UNIVERSAL INVESTMENT BANK
AD - Skopje

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 DECEMBER 2019 (According IFRS)

Skopje, April 2020

Contents

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INDEPENDENT AUDITOR'S REPORT 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 2019, and the Income Statement, Statement of Comprehensive Income, Statement of changes in equity and Cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of the 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 the Audit Law and International Standards on Auditing which are accepted and published in the Official gazette of the Republic of Macedonia (79/2010). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE
SHAREHOLDERS OF
UNIVERSAL INVESTMENT BANK AD - Skopje

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Universal Investment Bank AD - Skopje as of 31 December 2019, and of its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards.

Skopje, 30 April 2020

Certified Auditor	**Manager and Certified Auditor**
Milena Jovanova Dimoska	Antonio Veljanov

Друштво за ревизија МУР СТИВЕНС ДОО СКОПЈЕ

Statement of comprehensive income

	Notes	(In 000 MKD) For the year ending 31 December 2019	2018
Interest income		1,069,343	957,420
Interest (expense)		(278,721)	(210,335)
Net interest income	5	790,622	**747,085**
Fee and commission income		378,476	313,638
Fee and commission (expense)		(211,389)	(177,869)
Net fee and commission income	6	**167,087**	**135,769**
Net foreign exchange gains		27,475	23,323
Other operating income	7	35,320	33,106
Operating income		**1,020,504**	**939,283**
(Additional) / Release of impairment provision on financial assets and special reserve, net	8,24	(167,925)	(56,838)
Personnel expenses	9	(323,250)	(281,633)
Amortization and depreciation	18,19	(54,287)	(55,080)
Other operating expenses	10	(230,714)	(250,871)
Operating (expenses)		**(776,176)**	**(644,422)**
Profit before tax		**244,328**	**294,861**
Income tax (expense)	11	(21,465)	(27,604)
Net profit for the year		**222,863**	**267,257**
Other comprehensive income			
Other comprehensive income for the year			
Total comprehensive income for the year		**222,863**	**267,257**
Earnings per share			
Basic and diluted earnings per share (in Denars)	12	408	489

Statement of financial position

	Notes	2019	(In 000 MKD) As at 31 December 2018
Assets			
Cash and cash equivalents	13	5,524,339	5,584,914
Loans and advances to banks	14	-	-
Loans and advances to customers	15	16,379,390	14,036,902
Investment securities	16	136,388	13,106
Foreclosed assets	17	6,871	31,065
Investment in subsidiaries	18	-	-
Intangible assets	19	93,050	81,999
Property and equipment	20	451,567	457,566
Other receivables	21	105,973	102,623
Total assets		**22,697,578**	**20,308,175**
Liabilities			
Due to banks	22	644,649	678,923
Due to customers	23	18,293,580	16,577,084
Borrowings	24	1,125,146	927,579
Provisions and special reserve	25	4,175	3,490
Current tax liabilities		2,302	6,215
Deferred tax liabilities	11	386	3,777
Other liabilities	26	118,191	126,282
Total liabilities		**20,188,429**	**18,323,350**
Equity and reserves			
Share capital	27	545,987	545,987
Share premium		510,387	510,387
Other ownership instruments		301,461	-
Reserves		812,343	558,773
Retained earnings		338,972	369,678
Total equity and reserves		**2,509,150**	**1,984,825**
Total liabilities, equity and reserves		**22,697,578**	**20,308,175**
Commitments and contingencies	28	1,861,359	1,497,885

These financial statements have been authorized by the Bank's Supervisory Board on 27 March 2020.

Signed on behalf of the Board of Directors by:

Milka Todorova	**Delcho Krstev**	**Vladislav Hadjidinev**
Chairman of the Managing Board, Executive Officer	Member of the Managing Board, Executive Officer	Member of the Managing Board, Executive Officer

Statement of changes in equity

(In 000 MKD)	Share capital	Share premium	Other ownership instruments	Reserves	Retained earnings / Accumulated (losses)	Total equity
At 01 January 2018	**545,987**	**510,387**		**326,609**	**334,585**	**1,717,568**
Transactions with owners						
Distribution to reserves	-	-		232,164	(232,164)	**-**
Total transactions with owners	-	-		232,164	(232,164)	-
Profit for the year	-	-		-	267,257	267,257
Other comprehensive income	-	-		-	-	-
Total comprehensive income	-	-		-	267,257	267,257
At 31 December 2018	**545,987**	**510,387**		**558,773**	**369,678**	**1,984,825**
At 01 January 2019	**545,987**	**510,387**		**558,773**	**369,678**	**1,984,825**
Other ownership instruments			301,461			**301,461**
Transactions with owners						**-**
Distribution to reserves	-	-		253,570	(253,570)	**-**
Total transactions with owners	-	-		253,570	(253,570)	**-**
Profit for the year	-	-		-	222,864	**222,864**
Other comprehensive income	-	-		-	-	**-**
Total comprehensive income	-	-		-	222,864	**222,864**
At 31 December 2019	**545,987**	**510,387**	**301,461**	**812,343**	**338,972**	**2,509,150**

