STOPANSKA BANKA AD – Skopje

Financial Statements
Year Ended December 31, 2020 and
Independent Auditors' Report

CONTENTS

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of STOPANSKA BANKA AD – Skopje (the "Bank") is responsible for ensuring that the financial statement as at and for the year ended December 31, 2020, have been prepared in accordance with International Financial Reporting Standards ("IFRS") , which give a true and fair view of the financial position and the results of the Bank for the year.

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

In preparing these financial statements, the responsibilities of the Management of the Bank, include ensuring that:

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

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

Signed on behalf of STOPANSKA BANKA AD – Skopje:

Mr. Diomidis Nikoletopoulos Chief Executive Officer, Chairman of the Board of Directors	Mrs. Milica Chaparovska - Jovanovska Chief Retail Officer, Member of the Board of Directors
Mr. Toni Stojanovski Chief Corporate Officer Member of the Board of Directors	Mr. Bojan Stojanoski Chief Risk Officer, Member of the Board of Directors

Стопанска банка А.Д. СКОПЈЕ 01 СКОПЈЕ

Independent auditor's report

To the Supervisory Board and Shareholders of Stopanska Banka AD Skopje

We have audited the accompanying financial statements of Stopanska Banka AD Skopje ("the Bank"), which comprise the statement of financial position as of 31 December 2020 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising 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 International Financial Reporting Standards 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.

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Republic of North Macedonia, VAT No. MK4030008022586, T: +389 2 3140 900, F: +389 2 3116 525, www.pwc.com/mk

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2020, and of its financial performance and its cash flows for the year than ended in accordance with International Financial Reporting Standards.

Dragan Davitkov
General Manager

Sime Jovanovski
Certified Auditor

PricewaterhouseCoopers Revizija DOO

16 June 2021
Skopje, Republic of North Macedonia

STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2020
(In thousands of Denars)

	Notes	2020	2019
Interest income		3,985,453	4,000,345
Interest expense		(393,228)	(571,522)
Net interest income	6	**3,592,225**	**3,428,823**
Fee and commission income		1,219,782	1,262,912
Fee and commission expense		(481,156)	(437,122)
Net fee and commission income	7	**738,626**	**825,790**
Trading income, net	8	(1,077)	(1,853)
Foreign exchange gains, net	9	101,630	91,300
Other operating income	10	83,795	87,385
(Impairment)/reversal, net	11	(418,854)	(100,710)
Personnel expenses	12	(871,309)	(850,367)
Depreciation and amortization	13	(181,331)	(179,902)
Other operating expenses	14	(713,166)	(711,774)
Profit before tax		**2,330,539**	**2,588,692**
Income tax expense	15	(198,604)	(272,929)
Profit for the year		**2,131,935**	**2,315,763**
Other comprehensive income/(expense)			
Gains less losses on investments in Debt securities at fair value through other comprehensive income ("FVTOCI"), net of tax		3,242	(395)
Total of items that may be reclassified subsequently to profit or loss		**3,242**	**(395)**
Gains less losses on investments in equity securities at fair value through other comprehensive income, net of tax		(180)	1,366
Remeasurement of the defined benefits liabilities, net of tax	31	(5,039)	380
Total of items that will not be reclassified subsequently to profit or loss		**(5,219)**	**1,746**
Other comprehensive income / (expense) for the year, net of tax		**(1,977)**	**1,351**
Total comprehensive income for the year		**2,129,958**	**2,317,114**
Profit attributable to:			
Owners of the Bank		2,131,935	2,315,763
Total comprehensive income attributable to:			
Owners of the Bank		2,129,958	2,317,114
Earnings per share	31		
Basic (in Denars)		122.1	132.6
Diluted (in Denars)		122.1	132.6

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

The financial statements were approved by the Banks's Board of Directors on May 18, 2021 and adopted by the Bank's Supervisory Board on May 26, 2021.

Signed on behalf of STOPANSKA BANKA AD – Skopje:

Mr. Diomidis Nikolopoulos
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 Corporate Officer,
Member of the Board of Directors

Mr. Bojan Stojanski
Chief Risk Officer,
Member of the Board of Directors

Стопанска банка А.Д. СКОПЈЕ 01 СКОПЈЕ

STATEMENT OF FINANCIAL POSITION
At December 31, 2020
(In thousands of Denars)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and balances with the central bank	16	17,377,563	21,847,735
Financial assets at fair value through profit and loss	17	2,698	3,763
Securities measured at FVTOCI	18	2,292,859	81,425
Securities measured at amortized cost	19	12,399,581	8,596,403
Placement with, and loans to banks	20	224,193	243,367
Loans to customers	21	72,581,502	68,078,217
Other assets	22	1,850,702	1,555,535
Income tax receivable		63,912	33,123
Investment property	23	9,600	27,284
Intangible assets	24	150,787	162,525
Property and equipment	25	893,043	901,630
Total assets		**107,846,440**	**101,531,007**
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks	26	237,804	258,236
Deposits from customers	27	86,622,677	82,857,540
Loans payable	28	529,540	214,344
Other liabilities	29	1,237,941	1,121,772
Deferred tax liabilities	15.1	176,609	175,610
Provisions	30	74,343	65,937
Total liabilities		**88,878,914**	**84,693,439**
EQUITY			
Share capital	31	3,511,242	3,511,242
Reserves	31	840,675	842,652
Retained earnings		14,615,609	12,483,674
Total equity		**18,967,526**	**16,837,568**
Total liabilities and equity		**107,846,440**	**101,531,007**
Commitments and contingencies	34	**15,696,749**	**13,990,638**

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

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2020
(In thousands of Denars)

	Share capital	Revaluation reserve	Statutory reserve	Special fund	Retained earnings	Total
Balance, January 1, 2019	3,511,242	9,928	830,290	1,083	10,167,911	14,520,454
Other comprehensive income for the year, net of tax	-	1,351	-	-	-	1,351
Profit for the year	-	-	-	-	2,315,763	2,315,763
Total comprehensive income for the year	-	1,351	-	-	2,315,763	2,317,114
Dividend distribution	-	-	-	-	-	-
Balance, December 31, 2019	**3,511,242**	**11,279**	**830,290**	**1,083**	**12,483,674**	**16,837,568**
Balance, January 1, 2020	3,511,242	11,279	830,290	1,083	12,483,674	16,837,568
Other comprehensive income for the year, net of tax	-	(1,977)	-	-	-	(1,977)
Profit for the year	-	-	-	-	2,131,935	2,131,935
Total comprehensive income for the year	-	(1,977)	-	-	2,131,935	2,129,958
Dividend distribution	-	-	-	-	-	-
Balance, December 31, 2020	**3,511,242**	**9,302**	**830,290**	**1,083**	**14,615,609**	**18,967,526**

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

STATEMENT OF CASH FLOWS
Year Ended December 31, 2020
(In thousands of Denars)

	2020	2019
Profit before tax	2,330,539	2,588,692
Adjustments for:		
Non-cash items included in income statement and other adjustments:		
Depreciation of property and equipment	74,714	81,230
Depreciation of investment property	832	1,105
Amortization of intangible assets	56,217	54,910
Depreciation of RoU Assets	49,568	42,657
Gain on sale of property and equipment, net	(37,844)	-
Gain on sale of foreclosure assets, net	(2,234)	(35,716)
Gain on sale of investment property, net	(3,124)	
Interest income	(3,985,453)	(4,000,345)
Interest expense	393,228	571,522
Net trading income	1,077	1,853
Impairment losses on financial assets, net	418,854	88,451
Impairment losses on non-financial assets	-	12,259
Dividend income from investment securities	(5,494)	-
Provision for employee benefits, net	8,570	1,950
Provision for litigation, net	360	(3,851)
Interest receipts	3,130,784	4,114,785
Interest paid	(425,685)	(574,206)
Operating profit before changes in operating assets and liabilities:	**2,004,909**	**2,945,296**
Net (increase)/decrease of operating assets:		
Financial assets through profit and loss	(12)	-
Due from banks	28,241	(46,278)
Loans to customers	(4,140,022)	(3,241,706)
Mandatory reserves and restricted deposits according NBRNM regulations	(265,957)	(164,580)
Other receivables	(277,445)	(726,594)
Net increase/(decrease) of operating liabilities:		
Deposits from banks	(20,356)	98,732
Deposits from customers	3,797,518	6,857,850
Other liabilities	105,106	(9,061)
Net cash flows generated from operating activities before income tax	**1,231,982**	**5,713,659**
Income tax paid	(228,394)	(402,326)
Net cash flows generated from operating activities	**1,003,588**	**5,311,333**

STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2020
(In thousands of Denars)

	2020	2019
Cash flows from investing activities		
Acquisition of property and equipment	(86,438)	(115,163)
Acquisition of intangible assets	(44,479)	(72,271)
Investments in securities	(12,443,456)	(7,267,978)
Inflows from sale of investments in securities	6,485,403	4,629,050
Proceeds from sale of property and equipment	8,587	28,799
Proceeds from sale of investment property	19,976	-
Dividend received	5,494	6,965
Net cash flows (used in)/ generated from investing activities	**(6,054,913)**	**(2,790,598)**
Cash flows from financing activities		
Repayment of loan payables	315,196	(82,111)
Net cash flows used in financing activities	**315,196**	**(82,111)**
Net increase of cash and cash equivalents	**(4,736,129)**	**2,438,624**
Cash and cash equivalents, beginning of the year	18,438,657	16,000,033
Cash and cash equivalents at the end of the year	**13,702,528**	**18,438,657**

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

1. GENERAL INFORMATION

STOPANSKA BANKA AD – Skopje was established as a shareholding bank on December 29, 1989. The address of its registered office and principal place of business is St. 11 Oktomvri 7, 1000 Skopje. The Bank operates in the RNM with a network of 64 branches (2019: 65 branches).

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

The Bank may perform the following activities:

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

The Bank is controlled by National Bank of Greece, incorporated in Greece, which has 94.64% (2019: 94.64%) shareholding in the Bank and represents its ultimate parent company.

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

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

The Bank's financial statements were approved by the Banks's Board of Directors on May 18, 2021 and adopted by the Bank's Supervisory Board on May 26, 2021.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement on compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the International Accounting Standards Board (the "IASB").
The IFRS accounting policies set below have been consistently applied by the Bank to all periods presented in these financial statements. The accompanying financial statements are the Bank's stand-alone financial statements. The Bank has no subsidiaries and therefore do not prepare consolidated financial statements.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for fair value through other comprehensive income financial assets, financial assets (included derivative financial instruments) held at fair value through profit or loss which have been measured at fair value. These financial statements have been also prepared under the going concern assumption.

(c) Functional and reporting currency

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

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

(e) Standards and Interpretations effective in the current period

The following new amendments to the existing standards issued by the International Accounting Standards Board are effective for current financial period, but did not have any material impact on the Bank:

- **Definition of a Business - Amendments to IFRS 3** (effective for annual periods beginning on 1 January 2020, as issued by the International Accounting Standards Board ("IASB")). In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements or processes and continuing to produce outputs, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods.

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

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

- **Definition of Material - Amendments to IAS 1 and IAS 8** (effective for annual periods beginning on 1 January 2020, as issued by the IASB). In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The adoption of the amendments did not have a material impact on the Bank's financial statements.
- **Conceptual Framework.** In March 2018, the IASB issued a revised version of its Conceptual Framework for Financial Reporting (the "Framework"), which becomes effective in annual periods beginning on 1 January 2020. The Framework sets out the fundamental concepts of financial reporting that guide the IASB in developing IFRS Standards. The Framework underpins existing IFRS Standards but does not override them. Preparers of financial statements use the Framework as a point of reference to develop accounting policies in rare instances where a particular business transaction is not covered by existing IFRS Standards. The IASB and the IFRS Interpretations Committee will begin to use the new Framework immediately in developing new, or amending existing, financial reporting standards and interpretation

(f) New Standards and amendments effective after 2020

At the date of authorization of these financial statements the following new standards and amendments to existing standards were in issue:

- **IFRS 17 *Insurance Contracts*** (effective for annual periods beginning on or after 1 January 2023, as issued by the IASB). IFRS 17 was issued in May 2017, including amendments issued in June 2020 and supersedes IFRS 4. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of this standard and its objective is to ensure that an entity provides relevant information that faithfully represents those contracts. The new standard solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance obligations will be accounted for using current values instead of historical cost.

- **IFRS 16 (Amendment): COVID-19-Related Rent Concessions** (effective for annual periods beginning on or after 1 June 2020 and effective for the consolidated and separate financial statements from 1 January 2021). The amendment provides lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would for changes which are not considered lease modifications. The amendments are mandatory for annual reporting periods beginning on or after 1 June 2020 and thus for the consolidated and separate financial statements from 1 January 2021.

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

(f) New Standards and amendments effective after 2020 (Continued)

- **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendment): Interest Rate Benchmark Reform — Phase 2** (effective for annual periods beginning on 1 January 2021, as issued by the IASB). The amendments introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The adoption of these amendments did not have a material effect on the Bank's hedging relationships.-Reference to the Conceptual Framework - Amendments to IFRS 3 Business Combinations (effective for annual periods beginning on 1 January 2022, as issued by the IASB). The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16** (effective for annual periods beginning on 1 January 2022, as issued by the IASB). The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- **Onerous Contracts: Cost of Fulfilling a Contract - Amendments to IAS 37** (effective for annual periods beginning on 1 January 2022, as issued by the IASB). The amendments specify which costs a company includes when assessing whether a contract will be loss-making
- **IFRS 4 (Amendment): Extension of the Temporary Exemption from Applying IFRS 9** (effective for annual periods beginning on or after 1 January 2023). The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023
- **IAS 1 (Amendment): Classification of liabilities as current or non-current** (effective for annual periods beginning on or after 1 January 2023). The amendment clarifies that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment Classification of liabilities as current or non-current was issued in January 2020 and was effective for annual reporting periods beginning on or after 1 January 2022. However, in response to the COVID-19 pandemic, the IASB has deferred the effective date by one year to provide companies with more time to implement any classification changes resulting from those amendments. Classification of Liabilities as Current or Non-current is now effective for annual reporting periods beginning on or after 1 January 2023.
- **IAS 1 and IFRS Practice Statement 2 (Amendments): Disclosure of Accounting Policies** (effective for annual reporting periods beginning on or after 1 January 2023). The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process'.

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

(f) New Standards and amendments effective after 2019 (Continued)

- **IAS 8 (Amendment): Definition of Accounting Estimates** (effective for annual reporting periods beginning on or after 1 January 2023). The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error

- **Annual Improvements to IFRS Standards 2018–2020 Cycle** (effective for annual periods beginning on or after 1 January 2022, as issued by the IASB). The amendments applicable to the Bank are:
  IFRS 9 Financial Instruments: Fees in the '10 per cent' test for derecognition of financial liabilities. The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability. Only fees paid or received between the entity (the borrower) and the lender are included, including fees paid or received by either the entity or the lender on the other's behalf.
  IFRS 16: Lease Incentives. The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor, in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Interest income and expense

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

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation takes into account the contractual interest rate, along with any fees or incremental costs that are directly attributable to the instrument and all other premiums or discounts

3.2 Fee and commission income

Fees and commissions, except the fees on approval of loans, are generally recognized on an accrual basis when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Fee and commission income includes asset management fees, commission fees and credit card fees. Asset management fees are recognized based on time elapsed, which depicts the rendering of investment management services over time. Commission income includes sales and brokerage commissions, which are recognized at a point in time when the transaction is executed.

Other fees relating to the acquisition and origination of loans are deferred over the life of the loan on a straight-line basis.

3.3 Dividend income

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

3.4 Foreign exchange translation

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

3.5 Financial assets

(a) Classification and Measurement of financial instruments

Classification of financial assets

The Bank uses the following measurement categories for financial assets:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVTOCI) with cumulative gains and losses reclassified to profit and loss on derecognition.
- Equity instruments designated as measured at FVTOCI with gains and losses remaining in other comprehensive income (OCI) without recycling to profit or loss on derecognition.
- Debt instruments, derivatives, equity instruments at fair value through the profit and loss (FVTPL).

Except for debt instruments that are designated at initial recognition as at FVTPL, such assets are classified at amortised cost or FVTOCI on the basis of:

- the Bank's business model for managing the financial asset and
- the contractual cash flow characteristics of the financial asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(a) Classification and Measurement of financial instruments (Continued)

Business model assessment

The business models reflect how the Bank manages its debt financial assets in order to generate cash flows. This assessment is performed on the basis of scenarios that the Bank reasonably expects to occur. The assessment is based on all relevant and objective information that is available at the time of the business model assessment. The Bank has identified the following business models for debt financial assets:

- Held to collect contractual cash flows ("HTC"): The Bank's objective is to hold the financial assets and collect the contractual cash flows. All the assets in this business model give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Debt instruments classified in this business model are measured at amortised cost.
- Held to collect contractual cash flows and sell ("HTCS"): The objective of this business model is to meet everyday liquidity needs and such objective is achieved by both collecting contractual cash flows and selling debt instruments. Assets within this business model are not sold with the intention of short-term profit taking, however frequent sales may occur and such sales may be significant in value. All the assets in this business model give rise to cash flows that are SPPI. The debt instruments in this business model are accounted for at FVTOCI.
- Held for trading ("HFT"): Under this business model, the Bank actively manages the instruments in order to realise fair value gains arising from changes in credit spreads and yield curves. The assets in this business model are accounted for at FVTPL.

Contractual cash flow characteristics

The Bank assesses the characteristics of its financial assets' contractual cash flows at initial recognition in order to determine whether they are SPPI. This is referred to as the "SPPI test". Interest amount within a basic lending arrangement, is typically the consideration for the time value of money and the credit risk. Interest may also include consideration for other basic lending risks such as liquidity and costs (e.g. administration associated with holding the financial asset for a particular period of time), as well as a profit margin

Measurement of financial assets

- **Financial assets measured at amortised cost**

A debt financial asset is measured at amortised cost if it is held in a business model that has an objective to hold financial assets to collect contractual cash flows and the contractual terms of the financial asset result in cash flows that pass the SPPI test.
The financial assets classified within this category, mainly include the following asset classes:

- Cash and balances with central banks
- Sight and time deposits with banks
- Securities purchased under agreements to resell
- Deposits in margin accounts
- Other receivables due from banks
- Loans and advances to customers
- Debt securities
- Other receivables included in line item "other assets"

Subsequent to initial recognition, the debt financial asset is measured at amortised cost using the effective interest rate ("EIR") method for the allocation and recognition of interest revenue in line item "interest income" of the income statement over the relevant period. The amortised cost is the amount at which the financial asset is measured at initial recognition minus any principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount is the amortised cost of a financial asset before adjusting for any loss allowance..

