

STOPANSKA BANKA AD - Skopje

**Consolidated Audited financial statements
For the year ended December 31, 2022**

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RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Management of STOPANSKA BANKA AD - Skopje (the “Bank”) is responsible for ensuring that the Consolidated financial statements are prepared for the year that ends on 31 December 2022 in accordance with the Methodology for recording and evaluating the accounting items provided by the Central Bank and for preparing the Consolidated financial statements on 31 December 2022. And there results of the bank operations and cash flows for the year that ended.

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 Consolidated financial statements. In preparing those Consolidated 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 Consolidated financial statements; and
- The Consolidated 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 Consolidated 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

Mrs. Julijana Proshev

Chartered Accountant – License Number 0101038

Independent Auditor's Report

Unofficial translation from the original Macedonian Independent Auditor's report to the Shareholders of Stopanska Banka AD Skopje

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Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of Stopanska Banka AD Skopje and its subsidiary ("the Group") which comprise the Consolidated Balance sheet as at 31 December 2022, and the Consolidated Income statement, the Consolidated Statement of Comprehensive income, the Consolidated Statement of changes in equity and reserves and the Consolidated Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to —.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the Republic of North Macedonia¹. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Stopanska Banka AD Skopje and its subsidiary as at 31 December 2022 and its financial performance and its cash flows for the year then ended, in accordance with the regulation of the National Bank of the Republic of North Macedonia.

¹ International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia, no.79 from 2010.

Grant Thornton LLC is a member company of Grant Thornton International Ltd (GTIL). GTIL and its member firms are not in a global partnership. GTIL and each member company of GTIL is a separate legal entity. The services are provided by the member companies themselves. GTIL does not provide customer service. GTIL and its member firms are not agents of, and are not bound to, each other and are not liable for the acts or omissions of other member firms..

Report on other legal and regulatory matters

The Group's Management is responsible for the preparation of the Annual Report for the Group's operations for 2022 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion whether the Annual Report for the Group's operations is consistent with the historical financial information disclosed in the consolidated annual accounts and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022, in accordance with auditing standards accepted in the Republic of North Macedonia², and the requirements of Article 34, paragraph 1, point (d) of the Law on Audit.

In our opinion, the historical financial information disclosed in the Annual report for the Group' operations as at and for the year ended 31 December 2022 are consistent, in all material respects, with the historical financial information disclosed in the annual accounts and the audited consolidated financial statements as at and for the year ended 31 December 2022.

Suzana Stavrikj
Director
Grant Thornton DOO, Skopje

Biljana Mitrevska
Certified Auditor

Skopje, 28 April 2023

² International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia, no.79 from 2010.

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CONSOLIDATED INCOME STATEMENT
for the period from January 1, 2022 to December 31, 2022
(In thousands of Denars)

	Notes	31 December 2022	31 December 2021
Interest income		4,423,517	4,113,872
Interest expense		(218,776)	(269,831)
Net interest income (expense)	6	4,204,741	3,844,041
Fee and commission income		1,521,304	1,439,240
Fee and commission expense		(622,666)	(607,750)
Net fee and commission income (expense)	7	898,638	831,490
Trading income/(losses), net	8	26	(696)
Trading income from other financial instruments recorded at fair value, net	9	-	-
Foreign exchange gains/(losses), net	10	157,425	110,078
Other operating income	11	594,926	463,221
Share in the profit of associates	24	-	-
Impairment losses on financial assets, net	12	(1,234,098)	(772,417)
Impairment losses on non-financial assets, net	13	(27,112)	65,774
Personnel expenses	14	(962,641)	(890,490)
Depreciation and amortization	15	(130,520)	(123,372)
Other operating expenses	16	(887,545)	(798,796)
Share in the loss of associated companies	24	-	-
Profit before tax		2,613,840	2,728,833
Income tax	17	(242,162)	(262,877)
Net profit for the year		2,371,678	2,465,956
Earnings per share	41		
Basic earnings per share (in MKD)		135.83	141.23
Diluted earnings per share (in MKD)		135.83	141.23

The accompanying notes from page 9 to 132 are an integral part of these Consolidated financial statements.

The Consolidated financial statements were approved by the Banks's Board of Directors on April 25, 2023 and adopted by the Bank's Supervisory Board on April 28, 2023.

Signed on behalf of STOPANSKA BANKA AD - Skopje:

Mr. Diomidis Nikolettopoulos

Chief Executive Officer
Chairman of the Board of Directors

Mr. Toni Stojanovski

Chief Corporate Officer,
Member of the Board of Directors

Mrs. Julijana Proshev
Chartered Accountant - License Number 0101038

Mrs. Milica Chaparovska - Jovanovska

Chief Retail Officer
Member of the Board of Directors

Mr. Bojan Stojanovski

Chief Risk Officer
Member of the Board of Directors

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from January 1, 2022 to December 31, 2022
(In thousands of Denars)

	Note	31 December 2022	31 December 2021
Profit / (loss) for the financial year		2,371,678	2,465,956
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	23.1	7,372	3,966
- 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		-	-
Total other gains / (losses) in the period not shown in the Income Statement	23.1	7,372	3,966
Other gains / (losses) in the period which are or could 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		(124)	(1,458)
- 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		21,223	64,187
- reduction in the revaluation reserve reclassified in the Income Statement		(16,192)	(118,898)
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		-	-
Other gains / (losses) not shown in the Income Statement		22,045	(819)
Income tax from other gains / (losses) which are or could reclassified in the Income Statement		-	-
Total other gains / (losses) in the period which are or could reclassified in the Income Statement		26,952	(56,988)
Total other gains / (losses) in the period		34,324	(53,022)
Comprehensive income /(loss) for the financial year		2,406,002	2,412,934

The accompanying notes from page 9 to 132 are an integral part of these Consolidated financial statements.

The Consolidated financial statements were approved by the Bank's Board of Directors on April 25, 2023 and adopted by the Bank's Supervisory Board on April 28, 2023.

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Chief Risk Officer
Member of the Board of Directors

CONSOLIDATED BALANCE SHEET**As at December 31, 2022****(In thousands of Denars)**

	Notes	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	18	22,469,444	20,867,797
Trading financial assets	19	2,021	1,999
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	297,437	278,118
Loans to customers	22.2	85,916,705	78,037,088
Investments in securities	23	10,386,884	12,297,667
Investments in associates	24	-	-
Income tax receivable (current)	30.1	-	-
Other receivables	25	2,582,596	1,562,418
Collateralized assets	26	-	-
Assets acquired through foreclosure proceedings	27	93,408	127,048
Intangible assets	28	136,870	111,435
Property and equipment	29	907,733	819,129
Deferred tax assets	30.2	-	-
Non-current assets held for sale and disposal group	31	-	-
Total assets		<u>122,793,098</u>	<u>114,102,699</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	2,902,315	1,425,335
Deposits from customers	34.2	94,379,647	89,673,439
Issued debt securities	35	-	-
Borrowings	36	1,930,696	1,686,298
Subordinated debt	37	-	-
Special reserve and provisions	38	111,922	107,431
Income tax payable (current)	30.1	892	72,595
Deferred tax liabilities	30.2	-	-
Other liabilities	39	1,269,287	1,345,262
Liabilities directly related to disposal group of assets	31	-	-
Total liabilities		<u>100,594,759</u>	<u>94,310,360</u>

CONSOLIDATED BALANCE SHEET (continued)
As at December 31, 2022
(In thousands of Denars)

	Notes	31 December 2022	31 December 2021
EQUITY AND RESERVES			
Subscribed capital	40	3,511,242	3,511,242
Share premium		-	-
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves	40	147,155	112,832
Other reserves	40	831,373	831,373
Retained earnings		17,708,569	15,336,891
Total equity and reserves		22,198,339	19,792,339
Total liabilities and equity and reserves		122,793,098	114,102,699
Contingent liabilities	42.1	21,033,816	17,537,279
Contingent assets	42.2	-	-

The accompanying notes from page 9 to 132
are an integral part of these Consolidated financial statements.

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Mrs. Julijana Proshev

Chartered Accountant – License Number 0101038

CONSOLIDATED 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, 2021 (previous period)	3,511,242	-	-	-	(19,165)	197,032	-	-	(12,013)	830,290	-	1,083	3,562,645	9,308,291	-	17,379,405
Restatement of opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at January 1, 2021 Restated	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	-	-	-	-	(1,488)	-	-	-	-	-	-	-	-	-	-	(1,488)
-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)	-	-	-	-	-	-	(53,022)
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	-	-	-	-	-	-	-	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)
for the period from January 1, 2022 to December 31, 2022
(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, 2021 / January 1, 2022 (current period)	3,511,242	-	-	-	(16,657)	142,321	-	-	(12,832)	830,290	-	1,083	4,983,101	10,353,791	-	19,792,339
Correction in initial balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at January 1, 2022 corrected	3,511,242	-	-	-	(16,657)	142,321	-	-	(12,832)	830,290	-	1,083	4,983,101	10,353,791	-	19,792,339
Comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit /(loss) for the period	-	-	-	-	-	-	-	-	-	-	-	-	2,371,678	-	-	2,371,678
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	-	-	-	-	(124)	-	-	-	-	-	-	-	-	-	-	(124)
-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	-	-	-	-	7,372	-	-	-	-	-	-	-	-	-	-	7,372
-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	-	-	-	-	-	5,030	-	-	22,045	-	-	-	-	-	-	27,075
-foreclosed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized profit /(loss) recognized in the equity	-	-	-	-	7,248	5,030	-	-	22,045	-	-	-	-	-	-	34,323
Total comprehensive profit /(loss) for the financial year	-	-	-	-	7,248	5,030	-	-	22,045	-	-	-	2,371,678	-	-	2,406,002
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	-	-	-	-	-	-	-	-	-	-	-	-	(1,850,956)	1,850,956	-	-
Transactions with shareholders, recognized in the equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	(1,850,956)	1,850,956	-	-
On December 31, 2022	3,511,242	-	-	-	(9,409)	147,351	-	-	9,213	830,290	-	1,083	5,503,823	12,204,747	-	22,198,339

The accompanying notes from page 9 to 132 are an integral part of these Consolidated financial statements.

Signed on behalf of STOPANSKA BANKA AD - Skopje:

Mr. Diomidis Nikolettopoulos

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License Number 0101038

CONSOLIDATED STATEMENT OF CASH FLOW
for the period from January 1, 2022 to December 31, 2022
(In thousands of Denars)

	Note	31 December 2022	31 December 2021
Cash flow generated from operating activities			
Profit before taxation		2,613,840	2,728,833
<i>Adjustments for:</i>			
Depreciation of:		-	-
- intangible assets	15/28	45,266	42,606
- property and equipment	15/29	85,310	80,766
Capital gain on sale of:			
- intangible assets		-	-
- property and equipment	11	(27,444)	(27)
- assets acquired through foreclosures	11	(13,477)	(63,040)
Capital loss on sale of:			
- intangible assets		-	-
- property and equipment		-	-
- assets acquired through foreclosures	16	-	-
Interest income	6	(4,423,854)	(4,113,872)
Interest expense	6	219,021	269,831
Net trading expense / (income)	8	(26)	699
Impairment losses of financial assets, on a net basis			
- Additional impairment losses	12	1,873,008	1,561,301
- Release of impairment losses	12	(638,910)	(788,884)
Impairment loss of non-financial assets, on a net basis:			
- Additional impairment loss	13	43,305	8,688
- Release of impairment loss		(16,193)	(74,462)
Special reserves:			
- additional provisions	38	4,574	4,487
- release of provisions	38	(9,768)	(247)
Dividend income	11	(1,675)	(831)
Share in profit/(loss) of associates		-	-
Other adjustments		-	-
Interest received		4,580,731	4,419,012
Interest paid		(247,685)	(288,760)
Operating profit before changes in operating assets		4,086,023	3,786,100
<i>(Increase)/decrease of operating assets:</i>			
Trading assets		4	699
Derivative assets held for risk management		-	-
Due from banks and financial institutions		(19,615)	(54,206)
Loans to customers		(9,179,635)	(8,087,818)
Pledged assets		-	-
Assets acquired through foreclosure proceedings		25,035	132,929
Reserve requirements in foreign currency		(1,320,502)	(120,022)
Obligatory deposit with Central Bank in accordance with special legislation		(99,975)	(21,869)
Other receivables		(1,112,438)	(99,731)
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		1,474,427	1,187,530
Deposits from customers		4,737,400	3,068,948
Other liabilities		(42,291)	203,362
Liabilities directly related to group of assets for disposal		-	-
Net cash flows (used in)/ from operating activities before tax		(1,451,566)	(4,078)
(Paid)/Received on income tax		(313,865)	(126,370)
Net cash flows (used in)/ from operating activities		(1,765,431)	(130,448)

CONSOLIDATED STATEMENT OF CASH FLOW (continued)
for the period from January 1, 2022 to December 31, 2022
(In thousands of Denars)

	<u>Note</u>	31 December 2022	31 December 2021
Cash flows from investing activities			
(Investments in securities)		(603,917)	(5,027,596)
Inflows from sale of investments in securities		2,521,882	7,446,109
(Outflows for investments in subsidiaries and affiliates)		-	-
Inflows from sale of investments in subsidiaries and affiliates		-	-
(Acquisition of intangible assets)		(70,701)	(26,371)
Inflows from sale of intangible assets		-	-
(Acquisition of property and equipment)		(146,472)	(70,981)
Inflows from sale of property and equipment		-	-
(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		1,675	831
Net cash flows from/(used in) investing activities		1,702,467	2,321,992
Cash flows from financing activities			
(Repayment of issued debt securities)		-	-
Inflows from issued debt securities		-	-
(Repayment of loan payables)		-	(32,756)
Increase in loan payables		244,425	1,189,560
(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		244,424	1,156,804
Effects from allowance for impairment of cash and cash equivalents		(292)	953
Effects from foreign exchange gains/losses of cash and cash equivalents		-	-
Net increase /(decrease) of cash and cash equivalents		181,168	3,346,301
Cash and cash equivalents as at January 1		17,050,871	13,701,570
Cash and cash equivalents as at December 31		17,232,040	17,050,871

The accompanying notes from page 9 to 132 are an integral part of these Consolidated 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

Mrs. Julijana Proshev
Chartered Accountant– License Number 0101038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

INTRODUCTION

a) General Information

These consolidated financial statements include the Bank and its subsidiary, The Leasing Company STOPANSKA LIZING DOOEL SKOPJE (Stopanska Leasing)(collectively referred as the Group). 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 62 branches (2021: 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,
- insurance representation
- marketing of mandatory/voluntary pension fund
- intermediation in concluding credit and loan agreements,
- process and analyse 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 Leasing Company STOPANSKA LIZING DOOEL SKOPJE has a license for establishment and work of a provider of financial leasing and operational leasing of vehicles (passenger ,commercial and freight vehicles), equipment (industrial, medical, agricultural) real estate etc.