Statement of cash flows

			(In 000 MKD)
		Year ended 31 December	
	Notes	2019	2018
Operating activities			
Profit before taxation		278,243	294,861
Adjustment for:			
Amortization and depreciation		54,287	55,080
Additional / (Release of) impairment provision on financial assets, net		167,925	56,838
Impairment losses on foreclosed assets		(30,902)	13,322
Additional / (Release of) impairment provision and special reserve, net		-	-
Dividend income		(1,969)	(1,225)
(Gain) / loss from foreclosed assets sold		(6,849)	9,211
(Gain) from property and equipment sold		(55)	(1,758)
Interest income		(1,069,343)	(957,420)
Interest expense		278,721	210,335
Other corrections		(41,205)	(3,773)
(Loss) before changes in operating assets and liabilities		(371,147)	(324,529)
Changes in operating assets and liabilities			
Loans and advances to banks		-	295,000
Obligatory reserves in foreign currency		32,087	(72,385)
Loans and advances to customers		(2,501,035)	(3,056,953)
Foreclosed assets		46,888	69,560
Other receivables		(17,133)	34,614
Due to banks		(34,091)	(107,776)
Due to customers		1,651,721	3,952,346
Other liabilities		(8,091)	(10,577)
Profit/ (Loss) after changes in operating assets and liabilities		**(1,200,801)**	**779,300**
Proceeds from interest		1,065,716	950,385
Interests (paid)		(213,704)	(170,911)
Income tax (paid)		(28,769)	(32,479)
Net cash (used in) / from operating activities		**(377,558)**	**1,526,295**
Investment activities			
Investments in securities		(122,971)	-
(Purchase) of property, plant and equipment and intangible assets, net		(35,744)	(33,961)
Sale of investment securities, net		-	-
Other inflows from investment activities		1,969	1,225
Net cash from investments activities		**(156,746)**	**(32,736)**
Financial activities			
Proceeds from issued ownership instruments during the period		301,461	-
Proceeds from borrowings		590,083	7,051,057
(Repayment of) borrowings		(392,746)	(7,043,731)
(Repayment of) subordinated liabilities		-	-
Net cash from / (used in) financial activities		**498,798**	**7,326**
Net change in cash and cash equivalents		**(35,506)**	**1,500,885**
Cash and cash equivalents, beginning of the year		**4,929,057**	**3,428,172**
Cash and cash equivalents, end of the year	**13**	**4,893,551**	**4,929,057**

Notes to the Financial Statements

1 General information

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

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 2019 and 2018 is 410 and 395 employees, respectively.

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 have been prepared as at and for the years ended 31 December 2019 and 2018. 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 effective for annual periods beginning on or from 1 January 2019

At the date of authorization of these financial statements, certain new standards and amendments and interpretations of existing standards have been published by the IASB. All relevant publications have been applied to the Bank's accounting policies in the first period beginning at the effective date of the publication. New standards / amendments have no significant effect over the Bank's financial statements.
The following standards and amendments have become effective for the annual periods commencing on or after 1 January 2019:

- IFRS 16 "Leases" – contains the principles of recognition, measurement and disclosure of leases for both parties of the lease. The implementation of this standard does not have significant effect on the financial statements of the Bank.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements 2015-2017 cycle
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Interpretation 23 Uncertainty over Income Tax Treatments

б) Standards, amendments to and interpretations of the existing standards that are not effective yet and have not been applied prior to the effective date by the Bank

The following standards and amendments will become effective for the annual periods beginning on or after 1 January 2020:
- Amendments to IFRS 3 Definition of a Business
- Amendments to IAS 1 and IAS 8 Definition of Material
- Revised Conceptual Framework for Financial Reporting
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The following standards and amendments will become effective for the annual periods beginning on or after 1 January 2021:
- IFRS 17 Insurance Contracts

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 2019 and 2018 were as follows:

	2019	**2018**
	MKD	MKD
1 EUR	61.4856	61.4950
1 USD	54.9518	53.6887

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 pays 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 North Macedonia ("NBRNM") 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 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.

2.16 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.

2.16 Property and equipment

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:

	2019	2018
Buildings	2,5%	2,5%
Equipment	14.3-25%	14.3-25%
Vehicle	25%	25%

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

2.17 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:

	2019	2018
Software	10%	10%
Rights and licenses	10%	10%

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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).

3.1 Credit risk

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.

3.1 Credit risk

Analysis of maximum exposure to credit risk before collateral held

in Denar thousand	Cash and cash equivalents		Loans and advances to banks		Loans and advances to customers		Securities available for sale		Other receivables		Commitments and contingencies		Total	Total
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Neither, past due nor impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Past due, but not impaired:														
- Up to 30 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Up to 90 days	-	-	-	-			-	-	-	-	-	-	-	-
- Over 90 days	-	-	-	-			-	-	-	-	-	-	-	-
Individually impaired	(4,734,313)	(2,035,930)	-	-	16,656,473	14,190,951	123,294	-	87,702	80,425	1,885,630	1,513,736	23,487,412	17,821,041
Net carrying value before provision for impairment	**4,734,313**	**2,035,930**	-	-	**16,656,473**	**14,190,951**	-	-	**87,702**	**80,425**	**1,885,630**	**1,513,736**	**23,487,412**	**17,821,041**
(Provision for impairment)	-	-	-	-	(277,083)	(154,049)	(12)	-	(7,870)	(10,459)	(4,175)	(3,490)	(289,140)	(167,999)
Net carrying value less provision for impairment	**4,734,313**	**2,035,930**	-	-	**16,379,390**	**14,036,902**	123,282	-	**79,832**	**69,966**	**1,881,455**	**1,510,246**	**23,198,272**	**17,653,042**

3.1 Credit risk

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 2019 and 2018, 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).

For determining the allowance for impairment, starting from 2018, the Bank has classified the credit exposures in one of the three groups:

Group 1

- every financial asset at the initial recognition (except those acquired with explicit expected credit losses)
- financial assets with low credit risk
- financial assets with no significant deterioration of the creditworthiness at initial recognition

The allowance for impairment is equal to expected credit losses during the lifetime of the asset pondered with the probability that a certain default event occurs.

3.1 Credit risk (continued)

Group 2

- financial assets with significant deterioration of the creditworthiness after the initial recognition, but there is no objective evidence for impairment (transferred from Group 1), and
- financial assets acquired or issued with explicit credit losses

The allowance for impairment is equal to expected credit losses during the lifetime of the asset.

Group 3

- financial assets with objective evidence of impairment, and
- financial assets acquired or issued with explicit credit losses

The allowance for impairment is equal to expected credit losses during the lifetime of the asset.

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	Loans and advances to customers	
2019	Gross	Impairment provision
Credit risk exposure classified in Group 1	16,150,748	(49,865)
Credit risk exposure classified in Group 2	207,944	(24,365)
Credit risk exposure classified in Group 3	297,781	(202,853)
	16,656,473	(277,083)
2018		
Credit risk exposure classified in Group 1	13,609,538	(22,274)
Credit risk exposure classified in Group 2	399,230	(23,565)
Credit risk exposure classified in Group 3	182,183	(108,210)
	14,190,951	(154,049)

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.

