STOPANSKA BANKA AD - Skopje

Audited Financial Statements
For the year ended December 31, 2019

CONTENTS

	Page
Responsibility for the financial statements	
Audit opinion	
Income Statement	1
Statement of comprehensive income	2
Balance sheet	3 – 4
Statement of changes in equity and reserves	5 – 6
Cash flow statement	7– 8
Notes to the financial statements	9 - 128

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 the Methodology for recording and evaluating the accounting items provided by the Central Bank and for preparing the financial statements in accordance with theaccounting standards applied in the country, which give a true and fair view of the state of affairs and results of the Bank for the year.

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

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

Management of the Bank is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must also ensure that the financial statements comply with accounting standards applied in the country. 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

Orce Naumovski

Charted Accountant

Independent auditor's report

To the Shareholders and Supervisory Board of Stopanska Banka AD Skopje

Report on the financial statements

We have audited the accompanying financial statements of Stopanska Banka AD Skopje (the "Bank"), which comprise the balance sheet as of 31 December 2019 and the income statement and the statement of other 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 information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulation of the National Bank of the Republic of North Macedonia and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on auditing applicable in the Republic of North Macedonia (the "Standards"). The Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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.

This version of our report and accompanying financial statements is a translation from the original, which was prepared in Macedonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2019, and of its financial performance and its cash flows for the year than ended in accordance with the regulations of the National Bank of the Republic of North Macedonia.

Report on other legal and regulatory requirements

Annual report prepared by the Management in accordance with the requirement of the article 384 of the Company Law.

Management is also responsible for the preparation of the Annual accounts and Annual Report of the Bank, which were approved by the Supervisory Board of the Bank.

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by Management of the Bank in accordance with article 384 of the Company Law, is consistent, in all material respects, with the financial information presented in the Annual Accounts and audited financial statements of the Bank as of 31 December 2019 and for the year then ended.

Dragan Davitkov
General Manager

Sime Jovanovski
Certified Auditor

PricewaterhouseCoopers Revizija DOO

30 April 2020
Skopje, Republic of North Macedonia

This version of our report and accompanying financial statements is a translation from the original, which was prepared in Macedonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INCOME STATEMENT
for the period from January 1, 2019 to December 31, 2019
(In thousands of Denars)

	Notes	31 December 2019	31 December 2018
Interest income		4,206,816	4,509,860
Interest expense		(595,762)	(682,760)
Net interest income (expense)	6	**3,611,054**	**3,827,100**
Fee and commission income		1,262,912	1,109,285
Fee and commission expense		(437,122)	(366,829)
Net fee and commission income (expense)	7	**825,790**	**742,456**
Trading income, net	8	(1,853)	1,940
Trading income from other financial instruments recorded at fair value, net	9	-	-
Foreign exchange gains/(losses), net	10	91,300	105,173
Other operating income	11	527,080	561,142
Share in the profit of associates	24	-	-
Impairment losses on financial assets, net	12	(763,510)	(531,646)
Impairment losses on non-financial assets, net	13	101,477	117,038
Personnel expenses	14	(850,367)	(869,802)
Depreciation and amortization	15	(136,719)	(137,831)
Other operating expenses	16	(759,047)	(747,489)
Share in the loss of associated companies	24	-	-
Profit before tax		**2,645,205**	**3,068,081**
Income tax	17	**(274,076)**	**(321,735)**
Net profit for the year		**2,371,129**	**2,746,346**
Earnings per share	41		
Basic earnings per share (in MKD)		135.80	157.30
Diluted earnings per share (in MKD)		135.80	157.30

The accompanying notes from page 9 to 128
are an integral part of these financial statements.

The financial statements were approved by the Banks's Board of Directors on April 29, 2020 and adopted by the Bank's Supervisory Board on April 30, 2020.

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

Orce Naumovski
Charted Accountant

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from January 1, 2019 to December 31, 2019
(In thousands of Denars)

	Note	31 December 2019	31 December 2018
Profit / (loss) for the financial year		2,371,129	2,746,346
Other profit/ (losses) for the financial year (before taxation)			
Other profit/ (losses) in the period not shown in the Income Statement (before taxation)			
Revaluation reserve for equity assets available-for- sale		-	-
- unrealized net changes in fair value of equity assets available for sale		3,136	2,624
- realized net-profit/(losses) from equity assets available for sale, reclassified in the Other reserves		-	-
Changes in the bank's creditworthiness, for financial liabilities that are measured at fair value		-	-
Income tax from other gains / (losses) not shown in the Income Statement	17	-	-
Total other gains / (losses) in the period not shown in the Income Statement		3,136	2,624
Other gains / (losses) in the period which are or could be reclassified in the Income Statement (before taxation)			
Revaluation reserve for debt assets available-for- sale			
- unrealized net changes in fair value of debt assets available for sale		(14,386)	8,475
- realized net-profit/(losses) from equity assets available for sale, reclassified in the Income Statement		-	-
- additional impairment losses of debt assets available for sale		-	-
- Release of impairment losses of debt assets available for sale		-	-
Revaluation reserve forclosed assets taken on the basis of outstanding claims			
- revaluation reserve recognized during the period		55,315	15,056
- reduction in the revaluation reserve reclassified in the Income Statement		(111,282)	(138,267)
Reserves for cash flow risk protection instruments			
- unrealized net changes in fair value of cash flow risk protection instruments		-	-
- realized net-profit/(losses) from cash flow risk protection instruments, reclassified in the Income Statement		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations		-	-
Reserve of foreign exchange differences from investment in foreign operations		-	-
Share in other gains / (losses) of affiliated companies not shown in the Income Statement	24	-	-
Other gains / (losses) not shown in the Income Statement		380	(3,325)
Income tax from other gains / (losses) which are or could be reclassified in the Income Statement	17	-	-
Total other gains / (losses) in the period which are or could be reclassified in the Income Statement		**(69,973)**	**(118,061)**
Total other gains / (losses) in the period		**(66,837)**	**(115,437)**
Comprehensive income /(loss) for the financial year		**2,304,292**	**2,630,909**

The accompanying notes from page 9 to 128
are an integral part of these financial statements.

The financial statements were approved by the Bank's Board of Directors on April 29, 2020 and adopted by the Bank's Supervisory Board on April 30, 2020.

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 RetailOfficer
Member of the Board of Directors

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

Orce Naumovski
Charted Accountant

BALANCE SHEET
As at December 31, 2019
(In thousands of Denars)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	18	21,846,069	19,296,328
Trading financial assets	19	3,763	5,616
Financial assets at fair value through Income Statement determined as such at initial recognition	20	-	-
Derivative assets held for risk management	21	-	-
Placements with, and loans to banks	22.1	243,333	197,089
Loans to customers	22.2	66,498,099	63,664,180
Investments in securities	23	8,692,169	5,869,943
Investments in associates	24	-	-
Income tax receivable (current)	30.1	33,123	-
Other receivables	25	1,355,825	454,474
Collateralized assets	26	-	-
Assets acquired through foreclosure proceedings	27	42,025	68,969
Intangible assets	28	125,463	101,084
Property and equipment	29	847,631	883,904
Deferred tax assets	30.2	-	-
Non-current assets held for sale and disposal group	31	-	-
Total assets		**99,687,500**	**90,541,587**
LIABILITIES			
Trading financial liabilities	32	-	-
Financial liabilities at fair value through Income Statement determined as such at initial recognition	33	-	-
Derivative obligations held for risk management	21	-	-
Deposits from banks and financial institutions	34.1	258,236	159,504
Deposits from customers	34.2	82,857,540	76,002,374
Issued debt securities	35	-	-
Borrowings	36	214,344	296,455
Subordinated debt	37	-	-
Special reserve and provisions	38	79,918	128,364
Income tax payable (current)	30.1	-	95,126
Deferred tax liabilities	30.2	-	-
Other liabilities	39	1,019,211	930,114
Liabilities directly related to disposal group of assets	31	-	-
Total liabilities		**84,429,249**	**77,611,937**

BALANCE SHEET (continued)
As at December 31, 2019
(In thousands of Denars)

	Notes	31 December 2019	31 December 2018
EQUITY AND RESERVES			
Subscribed capital	40	3,511,242	3,511,242
Share premium		-	-
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves	40	24,552	84,683
Other reserves	40	831,373	831,373
Retained earnings		10,891,084	8,502,352
Total equity and reserves		**15,258,251**	**12,929,650**
Total liabilities and equity and reserves		**99,687,500**	**90,541,587**
Contingent liabilities	42	13,976,657	14,191,047
Contingent assets	42	-	-

The accompanying notes from page 9 to 128
are an integral part of these financial statements.

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

Orce Naumovski
Charted Accountant

STATEMENT OF CHANGES IN EQUITY AND RESERVES
for the period from January 1, 2019 to December 31, 2019
(In thousands of Denars)

	Equity				Revaluation reserves					Other reserves			Retained earnings			
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for assets available for sale	Revaluation reserve for assets taken on oustandigs claimes	Reserve for protection against risk	Foreign exchange gains/losses reserves	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves
As at January 1, 2018 (previous period)	**3,511,242**	**-**	**-**	**-**	**(25,362)**	**229,511**	**-**	**-**	**(4,029)**	**830,290**	**-**	**1,083**	**3,165,392**	**5,925,652**	**-**	**13,633,779**
Correcion in initial balance	-	-	-	-	-	-	-	-	-	-	-	-	**(17,603)**	-	-	**(17,603)**
As at January 1, 2018 corrected	**3,511,242**	**-**	**-**	**-**	**(25,362)**	**229,511**	**-**	**-**	**(4,029)**	**830,290**	**-**	**1,083**	**3,147,789**	**5,925,652**	**-**	**13,616,176**
Comprehensive income/(loss) for the period																
Profit /(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	2,746,346	-	-	2,746,346
Other income /(loss) in the period																
Changes in the fair value for assets available-for-sale																
debt securities																
-unrealized changes in the fair value, net	-	-	-	-	8,475	-	-	-	-	-	-	-	-	-	-	8,475
-realized changes in the fair value, net reclassified in Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairmend on debt securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-impairment release of debt securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
equity securities																-
-unrealized changes in the fair value, net	-	-	-	-	2,624	-	-	-	-	-	-	-	-	-	-	2,624
-realized changes in the fair value, net reclassified in Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for protection against cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for protection against net-investment risk in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences of investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not shown in the Income Statement																
-foreclosed assets	-	-	-	-	-	(123,211)	-	-	(3,325)	-	-	-	-	-	-	(126,536)
Total unrealized profit /(loss) recognized in the equity	**-**	**-**	**-**	**-**	**11,099**	**(123,211)**	**-**	**-**	**(3,325)**	**-**	**-**	**-**	**-**	**-**	**-**	**(115,437)**
Total comprehensive profit /(loss) for the financial year	**-**	**-**	**-**	**-**	**11,099**	**(123,211)**	**-**	**-**	**(3,325)**	**-**	**-**	**-**	**2,746,346**	**-**	**-**	**2,630,909**
Transactions with shareholders, recognized in the equity and reserves																
Issued shares within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(3,317,435)	-	-	(3,317,435)
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves																
-distribution of accumulated earnings	-	-	-	-	-	-	-	-	-	-	-	-	(1,104,948)	1,104,948	-	-
Transactions with shareholders, recognized in the equity and reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,422,383)**	**1,104,948**	**-**	**(3,317,435)**
On December 31, 2018	**3,511,242**	**-**	**-**	**-**	**(14,263)**	**106,300**	**-**	**-**	**(7,354)**	**830,290**	**-**	**1,083**	**1,471,752**	**7,030,600**	**-**	**12,929,650**

December 31, 2019

STATEMENT OF CHANGES IN EQUITY AND RESERVES
for the period from January 1, 2019 to December 31, 2019
(In thousands of Denars)

	Equity				Revaluation reserves					Other reserves			Retained earnings			
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for assets available for sale	Revaluation reserve for assets taken on oustandigs claimes	Reserve for protection against risk	Foreign exchange gains/losses reserves	Other evaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves
As at December 31, 2018 / January 1, 2019 (current period)	3,511,242	-	-	-	(14,263)	106,300	-	-	(7,354)	830,290	-	1,083	1,471,752	7,030,600	-	12,929,650
Correcion in initial balance	-	-	-	-	-	-	-	-	-	-	-	-	17,603	-	-	17,603
As at January 1, 2019 corrected	**3,511,242**	**-**	**-**	**-**	**(14,263)**	**106,300**	**-**	**-**	**(7,354)**	**830,290**	**-**	**1,083**	**1,489,355**	**7,030,600**	**-**	**12,947,253**
Comprehensive income/(loss) for the period																
Profit /(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	2,371,129	-	-	2,371,129
Other income /(loss) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for assets available-for-sale																
debt securities																
-unrealized changes in the fair value, net	-	-	-	-	(14,386)	-	-	-	-	-	-	-	-	-	-	(14,386)
-realized changes in the fair value, net reclassified in Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairmend on debt securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-impairment release of debt securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
equity securities																-
-unrealized changes in the fair value, net	-	-	-	-	9,841	-	-	-	-	-	-	-	-	-	-	9,841
-realized changes in the fair value, net reclassified in Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for protection against cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for protection against net-investment risk in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences of investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not shown in the Income Statement																
-foreclosed assets	-	-	-	-	-	(55,966)	-	-	380	-	-	-	-	-	-	(55,586)
Total unrealized profit /(loss) recognized in the equity	**-**	**-**	**-**	**-**	**(4,545)**	**(55,966)**	**-**	**-**	**380**	**-**	**-**	**-**	**-**	**-**	**-**	**(60,131)**
Total comprehensive profit /(loss) for the financial year	**-**	**-**	**-**	**-**	**(4,545)**	**(55,966)**	**-**	**-**	**380**	**-**	**-**	**-**	**2,371,129**	**-**	**-**	**2,310,998**
Transactions with shareholders, recognized in the equity and reserves																
Issued shares within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves																
-distribution of accumulated earnings	-	-	-	-	-	-	-	-	-	-	-	-	(1,355,191)	1,355,191	-	-
Transactions with shareholders, recognized in the equity and reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,355,191)**	**1,355,191**	**-**	**-**
On December 31, 2019	**3,511,242**	**-**	**-**	**-**	**(18,808)**	**50,334**	**-**	**-**	**(6,974)**	**830,290**	**-**	**1,083**	**2,505,293**	**8,385,791**	**-**	**15,258,251**

The accompanying notes from page 9 to 128 are an integral part of these financial statements.

Signed on behalf of STOPANSKA BANKA AD - Skopje

:Mr. Diomidis Nikoletopoulos	Mrs. Milica Chaparovska - Jovanovska	Mr. Toni Stojanovski	Orce Naumovski
Chief Executive Officer Chairman of the Board of Directors	Chief Retail Officer Member of the Board of Directors	Chief Risk Officer Member of the Board of Directors	Charted Accountant

December 31, 2019

STATEMENT OF CASH FLOW
for the period from January 1, 2019 to December 31, 2019
(In thousands of Denars)

	Note	31 December 2019	31 December 2018
Cash flow generated from operating activities			
Profit before taxation		2,645,205	3,068,081
Adjustments for:			
Depreciation of:			
- intangible assets	15/28	38,617	35,400
- property and equipment	15/29	98,102	102,431
Capital gain on sale of:			
- intangible assets			-
- property and equipment	11	(25,980)	(13)
- assets acquired through foreclosures	11	(71,636)	(90,242)
Capital loss on sale of:			
- intangible assets			-
- property and equipment			-
- assets acquired through foreclosures	16		-
Interest income	6	(4,206,816)	(4,509,860)
Interest expense	6	595,762	682,760
Net trading expense / (income)	8	1,853	(1,940)
Impairment losses of financial assets, on a net basis			
- Additional impairment losses	12	1,277,783	1,406,769
- Release of impairment losses	12	(514,273)	(875,122)
Impairment loss of non-financial assets, on a net basis:			
- Additional impairment loss	13	9,805	21,229
- Release of impairment loss		(111,282)	(138,267)
Special reserves:			
- additional provisions	38	3,903	3,767
- release of provisions	38	(5,423)	(3,591)
Dividend income		(6,695)	(5,399)
Share in profit/(loss) of associates			
Other adjustments	11		44,128
Interest received		4,009,872	4,508,970
Interest paid		(594,310)	(695,205)
Operating profit before changes in operating assets		**3,144,487**	**3,553,896**
(Increase)/decrease of operating assets:			
Trading assets		-	(1,940)
Derivative assets held for risk management		-	-
Due from banks and financial institutions		(48,163)	(37,550)
Loans to customers		(3,639,200)	(2,475,336)
Pledged assets		-	-
Assets acquired through foreclosure proceedings		72,752	112,354
Reserve requirements in foreign currency		(164,580)	(192,318)
Obligatory deposit with Central Bank in accordance with special legislative		52,296	(236,541)
Other receivables		(916,694)	(1,550,588)
Deferred tax assets		-	-
Non-current assets held for sale and disposal group		-	-
Increase/(decrease) of operating liabilities:			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Deposits from banks and financial institutions		98,753	77,034
Deposits from customers		6,852,329	5,121,936
Other liabilities		88,078	(282,918)
Liabilities directly related to group of assets for disposal			-
Net cash flows (used in)/ generated from operating activities before tax		**5,540,058**	**4,088,029**
(Paid)/Received on income tax		(402,326)	(219,711)
Net cash flows (used in)/ generated from operating activities		**5,137,732**	**3,868,318**

December 31, 2019
STATEMENT OF CASH FLOW (continued)
for the period from January 1, 2019 to December 31, 2019
(In thousands of Denars)

	Note	31 December 2019	31 December 2018
Cash flows from investing activities			
(Investments in securities)		(7,258,308)	(5,817,564)
Inflows from sale of investments in securities		4,660,845	6,255,710
(Outflows for investments in subsidiaries and affiliates)		-	-
Inflows from sale of investments in subsidiaries and affiliates		-	-
(Acquisition of intangible assets)		(62,996)	(31,821)
Inflows from sale of intangible assets		-	
(Acquisition of property and equipment)		(62,127)	(92,328)
Inflows from sale of property and equipment		97,616	10,461
(Outflows for non-current assets held for sale)		-	-
Inflows from non-current assets held for sale		-	-
(Other outflows from investing activities)		-	-
Other inflows from investing activities		-	228,521
Net cash flows from investing activities		(2,624,970)	**552,979**
Cash flows from financing activities			
(Repayment of issued debt securities)		-	-
Inflows from issued debt securities		-	-
(Repayment of loan payables)		(80,747)	(150,814)
Increase in loan payables		-	-
(Repayment of issued subordinated debt)		-	-
Inflows from issued subordinated debt		-	-
Inflows from issued shares/equity instruments within the period		6,695	5,399
(Acquisition of treasury shares)		-	-
Disposal of treasury shares		-	-
(Paid dividends)		-	(3,309,730)
(Other outflows from financing activities)		-	-
Other inflows from financing activities		-	-
Net cash flows from financing activities		**(74,052)**	**(3,455,145)**
Effects from allowance for impairment of cash and cash equivalents		(1,253)	-
Effects from foreign exchange gains/losses of cash and cash equivalents		-	-
Net-increase/(decrease) of cash and cash equivalents		**2,437,457**	**966,152**
Cash and cash equivalents as at January 1		15,999,534	15,033,382
Cash and cash equivalents as at December 31		**18,436,991**	**15,999,534**

The accompanying notes from page 9 to 128
are an integral part of these financial statements.

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 RetailOfficer
Member of the Board of Directors

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

Orce Naumovski
Charted Accountant

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

INTRODUCTION

a) General Information

STOPANSKA BANKA AD - Skopje was established as a shareholding bank on December 29, 1989. The address of its registered office and principal place of business is 11 Oktomvri 7, 1000 Skopje. The Bank operates in the RNM with 65 branches (2018: 65 branches).

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

- 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, traveller'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, headquartered in Greece, which owns 94.64% (2018: 94.64%) of the capital of the Bank and represents its ultimate parent company.

The shares of the Bank quote at the Official market of the Stock Exchange, sub segment Mandatory Listing, and the code under which they are quoted is:

Code of the security	ISIN number
STB (common share)	MKSTBS101014
STBP (preferred share)	MKSTBS120014

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

INTRODUCTION (continued)

a) General Information (continued)

The financial statements of the Bank for the period ended December 31, 2019 were approved by the Bank's Board of Directors on April 29, 2020 and adopted by the Bank's Supervisory Board on April 30, 2020.

b) Basis of preparation of the financial statements

Accounting standards for preparation of the financial statements

The financial statements of the Bank have been prepared in accordance with the Company Law, Law on Banks, the bylaws issued by the Central Bank of the Republick of North Macedonia (hereinafter referred to as "Central Bank"), and in accordance with the Decision on the methodology for recording and valuation of accounting items and preparation of financial statements (hereinafter referred to as "Methodology") ("Official Gazette of RNM" no. 83/2017) and the Decision on the types and contents of financial statements of banks ("Official Gazette of RNM" no. 83/2018), as prescribed by the Central Bank, applicable since January 1, 2018.

Within the Methodology, the liability for calculating the impairment for credit risk is prescribed by the Bank, which is obliged to determine, evaluate and recognize allowance for impairment/impairment for expected credit losses of financial assets in accordance with the Decision on the methodology for credit risk management as prescribed by the Central Bank.

In August 2018, the Central Bank amended and supplemented, and subsequently published a new Decision on the methodology for credit risk management („Official Gazette of the RNM " No. 149/18) which came into force as at July 1, 2019.

Presentation of financial statements

The accompanying financial statements of the Bank have been presented in accordance with the prescribed form and contents of the balance sheet schemes prescribed in the Decision on the types and contents of banks' financial statements ("Official Gazette of RNM" no. 83/17), (hereinafter referred to as "Decision").

