

STOPANSKA BANKA AD - Skopje

**Audited Financial Statements
For the year ended December 31, 2021**

CONTENTS

Page

Responsibility for the financial statements

Income Statement 1

Statement of other comprehensive income 2

Balance sheet 3 – 4

Statement of changes in equity and reserves 5 – 6

Cash flow statement 7 – 8

Notes to the financial statements 9 – 128

RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of STOPANSKA BANKA AD - Skopje (the “Bank”) is responsible for ensuring that the financial statements are prepared for each financial year in accordance with the Methodology for recording and evaluating the accounting items provided by the Central Bank and for preparing the financial statements in accordance with the accounting standards applied in the country, which give a true and fair view of the state of affairs and results of the Bank for the year.

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

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

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

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

Signed on behalf of STOPANSKA BANKA AD - Skopje:

Mr. Diomidis Nikolettopoulos

Mrs. Milica Chaparovska - Jovanovska

Chief Executive Officer
Chairman of the Board of Directors

Chief Retail Officer
Member of the Board of Directors

Mr. Toni Stojanovski

Mr. Bojan Stojanoski

Chief Corporate Officer,
Member of the Board of Directors

Chief Risk Officer
Member of the Board of Directors

Mr. Orce Naumovski

Chartered Accountant – Licence Number 0101263



Independent auditor's report

To the Shareholders and Supervisory Board of Stopanska Banka AD Skopje

Report on the financial statements

We have audited the accompanying financial statements of Stopanska Banka AD Skopje (the "Bank"), which comprise the balance sheet as of 31 December 2021 and the income statement and the statement of other comprehensive income, statement of changes in equity and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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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

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the regulations of the National Bank of the Republic of North Macedonia.

Report on other legal and regulatory requirements

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

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

As required by the Audit Law, we report that the historical information presented in the Annual Report prepared by Management of the Bank in accordance with article 384 of the Company Law, is consistent, in all material respects, with the financial information presented in the Annual Accounts and audited financial statements of the Bank as of 31 December 2021 and for the year then ended.

Dragan Davitkov
General Manager

Sime Jovanovski
Certified Auditor

PricewaterhouseCoopers Revizija DOO Skopje

29 April 2022
Skopje, Republic of North Macedonia

INCOME STATEMENT
for the period from January 1, 2021 to December 31, 2021
(In thousands of Denars)

	Notes	31 December 2021	31 December 2020
Interest income		4,113,872	4,136,546
Interest expense		(269,831)	(419,849)
Net interest income (expense)	6	3,844,041	3,716,697
Fee and commission income		1,439,240	1,219,782
Fee and commission expense		(607,750)	(481,156)
Net fee and commission income (expense)	7	831,490	738,626
Trading income/(losses), net	8	(696)	(1,077)
Trading income from other financial instruments recorded at fair value, net	9	-	-
Foreign exchange gains/(losses), net	10	110,078	101,630
Other operating income	11	463,221	354,268
Share in the profit of associates	24	-	-
Impairment losses on financial assets, net	12	(772,417)	(962,719)
Impairment losses on non-financial assets, net	13	65,774	(2,997)
Personnel expenses	14	(890,490)	(871,309)
Depreciation and amortization	15	(123,372)	(131,500)
Other operating expenses	16	(798,796)	(764,162)
Share in the loss of associated companies	24	-	-
Profit before tax		2,728,833	2,177,457
Income tax	17	(262,877)	(197,605)
Net profit for the year		2,465,956	1,979,852
Earnings per share	41		
Basic earnings per share (in MKD)		141.23	113.40
Diluted earnings per share (in MKD)		141.23	113.40

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

The financial statements were approved by the Banks's Board of Directors on April 21, 2022 and adopted by the Bank's Supervisory Board on April 29, 2022.

Signed on behalf of STOPANSKA BANKA AD - Skopje:

Mr. Diomidis Nikolettopoulos

Mrs. Milica Chaparovska - Jovanovska

Chief Executive Officer
Chairman of the Board of Directors

Chief Retail Officer
Member of the Board of Directors

Mr. Toni Stojanovski

Mr. Bojan Stojanoski

Chief Corporate Officer,
Member of the Board of Directors

Chief Risk Officer
Member of the Board of Directors

Mr. Orce Naumovski
Chartered Accountant - Licence Number 0101263

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from January 1, 2021 to December 31, 2021
(In thousands of Denars)

	Note	31 December 2021	31 December 2020
Profit / (loss) for the financial year		2,465,956	1,979,852
Other profit/(losses) for the financial year (before taxation)			
Other profit/(losses) in the period not shown in the Income Statement (before taxation)			
Revaluation reserve for equity assets available-for- sale			
- unrealized net changes in fair value of equity assets available for sale		3,966	(180)
- realized net-profit/(losses) from equity assets available for sale, reclassified in the Other reserves		-	-
Changes in the bank's creditworthiness, for financial liabilities that are measured at fair value		-	-
Income tax from other gains / (losses) not shown in the Income Statement	17	-	-
Total other gains / (losses) in the period not shown in the Income Statement		3,966	(180)
Other gains / (losses) in the period which are or could be reclassified in the Income Statement (before taxation)			
Revaluation reserve for debt assets available-for- sale			
- unrealized net changes in fair value of debt assets available for sale		(1,458)	(177)
- realized net-profit/(losses) from equity assets available for sale, reclassified in the Income Statement			
- additional impairment losses of debt assets available for sale			
- Release of impairment losses of debt assets available for sale			
Revaluation reserve foreclosed assets taken on the basis of outstanding claims			
- revaluation reserve recognized during the period		64,187	152,157
- reduction in the revaluation reserve reclassified in the Income Statement		(118,898)	(5,459)
Reserves for cash flow risk protection instruments			
- unrealized net changes in fair value of cash flow risk protection instruments		-	-
- realized net-profit/(losses) from cash flow risk protection instruments, reclassified in the Income Statement		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations		-	-
Reserve of foreign exchange differences from investment in foreign operations		-	-
Share in other gains / (losses) of affiliated companies not shown in the Income Statement	24	-	-
Other gains / (losses) not shown in the Income Statement		(819)	(5,039)
Income tax from other gains / (losses) which are or could be reclassified in the Income Statement	17	-	-
Total other gains / (losses) in the period which are or could be reclassified in the Income Statement		(56,988)	141,482
Total other gains / (losses) in the period		(53,022)	141,302
Comprehensive income /(loss) for the financial year		2,412,934	2,121,154

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

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BALANCE SHEET**As at December 31, 2021****(In thousands of Denars)**

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	18	20,867,797	17,376,605
Trading financial assets	19	1,999	2,698
Financial assets at fair value through Income Statement determined as such at initial recognition	20	-	-
Derivative assets held for risk management	21	-	-
Placements with, and loans to banks	22.1	278,118	224,193
Loans to customers	22.2	78,037,088	70,999,971
Investments in securities	23	12,297,667	14,713,650
Investments in associates	24	-	-
Income tax receivable (current)	30.1	-	63,912
Other receivables	25	1,562,418	1,483,331
Collateralized assets	26	-	-
Assets acquired through foreclosure proceedings	27	127,048	185,848
Intangible assets	28	111,435	127,670
Property and equipment	29	819,129	828,914
Deferred tax assets	30.2	-	-
Non-current assets held for sale and disposal group	31	-	-
Total assets		<u>114,102,699</u>	<u>106,006,792</u>
LIABILITIES			
Trading financial liabilities	32	-	-
Financial liabilities at fair value through Income Statement determined as such at initial recognition	33	-	-
Derivative obligations held for risk management	21	-	-
Deposits from banks and financial institutions	34.1	1,425,335	237,804
Deposits from customers	34.2	89,673,439	86,622,677
Issued debt securities	35	-	-
Borrowings	36	1,686,298	529,540
Subordinated debt	37	-	-
Special reserve and provisions	38	107,431	97,627
Income tax payable (current)	30.1	72,595	-
Deferred tax liabilities	30.2	-	-
Other liabilities	39	1,345,262	1,139,739
Liabilities directly related to disposal group of assets	31	-	-
Total liabilities		<u>94,310,360</u>	<u>88,627,387</u>

BALANCE SHEET (continued)
As at December 31, 2021
(In thousands of Denars)

	<u>Notes</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
EQUITY AND RESERVES			
Subscribed capital	40	3,511,242	3,511,242
Share premium		-	-
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves	40	112,832	165,855
Other reserves	40	831,373	831,373
Retained earnings		15,336,892	12,870,936
Total equity and reserves		19,792,339	17,379,405
Total liabilities and equity and reserves		114,102,699	106,006,792
Contingent liabilities	42	17,537,279	15,673,466
Contingent assets	42	-	-

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

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Chartered Accountant – Licence Number 0101263

STATEMENT OF CHANGES IN EQUITY AND RESERVES
for the period from January 1, 2021 to December 31, 2021
(In thousands of Denars)

	Equity				Revaluation reserves					Other reserves			Retained earnings		(Accumulated losses)	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for assets available for sale	Revaluation reserve for foreclosed assets	Reserve for protection against risk	Foreign exchange gains/losses reserves	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders		
As at January 1, 2020 (previous period)	3,511,242	-	-	-	(18,808)	50,334	-	-	(6,974)	830,290	-	1,083	2,505,293	8,385,791	-	15,258,251
Restatement of opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at January 1, 2020 Restated	3,511,242	-	-	-	(18,808)	50,334	-	-	(6,974)	830,290	-	1,083	2,505,293	8,385,791	-	15,258,251
Comprehensive income/(loss) for the period																
Profit /(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	1,979,852	-	-	1,979,852
Other income /(loss) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for assets available-for-sale <i>debt securities</i>																
-unrealized changes in the fair value, net	-	-	-	-	(177)	-	-	-	-	-	-	-	-	-	-	(177)
-realized changes in the fair value, net reclassified in Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment on debt securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-impairment release of debt securities available-for-sale <i>equity securities</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-unrealized changes in the fair value, net	-	-	-	-	(180)	-	-	-	-	-	-	-	-	-	-	(180)
-realized changes in the fair value, net reclassified in Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for protection against cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for protection against net-investment risk in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences of investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not shown in the Income Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-foreclosed assets	-	-	-	-	-	146,698	-	-	(5,039)	-	-	-	-	-	-	141,659
Total unrealized profit /(loss) recognized in the equity	-	-	-	-	(357)	146,698	-	-	(5,039)	-	-	-	-	-	-	141,302
Total comprehensive profit /(loss) for the financial year	-	-	-	-	(357)	146,698	-	-	(5,039)	-	-	-	1,979,852	-	-	2,121,154
Transactions with shareholders, recognized in the equity and reserves																
Issued shares within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	(922,500)	922,500	-	-
Transactions with shareholders, recognized in the equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	(922,500)	922,500	-	-
On December 31, 2020	3,511,242	-	-	-	(19,165)	197,032	-	-	(12,013)	830,290	-	1,083	3,562,645	9,308,291	-	17,379,405

STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)
for the period from January 1, 2021 to December 31, 2021
(In thousands of Denars)

	Equity				Revaluation reserves					Other reserves			Retained earnings			
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for assets available for sale	Revaluation reserve for foreclosed assets	Reserve for protection against risk	Foreign exchange gains/losses reserves	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves
As at December 31, 2020 / January 1, 2021 (current period)	3,511,242	-	-	-	(19,165)	197,032	-	-	(12,013)	830,290	-	1,083	3,562,645	9,308,291	-	17,379,405
Correction in initial balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at January 1, 2021 corrected	3,511,242	-	-	-	(19,165)	197,032	-	-	(12,013)	830,290	-	1,083	3,562,645	9,308,291	-	17,379,405
Comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	2,465,956	-	-	2,465,956
Other income/(loss) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for assets available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>debt securities</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-unrealized changes in the fair value, net	-	-	-	-	(1,458)	-	-	-	-	-	-	-	-	-	-	(1,458)
-realized changes in the fair value, net reclassified in Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment on debt securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-impairment release of debt securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>equity securities</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-unrealized changes in the fair value, net	-	-	-	-	3,966	-	-	-	-	-	-	-	-	-	-	3,966
-realized changes in the fair value, net reclassified in Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for protection against cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value for protection against net-investment risk in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences of investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not shown in the Income Statement	-	-	-	-	-	(54,711)	-	-	(819)	-	-	-	-	-	-	(55,530)
-foreclosed assets	-	-	-	-	-	(54,711)	-	-	(819)	-	-	-	-	-	-	(55,530)
Total unrealized profit/(loss) recognized in the equity	-	-	-	-	2,508	(54,711)	-	-	(819)	-	-	-	-	-	-	(53,022)
Total comprehensive profit/(loss) for the financial year	-	-	-	-	2,508	(54,711)	-	-	(819)	-	-	-	2,465,956	-	-	2,412,934
Transactions with shareholders, recognized in the equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issued shares within the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-distribution of accumulated earnings	-	-	-	-	-	-	-	-	-	-	-	-	(1,045,500)	1,045,500	-	-
Transactions with shareholders, recognized in the equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	(1,045,500)	1,045,500	-	-
On December 31, 2021	3,511,242	-	-	-	(16,657)	142,321	-	-	(12,832)	830,290	-	1,083	4,983,101	10,353,791	-	19,792,339

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

Signed on behalf of STOPANSKA BANKA AD - Skopje:

Mr. Diomidis Nikolettopoulos

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Chartered Accountant
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STATEMENT OF CASH FLOW
for the period from January 1, 2021 to December 31, 2021
(In thousands of Denars)

	Note	31 December 2021	31 December 2020
Cash flow generated from operating activities			
Profit before taxation		2,728,833	2,177,457
<i>Adjustments for:</i>			-
Depreciation of:		-	-
- intangible assets	15/28	42,606	41,637
- property and equipment	15/29	80,766	89,863
Capital gain on sale of:			-
- intangible assets		-	-
- property and equipment	11	(27)	(37,921)
- assets acquired through foreclosures	11	(63,040)	(50,429)
Capital loss on sale of:			-
- intangible assets		-	-
- property and equipment		-	-
- assets acquired through foreclosures	16	-	-
Interest income	6	(4,113,872)	(4,136,546)
Interest expense	6	269,831	419,849
Net trading expense / (income)	8	699	1,077
Impairment losses of financial assets, on a net basis			
- Additional impairment losses	12	1,561,301	1,203,488
- Release of impairment losses	12	(788,884)	(240,769)
Impairment loss of non-financial assets, on a net basis:			
- Additional impairment loss	13	8,688	8,456
- Release of impairment loss		(74,462)	(5,459)
Special reserves:			
- additional provisions	38	4,487	4,643
- release of provisions	38	(247)	(752)
Dividend income	11	(831)	(5,494)
Share in profit/(loss) of associates		-	-
Other adjustments		-	-
Interest received		4,419,012	4,173,837
Interest paid		(288,760)	(437,329)
Operating profit before changes in operating assets		3,786,100	3,205,608
<i>(Increase)/decrease of operating assets:</i>			
Trading assets		699	(12)
Derivative assets held for risk management		-	-
Due from banks and financial institutions		(54,206)	19,305
Loans to customers		(8,087,818)	(5,348,488)
Pledged assets		-	-
Assets acquired through foreclosure proceedings		132,929	(146,820)
Reserve requirements in foreign currency		(120,022)	(268,248)
Obligatory deposit with Central Bank in accordance with special legislation		(21,869)	2,291
Other receivables		(99,731)	(135,939)
Deferred tax assets		-	-
Non-current assets held for sale and disposal group		-	-
<i>Increase/(decrease) of operating liabilities:</i>			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Deposits from banks and financial institutions		1,187,530	(20,436)
Deposits from customers		3,068,948	3,782,693
Other liabilities		203,362	117,871
Liabilities directly related to group of assets for disposal		-	-
Net cash flows (used in)/ from operating activities before tax		(4,078)	1,207,825
(Paid)/Received on income tax		(126,370)	(228,394)
Net cash flows (used in)/ from operating activities		(130,448)	979,431

STATEMENT OF CASH FLOW (continued)
for the period from January 1, 2021 to December 31, 2021
(In thousands of Denars)

	Note	31 December 2021	31 December 2020
Cash flows from investing activities			
(Investments in securities)		(5,027,596)	(12,368,242)
Inflows from sale of investments in securities		7,446,109	6,358,662
(Outflows for investments in subsidiaries and affiliates)		-	-
Inflows from sale of investments in subsidiaries and affiliates		-	-
(Acquisition of intangible assets)		(26,371)	(43,844)
Inflows from sale of intangible assets		-	-
(Acquisition of property and equipment)		(70,981)	(89,863)
Inflows from sale of property and equipment		-	107,067
(Outflows for non-current assets held for sale)		-	-
Inflows from non-current assets held for sale		-	-
(Other outflows from investing activities)		-	-
Other inflows from investing activities		831	5,494
Net cash flows from/(used in) investing activities		2,321,992	(6,030,726)
Cash flows from financing activities			
(Repayment of issued debt securities)		-	-
Inflows from issued debt securities		-	-
(Repayment of loan payables)		(32,758)	-
Increase in loan payables		1,189,560	315,124
(Repayment of issued subordinated debt)		-	-
Inflows from issued subordinated debt		-	-
Inflows from issued shares/equity instruments within the period		-	-
Acquisition of treasury shares)		-	-
Disposal of treasury shares		-	-
(Paid dividends)		-	-
(Other outflows from financing activities)		-	-
Other inflows from financing activities		-	-
Net cash flows from financing activities		1,156,804	315,124
Effects from allowance for impairment of cash and cash equivalents		953	750
Effects from foreign exchange gains/losses of cash and cash equivalents		-	-
Net increase /(decrease) of cash and cash equivalents		3,349,301	(4,735,421)
Cash and cash equivalents as at January 1		13,701,570	18,436,991
Cash and cash equivalents as at December 31		17,050,871	13,701,570

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

Signed on behalf of STOPANSKA BANKA AD - Skopje:

Mr. Diomidis Nikolettopoulos

Mrs. Milica Chaparovska – Jovanovska

Chief Executive Officer
Chairman of the Board of Directors

Chief Retail Officer
Member of the Board of Directors

Mr. Toni Stojanovski

Mr. Bojan Stojanoski

Chief Corporate Officer
Member of the Board of Directors

Chief Risk Officer
Member of the Board of Directors

Orce Naumovski
Chartered Accountant– Licence Number 0101263

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION

a) General Information

STOPANSKA BANKA AD - Skopje was established as a shareholding bank on December 29, 1989. The address of its registered office and principal place of business is 11 Oktomvri 7, 1000 Skopje. The Bank operates in the RNM with 64 branches (2020: 64 branches).

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

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

The Bank is controlled by National Bank of Greece, headquartered in Greece, which owns 94.64% (2020: 94.64%) of the capital of the Bank and represents its ultimate parent company.

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

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

a) General Information (continued)

The financial statements of the Bank for the period ended December 31, 2021 were approved by the Bank's Board of Directors on April 21, 2022 and adopted by the Bank's Supervisory Board on April 29, 2022.

b) Basis of preparation of the financial statements

Accounting standards for preparation of the financial statements

The financial statements of the Bank have been prepared in accordance with the Company Law, Law on Banks, the bylaws issued by the Central Bank of the Republic of North Macedonia (hereinafter referred to as "Central Bank"), and in accordance with the Decision on the methodology for recording and valuation of accounting items and preparation of financial statements (hereinafter referred to as "Methodology") ("Official Gazette of RNM" no. 83/2017) and the Decision on the types and contents of financial statements of banks ("Official Gazette of RNM" no. 83/2019), as prescribed by the Central Bank, applicable since January 1, 2018.