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(a) Classification and Measurement of financial instruments (Continued)

Measurement of financial assets (Continued)

- **Debt instruments measured at FVTOCI**

A debt financial asset is measured at FVTOCI if it is held in a business model that has an objective to hold financial assets to collect contractual cash flows and sell the assets and the contractual terms of the financial asset result in cash flows that pass the SPPI test.
After initial recognition, investments in debt financial assets are measured at fair value in the statement of financial position (with no deduction for sale or disposal costs) with unrealised gains and losses reported in OCI, net of applicable income taxes, until such investments are derecognised (i.e. when sold or collected). Upon derecognition, the cumulative gains or losses previously recognised in OCI are reclassified from equity to "Other operating income" of the income statement, as a reclassification adjustment.

- **Equity instruments designated at FVTOCI**

After initial recognition, investments in equity instruments designated at FVTOCI are measured at fair value, with no deduction for sale or disposal costs. Except for dividends received, the associated gains and losses (including any related foreign exchange component) is recognised in OCI. Amounts presented in OCI are not subsequently recycled to the income statement, instead the cumulative gain or loss is transferred within equity from accumulated OCI to retained earnings.

- **Financial assets and financial liabilities measured at FVTPL**

After initial recognition, financial assets and financial liabilities that are classified as at FVTPL are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from fair value remeasurement are recognised in their entirety in "Trading income, net".

Financial assets – modification

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Payment holidays (moratoria) granted by the Bank in response to COVID-19 pandemic are treated as contractual modifications of the respective loans and advances. The modification impact of the moratoria has been assessed by the Bank and was not material for the year ended 31 December 2020.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(b) Impairment - Expected Credit Losses

Expected Credit Loss ("ECL") are recognised for all financial assets measured at amortised cost, debt financial assets measured at FVTOCI, financial guarantees and certain loan commitments. ECL represent the difference between contractual cash flows and those that the Bank expects to receive, discounted at the EIR. For loan commitments and other credit facilities in scope of ECL, the expected cash shortfalls are determined by considering expected future draw downs.

Recognition of expected credit losses

At initial recognition, an impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in Stage 1. For instruments with a remaining maturity of less than 12 months, ECL are determined for this shorter period.
In the event of a significant increase in credit risk ("SICR"), an ECL allowance is required, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of the financial instrument ("lifetime ECL"), weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in Stage 2.

Lifetime ECL are always recognised on financial assets for which there is objective evidence of impairment, that is they are considered to be in default or otherwise credit-impaired. Such instruments are referred to as instruments in Stage 3.

Purchased or originated financial assets that are credit impaired (POCIs) are classified as credit impaired. An instrument is POCI if it has been purchased with a material discount to its par value that reflects the incurred credit losses or is originated with a defaulted counterparty.

For POCI financial assets, the Bank recognises adverse changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in the income statement. POCI are initially recognised at fair value with interest income subsequently being recognised based on a credit-adjusted EIR. POCI may also include financial instruments that are newly recognised following a substantial modification and remain a separate category until maturity. Any favorable changes for POCI assets are impairment gain even if the resulting expected cash flows exceed the estimated cash flows on initial recognition.

ECL are recognised in the income statement with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortised cost on the statement of financial position. For financial assets measured at FVTOCI, the carrying value is not reduced, but the ECL allowance is recognised in OCI. For off-balance sheet financial instruments, the ECL allowance is reported as a provision in "other liabilities". ECL are recognised within the income statement in "(Impairment)/reversal, net".

Write-off

A write-off is made when the Bank does not have a reasonable expectation to recover all or part of a financial asset. Write-offs reduce the principal amount of a claim and are charged against previously established allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are generally credited to "Impairment on financial assets". Write-offs and partial write-offs represent derecognition or partial derecognition events.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial liabilities

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

Deposits from banks and other financial institutions and customers

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

Financial liabilities through profit and loss

These financial liabilities include derivative financial instruments of foreign exchange contracts and initially and subsequently are measured/re-measured at fair value. These contracts do not qualify for hedge accounting under the specific rules of IFRS 9 and are therefore treated in the same way as derivative instruments held-for-trading, i.e. fair value gains and losses are recognized in net-trading income.

Loans payable

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

Other payables

Other payables are stated at their nominal amounts. Preferred 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 recognized in profit or loss.

Derecognition of financial liabilities

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

3.7 Property and equipment

Property and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the statement of comprehensive income as an expense as incurred.

Depreciation is charged at estimated rates so as to write off the cost of assets over their estimated useful lives, using the straight-line method. No depreciation is provided on construction in progress until the constructed assets are put into use. The annual depreciation rates for 2019 and 2018 are as follows:

Buildings	2.5%
Furniture and equipment	10% - 25%
Right of use assets	Straight-line basis over the lease term

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss. The Bank annually reviewed its property and equipment for impairment. Where the carrying amount on an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Intangible assets

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

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

Expenditure on software is amortized on a straight-line basis over the estimated useful life, which is five years. The leasehold improvements and other intangible assets are amortized on a straight-line basis over the relevant contract period. The Bank annually reviewed its intangible assets and assess whether there is any indication for impairment. If such indications exist, an estimate is performed to assess whether the carrying amount is recoverable. If the carrying amount exceeds the recoverable amount, a write down is made.

3.9 Impairment of tangible and intangible assets

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

3.10 Investment property

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

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

Investment property is annually reviewed for impairment. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period.

3.11 Assets acquired through foreclosure proceedings

Foreclosed assets include property and equipment acquired through foreclosure proceedings in full or partial satisfaction of a related loan and are reported in other assets as non-current assets held for sale. Initially, these asset are measured at the lower of the cost of the loan, including transaction costs (usually the cost value of the loan stated in an enactment passed by a competent body from where the legal grounds for acquiring of ownership arises) and the fair value less estimated cost to sell, as determined by local certified appraisers on the date of asset foreclosure. After initial recognition, foreclosed assets are reviewed for impairment at least annually and are measured at the lower of their carrying amount less estimated costs to sell and accumulated impairments.

3.12 Cash and balances with the central bank

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Managed funds

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

3.14 Provisions

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

Employment benefits

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

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

3.15 Income tax

The current income tax payable is calculated based on the local tax regulation by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is to be settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases

Bank is the lessee
The Bank applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets for which the payments are recognized as operating expense on straight line basis over the lease term. The Bank recognizes liabilities representing the obligation to make lease payments and Right of Use (RoU) assets representing the right to use the underlying assets.

RoU assets The Bank recognizes RoU assets at the commencement date of the lease (i.e. the date of the underlying assets is available for use) RoU assets are measures at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of RoU assets includes the amount of lease liabilities recognized, initial directs costs incurred, restoration costs and lease payments made before the commencement date less any lease incentive received. RoU assets are depreciated on a straight-line basis over the lease term. The RoU assets are presented in the property and equipment.

Lease liabilities the bank recognizes liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Short term leases and leases of low-value assets The Bank has elected not to recognize RoU assets and liabilities for short-term leases that have a lease term of 12 months of less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Segment reporting

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

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

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

3.18 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when there is there is a legally enforceable right to offset the recognized amounts and there is an intention to realize the asset and settle the liability simultaneously or on a net basis. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

3.19 Financial guarantee contracts

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

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

3.20 Related party transactions

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

3.21 Earnings per share

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Critical accounting judgments and estimates

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

Expected Credit Loss ("ECL")

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that involve significant uncertainty at the time they are determined. Changes to these estimates and assumptions can result in significant changes to the amount and timing of ECL to be recognized. The most significant sources of measurement uncertainty relate to the following ECL factors:

Determination of a significant increase of credit risk (SICR)

The Bank assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative criteria. A non-credit impaired asset is classified in stage 2 if it has suffered a SICR, otherwise it is classified in stage 1. An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions.
The Bank assesses SICR based on three main components:

- a quantitative element, i.e. reflecting a quantitative comparison of PD or credit rating at the reporting date versus the respective metric at initial recognition.
- a qualitative element, that is all Forborne Performing Exposures (FPE) and internal watch list for corporate obligors; and
- "Backstop" indicators. The Bank applies on all lending exposures the IFRS 9 presumption that a SICR has occurred when the financial asset is more than 30 days past due.

Model risk inherent in the IFRS 9 models

Compliance with the IFRS 9 impairment model requires the use of a variety of models. The complexity of the models as well as dependency to other model-based inputs is high therefore any changes in inputs and data, as well as new or revised models, may significantly affect ECL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Critical accounting judgments and estimates (Continued)

Forward looking Information

FLI is incorporated in the ECL measurement of collectively assessed loans and debt securities through the PD and LGD models. The expected recoveries (cash flow recoveries or liquidation of collateral) used in the ECL calculation of corporate lending exposures individually assessed, takes into account FLI based on the Bank's forecasts of the relevant macroeconomic factors. Each of the scenarios is based on Management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. Changes in the scenarios and weights, the relevant macroeconomic variables and the assumptions made under those variables for the forecast horizon would have a significant effect on the ECL.

The Bank incorporates forward-looking information in the ECL measurement through the PD models. In order to capture the FLI in the credit risk parameters models, the Bank initially selects potential drivers of each target risk metric that are likely to be the most important based on economic intuition, experience with similar models, and historical data analysis. A customized variable selection algorithm is then applied to choose the optimal combination of macroeconomic drivers. Through widely accepted econometric models, the Bank develops FLI for credit risk parameters models in form of three macroeconomic scenarios using official sources for future macroeconomic projections (for three respective years).

More specifically, the Bank uses three macroeconomic scenarios (i.e. baseline, optimistic, pessimistic) applying weights of 40% for baseline and 30% for optimistic and pessimistic scenario respectively.

The scenarios are developed using official projections from recognized international sources (such as the country's Central Bank, IMF, World Bank etc.) along with projections by NBG Economic Research Division. The main purpose is achieving the objective of measuring ECL in a way that reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes.

The macroeconomic scenarios used for incorporating FLI into the ECL measurement, as well as the scenario weights, are approved by the Bank's Risk Management Committee.

Further, the projections are assessed against the actual parameters on quarterly bases, and in case the actual values vary significantly from the incorporated projections, the projections are amended and incorporated in the PD curves.

COVID 19 Impact

The COVID-19 pandemic threw the world economy into turmoil. In line with the global trends, the pandemics had a material impact on the local economy and the creditworthiness of the Bank's customers, through disrupted business activities of the corporate and small banking business clients, as well as increased unemployment and reduced income affecting the retail portfolio. Certain industry segments were most significantly affected as a result of the introduced restrictive measures, such as HoReCa (Hotel, Restaurant and Café), Real Estate services, Passenger transportation and Tourism.

The Bank incorporated the effect of the COVID-19 impact on the impairment calculations through several aspects, as presented within this chapter. The result of that is a considerable increase of the overall NPE provision coverage ratio from 69% at the end of 2019 to 75% at the end of 2020. These trends reflect the prudent approach of the Bank in addressing the COVID-19 crisis from the aspect of provisioning process.

Within the established Macro Model for incorporating the Forward Looking Information (FLI) in the risk parameters used in the ECL calculation, the Bank has incorporated the overall impact of the COVID 19 pandemic in the process of ECL calculation with an update of the deteriorated macroeconomic indicators, based on projections from official sources. The update of the adverse COVID19 macroeconomic expectations in the Macro Models was performed in June and December 2020. As a result of the lagged effect in the statistically identified correlations, the LT PD curves for all portfolios were negatively impacted by the projected 2020 COVID impact in the overall economy.

The following macro projections were applied with December 2020:

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Critical accounting judgments and estimates (Continued)

COVID 19 Impact (Continued)

Variable	Scenario		2020	2021	2022
GDP growth rate	Baseline	40%	-4.9%	3.9%	3.6%
	Optimistic	30%	-4.0%	4.8%	4.5%
	Adverse	30%	-6.8%	0.0%	2.0%
Gross expenses on fixed assets	Baseline	40%	-12.8%	8.1%	9.1%
	Optimistic	30%	-10.4%	10.0%	11.4%
	Adverse	30%	-17.8%	0.0%	5.1%
Personal consumption	Baseline	40%	-4.3%	3.4%	3.3%
	Optimistic	30%	-3.5%	4.2%	4.1%
	Adverse	30%	-6.0%	0.0%	1.8%
Average gross real salary	Baseline	40%	5.9%	4.0%	4.3%
	Optimistic	30%	6.9%	5.0%	5.3%
	Adverse	30%	3.9%	3.0%	3.3%
Employment rate	Baseline	40%	47.5%	48.2%	49.2%
	Optimistic	30%	48.0%	49.2%	50.2%
	Adverse	30%	45.5%	47.2%	48.2%
Unemployment rate	Baseline	40%	16.6%	16.4%	15.4%
	Optimistic	30%	16.1%	15.4%	14.4%
	Adverse	30%	18.6%	17.4%	16.4%
Inflation	Baseline	40%	1.1%	1.5%	2.0%
	Optimistic	30%	1.5%	1.7%	2.0%
	Adverse	30%	1.0%	0.5%	1.0%
Main interest rate in economy – average in period	Baseline	40%	1.5%	1.8%	2.0%
	Optimistic	30%	1.3%	1.5%	1.5%
	Adverse	30%	2.5%	3.0%	3.0%
Interbank offered rate 3M – average in period	Baseline	40%	1.4%	1.4%	1.5%
	Optimistic	30%	1.3%	1.0%	1.0%
	Adverse	30%	1.6%	1.7%	1.6%
Exchange rate (EUR/MKD)	Baseline	40%	61.69	61.50	61.50
	Optimistic	30%	61.50	61.50	61.50
	Adverse	30%	61.50	61.50	61.50
Industrial production	Baseline	40%	-14.5%	4.0%	3.7%
	Optimistic	30%	-10.7%	7.8%	5.6%
	Adverse	30%	-18.3%	0.2%	1.8%

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Critical accounting judgments and estimates (Continued)

COVID 19 Impact (Continued)

In addition to the incorporation of the deteriorated Forward-Looking information (FLI), within the intense COVID-19 credit assessment efforts, comprehensive analysis of the corporate and SBB portfolio was performed by the responsible credit committees. The overall portfolios of legal clients were assessed on case by case basis in order to identify the COVID-19 impact on the particular obligor and implement the most appropriate relief measures. All identified deteriorations were included in the impairment calculation process through the SICR (Significant Increase of Credit Risk)/UTP (Unlikely to Pay) assessment and the loan exposures were classified in the appropriate risk category within the prescribed level of provision.

For the retail portfolio, the Bank has undertaken COVID 19 relief measures in line with the common approach of the overall banking sector in the country, and supported by the amendments in the regulation performed by the Central Bank. The first 6-month payment moratoria was provided in March 2020, under conditions of severe uncertainty, and was applicable for all credit exposures with performing status (over-the-board approach). During the first moratoria, the levels of provisions for the participants in the relief program remained at pre- COVID minimum level, i.e no provisions were released. Loans to individuals who applied for the relief and for whom, significant increase in credit risk occurred, amounted to MKD 6,532,691 thousands as of 31 December 2020. Loans to legal entities who applied for the relief and for whom significant increase in credit risk occurred, amounted to MKD 3,123,697 thousands as of 31 December 2020.

The second COVID19 relief measures (additional 6-month payment moratoria), in line with the banking sector approach, was applicable to retail credit contracts with more severe documented impact from the pandemic. A significantly lower portion of the retail portfolio was eligible for these measures (approximately 5% of the overall retail portfolio). The retail obligors of the Bank that applied for the second COVID-19 relief measures as a result of loss of job (as main income source) were prudently assigned a minimum Stage 2 treatment and adequate levels of provisions.

Fair value of financial instruments

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

The Bank applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment. In the RNM sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Operating environment of the Bank

The Republic of North Macedonia displays certain characteristics of an emerging market. On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Republic of North Macedonia authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. The above measures were gradually relaxed during 2020 and 2021. These measures have, among other things, severely restricted economic activity in Republic of North Macedonia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Bank, as well as the national and global economy for an unknown period of time.

It is estimated that the total economic activity in the Republic of North Macedonia in 2020, measured by the real movement of gross domestic product (GDP), recorded a decline of 4.5%. The annual inflation rate is 1.2%.

Management is taking necessary measures to ensure sustainability of the Bank's operations and support its customers and employees, such as:

- Offering payment holidays on retail & corporate loans according the regulatory enabled options
- Adaptation of the operating model to the new situation, implementation of the protective measures in the branch premises in full, enabling full operational capacities to the clients accommodated to the pandemic requirements

- Identified critical business functions and establishing "crisis operational model" with rotating teams, minimized people with physical presence and enabling work-from-home model (laptops, bandwidth, etc.)
- Regular disinfection of the HQs premises and branches and providing hygiene products, hand-gloves for branches, protective masks for all employee
- Controlled entrance in branches, installed infrared camera on the HQ entrance, forbidden entrance of third parties and clients in HQs
- Increase the capability of digital services (increase in transactions performed without offices visits).

The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.
As a response of the COVID 19 pandemic the Government of R. N. Macedonia enacted several set of measures organized in five packages so far:

- First & second package worth Eur 200-250 m for amortizing the first hits of the pandemic to both-retail and corporate sector
- Third package in amount of Eur 355 m covering 73000 users. This package is aimed to increase the domestic consumption, create new jobs, increase domestic over foreign competition, promote tourism, agriculture support and promote digital possibilities and IT sector
- Fourth package worth Eur 478 dedicated to economy support primarily for maintaining the health system support and preserve sustainability of the economy and job protection
- The fifth package is approved in 2021 in total value of Eur 160m for further maintenance the stability of the economy and retail and corporate support.

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:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Operating environment of the Bank (Continued)

- The threshold of 90 days past due (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 September 2020 . This was applicable for Statutory reporting purposes.

- 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

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.

The regulatory amendments were valid until end of September, 2020. Within that time frame, SB in aligned approached with other banks through Banking Association provided the following:
- During March/April 2020: option for payment moratoria –mainly for 6 month period in order to facilitate bringing short-term COVID-19 related liquidity issues
- During September 2020- second wave of payment moratoria for those customers that have been directly impacted by COVID-19.

Those measure for corporate portfolio were applied on case-by-case basis, supported by individual credit assessment and for retail portfolio were applied for those clients that did not face significant deterioration on their credit ability.