INTRODUCTION (continued)

b) Basis of preparation of the financial statements(continued)

Presentation of financial statements (continued)

The Bank management estimates the effects of the changes in IAS, new IFRS, and their interpretations on the financial statements in a way as it's incorporated in the Methodolgy, as well as the requirements for the form and contents of certain balance sheet schemes under the Decision and the valuations of assets, liabilities, revenues and expenses under the Methodology requirements.

These financial statements have been prepared under the historical cost principle, except for the valuation of investment in financial assets available for sale which have been stated at fair value, as well as other financial assets and financial liabilities which have been stated at fair value through the profit and loss under the going concern assumption.

The presentation of the financial statements in conformity with the accounting standards applied in the country requires the Bank management to make the best possible estimates and reasonable assumptions that affects the presented values of assets and liabilities, as well as the revenues and expenses arising within the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for estimation of the carrying amounts of assets and liabilities for which no other data is available. Actual results may differ from these estimates.

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

The estimates and assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if it affects only that period, or in the period of estimation and future periods if the revised estimation affects both current and future periods.

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

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

The accompanying financial statements are the Bank's stand-alone financial statements.

c) Significant accounting policies

Interest income and expense

Interest income and expense are recognized in the Profit or loss for all interest-bearing instruments on an accrual basis, measured at amortized cost using the effective interest rate method.

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Interest income and expense (continued)

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.

Fee and commission income

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

Dividend income

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

Foreign exchange translation

Transactions denominated in foreign currencies have been translated into Denars at exchange rates set by the Central Bank at dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Denars at the end of reporting period 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 profit and loss in the period in which they occur.

Commitments and contingent liabilities denominated in foreign currencies are translated into Denars by applying the official exchange rates at the end of reporting period.

Financial assets

The Bank recognizes the financial assets and liabilities in books just if it is a party to the contractual provisions of the instrument. Financial assets are recognized and derecognized on the trade date where the purchase or sale of an investment is under a contract which terms require delivery of the investment within the agreed timeframe. Financial assets are initaly recognized at fair value, which is the transaction price of the instrument. The classification depends on the nature and the purposes of the financial assets and is determined at the time of initial recognition. The classification of financial assets depends on the bank bussines model and characteristics of the agreed cash flows. In the Bank are determined three business models: HTC (held to collect) comprises the financial assets that are measured at amortized cost, HTCS (held to collect and sale) comprises the financial assets that are measured at fair value through other comprehensive income and HFT (held for trading) comprises the assets that are measured at fair value through Income statement.

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Securities held-for-trading

Securities held-for-trading, which comprise bonds issued in local currency by the Ministry of Finance and equity securities issued, are securities included in a portfolio in which a pattern of short-term profit making exists. Securities held-for-trading are covered by bussines model (HFT) and respectively to the model on these instruments initialy are recognized at fair value, and transaction cost are not included in the amount that are initially measured. These securities are held by the Bank with intention to trade and receive gains from changes in fair value of the security.This is a residual category i.e. the Bank classifies in this category also all those financial assets which did not meet the criteria of other two categories described below. These instruments are subsequently measured at their fair value, without reducing the transaction costs, through the income statement on the basis of their market price, for trading assets as net trading income, and financial assets at fair value through profit or loss determined as such upon initial recognition as net income from other financial instruments recorded at fair value. Foreign exchange gains or losses are recognized in the income statement as net income / expense from exchange differences. Interest, if realized during the held-for-trading securities, is recorded as interest income. Gains or losses incurred when disposal or writing off an asset are recorded as other income / expenses. The disposal of securities held-for-trading is recognized on the trading date, which is the date when the Bank is obliged to buy or sell the asset.

Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale financial assets are initially recognized at fair value without reducing the transaction costs which could occur when selling and disposal, and subsequently measured at fair value, based on quoted prices in active markets or amounts derived from cash flow models for unquoted equity investments.

The Bank classifies assets in this category if they meet following criteria:
- bank held financial assets with intention of collect contractual cash flows and/or for sale
- the criteria for only collection of principal and interest (SPPI) is met
- equity instruments, for which management had mae an irrevocable election on initial recognition, to present changes in fair value in OCI;

Unrealized gains and losses arising from changes in the fair value of available-for-sale financial assets are equal to the difference between amortized cost and fair value and are recognized in equity and reserve in position revaluation reserves. In the debt securities through derecognition when the assets will be sold or matured, cumulative nonrealized gain or loss previously recognized in equity are included in the net profit or loss for the period in the position of revenue/ expense. In the equity securities through their derecognition, the Bank will be rewriting the amount of the revaluation reserves to the Acumulated / Retained earnings position.

However, interest calculated using the effective interest rate method, as well as contingent impairment losses and foreign exchange gains and losses are recognized in the profit and loss.

INTRODUCTION (continued)

c) Significant accounting policies (continued)

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 determines to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale. These securities are measured at HTC model and are presented at amortized cost using the effective interest rate method.

The Bank classifies assets in this category if they meet following criteria:

- bank held financial assets with intention of collect contractual cash flows
- he criteria for only collection of principal and interest (SPPI) is met

The Bank classifies in this category also cash and cash equivalents, claims from customers, claims from leases, claims for fees and commissions, and all other financial assets which are exposed to credit risk according to Decision for credit risk, and for which criteria SPPI is not applicable. For these assets SPPI criteria is not required to be met.

Gains or losses on exchange differences are recognized in the income statement as net income / expense exchange rate differentials. Gains or losses incurred when selling or writing off an asset are recorded as other income / expenses. Gains and losses when the asset is impaired or derecognised are recognized through the Income Statement.

Loans originated by the Bank

Loans are classified in accordance with business model HTC (held to collect) and are measured at amortized cost with the application of effective interest rate method. The classification is made in accordance with the bank's business model and the characteristics of the related cash flows. Two criteria are satisfied for classification and measurement of loans at amortized costs:

- bank is managing the assets to receive the contractual cash flow when the financial assets passes the contractual cash flow test SPPI
- Solely Payments of Principal and Interest

Loans originated by the Bank include loans where cash is provided directly to the costumer. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost by 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 allowance for impairment.

Impairment of financial assets

The Bank assesses at each end of reporting period 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.

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Impairment of financial assets (continued)

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less from revaluation reserves and are recognized in Income Statement in position - impairment. Impairment is not calculated to equity securities. Impairment losses recognized in the profit and loss on equity instruments are not reversed through the profit and loss. 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, as impairment loss, the impairment loss are annulled. The amount of release will be included in impairment loss, net. The rest of the amount of the new fair value are recognized in revalution reserves.

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 and are recognized in the Income statement.

Provisions for impairment losses on loans and advances

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

The allowances for impairment and uncollectability of loans and advances and for other active on-balance sheet and off-balance sheet items, are determined in accordance with the regulations prescribed by the Central Bank ruling on each end of reporting period, according to which the Bank is obliged to classify the active on-balance sheet and off-balance sheet items into groups on the basis of the degree (size) of the risk and assess the amount of potential impairment losses which are calculated by applying objective and subjective metrics, as of December 31, 2019 and December 31, 2018 by applying the following percentages:

Risk category	Percentage
A	0.01%-5%
B	5%-20%
C	20%-45%
D	45%-70%
E	70%-100%

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Provisions for impairment losses on loans and advances (continued)

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

- Separate loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals. Allowances for losses on impairment and uncollectability are measured and determined by the difference between the carrying value of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted by effective loan interest rate.
- If there is objective proof of uncollectability in the loan portfolio that may not be identified on a specific basis, the allowances for impairment and uncollectability are determined at level of risk for the overall loan portfolio. These losses are determined at historical principle for the loan classification of customers and express the current economic environment of the customers.
- Losses on impairment and uncollectability is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing, since the contractual liabilities for payment of the principal and/or interest are in default, i.e. uncollected for a period longer than 90 days. All allowances for losses on impairment and uncollectability are reviewed and tested at least once a quarter, and any further changes in the amount and timing of expected future cash flows in comparison with previous assessments result in changes in allowances for losses on impairment and uncollectability recorded as credit or debit of impairment losses in the profit and loss.
- The loan which is believed that is impossible to be collected is written off against the relevant allowance for losses on impairment and uncollectability. Bank writes off the credit exposure if passed one year from the date when the bank was obliged to impairment or allocate special reserve of 100%. Further collections are recorded as reduction of losses on impairment and uncollectability in the profit and loss.
- In case of loans granted to borrowers in countries with increased risk of difficulties for servicing external debt, the political and economic circumstances are assessed and additional allowances for sovereign risk are allocated.

Derecognition of financial assets

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

Financial liabilities

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

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Deposits from banks and other financial institutions and clients

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

Loans payable

Loans payable are initially recognized at fair value net of transaction costs incurred. Subsequent measurement is at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss 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. Prefered shares which carry a mandatory fixed dividend are classified as financial liabilities and are presented in other liabilities. The dividends from these preference shares are recognised in profit or loss.

Derivative financial instruments

The derivative financial instruments include contractual agreements subject to exchange rate fluctuations and are initially and subsequently valuated at fair value. These contracts are not qualified for hedging accounting in accordance with the specific criteria for recognition and measurement incorporated in the Methodolgy prescribd by the Central Bank and are accordingly treated as derivative instruments held for trading, i.e. gains and losses are recognized in net trading income.

Derecognition of financial liabilities

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

Property and equipment

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

Buildings	2.5%
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.

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Property and equipment (continued)

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

Intangible assets

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

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

Assets acquired through foreclosure proceedings

Foreclosed assets include property and equipment acquired through foreclosure proceedings in full or partial recovery of a related loan and is disclosed in foreclosed assets. Initially, these assets are measured at the initial carrying amount i.e. lower value than 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 appraiser on the date of asset foreclosure. For all assets undertaken after April 6, 2013 the Bank recorded at initial recognition and impairment of at least 20% of the lower of cost and estimated value of the foreclosed asset. If the impairment of loan that is paid by foreclosing assets is higher than 20% of the initial value of the foreclosed asset, the difference is recognized in the revaluation reserves of the Bank.

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Assets acquired through foreclosure proceedings (continued)

After initial recognition, foreclosed assets, at least annually are reviewed for impairment and are measured at the lower of 80% of the previous carrying value and the estimated value less estimated costs to sell. Impairments are recognized in the Income Statement of the Bank.

When asset is sold, the amount of impairment recognised in revaluation reserve is release and the same is recognised in the Income Statement in position Impairment losses on financial assets, net

Cash and cash equivalents

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

Managed funds

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

Provisions

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

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

Employment benefits

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

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Employment benefits (continued)

In accordance with the statutory requirements, the collective agreement, and the internal rules and regulation, the Bank is obliged to pay its employees a severance pay upon retirement in the amount of two monthly average salaries. These benefits are considered defined pension benefit plans. The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of reporting period less the fair value of previously recognized assets (there are currently no previous assets recognized), together with adjustments for unrecognized actuarial gains or losses less past service costs which are not recognized yet. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method.

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.

Leases

The Bank rents and leases out assets as operating lease. Rental income and expenditures from investment property is recognized in the Income Statement on a straight-line basis over the term of the lease.

INTRODUCTION (continued)

d) Critical accounting judgments and estimates

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

Fair value of financial instruments

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

There is no sufficient market experience, stability and liquidity in the country for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are at present not readily available.

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

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

INTRODUCTION (continued)

d) Critical accounting judgments and estimates (continued)

Useful lifetime of tangible and intangible assets

The Bank 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 expenses that may occur in the Bank, depend on actual future experience and in particular change in discount rate and increase in salaries. Other factors will also change the overall liability in this matter such as the number of employees leaving service before the retirement and the number of new employees.

e) Change of accounting policies, accounting estimates and correction of errors

Except as stated in Note 1.b), there are no changes in the accounting policies, accounting estimates or correction of errors in these financial statements. As mentioned in Note 1.b) in the section Presentation of financial statements, certain Notes in the accompanying financial statements are presented in compliance with the presentation method by the Decision.

f) Comparatives

In order to have more reliable, relevant presentation certain amounts in prior year have been reclassified to conform to the current year presentation:

Statement of comprehensive income

In thousands of Denars
December 31, 2018

	Current	As previously reported	Reclassificatio
			(261.098)
Fee and commission expense	(366,829)	(105,731)	
Other operating expenses	(747,489)	(1,008,587)	261,098
			-

g) Compliance with legislation

The accompanying financial statements are in compliance with the regulations prescribed by the Central Bank which is in force on each date of the Balance Sheet.

In the period from 02.09.2019 to 04.10.2019, the NBRNM conducted partial on-site control of Stopanska Banka AD - Skopje regarding the overall operation of the Bank, with particular reference to: Operational risk; The Bank's strategy and business plans; Organizational setup; Reporting system, stress testing and introduction of new products / activities / systems; Internal and external audit and the organizational part for controlling compliance with regulations; Assessment of the organizational part for monitoring the compliance of the Bank's operations with the regulations; Legal risk; Liquidation risk; Acting on measures related to IT risk management; Compliance with measures relating to FP / FT risk management and Compliance with regulations.

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

INTRODUCTION (continued)

The delivered Supervision report, finalized end of March 2020, contains findings and recommendations that do not have material impact to the Banks operations and for which the Bank prepared an Action Plan for their elimination.

h) Risk management disclosure

Qualitative and quantitative information in respect of the separate types of risks are provided in Notes 2 and 3.

i) Events after the Balance Sheet date

The Bank has no significant events after the balance sheet date for which the financial statements will be adjusted.

The Income Tax Law has been amended and entered into force on December 27, 2019, for fiscal year 2019. The changes generally relate to the category of unrecognized tax expense, change in tax treatment of depreciation, and change in transfer pricing including the extension of the deadline for preparation of the Transfer Pricing Report which will need to be prepared by 30 September at the latest in the current year for the previous one.

Changes have also been made to the Law on Personal Income Tax and entered into force on 27.12.2019 for the fiscal year 2020. The changes refer to the part of taxation rates, ie in the period 2020 to 2022 a single tax rate will apply. 10% on all types of personal income tax, except for gambling income that will be taxed at the rate of 15%

The Value Added Tax Act has also been amended and entered into force on January 4, 2020 for fiscal year 2020. The changes are in the part regulating the right to deduct previous value added tax, the amount of the taxpayer's registration threshold as and in the part of measuring the amount of a fine for non-compliance with the provisions of the law.

The Bank is currently assessing the impact of the amendments to the above cited laws.

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

1. Clasification of the financial assets and liabilities

A Clasification of the financial assets and liabilities

In thousands of Denars

	at fair value through the Income Statement		at fair value through other comprehensive income		at amortized cost	Total
	for trading	at fair value as such at initial recognition	debt instruments	equity instruments		
31.12.2019 (current period)						
Financial assets						
Cash and cash equivalents	-	-	4,897,998	-	16,948,071	21,846,069
Trading assets	3,763	-	-	-	-	3,763
Financial assets at fair value through the Income Statement determined as such at initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and receivables from banks	-	-	-	-	243,333	243,333
Loans and receivables from other customers	-	-	-	-	66,498,099	66,498,099
Investments in securities	-	-	-	81,426	8,610,743	8,692,169
Other receivables	-	-	-	-	1,355,825	1,355,825
Total financial assets	3,763	-	4,897,998	81,426	93,656,071	98,639,258
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through the Income Statement determined as such at initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposists from banks	-	-	-	-	258,326	258,326
Deposits from customers	-	-	-	-	82,857,540	82,857,540
Issued debt securities	-	-	-	-	-	-
Loans payable	-	-	-	-	214,344	214,344
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,019,211	1,019,211
Total financial liabilities	-	-	-	-	84,349,421	84,349,421

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

1. Clasification of the financial assets and liabilities (continued)

***A Clasification of the financial assets and liabilities* (continued)**

In thousands of Denars

	at fair value through the Income Statement		at fair value through other comprehensive income		at amortized cost	Total
	for trading	at fair value as such at initial recognition	debt instruments	equity instruments		
31.12.2018 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	4,956,713	-	14,339,615	19,296,328
Trading assets	-	-	-	5,616	-	5,616
Financial assets at fair value through the Income Statement determined as such at initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and receivables from banks	-	-	-	-	197,089	197,089
Loans and receivables from other customers	-	-	-	-	63,664,180	63,664,180
Investments in securities	-	-	-	80,059	5,789,883	5,869,942
Other receivables	-	-	-	-	454,474	454,474
Total financial assets	**-**	**-**	**4,956,713**	**85,675**	**84,445,241**	**89,487,629**
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through the Income Statement determined as such at initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposists from banks	-	-	-	-	159,504	159,504
Deposits from customers	-	-	-	-	76,002,374	76,002,374
Issued debt securities	-	-	-	-	-	-
Loans payable	-	-	-	-	296,455	296,455
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	930,114	930,114
Total financial liabilities	**-**	**-**	**-**	**-**	**77,388,447**	**77,388,447**

2. RISK MANAGEMENT

Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. Therefore, the Bank's aim is 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 analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems in order to reflect the changes in markets, products and the best practices.

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

- Strategic level encompasses risk management functions performed by the Supervisory Board. These include the approval of risk strategy, ascertaining the Bank's risk definitions, profile and aspirations, as well as, the risk reward profile and other high-level risk related policies and internal guidelines.

- Tactical level encompasses risk management functions performed by the Board of Directors, Executive and Senior Management. These include the approval of risk policies and procedure manuals for managing specific risks and establishing adequate systems and controls to ensure that the overall risk and reward relationship remains within acceptable levels. Generally, the risk management activities performed by the Risk Management Division of the Bank, as well as other critical support functions, fall into this category.

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

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

2.1 Credit risk

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

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

2.1.1 Credit risk measurement, limits and mitigation policies

Initially, when approving loans and loan commitments, different Credit Committees assess creditworthiness of the clients depending on the type and size of the exposure based on defined criteria. The Bank credit risk management, which encompasses identification, measurement, monitoring and control of credit risk, is performed by the Risk Management Committee and Committee for classification of assets and impairment for potential losses, commitments and contingencies and it is mainly based on reports and analysis 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 internal system of client classification the main purpose of which is to determine their creditworthiness and assess the acceptable level of credit risk at the start of lending. Classification of corporative clients to which the Bank is exposed to is reviewed at least on semi-annual basis. The Bank has implemented a system of early warning signals for the purpose of identifying timely possible downward trends in the client's creditworthiness and for mitigating the 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 and equity securities;
- Pledges over movables such as automobiles and equipment and other.

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

2.1.2 Impairment and provisioning policies

In August 2018, the Central Bank amended and supplemented, and subsequently published a new Decision on the methodology for credit risk management („Official Gazette of the RNM " No. 149/18) which came into force as at July 1, 2019.

Based on the new Decision on the methodology for credit risk management, the Bank introduced the changes in the defining of the restructured exposures, treatment of the restructured exposures as well as introducing the new criteria for exit of the exposure from the restructuring status (probation period for performing and non performing restructured loans). In line with the abovementioned Decision, the Bank applied new rules for the non performing exposures (contamination effect), advanced prudent filters for non performing exposures, introduced Unlikeliness To Pay analysis, determined all the exposures with Project financing and introduced LTV and DTI indicator on the retail portfolio.

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

2.1.2 Impairment and provisioning policies (continued)

Calculation of the impairment and special reserve for credit exposures is based on the determined expected credit loss on an individual basis, at least on a monthly basis.
The bank classifies the credit exposure based on an individual contract in the appropriate risk category.

The classification is made according to the following criteria:

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

During any further classification of credit exposure, the bank take's into account:

- the changes of the creditwotghiness of the client, i.e project financing,
- the regularity of repayment of liabilities

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

Impairment provision of individually assessed items on individual base are determined by evaluation of generated loss on the end of reporting period, which represents difference between the carrying and current value of projected future cash flows. Effective interest rate is used to discount the future cash flows that also include the collateral value.

All non-performing loans are also covered by the impairment on an individual basis.

Calculated impairment provision in 2019 moves within the following limits:

- 0.01-5% of credit risk exposure classified into A risk category;
- 5-20% of credit risk exposure classified into B risk category;
- 20-45% of credit risk exposure classified into C risk category;
- 45-70% of credit risk exposure classified into D risk category;
- 70-100% of credit risk exposure classified into E risk category.

Stage 1 category includes credit exposures for which no significant increase of credit risk was identified in comparison to the period of origin. These loans are classified in risk category A, according to the requirements of the NBRNM regulation.

Stage 2 category includes credit exposures with identified significant increase of credit risk according to the criteria prescribed in the NPE and Forbearance Policy, including the 30 dpd backstop. These category includes the loans from risk categories B and part of the loans from category C (the exposures with performing status).

Stage 3 category includes all the defaulted exposures, including the UTP and FNPE category.

