	-	-	-	-	60,551	71,841	4	187	60,555	72,028
Other service activities	-	-	-	-	-	-	-	-	-	-	13,329	14,676	7	38	13,336	14,714
Individuals	-	-	-	-	-	-	-	-	-	-	35,091,554	32,588,001	78,461	84,809	35,170,015	32,672,810
Total	16,897,661	18,460,009	329,981	293,003	10,488,640	11,632,877	-	132,274	172,202	154,693	56,988,064	52,609,713	127,814	136,914	85,004,362	83,419,483

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.6 Concentration of risks of financial assets with credit risk exposure (Continued)

Industry sector (Continued)

The table breaks down the Bank's main credit exposure of the off-balance sheet items at their carrying amounts, as summarized by the industry sectors of the counterparties.

	In thousands of Denars	
	2015	2014
Industry		
Non-residents	95	50
Agriculture, forestry and fishing	136,030	17,692
Mining and quarrying	61,736	77,940
Manufacturing	623,222	862,495
Electricity, gas, steam and air conditioning supply	47,023	139,281
Water supply; sewerage, waste management and remediation activities	4,813	1,309
Construction	1,691,998	2,121,729
Wholesale and retail trade; repair of motor vehicles and motorcycles	666,694	461,102
Transportation and storage	234,520	260,715
Accommodation and food service activities	29,260	9,508
Information and communication	10,266	9,264
Financial and insurance activities	111,879	89,625
Real estate activities	105,969	120,012
Professional, scientific and technical activities	48,880	34,145
Administrative and support service activities	84,662	27,350
Education	21,507	20,106
Human health and social work activities	3,550	3,258
Arts, entertainment and recreation	42,674	49,848
Other service activities	3,676	4,017
Individuals	7,660,554	7,257,620
Total	11,589,008	11,567,066

4.3 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).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.1 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, 2015 and 2014:

In thousands of Denars
December 31, 2015

	EUR	USD	Other currency	Total foreign currency	In reporting currency	Total
ASSETS						
Cash and cash equivalents	3,799,157	975,760	1,536,416	6,311,333	10,586,328	16,897,661
Financial assets through profit and loss	2,379	327,602	-	329,981	-	329,981
Available-for-sale financial assets	864,348	-	-	864,348	9,624,292	10,488,640
Placement with, and loans to banks	4,637	165,277	2,288	172,202	-	172,202
Loans to customers	24,485,827	1,164,109	-	25,649,936	31,338,128	56,988,064
Other receivables	3,384	181	124	3,689	124,125	127,814
Total assets	29,159,732	2,632,929	1,538,828	33,331,489	51,672,873	85,004,362
LIABILITIES						
Deposits from banks	596,321	113,851	21,777	731,949	-	731,949
Deposits from customers	24,251,756	2,088,554	1,506,559	27,846,869	39,256,869	67,103,738
Loans payable	579,359	-	-	579,359	166,238	745,597
Other liabilities	351,917	409,226	59	761,202	1,180,949	1,942,151
Total liabilities	25,779,353	2,611,631	1,528,395	29,919,379	40,604,056	70,523,435
Net currency gap:	3,380,379	21,298	10,433	3,412,110	11,068,817	14,480,927

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.1 Foreign exchange risk (Continued)

In thousands of Denars
December 31, 2014

	EUR	USD	Other currency	Total foreign currency	In reporting currency	Total
ASSETS						
Cash and cash equivalents	3,957,154	539,054	1,348,339	5,844,547	12,615,462	18,460,009
Financial assets through profit and loss	9,053	283,950	-	293,003	-	293,003
Available-for-sale financial assets	1,196,523	-	-	1,196,523	10,436,354	11,632,877
Held-to-maturity financial assets	132,274	-	-	132,274	-	132,274
Placement with, and loans to banks	4,561	147,575	2,557	154,693	-	154,693
Loans to customers	25,430,486	1,195,999	-	26,626,485	25,983,228	52,609,713
Other receivables	3,513	436	133	4,082	132,832	136,914
Total assets	30,733,564	2,167,014	1,351,029	34,251,607	49,167,876	83,419,483
LIABILITIES						
Deposits from banks	11,786	257,078	24,316	293,180	-	293,180
Deposits from customers	24,271,400	1,869,879	1,309,669	27,450,948	38,455,609	65,906,557
Loans payable	682,667	-	-	682,667	172,178	854,845
Subordinated debt	2,775,970	-	-	2,775,970	-	2,775,970
Other liabilities	342,107	3,575	59	345,741	965,986	1,311,727
Total liabilities	28,083,930	2,130,532	1,334,044	31,548,506	39,593,773	71,142,279
Net currency gap	2,649,634	36,482	16,985	2,703,101	9,574,103	12,277,204

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.2 Interest rate risk

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. 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 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 tables below summarize the Bank's interest bearing and non-interest bearing assets and liabilities as of December 31, 2015 and 2014.

In thousands of Denars
December 31, 2015

	Interest bearing	Non-interest bearing	Total
ASSETS			
Cash and cash equivalents	8,288,036	8,609,625	16,897,661
Financial assets through profit and loss	-	329,981	329,981
Available-for-sale financial assets	10,384,598	104,042	10,488,640
Placement with, and loans to banks	122,012	50,190	172,202
Loans to customers	55,489,813	1,498,251	56,988,064
Other receivables	-	127,814	127,814
Total assets	74,284,459	10,719,903	85,004,362
LIABILITIES			
Deposits from banks	730,711	1,238	731,949
Deposits from customers	66,824,836	278,902	67,103,738
Loans payable	594,768	150,829	745,597
Other liabilities	-	1,942,151	1,942,151
Total liabilities	68,150,315	2,373,120	70,523,435
Net interest gap:	6,134,144	8,346,783	14,480,927

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.2 Interest rate risk (Continued)

In thousands of Denars
December 31, 2014

	Interest bearing	Non-interest bearing	Total
ASSETS			
Cash and cash equivalents	10,027,233	8,432,776	18,460,009
Financial assets through profit and loss	7,399	285,604	293,003
Available-for-sale financial assets	11,519,699	113,178	11,632,877
Held-to-maturity financial assets	131,914	360	132,274
Placement with, and loans to banks	145,434	9,259	154,693
Loans to customers	51,220,589	1,389,124	52,609,713
Other receivables	-	136,914	136,914
Total assets	73,052,268	10,367,215	83,419,483
LIABILITIES			
Deposits from banks	293,126	54	293,180
Deposits from customers	65,609,244	297,313	65,906,557
Loans payable	682,667	172,178	854,845
Subordinated debt	2,766,663	9,307	2,775,970
Other liabilities	-	1,311,727	1,311,727
Total liabilities	69,351,700	1,790,579	71,142,279
Net interest gap:	3,700,568	8,576,636	12,277,204

4. FINANCIAL INSTRUMENTS (Continued)

4.4 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.

4.4.1 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 process of managing liquidity and liquidity risk is implemented through the establishment of adequate daily liquidity management through developing liquidity plans. The plans reflect the liquidity provided by cash flows and liquidity needed to funding the cash outflows.

During preparation of plans and projections for liquidity on a daily, weekly, monthly and long-term basis, all relevant aspects are taken in consideration - the established limits, maintaining the required currency structure, maturity matching of assets and sources of funds and other regulatory rules.

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, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.1 Liquidity risk management process (Continued)

In thousands of Denars
December 31, 2015

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
ASSETS							
Cash and cash equivalents	16,897,661	-	-	-	-	-	16,897,661
Financial assets through profit and loss	329,981	-	-	-	-	-	329,981
Available-for-sale financial assets	99,878	2,691,541	6,756,687	863,296	-	77,238	10,488,640
Placement with, and loans to banks	217	-	-	-	-	171,985	172,202
Loans to customers	5,422,373	4,298,153	16,880,352	5,260,683	11,054,520	14,071,983	56,988,064
Other receivables	127,814	-	-	-	-	-	127,814
Total assets	22,877,924	6,989,694	23,637,039	6,123,979	11,054,520	14,321,206	85,004,362
LIABILITIES AND EQUITY							
Deposits from banks	731,949	-	-	-	-	-	731,949
Deposits from customers	27,263,260	6,746,320	25,175,165	5,746,955	2,026,320	145,718	67,103,738
Loans payable	64,793	-	132,892	186,589	178,387	182,936	745,597
Other liabilities	1,851,173	-	-	-	-	90,978	1,942,151
Total liabilities and equity	29,911,175	6,746,320	25,308,057	5,933,544	2,204,707	419,632	70,523,435
Net liquidity gap	(7,033,251)	243,374	(1,671,018)	190,435	8,849,813	13,901,574	14,480,927