The COVID-19 affected the whole banking sector in 2020 including Stopanska Banka, which is noticeable in almost all aspects of operations. The most hit part were the transactional services, card operations, fund transfers and similar, mainly due to lowered volumes in general. The net fee income was reduced by 11% compared with previous year, while the NII noted increase of 3% as a result of increased volumes and reduced interest expenses due to continuing decreased trend of interest rates reduction.

The liquidity of the Bank remained stable and the liquid assets grew by 5.8% mainly as a result of higher growth rate of the deposits compared to loans. The capital position of the Bank remained stable with Capital adequacy ratio of 16.84%, sufficient to support the business growth of the Bank. The overall NPE ratio is 3.7%. During 2020, despite the challenges and uncertainties caused by the Covid 19 pandemic, the Bank maintained the level of liquidity required to meet its legal and transactional obligations, based on the existing liquidity risk management framework. The Liquidity ratios of the Bank "SL 30" and "SL 180" as at 31 December 2020 amounted 1.63 and 1.30 respectively.

The COVID-19 introduced the need to intensely monitor developments relating to credit and liquidity risks. The Bank also performed several types of stress tests and sectoral reviews to assess the potential impact on its financial position, which helped SB to get further insights into the potential impact and to define appropriate mitigating actions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 Operating environment of the Bank (Continued)

It is difficult at this stage to estimate the effect of the crisis on the bank's financials; however looking forward into 2021, subject to the development of the health situation (length and extent of the safety measures imposed by the Government authorities, progress of the vaccination process) it is reasonable to assume that the economic conditions will improve enabling the bank to focus on core business activities and expansion. The Bank will focus into further expanding the digital facilities and enable more flexible operating model and needless to say to devote itself in fulfilment of the targeted results.

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.

4. FINANCIAL INSTRUMENTS

4.1 Financial risk management

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

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

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

- Strategic level encompasses risk management functions performed by the Supervisory Board. These include the approval of risk and capital strategy, ascertaining the Bank's risk definitions, profile and appetite, as well as, the risk reward profile and other high-level risk related policies and internal guidelines.
- Tactical level encompasses risk management functions performed by the Board of Directors and the Senior Management. These include the establishment of risk policies and procedure manuals for managing specific risks and establishing adequate systems and controls to ensure that the overall risk and reward relationship remains within acceptable levels. Generally, the risk management activities performed by the Risk Management Division of the Bank, as well as, other critical support functions fall into this category
- Operational (business line) level – it involves management of risks at the point where they are actually created. The relevant activities are performed by individuals who undertake risk on the organization's behalf. Risk management at this level is implemented by means of appropriate controls incorporated into the relevant operational procedures and guidelines set by management.

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

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

4.2 Credit risk

4.2.1 Credit risk measurement, limits and mitigation policies

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

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

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.1 Credit risk measurement, limits and mitigation policies (Continued)

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

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

The Bank monitors compliance with the legally and internally established limits and controls concentrations of credit risk. Credit risk limits towards different types of borrowers, industry sectors, geographic location and type of collateral, also limit of the exposure to Bank internal persons, and large exposures, exposure by sector of activity are set in the Risk Strategy and the Risk Appetite Framework of the Bank and further detailed in the Bank's credit risk management policies and procedures. The Bank structures the levels of credit risk that undertakes towards domestic and foreign banks by placing limits on the amount of risk accepted subject to at least an annual review. In addition, the exposure concentration risk by sectors and activities is regularly monitored on the basis of set limits.

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

The COVID-19 pandemic and its material impact on the overall economy and the creditworthiness of the Bank's obligors intensified the credit assessment processes performed by the Bank, including more frequent credit analysis of the customer's behavior, financial situation and needed measures for relief. The Bank introduced new monitoring tools and processes for early identification and appropriate mitigation of any COVID related impact on the credit portfolio, supported by relevant internal acts.

4.2.2 Impairment and provisioning policies – IFRS 9

The impairment requirements of IFRS 9 are based on an ECL model. The impairment model of IFRS 9 recognizes impairment losses before they are realized. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

IFRS 9 requires the classification of all financial assets into three stages. The amount of ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECL (stage 1), which apply to all items as long as there is no significant deterioration in credit risk; and
- Lifetime ECL ("LT ECL") for stages 2 and 3, which apply when a significant increase in credit risk, compared to the credit risk at initial recognition, has occurred on an individual or collective basis.

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month ECL	LT ECL	LT ECL

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.2 Impairment and provisioning policies – IFRS 9 (Continued)

In order to assess SICR and calculate ECL on a collective basis, the Bank allocates financial assets into groups on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous. The frequency of ECL measurement on a collective basis is monthly. The Bank groups exposures if there is sufficient information for the group to be statistically credible. The characteristics used to determine groupings are outlined below:

Retail loans:

- Product type (e.g. mortgages, credit cards, overdraft, term loans, retail SME)
- Origination vintage (Months on Book at time of assessment)
- Delinquency Bucket at time of assessment (current, 1-30 DPD, 31-60 DPD, 61 to 90 DPD, default)

Wholesale corporate loans: Industry

- Business segment (large corporates, SME, small banking business)
- Internal credit rating band

The ECL calculations are based on the following factors ("the ECL Factors"):

- **Exposure at Default ("EAD"):** This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.
- **Credit Conversion Factor ("CCF"):** The *CCF* converts the amount of a credit line and other off-balance sheet amounts to an EAD amount.
- **Probability of Default ("PD"):** Represents the likelihood of a borrower/issuer defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), assessed on the prevailing economic conditions at the reporting date (PIT), adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default either over the next 12 months (12M PD) for Stage 1 financial assets, or over the remaining lifetime (lifetime PD) of the obligation, for Stage 2 and 3 financial assets.
- **Loss given default ("LGD"):** Represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of EAD.
- **Discount Rate:** The implied discount factor based on the original EIR of the financial asset or an approximation thereof.
- **Survival rate:** Is the cumulative probability of non-default at time t-1, further adjusted by the annual prepayment rate, PRt.

The use of the parameters in the ECL calculation depends on the Stage the credit exposure is in.

The scope of the exposures subject to individual assessment, is the following:

- Exposures classified into Stage 1 or Stage 2 & 3, irrespective of their balance, for which an individual assessment is deemed necessary by the relevant Units, based on current facts and circumstances at the reporting date,
- Exposures in Stage 3 for which the enforcement procedure has been initiated and collection is expected based on collateral liquidation, can be optionally subject to individual assessment.

The Divisions/Units responsible for conducting the individual assessment take into consideration both qualitative and quantitative factors in order to calculate the ECL allowance.

Apart from the aforementioned thresholds set for determining the Individually Significant Loans, additional exposures may be individually assessed, irrespectively of their total exposure, based on the knowledge of the Relationship Managers and Business Units.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

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

	In thousands of Denars	
	31 December 2020	31 December 2019
Credit risk exposure relating to on balance sheet assets		
Cash and balances with the central bank	17,377,563	21,847,735
Financial assets through profit and loss	2,698	3,763
Securities measured at FVTOCI	2,292,859	81.425
Securities measured at amortized cost	12,399,581	8,596,403
Placement with, and loans to banks	224,193	243,367
Loans to customers	72,581,502	68,078,217
Other receivables (less foreclosure assets)	1,480,798	1,348,563
	106,359,194	100,199,473
Credit risk relating to off-balance sheet assets/liabilities		
Financial guarantees	3,601,240	2,833,648
Standby letters of credits	384,742	134,773
Commitments to extend credits	11,730,110	11,040,652
Other off-balance sheet commitments	2,776	1,551
Gross exposure	15,718,868	14,010,624
Less: ECL allowance	(22,119)	(19,986)
	15,696,749	13,990,638
Total credit risk exposure	122,055,943	114,190,111

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

Mortgages are fully secured by property (residential and business premises) or deposits with a loan to value ratio up to 85%. Consumer loans in the amounts over EUR 25,000 are fully secured by property (only residential premises) or deposits with a loan to value ratio up to 70%.

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

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

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers

a) Loans to customers are summarized below:

	Stage 1	Stage 2	Stage 3	Total gross	ECL allowance for Stage 1	ECL allowance for Stage 2	ECL allowance for Stage 3	Total ECL allowance	Total net
December 31,2020									
Cards	1,542,667	2,032,065	224,885	3,799,617	(8,828)	(19,174)	(104,577)	(132,579)	3,667,038
Consumer	29,407,862	3,641,846	2,292,334	35,342,042	(435,011)	(470,216)	(1,090,802)	(1,996,029)	33,346,013
Mortgage	7,213,711	4,590,936	232,792	12,037,439	(4,907)	(33,401)	(43,376)	(81,684)	11,955,755
Small business loans	3,018,349	1,044,063	119,104	4,181,516	(14,816)	(32,041)	(43,264)	(90,121)	4,091,395
Corporate loans	14,573,174	4,027,431	2,999,713	21,600,318	(225,265)	(320,990)	(1,532,762)	(2,079,017)	19,521,301
Total	55,755,763	15,336,341	5,868,828	76,960,932	(688,827)	(875,822)	(2,814,781)	(4,379,430)	72,581,502

	Stage 1	Stage 2	Stage 3	Total gross	ECL allowance for Stage 1	ECL allowance for Stage 2	ECL allowance for Stage 3	Total ECL allowance	Total net
December 31,2019									
Cards	3,724,398	82,929	250,785	4,058,112	(13,139)	(1,588)	(117,851)	(132,578)	3,925,534
Consumer	28,420,874	2,959,984	2,450,269	33,831,127	(386,723)	(256,792)	(1,324,548)	(1,968,063)	31,863,064
Mortgage	9,982,245	1,023,942	215,371	11,221,558	(3,383)	(12,696)	(48,648)	(64,727)	11,156,831
Small business loans	3,213,675	698,898	129,772	4,042,345	(11,342)	(17,461)	(47,842)	(76,645)	3,965,700
Corporate loans	13,337,790	2,701,172	3,180,835	19,219,797	(130,954)	(154,509)	(1,767,246)	(2,052,709)	17,167,088
Total	58,678,982	7,466,925	6,227,032	72,372,939	(545,541)	(443,046)	(3,306,135)	(4,294,722)	68,078,217

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

b) A breakdown by range of probability of default summarized below:

Total	31.12.2020				31.12.2019			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
12 month PD								
0,01% - 0,6%	10,486,781	23,642	-	10,510,423	15,875,791	11,659	-	15,887,450
0,6% - 2%	16,764,841	737,679	-	17,502,520	19,525,204	324,711	-	19,849,915
2,01% - 5%	22,256,728	5,595,487	-	27,852,215	20,122,178	1,169,707	-	21,291,885
5,01% - 10%	3,032,334	3,589,337	-	6,621,671	1,184,497	1,315,791	-	2,500,288
10,01% - 20%	3,091,997	832,552	-	3,924,549	1,902,585	1,333,990	-	3,236,575
20,01% - 36 %	123,082	1,708,421	-	1,831,503	68,727	1,815,850	-	1,884,577
36,01% and above	-	2,849,223	5,868,828	8,718,051	-	1,495,217	6,227,032	7,722,249
Total	55,755,763	15,336,341	5,868,828	76,960,932	58,678,982	7,466,925	6,227,032	72,372,939

December 31,2020	Mortgage				Consumer			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
12 month PD								
0,01% - 0,6%	6,682,819	8,139	-	6,690,958	3,147,003	8614	-	3,155,617
0,6% - 2%	187,054	157,360	-	344,414	9,946,288	49,839	-	9,996,127
2,01% - 5%	343838	2,247,084	-	2,590,922	13,367,438	788,303	-	14,155,741
5,01% - 10%	-	1,994,742	-	1,994,742	783,971	727,022	-	1,510,993
10,01% - 20%	-	67,406	-	67,406	2,051,977	255,916	-	2,307,893
20,01% - 36 %	-	46,096	-	46,096	111,185	653,407	-	764,592
36,01% and above	-	70,109	232,792	302,901	-	1,158,745	2,292,334	3,451,079
Total	7,213,711	4,590,936	232,792	12,037,439	29,407,862	3,641,846	2,292,334	35,342,042

December 31,2019	Mortgage				Consumer			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
12 month PD								
0,01% - 0,6%	9,303,240	3,935	-	9,307,175	3,520,657	-	-	3,520,657
0,6% - 2%	679,005	11,269	-	690,274	7,284,414	2,987	-	7,287,401
2,01% - 5%	-	431,488	-	431,488	15,219,194	169,696	-	15,388,890
5,01% - 10%	-	365,019	-	365,019	437,178	621,849	-	1,059,027
10,01% - 20%	-	145,409	-	145,409	1,896,251	652,573	-	2,548,824
20,01% - 36 %	-	5,902	-	5,902	63,180	871,636	-	934,816
36,01% and above	-	60,920	215,371	276,291	-	641,243	2,450,269	3,091,512
Total	9,982,245	1,023,942	215,371	11,221,558	28,420,874	2,959,984	2,450,269	33,831,127

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

b) A breakdown by range of probability of default summarized below: (Continued)

	Credit Cards				Small Business			
December 31,2020	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
12 month PD								
0,01% - 0,6%	6,290	-	-	6,290	408,690	6,889	-	415,579
0,6% - 2%	1,441,464	105,376	-	1,546,840	1,362,189	47,785	-	1,409,974
2,01% - 5%	94,913	1,719,465	-	1,814,378	928,869	99,848	-	1,028,717
5,01% - 10%	-	142,954	-	142,954	287,090	77,884	-	364,974
10,01% - 20%	-	19,249	-	19,249	23,739	146,465	-	170,204
20,01% - 36 %	-	44,810	-	44,810	7,772	295,795	-	303,567
36,01% and above	-	211	224,885	225,096	-	369,397	119,104	488,501
Total	1,542,667	2,032,065	224,885	3,799,617	3,018,349	1,044,063	119,104	4,181,516

	Credit Cards				Small Business			
December 31,2019	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaire d	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
12 month PD								
0,01% - 0,6%	38	-	-	38	1,340,868	7,724	-	1,348,592
0,6% - 2%	3,724,360	-	-	3,724,360	739,574	15,373	-	754,947
2,01% - 5%	-	59,333	-	59,333	818,865	58,971	-	877,836
5,01% - 10%	-	4,796	-	4,796	302,487	55,118	-	357,605
10,01% - 20%	-	18,800	-	18,800	6,334	128,738	-	135,072
20,01% - 36 %	-	-	-	-	5,547	154,996	-	160,543
36,01% and above	-	-	250,785	250,785	-	277,978	129,772	407,750
Total	3,724,398	82,929	250,785	4,058,112	3,213,675	698,898	129,772	4,042,345

	Large				SME			
December 31,2020	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
12 month PD								
0,01% - 0,6%	220,391	-	-	220,391	21,588	-	-	21,588
0,6% - 2%	1,862,640	144,699	-	2,007,339	1,965,206	232,620	-	2,197,826
2,01% - 5%	4,410,090	300,532	-	4,710,622	3,111,580	440,255	-	3,551,835
5,01% - 10%	603,814	62,948	-	666,762	1,357,459	583,787	-	1,941,246
10,01% - 20%	146,465	15,735	-	162,200	869,816	327,781	-	1,197,597
20,01% - 36 %	-	72,556	-	72,556	4,125	595,757	-	599,882
36,01% and above	-	-	915,654	915,654	-	1,250,761	2,084,059	3,334,820
Total	7,243,400	596,470	915,654	8,755,524	7,329,774	3,430,961	2,084,059	12,844,794

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

b) A breakdown by range of probability of default summarized below: (Continued)

	Large				SME			
December 31,2019	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
12 month PD								
0,01% - 0,6%	1,390,426	-	-	1,390,426	320,562	-	-	320,562
0,6% - 2%	5,062,551	183,888	-	5,246,439	2,036,300	111,194	-	2,146,494
2,01% - 5%	719,419	137,443	-	856,862	3,364,700	312,776	-	3,677,476
5,01% - 10%	-	-	-	-	444,832	269,009	-	713,841
10,01% - 20%	-	-	-	-	-	388,565	-	388,470
20,01% - 36 %	-	175,693	-	175,693	-	607,528	-	607,528
36,01% and above	-	-	1,269,011	1,269,011	-	515,076	1,911,824	2,426,900
Total	7,172,396	497,024	1,269,011	8,938, 431	6,166,394	2,204,148	1,911,824	10,281,366

c) Ageing analysis of loans and advances to customers net of allowance for impairment

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Past due 1-2 years	Past due over 2 years	Total
December 31,2020								
Cards	3,487,115	59,502	113	2,407	-	28,916	88,985	3,667,038
Consumer	31,320,086	589,644	247,538	44,574	90,035	273,997	780,139	33,346,013
Mortgage	11,597,506	112,283	64,883	3,641	40,423	18,979	118,040	11,955,755
Small-business loans	3,959,586	63,158	20,747	9,350	8,370	24,512	5,672	4,091,395
Corporate loans	18,166,869	165,294	6,032	15,684	160,007	187,272	820,143	19,521,301
Total	68,531,162	989,881	339,313	75,656	298,835	533,676	1,812,979	72,581,502

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

c) Ageing analysis of loans and advances to customers net of allowance for impairment (countinued)

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Past due 1-2 years	Past due over 2 years	Total
December 31,2019								
Cards	3,774,362	18,238	2,910	8,576	17,844	28,333	75,271	3,925,534
Consumer	30,275,614	333,389	153,641	102,110	155,173	244,522	598,615	31,863,064
Mortgage	10,792,163	154,128	65,947	19,427	6,450	20,142	98,574	11,156,831
Small-business loans	3,744,683	118,506	59,867	9,602	24,347	1,596	7,099	3,965,700
Corporate loans	15,354,749	491,816	31,288	6,970	160,169	529,771	592,325	17,167,088
Total	63,941,571	1,116,077	313,653	146,685	363,983	824,364	1,371,884	68,078,217

d) Movement in Gross carrying amount of loans and advances to customers at amortised cost