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

2. RISK MANAGEMENT (continued)
2.1 Credit risk (continued)
A. Analysis of maximum exposure to credit risk

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018
Credit risk exposure classified in Stage 1																		
Accounting value, before impairment / special reserve	243,333	197,089	62,237,124	59,508,192	8,610,744	5,802,691	-	-	10,528,055	9,672,239	2,326	2,400	9,517	31,833	10,575,681	10,139,527	92,206,780	85,353,971
(Impairment and special reserve)		-	(110,472)	(145,495)	-	(12,808)	-	-	(85)	(1,210)	(1)	(2)	(4)	(11)	(17,345)	(25,707)	(127,907)	(185,233)
Reduced book value for impairment and special reserve	**243,333**	**197,089**	**62,126,652**	**59,362,697**	**8,610,744**	**5,789,883**	**-**	**-**	**10,527,970**	**9,671,029**	**2,325**	**2,398**	**9,513**	**31,822**	**10,558,336**	**10,113,820**	**92,078,873**	**85,168,738**
Credit risk exposure classified in Stage 2																		
Accounting value, before impairment / special reserve	-	-	3,745,576	4,280,973	-	-	-	-	-	-	1,238	161	8	1,162	137,793	77,148	3,884,615	4,359,444
(Impairment and special reserve)	-	-	(378,573)	(610,372)	-	-	-	-	-	-	(199)	(38)	(1)	(99)	(14,253)	(6,132)	(393,026)	(616,641)
Reduced book value for impairment and special reserve	**-**	**-**	**3,367,003**	**3,670,601**	**-**	**-**	**-**	**-**	**-**	**-**	**1,039**	**123**	**7**	**1,063**	**123,540**	**71,016**	**3,491,589**	**3,742,803**
Credit risk exposure classified in Stage 3																		
Accounting value, before impairment / special reserve	9,659	9,510	2,991,982	3,062,669	-	-	-	-	3,694	1,106	14,218	29,749	22,403	20,789	4,959	105,662	3,046,915	3,229,485
(Impairment and special reserve)	(9,659)	(9,510)	(1,987,538)	(2,431,787)	-	-	-	-	(1,666)	(499)	(11,267)	(27,078)	(20,613)	(17,408)	(2,369)	(47,654)	(2,033,112)	(2,533,936)
Reduced book value for impairment and special reserve	**-**	**-**	**1,004,444**	**630,882**	**-**	**-**	**-**	**-**	**2,028**	**607**	**2,951**	**2,671**	**1,790**	**3,381**	**2,590**	**58,008**	**1,013,803**	**695,549**
Total carrying amount of credit risk claims before impairment and special reserve	**252,992**	**206,599**	**68,974,682**	**66,851,834**	**8,610,744**	**5,802,691**	**-**	**-**	**10,531,749**	**9,673,345**	**17,782**	**32,310**	**31,928**	**53,784**	**10,718,433**	**10,322,337**	**99,138,310**	**92,942,900**
(Total impairment and special reserve)	**(9,659)**	**(9,510)**	**(2,476,583)**	**(3,187,654)**	**-**	**(12,808)**	**-**	**-**	**(1,751)**	**(1,709)**	**(11,467)**	**(27,118)**	**(20,618)**	**(17,518)**	**(33,967)**	**(79,493)**	**(2,554,045)**	**(3,335,810)**
Total carrying amount of receivables with credit risk less impairment and special reserve	**243,333**	**197,089**	**66,498,099**	**63,664,180**	**8,610,744**	**5,789,883**	**-**	**-**	**10,529,998**	**9,671,636**	**6,315**	**5,192**	**11,310**	**36,266**	**10,684,466**	**10,242,844**	**96,584,265**	**89,607,090**

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

B. Value of collateral (fair value) for mitigating of credit risk

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018
Value of collateral of the credit exposure assessed for impairment																
First-class collateral instruments:																
cash deposits (in depot and/or restricted in accounts with the Bank)	-	-	2,251,390	2,408,271	-	-	-	-	-	-	-	-	71,187	108,558	2,322,577	2,516,829
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	1,845,650	1,845,932	-	-	-	-	-	-	-	-	-	-	1,845,650	1,845,932
bank guarantees	-	-	619,138	1,034,566	-	-	-	-	-	-	-	-	421,711	190,834	1,040,849	1,225,400
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except for bank and insurance company guarantees)	-	-	4,559,027	2,781,913	-	-	-	-	-	-	-	-	78,217	342,033	4,637,244	3,123,946
Guarantees from individuals	-	-	575,398	575,293	-	-	-	-	-	-	-	-	538	730	575,936	576,023
Property pledge:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
private property (flats, houses)	-	-	38,810,904	38,227,764	-	-	-	-	-	-	-	-	194,188	225,547	39,005,092	38,453,311
commercial property	-	-	24,123,562	25,737,925	-	-	-	-	-	-	-	-	1,827,700	1,775,006	25,951,262	27,512,931
Pledge over movables	-	-	11,380,055	12,894,889	-	-	-	-	-	-	-	-	5,754,890	5,329,931	17,134,945	18,224,820
Other types of security	-	-	1,566,596	1,663,537	-	-	-	-	-	-	-	-	116,714	88,518	1,683,310	1,752,055
Total value of collateral of credit exposure assessed for impairment	**-**	**-**	**85,731,720**	**87,170,090**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8,465,145**	**8,061,157**	**94,196,865**	**95,231,247**

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

2. RISK MANAGEMENT (continued)
2.1 Credit risk (continued)
C. Concentration of credit risk by industries and activities

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018
Non-residents	-	-	-	-	-	-	-	-	-	-	1,171	1,073	-	-	-	-	1,171	1,073
Agriculture, Forestry and Fishing	-	-	369,188	583,591	-	-	-	-	-	-	16	48	23	59	27,836	34,362	397,063	618,060
Mining and quarrying	-	-	259,640	173,730	-	-	-	-	-	-	4	2	-	-	16,921	15,276	276,565	189,008
Food industry	-	-	2,851,212	3,069,664	-	-	-	-	-	-	77	69	344	792	67,902	63,398	2,919,535	3,133,923
Textile industry and clothing and footwear production	-	-	415,466	521,409	-	-	-	-	-	-	21	28	7	11	46,795	56,421	462,289	577,869
Chemical industry, production of construction materials, production and processing of fuels, pharmaceutical industry	-	-	936,406	784,659	-	-	-	-	-	-	12	17	6	20,479	48,038	36,127	984,462	841,282
Production of metals, machinery, tools and equipment	-	-	2,354,318	2,262,087	-	-	-	-	-	-	22	24	-	-	175,303	155,092	2,529,643	2,417,203
Other manufacturing industries	-	-	226,631	117,175	-	-	-	-	-	-	1	4	-	9	1,201	2,257	227,833	119,445
Electricity, gas, steam and air conditioning supply	-	-	1,554,251	1,857,631	-	-	-	-	-	-		-	17	387	22,502	305,549	1,576,770	2,163,567
Water supply, wastewater disposal, waste management and activities on remediation of the environment	-	-	6,698	8,913	-	-	-	-	-	-		-	-	3	281	3	6,979	8,919
Construction,	-	-	2,253,593	1,629,758	-	-	-	-	-	-	420	145	130	30	1,232,455	921,087	3,486,598	2,551,020
Wholesale and retail trade, repair of motor vehicles and motorcycles	-	-	5,791,730	5,865,856	-	-	-	-	-	-	84	498	4,749	7,397	1,094,846	630,360	6,891,409	6,504,111
Transportation and storage	-	-	808,804	848,041	-	-	-	-	-	-	75	51	188	257	165,967	172,299	975,034	1,020,648
Facilities for accommodation and food service activities	-	-	801,145	785,509	-	-	-	-	-	-	10	5	2	244	16,805	18,371	817,962	804,129
Information and Communications	-	-	185,492	113,914	-	-	-	-	-	-	9	11	-	148	13,777	14,347	199,278	128,420
Financial and insurance activities	243,333	197,089	60,036	106,372	-	-	-	-	5,631,713	4,714,923	1,441	1,781	-	1	92,300	118,193	6,028,823	5,138,359

2. RISK MANAGEMENT (continued)
2.1 Credit risk (continued)
C. Concentration of credit risk by industries and activities (continued)

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018
Activities related to real estate	-	-	298,361	586,759	-	-	-	-	-	-	-	-	-	33	241	607	298,602	587,399
Professional, scientific and technical activities	-	-	565,051	426,054	-	-	-	-	-	-	18	23	110	71	144,479	156,776	709,658	582,924
Administrative and support service activities	-	-	30,206	26,098	-	-	-	-	-	-	1	3	-	-	13,930	15,057	44,137	41,158
Public administrationand defence, compulsory social security	-	-	-	-	8,610,744	5,789,883	-	-	4,898,285	4,956,713		-	-	-	-	-	13,509,029	10,746,596
Education	-	-	16,290	2,832	-	-	-	-	-	-	1	-	-	-	620	1,446	16,911	4,278
Activities of Health and Social Care	-	-	404,625	66,339	-	-	-	-	-	-	1	-	-	-	4,165	2,539	408,791	68,878
Arts, entertainment and recreation	-	-	4,543	38,144	-	-	-	-	-	-		4	-	70	-	36,759	4,543	74,977
Other service activities	-	-	824	2,981	-	-	-	-	-	-	1	1	-	-	907	611	1,732	3,593
Activities of households as employers; activities of households that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Activities of exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Individuals	-	-	46,303,589	43,786,664	-	-	-	-	-	-	2,930	1,405	5,734	6,275	7,497,195	7,485,907	53,809,448	51,280,251
Proprietors and individuals who are not considered as merchants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**243,333**	**197,089**	**66,498,099**	**63,664,180**	**8,610,744**	**5,789,883**	**-**	**-**	**10,529,998**	**9,671,636**	**6,315**	**5,192**	**11,310**	**36,266**	**10,684,466**	**10,242,844**	**96,584,265**	**89,607,090**

2. RISK MANAGEMENT (continued)
2.1 Credit risk (continued)
D. Concentration of credit risk by geographical location

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018	As at 31.12.2019	As at 31.12.2018
Geographical location																		
RM	-	-	66,498,099	63,664,180	8,610,744	5,789,883	-	-	4,900,229	4,957,559	6,315	5,192	11,310	36,266	10,684,466	10,242,844	90,711,163	84,695,924
EU member countries	243,333	197,089	-	-	-	-	-	-	5,629,769	4,714,077	-	-	-	-	-	-	5,873,102	4,911,166
Europe (other)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD member countries (less European OECD member countries)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (more than 10% of total credit risk exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**243,333**	**197,089**	**66,498,099**	**63,664,180**	**8,610,744**	**5,789,883**	**-**	**-**	**10,529,998**	**9,671,636**	**6,315**	**5,192**	**11,310**	**36,266**	**10,684,466**	**10,242,844**	**96,584,265**	**89,607,090**

2. RISK MANAGEMENT (continued)
2.1 Credit risk (continued)
F. Credit risk analysis of assets measured at fair value through profit or loss

	Trading assets				Financial assets at fair value through profit or loss designated as such at initial recognition								
	Debt securities for trading		Equity Trading Securities		Debt securities for trading		Equity Trading Securities		Placements with and loans to banks		Placements with and loans to other clients		Total	
	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018
Accounting value of financial assets measured at fair value														
risx category														
risx category														
risx category														
risx category														
risx category														
risx category														
risx category														
risx category														
risx category														
risx category														
Total accounting value														

2. RISK MANAGEMENT (continued)

2.2 Liquidity risk

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

2.2.1 Liquidity risk management process

The Bank's liquidity risk management process encompasses:

- Application of operating standards related to the Bank's liquidity risk, including appropriate policies, procedures and resources for controlling and limiting the 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 STATEMETNS
December 31, 2019

2. RISK MANAGEMENT (continued)

2.2 Liquidity risk (continued)

2.2.1 Liquidity risk management process (continued)

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

In thousands of Denars

December 31, 2019

	Up to 1 month	From 1 to 3 months	From 3 months to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
FINANCIAL ASSETS							
Cash and cash equivalents	21,846,069	-	-	-	-	-	21,846,069
Trading assets	3,763	-	-	-	-	-	3,763
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Placements with, and loans to banks	-	-	-	-	-	243,333	243,333
Loans to customers	1,929,296	3,767,781	15,040,747	9,863,899	15,971,049	19,925,327	66,498,099
Investment securities	58,759	1,283,945	4,565,339	858,038	924,350	1,001,738	8,692,169
Investments in affiliates	-	-	-	-	-	-	-
Income Tax receivable (current)	33,123	-	-	-	-	-	33,123
Other receivables	1,355,825	-	-	-	-	-	1,355,825
Collateralized assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**25,226,835**	**5,051,726**	**19,606,086**	**10,721,937**	**16,895,399**	**21,170,398**	**98,672,381**
FINANCIAL LIABILITIES							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	258,236	-	-	-	-	-	258,236
Deposits from customers	46,047,248	5,448,562	21,001,426	7,658,693	2,551,465	150,146	82,857,540
Loans payable	9,707	-	21,521	20,839	12,878	149,399	214,344
Subordinated debt	-	-	-	-	-	-	-
Income tax liabilities (current)	-	-	-	-	-	-	-
Differed tax liabilities	-	-	-	-	-	-	-
Other liabilities	928,233	-	-	-	-	90,978	1,019,211
Total financial liabilities	**47,243,424**	**5,448,562**	**21,022,947**	**7,679,532**	**2,564,343**	**390,523**	**84,349,331**
Off balance items							
Off balance assets	16,783	46,228	28,019	-	-	-	91,030
Off balance liabilities	11,115,525	225,875	1,330,623	1,185,639	105,613	47,349	14,010,624
Net liquidity gap	**(33,115,331)**	**(576,483)**	**(2,719,465)**	**1,856,766**	**14,225,443**	**20,732,526**	**403,456**

Bank's assets and liabilities are classified according to their relevant maturities, 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, Moj cash, 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 71,773,005 thousand (2018: Denar 66,100,781 thousand) which helps the maturity non-reconciliation to be overcome.

2. RISK MANAGEMENT (continued)

2.2 Liquidity risk (continued)

2.2.1 Liquidity risk management process (continued)

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

In thousands of Denars

December 31, 2018

	Up to 1 month	From 1 to 3 months	From 3 months to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
FINANCIAL ASSETS							
Cash and cash equivalents	19,296,328	-	-	-	-	-	19,296,328
Trading assets	5,616	-	-	-	-	-	5,616
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Placements with, and loans to banks	1,770	-	-	-	-	195,319	197,089
Loans to customers	2,020,234	3,472,807	15,547,734	9,327,596	15,229,433	18,066,376	63,664,180
Investment securities	25,687	1,827,815	2,801,805	1,134,577	-	80,059	5,869,943
Investments in affiliates	-	-	-	-	-	-	-
Income Tax receivable (current)	-	-	-	-	-	-	-
Other receivables	454,474	-	-	-	-	-	454,474
Collateralized assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**21,804,109**	**5,300,622**	**18,349,539**	**10,462,173**	**15,229,433**	**18,341,754**	**89,487,630**
FINANCIAL LIABILITIES							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	159,504	-	-	-	-	-	159,504
Deposits from customers	38,026,760	5,967,226	21,667,167	7,633,602	2,529,337	178,282	76,002,374
Loans payable	1,503	23,762	57,332	30,976	33,483	149,399	296,455
Subordinated debt	-	-	-	-	-	-	-
Income tax liabilities (current)	95,126	-	-	-	-	-	95,126
Differed tax liabilities	-	-	-	-	-	-	-
Other liabilities	839,136	-	-	-	-	90,978	930,114
Total financial liabilities	**39,122,029**	**5,990,988**	**21,724,499**	**7,664,578**	**2,562,820**	**418,659**	**77,483,573**
Off balance items							
Off balance assets	-	1,141	-	-	-	-	1,141
Off balance liabilities	11,837,166	416,621	820,515	906,140	195,940	94,158	14,270,540
Net liquidity gap	**(29,155,086)**	**(1,105,846)**	**(4,195,475)**	**1,891,455**	**12,470,673**	**17,828,937**	**(2,265,342)**

2. RISK MANAGEMENT (continued)

2.2 Liquidity risk (continued)

2.2.1 Liquidity risk management process (continued)

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

Bank's assets and liabilities are classified according to their relevant maturities as at December 31, 2019 and 31 December 2018, except for loans and receivables from other clients and unutilized limits – potential credit exposure where the schedule in specific time intervals for loan products that have no defined maturity date (credit cards, Moj Cash, allowed overdrafts etc.) is made by using the historical data on the collection amount in relation to the total on-balance sheet receivables under these products, i.e. the amount of utilization of funds under the approved limits.

2.3 Market risk

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

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank sets limits on the level of exposure by currency and in aggregate for all currencies, which are monitored on a daily basis. The tables below summarize Bank's exposure to foreign exchange risk as at December 31, 2019 and 2018.

Risk from changes in interest rates

The Bank is exposed to effects arising from movements at level of interest rates in the market that affect its financial position and cash flows. Taking into consideration 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 Bank's portfolio of activities. The risk from 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 Bank's portfolio of activities. The assuming of this risk is part of banking activities and may be a significant source for profitability and shareholders value. Nonetheless, excessive risk from change in interest rates may represent a significant threat to the profit and capital base of the Bank.

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

Risk from changes in interest rates (continued)

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

The table shows Analysis of compliance of interest rates on financial assets and liabilities as at December 31, 2019 and 2018.

Operational risk

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

2.3.1 SensitivityAnalysis of assets and liabilities on change in market risk

A. Sensitivity Analysis on the changes of market risk on assets and liabilities

	Profit/loss	Own funds	Risk weighted assets	Capital adequacy ratio
December 31, 2019		12,843,936	78,976,122	16.26%
Amount prior to the sensitivity analysis /stress tests (as of 31.12.2019)				
Effects from application of scenarios				
Risk from foreign exchange rate change	(97,388)	12,746,548	79,075,280	16.12%
Denar to depreciate by 10% in relation of all other F/X	97,388	12,941,324	78,876,963	16.41%
Denar to appreciate by 10% in relation of all other F/X	(194,776)	12,649,161	79,174,439	15.98%
Denar to depreciate by 20% in relation of all other F/X	194,776	13,038,712	78,777,805	16.55%
Denar to appreciate by 20% in relation of all other F/X				
Risk from interest rate change	(549,358)	12,294,578	78,976,122	15.57%
Increasing of interest rates by 200 b.p.	(354,873)	12,489,063	78,976,122	15.81%
Decreasing of interest rates by 200 b.p.	(1,098,717)	11,745,219	78,976,122	14.87%
Increasing of interest rates by 400 b.p.	(709,746)	12,134,190	78,976,122	15.36%
Decreasing of interest rates by 400 b.p.		12,843,936	78,976,122	16.26%

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.1 Sensitivity Analysis of assets and liabilities on change in market risk (continued)

A. Sensitivity Analysis on the changes of market risk on assets and liabilities (continued)

	Profit/loss	Own funds	Risk weighted assets	Capital adequacy ratio
December 31, 2018				
Amount prior to the sensitivity analysis /stress tests (as of 31.12.2018)		11,981,568	73,607,134	16,28%
Effects from application of scenarios				
Risk from foreign exchange rate change				
Denar to depreciate by 10% in relation of all other F/X	(64,753)	11,916,814	73,674,404	16,17%
Denar to appreciate by 10% in relation of all other F/X	64,753	12,046,321	73,539,863	16,38%
Denar to depreciate by 20% in relation of all other F/X	(129,506)	11,852,061	73,741,675	16,07%
Denar to appreciate by 20% in relation of all other F/X	129,506	12,111,074	73,472,593	16,48%
Risk from interest rate change				
Increasing of interest rates by 200 b.p.	(518,993)	11,462,574	73,607,134	15,57%
Decreasing of interest rates by 200 b.p.	(361,803)	11,619,764	73,607,134	15,79%
Increasing of interest rates by 400 b.p.	(1,037,987)	10,943,581	73,607,134	14,87%
Decreasing of interest rates by 400 b.p.	(723,607)	11,257,961	73,607,134	15,29%

The Bank has established a frame for establishing stress test on the basis of which stress testing is made at least once a year in order to analyze the sensitivity of the Bank to a set of extreme but realistic shocks, which also takes into consideration analysis of the assets and liabilities sensitivity to changes in the foreign exchange rate and in the interest rates from the aspect of the banking activities portfolio. In due course, the scenarios which take into consideration the risk from the change of the foreign exchange rate estimate the effect of the possible appreciation and depreciation of the Denar foreign exchange rate in relation to other currencies, and at all other factors unchanged, the effect is observable through the realized foreign exchange gain/loss. On the other hand, the purpose of the stress test analysis of the interest rate risk in the bank's portfolio of activities is to examine the sensitivity of the Bank balance sheets to the interest rate changes, by examining the influence of interest shocks in the assumed scenarios on the net interest income.

In both sensitivity analyses, the change in capital adequacy is estimated through the effect of scenarios over the amount of own funds (if assuming that the profit is zero), and by that also over the capital adequacy of the Bank.

The table presents analysis of assets and liabilities sensitivity to market risk changes as at December 31, 2019 and 2018.

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.1 Sensitivity Analysis of assets and liabilities on change in market risk(continued)

B. Analysis of value exposed to market risk in trading portfolio

In thousands of Denars

	2019				2018			
	Balance on December 31	Average value	Highest value (maximum)	Lowest value (minimum)	Balance on December 31	Average value	Highest value (maximum)	Lowest value (minimum)
Amount exposed to risk at interest- bearing instruments								
Amount exposed to risk at instruments in foreign currency	-	-	-	-	-	-	-	-
Amount exposed to risk at equity instruments	-	-	-	-	-	-	-	-
Amount (effects on netting)	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-		

The Bank does not make analysis of the risk exposed value according to the above disclosure in Table B due to the fact that the Bank does not determine the capital required for covering the market risks for the trading portfolio according to the “Decision on the methodology for determining the capital adequacy”, and consequently the table referred to in this Note is not filled in.