3.2 Credit risk (continued)

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

2019	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)	348,814	59,282	408,096
-bank guarantees	-	-	-
-corporate guarantees	-	-	-
Property and equipment under pledge	16,787,509	1,122,247	17,909,756
Pledge of movable property	686,219	208,895	895,114
Other types of security	1,049,087	39,671	1,088,757
	18,871,629	**1,430,095**	**20,301,724**

in Denar thousand

2018	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)	302,355	62,402	364,756
-bank guarantees	14,424	-	14,424
-corporate guarantees	2,895	-	2,895
Property and equipment under pledge	15,292,776	927,137	16,219,912
Pledge of movable property	542,963	123,950	666,914
Other types of security	1,343,206	24,658	1,367,865
	17,498,618	**1,138,147**	**18,636,765**

3.1 Credit risk

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 2019 and 2018:

in Denar thousand	Cash and cash equivalents		Loans and advances to Banks		Loans and advances to customers		Securities available for sale		Securities held to maturity		Other receivables		Commitments and contingencies		Total assets	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Republic of Macedonia	3,912,572	1,277,844	-	-	16,143,255	13,772,550	-	-	-	-	79,189	69,357	1,847,236	1,506,387	21,982,252	16,626,137
EU members	794,001	741,788	-	-	236,135	264,352	-	-	123,282	-	579	549	34,219	3,859	1,188,216	1,010,548
OECD member countries (without European countries members of OECD)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other European countries	27,740	16,298	-	-	-	-	-	-	-	-	64	60	-	-	27,804	16,358
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	4,734,313	2,035,930	-	-	16,379,390	14,036,902	-	-	123,282	-	79,832	69,966	1,881,455	1,510,246	23,198,272	17,653,043

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 2019 and 2018:

In Denar thousand	Loans and advances to customers		Loans and advances to banks		Securities available for sale		Securities held to maturity		Cash and cash equivalents		Other receivables		Commitments and contingencies		Total assets	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Non residents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, forestry and fishery	268,012	220,805	-	-	-	-	-	-	-	-	405	395	22,307	10,164	290,724	231,364
Mining	20,356	26,520	-	-	-	-	-	-	-	-	9	11	4,461	737	24,826	27,268
Food industry	274,667	215,427	-	-	-	-	-	-	-	-	128	81	34,731	22,029	309,526	237,537
Textile industry clothing and footwear manufacturing	241,457	250,712	-	-	-	-	-	-	-	-	176	121	66,541	63,139	308,174	313,972
Chemical industry, production of building materials, production and processing of fuel, pharmaceutical industry	167,510	153,416	-	-	-	-	-	-	-	-	704	60	15,701	12,589	183,915	166,065

In Denar thousand	Loans and advances to customers 2019	Loans and advances to customers 2018	Loans and advances to banks 2019	Loans and advances to banks 2018	Securities available for sale 2019	Securities available for sale 2018	Securities held to maturity 2019	Securities held to maturity 2018	Cash and cash equivalents 2019	Cash and cash equivalents 2018	Other receivables 2019	Other receivables 2018	Commitments and contingencies 2019	Commitments and contingencies 2018	Total assets 2019	Total assets 2018
Production of metals, machinery, tools and equipment	149,453	162,616	-	-	-	-	-	-	-	-	124	106	15,073	12,297	164,650	175,019
Other manufacturing Industry	276,657	193,110	-	-	-	-	-	-	-	-	1,413	181	22,972	19,932	301,042	213,223
Supply of electricity, gas, steam and air conditioning	10,968	13,640	-	-	-	-	-	-	-	-	19	55	2,488	1,307	13,475	15,002
Water supply, waste water disposal, waste management and environment sanitation	29,130	18,213	-	-	-	-	-	-	-	-	120	94	36,425	58,776	65,675	77,083
Construction	1,116,919	987,277	-	-	-	-	-	-	-	-	926	287	427,358	294,843	1,545,203	1,282,407
Wholesale and retail trade, repair of motor vehicles and motor-cycles	1,355,287	1,256,300	-	-	-	-	-	-	-	-	1,431	1,122	292,100	320,137	1,648,818	1,577,559
Transport and storage	531,096	369,908	-	-	-	-	-	-	-	-	447	358	160,757	122,051	692,300	492,317
Facilities for lodging and food service activities	456,564	390,536	-	-	-	-	-	-	-	-	307	233	48,309	22,557	505,180	413,326
Information and communication	79,129	50,341	-	-	-	-	-	-	-	-	1,686	1,481	24,620	17,709	105,435	69,531
Financial and insurance activities	251,207	196,314	-	-	-	-	123,282	-	4,734,313	2,035,930	36,162	33,036	3,122	1,571	5,148,086	2,266,851
Activities related to real estate	109,983	83,216	-	-	-	-	-	-	-	-	18	24	-	954	110,001	84,194
Technical and scientific activities	146,633	87,032	-	-	-	-	-	-	-	-	1,087	687	30,650	16,826	178,370	104,545
Administrative and auxiliary service activities	65,449	101,041	-	-	-	-	-	-	-	-	133	150	27,492	6,593	93,074	107,784
Public administration and defense, compulsory social insurance	-	-	-	-	-	-	-	-	-	-	5	3	-	-	5	3
Education	5,989	9,145	-	-	-	-	-	-	-	-	100	38	104	60	6,193	9,243
Health and social care activities	40,991	40,262	-	-	-	-	-	-	-	-	95	83	7,260	4,842	48,346	45,187
Art, entertainment, recreation	24,233	21,465	-	-	-	-	-	-	-	-	75	58	4,897	2,424	29, 205	23, 947
Other service activities	32,118	27,395	-	-	-	-	-	-	-	-	178	112	6,066	217	38,362	27,724
Individuals	10.725.582	9,162,211	-	-	-	-	-	-	-	-	34,084	31,190	628,021	498,492	11,387,687	9,691,893
Total	**16,379,390**	**14,036,902**	**-**	**-**	**-**	**-**	**123,282**	**-**	**4,734,313**	**2,035,930**	**79,832**	**69,966**	**1,881,455**	**1,510,246**	**23,198,272**	**17,653,043**

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 2019 and 2018. 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.

