Grant Thornton

Financial Statements prepared in accordance with International Financial reporting Standards and Independent Auditors' Report

Universal Investment Bank AD, Skopje

31 December 2015

Contents

Independent Auditors' Report

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To the Shareholders of

Universal Investment Bank AD, Skopje

We have audited the accompanying financial statements of Universal Investment Bank AD, Skopje ("the Bank") which comprise the Statement of financial position as at 31 December 2015 and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 3 to 55.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matters

As disclosed in Note 17 to the accompanying financial statements, as at 31 December 2015, the Bank investments in subsidiaries amounted to Denar 87,645 thousand. The Bank owns 100% of the owner's capital of the domestic legal entity. Until the date of issuing of this report, no consolidated financial statements and consolidated statutory accounts have been issued by the Bank.

Our opinion is not qualified in respect of this matter.

Skopje,
5 April 2016

Grant Thornton Doo, Skopje

Друштво за ревизија ГРАНТ ТОРНТОН ДОО Скопје

Director
Suzana Stavrik

Certified Auditor
Suzana Stavrik

Statement of comprehensive income

	Notes	2015	2014
		(In 000 MKD) For the year ending 31 December	
Interest income		682,578	673,543
Interest (expense)		(176,222)	(184,042)
Net interest income	5	**506,356**	**489,501**
Fee and commission income		265,476	255,143
Fee and commission (expense)		(132,389)	(123,288)
Net fee and commission income	6	**133,087**	**131,855**
Net foreign exchange gains		22,497	21,811
Other operating income	7	19,510	17,314
Operating income		**681,450**	**660,481**
Additional / (Release of) impairment provision on financial assets, net	8	(48,186)	(5,394)
Personnel expenses	9	(221,976)	(221,237)
Amortization and depreciation	18,19	(59,336)	(61,734)
Other operating expenses	10	(264,909)	(281,677)
Operating (expenses)		**(594,407)**	**(570,042)**
Profit before tax		**87,043**	**90,439**
Income tax (expense)	11	(8,164)	(9,580)
Net profit for the year		**78,879**	**80,859**
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**78,879**	**80,859**
Earnings per share			
Basic and diluted earnings per share (in Denars)	12	144	148

Statement of financial position

	Notes	2015	(In 000 MKD) As at 31 December 2014
Assets			
Cash and cash equivalents	13	3,417,931	2,474,241
Loans and advances to customers	14	8,556,585	7,262,235
Investment securities	15	14,331	696,601
Foreclosed assets	16	81,808	111,302
Investment in subsidiaries	17	87,645	109,556
Intangible assets	18	102,060	119,267
Property and equipment	19	477,838	486,040
Other receivables	20	55,648	59,056
Total assets		**12,793,846**	**11,318,298**
Liabilities			
Due to banks	21	425,986	73,963
Due to customers	22	10,312,103	9,565,185
Borrowings	23	658,701	347,866
Provisions and special reserve	24	2,957	4,128
Current tax liabilities		5	677
Deferred tax liabilities	11	1,125	1,442
Other liabilities	25	85,678	96,625
Total liabilities		**11,486,555**	**10,089,886**
Equity and reserves			
Share capital	26	545,987	545,987
Share premium		510,387	510,387
Reserves		119,334	85,395
Retained earnings		131,583	86,643
Total equity and reserves		**1,307,291**	**1,228,412**
Total liabilities, equity and reserves		**12,793,846**	**11,318,298**
Commitments and contingencies	27	1,233,138	984,968

These financial statements have been authorized by the Bank's Supervisory Board on 4 April 2016.

Signed on behalf of the Board of Directors by:

Universal Investment Bank AD SKOPJE

Kosta Mitrovski	**Delcho Krastev**	**Vladislav Hadjidinev**
Chairman of the Managing Board, Executive Director	Member of the Managing Board, Executive Director	Member of the Managing Board, Executive Director

Statement of changes in equity

(In 000 MKD)	Share capital	Share premium	Reserves	Retained earnings / Accumulated (losses)	Total equity
At 01 January 2014	**545,987**	**510,387**	**23,090**	**67,601**	**1,147,065**
Corrections of revaluation reserves for foreclosed assets	-	-	(2,680)	-	**(2,680)**
Correction of retained earnings for release of impairment provision on financial assets from foreclosed assets	-	-	-	3,168	**3,168**
At 01 January 2014-restated	**545,987**	**510,387**	**20,410**	**70,769**	**1,147,553**
Transactions with owners					
Distribution to reserves	-	-	*64,985*	(64,985)	-
Total transactions with owners	-	-	*64,985*	*(64,985)*	-
Profit for the year	-	-	-	80,859	80,859
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income	-	-	64,985	15,874	80,859
At 31 December 2014	**545,987**	**510,387**	**85,395**	**86,643**	**1,228,412**
At 01 January 2015	**545,987**	**510,387**	**85,395**	**86,643**	**1,228,412**
Transactions with owners					
Distribution to reserves	-	-	33,939	(33,939)	**-**
Total transactions with owners	-	-	*33,939*	*(33,939)*	-
Profit for the year	-	-	-	78,879	78,879
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	78,879	78,879
At 31 December 2015	**545,987**	**510,387**	**119,334**	**131,583**	**1,307,291**

Statement of cash flows

	Notes	2015	2014
			(In 000 MKD) Year ended 31 December
Operating activities			
Profit before taxation		87,043	90,439
Adjustment for:			
Amortization and depreciation		59,336	61,734
Additional / (Release of) impairment provision on financial assets, net		48,186	5,394
Impairment losses on foreclosed assets		43,458	40,731
Additional / (Release of) impairment provision and special reserve, net		(1,177)	2,937
Dividend income		(1,043)	(1,164)
(Gain) / loss from foreclosed assets sold		(1,474)	-
(Gain) from property and equipment sold		(1,079)	(1,232)
Interest income		(682,578)	(673,543)
Interest expense		176,222	184,042
Other corrections		237	12,658
(Loss) before changes in operating assets and liabilities		**(272,869)**	**(278,004)**
Changes in operating assets and liabilities			
Loans and advances to banks		-	-
Obligatory reserves in foreign currency		(54,468)	11,979
Loans and advances to customers		(1,336,872)	(603,375)
Foreclosed assets		9,421	(15,727)
Other receivables		(58,579)	(36,344)
Due to banks		350,656	54,490
Due to customers		757,370	309,652
Other liabilities		(11,258)	23,588
Profit/ (Loss) after changes in operating assets and liabilities		**(616,599)**	**(533,741)**
Proceeds from interest		676,237	643,875
Interests (paid)		(184,753)	(216,062)
Income tax (paid)		(8,836)	-
Net cash (used in) / from operating activities		**(133,951)**	**(105,928)**
Investment activities			
(Purchase) of property, plant and equipment and intangible assets, net		(32,848)	(45,562)
Sale of investment securities, net		685,044	230,813
Other inflows from investment activities		1,043	34
Net cash from investments activities		**653,239**	**185,285**
Financial activities			
Proceeds from borrowings		460,855	193,972
(Repayment of) borrowings		(150,811)	(147,286)
(Repayment of) subordinated liabilities		-	-
Net cash from / (used in) financial activities		**310,044**	**46,686**
Net change in cash and cash equivalents		**829,332**	**126,043**
Cash and cash equivalents, beginning of the year		2,014,421	1,888,378
Cash and cash equivalents, end of the year		**2,843,753**	**2,014,421**

See the accompanying Notes to the Financial Statements

Notes to the Financial Statements

1 General information

Universal Investment Bank, Skopje (hereinafter "the Bank") is a Shareholding Company incorporated in the Republic of Macedonia. The address of its registered head office is: "St. Maksim Gorki" 6, 1000 Skopje, Republic of Macedonia.

The Bank is licensed to perform all banking activities in accordance with the law. The main activities include commercial lending, receiving of deposits, payment operation services in the country and abroad, foreign exchange deals, trust activities and other services.

As at 31 December 2015 and 2014 the Bank investment in a 100% owned subsidiary, UNI Imoti dooel Skopje.

The Bank's shares are quoted on the Macedonian Stock Exchange, at segment mandatory listing for companies with special reporting obligations. The quotation code is the following:

Code of shares	ISIN
UNI (ordinary share)	MKBLBA101011

The total number of employees in the Bank as at 31 December 2015 and 2014 is 388 and 386 employees.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

2.1 Basis for preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) that were issued by the International Accounting Standards Board (IASB). Financial statements have been prepared in accordance with the concept of historical cost convention, except for securities available for sale that are measured at fair value and foreclosed assets that are measured at the lower of cost or fair value less costs to sale. The basis for measuring each kind of asset, liability, income and expense are disclosed further within this Note.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Bank's Management to exercise judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4: Critical accounting estimates and judgments.

The financial statements do not include the financial statements of the subsidiary.

The financial statements have been prepared as at and for the years ended 31 December 2015 and 2014. The financial statements are presented in Macedonian Denar ("MKD"), which is the Bank's functional currency. Current and comparative data stated in these financial statements are expressed in Denar thousands. Where necessary, comparative figures have been adjusted to conform to the changes in presentation for the current year.

2.2 Changes in accounting policies and disclosures

a) New and revised standards that are effective for annual periods beginning on or after 1 January 2015

Defined Benefit Plans: Employee Contributions' (Amendments to IAS 19) came into mandatory effect for the first time in 2015 but the Company was permitted to early adopt these Amendments in 2014. The amendments to IFRSs that became mandatorily effective in 2015 have no impact on the Company's financial results or position. Accordingly, the Company has not made changes to its accounting policies in 2015.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Companies accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments' (2014)

The IASB recently released IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The Company's management has yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management has started to assess the impact of IFRS 15 but is not yet in a position to provide quantified information.