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.2 Sensitivity analysis of changes in interest rates of financial assets and liabilities (excluding trading assets)

A. Interest rate sensitivity analysis

	Currency	31.12.2019	31.12.2018
NET WEIGHTED POSITION FOR CURRENCY EUR (FKS+VKS+PKS)	EUR	(40,121)	(137,128)
NET WEIGHTED POSITION FOR CURRENCY MKD (FKS+VKS+PKS)	MKD	457,675	211,819
NET WEIGHTED POSITION FOR CURRENCY MKDclEUR (FKS+VKS+PKS)	MKDclEUR	292,027	374,532
NET WEIGHTED POSITION FOR other CURRENCIES (FKS+VKS+PKS)	Other	(11,822)	(11,043)
TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF BANK'S ACTIVITY PORTFOLIO		**697,759**	**438,180**
OWN FUNDS		12,843,556	11,981,568
TOTAL WEIGHTED VALUE / OWN FUNDS		**5,43%**	**3,66%**

NOTES TO THE FINANCIAL STATEMETNS
December 31, 2019

2. RISK MANAGEMENT (continued)
2.3 Market risk (continued)
2.3.2 Sensitivity analysis of changes in interest rates of financial assets and liabilities (excluding trading assets) (continued)
B. Analysis of reconciliation of interest rates

In thousands of Denars December 31, 2019	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total interest bearing assets /liabilities
ASSETS							
Cash and cash equivalents	9,987,149	-	-	-	-	-	9,987,149
Financial assets at fair value through Income Statement	-	-	-	-	-	-	-
Placements with, and loans to banks	153,981	-	-	-	-	-	153,981
Loans to customers	29,153,687	2,063,997	17,950,553	9,638,024	6,822,520	203,392	65,832,173
Investments in securities	8,880	1,281,985	4,563,542	858,038	924,351	920,312	8,557,108
Other interest-sensitive unstated assets	-	-	-	-	-	-	-
Total interest-sensitive financial assets	**39,303,697**	**3,345,982**	**22,514,095**	**10,496,062**	**7,746,871**	**1,123,704**	**84,530,411**
LIABILITIES							
Financial liabilities at fair value through Income Statement	-	-	-	-	-	-	-
Deposits from banks and financial institutions	258,155	-	-	-	-	-	258,155
Deposits from customers	52,428,277	4,687,345	18,452,862	5,671,207	1,257,342	68,445	82,565,478
Issued debt securities	-	-	-	-	-	-	-
Borrowings	9,568	-	21,521	20,839	12,879	-	64,807
Subordinated debt	-	-	-	-	-	-	-
Other unspecified interest-sensitive liabilities	-	-	-	-	-	-	-
Total interest-sensitive financial liabilities	**52,696,000**	**4,687,345**	**18,474,383**	**5,692,046**	**1,270,221**	**68,445**	**82,888,440**
Net - balance position							
Off-balance sheet interest-sensitive assets positions	-	-	-	-	-	-	-
Off-balance sheet interest-sensitive liabilities positions	-	-	-	-	-	-	-
Net positions - off-balance sheet position	-	-	-	-	-	-	-
Total net-position	**(13,392,303)**	**(1,341,363)**	**4,039,712**	**4,804,016**	**6,476,650**	**1,055,259**	**1,641,971**

2. RISK MANAGEMENT (continued)
2.3 Market risk (continued)
2.3.2 Sensitivity analysis of changes in interest rates of financial assets and liabilities (excluding trading assets) (continued)
B. Analysis of reconciliation of interest rates (continued)

In thousands of Denars	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total interest bearing assets /liabilities
December 31, 2018							
ASSETS							
Cash and cash equivalents	9,142,613	-	-	-	-	-	9,142,613
Financial assets at fair value through Income Statement	-	-	-	-	-	-	-
Placements with, and loans to banks	147,072	-	-	-	-	-	147,072
Loans to customers	38,244,448	2,004,913	6,968,050	8,843,670	6,734,692	352,864	63,148,637
Investments in securities	22,554	1,829,319	2,801,428	1,140,540	-	-	5,793,841
Other interest-sensitive unstated assets	-	-	-	-	-	-	-
Total interest-sensitive financial assets	**47,556,687**	**3,834,232**	**9,769,478**	**9,984,210**	**6,734,692**	**352,864**	**78,232,163**
LIABILITIES							
Financial liabilities at fair value through Income Statement	-	-	-	-	-	-	-
Deposits from banks and financial institutions	145,712	-	-	-	-	-	145,712
Deposits from customers	46,095,580	5,088,941	19,259,481	4,648,350	457,180	86,611	75,636,143
Issued debt securities	-	-	-	-	-	-	-
Borrowings	23,760	-	57,332	30,977	33,483	-	145,552
Subordinated debt	-	-	-	-	-	-	-
Other unspecified interest-sensitive liabilities	-	-	-	-	-	-	-
Total interest-sensitive financial liabilities	**46,265,052**	**5,088,941**	**19,316,813**	**4,679,327**	**490,663**	**86,611**	**75,927,407**
Net - balance position							
Off-balance sheet interest-sensitive assets positions	-	-	-	-	-	-	-
Off-balance sheet interest-sensitive liabilities positions	-	-	-	-	-	-	-
Net positions - off-balance sheet position	-	-	-	-	-	-	-
Total net-position	**1,291,635**	**(1,254,709)**	**(9,547,335)**	**5,304,883**	**6,244,029**	**266,253**	**2,304,756**

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.3 Currency risk

In thousands of Denars
December 31, 2019

	MKD	EUR	USD	Other currency	Total
MONETARY ASSETS					
Cash and cash equivalents	12,502,967	5,361,553	2,216,378	1,765,171	21,846,069
Trading assets	-	3,763	-	-	3,763
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Placement with, and loans to banks	-	4,319	236,888	2,126	243,333
Placement with and loans to customers	48,205,852	18,273,512	18,735	-	66,498,099
Investment securities	5,383,081	3,309,088	-	-	8,692,169
Investments in affiliated companies	-	-	-	-	-
Income tax receivables (current)	33,123	-	-	-	33,123
Other receivables	1,349,981	4,115	545	1,184	1,355,825
Collateralized assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total monetary assets	**67,475,004**	**26,956,350**	**2,472,546**	**1,768,481**	**98,672,381**
MONETARY LIABILITIES					
Trading liabilities	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Deposits from banks	3	10,667	220,738	26,828	258,236
Deposits from customers	51,092,845	27,789,514	2,242,849	1,732,332	82,857,540
Issued Debt Securities	-	-	-	-	-
Borrowings	149,399	64,945	-	-	214,344
Subordinated debt	-	-	-	-	-
Income tax payable (current)	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	861,448	157,686	76	1	1,019,211
Total monetary liabilities	**52,103,695**	**28,022,812**	**2,463,663**	**1,759,161**	**84,349,331**
Net – position	**15,371,309**	**(1,066,462)**	**8,883**	**9,320**	**14,323,050**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.3 Currency risk (continued)

In thousands of Denars
December 31, 2018

	MKD	EUR	USD	Other currency	Total
MONETARY ASSETS					
Cash and cash equivalents	11,034,704	4,213,931	2,047,474	2,000,219	19,296,328
Trading assets	-	5,616	-	-	5,616
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Placement with, and loans to banks	-	4,630	190,187	2,272	197,089
Placement with and loans to customers	43,862,839	19,776,681	24,660	-	63,664,180
Investment securities	4,152,585	1,717,358	-	-	5,869,943
Investments in affiliated companies	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-
Other receivables	451,147	1,872	206	1,249	454,474
Collateralized assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total monetary assets	**59,501,275**	**25,720,088**	**2,262,527**	**2,003,740**	**89,487,630**
MONETARY LIABILITIES					
Trading liabilities	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Deposits from banks	3	16,391	109,801	33,309	159,504
Deposits from customers	45,714,897	26,189,030	2,144,735	1,953,712	76,002,374
Issued Debt Securities	-	-	-	-	-
Borrowings	150,591	145,864	-	-	296,455
Subordinated debt	-	-	-	-	-
Income tax payable (current)	95,126	-	-	-	95,126
Deferred tax liabilities	-	-	-	-	-
Other liabilities	825,247	104,792	27	48	930,114
Total monetary liabilities	**46,785,864**	**26,456,077**	**2,254,563**	**1,987,069**	**77,483,573**
Net – position	**12,715,411**	**(735,989)**	**7,964**	**16,671**	**12,004,057**

3. CAPITAL ADEQUACY

Capital management

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

- to comply with the capital requirements set by the Central Bank;
- to safeguard the Bank's ability to continue as a successful company providing positive financial results and benefits for other stakeholders; and
- to maintain a strong capital base to support further successful activity.

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

According to the Decision on amending the Decision on the methodology on determining the capital adequacy, applied as of March 2018, an amendment is made in the part of the structure of the regular capital (own funds) of banks.

The Bank's regulatory capital (own funds) is divided into two tiers:

- Tier 1 capital: consisited of two parts, common equity Tier 1 and additional Tier 1 capital. The common equity Tier 1 capital consist of share capital, retained undistributed profit restricted for distribution to shareholders, reserves created from retained profit, as well as accumulated other comprehensive income. The Bank has no additional Tier 1 capital as disposal; and
- Tier 2: consisting of cumulative preferred shares.

The legally prescribed minimum rate for risk-weighted assets is: 4.5% for the common equity Tier 1 capital, 6% for the tier 1 capital and 8% for own funds.

Furthermore, in accordance with the assessment of the whole risk profile of the Bank, the Central Bank determines additional capital of 4% and the Bank is obliged to maintain capital adequacy rate of at least 12%.

The Bank is obliged to maintain capital buffers prescribed by the Law on banks, namely capital conservation buffer of 2.5% and sistemically important banks buffer of 1.5%.

The Bank is complied with the prescribed capital adequacy ratio of at least 16% as at 31.12.2019.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

3. CAPITAL ADEQUACY (continued)

The Bank is calculating the capital adequacy rate in accordance with the Decision on the methodology for determining the capital adequacy of the Central Bank, according to which the manner is prescribed for calculating the capital required for banks to cover the credit risk, operational risk, market risks and the currency risk.

The calculaiton of the capital required for covering the credit risk is based on the so called standardized appropach 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 appropach. The calculation of the capital for currency risk was amended and is made to the net amount of aggregate foreign currency position taking into consideration of the calculation of the impairment. Furthermore, as was previously the case, in accordance with the new regulations, the Bank is not obliged to determine and dispose of the capital required for covering the market risks.

3. CAPITAL ADEQUACY (continued)

Own assets

The table below presents a survey of the Statement of own assets (Form OA) prepared in accordance with the Instructions on implementing the Decision on the methodology of determining the capital adequacy according to the applicable prescribed regulations of the Central Bank on December 31, 2019 and 2018.

	In thousand Denars	
	2019	**2018**
Own funds	**12,843,936**	**11,981,568**
Tier 1 capital	**12,752,958**	**11,890,590**
Common Equity Tier 1 capital (CET)	**12,752,958**	**11,890,590**
Positions in CET	12,752,958	11,890,590
Capital instruments of CET	3,511,242	3,511,242
Premium of capital instruments of CET	-	-
Mandatory general reserve (general reserve fund)	831,373	831,373
Retained undistributed profit	8,385,791	7,030,600
(-) Accumulated loss from previous years	-	-
Current profit or year-end profit	-	432,691
Accumulated other profit loss	24,552	84,684
(-) Deductions of CET	-	-
(-) Loss at the year-end or current loss	-	-
(-) Intangible assets	-	-
(-) Deferred tax assets that rely on the bank's future profit	-	-
(-) Investments in own capital instruments of CET	-	-
(-) Direct investments in own capital instruments of CET	-	-
(-) Indirect investments in own capital instruments of CET	-	-
(-) Synthetic investments in own capital instruments of CET	-	-
(-) Investments in own capital instruments of CET for which the bank has contractual obligations for purchasing	-	-
(-) Direct, indirect and synthetic investments in capital instruments of CET of persons from the financial sector, with investments in the bank	-	-
(-) Direct, indirect and synthetic investments in capital instruments of CET of persons from the financial sector, the bank has no significant investment	-	-
(-) Direct, indirect and synthetic investments in capital instruments of CET of persons from the financial sector, with significant investments in the bank	-	-
(-) Amount of deduction items of AT exceeding the total AT amount	-	-
(-) Amount of exceeded limits for investment in non-financial institutions	-	-
(-) Tax costs	-	-
(-) Difference between the required and conducted impairment/ special reserve	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

3. CAPITAL ADEQUACY (continued)

Own assets (continued)

In thousand Denars

	2019	2018
Regulatory reconciliations of CET	-	-
(-) Increase of CET arising from securitization positions	-	-
(-) Profit or (+) loss from cash-flow risk protection	-	-
(-) Profit or (+) loss from liabilities of the bank measures by fair vale	-	-
(-) Profit or (+) loss related to liabilities based on derivatives, measured by fair value		
Positions as result of consolidation	-	-
Non-controlling (minority) participation acknowledged in CET at consolidated basis	-	-
Other	-	-
Other positions of CET	-	-
Additional Tier capital (AT)	-	-
Positions in AT	-	-
Capital instruments of AT	-	-
Premium of capital instruments of AT	-	-
(-) Deductions of AT	-	-
(-) Investments in own capital instruments of AT	-	-
(-) Direct investments in own capital instruments of AT	-	-
(-) Indirect investments in own capital instruments of AT	-	-
(-) Synthetic investments in own capital instruments of AT	-	-
(-) Investments in own capital instruments of AT for which the bank has contractual obligations for purchasing	-	-
(-) Direct, indirect and synthetic investments in capital instruments of AT of persons from the financial sector, with investments in the bank	-	-
(-) Direct, indirect and synthetic investments in capital instruments of AT of persons from the financial sector, the bank has no significant investment	-	-
(-) Direct, indirect and synthetic investments in capital instruments of AT of persons from the financial sector, with significant investments in the bank	-	-
(-) Amount of deduction items of AT exceeding the total AT amount	-	-
(-) Tax costs	-	-
Regulatory reconciliations of AT	-	-
(-) Increase of AT arising from securitization positions	-	-
(-) Profit or (+) loss from cash-flow risk protection	-	-
(-) Profit or (+) loss from liabilities of the bank measures by fair vale	-	-
(-) Profit or (+) loss related to liabilities based on derivatives, measured by fair value	-	-
Positions as result of consolidation	-	-
Acceptable additional Tier 1 capital recognized in AT on consolidated basis	-	-
Other	-	-
Other positions of AT	-	-

3. CAPITAL ADEQUACY (continued)

Own assets (continued)

In thousand Denars

	2019	2018
Tier 2 capital (T2)	90,978	90,978
Positions in T2	90,978	90,978
Capital instruments in T2	90,978	90,978
Subordinated loans	-	-
Premium of capital instruments in T2	-	-
(-) Deductions of T2	-	-
(-) Investments in own capital instruments of T2	-	-
(-) Direct investments in own capital instruments of T2	-	-
(-) Indirect investments in own capital instruments of T2	-	-
(-) Synthetic investments in own capital instruments of T2	-	-
(-) Investments in own capital instruments of T2 for which the bank has contractual obligations for purchasing	-	-
(-) Direct, indirect and synthetic investments in capital instruments of T2 of persons from the financial sector, with investments in the bank	-	-
(-) Direct, indirect and synthetic investments in capital instruments of T2 of persons from the financial sector, the bank has no significant investment	-	-
(-) Direct, indirect and synthetic investments in capital instruments of T2 of persons from the financial sector, with significant investments in the bank	-	-
Regulatory reconciliations of T2	-	-
(-) Increase of T2 arising from securitization positions	-	-
(-) Profit or (+) loss from cash-flow risk protection	-	-
(-) Profit or (+) loss from liabilities of the bank measures by fair vale	-	-
(-) Profit or (+) loss related to liabilities based on derivatives, measured by fair value	-	-
Positions as result of consolidation	-	-
Acceptable additional capital recognized in T2 on consolidated basis	-	-
Other	-	-
Other positions of T2	-	-

3. CAPITAL ADEQUACY (continued)

Capital adequacy ratio

The table below gives an overview of the Report of the rate of capital adequacy (Form CA) prepared in accordance with the Guidelines for implementation of the Decision on the methodology for determining the capital adequacy according to the applicable prescribed regulations from Central Bank as at December 31, 2019 and 31 December 2018.

	In thousands of Denars	
	2019	**2018**
Credit risk weighted assets		
Capital required for covering the credit risk	5,603,177	5,195,276
Credit risk weighted assets by applying standardized approach	70,039,706	64,940,945
Currency risk weighted assets		
Aggregate foreign currency position	991,585	672,704
Net position in gold	-	-
Capital required for covering the currency risk	79,327	53,816
Currency risk weighted assets	991,585	672,704
Operational risk weighted assets		
Capital required for covering the operational risk by applying the basic indicator approach	-	-
Capital required for covering the operational risk by applying the standardized approach	635,586	639,479
Operational risk weighted assets	7,944,830	7,993,485
Other risk weighted assets		
Capital required for covering the risk of changes in the commodity prices	-	-
Capital required for covering the market risks	-	-
Capital required for covering the positional risks	-	-
Capital required for covering the specific risk of investments in debt instruments	-	-
Capital required for covering the general risk of investments in debt instruments	-	-
Capital required for covering the specific risk of investments in equity instruments	-	-
Capital required for covering the general risk of investments in equity instruments	-	-
Capital required for covering the settlement/delivery risk	-	-
Capital required for covering the counterparty risk	-	-
Capital required for covering the exceeding of exposure limits	-	-
Capital required for covering the market risks of option positions	-	-
Capital required for covering other risks	-	-
Other risk weighted assets	-	-
Risk weighted assets	**78,976,121**	**73,607,134**
Capital required for covering the risks	6,318,090	5,888,571
Own assets	**12,843,936**	**11,981,568**
Capital adequacy ratio	**16,26%**	**16,28%**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

4. SEGMENT REPORTING

A. Operating segments

In thousands of Denars
December 31, 2019

	Retail banking	Corporate banking	Investment banking	All other significant operating segments	Unallocated	Total
Net interest income /(expense)	946,053	2,599,264	65,867	(130)	-	3,611,054
Net fees and commissions income / (expense)	486,241	339,368	181	-	-	825,790
Net trading income	-	-	(1,853)	-	-	(1,853)
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	232,066	348,509	6,972	30,833	-	618,380
Income realized between segments	-	-	-	-	-	-
Total income by segments	**1,664,360**	**3,287,141**	**71,167**	**30,703**	**-**	**5,053,371**
Allowance for impairment of financial assets, on net basis	70,002	(801,428)	-	(32,084)	-	(763,510)
Impairment loss of non-financial assets, on net-basis	-	101,477	-	-	-	101,477
Depreciation	-	(136,719)	-	-	-	(136,719)
Restructuring costs	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-
Other expenses	(736,630)	(592,290)	-	(280,494)	-	(1,609,414)
Total expenses by segments	**(666,628)**	**(1,428,960)**	**-**	**(312,578)**	**-**	**(2,408,166)**
Financial result by segment	997,732	1,858,107	71,167	(281,875)	-	2,645,205
Income tax	-	-	-	-	-	(274,076)
Profit/(loss) for the period	**997,732**	**1,858,181**	**71,167**	**(281,875)**	**-**	**2,371,129**
Total assets by segment	46,163,330	44,825,674	8,698,496	-	-	99,687,500
Unallocated assets per segment	-	-	-	-	-	-
Total assets						**99,687,500**
Total liabilities by segment	(63,579,559)	(20,846,704)	(2,986)	-	-	(84,429,249)
Unallocated liabilities by segment	-	-	-	-	-	-
Total liabilities						**(84,429,249)**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

4. SEGMENT REPORTING (continued)

A. Operating segments (continued)

In thousands of Denars
December 31, 2018

	Retail banking	Corporate banking	Investment banking	All other significant operating segments	Unallocated	Total
Net interest income /(expense)	914,335	2,806,238	106,527	-	-	3,827,100
Net fees and commissions income / (expense)	411,336	331,119	1	-	-	742,456
Net trading income	-	-	1,940	-	-	1,940
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	236,174	387,463	5,408	37,270	-	666,315
Income realized between segments	-	-	-	-	-	-
Total income by segments	**1,561,845**	**3,524,820**	**113,876**	**37,270**	**-**	**5,237,811**
Allowance for impairment of financial assets, on net basis	38,484	(584,396)	(936)	15,202	-	(531,646)
Impairment loss of non-financial assets, on net-basis	-	117,038	-	-	-	117,038
Depreciation	-	(137,831)	-	-	-	(137,831)
Restructuring costs	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-
Other expenses	(749,658)	(560,361)	-	(278,878)	(28,394)	(1,617,291)
Total expenses by segments	**(711,174)**	**(1,165,550)**	**(936)**	**(263,676)**	**(28,394)**	**(2,169,730)**
Financial result by segment	850,671	2,359,270	112,940	(226,406)	(28,394)	3,068,081
Income tax	-	-	-	-	-	(321,735)
Profit/(loss) for the financial year	**850,671**	**2,359,270**	**112,940**	**(226,406)**	**(28,394)**	**2,746,346**
Total assets by segment	42,138,235	42,524,926	5,878,426	-	-	90,541,587
Unallocated assets per segment	-	-	-	-	-	-
Total assets						**90,541,587**
Total liabilities by segment	(60,107,626)	(17,502,252)	(2,059)	-	-	(77,611,937)
Unallocated liabilities by segment	-	-	-	-	-	-
Total liabilities						**(77,611,937)**

4. SEGMENT REPORTING (continued)

B. Concentration of total revenue and expenses by customers

In thousands of Denars

	Retail banking	Corporate banking	Investment banking	All other significant operating segments	Unallocated	Total
Current 2019						
Customer 1						
Income	840	80,054	-	-	-	80,894
(Expenses)	(6,822)	(86,617)	-	-	-	(93,439)
Customer 2						
Income	812	57,347	-	-	-	58,159
(Expenses)	(6,463)	(34,235)	-	-	-	(40,698)
Customer 3						
Income	798	45,999	-	-	-	46,797
(Expenses)	(5,100)	(24,110)	-	-	-	(29,210)
Customer 4						
Income	769	32,870	-	-	-	33,639
(Expenses)	(4,009)	(19,942)	-	-	-	(23,951)
Customer 5						
Income	753	19,536	-	-	-	20,289
(Expenses)	(3,909)	(18,099)	-	-	-	(22,008)
Total by segment	**(22,331)**	**52,803**	**-**	**-**	**-**	**30,472**
Previous 2018						
Customer 1						
Income	1,242	94,155	-	-	-	95,397
(Expenses)	(11,454)	(28,469)	-	-	-	(39,923)
Customer 2						
Income	1,113	66,712	-	-	-	67,825
(Expenses)	(8,101)	(26,401)	-	-	-	(34,502)
Customer 3						
Income	1,016	64,357	-	-	-	65,373
(Expenses)	(6,637)	(25,640)	-	-	-	(32,277)
Customer 4						
Income	952	63,561	-	-	-	64,513
(Expenses)	(6,571)	(25,126)	-	-	-	(31,697)
Customer 5						
Income	916	37,707	-	-	-	38,623
(Expenses)	(5,914)	(22,217)	-	-	-	(28,131)
Total by segment	**(33,438)**	**198,639**	**-**	**-**	**-**	**165,201**