The Group is controlled by National Bank of Greece, headquartered in Greece, which owns 94.64% (2021: 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

INTRODUCTION (continued)

a) General Information (continued)

The Consolidated financial statements of the Bank for the period ended December 31, 2022 were approved by the Bank's Board of Directors on April 25, 2023 and adopted by the Bank's Supervisory Board on April 28, 2023.

b) Basis of preparation of the Consolidated financial statements

Accounting standards for preparation of the Consolidated financial statements

The Consolidated financial statements of the Group have been prepared in accordance with the Company Law ("Official Gazette of RNM" no. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18, 120/18 and "Official Gazette of RNM" no. 290/20, 215/21, 99/22), Law on Banks ("Official Gazette of RNM" no. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16, 7/19 and "Official Gazette of RNM" no. 101/19 and 122/21), 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 Consolidated financial statements (hereinafter referred to as "Methodology") ("Official Gazette of RNM" no. 83/2017) and the Decision on the types and contents of Consolidated financial statements of banks ("Official Gazette of RNM" no. 83/2017 and 149/18), as prescribed by the Central Bank.

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 and changes 76/20, 116/20, 83/22) which came into force as at July 1, 2019.

Basics of Consolidation

Business combinations

Business combinations are accounted for using the purchase method at the date of acquisition i.e. on the date when the Group acquires control. The amount transferred on acquisition is measured at fair value, as are the identified net assets being acquired. The resulting goodwill is tested annually for impairment. Transaction costs are recognized as an expense immediately, unless they relate to the issuance of debt or equity instruments. The amount transferred on acquisition does not include amounts relating to the settlement of any pre-existing relationships. Such amounts are generally recognized in the income statement.

Uncontrolled participations

Non-controlling interests are measured according to their proportional participation in the net assets of the acquired entity. Changes in the Group's participation in subsidiaries that do not lead to a loss of control are recorded as equity transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

INTRODUCTION (continued)

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

Presentation of Consolidated financial statements (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The group has control over the entity when it is exposed to, or is entitled to, variable returns from its involvement with the entity and has the ability to influence the amount of these returns through its power over the entity. The consolidated financial statements of subsidiaries are included in the consolidated financial statements from the date control begins until the time control ceases.

Loss of control

When the Group loses control over the subsidiary, it derecognizes the subsidiary's assets and liabilities, as well as the related non-controlling interest and other components of equity. Any gain or loss resulting from the cessation of control is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value at the time control is lost.

Investments recorded using the "equity method"

The Group's investments accounted for using the "equity method" include investments in associated companies. Associated companies are those companies over which the Group has a significant participation, but does not have control or joint control over the operational and financial policies.

Investments in associated companies are measured according to the equity method. They are initially recognized at their cost, including transaction costs. Subsequently, the Group's participation in the profit or loss of the associated company is included in the consolidated financial statements, until the date on which the significant participation ceases. Distributions from associated companies reduce the accounting value of the investment.

Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains and losses arising from intra-Group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Presentation of Consolidated financial statements

The accompanying Consolidated financial statements of the Group 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' Consolidated financial statements ("Official Gazette of RNM" no. 83/17), (hereinafter referred to as "Decision").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

INTRODUCTION (continued)

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

Presentation of Consolidated financial statements (continued)

The Group management estimates the effects of the changes in IAS, new IFRS, and their interpretations on the Consolidated 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 Consolidated 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 Consolidated financial statements in conformity with the accounting standards applied in the country requires the Group 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 Consolidated financial statements are expressed in thousands of Denars. The Denar represents functional and reporting currency of the Group 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 Consolidated financial statements are described in Note 1.d) to the Consolidated financial statements.

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

The accompanying Consolidated financial statements are the Bank's separated financial statements. The Bank will 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 non-realized 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 as financial assets measured at amortized cost will also classifies cash, receivables from customers, receivables for rent, receivables for commissions and fees and all other financial assets that represent exposure to credit risk in accordance with the decision on credit risk and for which SPPI criteria is inapplicable. These funds do not require the fulfilment of SPPI criteria.

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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2022 and December 31, 2021 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Provisions for impairment losses on loans and advances (continued)

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

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

Derecognition of financial assets

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

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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:

Land	without depreciation
Buildings used in operations	not more than 50 years
Buildings (other than buildings used in operations)	not more than 50 years
Investments in leased property	until the end of the lease, but not more than 12 years
Furniture and related equipment	not more than 12 years
Motor vehicles	not more than 10 years
Hardware and other equipment	Not more than 5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Property and equipment (continued)

The depreciation method, useful life and residual value are revised at each reporting date. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss.

The Bank annually 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 Group'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.

Loss due to impairment of non- financial assets

The Group should assess, at each balance sheet date, whether there is any objective evidence that the non-financial asset or group of non-financial assets is impaired. If there is such proof, the bank should estimate the recoverable amount of the asset. An impairment loss is equal to the amount by which the carrying amount of the asset (the cash – generating unit) exceed its recoverable amount. Non-financial assets, whose losses due to impairment are included in the position, are real estate and equipment, intangible assets, acquired property, non-current assets held for sale and the disposal group and other assets.

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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 Group.

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.

For the purposes of preparing the report on cash flow from cash and cash equivalents, the mandatory reserve in foreign currency and restricted deposits are excluded.

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 Consolidated financial statements. The Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

Off -balance sheet record

The Group maintains off -balance sheet records for events for which the criteria for recognition of an asset or liability are not met at the moment of the event, but which may create inflows or outflows of funds in the future. Off-balance sheet items represent a source of information about the operation, for determining risk of the operation or possible future obligations. This position includes : open unsecured letter of credit, issued unsecured payment and performance guarantees , undertaken irrevocable and revocable credit commitments, unused part of approved framework loans, unused credit card limits, unused and allowed overdrafts on current accounts, and other forms of events on the basis of which may arise an obligation to pay of claim funds from the Group. In this position, there are records of the Group that do guarantees. This position also includes records that are directly related to the relevant regulation, such as written -off claim.

Investments in subsidiaries

Investments in subsidiaries are recorded at cost , except for those for which the fair value can be reliably measured and which are recorded at their fair value. In this case investments in subsidiaries are shown as investments in available-for-sale securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

INTRODUCTION (continued)

c) Significant accounting policies (continued)

Assets acquired through foreclosure proceedings (continued)

Capital and reserves

The capital of the Group consists of:

- the basic capital, which is equal to the nominal value of all shares (subscribed and paid-in capital);
- increase of the capital based on the realized difference between the nominal value of the shares and the amounts for which they were sold (share premiums);
- revaluation reserve;
- remaining reserves; and
- retained profit / accumulated losses from previous years.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group 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 Group 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 Group 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 Consolidated 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.

Related parts

Related parts include entities that the Group is able to control or have significant influence in making financial and operational decisions. Related parts include managers their close relatives, companies they own or control and companies in which they can influence financial and operation decisions. All transactions concluded with the related persons are conducted under substantially the same terms, including interest rate and collateral, as those prevailing at the same time for the comparable transaction with unrelated persons, and involved no more than a normal amount of risk.

Leases

The Group 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 CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2022****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 Group 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 Group 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 Group 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 CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2022****INTRODUCTION (continued)****d) Critical accounting judgments and estimates (continued)**

After credit relationship is established, the Group 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 Group provides adequate level of provisions for potential credit losses. Despite the impact that pandemics had over the world and local economy, throughout 2022 the Group 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 Group 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 Consolidated financial statements are compliance with the regulations prescribed by the Central Bank which is in force.

In the period from 11.04.2022 to 09.06.2022, the NBRSM conducted a partial field control of Stopanska Banka AD - Skopje regarding the overall operation of the Bank, with special reference to IT risk. During the month of October 2022 year, the NBRSM submitted to the Bank the final Report on the performed supervision. 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 / fulfilment of the findings and recommendations

In the period from 03.05.2022 to 17.06.2022, the NBRSM conducted a partial field control of Stopanska Banka AD – Skopje, regarding the overall operation of the Bank, with special reference to: operational risk, liquidity risk, credit risk, strategy and business plans, organizational setup, reporting system, stress test, IT applications and introduction of new products/activities, internal and external audit, PP / FT risk, corporate management in the area of control functions and regulatory compliance. During the month of December 2022 year, the NBRSM submitted to the Bank the final Report on the performed supervision during 2022 year. 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 / fulfilment of the findings and recommendations and requirements with deadlines for their implementation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2022****INTRODUCTION (continued)****e) Compliance with legislation (continued)**

The control included readiness check of the Bank, against threats in the digital space through a detailed analysis of the submitted information and working meetings with the superiors in the Bank, as well as correspondence with certain regulatory from the Methodology for security information system („Official Gazette of the RNM “ No. 78/18). The report determined recommendations in the direction of intensification and prioritizing activities for achieving and maintaining the target level of preparedness against attacks from the digital space. In the same period, the Bank submitted a Report to NBRSM, with planned activities in relation to the established recommendations and requests with deadlines for their implementation.

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

Last year was marked by continued uncertainty, post-Covid effects compounded by rising inflation (particularly rising food and electricity prices), the start of Russia's invasion of Ukraine, all dampening the prospects for global economic growth. Faced with global inflation reaching multi-decade highs, central banks around the world have focused on tightening monetary policy, specifically raising interest rates, tightening financial conditions and raising borrowing costs. The banking sector has shown that it has a high capacity to deal with the crisis, taking measures and actions to cushion the shocks, thus supporting customers and ensuring business continuity in the new environment. The new working conditions imposed increased operating costs and the need to adjust the business model of all business entities, including banks.

In general, domestic economic activity is in line with projections and expectations for a further slowdown in growth as a result of the energy crisis, supply constraints and the increase in the cost of living, factors that have imposed a tightening of financial conditions at the global level. The credit support of the domestic economy by commercial banks continued, which accelerated in the last quarter of the year as a characteristic trend for the end of the year. The external position of the economy allows the foreign exchange reserves to be properly maintained in the safe zone. However, uncertainty and risks to the global and domestic economy in the short to medium term remain high, and the war in Ukraine remains a major source of disruption, particularly in energy and food markets.

In such a business environment, the Group's management and all employees were actively engaged in ensuring continuity in the performance of operational activities, the needs of customers, the economy and society as a whole. The main focus was on improving the digital infrastructure, which nowadays is more than a necessary way of communication. The Group remains committed and closely related to its customers, always trying to anticipate and assess their needs by offering reasonable and sustainable solutions and financial advice. The Group continues to monitor the development of the crisis and take all necessary measures

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

1. Classification of the financial assets and liabilities

A Classification of the financial assets and liabilities

In thousands of Denars

31.12.2022 (current period)

Financial assets

Cash and cash equivalents	-	-	1,835,846	-	20,633,598	22,469,444
Trading assets	2,021	-	-	-	-	2,021
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					297,437	297,437
Loans and receivables from other customers					85,916,705	85,916,705
Investments in securities			597,777	92,584	9,696,523	10,386,884
Other receivables					2,582,596	1,904,660

Total financial assets

2,021 - 2,433,623 92,584 119,126,859 121,655,087

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	-	-	-	-	2,902,315	2,902,315
Deposits from customers	-	-	-	-	94,379,647	94,379,647
Issued debt securities	-	-	-	-	-	-
Loans payable	-	-	-	-	1,930,696	1,930,696
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,262,287	1,262,287

Total financial liabilities

- - - - 100,481,945 100,481,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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		
31.12.2021 (previous year)						
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

2. RISK MANAGEMENT

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

The Group'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 Group regularly reviews its risk management policies and systems in order to reflect the changes in markets, products and the best practices.

The Group'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 Group and NBG Group, its clients and all other related parties.

The Group's risk and control structure is based on the "three lines of defense" management model. Each line has a specific role and defines responsibilities, whereby the execution of tasks differs from the control of them. The three lines work closely together to identify, assess and reduce risks.

First and foremost, the business (including support functions) owns, manages and takes responsibility for the risks (first line).

The Group's risk management framework is provided by the Risk Management and Regulatory Compliance function, which supervises, monitors, controls and quantifying the risks. (second line).