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

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

Presentation of financial statements

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

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

Presentation of financial statements (continued)

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

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

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

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

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

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

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

The accompanying financial statements are the Bank's stand-alone financial statements. The Bank has no subsidiaries and therefore do not prepare consolidated financial statements.

c) Significant accounting policies

Interest income and expense

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Interest income and expense (continued)

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

Fee and commission income

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

Dividend income

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

Foreign exchange translation

Transactions denominated in foreign currencies have been translated into Denars at exchange rates set by the Central Bank at dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Denars at the end of reporting period using official rates of exchange ruling on that date. Foreign exchange gains or losses arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the profit and loss in the period in which they occur.

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

Financial assets

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Securities held-for-trading

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

Available-for-sale financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Held-to-maturity financial assets

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

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

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

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

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

Loans originated by the Bank

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

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

Loans originated by the Bank include loans where cash is provided directly to the customer. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost by using the effective interest rate method. Interest on loans originated by the Bank is included in interest income and is recognized on an accrual basis. Loans to customers and financial institutions are stated at their net amount reduced by allowance for impairment.

Impairment of financial assets

The Bank assesses at each end of reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost, is considered in determining whether the assets are impaired.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Impairment of financial assets (continued)

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less from revaluation reserves and are recognized in Income Statement in position - impairment. Impairment is not calculated to equity securities. Impairment losses recognized in the profit and loss on equity instruments are not reversed through the profit and loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, as impairment loss, the impairment loss are annulled. The amount of release will be included in impairment loss, net. The rest of the amount of the new fair value are recognized in revaluation reserves.

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

Provisions for impairment losses on loans and receivables

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

The allowances for impairment and uncollectability of loans and advances and for other active on-balance sheet and off-balance sheet items, are determined in accordance with the regulations prescribed by the Central Bank ruling on each end of reporting period, according to which the Bank is obliged to classify the active on-balance sheet and off-balance sheet items into groups on the basis of the degree (size) of the risk and assess the amount of potential impairment losses which are calculated by applying objective and subjective metrics, as of December 31, 2021 and December 31, 2020 by applying the following percentages:

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Provisions for impairment losses on loans and advances (continued)

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

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

Derecognition of financial assets

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

Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Deposits from banks and other financial institutions and clients

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

Loans payable

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

Other payables

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

Derivative financial instruments

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

Derecognition of financial liabilities

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

Property and equipment

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

Buildings	2.5%
Furniture and equipment	10% - 25%

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Property and equipment (continued)

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

Intangible assets

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

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

Assets acquired through foreclosure proceedings

Foreclosed assets include property and equipment acquired through foreclosure proceedings in full or partial recovery of a related loan and is disclosed in foreclosed assets. Initially, these assets are measured at the initial carrying amount i.e. lower value than the carrying amount of the loan, including transaction costs (usually the cost value of the loan stated in an enactment passed by a competent body from where the legal grounds for acquiring of ownership arises) and the fair value less estimated cost to sell, as determined by local certified appraiser on the date of asset foreclosure. For all assets undertaken after April 6, 2013 the Bank recorded at initial recognition and impairment of at least 20% of the lower of cost and estimated value of the foreclosed asset. If the impairment of loan that is paid by foreclosing assets is higher than 20% of the initial value of the foreclosed asset, the difference is recognized in the revaluation reserves of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Assets acquired through foreclosure proceedings (continued)

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

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

Cash and cash equivalents

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

Managed funds

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

Provisions

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

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

Employment benefits

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Employment benefits (continued)

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

Income tax

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

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

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

Leases

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

INTRODUCTION (continued)

d) Critical accounting judgments and estimates

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

Fair value of financial instruments

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

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

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

Allowance for loan losses

The Bank reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the Income Statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. The Bank uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

INTRODUCTION (continued)**d) Critical accounting judgments and estimates (continued)**

After credit relationship is established, SB applies an intensive monitoring process that allows early identification of any deterioration of the risk profile of a customer or group of customers. The monitoring process consists of regular credit reviews throughout the life cycle of the product facility, internal risk classification and Early Warning Systems, system for assessment of Significant Increase of Credit Risk (SICR) and Unlikeness To Pay (UTP), that all together aim to ensure timely undertaking of necessary actions in order to minimize the credit loss. The credit exposure is also continuously monitored against the established concentration limits based of sector, collateral type, obligor rating, etc. in line with Risk Appetite Framework of the Bank.

In line with the international best practices, following the enhanced impairment methodology and process, the Bank provides adequate level of provisions for potential credit losses. Despite the impact that pandemics had over the world and local economy, throughout 2021 the Bank continued the current prudent credit policy and a balanced growth of the credit portfolio that suits its strategy and reputation. All its credit risk objectives, tools and a clear governance structure of the risk management process is incorporated in the Bank's Credit Policies and the Risk Appetite Framework of the Bank, approved by the Supervisory Board of the Bank

Useful lifetime of tangible and intangible assets

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

e) Compliance with legislation

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

In the period from 14.12.2020 to 16.02.2021, the NBRSM conducted a partial field control of Stopanska Banka AD - Skopje regarding the overall operation of the Bank, with special reference to: Credit risk and acting according to the measures imposed in the area of credit risk, PP / FT risk, operational risk and liquidity risk. At the beginning of June 2021, the NBRSM submitted to the Bank the final Report on the performed supervision during 2020-2021. The report contains findings and recommendations that do not have a material impact on the Bank's operations, for which the Bank has prepared an Action Plan for correction / fulfillment of the findings and recommendations. ”

During November 2021, report was submitted from the off-site monitoring conducted by the Central Bank in the period from May to August 2021. The report was regarding the process of supervisory risk assessment of the information system (IT SREP-Supervisory review and evaluation process). The control included checking the readiness of the Bank from the threats in the digital space through detailed analysis of the collected information's and working meetings with responsible persons in the Bank as well as checking the compliance of the Bank with certain provisions from the Decision for methodology of the information system security (Official Gazette of the Republic of Macedonia No. 78/18). The report established recommendation in order to intensify and prioritize the activities for achieving and maintaining the target level of preparedness against the attacks in the digital space. In the same period, the Bank submitted a notification to the Central Bank with planned activities regarding the identified recommendations and requests with deadlines for implementation.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

f) Risk management disclosure

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

g) Operating environment of the Bank

The COVID-19 pandemic continued to persecute the world in 2021. The effects of the vaccination process were not as strong as expected since new variants of the virus emerged. On a positive note, new lockdowns were avoided which enabled gradual recovery of the global economy. However, the disrupted supply chains resulted in significantly higher prices worldwide, especially in the energy and food component. Having in mind the current political tensions, the uncertainty is about to continue.

After a 6.1% decline in 2020, the domestic economy showed signs of recovery with an increase of 4.0% in 2021, mostly driven by private consumption and investment. Diaspora travel boosted remittances, contributing to higher demand. The largest GDP rebound was evident in the second quarter (13.4%), not forgetting the lower comparative basis. However, the current global political instability is not giving a positive outlook for 2022.

The disrupted global supply chains and the mismatch of supply and demand caused by the pandemic, resulted in high inflation worldwide that hasn't been recorded in the last two decades. Many countries registered inflation rates of above 5% mostly driven by energy and food prices. The average CPI in the domestic economy for 2021 increased by 3.2%, having in mind that the annual rate was 4.9%. Considering the ongoing political tensions globally, the upward risks are in place. The fiscal balance has improved in 2021 due to a rebound in revenues. The sizeable support to the economy in the wake of the pandemic, brought a deficit of 8.2% of GDP in 2020. Driven by a strong revenue performance (15.3% increase), the budget deficit in 2021 has narrowed to 5.4% of GDP. As of end of 2021 the public debt amounted to EUR 7,135.3 million or 60.9% of GDP. In March, Republic of North Macedonia has issued the eighth Eurobond so far in amount of EUR 700 million with a 7-year maturity period and at historically lowest interest rate of 1.625%. Its aim was to refinance the third Eurobond issued in 2014, amounting to EUR 500 million. In line with the Public Debt Management Strategy, it remains the endeavor to reduce the public debt well below the Maastricht criterion of 60% until 2026. The external position in 2021 remained steady resulting with current account deficit of EUR 415.7 million or 3.5% of GDP, slightly higher than 2020. Private transfers significantly rebounded reaching EUR 1,889.9 million, which is 43.9% higher than the previous year, covering 100.8% of the trade deficit. With regards to the financial account, foreign direct investment also expanded reaching EUR 512 million, compared to EUR 201.4 million in 2020. The adequate level of gross foreign reserves (EUR 3,643.3 million or 4.5-months import coverage) enabled sufficient buffers against potential unforeseen shocks.

According to the NBRNM, the current monetary policy stance is appropriate as it supports solid credit growth and inflation is in line with the euro area. Foreign reserves are at a comfortable level and foreign currency liquidity in the banking system remains suitable. In March 2021, the Central bank reduced the key interest rate on CB bills to a historic low of 1.25%. However, given the uncertainty regarding the future path of inflation and the tensions in Ukraine, the NBRNM states that it will continue to closely monitor developments and potential risks, emphasizing its readiness to act as needed to support the currency peg.

During the corona-crisis the banking system succeeded to remain well capitalized, liquid and profitable. It showed an ability to support the economy in complex conditions and further meet the requirements of its clients. At the end of 2021, total deposit growth reached 7.8% on annual level.

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021****g) Operating environment of the Bank (continued)**

Here in, corporate deposits recorded a stronger growth of 11.6%, while retail deposits increased by 7.1%. The credit growth at the end of the year reached 8.3%. The retail loans grew by 7.8%, while corporate loans were higher by 8.7%. NPE level continued its downward trend reaching 3.2% as of 31.12.2021. The loans to deposits ratio at the end of the year stood at 82.6%. The capital adequacy ratio of the banking sector as of 31.12.2021 was 17.3%. The profitability ratios ROA and ROE were somewhat higher than the previous year, reaching 1.5% and 12.9% respectively. Overall, the banking system continues to be healthy, however risks need to be closely monitored.

Stopanska Banka AD Skopje accounts 18% of the total banking sector assets and almost 1/5th of both deposits and loans. In 2021, the realized growth rate of loans was 8.9% and 3.4% of deposits. During 2021, the performance of the Bank was in many aspects higher compared to the total banking sector as shown above. Namely, ROA 2.2% vs. 1.5%, ROE 13.3% vs. 12.9%, NIM 4.1% vs. 2.6% and the cost-to income ratio well below the banking sector with remarkable 34.5% vs. 47.4%. The capital adequacy ratio was 16.5%.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

1. Classification of the financial assets and liabilities

A Classification of the financial assets and liabilities

In thousands of Denars

31.12.2021 (current period)

Financial assets

Cash and cash equivalents	-	-	1,838,306	-	19,029,491	20,867,797
Trading assets	1,999	-	-	-	-	1,999
Financial assets at fair value through the Income Statement determined as such at initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and receivables from banks					278,118	278,118
Loans and receivables from other customers					78,037,088	78,037,088
Investments in securities			2,058,619	85,212	10,153,836	12,297,667
Other receivables					1,562,418	1,562,418
Total financial assets	1,999	-	3,896,925	85,212	109,060,951	113,045,087

Financial liabilities

Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through the Income Statement determined as such at initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	1,425,335	1,425,335
Deposits from customers	-	-	-	-	89,673,439	89,673,439
Issued debt securities	-	-	-	-	-	-
Loans payable	-	-	-	-	1,686,298	1,686,298
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,345,262	1,345,262
Total financial liabilities	-	-	-	-	94,130,334	94,130,334

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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

A Classification of the financial assets and liabilities (continued)

In thousands of Denars

	at fair value through the Income Statement		at fair value through other comprehensive income		at amortized cost	Total
	for trading	at fair value as such at initial recognition	debt instruments	equity instruments		
31.12.2020 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	1,889,242	-	15,487,363	17,376,605
Trading assets	2,698	-	-	-	-	2,698
Financial assets at fair value through the Income Statement determined as such at initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and receivables from banks	-	-	-	-	224,193	224,193
Loans and receivables from other customers	-	-	-	-	70,999,971	70,999,971
Investments in securities	-	-	2,211,613	81,246	12,420,791	14,713,650
Other receivables	-	-	-	-	1,483,331	1,483,331
Total financial assets	2,698	-	4,100,855	81,246	100,615,649	104,800,448
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through the Income Statement determined as such at initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	237,804	237,804
Deposits from customers	-	-	-	-	86,622,677	86,622,677
Issued debt securities	-	-	-	-	-	-
Loans payable	-	-	-	-	529,540	529,540
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,139,739	1,139,739
Total financial liabilities	-	-	-	-	88,529,760	88,529,760

2. RISK MANAGEMENT

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.1 Credit risk

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

2.1.1 Credit risk measurement, limits and mitigation policies

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

The Bank has internal system of client classification the main purpose of which is to determine their creditworthiness and assess the acceptable level of credit risk at the start of lending. Classification of corporate clients to which the Bank is exposed to is reviewed at least on semi-annual basis. The Bank has implemented a system of early warning signals for the purpose of identifying timely possible downward trends in the client's creditworthiness and for mitigating the credit risk.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

2.1.2 Impairment and provisioning policies

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

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

2.1.2 Impairment and provisioning policies (continued)

Calculation of the impairment and special reserve for credit exposures is based on the determined expected credit loss on an individual basis, at least on a monthly basis.

The Bank classifies the credit exposure based on an individual contract in the appropriate risk category.

The classification is made according to the following criteria:

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

During any further classification of credit exposure, the bank takes into account:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021**2. RISK MANAGEMENT (continued)****2.1 Credit risk (continued)****2.1.2 Impairment and provisioning policies (continued)**

Calculated impairment provision in 2020 moves within the following limits:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

A. Analysis of maximum exposure to credit risk

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020
Credit risk exposure classified in Stage 1																		
Accounting value, before impairment / special reserve (Impairment and special reserve)	278,118	224,193	72,655,210	63,711,617	2,143,832	2,292,859	10,153,836	12,420,791	9,079,729	9,574,134	2,425	3,268	34,525	29,077	11,709,336	11,657,137	106,057,011	99,913,076
Reduced book value for impairment and special reserve	-	-	(168,913)	(144,044)	-	-	-	-	(49)	(44)	(1)	(1)	(8)	(4)	(37,495)	(35,123)	(206,466)	(179,216)
	278,118	224,193	72,486,297	63,567,573	2,143,832	2,292,859	10,153,836	12,420,791	9,079,680	9,574,090	2,424	3,267	34,517	29,073	11,671,841	11,622,014	105,850,545	99,733,860
Credit risk exposure classified in Stage 2																		
Accounting value, before impairment / special reserve (Impairment and special reserve)	-	-	4,891,341	7,327,253	-	-	-	-	-	-	53	929	1,649	-	164,573	113,394	5,057,616	7,441,576
Reduced book value for impairment and special reserve	-	-	(475,827)	(672,490)	-	-	-	-	-	-	(19)	(94)	(88)	-	(14,770)	(7,830)	(490,704)	(680,414)
	-	-	4,415,514	6,654,763	-	-	-	-	-	-	34	835	1,561	-	149,803	105,564	4,566,912	6,761,162
Credit risk exposure classified in Stage 3																		
Accounting value, before impairment / special reserve (Impairment and special reserve)	9,775	9,494	3,152,602	3,026,042	-	-	-	-	-	2,124	20,059	9,382	25,674	22,693	141	5,358	3,208,251	3,075,093
Reduced book value for impairment and special reserve	(9,775)	(9,494)	(2,017,325)	(2,248,407)	-	-	-	-	-	(958)	(15,775)	(9,039)	(24,371)	(20,056)	(43)	(2,449)	(2,067,289)	(2,290,403)
	-	-	1,135,277	777,635	-	-	-	-	-	1,166	4,284	343	1,303	2,637	98	2,909	1,140,963	784,690
Total carrying amount of credit risk claims before impairment and special reserve	287,893	233,687	80,699,153	74,064,912	2,143,832	2,292,859	10,153,836	12,420,791	9,079,729	9,576,258	22,537	13,572	61,847	51,770	11,874,050	11,775,889	114,322,877	110,429,745
(Total impairment and special reserve)	(9,775)	(9,494)	(2,662,065)	(3,064,941)	-	-	-	-	(49)	(1,002)	(15,795)	(9,134)	(24,466)	(20,060)	(52,308)	(45,402)	(2,764,458)	(3,150,033)
Total carrying amount of receivables with credit risk less impairment and special reserve	278,118	224,193	78,037,088	70,999,971	2,143,832	2,292,859	10,153,836	12,420,791	9,079,680	9,575,256	6,742	4,438	37,381	31,710	11,821,742	11,730,487	111,558,419	107,279,712

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

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

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020
<i>Value of collateral of the credit exposure assessed for impairment</i>																
First-class collateral instruments:																
cash deposits (in depot and/or restricted in accounts with the Bank)	-	-	2,090,215	2,222,523	-	-	-	-	-	-	-	-	53,691	93,833	2,143,906	2,316,356
government securities	-	-	-	925	-	-	-	-	-	-	-	-	-	-	-	925
government unconditional guarantees	-	-	1,848,810	1,850,820	-	-	-	-	-	-	-	-	-	-	1,848,810	1,850,820
bank guarantees	-	-	246,916	340,304	-	-	-	-	-	-	-	-	478,312	457,210	725,228	797,514
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except for bank and insurance company guarantees)	-	-	5,765,765	5,409,155	-	-	-	-	-	-	-	-	388,924	200,139	6,154,689	5,609,294
Guarantees from individuals	-	-	1,295,407	1,362,606	-	-	-	-	-	-	-	-	49,965	30,982	1,345,372	1,393,588
Property pledge:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
private property (flats, houses)	-	-	44,911,433	41,140,742	-	-	-	-	-	-	-	-	224,027	188,667	45,135,460	41,329,409
commercial property	-	-	27,762,747	24,813,358	-	-	-	-	-	-	-	-	2,197,328	2,156,285	29,960,075	26,969,643
Pledge over movables	-	-	17,815,062	13,100,058	-	-	-	-	-	-	-	-	2,514,681	2,160,955	20,329,743	15,261,013
Other types of security	-	-	3,050,130	2,354,808	-	-	-	-	-	-	-	-	230,758	94,999	3,280,888	2,449,807
Total value of collateral of credit exposure assessed for impairment	-	-	104,786,483	92,595,299	-	-	-	-	-	-	-	-	6,137,686	5,383,070	110,924,171	97,978,369