Total Loans	31.12.2020 Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	31.12.2019 Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
Balance at beginning of period	58,678,982	7,466,925	6,227,032	72,372,939	57,464,072	5,506,249	7,374,593	70,344,914
Transfer from Stage 1 to Stage 2	(10,426,120)	10,426,120	-	-	(3,701,617)	3,701,617	-	-
Transfer from Stage 1 to Stage 3	(47,613)	-	47,613	-	(401,460)	-	401,460	-
Transfer from Stage 2 to Stage 1	2,558,631	(2,558,631)	-	-	1,270,411	(1,270,411)	-	-
Transfer from Stage 2 to Stage 3	-	(485,757)	485,757	-	-	(356,934)	356,934	-
Transfer from Stage 3 to Stage 2	-	41,167	(41,167)	-	-	136,140	(136,140)	-
New financial assets originated or purchased	17,348,955	1,926,451	-	19,275,406	22,143,334	1,213,725	-	23,357,059
Write-offs	-	-	(575,144)	(575,144)	-	-	(1,327,699)	(1,327,699)
Other movements including repayments	(12,356,872)	(1,479,934)	(275,463)	(14,112,269)	(18,095,758)	(1,463,461)	(442,116)	(20,001,335)
Ending balance	55,755,763	15,336,341	5,868,826	76,960,932	58,678,982	7,466,925	6,227,032	72,372,939

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

d) Movement in Gross carrying amount of loans and advances to customers at amortized cost (Continued)

	Mortgage				Consumer			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2020								
Balance at beginning of period	9,982,245	1,023,942	215,371	11,221,558	28,420,874	2,959,984	2,450,269	33,831,127
Transfer from Stage 1 to Stage 2	(3,454,946)	3,454,946	-	-	(2,658,995)	2,658,995	-	-
Transfer from Stage 1 to Stage 3	(5,592)	-	5,592	-	(35,896)	-	35,896	-
Transfer from Stage 2 to Stage 1	242,000	(242,000)	-	-	1,510,181	(1,510,181)	-	-
Transfer from Stage 2 to Stage 3	-	(44,578)	44,578	-	-	(191,905)	191,905	-
Transfer from Stage 3 to Stage 2	-	16,901	(16,901)	-	-	23,032	(23,032)	-
New financial assets originated or purchased	1,576,892	714,818	-	2,291,710	9,533,043	401,709	-	9,934,752
Write-offs	-	-	(9,064)	(9,064)	-	-	(339,299)	(339,299)
Other movements including repayments	(1,126,888)	(333,093)	(6,784)	(1,466,765)	(7,361,345)	(699,788)	(23,405)	(8,084,538)
Ending balance	7,213,711	4,590,936	232,792	12,037,439	29,407,862	3,641,846	2,292,334	35,342,042

	Mortgage				Consumer			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2019								
Balance at beginning of period	9,313,141	810,231	274,979	10,398,351	28,315,371	1,265,649	2,393,948	31,974,968
Transfer from Stage 1 to Stage 2	156,067	(156,067)	-	-	(2,292,687)	2,292,687	-	-
Transfer from Stage 1 to Stage 3	(8,735)	-	8,735	-	(285,433)	-	285,433	-
Transfer from Stage 2 to Stage 1	103,706	(103,706)	-	-	230,857	(230,857)	-	-
Transfer from Stage 2 to Stage 3	-	(11,851)	11,851	-	-	(166,850)	166,850	-
Transfer from Stage 3 to Stage 2	-	33,529	(33,529)	-	-	87,997	(87,997)	-
New financial assets originated or purchased	2,228,136	238,975	-	2,467,111	12,888,756	541,544	-	13,430,300
Write-offs	-	-	-	-	-	-	(264,978)	(264,978)
Other movements including repayments	(1,810,070)	212,831	(46,665)	(1,643,904)	(10,435,990)	(830,186)	(42,987)	(11,309,163)
Ending balance	9,982,245	1,023,942	215,371	11,221,558	28,420,874	2,959,984	2,450,269	33,831,127

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

d) Movement in Gross carrying amount of loans and advances to customers at amortized cost (Continued)

	Credit Cards				Small Business			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2020								
Balance at beginning of period	3,724,398	82,929	250,785	4,058,112	3,213,675	698,898	129,772	4,042,345
Transfer from Stage 1 to Stage 2	(1,915,772)	1,915,772	-	-	(756,994)	756,994	-	-
Transfer from Stage 1 to Stage 3	(173)	-	173	-	(6,152)	-	6,152	-
Transfer from Stage 2 to Stage 1	5,246	(5,246)	-	-	170,637	(170,637)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-	(28,305)	28,305	-
Transfer from Stage 3 to Stage 2	-	1,234	(1,234)	-	-	-	-	-
New financial assets originated or purchased	44,671	70,496	-	115,167	929,670	77,491	-	1,007,161
Write-offs	-	-	(19,205)	(19,205)	-	-	(14,111)	(14,111)
Other movements including repayments	(315,703)	(33,120)	(5,634)	(354,457)	(532,487)	(290,378)	(31,014)	(853,879)
Ending balance	1,542,667	2,032,065	224,885	3,799,617	3,018,349	1,044,063	119,104	4,181,516

	Credit Cards				Small Business			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2019								
Balance at beginning of period	3,851,663	32,137	254,808	4,138,608	2,795,037	691,696	142,358	3,629,091
Transfer from Stage 1 to Stage 2	(58,263)	58,263	-	-	(477,406)	477,406	-	-
Transfer from Stage 1 to Stage 3	(4,474)	-	4,474	-	(32,298)	-	32,298	-
Transfer from Stage 2 to Stage 1	18,750	(18,750)	-	-	237,819	(237,819)	-	-
Transfer from Stage 2 to Stage 3	-	(153)	153	-	-	(50,291)	50,291	-
Transfer from Stage 3 to Stage 2	-	1,304	(1,304)	-	-	348	(348)	-
New financial assets originated or purchased	311,814	21,907	-	333,721	1,542,572	91,002	-	1,633,574
Write-offs	-	-	(41,577)	(41,577)	-	-	(58,218)	(58,218)
Other movements including repayments	(395,092)	(11,779)	34,231	(372,640)	(852,049)	(273,444)	(36,609)	(1,162,102)
Ending balance	3,724,398	82,929	250,785	4,058,112	3,213,675	698,898	129,772	4,042,345

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

d) Movement in Gross carrying amount of loans and advances to customers at amortized cost (Continued)

	Large				SME			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2020								
Balance at beginning of period	7,172,396	497,024	1,269,011	8,938,431	6,165,394	2,204,148	1,911,824	10,281,366
Transfer from Stage 1 to Stage 2	(124,342)	124,342	-	-	(1,515,071)	1,515,071	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 1	135,354	(135,354)	-	-	495,213	(495,213)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-	(220,969)	220,969	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New financial assets originated or purchased	2,176,311	228,094	-	2,404,405	3,088,368	433,843	-	3,522,211
Write(offs	-	-	(84,379)	(84,379)	-	-	(109,086)	(109,086)
Other movements including repayments	(2,116,319)	(117,636)	(268,978)	(2,502,933)	(904,130)	(5,919)	60,352	(849,697)
Ending balance	7,243,400	596,470	915,654	8,755,524	7,329,774	3,430,961	2,084,059	12,844,794

	Large				SME			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2019								
Balance at beginning of period	7,635,435	661,736	2,086,516	10,383,687	5,553,425	2,044,800	2,221,984	9,820,209
Transfer from Stage 1 to Stage 2	(115,106)	115,106	-	-	(914,222)	914,222	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	(70,520)	-	70,520	-
Transfer from Stage 2 to Stage 1	231,703	(231,703)	-	-	447,576	(447,576)	-	-
Transfer from Stage 2 to Stage 3	-	(50,212)	50,212	-	-	(77,577)	77,577	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-	12,962	(12,962)	-
New financial assets originated or purchased	2,084,670	-	-	2,084,670	3,087,386	320,297	-	3,407,683
Write-offs	-	-	(632,659)	(632,659)	-	-	(330,267)	(330,267)
Other movements including repayments	(2,664,306)	2,097	(235,058)	(2,897,267)	(1,938,251)	(582,980)	(115,028)	(2,616,259)
Ending balance	7,172,396	497,024	1,269,011	8,938,431	6,165,394	2,204,148	1,911,824	10,281,366

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

e) Movement in allowance for impairment:

	Stage 1 12 - month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2020				
Balance at beginning of period	(545,541)	(443,046)	(3,306,135)	(4,294,722)
Transfer from Stage 1 to Stage 2	68,051	(68,051)	-	-
Transfer from Stage 1 to Stage 3	1,039	(6)	(1,033)	-
Transfer from Stage 2 to Stage 1	(143,336)	143,336	-	-
Transfer from Stage 2 to Stage 3	-	72,174	(72,174)	-
Transfer from Stage 3 to Stage 2	-	(12,663)	12,663	-
New financial assets, net of Recoveries	(188,442)	(91,849)	-	(280,291)
Write-offs	-	-	575,144	575,144
Other movements	119,402	(475,717)	(23,246)	(379,561)
Ending balance	(688,827)	(875,822)	(2,814,781)	(4,379,430)

	Stage 1 12 - month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2019				
Balance at beginning of period	(573,983)	(396,384)	(4,228,662)	(5,199,029)
Transfer from Stage 1 to Stage 2	89,112	(89,112)	-	-
Transfer from Stage 1 to Stage 3	44,780	(46)	(44,734)	-
Transfer from Stage 2 to Stage 1	(65,384)	65,384	-	-
Transfer from Stage 2 to Stage 3	-	42,072	(42,072)	-
Transfer from Stage 3 to Stage 2	-	(66,448)	66,448	-
New financial assets, net of Recoveries	(224,503)	(64,852)	-	(289,355)
Write-offs	-	-	1,327,699	1,327,699
Other movements	184,437	66,340	(384,814)	(134,037)
Ending balance	(545,541)	(443,046)	(3,306,135)	(4,294,722)

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

e) Movement in allowance for impairment: (Continued)

	Mortgage				Consumer			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2020								
Balance at beginning of period	(3,383)	(12,696)	(48,648)	(64,727)	(386,723)	(256,792)	(1,324,548)	(1,968,063)
Transfer from Stage 1 to Stage 2	523	(523)	-	-	36,032	(36,032)	-	-
Transfer from Stage 1 to Stage 3	6	(6)	-	-	997	-	(997)	-
Transfer from Stage 2 to Stage 1	(4,347)	4,347	-	-	(108,154)	108,154	-	-
Transfer from Stage 2 to Stage 3	-	3,020	(3,020)	-	-	58,913	(58,913)	-
Transfer from Stage 3 to Stage 2	-	(2,989)	2,989	-	-	(9,125)	9,125	-
New financial assets, net of Recoveries	(375)	(3,530)	-	(3,905)	(116,893)	(71,371)	-	(188,264)
Write-offs	-	-	9,064	9,064	-	-	339,299	339,299
Other movements	2,669	(21,024)	(3,761)	(22,116)	139,730	(263,963)	(54,768)	(179,001)
Ending balance	(4,907)	(33,401)	(43,376)	(81,684)	(435,011)	(470,216)	(1,090,802)	(1,996,029)

	Mortgage				Consumer			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2019								
Balance at beginning of period	(6,777)	(15,371)	(50,583)	(72,731)	(390,918)	(176,662)	(1,257,554)	(1,825,134)
Transfer from Stage 1 to Stage 2	442	(442)	-	-	41,164	(41,164)	-	-
Transfer from Stage 1 to Stage 3	46	(46)	-	-	13,664	-	(13,664)	-
Transfer from Stage 2 to Stage 1	(3,368)	3,368	-	-	(22,881)	22,881	-	-
Transfer from Stage 2 to Stage 3	-	2,502	(2,502)	-	-	15,271	(15,271)	-
Transfer from Stage 3 to Stage 2	-	(3,618)	3,618	-	-	(61,595)	61,595	-
New financial assets, net of Recoveries	(277)	(1,221)	-	(1,498)	(150,639)	(46,816)	-	(197,455)
Write-offs	-	-	-	-	-	-	264,978	264,978
Other movements	6,551	2,132	819	9,502	122,887	31,293	(364,632)	(210,452)
Ending balance	(3,383)	(12,696)	(48,648)	(64,727)	(386,723)	(256,792)	(1,324,548)	(1,968,063)

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

e) Movement in allowance for impairment: (Continued)

	Credit Cards				Small Business			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2020								
Balance at beginning of period	(13,139)	(1,588)	(117,851)	(132,578)	(11,342)	(17,461)	(47,842)	(76,645)
Transfer from Stage 1 to Stage 2	6,437	(6,437)	-	-	1,559	(1,559)	-	-
Transfer from Stage 1 to Stage 3	1	-	(1)	-	35	-	(35)	-
Transfer from Stage 2 to Stage 1	(251)	251	-	-	(4,557)	4,557	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-	752	(752)	-
Transfer from Stage 3 to Stage 2	-	(549)	549	-	-	-	-	-
New financial assets, net of Recoveries	(198)	(736)	-	(934)	(4,185)	(1,795)	-	(5,980)
Write-offs	-	-	19,205	19,205	-	-	14,111	14,111
Other movements	(1,678)	(10,115)	(6,479)	(18,272)	3,674	(16,535)	(8,746)	(21,607)
Ending balance	(8,828)	(19,174)	(104,577)	(132,579)	(14,816)	(32,041)	(43,264)	(90,121)

	Credit Cards				Small Business			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2019								
Balance at beginning of period	(18,751)	(2,479)	(145,919)	(167,149)	(12,433)	(16,116)	(105,512)	(134,061)
Transfer from Stage 1 to Stage 2	1,434	(1,434)	-	-	1,692	(1,692)	-	-
Transfer from Stage 1 to Stage 3	597	-	(597)	-	263	-	(263)	-
Transfer from Stage 2 to Stage 1	(16,281)	16,281	-	-	(4,545)	4,545	-	-
Transfer from Stage 2 to Stage 3	-	34	(34)	-	-	1,666	(1,666)	-
Transfer from Stage 3 to Stage 2	-	(42)	42	-	-	(48)	48	-
New financial assets, net of Recoveries	(947)	(323)	-	(1,270)	(4,844)	(1,707)	-	(6,551)
Write-offs	-	-	41,577	41,577	-	-	58,218	58,218
Other movements	20,809	(13,625)	(12,920)	(5,736)	8,525	(4,111)	1,335	5,749
Ending balance	(13,139)	(1,588)	(117,851)	(132,578)	(11,342)	(17,461)	(47,842)	(76,645)

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

e) Movement in allowance for impairment: (continued)

	Large				SME			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2020								
Balance at beginning of period	(39,059)	(21,009)	(681,707)	(741,775)	(91,895)	(133,500)	(1,085,539)	(1,310,934)
Transfer from Stage 1 to Stage 2	903	(903)	-	-	22,597	(22,597)	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	-	-	-	-
Transfer from Stage 2 to Stage 1	(3,334)	3,334	-	-	(22,693)	22,693	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-	9,489	(9,489)	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New financial assets, net of Recoveries	(20,062)	(2,554)	-	(22,616)	(46,729)	(11,863)	-	(58,592)
Write-offs	-	-	84,379	84,379	-	-	109,086	109,086
Other movements	(7,009)	8,868	58,294	60 173	(17,984)	(172,968)	(7,786)	(198,738)
Ending balance	(68,561)	(12,244)	(539,034)	(619,839)	(156,704)	(308,746)	(993,728)	(1,459,178)

	Large				SME			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired	Total
December 31,2019								
Balance at beginning of period	(51,232)	(17,902)	(1,311,652)	(1,380,786)	(93,872)	(167,854)	(1,357,442)	(1,619,168)
Transfer from Stage 1 to Stage 2	539	(539)	-	-	43,841	(43,841)	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-	30,210	-	(30,210)	-
Transfer from Stage 2 to Stage 1	(10,533)	10,533	-	-	(7,776)	7,776	-	-
Transfer from Stage 2 to Stage 3	-	392	(392)	-	-	22,205	(22,205)	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-	(1,145)	1,145	-
New financial assets, net of Recoveries	(14,077)	-	-	(14,077)	(53,719)	(14,785)	-	(68,504)
Write-offs	-	-	632,659	632,659	-	-	330,267	330,267
Other movements	36,244	(13,493)	(2,322)	20 429	(10,579)	64,144	(7,094)	46 471
Ending balance	(39,059)	(21,009)	(681,707)	(741,775)	(91,895)	(133,500)	(1,085,539)	(1,310,934)

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Loans to customers (Continued)

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

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

	2020	2019
Cash and cash equivalents or restricted accounts held in Bank	1,158,453	1,254,411
Movable property	83,623	110,990
Residential property	37,226,252	35,559,590
Other real estate	1,716,318	1,869,757
Total	40,184,646	38,794,748

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

	2020	2019
Cash and cash equivalents or restricted accounts held in Bank	1,163,184	1,062,109
Financial and corporate guarantees	8,257,628	7,522,661
Movable property	15,287,595	17,119,699
Real estate	32,314,278	29,808,928
Total	57,022,685	55,513,397

The value of collateral for retail and corporate loans is above their carrying value.

f) Loan forbearance to customers

The Bank performs Forbearance of loans to customers as prescribed in the SB NPE and Forbearance Policy. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties"). The concessions may include the following:

- prolongation of maturity date;
- amendments of the instalment amount and/or frequency of repayments, including granting a new or prolongation of the existing grace period;
- reduction of the interest rate;
- consolidating more loans into one by changing the contractual terms including interest capitalization;
- write-off of principle, interest and/or fees;
- reduction of the credit exposure through enforcement of collateral.

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

As per the COVID19 related EBA guidelines, the undertaken relief measures provided to the Bank's obligors as a direct response to the impact of the crisis were treated under a different classification. However, the process of forbearance continued to be implemented throughout the year for the obligors with financial difficulties not related to the pandemics.

As of 31.12.2020 the Bank has renegotiated loans at a total amount of Denar 1,010,340 thousand (2019: Denar 439,524 thousand).

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.5 Cash and balances with the central bank, investment in securities and placement with, and loans to banks

Cash and balances with the central bank are classified in Stage 1 Issuer of the treasury bills is the National Bank of the Republic of North Macedonia. S&P assigned to the RNM sovereign foreign and local currency long term ratings of BB+ and short term ratings of B-, with stable outlook. Accounts and deposits with foreign banks are placed in the banks that have S&P bank or sovereign rating from AAA to A- in amount of Denar 2,464,521 thousands (2019: Denar 2,018,745 thousands) rating from BBB+ to B- in amount of Denar 711,003 thousands (2019: Denar 403,838 thousands) and only deposits in NBG have CCC+ rating, in amount of Denar 2,124 thousands (2019: Denar 3,694 thousands). Time deposits up to three months are also in first class banks with S&P bank or sovereign rating from AAA to A-.

Securities measured at FVOCI consists of equity securities and Government bills.

Securities measured at amortized cost, classified as Stage 1, consists of debt securities issued by the Government of the RNM classified as neither past due nor impaired, with S&P BB+/B- rating.