Amendments to IFRS 11 Joint Arrangements

These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendments are effective for reporting periods beginning on or after 1 January 2016. These amendments have no impact on the Company's financial statements.

2.3 Foreign currency transactions

Transactions in foreign currencies are translated to Macedonian Denars at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Macedonian Denars at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in Macedonian Denars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Macedonian Denars at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising from retranslation are recognized in profit or loss.

The foreign currencies the Bank deals with are predominantly Euro (EUR) and United States Dollars (USD).The exchange rates used for translation at 31 December 2015 and 2014 were as follows:

	2015 MKD	2014 MKD
1 EUR	61.5947	61.4814
1 USD	56.3744	50.5604

2.4 Off-setting

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

2.5 Interest income and expenses

Interest income and expense are recognized in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, (transaction costs, and discounts or premiums) that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in profit or loss include:

- interest on financial assets and liabilities at amortized cost on an effective interest rate basis;
- interest on available-for-sale investment securities calculated on an effective interest rate basis.

2.6 Fees and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including financial services provided by the Bank in respect of foreign currency settlements, guarantees, letters of credit, domestic and foreign payment operations and other services, are recognized as the related services are performed.

Other fees and commission expenses relate mainly to financial service fees, which are expensed as the services are received.

2.7 Dividends

Dividend income is recognized when the right to receive income is established. Dividends are reflected as a component of net trading income, or dividend income based on the underlying classification of the equity instrument.

2.8 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

2.9 Current and deferred income tax

Current tax expense at 10% rate is paid to profit for the year which is determined as the difference between total revenues and total expenses for the period, increased with the non – recognized expenses for tax purposes adjusted for tax credit and less declared revenue. The tax base is reduced for the amount of income from dividends realized through participation in the capital of another taxpayer - resident of the Republic Macedonia, stipulating they are subject to tax expense by the taxpayer who pay the dividend. Taxpayers that will pay dividends and other distributions from the retained earnings created in the period from 2009 to 2013 will also have the obligation to calculate and pay tax for those distributions.

Deferred tax expense is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The tax rates that are currently valid are used in determination of deferred tax expense. Deferred tax expense is charged or credited in the profits and losses except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.10 *Financial assets and liabilities*

Recognition

Regular purchases and sales of financial assets and liabilities are recognized on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value adjusted for (for an item not subsequently measured at fair value through profit or loss), transaction costs that are directly attributable to its acquisition or issue.

Classification

The Bank classifies its financial assets into the following categories: loans and receivables, held to maturity and available for sale (see accounting policies 2.12, 2.13 and 2.14).

The Bank's financial liabilities include deposits, borrowings and other liabilities (see accounting policy 2.21).

Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the Statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Measurement at amortized cost

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

Financial assets and liabilities (continued)

Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value can be assessed differently, depending on whether or not the asset or liability is traded in an active market.

Active market: Fair value

A financial asset is considered to be traded in an active market if the published prices are readily and regularly available from the Stock Exchange, dealers, brokers, over the counter, industry groups or regulatory agencies and those prices represent the current and regular market transactions on normal, commercial basis. The appropriate quoted market price for an asset held or a liability that is to be issued is usually the current market (buying) price; for an asset that is about to be acquired or a liability held it is the current selling price.

Absence of an active market: Valuation techniques

If a market for a financial instrument is not active, the Bank establishes fair value using a valuation technique in the following order:

- Application of information on negotiated prices for recent (from the past 6 months), normal commercial transactions for the same financial instrument between informed, willing parties
- If the previous valuation technique cannot be applied (there is no information available on the negotiated prices for recent transactions concerning the same financial instrument) then to determine the fair value the current market price of another, basically same, instrument should be used (in regards to the currency or the same or similar maturity date);
- If the information for fair value of the previous two techniques is inappropriate or cannot be applied, the fair value of the financial instrument is determined through analysis of the discounted cash flows or other alternative models for price determination.

The analysis of discounted cash flows is an important and frequently applied technique for determining the fair value of many assets and liabilities. One of the most important factors in the application of this technique is the determination of an appropriate discount rate.

Discount rate should include:

- Uncertainties and risks from cash flow assessment, related to certain asset or liability, due to the fact that those risks and uncertainties will change
- The measurement purpose

If the fair value of equity instruments not traded in an active market and the derivatives related to them which have to be settled with unquoted equity instruments cannot be reliably measured, those instruments should be carried at their cost.

2.11 Impairment of financial assets

The Bank assesses, on a monthly basis, whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank analyses impairment evidence on loans, receivables and securities on individual basis. All individually significant loans and receivables are analyzed on an individual basis.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency of payments by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data such as adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired assets continues to be recognized through the unwinding of the discount. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities as a difference between the cost and fair value are recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash balance on hand, demand deposits with banks, cash deposited with the National Bank of the Republic of Macedonia ("NBRM") and highly liquid financial assets with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term liabilities.

Cash and cash equivalents are carried at amortized cost in the statement of financial position.

2.13 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near future.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

2.14 Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit and loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are measured at amortized cost using the effective interest method. If the Bank buys debt securities classified as held-to-maturity, with discount or premium, the amount of the obtained discount or premium will be recorded on the discount or premium accounts within the appropriate group of accounts for investments in held-to-maturity securities. Other commissions and fees that are integral part of the effective interest rate, as well as transaction costs directly related to the transaction, are recorded on the accumulated amortization accounts within the appropriate group of investing accounts for held-to-maturity debt securities.

A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years.

Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Available-for-sale investments are carried at fair value.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss.

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

2.15 Investments in subsidiaries

Subsidiaries are investees controlled by the Bank. The Bank “controls” an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The subsidiary is recorded in these financial statements at cost.

2.16 Foreclosed assets

Foreclosed assets include property and equipment acquired through foreclosure proceedings, in full or partial recovery of a related loan and is disclosed in assets acquired through foreclosure proceedings. These assets are initially measured at the lower of the appraised value, less estimated costs to sell, charged to the Bank and the cost of the foreclosed asset. The appraised value is determined by local certified appraiser on the date of foreclosure. The cost is the value stated in an enactment passed by a competent body from where the legal grounds for acquiring the right of the ownership arises.

After initial recognition, foreclosed assets are reviewed for impairment at least annually and are measured at the lower of their carrying amount and fair value less estimated costs to sell.

2.17 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Property and equipment (continued)

Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. No depreciation is charged for construction in progress. Depreciation rates, based on the estimated useful lives for the current and comparative period are as follows:

	2015	2014
Buildings	2,5%	2,5%
Equipment	14,3-25%	14,3-25%

Depreciation methods, useful lives and residual value are reviewed at each financial year-end and adjusted if appropriate.

2.18 Intangible assets

Recognition and measurement

Intangible assets acquired by the Bank are stated at cost less accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in profit and loss as incurred.

Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible assets. No amortization is charged for assets under development. The annual amortization rates based on the estimated useful lives for the current and comparative period are as follows:

	2015	2014
Software	10%	10%
Rights and licenses	10%	10%

2.19 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that continually generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a proportional basis. The recoverable amount of an asset or a cash generating unit (CGU) is the greater amount of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.20 Leased assets – lessee

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases and, except for the leased assets, they are not recognized in the Bank's Statement of financial position.

2.21 Deposits, borrowings and other liabilities

Deposits, borrowings and other liabilities are the Bank's sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits, borrowings and other liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method.

2.22 Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract.

2.23 Employee benefits

Defined contribution plans

The Bank contributes to its employees' post retirement plans as prescribed by the national legislation. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions.

There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss when they are due.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Employee benefits (continued)

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Other long-term employee benefits

In accordance with local regulations the Bank pays two average salaries to its employees at the moment of retirement and jubilee awards. The employee benefits are discounted to determine their present value. There is no additional liability in respect of post retirement.

2.24 Share capital and reserves

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are recognized as a deduction from equity.

Repurchase of share capital

Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold subsequently the amount received is recognized as an increase on equity, and the resulting surplus or deficit of the transaction is transferred to/from share premium.

Reserves

Reserves are generated throughout the period, based on distribution of profit in accordance with legal regulation and the Decisions made by the Bank's Assembly and changes if fair value of available for sale financial assets.

Dividends

Dividends are recognized as a liability in the period in which they are declared.

2.25 Earnings per share

The Bank presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

2.26 Segment reporting

A segment is a component of the Bank that can be distinguished and engaged in either the provision of products or services (operating/business segment) or the provision of products and services for certain economic areas (geographic segment) and is subjected to risks and rewards different from other segments. The Bank reports by primary operating segments.

2.27 Events after the reporting date

Events after the reporting period that provide additional information about the Bank's position at the Statement of financial position date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

3 Financial risk management

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Managing Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Managing Board has established the Asset and Liability Committee ("ALCO"), Credit Committee and Risk Management Committee established by the Supervisory Board which are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All committees report regularly to the Managing Board and Supervisory Board respectively.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and procedures and policies for management, aims to develop a constructive control environment, in which all employees understand their roles and obligations.

The Bank's Risk Management Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank and the Bank`s compliance with the requirements of the NBRM related to risk management. In addition, the Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

3.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks, issued guarantees and letters of credits and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual debtor's default risk, country and sector's risk).

Credit risk (continued)

Management of credit risk

The Managing Board has delegated responsibility for the management of credit risk to its Credit Committee that approves all credit exposures up to EUR 500 thousand. All credit exposures over EUR 500 thousand must be approved by the Supervisory Board. Separate Bank's Credit departments (Department for Corporate Loans, Department for Retail loans and Credit Card Department) in close cooperation with the Risk Management Department are responsible for oversight of the Bank's credit risk, including:

- *Formulating credit policies,* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- *Reviewing and assessing credit risk.* Credit departments assess all credit exposures in excess of designated limits, prior to facilities being committed to customers.