3.2 Liquidity risk

in Denar thousand

31 December 2019	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial liabilities						
Due to banks	56,824	-	587,825	-	-	644,649
Due to customers	7,298,235	1,947,389	4,307,314	4,662,171	78,472	18,293,580
Borrowings	93,289	1,601	256,435	664,104	109,717	1,125,146
Other liabilities	99,742	714	-	-	14,716	115,172
	7,548,089	**1,949,704**	**5,151,574**	**5,326,275**	**202,905**	**20,178,547**
Total assets (contractual maturities)	**5,596,103**	**858,205**	**3,856,900**	**7,172,025**	**4,922,780**	**22,406,013**

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	18,280	72,981	383,995	291,714	5,000	771,970
Letter of credits	-	3,949	3,074	-	-	7,023
Other	88,273	187,260	774,981	36,027	-	1,086,541
	106,553	**264,190**	**1,162,050**	**327,741**	**5,000**	**1,865,534**

in Denar thousand

31 December 2018	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Financial liabilities						
Due to banks	59,393	-	619,530	-	-	678,923
Due to customers	6,161,776	1,188,532	4,660,654	4,536,688	29,434	16,577,084
Borrowings	59,475	1,596	171,630	615,858	79,020	927,579
Other liabilities	108,539	413	-	-	14,716	123,668
	6,389,183	**1,190,541**	**5,451,814**	**5,152,546**	**123,170**	**18,307,254**
Total assets (contractual maturities)	**5,632,347**	**745,322**	**3,182,123**	**6,357,229**	**3,954,448**	**19,871,469**

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	16,983	108,067	305,610	159,702	8,500	598,862
Letter of credits	-	1,224	3,075	-	-	4,299
Other	79,579	206,168	610,000	2,467	-	898,214
	96,562	**315,459**	**918,685**	**162,169**	**8,500**	**1,501,375**

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 2019 and 2018. The interest bearing assets/ liabilities are grouped according to the remaining period until the next change in interest rates.

3.3 Market risks

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

in Denar thousand

As at 31 December 2019	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	4,161,459	-	-	-	-	4,161,459
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	473,332	1,045,307	7,711,487	5,299,017	1,742,930	16,272,073
Investments in securities	-	-	-	122,971	-	122,971
Other receivables	-	-	-	-	-	-
	4,643,791	1,045,307	7,711,487	5,421,988	1,742,930	20,556,503
Liabilities						
Due to banks	55,285	-	587,075	-	-	642,360
Due to customers	7,123,515	1,513,281	5,455,158	4,000,813	-	18,092,766
Borrowings	98,706	-	255,906	672,333	95,991	1,122,936
Other liabilities	-	-	-	-	-	-
	7,277,505	1,513,281	6,928,139	4,673,145	95,991	19,858,062
Net interest rate gap position	**(2,642,714)**	**(467,974)**	**1,413,348**	**748,842**	**1,646,939**	**698,441**
As at 31 December 2018						
Assets						
Cash and cash equivalents	2,064,639	-	-	-	-	2,064,639
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	490,856	917,811	6,577,162	5,193,453	788,739	13,968,021
Other receivables	-	-	-	-	-	-
	2,555,495	917,811	6,577,162	5,193,453	788,739	16,032,661
Liabilities						
Due to banks	59,393	-	617,035	-	-	676,427
Due to customers	5,912,179	752,098	6,300,250	3,476,539	-	16,441,066
Borrowings	313,598	1,476	130,722	425,036	54,963	925,794
Other liabilities	-	-	-	-	-	-
	6,285,169	753,574	7,048,007	3,901,574	54,963	18,043,287
Net interest rate gap position	**(3.729,674)**	**164,238**	**(470,845)**	**1,291,879**	**733,776**	**(2,010,626)**

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 2019, 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 2019 would respectively increase/decrease by approximately Denar 13,969 thousand (2018: decrease/increase by Denar 40,213 thousand).

3.3 Market risks

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 2019 and 2018:

in Denar thousand	MKD	EUR	USD	Other currencies	Total
As at 31 December 2019					
Assets					
Cash and cash equivalents	4,049,389	1,068,352	105,844	300,754	5,524,339
Loans and advances to customers	9,578,884	6,597,035	139,744	63,727	16,379,390
Loans and advances to banks	-	-	-	-	-
Investment securities	13,106	123,282	-	-	136,388
Other receivables	104,629	1,259	40	45	105,973
Total Assets	13,746,008	7,789,928	245,628	364,526	22,146,090
Liabilities					
Due to banks	3,265	559,349	17,455	64,580	644,649
Due to customers	11,846,336	5,831,161	307,400	290,683	18,293,580
Tax liabilities	2,302	-	-	-	2,302
Borrowings	-	1,125,146	-	-	1,125,146
Other liabilities	83,770	28,818	4,447	1,155	118,190
Total Liabilities	11,953,673	7,544,474	329,302	356,418	20,183,867
Net foreign currency position	1,792,335	245,454	(83,674)	8,108	1,962,223
As at 31 December 2018					
Total Assets	12,235,673	6,699,196	319,248	483,428	19,737,545
Total Liabilities	10,824,018	6,703,107	318,722	470,236	18,316,083
Net foreign currency position	1,411,655	(3,911)	526	13,192	1,421,462

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 2019	Change in 2018	Profit or loss 2019	Profit or loss 2018
EUR	1%	1%	2,455	(39)
USD	5%	5%	(4,184)	26
Other currencies	1%	1%	3,645	132

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.

3.5 Segment reporting

Operating segments (continued)