Placement with, and loans to banks, classified as Stage 1, in amount of Denar 215,678 thousands (2019: Denar 234,561 thousands), has S&P bank or sovereign rating from AAA to A- and the part of loans in foreign banks, are classified as Stage 3, in net amount of Denar 8,515 thousand (2019: Denar 8,806 thousands).

4.2.6 Foreclosed assets

During 2020, the Bank conducted appraisals on the total foreclosed assets portfolio in order to determine the fair value of the assets.

In this period, the Bank sold 6 assets (2019: 10 assets) at a total value of Denar 47,666 thousand (2019: Denar 140,917 thousand), whereas it foreclosed 6 facilities (2019: 7 facilities) at a total value of Denar 195,452 thousand (2019: Denar 76,901 thousand). The general policy of the Bank is to sell these facilities within a period of 3 years, based on which the Bank is undertaking appropriate activities to release it.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.7 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of December 31, 2020 and 2019. In this table, the Bank has allocated exposures to regions based on the country of domicile of the counterparties.

	Cash and balances with the central bank		Financial assets through profit and loss		Investment in securities		Placements with and loans to banks		Loans to customers		Other receivables		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Geographical region														
RNM	11,902,899	16,214,924	-	-	14,692,409	8,677,797	-	-	72,581,502	68,078,217	1,480,798	1,348,563	100,657,608	94,319,501
EU member countries	3,415,351	4,153,125	-	-	31	31	74,039	80,580	-	-	-	-	3,489,421	4,233,736
Europe (other)	-	-	2,698	3,763	-	-	8,515	8,806	-	-	-	-	11,213	12,569
OECD member countries (less European OECD member countries)	2,059,313	1,479,686	-	-	-	-	-	-	-	-	-	-	2,059,313	1,479,686
Other	-	-	-	-	-	-	141,639	153,981	-	-	-	-	141,639	153,981
Total	17,377,563	21,847,735	2,698	3,763	14,692,440	8,677,828	224,193	243,367	72,581,502	68,078,217	1,480,798	1,348,563	106,359,194	100,199,473

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

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

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

Industry sector

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

	Cash and balances with the central bank		Financial assets through profit and loss		Investment in securities		Placements with and loans to banks		Loans to customers		Other receivables		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Industry														
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	399,969	372,264	18	262	399,987	372,526
Mining and quarrying	-	-	-	-	-	-	-	-	309,546	256,457	-	2	309,546	256,459
Manufacturing	-	-	-	-	-	-	-	-	7,722,833	7,325,444	78,115	38,264	7,800,948	7,363,708
Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	1,717,746	1,664,772	64	35	1,717,810	1,664,807
Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	6,757	6,757	-	21	6,757	6,778
Construction	-	-	-	-	-	-	-	-	2,713,522	2,305,793	268	405	2,713,790	2,306,198
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	-	1,633	1,813	-	-	6,121,106	5,481,088	861	3,812	6,123,600	5,486,713
Transportation and storage	-	-	-	-	-	-	-	-	1,221,823	814,444	371	387	1,222,194	814,831
Accommodation and food service activities	-	-	-	-	-	-	-	-	844,335	822,866	55	252	844,390	823,118
Information and communication	-	-	-	-	-	-	-	-	251,196	250,233	11	442	251,207	250,675
Financial and insurance activities	17,377,563	21,847,735	2,698	3,763	79,613	79,612	224,193	243,367	89,100	58,809	14	2,725	17,773,181	22,236,011
Real estate activities	-	-	-	-	-	-	-	-	487,038	305,226	-	26	487,038	305,252
Professional, scientific and technical activities	-	-	-	-	-	-	-	-	528,712	450,486	29	56	528,741	450,542
Administrative and support service activities	-	-	-	-	-	-	-	-	747,135	566,846	139	312	747,274	567,158
Public administration and defence; compulsory social security	-	-	-	-	14,611,194	8,596,403	-	-	14,234	16,321	1,284,117	1,102,796	15,909,545	9,715,520
Education	-	-	-	-	-	-	-	-	-	-	-	-	0	-
Human health and social work activities	-	-	-	-	-	-	-	-	409,042	402,422	-	-	409,042	402,422
Arts, entertainment and recreation	-	-	-	-	-	-	-	-	4,165	4,568	-	8	4,165	4,576
Other service activities	-	-	-	-	-	-	-	-	24,437	27,991	-	122	24,437	28,113
Individuals	-	-	-	-	-	-	-	-	48,968,806	46,945,430	116,736	198,636	49,085,542	47,144,066
Total	17,377,563	21,847,735	2,698	3,763	14,692,440	8,677,828	224,193	243,367	72,581,502	68,078,217	1,480,798	1,348,563	106,359,194	100,199,473

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

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

Industry sector (Continued)

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

	In thousands of Denars 2020	2019
Industry		
Agriculture, forestry and fishing	198,969	154,069
Mining and quarrying	27,790	34,783
Manufacturing	1,871,882	1,291,086
Electricity, gas, steam and air conditioning supply	149,145	34,840
Water supply; sewerage, waste management and remediation activities	3,496	1,434
Construction	2,017,957	774,181
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,950,697	2,395,190
Transportation and storage	494,606	320,374
Accommodation and food service activities	44,084	38,793
Information and communication	108,219	39,253
Financial and insurance activities	96,263	98,975
Real estate activities	5,018	2,090
Professional, scientific and technical activities	110,285	119,206
Administrative and support service activities	140,050	1,155,072
Education	3,667	3,776
Human health and social work activities	17,316	12,517
Arts, entertainment and recreation	2,475	2,505
Other service activities	16,028	16,974
Individuals	7,438,802	7,495,520
Total	15,696,749	13,990,638

4.3 Market risk

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

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.1 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank sets limits on the level of exposure by currency and in aggregate for all currencies, which are monitored on a daily basis. The tables below summarize Bank's exposure to foreign exchange risk as at December 31, 2020 and 2019:

In thousands of Denars
December 31, 2020

	EUR	USD	Other currency	Total foreign currency	In reporting currency	Total
ASSETS						
Cash and balances with the central bank	5,778,741	2,122,739	1,705,818	9,607,298	7,770,265	17,377,563
Financial assets through profit and loss	2,698	-	-	2,698	-	2,698
Securities measured at FVTOCI	-	-	-	-	2,292,859	2,292,859
Securities measured at amortized cost	8,762,257	-	-	8,762,257	3,637,324	12,399,581
Placement with, and loans to banks	4,626	217,804	1,763	224,193	-	224,193
Loans to customers	17,923,536	138,950	-	18,062,486	54,519,016	72,581,502
Other receivables	6,238	312	277,616	284,166	1,196,632	1,480,798
Total assets	32,478,096	2,479,805	1,985,197	36,943,098	69,416,096	106,359,194
LIABILITIES						
Deposits from banks	9,064	206,745	21,992	237,801	3	237,804
Deposits from customers	30,726,822	2,245,801	1,675,816	34,648,439	51,974,238	86,622,677
Loans payable	529,540	-	-	529,540	-	529,540
Other liabilities	346,077	154	1	346,232	793,513	1,139,745
Lease liability	98,196			98,196		98,196
Total liabilities	31,709,699	2,452,700	1,697,809	35,860,208	52,767,754	88,627,962
Net currency gap:	768,397	27,105	287,388	1,082,890	16,648,342	17,731,232

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.1 Foreign exchange risk (Continued)

In thousands of Denars
December 31, 2019

	EUR	USD	Other currency	Total foreign currency	In reporting currency	Total
ASSETS						
Cash and balances with the central bank	5,361,553	2,216,378	1,765,606	9,343,537	12,504,198	21,847,735
Financial assets through profit and loss	3,763	-	-	3,763	-	3,763
Securities measured at FVTOCI	-	-	-	-	81,425	81,425
Securities measured at amortized cost	3,295,806	-	-	3,295,806	5,300,597	8,596,403
Placement with, and loans to banks	4,319	236,888	2,160	243,367	-	243,367
Loans to customers	19,116,608	18,676	-	19,135,284	48,942,933	68,078,217
Other receivables	4,115	545	230,830	235,490	1,113,073	1,348,563
Total assets	27,786,164	2,472,487	1,998,596	32,257,247	67,942,226	100,199,473
LIABILITIES						
Deposits from banks	10,667	220,737	26,829	258,233	3	258,236
Deposits from customers	27,789,514	2,242,849	1,732,332	31,764,695	51,092,845	82,857,540
Loans payable	64,945	-	-	64,945	149,399	214,344
Other liabilities	250,676	76	1	250,753	768,466	1,019,219
Lease liability	102,553			102,553		102,553
Total liabilities	28,218,355	2,463,662	1,759,162	32,441,179	52,010,713	84,451,892
Net currency gap:	(432,191)	8,825	239,434	(183,932)	15,931,513	15,747,581

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.2 Interest rate risk

The Bank is exposed to effects arising from movements at level of interest rates in the market that affect its financial position and cash flows. Taking into account the fact that the trading portfolio of the Bank is inconsiderable, the interest rate risk exposure is assessed from the aspect of Banking Book. The risk of change in interest rates in the Banking Book is the current or possible risk for profit (net interest income) and / or capital that arises from negative movements in interest rates, which affect the positions in the Banking Book. The assuming of this risk is part of banking activities and may be a significant source for profitability and shareholder value. Nonetheless, excessive risk of change in interest rates may represent a significant threat to the profit and capital base of the Bank. The Bank has established a framework for managing this risk in order to minimize the effects of negative changes in future interest rates by establishing and monitoring appropriate limits and utilizing techniques to measure the exposure to risk of changes in interest rates in Banking Book.

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

The tables below summarize the Bank's interest bearing and non-interest bearing assets and liabilities as of December 31, 2020 and 2019.

In thousands of Denars
December 31, 2020

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Interest bearing	Non-Interest bearing	Total
ASSETS									
Cash and balances with the central bank	6,681,856	-	-	-	-	-	6,681,856	10,695,707	17,377,563
Financial assets through profit and loss	-	-	-	-	-	-	-	2,698	2,698
Securities measured at FVTOCI	-	-	2,211,614	-	-	-	2,211,614	81,245	2,292,859
Securities measured at amortized cost	446,675	762,929	4,034,884	349,998	5,449,630	1,244,595	12,288,711	110,870	12,399,581
Placement with, and loans to banks	141,640	-	-	-	-	-	141,640	82,553	224,193
Loans to customers	43,939,965	2,247,317	8,788,919	7,582,222	6,362,169	1,116,042	70,036,634	2,544,868	72,581,502
Other receivables	-	-	-	-	-	-	-	1,480,798	1,480,798
Total assets	51,210,136	3,010,246	15,035,417	7,932,220	11,811,799	2,360,637	91,360,456	14,998,739	106,359,194
LIABILITIES									
Deposits from banks	237,799	-	-	-	-	-	237,799	5	237,804
Deposits from customers	56,114,196	4,632,704	17,578,419	6,541,344	1,438,655	110,609	86,415,927	206,750	86,622,677
Loans payable	5,779	-	28,898	67,325	165,880	261,586	529,468	72	529,540
Other liabilities	-	-	-	-	-	-	-	1,139,745	1,139,745
Lease liability	105	712	9,421	15,018	72,940	-	98,196	-	98,196
Total liabilities	56,357,879	4,633,416	17,616,738	6,623,687	1,677,475	372,195	87,281,390	1,346,572	88,627,962
Net interest gap:	(5,147,743)	(1,623,170)	(2,581,321)	1,308,533	10,134,324	1,988,442	4,079,065	13,652,167	17,731,232

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.2 Interest rate risk (Continued)

In thousands of Denars

December 31, 2019

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Interest bearing	Non-interest bearing	Total
ASSETS									
Cash and balances with the central bank	9,987,149	-	-	-	-	-	9,987,149	11,860,586	21,847,735
Financial assets through profit and loss	-	-	-	-	-	-	-	3,763	3,763
Securities measured at FVTOCI	-	-	-	-	-	-	-	81,425	81,425
Securities measured at amortized cost	8,880	1,281,984	4,563,543	858,038	924,351	920,312	8,557,108	39,295	8,596,403
Placement with, and loans to banks	153,981	-	-	-	-	-	153,981	89,386	243,367
Loans to customers	29,153,687	2,063,997	17,950,553	9,638,024	6,822,520	203,392	65,832,173	2,246,044	68,078,217
Other receivables	-	-	-	-	-	-	-	1,348,563	1,348,563
Total assets	39,303,697	3,345,981	22,514,096	10,496,062	7,746,871	1,123,704	84,530,411	15,669,062	100,199,473
LIABILITIES									
Deposits from banks	258,155	-	-	-	-	-	258,155	81	258,236
Deposits from customers	52,428,277	4,687,345	18,452,863	5,671,207	1,257,342	68,444	82,565,478	292,062	82,857,540
Loans payable	9,568	-	21,521	20,839	12,879	-	64,807	149,537	214,344
Other liabilities	-	-	-	-	-	-	-	1,019,219	1,019,219
Lease liability	6	41	7,383	22,769	72,354	-	102,553	-	102,553
Total liabilities	52,696,006	4,687,386	18,481,767	5,714,815	1,342,575	68,444	82,990,993	1,460,899	84,451,892
Net interest gap:	(13,392,309)	(1,341,405)	4,032,329	4,781,247	6,404,296	1,055,260	1,539,418	14,208,163	15,747,581

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk

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

4.4.1 Liquidity risk management process

The Bank's liquidity risk management process encompasses:

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

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

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

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

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.1 Liquidity risk management process (Continued)

In thousands of Denars
December 31, 2020

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
ASSETS							
Cash and balances with the central bank	17,377,252	311	-	-	-	-	17,377,563
Financial assets through profit and loss	2,698	-	-	-	-	-	2,698
Securities measured at FVTOCI	2,201	-	2,209,412	-	-	81,246	2,292,859
Securities measured at amortized cost	545,624	761,741	4,125,722	349,153	5,382,766	1,234,575	12,399,581
Placement with, and loans to banks	-	-	-	-	-	224,193	224,193
Loans to customers	3,765,447	3,679,605	15,864,807	9,867,649	17,340,324	22,063,670	72,581,502
Other receivables	1,460,798						1,460,798
Total assets	23,174,020	4,441,657	22,199,941	10,216,802	22,723,090	23,603,684	106,359,194
LIABILITIES AND EQUITY							
Deposits from banks	237,804	-	-	-	-	-	237,804
Deposits from customers	52,503,652	5,122,641	19,047,285	7,555,201	2,237,581	156,317	86,622,677
Loans payable	5,852	-	28,898	67,325	165,880	261,585	529,540
Other liabilities	1,048,767	-	-	-	-	90,978	1,139,745
Lease liability	105	712	9,421	15,018	72,940	-	98,196
Total liabilities and equity	53,796,180	5,123,353	19,085,604	7,637,544	2,476,401	508,880	88,627,962
Net liquidity gap	(30,622,160)	(681,696)	3,114,337	2,579,258	20,246,689	23,094,804	17,731,232

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.1 Liquidity risk management process (Continued)

In thousands of Denars
December 31, 2019

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
ASSETS							
Cash and balances with the central bank	21,847,735	-	-	-	-	-	21,847,735
Financial assets through profit and loss	3,763	-	-	-	-	-	3,763
Securities measured at FVTOCI	-	-	-	-	-	81,425	81,425
Securities measured at amortized cost	58,758	1,282,317	4,558,767	856,113	922,272	918,176	8,596,403
Placement with, and loans to banks	35	-	-	-	-	243,332	243,367
Loans to customers	3,509,414	3,767,781	15,040,747	9,863,899	15,971,049	19,925,327	68,078,217
Other receivables	1,348,563	-	-	-	-	-	1,348,563
Total assets	26,768,268	5,050,098	19,599,514	10,720,012	16,893,321	21,168,260	100,199,473
LIABILITIES AND EQUITY							
Deposits from banks	258,236	-	-	-	-	-	258,236
Deposits from customers	46,047,249	5,448,562	21,001,425	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
Other liabilities	928,241	-	-	-	-	90,978	1,019,219
Lease liability	6	41	7,383	22,769	72,354	-	102,553
Total liabilities and equity	47,243,439	5,448,603	21,030,329	7,702,301	2,636,697	390,523	84,451,892
Net liquidity gap	(20,475,171)	(398,505)	(1,430,815)	3,017,711	14,256,624	20,777,737	15,747,581

Bank's assets and liabilities are classified according to their relevant maturities as at December 31, 2020 and 2019, 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, overdrafts, 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 76,322,820 thousand (2019: Denar 71,773,005 thousand) and the Bank does not expect them to be withdrawn based on the contractual maturities, which helps the maturity non-reconciliation to be overcome. See Note Introduction 3.23 Operating environment of the Bank, for explanation about the liquidity ratios as at 31 December 2020.