- *Limiting concentrations of exposure* to geographies and industries (for loans and advances), and by issuer, credit rating assessment by respective institutions, market liquidity and country (for investment securities).

- *Banks's credit risk grading* in order to categorize exposures according to the degree of risk of financial loss faced and to focus management on the risks. The risk grading system is used in determining where impairment losses may be required. The current risk grading framework consists of six grades reflecting various degrees of risk of default and the availability of collateral.

- *Reviewing compliance* with agreed exposure limits, including those for industries, country risk and product types. Regular reports for the credit exposure, risk grading and allowance for impairment are provided to the Risk Management Committee, and appropriate corrective action is taken.

Credit departments are required to implement credit policies and procedures and in assistance with the Risk Management Department are responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios.

Regular audits of Credit departments' processes are performed by the Internal Audit.

Credit risk (continued)

Analysis of maximum exposure to credit risk before collateral held

in Denar thousand	Cash and cash equivalents		Loans and advances to customers		Securities available for sale		Securities held to maturity		Other receivables		Commitments and contingencies		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Neither, past due nor impaired	2,236,153	1,404,581	320,879	260,961	-	69	-	682,201	3,761	4,086	37,465	1,669	2,598,258	2,353,567
Past due, but not impaired:														
- Up to 30 days	-	-	1,028	850	-	-	-	-	-	-	-	-	1,028	850
- Up to 90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Over 90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individually impaired	-	-	8,600,399	7,319,796	15,703	15,703	-	-	48,872	51,084	1,227,864	987,427	9,892,838	8,374,010
Net carrying value before provision for impairment	**-**	**-**	**8,600,399**	**7,319,796**	**15,703**	**15,703**	-	**682,201**	**48,872**	**51,084**	**1,227,864**	**987,427**	**9,892,838**	**8,374,010**
(Provision for impairment)	-	-	(365,721)	(319,372)	(1,372)	(1,372)	-	-	(24,014)	(24,310)	(2,957)	(4,128)	(394,064)	(349,182)
Net carrying value less provision for impairment	**2,236,153**	**1,404,581**	**8,556,585**	**7,262,235**	**14,331**	**14,400**	**-**	**682,201**	**28,619**	**30,860**	**1,262,372**	**984,968**	**12,098,060**	**10,379,245**

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded A to E in the Bank's internal credit risk grading system.

Past due, but not impaired loans

Loans and securities where contractual interest or principal payments are past due, but the Bank believes that impairment is not appropriate on the basis of the level of security/ collateral available and/ or the stage of collection of amounts owed to the Bank.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. As at 31 December 2015 and 2014, there are no loans with renegotiated terms.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio.

The general indicators used in establishing the need for allowance for impairment losses include:

- information on the financial difficulties of the client;
- information on breach of contract, including default or late payment of due liabilities;
- certainty that the client will go under bankruptcy proceedings;
- disappearance of an active market for a particular claim or financial instrument, or
- data suggesting that there is a decrease of the estimated future cash flows for group of credit exposures, compared to initial recognition, although the decrease cannot be related to individual credit exposure, including:
  - adverse changes in the client's creditworthiness (e.g. increased number of late payments), or deterioration of the national or local economic conditions that affect the payment of liabilities by the client (e.g. an increase of the unemployment rate in the geographical area of the client, reduction of the price of property that serves as The Bank calculates impairment and makes a special reserve within five internal rating grades).

A risk category includes credit exposure that meets the following criteria:

- claims on the European Central Bank and the central governments and central banks of countries whose claims pursuant to the methodology for determining the capital adequacy have a risk weight of 0% and that meet the criteria of indent 4 of this subitem;
- part of credit exposure that is secured by first-rate collateral instruments, if the instrument is activated within 60 days of the date of maturity of the exposure;
- financial position and cash flows of the client allows its further operation and opportunity to cover the current and future liabilities to the bank;
- liabilities based on credit exposure are settled within the maturity period or with a delay of 31 days, or
- in the last twelve months, no claim on the client has been restructured.

Credit risk (continued)

Notwithstanding paragraph 1, indent 4 of this subitem, the bank may classify in A risk category, any credit exposure settled with a delay of more than 31 days, if the total amount not collected for more than 31 days is lower than Denar 500 and the delay is no longer than 60 days.

B risk category includes credit exposure that meets the following criteria:

- the client shows financial weaknesses, but its cash flows are sufficient for regular settlement of due liabilities;
- liabilities based on credit exposure are commonly settled with a delay of 60 days, or 90 days as an exception, if the delay only occasionally ranges from 61 to 90 days, or
- in the last six months, the credit exposure has not been restructured.

C risk category includes credit exposure that meets the following criteria:

- cash inflows of client are unsuitable for regular settlement of liabilities;
- there is an inadequate maturity structure between the sources of funding of the program/project for which financial support has been requested from the bank and proceeds generated from the program/project;
- the bank does not hold the necessary and updated information to assess the creditworthiness of the client;
- the credit exposure is restructured;
- liabilities based on credit exposure are commonly settled with a delay of up to 120 days, or 180 days as an exception, if the delay only occasionally ranges from 121 to 180 days;
- the client - nonfinancial entity has claims based on financial loan on entity enjoying a credit rating equal to or lower than CCC+ (according to the rating of "Standard & Poor's" or "Fitch") or Caa1 (according to the rating of "Moody's") or on entity enjoying a higher credit rating, but its domicile country's credit rating equals to or is lower than CCC+(according to the rating of "Standard & Poor's" or "Fitch") or Caa1 (according to the rating of "Moody's"), or
- the client - nonfinancial entity has claims based on financial loan on entity for which no credit rating has been established, but its domicile country's credit rating equals to or is lower than B- (according to the rating of "Standard & Poor's" or "Fitch") or B3 (according to the rating of "Moody's") or its domicile country's credit rating has not been established yet.

Notwithstanding paragraph 1 of this subitem, the bank may not classify credit exposure to the client under paragraph 1, indents 6 and 7 of this subitem in C risk category, if:

- the exposure is based on a customs guarantee or bid guarantee;
- the financial loan does not exceed Denar 31,000,000 (in case of foreign currency financial loan, the Denar equivalent of the loan shall be taken into consideration), or
- the financial loan is equal to or greater than Denar 31,000,000, and the bank's exposure is greater than the amount of financial loan and the bank has calculated impairment or allocated special reserve, at least in the amount exceeding 20% of the amount of financial loan, whereby the credit exposure or the client meets the criteria for classification in another risk category.

Credit risk (continued)

D risk category includes credit exposure that meets the following criteria:

- the client is illiquid;
- the collection of credit exposure depends on the use of collateral ;
- the liabilities based on credit exposure are commonly settled with a delay of up to 240 days, or 300 days, as an exception, if the delay only occasionally ranges from 241 to 300 days;
- the client (including governments and central banks) enjoys a credit rating equal to or lower than CCC+ (according to the rating of "Standard & Poor's" or "Fitch") or Caa1 (according to the rating of "Moody's");
- the client's credit rating is higher than the rating referred to in indent 4 of this subitem, but its domicile country's credit rating is equal to or lower than CCC+ (according to the rating of "Standard & Poor's" or "Fitch") or Caa1 (according to the rating of "Moody's"), or
- the client has not been given any credit rating, but its domicile country's credit rating is equal to or lower than B- (according to the rating of "Standard & Poor's" or "Fitch") or B3 (according to the rating of "Moody's") or its domicile country has not been given any credit rating yet.

Notwithstanding paragraph 1 of this subitem, the bank may not classify the credit exposure of paragraph 1, indents 4, 5 and 6 of this subitem in D risk category, in case of off-balance claim based on customs guarantee or bid guarantee.

E risk category includes credit exposure that meets the following criteria:

- liabilities based on credit exposure are commonly settled with a delay of over 241 days;
- the client has undergone bankruptcy or liquidation proceedings;
- the client denies the existence of credit exposure (in court or out-of-court proceedings), or
- the bank expects to collect only an insignificant portion of credit exposure to the client.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired loans and advances to customers by internal rating grades:

in Denar thousand

2015	Loans and advances to customers	
	Gross	Impairment provision
Risk category A	7,855,428	(14,957)
Risk category B	344,893	(21,750)
Risk category C	73,054	(18,616)
Risk category D	19,443	(9,714)
Risk category E	307,581	(300,684)
	8,600,399	**(365,721)**
2014		
Risk category A	6,501,546	(13,118)
Risk category B	426,227	(24,811)
Risk category C	86,151	(22,403)
Risk category D	76,902	(40,972)
Risk category E	228,970	(218,068)
	7,319,796	**(319,372)**

Credit risk (continued)

Write-off policy

The Bank writes off a loan/ investment debt security balance (and any related allowances for impairment) when the Supervisory Board determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/ issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. The Bank can also write off a loan/security balance (and any related allowances for impairment) on the base of a court decision when all other means for collection had expired.

Collateral

The Bank holds collateral against loans and advances to customers in the form of mortgage, movable property, and other registered securities over assets, cash deposits, lien over shares, guarantees, administrative blockage and other forms of collateral. Estimates of fair value are based on the value of collateral assessed at the time of lending.

According to the Credit policy, depending on pledged collateral the Bank has the following types of loans:

- Mortgage loans;
- Loans with lien of movable property;
- Lombard loans with pledged shares;
- Loans with pledged shares;
- Loans with guaranties from third parties;
- Loans with administrative blockage;
- Loans covered by cash deposit;
- Other types of loans, including rights of tangible and intangible assets with determined price.