4. SEGMENT REPORTING (continued)

C. Geographic areas

In thousands of Denars

	RNM	Member countries of European Union	Europe (other)	Member-countries of OECD (without European Member-countries of OECD)	Other	Unallocated	Total
Current year, 2019							
Total income	5,746,822	257,621	1,122	80,690	-	-	**6,086,255**
Total assets	94,111,122	4,232,344	18,431	1,325,603	-	-	**99,687,500**
Previous year, 2018							
Total income	6.095.434	164,745	2,214	142,045	-	-	**6,404,438**
Total assets	87,306,546	1,161,594	31,829	2,041,618	-	-	**90,541,587**

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A. Fair value of financial assets and liabilities

In thousands of Denars

	December 31, 2019		December 31, 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Cash and cash equivalents	21,846,069	21,846,069	19,296,328	19,296,328
Trading assets	3,763	3,763	5,616	5,616
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Placement with, and loans to banks	243,333	243,333	197,089	197,089
Placement with, and loans to other customers	66,498,099	66,498,099	63,664,180	63,664,180
Investment securities	8,692,169	8,692,169	5,869,943	5,869,943
Investments in affiliated companies	-	-	-	-
Receivables for income tax (current)	33,123	33,123	-	-
Other receivables	1,355,825	1,355,825	454,474	454,474
Collateralized assets	-	-	-	-
Differed tax assets	-	-	-	-
	98,672,381	**98,672,381**	**89,487,630**	**89,487,630**
Financial liabilities				
Liabilities for trading	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	258,236	258,236	159,504	159,504
Deposits from other customers	82,857,540	82,857,540	76,002,374	76,002,374
Issued debt securities	-	-	-	-
Borrowings	214,344	214,344	296,455	296,455
Subordinated debt	-	-	-	-
Income tax liabilities (current)	-	-	95,126	95,126
Differed tax liabilities	-	-	-	-
Other liabilities	1,019,211	1,019,211	930,114	930,114
	84,349,331	**84,349,331**	**77,483,573**	**77,483,573**

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

B. Levels of fair value of financial assets and liabilities, measured at fair value

B.1 Levels of fair value of financial assets and liabilities, measured at fair value

		In thousands of Denars			
	Note	Level 1	Level 2	Level 3	Total
Curent year, 2019					
Financial assets measured at fair value					
Trading assets	19	3,763	-	-	3,763
Financial assets at fair value through income statement, determined as such upon initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investments in securities available for sale	23.1	57,018	-	24,408	81,426
Total		**60,781**	**-**	**24,408**	**85,189**
Financial liabilities					
Liabilities for trading	32				
Financial liabilities at fair value through income statement, determined as such upon initial recognition	33				
Derivative liabilities held for risk management	21				
Total		-	-	-	-
Previous year, 2018					
Financial assets measured at fair value					
Trading assets	19	5,616	-	-	5,616
Financial assets at fair value through income statement, determined as such upon initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investments in securities available for sale	23.1	55,651	-	24,408	80,059
Total		**61,267**	**-**	**24,408**	**85,675**
Financial liabilities					
Liabilities for trading	32				
Financial liabilities at fair value through income statement, determined as such upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		-	-	-	-

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

B. Level of fair value of financial assets and liabilities, measured at fair value (continued)

B.2 Transfers between fair value level 1and 2

	In thousands of Denars			
	Current year, 2019		Previous year, 2018	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Financial assets measured at fair value				
Trading assets	-	-	-	-
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investments in securities, available for sale	-	-	-	-
Total	-	-	-	-
Financial liabilities				
Liabilities for trading	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

B. Levels of fair value of financial assets and liabilities, measured at fair value (continued)

B.3 Reconciliation of the Movements in Fair Values Measured at Level 3 during the Year

In thousands of Denars

	Assets for trading	Financial assets at fair value through income statement determined as such upon initial recognition	Investments in securities available –for-sale	Total assets	Liabilities for trading	Financial assets at fair value through income statement determined as such upon initial recognition	Total liabilities
Balance at January 1, 2018							
Profit/(loss) recognized in:							
- Income Statement	-	-	-	-	-	-	-
- Other profit /(loss) in the period not recognized in the Income Statement	-	-	-	-	-	-	-
Purchased financial assets in the period	-	-	-	-	-	-	-
Sold financial assets in the period	-	-	-	-	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Re-classified financial instruments to/from Level 3	-	-	-	-	-	-	-
Re-classified in loans and claims	-	-	-	-	-	-	-
Balance at December 31, 2018	-	-	-	-	-	-	-
Total profit /(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2018	-	-	-	-	-	-	-
Balance at January 1, 2019							
Profit/(loss) recognized in:							
- Income Statement	-	-	-	-	-	-	-
- Other profit /(loss) in the period not shown in the Income Statement	-	-	-	-	-	-	-
Purchased financial assets in the period	-	-	-	-	-	-	-
Sold financial assets in the period	-	-	-	-	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Re-classified financial instruments to/from Level 3	-	-	-	-	-	-	-
Re-classified in loans and claims	-	-	-	-	-	-	-
Balance at December 31, 2019	-	-	-	-	-	-	-
Total profit /(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2019	-	-	-	-	-	-	-

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

B Levels of fair value of financial assets and financial liabilities, measured at fair value (continued)

a) Cash and cash equivalents

The carrying amount of cash and cash equivalents equals their fair values as they include cash and nostro accounts representing unrestricted demand deposits and placements with Central Bank, which mature *shortly.* Treasury bills are measured at fair value, at level 2.

b) Held-for-trading financial assets

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

c) Placement with, and loans to banks

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

d) Placements with and 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 by the Bank based on the discounted cash flow.

e) Investment in securities

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

f) Other receivables

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

g) Deposits from banks

The fair value of demand and time deposits is their carrying amount.

h) Deposits from other customers

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

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

B Levels of fair value of financial assets and financial liabilities, measured at fair value (continued)

i) Loans payable

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

j) Other liabilities

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

6. NET INTEREST INCOME /(EXPENSE)

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

	In thousands of Denars	
	Current year 2019	Previous year 2018
Interest income		
Cash and cash equivalents	114,433	147,482
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-
Derivative assets held for risk management	-	-
Placements with and loans to banks	64,716	52,104
Placements with and loans to customers	3,774,747	3,948,490
Investments in securities	65,867	107,807
Other receivables	6,605	6,533
(Allowance for impairment of income interest, on net-basis)	(60,434)	(35,837)
Collected previously written-off interest	240,882	283,281
Total interest income	**4,206,816**	**4,509,860**
Interest expense		
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	210	189
Deposits from other customers	576,814	676,414
Issued debt securities	-	-
Borrowings	3,241	4,110
Subordinated debt	-	-
Other liabilities	15,497	2,047
Total interest expense	**595,762**	**682,760**
Net interest income / (expense)	**3,611,054**	**3,827,100**

6. NET INTERESTINCOME/(EXPENSE) (continued)

B. Sector analysis of interest income and expenses by sector

	In thousands of Denars	
	Current year 2019	Previous year 2018
Interest income		
Non-financial companies	803,055	907,815
Government	65,910	105,650
Non-profit institutions servicing households	349	269
Banks	64,751	54,635
Other financial companies (non-banking)	120,117	155,023
Households	2,972,126	3,038,997
Non-residents	60	27
(Allowance for impairment of interest income, on net-basis)	(60,434)	(35,837)
Collected previously written-off interest	240,882	283,281
Total interest income	**4,206,816**	**4,509,860**
Interest expense		
Non-financial companies	62,748	64,196
Government	2,294	2,239
Non-profit institutions servicing households	1,889	2,143
Banks	1,170	2,098
Other financial companies (non-banking)	51,252	53,222
Households	457,478	543,739
Non-residents	18,931	15,123
Total interest expense	**595,762**	**682,760**
Net interest income / (expense)	**3,611,054**	**3,827,100**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

7. NET FEE AND COMMISSION INCOME/(EXPENSE)

A. Structure of fee and commission income and expenses by financial activity

	In thousands of Denars	
	Current year 2019	Previous year 2018
Fee and commission income		
Financing	94,564	102,757
Payment operations		
domestic	219,417	195,345
international	213,979	195,309
L/Cs and L/Gs	38,418	40,169
Brokerage operations	2,546	3,608
Asset management	477	535
Commission and creditor activities	-	-
Issue of securities	-	-
Other		
Card operations	542,919	464,397
Deposit operations	19,038	1,185
Renting safe-deposit-boxes	8,041	9,084
Third party accounts collection	2,576	3,409
Transaction Account Maintenance Fee	84,037	79,983
Insurance policy sales commissions	27,000	1,908
Other fee and commission income	9,900	11,595
Total fee and commission income	**1,262,912**	**1,109,284**
Fee and commission expense		
Financing	-	-
Payment operations		
domestic	73,115	72,142
International	29,297	26,511
L/Cs and L/Gs	-	-
Brokerage operations	323	449
Asset management	-	-
Commission and creditor activities	-	-
Issue of securities	-	-
Other:		
Card operations	327,754	261,071
Other fee and commission ehpense	6,633	6,656
Total fee and commission expense	**437,122**	**366,829**
Net fee and commission income / (expense)	**825,790**	**742,455**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

7. NET FEE AND COMMISSION INCOME/(EXPENSE) (continued)

B. Sector analysis of fee and commission income and expense

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Fee and commission income		
Non-financial companies	501,520	476,225
Government	4,105	3,711
Non-profit institutions servicing households	140	92
Banks	30,173	27,625
Other financial companies (non-banking)	-	-
Households	702,017	576,494
Non-residents	24,957	25,137
Total fee and commission income	**1,262,912**	**1,109,284**
Fee and commission expense		
Non-financial companies	53,521	48,239
Government	-	-
Non-profit institutions servicing households	-	-
Banks	205,872	175,857
Other financial companies (non-banking)	24,381	23,614
Non-residents	153,348	119,119
Total fee and commission expense	**437,122**	**366,829**
Net fee and commission income / (expense)	**825,790**	**742,455**

8. NET TRADING INCOME

	In thousands of Denars	
	Current year 2019	Previous year 2018
Trading assets		
Profit /(loss) from the changes in fair value of debt securities, on net-basis		
realized	-	-
unrealized	-	-
Profit /(loss) from the changes in fair value of equity instruments, on net basis		
realized	-	-
unrealized	(1,853)	1,940
Income from dividend from trading assets	-	-
Income from interest from trading assets	-	-
Trading liabilities		
Profit /(loss) from the changes in fair value of debt securities, on net-basis		
realized	-	-
unrealized	-	-
Profit /(loss) from the changes in fair value of trading deposits, on net-basis		
realized	-	-
unrealized	-	-
Profit /(loss) from the changes in fair value of other financial liabilities for trading, on net-basis		
realized	-	-
unrealized	-	-
Expenses for interest from financial liabilities held for trading	-	-
Profit /(loss) from the changes in fair value of derivatives held for trading, on net-basis		
realized	-	-
unrealized	-	-
Net trading income	**(1,853)**	**1,940**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

9. NET INCOME FROM OTHER FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Financial assets at fair value through the income statement determined as such at initial recognition		
Profit / (loss) from the changes in fair value of debt securities, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of equity instruments, on net basis		
realized	-	-
unrealized	-	-
Income from dividend from financial assets at fair value through the income statement	-	-
Profit / (loss) from the changes in fair value of loans and claims at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition		
Profit / (loss) from the changes in fair value of debt securities, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from changes in fair value of deposits at fair value through the income statement, on net-basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of loan liabilities at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of other financial liabilities at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from changes in fair value of derivative held for risk management at fair value through the income statement, on net-basis		
realized	-	-
unrealized	-	-
Net income from other financial instruments carried at fair value	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

10. NET FOREIGN EXCHANGE GAINS/(LOSSES)

	In thousands of Denars	
	Current year 2019	Previous year 2018
Realized net foreign exchange gains/(losses)	87,362	104,205
Non-realized net foreign exchange gains/(losses)	-	-
- foreign exchange gains/(losses) of adjustment of the value of financial assets, on net basis	-	-
- foreign exchange gains/(losses) of special reserve for off balance sheet exposure, on net basis	-	-
- other foreign exchange gains/(losses), on net basis	3,938	968
Net foreign exchange gains/(losses)	**91,300**	**105,173**

11. OTHER OPERATING INCOME

	In thousands of Denars	
	Current year 2019	Previous year 2018
Profit from sales of assets available for sale	-	10
Dividend from equity instruments available for sale	6,965	5,399
Net income from investments in subsidiaries and affiliates	-	-
Capital gain from sales of:		
property and equipment	-	13
intangible assets	-	-
foreclosed assets	97,616	90,242
non-current assets held for sale and group for disposal (sale)	-	-
Income from rent	1,874	2,427
Income from won court disputes	9,659	15,915
Collected previously written-off receivables	373,050	395,678
Release of special reserves and provisions for:		
contingent liabilities based on court disputes	3,851	2,588
pensions and other benefits for employees	-	-
restructuring	-	-
unfavourable agreements	-	-
other provisions	-	-
Other:		
early withdrawal of deposits of non-residents	17,355	18,620
revenue from insurance mediation and mortgage bets on movables in process of approving loans to individuals	250	1,559
other income	16,460	28,691
Total other operating income	**527,080**	**561,142**

12. IMPAIRMENT LOSSES OF FINANCIAL ASSETS AND SPECIAL RESERVES FOR OFF BALANCE SHEET EXPOSURE, ON NET-BASIS

In thousands of Denars

	Placements with and loans to banks	Placements with and loans to customers	Investments in financial assets available for sale	Investments in financial assets held to maturity	Cash and cash equivalents	Fees and commissions receivables	Other receivables	Total allowance for impairment of financial assets	Special reserves for off balance sheet exposures	Total
December 31, 2019 (curent year) *Allowance for impairment and special reserves*										
Additional allowance for impairment and special reserves	458	1,216,125	-	-	3,011	8,615	10,918	1,239,127	38,655	1,277,782
(Release of allowance for impairment and special reserves)	(309)	(423,834)	-	-	(1,758)	(2,194)	(1,996)	(430,091)	(84,181)	(514,272)
Total allowance for impairment of financial assets and special reserves for off balance sheet exposures, on net-basis	**149**	**792,291**	**-**	**-**	**1,253**	**6,421**	**8,922**	**809,036**	**(45,526)**	**763,510**
December 31, 2018 (previous year) *Allowance for impairment and special reserves*										
Additional allowance for impairment and special reserves	952	1,316,037	-	19,503	19,111	9,005	22,984	1,387,592	19,176	1,406,768
(Release of allowance for impairment and special reserves)	(7,895)	(779,591)	-	(18,567)	(19,099)	(3,476)	(25,013)	(853,641)	(21,482)	(875,123)
Total allowance for impairment of financial assets and special reserves for off balance sheet exposures, on net-basis unaudited	**(6,943)**	**536,446**	**-**	**936**	**12**	**5,529**	**(2,029)**	**533,951**	**(2,306)**	**531,645**

13. IMPAIRMENT LOSSES OF NON-FINANCIAL ASSETS, NET

In thousands of Denars

	Real estate and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale and group for sale	Other non-financial assets	Total
December 31, 2019 (curent year)						
Additional impairment loss	298	-	9,507	-	-	9,805
(Release of impairment loss)	-	-	(111,282)	-	-	(111,282)
Total impairment loss of non-financial assets, on net-basis	**298**	**-**	**(101,775)**	**-**	**-**	**(101,477)**
December 31, 2018 (previous year)						
Additional impairment loss	3,929	-	17,300	-	-	21,229
(Release of impairment loss)	-	-	(138,267)	-	-	(138,267)
Total impairment loss of non-financial assets, on net-basis unaudited	**3,929**	**-**	**(120,967)**	**-**	**-**	**(117,038)**

14. PERSONNEL EXPENSES

	In thousands of Denars	
	Current year 2019	Previous year 2018
Short-term personnel benefits		
Salaries	463,586	458,227
Compulsory contributions for social and health insurance	238,003	232,781
Short-term paid leaves	-	-
Costs for temporary employment	17,902	13,515
Share in profit and remuneration	1,753	1,423
Non-monetary benefits	-	-
Other personnel benefits	105,298	163,443
	826,542	869,389
Post retirement benefits		
Defined pension benefit plans	-	-
Retirement benefits	-	-
Increase of liability for defined pension benefit plans	-	-
Increase of liability for other long-term benefits	-	-
Other benefits upon termination of employment	-	-
	-	-
Benefits due to termination of employment	-	-
Payments to employees based on shares, settled with equity instruments	-	-
Payments to employees based on shares, settled with monetary assets	-	-
Other	23,825	413
	23,825	413
Total personnel expenses	**850,367**	**869,802**

The amounts referring to provisions for retirement benefits in the amount of Denar 3,354 thousand (2018: Denar 2,498 thousand) are presented in Note 38.

	Current year 2019	Previous year 2018
Average number of employees for the period	1,026	1,028
Number of permanent employees at year-end	1,021	1,027
Number of temporary employees at year-end	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

15. DEPRECIATION

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Depreciation of intangible assets		
Internally developed software	-	-
Software acquired from external suppliers	38,617	35,400
Other internally developed intangible assets	-	-
Other intangible assets	-	-
Intangible leasehold improvements	-	-
	38,617	35,400
Depreciation of property and equipment		
Buildings	31,481	31,161
Means of transport	3	-
Furniture and equipment	47,731	54,767
Other equipment	2,014	2,054
Other items of property and equipment	580	1,190
Property and equipment leasehold improvements	16,293	13,259
	98,102	102,431
Total depreciation	**136,719**	**137,831**

16. OTHER OPERATING EXPENSES

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Losses from sale of assets available for sale	-	-
Software licensing expense	-	-
Deposit insurance premium	151,743	142,267
Premium on property and employee insurance	11,589	13,064
Materials and services	377,563	393,892
Administrative and marketing expense	119,859	121,568
Other taxes and contributions	4,833	5,303
Rental expense	52,863	52,693
Court dispute expense	1,269	1,893
Provisions for pension and other employee benefits, on a net basis	-	-
Provisions for contingent liabilities based on court disputes, on a net basis	-	-
Other provisions, on a net basis	-	-
Loss from sale of:		
property and equipment	-	-
intangible assets	-	-
foreclosed assets	-	-
non-current assets held for sale and group for sale	-	-
Other:		
business trip expense	6,370	5,614
other costs	32,958	11,195
Total other operating expenses	**759,047**	**747,489**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

17. INCOME TAX

A. Expenses/ (income) based on current and deferred income tax

	In thousands of Denars	
	Current year 2019	Previous year 2018
Current income tax		
Expenses/(income) for current income tax for the year	274,076	321,735
Adjustments for previous years	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	-	-
	274,076	321,735
Deferred income tax		
Deferred income tax that arises from temporary differences for the year	-	-
Recognition of previous unrecognized tax losses	-	-
Changes in tax rate	-	-
Introduction of new taxes	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Other	-	-
	-	-
Total income tax expenses/(returns)	**274,076**	**321,735**

	In thousands of Denars	
	Current year 2019	Previous year 2018
Current income tax		
Recognized in income statement	274,076	321,735
Recognized in capital and reserves	-	-
	274,076	321,735
Deferred income tax		
Recognized in income statement	-	-
Recognized in capital and reserves	-	-
	-	-
Total income tax expenses/(returns)	**274,076**	**321,735**

In accordance with the Income Tax Law which is in appliance for the fiscal 2019 and 2018, basis for taxation represents the realized gross profit (difference between the total income and expenditures) increased by certain costs that are not subject to taxation, or decreased by certain income, investments and similar which are not subject to taxation.

17. INCOME TAX (continued)

A. Expenses/(income) based on current and deferred income tax (continued)

In accordance with the previous Law on income tax, the accumulated undistributed profit for the period from 2009 to 2013 shall be subject to taxation at the moment of its distribution.