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.1 Liquidity risk management process (Continued)

In thousands of Denars
December 31, 2014

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
ASSETS							
Cash and cash equivalents	18,360,253	99,756	-	-	-	-	18,460,009
Financial assets through profit and loss	285,518	-	7,485	-	-	-	293,003
Available-for-sale financial assets	-	1,889,404	6,546,976	3,119,409	-	77,088	11,632,877
Held-to-maturity financial assets	132,274	-	-	-	-	-	132,274
Placement with, and loans to banks	419	-	-	-	-	154,274	154,693
Loans to customers	4,516,259	4,231,877	17,277,067	4,505,026	9,911,449	12,168,035	52,609,713
Other receivables	136,914						136,914
Total assets	23,431,637	6,221,037	23,831,528	7,624,435	9,911,449	12,399,397	83,419,483
LIABILITIES AND EQUITY							
Deposits from banks	293,180	-	-	-	-	-	293,180
Deposits from customers	25,132,715	6,904,195	23,173,449	8,185,829	2,222,690	287,679	65,906,557
Loans payable	83,216	-	155,115	163,052	277,095	176,367	854,845
Subordinated debt	-	9,307	-	1,229,628	1,537,035	-	2,775,970
Other liabilities	1,220,749	-	-	-	-	90,978	1,311,727
Total liabilities and equity	26,729,860	6,913,502	23,328,564	9,578,509	4,036,820	555,024	71,142,279
Net liquidity gap	(3,298,223)	(692,465)	502,964	(1,954,074)	5,874,629	11,844,373	12,277,204

Bank's assets and liabilities are classified according to their relevant maturities as at December 31, 2015 and 2014, 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. Although the initial analysis reveals that there is no reconciliation between assets and liabilities for the period up to one year, significant part of the Bank's deposits up to one year are stable and considered as core deposits, amounts to Denar 51,597,669 thousand (2014: Denar 51,526,755 thousand) which helps the maturity non-reconciliation to be overcome.

4.4.2 Contractual maturity analysis for non-derivative financial liabilities (undiscounted cash flow)

The table below presents the cash flows payable by the Bank by remaining contractual maturities of non-derivative financial liabilities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.2 Contractual maturity analysis for non-derivative financial liabilities (undiscounted cash flow) (Continued)

In thousands of Denars
December 31, 2015

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
LIABILITIES										
Deposits from banks	34,033	697,923	-	-	-	-	-	-	-	731,956
Deposits from customers	23,341,434	4,123,154	6,852,493	25,540,002	5,898,222	1,447,721	314,460	365,715	156,513	68,039,714
Loans payable (including subordinated debt)	4,453	65,053	8,447	141,515	193,638	72,437	86,526	36,275	273,914	882,258
Other liabilities	1,872,092	-	-	-	-	-	-	-	-	1,872,092
Total	25,252,012	4,886,130	6,860,940	25,681,517	6,091,860	1,520,158	400,986	401,990	430,427	71,526,020

In thousands of Denars
December 31, 2014

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
LIABILITIES										
Deposits from banks	40,324	252,864	-	-	-	-	-	-	-	293,188
Deposits from customers	20,713,218	4,516,191	7,064,435	23,705,679	8,497,618	1,655,806	390,116	298,916	322,003	67,163,982
Loans payable (including subordinated debt)	6,421	83,792	27,094	212,711	1,467,915	123,548	1,688,647	126,839	267,713	4,004,680
Other liabilities	1,263,433	-	-	-	-	-	-	-	-	1,263,433
Total	22,023,396	4,852,847	7,091,529	23,918,390	9,965,533	1,779,354	2,078,763	425,755	589,716	72,725,283

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.3 Contractual maturity analysis for off-balance sheet items (undiscounted cash flow)

In thousands of Denars
December 31, 2015

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Commitments to extend credits	-	-	-	1,617,657	542,052	-	-	-	6,053,015	8,212,724
Financial guarantees and LCs	-	189,646	307,471	1,407,475	751,791	31,448	567,093	51,485	185,956	3,492,365
Total	-	189,646	307,471	3,025,132	1,293,843	31,448	567,093	51,485	6,238,971	11,705,089

In thousands of Denars
December 31, 2014

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Commitments to extend credits	-	-	-	1,522,502	353,428	-	-	-	5,753,667	7,629,597
Financial guarantees and LCs	-	327,620	534,127	944,393	520,247	660,176	5,315	565,278	150,196	3,707,352
Total	-	327,620	534,127	2,466,895	873,675	660,176	5,315	565,278	5,903,863	11,336,949

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities

In thousands of Denars

	Carrying amount		Fair value	
	December 31, 2015	**December 31, 2014**	**December 31, 2015**	**December 31, 2014**
Financial assets				
Cash and cash equivalents	16,897,661	18,460,009	16,897,661	18,460,009
Financial assets through profit and loss	329,981	293,003	329,981	293,003
Available-for-sale financial assets	10,488,640	11,632,877	10,488,640	11,632,877
Held-to-maturity financial assets	-	132,274	-	132,274
Placement with, and loans to banks	172,202	154,693	172,202	154,693
Loans to customers	56,988,064	52,609,713	56,988,064	52,609,713
Other receivables (less foreclosure assets)	127,814	136,914	127,814	136,914
	85,004,362	83,419,483	85,004,362	83,419,483
Financial liabilities				
Deposits from banks	731,949	293,180	731,949	293,180
Deposits from customers	67,103,738	65,906,557	67,103,738	65,906,557
Loans payable	745,597	854,845	745,597	854,845
Subordinated debt	-	2,775,970	-	2,775,970
Other liabilities	1,942,151	1,311,727	1,942,151	1,311,727
	70,523,435	71,142,279	70,523,435	71,142,279

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. Fair value of treasury and other eligible bills is based on discounted cash flows.

Financial assets through profit and loss

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

Available-for-sale financial assets

Their fair value is measured based on quoted prices or amounts derived from cash flow models. Consequently, their fair value is their carrying amount.

Held-to-maturity financial assets

Taking into consideration the nature of these instruments (fixed maturity and fixed and determinable payments), as well as the existing market information, the management's opinion is that the fair value of such instruments approximates their carrying amount.

Placement with, and loans to banks

The majority of the time deposits represent overnight deposits. The fair value of the overnight deposits and sight placements 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.

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.

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities (Continued)

Other receivables, less foreclosure assets

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

Deposits from banks

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

Financial liabilities through profit and loss

Fair value as determined by inputs derived from market prices.

Deposits from customers

The fair value of the sight deposits and the 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.

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 cannot be reliably determined, taking into consideration the fact that there are no similar instruments on the market.

Other liabilities

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

Fair value hierarchy

The Bank classifies all financial assets and liabilities at fair value, using fair value hierarchy which reflects the significance of inputs used in determining fair value. The fair value hierarchy includes the following levels:

a) Level 1 - Fair value is determined directly with reference to quoted market prices of the financial instruments in active markets;

b) Level 2 -Fair value is determined using valuation techniques that include active markets inputs, which can be direct, i.e. prices, or indirect, i.e. derived from prices;

c) Level 3- Fair value is determined using valuation techniques that include inputs that cannot be directly or indirectly followed on the active markets, or are not visible.

There were no transfers between Level 1 and 2 in the period.

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities (Continued)

Fair value hierarchy (Continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

				In thousands of Denars December 31, 2015
	Fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets through profit and loss	329,981	327,603 -	2,378	-
Available-for-sale financial assets	77,238	-	52,831	24,407
Total	407,219	327,603	55,209	24,407

				In thousands of Denars December 31, 2014
	Fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets through profit and loss	293,003	285,518	7,485	-
Available-for-sale financial assets	77,088	-	52,681	24,407
Total	370,091	285,518	60,166	24,407

Level 3 financial instruments at December 31, 2015 include available-for sale non-marketable private equity investments where prices are determined by the price of the most recent investments, based on which it is not practical to quote a range of key unobservable inputs.

Reconciliation of the fair value measurement in level 3 is not presented since there was no movement during 2015.

4. FINANCIAL INSTRUMENTS (Continued)

4.6 Capital management

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

- To comply with the capital requirements set by the regulator;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide 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 regulatory capital are regularly monitored by the Bank's management, employing techniques prescribed by national regulatory authority, i.e. the National Bank of Republic of Macedonia. The required information is submitted to regulatory authority on a quarterly basis.

The regulatory authority requires that each Bank has to maintain capital adequacy ratio above 8%.