Internal audit (third line) provides independent control, advice and insight into the quality and effectiveness of internal controls, risk management, regulatory compliance and Group management. The most important types of risks are credit risk, liquidity risk and market risk.

In today's complex business environment, the Group is also exposed to non-financial risks such as operational, IT and regulatory non-compliance risks.

2. RISK MANAGEMENT (continued)

2.1 Credit risk

Credit risk is the most important risk for the Group'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 Group 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 Group 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 Group. The Risk Management Committee, Board of Directors and Supervisory Board are regularly informed of the credit risk that the Group is exposed to.

The Group has internal system of client classification the main purpose of which is to determine their creditworthiness and assess the acceptable level of credit risk at the start of lending. Classification of corporative clients to which the Group is exposed to is reviewed at least on semi-annual basis. The Group 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 Group 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 and business properties;
- Charges over business assets such as 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 Group 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 Group 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 Group structures the levels of credit risk that undertakes towards domestic and foreign banks by placing limits on the amount of risk accepted which are subject to at least an annual review. In addition, the exposure concentration risk by sectors and activities is regularly monitored on the basis of set limits.

2. RISK MANAGEMENT (continued)

2.1 Credit risk (continued)

2.1.2 Impairment Loss Calculation/Value Adjustment Policies

The calculation of the impairment loss and the special provision for credit exposure is based on the determined expected loss per individual contract, at least on a monthly basis.

The Group classifies credit exposure by individual contract in the appropriate risk category.

The classification is made according to the following criteria:

- the creditworthiness of the client, i.e. the quality of the project;
- timeliness of the client in the settlement of obligations and
- quality assurances

From the point of view of the further classification of the credit exposure, the Group takes consideration of :

- changes in the customer's creditworthiness , i.e. of project financing,
- timeliness of repayment of obligations

In accordance with the Group 's policies, the determination of damages and provisions is done on an individual basis.

Impairment of individually assessed items on an individual basis is determined through an evaluation of expected loss at the balance sheet date, which represents the difference between the accounting value and the present value of the estimated future cash flows. When calculating the present value of the estimated future cash flows, the effective interest rate is used to discount future expected cash flows, taking into account the value of the collateral.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. RISK MANAGEMENT (continued)**2.1 Credit risk (continued)****2.1.2 Impairment and provisioning policies (continued)**

Calculated impairment provision in 2022 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Credit risk exposure classified in Stage 1																		
Accounting value, before impairment / special reserve (Impairment and special reserve)	297,437	278,118	75,285,275	72,655,210	690,361	2,143,832	9,696,523	10,153,836	19,756,315	9,079,729	4,515	2,425	844,769	34,525	12,090,384	11,709,336	112,933,493	106,057,011
Reduced book value for impairment and special reserve	-	-	(165,297)	(168,913)	-	-	-	-	(341)	(49)	(11)	(1)	(21)	(8)	(40,718)	(37,495)	(206,387)	(206,466)
	297,437	278,118	75,119,978	72,486,297	690,361	2,143,832	9,696,523	10,153,836	19,755,974	9,079,680	4,504	2,424	844,748	34,517	12,049,666	11,671,841	112,727,106	105,850,545
Credit risk exposure classified in Stage 2																		
Accounting value, before impairment / special reserve (Impairment and special reserve)	-	-	10,310,662	4,891,341	-	-	-	-	-	-	143	53	2,485	1,649	204,659	164,573	10,517,949	5,057,616
Reduced book value for impairment and special reserve	-	-	(677,572)	(475,827)	-	-	-	-	-	-	(19)	(19)	(497)	(88)	(19,879)	(14,770)	(697,949)	(490,704)
	-	-	9,633,090	4,415,514	-	-	-	-	-	-	124	34	2,006	1,561	184,780	149,803	9,820,000	4,566,912
Credit risk exposure classified in Stage 3																		
Accounting value, before impairment / special reserve (Impairment and special reserve)	10,071	9,775	3,533,823	3,152,602	-	-	-	-	-	-	23,076	20,059	6,238	25,674	-	141	3,573,208	3,208,251
Reduced book value for impairment and special reserve	(10,071)	(9,775)	(2,370,186)	(2,017,325)	-	-	-	-	-	-	(18,675)	(15,775)	(5,926)	(24,371)	-	(43)	(2,404,858)	(2,067,288)
	-	-	1,163,637	1,135,277	-	-	-	-	-	-	4,401	4,284	312	1,303	-	99	1,168,350	1,140,963
Total carrying amount of credit risk claims before impairment and special reserve	307,508	287,893	89,129,760	80,699,153	690,361	2,143,832	9,696,523	10,153,836	19,756,315	9,079,729	27,734	22,537	853,492	61,848	12,295,043	11,874,050	132,756,736	114,322,878
(Total impairment and special reserve)	(10,071)	(9,775)	(3,213,055)	(2,662,065)	-	-	-	-	(341)	(49)	(18,705)	(15,795)	(6,426)	(24,467)	(60,597)	(52,308)	(3,309,195)	(2,764,459)
Total carrying amount of receivables with credit risk less impairment and special reserve	297,437	278,118	85,916,705	78,037,088	690,361	2,143,832	9,696,523	10,153,836	19,755,974	9,079,680	9,029	6,742	847,066	37,381	12,234,446	11,821,742	129,447,540	111,558,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
<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)	-	-	3,205,635	2,090,215	-	-	-	-	-	-	-	-	93,188	53,691	3,298,823	2,143,906
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	1,844,796	1,848,810	-	-	-	-	-	-	-	-	-	-	1,844,796	1,848,810
bank guarantees	-	-	268,909	246,916	-	-	-	-	-	-	-	-	461,428	478,312	730,337	725,228
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except for bank and insurance company guarantees)	-	-	6,355,371	5,765,765	-	-	-	-	-	-	-	-	369,836	388,924	6,725,207	6,154,689
Guarantees from individuals	-	-	-	1,295,407	-	-	-	-	-	-	-	-	-	49,965	-	1,345,372
Property pledge:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
private property (flats, houses)	-	-	50,400,580	44,911,433	-	-	-	-	-	-	-	-	246,000	224,027	50,646,580	45,135,460
commercial property	-	-	28,995,175	27,762,747	-	-	-	-	-	-	-	-	2,882,633	2,197,328	31,877,808	29,960,075
Pledge over movables	-	-	19,950,101	17,815,062	-	-	-	-	-	-	-	-	4,391,731	2,514,681	18,928,762	20,329,743
Other types of security	-	-	9,681,285	3,050,130	-	-	-	-	-	-	-	-	692,219	230,758	10,373,504	3,280,888
Total value of collateral of credit exposure assessed for impairment	-	-	115,288,782	104,786,485	-	-	-	-	-	-	-	-	9,137,035	6,137,686	124,425,817	110,924,171

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Non-residents	-	-	-	-	-	-	-	-	-	-	1,077	1,172	-	-	-	-	1,077	1,172
Agriculture, Forestry and Fishing	-	-	676,529	507,846	-	-	-	-	-	-	89	2	-	-	87,063	67,336	763,681	575,183
Mining and quarrying	-	-	511,046	284,892	-	-	-	-	-	-	-	8	-	-	4,861	15,054	515,907	299,954
Food industry	-	-	4,678,918	3,370,978	-	-	-	-	-	-	49	112	34	-	52,472	26,579	4,731,473	3,397,669
Textile industry and clothing and footwear production	-	-	846,275	1,142,847	-	-	-	-	-	-	13	13	-	-	40,765	33,233	887,053	1,176,093
Chemical industry, production of construction materials, production and processing of fuels, pharmaceutical industry	-	-	1,638,436	1,581,056	-	-	-	-	-	-	91	7	11	11	94,874	59,453	1,733,412	1,640,527
Production of metals, machinery, tools and equipment	-	-	2,898,529	2,563,909	-	-	-	-	-	-	2	15	831	-	348,579	492,500	3,247,941	3,056,424
Other manufacturing industries	-	-	644,812	462,652	-	-	-	-	-	-	-	-	444	482	2,165	2,835	647,421	465,969
Electricity, gas, steam and air conditioning supply	-	-	2,387,773	1,842,012	-	-	-	-	-	-	53	37	26	26	430,782	39,785	2,818,634	1,881,860
Water supply, wastewater disposal, waste management and activities on remediation of the environment	-	-	33,443	51,589	-	-	-	-	-	-	-	-	-	-	619	1,204	34,062	52,793
Construction,	-	-	3,445,864	2,838,705	-	-	-	-	-	-	2,080	31	145	287	1,316,840	1,399,830	4,764,929	4,238,853
Wholesale and retail trade, repair of motor vehicles and motorcycles	-	-	9,472,439	7,935,772	-	-	-	-	-	-	167	51	833,751	1,735	1,598,412	1,382,625	11,904,769	9,320,183
Transportation and storage	-	-	818,643	1,002,044	-	-	-	-	-	-	90	15	347	1,501	478,029	222,768	1,297,109	1,226,328
Facilities for accommodation and food service activities	-	-	738,966	815,257	-	-	-	-	-	-	4	1	32	82	17,563	21,762	756,564	837,102
Information and Communications	-	-	331,179	314,757	-	-	-	-	-	-	1	3	192	29	18,243	54,289	349,615	369,078
Financial and insurance activities	297,437	278,118	162,739	79,927	-	-	-	-	5,573,859	7,241,374	1,907	1,572	505	23,807	288,460	106,530	6,324,907	7,731,328

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021	As at 31.12.2022	As at 31.12.2021
Activities related to real estate	-	-	895,545	443,855	-	-	-	-	-	-	3	-	-	-	-	-	895,548	443,855
Professional, scientific and technical activities	-	-	996,223	1,107,627	-	-	-	-	-	-	17	1	3,561	145	847,143	648,358	1,846,944	1,756,131
Administrative and support service activities	-	-	33,861	20,116	-	-	-	-	-	-	405	-	8	-	2,510	15,575	36,784	35,691
Public administration and defence, compulsory social security	-	-	-	-	690,361	2,143,832	9,696,523	10,153,836	14,182,115	1,838,306	-	-	-	-	-	-	24,568,999	14,135,974
Education	-	-	27,429	30,026	-	-	-	-	-	-	3	-	11	11	2,130	964	29,573	31,001
Activities of Health and Social Care	-	-	477,870	480,550	-	-	-	-	-	-	-	-	11	-	4,562	8,417	482,443	488,967
Arts, entertainment and recreation	-	-	4,104	3,519	-	-	-	-	-	-	-	-	211	-	-	-	4,315	3,519
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	-	-	54,196,082	51,157,154	-	-	-	-	-	-	2,977	3,702	7,405	9,266	6,598,372	7,222,646	60,804,836	58,392,768
Proprietors and individuals who are not considered as merchants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	297,437	278,118	85,871,463	78,037,090	690,361	2,143,832	9,696,523	10,153,836	19,755,974	9,079,680	9,028	6,742	847,525	37,382	12,234,444	11,821,742	129,402,755	111,558,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
<i>Geographical location</i>																		
RM	-	-	85,916,705	78,037,088	690,361	2,143,832	9,696,523	10,153,836	14,182,617	1,838,787	9,029	6,742	847,522	37,381	12,117,173	11,821,742	123,459,930	104,039,408
EU member countries	-	-	-	-	-	-	-	-	5,573,357	7,240,893	-	-	-	-	-	-	5,870,794	7,465,086
Europe (other)	297,437	224,193	-	-	-	-	-	-	-	-	-	-	-	-	117,273	-	117,273	-
OECD member countries (less European OECD member countries)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (more than 10% of total credit risk exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	297,437	224,193	85,916,705	78,037,088	690,361	2,143,832	9,696,523	10,153,836	19,755,974	9,079,680	9,029	6,742	847,522	37,381	12,234,446	11,821,742	129,447,998	111,504,494

2.1 Credit risk (continued)

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

[illegible]

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

2. RISK MANAGEMENT (continued)

2.2 Liquidity risk

Liquidity risk represents a risk of Group'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 Group'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 Group 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 Group 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 Group'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 Group'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 CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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, 2022		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	22,469,444	-	-	-	-	-	22,469,444
Trading assets	2,021	-	-	-	-	-	2,021
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	-	-	-	-	-	307,508	307,508
Loans to customers	2,516,150	5,037,585	18,318,260	15,089,748	20,384,683	27,782,805	89,129,231
Investment securities	540,470	149,409	3,864,897	300,000	3,739,072	1,793,036	10,386,884
Investments in affiliates	-	-	-	-	-	-	-
Income Tax receivable (current)	-	-	-	-	-	-	-
Other receivables	2,246,604	-	-	-	-	-	2,246,604
Collateralized assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	27,774,689	5,186,994	22,183,157	15,389,748	24,123,755	29,883,350	124,541,692
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	1,364,985	1,537,330	-	-	-	-	2,902,315
Deposits from customers	63,784,146	3,755,739	16,383,996	6,138,777	4,135,215	181,775	94,379,647
Loans payable	110,595	-	331,206	441,540	515,052	532,303	1,930,696
Subordinated debt	-	-	-	-	-	-	-
Income tax liabilities (current)	-	-	-	-	-	-	-
Differed tax liabilities	-	-	-	-	-	-	-
Other liabilities	709,070	-	-	-	-	90,978	800,048
Total financial liabilities	65,698,796	5,293,069	16,715,202	6,580,317	4,650,267	805,056	100,012,706
Off balance items							
Off balance assets	41,418	65,693	171,732	-	-	-	278,843
Off balance liabilities	16,488,773	333,038	2,825,439	727,302	663,101	56,760	21,094,413
Net liquidity gap	(54,641,463)	(373,420)	2,814,248	8,082,129	18,810,388	29,021,534	3,713,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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, 2021

	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	-	-	-	-	-	278,893	278,893
Loans to customers	2,233,434	4,139,131	16,371,396	13,966,055	18,934,424	25,054,713	80,699,153
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	1,526,536	-	-	-	-	-	1,526,536
Collateralized assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	25,212,009	4,286,068	18,182,556	18,148,314	22,737,589	27,114,509	115,681,045
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)	-	-	-	-	-	-	-
Differed tax liabilities	-	-	-	-	-	-	-
Other liabilities	835,597	-	-	-	-	90,978	926,575
Total financial liabilities	60,319,848	4,636,218	18,947,988	6,081,083	2,834,067	892,443	93,711,647
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	17,589,587
Net liquidity gap	(48,555,233)	(667,193)	(2,523,015)	10,364,329	19,804,661	26,161,804	4,585,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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)**

Group'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 78,225,164 thousand (2021: Denar 76,625,260 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 63% 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 (4,7%), accounts in domestic and foreign banks- including mandatory reserves held with the Central Bank (58,1%) and securities (37,2%). 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 conditions of global uncertainty due to the Russian-Ukrainian crisis, the Group successfully copes with all shocks, thus proving its competence and capacity to manage uncontrolled events.