B. Reconciliation of the effective average tax rate with the aplicable tax rate

	in %	In thousands of Denars	in%	In thousands of Denars
	current year 2019		previous year 2018	
Profit/(loss) before taxation	100,00	2,645,205	100.00	3,068,081
Income tax as per applicable tax rate	-	264,520	10.00	306,808
Effects from different tax rates in other countries	-	-	-	-
Adjustments for previous years and changes in tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Expense unrecognized for tax purposes	0,39	10,240	0.50	15,467
Tax-exempted income	-	-	-	-
Tax exemptions unrecognized in income statement	-	-	-	-
Recognition of previous unrecognized tax losses	-	-	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-	-	-
Changes of deferred tax	-	-	-	-
Other	(0,03)	(684)	(0.02)	(540)
Total expenses/(return) on income tax		**274,076**		**321.735**
Average effective tax rate	**10,36**		**10.49**	

17. INCOME TAX (continued)

C. Income tax from other gains / (losses) in the period not disclosed in the Income Statement

In thousands of Denars

	Current year 2019			Previous year 2018		
	Before taxation	Expenditure/ return of income tax	Less Income tax	Before taxation	Expenditure/ return of income tax	Less Income tax
Revaluated reserve for assets available for sale	-	-	-	-	-	-
Reserve for instruments for protection against the cash flow risk	-	-	-	-	-	-
Reserve for instruments for protection against the risk of net investments in foreign operations	-	-	-	-	-	-
Reserve of foreign exchange differences from investments in foreign operations	-	-	-	-	-	-
Share in other gains / (losses) of affiliates companies that are not shown in the Income Statement	-	-	-	-	-	-
Other gains / (losses) not shown in the Income Statement	-	-	-	-	-	-
Total other gains / (losses) in the period that are not shown in the Income Statement	**-**	**-**	**-**	**-**	**-**	**-**

18. CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	Current year 2019	Previous year 2018
Cash on hand	1,434,400	1,434,007
Accounts and deposits with Central Bank, besides mandatory FC reserves	6,513,190	4,935,642
Current accounts and transaction deposits with foreign banks	2,426,277	1,660,580
Current accounts and transaction deposits with local banks	1,465	585
Treasury bills that may be traded in the secondary market	4,898,285	4,957,841
Government bills that may be traded in the secondary market	-	-
Time deposits up to 3 months	3,163,175	3,012,266
Other short-term highly liquid assets	330	322
Receivables based on interest	1,621	-
(allowance for impairment loss)	(1,752)	(1,709)
Included in cash and cash equivalents for the needs of the Statement on cash flows	**18,436,991**	**15,999,534**
Mandatory FC deposits	3,127,306	2,962,726
Restricted deposits	281,772	334,068
(allowance for impairment loss)	-	-
Total	**21,846,069**	**19,296,328**

In thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	1,210	-	499	1,709	-	-	-	445
Impairment for the year additional impairment	1,843	-	1,168	3,011	-	-	-	19,111
(release for impairment)	(1,758)	-	-	(1,758)	-	-	-	(19,099)
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	1,252
(Written claims)	(1,210)	-	-	(1,210)	-	-	-	-
As of December 31	**85**	**-**	**1,667**	**1,752**	**-**	**-**	**-**	**1,709**

Level of mandatory reserve obligation in foreign currency is determined in the amount of 3,127,306 thousands of Denars (2018: 2,962,726 thousands of Denars) and it represents the prescribed amount of deposits allocated in accordance with the Decision on mandatory reserves with Central Bank. The mandatory reserves in foreign currency are based on the average amount of deposits in foreign currencies existing during one calendar month. The reserve requirement in foreign currencies for 2019 and 2018 are subject to negative interest rate charge imposed by the Central Bank.

18. CASH AND CASH EQUIVALENTS (continued)

The accounts and deposits with Central Bank, except for the mandatory deposits in foreign currency in the amount of 6,513,190 thousands of Denars (2018: 4,935,642 thousands of Denars), represent mandatory reserve in Denars. The mandatory reserves in Denars in 2019 and 2018 do not bear an interest.

Treasury bills that can be traded at the secondary market in the amount of 4,898,285 thousands of Denars (2018: 4,957,841 thousands of Denars) have been purchased from Central Bank with maturity period of 28 - 35 days. The interest rates on these bills were were moving in the range of 2.50% - 2,25% (2018: 3.25 – 2.50%).

19. TRADING ASSETS

A Structure of trading assets by type of financial instrument

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Trading securities		
Debt securities for trading		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Equity instruments for trading		
Equity instruments issued by banks	3,763	5,616
Other equity instruments	-	-
	3,763	5,616
Quoted	3,763	5,616
Unquoted	-	-
Trading derivatives		
Agreements dependant on interest rate change	-	-
Agreements dependant on exchange rate change	-	-
Agreements dependant on changes in price of securities	-	-
Other agreements that meet the IFRS criteria	-	-
	-	-
Loans and placements		
Placements with and loans to banks	-	-
Placements with and loans to customers	-	-
	-	-
Total trading assets	**3.763**	**5,616**

19. TRADING ASSETS (continued)

B. Reclassified trading assets

B.1 Balance of the reclassified trading assets

In thousands of Denars

	Reclassified amount (on the date of reclassification)	Current year, 2019		Previous year, 2018	
		Book amount on 31.12.2019	Fair value on 31.12.2019	Book amount on 31.12.2018	Fair value on 31.12.2018
Trading assets, reclassified in 31.12.2019 (current period) in:					
- financial assets available-for-sale	-	-	-	-	-
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-
Trading assets, reclassified in 31.12.2018 (previous year) in:					
- financial assets available-for-sale	-	-	-	-	-
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

19. TRADING ASSETS (continued)

B. Reclassified trading assets (continued)

B.2 Profit and loss from reclassified trading assets

In thousands of Denars

	Reclassified in 2019 (Current period)		Reclassified in 2018 (previous period)			
	Income Statement 2019 (Current period)	Other profit /(loss) 2019 (Current period)	Income Statement 2019 (Current period)	Other profit /(loss) 2019 (Current period)	Income Statement 2018 (Previous period)	Other profit /(loss)2018 (Previous period)
Period before reclassification						
Trading assets, reclassified in financial assets available-for-sale						
- Net income from trading	-	-	-	-	-	-
Trading assets, reclassified in loans and receivables from banks	-	-	-	-	-	-
- Net income from trading	-	-	-	-	-	-
Trading assets, reclassified in loans and receivables from other customers	-	-	-	-	-	-
- Net income from trading	-	-	-	-	-	-
Period after reclassification						
Trading assets, reclassified in financial assets available-for-sale						
- Interest income	-	-	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-	-	-
- changes in the fair value on net basis	-	-	-	-	-	-
Trading assets, reclassified in loans and receivables from banks						
- Interest income	-	-	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-	-	-
Trading assets, reclassified in loans and receivables from other customers						
- Interest income	-	-	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-	-	-

19. TRADING ASSETS (continued)

B. Reclassified trading assets (continued)

B.3 Profit or loss recognized in the Income Statement if assets have not been reclassified

	Reclassified in 2019 (Current period)	In thousands of Denars Reclassified during 2018 (previous period)	
	Income Statement 2019 (Current period)	Income Statement 2019 (Current period)	Income Statement 2018 (Previous period)
Trading assets, reclassified in financial assets available-for-sale			
- Net income from trading	-	-	-
Trading assets, reclassified in loans and receivables from banks			
- Net income from trading	-	-	-
Trading assets, reclassified in loans and receivables from other customers			
- Net income from trading	-	-	-

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

	In thousands of Denars Current year 2019	Previous year 2018
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Equity instruments		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Placements with and loans to banks	-	-
Placements with and loans to other clients	-	-
Total financial assets at fair value through the income statement determined as such at initial recognition	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

21. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

In thousands of Denars

		Current year 2019		Previous year 2018	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A.	**Derivatives for protection against risk/Derivatives held for risk management**				
A.1	*by type of variable*				
	Derivatives held for risk management				
	Agreements dependant on interest rate change	-	-	-	-
	Agreements dependant on exchange rate change	-	-	-	-
	Agreements dependant on changes in price of securities	-	-	-	-
	Other agreements that meet the IFRS 9 criteria	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
A.2	*by type of protection against risk*				
	Protection against risk to fair value	-	-	-	-
	Protection against risk to cash flows	-	-	-	-
	Protection against risk to net investment in international operations	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
B.	**Inherent derivatives**				
	Agreements dependant on interest rate change	-	-	-	-
	Agreements dependant on exchange rate change	-	-	-	-
	Agreements dependant on changes in price of securities	-	-	-	-
	Other agreements that meet the IFRS 9 criteria	-	-	-	-
	Total inherent derivatives	-	-	-	-
	Total derivatives held for risk management	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

22. LOANS AND PLACEMENTS

22.1 PLACEMENTS WITH AND LOANS TO BANKS

In thousands of Denars

	Current year 2019		Previous year 2018	
	short-term	long-term	short-term	long-term
Loans to banks				
domestic banks	-	-	-	-
foreign banks	18,431	-	18,138	-
Time deposits at maturity period of over 3 months				
domestic banks	-	-	-	-
foreign banks	-	234,561	-	186,691
Repo				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Other receivables				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Receivables based on interests	-	-	1,770	-
Current maturity	-	-	-	-
Total placements with and loans to banks before allowance for impairment	**18,431**	**234,561**	**19,908**	**186,691**
(Allowance for impairment)	(9,659)	-	(9,510)	-
Total placements with and loans to banks less allowance for impairment	**8,772**	**234,561**	**10,398**	**186,691**

In thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	-	-	9,510	9,510	-	-	-	16,365
Impairment for the year								
additional impairment	-	-	458	458	-	-	-	1,040
(release for impairment)	-	-	(309)	(309)	-	-	-	(7,895)
Transfer to:								-
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-			-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	**-**	**-**	**9,659**	**9,659**	**-**	**-**	**-**	**9,510**

Part of loans and advances with banks amounting to 18,620 thousands of Denars (2018: 18,328 thousands of Denars) are limited and represent funds with banks in Republic of Serbia, for which bankruptcy proceedings were initiated in January 2002 (Note 34.1).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

22. LOANS AND PLACEMENTS (continued)

22.1 PLACEMENTS WITH AND LOANS TO BANKS (continued)

Part of facilities with foreign banks are as well the restricted accounts totalling 234,561 thousands of Denars (2018: 186,691 thousands of Denars), which represent deposits with United Overseas Bank Limited Singapore and HSBC Bank PLC London, Great Britain, as collateral for VISA and Master credit card transactions. These funds are not available in Bank's daily operations.

22.2 PLACEMENTS WITH AND LOANS TO CUSTOMERS

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

In thousands of Denars

	Current year 2019		Previous year 2018	
	short-term	long-term	short-term	long-term
Non-finance companies				
receivables upon principal	9,433,223	12,132,468	10,167,615	11,377,798
interest receivables	45,561	-	57,161	-
Government				
receivables upon principal	-	726	1,092	534
interest receivables	4	-	4	-
Non-profit institutions that serve households				
receivables upon principal	-	7,629	-	7,921
interest receivables	23	-	25	-
Financial companies, besides banks				
receivables upon principal	30,256	24,304	-	102,057
interest receivables	98	-	38	-
Households				
receivables upon principal				
housing loans	169,325	10,922,356	215,115	10,096,692
consumer loans	929,005	27,407,794	1,022,648	25,219,449
auto loans	71	33,990	635	43,997
mortgage loans	-	-	-	-
credit cards	211,698	5,825,042	309,118	6,231,379
other loans	104,346	1,569,620	134,028	1,729,963
interest receivables	125,982	-	129,076	-
Non-residents, besides banks				
receivables upon principal	318	839	572	1,276
interest receivables	4	-	5	-
Current maturity	11,255,991	(11,255,991)	10,796,996	(10,796,996)
Total placements with and loans to customers before allowance for impairment	**22,305,905**	**46,668,777**	**22,834,128**	**44,014,070**
(Allowance for impairment)	(2,156,815)	(319,768)	(2,766,908)	(417,110)
Total placements with and loans to customers less allowance for impairment	**20,149,090**	**46,349,009**	**20,067,220**	**43,596,960**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019
22. LOANS AND PLACEMENTS (continued)

22.2 PLACEMENTS WITH AND LOANS TO CUSTOMERS (continued)

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

In thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	145,496	402,825	2,639,333	3,187,654	-	-	-	-
Impairment for the year				-			-	-
additional impairment	36,380	114,358	1,065,387	1,216,125	-	-	-	-
(release for impairment)	(120,978)	(11,506)	(291,350)	(423,834)	-	-	-	-
Transfer to:				-				
- impairment for Group 1	64,443	(55,223)	(9,220)	-	-	-	-	-
- impairment for Group 2	(13,441)	33,220	(19,779)	-	-	-	-	-
- impairment for Group 3	(1,430)	(105,256)	106,686	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	(55,846)	(55,846)	-	-	-	-
Effect of exchange rate differences	-	-			-	-	-	-
(Written claims)			(1,447,516)	(1,447,516)	-	-	-	-
As of December 31	**110,470**	**378,418**	**1,987,695**	**2,476,583**	**145,496**	**402,825**	**2,639,333**	**3,187,654**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

22. LOANS AND PLACEMENTS (continued)

22.2 PLACEMENTS WITH AND LOANS TO CUSTOMERS (continued)

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

	In thousands of Denars	
	Current year 2019	Previous year 2018
(current carrying amount of placements and loans)		
First-class security instruments:		
cash deposits (in depot and/or restricted in accounts with the Bank)	1,474,785	1,807,781
government securities	-	-
government unconditional guarantees	754,596	922,425
bank guarantees	603,316	841,289
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except for bank and insurance company guarantees)	572,083	480,308
Guarantees from individuals	-	-
Property pledge:		
private property (flats, houses)	16,842,351	15,183,313
commercial property	11,076,812	12,295,219
Pledge over movables	1,050,691	950,025
Other types of collateral	672,357	506,845
Unsecured	33,451,108	30,676,975
Total placements with and loans to customers less allowance for impairment	**66,498,099**	**63,664,180**

23. INVESTMENTS IN SECURITIES

23.1 INVESTMENT IN FINANCIAL ASSETS AVAILABLE-FOR-SALE

A. Structure of investments in financial assets available-for-sale by type of financial instrument

	In thousands of Denars	
	As at 2019	As at 2018
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Equity instruments		
Equity instruments issued by banks	-	-
Other equity instruments	81,426	80,059
	81,426	80,059
Quoted	-	-
Unquoted	81,426	80,059
Total investment in financial instruments available for sale	**81,426**	**80,059**

In thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	-	-	-	-	-	-	-	-
Impairment for the year additional impairment	-	-	-	-	-	-	-	-
(release for impairment)	-	-	-	-	-	-	-	-
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

23. INVESTMENTS IN SECURITIES (continued)

23.1 INVESTMENT IN FINANCIAL ASSETS AVAILABLE-FOR-SALE (continued)

B. Reclassified financial assets available-for-sale

B.1 Balance of the reclassified financial assets available-for-sale

In thousands of Denars

	Reclassified amount (on the date of reclassification)	Curent year 2019		Previous year 2018	
		Book value on 31.12.2019	Fair value on 31.12.2019	Book value on 31.12.2018	Fair value on 31.12.2018
Assets available-for-sale reclassified in 2019 (current period) in:					
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-
Assets available-for-sale reclassified in 2018 (previous year) in:					
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-

B.2 Profit and loss from reclassified assets available–for-sale

In thousands of Denars

	Income Statement 2019	Other profit /(loss) 2019	Income Statement 2018	Other profit /(loss) 2018
Period before reclassification				
Assets available-for-sale reclassified in loans and receivables from banks				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- changes in the fair value on net basis	-	-	-	-
Assets available-for-sale reclassified in loans and receivables from other customers				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- changes in the fair value on net basis	-	-	-	-
Period after reclassification				
Assets available-for-sale reclassified in loans and receivables from banks				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- amount reposted from Revaluation reserves	-	-	-	-
Assets available-for-sale reclassified in loans and receivables from other customers				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- amount reposted from Revaluation reserves	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

23. INVESTMENT IN SECURITIES (continued)

23.1 INVESTMENT IN FINANCIAL ASSETS AVAILABLE-FOR-SALE (continued)

B. Reclassified financial assets available-for-sale (continued)

B.3 Profit or loss that would have been recognized if assets were not reclassified

	In thousands of Denars			
	Income Statement 2019 (current period)	Other profit /(loss) 2019	Income Statement 2018 (previous period)	Other profit /(loss) 2018
Assets available-for-sale reclassified in loans and receivables from banks				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- change of the fair value on net-basis	-	-	-	-
Assets available-for-sale reclassified in loans and receivables from other customers				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- change of the fair value on net-basis	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

23. INVESTMENT IN SECURITIES (continued)

23.2 INVESTMENT IN HOLD-TO-MATURITY SECURITIES

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Debt securities		
Treasury bills	-	-
Government bills	4,565,809	3,548,553
Other instruments in the money market	-	-
Government bonds	4,044,934	2,254,138
Corporate bonds	-	-
Other debt instruments	-	-
	8,610,743	5,802,691
Quoted	-	-
Unquoted	-	-
Total investment in financial instruments hold to maturity before allowance for impairment	**8,610,743**	**5,802,691**
(Allowance for impairment)	-	(12,807)
Total investment in financial instruments hold to maturity reduced by the allowance for impairment	**8,610,743**	**5,789,884**

In thousands of Denars

	Current year 2019				**Previous year 2018**			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	-	-	12,807	12,807	-	-	-	-
Impairment for the year								-
additional impairment	-	-	-	-	-	-	-	19,503
(release for impairment)	-	-	-	-	-	-	-	(18,567)
Transfer to:								-
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	(12,807)	(12,807)	-	-	-	11,871
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**12,807**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

24. INVESTMENT IN ASSOCIATES

A. Bank's participation percentage in subsidiaries and associates

Name of subsidiaries and associates	Country	Share percentage in ownership		Percentage of voting share	
		Current year 2019	Previous year 2018	Current year 2019	Previous year 2018
-	-	-	-	-	-

B. Financial data of associates – 100 %

Name of associates	Total assets	Total liabilities	Total equity and reserves	Income	Profit/(loss) for the fin. year
	In thousands of Denars				
As at 31.12.2019	-	-	-	-	-
As at 31.12.2018	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

25. OTHER RECEIVABLES

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Trade receivables	17,540	268,852
Prepaid expenses	19,240	2,217
Deferred income	-	-
Fees and commissions receivables	17,783	32,309
Receivables from the employees	4,048	4,033
Advances for intangible assets	-	-
Advances for property and equipment	-	-
Other:		
Materials in stocks	8,368	4,730
Numismatic collections	9,907	9,907
Arka sub-branch (judicial process)	-	-
Receivables for disbursements to foreign VISA cards	197,424	168,113
Other	1,113,600	8,947
Total other receivables before allowance for impairment	**1,387,910**	**499,108**
(Allowance for impairment)	(32,085)	(44,634)
Total other receivables reduced for the allowance for impairment	**1,355,825**	**454,474**

In position other, the amount of 1.102.796 thousand MKD refers to pension for December 2019 prepaid from bank's funds, offset by the Pension and disability insurance fund of North Macedonia on 3rd of January 2020.

	In thousands of Denars							
	Current year 2019				**Previous year 2018**			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	13	103	44,518	44,634	-	-	-	61,942
Impairment for the year additional impairment	-	96	19,437	19,553	-	-	-	31,989
(release for impairment)	-	-	(4,190)	(4,190)	-	-	-	(28,489)
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	(8)	-	(27,884)	(27,892)	-	-	-	(20,808)
As of December 31	**5**	**199**	**31,881**	**32,085**	**-**	**-**	**-**	**44,634**

26. COLLATERALIZED ASSETS

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Debt securities	-	-
Equity instruments	-	-
Total collateralized assets	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

27. ASSETS ACQUIRED THROUGH FORECLOSURE PROCEEDINGS

In thousands of Denars

	Land	Buildings	Equipment	Residential facilities and apartments	Other valuables	Total
Cost						
Balance on 1st January 2018	17,706	744,157	26,971	75,452	7,657	871,943
Assets acquired during the year	-	13,718	-	5,371	(790)	18,299
(Sold during the year)	(728)	(260,202)	(2,001)	(13,486)	(4,693)	(281,110)
(Transferred to own assets)	-	-	-	-	-	-
Balance on 31st December2018	**16,978**	**497,673**	**24,970**	**67,337**	**2,174**	**609,132**
Balance on 1st January 2019	16,978	497,673	24,970	67,337	2,174	609,132
Assets acquired during the year	-	60,360	-	16,612	-	76,972
(Sold during the year)	(317)	(218,344)	-	-	(15)	(218,676)
(Transferred to own assets)	-	-	-	-	-	-
Balance on 31st December2019	**16,661**	**339,689**	**24,970**	**83,949**	**2,159**	**467,428**
Impairment						
Balance on 1st January 2018	17,706	545,959	26,971	73,772	6,123	670,531
Impairment loss during the year	-	18,488	-	2,269	(441)	20,316
(Sold during the year)	(728)	(129,832)	(2,001)	(13,486)	(4,637)	(150,684)
(Transferred to own assets)	-	-	-	-	-	-
Balance on 31st December2018	**16,978**	**434,615**	**24,970**	**62,555**	**1,045**	**540,163**
Balance on 1st January 2019	16,978	434,615	24,970	62,555	1,045	540,163
Impairment loss during the year	-	17,621	-	6,656	610	24,887
(Sold during the year)	(317)	(139,327)	-	-	(3)	(139,647)
(Transferred to own assets)	-	-	-	-	-	-
Balance on 31st December2019	**16,661**	**312,909**	**24,970**	**69,211**	**1,652**	**425,403**
Current carrying amount						
Balance on 1st January 2018	-	198,198	-	1,680	1,534	201,412
Balance on 31st December 2018	**-**	**63,058**	**-**	**4,782**	**1,129**	**68,969**
Balance on 31st December2019	**-**	**26,780**	**-**	**14,738**	**507**	**42,025**

Assets acquired on the basis of outstanding claims consist of assets that are not used in the regular operations of the Bank, except in rare cases when the Bank uses them for its own activities. During 01.01 – 31.12.2019, the Bank recorded impairment losses on these assets in the total amount of Denar 24,887 thousand (2018: Denar 20,316 thousand).