The Bank's regulatory capital is divided in two groups:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. The bank's uncovered loss from previous years, the current loss, own shares, intangible assets, net negative revaluation reserves, difference between the amount of required and made impairment/special reserves, amount of unallocated impairment and special reserves as a result of accounting time lag are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, cumulative preferred shares and premium from cumulative preferred shares sold, revaluation reserves, hybrid capital instruments.

Investments in financial institutions are deducted from Tier 1 and Tier 2 capital in determining the regulatory capital.

The Bank is calculating capital adequacy ratio based on the National Bank of the Republic of Macedonia Decision on the methodology for determining the capital adequacy, in which the manner for calculating the capital required for banks to cover the credit risk, operational risk, market risks and the currency risk is prescribed.

The calculation of the capital required for covering the credit risk is based on the so called standardized approach according to Basel II. The Bank is obliged to distribute the on-balance sheet and off-balance sheet claims in appropriate categories of exposure and to provide them with a risk weight depending on the credit quality degree of the debtor or the claim. Capital to cover the operational risk is also calculated according standardized approach. The calculation of the capital for currency risk is to the net amount of aggregate foreign currency position taking into consideration the impairment. The Bank is not obliged to determine and dispose of the capital required for covering the market risks.

The table below summarizes the compositions of regulatory capital and the capital adequacy ratio of the Bank for the years ended December 31, 2015 and 2014 regarding the requirement of regulatory authority. During these two years, the Bank complied with all of the regulatory imposed capital requirements.

4. FINANCIAL INSTRUMENTS (Continued)

4.6 Capital management (Continued)

	In thousands of Denars December 31, 2015
Tier 1 capital	
Ordinary shares	3,511,242
Statutory reserves and retained earnings	6,755,942
Deductions from Tier 1 capital	(23,983)
Total qualifying Tier 1 capital	10,243,201
Tier 2 capital	
Cumulative non-voting shares	90,978
Revaluation reserves	1,296
Subordinated debt	-
Total qualifying Tier 2 capital	92,274
Total regulatory capital	10,335,475
Credit risk-weighted assets	
On-balance sheet	46,071,837
Off-balance sheet	5,257,105
Total credit risk-weighted assets	51,328,942
FX risk-weighted assets	2,481,264
Operational risk-weighted assets	6,959,207
Risk-weighted assets	60,769,413
Capital adequacy ratio	17.01%

	In thousands of Denars December 31, 2014
Tier 1 capital	
Ordinary shares	3,511,242
Statutory reserves and retained earnings	4,596,589
Deductions from Tier 1 capital	(23,983)
Total qualifying Tier 1 capital	8,083,848
Tier 2 capital	
Cumulative non-voting shares and share premium	90,978
Revaluation reserves	1,416
Subordinated debt	1,168,147
Total qualifying Tier 2 capital	1,260,541
Total regulatory capital	9,344,389
Credit risk-weighted assets	
On-balance sheet	43,323,336
Off-balance sheet	5,155,267
Total credit risk-weighted assets	48,478,603
FX risk-weighted assets	1,972,632
Operational risk-weighted assets	6,677,908
Risk-weighted assets	57,129,143
Capital adequacy ratio	16.36%

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis

4.7.1 Sensitivity analysis (foreign currency)

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

		In thousands of Denars	
December 31, 2015		**Change in exchange rate**	
	Total	**10%**	**-10%**
ASSETS			
Cash and cash equivalents	16,897,661	631,133	(631,133)
Financial assets through profit and loss	329,981	32,998	(32,998)
Available-for-sale financial assets	10,488,640	86,435	(86,435)
Placement with, and loans to banks	172,202	17,220	(17,220)
Loans to customers	56,988,064	2,564,994	(2,564,994)
Other receivables	127,814	369	(369)
Total assets	85,004,362	3,333,149	(3,333,149)
LIABILITIES			
Deposits from banks	731,949	73,195	(73,195)
Deposits from customers	67,103,738	2,784,687	(2,784,687)
Loans payable	745,597	57,936	(57,936)
Other liabilities	1,942,151	76,120	(76,120)
Total liabilities	70,523,435	2,991,938	(2,991,938)
Net currency gap:	14,480,927	341,211	(341,211)

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.1 Sensitivity analysis (foreign currency) (Continued)

			In thousands of Denars
December 31, 2014	**Change in exchange rate**		
	Total	**+10%**	**-10%**
ASSETS			
Cash and cash equivalents	18,460,009	584,455	(584,455)
Financial assets through profit and loss	293,003	29,300	(29,300)
Available-for-sale financial assets	11,632,877	119,652	(119,652)
Held-to-maturity financial assets	132,274	13,227	(13,227)
Placement with, and loans to banks	154,693	15,469	(15,469)
Loans to customers	52,609,713	2,662,649	(2,662,649)
Other receivables	136,914	408	(408)
Total assets	83,419,483	3,425,160	(3,425,160)
LIABILITIES			
Deposits from banks	293,180	29,318	(29,318)
Deposits from customers	65,906,557	2,745,095	(2,745,095)
Loans payable (including subordinated debt)	3,630,815	345,864	(345,864)
Other liabilities	1,311,727	34,574	(34,574)
Total liabilities	71,142,279	3,154,851	(3,154,851)
Net currency gap:	12,277,204	270,309	(270,309)

At December 31, 2015, if Denar had weakened 10% against the EUR (and all other currencies) with all other variables held constant, the profit for the year and net equity would have been Denar 341,211 thousand higher (2014: Denar 270,309 thousand). Conversely, if the Denar had strengthened 10% against the EUR (and all other currencies) with all other variables held constant, the profit for the year and the net equity would have been Denar 341,211 thousand lower (2014: Denar 270,309 thousand).

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.2 Sensitivity analysis (interest rates)

In thousands of Denars
December 31, 2015

	Total	IR change + 200 bp	IR change - 200 bp
ASSETS			
Cash and cash equivalents	16,897,661	165,761	(165,761)
Financial assets through profit and loss	329,981	-	-
Available-for-sale financial assets	10,488,640	207,692	(207,692)
Placement with, and loans to banks	172,202	2,440	(2,440)
Loans to customers	56,988,064	1,109,796	(1,109,796)
Other receivables	127,814	-	-
Total assets	85,004,362	1,485,689	(1,485,689)
LIABILITIES			
Deposits from banks	731,949	14,614	(14,614)
Deposits from customers	67,103,738	1,336,497	(1,336,497)
Loans payable	745,597	11,895	(11,895)
Other liabilities	1,942,151	-	-
Total liabilities	70,523,435	1,363,006	(1,363,006)
Net interest gap:	14,480,927	122,683	(122,683)

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.2 Sensitivity analysis (interest rates) (Continued)

			In thousands of Denars December 31, 2014
	Total	**IR change + 200 bp**	**IR change - 200 bp**
ASSETS			
Cash and cash equivalents	18,460,009	200,545	(200,545)
Financial assets through profit and loss	293,003	148	(148)
Available-for-sale financial assets	11,632,877	230,394	(230,394)
Held-to-maturity financial assets	132,274	2,638	(2,638)
Placement with, and loans to banks	154,693	2,909	(2,909)
Loans to customers	52,609,713	1,024,412	(1,024,412)
Other receivables	136,914	-	-
Total assets	83,419,483	1,461,046	(1,461,046)
LIABILITIES			
Deposits from banks	293,180	5,863	(5,863)
Deposits from customers	65,906,557	1,312,185	(1,312,185)
Loans payable (including subordinated debt)	3,630,815	69,391	(69,391)
Other liabilities	1,311,727	-	-
Total liabilities	71,142,279	1,387,439	(1,387,439)
Net interest gap:	12,277,204	73,607	(73,607)

As a part of interest rate risk management, the Bank analyzes the sensitivity of the balance sheet items. The sensitivity analysis is performed taking into account interest bearing assets and liabilities. Hence, it was tested what would happen, if interest rates decreased/increased by 200 bp.

If interest rates had been 200 bp higher with all other variables held constant, taking into account the balances of assets and liabilities as of December 31, 2015, profit for the year would have been Denar 122,683 thousand (2014: 73,607 Denar thousand higher) higher. Conversely, if the interest rates had been 200 bp lower with all other variables held constant, profit for the year would have been Denar 122,683 thousand (2014: Denar 73,607 thousand lower) 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.

5. SEGMENT REPORTING

The Bank manages its business through the following business segments:

Retail banking

Retail banking includes all individual customers to whom the Bank, through extended network of branches, offers various types of loan, deposit as well as wide range of other traditional services and products.

Corporate banking

Corporate includes lending to all large, medium-sized and small companies. The Bank offers its corporate customers a wide range of products and services, deposit accounts, loans, foreign exchange and trade service activities.