Value of collateral (fair value) estimated for the purposes of protection against credit risk

in Denar thousand

2015	Loans and receivables from customers	Commitments and contingencies	Total
Value of collateral for credit risk exposures subject to individual impairment			
First-class security instruments			
- cash deposits (in a depot and/or limited to bank account)	264,825	166,432	431,257
-bank guarantees	9,239	-	9,239
-corporate guarantees	-	-	-
Property and equipment under pledge	10,516,774	898,399	11,415,173
Other types of security	-	-	-
	10,790,838	**1,064,831**	**11,855,669**

Notes to the financial statements (continued)
Financial risk management (continued)

Credit risk (continued)

in Denar thousand

2014	Loans and receivables from customers	Commitments and contingencies	Total
Value of collateral for credit risk exposures subject to individual impairment			
First-class security instruments			
- cash deposits (in a depot and/or limited to bank account)	246,419	88,751	335,170
-bank guarantees	-	-	-
-corporate guarantees	-	-	-
Property and equipment under pledge	10,758,135	744,037	11,502,172
Other types of security	-	-	-
	11,004,554	**832,788**	**11,837,342**

Credit risk (continued)

Geographic sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographic region as at 31 December 2015 and 2014:

in Denar thousand	Cash and cash equivalents		Loans and advances to customers		Securities available for sale		Securities held to maturity		Other receivables		Commitments and contingencies		Total assets	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Republic of Macedonia	1,807,176	807,010	8,123,378	7,153,820	14,331	14,400	-	682,201	28,209	30,512	1,254,978	983,489	11,228,072	9,671,432
EU members	320,386	535,364	433,207	108,415		-	-	-	343	297	7,394	1,479	761,330	645,555
OECD member countries (without European countries members of OECD)	15,039	22,901	-	-		-	-	-	62	51	-	-	15,101	22,952
Other European countries	93,552	39,306	-	-		-	-	-	5	-	-	-	93,557	39,306
Other countries	-	-	-	-		-	-	-	-	-	-	-	-	-
	2,236,153	**1,404,581**	**8,556,585**	**7,262,235**	**14,331**	**14,400**	**-**	**682,201**	**28,619**	**30,860**	**1,262,372**	**984,968**	**12,098,060**	**10,379,245**

Industrial sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by industrial sector as at 31 December 2015 and 2014:

In Denar thousand	Loans and advances to customers		Securities available for sale		Securities held to maturity		Cash and cash equivalents		Other receivables		Commitments and contingencies		Total assets	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Non residents	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, forestry and fishery	182,881	145,274	-	-	-	-	-	-	227	225	6,035	4,288	189,143	149,787
Mining	21,879	14,792	-	-	-	-	-	-	7	6	2,946	179	24,832	14,977
Food industry	114,744	263,980	-	-	-	-	-	-	4,356	1,371	12,263	6,099	131,363	271,450
Textile industry clothing and footwear manufacturing	182,764	114,002	-	-	-	-	-	-	1,991	2,996	48,015	50,084	232,770	167,082
Chemical industry, production of building materials, production and processing of fuel, pharmaceutical industry	75,228	83,615	-	-	-	-	-	-	1,777	217	5,909	4,148	82,914	87,980

	Loans and advances to customers		Securities available for sale		Securities held to maturity		Cash and cash equivalents		Other receivables		Commitments and contingencies		Total assets	
In Denar thousand	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Production of metals, machinery, tools and equipment	40,565	76,202	-	-	-	-	-	-	81	114	14,946	15,230	55,592	91,546
Other manufacturing Industry	148,535	101,099	-	-	-	-	-	-	129	125	21,653	9,572	170,317	110,796
Supply of electricity, gas, steam and air conditioning	24,842	14,733	-	-	-	-	-	-	49	64	405	91	25,296	14,888
Water supply, waste water disposal, waste management and environment sanitation	26,443	17,583	-	-	-	-	-	-	53	47	10,027	244	36,523	17,874
Construction	479,216	386,320	-	-	-	-	-	-	199	13,423	405,578	290,734	884,993	690,477
Wholesale and retail trade, repair of motor vehicles and motor-cycles	994,791	873,266	-	-	-	-	-	-	1,235	1,221	182,622	147,847	1,178,648	1,022,334
Transport and storage	137,590	107,635	-	-	-	-	-	-	260	242	66,316	47,577	204,166	155,454
Facilities for lodging and food service activities	126,734	97,034	-	-	-	-	-	-	181	207	10,664	8,916	137,579	106,157
Information and communication	31,261	66,959	-	-	-	-	-	-	1,309	786	25,323	35,497	57,893	103,242
Financial and insurance activities	215,838	189,988	14,331	14,331	-	682,201	2,236,153	1,404,581	3,207	225	7,096	232	2,476,625	2,291,558
Activities related to real estate	121	15,396	-	-	-	-	-	-	12	10	190	257	323	15,663
Technical and scientific activities	78,867	36,129	-	69	-	-	-	-	1,092	1,300	23,811	11,942	103,770	49,440
Administrative and auxiliary service activities	37,911	30,928	-	-	-	-	-	-	81	146	14,181	1,809	52,173	32,883
Public administration and defense, compulsory social insurance	-	-	-	-	-	-	-	-	4	15	-	-	4	15
Education	2,185	2,512	-	-	-	-	-	-	301	363	431	332	2,917	3,207
Health and social care activities	30,286	23,622	-	-	-	-	-	-	96	86	1,793	1,018	32,175	24,726
Art, entertainment, recreation	593	514	-	-	-	-	-	-	28	40	299	4	920	558
Other service activities	10,441	6,252	-	-	-	-	-	-	578	551	1,041	951	12,060	7,754
Individuals	5,592,870	4,594,400	-	-	-	-	-	-	11,366	7,080	400,828	347,917	6,005,064	4,949,397
Total	**8,556,585**	**7,262,235**	**14,331**	**14,400**	**-**	**682,201**	**2,236,153**	**1,404,581**	**28,619**	**30,860**	**1,262,372**	**984,968**	**12,098,060**	**10,379,245**

3.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset received.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Treasury and Dealing Department receives information from other departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury and Dealing Department then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, to ensure that sufficient liquidity is maintained within the Bank.

The daily liquidity position and market conditions are regularly monitored. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. Liquidity reports are submitted monthly to the NBRM.

Exposure to liquidity risk

The Bank has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding, required meeting business goals and targets set in terms of the overall Bank strategy.

In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

Liquidity risk represents the risk for the Bank of becoming incapable of providing sufficient funds for settlement of its short-term liabilities when such liabilities fall due, or to provide such funds at much higher costs.

The Bank is exposed to daily withdrawals of funds from its available cash sources of current accounts, matured deposits, approved loans and other withdrawals.

The tables below analyses the Bank's liabilities and off balance sheet items, grouped according to their maturity based on the remaining period from the reporting date to the contracted maturity date at 31 December 2015 and 2014. The amounts are presented on a gross basis, i.e. not taking into account the amounts of accumulated amortization, impairment provision and allocated special reserve.

Liquidity risk (continued)

in Denar thousand

31 December 2015	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Lliabilities						
Due to banks	116,660	-	309,326	-	-	425,986
Due to customers	4,174,417	1,133,727	3,431,662	1,542,898	29,399	10,312,103
Borrowings	49,897	1,064	144,148	367,952	95,640	658,701
Other liabilities	68,971	599	62	28	14,717	84,377
	4,409,945	**1,135,390**	**3,885,198**	**1,910,878**	**139,756**	**11,481,167**
Total assets (contractual maturities)	**3,448,320**	**469,928**	**2,150,058**	**4,119,583**	**2,386,579**	**12,574,468**

Off balance sheet items	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Guarantees	21,445	70,449	392,061	163,473	15,500	662,928
Letter of credits	2,227	6,776	4,188	-	-	13,192
Other	51,663	98,729	370,824	38,760	-	559,975
	75,335	**175,954**	**767,073**	**202,233**	**15,500**	**1,236,095**

in Denar thousand

31 December 2014	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Liabilities						
Due to banks	73,963	-	-	-	-	73,963
Due to customers	3,946,555	1,100,038	3,259,728	1,235,060	23,804	9,565,185
Borrowings	35,237	1,223	86,393	199,209	25,804	347,866
Other liabilities	79,888	419	48	42	14,716	95,113
	4,135,643	**1,101,680**	**3,346,169**	**1,434,311**	**64,324**	**10,082,127**
Total assets (contractual maturities)	**3,226,912**	**393,673**	**2,061,855**	**3,362,680**	**1,954,693**	**10,999,813**
Off balance sheet items						
Guarantees	21,852	53,354	201,107	239,275	617	516,205
Letter of credits	9,171	7,392	514	-	-	17,077
Other	57,404	77,035	295,262	26,113	-	455,814
	88,427	**137,781**	**496,883**	**265,388**	**617**	**989,096**

3.3 Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Exposure to interest rate risk – non-trading portfolios

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-bearing assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as the savings rate, LIBOR and different types of interest.

Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In general, the Bank is sensitive to changes in interest rates because for the majority of the interest-bearing assets and liabilities, the Bank has the right to simultaneously change the interest rates. When interest rates are decreasing, margins earned will also narrow, as liabilities interest rates will decrease with a lower percentage compared to assets interest rates. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

The table below analyses the Bank's interest rate gap position as at 31 December 2015 and 2014. The interest bearing assets/ liabilities are grouped according to the remaining period until the next change in interest rates.