During this period, the Bank sold 10 assets (2018: 16 assets) amounting Denar 83,359 thousand (2018: Denar 130,464 thousand), and took over 7 objects (2018: 8 objects) value amounting Denar 36,607 thousand (2018: Denar 14,946 thousand). Activities are undertaken for the preparation for sale of the assets taken over in period to 31.12.2019 because the Bank's general policy is these facilities to be sold within a period of 3 years.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

28. INTANGIBLE ASSETS

A. Reconciliation of the current book value

In thousands of Denars

	Internally developed software	Software bought from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in preparation	Investments in leased intangible assets	Total
Cost							
Balance at 1 January 2018	-	737,948	-	-	8,756	-	746,704
increases through new purchases	-	31,821	-	-	-	-	31,821
increases through internal development	-	-	-	-	-	-	-
increases through business combinations	-	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-	-
(sale through business combinations)	-	-	-	-	-	-	-
(transfer in non-current assets held for sale)	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-
Balance at 31 December 2018	**-**	**769,769**	**-**	**-**	**8,756**	**-**	**778,525**
Balance at 1 January 2019	-	769,769	-	-	8,756	-	778,525
increases through new purchases	-	62,996	-	-	-	-	62,996
increases through internal development	-	-	-	-	-	-	-
increases through business combinations	-	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-	-
(sale through business combinations)	-	-	-	-	-	-	-
(transfer in non-current assets held for sale)	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-
Balance at 31st December2019	**-**	**832,765**	**-**	**-**	**8,756**	**-**	**841,521**
Depreciation and impairment							
Balance at 1 January 2018	-	642,041	-	-	-	-	642,041
Depreciation for the year	-	35,400	-	-	-	-	35,400
Impairment loss during the year	-	-	-	-	-	-	-
(release of the impairment loss during the year)	-	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-	-
Balance at 31 December 2018	**-**	**677,441**	**-**	**-**	**-**	**-**	**677,441**
Balance at 1 January 2019	-	677,441	-	-	-	-	677,441
Depreciation for the year	-	38,617	-	-	-	-	38,617
Impairment loss during the year	-	-	-	-	-	-	-
(release of the impairment loss during the year)	-	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-	-
Balance at 31st December2019	**-**	**716,058**	**-**	**-**	**-**	**-**	**716,058**
Current book value at January 1, 2018	-	95,907	-	-	8,756	-	104,663
December 31, 2018	**-**	**92,328**	**-**	**-**	**8,756**	**-**	**101,084**
December 31, 2019	**-**	**116,707**	**-**	**-**	**8,756**	**-**	**125,463**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

28. INTANGIBLE ASSETS (continued)

B. Carrying value of intangible assets where there is a limitations of ownership and / or pledged as collateral for the liabilities to the bank

In thousands of Denars

	Internally developed software	Software bought from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in preparation	Investments in leased intangible assets	Total
Current book value at December 31, 2018	-	-	-	-	-	-	-
December 31, 2019	-	-	-	-	-	-	-

On December 31, 2019 and 2018, the Bank has no intangible assets for which there is limitations of ownership and/or pledged as collateral for the liabilities to the Bank.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

29. PROPERTY AND EQUIPMENT

A. Reconciliation of the present carrying amount

In thousands of Denars

	Land	Building facilities	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investment in leased property and equipment	Total
Cost									
On 1 January 2018	-	1,256,515	5,841	922,900	57,904	47,557	7,620	150,741	2,449,078
Increases	-	40,749	-	19,791	2,528	116	8,042	21,102	92,328
increases through business combinations	-	-	-	-	-	-	-	-	-
(Disposals)	-	(18,039)	-	(427)	-	-	-	-	(18,466)
(entering through business combinations)	-	-	-	-	-	-	-	-	-
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	24,401	-	(4,086)	-	(24,487)	-	(4,904)	(9,076)
On December 31, 2018	**-**	**1,303,626**	**5,841**	**938,178**	**60,432**	**23,186**	**15,662**	**166,939**	**2,513,864**
On 1 January 2019	-	1,303,626	5,841	938,178	60,432	23,186	15,662	166,939	2,513,864
Increases	-	24,259	55	48,830	4,268	-	55,512	9,275	142,199
increases through business combinations	-	-	-	-	-	-	-	-	-
(Disposals)	-	(59,025)	-	(62,297)	(5,617)	-	-	(2,840)	(129,779)
(entering as expenditure through business combinations)	-	-	-	-	-	-	-	-	-
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	-	(51,271)	-	(51,271)
On December 31, 2019	**-**	**1,268,860**	**5,896**	**924,711**	**59,083**	**23,186**	**19,903**	**173,374**	**2,475,013**
Depreciation and impairment									
On 1 January 2018	-	565,972	5,841	792,640	41,897	21,372	-	113,883	1,541,605
Depreciation for the year	-	31,161	-	54,767	2,054	1,190	-	13,259	102,431
Impairment loss during the year	-	2,275	-	-	-	-	-	-	2,275
(release of the impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposals)	-	(7,591)	-	(414)	-	-	-	-	(8,005)
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	10,283	-	(4,063)	-	(10,283)	-	(4,283)	(8,346)
On December 31, 2018	**-**	**602,100**	**5,841**	**842,930**	**43,951**	**12,279**	**-**	**122,859**	**1,629,960**
On 1 January 2019	-	602,100	5,841	842,930	43,951	12,279	-	122,859	1,629,960
Depreciation for the year	-	31,481	3	47,731	2,014	580	-	16,293	98,102
Impairment loss during the year	-	298	-	-	-	-	-	-	298
(release of the impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposals)	-	(30,588)	-	(61,976)	(5,574)	-	-	(2,840)	(100,978)
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	-	-	-	-
On December 31, 2019	**-**	**603,291**	**5,844**	**828,685**	**40,391**	**12,859**	**-**	**136,312**	**1,627,382**
Current carrying amount									
On January 1, 2018	-	690,543	-	130,260	16,007	26,185	7,620	36,858	907,473
On December 31, 2018	**-**	**701,526**	**-**	**95,248**	**16,481**	**10,907**	**15,662**	**44,080**	**883,904**
On December 31, 2019	**-**	**665,569**	**52**	**96,026**	**18,692**	**10,327**	**19,903**	**37,062**	**847,631**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

30. PROPERTY AND EQUIPMENT (continued)

B. Carrying amount of tangible assets for which there is a limit on ownership and / or pledged as collateral for the liabilities to the bank

In thousands of Denars

	Land	Building facilities	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Real estate and equipment in progress	Investment in leased real estate and equipment	Total
Current carrying amount									
On December 31, 2018	-	-	-	-	-	-	-	-	-
On December 31, 2019	-	-	-	-	-	-	-	-	-

Building facilities of the Bank as of December 31, 2019 includes assets with a net book value of Denar 2,969 thousand (2018: Denar 3,452 thousand) for which the Bank does not have the relevant documents of ownership due to incomplete cadastral records.

30. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

30.1 Current tax assets and current tax liabilities

	In thousands of Denars	
	Current year 2019	Previous year 2018
Income tax receivable (current)	33,123	-
Income tax payable (current)	-	95,126

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

30.2 Deferred tax assets and deferred tax liabilities

A. Recognized deferred tax assets and deferred tax liabilities

In thousands of Denars

	31 December 2019			31 December 2018		
	Deferred tax assets	Deferred tax liabilities	Net basis	Deferred tax assets	Deferred tax liabilities	Net basis
Derivative assets held for risk management	-	-	-	-	-	-
Loans to and receivables on banks	-	-	-	-	-	-
Loans to and receivables on other. customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Real estate and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unused tax losses and unused tax loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Deferred tax assets / liabilities recognized in the income statement	**-**	**-**	**-**	**-**	**-**	**-**
Investments in financial assets available for sale	-	-	-	-	-	-
Hedging of cash flows	-	-	-	-	-	-
Deferred tax assets / liabilities recognized in the equity	-	-	-	-	-	-
Total recognized deferred tax assets / liabilities	**-**	**-**	**-**	**-**	**-**	**-**

B. Unrecognized deferred tax assets

In thousands of Denars

	Current year 2019	Previous year 2018
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

30.2 Deferred tax assets and deferred tax liabilities (continued)

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

			In thousands of Denars	
	Balance at January 1	**Recognized in Income Statement**	**Recognized in equity**	**Balance at December 31**
31 December 2018				
Derivative assets held for risk management	-	-	-	-
Placements with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and unutilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available-for-sale	-		-	-
Cash flow risk mitigation	-		-	-
Total recognized deferred tax assets/(liabilities)	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

30.2 Deferred tax assets and deferred tax liabilities (continued)

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

	In thousands of Denars			
	Balance at January 1	Recognized in Income Statement	Recognized in equity	Balance at December 31
31 December 2019				
Derivative assets held for risk management	-	-	-	-
Placements with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and unutilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available-for-sale	-		-	-
Cash flow risk mitigation	-		-	-
Total recognized deferred tax assets/(liabilities)	**-**	**-**	**-**	**-**

31. NON-CURRENT ASSETS HELD FOR SALE AND GROUPS FOR DISPOSAL

A. Non-current assets held for sale

	In thousands of Denars	
	Current year 2019	Previous year 2018
Intangible assets	-	-
Property and equipment	-	-
Total non-current assets held for sale	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

33. NON-CURRENT ASSETS HELD FOR SALE AND GROUPS FOR DISPOSAL (continued)

B. Group for disposal

	In thousands of Denars	
	Current year 2019	Previous year 2018
Group of assets for disposal		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investments in associates	-	-
Income tax receivables	-	-
Other assets	-	-
Total group of assets for sale	-	-
Liabilities directly related to the group of assets for disposal		
Financial liabilities	-	-
Special reserve	-	-
Income tax payable	-	-
Other liabilities	-	-
Total liabilities directly related to the group of assets for disposal	-	-

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

	In thousands of Denars	
	Current year 2019	Previous year 2018
Profit/(loss) recognized from sale of held for sale assets and group for disposal	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

32. TRADING LIABILITIES

	In thousands of Denars	
	Current year 2019	Previous year 2018
Deposits from banks		
Current accounts, sight deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
Deposits from other clients		
Current accounts, sight deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
Issued debt securities		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
Other financial liabilities	-	-
Derivatives for trading		
Agreements depending on the change of interest rate	-	-
Agreements depending on changes in the exchange rate	-	-
Agreements depending on the change of the price of securities	-	-
Other agreements that meet the criteria of IFRS 9	-	-
Total liabilities held for trading	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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

In thousands of Denars

	Curent year 2019		Previous year 2018	
	Current carrying amount	Agreed amount, payable at maturity	Current carrying amount	Agreed amount, payable at maturity
Deposits from banks				
Current accounts, sight deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
Deposits from other clients				
Current accounts, sight deposits and overnight deposits	-	-	-	-
Term deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
Issued debt securities				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Subordinated debt	-	-	-	-
Other liabilities	-	-	-	-
Total financial liabilities at fair value via the Income Statement, determined as such at initial recognition	-	-	-	-

In thousands of Denars

	Current year 2019				Previous year 2018			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	-	-	-	-	-	-	-	-
Impairment for the year								
additional impairment	-	-	-	-	-	-	-	-
(release for impairment)	-	-	-	-	-	-	-	-
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

34. DEPOSITS

34.1 DEPOSITS FROM BANKS

	Curent year 2019		In thousands of Denars Previous year 2018	
	short-term	**long-term**	**short-term**	**long-term**
Current accounts				
with domestic banks	10,862	-	21,820	-
with foreign banks	8,866	-	11,876	-
Demand deposits				
with domestic banks	-	-	-	-
with foreign banks	-	-	-	-
Time deposits				
with domestic banks	-	-	-	-
with foreign banks	219,807	-	107,379	-
Restricted deposits				
with domestic banks	-	-	-	-
with foreign banks	18,620	-	18,328	-
Other deposits				
with domestic banks	-	-	-	-
with foreign banks	-	-	-	-
Interest payable on deposits				
with domestic banks	-	-	-	-
with foreign banks	81	-	101	-
Current maturity	-	-	-	-
Total deposits from banks	**258,236**	**-**	**159,504**	**-**

The restricted deposits with foreign banks in the amount of Denar 18,620 thousand (2018: Denar 18,328 thousand) represent deposits from banks in Serbia who went into bankruptcy in January 2002 (Note 22.1).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

34. DEPOSITS (continued)

34.2 DEPOSITS FROM OTHER CLIENTS

	Curent year 2019		Previous year 2018	In thousands of Denars
	short-term	**long-term**	**short-term**	**long-term**
Non-financial companies				
Current accounts	13,980,721	-	9,946,944	-
Demand deposits	136,203	-	215,535	-
Time deposits	985,196	1,037,553	1,425,692	1,073,983
Restricted deposits	524,576	472,683	296,481	603,598
Other deposits	10,790	-	12,347	-
Interest payable on deposits	21,110	-	27,047	-
	15,658,596	1,510,236	11,924,046	1,677,581
State				
Current accounts	48,069	-	71,089	-
Demand deposits	-	-	-	-
Time deposits	-	-	-	-
Restricted deposits	34	650	158	650
Other deposits	-	-	-	-
Interest payable on deposits	12	-	3	-
	48,115	650	71,250	650
Non-profit institutions serving the households				
Current accounts	519,236	-	504,053	-
Demand deposits	-	-	-	-
Time deposits	123,412	34,180	155,497	21,480
Restricted deposits	3,967	2,213	7,003	-
Other deposits	-	-	-	-
Interest payable on deposits	444	-	674	-
	647,059	36,393	667,227	21,480
Financial companies, except banks				
Current accounts	49,450	-	59,677	-
Demand deposits	-	-	-	-
Time deposits	105,878	1,360,242	71,050	1,659,490
Restricted deposits	10,116	32,373	179	31,405
Other deposits	-	-	-	-
Interest payable on deposits	24,612	-	27,308	-
	190,056	1,392,615	158,214	1,690,895
Households				
Current accounts	25,726,005	-	21,718,430	-
Demand deposits	29,073	-	14,329	-
Time deposits	16,609,210	17,723,654	17,570,504	16,903,275
Restricted deposits	1,645,481	776,055	1,466,708	1,119,531
Other deposits	-	-	-	-
Interest payable on deposits	79,913	-	73,778	-
	44,089,682	18,499,709	40,843,749	18,022,806
Non-residents, except banks				
Current accounts	454,536	-	567,368	-
Demand deposits	864	-	1,308	-
Time deposits	127,446	163,154	148,689	171,566
Restricted deposits	37,964	20	35,116	19
Other deposits	-	-	-	-
Interest payable on deposits	445	-	410	-
	621,255	163,174	752,891	171,585
Current maturity	11,348,177	(11,348,177)	11,283,154	(11,283,154)
Total deposits from other clients	**72,602,940**	**10,254,600**	**65,700,531**	**10,301,843**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

35. ISSUED DEBT SECURITIES

	In thousands of Denars	
	Current year 2019	Previous year 2018
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payable on deposits	-	-
Total issued debt securities	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

36. BORROWINGS

A. Borrowings structure according to the type of liability and sector of the creditor

In thousands of Denars

	Curent year 2019		Previous year 2018	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Loans payable	-	64,807	-	145,554
Repo-transactions	-	-	-	-
Interest payable	139	-	311	-
Non-residents				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Government				
Loans payable	149,398	-	-	149,398
Repo-transactions	-	-	-	-
Interest payable	-	-	1,192	-
Non-profit institutions serving to households				
Loans payable	-	-	-	-
Interest payable	-	-	-	-
Financial companies, except banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Non-residents, except banks				
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Government				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Non-profit institutions serving to households				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Financial companies, except banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Households				
Loans payable	-	-	-	-
Interest payable	-	-	-	-
Current maturity	31,089	(31,089)	81,708	(81,708)
Total loans payable	**180,626**	**33,718**	**83,211**	**213,244**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

36. BORROWINGS (continued)

B. Borrowings according to the creditor

	Curent year 2019		In thousands of Denars Previous year 2018	
	short-term	**long-term**	**short-term**	**long-term**
Domestic sources:				
Asset Management Agency - long-term loans amounting to Denar 149,398 thousand (2018: Denar 149,398 thousand) matures and is payable in January 2020 on one-off basis. Related fees for these loans are 1.5% per annum	149,398	-	1.192	149.398
MBPD – with maturity deadline in 2024 and interest rate of 1.0% at annual level (2018: 1 %.)	139	64,807	311	145.554
	149,537	64,807	1.503	294.952
Foreign sources Other banks	-	-	-	-
	-	-	-	-
Current maturities	31,089	(31,089)	81,708	(81,708)
Total loans payable	**180,626**	**33,718**	**83,211**	**213,244**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

37. SUBORDINATED DEBT

	Maturity	Interest rate	In thousands of Denars Curent year 2019	 Previous year 2018
Liabilities under subordinated deposits				
Principal payables			-	-
Interest payables			-	-
			-	-
Liabilities under subordinated loans				
			-	-
			-	-
Interest payables			-	-
			-	-
Liabilities under subordinated issued debt securities				
Principal payables			-	-
Interest payables			-	-
Redeemable preferred shares			-	-
Total subordinated debt			**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

38. SPECIAL RESERVE AND PROVISIONS

In thousands of Denars

	Special reserves for off-balance sheet credit exposures	Provisions for contingent liabilities based on court disputes	Provisions for pensions and other employees benefits	Provisions for restructuring	Provisions for unfavourable agreements	Other provisions	Total
Balance as at January 1, 2018	81,798	18,704	31,546	-	-	-	132,048
Additional provisions during the year	19,177	466	3,301	-	-	-	22,944
(utilized provisions during the year)	-	(1,289)	(266)	-	-	-	(1,555)
(provisions recovery during the year)	(21,482)	(3,054)	(537)	-	-	-	(25,073)
Balance at December 31, 2018	**79,493**	**14,827**	**34,044**	**-**	**-**	**-**	**128,364**
Balance as at January 1, 2019	79,493	14,827	34,044	-	-	-	128,364
additional provisions during the year	38,655	475	3,428	-	-	-	42,558
(utilized provisions during the period)	-	(945)	(74)	-	-	-	(1,019)
(provisions recovery during the period)	(84,181)	(4,326)	(1,478)	-	-	-	(89,985)
Balance as at December 31, 2019	**33,967**	**10,031**	**35,920**	**-**	**-**	**-**	**79,918**

The present value of provisions for pensions and other benefits to employees is determined by discounting the estimated future cash outflows.

The basic used actuarial assumptions are as following:

	2019	2018
Interest rate	3.10%	3.20%
Average salary increase	4.00%	4.00%
Inflation rate	2.00%	2.00%

Mortality rate:

By the study of mortality rates in the past years, we have established the representation of the expected rate of mortality in the country. We used a mortality table which is a reasonable approximation of long-term mortality rate in the country.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

39. OTHER LIABILITIES

	In thousands of Denars	
	Current year 2019	Previous year 2018
Trade payables	16,284	38,893
Received advances	-	-
Fees and commissions liabilities	137	77
Accrued expenses	40,888	93,535
Deferred income from previous year	125,873	116,195
Short-term liabilities to employees	-	-
Short-term liabilities for employees benefits	-	-
Other:		
Preferred cumulative shares	90,978	90,978
Liabilities for dividend on preferred shares	2,995	2,067
Disputed VISA cards transactions	4,561	1,839
Unallocated inflows upon deposits and other inflows	583,758	463,219
Obligations to merchants for outstanding payments on credit cards	20,432	22,673
Overpaid fees of credit cards	29,352	25,629
Commitments for closing current accounts - bankruptcy	12,453	12,464
Obligations for settlement with VISA	2,052	702
Premature repayment of loans and other liabilities	89,448	61,843
Total other liabilities	**1,019,211**	**930,114**

As at December 31, 2019 the Bank has 227,444 non-redeemable cumulative preferred shares with a nominal value of Denar 400 (2018: Denar 400).

The priority non-redeemable cumulative shares give right to priority in payment of dividends and no voting rights. Preferred shares do not participate equally in the distribution of the rest of the bankruptcy i.e. liquidation equity of the Bank.

On 31 December 2019, the Bank allocated an amount of Denar 1,592 thousand as dividends to the holders of the non-redeemable cumulative preferred shares in 2019 (2018: Denar 2,047 thousand).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

40. SUBSCRIBED CAPITAL

A. Subscribed capital

	In Denars		Number of issued shares				In thousands of Denars	
	Share nominal value		Common shares		Non-redeemable preferred shares		Total subscribed capital	
	Common shares	Non-redeemable preferred shares	Curent year 2019	Previous Year 2018	Curent year 2019	Previous Year 2018	Curent year 2019	Previous Year 2018
Balance as at 1 January – paid in full	201,1	400	17,460,180	17,460,180	227,444	227,444	3,602,220	3,602,220
Subscribed shares during the year	-	-	-	-	-	-	-	-
Realization of stock options	-	-	-	-	-	-	-	-
Division/accumulation of share nominal value	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
Balance as at 31 December – paid in full			**17,460,180**	**17,460,180**	**227,444**	**227,444**	**3,602,220**	**3,602,220**

B. Dividends

B.1 Announced dividends and paid dividends by the Bank

	In thousands of Denars	
	Current year 2019	Previous year 2018
Announced dividends and paid dividends for the year	910	3,320,845

Announced dividends and paid dividends in 2019 included the dividend for holders of the preferred shares in the amount of Denar 910 thousand (2018: Denar 2,274 thousand). These dividends were recognised in the profit or loss.

In December 2018, based on a Decision of the Shareholders Assembly, the Bank made advance payment of dividend to the holders of ordinary shares in the total amount of MKD 1,274,593 thousand, as well as to the holders of preference shares in the total amount of MKD 1,137 thousand.

	In MKD	
	Current Year 2019	Previous year 2018
Dividend per ordinary share	0.00	117.00
Advance of dividend per ordinary share	0.00	73.00
Dividend per preferred share	4.00	9.00
Advance of dividend per preferred share	0.00	5.00

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

40. SUBSCRIBED CAPITAL (continued)

B. Dividend (continued)

B.2 Announced dividends after the Balance Sheet date (liabilities for dividends are not presented in the Balance Sheet)

	In thousands of Denars	
	Current year 2019	Previous year 2018
Announced dividends after December 31	-	-

	In Denars	
	Current year 2019	Previous year 2018
Dividend per ordinary share	-	-
Dividend per preferred share	-	-

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

The structure of shareholders whose stake exceeds 5% of the issued voting shares on December 31, 2019 and December 31, 2018 was officially announced and accepted by the Central Securities Depository of the RNM, as follows:

	In thousands of Denars		In %	
	Current year 2019	Previous year 2018	Current year 2019	Previous year 2018
Shareholder	Subscribed capital (nominal value)	Subscribed capital (nominal value)	Voting right	Voting right
National Bank of Greece	3,323,094	3,323,094	94.64%	94.64%
Other	188,148	188,148	5.36%	5.36%
Total	**3,511,242**	**3,511,242**	**100.00%**	**100.00%**

The share capital of the Bank as at December 31, 2019 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 dividends when it will be released and have the right to one vote in the Shareholders Assembly of the Bank for the equivalent of one ordinary share, as well as the right to participate equally in the distribution of the rest of the bankruptcy or liquidation equity of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

40. SUBSCRIBED CAPITAL (continued)

Revaluation reserve for available-for-sale assets

These revaluation reserves consist of unrealized gains and losses arising from changes in fair value of investment in securities available for sale until they are sold or it is determined that they are impaired, and amount of the determinate difference when impairment of loan that is paid by foreclosing assets is higher than 20% of the initial value of the foreclosed asset, whereat the cumulative unrealized gain or loss previously recognized within the revaluation reserves are recognized in the net profit or loss for the period.