Investment banking

Investment banking includes safekeeping and administration of financial instruments for clients, including custodianship and related services and own portfolio management bonds investment portfolio (available for sale and held to maturity)

Other

This segment includes all other insignificant operating activities.

Unallocated

The segment unallocated include accrued revenue from activities that cannot be readily mapped into a particular business line such as commissions, income derived from insurance or income from extraordinary or non-regular items.

5.1 Operating segments

In thousands of Denars
December 31,2015

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Total
Net interest income	1,731,430	1,480,686	(377)	(430)	-	3,211,309
Net fee and commission income	445,897	480,763	353	-	-	927,013
Net trading income	-	-	-	13,307	-	13,307
Other operating income	101,969	59,739	4,696	-	23,622	190,026
Total income	2,279,296	2,021,188	4,672	12,877	23,622	4,341,655
Profit before tax	1,666,087	751,833	4,661	17,760	28,487	2,468,828
Income tax expense	-	-	-	-	(225,239)	(225,239)
Net profit for the year						2,243,589
Total assets	36,069,441	39,406,724	10,818,621	379	121,704	86,416,869
Total liabilities	34,852,814	35,919,477	-	-	-	70,772,291
Impairment of financial assets, net	316,464	(235,980)	(11)	5,025	-	85,498
Impairment of non-financial assets	(9,382)	(63,874)	-	-	17,819	(55,437)
Depreciation and amortization	(47,313)	(60,069)	-	(142)	(2,649)	(110,173)
Property and equipment purchases	(64,001)	(30,568)	-	-	(955)	(95,524)
Other expenses	(872,978)	(909,432)	-	-	(10,305)	(1,792,715)

5. SEGMENT REPORTING (Continued)

5.1 Operating segments (Continued)

In thousands of Denars
December 31,2014

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Total
Net interest income	341,727	1,986,825	614,998	(140)	-	2,943,410
Net fee and commission income	410,460	531,758	1,225	11,671	-	955,114
Net trading income	-	-	41,874	-	-	41,874
Other operating income	100,259	61,315	5,361	-	(14,426)	152,509
Total income	852,446	2,579,898	663,458	11,531	(14,426)	4,092,907
Profit/(loss) before tax	210,680	1,205,145	659,857	14,084	(28,043)	2,061,723
Income tax expense	-	-	-	-	(177,841)	(177,841)
Net profit for the year						1,883,882
Total assets	33,298,027	39,439,457	12,058,153	379	115,624	84,911,640
Total liabilities	49,619,652	21,892,385	-	-	-	71,512,037
Impairment of financial assets, net	286,571	(246,139)	(3,601)	2,695	-	39,526
Impairment of non-financial assets	(45,357)	(42,883)	-	-	(434)	(88,674)
Depreciation and amortization	(48,574)	(61,669)	-	(142)	(2,878)	(113,263)
Property and equipment purchases	(39,354)	(49,191)	-	-	(894)	(89,439)
Other expenses	(834,406)	(1,024,062)	-	-	(10,305)	(1,868,773)

5.2 Geographical areas

In thousands of Denars
December 31,2015

	Macedonia	EU countries	Europe - other	OECD countries (less EU OECD countries)	Other and Unallocated	Total
Total income	4,091,006	108,407	53,190	65,430	23,622	4,341,655
Total assets	83,133,955	1,567,616	769,148	946,150	-	86,416,869

In thousands of Denars
December 31, 2014

	Macedonia	EU countries	Europe - other	OECD countries (less EU OECD countries)	Other and Unallocated	Total
Total income	3,902,159	138,972	37,192	29,010	(14,426)	4,092,907
Total assets	82,076,327	1,920,467	513,949	400,897	-	84,911,640

6. INTEREST INCOME AND EXPENSE

Interest income and expense analyzed by category of financial instruments is as follows:

	In thousands of Denars Year ended December 31, 2015	2014
Interest income:		
Cash and cash equivalents	179,408	232,295
Placement with, and loans to banks	18,499	21,525
Loans to customers	3,857,991	3,830,199
Investment securities	279,343	388,843
Other receivables	6,688	12,730
	4,341,929	4,485,592
Interest expense:		
Deposits from banks and financial institutions	2,691	-
Deposits from customers	1,062,767	1,451,860
Loans payable	8,968	9,960
Subordinated debt	52,552	75,014
Other liabilities	3,642	5,348
	1,130,620	1,542,182
Net interest income	3,211,309	2,943,410

The sector analysis of interest income and expense is as follows:

	Year ended December 31, 2015		Year ended December 31, 2014 (In thousands of Denars)	
	Income	**Expense**	**Income**	**Expense**
Enterprises	1,124,959	120,208	1,077,807	206,373
State	279,512	2,454	389,034	3,966
Not-for-profit institutions	200	5,198	290	10,888
Banks	18,550	9,572	22,055	8,198
Other non-banking financial entities	183,660	28,846	241,693	29,556
Households	2,735,042	898,801	2,754,713	1,192,245
Non-residents	6	65,541	-	90,956
	4,341,929	1,130,620	4,485,592	1,542,182
Net interest income	3,211,309		2,943,410	

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense is analyzed by financial activity as follows:

In thousands of Denars

	Year ended December 31, 2015		Year ended December 31, 2014	
	Income	**Expense**	**Income**	**Expense**
Loans provided	116,217	-	103,811	-
Domestic payment operations	314,702	71,690	354,367	64,900
Foreign payment operations	91,312	18,918	87,814	15,670
Letters of credit and guaranties	64,186	-	68,069	-
Brokerage	1,296	118	1,556	-
Assets administering	386	-	431	-
Credit cards	320,811	8,010	290,567	8,244
Consumer credit	46,892	3	59,141	4
Mortgage credit	-	75	-	150
Deposits	1,175	-	1,233	-
Safe box	6,825	-	7,886	-
Third party collection	9,945	-	10,727	-
Other	59,941	7,861	67,472	8,992
	1,033,688	106,675	1,053,074	97,960
Net fee and commission income	927,013		955,114	

The sector analysis of fee and commission income and expense is as follows:

In thousands of Denars

	Year ended December 31, 2015		Year ended December 31, 2014	
	Income	**Expense**	**Income**	**Expense**
Enterprises	534,450	5,646	582,541	5,576
State	4,098	-	3,291	-
Not-for-profit institutions	126	-	155	-
Banks	16,304	68,529	19,278	57,975
Other non-banking financial entities	-	24,412	-	26,011
Households	454,299	8,088	421,317	8,398
Non-residents	24,411	-	26,492	-
	1,033,688	106,675	1,053,074	97,960
Net fee and commission income	927,013		955,114	

8. TRADING INCOME, NET

	In thousands of Denars Year ended December 31, 2015	2014
Financial assets through profit and loss:		
Net loss on fair valuation of debt securities	(2,649)	(2,795)
Net gain on fair valuation of equity securities	11,531	39,969
Income from trading securities -equity shares (dividend)	1,670	1,462
Trading securities - sovereign bonds	2,755	3,238
	13,307	41,874

9. FOREIGN EXCHANGE GAINS, NET

	In thousands of Denars Year ended December 31, 2015	2014
Realized exchange gains, net	94,749	105,670
Unrealized exchange losses, net	(23,079)	(25,760)
	71,670	79,910

10. OTHER OPERATING INCOME

	In thousands of Denars Year ended December 31, 2015	2014
Early withdrawal of deposits and operations with non-residents	39,614	30,307
Court claims collections	18,018	13,738
Gain on sale of property and equipment and foreclosed assets	34,364	8,719
Dividend from available-for-sale investments	4,500	4,974
Rental income	4,079	2,005
Income from mediation at mortgage insurance	1,925	2,694
Income from collected damage from insurance companies	695	679
Other	15,161	9,483
	118,356	72,599

11. IMPAIRMENT REVERSAL/(LOSS), NET

	In thousands of Denars Year ended December 31, 2015	2014
Reversal of impairment loss on financial assets, net	85,498	39,526
Impairment loss on non-financial assets	(55,437)	(88,674)
	30,061	(49,148)

Reversal of impairment loss on financial assets, net

In thousands of Denars

	December 31,2015			December 31, 2014		
	Charge	**Release**	**Net**	**Charge**	**Release**	**Net**
Placement with, and loans to banks (Note 20)	2,197	(844)	1,353	22,199	(26,394)	(4,195)
Loans to customers (Note 21)	926,689	(1,008,109)	(81,420)	997,701	(1,037,200)	(39,499)
Other assets(Note 22)	8,504	(12,859)	(4,355)	20,028	(18,797)	1,231
Available-for-sale financial assets (Note 18)	11	-	11	3,601	-	3,601
Off-balance sheet items (Note 31)	7,824	(8,911)	(1,087)	19,192	(19,856)	(664)
	945,225	(1,030,723)	(85,498)	1,062,721	(1,102,247)	(39,526)

Accrued Interest income on impaired financial assets as at December 31, 2015 amount to nil (2014: Denar nil).