Market risks (continued)
Interest rate risk (continued)

Analysis of interest rate gap position (excluding portfolio held for trading and derivatives, if any)

in Denar thousand

As at 31 December 2015	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	**Total**
Assets						
Cash and cash equivalents	2,236,153	-	-	-	-	2,236,153
Loans and advances to customers	346,905	467,736	1,925,828	5,117,796	624,166	8,482,431
Other receivables	-	-	-	-	-	-
	2,583,058	**467,736**	**1,925,828**	**5,117,796**	**624,166**	**10,718,584**
Liabilities						
Due to banks	115,892	-	307,974	750	-	424,616
Due to customers	3,275,805	-	5,093,325	1,837,342	-	10,206,472
Borrowings	46,206	1,064	141,401	370,701	97,976	657,348
Other liabilities	-	-	-	-	-	-
	3,437,903	**1,064**	**5,542,700**	**2,208,793**	**97,976**	**11,288,436**
Net interest rate gap position	**(854,845)**	**466,672**	**(3,616,872)**	**2,909,003**	**526,190**	**(569,852)**
As at 31 December 2014						
Assets						
Cash and cash equivalents	1,404,557	-	-	-	-	1,404,557
Loans and advances to customers	335,622	391,439	2,151,423	3,918,364	367,268	7,164,116
Investment securities	682,201	-	69	-	-	682,270
Other receivables	-	-	-	-	-	-
	2,422,380	**391,439**	**2,151,492**	**3,918,364**	**367,268**	**9,250,943**
Liabilities						
Due to banks	73,210	-	-	750	-	73,960
Due to customers	3,009,125	-	4,920,151	1,519,822	-	9,449,098
Borrowings	34,438	1,223	86,393	199,209	25,804	347,067
Other liabilities	-	-	-	-	-	-
	3,116,773	**1,223**	**5,006,544**	**1,719,781**	**25,804**	**9,870,125**
Net interest rate gap position	**(694,393)**	**390,216**	**(2,855,052)**	**2,198,583**	**341,464**	**(619,182)**

Sensitivity analysis

The interest rate sensitivity analysis has been determined based on the exposure to interest rate risk at the reporting date. At 31 December 2015, if interest rates had been 200 basis points higher/lower with all other variables were held constant, the Bank's pre-tax profit for the twelve month period ended 31 December 2015 would respectively decrease/increase by approximately Denar 11,397 thousand (2014: Denar 12,384 thousand).

Market risks (continued)

Foreign currency risk

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank ensures that the net exposure is kept to an acceptable level by buying or selling foreign currency at spot when necessary to address short-term imbalances. The Denar is pegged to the Euro and the monetary projections envisage stability of the exchange rate of the Denar against Euro.

The following tables summarize the net foreign currency risk position of the Bank at 31 December 2015 and 2014:

in Denar thousand	MKD	EUR	USD	Other currencies	Total
As at 31 December 2015					
Assets					
Cash and cash equivalents	2,376,578	670,097	146,974	224,282	3,417,931
Loans and advances to customers	3,654,415	4,780,220	121,950	-	8,556,585
Investment securities	14,331	-	-	-	14,331
Other receivables	21,949	4,937	1,707	26	28,619
Total Assets	**6,067,273**	**5,455,254**	**270,631**	**224,308**	**12,017,466**
Liabilities					
Due to banks	2,580	406,115	17,291		425,986
Due to customers	5,514,179	4,341,603	244,638	211,683	10,312,103
Borrowings	-	658,701	-	-	658,701
Other liabilities	40,468	32,833	9,467	1,609	84,377
Total Liabilities	**5,557,227**	**5,439,252**	**271,396**	**213,292**	**11,481,167**
Net foreign currency position	**510,046**	**16,002**	**(765)**	**11,016**	**536,299**
As at 31 December 2014					
Total Assets	5,117,046	4,898,839	255,397	192,655	10,463,937
Total Liabilities	4,822,620	4,824,263	255,057	180,187	10,082,127
Net foreign currency position	**294,426**	**74,576**	**340**	**12,468**	**381,810**

The following table shows the sensitivity of the Bank of an increase of the Denar compared to foreign currencies. The sensitivity analysis includes only the monetary items denominated in foreign currency at the end of the year, thus making adjustment of their value when the exchange rate of the foreign currencies is changed by 1% and/or 5%. Adverse amount below marks a decrease of the profit or the other equity which appears in case the Denar increases its value compared to the foreign currencies by 1% and/or 5%. When the value of the Denar compared to foreign currencies decreases by 1% and/or 5%, the effect on the profit or the other equity is equal but with reverse index as showed in the table below (in Denar thousands).

in Denar thousand	Change in 2015	Change in 2014	Profit or loss 2015	Profit or loss 2014
EUR	1%	1%	160	746
USD	5%	5%	(38)	17
Other currencies	1%	5%	551	623

3.4 Operating risk

Operating risk is present in all activities, processes and organizational structures that are part of the business activities of the Bank.

An active management with operational risk requires identification of all operational risks on which the Bank is exposed and taking of adequate measures for their optimization. The Bank's departments and branches in cooperation with the Risk Management Department prepare lists with operational activities on a monthly basis.

All the operational activities are subject to registration in the centralized Register for the operational activities.

The Bank's operations are constantly subject to other risks which are defined as operating risks. These risks relate to deficiencies or errors in the operation of internal processes, systems or to human errors or are due to external events.

3.5 Segment reporting

Operating segments

The Bank has two operational segments, as described below, which are the Bank's strategic business units. The strategic business units offer different products and services and are managed separately based on the Bank's management structure. The Supervisory Board reviews at least monthly the Management report that obtains information regarding the business. The following summary describes the operations in the Bank's reportable segments:

- Corporate Banking (legal entities) – Includes the following: different loans' products for corporate clients, issuing business credit cards, payment operations in the country and abroad for residential and non-residential legal entities, operations on foreign exchange market, inter-banking borrowings, brokerage services, trade with securities issued by the State etc.

- Retail Banking (individuals) – Includes the following activities: different types of loans for individuals, issuing debit and credit cards, payment operations in the country and abroad for residential and non-residential individuals, brokerage services, safe renting, operations on foreign exchange market etc.

Also, the Bank has activities regarding services of POS terminal network and ATMs that were not specified in the above mentioned activities.

Notes to the financial statements (continued)
Financial risk management (continued)

Segment reporting (continued)
Operating segments (continued)

in Denar thousand	Retail banking		Corporate banking		Non-allocated		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Income and expenses								
Net interest income/(expenses)	257,878	232,911	248,478	256,590	-	-	506,356	489,501
Net fee and commission income	84,698	84,805	48,389	47,050	-	-	133,087	131,855
Other operating income	22,505	20,006	19,502	19,119	-	-	42,007	39,125
Release of imp.prov. /Impairment (losses), net	1,343	33,446	(49,529)	(38,840)	-	-	(48,186)	(5,394)
Depreciation and amortization	(31,789)	(31,566)	(27,547)	(30,168)	-	-	(59,336)	(61,734)
Impairment losses on non-financial assets, net	(21,585)	(20,827)	(18,705)	(19,904)	-	-	(40,290)	(40,731)
Investment costs for property and equipment	(15,267)	(16,194)	(13,230)	(15,477)	-	-	(28,497)	(31,671)
Other expenses	(224,975)	(220,132)	(193,123)	(210,380)	-		(418,098)	(430,512)
Profit before tax per segment	**72,808**	**82,449**	**14,235**	**7,990**	**-**	**-**	**87,043**	**90,439**
Income tax							(8,164)	(9,580)
Profit for the year							**78,879**	**80,859**
Total assets per segment	5,286,844	4,601,296	6,115,501	5,332,217	-	-	11,402,345	9,933,513
Non-allocated assets per segment	-	-	-	-	1,391,501	1,384,78	1,391,501	1,384,785
Total assets	**5,286,844**	**4,601,296**	**6,115,501**	**5,332,217**	**1,391,501**	**1,384,785**	**12,793,846**	**11,318,29**
Total liabilities per segment	7,884,694	7,119,647	3,648,521	2,960,913	-	-	11,533,215	10,080,560
Non-allocated liabilities per segment	-	-	-	-	(46,660)	9,326	(46,660)	9,326
Total liabilities	**7,884,694**	**7,119,647**	**3,648,521**	**2,960,913**	**(46,660)**	**9,326**	**11,486,555**	**10,089,886**

Geographic segments

in Denar thousand	Republic of Macedonia	EU member countries	Other countries	Non-allocated	**Total**
2015					
Total income	719,837	(42,600)	(211)	4,424	**681,450**
Total assets	11,915,064	770,113	108,667	2	**12,793,846**
2014					
Total income	690,165	(34,388)	(137)	4,841	**660,481**
Total assets	10,592,513	660,731	65,054	-	**11,318,298**

3.6 Fair value estimation

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value

The Bank groups assets and liabilities into three levels on the basis of the significance of inputs used in measuring the fair value. The hierarchy according to the fair value is determined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets and liabilities measured at fair value in the Statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2015	Level 1	Level 2	Level 3	**Total**
Assets				
Securities available for sale	14,331	-	-	14,331

31 December 2014	Level 1	Level 2	Level 3	**Total**
Assets				
Securities available for sale	14,400	-	-	14,400

Financial instruments not measured at fair value

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities not presented in the Statement of Financial Position at their fair value.

	31 December 2015		31 December 2014	
	Net Carrying Amount	Fair Value	Net Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	3,417,931	3,417,931	2,474,241	2,474,241
Loans and advances to customers	8,556,585	8,556,585	7,262,235	7,262,235
Investment securities	-	-	682,201	682,201
Other receivables	28,619	28,619	30,860	30,860
Financial liabilities				
Due to banks	425,986	425,986	73,963	73,963
Due to customers	10,312,103	10,312,103	9,565,185	9,565,185
Borrowings	658,701	658,701	347,866	347,866
Other liabilities	84,377	84,377	95,113	95,113

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value, considering that they include cash, bank accounts and bank deposits with short - term maturity.