Statutory reserves

In accordance with the local regulations, the Bank is required to calculate and set aside at least 5% of the net profit for the year to statutory reserve until the level of the statutory reserve reaches an amount equal to one-tenth of the share capital. While the legal reserve shall not exceed the minimum amount it can only be used to cover losses. When the legal reserve exceeds the minimum level and after the recovery of all losses of annual financial statements, with the decision of the Shareholders Assembly, the excess can be used for distribution of dividend, if within that business year it had not reached the minimum amount prescribed by the Companies Act or of the Statute of the Bank.

Other reserves

Other reserves represent a fund that is determined on the basis of the Bank's internal policy and is used for various purposes, classified as restrictive.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

41. EARNINGS PER SHARE

A. Basic earnings per share

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Net profit attributable to ordinary shareholders		
Net profit for the year	2,371,129	2,746,346
Dividend on non-redeemable preferred shares	-	-
Adjustments to the net profit attributable to ordinary shareholders	2,371,129	2,746,346
Net profit attributable to ordinary shareholders	**2,371,129**	**2,746,346**

	Number of shares	
	Current year 2019	**Previous year 2018**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	17,460,180	17,460,180
Effects of changes in the number of ordinary shares during the year	-	-
Weighted average number of ordinary shares at 31 December	**17,460,180**	**17,460,180**
Basic earnings per share (in MKD)	**135,80**	**157.30**

B. Diluted earnings per share

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Net gains to which the holders of common shares are entitled (diluted)		
Net gains for the year to which the holders of common shares are entitled	2,371,129	2,746,346
Adjustment of net gains to which the holders of common shares are entitled for the effects on all issued potential common shares	-	-
Net gains to which the holders of common shares are entitled (diluted)	**2,371,129**	**2,746,346**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

41. EARNINGS PER SHARE (continued)

B. Diluted earnings per share (continued)

	Number of shares	
	Current year 2019	**Previous year 2018**
Weighted average number of common shares (diluted)		
Common shares issued on 1 January	17,460,180	17,460,180
Effects from issuance of potential common shares	-	-
Weighted average number of common shares (diluted) on 31 December	**17,460,180**	**17,460,180**
Diluted earnings per share (in MKD)	**135.80**	**157.30**

42. COMMITMENTS AND CONTINGENCIES

42.1 COMMITMENTS

	In thousands of Denars	
	Current year 2019	**Previous year 2018**
Uncovered payment guarantees		
in MKD	1,174,569	801,423
in foreign currency	182,735	233,097
in MKD with FC Clause	18,837	23,762
Uncovered performance guarantees		
in MKD	396,086	390,029
in foreign currency	13,588	73,131
in MKD with FC Clause	797,873	602,689
Uncovered letters of credit		
in MKD	-	-
in foreign currency	105,510	79,137
in MKD with FC Clause	-	-
Unutilized overdrafts under current accounts	1,873,531	1,724,970
Unutilized limits under credit cards	5,639,913	5,771,824
Taken liabilities for financing and unutilized credit limits	3,527,207	4,290,626
Other uncovered contingent liabilities	1,551	1,482
Issued covered letters of guarantee	249,959	272,518
Covered letters of credit	29,265	5,852
Other covered contingent liabilities	-	-
Total contingent liabilities before special reserve	**14,010,624**	**14,270,540**
(Provisions)	(33,967)	(79,493)
Total contingent liabilities reduced by special Reserve	**13,976,657**	**14,191,047**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

42. COMMITMENTS AND CONTINGENCIES (continued)

42.1 COMMITMENTS (continued)

Bank's contingent liabilities consist of liabilities in respect of guarantees, letters of credit, and unused overdrafts on current accounts, unused limits on credit cards and unused credit limits granted to legal entities.

From the total potential liabilities on the basis of covered and uncovered guarantees issued with maturity up to one year in the amount of Denar 1,652,466 thousand (2018: Denar 1,480,934 thousand). The covered and non-covered letters of credit are with maturity of up to 1 year (2018: 1year). The unused overdrafts on current accounts are short-term overdrafts.

Contingent liabilities in respect of unused overdrafts on current accounts and unused limits on credit cards are unsecured and are revocable in the event of deterioration of the creditworthiness of the debtor. The interest rates on current accounts and credit cards in 2019 are ranged from 4,75% to10,50% (2018 9.56% to 11.25%).

Contingent liabilities of the Bank towards legal entities on the basis of guarantees and letters of credit are irrevocable, and unused credit limits granted to legal entities are subject to annual revision. Apart from the covered guarantees and letters of credit that are secured by deposit, the remaining uncovered guarantees and letters of credit, and unused credit limits granted to legal entities are secured by real estate mortgage, pledge on movable property, guarantees, etc.

Litigation

The Bank is involved in litigation from its regular operations. The amount of litigation cases against the Bank as of December 31, 2019, for which additional analyses were made on the basis of which the Bank's management believes that the final outcome of these disputes will be resolved to the detriment of the Bank for that material losses could result in respect of these disputes amounted to Denar 10,031 thousand (2018: Denar 14,827 thousand). This amount includes the penalty interests, and other court expenses as well. Accordingly, in December 31, 2019, the Bank made provisions for impairment losses on the basis of litigations in the amount of Denar 475 thousand (2018: Denar 466 thousand).

42.2 CONTINGENCIES

	In thousands of Denars	
	Current year 2019	Previous year 2018
	-	-
Total contingent assets	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

43. OPERATIONS ON BEHALF AND FOR ACCOUNT OF THIRD PARTIES

In thousands of Denars

	Curent year 2019			Previous year 2018		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties						
MKD deposits	-	-	-	-	-	-
FC deposits	-	-	-	-	-	-
MKD loans	266,075	266,023	52	275,537	275,378	159
FC loans	135,086	135,086	-	300,655	300,655	-
Other MKD receivables	1,142,674	1,142,674	-	1,021,719	1,021,727	(8)
Other FC receivables	402,897	402,897	-	460,269	460,420	(151)
Asset management on behalf and for account of third parties	-			-		
MKD deposits	-	-	-	-	-	-
FC deposits	-	-	-	-	-	-
MKD loans	-	-	-	-	-	-
FC loans	-	-	-	-	-	-
Other MKD claims	-	-	-	-	-	-
Other FC claims	-	-	-	-	-	-
Custody accounts	44,168	44,168	-	40,158	40,158	-
Other	-	-	-	-	-	-
Total	**1,990,900**	**1,990,848**	**52**	**2,098,338**	**2,098,338**	**-**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

44. RELATED PARTY TRANSACTIONS

A. Balance Sheet

In thousands of Denars

	Parent company	Subsidiaries	Associates	Management personnel of the Bank	Other related parties	Total
31 December 2019						
Assets						
Current accounts	3,694	-	-	-	-	3,694
Trading assets	-	-	-	-	-	-
Loans and receivables						
mortgage loans	-	-	-	1,291	2,631	3,922
consumer loans	-	-	-	107	24	131
receivables under financial leasing	-	-	-	-	-	-
receivables under factoring and forfeiting	-	-	-	-	-	-
other loans and receivables	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
(Allowance for impairment)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**3,694**	**-**	**-**	**1,398**	**2,655**	**7,747**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	3	-	-	63,552	220,237	283,792
Issued securities	-	-	-	-	-	-
Borrowings liabilities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	43,800	-	-	1	-	43,801
Total	**43,803**	**-**	**-**	**63,553**	**220,237**	**327,593**
Contingent liabilities						
Issued letters of guarantee	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	-	-	-
(Special reserve)	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Contingent assets						
Received letters of guarantee	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

44. RELATED PARTY TRANSACTIONS (continued)

A. Balance Sheet (continued)

In thousands of Denars

	Parent company	Subsidiaries	Associates	Management personnel of the Bank	Other related parties	Total
31 December 2018						
Assets						
Current accounts	1,106	-	-	-	-	1,106
Trading assets	-	-	-	-	-	-
Loans and receivables						
mortgage loans	-	-	-	1,485	2,922	4,407
consumer loans	-	-	-	-	-	-
receivables under financial leasing	-	-	-	-	-	-
receivables under factoring and forfeiting	-	-	-	-	-	-
other loans and receivables	-	-	-	208	37	245
Investments in securities	-	-	-	-	-	-
(Allowance for impairment)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	**1,106**	**-**	**-**	**1,693**	**2,959**	**5,758**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	3	-	-	55,314	107,939	163,256
Issued securities	-	-	-	-	-	-
Borrowings liabilities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	43,089	-	-	446	-	43,535
Total	**43,092**	**-**	**-**	**55,760**	**107,939**	**206,791**
Contingent liabilities						
Issued letters of guarantee	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	-	-	-
(Special reserve)	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**
Contingent assets						
Received letters of guarantee	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

44. RELATED PARTY TRANSACTIONS (continued)

B. Income and expenses arising from the related party transactions

In thousands of Denars

	Parent company	Subsidiaries	Associates	Management personnel of the Bank	Other related parties	Total
2019 current year						
Income						
Interest income	1	-	-	70	176	247
Income from fees and commissions	-	-	-	18	4	22
Net gains from trading	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	-	-	4	1	5
Transfers between entities	-	-	-	-	-	-
Total	**1**	**-**	**-**	**92**	**181**	**274**
Expenses						
Interest expenses	-	-	-	762	3,143	3,905
Expenses for fees and commissions	108	-	-	-		108
Net losses from trading	-	-	-	-	-	-
Expenses for procurement of non-current assets	-	-	-	-	-	-
Allowance for impairment of financial assets, on net basis	-	-	-	-	-	-
Other expenses	111,974	-	-	23,855	-	135,829
Transfers between entities	-	-	-	-	-	-
Total	**112,082**	**-**	**-**	**24,617**	**3,143**	**139,842**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

44. RELATED PARTY TRANSACTIONS (continued)

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

In thousands of Denars

	Parent company	Subsidiaries	Associates	Management personnel of the Bank	Other related parties	Total
2018 previous year						
Income						
Interest income	-	-	-	79	175	254
Income from fees and commissions	-	-	-	46	2	48
Net gains from trading	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	-	-	24	-	24
Transfers between entities	-	-	-	-	-	-
Total	**-**	**-**	**-**	**149**	**177**	**326**
Expenses						
Interest expenses	7	-	-	766	864	1,637
Expenses for fees and commissions	-	-	-	-		-
Net losses from trading	-	-	-	-	-	-
Expenses for procurement of non-current assets	-	-	-	-	-	-
Allowance for impairment of financial assets, on net basis	-	-	-	-	-	-
Other expenses	99,391	-	-	33,389	-	165,490
Transfers between entities	-	-	-	-	-	-
Total	**99,398**	**-**	**-**	**34,155**	**-**	**167,127**

C. Remuneration for the management personnel of the Bank

In thousands of Denars

	Current year 2019	Previous year 2018
Short-term benefits for employees	23,843	33,377
Benefits after employment termination	-	-
Benefits due to employment termination	-	-
Payments to employees on the basis of shares, settled by equity instruments	-	-
Payments to employees on the basis of shares, settled by monetary funds	-	-
Other	-	-
Total	**23,843**	**33,377**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

44. RELATED PARTIES TRANSACTIONS (continued)

Related parties include the major shareholders, associates and jointly controlled entities, control/management with the Bank, or whose activities the Bank has an ability to control. Management personnel of the Bank includes members of Board of Directors and Supervisory Board. All transactions with related parties arise in the normal course of the Bank's business and their value is not materially different from the terms and conditions that would prevail in arms-length transactions.
National Bank of Greece, Athens represents the parent and the ultimate parent company of the Bank. Other related party transactions relate mostly to NBG Cairo branch, fellow subsidiaries of the NBG Group, entity under common control and related parties to management personnel.

45. LEASES

A. Lessor

A.1 Financial leases receivables

In thousands of Denars

	Maturity period for financial lease receivables			
	Total financial lease receivables	up to 1 year	from 1 to 5 years	over 5 years
December 31, 2019 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
December 31, 2018 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-

A.2 Irrevocable operating lease receivables

In thousands of Denars

	Maturity period of period for operating lease receivables			
	Total operating lease receivables	up to 1 year	from 1 to 5 years	over 5 years
December 31, 2019 (current period)				
Net present value of minimum lease payments	1,874	1,874	-	-
December 31, 2018 (previous year)				
Net present value of minimum lease payments	2,427	2,427	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

45. LEASES (continued)

A. Lessor (continued)

A.2 Irrevocable operating lease receivables (continued)

In thousands of Denars

	Land	Buildings	Means of transportation	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of the property given under operating lease:							
December 31, 2019	-	10,328	-	-	-	-	10,328
December 31, 2018	-	10,907	-	-	-	-	10,907
Total							

Agreed lease receivables are related to part of the property taken over for recovery of arrears and a smaller part of own property which the Bank in the past period used for their own needs but is no longer used and it is rented to third parties. Lease agreements contain a clause for reconsideration of the agreed price of the rent according to the market conditions, in case the lessee has exercised its right to renew the lease. Future lease incomes are approximate to the level of current rental income.

B. LEASEE

B.1 Financial lease liabilities

In thousands of Denars

	Total financial lease liabilities	Maturity period for financial lease liabilities		
		up to 1 year	from 1 to 5 years	over 5 years
Balance as at December 31, 2019 (current period)	-	-	-	-
Balance as at 31 December, 2018 (previous year)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

45. LEASES (continued)

B. Lease (continued))

B.1 Financial lease liabilities (continued)

In thousands of Denars

	Land	Buildings	Means of transportation	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of the property taken under financial lease:							
Cost							
Balance as at 1 January 2018	-	-	-	-	-	-	-
increases	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance as at 31 December 2018	-	-	-	-	-	-	-
Balance as at 1 January 2019	-	-	-	-	-	-	-
increases	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance as at Dece,ber 31, 2019	-	-	-	-	-	-	-
Accumulated depreciation and impairment							
Balance as at 1 January 2018	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance as at 31 December 2018	-	-	-	-	-	-	-
Balance as at 1 January 2019	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as at December 31, 2019	-	-	-	-	-	-	-
Current carrying amount							
As at 1 January 2018	-	-	-	-	-	-	-
On December 31, 2018	-	-	-	-	-	-	-
On December 31, 2019	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

45. LEASES (continued)

B. Lease (continued)

B.2 Irrevocable operating lease liabilities (continued)

In thousands of Denars

	Total operational lease liabilities	Maturity period for operational lease liabilities: up to 1 year	from 1 to 5 years	over 5 years
Balance as at Dece,ber 31, 2019 (current period)	-	-	-	-
Balance as at 31 December, 2018 (previous year)	-	-	-	-

46. SHARE BASED PAYMENTS

In thousands of Denars

	Current year 2019	Previous year 2018
Date of giving the option	-	-
Date of option expiry	-	-
Price of option realization	-	-
Price of the share on the date of giving the option	-	-
Variance	-	-
Expected dividend yield	-	-
Interest rate	-	-
Fair value on the date of giving the option	-	-

	Curent year 2019		Previous year 2018	
	number of options for shares	weighted average price of options for shares	number of options for shares	weighted average price of options for shares
Balance as at 1 January	-	-	-	-
Changes during the year:				
options given to the members of Supervisory Board	-	-	-	-
options given to the members of Board of Directors	-	-	-	-
other given options	-	-	-	-
forfeited options	-	-	-	-
options with expired deadline	-	-	-	-
Balance as at December 30/ December 31	-	-	-	-

47. TAXATION RISK

Financial statements and accounting records of the Bank are subject to tax audit by the tax authorities for a period of 5 years subsequent to the reported tax year, and may impose additional tax liabilities. According to the estimates of the Bank's management they are not aware of any additional conditions that may cause potentially materially significant liabilities on this basis,

48. EVENTS AFTER THE DATE OF THE BALANCE SHEET

Late in 2019, news first emerged from China about the COVID-19 (Coronavirus). The situation at year-end was that a limited number of cases of an unknown virus had been reported to the World Health Organization. In the first months of 2020, the virus had spread globally, and its negative impact has gained momentum. Management considers this outbreak to be a non-adjusting post balance sheet event. While this is, still an evolving situation at the time of issuing these financial statements, to date there has been no discernible impact on the Bank's regular business operations; however, the future effects cannot be predicted. As the situation is still developing, management considers it is inadequate to provide quantitative estimation of potential impact of this outbreak on the Bank.

Depending how the COVID crisis will develop, it is certain that the banking sector will face downturn, revenue reduction, decreased lending activities and possible deterioration of the credit quality. Since the crisis occurred just before the year-end and the first case in the Republic of N. Macedonia appeared at the end of February 2020, the Bank did not consider potential economic impact due to limited information. The crisis started penetrating in the local economy during March 2020, when different authorities undertook many health and economic measures.

Measures undertaken by the NBRNM

The NBRNM adopted on 20.03.2020 amendments in the prudential regulation with temporal character, related to non-performing exposures and forbearance classification standards. In particular, the amendments in the regulation with validity up to 30.09.2020 are allowing the banks for all clients with credit exposures (companies and individuals) that were with regular status as of 29.02.2020 to apply the following standards:

- The threshold of 90 dpd for assigning the non performing status is increased to 150 dpd for all credit clients (companies and individuals) classified as regular at the end of February, 2020 as well as for all new exposures, classified in A and B categories in the period until 30.09.2020;
- Any changes in the contractual terms (repayment schedule including granting of grace period, change of pricing etc.) for all clients (companies and individuals), regular at the end of February 2020, shall not have a treatment of forbearance and those exposures shall not have a status of forborne exposures. In this regard, the new regulation is recognizing that the act of addressing the problems of the clients by banks through all necessary adjustments in the credit terms is not due to the individual financial difficulties of the clients but due to the extraordinary circumstances imposed by the crisis;
- The banks have a right to do up to two sets of changes of credit terms per client until September 2020, without being treated as a forbearance, by that avoiding reclassification of the clients, and new provisions.
- The changes in the contractual terms to all already restructured exposures that have a status of Forborne Performing Exposures i.e. the amendment of credit terms and conditions for those clients shall not result in their reclassification to Forborne Non-Performing Exposures.

48. EVENTS AFTER THE DATE OF THE BALANCE SHEET (continued)

With the amendments, the regulator is releasing the banks from obligation to do the financial analysis within the credit approval process for the changes of credit terms and conditions for individuals. For companies, the regulation prescribes that banks shall do only minimum financial analysis meaning the credit approval process to be simplest and quickest as much as possible.
NBRNM re-enacts the non-standard measure in the reserve account requirements which enables reduction of the liability for the reserve account requirement in MKD for newly approved and restructured loans approved to companies in activities that according to the information from the Government of the Republic of North Macedonia will be most affected by the spread of COVID-19.

Measures undertaken by Government

Government announced that is negotiating a EUR 600 million loan, an amount that equals to 5.5% of the country GDP, from International Monetary Fund, World Bank and foreign commercial banks in order to support the budget and the economy.
Government has announced stopping all enforcement activities until end of June, obliging the banks to stop the collection activities and to de-block the accounts of all debtors.
In addition, no bankruptcy process can start against any company for a period until expiration of 3 months after the cease of the state of emergency in the country.
Government has decreased maximum interest rate that can be applied to the debtors by 4% during the period of State of emergency. For the individuals this will be applied only for new loan contracts during the period of State of emergency
Approximately 235 euro monthly (for April and May) is provided to each employee of the companies affected by the crisis. Alternatively, companies can choose the option the State to subsidize 50% of the social contributions.
Financial support will be provided to all citizens that will lose their jobs due to the crisis and in the same time Government has freeze the prices of the basic food products and medical supplies.
In addition to EUR 5.7 million, the Development Bank of North Macedonia announced additional eur8 million interest-free loans for micro, small and medium enterprises.
The Development Bank of the Republic of North Macedonia in cooperation with the European Investment Bank has announced additional credit line in amount of EUR 50 million for small and medium enterprises in order to overcome the problems arising from the new situation with the emergence of the COVID-19 virus.

Banking Association

In mutual coordination guided by NBRNM, all banks, including all large banks, and in connection with changed regulation related to non-performing exposures and forbearance classification, have reached an agreement, through their offers to postpone the repayment of credit obligations for up to 6 months for individual persons across the board, no later than 30.09.2020. With those actions, members of the Banking Association in coordination with the NBRNM once again are confirming their social responsibility in meeting the needs of all individuals and companies, which have faced or in the future could face major problems due to the COVID-19 virus.

Future prospects

It is difficult at this stage to estimate the effect of the crisis on the bank's financials; however, it is possible and depending on the duration of the disruption, the economy to slow down, affecting the bank’s business operations respectively. Revenues possible will be affected mainly due to the lower lending activities and transaction volumes. Although the management is not able to quantify the impact of the situation, it is reasonable to assume that it will be negative. Management will continue to monitor the potential impact and will take all steps possible to mitigate any effects depending on the future developments of the crisis.

No other material events subsequent to the date of the statement of financial position have occurred which require disclosure in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

49. EXCHANGE RATES

Official exchange rates used in the conversion of the balance sheet items denominated in foreign currency are as follows:

		In MKD
	31.12.2019	**31.12.2018**
1 USD	54.9518	53.6887
1 EUR	61.4856	61.4950