Impairment loss on non-financial asset

	In thousands of Denars Year ended December 31, 2015	2014
Investment property (Note 23)	4,839	5,220
Assets acquired through foreclosure procedures (Note 22a)	50,598	83,454
	55,437	88,674

12. PERSONNEL EXPENSES

	In thousands of Denars Year ended December 31, 2015	2014
Wages and salaries	461,677	456,719
Social security cost	215,933	212,625
Other staff costs	119,451	89,113
Pension costs based on defined benefit plans, net	490	832
	797,551	759,289
Average number of employees during the period	1,038	1,042
Number of permanent employees at the end of the year	1,050	1,046

13. DEPRECIATION AND AMORTIZATION

	In thousands of Denars Year ended December 31, 2015	2014
Depreciation of property and equipment	71,879	72,992
Amortization of intangible assets	35,516	37,302
Depreciation of investment property	2,778	2,969
	110,173	113,263

14. OTHER OPERATING EXPENSES

	In thousands of Denars Year ended December 31, 2015	2014
Material and services	518,318	576,042
Insurance premiums for deposits	261,611	294,348
Administrative and marketing costs	106,258	124,910
Rent	58,339	60,983
Insurance premiums for property and employees	12,172	14,385
Court claims	6,486	9,092
Travel expenses	6,927	7,180
Other taxes and contributions	2,402	4,612
Other expenses	22,651	17,932
	995,164	1,109,484

15. INCOME TAX EXPENSE

The major components of income taxes in the statement of comprehensive income are as follows:

	In thousands of Denars Year ended December 31, 2015	**2014**
Current income tax expense	225,239	177,841
	225,239	177,841

The total charge for the year can be reconciled to the accounting profit as follows:

	In thousands of Denars Year ended December 31, 2015	**2014**
Profit before tax	2,468,828	2,061,723
Income tax at the statutory income tax rate of 10%	246,883	206,172
Tax on expenses not allowed for tax purposes	11,495	9,320
Effects of income not subject to taxation	(33,139)	(37,651)
At effective rate of 9.12% (2014: 8.63%)	225,239	177,841

As a result of the anti-crisis measures, Income tax law that was applicable from 2009 through 2013 prescribed that profits for the abovementioned years are not taxable and the rate of 10% is applied only on the expenses which are not deductible for tax purposes.

Income tax law was amended in 2014, whereas the final income tax is calculated at the rate of 10% on the profit reported in the statement of comprehensive income, adjusted for certain items as defined by the local tax legislation.

The accumulated undistributed profit for the years from 2009 to 2013 shall be subject to taxation at the moment of its distribution.

16. CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	December 31, 2015	**December 31, 2014**
Cash on hand	1,385,231	1,335,657
Accounts and deposits with NBRM, except mandatory reserves in foreign currency	4,390,484	4,982,831
Accounts and deposits with foreign banks	1,838,307	1,477,781
Accounts and deposits with domestic banks	2,018	4,931
Treasury bills which can be traded on the secondary market	5,216,358	6,575,298
Other eligible bills which can be traded on the secondary market	-	99,757
Time deposits up to three months	1,203,711	1,140,082
Other short-term highly liquid assets	338	368
Interest receivable	-	17
Included in Statement of Cash Flows	14,036,447	15,616,722
Mandatory reserves in foreign currency	2,818,887	2,802,187
Restricted deposits	42,327	41,100
	16,897,661	18,460,009

Accounts and deposits with NBRM, except mandatory reserves in foreign currency in the amount of Denar 4,390,484 thousand (2014: Denar 4,982,831 thousand) represent mandatory reserves in Denars. These reserves are non-interest bearing.

Treasury bills which can be traded on the secondary market in the amount of Denar 5,216,358 thousand (2014: Denar 6,575,298 thousand) represent bills issued by the Central Bank with a maturity of 35 days. Interest rates are 3.25% p.a. (2014: 3.25% p.a.).

Other eligible bills which can be traded on the secondary market in 2014in the amount of Denar 99,757 thousand represent bills issued by the Ministry of Finance of the Republic of Macedonia which were realized during the year 2015.

17. FINANCIAL ASSETS THROUGH PROFIT AND LOSS

	In thousands of Denars	
	December 31, 2015	**December 31, 2014**
Debt securities issued by the Government	-	7,485
Equity securities issued by banks	329,981	285,518
	329,981	293,003

The Bank trades with 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 banks in which it holds equity securities due to the insignificant percentage it has in the ordinary share capital in these entities.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	In thousands of Denars	
	December 31, 2015	**December 31, 2014**
Debt securities issued by the Government	10,411,402	11,555,789
Equity securities issued by banks	3,476	3,476
Equity securities issued by other entities	391,658	385,718
	10,806,536	11,944,983
Less: Allowance for impairment	(317,896)	(312,106)
	10,488,640	11,632,877

The movement in the provision for impairment is as follows:

	In thousands of Denars	
	December 31, 2015	**December 31, 2014**
Balance at the beginning of the year	312,106	302,721
Addition for the year (Note 11)	11	3,601
Foreign exchange effects	5,779	5,784
	317,896	312,106

Debt securities issued by the Government in the amount of Denar 10,411,402 thousand include the amount of Denar 6,493,345 thousand (2014: Denar 6,771,110 thousand) relating to eligible bills issued by the Ministry of Finance of the Republic of Macedonia which can be traded on the secondary market with a maturity from six months up to one year and fixed interest rate from 1.70% p.a. to 2.50% p.a. (2014: from 1.70% p.a. to 3.60% p.a.), as well as amount of Denar 3,918,057 thousand (2014: Denar 4,784,679 thousand) which relate to continued coupon government bonds issued by the state of Republic of Macedonia with maturity from October 2014 till May 2017and fixed interest rate from 2% p.a. to 3.20% p.a.(2014:from 2% p.a. to 5.30% p.a.) being repayable in annual coupons.

19. HELD-TO-MATURITY FINANCIAL ASSETS

	In thousands of Denars	
	December 31, 2015	**December 31, 2014**
Government debt securities	-	132,274
	-	132,274

The Government debt securities in 2014 amounting to Denar 132,274 thousand represent government debt securities issued by the Republic of Macedonia in exchange for the Bank's non-performing receivables from four major debtors in accordance with the Law for guaranteeing the investment of strategic investors and taking over of receivables by the Republic of Macedonia from the Bank. These debt securities have been realized during the year 2015.

20. PLACEMENTS WITH, AND LOANS TO BANKS

			In thousands of Denars	
	Year ended December 31, 2015		**Year ended December 31, 2014**	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Loans to domestic banks	206	-	206	-
Loans to foreign banks	32,774	-	31,160	-
Other placements due from foreign banks	-	162,884	-	145,434
Interest receivable	217	-	419	-
	33,197	162,884	31,785	145,434
Less: Allowance for impairment	(23,879)	-	(22,526)	-
	9,318	162,884	9,259	145,434
	172,202		154,693	

The movement in the provision for impairment is as follows:

	In thousands of Denars	
	December 31, 2015	**December 31, 2014**
Balance at the beginning of the year	22,526	26,721
Charge for the year (Note 11)	2,197	22,199
Release (Note 11)	(844)	(26,394)
Balance at the end of the year	23,879	22,526

Part of the loans to foreign banks amounting to Denar 20,913 thousand (2014: Denar 20,945 thousand) are restricted and represent accounts held with banks in the Republic of Serbia, which went into bankruptcy in January 2002 (Note 26).

Other placement due from foreign banks relate to restricted accounts of Denar 162,884 thousand (2014: Denar 145,434 thousand) which represent deposits held with Barclays' Bank and HSBC, London, Great Britain as a collateral for the transactions performed with VISA and MASTER payment cards. These funds are not available for the Bank's daily operations.