in Denar thousand	Trading activities		Retail banking		Corporate banking		Payment services and settlement operations		Non-allocated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Income and expenses												
Net interest income /(expenses)	-	-	787,454	739,319	3,168	7,766	-	-	-	-	790,622	747,085
Net fee and commission income	-	-	47,658	44,230	14,889	9,379	103,306	82,160	1,234	-	167,087	135,769
Other operating income	14,421	23,963	1,803	6,732	22,213	1,680	12,928	11,111	11,430	12,943	62,795	56,429
Release of imp.prov. /Impairment (losses), net	-	-	(167,550)	(56,731)	(375)	(107)	-	-	-	-	(167,925)	(56,838)
Depreciation and amortization	(767)	(1,405)	(44,536)	(46,342)	(2,124)	(1,104)	(6,185)	(5,469)	(674)	(759)	(54,287)	(55,080)
Impairment losses on non-financial assets, net	-	-	(4,842)	(9,327)	-	(3,995)	-	-	-	-	(4,842)	(13,322)
Investment costs for property and equipment	(549)	(914)	(31,871)	(30,136)	(1,520)	(718)	(4,426)	(3,557)	(482)	(494)	(38,849)	(35,818)
Other expenses	(7,213)	(12,294)	(418,620)	(406,918)	(19,965)	(9,658)	(58,140)	(47,853)	(6,335)	(6,640)	(510,273)	(483,364)
Profit before tax per segment	**5,891**	**9,350**	**169,496**	**240,827**	**16,286**	**3,243**	**47,483**	**36,392**	**5,173**	**5,050**	**244,328**	294,861
Income tax											(21,465)	(27,604)
Profit for the year				**242,286**		**15,931**					**222,863**	**267,257**
Total assets per segment	320,800	517,842	18,617,435	17,078,010	887,922	406,809	2,585,662	2,015,591	-	-	22,411,818	20,018,252
Non-allocated assets per segment	-	-	-	-	-	-	-	-	285,760	289,923	285,760	289,923
Total assets	**320,800**	**517,842**	**18,617,435**	**17,078,010**	**887,922**	**406,809**	**2,585,662**	**2,015,591**	**285,760**	**289,923**	**22,697,578**	**20,308,175**
Total liabilities per segment	285,382	467,309	16,561,985	15,413,470	789,891	367,159	2,300,193	1,819,137	-	-	19,937,451	18,067,075
Non-allocated liabilities per segment	-	-	-	-	-	-	-	-	250,978	256,275	250,978	256,275
Total liabilities	**285,382**	**467,309**	**16,561,985**	**15,413,470**	**789,891**	**367,159**	**2,300,193**	**1,819,137**	**250,978**	**256,275**	**20,188,429**	**18,323,350**

Geographic segments

in Denar thousand	Republic of Macedonia	EU member countries	Other countries	Non-allocated	Total
2019					
Total income	1,090,724	-74,154	41	3,538	**1,020,149**
Total assets	21,457,330	1,208,374	27,806	4068	**22,697,578**
2018					
Total income	995,532	(64,194)	1599	6,346	**939,283**
Total assets	19,472,529	819,258	16,354	34	**20,308,175**

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 2019	Level 1	Level 2	Level 3	**Total**
Assets				
Securities available for sale	13,106	-	-	13,106

31 December 2018	Level 1	Level 2	Level 3	**Total**
Assets				
Securities available for sale	13,106	-	-	13,106

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 2019		31 December 2018	
	Net Carrying Amount	Fair Value	Net Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	5,524,339	5,524,339	5,584,914	5,584,914
Loans and advances to banks	-	-	-	-
Loans and advances to customers	16,379,390	16,379,390	14,036,902	14,036,902
Investment securities	136,388	136,388		
Other receivables	79,832	79,832	69,966	69,966
Financial liabilities				
Due to banks	644,649	644,649	678,923	678,923
Due to customers	18,293,580	18,293,580	16,577,084	16,577,084
Borrowings	1,125,146	1,125,146	927,579	927,579
Other liabilities	115,172	115,172	123,668	123,668

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 2019
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	-	5,524,339	-	-	5,524,339
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers	-	16,379,390	-	-	16,379,390
Investment securities	123,282	-	13,106	-	136,388
Other receivables	-	79,832	-	-	79,832
	123,282	**21,983,561**	**13,106**	**-**	**22,119,949**

Financial liabilities

	Other financial liabilities at amortized cost	Total
Due to banks	644,649	644,649
Due to customers	18,293,580	18,293,580
Borrowings	1,125,146	1,125,146
Other liabilities	115,172	115,172
	20,178,547	**20,178,547**

31 December 2018
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	-	5,584,914	-	-	5,584,914
Loans and advances to banks	-	-	-	-	-
Loans and advances to customers	-	14,036,902	-	-	14,036,902
Investment securities	-	-	13,106	-	13,106
Other receivables	-	69,966	-	-	69,966
	-	**19,691,782**	**13,106**	**-**	**19,704,888**

Financial liabilities

	Other financial liabilities at amortized cost	Total
Due to banks	678,923	678,923
Due to customers	16,577,084	16,577,084
Borrowings	927,579	927,579
Other liabilities	123,668	123,668
	18,307,254	**18,307,254**

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 2019 and 2018 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

	2019	2018
Interest income		
Loans and advances to customers	1,036,719	922,934
Investment securities	26,889	28,923
Cash and cash equivalents	5,576	4,210
Loans and advances to banks	159	1,353
	1,069,343	***957,420***
Interest expense		
Due to customers	264,411	195,196
Borrowings	8,830	9,735
Due to banks	5,480	5,404
	278,721	***210,335***
Net interest income	**790,622**	**747,085**

6 Net fee and commission income

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

	2019	2018
Fee and commission income		
Loans and credit cards	129,865	116,500
Payment operations		
- Domestic	127,735	107,827
- International	35,034	28,959
Visa and MasterCard	64,533	42,040
Letters of credit and guarantees	18,964	15,282
Money transfer	2,245	3,009
Other	100	21
	378,476	*313,638*
Fee and commission expenses		
Credit cards	179,057	149,283
Payment operations		
- Domestic	19,223	17,327
- International	12,496	10,861
Other	613	398
	211,389	*177,869*
Net fee and commission income	**167,087**	**135,769**

7 Other operating income

	2019	2018
Rent income	1,663	1,638
Gains form equipment sold	6,904	4,607
Dividends received	1,969	1,225
Release of impairment provisions and special reserve, net (Note 24)	-	-
Other income from payment operations	9,055	7,104
SWIFT	2,342	2,120
Collected written-off receivables	8,318	9,479
Income from release of impairment provision of non performing interest	-	-
Other	5,069	6,933
	35,320	**33,106**

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

	2019	2018
(Charge) / recovery for:		
Cash and cash equivalent (Note 13)	(86)	-
Loans and advances to customers (Note 15)	(160,376)	(50,428)
Investment securities (Note 16)	(12)	-
Other receivables (Note 21)	(6,766)	(4,802)
	(167,240)	**(55,230)**

9 Personnel expenses

	2019	2018
Net salaries and contributions	196,859	177,224
Social and health contributions	100,124	84,804
Other employee benefits	26,267	19,605
	323,250	**281,633**