The Group in continuity reviews and improves the system of internal controls and infrastructure composed of policies, procedures and mechanisms for defence 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 defence in charge of the Internal Division.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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 Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The system for identification, measurement, monitoring and control of the currency risk refers to all recorded activities and transactions of the Group, including balance and off-balance sheet items that are registered in foreign currency or in Denars that have a foreign exchange clause and that are in accordance with the regulation for recording in accounting are valued through their coursework on a regular basis. The Group manages the currency risk for the entire portfolio on a daily basis based on calculations of the aggregate foreign exchange position and indicators of its exposure to the foreign exchange risk following the defined limits.

The tables below summarize Group's exposure to foreign exchange risk as at December 31, 2022 and 2021.

Risk from changes in interest rates

The group is exposed to the effects of movements in the level of interest rates in the market which have an impact on its financial position and cash flows. Given that the Bank's trading portfolio is insignificant and it refers mainly to government securities, the exposure to interest rate risk is evaluated from the perspective of the portfolio of banking activities. Interest rate risk in the banking portfolio is the current or potential risk to profit (net interest income) and/or capital resulting from negative interest rate movements affecting the banking portfolio positions. Taking this risk is part of banking and can be a significant source of profitability and shareholder value. However, excessive risk of changes in interest rates can represent a significant threat to the profit and capital base of the Group.

The Group has established a framework for performing stress testing on the basis of which it performs stress testing at least once a year in order to analyse the sensitivity of the Group to a set of extreme but reliable shocks, and it also includes an analysis of the sensitivity of assets and liabilities to changes in the foreign exchange rate and when interest rates change from the perspective of the portfolio of banking activities. At the same time, the scenarios that take into account the risk of a change in the exchange rate evaluate the impact of the possible appreciation and depreciation of the exchange rate of the denar in relation to other currencies and with all other factors unchanged, the effect is seen through realized profit/loss from exchange rates. differences. On the other hand, the purpose of the stress test analysis for the risk of changes in interest rates in the portfolio of banking activities is to examine the sensitivity of the balance sheets of the Group to changes in interest rates, by examining the impact of interest rate shocks in the assumed scenarios on the net interest revenues.

In both sensitivity analyses, the change in capital adequacy is assessed through the effect of the scenarios on the amount of own funds (where the profit is assumed to be zero), and thus on the capital adequacy of the Group.

The table shows an analysis of the sensitivity of assets and liabilities to changes in market risk as of December 31, 2022 and December 31, 2021.

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

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 a comprehensive and high-quality Operational Risk Management Framework (ORMF) which includes the Internal Event Management Policy, Key Risk Indicators Policy and Risk and Control Self-Assessment Policy that provide the tools needed to identify, measure and evaluate the qualitative and quantitative aspects of operational risk.

This framework is aimed at keeping the operational risks in the moderate / low risk profile in accordance with the risk appetite of the NBG Group and the Group and allows, 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 Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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, 2022				
Amount prior to the sensitivity analysis /stress tests (as of 31.12.2022)		16,785,495	100,838,524	16.65%
Effects from application of scenarios				
Risk from foreign exchange rate change				
Denar to depreciate by 10% in relation of all other F/X	153,662	16,939,157	100,992,186	16.77%
Denar to appreciate by 10% in relation of all other F/X	(153,662)	16,631,833	100,684,862	16.52%
Denar to depreciate by 20% in relation of all other F/X	307,325	17,092,820	101,145,849	16.90%
Denar to appreciate by 20% in relation of all other F/X	(307,325)	16,478,170	100,531,199	16.39%
Risk from interest rate change				
Increasing of interest rates by 200 b.p.	(630,276)	16,155,219	100,838,524	16.02%
Decreasing of interest rates by 200 b.p.	(348,713)	16,436,782	100,838,524	16.30%
Increasing of interest rates by 400 b.p.	(1,260,552)	15,524,943	100,838,524	15.40%
Decreasing of interest rates by 400 b.p.	(697,426)	16,088,069	100,838,524	15.95%

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, 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%

The Group 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 Group 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 Group's portfolio of activities is to examine the sensitivity of the Group 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 Group.

The table presents analysis of assets and liabilities sensitivity to market risk changes as at December 31, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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

	2022				In thousands of Denars 2021			
	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 Group does not make analysis of the risk exposed value according to the above disclosure in Table B due to the fact that the Bank does not determine the capital required for covering the market risks for the trading portfolio according to the “Decision on the methodology for determining the capital adequacy”, and consequently the table referred to in this Note is not filled in.

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

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

A. Interest rate sensitivity analysis

	Currency	31.12.2022	31.12.2021
NET WEIGHTED POSITION FOR CURRENCY EUR (FKS+VKS+PKS)	EUR	(89,818)	(5,608)
NET WEIGHTED POSITION FOR CURRENCY MKD (FKS+VKS+PKS)	MKD	532,534	741,831
NET WEIGHTED POSITION FOR CURRENCY MKDclEUR (FKS+VKS+PKS)	MKDclEUR	885,037	559,990
NET WEIGHTED POSITION FOR other CURRENCIES (FKS+VKS+PKS)	Other	(16,138)	(15,898)
TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF BANK’S ACTIVITY PORTFOLIO		1,311,615	1,280,315
OWN FUNDS		16,785,495	14,900,216
TOTAL WEIGHTED VALUE / OWN FUNDS		7.81%	8.59%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2022	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	13,284,895	722,560	-	-	-	-	14,007,455
Financial assets at fair value through profit and loss account designated as such at initial recognition	-	-	-	-	-	-	-
Loans and receivables from banks	288,451	-	-	-	-	-	288,451
Loans and receivables from other customers	46,578,379	2,164,830	9,854,163	14,877,480	5,631,641	5,671,358	84,777,851
Investments in securities	300,000	-	2,770,679	2,515,285	2,892,630	1,683,831	10,162,425
Other interest-sensitive unstated assets	-	-	-	-	-	-	-
Total interest-sensitive financial assets	60,451,725	2,887,390	12,624,842	17,392,765	8,524,271	7,355,189	109,236,183
LIABILITIES							
Financial liabilities at fair value through profit and loss account designated as such at initial recognition	-	-	-	-	-	-	-
Deposits of banks	1,362,425	1,537,330	-	-	-	-	2,899,755
Deposits of other customers	64,839,795	3,665,266	15,819,494	5,737,514	3,962,278	156,914	94,181,260
Issued debt securities	-	-	-	-	-	-	-
Loans payable	110,593	-	331,206	441,540	515,052	532,303	1,930,694
Subordinated liabilities and hybrid instruments	-	-	-	-	-	-	-
Other unspecified interest-sensitive liabilities	-	-	-	-	-	-	-
Total interest-sensitive financial liabilities	66,312,813	5,202,596	16,150,700	6,179,054	4,477,330	689,217	99,011,709
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	(5,861,087)	(2,315,206)	(3,525,858)	11,213,711	4,046,941	6,665,972	10,224,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

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

B. Analysis of reconciliation of interest rates (continued)

In thousands of Denars	up to 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total interest bearing assets /liabilities
December 31, 2021							
ASSETS							
Cash and cash equivalents	9,079,214	-	-	-	-	-	9,079,214
Financial assets at fair value through the income statement determined 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	98,165,866
LIABILITIES							
Financial liabilities at fair value through the income statement determined 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	(12,650,355)	(2,801,346)	(4,532,223)	13,930,871	7,886,978	3,894,675	5,728,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.3 Currency risk

In thousands of Denars December 31, 2022					
	MKD	EUR	USD	Other currency	Total
MONETARY ASSETS					
Cash and cash equivalents	10,877,553	7,122,988	2,850,622	1,618,281	22,469,444
Trading assets	-	2,021	-	-	2,021
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	-	4,255	290,892	2,290	297,437
Placement with and loans to customers	60,249,465	25,653,697	13,543	-	85,916,705
Investment securities	1,270,046	9,116,837	-	-	10,386,883
Investments in affiliated companies	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-
Other receivables	2,244,417	1,914	151	122	2,246,604
Collateralized assets	-	-	-	-	-
Foreclosed assets on the basis of uncollected receivables	-	-	-	-	-
Intangible assets	-	-	-	-	-
Real estate and equipment	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total monetary assets	74,656,481	41,901,712	3,155,208	1,620,693	121,319,093
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	2,481,328	405,202	15,783	2,902,316
Deposits from customers	53,970,635	36,076,536	2,742,671	1,589,805	94,393,757
Issued Debt Securities	-	-	-	-	-
Borrowings	98,840	1,831,856	-	-	1,930,696
Subordinated debt	-	-	-	-	-
Special reserve and reservations	111,922	-	-	-	111,922
Income tax liabilities (current)	892	-	-	-	892
Deferred tax liabilities	-	-	-	-	-
Other liabilities	653,595	146,228	-	-	772,276
Total monetary liabilities	54,835,886	40,535,948	3,147,873	1,605,588	100,125,297
Net – position	19,820,594	1,365,764	7,335	15,105	21,193,796

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

2. RISK MANAGEMENT (continued)

2.3 Market risk (continued)

2.3.3 Currency risk (continued)

	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	1,517,521	8,597	292	126	1,526,536
Collateralized assets	-	-	-	-	-
Foreclosed assets on the basis of uncollected receivables	-	-	-	-	-
Intangible assets	-	-	-	-	-
Real estate and equipment	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total monetary assets	71,876,985	36,520,435	2,934,742	1,677,043	113,009,205
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 payable (current)	72,595	-	-	-	72,595
Deferred tax liabilities	-	-	-	-	-
Other liabilities	795,592	130,982	-	1	926,575
Total monetary liabilities	52,653,005	36,642,848	2,927,478	1,668,342	93,891,673
Net – position	19,223,980	(122,413)	7,264	8,701	19,117,532

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**December 31, 2022****3. CAPITAL ADEQUACY****Capital management**

The Group'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 Group'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 Group'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, which starts from March 2017 year, 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 31.12.2022.

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 CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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, 2022 and 2021.

	In thousand Denars	
	2022	2021
Own funds	16,785,495	14,900,216
Tier 1 capital	16,694,517	14,809,238
Common Equity Tier 1 capital (CET)	16,694,517	14,809,238
<i>Positions in CET</i>	16,694,517	14,809,238
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	12,204,747	10,353,791
(-) Accumulated loss from previous years		
Current profit or year-end profit	-	-
Accumulated other profit loss	147,155	112,832
<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 CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

3. CAPITAL ADEQUACY (continued)

Own assets (continued)

	In thousand Denars	
	2022	2021
<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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

3. CAPITAL ADEQUACY (continued)

Own assets (continued)

	In thousand Denars	
	2022	2021
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 CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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, 2022 and 31 December 2021.