21. LOANS TO CUSTOMERS

a) Analysis of loans by type of customer

In thousands of Denars

	Year ended December 31, 2015 Short-term	Year ended December 31, 2015 Long-term	Year ended December 31, 2014 Short-term	Year ended December 31, 2014 Long-term
Non-financial entities				
principal amount	14,377,781	10,744,037	13,512,397	9,757,223
interest receivable	93,822	-	87,562	-
State				
principal amount	1,488	522	1,152	-
interest receivable	2	-	-	-
Not-for-profit organizations				
principal amount	9	1,869	221	2,625
interest receivable	8	-	20	-
Households				
principal amount:				
- housing loans	299,034	8,600,750	308,438	8,399,187
- consumer loans	1,113,266	16,727,116	1,028,553	21,529,572
- auto loans	58,693	124,653	64,549	256,052
- credit cards	876,388	7,143,158	895,829	1,582,561
- other loans	172,241	1,630,438	156,597	-
interest receivable	107,839	-	108,724	-
Non-residents, except banks				
principal amount	602	304		
interest receivable	120	-		
Current maturity	5,569,508	(5,569,508)	5,781,773	(5,781,773)
	22,670,801	39,403,339	21,945,815	35,745,447
Total gross loans	62,074,140		57,691,262	
Provision for impairment	(5,086,076)		(5,081,549)	
	56,988,064		52,609,713	

The allowance for impairment presented represents total provision and relate to both, short-term and long-term loans to customers.

Movement in allowance for impairment is as follows:

In thousands of Denars

	December 31, 2015	December 31, 2014
Balance at the beginning of the year	5,081,549	4,927,319
Charge for the year (Note 11)	926,689	997,701
Release (Note 11)	(1,008,109)	(1,037,200)
Recoveries	285,330	320,982
Write off	(199,383)	(127,253)
Balance at the end of the year	5,086,076	5,081,549

21. LOANS TO CUSTOMERS (Continued)

b) Analysis of loans by sectors

	In thousands of Denars	
	December 31, 2015	**December 31, 2014**
Agriculture and forestry	659,290	874,962
Mining and quarrying	124,206	69,093
Manufacturing	8,100,826	7,876,173
Electricity, gas, steam and air conditioning supply	2,228,050	1,837,379
Water supply; sewerage, waste management and remediation activities	35,584	33,865
Construction	1,522,055	1,375,143
Wholesale and retail trade; repair of motor vehicles and motorcycles	6,372,076	5,434,947
Transportation and storage	1,085,440	858,872
Accommodation and food service activities	536,508	287,021
Information and communication	222,284	240,454
Financial and insurance activities	6,256	153,693
Real estate activities	445,270	444,553
Professional, scientific and technical activities	390,351	313,222
Public administration and defense; compulsory social security	-	1,064
Education	63,434	98,366
Human health and social work activities	31,000	36,388
Arts, entertainment and recreation	60,551	71,841
Other service activities	13,329	14,676
Individuals	35,091,554	32,588,001
	56,988,064	52,609,713

c) Analysis of loans by type of security

	In thousands of Denars	
	December 31, 2015	**December 31, 201**
Cash and cash equivalents or restricted accounts held in Bank	1,235,086	1,178,756
Government bonds	0	1,759
Government guarantees	1,427,877	1,593,028
Bank guarantees	23,405	65,925
Corporate guarantees	799,862	1,156,647
Property	25,561,362	24,481,565
Equipment and other movable assets	2,098,979	1,913,990
Other securities	1,216,239	1,142,969
Non-secured	24,625,254	21,075,074
	56,988,064	52,609,713

d) 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.

21. LOANS TO CUSTOMERS (Continued)

d) Risks and uncertainties (Continued)

The Bank continues to be collateralized primarily by real estate, industrial land, buildings and equipment for corporate loans 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 will need to be made in the future to provide for any possible shortfall.

The Bank's operation could be influenced by the financial trends in case of worsening of the overall global and local economic environment. During 2015 and 2014, when the global financial crisis have enforceable to influenced the local economy, the Bank did not faced any liquidity problems and undertook measures of strengthening its capital base through retaining the earnings.

The potential impact of the financial crises 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 undertook are: limiting long-term financing as compared to the short-term financing, developing of the loan products with higher interest margins, strengthening monitoring of the large customers and industry sectors to which the Bank is mostly exposed for, making appropriate balance of the interest rates for loan receivables and payments for deposits, reassessment of the relationships with the corresponding banks and other participants on the local financial markets, where possible increase of collateral limits. All of the above is focusing to protect and develop current and future customer/depositor base and achievements of the Bank's goals and objectives for 2015 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 provision for loan losses. Any additional provision based on the above, if any, cannot be determined at this stage with any reasonably accuracy.

22. OTHER ASSETS

a) Non-current assets held for sale

	In thousands of Denars December 31, 2015	December 31, 2014
Foreclosed collateral		
Land	4,091	4,091
Buildings	735,925	794,020
Other	4,678	4,678
	744,694	802,789
Less: Allowance for impairment	(376,490)	(325,892)
	368,204	476,897

b) Other receivables and prepaid expenses

	In thousands of Denars December 31, 2015	December 31, 2014
Trade receivables	44,967	46,675
Prepaid expenses	5,184	5,017
Receivables for commission and fees	10,299	10,259
Advances to suppliers	610	2,544
Advances for property and equipment	136	1,662
Short term settlements of operations with credit cards	2,732	3,335
Receivables upon payments on foreign VISA credit cards on ATM	38,466	51,657
Receivables upon payments on foreign VISA credit cards in trade	13,024	18,201
Stock of material, plastic cards, coins and numismatic collection	23,331	17,119
Settlements upon transactions with VIZA cards	5,903	1,283
Treasury shortage	6,292	6,033
Other receivables	15,492	16,135
	166,436	179,920
Less: Allowance for impairment (Note 11)	(38,622)	(43,006)
	127,814	136,914

The movement in the allowance for impairment in other receivables and prepaid expenses is as follows:

	In thousands of Denars December 31, 2015	December 31, 2014
Balance at the beginning of the year	43,006	41,775
Charge for the year	8,504	20,028
Release	(12,859)	(18,797)
Write off	(29)	-
Balance at the end of the year	38,622	43,006

23. INVESTMENT PROPERTY

	In thousands of Denars
Cost	
Balance at January 1, 2014	214,045
Transfer from assets acquired through foreclosure procedure	196
Disposals	(23,920)
Balance at December 31, 2014	190,321
Balance at January 1, 2015	190,321
Transfer from assets acquired through foreclosure procedure	46
Balance at December 31, 2015	190,367
Accumulated depreciation	
Balance at January 1, 2014	29,783
Charge for the year	2,969
Disposals	(21,642)
Balance at December 31, 2014	11,110
Balance at January 1, 2015	11,110
Charge for the year	2,778
Other transfer	(1)
Balance at December 31, 2015	13,887
Impairment	
Balance at January 1, 2014	90,512
Charge for the year (Note 11)	5,220
Balance at December 31, 2014	95,732
Balance at January 1, 2015	95,732
Charge for the year (Note 11)	4,839
Balance at December 31, 2015	100,571
Carrying amount	
Balance at December 31, 2014	83,479
Balance at December 31, 2015	75,909

As of December 31, 2015, the fair value of the investment property corresponds to the carrying amount presented in these financial statements.

24. INTANGIBLE ASSETS

In thousands of Denars

	Software	Leasehold improvements	Other intangibles	Total
Cost				
Balance at January 1, 2014	592,710	135,680	2,194	730,584
Additions	41,191	3,261	-	44,452
Disposals	-	(10,298)	-	(10,298)
Transfer	417	-	(366)	51
Balance at December 31, 2014	634,318	128,643	1,828	764,789
Balance at January 1, 2015	634,318	128,643	1,828	764,789
Additions	24,529	21,498	2,902	48,929
Disposals	-	(4,711)	-	(4,711)
Transfer(Note 25)	9	7,540	(9)	7,540
Balance at December 31, 2015	658,856	152,970	4,721	816,547
Accumulated amortization				
Balance at January 1, 2014	522,591	117,727	-	640,318
Charge for the year	26,732	10,570	-	37,302
Disposals	-	(10,156)	-	(10,156)
Balance at December 31, 2014	549,323	118,141	-	667,464
Balance at January 1, 2015	549,323	118,141	-	667,464
Charge for the year	27,545	7,971	-	35,516
Disposals	-	(4,330)	-	(4,330)
Balance at December 31, 2015	576,868	121,782	-	698,650
Carrying amount				
Balance at December 31, 2014	84,995	10,502	1,828	97,325
Balance at December 31, 2015	81,988	31,188	4,721	117,897