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

C. Concentration of credit risk by industries and activities

In thousands of Denars																		
	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020
Non-residents	-	-	-	-	-	-	-	-	-	-	1,172	1,256	-	-	-	-	1,172	1,256
Agriculture, Forestry and Fishing	-	-	507,846	394,420	-	-	-	-	-	-	2	1	-	23	67,336	24,563	575,184	419,007
Mining and quarrying	-	-	284,892	323,478	-	-	-	-	-	-	8	-	-	-	15,054	13,044	299,954	336,522
Food industry	-	-	3,370,978	3,086,980	-	-	-	-	-	-	112	61	-	1,612	26,579	18,787	3,397,669	3,107,440
Textile industry and clothing and footwear production	-	-	1,142,847	585,375	-	-	-	-	-	-	13	24	-	17	33,233	35,531	1,176,093	620,947
Chemical industry, production of construction materials, production and processing of fuels, pharmaceutical industry	-	-	1,581,056	965,599	-	-	-	-	-	-	7	1	11	6	59,453	52,515	1,640,527	1,018,121
Production of metals, machinery, tools and equipment	-	-	2,563,909	2,384,905	-	-	-	-	-	-	15	87	-	-	492,500	595,146	3,056,424	2,980,138
Other manufacturing industries	-	-	462,652	218,966	-	-	-	-	-	-	-	-	482	-	2,835	966	465,969	219,932
Electricity, gas, steam and air conditioning supply	-	-	1,842,012	1,609,029	-	-	-	-	-	-	37	9	26	55	39,785	14,235	1,881,860	1,623,328
Water supply, wastewater disposal, waste management and activities on remediation of the environment	-	-	51,589	8,994	-	-	-	-	-	-	-	1	-	-	1,204	851	52,793	9,846
Construction, Wholesale and retail trade, repair of motor vehicles and motorcycles	-	-	2,838,705	2,654,053	-	-	-	-	-	-	31	553	287	125	1,399,830	1,535,368	4,238,853	4,190,099
Transportation and storage	-	-	7,935,772	6,458,605	-	-	-	-	-	-	51	67	1,735	7,373	1,382,625	1,320,477	9,320,183	7,786,522
Facilities for accommodation and food service activities	-	-	1,002,044	1,229,224	-	-	-	-	-	-	15	25	1,501	182	222,768	169,088	1,226,328	1,398,519
Information and Communications	-	-	815,257	837,950	-	-	-	-	-	-	1	-	82	26	21,762	21,288	837,102	859,264
Financial and insurance activities	-	-	314,757	211,884	-	-	-	-	-	-	3	6	29	-	54,289	95,944	369,078	307,834
	278,118	224,193	79,927	92,382	-	-	-	-	7,241,374	5,476,602	1,572	1,315	23,807	9,849	106,530	84,881	7,731,328	5,889,222

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

C. Concentration of credit risk by industries and activities (continued)

	In thousands of Denars																	
	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020	As at 31.12.2021	As at 31.12.2020
Activities related to real estate	-	-	443,855	432,216	-	-	-	-	-	-	-	-	-	-	-	148	443,855	432,364
Professional, scientific and technical activities	-	-	1,107,627	838,995	-	-	-	-	-	-	1	7	145	107	648,358	273,404	1,756,131	1,112,513
Administrative and support service activities	-	-	20,116	24,658	-	-	-	-	-	-	-	-	-	-	15,575	13,926	35,691	38,584
Public administration and defence, compulsory social security	-	-	-	-	2,143,832	2,292,859	10,153,836	12,420,791	1,838,306	4,098,654	-	-	-	-	-	-	14,135,974	18,812,304
Education	-	-	30,026	15,586	-	-	-	-	-	-	-	-	11	-	964	2,302	31,001	17,888
Activities of Health and Social Care	-	-	480,550	405,104	-	-	-	-	-	-	-	-	-	-	8,417	3,452	488,967	408,556
Arts, entertainment and recreation	-	-	3,519	4,111	-	-	-	-	-	-	-	-	-	-	-	-	3,519	4,111
Other service activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Activities of households as employers; activities of households that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Activities of extraterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	51,157,154	48,217,457	-	-	-	-	-	-	3,702	1,032	9,266	12,335	7,222,646	7,454,571	58,392,768	55,685,395
Proprietors and individuals who are not considered as merchants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	278,118	224,193	78,037,088	70,999,971	2,143,832	2,292,859	10,153,836	12,420,791	9,079,680	9,575,256	6,742	4,445	37,381	31,710	11,821,742	11,730,487	111,558,419	107,279,712

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

D. Concentration of credit risk by geographical location

In thousands of Denars

	Placements with and loans to banks		Placements with and loans to other clients		Investment in financial assets available for sale		Investment in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off-balance sheet exposure		Total	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
<i>Geographical location</i>																		
RM	-	-	78,037,088	70,999,971	2,143,832	2,292,859	10,153,836	12,420,791	1,838,787	4,099,168	6,742	4,445	37,381	31,710	11,821,742	11,730,487	104,039,408	101,579,431
EU member countries	278,118	224,193	-	-	-	-	-	-	7,240,893	5,476,088	-	-	-	-	-	-	7,519,011	5,700,281
Europe (other)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD member countries (less European OECD member countries)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (more than 10% of total credit risk exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	278,118	224,193	78,037,090	70,999,971	2,143,832	2,292,859	10,153,836	12,420,791	9,079,680	9,575,256	6,742	4,445	37,382	31,710	11,821,743	11,730,487	111,558,419	107,279,712

2.1 Credit risk (continued)

E. Credit risk analysis of assets measured at fair value through profit or loss

[illegible]

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021**2. RISK MANAGEMENT (continued)****2.2 Liquidity risk**

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

2.2.1 Liquidity risk management process

The Bank's liquidity risk management process encompasses:

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

The process of managing liquidity and liquidity risk is implemented through the establishment of adequate daily liquidity management through developing liquidity plans. The plans reflect the liquidity provided by cash flows and liquidity needed to funding the cash outflows. During preparation of plans and projections for liquidity on a daily, weekly, monthly and long-term basis, all relevant aspects are taken in consideration - the established limits, maintaining the required currency structure, maturity matching of assets and sources of funds and other regulatory rules.

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.2 Liquidity risk (continued)

2.2.1 Liquidity risk management process (continued)

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

December 31, 2021		In thousands of Denars					
	Up to 1 month	From 1 to 3 months	From 3 months to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
FINANCIAL ASSETS							
Cash and cash equivalents	20,867,797	-	-	-	-	-	20,867,797
Trading assets	1,999	-	-	-	-	-	1,999
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Placements with, and loans to banks	-	-	-	-	-	278,118	278,118
Loans to customers	2,233,434	4,139,131	16,371,396	11,303,989	18,934,424	25,054,713	78,037,087
Investment securities	582,243	146,937	1,811,160	4,182,259	3,803,165	1,771,903	12,297,667
Investments in affiliates	-	-	-	-	-	-	-
Income Tax receivable (current)	-	-	-	-	-	-	-
Other receivables	1,562,418	-	-	-	-	-	1,562,418
Collateralized assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	25,247,891	4,286,068	18,182,556	15,486,248	22,737,589	27,104,734	113,045,086
FINANCIAL LIABILITIES							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	192,795	-	1,232,540	-	-	-	1,425,335
Deposits from customers	59,272,909	4,636,218	17,577,455	5,764,230	2,241,738	180,889	89,673,439
Loans payable	18,547	-	137,993	316,853	592,329	620,576	1,686,298
Subordinated debt	-	-	-	-	-	-	-
Income tax liabilities (current)	-	72,595	-	-	-	-	72,595
Differed tax liabilities	-	-	-	-	-	-	-
Other liabilities	1,252,545	-	-	-	-	92,717	1,345,262
Total financial liabilities	60,736,796	4,708,813	18,947,988	6,081,083	2,834,067	894,182	94,202,929
Off balance items							
Off balance assets	12,349	55,824	137,368	-	-	-	205,541
Off balance liabilities	13,459,743	372,867	1,894,951	1,702,902	98,861	60,262	17,589,586
Net liquidity gap	(48,936,299)	(739,788)	(2,523,015)	7,702,263	19,804,661	26,150,290	1,458,113

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.2 Liquidity risk (continued)

2.2.1 Liquidity risk management process (continued)

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

In thousands of Denars

December 31, 2020

	Up to 1 month	From 1 to 3 months	From 3 months to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
FINANCIAL ASSETS							
Cash and cash equivalents	17,376,605	-	-	-	-	-	17,376,605
Trading assets	2,698	-	-	-	-	-	2,698
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Placements with, and loans to banks	-	-	-	-	-	224,193	224,193
Loans to customers	2,183,916	3,679,605	15,864,807	9,867,649	17,340,323	22,063,671	70,999,971
Investment securities	548,297	762,269	6,340,516	349,998	5,394,274	1,318,296	14,713,650
Investments in affiliates	-	-	-	-	-	-	-
Income Tax receivable (current)	63,912	-	-	-	-	-	63,912
Other receivables	1,483,331	-	-	-	-	-	1,483,331
Collateralized assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	21,658,759	4,441,874	22,205,323	10,217,647	22,734,597	23,606,160	104,864,360
FINANCIAL LIABILITIES							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	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
Subordinated debt	-	-	-	-	-	-	-
Income tax liabilities (current)	-	-	-	-	-	-	-
Differed tax liabilities	-	-	-	-	-	-	-
Other liabilities	1,046,377	-	-	-	-	90,978	1,137,355
Total financial liabilities	53,793,685	5,122,641	19,076,183	7,622,526	2,403,461	508,880	88,527,376
Off balance items							
Off balance assets	40,384	98,155	72,276	-	-	-	210,815
Off balance liabilities	11,848,680	540,570	1,870,304	1,033,550	384,124	41,640	15,718,868
Net liquidity gap	(43,943,222)	(1,123,182)	1,331,112	1,561,571	19,947,012	23,055,640	828,931

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.2 Liquidity risk (continued)

2.2.1 Liquidity risk management process (continued)

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

Bank's assets and liabilities are classified according to their relevant maturities, 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 76,625,260 thousand (2020: Denar 76,322,820 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.

The Bank in continuity maintains the liquidity position at the high level thus enabling performance of all business activities and regulatory requirements. The liquidity of the Bank originates mostly from its own funding sources- clients' deposits, out of which 60% are transactional accounts and sight deposits, which is characterized with higher fluctuations. In such conditions, the liquidity management requires adequate set of liquidity instruments, grouped according term and currency structure. The Bank's liquidity position is consisted of: cash in vaults and branches (6%), accounts in domestic and foreign banks- including mandatory reserves held with the Central Bank (51.5%) and securities (42.5%). Maintaining the liquidity is based on the preparation of several scenarios and projections of the cash flows and matching these movements with the maturities of the obligations. The planning and managing of the liquidity is based on a daily basis, with real time monitoring of those positions that impact the most. In terms of pandemic and global uncertainty, the Bank successfully dealt with all shocks that proves its competence and capacity to manage with uncontrollable events.

The Bank in continuity reviews and improves the system of internal controls and infrastructure composed of policies, procedures and mechanisms for defense set at three levels- the first which is operational level of liquidity management run by the Treasury Division, second level of monitoring run by Risk Division and the third level of defense in charge of the Internal Division.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.3 Market risk

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

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank sets limits on the level of exposure by currency and in aggregate for all currencies, which are monitored on a daily basis. The tables below summarize Bank's exposure to foreign exchange risk as at December 31, 2021 and 2020.

Risk from changes in interest rates

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

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

The table shows Analysis of compliance of interest rates on financial assets and liabilities as at December 31, 2021 and 2020.

Operational risk

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

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

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

	Profit/loss	Own funds	Risk weighted assets	Capital adequacy ratio
December 31, 2021				
Amount prior to the sensitivity analysis /stress tests (as of 31.12.2021)		14,900,216	90,301,506	16.50%
Effects from application of scenarios				
Risk from foreign exchange rate change				
Denar to depreciate by 10% in relation of all other F/X	(2,392)	14,897,824	90,355,604	16.49%
Denar to appreciate by 10% in relation of all other F/X	2,392	14,902,608	90,345,768	16.50%
Denar to depreciate by 20% in relation of all other F/X	(4,783)	14,895,433	90,360,522	16.48%
Denar to appreciate by 20% in relation of all other F/X	4,783	14,904,999	90,340,850	16.50%
Risk from interest rate change				
Increasing of interest rates by 200 b.p.	(609,967)	14,290,249	90,301,506	15.83%
Decreasing of interest rates by 200 b.p.	(152,090)	14,748,126	90,301,506	16.33%
Increasing of interest rates by 400 b.p.	(1,219,933)	13,680,283	90,301,506	15.15%
Decreasing of interest rates by 400 b.p.	(304,180)	14,596,036	90,301,506	16.16%

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

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

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

	Profit/loss	Own funds	Risk weighted assets	Capital adequacy ratio
December 31, 2020				
Amount prior to the sensitivity analysis /stress tests (as of 31.12.2020)		13,907,739	82,565,365	16.84%
Effects from application of scenarios				
Risk from foreign exchange rate change				
Denar to depreciate by 10% in relation of all other F/X	34,983	13,942,722	82,600,358	16.88%
Denar to appreciate by 10% in relation of all other F/X	(34,983)	13,872,756	82,530,372	16.81%
Denar to depreciate by 20% in relation of all other F/X	69,966	13,977,705	82,635,351	16.91%
Denar to appreciate by 20% in relation of all other F/X	(69,966)	13,837,773	82,495,379	16.77%
Risk from interest rate change				
Increasing of interest rates by 200 b.p.	(467,421)	13,440,318	82,565,365	16.28%
Decreasing of interest rates by 200 b.p.	(371,749)	13,535,990	82,565,365	16.39%
Increasing of interest rates by 400 b.p.	(934,841)	12,972,897	82,565,365	15.71%
Decreasing of interest rates by 400 b.p.	(743,498)	13,164,241	82,565,365	15.94%

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

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

The table presents analysis of assets and liabilities sensitivity to market risk changes as at December 31, 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

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

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

	In thousands of Denars				In thousands of Denars			
	2021				2020			
	Balance on December 31	Average value	Highest value (maximum)	Lowest value (minimum)	Balance on December 31	Average value	Highest value (maximum)	Lowest value (minimum)
Amount exposed to risk at interest- bearing instruments								
Amount exposed to risk at instruments in foreign currency	-	-	-	-	-	-	-	-
Amount exposed to risk at equity instruments	-	-	-	-	-	-	-	-
Amount (effects on netting)	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

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

A. Interest rate sensitivity analysis

	Currency	31.12.2021	31.12.2020
NET WEIGHTED POSITION FOR CURRENCY EUR (FKS+VKS+PKS)	EUR	(5,608)	94,701
NET WEIGHTED POSITION FOR CURRENCY MKD (FKS+VKS+PKS)	MKD	741,831	375,969
NET WEIGHTED POSITION FOR CURRENCY MKDclEUR (FKS+VKS+PKS)	MKDclEUR	559,990	322,337
NET WEIGHTED POSITION FOR other CURRENCIES (FKS+VKS+PKS)	Other	(15,898)	(15,621)
TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF BANK'S ACTIVITY PORTFOLIO		1,280,315	777,386
OWN FUNDS		14,900,216	13,907,739
TOTAL WEIGHTED VALUE / OWN FUNDS		8.59%	5.59%

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

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

B. Analysis of reconciliation of interest rates

In thousands of Denars December 31, 2021	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total interest bearing assets /liabilities
ASSETS							
Cash and cash equivalents	9,079,214	-	-	-	-	-	9,079,214
Financial assets at fair value through profit and loss account designated as such at initial recognition	-	-	-	-	-	-	-
Loans and receivables from banks	269,256	-	-	-	-	-	269,256
Loans and receivables from other customers	39,325,029	1,272,287	11,977,726	15,063,694	6,121,319	2,976,988	76,737,043
Investments in securities	449,977	146,967	1,811,293	4,182,261	3,803,164	1,686,691	12,080,353
Other interest-sensitive unstated assets	-	-	-	-	-	-	-
Total interest-sensitive financial assets	49,123,476	1,419,254	13,789,019	19,245,955	9,924,483	4,663,679	98,165,868
LIABILITIES							
Financial liabilities at fair value through profit and loss account designated as such at initial recognition	-	-	-	-	-	-	-
Deposits of banks	192,788	-	1,232,540	-	-	-	1,425,328
Deposits of other customers	61,562,524	4,220,600	16,950,709	4,998,231	1,445,177	148,427	89,325,668
Issued debt securities	-	-	-	-	-	-	-
Loans payable	18,519	-	137,993	316,853	592,328	620,577	1,686,270
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-	-
Other unspecified interest-sensitive liabilities	-	-	-	-	-	-	-
Total interest-sensitive financial liabilities	61,773,831	4,220,600	18,321,242	5,315,084	2,037,505	769,004	92,437,266
Net - balance position							
Off-balance sheet interest-sensitive assets positions	-	-	-	-	-	-	-
Off-balance sheet interest-sensitive liabilities positions	-	-	-	-	-	-	-
Net positions - off-balance sheet position	-	-	-	-	-	-	-
Total net-position	(12,650,354)	(2,801,346)	(4,532,223)	13,930,871	7,886,978	3,894,675	5,728,603

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

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

B. Analysis of reconciliation of interest rates (continued)

In thousands of Denars December 31, 2020	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total interest bearing assets /liabilities
ASSETS							
Cash and cash equivalents	6,681,856	-	-	-	-	-	6,681,856
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Loans and receivables from banks	141,640	-	-	-	-	-	141,640
Loans and receivables from other customers	43,939,965	2,247,317	8,788,919	7,582,222	6,362,169	1,116,042	70,036,634
Investments in securities	446,675	762,929	6,246,498	349,998	5,449,630	1,244,595	14,500,325
Other interest-sensitive unstated assets	-	-	-	-	-	-	-
Total interest-sensitive financial assets	51,210,136	3,010,246	15,035,417	7,932,220	11,811,799	2,360,637	91,360,455
LIABILITIES							
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-	-	-
Deposits of banks	237,799	-	-	-	-	-	237,799
Deposits of other customers	56,114,196	4,632,704	17,578,419	6,541,344	1,438,655	110,609	86,415,927
Issued debt securities	-	-	-	-	-	-	-
Loans payable	5,779	-	28,898	67,325	165,880	261,586	529,468
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-	-
Other unspecified interest-sensitive liabilities	-	-	-	-	-	-	-
Total interest-sensitive financial liabilities	56,357,774	4,632,704	17,607,317	6,608,669	1,604,535	372,195	87,183,194
Net - balance position							
Off-balance sheet interest-sensitive assets positions	-	-	-	-	-	-	-
Off-balance sheet interest-sensitive liabilities positions	-	-	-	-	-	-	-
Net positions - off-balance sheet position	-	-	-	-	-	-	-
Total net-position	(5,147,638)	(1,622,458)	(2,571,900)	1,323,551	10,207,264	1,988,442	4,177,261

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.3 Currency risk

	In thousands of Denars December 31, 2021				
	MKD	EUR	USD	Other currency	Total
MONETARY ASSETS					
Cash and cash equivalents	9,271,686	7,387,642	2,534,138	1,674,331	20,867,797
Trading assets	-	1,999	-	-	1,999
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Placement with, and loans to banks	-	3,974	271,558	2,586	278,118
Placement with and loans to customers	58,932,863	18,975,471	128,754	-	78,037,088
Investment securities	2,154,915	10,142,752	-	-	12,297,667
Investments in affiliated companies	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-
Other receivables	1,553,403	8,597	292	126	1,562,418
Collateralized assets	-	-	-	-	-
Foreclosed assets on the basis of uncollected receivables	127,048	-	-	-	127,048
Intangible assets	111,435	-	-	-	111,435
Real estate and equipment	819,129	-	-	-	819,129
Deferred tax assets	-	-	-	-	-
Total monetary assets	72,970,479	36,520,435	2,934,742	1,677,043	114,102,699
MONETARY LIABILITIES					
Trading liabilities	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Deposits from banks	3	1,239,703	166,648	18,981	1,425,335
Deposits from customers	51,677,384	33,585,865	2,760,830	1,649,360	89,673,439
Issued Debt Securities	-	-	-	-	-
Borrowings	-	1,686,298	-	-	1,686,298
Subordinated debt	-	-	-	-	-
Special reserve and reservations	107,431	-	-	-	107,431
Income tax liabilities (current)	72,595	-	-	-	72,595
Deferred tax liabilities	-	-	-	-	-
Other liabilities	1,214,279	130,982	-	1	1,345,262
Total monetary liabilities	53,071,692	36,642,848	2,927,478	1,668,342	94,310,359
Net – position	19,898,787	(122,413)	7,264	8,701	19,792,339

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.3 Currency risk (continued)

	In thousands of Denars December 31, 2020				
	MKD	EUR	USD	Other currency	Total
MONETARY ASSETS					
Cash and cash equivalents	7,769,034	5,779,474	2,122,739	1,705,358	17,376,605
Trading assets	-	2,698	-	-	2,698
Financial assets at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Placement with, and loans to banks	-	4,626	217,805	1,762	224,193
Placement with and loans to customers	53,714,611	17,145,353	140,007	-	70,999,971
Investment securities	5,932,996	8,780,654	-	-	14,713,650
Investments in affiliated companies	-	-	-	-	-
Income tax receivables (current)	63,912	-	-	-	63,912
Other receivables	1,475,588	7,254	343	146	1,483,331
Collateralized assets	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total monetary assets	68,956,141	31,720,059	2,480,894	1,707,266	104,864,360
MONETARY LIABILITIES					
Trading liabilities	-	-	-	-	-
Financial liabilities at fair value through the income statement determined as such at initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Deposits from banks	3	9,064	206,746	21,991	237,804
Deposits from customers	51,974,238	30,726,822	2,245,801	1,675,816	86,622,677
Issued Debt Securities	-	-	-	-	-
Borrowings	-	529,540	-	-	529,540
Subordinated debt	-	-	-	-	-
Special reserve and reservations	97,627	-	-	-	97,627
Income tax payable (current)	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	882,752	256,320	154	513	1,139,739
Total monetary liabilities	52,954,620	31,521,746	2,452,701	1,698,320	88,627,388
Net – position	16,001,520	198,313	28,193	8,946	16,236,700

NOTES TO THE FINANCIAL STATEMENTS**December 31, 2021****3. CAPITAL ADEQUACY****Capital management**

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

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

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

According to 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 consist of share capital, retained undistributed profit restricted for distribution to shareholders, reserves created from retained profit, as well as accumulated other comprehensive income. The Bank has no additional Tier 1 capital as disposal; and
- Tier 2: 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 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, the Central Bank determines additional capital of 4% and the Bank is obliged to maintain capital adequacy rate of at least 12%.