10 Other operating expenses

	2019	2018
Materials and services	102,090	95,319
Rent expenses	38,749	44,464
Deposit insurance premiums	28,303	24,391
Impairment losses on foreclosed assets	4,842	13,322
Administrative and marketing expenses	31,942	30,973
Software license expenses	13,103	14,448
Property and employee insurance premiums	4,840	4,535
Impairment provisions and special reserve, net (Note 25)	-	-
Losses from sold foreclosed assets		-
Litigation expenses	311	340
Losses from sold equipment		-
Other expenses	6,534	21,620
Other	-	1,459
	230,714	**250,871**

11 Income tax expense

	2019	2018
Current income tax expense	24,856	27,750
Deferred income tax (income) / expense	(3,391)	(146)
	21,465	**27,604**

Reconciliation of the income tax expense as per the Statement of comprehensive income for the years ended 31 December 2019 and 2018 is as follows:

	In %	2019	In %	2018
Profit before taxation		244,328		294,862
Income tax calculated at rate of 10% (2018: 10%)	*10*	*24,433*	*10*	*29,486*
Non-deductible expenses for tax purposes	0.25	607	0.79	2,316
Tax-exempt income	-1.46	(3,574)	-1.42	(4,198)
		21,465		**27,604**
Effective tax rate	8,79		9,36	

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Loans and advances to customers	-	-	-	-	-	-
Other	3.391	146	-	-	3.391	146
	3.391	**146**	**-**	**-**	**3.391**	**146**

11 Income tax expense

Movement of temporary differences during the years is as follows:

	Loans and advances to customers
At 31 December 2017	**3,923**
Recognized in profit or loss during 2018	(146)
At 31 December 2018	**3,777**
Recognized in profit or loss during 2019	(3.391)
At 31 December 2019	**386**

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.

	2019	2018
Net-profit attributable to shareholders	222,863	267,257
Net-profit attributable to holders of ordinary shares	222,863	267,257
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)	**408**	**489**

13 Cash and cash equivalents

	2019	2018
Current accounts and deposits with foreign banks	817,229	756,550
Account and balances with the NBRM, except for obligatory foreign currency reserves	505,690	2,655,100
Placement with banks with maturity up to 3 months	2,132,464	-
Cash in hand	259,120	240,188
Current accounts and deposits with domestic banks	37,132	136,406
Treasury bills which can be traded on the secondary market		-
Treasury bills held to maturity	1,142,002	1,140,813
Less: provision for impairment	-86	
Included in cash and cash equivalents for the purpose of the Statement of cash flows	**4,893,551**	**4,929,057**
Obligatory foreign currency reserves	572,859	604,946
Restricted deposits	57,929	50,911
	5,524,339	**5,584,914**

The movement of the impairment provision for cash and cash equivalent is as follows:

	2019	2018
Movements of provision for impairment		
Balance at 01 January	-	-
Charge/ (Release) of provision for impairment, net (Note 16)	**86**	**-**
Balance at 31 December	**86**	**-**

According to the Decision on obligatory reserve (Official Gazette of the Republic of Macedonia No.87/16), 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 for banks in Denars shall be calculated as a sum of 8% for liabilities in domestic currency, 50% for liabilities in domestic currency with FX clause and 30% for liabilities in foreign currency.

13 Cash and cash equivalents

The bank fulfills the reserve requirement in denars, if the average daily balance of the assets on the bank account with the National Bank and the funds of the Bank on the account for the Reserve Guarantee Fund of the Clearing House AD Skopje, for the period of fulfillment, is at least equal to the calculated reserve requirement. The banks' reserve requirement in foreign currency is set at 70% of the amount calculated as a sum of 15% for liabilities in foreign currency and 13% for liabilities to non-resident financial companies in foreign currency with contractual maturity up to one year). The daily balance of the bank's allocated funds on the foreign currency account of the National Bank abroad is at least equal to 95% of the calculated obligatory reserve in euros.

The average daily balance of the bank's allocated funds on the Euro account in the MIPS, for the fulfillment period, is at least equal to 5% of the calculated obligatory reserve in euros.

The base from the foreign currency liabilities shall be presented in Euros and in Denars, as well, by applying the middle exchange rate of the National Bank valid on the last day of the calendar month.
The reserve requirement maintenance period is from 11th in the current month until 10th in the following month.

The National Bank shall not calculate reserve requirement remuneration in denars.

Remuneration shall be charged on reserve requirement in euro aat a rate equal to the interest rate on the ECB's overnight deposit facility applicable as of the last day of the reserve maintenance period. If the average daily outstanding amount of bank's funds allocated to the foreign exchange account in euro in MIPS exceeds 5% of the calculated reserve requirement in euro for the entire reserve maintenance period, remuneration shall be charged on the excess allocated funds at a rate equal to the interest rate on the ECB's overnight deposit facility applicable as of the last day of the reserve maintenance period, less 0.15 percentage points.

As at 31 December 2019, treasury bills issued by the National Bank of the Republic of Macedonia mature within 35 days (2019: 35 days) and bear interest of 2% p.a. (2018: 2.50% p.a.), and are classified as held-to-maturity.

14 Loans and advances to banks

	2019	2018
Loans and advances to banks at amortized cost	-	-
	-	-

15 Loans and advances to customers

	2019	2018
Loans and advances to customers at amortized cost	16,379,390	14,036,902
	16,379,390	**14,036,902**

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

	2019		2018	
	Short-term	Short-term	Short-term	Short-term
Corporate customers	1,210,084	4,040,031	1,163,389	3,288,423
Public sector	52	-	57	-
Financial institution other than banks	2,564	218,481	510	204,660
Retail customers:				
Principal				
Housing	7,073	2,133,651	8,603	1,801,124
Consumer	283,498	6,447,383	127,739	5,258,671
Vehicle	214	5,579	65	10,111
Credit cards	579,183	-	532,173	-
Other	661,699	822,297	574,192	954,234
Nonresident customers	206,028	38,099	235,759	30745
Other	2	555	2	493
	2,950,397	13,706,076	2,642,489	11,548,461
Current maturity	2,323,930	(2,323,930)	1,857,386	(1,857,386)
	5,274,327	11,382,146	4,499,875	9,691,075
Less: provision for impairment	(208,673)	(68,410)	(123,865)	(30,183)
	5,065,654	**11,313,736**	**4,376,010**	**9,660,892**

At 31 December 2019 non-performing loans amounted to 311,304 Denar thousand (2018: Denar 182,660 thousands). Unrecognized interest relating to such loans amounted to Denar 15,179 thousand (2018: Denar 6,757 thousand).