25. PROPERTY AND EQUIPMENT

In thousands of Denars

	Buildings	Furniture and equipment	Construction in progress	Total
Cost				
Balance at January 1, 2014	1,172,813	1,191,127	7,134	2,371,074
Additions	21,389	57,028	11,022	89,439
Transfer	6,048	776	(6,875)	(51)
Disposals	(41,716)	(8,193)	-	(49,909)
Balance at December 31, 2014	1,158,534	1,240,738	11,281	2,410,553
Balance at January 1, 2015	1,158,534	1,240,738	11,281	2,410,553
Additions	31,167	62,063	2,293	95,523
Transfer (Note 24)	3,414	113	(11,067)	(7,540)
Disposals	-	(41,493)	-	(41,493)
Balance at December 31, 2015	1,193,115	1,261,421	2,507	2,457,043
Accumulated depreciation				
Balance at January 1, 2014	459,182	1,065,608	-	1,524,790
Charge for the year	28,523	44,469	-	72,992
Disposals	(13,493)	(8.190)	-	(21,683)
Balance at December 31, 2014	474,212	1,101,887	-	1,576,099
Balance at January 1, 2015	474,212	1,101,887	-	1,576,099
Charge for the year	28,862	43,017	-	71,879
Disposals	-	(41,432)	-	(41,432)
Balance at December 31, 2015	503,074	1,103,472	-	1,606,546
Carrying amount				
Balance at December 31, 2014	684,322	138,851	11,281	834,454
Balance at December 31, 2015	690,041	157,949	2,507	850,497

The Bank's buildings as of December 31, 2015 include property with a net carrying amount of Denar 28,699 thousand (2014: Denar 39,658 thousand), for which the Bank does not possess appropriate ownership title deeds due to incomplete cadastral records.

As of December 31, 2015 and 2014 the Bank's property and equipment are free of any pledges and mortgages.

26. DEPOSITS FROM BANKS

In thousands of Denars

	December 31, 2015		December 31, 2014	
	Up to one year	**Over one year**	**Up to one year**	**Over one year**
Current accounts				
domestic banks	4,407	-	2,589	-
foreign banks	7,492	-	16,790	-
	11,899	-	19,379	-
Time deposits				
domestic banks	585,150	-	-	-
foreign banks	112,749	-	252,802	-
	697,899	-	252,802	-
Restricted deposits				
domestic banks	-	-	-	-
foreign banks	20,913	-	20,945	-
	20,913	-	20,945	-
Interest payable on deposits				
domestic banks	1,221	-	-	-
foreign banks	17	-	54	-
	1,238	-	54	-
Total deposits from banks	731,949		293,180	

The restricted deposits held with foreign banks amounting to Denar 20,913thousand (2014: Denar 20,945 thousand) represent deposits from banks in the Republic of Serbia which went into bankruptcy in January 2002 (Note 20).

27. DEPOSITS FROM CUSTOMERS

In thousands of Denars

	December 31, 2015		December 31, 2014	
	Up to one year	**Over one year**	**Up to one year**	**Over one year**
Non-financial entities				
Current accounts	8,249,414	-	7,056,061	-
Sight deposits	29,474	-	28,360	-
Time deposits	1,758,768	788,145	2,313,901	1,393,606
Restricted deposits	330,205	488,441	337,510	557,819
Other deposits	40,350	-	58,793	-
Interest payable on deposits	18,031	-	52,476	-
	10,426,242	1,276,586	9,847,101	1,951,425
State				
Current accounts	33,273	-	119,307	-
Time deposits	-	-	-	-
Restricted deposits	345	116	86	-
Interest payable on deposits	1	-	-	-
	33,619	116	119,393	-
Not-for-profit organizations				
Current accounts	440,354	-	410,634	-
Sight deposits	-	-	-	-
Time deposits	159,092	49,992	227,682	97,782
Restricted deposits	2,499	912	3,036	1,411
Interest payable on deposits	1,300	-	1,964	-
	603,245	50,904	643,316	99,193
Financial institutions, except banks				
Current accounts	54,623	-	43,633	-
Sight deposits	-	-	-	-
Time deposits	413,483	1,343,110	213,400	406,685
Restricted deposits	1	35,067	222	35,257
Interest payable on deposits	33,089	-	13,992	-
	501,196	1,378,177	271,247	441,942
Households				
Current accounts	12,729,102	-	11,753,980	-
Sight deposits	17,610	-	28,970	-
Time deposits	21,987,410	14,892,660	23,212,406	14,469,820
Restricted deposits	1,165,100	1,032,936	848,543	1,339,639
Interest payable on deposits	118,220	-	95,321	-
	36,017,442	15,925,596	35,939,220	15,809,459
Non-residents, except banks				
Current accounts	347,525	-	259,131	-
Sight deposits	5	-	102	-
Time deposits	241,964	238,032	227,668	213,154
Restricted deposits	56,767	18	54,961	26,078
Interest payable on deposits	6,304	-	3,167	-
	652,565	238,050	545,029	239,232
Current maturity	11,056,762	(11,056,762)	7,844,120	(7,844,120)
	59,291,071	7,812,667	55,209,426	10,697,131
Total deposits from customers	67,103,738		65,906,557	

28. LOANS PAYABLE

In thousands of Denars

	December 31, 2015		December 31, 2014	
	Up to one year	Over one year	Up to one year	Over one year
Domestic sources:				
Agency for assets management				
- long-term loan in amount of Denar 149,399 thousand (2014: Denar 149,399 thousand) is payable in January 2020 on a once off basis. Related fees for these loans are 1.5% p.a. annually.	194	149,399	1,133	149,399
Agency for undeveloped regions				
- Matured in 2011, interest rate of 3.9% p.a. annually (2014: 3.9% p.a).	10,689	-	15,689	-
MBPR				
- Matures in 2019 and interest rate is equal to 1.0% p.a. (2014: 1.0% p.a.)	1,237	578,121	1,449	681,218
	12,120	727,520	18,271	830,617
Foreign sources:				
Other banks	-	5,957	-	5,957
	-	5,957	-	5,957
Current maturity of long-term loans	180,011	(180,011)	214,103	(214,103)
	192,131	553,466	232,374	622,471
Total loans payable	745,597		854,845	

29. SUBORDINATED DEBT

	Maturity	Interest rate	December 31, 2015	December 31, 2014
			In thousands of Denars	
National Bank of Greece:				
Principal EUR 20,000,000	27.12.2016	3-month EURIBOR +0.85% p.a.	-	1,229,628
Principal EUR 25,000,000	05.11.2018	3-month EURIBOR +3.7%p.a.	-	1,537,035
Accrued interest			-	9,307
			-	2,775,970

The purpose of the above mentioned funds was to strengthen the guaranteeing capital of the Bank, realization of the Bank's projected goals in accordance with its Business plan, increase of the competitive and market position of the Bank, its profitability as well as for the increase of Tier two coefficient of the capital adequacy and other qualitative and quantitative indicators of the Bank.

During 2015, the Bank realized early repayment of the subordinated debt to the National Bank of Greece.

The achieved results and accumulated profit from previous years made conditions for early repayment of this debt, for which the Bank obtained preliminary approval from the National Bank of RM. Consequently, along with the early repayment of this subordinated debt, the Bank Shareholders Assembly adopted Decision on redistribution of part of accumulated earnings into earnings restricted for distribution to the shareholders amounting to Denar 2,159,353 thousand, thereby increasing the Bank's credit potential.

30. OTHER LIABILITIES

	December 31, 2015	December 31, 2014
	In thousands of Denars	
Unallocated cash receipts due to depositors and others	1,475,891	845,814
Accrued expenses	188,622	243,939
Preference shares	90,978	90,978
Income tax payable	76,451	172,665
Trade payables	56,899	15,262
Deferred revenue	47,633	27,604
Premature repayment of loans and other liabilities	27,538	29,068
Overpaid fees of credit cards	27,024	20,909
Obligations to merchants for outstanding payments on credit cards	21,791	14,186
Dividends payable for preferred shares	3,799	4,716
Claimed transactions with VISA cards	1,908	14,596
Fee and commissions liabilities	75	4,659
Custodian accounts (Note 35b)	(7)	(4)
	2,018,602	1,484,392

The Bank has issued 227,444 non-redeemable cumulative preference shares with a nominal value of Denar 400.

The preference shares give preferential rights for dividends and do not have voting rights and participation in equity in the event of a liquidation of the Bank.

As of December 31, 2015, the Bank allocated an amount of Denar 2,729 thousand as a dividend to the holders of these shares for the year 2015 (2014: Denar 3,639 thousand).