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

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

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

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

In thousands of Denars
December 31, 2020

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
LIABILITIES										
Deposits from banks	31,834	205,970	-	-	-	-	-	-	-	237,804
Deposits from customers	49,154,344	3,449,724	5,153,668	19,169,091	7,625,131	1,932,299	235,667	113,992	161,989	86,995,905
Loans payable	2,509	5,938	-	29,072	67,392	55,539	55,275	55,071	259,079	529,875
Other liabilities	1,046,261	-	-	-	-	-	-	-	93,484	1,139,745
Lease liability	-	105	713	9,433	15,041	17,135	26,365	29,530	-	98,322
Total	50,234,948	3,661,737	5,154,381	19,207,596	7,707,564	2,004,973	317,307	198,593	514,552	89,001,651

In thousands of Denars
December 31, 2019

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
LIABILITIES										
Deposits from banks	38,348	219,888	-	-	-	-	-	-	-	258,236
Deposits from customers	43,030,235	3,155,420	5,497,195	21,199,839	7,746,901	1,997,552	384,050	235,535	161,653	83,408,380
Loans payable	2,994	9,872	-	21,880	21,098	12,280	497	204	146,406	215,231
Other liabilities	925,248	-	-	-	-	-	-	-	93,971	1,019,219
Lease liability	-	6	41	7,391	22,798	24,303	26,389	21,761	-	102,689
Total	43,996,825	3,385,186	5,497,236	21,229,110	7,790,797	2,034,135	410,936	257,500	402,030	85,003,755

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

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

In thousands of Denars
December 31, 2020

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Commitments to extend Credits	3,687,880	-	-	1,922,884	583,863	-	-	-	5,535,483	11,730,110
Financial guarantees and LCs	-	156,450	499,914	1,870,303	1,033,550	361,789	22,247	89	41,640	3,985,982
Total	3,687,880	156,450	499,914	3,793,187	1,617,413	361,789	22,247	89	5,577,123	15,716,092

In thousands of Denars
December 31, 2019

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Commitments to extend credits	11,040,651	-	-	-	-	-	-	-	-	11,040,651
Financial guarantees and LCs	-	74,843	323,521	1,388,878	1,028,220	98,347	7,266	-	47,347	2,968,422
Total	11,040,651	74,843	323,521	1,388,878	1,028,220	98,347	7,266	-	47,347	14,009,073

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities

In thousands of Denars

	Carrying amount		Fair value	
	December 31, 2020	**December 31, 2019**	**December 31, 2020**	**December 31, 2019**
Financial assets				
Cash and balances with the central bank	17,377,563	21,847,735	17,377,563	21,847,735
Financial assets through profit and loss	2,698	3,763	2,698	3,763
Available-for-sale financial Assets	-	-	-	-
Securities measured at FVTOCI	2,292,859	81,425	2,292,859	81,425
Securities measured at amortized cost	12,399,581	8,596,403	12,399,581	8,596,403
Placement with, and loans to Banks	224,193	243,367	224,193	243,367
Loans to customers	72,581,502	68,078,217	72,581,502	68,078,217
Other receivables (less foreclosure assets)	1,480,798	1,348,563	1,480,798	1,348,563
	106,359,194	100,199,473	106,359,194	100,199,473
Financial liabilities				
Deposits from banks	237,804	258,236	237,804	258,236
Deposits from customers	86,622,677	82,857,540	86,622,677	82,857,540
Loans payable	529,540	214,344	529,540	214,344
Other liabilities	1,139,745	1,019,219	1,139,745	1,019,219
	88,529,766	84,349,339	88,529,766	84,349,339

Cash and balances with the central bank

The carrying amount of Cash and balances with the central bank equals their fair values as they include cash and nostro accounts representing unrestricted demand deposits and placements with NBRNM, which mature shortly. Fair value of treasury and other eligible bills is based on discounted cash flows.

Financial assets through profit and loss

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

Available-for-sale financial assets

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

Placement with, and loans to banks

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

Loans to customers

Loans are net of provisions for impairment. The major part of the loans to customers is with floating interest rate reflecting the current market conditions. The remaining part of the loans with fixed interest rate relates to "teaser loans", for which the fair value is estimated based on the discounted cash flow.

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities (Continued)

Other receivables, less foreclosure assets

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

Deposits from banks

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

Financial liabilities through profit and loss

Fair value as determined by inputs derived from market prices.

Deposits from customers

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

Loans payable (including subordinated debt)

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

Other liabilities

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

Fair value hierarchy

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

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

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

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

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

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities (Continued)

Fair value hierarchy (Continued)

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

			In thousands of Denars December 31, 2020	
	Fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets through profit and loss	2,698	2,698	-	-
Securities measured at FVTOCI				
Equity securities	81,246	-	56,839	24,407
Government bills	2,211,613		2,211,613	
Securities measured at amortized cost				
Government bills	3,093,740	-	3,093,740	-
Government continued coupon bond	3,067,698	-	3,067,698	-
Eurobonds	6,238,143		6,238,143	
Total	14,695,138	2,698	14,668,033	24,407

			In thousands of Denars December 31, 2019	
	Fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets through profit and loss	3,763	3,763	-	-
Securities measured at FVTOCI				
Equity securities	81,425	-	57,018	24,407
Securities measured at amortized cost				
Government bills	4,560,507	-	4,560,507	-
Government continued coupon bond	1,679,053	-	1,679,053	-
Eurobonds	2,356,843		2,356,843	
Total	8,681,591	3,763	8,653,421	24,407

Level 3 financial instruments at December 31, 2020 and 2019 include available-for sale non-marketable private equity investments where prices are determined by the price of the most recent investments, based on which it is not practical to quote a range of key unobservable inputs.

Reconciliation of the fair value measurement in level 3 is not presented since there was no movement during 2020 (2019: none).

4. FINANCIAL INSTRUMENTS (Continued)

4.6 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 NBRNM;
- 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 NBRNM on a quarterly basis.

According to the Decision on the methodology on determining the capital adequacy, the Bank's regulatory capital (own funds) is divided into two tiers:

- Tier 1 capital: consisted of two parts, common equity tier 1 and additional Tier 1 capital. The common equity tier 1 capital is consisting 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: In position capital instruments are presented cumulative preferred shares, listed as such in the shareholder book of the Bank which is maintained in the Central Securities Depository, and are presented in Tier 2 as per the Decision on the methodology for determining the capital adequacy

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, NBRNM determines additional capital of 4.0% and the Bank is obliged to maintain capital adequacy rate of at least 12.0%.

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

The Bank is complied with the prescribed capital adequacy ratio of at least 16% as at 31.12.2020.

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

The table below summarizes the compositions of regulatory capital and the capital adequacy ratio of the Bank for the years ended December 31, 2020 and 2019 regarding the requirement of regulatory authority. During these two years, the Bank complied with all of the regulatory imposed capital requirements.

4. FINANCIAL INSTRUMENTS (Continued)

4.6 Capital management (Continued)

	In thousands of Denars December 31, 2020
Tier 1 capital	
Ordinary shares	3,511,242
Statutory reserves and retained earnings	10,139,664
Accumulated other comprehensive income	165,855
Total qualifying Tier 1 capital	13,816,761
Tier 2 capital	
Cumulative non-voting shares	90,978
Total qualifying Tier 2 capital	90,978
Total regulatory capital	13,907,739
Credit risk-weighted assets	
On-balance sheet	69,679,449
Off-balance sheet	4,753,967
Total credit risk-weighted assets	74,433,416
FX risk-weighted assets	349,931
Operational risk-weighted assets	7,782,018
Risk-weighted assets	82,565,365
Capital adequacy ratio	16.84%

	In thousands of Denars December 31, 2019
Tier 1 capital	
Ordinary shares	3,511,242
Statutory reserves and retained earnings	9,217,164
Accumulated other comprehensive income	24,552
Total qualifying Tier 1 capital	12,752,958
Tier 2 capital	
Cumulative non-voting shares	90,978
Total qualifying Tier 2 capital	90,978
Total regulatory capital	12,843,936
Credit risk-weighted assets	
On-balance sheet	65,307,401
Off-balance sheet	4,732,305
Total credit risk-weighted assets	70,039,706
FX risk-weighted assets	991,585
Operational risk-weighted assets	7,944,830
Risk-weighted assets	78,976,121
Capital adequacy ratio	16.26%

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis

4.7.1 Sensitivity analysis (foreign currency)

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

December 31, 2020	Total	In thousands of Denars Change in exchange rate 10%	-10%
ASSETS			
Cash and balances with the central bank	17,377,563	960,730	(960,730)
Financial assets through profit and loss	2,698	270	(270)
Securities measured at FVTOCI	2,292,859	-	-
Securities measured at amortized cost	12,399,581	876,226	(876,226)
Placement with, and loans to banks	224,193	22,419	(22,419)
Loans to customers	72,581,502	1,806,249	(1,806,249)
Other receivables	1,480,798	28,417	(28,417)
Total assets	106,359,194	3,694,311	(3,694,311)
LIABILITIES			
Deposits from banks	237,804	23,780	(23,780)
Deposits from customers	86,622,677	3,464,844	(3,464,844)
Loans payable	529,540	52,954	(52,954)
Other liabilities	1,139,745	34,623	(34,623)
Lease liability	98,196	9,820	(9,820)
Total liabilities	88,627,962	3,586,021	(3,586,021)
Net currency gap:	17,731,232	108,290	(108,290)

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.1 Sensitivity analysis (foreign currency) (Continued)

December 31, 2019	Total	In thousands of Denars Change in exchange rate +10%	-10%
ASSETS			
Cash and balances with the central bank	21,847,735	934,354	(934,354)
Financial assets through profit and loss	3,763	376	(376)
Securities measured at FVTOCI	81,425	-	-
Securities measured at amortized cost	8,596,403	329,581	(329,581)
Placement with, and loans to banks	243,367	24,337	(24,337)
Loans to customers	68,078,217	1,913,528	(1,913,528)
Other receivables	1,348,563	23,549	(23,549)
Total assets	100,199,473	3,225,725	(3,225,725)
LIABILITIES			
Deposits from banks	258,236	25,823	(25,823)
Deposits from customers	82,857,540	3,176,470	(3,176,470)
Loans payable	214,344	6,495	(6,495)
Other liabilities	1,019,219	25,075	(25,075)
Lease liability	102,553	10,255	(10,255)
Total liabilities	84,451,892	3,244,118	(3,244,118)
Net currency gap:	15,747,581	(18,393)	18,393

At December 31, 2020, if Denar had weakened 10% against the EUR (and all other currencies) with all other variables held constant, the profit for the year and net equity would have been Denar 108,290 thousand lower (2019: Denar 18,393 thousand higher). Conversely, if the Denar had strengthened 10% against the EUR (and all other currencies) with all other variables held constant, the profit for the year and the net equity would have been Denar 108,290 thousand higher (2019: Denar 18,393 thousand lower).

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.2 Sensitivity analysis (Interest rates)

			In thousands of Denars December 31, 2020
	Total	IR change + 200 bp	IR change - 200 bp
ASSETS			
Cash and balances with the central bank	17,377,563	133,637	(133,637)
Financial assets through profit and loss	2,698	-	-
Securities measured at FVTOCI	2,292,859	44,232	(44,232)
Securities measured at amortized cost	12,399,581	245,774	(245,774)
Placement with, and loans to banks	224,193	2,833	(2,833)
Loans to customers	72,581,502	1,400,733	(1,400,733)
Other receivables	1,480,798	-	-
Total assets	106,359,194	1,827,209	-1,827,209
LIABILITIES			
Deposits from banks	237,804	4,756	(4,756)
Deposits from customers	86,622,677	1,728,319	(1,728,319)
Loans payable	529,540	10,589	(10,589)
Other liabilities	1,139,745	-	-
Lease liability	98,196	1,964	(1,964)
Total liabilities	88,627,962	1,745,628	(1,745,628)
Net interest gap:	17,731,232	81,581	(81,581)

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.2 Sensitivity analysis (interest rates) (Continued)

			In thousands of Denars
			December 31, 2019
	Total	IR change + 200 bp	IR change - 200 bp
ASSETS			
Cash and balances with the central bank	21,847,735	199,743	(199,743)
Financial assets through profit and loss	3,763	-	-
Securities measured at FVTOCI	81,425	-	-
Securities measured at amortized cost	8,596,403	171,142	(171,142)
Placement with, and loans to banks	243,367	3,080	(3,080)
Loans to customers	68,078,217	1,316,643	(1,316,643)
Other receivables	1,348,563	-	-
Total assets	100,199,473	1,690,608	(1,690,608)
LIABILITIES			
Deposits from banks	258,236	5,163	(5,163)
Deposits from customers	82,857,540	1,651,310	(1,651,310)
Loans payable	214,344	1,296	(1,296)
Other liabilities	1,019,219	-	-
Lease liability	102,553	2,051	(2,051)
Total liabilities	84,451,892	1,659,820	(1,659,820)
Net interest gap:	15,747,581	30,788	(30,788)

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

If interest rates had been 200 bp higher with all other variables held constant, taking into account the balances of assets and liabilities as of December 31, 2020, profit for the year would have been Denar 81,581 thousand (2019: 30,788 Denar thousand higher) higher. Conversely, if the interest rates had been 200 b.p lower with all other variables held constant, profit for the year would have been Denar 81,581 thousand (2019: Denar 30,788 thousand lower) lower. Such an effect arises due to higher sensitivity of assets compared to the sensitivity of liabilities when experiencing a change of the interest rates.

5. SEGMENT REPORTING

The Bank manages its business through the following business segments:

Retail banking

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

Corporate banking

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

Investment banking

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

Other

This segment includes all other insignificant operating activities.

Unallocated

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

5.1 Operating segments

In thousands of Denars
Year ended December 31, 2020

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Total
Net interest income	905,973	2,533,942	102,262	50,048	-	3,592,225
Net fee and commission income	660,927	123,069	-	(45,370)	-	738,626
Net trading income	-	-	(1,077)	-	-	(1,077)
Other operating income	117,646	43,992	5,496	17,935	356	185,425
Total income	1,684,546	2,701,003	106,681	22,613	356	4,515,199
Profit before tax	1,252,221	986,813	96,394	(4,968)	79	2,330,539
Income tax expense						(198,604)
Net profit for the year						2,131,935
Total assets	47,204,439	47,305,965	12,507,121	828,915	-	107,846,440
Total liabilities	66,520,650	22,179,150	2,499	-	176,615	88,878,914
Impairment of financial assets, net	381,912	(762,898)	(10,287)	(27,581)	-	(418,854)
Impairment of non-financial assets	-	-	-	-	-	-
Depreciation and amortization	-	(181,054)	-	-	(277)	(181,331)
Property and equipment purchases	(54,705)	(26,128)	-	-	(816)	(81,649)
Other expenses	(814,237)	(770,238)	-	-	-	(1,584,475)

5. SEGMENT REPORTING (Continued)

5.1 Operating segments (Continued)

In thousands of Denars
Year ended December 31, 2019

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Total
Net interest income	840,398	2,522,688	65,867	(130)	-	3,428,823
Net fee and commission income	486,241	339,368	181	-	-	825,790
Net trading income	-	-	(1,853)	-	-	(1,853)
Other operating income	139,440	2,335	6,077	30,833	-	178,685
Total income	1,466,079	2,864,391	70,272	30,703	-	4,431,445
Profit before tax	1,113,082	1,408,686	68,831	(1,381)	(526)	2,588,692
Income tax expense						(272,929)
Net profit for the year						2,315,763
Total assets	46,163,330	46,669,181	8,698,496	-	-	101,531,007
Total liabilities	63,581,417	20,933,418	2,986	-	175,618	84,693,439
Impairment of financial assets, net	328,928	(383,854)	(1,441)	(32,084)	-	(88,451)
Impairment of non-financial assets	-	(12,259)	-	-	-	(12,259)
Depreciation and amortization	-	(179,376)	-	-	(526)	(179,902)
Property and equipment purchases	(54,705)	(26,128)	-	-	(816)	(81,649)
Other expenses	(681,925)	(880,216)	-	-	-	(1,562,141)

5.2 Geographical areas

In thousands of Denars
December 31,2020

	RNM	EU countries	Europe - other	OECD countries (less EU OECD countries)	Other and Unalocated	Total
Total income, net	4,202,320	191,075	986	120,462	356	4,515,199
Total assets	102,136,593	3,490,977	18,009	2,200,861	-	107,846,440

In thousands of Denars
December 31,2019

	RNM	EU countries	Europe - other	OECD countries (less EU OECD countries)	Other and Unalocated	Total
Total income, net	4,092,012	257,621	1,122	80,690	-	4,431,445
Total assets	95,954,629	4,232,344	18,431	1,325,603	-	101,531,007

6. INTEREST INCOME AND EXPENSE

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

	In thousands of Denars Year ended December 31, 2020	2019
Interest income calculated using the effective interest method:		
Cash and cash equivalents	23,389	88,410
Placement with, and loans to banks	15,418	64,716
Loans to customers	3,836,743	3,774,747
Investment securities	106,064	65,867
Other receivables	3,839	6,605
	3,985,453	4,000,345
Interest expense:		
Deposits from banks and financial institutions	645	3,363
Deposits from customers	388,767	561,315
Loans payable	1,015	3,241
Other liabilities	2,801	3,603
	393,228	571,522
Net interest income	3,592,225	3,428,823

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

	Year ended December 31, 2020		In thousands of Denars Year ended December 31, 2019	
	Income	Expense	Income	Expense
Enterprises	736,139	36,496	728,262	64,531
State	122,747	581	65,910	2,294
Not-for-profit institutions	364	943	349	1,889
Banks	4,598	565	52,405	1,170
Other non-banking financial entities	37,222	28,370	106,441	37,575
Households	3,084,281	323,368	3,046,918	457,478
Non-residents	102	2,905	60	6,585
	3,985,453	393,228	4,000,345	571,522
Net interest income	3,592,225		3,428,823	

7. FEE AND COMMISSION INCOME AND EXPENSE

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

	Year ended December 31, 2020		In thousands of Denars Year ended December 31, 2019	
	Income	Expense	Income	Expense
Loans provided	74,028	-	94,564	-
Domestic payment operations	214,376	79,986	219,733	79,589
Foreign payment operations	201,657	29,182	213,979	29,297
Letters of credit and guaranties	43,024	-	38,418	-
Brokerage	2,633	442	2,546	323
Assets administering	378	-	477	-
Credit cards	507,215	370,816	514,076	327,754
Consumer credit	22,470	-	28,843	-
Mortgage credit	-	8	-	34
Deposits	6,942	-	19,038	-
Safe box	7,917	-	8,041	-
Third party collection	2,348	-	2,576	-
Maintenance fees for transaction accounts	80,287	-	84,037	-
Selling fees on insurance policies	36,501	-	27,000	-
Other	20,006	722	9,584	125
	1,219,782	481,156	1,262,912	437,122
Net fee and commission income	738,626		825,790	

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

	Year ended December 31, 2020		In thousands of Denars Year ended December 31, 2019	
	Income	Expense	Income	Expense
Enterprises	491,256	55,076	501,520	53,521
State	2,938	-	4,105	-
Not-for-profit institutions	114	-	140	-
Banks	27,514	235,049	30,173	205,872
Other non-banking financial entities	-	24,185	-	24,381
Households	678,055	-	702,017	-
Non-residents	19,905	166,846	24,957	153,348
	1,219,782	481,156	1,262,912	437,122
Net fee and commission income	738,626		825,790	

8. TRADING INCOME, NET

	In thousands of Denars Year ended December 31, 2020	2019
Financial assets through profit and loss:		
Net gain on sales and fair valuation of equity securities	(1,077)	(1,853)
	(1,077)	(1,853)

9. FOREIGN EXCHANGE GAINS, NET

	In thousands of Denars Year ended December 31, 2020	2019
Realized exchange gains, net	103,315	87,362
Unrealized exchange losses, net	(1,685)	3,938
	101,630	91,300

10. OTHER OPERATING INCOME

	In thousands of Denars Year ended December 31, 2020	2019
Early withdrawal of deposits and operations with non-residents	15,368	17,355
Gain on sale of property and equipment and foreclosed assets	44,777	35,869
Court claims collections	11,998	9,659
Dividend from equity securities designated at FVTOCI	5,494	6,965
Income from mediation at mortgage insurance	99	250
Rental income	1,564	1,874
Income from collected damage from insurance companies	232	776
Other	4,263	14,637
	83,795	87,385

11. IMPAIRMENT REVERSAL, NET

	In thousands of Denars Year ended December 31, 2020	2019
Impairment loss on financial assets, net	(418,854)	(88,451)
Impairment loss on non-financial assets	-	(12,259)
	(418,854)	(100,710)

Impairment/Reversal of impairment loss on financial assets, net

In thousands of Denars

	December 31,2020			December 31, 2019		
	Charge	Release	Net	Charge	Release	Net
Cash and balances with the central bank (Note 16)	-	(695)	(695)	3	(93)	(90)
Placement with, and loans to banks (Note 20)	539	(9,606)	(9,067)	458	(309)	149
Loans to customers (Note 21)	903,929	(492,661)	411,268	909,854	(828,478)	81,376
Other assets (Note 22)	7,168	(2,895)	4,273	8,071	(1,996)	6,075
Securities measured at FVTOCI (Note 18)	4,074	-	4,074	-	-	-
Securities measured at amortized cost (Note 19)	10,870	(4,002)	6,868	5,373	(3,839)	1,534
Off-balance sheet items (Note 30)	4,892	(2,759)	2,133	928	(1,521)	(593)
	931,472	(512,618)	418,854	924,687	(836,236)	88,451

Accrued interest income on impaired financial assets as at December 31, 2020 amount to nil (2019: Denar nil).