	In thousands of Denars	
	2022	2021
Credit risk weighted assets		
Capital required for covering the credit risk	7,317,399	6,610,845
Credit risk weighted assets by applying standardized approach	91,467,486	82,635,563
Currency risk weighted assets		
Aggregate foreign currency position	1,536,624	49,180
Net position in gold	-	-
Capital required for covering the currency risk	122,930	-
Currency risk weighted assets	1,536,624	-
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	626,753	613,275
Operational risk weighted assets	7,834,414	7,665,943
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	100,838,524	90,301,506
Capital required for covering the risks	8,067,082	7,224,120
Own assets	16,785,495	14,900,216
Capital adequacy ratio	16,65%	16,50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

4. SEGMENT REPORTING

A. Operating segments

In thousands of Denars
December 31, 2022

	Retail banking	Corporate banking	Investment banking	All other significant operating segments	Unallocated	Total
Net interest income /(expense)	2,775,769	1,201,385	157,419	70,168	-	4,204,741
Net fees and commissions income / (expense)	102,999	824,777	-	(29,137)	-	898,638
Net trading income	-	-	26	-	-	26
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	337,011	244,001	159,235	9,898	2,206	752,350
Income realized between segments	-	-	-	-	-	-
Total income by segments	3,215,779	2,270,163	316,680	50,928	2,206	5,855,756
Allowance for impairment of financial assets, on net basis	(1,323,699)	106,489	-	(16,888)	-	(1,234,098)
Impairment loss of non-financial assets, on net-basis	-	(27,112)	-	-	-	(27,112)
Depreciation	(130,520)	-	-	-	-	(130,520)
Restructuring costs	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-
Other expenses	(1,232,480)	(559)	-	(403,791)	(213,356)	(1,850,186)
Total expenses by segments	(2,686,699)	78,818	-	(420,679)	(213,356)	(3,241,916)
Financial result by segment	529,080	2,348,980	316,680	(369,751)	(211,150)	2,613,840
Income tax	-	-	-	-	-	(242,162)
Profit/(loss) for the period	529,080	2,348,980	316,680	(369,751)	(211,150)	2,371,678
Total assets by segment	53,833,411	57,205,332	10,402,337	1,352,018	-	122,793,098
Unallocated assets per segment	-	-	-	-	-	-
Total assets						122,793,098
Total liabilities by segment	(70,426,551)	(30,152,425)	(2,124)	(13,660)	-	(100,594,759)
Unallocated liabilities by segment						-
Total liabilities						(100,594,759)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

4. SEGMENT REPORTING (continued)

A. Operating segments (continued)

In thousands of Denars
December 31, 2021

	Retail banking	Corporate banking	Investment 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 financial year	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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022						
Customer 1						
Income	-	51,893	-	-	-	51,893
(Expenses)	(1,732)	-	-	-	-	(1,732)
Customer 2						
Income	4	43,686	-	-	-	43,690
(Expenses)	(1,125)	(157)	-	-	-	(1,282)
Customer 3						
Income	1	31,527	-	-	-	31,528
(Expenses)	(1,040)	(169)	-	-	-	(1,209)
Customer 4						
Income	16	28,905	-	-	-	28,921
(Expenses)	(974)	(206)	-	-	-	(1,180)
Customer 5						
Income	1	29,086	-	-	-	29,087
(Expenses)	(831)	(826)	-	-	-	(1,657)
Total by segment	(5,680)	183,739	-	-	-	178,059
Previous 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2022							
Total income	5,412,901	441,244	6,842	836,211	-	-	6,697,198
Total assets	99,196,969	8,106,889	125,713	15,363,526	-	-	122,793,098
Previous 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

5. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A. Fair value of financial assets and liabilities

	December 31, 2022		In thousands of Denars December 31, 2021	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Cash and cash equivalents	22,469,444	22,469,444	20,867,797	20,867,797
Trading assets	2,021	2,021	1,999	1,999
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	297,437	297,437	278,118	278,118
Placement with, and loans to other customers	85,916,705	85,916,705	78,037,088	78,037,088
Investment securities	10,386,884	10,386,884	12,297,667	12,297,667
Investments in affiliated companies	-	-	-	-
Receivables for income tax (current)	-	-	-	-
Other receivables	2,246,604	2,246,604	1,526,536	1,526,536
Collateralized assets	-	-	-	-
Differed tax assets	-	-	-	-
	121,319,094	121,319,094	113,009,205	113,009,205
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	2,902,315	2,902,315	1,425,335	1,425,335
Deposits from other customers	94,379,647	94,379,647	89,673,439	89,673,439
Issued debt securities	-	-	-	-
Borrowings	1,930,696	1,930,696	1,686,298	1,686,298
Subordinated debt	-	-	-	-
Income tax liabilities (current)	892	892	72,595	72,595
Differed tax liabilities	-	-	-	-
Other liabilities	800,046	800,046	926,572	926,572
	100,013,596	100,013,596	93,784,239	93,784,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2022					
Financial assets measured at fair value					
Trading assets	19	2,021	-	-	2,021
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	68,176	597,777	24,408	690,361
Total		70,197	597,777	24,408	692,382
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, 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		-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2022		In thousands of Denars Previous year, 2021	
	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 CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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, 2021	-	-	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, 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	-	-	-	-	-	-	-
Balance at January 1, 2022	-	-	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, 2022	-	-	24,408	24,408	-	-	-
Total profit /(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2022	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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	Previous
	year	year
	2022	2021
Interest income		
Cash and cash equivalents	26,554	24,760
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-
Derivative assets held for risk management	-	-
Placements with and loans to banks	64,041	3,075
Placements with and loans to customers	4,036,419	3,816,811
Investments in securities	158,260	160,140
Other receivables	2,864	2,427
(Allowance for impairment of income interest, on net-basis)	(58,291)	(76,759)
Collected previously written-off interest	193,670	183,418
Total interest income	4,423,517	4,113,872
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	810	-
Deposits from other customers	194,768	250,530
Issued debt securities	-	-
Borrowings	7,252	322
Subordinated debt	-	-
Other liabilities	15,946	18,979
Total interest expense	218,776	269,831
Net interest income / (expense)	4,204,741	3,844,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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

B. Sector analysis of interest income and expenses by sector

	In thousands of Denars	
	Current year 2022	Previous year 2021
Interest income		
Non-financial companies	951,881	817,527
Government	158,184	160,145
Non-profit institutions servicing households	572	482
Banks	64,153	3,201
Other financial companies (non-banking)	28,137	26,751
Households	3,085,135	2,999,018
Non-residents	76	89
(Allowance for impairment of interest income, on net-basis)	(58,291)	(76,759)
Collected previously written-off interest	193,670	183,418
Total interest income	4,423,517	4,113,872
Interest expense		
Non-financial companies	26,030	19,922
Government	72	71
Non-profit institutions servicing households	611	608
Banks	5,224	322
Other financial companies (non-banking)	25,889	34,148
Households	136,167	203,368
Non-residents	24,783	11,392
Total interest expense	218,776	269,831
Net interest income / (expense)	4,204,741	3,844,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022	Previous year 2021
Fee and commission income		
Financing	78,905	83,368
Payment operations		
domestic	274,413	278,760
international	232,644	219,379
L/Cs and L/Gs	48,694	46,403
Brokerage operations	3,238	3,297
Asset management	374	398
Commission and creditor activities	-	-
Issue of securities	-	-
Other		
Card operations	658,184	604,945
Deposit operations	5,534	2,792
Renting safe-deposit-boxes	10,381	9,878
Third party accounts collection	2,631	2,637
Transaction Account Maintenance Fee	127,773	110,168
Insurance policy sales commissions	62,007	54,587
Other fee and commission income	16,526	22,628
Total fee and commission income	1,521,304	1,439,240
Fee and commission expense		
Financing	-	-
Payment operations		
domestic	78,626	101,770
international	34,870	31,633
L/Cs and L/Gs	-	-
Brokerage operations	517	487
Asset management	-	-
Commission and creditor activities	-	-
Issue of securities	-	-
Other	-	-
Card operations	495,926	464,094
Other fee and commission expense	12,727	9,766
Total fee and commission expense	622,666	607,750
Net fee and commission income / (expense)	898,638	831,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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

B. Sector analysis of fee and commission income and expense

	In thousands of Denars	
	Current year 2022	Previous year 2021
Fee and commission income		
Non-financial companies	615,963	584,548
Government	4,451	4,410
Non-profit institutions servicing households	94	112
Banks	32,182	28,947
Other financial companies (non-banking)	-	-
Households	846,602	798,105
Non-residents	22,012	23,118
Total fee and commission income	1,521,304	1,439,240
Fee and commission expense		
Non-financial companies	38,000	58,272
Government	-	-
Non-profit institutions servicing households	-	-
Banks	285,521	292,945
Other financial companies (non-banking)	26,672	25,192
Non-residents	272,473	231,341
Total fee and commission expense	622,666	607,750
Net fee and commission income / (expense)	898,638	831,490

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

8. NET TRADING INCOME

	In thousands of Denars	
	Current	Previous
	year	year
	2022	2021
<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	26	(696)
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	26	(696)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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

	In thousands of Denars	
	Current	Previous
	year	year
	2022	2021
<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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

10. NET FOREIGN EXCHANGE GAINS/(LOSSES)

	In thousands of Denars	
	Current year 2022	Previous year 2021
Realized net foreign exchange gains/(losses)	179,774	136,120
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	(22,349)	(26,042)
Net foreign exchange gains/(losses)	157,425	110,078

11. OTHER OPERATING INCOME

	In thousands of Denars	
	Current year 2022	Previous year 2021
Profit from sales of assets available for sale	28	803
Dividend from equity instruments available for sale	1,675	831
Net income from investments in subsidiaries and affiliates	-	-
Capital gain from sales of:		
property and equipment	27,444	27
intangible assets	-	-
foreclosed assets	13,477	63,040
non-current assets held for sale and group for disposal (sale)	-	-
Income from rent	1,391	1,391
Income from won court disputes	9,166	7,504
Collected previously written-off receivables	520,384	363,708
Release of special reserves and provisions for:		
contingent liabilities based on court disputes	6,921	-
pensions and other benefits for employees	-	-
restructuring	-	-
unfavourable agreements	-	-
other provisions	-	-
Other:		
early withdrawal of deposits of non-residents	5,582	17,564
revenue from insurance mediation and mortgage bets on movables in process of approving loans to individuals	50	64
other income	8,808	8,289
Total other operating income	594,926	463,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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, 2022 (current year)										
<i>Allowance for impairment and special reserves</i>										
Additional allowance for impairment and special reserves	841	1,819,560	-	8	481	13,579	7,486	1,841,955	31,053	1,873,008
(Release of allowance for impairment and special reserves)	(545)	(601,965)	-	(1)	(189)	(2,883)	(10,562)	(616,145)	(22,765)	(638,910)
Total allowance for impairment of financial assets and special reserves for off balance sheet exposures, on net-basis	296	1,217,595	-	7	292	10,696	(3,076)	1,225,810	8,288	1,234,098
December 31, 2021 (previous 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)	(202)	(739,757)	-	-	(3,145)	(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 audited	(282)	745,538	-	-	(953)	14,170	6,474	765,511	6,906	772,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2022 (current year)						
Additional impairment loss	-	-	43,305	-	-	43,305
(Release of impairment loss)	-	-	(16,193)	-	-	(16,193)
Total impairment loss of non-financial assets, on net-basis	-	-	27,112	-	-	27,112
December 31, 2021 (previous 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 audited	-	-	(65,774)	-	-	(65,774)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

14. PERSONNEL EXPENSES

	In thousands of Denars	
	Current year 2022	Previous year 2021
Short-term personnel benefits		
Salaries	538,801	509,255
Compulsory contributions for social and health insurance	209,490	198,302
Short-term paid leaves	-	-
Costs for temporary employment	16,635	16,913
Share in profit and remuneration	-	-
Non-monetary benefits	-	-
Other personnel benefits	24,874	17,561
	<u>789,800</u>	<u>742,031</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	172,841	148,459
	<u>172,841</u>	<u>148,459</u>
Total personnel expenses	<u>962,641</u>	<u>890,490</u>

The amounts referring to provisions for retirement benefits in the amount of Denar 4,020 thousand (2021: Denar 2,147 thousand) are presented in Note 38.

	Current year 2022	Previous year 2021
Average number of employees for the period	951	984
Number of permanent employees at year-end	942	983
Number of temporary employees at year-end	37	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

15. DEPRECIATION

	In thousands of Denars	
	Current year 2022	Previous year 2021
Amortization of intangible assets		
Internally developed software	-	-
Software acquired from external suppliers	45,266	42,606
Other internally developed intangible assets	-	-
Other intangible assets	-	-
Intangible leasehold improvements	-	-
	<u>45,266</u>	<u>42,606</u>
Depreciation of property and equipment		
Buildings	32,140	31,399
Means of transport	69	14
Furniture and equipment	41,822	36,067
Other equipment	2,332	2,192
Other items of property and equipment	561	562
Property and equipment leasehold improvements	8,329	10,532
	<u>85,254</u>	<u>80,766</u>
Total depreciation	<u>130,520</u>	<u>123,372</u>

16. OTHER OPERATING EXPENSES

	In thousands of Denars	
	Current year 2022	Previous year 2021
Losses from sale of assets available for sale	-	3
Software licensing expense	-	-
Deposit insurance premium	166,674	164,048
Premium on property and employee insurance	8,553	10,569
Materials and services	494,885	420,585
Administrative and marketing expense	122,527	111,601
Other taxes and contributions	4,785	5,710
Rental expense	55,521	54,476
Court dispute expense	1,352	1,973
Provisions for pension and other employee benefits, on a net basis	-	-
Provisions for contingent liabilities based on court disputes, on a net basis	-	353
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	4,638	2,132
other costs	28,610	27,346
Total other operating expenses	<u>887,545</u>	<u>798,796</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

17. INCOME TAX

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

	In thousands of Denars	
	Current year 2022	Previous year 2021
Current income tax		
Expenses/(income) for current income tax for the year	242,162	262,877
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>242,162</u>	<u>262,877</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>242,162</u>	<u>262,877</u>

	In thousands of Denars	
	Current year 2022	Previous year 2021
Current income tax		
Recognized in income statement	242,162	262,877
Recognized in capital and reserves	-	-
	<u>242,162</u>	<u>262,877</u>
Deferred income tax		
Recognized in income statement	-	-
Recognized in capital and reserves	-	-
	<u>-</u>	<u>-</u>
Total income tax expenses/(returns)	<u>242,162</u>	<u>262,877</u>

In accordance with the Income Tax Law which is in appliance for the fiscal 2022 and 2021, 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022		previous year 2021	
Profit/(loss) before taxation	100,00	2,617,019	100,00	2,728,833
Income tax as per applicable tax rate	10	261,702	-	272,883
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	0,41	10,655	0,45	12,186
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	(1,15)	(30,195)	(0,81)	(22,192)
Total expenses/(return) on income tax		242,162		262,877
Average effective tax rate	9,26		9,63	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022			Previous year 2021		
	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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

18. CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	Current year 2022	Previous year 2021
Cash on hand	1,544,900	1,830,600
Accounts and deposits with Central Bank, besides mandatory FC reserves	8,307,293	6,171,463
Current accounts and transaction deposits with foreign banks	1,709,163	4,581,124
Current accounts and transaction deposits with local banks	18	-
Treasury bills that may be traded in the secondary market	1,835,846	1,838,306
Government bills that may be traded in the secondary market	-	-
Time deposits up to 3 months	3,831,587	2,628,915
Other short-term highly liquid assets	1,812	326
Receivables based on interest (allowance for impairment loss)	1,762 (341)	186 (49)
Included in cash and cash equivalents for the needs of the Statement on cash flows	17,232,040	17,050,871
Mandatory FC deposits	4,836,078	3,515,576
Restricted deposits (allowance for impairment loss)	401,326 -	301,350 -
Total	22,469,444	20,867,797

	In thousands of Denars							
	Current year 2022				Previous year 2021			
	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	-	-	49	49	-	-	1,002	1,002
Impairment for the year								
additional impairment	-	-	481	481	-	-	2,192	2,192
(release for impairment)	-	-	(189)	(189)	-	-	(3,145)	(3,145)
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	-	-	341	341	-	-	49	49

Level of mandatory reserve obligation in foreign currency is determined in the amount of 4,836,078 thousands of Denars (2021: 3,515,576 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 2022 and 2021 are subject to negative interest rate charge imposed by the Central Bank.