31. PROVISIONS

In thousands of Denars

	Off-balance sheet items	Litigation	Employees benefits	Total
Balance at January 1, 2014	118,911	46,089	30,418	195,418
Additions	19,192	11,184	3,257	33,633
Used	-	(374)	(488)	(862)
Release	(19,856)	(9,315)	(1,925)	(31,096)
Balance at December 31, 2014	118,247	47,584	31,262	197,093

In thousands of Denars

	Off-balance sheet items	Litigation	Employees benefits	Total
Balance at January 1, 2015	118,247	47,584	31,262	197,093
Additions	7,824	6,641	2,032	16,497
Used	-	(29,310)	(2,765)	(32,075)
Release	(8,911)	(199)	-	(9,110)
Balance at December 31, 2015	117,160	24,716	30,529	172,405

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:

	2015	2014
Interest rate	4.35%	4.35%
Average salary increase	4.50%	4.50%
Inflation rate	2.50%	2.50%

Mortality rate:

From the study of the mortality rates in the last years, we have determined a representation of the expected current mortality 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.

32. EQUITY

a) Share capital

The share capital of the Bank as of December 31, 2015 and 2014 consists of 17,460,180 fully paid up ordinary shares with a nominal value of Denar 201.1. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Bank's General Assembly meetings, as well as the right to participate equally in the event of the liquidation of the Bank.

32. EQUITY (Continued)

a) Share capital (Continued)

The structure of shareholders exceeding 5% of the issued voting capital as of December 31, 2015 and 2014officially announced and accepted by the Central Securities Depository of the Republic of Macedonia is as follows:

	December 31, 2015		December 31, 2014	
	% of participation	In thousands of Denars	% of participation	In thousands of Denars
National Bank of Greece	94.64%	3,323,094	94.64%	3,323,094
Others	5.36%	188,148	5.36%	188,148
	100%	3,511,242	100%	3,511,242

b) Revaluation reserves

Revaluation reserves include unrealized gains and losses arising from changes in the fair value of available-for-sale investments.

Components of other comprehensive income

	In thousands of Denars	
	December 31, 2015	December 31, 2014
Profits on available for sale financial assets, net	161	2,586
Service & interest income/(cost) related to defined benefits obligation	1,225	(12)
Other comprehensive income	1,386	2,574
Less: Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the year, net of tax	1,386	2,574

c) Statutory reserve

In accordance with the local regulations, the Bank is required to set aside 5 percent of its net profit for the previous year in a statutory reserve until the level of the reserve reaches 1/10 of the court-registered share capital. Until the minimum required level is reached, the statutory reserve could be used only for loss recovery. When the statutory reserve exceeds the minimum level, after recovery of all losses, it can be used for distribution of dividends, based on a decision of the Shareholder's Assembly, but only if, for the current year, it has not reached the minimum for distribution as prescribed by the Law on Trade Companies or by the Bank's Statute.

d) Special fund

Special fund represent a fund set up based on the internal Bank's policy for various purposes broadly classified as restrictive.

33. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data in the earnings per share computations:

	December 31, 2015	December 31, 2014
Net profit attributable to shareholders for basic and diluted earnings per share (in thousands of Denars)	2,243,589	1,883,882
Weighted average number of shares for basic and diluted earnings per share	17,460,180	17,460,180
Basic earnings per share (in Denars)	128.5	107.9
Diluted earnings per share (in Denars)	128.5	107.9

34. RELATED PARTY TRANSACTIONS

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 business and their value is not materially different from the terms and conditions that would prevail in arms-length transactions.

The significant related party balances and transactions are presented as follows:

Statement of financial position

In thousands of Denars

	Parent company	Key management personnel	Other related parties	Total
December 31, 2015				
Assets				
Current accounts	3,160	6,335	3,185	12,680
Loans	-	11,459	-	11,459
Due from banks	-	-	-	-
Software	-	-	-	-
Other assets	-	-	-	-
	3,160	17,794	3,185	24,139
Liabilities				
Deposits	-	21,067	141,101	162,168
Subordinated debt	-	-	-	-
	-	21,067	141,101	162,168
December 31, 2014				
Assets				
Current accounts	1,359	-	2,713	4,072
Loans	-	12,614	-	12,614
Due from banks	-	-	733,995	733,995
Software	20,708	-	-	20,708
Other assets	-	-	2	2
	22,067	12,614	736,710	771,391
Liabilities				
Deposits	-	30,242	254,188	284,430
Subordinated debt	2,775,970	-	-	2,775,970
	2,775,970	30,242	254,188	3,060,400

34. RELATED PARTY TRANSACTIONS (Continued)

Statement of comprehensive income

In thousands of Denars

	Parent company	Key management personnel	Other related parties	Total
December 31, 2015				
Income				
Interest income	-	695	1,022	1,717
Other income	-	42	20	62
	-	737	1,042	1,779
Expenses				
Interest expense	52 ,552	688	416	53,656
Fee and commission expense	-	-	22	22
Other expenses	34,467	26,212	-	60,679
	87,019	26,900	438	114,357
December 31, 2014				
Income				
Interest income	1	749	1,574	2,324
Other income	-	-	9	9
	1	749	1,583	2,333
Expenses				
Interest expense	75,014	-	268	75,282
Fee and commission expense	-	-	-	-
Other expenses	33,741	28,715	19	62,475
	108,755	28,715	287	137,757

National Bank of Greece, Athens represents the parent and the ultimate parent company of the Bank and provides the Bank with subordinated loans. Other related party transactions relate to United Bulgarian Bank, Banca Romanesca S.A., NBG Cairo branch, NBG Bank Malta and Vojvodjanska Banka a.d. Novi Sad which are fellow subsidiaries of the NBG Group.

The total compensation and other transactions with key management personnel as follows:

In thousands of Denars

	December 31, 2015	December 31, 2014
Short-term compensation and benefits	26,212	26,118
Other	-	2,597
	26,212	28,715

The Bank entered into banking transactions with key management personnel in the normal course of business.

35. COMMITMENTS AND CONTINGENCIES

a) Off-balance sheet items

	In thousands of Denars December 31, 2015	December 31, 2014
Payment guarantees:		
in Denars	917,889	917,792
in foreign currency	632,973	570,228
in Denars with foreign currency clause	479,061	524,100
Performance guarantees:		
in Denars	225,502	322,307
in foreign currency	81,121	81,478
in Denars with foreign currency clause	730,682	597,399
Letters of credit in foreign currency	40,751	202,929
Cash covered letter of credit	51,283	57,762
Cash covered letter of guarantees	333,104	433,358
Unused current account overdrafts	2,159,708	1,875,930
Credit cards commitments	6,053,014	5,753,667
Other	1,080	348,363
	11,706,168	11,685,313
Less: provision for off-balance sheet items (Note 31)	(117,160)	(118,247)
	11,589,008	11,567,066

b) Managed funds

The Bank administrates assets on a fee basis on behalf of customers. Such managed funds are not Bank's assets and are not recognized in the statement of financial position.

In thousands of Denars

	December 31, 2015			December 31, 2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Loans in Denars	269,945	269,945	-	268,081	268,081	-
Loans in foreign currency	262,669	262,669	-	237,594	237,594	-
Other receivables in Denars	1,025,950	1,025,950	-	965,903	965,903	-
Other receivables in foreign currency	426,399	426,399	-	318,371	318,371	-
Custodian accounts (Note 30)	6,019	6,026	(7)	25,378	25,382	(4)
	1,990,982	1,990,989	(7)	1,815,327	1,815,331	(4)

The Bank is not exposed to any credit risk in respect of the above placements, as it does not guarantee placements.

c) Litigations

The Bank is involved in legal proceedings from its daily operations. As of December 31, 2015 the provision for legal proceedings filed against the Bank amounted to Denar 24,716thousand (2014: Denar 47,584 thousand). The Bank's management believes that the final outcome of the filed legal proceedings will be favorable, and that no material losses will result from the settlement of the aforementioned litigations. During 2015, the Bank has allocated provisions for impairment losses upon litigation in the net amount of Denar 6,442 thousand (2014: Denar 1,495 thousand).

35. COMMITMENTS AND CONTINGENCIES (Continued)

d) Lease commitments

The Bank as lessor

Operating leases relate to the investment property owned 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 expiration of the lease period range up to one year. Rental income earned by the Bank from its investment property, all of which is leased out under operating leases, amounting to Denar 4,080thousand (2014: Denar 2,005thousand).

The Bank as lessee

The payment for operating lease was recognized within other operating expenses and relate to business premises. Lease contracts are up to one year and have a clause stipulating a 30-days'notice period. Rental expense paid by the Bank amounting to Denar 58,339thousand (2014: Denar 60,983 thousand).

The minimum future lease payments approximate the current rent expense level.

36. TAXATION RISK

The tax authorities may at any time inspect the 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.

37. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the reporting period to be reported.

38. EXCHANGE RATES

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

		In Denars
	2015	**2014**
1 USD	56.3744	50.5604
1 EUR	61.5947	61.4814