Impairment loss on non-financial asset

	In thousands of Denars Year ended December 31, 2020	2019
Investment property (Note 23)	-	-
Property and equipment (Note 25)	-	298
Assets acquired through foreclosure procedures (Note 22a)	-	11,961
	-	12,259

12. PERSONNEL EXPENSES

	In thousands of Denars Year ended December 31, 2020	2019
Wages and salaries	488,440	481,488
Social security cost	239,518	238,003
Other staff costs	142,203	128,545
Pension costs based on defined benefit plans, net	1,148	2,331
	871,309	850,367
Average number of employees during the period	1,006	1,026
Number of permanent employees at the end of the year	1,008	1,021

13. DEPRECIATION AND AMORTIZATION

	In thousands of Denars Year ended December 31, 2020	2019
Depreciation of property and equipment (Note 25)	74,714	81,230
Amortization of intangible assets (Note 24)	56,217	54,910
Depreciation of investment property (Note 23)	832	1,105
Depreciation of RoU Assets (Note 25)	49,568	42,657
	181,331	179,902

14. OTHER OPERATING EXPENSES

	In thousands of Denars Year ended December 31, 2020	2019
Insurance premiums for deposits	160,464	151,743
Other service costs	111,852	123,639
Administrative and marketing costs	80,067	119,859
Materials	62,802	62,802
Telecommunication and postage costs	61,638	59,690
Service fee (Legal fees, audit fees)	70,892	48,690
Collection costs	27,946	41,629
Maintenance and other related expenses	49,231	41,111
Other expenses	62,875	21,268
Expense for Variable lease payments not in Lease Liability	8,610	11,733
Insurance premiums for property and employees	11,682	11,589
Operating expense relating to Short-term & low value leases	694	8,257
Travel expenses	1,349	6,370
Other taxes and contributions	2,064	2,125
Court claims	1,000	1,269
	713,166	711,774

15. INCOME TAX EXPENSE

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

	In thousands of Denars Year ended December 31, 2020	2019
Current income tax expense	197,605	274,076
Deferred income tax expense	999	(1,147)
	198,604	272,929

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

	In thousands of Denars Year ended December 31, 2020	2019
Profit before tax	2,330,539	2,588,692
Income tax at the statutory income tax rate of 10%	233,054	258,869
Tax on expenses not allowed for tax purposes	12,089	10,240
Other	(46,539)	3,820
At effective rate of 10.54% (2019: 10.54%)	198,604	272,929

In accordance with the Income Tax Law which is in appliance for the fiscal 2020 and 2019, 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.

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

15.1 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Recognized deferred income tax (assets)/liabilities are attributable to the following items

In thousands of Denars

	31 December 2020			31 December 2019		
	Deferred tax assets	Deferred tax liabilities	Net basis	Deferred tax assets	Deferred tax liabilities	Net basis
Placement with, and loans to banks	-	96	96	-	167	167
Loans and advances to customers	-	157,457	157,457	-	157,147	157,147
Foreclosed collateral	-	18,849	18,849	-	18,333	18,333
Provisions - Off-balance sheet items	-	2,328	2,328	-	1,398	1,398
Impairment securities	-	(2,121)	(2,121)	-	(1,435)	(1,435)
Total recognized deferred tax assets / liabilities	-	**176,609**	**176,609**	-	**175,610**	**175,610**

Movement in temporary differences during the year are as follows:

In thousands of Denars

	2020			2019		
	1 January	Recognised in income	31 December	1 January	Recognised in income	31 December
Placement with, and loans to banks	167	(71)	96	50	117	167
Loans and advances to customers	157,147	310	157,457	147,674	9,473	157,147
Foreclosed collateral	18,333	517	18,850	23,141	(4,808)	18,333
Provisions - Off-balance sheet items	1,398	930	2,328	5,892	(4,494)	1,398
Impairment securities	(1,435)	(687)	(2,122)	-	(1,435)	(1,435)
	175,610	999	176,609	176,757	(1,147)	175,610

The temporary differences relate to different carrying amount of the above presented items in accordance with statutory requirements.

16. CASH AND BALANCES WITH THE CENTRAL BANK

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Cash on hand	1,594,826	1,434,400
Accounts and deposits with NBRNM, except mandatory reserves in foreign currency	4,772,382	6,513,190
Accounts and deposits with foreign banks	3,177,648	2,426,277
Accounts and deposits with domestic banks	33	1,465
Treasury bills which can be traded on the secondary market	1,889,623	4,899,320
Time deposits up to three months	2,268,140	3,164,795
Other short-term highly liquid assets	301	330
Less: ECL allowance	(425)	(1,120)
Included in Statement of Cash Flows	13,702,528	18,438,657
Mandatory reserves in foreign currency	3,395,554	3,127,306
Restricted deposits	279,481	281,772
	17,377,563	21,847,735

Accounts and deposits with NBRNM, except mandatory reserves in foreign currency in the amount of Denar 4,772,382 thousand (2019: Denar 6,513,190 thousand) represent mandatory reserves in Denars. These reserves are non-interest bearing.

Treasury bills which can be traded on the secondary market in the amount of Denar 1,889,623 thousand (2019: Denar 4,899,320 thousand) represent bills issued by the Central Bank with a maturity of 28 - 35 days. Interest rate in 2020 from 1.50.% to 2.25% p.a. (2019: 2.25-2.50% p.a.). Treasury Bills are classified as FVOCI as at 31 December 2018.

Mandatory reserves in foreign currency represent non-interest-bearing mandatory deposit with NBRNM amounting to Denar 3,395,554 thousand (2019: Denar 3,127,306 thousand) calculated as an average amount of deposits in foreign currencies during the last calendar month.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Equity securities issued by banks	2,698	3,763
	2,698	3,763

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

18. SECURITIES MEASURED AT FVTOCI

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Equity securities issued by other entities	81,246	81,425
Government bills	2,215,687	-
	2,296,933	81,425
Less: ECL	(4,074)	-
	2,292,859	81,425

The movement of Equity securities is as follows:

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Balance at the beginning of the year	81,425	80,059
Additions within the period	2,565,719	
Maturities within the period	(356,306)	
Gains / (losses) from changes in fair value	6,095	1,366
Impairment charge	(4,074)	-
Balance at the end of the year	2,292,859	81,425

The movement in the ECL allowance is as follows:

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Balance at the beginning of the year	-	-
Addition for the year (Note 11)	4,074	-
Foreign exchange effects	-	-
Other - reclassified to FVOCI	-	-
	4,074	-

19. SECURITIES MEASURED AT AMORTIZED COST

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Debt securities		
Government bills	3,095,888	4,565,809
Government bonds	9,324,903	4,045,936
	12,420,791	8,610,745
Less: ECL	(21,210)	(14,342)
	12,399,581	8,596,403

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Balance at the beginning of the year	8,596,403	5,769,884
Additions within the period	9,822,567	7,267,978
Maturities within the period	(6,140,039)	(4,629,050)
Amortization of premiums / discounts	117,378	169,456
Foreign exchange differences	10,140	(331)
Impairment charge	(6,868)	(1,534)
Balance at the end of the year	12,399,581	8,596,403

The movement in the ECL allowance is as follows:

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Balance at the beginning of the year	14,342	12,808
Addition for the year (Note 11)	10,870	5,373
Release (Note 11)	(4,002)	(3,839)
Balance at the end of the year	21,210	14,342

The ECL movement in the table above relates to Stage 1.

Debt securities issued by the Government in the amount of Denar 12,399,581 thousand, net, include the amount of Denar 3,093,744 thousand, net (2019: Denar 4,560,507 thousand) relating to eligible bills issued by the Ministry of Finance of the RNM which can be traded on the secondary market with a maturity of one year and fixed interest rate from 0.50% p.a. to 0.60% p.a. (2019: from 0.50% p.a. to 0.80% p.a.). As well as amount of Denar 3,067,697 thousand, net, (2019: Denar 1,679,053 thousand) which relate to continued coupon government bonds issued by the state of RNM with maturity from January 2021 till October 2024 and fixed interest rate from 0.35% p.a. to 1.50% p.a.(2019: from 0.90% p.a. to 1.60% p.a.) being repayable in annual coupons. Starting from 2019 Eurobond issued by the Ministry of Finance of the RNM is part of investment securities, in amount of Denar 6,238,140 thousand, net (2019: Denar 2,356,843) with maturity from July 2021 till June 2026 and fixed interest rate from 2.75% p.a. to 5.63% p.a.(2019: from 2.75% p.a. to 5.63% p.a)

20. PLACEMENTS WITH, AND LOANS TO BANKS

In thousands of Denars

	Year ended December 31, 2020		Year ended December 31, 2019	
	Short-term	Long-term	Short-term	Long-term
Loans to foreign banks	18,009	-	18,431	-
Other placements due from foreign banks	-	215,678	-	234,561
Interest receivable	-	-	34	-
	18,009	215,678	18,465	234,561
Less: ECL allowance	(9,494)	-	(9,659)	-
	8,515	215,678	8,806	234,561
	224,193		243,367	

The movement in the ECL allowance is as follows:

In thousands of Denars

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	9,659	9,510
Charge for the year (Note 11)	539	458
Release (Note 11)	(9,606)	(309)
Recoveries	8,902	-
Balance at the end of the year	9,494	9,659

Part of the loans to foreign banks amounting to Denar 18,009 thousand (2019: Denar 18,431 thousand) are restricted and represent accounts held with banks in the Republic of Serbia, which went into bankruptcy in January 2002 (Note 26). The ECL movement above relates to Stage 1.

Other placement due from foreign banks relate to restricted accounts of Denar 215,678 thousand (2019: Denar 234,561 thousand) which represent deposits held with United Overseas Bank Limited Singapore and HSBC Bank PLC, London, Great Britain as a collateral for the transactions performed with VISA and MASTER payment cards. These funds are not available for the Bank's daily operations.

21. LOANS TO CUSTOMERS

a) Analysis of loans by type of customer

In thousands of Denars

	Year ended December 31, 2020 Short-term	Year ended December 31, 2020 Long-term	Year ended December 31, 2019 Short-term	Year ended December 31, 2019 Long-term
Non-financial entities				
principal amount	11,096,406	14,527,398	11,004,540	12,156,772
interest receivable	100,670	-	45,659	-
State				
principal amount	-	562	-	499
interest receivable	3	-	4	-
Not-for-profit organizations	-	-		
principal amount	-	8,064	-	7,403
interest receivable	22	-	23	-
Households	-	-		
principal amount:	-	-		
- housing loans	252,988	11,652,368	277,935	10,922,356
- consumer loans	2,149,268	28,947,134	2,376,551	27,407,794
- auto loans	19,565	24,636	49,929	33,990
- credit cards	320,679	5,355,268	380,203	5,825,042
- other loans	228,040	1,428,823	187,475	1,569,620
interest receivable	847,197	-	125,982	-
Non-residents, except banks	-	-		
principal amount	1,030	807	318	839
interest receivable	4	-	4	-
Current maturity	11,272,617	(11,272,617)	11,255,992	(11,255,991)
	26,288,489	50,672,443	25,704,615	46,668,324
Total gross loans	76,960,932		72,372,939	
Provision for impairment	(4,379,430)		(4,294,722)	
	72,581,502		68,078,217	

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

The movement in the ECL allowance is as follows:

In thousands of Denars

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	4,294,722	5,199,029
Charge for the year (Note 11)	903,929	909,854
Release (Note 11)	(492,661)	(828,478)
Recoveries	248,584	342,016
Write off	(575,144)	(1,327,699)
Balance at the end of the year	4,379,430	4,294,722

21. LOANS TO CUSTOMERS (Continued)

b) Analysis of loans by sectors

	In thousands of Denars December 31, 2020	December 31, 2019
Agriculture and forestry	399,969	372,264
Mining and quarrying	309,546	256,457
Manufacturing	7,722,833	7,325,445
Electricity, gas, steam and air conditioning supply	1,717,746	1,664,772
Water supply; sewerage, waste management and remediation activities	6,757	6,757
Construction	2,713,522	2,305,793
Wholesale and retail trade; repair of motor vehicles and motorcycles	6,121,106	5,481,088
Transportation and storage	1,221,823	814,444
Accommodation and food service activities	844,335	822,866
Information and communication	251,196	250,233
Financial and insurance activities	89,100	58,809
Real estate activities	487,038	305,226
Professional, scientific and technical activities	528,712	450,486
Administrative and support service activities	747,135	566,846
Public administration and defence; compulsory social security	14,234	16,321
Education	-	-
Human health and social work activities	409,042	402,422
Arts, entertainment and recreation	4,165	4,568
Other service activities	24,437	27,991
Individuals	48,968,806	46,945,429
	72,581,502	68,078,217

c) Analysis of loans by type of security

	In thousands of Denars December 31, 2020	December 31, 2019
Cash and cash equivalents or restricted accounts held in Bank	1,473,007	1,477,792
Government guarantees	588,898	754,596
Bank guarantees	254,182	608,802
Corporate guarantees	319,842	574,024
Property	31,243,824	28,385,482
Equipment and other movable assets	1,696,634	1,276,750
Other securities	1,132,301	3,190,487
Non-secured	35,872,814	31,810,284
	72,581,502	68,078,217

22. OTHER ASSETS

a) Non-current assets held for sale

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Foreclosed collateral		
Land	17,710	17,710
Buildings	635,001	488,947
Other	29,095	29,092
	681,806	535,749
Less: Allowance for impairment	(311,902)	(328,778)
	369,904	206,971

The movement in the allowance for impairment in non-current assets held for sale is as follows:

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Balance at the beginning of the year	328,778	394,562
Charge for the year (Note 11)	-	11,961
Disposals	(16,876)	(77,745)
Balance at the end of the year	311,902	328,778

b) Other receivables and prepaid expenses

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Trade receivables from contracts with customers	41,947	17,524
Prepaid expenses	20,375	19,240
Receivables for commission and fees	4,401	4,517
Advances to suppliers	6,531	4,181
Short term settlements of operations with credit cards	13,161	28,003
Receivables upon payments on credit cards	103,833	169,421
Stock of material, plastic cards, coins and numismatic collection	45,657	37,034
Treasury shortage	731	3,742
Suspense account for pensions	1,284,012	1,102,796
Other receivables	25,775	26,342
	1,546,423	1,412,800
Less: ECL allowance	(65,625)	(64,237)
	1,480,798	1,348,563

Suspense accounts in amount of Denar 1,284,012 thousand refers to pension for December 2020 prepaid from bank's funds (2019: Denar 1,102,796 thousand), offset by the Pension and disability insurance fund of North Macedonia on 5[td] of January 2021.

22. OTHER ASSETS (Continued)

b) Other receivables and prepaid expenses

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

In thousands of Denars

	Stage 1 12 - month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2020				
Balance at beginning of period	(4)	(1,547)	(62,686)	(64,237)
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	(29)	29	-	-
Transfer from Stage 2 to Stage 3	-	196	(196)	-
Transfer from Stage 3 to Stage 2	-	(8,715)	8,715	-
New financial assets	(108)	-	-	(108)
Write-offs	-	-	2,885	2,885
Other movements including repayments	-	715	(4,880)	(4,165)
Ending balance	(141)	(9,322)	(56,162)	(65,625)

In thousands of Denars

	Stage 1 12 - month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2019				
Balance at beginning of period	(12)	(2,204)	(57,056)	(59,272)
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	(19)	19	-	-
Transfer from Stage 2 to Stage 3	-	1,827	(1,827)	-
Transfer from Stage 3 to Stage 2	-	(1,846)	1,846	-
New financial assets	-	-	-	-
Write-offs	-	-	1,110	1,110
Other movements including repayments	27	657	(6,759)	(6,075)
Ending balance	(4)	(1,547)	(62,686)	(64,237)

23. INVESTMENT PROPERTY

	In thousands of Denars
Cost	
Balance at January 1, 2019	114,414
Additions	-
Transfer from assets acquired through foreclosure procedure	-
Disposals	-
Balance at December 31, 2019	114,414
Balance at January 1, 2020	114,414
Additions	-
Transfer to Property and equipment	-
Disposals	(35,795)
Balance at December 31, 2020	78,619
Accumulated depreciation	
Balance at January 1, 2019	(19,339)
Transfer to Property and equipment	-
Charge for the year	1,105
Disposals	-
Balance at December 31, 2019	(18,234)
Balance at January 1, 2020	(18,234)
Transfer to Property and equipment	-
Charge for the year	832
Disposals	(18,943)
Balance at December 31, 2020	(36,345)
Impairment	
Balance at January 1, 2019	105,364
Charge for the year (Note 11)	-
Balance at December 31, 2019	105,364
Balance at January 1, 2020	105,364
Charge for the year (Note 11)	-
Balance at December 31, 2020	105,364
Carrying amount	
Balance at December 31, 2019	27,284
Balance at December 31, 2020	9,600

As of December 31, 2020, the fair value of the investment property corresponds to the carrying amount presented in these financial statements.