As at 31 December 2019 loans and advances to customers in amount of 851,307 Denar thousand (2018: Denar 855,599 thousand) are mortgaged as collateral for borrowings from MBDP (Note 24).

	2019	2018
Movements of provision for impairment		
Balance at 01 January	**154,048**	111,385
Charge/ (Release) of provision for impairment, net (Note 8)	160,376	50,428
Effect from foreign exchange differences	(21)	-
Write-off	(37,321)	(7,765)
Balance as at 31 December	**277,083**	**154,048**

16 Investment securities

	2019	2018
Held-to-maturity investment securities	123,282	-
Available-for-sale investment securities	13,106	13,106
	136,388	**13,106**

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

	2019	2018
Movements of provision for impairment		
Balance at 01 January	-	-
Charge/ (Release) of provision for impairment, net (Note 16)	**12**	**-**
Balance at 31 December	**12**	**-**

17 Foreclosed assets

	2019	2018
Land	-	-
Buildings	6,871	14,415
Equipment	-	-
Residential facilities and apartments	-	16,650
Other	-	-
	6,871	**31,065**

As at 31 December 2019, the net carrying value of Bank's foreclosed assets amount to Denar 6,871 thousand (2018: Denar 31,065 thousand). As at 31 December 2019 their fair value less cost to sell is in the amount of Denar 35,136 thousand (2018: Denar 77,083 thousand).

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.

18 Intangible assets

	Software	Rights and licenses	Assets under development	Total
Cost				
At 31 December 2017 / 01 January 2018	**145,206**	**75,953**	**344**	**221,503**
Additions during the year	3,221	5869	6676	**15,766**
Transfers	320	-	(320)	**-**
At 31 December 2018	**148,747**	**81,822**	**6,700**	**237,269**
Additions during the year	29,552	-	2,178	31,730
Transfers	8,709	-	(8,709)	-
At 31 December 2019	187,008	81,822	169	268,999
Accumulated amortization				
At 31 December 2017/01 January 2018	**89,413**	**47,368**	**-**	**136,781**
Amortization for the year	12,211	6,278	-	**18,489**
At 31 December 2018	**101,624**	**53,646**	**-**	**155,270**
Amortization for the year	14,010	6,669	-	20,679
At 31 December 2019	115,634	60,315	-	175,949
Net carrying value				
At 31 December 2017	**55,793**	**28,585**	**344**	**84,722**
At 31 December 2018	**47,123**	**28,176**	**6,700**	**81,999**
At 31 December 2019	71,374	21,507	169	93,050

At 31 December 2019 and 2018, all intangible assets are owned by the Bank. The Bank has no encumbrances over its intangible assets.

19 Property and equipment

	Buildings	Equipment	Construction in progress	Total
Cost				
At 01 January 2018	**505,283**	**415,556**	**2,277**	**923,116**
Additions during the year	1,527	16,165	2,280	19,972
(Disposals and write offs)	-	(12,496)	-	(12,496)
Transfer	992	3,168	(4,160)	-
At 31 December 2018/01 January 2019	**507,802**	**422,393**	**397**	**930,592**
Additions during the year	290	3,861	1,652	5,803
(Disposals and write offs)	-	(4,914)	-	(4,914)
Transfers	23,829	1,012	(1,301)	23,540
At 31 December 2019	**531,921**	**422,352**	**748**	**955,021**
Accumulated depreciation				
At 01 January 2018	**105,651**	**343,261**		**448,912**
Depreciation for the year	12,678	23,913	-	36,591
(Disposals and write offs)	-	(12,477)	-	(12,477)
At 31 December 2018/01 January 2019	**118,329**	**354,697**	**-**	**473,026**
Depreciation for the year	12,848	20,760	-	33,608
(Disposals and write offs)	-	(3,180)	-	(3,180)
At 31 December 2019	**131,177**	**372,277**	**-**	**503,454**
Net carrying value				
At 31 December 2017	399,632	72,295	2,277	474,204
At 31 December 2018	**389,473**	**67,696**	**397**	**457,566**
At 31 December 2019	**400,744**	**50,075**	**748**	**451,567**

At 31 December 2019 and 2018, 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 2019 the Bank leases under operating lease terms building with net carrying amount of Denar 6,155 thousand (2018: Denar 6,385 thousand). The leases are cancellable and typically run for a shorter period.

20 Other receivables

	2019	2018
Fee and commission receivables	17,636	17,573
Prepaid expenses	16,164	13,967
Credit card receivables	47,080	54,163
Receivables for court cases	4,103	3,702
Advances for intangible assets	5,403	15,394
Advances for property and equipment	71	71
Inventories	4,140	1,986
Other receivables from litigations	-	-
Receivables from leased assets	-	-
Money transfer	1,335	847
Trade receivables	6	5
Employee receivables	115	67
Other	17,790	5,307
	113,843	**113,082**
Less: provision for impairment	(7,870)	(10,459)
	105,973	**102,623**

20 Other receivables

	2019	2018
Movements of provision for impairment		
Balance at 01 January	10,459	7,684
Additional provision for impairment / (Release) of provision for impairment, net (Note 8)	6,766	4,802
Foreclosed assets from non-collectable receivables	-	-
Effect from foreign exchange differences	-	-
Write-off	(9,355)	(2,027)
Balance at 31 December	**7,870**	**10,459**

A part of the prepaid expenses in the amount of Denar 795 thousand (2018: Denar 2,716 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

		2019		2018
	Short-term	Long-term	Short-term	Long-term
Current accounts of domestic banks	21,800	-	27,902	-
Current accounts of foreign banks	32,712	-	15,869	-
Term deposits of domestic banks	-	-	-	-
Term deposits of foreign banks	66,759	522,628	619,530	-
Restricted deposits of domestic banks	750	-	750	-
Other deposits	-	-	14,872	-
Current maturity	522,628	(522,628)	-	-
	644,649	**-**	**678,923**	**-**