To manage the liquidity risk of non- settlement, participants/beneficiaries the KIBS -Clearing service forms reserve guarantee fund (RGF) with which is secured funds for successful settlement. The amount that the Bank has paid in to the Fund is shown as part of the item restricted deposits and in 2022 in amount to 370,000 thousands denars (2021: 270,000 thousands denars).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 8,307,294 thousands of Denars (2021: 6,171,463 thousands of Denars), represent mandatory reserve in Denars. The mandatory reserves in Denars in 2022 and 2021 do not bear an interest.

Treasury bills that can be traded at the secondary market in the amount of 1,835,846 thousands of Denars (2021: 1,838,306 thousands of Denars) have been purchased from Central Bank with maturity period of 28 - 35 days. The interest rates increase it 8 times during 2022 year, on these bills were moving in the range of 1,25%-4,75% on primary market (2021: 1,50 – 1.25% p.a).

19. TRADING ASSETS

A Structure of trading assets by type of financial instrument

	In thousands of Denars	
	Current year	Previous year
	2022	2021
<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	2,021	1,999
Other equity instruments	-	-
	2,021	1,999
Quoted	2,021	1,999
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	2,021	1,999

The proprietary instrument for trading consists of 1.028 shares in ALTA Bank a.d Belgrade in the amount of 2.021 thousand Denars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2022		Previous year, 2021	
		Book amount on 31.12.2022	Fair value on 31.12.2022	Book amount on 31.12.2021	Fair value on 31.12.2021
Trading assets, reclassified in 31.12.2022 (current period) in:					
- financial assets available-for-sale	-	-	-	-	-
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-
Trading assets, reclassified in 31.12.2021 (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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

19. TRADING ASSETS (continued)

B. Reclassified trading assets (continued)

B.2 Profit and loss from reclassified trading assets

	In thousands of Denars					
	Reclassified in 2022 (Current period)		Reclassified in 2021 (previous period)			
	Income Statement 2022 (Current period)	Other profit /(loss) 2022 (Current period)	Income Statement 2022 (Current period)	Other profit /(loss) 2021 (Current period)	Income Statement 2021 (Previous period)	Other profit /(loss) 2021 (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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 in 2022 (Current period)	Reclassified during 2021 (previous period)	
	Income Statement 2022 (Current period)	Income Statement 2022 (Current period)	Income Statement 2021 (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 2022	Previous year 2021
<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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

21. DERIVATIVE ASSETS AND LIABILITIES HELD FOR RISK MANAGEMENT

		Current year 2022		In thousands of Denars Previous year 2021	
		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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

22. LOANS AND PLACEMENTS

22.1 PLACEMENTS WITH AND LOANS TO BANKS

	Current year 2022		In thousands of Denars Previous year 2021	
	short-term	long-term	short-term	long-term
Loans to banks				
domestic banks	-	-	-	-
foreign banks	19,057	-	18,637	-
Time deposits at maturity period of				
over 3 months				
domestic banks	-	-	-	-
foreign banks	-	288,451	-	269,256
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	19,057	288,451	18,637	269,256
(Allowance for impairment)	(10,071)	-	(9,775)	-
Total placements with and loans to banks less allowance for impairment	8,986	288,451	8,862	269,256

	In thousands of Denars							
	Current year 2022				Previous year 2021			
	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	-	-	9,775	9,775	-	-	9,494	9,494
Impairment for the year								
additional impairment	-	-	841	841	-	-	484	484
(release for impairment)	-	-	(545)	(545)	-	-	(203)	(203)
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	-	-	10,071	10,071	-	-	9,775	9,775

Part of loans and advances with banks amounting to 18,884 thousands of Denars (2021: 19,005 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 288,451 thousands of Denars (2021: 269,256 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 2022		In thousands of Denars Previous year 2021	
	short-term	long-term	short-term	long-term
Non-finance companies				
receivables upon principal	14,295,395	18,822,091	11,087,726	17,096,972
interest receivables	66,527	-	50,337	-
Government				
receivables upon principal	-	-	-	-
interest receivables	-	-	-	-
Non-profit institutions that serve households				
receivables upon principal	-	15,167	21	21,616
interest receivables	6	-	19	-
Financial companies, besides banks				
receivables upon principal	-	76,750	-	43,641
interest receivables	72	-	101	-
Households				
receivables upon principal				
housing loans	97,299	15,972,682	139,831	13,326,699
consumer loans	1,382,958	32,180,128	1,171,744	31,032,962
auto loans	37	16,498	1,113	19,648
mortgage loans	-	-	-	-
credit cards	185,976	4,143,943	211,909	4,412,751
other loans	116,181	1,346,223	108,696	1,390,567
interest receivables	406,418	-	581,560	-
Non-residents, besides banks				
receivables upon principal	943	4,455	51	1,181
interest receivables	2	-	8	-
Current maturity	<u>12,365,229</u>	<u>(12,365,229)</u>	<u>11,505,794</u>	<u>(11,505,794)</u>
Total placements with and loans to customers before allowance for impairment	28,917,063	60,212,708	24,858,910	55,840,243
(Allowance for impairment)	<u>(403,593)</u>	<u>(2,809,473)</u>	<u>(334,753)</u>	<u>(2,327,312)</u>
Total placements with and loans to customers less allowance for impairment	28,513,470	57,403,235	24,524,157	53,512,931

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022				Previous year 2021			
	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	168,912	475,827	2,017,326	2,662,065	144,044	386,289	2,248,408	2,778,741
Impairment for the year								
additional impairment	74,299	513,863	1,231,398	1,819,560	52,235	510,927	922,133	1,485,295
(release for impairment)	(150,342)	(134,299)	(317,324)	(601,965)	(200,363)	(120,955)	(418,439)	(739,757)
Transfer to:								
- impairment for Group 1	94,370	(83,557)	(10,813)	-	180,103	(162,303)	(17,800)	-
- impairment for Group 2	(20,592)	74,725	(54,133)	-	(6,066)	21,833	(15,766)	-
- impairment for Group 3	(1,351)	(168,987)	170,338	-	(1,041)	(159,964)	161,004	(0)
(Foreclosed assets taken on the basis of outstanding claims)	-	-	-	-	-	-	(3)	(3)
Effect of exchange rate differences (Written off claims)	-	-	(666,595)	(666,595)	-	-	(862,211)	(862,211)
As of December 31	165,296	677,572	2,370,197	3,213,065	168,912	475,827	2,017,326	2,662,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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	Previous
	year	year
	2022	2021
<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)	1,646,554	1,263,425
government securities	-	-
government unconditional guarantees	294,582	462,249
bank guarantees	269,660	247,325
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except for bank and insurance company guarantees)	2,018,597	761,143
Guarantees from individuals	-	-
Property pledge:		
private property (flats, houses)	23,433,825	20,095,639
commercial property	17,557,087	14,810,720
Pledge over movables	2,355,128	2,201,357
Other types of collateral	1,678,575	1,494,544
Unsecured	36,662,697	36,700,686
Total placements with and loans to customers less allowance for impairment	85,916,705	78,037,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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 2022	As at 2021
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	597,777	2,058,619
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	<u>597,777</u>	<u>2,058,619</u>
Quoted	597,777	2,058,619
Unquoted	-	-
<i>Equity instruments</i>		
Equity instruments issued by banks	-	-
Other equity instruments	92,584	85,212
	<u>92,584</u>	<u>85,212</u>
Quoted	68,176	60,804
Unquoted	24,408	24,408
Total investment in financial instruments available for sale	<u>690,361</u>	<u>2,143,831</u>

	In thousands of Denars							
	Current year 2022				Previous year 2021			
	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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022**23. INVESTMENTS IN SECURITIES (continued)****23.1 INVESTMENT IN FINANCIAL ASSETS AVAILABLE-FOR-SALE (continued)**

On 31.12.2022 year, the balance of investments in debt securities available for sale amounts to 597.777 thousands Denars (2021: 2.058.619 thousands denars) and refers to investments in government bonds issued by RNM in January and February 2023 whit an interest rate of 0.4 % . They are recorded at fair value through other comprehensive income.

Other proprietary instruments consist of investments in domestic financial institutions (CDHV a.d Skopje, Macedonian Stock Exchange a.d Skopje , KIBS a.d Skopje, Kasis a.d Skopje) in the amount of 90.512 thousand denars (2021: 83.286 thousand denars), foreign financial institutions in the amount of 31 thousand denars) and domestic non-financial entities in the amount of 2.041 thousand denars (2021: 1.895 thousand denars).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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 2022		In thousands of Denars Previous year 2021	
		Book value on 31.12.2022	Fair value on 31.12.2022	Book value on 31.12.2021	Fair value on 31.12.2021
Assets available-for-sale reclassified in 2022 (current period) in:					
- loans and receivables from banks	-	-	-	-	-
- loans and receivables from other customers	-	-	-	-	-
	-	-	-	-	-
Assets available-for-sale reclassified in 2021 (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	
	2022	Other profit /(loss) 2022	Income Statement 2021	Other profit /(loss) 2021
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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022 (current period)	Other profit /(loss) 2022	Income Statement 2021 (previous period)	Other profit /(loss) 2021
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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

23. INVESTMENT IN SECURITIES (continued)

23.2 INVESTMENT IN HOLD-TO-MATURITY SECURITIES

	In thousands of Denars	
	Current year 2022	Previous year 2021
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds	9,694,955	10,153,836
Corporate bonds	1,575	-
Other debt instruments	-	-
	<u>9,696,530</u>	<u>10,153,836</u>
Quoted	-	-
Unquoted	-	-
	<u>-</u>	<u>-</u>
Total investment in financial instruments hold to maturity before allowance for impairment	9,696,530	10,153,836
(Allowance for impairment)	(7)	-
Total investment in financial instruments hold to maturity reduced by the allowance for impairment	<u>9,696,523</u>	<u>10,153,836</u>

	In thousands of Denars							
	Current year 2022				Previous year 2021			
	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	8	-	-	8	-	-	-	-
(release for impairment)	(1)	-	-	(1)	-	-	-	-
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	7	-	-	7	-	-	-	-

On 31.12.2022 the balance of investments in debt securities held until maturity amounts to 9.694.955 thousand denars (2021:10.153.836 thousands denars) and refers to investments in government bonds issued by RNM Eurobonds also issued by the RNM. The government bonds matured in 2023, 2024 and 2028 and have a coupon interest rate of 0.35% to 1.625% . The Eurobonds matured in 2023, 2025, 2026 and 2028 with a coupon interest rate of 1.625% to 5.625% . They are recorded at amortized cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022	Previous year 2021	Current year 2022	Previous year 2021
Stopanska Leasing Ltd. Skopje	RSM	100	-	100	-

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 31.12.2022	101,506	89,685	11,821	87,965	(3,179)
As at 31.12.2021	-	-	-	-	-

Stopanska Leasing Ltd. Skopje is limited liability company based in the RNM . ST Leasing is authorized to perform all leasing activities. The most important activities of the company are the leasing of : cars for companies and private individuals, commercial vehicles , tracks and buses, equipment for industry , agricultural equipment , medical equipment , constructions equipment and real estate. On December 31.2022 the total number of employees in the Company is 5 employees (2021:0 employees). The Bank's investment in ST Leasing, amounts to 15.000 thousand Denars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

25. OTHER RECEIVABLES

	In thousands of Denars	
	Current year 2022	Previous year 2021
Trade receivables	11,128	69,183
Prepaid expenses	123,233	5,456
Deferred income	152,811	-
Fees and commissions receivables	27,734	22,537
Receivables from the employees	3,670	3,703
Advances for intangible assets	-	-
Advances for property and equipment	678,392	3,094
Other:		
Materials in stocks	13,993	13,007
Numismatic collections	9,907	9,907
Receivables for disbursements to foreign VISA cards	100,882	166,806
Prepaid pensions	1,453,596	1,305,178
Other	32,381	3,089
Total other receivables before allowance for impairment	2,607,727	1,602,680
(Allowance for impairment)	(25,131)	(40,262)
Total other receivables reduced for the allowance for impairment	2,582,596	1,562,418

In position other, the amount of Denar 1,453,596 thousand refers to pension for December 2022 prepaid from bank's funds (2021: Denar 1,305,178 thousand), offset by the Pension and disability insurance fund of North Macedonia on 5th of January 2023. Advances on real estate and equipment are payments made as part of the purchase price for the construction of the Bank's new administrative building.