The Bank is obliged to maintain capital buffers prescribed by the Law on banks, namely capital conservation buffer of 2.5% and sistemically important banks buffer of 1.5%. The Bank complies with the prescribed capital adequacy ratio of at least 16% as at 31.12.2021.

The Bank is calculating the capital adequacy rate in accordance with the Decision on the methodology for determining the capital adequacy of the Central Bank, according to which the manner is prescribed for calculating the capital required for banks to cover the credit risk, operational risk, market risks and the currency risk. The 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 was amended and is made to the net amount of aggregate foreign currency position taking into consideration of the calculation of the impairment. Furthermore, as was previously the case, in accordance with the new regulations, the Bank is not obliged to determine and dispose of the capital required for covering the market risks.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

3. CAPITAL ADEQUACY (continued)

Own assets

The table below presents a survey of the Statement of own assets (Form OA) prepared in accordance with the Instructions on implementing the Decision on the methodology of determining the capital adequacy according to the applicable prescribed regulations of the Central Bank on December 31, 2021 and 2020.

	In thousand Denars	
	2021	2020
Own funds	14,900,216	13,907,739
Tier 1 capital	14,809,238	13,816,761
Common Equity Tier 1 capital (CET)	14,809,238	13,816,761
<i>Positions in CET</i>	14,809,238	13,816,761
Capital instruments of CET	3,511,242	3,511,242
Premium of capital instruments of CET		-
Mandatory general reserve (general reserve fund)	831,373	831,373
Retained undistributed profit	10,353,791	9,308,291
(-) Accumulated loss from previous years		
Current profit or year-end profit	-	
Accumulated other profit loss	112,832	165,855
<i>(-) Deductions of CET</i>		-
(-) Loss at the year-end or current loss	-	-
(-) Intangible assets	-	-
(-) Deferred tax assets that rely on the bank's future profit	-	-
(-) Investments in own capital instruments of CET	-	-
(-) Direct investments in own capital instruments of CET	-	-
(-) Indirect investments in own capital instruments of CET	-	-
(-) Synthetic investments in own capital instruments of CET	-	-
(-) Investments in own capital instruments of CET for which the bank has contractual obligations for purchasing	-	-
(-) Direct, indirect and synthetic investments in capital instruments of CET of persons from the financial sector, with investments in the bank	-	-
(-) Direct, indirect and synthetic investments in capital instruments of CET of persons from the financial sector, the bank has no significant investment	-	-
(-) Direct, indirect and synthetic investments in capital instruments of CET of persons from the financial sector, with significant investments in the bank	-	-
(-) Amount of deduction items of AT exceeding the total AT amount	-	-
(-) Amount of exceeded limits for investment in non-financial institutions	-	-
(-) Tax costs	-	-
(-) Difference between the required and conducted impairment/ special reserve	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

3. CAPITAL ADEQUACY (continued)

Own assets (continued)

	In thousand Denars	
	2021	2020
<i>Regulatory reconciliations of CET</i>	-	-
(-) Increase of CET arising from securitization positions	-	-
(-) Profit or (+) loss from cash-flow risk protection	-	-
(-) Profit or (+) loss from liabilities of the bank measures by fair value	-	-
(-) Profit or (+) loss related to liabilities based on derivatives, measured by fair value	-	-
<i>Positions as result of consolidation</i>	-	-
Non-controlling (minority) participation acknowledged in CET at consolidated basis	-	-
Other	-	-
<i>Other positions of CET</i>	-	-
Additional Tier capital (AT)	-	-
<i>Positions in AT</i>	-	-
Capital instruments of AT	-	-
Premium of capital instruments of AT	-	-
(-) <i>Deductions of AT</i>	-	-
(-) Investments in own capital instruments of AT	-	-
(-) Direct investments in own capital instruments of AT	-	-
(-) Indirect investments in own capital instruments of AT	-	-
(-) Synthetic investments in own capital instruments of AT	-	-
(-) Investments in own capital instruments of AT for which the bank has contractual obligations for purchasing	-	-
(-) Direct, indirect and synthetic investments in capital instruments of AT of persons from the financial sector, with investments in the bank	-	-
(-) Direct, indirect and synthetic investments in capital instruments of AT of persons from the financial sector, the bank has no significant investment	-	-
(-) Direct, indirect and synthetic investments in capital instruments of AT of persons from the financial sector, with significant investments in the bank	-	-
(-) Amount of deduction items of AT exceeding the total AT amount	-	-
(-) Tax costs	-	-
<i>Regulatory reconciliations of AT</i>	-	-
(-) Increase of AT arising from securitization positions	-	-
(-) Profit or (+) loss from cash-flow risk protection	-	-
(-) Profit or (+) loss from liabilities of the bank measures by fair value	-	-
(-) Profit or (+) loss related to liabilities based on derivatives, measured by fair value	-	-
<i>Positions as result of consolidation</i>	-	-
Acceptable additional Tier 1 capital recognized in AT on consolidated basis	-	-
Other	-	-
<i>Other positions of AT</i>	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

3. CAPITAL ADEQUACY (continued)

Own assets (continued)

	In thousand Denars	
	2021	2020
Tier 2 capital (T2)	90,978	90,978
<i>Positions in T2</i>	90,978	90,978
Capital instruments in T2	90,978	90,978
Subordinated loans	-	-
Premium of capital instruments in T2	-	-
<i>(-) Deductions of T2</i>	-	-
(-) Investments in own capital instruments of T2	-	-
(-) Direct investments in own capital instruments of T2	-	-
(-) Indirect investments in own capital instruments of T2	-	-
(-) Synthetic investments in own capital instruments of T2	-	-
(-) Investments in own capital instruments of T2 for which the bank has contractual obligations for purchasing	-	-
(-) Direct, indirect and synthetic investments in capital instruments of T2 of persons from the financial sector, with investments in the bank	-	-
(-) Direct, indirect and synthetic investments in capital instruments of T2 of persons from the financial sector, the bank has no significant investment	-	-
(-) Direct, indirect and synthetic investments in capital instruments of T2 of persons from the financial sector, with significant investments in the bank	-	-
<i>Regulatory reconciliations of T2</i>	-	-
(-) Increase of T2 arising from securitization positions	-	-
(-) Profit or (+) loss from cash-flow risk protection	-	-
(-) Profit or (+) loss from liabilities of the bank measures by fair value	-	-
(-) Profit or (+) loss related to liabilities based on derivatives, measured by fair value	-	-
<i>Positions as result of consolidation</i>	-	-
Acceptable additional capital recognized in T2 on consolidated basis	-	-
Other	-	-
<i>Other positions of T2</i>	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

3. CAPITAL ADEQUACY (continued)

Capital adequacy ratio

The table below gives an overview of the Report of the rate of capital adequacy (Form CA) prepared in accordance with the Guidelines for implementation of the Decision on the methodology for determining the capital adequacy according to the applicable prescribed regulations from Central Bank as at December 31, 2021 and 31 December 2020.

	In thousands of Denars	
	2021	2020
Credit risk weighted assets		
Capital required for covering the credit risk	6,610,845	5,954,673
Credit risk weighted assets by applying standardized approach	82,635,563	74,433,416
Currency risk weighted assets		
Aggregate foreign currency position	49,180	349,931
Net position in gold	-	-
Capital required for covering the currency risk	-	27,994
Currency risk weighted assets	-	349,931
Operational risk weighted assets		
Capital required for covering the operational risk by applying the basic indicator approach	-	-
Capital required for covering the operational risk by applying the standardized approach	613,275	622,561
Operational risk weighted assets	7,665,943	7,782,018
Other risk weighted assets		
Capital required for covering the risk of changes in the commodity prices	-	-
Capital required for covering the market risks	-	-
Capital required for covering the positional risks	-	-
Capital required for covering the specific risk of investments in debt instruments	-	-
Capital required for covering the general risk of investments in debt instruments	-	-
Capital required for covering the specific risk of investments in equity instruments	-	-
Capital required for covering the general risk of investments in equity instruments	-	-
Capital required for covering the settlement/delivery risk	-	-
Capital required for covering the counterparty risk	-	-
Capital required for covering the exceeding of exposure limits	-	-
Capital required for covering the market risks of option positions	-	-
Capital required for covering other risks	-	-
Other risk weighted assets	-	-
Risk weighted assets	90,301,506	82,565,365
Capital required for covering the risks	7,224,121	6,605,228
Own assets	14,900,216	13,907,739
Capital adequacy ratio	16,50%	16,84%

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

4. SEGMENT REPORTING

A. Operating segments

In thousands of Denars

December 31, 2021

	Retail banking	Corporate banking	Investme nt banking	All other significant operating segments	Unalloca ted	Total
Net interest income /(expense)	2,860,574	834,945	2,820	145,702	-	3,844,041
Net fees and commissions income / (expense)	798,105	501,084	(263,998)	(203,701)	-	831,490
Net trading income	-	-	(696)	-	-	(696)
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	247,399	297,195	1,670	23,041	3,994	573,299
Income realized between segments	-	-	-	-	-	-
Total income by segments	3,906,078	1,633,224	(260,204)	(34,958)	3,994	5,248,134
Allowance for impairment of financial assets, on net basis	81,950	(815,816)	-	(38,551)	-	(772,417)
Impairment loss of non-financial assets, on net-basis	-	65,774	-	-	-	65,774
Depreciation	-	(123,372)	-	-	-	(123,372)
Restructuring costs	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-
Other expenses	(890,587)	(463,775)	(2)	(303,843)	(31,079)	(1,689,286)
Total expenses by segments	(808,637)	(1,337,189)	(2)	(342,394)	(31,079)	(2,519,301)
Financial result by segment	3,097,441	296,035	(260,206)	(337,352)	(27,085)	2,728,833
Income tax	-	-	-	-	-	(262,877)
Profit/(loss) for the period	3,097,441	296,035	(260,206)	(377,352)	(27,085)	2,465,956
Total assets by segment	50,605,696	50,378,208	12,299,666	819,129	-	114,102,699
Unallocated assets per segment	-	-	-	-	-	-
Total assets						114,102,699
Total liabilities by segment	(66,869,020)	(27,439,240)	(2,100)	-	-	(94,310,360)
Unallocated liabilities by segment						-
Total liabilities						(94,310,360)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

4. SEGMENT REPORTING (continued)

A. Operating segments (continued)

In thousands of Denars
December 31, 2020

	Retail banking	Corporate banking	Investment banking	All other significant operating segments	Unalloca- ted	Total
Net interest income /(expense)	2,795,373	798,978	14,864	107,482	-	3,716,697
Net fees and commissions income / (expense)	678,055	411,995	(207,535)	(143,889)	-	738,626
Net trading income	-	-	(1,077)	-	-	(1,077)
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	180,545	251,566	5,496	17,935	356	455,898
Income realized between segments	-	-	-	-	-	-
Total income by segments	3,653,973	1,462,539	(188,252)	(18,472)	356	4,910,144
Allowance for impairment of financial assets, on net basis	50,284	(985,422)	-	(27,581)	-	(962,719)
Impairment loss of non-financial assets, on net-basis	-	(2,997)	-	-	-	(2,997)
Depreciation	-	(131,486)	-	-	(14)	(131,500)
Restructuring costs	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-
Other expenses	(868,942)	(469,200)	-	(260,020)	(37,309)	(1,635,471)
Total expenses by segments	(818,658)	(1,589,105)	-	(287,601)	(37,323)	(2,732,687)
Financial result by segment	2,835,315	(126,566)	(188,252)	(306,073)	(36,967)	2,177,457
Income tax	-	-	-	-	-	(197,605)
Profit/(loss) for the financial year	2,835,315	(126,566)	(188,252)	(306,073)	(36,967)	1,979,852
Total assets by segment	47,204,442	45,466,314	12,507,121	828,915	-	106,006,792
Unallocated assets per segment	-	-	-	-	-	-
Total assets	-	-	-	-	-	106,006,792
Total liabilities by segment	(66,514,485)	(22,110,403)	(2,499)	-	-	(88,627,387)
Unallocated liabilities by segment	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	(88,627,387)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

4. SEGMENT REPORTING (continued)

B. Concentration of total revenue and expenses by customers

	In thousands of Denars					
	Retail banking	Corporate banking	Investment banking	All other significant operating segments	Unallocated	Total
Current 2021						
Customer 1						
Income	5	83,247	-	-	-	83,252
(Expenses)	(4,792)	(227)	-	-	-	(5,019)
Customer 2						
Income	-	52,746	-	-	-	52,746
(Expenses)	(2,667)	-	-	-	-	(2,667)
Customer 3						
Income	89	30,430	-	-	-	30,519
(Expenses)	(2,751)	(124)	-	-	-	(2,875)
Customer 4						
Income	26	31,628	-	-	-	31,654
(Expenses)	(2,589)	(2,210)	-	-	-	(4,799)
Customer 5						
Income	-	1,051	-	-	-	1,051
(Expenses)	(1,664)	(16,532)	-	-	-	(18,196)
Total by segment	(14,343)	180,009	-	-	-	165,666
Previous 2020						
Customer 1						
Income	951	75,929	-	-	-	76,880
(Expenses)	(7,256)	(99,773)	-	-	-	(107,029)
Customer 2						
Income	899	52,243	-	-	-	53,142
(Expenses)	(6,633)	(32,085)	-	-	-	(38,718)
Customer 3						
Income	755	32,280	-	-	-	33,035
(Expenses)	(5,096)	(26,615)	-	-	-	(31,711)
Customer 4						
Income	728	31,829	-	-	-	32,557
(Expenses)	(4,385)	(19,379)	-	-	-	(23,764)
Customer 5						
Income	727	27,757	-	-	-	28,484
(Expenses)	(4,036)	(17,817)	-	-	-	(21,853)
Total by segment	(23,346)	24,369	-	-	-	1,023

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

4. SEGMENT REPORTING (continued)

C. Geographic areas

In thousands of Denars

	RNM	Member countries of European Union	Europe (other)	Member- countries of OECD (without European Member- countries of OECD)	Other	Unallocat ed	Total
Current year, 2021							
Total income	5,859,276	203,540	1,050	128,320	-	-	6,192,186
Total assets	107,956,782	3,757,588	19,384	2,368,944	-	-	114,102,698
Previous year, 2020							
Total income	5.498.626	191.075	986	120.462	-	-	5.811.149
Total assets	100.296.945	3.490.977	18.009	2.200.861	-	-	106.006.792

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A. Fair value of financial assets and liabilities

	December 31, 2021		In thousands of Denars December 31, 2020	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Cash and cash equivalents	20,867,797	20,867,797	17,376,605	17,376,605
Trading assets	1,999	1,999	2,698	2,698
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Placement with, and loans to banks	278,118	278,118	224,193	224,193
Placement with, and loans to other customers	78,037,088	78,037,088	70,999,971	70,999,971
Investment securities	12,297,667	12,297,667	14,713,650	14,713,650
Investments in affiliated companies	-	-	-	-
Receivables for income tax (current)	-	-	63,912	63,912
Other receivables	1,562,418	1,562,418	1,483,331	1,483,331
Collateralized assets	-	-	-	-
Differed tax assets	-	-	-	-
	113,045,087	113,045,087	104,864,360	104,864,360
Financial liabilities				
Liabilities for trading	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	1,425,335	1,425,335	237,804	237,804
Deposits from other customers	89,673,439	89,673,439	86,622,677	86,622,677
Issued debt securities	-	-	-	-
Borrowings	1,686,298	1,686,298	529,540	529,540
Subordinated debt	-	-	-	-
Income tax liabilities (current)	72,595	72,595	-	-
Differed tax liabilities	-	-	-	-
Other liabilities	1,343,523	1,343,523	1,139,739	1,139,739
	94,201,190	94,201,190	88,529,760	88,529,760

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

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

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

		In thousands of Denars			
	Note	Level 1	Level 2	Level 3	Total
Current year, 2021					
Financial assets measured at fair value					
Trading assets	19	1,999	-	-	1,999
Financial assets at fair value through income statement, determined as such upon initial recognition	20	-	-	-	
Derivative assets held for risk management	21	-	-	-	-
Investments in securities available for sale	23.1	60,804	2,058,619	24,408	2,143,831
Total		62,803	2,058,619	24,408	2,145,830
Financial liabilities					
Liabilities for trading	32	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		-	-	-	-
Previous year, 2020					
Financial assets measured at fair value					
Trading assets	19	2,698	-	-	2,698
Financial assets at fair value through income statement, determined as such upon initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investments in securities available for sale	23.1	56,838	2,211,613	24,408	2,292,859
Total		59,536	2,211,613	24,408	2,295,557
Financial liabilities					
Liabilities for trading	32	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

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

B.2 Transfers between fair value level 1 and 2

	Current year, 2021		In thousands of Denars Previous year, 2020	
	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Financial assets measured at fair value				
Trading assets	-	-	-	-
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investments in securities, available for sale	-	-	-	-
Total	-	-	-	-
Financial liabilities				
Liabilities for trading	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