24. INTANGIBLE ASSETS

In thousands of Denars

	Software	Leasehold Improvements	Other Intangibles	Total
Cost				
Balance at January 1, 2019	770,002	166,933	8,758	945,693
Additions	62,996	9,275	-	72,271
Disposals	-	(2,840)	-	(2,840)
Balance at December 31, 2019	832,998	173,368	8,758	1,015,124
Balance at January 1, 2020	832,998	173,368	8,758	1,015,124
Additions	43,843	636	-	44,479
Disposals	(339,233)	-	-	(339,233)
Balance at December 31, 2020	537,608	174,004	8,758	720,370
Accumulated amortization				
Balance at January 1, 2019	677,675	122,854	-	800,529
Charge for the year	38,617	16,293	-	54,910
Disposal	-	(2,840)	-	(2,840)
Balance at December 31, 2019	716,292	136,307	-	852,599
Balance at January 1, 2020	716,292	136,307	-	852,599
Charge for the year	41,636	14,581	-	56,217
Disposal	(339,233)	-	-	(339,233)
Balance at December 31, 2020	418,695	150,888	-	569,583
Carrying amount				
Balance at December 31, 2019	116,706	37,061	8,758	162,525
Balance at December 31, 2020	118,913	23,116	8,758	150,787

25. PROPERTY AND EQUIPMENT

In thousands of Denars

	Buildings	Furniture and equipment	Construction in progress	RoU assets Buildings and vehicles	Total
Cost					
Balance at January 1, 2019	1,293,680	1,014,058	6,075	-	2,313,813
First time adoption IFRS 16	-	-	-	110,526	110,526
Additions	24,259	55,125	2,265	33,514	115,163
Transfer	-	-	-	-	-
Disposals	(59,025)	(67,914)	-	-	(126,939)
Balance at December 31, 2019	1,258,914	1,001,269	8,340	144,040	2,412,563
Balance at January 1, 2020	1,258,914	1,001,269	8,340	144,040	2,412,563
Additions	32,852	44,695	6,886	45,028	129,461
Transfer	8,607	216	(8,823)	-	-
Disposals	(30,936)	(35,587)	-	-	(66,523)
Balance at December 31, 2020	1,269,437	1,010,593	6,403	189,068	2,475,501
Accumulated depreciation					
Balance at January 1, 2019	588,226	892,734	-	-	1,480,960
Transfer	-	-	-	-	-
Charge for the year	31,482	49,748	-	42,657	123,887
Disposals	(30,590)	(67,551)	-	-	(98,141)
Balance at December 31, 2019	589,118	874,931	-	42,657	1,506,706
Balance at January 1, 2020	589,118	874,931	-	42,657	1,506,706
Transfer	-	-	-	-	-
Charge for the year	31,149	43,565	-	49,568	124,282
Disposals	(17,274)	(35,483)	-	-	(52,757)
Balance at December 31, 2020	602,993	883,013	-	92,225	1,578,231
Impairment					
Balance at January 1, 2019	3,929	-	-	-	3,929
Charge for the year (Note 11)	298				298
Balance at December 31, 2019	4,227	-	-	-	4,227
Balance at January 1, 2020	4,227	-	-	-	4,227
Charge for the year (Note 11)	-				-
Balance at December 31, 2020	4,227	-	-	-	4,227
Carrying amount					
Balance at December 31, 2019	665,569	126,338	8,340	101,383	901,630
Balance at December 31, 2020	662,217	127,580	6,403	96,843	893,043

The Bank's buildings as of December 31, 2020 include property with a net carrying amount of Denar 2,638 thousand (2019: Denar 2,969 thousand), for which the Bank does not possess appropriate ownership title deeds due to incomplete cadastral records.

As of December 31, 2020 and 2019 the Bank's property and equipment are free of any pledges and mortgages.

26. DEPOSITS FROM BANKS

In thousands of Denars

	December 31, 2020		December 31, 2019	
	Up to one year	Over one Year	Up to one year	Over one year
Current accounts				
domestic banks	4,938	-	10,862	-
foreign banks	8,410	-	8,866	-
	13,348	-	19,728	-
Time deposits				
foreign banks	205,965	-	219,807	-
	205,965	-	219,807	-
Restricted deposits				
foreign banks	18,486	-	18,620	-
	18,486	-	18,620	-
Interest payable on deposits				
foreign banks	5	-	81	-
	5	-	81	-
Total deposits from banks	237,804		258,236	

The restricted deposits held with foreign banks amounting to Denar 18,486 thousand (2019: Denar 18,620 thousand) represent deposits from banks in the Republic of Serbia which went into bankruptcy in January 2002 (Note 20).

27. DEPOSITS FROM CUSTOMERS

In thousands of Denars

	December 31, 2020		December 31, 2019	
	Up to one year	Over one year	Up to one year	Over one year
Non-financial entities				
Current accounts	14,896,313	-	13,980,721	-
Sight deposits	73,807	-	136,203	-
Time deposits	1,437,052	855,524	985,196	1,037,553
Restricted deposits	418,273	693,823	524,576	472,683
Other deposits	8,508	-	10,790	-
Interest payable on deposits	12,832	-	21,110	-
	16,846,785	1,549,347	15,658,596	1,510,236
State				
Current accounts	195,479	-	48,069	-
Time deposits	10,000	-	-	-
Restricted deposits	35	650	34	650
Interest payable on deposits	36	-	12	-
	205,550	650	48,115	650
Not-for-profit organizations				
Current accounts	566,025	-	519,236	-
Sight deposits	-	-	-	-
Time deposits	142,921	11,599	123,412	34,180
Restricted deposits	3,846	1,842	3,967	2,213
Interest payable on deposits	227	-	444	-
	713,019	13,441	647,059	36,393
Financial institutions, except banks				
Current accounts	61,342	-	49,450	-
Sight deposits	-	-	-	-
Time deposits	68,000	864,856	105,878	1,360,242
Restricted deposits	7,567	32,089	10,116	32,373
Interest payable on deposits	21,062	-	24,612	-
	157,971	896,945	190,056	1,392,615
Households				
Current accounts	30,844,886	-	25,726,005	-
Sight deposits	37,578	-	29,073	-
Time deposits	15,485,375	16,816,992	16,609,210	17,723,654
Restricted deposits	1,572,553	645,572	1,645,481	776,055
Interest payable on deposits	59,742	-	79,913	-
	48,000,134	17,462,564	44,089,682	18,499,709
Non-residents, except banks				
Current accounts	439,491	-	454,536	-
Sight deposits	452	-	864	-
Time deposits	122,485	177,070	127,446	163,154
Restricted deposits	36,132	385	37,964	20
Interest payable on deposits	256	-	445	-
	598,816	177,455	621,255	163,174
Current maturity	10,181,565	(10,181,565)	11,348,177	(11,348,177)
	76,703,840	9,918,837	72,602,940	10,254,600
Total deposits from customers	86,622,677		82,857,540	

28. LOANS PAYABLE

In thousands of Denars

	December 31, 2020 Up to one year	December 31, 2020 Over one year	December 31, 2019 Up to one year	December 31, 2019 Over one year
Domestic sources:				
Agency for assets management				
- long-term loan in amount of Denar nil thousand (2019: Denar 149,398 thousand)	-	-	149,398	-
DBNM				
- Matures in 2024 and interest rate is equal to 1.0% p.a. annually (2019: 1% p.a.)	72	33,832	139	64,807
- Matures in 2030 and interest rate is equal to 0% p.a.	-	495,636	-	-
	72	529,468	149,537	64,807
Current maturity of long-term loans	-	-	31,089	(31,089)
	72	529,468	180,626	33,718
Total loans payable	529,540		214,344	

a) FINANCIAL LIABILITIES RECONCILIATION

The table below sets out an analysis of our debt and the movements in our debt for each of the periods presented. The debt items are those that are reported as financing in the statement of cash flows:

In thousands of Denars

	December 31, 2020	December 31, 2019
Balance at the beginning of the year	214,344	296,455
Cash flows	315,043	(80,804)
Foreign exchange adjustments	220	57
Other non-cash movements	(67)	(1,364)
Balance at the end of the year	529,540	214,344

29. OTHER LIABILITIES

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Trade payables	13,675	16,284
Received advances		-
Fee and commissions liabilities	207	137
Accrued expenses	165,951	100,278
Deferred income from previous year	67,121	66,483
Other		
Preferred cumulative shares	90,978	90,978
Liabilities for dividend on preferred shares	2,509	2,994
Disputed VISA cards transactions	4,573	4,561
Unallocated inflows upon deposits and other inflows	637,496	583,763
Obligations to merchants for outstanding payments on credit cards	15,236	20,432
Overpaid fees of credit cards	28,721	29,352
Commitments for closing current accounts - bankruptcy	14,618	12,453
Obligations for settlement with VISA	1,812	2,053
Lease liability	98,196	102,553
Premature repayment of loans and other liabilities	96,848	89,451
	1,237,941	1,121,772

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

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

As of December 31, 2020, the Bank allocated an amount of Denar 1,365 thousand as a dividend to the holders of these shares for the 2020 (2019: Denar 1,592 thousand).

The movement in the lease liability expenses is as follows

	In thousands of Denars	
	2020	2019
Balance at January 1	102,553	110,526
Additions	250	33,514
Repayments	(4,607)	(41,487)
Balance at December 31	98,196	102,553

30. PROVISIONS

In thousands of Denars

	Off-balance sheet items	Litigation	Employees benefits	Total
Balance at January 1, 2019	20,579	14,827	34,044	69,450
Additions	928	475	3,428	4,831
Used	-	(945)	(74)	(1,019)
Release	(1,521)	(4,326)	(1,478)	(7,325)
Balance at December 31, 2019	19,986	10,031	35,920	65,937

In thousands of Denars

	Off-balance sheet items	Litigation	Employees benefits	Total
Balance at January 1, 2020	19,986	10,031	35,920	65,937
Additions	4,892	1,112	8,570	14,574
Used	-	-	(2,657)	(2,657)
Release	(2,759)	(752)	-	(3,511)
Balance at December 31, 2020	22,119	10,391	41,833	74,343

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

The principal actuarial assumptions used were as follows:

	2020	2019
Interest rate	2.20%	3.10%
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.

31. EQUITY

a) Share capital

The share capital of the Bank as of December 31, 2020 and 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 receive dividends as declared from time to time and are entitled to one vote per share at the Bank's General Assembly meetings, as well as the right to participate equally in the event of the liquidation of the Bank.

The structure of shareholders exceeding 5% of the issued voting capital as of December 31, 2020 and 2019 officially announced and accepted by the Central Securities Depository of the RNM is as follows:

	December 31, 2020		December 31, 2019	
	% of participation	In thousands of Denars	% of participation	In thousands of Denars
National Bank of Greece	94.64%	3,323,094	94.64%	3,323,094
Others	5.36%	188,148	5.36%	188,148
	100%	3,511,242	100%	3,511,242

b) Revaluation reserves

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

Components of other comprehensive income

	In thousands of Denars	
	December 31, 2020	December 31, 2019
Reserves-Other comprehensive income-items that will be reclassified to P&L		
Revaluation reserve - FVTOCI Debt securities	3,242	(395)
Reserves-Other comprehensive income-items that will not be reclassified to P&L		
Gains less losses on investments in equity securities at fair value through other comprehensive income	(180)	1,366
Service & interest income/(cost) related to defined benefits obligation	(5,039)	380
Other comprehensive income	(1,977)	1,351
Less: Income tax relating to components of other comprehensive income	-	-
Other comprehensive income for the year, net of tax	(1,977)	1,351

c) Statutory reserve

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

d) Special fund

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

32. EARNINGS PER SHARE

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

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

	December 31, 2020	December 31, 2019
Net profit attributable to shareholders for basic and diluted earnings per share (in thousands of Denars)	2,131,935	2,315,763
Weighted average number of shares for basic and diluted earnings per share	17,460,180	17,460,180
Basic earnings per share (in Denars)	122.1	132.6
Diluted earnings per share (in Denars)	122.1	132.6

33. RELATED PARTY TRANSACTIONS

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

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

Statement of financial position

In thousands of Denars

	Parent company	Key management personnel	Other related parties	Total
December 31, 2020				
Assets				
Current accounts	2,124	-	-	2,124
Loans	-	1,285	2,800	4,085
Other assets		-	-	-
	2,124	1,285	2,800	6,209
Liabilities				
Deposits	3	50,461	205,970	256,434
Other liabilities	57,014	-	-	57,014
	57,017	50,461	205,970	313,448
December 31, 2019				
Assets				
Current accounts	3,694	-	-	3,694
Loans	-	1,398	2,655	4,053
Other assets	-	-	-	-
	3,694	1,398	2,655	7,747
Liabilities				
Deposits	3	63,552	220,237	283,792
Other liabilities	43,800	1	-	43,801
	43,803	63,553	220,237	327,593

33. RELATED PARTY TRANSACTIONS (Continued)

Statement of comprehensive income

In thousands of Denars

	Parent company	Key management personnel	Other related parties	Total
December 31, 2020				
Income				
Interest income	1	67	135	203
Fee and commission income	-	24	12	36
Other income	-	7	2	9
	1	98	149	248
Expenses				
Interest expense	-	422	631	1,053
Fee and commission expense	704	-	-	704
Other expenses	116,146	28,800	6	144,952
	116,850	29,222	637	146,709
December 31, 2019				
Income				
Interest income	1	70	176	247
Fee and commission income	-	18	4	22
Other income	-	4	1	5
	1	92	181	274
Expenses				
Interest expense	-	762	3,143	3,905
Fee and commission expense	108	-	-	108
Other expenses	111,974	23,855	-	135,829
	112,082	24,617	3,143	139,842

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 key management personnel.

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

In thousands of Denars

	December 31, 2020	December 31, 2019
Short-term compensation and benefits	28,785	23,843
	28,785	23,843

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

34. COMMITMENTS AND CONTINGENCIES

a) Off-balance sheet items

	In thousands of Denars December 31, 2020	December 31, 2019
Payment guarantees:		
in Denars	1,113,069	1,174,569
in foreign currency	458,167	182,735
in Denars with foreign currency clause	12,114	18,837
Performance guarantees:		
in Denars	573,481	396,086
in foreign currency	40,311	13,588
in Denars with foreign currency clause	1,150,839	797,873
Letters of credit in foreign currency	375,696	105,510
Cash covered letter of credit	9,046	29,265
Cash covered letter of guarantees	253,258	249,959
Unused current account overdrafts	6,194,628	5,400,738
Credit cards commitments	5,535,483	5,639,913
Other	2,776	1,551
	15,718,868	14,010,624
Less: provision for off-balance sheet items (Note 30)	(22,119)	(19,986)
	15,696,749	13,990,638

b) Managed funds

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

In thousands of Denars

	December 31, 2020			December 31, 2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Loans in Denars	266,551	266,499	52	266,075	266,023	52
Loans in foreign currency	128,998	128,998	-	135,086	135,086	-
Other receivables in Denars	1,200,403	1,200,403	-	1,142,674	1,142,674	-
Other receivables in foreign currency	411,667	411,667	-	402,897	402,897	-
Custodian accounts (Note 30)	19,832	19,832	-	44,168	44,168	-
	2,027,451	2,027,399	52	1,990,900	1,990,848	52

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

34. COMMITMENTS AND CONTINGENCIES (Continued)

c) Litigations

The Bank is involved in litigation from its regular operations. The provision of litigation cases against the Bank as of December 31, 2020, 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 10,391 thousand (2019: Denar 10,031 thousand). This amount includes the penalty interests, and other court expenses as well. Accordingly, during 2020, the Bank made provisions for litigations in the amount of Denar 1,112 thousand (2019: Denar 475 thousand). See note 30.

In reference to the filed lawsuit on part of 1 holder of preferred shares against Stopanska Banka AD – Skopje, the Bank received a first instance Verdict 34p. P1-584/19 dd 06.10.2020 by the First Civil Court Skopje, according to which the lawsuit request was approved on annulment of the Decision on distribution of profit of the Bank for 2018, as well as the Decision on the manner of calculating and disbursing the dividend for priority shares of the Bank for the second half of 2018, passed by the Shareholders Assembly of SB on 29.05.2019.

The Bank disagrees with the findings presented in the first instance verdict. The Management of the Bank is convinced that the above-mentioned Decisions of the Shareholders Assembly are in full compliance with the Company Law, the Law on Securities, the Banking Law, the Statute of the Bank, the Decisions on issue of shares of the Bank, as well as the rights of priority shares according to the official records of the Central Depository of Securities, which is also supported with an independent legal experts opinion in Commercial Law, who confirmed that the adopted decisions are in accordance with the applicable regulation and laws. The Bank has appeal the verdict within the legally determined period, which postpones the enforcement of the verdict. The legal claim has no effect in any manner over the regular activity of the Bank. In case the verdict would not be changed after exhausting of all legal remedies at higher court instances, the Shareholders would need to reconsider the distribution of the profit of the Bank for 2018 and to adopt new decisions on new Shareholders' Assembly and the Management of the Bank estimates that this would not have any material impact on the financial statements due to which the Bank has not recognized any provision with this respect.

In addition, two lawsuits have been initiated against the Bank by the holders of preferred shares, out of which, one lawsuit has been rejected by the first instance court as groundless and the other is at the pre-trial hearing phase at the same court. In both cases, the Bank does not expect any material impact on the financial statements and its operations.

d) Lease commitments

The Bank as lessor

Operating leases relate to the investment property owned by the Bank, which comprises a number of commercial real estate leased to third parties. All operating lease contracts contain market review clause in the event that the lessee exercise its option to renew. The expiration of the lease period range up to one year. Rental income earned by the Bank from its investment property, all of which is leased out under operating leases, amounting to Denar 1,564 thousand (2019: Denar 1,874 thousand).

The Bank as lessee

The Bank applied IFRS 16 to contracts that were identified as leases and presented as Banks's Right of Use Assets and Lease liability. The lease liabilities were discounted at the Bank's incremental borrowing rate as of 1 January 2019.

The Bank has elected to take a recognition exemption for short-term leases and leases of low-value items, for which lease payments are recognized as operating expenses on a straight-line basis over the lease term.

35. TAXATION RISK

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

36. EVENTS AFTER THE REPORTING PERIOD

There are no other material events after the balance sheet date that would be reported in the financial statements.

37. EXCHANGE RATES

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

		In Denars
	2020	2019
1 USD	50.2353	54.9518
1 EUR	61.6940	61.4856