Loans and advances to customers

Loans and advances are carried at amortized cost and are net of provisions for impairment. The loans and advances have predominantly floating interest rates and their fair value is determined by discounting of future cash flows using the market interest rate. The fair value approximates their carrying value.

Investment securities

Investment securities include short term interest bearing assets held to maturity. Their fair value approximates their carrying value.

Other financial assets

The fair value of other financial assets is considered to approximate their respective carrying values by definition and due to their short-term nature.

Deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The fair value of the term deposits with variable interest rates approximates their carrying values as at the Statement of Financial Position date.

Borrowed funds carry predominantly floating rates and due to the interest rate reprising carrying value is not materially different from their fair value.

Other liabilities

Carrying value of other liabilities approximates their fair value with relation to their short-term maturity.

3.7 Financial instruments by categories

Net carrying amounts of the financial assets and liabilities of the Bank recognized at the date of the Statement of financial position for the presented periods are classified as follows:

31 December 2015

Financial assets

	Assets held to maturity	Loans and receivables	Available for sale assets	Assets at fair value through profit or loss	Total
Cash and cash equivalents	-	3,417,931	-	-	3,417,931
Loans and advances to customers	-	8,556,585	-	-	8,556,585
Investment securities	-	-	14,331	-	14,331
Other receivables	-	28,619	-	-	28,619
	-	**12,003,135**	**14,331**	**-**	**12,017,466**

Financial liabilities

	Other financial liabilities at amortized cost	Total
Due to banks	425,986	425,986
Due to customers	10,312,103	10,312,103
Borrowings	658,701	658,701
Other liabilities	84,377	84,377
	11,481,167	**11,481,167**

31 December 2014

Financial assets

	Assets held to maturity	Loans and receivables	Available for sale assets	Assets at fair value through profit or loss	Total
Cash and cash equivalents	-	2,474,241	-	-	2,474,241
Loans and advances to customers	-	7,262,235	-	-	7,262,235
Investment securities	682,201	-	14,400	-	696,601
Other receivables	-	30,860	-	-	30,860
	682,201	**9,767,336**	**14,400**	**-**	**10,463,937**

Financial liabilities

	Other financial liabilities at amortized cost	Total
Due to banks	73,963	73,963
Due to customers	9,565,185	9,565,185
Borrowings	347,866	347,866
Other liabilities	95,113	95,113
	10,082,127	**10,082,127**

3.8 Capital management

Regulatory capital

The Bank's lead regulator NBRM sets and monitors capital requirements for the Bank as a whole. The Bank is directly supervised by the local regulators.

In implementing capital adequacy requirements, the Bank maintains a prescribed ratio of own funds to sum of total risk-weighted assets. Total risk-weighted assets are sum of credit risk-weighted assets, sum of capital requirements for currency risk and sum of capital requirements for operating risk.

The Bank's own funds are a sum of core capital, supplementary capital, less deductions, as follows:

- Core capital, which includes ordinary and non-cumulative preference shares, share premium, bank reserves allocated from net profit that serve for covering losses arising from risks the Bank faces in its operations, retained earnings not encumbered by any future obligations, stated in the Statement of financial position and confirmed by a Decision of the Bank's Shareholders' Assembly or accumulated loss from previous years, profit for the year if confirmed by the certified auditor, after deductions for loss for the year, licenses, patents, goodwill and other trademarks, treasury shares and the difference between the amount of the required allowance for impairment in accordance with the risk classification and allocated allowance for impairment and allowance for impairment calculated according the Decision for credit risk management.

- Supplementary capital, which includes cumulative preference shares, share premium less the amount of purchased treasury cumulative preference shares, hybrid capital instruments and subordinated liabilities issued by the Bank.

- The total of core capital and supplementary capital is reduced by the Bank's capital investments in banks and financial institutions exceeding 10% of the capital of such institutions, subordinated instruments and other investments in other banks or other financial institutions where the Bank holds more than 10% of the capital and other deductions.

When determining the amount of own funds, the Bank shall observe the following restrictions:

- The amount of the supplementary capital cannot exceed the amount of the core capital.

- The sum of the nominal value of subscribed and paid-in ordinary shares, the share premium of such shares and the amount of reserves and the retained earnings, less the deductions from the core capital and supplementary capital previously described, should exceed the sum of other positions which are part of the Bank's core capital.

The amount of subordinated instruments which are part of the supplementary capital shall not exceed 50% of the amount of core capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital management (continued)

The Bank has complied with all externally imposed capital requirements throughout the period. There were no significant changes in the Bank's approach to capital management during the year.

As at 31 December 2015 the Bank capital adequacy ratio is in compliance with the prescribed ratio.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory own capital. The process of allocating capital to specific operations and activities is monitored independently of those responsible for the operation, by the Supervisory Board.

4 Critical accounting estimates and judgments

The most important areas in need of estimates and judgments include:

Allowance for impairment for loans and receivables

Assets carried at amortized costs are evaluated for impairment losses as disclosed in Note 2.11.

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

Allowance for impairment of available-for-sale equity investments

The Bank determines that available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investor, industry and sector performance, changes in technology, and operational and financing cash flows.

Determining fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 2.10. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Impairment of non-financial assets

Impairment losses are recognized in the amount for which the carrying value of an asset or cash-generating unit exceeds its recoverable amount. In determining the recoverable amount, Management estimates expected prices, cash flows from each cash generating unit and determines the appropriate interest rate for calculating the present value of those cash flows.

5 Net interest income

Structure of interest income and expenses according to type of financial instruments

	2015	2014
Interest income		
Loans and advances to customers	652,584	639,998
Investment securities	26,240	28,925
Cash and cash equivalents	3,589	3,996
Loans and advances to banks	165	624
	682,578	**673,543**
Interest expense		
Due to customers	169,167	180,327
Subordinated liabilities		-
Borrowings	5,246	3,662
Due to banks	1,809	53
	176,222	**184,042**
Net interest income	**506,356**	**489,501**

6 Net fee and commission income

Structure of fees and commission income and expenses according to type of financial activities

	2015	2014
Fee and commission income		
Loans and credit cards	76,458	82,939
Payment operations		
- Domestic	98,072	98,724
- International	26,052	25,913
Visa and Mastercard	37,261	29,865
Letters of credit and guarantees	19,885	10,988
Money transfer	6,459	6,195
Other	1,289	519
	265,476	**255,143**
Fee and commission expenses		
Credit cards	106,430	99,262
Payment operations		
- Domestic	15,731	15,006
- International	9,282	8,779
Other	946	241
	132,389	**123,288**
Net fee and commission income	**133,087**	**131,855**

7 Other operating income

	2015	2014
Rent income	1,721	3,687
Gains form equipment sold	2,553	1,508
Dividends received	1,043	1,164
Release of impairment provisions and special reserve, net (Note 24)	1,177	-
Other income from payment operations	4,318	4,070
SWIFT	2,129	2,014
Other	6,569	4,871
	19,510	**17,314**

8 Additional/ Release of impairment provision on financial assets, net

	2015	2014
(Charge) / recovery for:		
Loans and advances to customers (Note 14)	(46,089)	(1,371)
Other receivables (Note 20)	(2,097)	(4,023)
	(48,186)	**(5,394)**

9 Personnel expenses

	2015	2014
Net salaries and contributions	145,294	147,306
Social and health contributions	68,474	65,747
Other employee benefits	8,208	8,184
	221,976	**221,237**

10 Other operating expenses

	2015	2014
Materials and services	85,269	95,723
Rent expenses	58,696	60,128
Deposit insurance premiums	37,495	42,003
Impairment losses on foreclosed assets	43,458	40,731
Administrative and marketing expenses	14,368	11,451
Software license expenses	9,868	9,577
Property and employee insurance premiums	3,658	3,679
Impairment provisions and special reserve, net (Note 24)	-	2,937
Losses from sold foreclosed assets	-	-
Litigation expenses	470	508
Losses from sold equipment	-	276
Other expenses	11,627	14,664
	264,909	**281,677**

11 Income tax expense

	2015	2014
Current income tax expense	8,481	8,138
Deferred income tax (income) / expense	(317)	1,442
	8,164	**9,580**

Reconciliation of the income tax expense as per the Statement of comprehensive income for the years ended 31 December 2015 and 2014 is as follows:

	In %	2015	In %	2014
Profit before taxation		87,043		90,439
Income tax calculated at rate of 10% (2014: 10%)	*10%*	*8,704*	*10%*	*9,044*
Non-deductible expenses for tax purposes	0.95	829	0.7	652
Tax-exempt income	(1.57)	(1,369)	(0.1)	(116)
	9.39	**8,164**	**10.6**	**9,580**

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
Loans and advances to customers				(1,442)	-	(1,442)
Other	317	-	-	-	317	317
	317	**-**	**-**	(1,442)	**317**	(1,125)

Income tax expense (continued)

Movement of temporary differences during the years is as follows:

	Loans and advances to customers
At 01 January 2014	-
Recognized in profit or loss during 2014	1,442
At 31 December 2014/ 01 January 2015	**1,442**
Recognized in profit or loss during 2015	(317)
At 31 December 2015	**1,125**

12 *Earnings per share*

The basic and diluted earnings per share are computed when the net profits for the year (belonging to the common shareholders) is divided with the weighted average number of shares during the year.