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

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

					In thousands of Denars		
	Assets for trading	Financial assets at fair value through income statement determined as such upon initial recognition	Investments in securities available –for-sale	Total assets	Liabilities for trading	Financial assets at fair value through income statement determined as such upon initial recognition	Total liabilities
Balance at January 1, 2020	-	-	24,408	24,408	-	-	-
Profit/(loss) recognized in:							
- Income Statement	-	-	-	-	-	-	-
- Other profit /(loss) in the period not recognized in the Income Statement	-	-	-	-	-	-	-
Purchased financial assets in the period	-	-	-	-	-	-	-
Sold financial assets in the period	-	-	-	-	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Re-classified financial instruments to/from Level 3	-	-	-	-	-	-	-
Re-classified in loans and claims	-	-	-	-	-	-	-
Balance at December 31, 2020	-	-	24,408	24,408	-	-	-
Total profit /(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2020	-	-	-	-	-	-	-
Balance at January 1, 2021	-	-	24,408	24,408	-	-	-
Profit/(loss) recognized in:							
- Income Statement	-	-	-	-	-	-	-
- Other profit /(loss) in the period not shown in the Income Statement	-	-	-	-	-	-	-
Purchased financial assets in the period	-	-	-	-	-	-	-
Sold financial assets in the period	-	-	-	-	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Re-classified financial instruments to/from Level 3	-	-	-	-	-	-	-
Re-classified in loans and claims	-	-	-	-	-	-	-
Balance at December 31, 2021	-	-	24,408	24,408	-	-	-
Total profit /(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2021	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**B Levels of fair value of financial assets and financial liabilities, measured at fair value (continued)***a) Cash and cash equivalents*

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

b) Held-for-trading financial assets

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

c) Placement with, and loans to banks

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

d) Placements with and loans to customers

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

e) Investment in securities

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

f) Other receivables

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

g) Deposits from banks

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

h) Deposits from other customers

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

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

i) Loans payable

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

j) Other liabilities

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

6. NET INTEREST INCOME /(EXPENSE)

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

	In thousands of Denars	
	Current year	Previous year
	2021	2020
Interest income		
Cash and cash equivalents	24,760	51,658
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-
Derivative assets held for risk management	-	-
Placements with and loans to banks	3,075	15,418
Placements with and loans to customers	3,816,811	3,836,743
Investments in securities	160,140	106,064
Other receivables	2,427	3,840
(Allowance for impairment of income interest, on net-basis)	(76,759)	(14,142)
Collected previously written-off interest	183,418	136,965
Total interest income	4,113,872	4,136,546
Interest expense		
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	-	-
Deposits from other customers	250,530	400,296
Issued debt securities	-	-
Borrowings	322	1,015
Subordinated debt	-	-
Other liabilities	18,979	18,538
Total interest expense	269,831	419,849
Net interest income / (expense)	3,844,041	3,716,697

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

6. NET INTEREST INCOME/(EXPENSE) (continued)

B. Sector analysis of interest income and expenses by sector

	In thousands of Denars	
	Current year 2021	Previous year 2020
Interest income		
Non-financial companies	817,527	778,571
Government	160,145	122,747
Non-profit institutions servicing households	482	364
Banks	3,201	15,482
Other financial companies (non-banking)	26,751	54,607
Households	2,999,018	3,041,849
Non-residents	89	103
(Allowance for impairment of interest income, on net-basis)	(76,759)	(14,142)
Collected previously written-off interest	183,418	136,965
Total interest income	4,113,872	4,136,546
Interest expense		
Non-financial companies	19,922	34,848
Government	71	581
Non-profit institutions servicing households	608	943
Banks	322	565
Other financial companies (non-banking)	34,148	45,755
Households	203,368	323,368
Non-residents	11,392	13,789
Total interest expense	269,831	419,849
Net interest income / (expense)	3,844,041	3,716,697

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

7. NET FEE AND COMMISSION INCOME/(EXPENSE)

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

	In thousands of Denars	
	Current year 2021	Previous year 2020
Fee and commission income		
Financing	83,368	74,028
Payment operations		
domestic	278,760	214,376
international	219,379	201,657
L/Cs and L/Gs	46,403	43,024
Brokerage operations	3,297	2,633
Asset management	398	378
Commission and creditor activities	-	-
Issue of securities	-	-
Other		
Card operations	604,945	529,685
Deposit operations	2,792	6,942
Renting safe-deposit-boxes	9,878	7,917
Third party accounts collection	2,637	2,348
Transaction Account Maintenance Fee	110,168	80,287
Insurance policy sales commissions	54,587	36,501
Other fee and commission income	22,628	20,006
Total fee and commission income	1,439,240	1,219,782
Fee and commission expense		
Financing	-	-
Payment operations		
domestic	101,770	79,986
international	31,633	29,182
L/Cs and L/Gs	-	-
Brokerage operations	487	442
Asset management	-	-
Commission and creditor activities	-	-
Issue of securities	-	-
Other	-	-
Card operations	464,094	370,816
Other fee and commission expense	9,766	730
Total fee and commission expense	607,750	481,156
Net fee and commission income / (expense)	831,490	738,626

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

B. Sector analysis of fee and commission income and expense

	In thousands of Denars	
	Current year 2021	Previous year 2020
Fee and commission income		
Non-financial companies	584,548	491,256
Government	4,410	2,938
Non-profit institutions servicing households	112	114
Banks	28,947	27,514
Other financial companies (non-banking)	-	-
Households	798,105	678,055
Non-residents	23,118	19,905
Total fee and commission income	1,439,240	1,219,782
Fee and commission expense		
Non-financial companies	58,272	55,075
Government	-	-
Non-profit institutions servicing households	-	-
Banks	292,945	235,049
Other financial companies (non-banking)	25,192	24,186
Non-residents	231,341	166,846
Total fee and commission expense	607,750	481,156
Net fee and commission income / (expense)	831,490	738,626

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

8. NET TRADING INCOME

	In thousands of Denars	
	Current	Previous
	year	year
	2021	2020
<i>Trading assets</i>		
Profit /(loss) from the changes in fair value of debt securities, on net-basis		
realized	-	-
unrealized	-	-
Profit /(loss) from the changes in fair value of equity instruments, on net basis		
realized	-	-
unrealized	(696)	(1,077)
Income from dividend from trading assets	-	-
Income from interest from trading assets	-	-
<i>Trading liabilities</i>		
Profit /(loss) from the changes in fair value of debt securities, on net-basis		
realized	-	-
unrealized	-	-
Profit /(loss) from the changes in fair value of trading deposits, on net-basis		
realized	-	-
unrealized	-	-
Profit /(loss) from the changes in fair value of other financial liabilities for trading, on net-basis		
realized	-	-
unrealized	-	-
Expenses for interest from financial liabilities held for trading	-	-
<i>Profit /(loss) from the changes in fair value of derivatives held for trading, on net-basis</i>		
realized	-	-
unrealized	-	-
Net trading income	(696)	(1,077)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

	In thousands of Denars	
	Current	Previous
	year	year
	2021	2020
<i>Financial assets at fair value through the income statement determined as such at initial recognition</i>		
Profit / (loss) from the changes in fair value of debt securities, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of equity instruments, on net basis		
realized	-	-
unrealized	-	-
Income from dividend from financial assets at fair value through the income statement	-	-
Profit / (loss) from the changes in fair value of loans and claims at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
<i>Financial liabilities at fair value through the income statement determined as such at initial recognition</i>		
Profit / (loss) from the changes in fair value of debt securities, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from changes in fair value of deposits at fair value through the income statement, on net-basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of loan liabilities at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
Profit / (loss) from the changes in fair value of other financial liabilities at fair value through the income statement, on net basis		
realized	-	-
unrealized	-	-
<i>Profit / (loss) from changes in fair value of derivative held for risk management at fair value through the income statement, on net-basis</i>		
realized	-	-
unrealized	-	-
Net income from other financial instruments carried at fair value	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

10. NET FOREIGN EXCHANGE GAINS/(LOSSES)

	In thousands of Denars	
	Current year 2021	Previous year 2020
Realized net foreign exchange gains/(losses)	136,120	103,315
Non-realized net foreign exchange gains/(losses)	-	-
foreign exchange gains/(losses) of adjustment of the value of financial assets, on net basis	-	-
foreign exchange gains/(losses) of special reserve for off balance sheet exposure, on net basis	-	-
other foreign exchange gains/(losses), on net basis	(26,042)	(1,685)
Net foreign exchange gains/(losses)	110,078	101,630

11. OTHER OPERATING INCOME

	In thousands of Denars	
	Current year 2021	Previous year 2020
Profit from sales of assets available for sale	803	2
Dividend from equity instruments available for sale	831	5,494
Net income from investments in subsidiaries and affiliates	-	-
Capital gain from sales of:		
property and equipment	27	37,921
intangible assets	-	-
foreclosed assets	63,040	50,429
non-current assets held for sale and group for disposal (sale)	-	-
Income from rent	1,391	1,564
Income from won court disputes	7,504	11,998
Collected previously written-off receivables	363,708	226,937
Release of special reserves and provisions for:		
contingent liabilities based on court disputes	-	-
pensions and other benefits for employees	-	-
restructuring	-	-
unfavourable agreements	-	-
other provisions	-	-
Other:		
early withdrawal of deposits of non-residents	17,564	15,368
revenue from insurance mediation and mortgage bets on movables in process of approving loans to individuals	64	99
other income	8,289	4,456
Total other operating income	463,221	354,268

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

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

In thousands of Denars

	Placeme nts with and loans to banks	Placements with and loans to customers	Investment s in financial assets available for sale	Investme nts in financial assets held to maturity	Cash and cash equivalents	Fees and commission s receivables	Other receivab les	Total allowance for impairment of financial assets	Special reserves for off balance sheet exposure s	Total
December 31, 2021 (current year)										
<i>Allowance for impairment and special reserves</i>										
Additional allowance for impairment and special reserves	484	1,485,295	-	-	2,192	14,999	6,964	1,509,934	51,367	1,561,301
(Release of allowance for impairment and special reserves)	(203)	(739,757)	-	-	(3,144)	(829)	(490)	(744,423)	(44,461)	(788,884)
Total allowance for impairment of financial assets and special reserves for off balance sheet exposures, on net-basis	281	745,538	-	-	(952)	14,170	6,474	765,511	6,906	772,417
December 31, 2020 (previous year)										
<i>Allowance for impairment and special reserves</i>										
Additional allowance for impairment and special reserves	539	1,154,055	-	-	5,824	3,783	7,929	1,172,130	31,358	1,203,488
(Release of allowance for impairment and special reserves)	(704)	(210,289)	-	-	(6,574)	(384)	(2,895)	(220,846)	(19,923)	(240,769)
Total allowance for impairment of financial assets and special reserves for off balance sheet exposures, on net-basis audited	(165)	943,766	-	-	(750)	3,399	5,034	951,284	11,435	962,719

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

13. IMPAIRMENT LOSSES OF NON-FINANCIAL ASSETS, NET

In thousands of Denars						
	Real estate and equipment	Intangible assets	Foreclosed assets	Non- current assets held for sale and group for sale	Other non- financial assets	Total
December 31, 2021 (current year)						
Additional impairment loss	-	-	8,688	-	-	8,688
(Release of impairment loss)	-	-	(74,462)	-	-	(74,462)
Total impairment loss of non-financial assets, on net-basis	-	-	(65,774)	-	-	(65,774)
December 31, 2020 (previous year)						
Additional impairment loss	-	-	8,456	-	-	8,456
(Release of impairment loss)	-	-	(5,459)	-	-	(5,459)
Total impairment loss of non-financial assets, on net-basis audited	-	-	2,997	-	-	2,997

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

14. PERSONNEL EXPENSES

	In thousands of Denars	
	Current year 2021	Previous year 2020
Short-term personnel benefits		
Salaries	509,255	509,553
Compulsory contributions for social and health insurance	198,302	198,112
Short-term paid leaves	-	-
Costs for temporary employment	16,913	20,293
Share in profit and remuneration	-	3,080
Non-monetary benefits	-	-
Other personnel benefits	154,357	129,100
	<u>878,827</u>	<u>860,138</u>
Post retirement benefits		
Defined pension benefit plans	-	-
Retirement benefits	-	-
Increase of liability for defined pension benefit plans	-	-
Increase of liability for other long-term benefits	-	-
Other benefits upon termination of employment	-	-
	<u>-</u>	<u>-</u>
Benefits due to termination of employment	-	-
Payments to employees based on shares, settled with equity instruments	-	-
Payments to employees based on shares, settled with monetary assets	-	-
Other	11,663	11,171
	<u>11,663</u>	<u>11,171</u>
Total personnel expenses	<u>890,490</u>	<u>871,309</u>

The amounts referring to provisions for retirement benefits in the amount of Denar 2,147 thousand (2020: Denar 3,532 thousand) are presented in Note 38.

	Current year 2021	Previous year 2020
Average number of employees for the period	984	1,006
Number of permanent employees at year-end	983	1,008
Number of temporary employees at year-end	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

15. DEPRECIATION

	In thousands of Denars	
	Current year 2021	Previous year 2020
Amortization of intangible assets		
Internally developed software	-	-
Software acquired from external suppliers	42,606	41,637
Other internally developed intangible assets	-	-
Other intangible assets	-	-
Intangible leasehold improvements	-	-
	<u>42,606</u>	<u>41,637</u>
Depreciation of property and equipment		
Buildings	31,399	31,149
Means of transport	14	14
Furniture and equipment	36,067	41,597
Other equipment	2,192	1,954
Other items of property and equipment	562	569
Property and equipment leasehold improvements	10,532	14,580
	<u>80,766</u>	<u>89,863</u>
Total depreciation	<u>123,372</u>	<u>131,500</u>

16. OTHER OPERATING EXPENSES

	In thousands of Denars	
	Current year 2021	Previous year 2020
Losses from sale of assets available for sale	3	-
Software licensing expense	-	-
Deposit insurance premium	164,048	160,464
Premium on property and employee insurance	10,569	11,682
Materials and services	420,585	385,941
Administrative and marketing expense	111,601	80,067
Other taxes and contributions	5,710	4,150
Rental expense	54,476	50,918
Court dispute expense	1,973	1,000
Provisions for pension and other employee benefits, on a net basis	-	-
Provisions for contingent liabilities based on court disputes, on a net basis	353	359
Other provisions, on a net basis	-	-
Loss from sale of:		
property and equipment	-	-
intangible assets	-	-
foreclosed assets	-	-
non-current assets held for sale and group for sale	-	-
Other:		
business trip expense	2,132	1,349
other costs	27,346	68,232
Total other operating expenses	<u>798,796</u>	<u>764,162</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

17. INCOME TAX

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

	In thousands of Denars	
	Current year 2021	Previous year 2020
Current income tax		
Expenses/(income) for current income tax for the year	262,877	197,605
Adjustments for previous years	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	-	-
	<u>262,877</u>	<u>197,605</u>
Deferred income tax		
Deferred income tax that arises from temporary differences for the year	-	-
Recognition of previous unrecognized tax losses	-	-
Changes in tax rate	-	-
Introduction of new taxes	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Other	-	-
	<u>-</u>	<u>-</u>
Total income tax expenses/(returns)	<u>262,877</u>	<u>197,605</u>

	In thousands of Denars	
	Current year 2021	Previous year 2020
Current income tax		
Recognized in income statement	262,877	197,605
Recognized in capital and reserves	-	-
	<u>262,877</u>	<u>197,605</u>
Deferred income tax		
Recognized in income statement	-	-
Recognized in capital and reserves	-	-
	<u>-</u>	<u>-</u>
Total income tax expenses/(returns)	<u>262,877</u>	<u>197,605</u>

In accordance with the Income Tax Law which is in appliance for the fiscal 2021 and 2020, 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.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

17. INCOME TAX (continued)

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

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

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

	in %	In thousands of Denars	in%	In thousands of Denars
	current year 2021		previous year 2020	
Profit/(loss) before taxation	100.00	2,728,833	100.00	2,177,457
Income tax as per applicable tax rate	-	272,883	-	217,746
Effects from different tax rates in other countries	-	-	-	-
Adjustments for previous years and changes in tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Expense unrecognized for tax purposes	0.45	12,186	0.56	12,089
Tax-exempted income	-	-	-	-
Tax exemptions unrecognized in income statement	-	-	-	-
Recognition of previous unrecognized tax losses	-	-	-	-
Benefits from previously unrecognized tax losses, tax loans or temporary differences from previous years	-	-	-	-
Changes of deferred tax	-	-	-	-
Other	(0.81)	(22,192)	(1.48)	(32,230)
Total expenses/(return) on income tax		262,877		197,605
Average effective tax rate	9.63		9.08	

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

17. INCOME TAX (continued)

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

	In thousands of Denars					
	Current year 2021			Previous year 2020		
	Before taxation	Expenditure/ return of income tax	Less Income tax	Before taxation	Expenditure/ return of income tax	Less Income tax
Revaluated reserve for assets available for sale	-	-	-	-	-	-
Reserve for instruments for protection against the cash flow risk	-	-	-	-	-	-
Reserve for instruments for protection against the risk of net investments in foreign operations	-	-	-	-	-	-
Reserve of foreign exchange differences from investments in foreign operations	-	-	-	-	-	-
Share in other gains / (losses) of affiliates companies that are not shown in the Income Statement	-	-	-	-	-	-
Other gains / (losses) not shown in the Income Statement	-	-	-	-	-	-
Total other gains / (losses) in the period that are not shown in the Income Statement	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

18. CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	Current year 2021	Previous year 2020
Cash on hand	1,830,600	1,594,826
Accounts and deposits with Central Bank, besides mandatory FC reserves	6,171,463	4,772,382
Current accounts and transaction deposits with foreign banks	4,581,124	3,177,648
Current accounts and transaction deposits with local banks	-	33
Treasury bills that may be traded in the secondary market	1,838,306	1,889,242
Government bills that may be traded in the secondary market	-	-
Time deposits up to 3 months	2,628,915	2,267,829
Other short-term highly liquid assets	326	301
Receivables based on interest (allowance for impairment loss)	186	311
	(49)	(1,002)
Included in cash and cash equivalents for the needs of the Statement on cash flows	17,050,871	13,701,570
Mandatory FC deposits	3,515,576	3,395,554
Restricted deposits (allowance for impairment loss)	301,350	279,481
	-	-
Total	20,867,797	17,376,605

	In thousands of Denars							
	Current year 2021				Previous year 2020			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	-	-	1,002	1,002	85	-	1,667	1,752
Impairment for the year								
additional impairment	-	-	2,192	2,192	-	-	5,824	5,824
(release for impairment)	-	-	(3,145)	(3,145)	(85)	-	(6,489)	(6,574)
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	-	-	49	49	-	-	1,002	1,002

Level of mandatory reserve obligation in foreign currency is determined in the amount of 3,515,576 thousands of Denars (2020: 3,395,554 thousands of Denars) and it represents the prescribed amount of deposits allocated in accordance with the Decision on mandatory reserves with Central Bank. The mandatory reserves in foreign currency are based on the average amount of deposits in foreign currencies existing during one calendar month. The reserve requirement in foreign currencies for 2021 and 2020 are subject to negative interest rate charge imposed by the Central Bank.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

18. CASH AND CASH EQUIVALENTS (continued)

The accounts and deposits with Central Bank, except for the mandatory deposits in foreign currency in the amount of 6,171,463 thousands of Denars (2020: 4,772,382 thousands of Denars), represent mandatory reserve in Denars. The mandatory reserves in Denars in 2021 and 2020 do not bear an interest.