	In thousands of Denars							
	Current year 2022				Previous year 2021			
	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment	Impairment for Group 1	Impairment for Group 2	Impairment for Group 3	Total impairment
Impairment movement								
As of January 1st	9	107	40,146	40,262	5	199	28,982	29,186
Impairment for the year								
additional impairment	24	92	20,949	21,065	-	97	21,866	21,963
(release for impairment)	(82)	(18)	(13,345)	(13,445)	(1)	(158)	(1,160)	(1,319)
Transfer to:								
- impairment for Group 1	81	(81)	-	-	5	(5)	-	-
- impairment for Group 2	-	-	-	-	-	-	-	-
- impairment for Group 3	-	398	(398)	-	-	(26)	26	-
(Receivables based on outstanding receivables)	-	-	-	-	-	-	-	-
Effect of exchange rate differences	-	-	-	-	-	-	-	-
(Written claims)	-	-	(22,751)	(22,751)	-	-	(9,568)	(9,568)
As of December 31	(49)	498	24,601	25,131	9	107	40,146	40,262

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

26. COLLATERALIZED ASSETS

	Current year 2022	In thousands of Denars Previous year 2021
Debt securities	-	-
Equity instruments	-	-
Total collateralized assets	-	-

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 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
Balance on 1 st January 2022	18,038	338,797	33,510	71,814	2,159	464,318
Assets acquired during the year	-	21,965	-	2,711	-	24,676
(Sold during the year)	(1,365)	(11,008)	(8,166)	(2,711)	-	(23,250)
(Transferred to own assets)						-
Balance on 31st December 2022	16,673	349,754	25,344	71,814	2,159	465,744
Impairment						
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
Balance on 1 st January 2022	17,154	227,881	27,769	62,640	1,826	337,270
Impairment loss during the year	2	44,300	-	2,810	310	47,422
(Sold during the year)	(491)	(6,512)	(2,642)	(2,711)	-	(12,356)
(Transferred to own assets)						-
Balance on 31st December 2022	16,665	265,669	25,127	62,739	2,136	372,336
Current carrying amount						
Balance on 1 st January 2021	-	173,207	-	12,231	410	185,848
Balance on 31st December 2021	884	110,916	5,741	9,174	333	127,048
Balance on 31st December 2022	8	84,085	217	9,075	23	93,408

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022**27. ASSETS ACQUIRED THROUGH FORECLOSURE PROCEEDINGS (continued)**

Assets acquired on the basis of outstanding claims consist of assets that are not used in the regular operations of the Bank.. During 2022, the Bank recorded impairment losses on these assets in the total amount of Denar 24,493 thousand (2021: Denar 13,496 thousand).

During this period, the Bank sold 20 assets (2021: 26 assets) in the amount of Denar 11,908 thousand (2021: Denar 70,711 thousand), and took over 6 objects (2021: 7objects) with carrying value amount Denar 14,055 thousand (2021: Denar 10,327 thousand). The Bank has already undertaken activities for sale of the assets taken over in 2022,because it`s general policy these assets to be sold within a period of 3 years.Objective value of the assets taken on 31.12.2022 are in amount of 283.922 thousand denars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 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	-	-	-	572,503
Balance at 1 January 2022	-	572,503	-	-	-	-
increases through new purchases	-	70,701	-	-	-	-
increases through internal development	-	-	-	-	-	-
increases through business combinations	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-
(sale through business combinations)	-	-	-	-	-	-
(transfer in non-current assets held for sale)	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-
Balance at 31 December 2022	-	643,204	-	-	-	643,204
Amortization and impairment						
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	-	-	-	461,068
Balance at 1 January 2022	-	461,068	-	-	-	461,068
Amortization for the year	-	45,266	-	-	-	-
Impairment loss during the year	-	-	-	-	-	-
(release of the impairment loss during the year)	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-
Balance at 31 December 2022	-	506,334	-	-	-	506,334
Current book value at						
January 1, 2021	-	118,914	-	-	8,756	-
December 31, 2021	-	111,435	-	-	-	-
December 31, 2022	-	136,870	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2021	-	-	-	-	-	-
December 31, 2022	-	-	-	-	-	-

On December 31, 2022 and 2021, 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 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)	-	-	-	-	-	-	-	-	-
(entering through business combinations)	-	-	-	(27)	-	-	-	(3,005)	(3,032)
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
On 1 January 2022	-	1,315,988	3,557	963,091	63,336	22,460	19,929	172,444	2,560,805
Additions	-	22,426	-	48,957	2,868	-	164,106	4,762	243,119
Additions through business combinations (Disposals)	-	-	-	-	-	-	-	-	-
(entering as expenditure through business combinations)	-	(10,487)	-	(21,472)	-	-	-	(4,473)	(36,432)
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	-	(71,525)	5,542	(65,983)
On December 31, 2022	-	1,327,927	3,557	990,576	66,204	22,460	112,510	178,275	2,701,509
Depreciation and impairment									
On 1 January 2021	-	617,166	3,519	837,515	41,967	12,861	-	150,893	1,663,921
Depreciation for the year	-	31,399	14	36,067	2,192	562	-	10,532	80,766
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	-	648,560	3,533	873,555	44,159	13,423	-	158,450	1,741,680
On 1 January 2022	-	648,560	3,533	873,555	44,159	13,423	-	158,450	1,741,680
Depreciation for the year	-	32,195	14	41,822	2,332	561	-	8,329	85,254
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(release of the impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposals)	-	(7,656)	-	(21,441)	-	-	-	(4,060)	(33,157)
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
(Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	-	-	-	-
On December 31, 2022	-	673,098	3,547	893,936	46,491	13,984	-	162,719	1,793,776
Current carrying amount									
On January 1, 2021	-	662,219	38	100,027	19,492	9,599	14,422	23,117	828,914
On December 31, 2021	-	667,428	24	89,536	19,177	9,037	19,929	13,994	819,125
On December 31, 2022	-	654,829	10	96,640	19,713	8,476	112,510	15,556	907,733

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2021	-	-	-	-	-	-	-	-
On December 31, 2022	-	-	-	-	-	-	-	-

Building facilities of the Bank as of December 31, 2022 includes assets with a net book value of Denar 2,330 thousand (2021: Denar 2,481 thousand) for which the Bank does not have the relevant documents of ownership due to incomplete cadastral records. There are no mortgage or other encumbrances on the property owned by the bank, that means that the bank did not mortgage its property to obtain funds or similar.

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 2021
Income tax receivable (current)	-
Income tax payable (current)	(892)
	72,595

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022			In thousands of Denars 31 December 2021		
	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 2022	Previous year 2021
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022				
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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022	Previous year 2021
Intangible assets	-	-
Property and equipment	-	-
Total non-current assets held for sale	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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

B. Group for disposal

	In thousands of Denars	
	Current	Previous
	year	year
	2022	2021
<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
	2022	2021
Profit/(loss) recognized from sale of held for sale assets and group for disposal	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

32. TRADING LIABILITIES

	In thousands of Denars	
	Current year 2022	Previous year 2021
<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	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
<i>Issued debt securities</i>		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
<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	-	-
	-	-
Total liabilities held for trading	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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

	Current year 2022		In thousands of Denars Previous year 2021	
	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 2022				Previous year 2021			
	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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

34. DEPOSITS

34.1 DEPOSITS FROM BANKS

	Current year 2022		In thousands of Denars Previous year 2021	
	short-term	long-term	short-term	long-term
Current accounts				
from domestic banks	16,813	-	10,275	-
from foreign banks	755	-	387	-
Demand deposits				
from domestic banks	-	-	-	-
from foreign banks	-	-	-	-
Time deposits				
from domestic banks	-	-	-	-
with foreign banks	2,863,303	-	1,395,661	-
Restricted deposits				
from domestic banks	-	-	-	-
from foreign banks	18,884	-	19,005	-
Other deposits				
from domestic banks	-	-	-	-
from foreign banks	-	-	-	-
Interest payable on deposits				
from domestic banks	-	-	-	-
from foreign banks	2,560	-	7	-
Current maturity	-	-	-	-
Total deposits from banks	2,902,315	-	1,425,335	-

The restricted deposits from foreign banks in the amount of Denar 18,884 thousand (2021: Denar 19,005 thousand) represent deposits from banks in Serbia who went into bankruptcy in January 2002 (Note 22.1).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

34. DEPOSITS (continued)

34.2 DEPOSITS FROM OTHER CLIENTS

	Current year 2022		In thousands of Denars Previous year 2021	
	short-term	long-term	short-term	long-term
Non-financial companies				
Current accounts	19,245,521	-	17,855,354	-
Demand deposits	81,260	-	138,837	-
Time deposits	953,908	275,763	822,413	835,163
Restricted deposits	566,899	585,526	333,025	511,193
Other deposits	104,216	-	10,261	-
Interest payable on deposits	8,363	-	12,372	-
	20,960,167	861,289	19,172,262	1,346,356
State				
Current accounts	182,153	-	160,341	-
Demand deposits	-	-	-	-
Time deposits	-	-	20,000	-
Restricted deposits	27	703	35	650
Other deposits	-	-	-	-
Interest payable on deposits	39	-	67	-
	182,219	703	180,443	650
Non-profit institutions serving the households				
Current accounts	698,864	-	644,528	-
Demand deposits	-	-	-	-
Time deposits	106,109	13,800	117,672	16,099
Restricted deposits	1,682	4,353	2,149	1,042
Other deposits	-	-	-	-
Interest payable on deposits	198	-	209	-
	806,853	18,153	764,558	17,141
Financial companies, except banks				
Current accounts	67,872	-	71,280	-
Demand deposits	-	-	-	-
Time deposits	145,379	550,167	192,000	776,814
Restricted deposits	1,400	1,291	7,457	1,672
Other deposits	-	-	-	-
Interest payable on deposits	3,858	-	15,124	-
	218,509	551,458	285,861	778,486
Households				
Current accounts	37,620,958	-	34,569,912	-
Demand deposits	61,466	-	132,965	-
Time deposits	13,653,452	15,904,264	13,800,954	15,144,634
Restricted deposits	1,730,174	423,171	1,649,648	491,736
Other deposits	-	-	-	-
Interest payable on deposits	32,850	-	47,855	-
	53,098,900	16,327,435	50,201,334	15,636,370
Non-residents, except banks				
Current accounts	1,034,737	-	988,771	-
Demand deposits	1,068	-	765	-
Time deposits	131,672	108,835	111,472	142,317
Restricted deposits	77,091	455	46,018	455
Other deposits	-	-	-	-
Interest payable on deposits	103	-	180	-
	1,244,671	109,290	1,147,206	142,772
Current maturity	7,426,100	(7,426,100)	9,756,013	(9,756,013)
Total deposits from other clients	83,937,419	10,442,228	81,507,677	8,165,762

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

35. ISSUED DEBT SECURITIES

	In thousands of Denars	
	Current	Previous
	year	year
	2022	2021
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payable on deposits	-	-
Total issued debt securities	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

36. BORROWINGS

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

	In thousands of Denars			
	Current year 2022		Previous year 2021	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Loans payable	-	1,930,695	-	1,686,270
Repo-transactions	-	-	-	-
Interest payable	1	-	28	-
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	441,800	(441,800)	156,512	(156,512)
Total loans payable	441,801	1,488,895	156,540	1,529,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

36. BORROWINGS (continued)

B. Borrowings according to the creditor

	Current year 2022		In thousands of Denars Previous year 2021	
	short-term	long-term	short-term	long-term
<i>Domestic sources:</i>				
Development Bank of North Macedonia Matures in 2024 and interest rate is equal to 1.0% p.a. annually (2020: 1% p.a.)	464	203	28	12,908
Development Bank of North Macedonia Matures in 2032 and interest rate is equal to 0% p.a. annually (2020: 0% p.a.)	419,583	1,411,606	-	1,673,362
Development Bank of North Macedonia Framework agreement for participation in the working capital lending program for increased energy prices – with a date line of 2025 year and interest rate of 0% p.a. annually	12,508	25,016	-	-
Development Bank of North Macedonia Framework agreement for participation in the program for financing projects for energy efficiency and renewable energy sources - with a date line of 2023 year and interest rate of 0% p.a. annually	9,246	52,070		
	441,801	1,488,895	28	1,686,270
<i>Foreign sources</i>				
Other banks	-	-	-	-
Current maturities	441,800	(441,800)	156,512	(156,512)
Total loans payable	441,801	1,488,895	156,540	1,529,758

Credit obligations towards MBDP are secured by promissory notes, for some of them the Bank has based a pledge of claims in the form of a notary deed in favor of MBDP under sub-credit agreements with end users approved by the credit lines administered through MBDP. On 31.05.2022, Stopanska banka AD Skopje and the European Bank for Reconstruction and Development (EBRD) signed an agreement for a credit line for financing micro, small and medium-sized companies for financing investments to improve the competitive advantage as well as compliance with the technical standards prescribed in The European Union and other countries, in the amount of 4 million euros, from which funds were not used during 2022. Loan obligations towards the EBRD are unsecured and as of 31.12.2022, the Bank is in compliance with the covenants according to the agreement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

37. SUBORDINATED DEBT

			In thousands of Denars	
			Current year 20221	Previous year 2021
	<u>Maturity</u>	<u>Interest rate</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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 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
Balance as at January 1, 2022	52,308	10,693	44,430	-	-	-	107,431
additional provisions during the year	31,053	554	5,958	-	-	-	37,565
(utilized provisions during the period)	-	-	(541)	-	-	-	(541)
(provisions recovery during the period)	(22,765)	(7,474)	(2,294)	-	-	-	(32,533)
Balance as at December 31, 2022	60,596	3,773	47,553	-	-	-	111,922

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>2022</u>	<u>2021</u>
Interest rate	3.10%	2.20%
Average salary increase	5.00%	4.00%
Inflation rate	3.00%	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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

39. OTHER LIABILITIES

	In thousands of Denars	
	Current year 2022	Previous year 2021
Trade payables	30,537	4,892
Received advances	-	-
Fees and commissions liabilities	183	150
Accrued expenses	151,219	137,676
Deferred income from previous year	223,045	190,036
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	2,133	2,110
Disputed VISA cards transactions	533	1,858
Unallocated inflows upon deposits and other inflows	592,419	771,792
Obligations to merchants for outstanding payments on credit cards	9,872	13,515
Overpaid fees of credit cards	34,239	33,110
Commitments for closing current accounts - bankruptcy	21,352	16,480
Obligations for settlement with VISA	482	1,721
Premature repayment of loans and other liabilities	112,295	80,944
Total other liabilities	<u>1,269,287</u>	<u>1,345,262</u>

The non-redeemable cumulative preferred shares of the Bank as at December 31, 2022 are in the amount of 90.978 thousand denars and consist of 227,444 priority shares with a nominal value of Denar 400 (2021: 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 2022, the Bank calculated an amount of Denar 1,137 thousand for dividends to the holders of the non-redeemable cumulative preferred shares for 2021 (2021: Denar 1.285 thousand). For explanation of the litigation related to the preferred shares see note 42.