	2015	2014
Net-profit attributable to shareholders	78,879	80,859
Net-profit attributable to holders of ordinary shares	78,879	80,859
Issued ordinary shares at 1 January	545,987	545,987
Effect from change of ordinary shares during the year	-	-
Weighted average number of shares	545,987	545,987
Basic and diluted earnings per share (in Denars)	**144**	**148**

13 *Cash and cash equivalents*

	2015	2014
Current accounts and deposits with foreign banks	419,739	582,202
Account and balances with the NBRM, except for obligatory foreign currency reserves	491,924	427,620
Placement with banks with maturity up to 3 months	950,030	762,896
Cash in hand	227,183	233,867
Current accounts and deposits with domestic banks	7,685	7,836
Treasury bills which can be traded on the secondary market	747,192	
Included in cash and cash equivalents for the purpose of the Statement of cash flows	**2,843,753**	**2,014,421**
Obligatory foreign currency reserves	462,641	408,173
Restricted deposits	111,537	51,647
	3,417,931	**2,474,241**

According to the Decision on obligatory reserve, Bank's reserve prescribed ratio equals 8% (2014: 8%) for liabilities in domestic currency, 20% (2014: 20%) for liabilities in domestic currency with FX clause and 15% (2014: 15 %) for liabilities in foreign currency. The basis for the reserve requirement is determined as an average of the Bank's liabilities for each calendar day of the preceding month. The reserve requirement maintenance period is from 11th in the current month until 10th in the following month.

Bank's reserve requirement in foreign currency is allocated on special foreign currency accounts of the NBRM abroad, and it is fulfilled in Euro at a fixed level.

The interest rate on the obligatory reserve in Denars during 2015 was nil (2014: 1% per annum). The interest rate on the obligatory reserve in foreign currency during 2015 was nil (2014: 0.1% per annum).

As at 31 December 2015 treasury bills issued by the National Bank of the Republic of Macedonia mature within 28 days and bear interest of 3.25% p.a.

14 Loans and advances to customers

	2015	2014
Loans and advances to customers at amortized cost	8,556,585	7,262,235
	8,556,585	**7,262,235**

The structure of loans and advances to customers by type of debtor is as follows:

	2015		2014	
	Short-term	Long-term	Short-term	Long-term
Corporate customers	819,580	2,019,290	839,707	1,694,738
Public sector	59	-	-	-
Financial institution other than banks	4,813	200,319	33,198	146,226
Retail customers:				
Principal				
Housing	19,487	1,032,610	17,551	945,285
Consumer	93,220	2,352,086	75,865	2,007,353
Vehicle	34	7,492	275	5,934
Credit cards	349,087	-	332,118	-
Other	289,225	1,298,866	272,542	1,099,962
Nonresident customers	120,804	314,051	109,234	-
Other	6	1,277	8	1,611
	1,696,315	7,225,991	1,680,498	5,901,109
Current maturity	1,345,268	(1,345,268)	1,117,489	(1,117,489)
	3,041,583	5,880,723	2,797,987	4,783,620
Less: provision for impairment	(326,398)	(39,323)	(275,457)	(43,915)
	2,715,185	**5,841,400**	**2,522,530**	**4,739,705**

At 31 December 2015 non-performing loans amounted to Denar 365,162 thousand (2014: Denar 349,749 thousands). Unrecognized interest relating to such loans amounted to Denar 42,938 thousand (2014: Denar 46,517 thousand).

As at 31 December 2015 loans and advances to customers in amount of Denar 322,194 thousand (2014: Denar 109,632 thousand) are mortgaged as collateral for borrowings from MBDP (Note 23).

	2015	2014
Movements of provision for impairment		
Balance at 01 January	319,372	320,036
Charge/ (Release) of provision for impairment, net (Note 8)	46,089	1,371
Effect from foreign exchange differences	384	(134)
Write-off	(124)	(1,901)
Balance as at 31 December	**365,721**	**319,372**

15 Investment securities

	2015	2014
Held-to-maturity investment securities	-	682,201
Available-for-sale investment securities	14,331	14,400
	14,331	**696,601**

Held-to-maturity investment securities with fixed interest rate

	2015	2014
Treasury Bills	-	682,201
	-	**682,201**

Available-for-sale investment securities

	2015	2014
Government bills	-	69
Equity securities	14,331	14,331
	14,331	**14,400**

The movement of the impairment provision for investment securities is as follows:

	2015	2014
Movements of provision for impairment		
Balance at 01 January	1,372	1,372
Balance at 31 December	**1,372**	**1,372**

Government bills issued by the Ministry of Finance of RM as at 31 December 2014 with maturity of 364 days and bear interest from 2.70%.

As at 31 December 2014, treasury bills issued by the National Bank of the Republic of Macedonia mature within 35 days and bear interest of 3.25% p.a.

16 Foreclosed assets

	2015	2014
Land	1,084	1,776
Buildings	34,950	44,915
Equipment	19,919	24,899
Residential facilities and apartments	23,810	37,155
Other	2,045	2,557
	81,808	**111,302**

As at 31 December 2015, the net carrying value of Bank's foreclosed assets amount to Denar 81,808 thousand (2014: Denar 111,302 thousand). As at 31 December 2015 their fair value less cost to sell is in the amount of Denar 151,879 thousand (2014: Denar 175,077 thousand).

In December 2014 the Bank's foreclosed assets in the amount of Denar 109,556 thousand were placed as initial capital in the newly founded legal entity, UNI Imoti dooel Skopje. The subsidiary is 100% in ownership of UNI Bank AD Skopje (Note 17).

The valuation of foreclosed assets was performed by independent appraisers using Level 2 inputs to market approach. The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the assets in question, including plot size, location, encumbrances, current use, etc.

17 Investment in subsidiaries

As at 31 December 2015 the Bank's investment in subsidiaries in the amount of of 87,645 thousands (2014: Denar 109,556 thousand) refers to 100% subsidiary of the Bank, UNI Imoti dooel Skopje. In December 2014 the Bank's foreclosed assets in the amount of 109,556 thousands were placed as initial capital in the newly founded legal entity (Note 16).

		% of ownership		Voting rights %	
Name of the subsidiary	Country	2015	2014	2015	2014
UNI Imoti dooel Skopje	R Macedonia	100	-	100	-

18 Intangible assets

	Software	Rights and licenses	Assets under development	Total
Cost				
At 01 January 2014	137,119	64,252	24	201,395
Additions during the year	1185	-	-	1,185
Transfers	-	-	-	-
At 31 December 2014 / 01 January 2015	**138,304**	**64,252**	**24**	**202,580**
Additions during the year	306	-	-	306
Transfers	-	-	-	-
At 31 December 2015	**138,610**	**64,252**	**24**	**202,886**
Accumulated amortization				
At 01 January 2014	41,471	24,448	-	65,919
Amortization for the year	11,985	5,409	-	17,394
At 31 December 2014/01 January 2015	**53,456**	**29,857**	-	**83,313**
Amortization for the year	12,104	5,409	-	17,513
At 31 December 2015	**65,560**	**35,266**	**-**	**100,826**
Net carrying value				
At 01 January 2014	95,648	39,804	24	135,476
At 31 December 2014	84,848	34,395	24	119,267
At 31 December 2015	**73,050**	**28,986**	**24**	**102,060**

19 Property and equipment

	Buildings	Equipment	Construction in progress	Total
Cost				
At 01 January 2014	446,595	332,749	6,385	785,729
Additions during the year	767	30,147	15,970	46,884
(Disposals and write offs)	(123)	(14,503)	-	(14,626)
Transfer	7,625	4560	(12,185)	-
At 31 December 2014/01 January 2015	**454,864**	**352,953**	**10,170**	**817,987**
Additions during the year	1838	24,543	7,737	34,118
(Disposals and write offs)	-	(7,215)	0	(7,215)
Transfers	3,979	2,014	(5,993)	-
At 31 December 2015	**460,681**	**372,295**	**11,914**	**844,890**
Accumulated depreciation				
At 01 January 2014	58,857	242,101	-	300,958
Depreciation for the year	11,269	33,071	-	44,340
(Disposals and write offs)	-	(13,351)	-	(13,351)
At 31 December 2014/01 January 2015	**70,126**	**261,821**	**-**	**331,947**
Depreciation for the year	11,471	30,352	-	41,823
(Disposals and write offs)	-	(6,718)	-	(6,718)
At 31 December 2015	**81,597**	**285,455**	**-**	**367,052**
Net carrying value				
At 01 January 2014	387,738	90,648	6,385	484,771
At 31 December 2014	384,738	91,132	10,170	486,040
At 31 December 2015	**379,084**	**86,840**	**11,914**	**477,838**

At 31 December 2015 and 2014, all property and equipment are owned by the Bank. The Bank has no mortgages or other encumbrances over its property, plant and equipment. As at 31 December 2015 the Bank leases under operating lease terms building with net carrying amount of Denar 5,128 thousand (2014: Denar 5,310 thousand). The leases are cancellable and typically run for a shorter period.

There were no capitalized borrowing costs related to the acquisition of property and equipment during the year (2014: nil).

20 Other receivables

	2015	2014
Fee and commission receivables	23,019	20,971
Prepaid expenses	16,620	19,080
Credit card receivables	13,721	13,994
Receivables for court cases	6,621	6,868
Advances for intangible assets	5,447	4,364
Inventories	4,190	3,741
Other receivables from litigations	3,055	3,055
Receivables from leased assets	31	2,486
Money transfer	2,280	2,458
Trade receivables	8	849
Employee receivables	23	37
Other	4,647	5,463
	79,662	**83,366**
Less: provision for impairment	(24,014)	(24,310)
	55,648	**59,056**

	2015	2014
Movements of provision for impairment		
Balance at 01 January	24,310	22,584
Additional provision for impairment / (Release) of provision for impairment, net (Note 8)	2,097	4,023
Foreclosed assets from non-collectable receivables	(2,332)	(146)
Effect from foreign exchange differences	-	-
Write-off	(61)	(2,151)
Balance at 31 December	**24,014**	**24,310**

The major part of the prepaid expenses in the amount of Denar 8,484 thousand (2014: Denar 10,787 thousand) relate to the lease of the business premises for the Bank's branches in Strumica. The total rent according the lease agreement was paid in advance in 2000, covering lease period of 20 years.