Treasury bills that can be traded at the secondary market in the amount of 1,838,306 thousands of Denars (2020: 1,889,242 thousands of Denars) have been purchased from Central Bank with maturity period of 28 - 35 days. The interest rates on these bills were moving in the range of 1,50%-1,25% on primary market (2020: 2.25 – 1.50% p.a).

19. TRADING ASSETS

A Structure of trading assets by type of financial instrument

	In thousands of Denars	
	Current year 2021	Previous year 2020
<i>Trading securities</i>		
<i>Debt securities for trading</i>		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Equity instruments for trading</i>		
Equity instruments issued by banks	1,999	2,698
Other equity instruments	-	-
	1,999	2,698
Quoted	1,999	2,698
Unquoted	-	-
<i>Trading derivatives</i>		
Agreements dependant on interest rate change	-	-
Agreements dependant on exchange rate change	-	-
Agreements dependant on changes in price of securities	-	-
Other agreements that meet the IFRS criteria	-	-
	-	-
<i>Loans and placements</i>		
Placements with and loans to banks	-	-
Placements with and loans to customers	-	-
	-	-
Total trading assets	1,999	2,698

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

19. TRADING ASSETS (continued)

B. Reclassified trading assets

B.1 Balance of the reclassified trading assets

	In thousands of Denars				
	Reclassified amount (on the date of reclassification)	Current year, 2021		Previous year, 2020	
		Book amount on 31.12.2021	Fair value on 31.12.2021	Book amount on 31.12.2020	Fair value on 31.12.2020
Trading assets, reclassified in 31.12.2021 (current period) in:					
- financial assets available-for-sale	-	-	-	-	-
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-
Trading assets, reclassified in 31.12.2020 (previous year) in:					
- financial assets available-for-sale	-	-	-	-	-
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

19. TRADING ASSETS (continued)

B. Reclassified trading assets (continued)

B.2 Profit and loss from reclassified trading assets

	In thousands of Denars					
	Reclassified in 2021 (Current period)		Reclassified in 2020 (previous period)			
	Income Statement 2021 (Current period)	Other profit /(loss) 2021 (Current period)	Income Statement 2021 (Current period)	Other profit /(loss) 2021 (Current period)	Income Statement 2020 (Previous period)	Other profit /(loss) 2020 (Previous period)
Period before reclassification						
Trading assets, reclassified in financial assets available-for-sale						
- Net income from trading	-	-	-	-	-	-
Trading assets, reclassified in loans and receivables from banks	-	-	-	-	-	-
- Net income from trading	-	-	-	-	-	-
Trading assets, reclassified in loans and receivables from other customers	-	-	-	-	-	-
- Net income from trading	-	-	-	-	-	-
Period after reclassification						
Trading assets, reclassified in financial assets available-for-sale						
- Interest income	-	-	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-	-	-
- changes in the fair value on net basis	-	-	-	-	-	-
Trading assets, reclassified in loans and receivables from banks						
- Interest income	-	-	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-	-	-
Trading assets, reclassified in loans and receivables from other customers						
- Interest income	-	-	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

19. TRADING ASSETS (continued)

B. Reclassified trading assets (continued)

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

	In thousands of Denars		
	Reclassified during 2020 (previous period)		
	Reclassified in 2021 (Current period)	Reclassified during 2020 (previous period)	
	Income Statement 2021 (Current period)	Income Statement 2021 (Current period)	Income Statement 2020 (Previous period)
Trading assets, reclassified in financial assets available-for-sale			
- Net income from trading	-	-	-
Trading assets, reclassified in loans and receivables from banks			
- Net income from trading	-	-	-
Trading assets, reclassified in loans and receivables from other customers			
- Net income from trading	-	-	-

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

	In thousands of Denars	
	Current year 2021	Previous year 2020
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Equity instruments</i>		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Placements with and loans to banks	-	-
Placements with and loans to other clients	-	-
Total financial assets at fair value through the income statement determined as such at initial recognition	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

21. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

		Current year 2021		In thousands of Denars Previous year 2020	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A.	Derivatives for protection against risk/Derivatives held for risk management				
A.1	<i>by type of variable</i>				
	Derivatives held for risk management				
	Agreements dependant on interest rate change	-	-	-	-
	Agreements dependant on exchange rate change	-	-	-	-
	Agreements dependant on changes in price of securities	-	-	-	-
	Other agreements that meet the IFRS 9 criteria	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
A.2	<i>by type of protection against risk</i>				
	Protection against risk to fair value	-	-	-	-
	Protection against risk to cash flows	-	-	-	-
	Protection against risk to net investment in international operations	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
B.	Inherent derivatives				
	Agreements dependant on interest rate change	-	-	-	-
	Agreements dependant on exchange rate change	-	-	-	-
	Agreements dependant on changes in price of securities	-	-	-	-
	Other agreements that meet the IFRS 9 criteria	-	-	-	-
	Total inherent derivatives	-	-	-	-
	Total derivatives held for risk management	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

22. LOANS AND PLACEMENTS

22.1 PLACEMENTS WITH AND LOANS TO BANKS

	Current year 2021		In thousands of Denars Previous year 2020	
	short-term	long-term	short-term	long-term
Loans to banks				
domestic banks	-	-	-	-
foreign banks	18,637	-	18,009	-
Time deposits at maturity period of				
over 3 months				
domestic banks	-	-	-	-
foreign banks	-	269,256	-	215,678
Repo				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Other receivables				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Receivables based on interests	-	-	-	-
Current maturity	-	-	-	-
Total placements with and loans to banks before allowance for impairment	18,637	269,256	18,009	215,678
(Allowance for impairment)	(9,775)	-	(9,494)	-
Total placements with and loans to banks less allowance for impairment	8,862	269,256	8,515	215,678

	In thousands of Denars							
	Current year 2021				Previous year 2020			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1 st	-	-	9,494	9,494	-	-	9,659	9,659
Impairment for the year								
additional impairment	-	-	484	484	-	-	539	539
(release for impairment)	-	-	(203)	(203)	-	-	(704)	(704)
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	-	-	9,775	9,775	-	-	9,494	9,494

Part of loans and advances with banks amounting to 19,005 thousands of Denars (2020: 18,486 thousands of Denars) are limited and represent funds with banks in Republic of Serbia, for which bankruptcy proceedings were initiated in January 2002 (Note 34.1).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

22. LOANS AND PLACEMENTS (continued)

22.1 PLACEMENTS WITH AND LOANS TO BANKS (continued)

Part of facilities with foreign banks are as well the restricted accounts totalling 269,256 thousands of Denars (2020: 215,678 thousands of Denars), which represent deposits with United Overseas Bank Limited Singapore and HSBC Bank PLC London, Great Britain, as collateral for VISA and Master credit card transactions. These funds are not available in Bank's daily operations.

22.2 PLACEMENTS WITH AND LOANS TO CUSTOMERS

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

	Current year 2021		In thousands of Denars Previous year 2020	
	short-term	long-term	short-term	long-term
Non-finance companies				
receivables upon principal	11,087,726	17,096,972	9,706,631	14,484,290
interest receivables	50,337	-	100,565	-
Government				
receivables upon principal	-	-	-	562
interest receivables	-	-	3	-
Non-profit institutions that serve households				
receivables upon principal	21	21,616	-	8,064
interest receivables	19	-	22	-
Financial companies, besides banks				
receivables upon principal	-	43,641	268	43,108
interest receivables	101	-	105	-
Households				
receivables upon principal				
housing loans	139,831	13,326,699	144,028	11,652,368
consumer loans	1,171,744	31,032,962	752,684	28,947,134
auto loans	1,113	19,648	58	24,636
mortgage loans	-	-	-	-
credit cards	211,909	4,412,751	146,481	5,355,268
other loans	108,696	1,390,567	134,576	1,428,823
interest receivables	581,560	-	847,197	-
Non-residents, besides banks				
receivables upon principal	51	1,181	1,030	807
interest receivables	8	-	4	-
Current maturity	11,505,794	(11,505,794)	11,272,617	(11,272,617)
Total placements with and loans to customers before allowance for impairment	24,858,910	55,840,243	23,106,269	50,672,443
(Allowance for impairment)	(334,753)	(2,327,312)	(2,409,949)	(368,792)
Total placements with and loans to customers less allowance for impairment	24,524,157	53,512,931	20,696,320	50,303,651

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

22. LOANS AND PLACEMENTS (continued)

22.2 PLACEMENTS WITH AND LOANS TO CUSTOMERS (continued)

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

	In thousands of Denars							
	Current year 2021				Previous year 2020			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	144,044	386,289	2,248,408	2,778,741	110,470	378,418	1,987,695	2,476,583
Impairment for the year								
additional impairment	52,235	510,927	922,133	1,485,295	34,551	134,192	985,312	1,154,055
(release for impairment)	(200,363)	(120,955)	(418,439)	(739,757)	(55,451)	(65,848)	(88,990)	(210,289)
Transfer to:								
- impairment for Group 1	180,103	(162,303)	(17,800)	-	70,844	(67,378)	(3,466)	-
- impairment for Group 2	(6,066)	21,833	(15,766)	-	(15,711)	34,367	(18,656)	-
- impairment for Group 3	(1,041)	(159,964)	161,004	-	(659)	(27,462)	28,121	-
(Foreclosed assets taken on the basis of outstanding claims)	-	-	(3)	(3)	-	-	-	-
Effect of exchange rate differences								
(Written off claims)	-	-	(862,211)	(862,211)	-	-	(641,608)	(641,608)
As of December 31	168,912	475,827	2,017,326	2,662,065	144,044	386,289	2,248,408	2,778,741

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

22. LOANS AND PLACEMENTS (continued)

22.2 PLACEMENTS WITH AND LOANS TO CUSTOMERS (continued)

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

	In thousands of Denars	
	Current year 2021	Previous year 2020
<i>(current carrying amount of placements and loans)</i>		
First-class security instruments:	-	-
cash deposits (in depot and/or restricted in accounts with the Bank)	1,263,425	1,475,233
government securities	-	-
government unconditional guarantees	462,249	588,957
bank guarantees	247,325	252,388
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except for bank and insurance company guarantees)	761,143	317,018
Guarantees from individuals	-	-
Property pledge:		
private property (flats, houses)	20,095,639	18,240,761
commercial property	14,810,720	13,366,136
Pledge over movables	2,201,357	1,545,776
Other types of collateral	1,494,544	1,117,023
Unsecured	36,700,685	34,096,679
Total placements with and loans to customers less allowance for impairment	78,037,087	70,999,971

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

23. INVESTMENTS IN SECURITIES

23.1 INVESTMENT IN FINANCIAL ASSETS AVAILABLE-FOR-SALE

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

	In thousands of Denars	
	As at 2021	As at 2020
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	2,058,619	2,211,613
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	<u>2,058,619</u>	<u>2,211,613</u>
Quoted	2,058,619	2,211,613
Unquoted	-	-
<i>Equity instruments</i>		
Equity instruments issued by banks	-	-
Other equity instruments	85,212	81,246
	<u>85,212</u>	<u>81,246</u>
Quoted	60,804	56,838
Unquoted	24,408	24,408
Total investment in financial instruments available for sale	<u>2,143,831</u>	<u>2,292,859</u>

	In thousands of Denars							
	Current year 2021				Previous year 2020			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	-	-	-	-	-	-	-	-
Impairment for the year								
additional impairment	-	-	-	-	-	-	-	-
(release for impairment)	-	-	-	-	-	-	-	-
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets taken on the basis of outstanding claims)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

23. INVESTMENTS IN SECURITIES (continued)

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

B. Reclassified financial assets available-for-sale

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

	Reclassified amount (on the date of reclassification)	Current year 2021		In thousands of Denars Previous year 2020	
		Book value on 31.12.2021	Fair value on 31.12.2021	Book value on 31.12.2020	Fair value on 31.12.2020
Assets available-for-sale reclassified in 2021 (current period) in:					
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-
Assets available-for-sale reclassified in 2020 (previous year) in:					
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-

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

	Income Statement		In thousands of Denars	
	2021	Other profit /(loss) 2021	Income Statement 2020	Other profit /(loss) 2020
Period before reclassification				
Assets available-for-sale reclassified in loans and receivables from banks				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- changes in the fair value on net basis	-	-	-	-
Assets available-for-sale reclassified in loans and receivables from other customers				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- changes in the fair value on net basis	-	-	-	-
Period after reclassification				
Assets available-for-sale reclassified in loans and receivables from banks				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- amount reposted from Revaluation reserves	-	-	-	-
Assets available-for-sale reclassified in loans and receivables from other customers				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- amount reposted from Revaluation reserves	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

23. INVESTMENT IN SECURITIES (continued)

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

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

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

	In thousands of Denars			
	Income Statement 2021 (current period)	Other profit /(loss) 2021	Income Statement 2020 (previous period)	Other profit /(loss) 2020
Assets available-for-sale reclassified in loans and receivables from banks				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- change of the fair value on net-basis	-	-	-	-
Assets available-for-sale reclassified in loans and receivables from other customers				
- interest income	-	-	-	-
- impairment of financial assets on net basis	-	-	-	-
- change of the fair value on net-basis	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

23. INVESTMENT IN SECURITIES (continued)

23.2 INVESTMENT IN HOLD-TO-MATURITY SECURITIES

	In thousands of Denars	
	Current year 2021	Previous year 2020
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	3,095,888
Other instruments in the money market	-	-
Government bonds	10,153,836	9,324,903
Corporate bonds		
Other debt instruments		
	<u>10,153,836</u>	<u>12,420,791</u>
Quoted	-	-
Unquoted	-	-
<i>Total investment in financial instruments hold to maturity before allowance for impairment</i>	10,153,836	12,420,791
(Allowance for impairment)	-	-
Total investment in financial instruments hold to maturity reduced by the allowance for impairment	<u>10,153,836</u>	<u>12,420,791</u>

	In thousands of Denars							
	Current year 2021				Previous year 2020			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	-	-	-	-	-	-	-	-
Impairment for the year								
additional impairment	-	-	-	-	-	-	-	-
(release for impairment)	-	-	-	-	-	-	-	-
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

24. INVESTMENT IN ASSOCIATES

A. Bank's participation percentage in subsidiaries and associates

Name of subsidiaries and associates	Country	Share percentage in ownership		Percentage of voting share	
		Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
-	-	-	-	-	-

B. Financial data of associates – 100 %

Name of associates	Total assets	Total liabilities	Total equity and reserves	In thousands of Denars	
				Income	Profit/(loss) for the fin. year
As at 31.12.2021	-	-	-	-	-
As at 31.12.2020	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

25. OTHER RECEIVABLES

	In thousands of Denars	
	Current year 2021	Previous year 2020
Trade receivables	69,183	32,900
Prepaid expenses	5,456	20,375
Deferred income	-	-
Fees and commissions receivables	22,537	13,572
Receivables from the employees	3,703	3,798
Advances for intangible assets	-	-
Advances for property and equipment	3,094	-
Other:		
Materials in stocks	13,007	12,806
Numismatic collections	9,907	9,907
Receivables for disbursements to foreign VISA cards	166,806	116,994
Other	1,308,987	1,302,165
Total other receivables before allowance for impairment	1,602,680	1,512,517
(Allowance for impairment)	(40,262)	(29,186)
Total other receivables reduced for the allowance for impairment	1,562,418	1,483,331

In position other, the amount of Denar 1.305.178 thousand refers to pension for December 2021 prepaid from bank's funds (2020: Denar 1,284,012 thousand), offset by the Pension and disability insurance fund of North Macedonia on 5th of January 2022.

	In thousands of Denars							
	Current year 2021				Previous year 2020			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	5	199	28,982	29,186	5	199	31,881	32,085
Impairment for the year								
additional impairment	-	97	21,866	21,963	-	-	11,712	11,712
(release for impairment)	(1)	(158)	(1,160)	(1,319)	-	-	(3,279)	(3,279)
Transfer to:								
- impairment for Group 1	5	(5)	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	(26)	26	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	(9,568)	(9,568)	-	-	(11,332)	(11,332)
As of December 31	9	107	40,146	40,262	5	199	28,982	29,186

26. COLLATERALIZED ASSETS

	In thousands of Denars	
	Current year 2021	Previous year 2020
Debt securities	-	-
Equity instruments	-	-
Total collateralized assets	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

27. ASSETS ACQUIRED THROUGH FORECLOSURE PROCEEDINGS

	In thousands of Denars					
	Land	Buildings	Equipment	Residential facilities and apartments	Other valuables	Total
Cost						
Balance on 1 st January 2020	16,661	339,689	24,970	83,949	2,159	467,428
Assets acquired during the year	-	192,260	-	3,203	-	195,463
(Sold during the year)	-	(76,476)	-	(7,928)	-	(84,404)
(Transferred to own assets)						-
Balance on 31st December 2020	16,661	455,473	24,970	79,224	2,159	578,487
Balance on 1 st January 2021	16,661	455,473	24,970	79,224	2,159	578,487
Assets acquired during the year	1,377	8,091	9,774	6,413	-	25,655
(Sold during the year)	-	(124,767)	(1,234)	(13,823)	-	(139,824)
(Transferred to own assets)						-
Balance on 31st December 2021	18,038	338,797	33,510	71,814	2,159	464,318
Impairment						
Balance on 1 st January 2020	16,661	312,909	24,970	69,211	1,652	425,403
Impairment loss during the year	-	44,393	-	3,056	97	47,546
(Sold during the year)	-	(75,036)	-	(5,274)	-	(80,310)
(Transferred to own assets)						-
Balance on 31st December 2020	16,661	282,266	24,970	66,993	1,749	392,639
Balance on 1 st January 2021	16,661	282,266	24,970	66,993	1,749	392,639
Impairment loss during the year	493	5,690	2,799	4,437	77	13,496
(Sold during the year)	-	(60,075)	-	(8,790)	-	(68,865)
(Transferred to own assets)						-
Balance on 31st December 2021	17,154	227,881	27,769	62,640	1,826	337,270
Current carrying amount						
Balance on 1 st January 2020	-	26,780	-	14,738	507	42,025
Balance on 31st December 2020	-	173,207	-	12,231	410	185,848
Balance on 31st December 2021	884	110,916	5,741	9,174	333	127,048

Assets acquired on the basis of outstanding claims consist of assets that are not used in the regular operations of the Bank, except in rare cases when the Bank uses them for its own activities. During 01.01 – 31.12.2021, the Bank recorded impairment losses on these assets in the total amount of Denar 13,496 thousand (2020: Denar 47,546 thousand).