The amount of 592.419 thousand denars refers to receives payments for loans that are unallocated, mostly because the payment was made before the instalment was due or it is a question of received amounts in order to shorten the term of the loans or instalment reduction (2021 : 771.792 thousand denars).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022	Previous Year 2021	Current year 2022	Previous Year 2021	Current year 2022	Previous Year 2021
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 (Note 39).

B. Dividends

B.1 Announced dividends and paid dividends by the Bank

	In thousands of Denars	
	Current year 2022	Previous year 2021
Announced and paid dividends for the year	<u>1,114</u>	<u>1,404</u>

Paid dividends in 2022 in the amount of Denar 1,114 thousand (2021: Denar 1,404 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 2022	In MKD Previous year 2021
Dividend per ordinary share	0.00	0.00
Advance of dividend per ordinary share	0.00	0.00
Dividend per preferred share	5.00	6.00
Advance of dividend per preferred share	0.00	0.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

40. SUBSCRIBED CAPITAL(continued)

B. Dividend (continued)

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

	In thousands of Denars	
	Current year 2022	Previous year 2021
Announced dividends after December 31	1,137	-

	Current year 2022	In Denars Previous year 2021
Dividend per ordinary share	-	-
Dividend per preferred share	5	-

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, 2022 and December 31, 2021 was officially announced and accepted by the Central Securities Depository of the RNM, as follows:

	In thousands of Denars		In %	
	Current year 2022	Previous year 2021	Current year 2022	Previous year 2021
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, 2022 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

40. SUBSCRIBED CAPITAL(continued)

Retained earnings

Retained earnings includes undistributed profits from current and previous periods. The Banks General Assembly was held on 31.05.2022. The decision was made for distribution of the earnings from 2021 in the total amount of Denar 2,465,956 thousand as earnings for investments restricted for distribution in the amount of Denar 1,543,456 thousand and earnings for investments in the amount of 922,500. In addition, on this assembly the bank made a decision to redistribute part of the accumulated profit into limited profit for distribution to the shareholders in a total amount of 307.500. thousand denars.

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 foreclosure (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 Consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

41. EARNINGS PER SHARE

A. Basic earnings per share

	In thousands of Denars	
	Current year 2022	Previous year 2021
<i>Net profit attributable to ordinary shareholders</i>		
Net profit for the year	2,371,678	2,465,956
Dividend on non-redeemable preferred shares		-
Adjustments to the net profit attributable to ordinary shareholders	2,371,678	2,465,956
Net profit attributable to ordinary shareholders	2,371,678	2,456,956
	Number of shares	
	Current year 2022	Previous year 2021
<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)	135,83	141,23

B. Diluted earnings per share

	In thousands of Denars	
	Current year 2022	Previous year 2021
<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	2,371,678	2,465,956
Adjustment of net gains to which the holders of common shares are entitled for the effects on all issued potential common shares	-	-
Net gains to which the holders of common shares are entitled (diluted)	2,371,678	2,465,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

41. EARNINGS PER SHARE (continued)

B. Diluted earnings per share (continued)

	Number of shares	
	Current year 2022	Previous year 2021
<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)	135,83	141,23

42. COMMITMENTS AND CONTINGENCIES

42.1 COMMITMENTS

	In thousands of Denars	
	Current year 2022	Previous year 2021
Uncovered payment guarantees		
in MKD	1,112,733	1,099,582
in foreign currency	329,784	252,403
in MKD with FC Clause	20,460	18,926
Uncovered performance guarantees		
in MKD	792,671	597,443
in foreign currency	616,677	34,905
in MKD with FC Clause	1,248,523	1,036,358
Uncovered letters of credit		
in MKD	-	-
in foreign currency	117,708	810,449
in MKD with FC Clause	-	-
Unutilized overdrafts under current accounts	1,815,314	1,838,161
Unutilized limits under credit cards	4,804,289	5,403,380
Taken liabilities for financing and unutilized credit limits	9,759,469	6,125,889
Other uncovered contingent liabilities	13,348	21,655
Issued covered letters of guarantee	359,514	340,709
Covered letters of credit	103,922	9,727
Other covered contingent liabilities	-	-
Total contingent liabilities before special reserve	21,094,412	17,589,587
(Provisions)	(60,596)	(52,308)
Total contingent liabilities reduced by special Reserve	21,033,816	17,537,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 3,033,200 thousand (2021: Denar 1,518,300 thousand). The covered and non-covered letters of credit are with maturity of up to 1 year (2021: 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 2022 are ranged from 3.75% to 10.00% (2021: 3.75% to 9.50%). Contingent liabilities of the Bank towards legal entities on the basis of guarantees and letters of credit are irrevocable, and unused credit limits granted to legal entities are subject to annual revision. Apart from the covered guarantees and letters of credit that are secured by deposit, the remaining uncovered guarantees and letters of credit, and unused credit limits granted to legal entities are secured by real estate mortgage, pledge on movable property, guarantees, etc.

Litigation

The Bank is involved in litigation from its regular operations. The amount of litigation cases against the Bank as of December 31, 2022, 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 3,772 thousand (2021: Denar 10,693 thousand). This amount includes the penalty interests, and other court expenses as well. Accordingly, during 2022, the Bank made additional provisions for litigations in the amount of Denar 554 thousand (2021: Denar 601 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 favour of the Bank in all court instances and total in the other two cases the first instance court has ruled in favour of the Bank. ns

42.2 CONTINGENCIES

	In thousands of Denars	
	Current year 2022	Previous year 2021
	-	-
Total contingent assets	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

43. OPERATIONS ON BEHALF AND FOR ACCOUNT OF THIRD PARTIES

	Current year 2022			In thousands of Denars Previous year 2021		
	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	262,560	262,508	52	264,792	264,740	52
FC loans	92,345	92,345	-	117,967	117,967	-
Other MKD receivables	1,418,805	1,418,805	-	1,337,121	1,337,121	-
Other FC receivables	455,187	455,187	-	425,214	425,214	-
<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>	35,287	35,287	-	19,943	19,943	-
<i>Other</i>			-	-	-	-
Total	2,264,184	2,264,132	52	2,165,037	2,164,985	52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2022						
Assets						
Investments in subsidiaries		15,000				15,000
Current accounts	9,337	-	-	-	-	9,337
Trading assets	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-
mortgage loans	-	-	-	652	1,593	2,245
consumer loans	-	-	-	203	1,534	1,737
unsecured loans	-	51,671	-	-	-	51,671
receivables under financial leasing	-	-	-	-	-	-
receivables under factoring and forfeiting	-	-	-	-	-	-
other loans and receivables	675,948	-	-	80	30	676,058
Investments in securities	-	-	-	-	-	-
(Allowance for impairment)	-	-	-	-	-	-
Other assets	20	457	-	-	-	477
Total	685,305	67,128	-	935	3,157	756,525
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	2,461,840	14,110	-	49,048	422,089	2,947,087
Issued securities	-	-	-	-	-	-
Borrowings liabilities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	51,725	-	-	-	-	51,725
Total	2,513,565	14,110	-	49,048	422,089	2,998,812
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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

44. RELATED PARTY TRANSACTIONS (continued)

A. Balance Sheet (continued)

	In thousands of Denars					
	Parent company	Subsidiaries	Associates	Management personnel of the Bank	Other related parties	Total
31 December 2021						
Assets						
Current accounts	9,372	-	-	-	-	9,372
Trading assets	-	-	-	-	-	-
Loans and receivables	-	-	-	-	-	-
mortgage loans	-	-	-	875	1,914	2,789
consumer loans	-	-	-	69	910	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	2,824	13,140
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	1,232,543	-	-	55,090	173,990	1,461,623
Issued securities	-	-	-	-	-	-
Borrowings liabilities	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	55,289	-	-	1	-	55,290
Total	1,287,832	-	-	55,091	173,990	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 CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

44. RELATED PARTY TRANSACTIONS (continued)

B. Income and expenses arising from the related party transactions

	In thousands of Denars					
	Parent company	Subsidiaries	Associates	Management personnel of the Bank	Other related parties	Total
2022 current year						
Income						
Interest income	2,953	245	-	38	118	3,354
Income from fees and commissions	81	-	-	12	18	111
Net gains from trading	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	457	-	77	10	544
Transfers between entities	-	-	-	-	-	-
Total	3,034	702	-	127	146	4,009
Expenses						
Interest expenses	10,805	-	-	460	2,645	13,910
Expenses for fees and commissions	1,091	-	-	-	-	1,091
Net losses from trading	-	-	-	-	-	-
Expenses for procurement of non-current assets	-	-	-	-	-	-
Allowance for impairment of financial assets, on net basis	-	-	-	-	-	-
Other expenses	104,503	-	-	31,300	16	135,819
Transfers between entities	-	-	-	-	-	-
Total	116,399	-	-	31,760	2,661	150,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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
2021 previous 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

C. Remuneration for the management personnel of the Bank

	In thousands of Denars	
	Current year 2022	Previous year 2021
Short-term benefits for employees	31,276	33,716
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	31,276	33,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

44. RELATED PARTIES TRANSACTIONS (continued)

Related parties include the major shareholders, associates and jointly controlled entities, control/management with the Group, or whose activities the Group has an ability to control. The Group'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 Group'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 Group. Other related party transactions relate mostly to NBG Cairo branch, fellow subsidiaries of the NBG Group, entity under common control and related parties to key management personnel. The transactions shown under subsidiaries have occurred with ST Leasing, a company founded by the Bank in 2022.

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, 2022 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
December 31, 2021 (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, 2022 (current period)				
Net present value of minimum lease payments	1,391	1,391	-	-
December 31, 2021 (previous year)				
Net present value of minimum lease payments	1,391	1,391	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

45. LEASES (continued)

A. Lessor (continued)

A.2 Irrevocable operating lease receivables (continued)

	In thousands of Denars					
					Other items of property and equipment	
	Land	Buildings	Means of transportation	Furniture and office equipment	Other equipment	Total
Value of the property given under operating lease:						
December 31, 2022	-	8,477	-	-	-	8,477
December 31, 2021	-	9,038	-	-	-	9,038

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. Lease incomes in 2022 amounted to 1.391 thousand denars (2021 : 1.391 thousand denars) Note 11.

B. LEASEE

B.1 Financial lease liabilities

	In thousands of Denars			
	Maturity period for financial lease liabilities			
	Total financial lease liabilities	up to 1 year	from 1 to 5 years	over 5 years
Balance as at December 31, 2022 (current period)	-	-	-	-
Balance as at 31 December, 2021 (previous year)	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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 2021	-	-	-	-	-	-	-
increases	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance as at 31 December 2021	-	-	-	-	-	-	-
Balance as at 1 January 2022	-	-	-	-	-	-	-
increases	-	-	-	-	-	-	-
(disposal of and entering as expenditure)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance as at December 31, 2022	-	-	-	-	-	-	-
Accumulated depreciation and impairment							
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 31 December 2021	-	-	-	-	-	-	-
Balance as at 1 January 2022	-	-	-	-	-	-	-
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, 2022	-	-	-	-	-	-	-
Current carrying amount							
As at 1 January 2021	-	-	-	-	-	-	-
On December 31, 2021	-	-	-	-	-	-	-
On December 31, 2022	-	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

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, 2022 (current period)	-	-	-	-
Balance as at 31 December, 2021 (previous year)	-	-	-	-

46. SHARE BASED PAYMENTS

	In thousands of Denars	
	Current year 2022	Previous year 2021
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 2022	Previous year 2021
	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 30/December 31	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022

47. TAXATION RISK

Consolidated financial statements and accounting records of the Group 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 Group '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

There are no other material events after the balance sheet date that would be reported in the Consolidated 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>31.12.2022</u>	In MKD <u>31.12.2021</u>
1 USD	57.6535	54.3736
1 EUR	61.4932	61.6270