21 Due to banks

	2015		2014	
	Short-term	Long-term	Short-term	Long-term
Current accounts of domestic banks	3,174	-	4,355	-
Current accounts of foreign banks	10,870	-	24,724	-
Term deposits of domestic banks	86,233	-	30,126	-
Term deposits of foreign banks	309,326	-	-	-
Restricted deposits of domestic banks	750	-	750	-
Other deposits	15,633	-	14,008	-
	425,986	**-**	**73,963**	**-**

22 Due to customers

	2015 Short-term	2015 Long-term	2014 Short-term	2014 Long-term
Non-financial institutions				
Current accounts	1,279,066	-	1,347,973	-
Term deposits	481,002	12717	431,210	308
Restricted deposits	65,935	42,193	37,296	38,640
Other deposits	17,220	-	13,870	-
	1,843,223	54,910	1,830,349	38,948
State				
Current accounts	993	-	892	-
Demand deposits	399	-	399	-
	1,392	-	1,291	-
Not-for-profit institutions				
Current accounts	56,664	-	65,241	-
Term deposits	4,293	-	4,012	-
Restricted deposits	191	1,300	142	1,300
Other deposits	482	-	324	-
	61,630	1,300	69,719	1,300
Financial institutions, other than banks				
Current accounts	32,191	-	34,568	-
Term deposits	198,497	9,159	184,493	6,148
Restricted deposits	10,948	6,284	10,907	15,400
Other deposits	27	-	26	-
	241,663	15,443	229,994	21,548
Citizens				
Current accounts	1,555,649	-	1,295,271	-
Demand deposits	35	-	35	-
Term deposits	3,731,749	2,152,831	3,691,142	1,719,702
Restricted deposits	49,926	240,525	55,363	245,942
Other deposits	17,793	-	13,041	-
	5,355,152	2,393,356	5,054,852	1,965,644
Nonresidents				
Current accounts	307,830	-	230,771	-
Term deposits	16,791	9,591	86,628	27,051
Restricted deposits	203	2379	-	593
Other deposits	7,240	-	6,497	-
	332,064	11,970	323,896	27,644
Current maturity	904,682	(904,682)	796,220	(796,220)
	8,739,806	1,572,297	8,306,321	1,258,864

23 Borrowings

Structure of borrowings by type of borrowing and creditor's sector

	2015 Short-term	2015 Long-term	2014 Short-term	2014 Long-term
Banks	1,350	655,337	795	343,770
State	989	1,025	1,248	2,053
Current maturity	192,770	(192,770)	120,810	(120,810)
	195,109	**463,592**	**122,853**	**225,013**

Borrowings by creditors

Borrowings by creditors

	2015 Short-term	2015 Long-term	2014 Short-term	2014 Long-term
Domestic sources:				
Macedonian Bank for Development Promotion in foreign currency	1289	647,822	-	332,249
Macedonian Bank for Development Promotion in domestic currency	61	7,515	795	11,520
Ministry of Finance of RM	989	1,025	1,248	2,054
	2,339	**656,362**	**2,043**	**345,823**
Current maturity	192,770	(192,770)	120,810	(120,810)
	195,109	**463,592**	**122,853**	**225,013**

At 31 December 2015, based on already signed Frame contracts with the Macedonian Bank for Development Promotion AD, Skopje ("MBDP"), the Bank has liabilities for borrowing in amount of 655,337 thousand Denars (2014: 343,770 thousand Denars). During 2015, the bank has withdrawn funds from different credit line with year of maturity 2015-2023 and interest rate 1- 3% per annum for borrowings in foreign currency and 3.5-5% for borrowings in domestic currency with foreign currency clause. The collateral for these Bank's borrowings are pledged loans and advances from the end user of these funds on behalf of MBDP.

At 31 December 2015, the Bank has liabilities for borrowings in domestic currency with foreign currency clause based on signed borrowing agreement with the Ministry of Finance of the Republic of Macedonia – ZKDF in the amount of 2,014 thousand Denars (2014 : 3,302 thousand Denars. During 2015 , based on already signed agreements, the Bank has withdrawn funds with maturity date as of 31.03.2016 and interest rate 0.5%. The maturity date for the rest of the liabilities for borrowing in domestic currency.

24 Provision and special reserve

	Commitments and contingencies
Balance at 01 January 2014	1,198
(Release) of provision for impairment, net (Note 7)	2937
Foreign exchange gain	(7)
Balance at 31 December 2014 (Note 27)	**4,128**
Balance at 01 January 2015	4,128
Additional provision for impairment, net (Note 10)	(1,177)
Foreign exchange gain	6
Balance at 31 December 2015 (Note 27)	**2,957**

25 Other liabilities

	2015	2014
Accrued expenses	31,240	32,576
Non allocated inflows	26,578	25,312
Trade payables	6,771	9,064
Fee and commission	4,715	5,144
Other taxes and contributions	847	2,106
Other	15,527	22,423
	85,678	**96,625**

26 Share capital

At 31 December 2015 the authorized share capital comprised ordinary shares 545,987 (2014: 545,987). Ordinary shares have a par value of MKD 1,000 (2014: MKD 1,000). All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Bank. (2014: one vote per share). All shares rank equally with regard to the Bank's residual assets.

	In Denars Nominal value per share		*Number of issued shares*				Total subscribed capital	
			ordinary shares		preference shares			
	ordinary shares	preference shares not for sale	2015	2014	2015	2014	2015	2014
At 1 January – fully paid	1,000	1,000	545,987	545,987	-	-	545,987	545,987
Changes during the year (conversion from preference to ordinary shares)	-	-	-	-	-	-	-	-
At 31 December – fully paid	**1,000**	**1,000**	**545,987**	**545,987**	**-**	**-**	**545,987**	**545,987**

Share capital (continued)

At 31 December 2015 and 2014, the following shareholders have ownership exceeding 5% of the total issued shares with a voting right:

	Share capital in Denar thousand		Voting right	
	2015	2014	2015	2014
Ivaylo Moutaftchiev, Republic of Bulgaria	198,994	198,994	36.45	36.45
Tzeko Minev, Republic of Bulgaria	198,994	198,994	36.45	36.45
	397,988	**397,988**	**72.90**	**72.90**

27 Commitments and contingencies

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category:

	2015	2014
Guarantees		
in MKD	564,203	447,142
in foreign currency	98,725	69,063
Letters of credit in foreign currency	13,192	17,077
Unused overdrafts on current accounts	288,489	238,816
Unused credit limits non- cancellable	271,486	216,998
	1,236,095	**989,096**
Provision for impairment (Note 24)	(2,957)	(4,128)
	1,233,138	**984,968**

Litigations

At 31 December 2015, legal proceedings raised against the Bank amount in total Denar 3,402 thousand (2014: Denar 3,257 thousand). As at the Statement of financial position date, the Bank did not recognize provision, since professional legal advice show that there is no possibility of significant losses. In addition, various legal actions and claims may be asserted in the future against the Bank from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, the management of the Bank believes that no material liabilities are likely to result.

Taxation

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

Capital commitments

As at the Statement of financial position date, there are no capital commitments that have not been recognized in the financial reports.

28 Fiduciary activities

The Bank manages assets for the benefit of third parties mainly intended for concluding loan agreements with legal entities. These assets are not owned by the Bank and have not been recognized in the Statement of financial position. The Bank is not exposed to credit risk from these placements. As at 31 December 2015, these assets amount to Denar 497,578 thousand (2014: Denar 522,878 thousand).

29 Pension plans

The Bank does not operate any defined contribution plans or share-based remuneration options as at 31 December 2015 and 2014. The management believes that the present value of the future obligations to employees with respect to retirement and other benefits and awards are not material to these financial statements as at 31 December 2015 and 2014.

30 Related party transactions

According to the Banking Law, related parties are considered: persons with special rights and responsibilities in the Bank and persons related to them; shareholders with a qualified contribution to the Bank (direct or indirect ownership of at least 5% of the total number of shares, or voting right shares), affiliates and entities under common ownership, control and management with the Bank, or whose activities the Bank has an ability to control.

The Bank grants loans, performs payment transfers and deposits funds of related enterprises and financial institutions. It is the opinion of the Bank's management that these transactions are carried out on normal commercial terms and conditions and during the regular course of business activities.

As at 31 December 2015 and 2014, the balances and volume of transactions with related entities and Key management personnel are as follows:

	Other related parties		Key management personnel			Total
	2015	2014	2015	2014	2015	2014
Assets						
Current accounts	49,390	39,998	-	-	49,390	39,998
Other assets	87,710	109.585	4	28	87,714	109,613
Loans and other receivables	15	21	21,476	32,324	21,491	32,345
	137,115	**149,604**	**21,480**	**32,352**	**158,595**	**181,956**
Liabilities						
Deposits	421,804	117,489	58,889	48,044	480,693	165,533
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	3,084	4,117	2	22,189	3,086	26,306
	424,888	**121,606**	**58,891**	**70,233**	**483,779**	**191,839**
Income						
Interest income	3	69	1,683	2,487	1,686	2,556
Fee and commission income	536	684	151	109	687	793
Other income	145	115	3,006	369	3,151	484
	684	**868**	**4,840**	**2,965**	**5,524**	**3,833**
Expenses						
Interest expenses	1754	464	1,075	863	2,829	1,327
Fee and commission expenses	33,419	37,191	-	-	33,419	37,191
Other expenses	38,163	15,476	18,503	19,835	56,666	35,311
Short term benefits	-	-	51793	53,419	51,793	53,419
	73,336	**53,131**	**71,371**	**74,117**	**144,707**	**127,248**

31 Events after the reporting period

After 31 December 2015 – the reporting date until the approval of these financial statements, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in these financial statements.

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