During this period, the Bank sold 26 assets (2020: 6 assets) in the amount of Denar 70,711 thousand (2020: Denar 4,094 thousand), and took over 7 objects (2020: 6 objects) with carrying value amount Denar 10,327 thousand (2020: Denar 156,007 thousand). The Bank has already undertaken activities for sale of the assets taken over in 2021, because it's general policy these assets to be sold within a period of 3 years.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

28. INTANGIBLE ASSETS

A. Reconciliation of the current book value

	In thousands of Denars					
	Internally developed software	Software bought from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in preparation	Investments in leased intangible assets
						Total
Cost						
Balance at 1 January 2020	-	832,765	-	-	8,756	-
increases through new purchases	-	43,844	-	-	-	-
increases through internal development	-	-	-	-	-	-
increases through business combinations	-	-	-	-	-	-
(disposals)	-	(339,233)	-	-	-	-
(sale through business combinations)	-	-	-	-	-	-
(transfer in non-current assets held for sale)	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-
Balance at 31 December 2020	-	537,376	-	-	8,756	-
Balance at 1 January 2021	-	537,376	-	-	8,756	-
increases through new purchases	-	35,127	-	-	-	-
increases through internal development	-	-	-	-	-	-
increases through business combinations	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-
(sale through business combinations)	-	-	-	-	-	-
(transfer in non-current assets held for sale)	-	-	-	-	(8,756)	-
Transfer from non-current assets held for sale	-	-	-	-	-	-
Balance at 31 December 2021	-	572,503	-	-	-	-
Amortization and impairment						
Balance at 1 January 2020	-	716,058	-	-	-	-
Amortization for the year	-	41,637	-	-	-	-
Impairment loss during the year	-	-	-	-	-	-
(release of the impairment loss during the year)	-	-	-	-	-	-
(disposals)	-	(339,233)	-	-	-	-
Balance at 31 December 2020	-	418,462	-	-	-	-
Balance at 1 January 2021	-	418,462	-	-	-	-
Amortization for the year	-	42,606	-	-	-	-
Impairment loss during the year	-	-	-	-	-	-
(release of the impairment loss during the year)	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-
Balance at 31 December 2021	-	461,068	-	-	-	-
Current book value at						
January 1, 2020	-	116,707	-	-	8,756	-
December 31, 2020	-	118,914	-	-	8,756	-
December 31, 2021	-	111,435	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

28. INTANGIBLE ASSETS (continued)

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

	In thousands of Denars					
	<u>Internally developed software</u>	<u>Software bought from external suppliers</u>	<u>Other internally developed intangible assets</u>	<u>Other intangibl e assets</u>	<u>Intangible assets in preparation</u>	<u>Investment s in leased intangible assets</u>
						<u>Total</u>
Current book value at						
December 31, 2020	-	-	-	-	-	-
December 31, 2021	-	-	-	-	-	-

On December 31, 2021 and 2020, the Bank has no intangible assets for which there is limitations of ownership and/or pledged as collateral for the liabilities to the Bank.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

29. PROPERTY AND EQUIPMENT

A. Reconciliation of the present carrying amount

In thousands of Denars

	Land	Building facilities	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investment in leased property and equipment	Total
Cost									
On 1 January 2020	-	1,268,860	5,896	924,711	59,083	23,186	19,903	173,374	2,475,013
Additions	-	41,411	-	45,486	2,754	-	6,900	636	97,187
Additions through business combinations (Disposals)	-	(30,886)	(2,339)	(32,655)	(378)	(726)	-	-	(66,984)
(entering through business combinations)	-	-	-	-	-	-	-	-	-
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	-	(12,381)	-	(12,381)
On December 31, 2020	-	1,279,385	3,557	937,542	61,459	22,460	14,422	174,010	2,492,835
On 1 January 2021	-	1,279,385	3,557	937,542	61,459	22,460	14,422	174,010	2,492,835
Additions	-	36,678	-	25,576	1,877	-	26,053	1,439	91,623
Additions through business combinations (Disposals)	-	-	-	(27)	-	-	-	(3,005)	(3,032)
(entering as expenditure through business combinations)	-	-	-	-	-	-	-	-	-
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	(75)	-	-	-	-	(20,546)	-	(20,621)
On December 31, 2021	-	1,315,988	3,557	963,091	63,336	22,460	19,929	172,444	2,560,805
Depreciation and impairment									
On 1 January 2020	-	603,291	5,844	828,685	40,391	12,859	-	136,312	1,627,382
Depreciation for the year	-	31,148	14	41,597	1,954	569	-	14,581	89,863
Impairment loss during the year (release of the impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposals)	-	(17,273)	(2,339)	(32,767)	(378)	(567)	-	-	(53,324)
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	-	-	-	-
On December 31, 2020	-	617,166	3,519	837,515	41,967	12,861	-	150,893	1,663,921
On 1 January 2021	-	617,166	3,519	837,515	41,967	12,861	-	150,893	1,663,921
Depreciation for the year	-	31,396	14	36,067	2,192	562	-	10,531	80,762
Impairment loss during the year (release of the impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposals)	-	-	-	(27)	-	-	-	(2,975)	(3,002)
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	(5)	-	-	-	-	-	-	(5)
On December 31, 2021	-	648,557	3,533	873,555	44,159	13,423	-	158,449	1,741,676
Current carrying amount									
On January 1, 2020	-	665,569	52	96,026	18,692	10,327	19,903	37,062	847,631
On December 31, 2020	-	662,219	38	100,027	19,492	9,599	14,422	23,117	828,914
On December 31, 2021	-	667,431	24	89,536	19,177	9,037	19,929	13,995	819,129

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

29. PROPERTY AND EQUIPMENT (continued)

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

In thousands of Denars								
							Investment in leased real estate and equipment	
	Land	Building facilities	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Real estate and equipment in progress	Total
Current carrying amount								
On December 31, 2020	-	-	-	-	-	-	-	-
On December 31, 2021	-	-	-	-	-	-	-	-

Building facilities of the Bank as of December 31, 2021 includes assets with a net book value of Denar 2,481 thousand (2020: Denar 2,638 thousand) for which the Bank does not have the relevant documents of ownership due to incomplete cadastral records.

30. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

30.1 Current tax assets and current tax liabilities

In thousands of Denars	
	Current year 2021
	Previous year 2020
Income tax receivable (current)	-
Income tax payable (current)	72,595

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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

30.2 Deferred tax assets and deferred tax liabilities

A. Recognized deferred tax assets and deferred tax liabilities

	31 December 2021			In thousands of Denars 31 December 2020		
	Deferred tax assets	Deferred tax liabilities	Net basis	Deferred tax assets	Deferred tax liabilities	Net basis
Derivative assets held for risk management	-	-	-	-	-	-
Loans to and receivables on banks	-	-	-	-	-	-
Loans to and receivables on other customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Real estate and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unused tax losses and unused tax loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Deferred tax assets / liabilities recognized in the income statement	-	-	-	-	-	-
Investments in financial assets available for sale	-	-	-	-	-	-
Hedging of cash flows	-	-	-	-	-	-
Deferred tax assets / liabilities recognized in the equity	-	-	-	-	-	-
Total recognized deferred tax assets / liabilities	-	-	-	-	-	-

B. Unrecognized deferred tax assets

	In thousands of Denars	
	Current year 2021	Previous year 2020
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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

30.2 Deferred tax assets and deferred tax liabilities (continued)

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

	Balance at January 1	Recognized in Income Statement	In thousands of Denars Recognized in equity	Balance at December 31
31 December 2020				
Derivative assets held for risk management	-	-	-	-
Placements with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and unutilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available-for-sale	-	-	-	-
Cash flow risk mitigation	-	-	-	-
Total recognized deferred tax assets/(liabilities)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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

30.2 Deferred tax assets and deferred tax liabilities (continued)

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

	Balance at January 1	Recognized in Income Statement	In thousands of Denars Recognized in equity	Balance at December 31
31 December 2021				
Derivative assets held for risk management	-	-	-	-
Placements with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and unutilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available-for-sale	-	-	-	-
Cash flow risk mitigation	-	-	-	-
Total recognized deferred tax assets/(liabilities)	-	-	-	-

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

A. Non-current assets held for sale

	In thousands of Denars Current year 2021	Previous year 2020
Intangible assets	-	-
Property and equipment	-	-
Total non-current assets held for sale	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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

B. Group for disposal

	In thousands of Denars	
	Current	Previous
	year	year
	2021	2020
<i>Group of assets for disposal</i>		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investments in associates	-	-
Income tax receivables	-	-
Other assets	-	-
Total group of assets for sale	-	-
<i>Liabilities directly related to the group of assets for disposal</i>		
Financial liabilities	-	-
Special reserve	-	-
Income tax payable	-	-
Other liabilities	-	-
Total liabilities directly related to the group of assets for disposal	-	-

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

	In thousands of Denars	
	Current	Previous
	year	year
	2021	2020
Profit/(loss) recognized from sale of held for sale assets and group for disposal	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

32. TRADING LIABILITIES

	In thousands of Denars	
	Current year 2021	Previous year 2020
<i>Deposits from banks</i>		
Current accounts, sight deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	<hr/>	<hr/>
<i>Deposits from other clients</i>	-	-
Current accounts, sight deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	<hr/>	<hr/>
<i>Issued debt securities</i>	-	-
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	<hr/>	<hr/>
<i>Other financial liabilities</i>	-	-
<i>Derivatives for trading</i>		
Agreements depending on the change of interest rate	-	-
Agreements depending on changes in the exchange rate	-	-
Agreements depending on the change of the price of securities	-	-
Other agreements that meet the criteria of IFRS 9	-	-
	<hr/>	<hr/>
Total liabilities held for trading	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

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

	Current year 2021		In thousands of Denars Previous year 2020	
	Current carrying amount	Agreed amount, payable at maturity	Current carrying amount	Agreed amount, payable at maturity
<i>Deposits from banks</i>				
Current accounts, sight deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Deposits from other clients</i>				
Current accounts, sight deposits and overnight deposits	-	-	-	-
Term deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Issued debt securities</i>				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
<i>Subordinated debt</i>	-	-	-	-
<i>Other liabilities</i>	-	-	-	-
Total financial liabilities at fair value via the Income Statement, determined as such at initial recognition	-	-	-	-

	In thousands of Denars							
	Current year 2021				Previous year 2020			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	-	-	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-	-	-
additional impairment	-	-	-	-	-	-	-	-
(release for impairment)	-	-	-	-	-	-	-	-
Transfer to:								
- impairment for Group 1	-	-	-	-	-	-	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	-	-	-	-	-	-	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	-	-	-	-	-	-
As of December 31	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

34. DEPOSITS

34.1 DEPOSITS FROM BANKS

	Current year 2021		In thousands of Denars Previous year 2020	
	short-term	long-term	short-term	long-term
Current accounts				
from domestic banks	10,275	-	4,938	-
from foreign banks	387	-	8,410	-
Demand deposits				
from domestic banks	-	-	-	-
from foreign banks	-	-	-	-
Time deposits				
from domestic banks	-	-	-	-
with foreign banks	1,395,661	-	205,965	-
Restricted deposits				
from domestic banks	-	-	-	-
from foreign banks	19,005	-	18,486	-
Other deposits				
from domestic banks	-	-	-	-
from foreign banks	-	-	-	-
Interest payable on deposits				
from domestic banks	-	-	-	-
from foreign banks	7	-	5	-
Current maturity	-	-	-	-
Total deposits from banks	1,425,335	-	237,804	-

The restricted deposits from foreign banks in the amount of Denar 19,005 thousand (2020: Denar 18,486 thousand) represent deposits from banks in Serbia who went into bankruptcy in January 2002 (Note 22.1).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

34. DEPOSITS (continued)

34.2 DEPOSITS FROM OTHER CLIENTS

	Current year 2021		In thousands of Denars Previous year 2020	
	short-term	long-term	short-term	long-term
Non-financial companies				
Current accounts	17,855,354	-	14,896,313	-
Demand deposits	138,837	-	73,807	-
Time deposits	822,413	835,163	1,437,052	855,524
Restricted deposits	333,025	511,193	418,273	693,823
Other deposits	10,261	-	8,508	-
Interest payable on deposits	12,372	-	12,832	-
	19,172,262	1,346,356	16,846,785	1,549,347
State				
Current accounts	160,341	-	195,479	-
Demand deposits	-	-	-	-
Time deposits	20,000	-	10,000	-
Restricted deposits	35	650	35	650
Other deposits	-	-	-	-
Interest payable on deposits	67	-	36	-
	180,443	650	205,550	650
Non-profit institutions serving the households				
Current accounts	644,528	-	566,025	-
Demand deposits	-	-	-	-
Time deposits	117,672	16,099	142,921	11,599
Restricted deposits	2,149	1,042	3,846	1,842
Other deposits	-	-	-	-
Interest payable on deposits	209	-	227	-
	764,558	17,141	713,019	13,441
Financial companies, except banks				
Current accounts	71,280	-	61,342	-
Demand deposits	-	-	-	-
Time deposits	192,000	776,814	68,000	864,856
Restricted deposits	7,457	1,672	7,567	32,089
Other deposits	-	-	-	-
Interest payable on deposits	15,124	-	21,062	-
	285,861	778,486	157,971	896,945
Households				
Current accounts	34,569,912	-	30,844,886	-
Demand deposits	132,965	-	37,578	-
Time deposits	13,800,954	15,144,634	15,485,375	16,816,992
Restricted deposits	1,649,648	491,736	1,572,553	645,572
Other deposits	-	-	-	-
Interest payable on deposits	47,855	-	59,742	-
	50,201,334	15,636,370	48,000,134	17,462,564
Non-residents, except banks				
Current accounts	988,771	-	439,491	-
Demand deposits	765	-	452	-
Time deposits	111,472	142,317	122,485	177,070
Restricted deposits	46,018	455	36,132	385
Other deposits	-	-	-	-
Interest payable on deposits	180	-	256	-
	1,147,206	142,772	598,816	177,455
Current maturity	9,756,013	(9,756,013)	10,181,565	(10,181,565)
Total deposits from other clients	81,507,677	8,165,762	76,703,840	9,918,837

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

35. ISSUED DEBT SECURITIES

	In thousands of Denars	
	Current	Previous
	year	year
	2021	2020
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payable on deposits	-	-
Total issued debt securities	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

36. BORROWINGS

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

	Current year 2021		In thousands of Denars Previous year 2020	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Loans payable	-	1,686,270	-	529,468
Repo-transactions	-	-	-	-
Interest payable	28	-	72	-
Non-residents				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Government				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Non-profit institutions serving to households				
Loans payable	-	-	-	-
Interest payable	-	-	-	-
Financial companies, except banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Non-residents, except banks				
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Government				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Non-profit institutions serving to households				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Financial companies, except banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payable	-	-	-	-
Households				
Loans payable	-	-	-	-
Interest payable	-	-	-	-
Current maturity	156,512	(156,512)	-	-
Total loans payable	156,540	1,529,758	72	529,468

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

36. BORROWINGS (continued)

B. Borrowings according to the creditor

	Current year 2021		In thousands of Denars Previous year 2020	
	short-term	long-term	short-term	long-term
<i>Domestic sources:</i>				
Asset Management Agency - long-term loans amounting to Denar nil (2020: Denar 149,399 thousand)	-	-	-	-
Development Bank of North Macedonia Matures in 2024 and interest rate is equal to 1.0% p.a. annually (2020: 1% p.a.)	28	12,908	72	33,832
Development Bank of North Macedonia Matures in 2031 and interest rate is equal to 0% p.a. annually (2020: 0% p.a.)	- 28	1,673,362 1,686,270	- 72	495,636 529,468
<i>Foreign sources</i>				
Other banks	-	-	-	-
Current maturities	156,512	(156,512)	-	-
Total loans payable	156,540	1,529,758	72	529,468

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

37. SUBORDINATED DEBT

			In thousands of Denars	
			Current year	Previous year
	<u>Maturity</u>	<u>Interest rate</u>	<u>2021</u>	<u>2020</u>
<i>Liabilities under subordinated deposits</i>				
Principal payables			-	-
Interest payables			-	-
			-	-
<i>Liabilities under subordinated loans</i>				
			-	-
			-	-
Interest payables			-	-
			-	-
<i>Liabilities under subordinated issued debt securities</i>				
Principal payables			-	-
Interest payables			-	-
			-	-
Redeemable preferred shares			-	-
			-	-
Total subordinated debt			-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

38. SPECIAL RESERVE AND PROVISIONS

In thousands of Denars

	Special reserves for off- balance sheet credit exposures	Provisions for contingent liabilities based on court disputes	Provisions for pensions and other employees benefits	Provisions for restructuri ng	Provisions for unfavoura ble agreement s	Other provisions	Total
Balance as at January 1, 2020	33,967	10,031	35,920	-	-	-	79,918
additional provisions during the year	31,358	1,112	8,571	-	-	-	41,041
(utilized provisions during the period)	-	-	(2,657)	-	-	-	(2,657)
(provisions recovery during the period)	(19,923)	(752)	-	-	-	-	(20,675)
Balance as at December 31, 2020	45,402	10,391	41,834	-	-	-	97,627
Balance as at January 1, 2021	45,402	10,391	41,834	-	-	-	97,627
additional provisions during the year	51,367	601	3,886	-	-	-	55,854
(utilized provisions during the period)	-	(52)	(370)	-	-	-	(422)
(provisions recovery during the period)	(44,461)	(247)	(920)	-	-	-	(45,628)
Balance as at December 31, 2021	52,308	10,693	44,430	-	-	-	107,431

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

The basic used actuarial assumptions are as following:

	<u>2021</u>	<u>2020</u>
Interest rate	2,20%	2,20%
Average salary increase	4,00%	4,00%
Inflation rate	2,00%	2,00%

Mortality rate:

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

39. OTHER LIABILITIES

	In thousands of Denars	
	Current year 2021	Previous year 2020
Trade payables	4,892	13,675
Received advances	-	-
Fees and commissions liabilities	150	207
Accrued expenses	137,676	97,382
Deferred income from previous year	190,036	135,684
Short-term liabilities to employees	-	-
Short-term liabilities for employees benefits	-	-
Other:		
Preferred cumulative shares	90,978	90,978
Liabilities for dividend on preferred shares	2,110	2,509
Disputed VISA cards transactions	1,858	4,573
Unallocated inflows upon deposits and other inflows	771,792	637,496
Obligations to merchants for outstanding payments on credit cards	13,515	15,236
Overpaid fees of credit cards	33,110	28,721
Commitments for closing current accounts - bankruptcy	16,480	14,618
Obligations for settlement with VISA	1,721	1,812
Premature repayment of loans and other liabilities	80,944	96,848
Total other liabilities	1,345,262	1,139,739

As at December 31, 2021 the Bank has 227,444 non-redeemable cumulative preferred shares with a nominal value of Denar 400 (2020: Denar 400).

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

In 2021, the Bank calculated an amount of Denar 1,285 thousand for dividends to the holders of the non-redeemable cumulative preferred shares for 2021 (2020: Denar 1,365 thousand). For explanation of the litigation related to the preferred shares see note 42.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

40. SUBSCRIBED CAPITAL

A. Subscribed capital

	In Denars		Number of issued shares				In thousands of Denars	
	Share nominal value		Common shares		Non-redeemable preferred shares		Total subscribed capital	
	Common shares	Non-redeemable preferred shares	Current year 2021	Previous Year 2020	Current year 2021	Previous Year 2020	Current year 2021	Previous Year 2020
Balance as at 1 January – paid in full	201,1	400	17,460,180	17,460,180	227,444	227,444	3,602,220	3,602,220
Subscribed shares during the year	-	-	-	-	-	-	-	-
Realization of stock options	-	-	-	-	-	-	-	-
Division/accumulation of share nominal value	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
Balance as at 31 December – paid in full			<u>17,460,180</u>	<u>17,460,180</u>	<u>227,444</u>	<u>227,444</u>	<u>3,602,220</u>	<u>3,602,220</u>

The preferred shares presented in the table above are listed as cumulative preferred shares in the shareholder book of Stopanska Banka AD Skopje which is maintained in the Central Securities Depository. Based on the information disclosed in Note 39, the preferred shares are recorded in accordance with the Bank's accounting policy disclosed in the Note, Introduction, c) Significant accounting policies, Other liabilities. In line with the accounting policy out of the total amount of 3,602,220 MKD thousands, presented as subscribed capital in the table above an amount of MKD 3,511,242 thousands is presented as subscribed capital and MKD 90,978 thousands is presented as Other liabilities.

B. Dividends

B.1 Announced dividends and paid dividends by the Bank

	In thousands of Denars	
	Current year 2021	Previous year 2020
Announced and paid dividends for the year	<u>1,404</u>	<u>1,531</u>

Paid dividends in 2021 in the amount of Denar 1,404 thousand (2020: Denar 1,531 thousand) including gross dividend for the holders of the preferred shares. Information about calculated dividend of preferred shares is presented in Note 39.

	Current Year 2021	In MKD Previous year 2020
Dividend per ordinary share	0.00	0.00
Advance of dividend per ordinary share	0.00	0.00
Dividend per preferred share	6.00	7.00
Advance of dividend per preferred share	0.00	0.00

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

40. SUBSCRIBED CAPITAL(continued)

B. Dividend (continued)

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

	In thousands of Denars	
	Current year 2021	Previous year 2020
Announced dividends after December 31	-	-

	Current year 2021	In Denars Previous year 2020
Dividend per ordinary share	-	-
Dividend per preferred share	-	-

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

The structure of shareholders whose stake exceeds 5% of the issued voting shares on December 31, 2021 and December 31, 2020 was officially announced and accepted by the Central Securities Depository of the RNM, as follows:

	In thousands of Denars		In %	
	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Shareholder	Subscribed capital (nominal value)	Subscribed capital (nominal value)	Voting right	Voting right
National Bank of Greece	3,323,094	3,323,094	94.64%	94.64%
Other	188,148	188,148	5.36%	5.36%
Total	3,511,242	3,511,242	100.00%	100.00%

The share capital of the Bank as at December 31, 2021 consists of 17,460,180 fully paid up ordinary shares with a nominal value of Denar 201.1.

The holders of ordinary shares are entitled to dividends when it will be released and have the right to one vote in the Shareholders Assembly of the Bank for the equivalent of one ordinary share, as well as the right to participate equally in the distribution of the rest of the bankruptcy or liquidation equity of the Bank.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

40. SUBSCRIBED CAPITAL(continued)

Retained earnings

Retained earnings includes undistributed profits from current and previous periods. The Banks General Assembly was held on 29.06.2021. The decision was made for distribution of the earnings from 2020 in the total amount of Denar 1,979,852 thousand as earnings for investments restricted for distribution in the amount of Denar 1,045,500 thousand and earnings for investments in the amount of 934.352. On this assembly, decision was also made to redistribute the unused earnings for investments from 2019 in the amount of Denar 1,582,792 thousand as earnings available for distribution to the shareholders.

Revaluation reserve for available-for-sale assets

These revaluation reserves consist of unrealized gains and losses arising from changes in fair value of investment in securities available for sale until they are sold or it is determined that they are impaired. In the equity securities through their derecognition, the Bank will be rewriting the amount of the revaluation reserves to the Accumulated / Retained earnings position.

Revaluation reserve for foreclosed assets

These revaluation reserves consist of the difference between derecognized impairment of the loan that is recovered with the foreclosed asset and the amount of impairment loss that is being recognized on the date of asset forecloser (20% of the initial value of the foreclosed asset).

Other revaluation reserves

These revaluation reserves, according IAS19, consist of changes resulting from remeasurments (comprising actuarial gains and losses) and the return on plan assets (excluding interest) that are recognized immediately in OCI, with no subsequent recycling to profit and loss.

Statutory reserves

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

Other reserves

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

41. EARNINGS PER SHARE

A. Basic earnings per share

	In thousands of Denars	
	Current year 2021	Previous year 2020
<i>Net profit attributable to ordinary shareholders</i>		
Net profit for the year	2,465,956	1,979,852
Dividend on non-redeemable preferred shares		-
Adjustments to the net profit attributable to ordinary shareholders	2,465,956	1,979,852
Net profit attributable to ordinary shareholders	2,465,956	1,979,852
	Number of shares	
	Current year 2021	Previous year 2020
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares at 1 January	17,460,180	17,460,180
Effects of changes in the number of ordinary shares during the year	-	-
Weighted average number of ordinary shares at 31 December	17,460,180	17,460,180
Basic earnings per share (in MKD)	141.23	113.40

B. Diluted earnings per share

	In thousands of Denars	
	Current year 2021	Previous year 2020
<i>Net gains to which the holders of common shares are entitled (diluted)</i>		
Net gains for the year to which the holders of common shares are entitled	2,465,956	1,979,852
Adjustment of net gains to which the holders of common shares are entitled for the effects on all issued potential common shares	-	-
Net gains to which the holders of common shares are entitled (diluted)	2,465,956	1,979,852

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

41. EARNINGS PER SHARE (continued)

B. Diluted earnings per share (continued)

	Number of shares	
	Current year 2021	Previous year 2020
<i>Weighted average number of common shares (diluted)</i>		
Common shares issued on 1 January	17,460,180	17,460,180
Effects from issuance of potential common shares	-	-
Weighted average number of common shares (diluted) on 31 December	17,460,180	17,460,180
Diluted earnings per share (in MKD)	141.23	113.40

42. COMMITMENTS AND CONTINGENCIES

42.1 COMMITMENTS

	In thousands of Denars	
	Current year 2021	Previous year 2020
Uncovered payment guarantees		
in MKD	1,099,582	1,113,069
in foreign currency	252,403	458,167
in MKD with FC Clause	18,926	12,114
Uncovered performance guarantees		
in MKD	597,443	573,481
in foreign currency	34,905	40,311
in MKD with FC Clause	1,036,358	1,150,839
Uncovered letters of credit		
in MKD	-	-
in foreign currency	810,449	375,696
in MKD with FC Clause	-	-
Unutilized overdrafts under current accounts	1,838,161	1,922,885
Unutilized limits under credit cards	5,403,380	5,535,483
Taken liabilities for financing and unutilized credit limits	6,125,889	4,271,743
Other uncovered contingent liabilities	21,655	2,776
Issued covered letters of guarantee	340,709	253,258
Covered letters of credit	9,727	9,046
Other covered contingent liabilities	-	-
Total contingent liabilities before special reserve	17,589,587	15,718,868
(Provisions)	(52,308)	(45,402)
Total contingent liabilities reduced by special Reserve	17,537,279	15,673,466

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

42. COMMITMENTS AND CONTINGENCIES (continued)

42.1 COMMITMENTS (continued)

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

From the total potential liabilities on the basis of covered and uncovered guarantees issued with maturity up to one year in the amount of Denar 1,518,300 thousand (2020: Denar 2,141,925 thousand). The covered and non-covered letters of credit are with maturity of up to 1 year (2020: 1 year). The unused overdrafts on current accounts are short-term overdrafts. Contingent liabilities in respect of unused overdrafts on current accounts and unused limits on credit cards are unsecured and are revocable in the event of deterioration of the creditworthiness of the debtor. The interest rates on current accounts and credit cards in 2021 are ranged from 3.75% to 9.50% (2020 4.90% to 10.25%). Contingent liabilities of the Bank towards legal entities on the basis of guarantees and letters of credit are irrevocable, and unused credit limits granted to legal entities are subject to annual revision. Apart from the covered guarantees and letters of credit that are secured by deposit, the remaining uncovered guarantees and letters of credit, and unused credit limits granted to legal entities are secured by real estate mortgage, pledge on movable property, guarantees, etc.

Litigation

The Bank is involved in litigation from its regular operations. The provision of litigation cases against the Bank as of December 31, 2021, 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 10,693 thousand (2020: Denar 10,391 thousand). This amount includes the penalty interests, and other court expenses as well. Accordingly, during 2021, the Bank made additional provisions for litigations in the amount of Denar 601 thousand (2020: Denar 1,112 thousand). See note 38.

In reference to the three court proceedings initiated during 2019 by the holders of preferred shares against Stopanska banka – AD Skopje, in each of the court cases the lawsuits have been rejected as legally groundless. In that respect, one court case has been finalized in favor of the Bank in all court instances and in the other two cases the first instance court has ruled in favor of the Bank. All the facts and evidence show that it can be reasonably expected the higher courts to reject all legal remedies submitted by the holders of preferred shares and to confirm the verdicts of first instance where it is stated that the Bank acts fully in compliance with the laws, its Statute and the Decisions on issuance of shares and that the priority shares are only cumulative without voting right, as registered in the Central Securities Depository. The Bank does not expect any material impact on the financial statements and its operations

42.2 CONTINGENCIES

	In thousands of Denars	
	Current	Previous
	year	year
	2021	2020
	-	-
Total contingent assets	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

43. OPERATIONS ON BEHALF AND FOR ACCOUNT OF THIRD PARTIES

	Current year 2021			In thousands of Denars Previous year 2020		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
<i>Administration of assets on behalf and for account of third parties</i>						
MKD deposits	-	-	-	-	-	-
FC deposits	-	-	-	-	-	-
MKD loans	264,792	264,740	52	266,551	266,499	52
FC loans	117,967	117,967	-	128,998	128,998	-
Other MKD receivables	1,337,121	1,337,121	-	1,200,403	1,200,403	-
Other FC receivables	425,214	425,214	-	411,667	411,667	-
<i>Asset management on behalf and for account of third parties</i>						
MKD deposits	-	-	-	-	-	-
FC deposits	-	-	-	-	-	-
MKD loans	-	-	-	-	-	-
FC loans	-	-	-	-	-	-
Other MKD claims	-	-	-	-	-	-
Other FC claims	-	-	-	-	-	-
<i>Custody accounts</i>	19,943	19,943	-	19,832	19,832	-
<i>Other</i>			-	-	-	-
Total	2,165,037	2,164,985	52	2,027,451	2,027,399	52

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

44. RELATED PARTY TRANSACTIONS

A. Balance Sheet

	In thousands of Denars				
	Parent company	Subsidiaries	Associates	Management personnel of the Bank	Other related parties
					Total
31 December 2021					
Assets					
Current accounts	9,372	-	-	-	9,372
Trading assets	-	-	-	-	-
Loans and receivables	-	-	-	-	-
mortgage loans	-	-	-	875	2,789
consumer loans	-	-	-	69	979
receivables under financial leasing	-	-	-	-	-
receivables under factoring and forfeiting	-	-	-	-	-
other loans and receivables	-	-	-	-	-
Investments in securities	-	-	-	-	-
(Allowance for impairment)	-	-	-	-	-
Other assets	-	-	-	-	-
Total	9,372	-	-	944	13,140
Liabilities					
Trading liabilities	-	-	-	-	-
Deposits	1,232,543	-	-	55,090	1,461,623
Issued securities	-	-	-	-	-
Borrowings liabilities	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	55,289	-	-	1	55,290
Total	1,287,832	-	-	55,091	1,516,913
Contingent liabilities					
Issued letters of guarantee	-	-	-	-	-
Issued letters of credit	-	-	-	-	-
Other contingent liabilities (Special reserve)	-	-	-	-	-
Total	-	-	-	-	-
Contingent assets					
Received letters of guarantee	-	-	-	-	-
Other contingent assets	-	-	-	-	-
Total	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

44. RELATED PARTY TRANSACTIONS (continued)

A. Balance Sheet (continued)

	In thousands of Denars					
	Parent company	Subsidiari es	Associates	Managem ent personnel of the Bank	Other related parties	Total
31 December 2020						
Assets						
Current accounts	2,124	-	-	-	-	2,124
Trading assets	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-
mortgage loans	-	-	-	-	2,222	2,222
consumer loans	-	-	-	1,285	578	1,863
receivables under financial leasing	-	-	-	-	-	-
receivables under factoring and forfeiting	-	-	-	-	-	-
other loans and receivables	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
(Allowance for impairment)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total	2,124	-	-	1,285	2,800	6,209
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	3	-	-	50,461	205,970	256,434
Issued securities	-	-	-	-	-	-
Borrowings liabilities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	57,014	-	-	-	-	57,014
Total	57,017	-	-	50,461	205,970	313,448
Contingent liabilities						
Issued letters of guarantee	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities (Special reserve)	-	-	-	-	-	-
Total	-	-	-	-	-	-
Contingent assets						
Received letters of guarantee	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

44. RELATED PARTY TRANSACTIONS (continued)

B. Income and expenses arising from the related party transactions

	In thousands of Denars					
	Parent company	Subsidiari es	Associates	Managem ent personnel of the Bank	Other related parties	Total
2021 current year						
Income						
Interest income	-	-	-	55	119	174
Income from fees and commissions	-	-	-	13	11	24
Net gains from trading	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non- current assets	-	-	-	-	-	-
Other income	-	-	-	1	3	4
Transfers between entities	-	-	-	-	-	-
Total	-	-	-	69	133	202
Expenses						
Interest expenses	111	-	-	468	63	642
Expenses for fees and commissions	1,311	-	-	-	-	1,311
Net losses from trading	-	-	-	-	-	-
Expenses for procurement of non-current assets	-	-	-	-	-	-
Allowance for impairment of financial assets, on net basis	-	-	-	-	-	-
Other expenses	101,586	-	-	33,738	1,553	136,877
Transfers between entities	-	-	-	-	-	-
Total	103,008	-	-	34,206	1,616	138,830

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

44. RELATED PARTY TRANSACTIONS (continued)

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

	In thousands of Denars					
	Parent company	Subsidiaries	Associates	Management personnel of the Bank	Other related parties	Total
2020 previous year						
Income						
Interest income	1	-	-	67	135	203
Income from fees and commissions	-	-	-	24	12	36
Net gains from trading	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	-	-	7	2	9
Transfers between entities	-	-	-	-	-	-
Total	1	-	-	98	149	248
Expenses						
Interest expenses	-	-	-	422	631	1,053
Expenses for fees and commissions	704	-	-	-	-	704
Net losses from trading	-	-	-	-	-	-
Expenses for procurement of non-current assets	-	-	-	-	-	-
Allowance for impairment of financial assets, on net basis	-	-	-	-	-	-
Other expenses	116,146	-	-	28,800	6	144,952
Transfers between entities	-	-	-	-	-	-
Total	116,850	-	-	29,222	637	146,709

C. Remuneration for the management personnel of the Bank

	In thousands of Denars	
	Current year 2021	Previous year 2020
Short-term benefits for employees	33,716	28,785
Benefits after employment termination	-	-
Benefits due to employment termination	-	-
Payments to employees on the basis of shares, settled by equity instruments	-	-
Payments to employees on the basis of shares, settled by monetary funds	-	-
Other	-	-
Total	33,716	28,785

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

44. RELATED PARTIES TRANSACTIONS (continued)

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

National Bank of Greece, Athens represents the parent and the ultimate parent company of the Bank. Other related party transactions relate mostly to NBG Cairo branch, fellow subsidiaries of the NBG Group, entity under common control and related parties to key management personnel.

45. LEASES

A. Lessor

A.1 Financial leases receivables

	Total financial lease receivables	In thousands of Denars		
		Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
December 31, 2021 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
December 31, 2020 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-

A.2 Irrevocable operating lease receivables

	Total operating lease receivables	In thousands of Denars		
		Maturity period of period for operating lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
December 31, 2021 (current period)				
Net present value of minimum lease payments	1,391	1,391	-	-
December 31, 2020 (previous year)				
Net present value of minimum lease payments	1,564	1,564	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

45. LEASES (continued)

A. Lessor (continued)

A.2 Irrevocable operating lease receivables (continued)

	In thousands of Denars					
	<u>Land</u>	<u>Buildings</u>	<u>Means of transportation</u>	<u>Furniture and office equipment</u>	<u>Other equipment</u>	<u>Other items of property and equipment</u>
Value of the property given under operating lease:						<u>Total</u>
December 31, 2021	-	9,038	-	-	-	-
December 31, 2020	-	9,600	-	-	-	-

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

B. LEASEE

B.1 Financial lease liabilities

	In thousands of Denars			
	Maturity period for financial lease liabilities			
	<u>Total financial lease liabilities</u>	<u>up to 1 year</u>	<u>from 1 to 5 years</u>	<u>over 5 years</u>
Balance as at December 31, 2021 (current period)	-	-	-	-
Balance as at 31 December, 2020 (previous year)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

45. LEASES (continued)

B. Lease (continued))

B.1 Financial lease liabilities (continued)

	In thousands of Denars						
	<u>Land</u>	<u>Buildings</u>	<u>Means of transporta tion</u>	<u>Furniture and office equipment</u>	<u>Other equipment</u>	<u>Other items of property and equipment</u>	<u>Total</u>
Value of the property taken under financial lease:							
Cost							
Balance as at 1 January 2020	-	-	-	-	-	-	-
increases	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance as at 31 December 2020	-	-	-	-	-	-	-
Balance as at 1 January 2021	-	-	-	-	-	-	-
increases	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance as at December 31, 2021	-	-	-	-	-	-	-
Accumulated depreciation and impairment							
Balance as at 1 January 2020	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance as at 31 December 2020	-	-	-	-	-	-	-
Balance as at 1 January 2021	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as at December 31, 2021	-	-	-	-	-	-	-
Current carrying amount							
As at 1 January 2020	-	-	-	-	-	-	-
On December 31, 2020	-	-	-	-	-	-	-
On December 31, 2021	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

45. LEASES (continued)

B. Lease (continued)

B.2 Irrevocable operating lease liabilities (continued)

	In thousands of Denars			
	Maturity period for operational lease liabilities			
	Total operational lease liabilities	up to 1 year	from 1 to 5 years	over 5 years
Balance as at December 31, 2021 (current period)	-	-	-	-
Balance as at 31 December, 2020 (previous year)	-	-	-	-

46. SHARE BASED PAYMENTS

	In thousands of Denars	
	Current year 2021	Previous year 2020
Date of giving the option	-	-
Date of option expiry	-	-
Price of option realization	-	-
Price of the share on the date of giving the option	-	-
Variance	-	-
Expected dividend yield	-	-
Interest rate	-	-
Fair value on the date of giving the option	-	-
	Current year 2021	Previous year 2020
	number of options for shares	number of options for shares
	weighted average price of options for shares	weighted average price of options for shares
Balance as at 1 January	-	-
Changes during the year:		
options given to the members of Supervisory Board	-	-
options given to the members of Board of Directors	-	-
other given options	-	-
forfeited options	-	-
options with expired deadline	-	-
Balance as at December 31	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

47. TAXATION RISK

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

48. EVENTS AFTER THE DATE OF THE BALANCE SHEET

On April 29, 2022, the Supervisory Board of the Bank adopted decisions proposing to the Shareholders Assembly of the Bank, to distribute part of the profit for 2021 in the amount of 1,543,456 thousand Denars and part of the retained earnings from 2019 in the amount of 307,500 thousand Denars to retained earnings limited for distributions to shareholders. This is in order to ensure a capital adequacy ratio determined in accordance with the requirements of the NBRNM above the level of 16%, and to support the Bank's Business Plan in the next period.

Apart from the events presented above, there are no material events after the balance sheet date that would be reported in the financial statements.

49. EXCHANGE RATES

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

	<u>31.12.2021</u>	<u>In MKD</u> <u>31.12.2020</u>
1 USD	54.3736	50.2353
1 EUR	61.6270	61.6940