22 Due to customers

	2019		2018	
	Short-term	Long-term	Short-term	Long-term
Non-financial institutions				
Current accounts	1,970,384	-	1,608,379	-
Term deposits	931,543	410,592	1,278,333	318,089
Restricted deposits	39,066	124,482	44,508	103,347
Other deposits	34,829	-	14,216	-
	2,975,822	**535,074**	2,945,436	421,436
State				
Current accounts	2,490	-	2,566	-
Demand deposits	-	-	-	-
Term deposits	-	-	10,021	-
	2,490	**-**	12,587	-
Not-for-profit institutions				
Current accounts	101,428	-	63,243	-
Term deposits	2,729	5,325	5,805	7,000
Restricted deposits	-	16	10	-
Other deposits	805	-	706	-
	104,962	**5,341**	69,764	7,000
Financial institutions, other than banks				
Current accounts	44,621	-	66,373	-
Term deposits	580,907	1,403,985	674,633	1,428,244
Restricted deposits	5,534	15,371	5,535	7,160
Other deposits	32	-	34	-
	631,094	**1,419,356**	746,575	1,435,404
Citizens				
Current accounts	2,964,316	-	2,568,386	-
Demand deposits	845,131	-	607,052	-
Term deposits	2,979,870	5,024,279	3,136,556	3,825,669
Restricted deposits	29,769	225,086	45,021	234,396
Other deposits	19,834	-	17,810	-
	6,838,920	**5,249,366**	6,374,825	4,060,065
Nonresidents				
Current accounts	464,525	-	416,319	-
Term deposits	19,048	26,191	22,913	22,626
Restricted deposits	-	5,586	25,215	4,913
Other deposits	15,806	-	12,006	-
	499,379	**31,777**	476,453	27,539
Current maturity	*2,331,839*	*(2,331,839)*	1,385,322	(1,385,322)
	13,384,506	**4,909,075**	**12,010,962**	**4,566,122**

23 Borrowings

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

	2019 Short-term	2019 Long-term	2018 Short-term	2018 Long-term
Banks	97,082	1,021,361	1,785	919,890
State	2,755	3,948	1,476	4,428
Current maturity	251,488	(251,488)	229,440	(229,440)
	351,325	**773,821**	**232,701**	**694,878**

Borrowings by creditors

Borrowings by creditors

	2019 Short-term	2019 Long-term	2018 Short-term	2018 Long-term
Domestic sources:				
Macedonian Bank for Development Promotion in foreign currency	97,082	1,021,361	1,782	919,490
Macedonian Bank for Development Promotion in domestic currency	-	-	3	400
Ministry of Finance of RM	2,755	3,948	1,476	4,428
	99,837	**1,025,309**	**3,261**	**924,318**
Current maturity	251,488	(251,488)	229,440	(229,440)
	351,325	**773,821**	**232,701**	**694,878**

At 31 December 2019, 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 1,118,443 thousand Denars (2018: 921,675 thousand Denars). During 2019, the bank has withdrawn funds from different credit line with year of maturity 2017-2029 and interest rate 0.75 - 1% per annum for borrowings in foreign currency.

At 31 December 2019, 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 6,703 thousand Denars (2018: 5,904 thousand denars). During 2019, the Bank has withdrawn funds with maturity date as of 31.03.2020 and 30.06.2020 and interest rate 0.5% for borrowings in domestic currency with foreign currency clause.

24 Provision and special reserve

	Commitments and contingencies
Balance at 01 January 2018	1,882
Additional provision for impairment, net (Note 10)	1,608
Foreign exchange gain	-
Balance at 31 December 2018 (Note 25)	**3,490**
Balance at 01 January 2019	3,490
(Release) provision for impairment, net (Note 7)	684
Foreign exchange gain	1
Balance at 31 December 2019	**4,175**

25 Other liabilities

	2019	2018
Non allocated inflows	195	181
Trade payables	21,994	42,708
Fee and commission	7,825	6,392
Other taxes and contributions	10,212	8,303
Accrued expenses	1,064	433
Payments for initial investment	1,538	1,848
Subscriptions	59,017	51,288
Other	16,346	15,129
	118,191	**126,282**

26 Share capital

At 31 December 2019 the authorized share capital comprised ordinary shares 545,987 (2018: 545,987). Ordinary shares have a par value of MKD 1,000 (2018: 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. (2018: 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	2019	2018	2019	2018	2019	2018
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**

At 31 December 2019 and 2018, the following shareholders have ownership exceeding 5% of the total issued shares with a voting right:

	Share capital in Denar thousand		Voting right	
	2019	2018	2019	2018
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:

	2019	2018
Guarantees		
in MKD	673,309	511,380
in foreign currency	98,661	87,482
Letters of credit in foreign currency	7,023	4,299
Unused overdrafts on current accounts	732,866	612,235
Unused credit limits non- cancellable	353,675	285,979
	1,865,534	**1,501,375**
Provision for impairment (Note 24)	(4,175)	(3,490)
	1,861,359	**1,497,885**

Litigations

At 31 December 2019, legal proceedings raised against the Bank amount in total Denar 20 thousand (2018: Denar 161 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 2019, these assets amount to Denar 518,339 thousand (2018: Denar 497,535 thousand).

29 Pension plans

The Bank does not operate any defined contribution plans or share-based remuneration options as at 31 December 2019 and 2018. 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 2019 and 2018.

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 2019 and 2018, the balances and volume of transactions with related entities and Key management personnel are as follows:

	Other related parties		Key management personnel		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current accounts	45,977	85,059	-	-	45,977	85,059
Other assets	2,095	581	278	60	2,374	641
Loans and other receivables	125,127	33	47,096	30,111	172,223	30,118
	173,199	**85,673**	**47,374**	**30,171**	**220,573**	**115,818**
Liabilities						
Deposits	730,444	758,222	102,491	92,571	832,935	850,793
Subordinated liabilities	-	-	-	-	-	-
Other liabilities	5,593	4,175	-	4	5,593	4,179
	736,037	**762,397**	**102,491**	**92,575**	**838,528**	**854,972**
Income						
Interest income	373	4	1,078	1,030	1,451	1,034
Fee and commission income	1,003	428	136	174	1,139	602
Other income	715	241	78	199	793	440
	2,091	**673**	**1,292**	**1,403**	**3,383**	**2,076**
Expenses						
Interest expenses	5,505	5,072	1,942	1,564	7,447	6,636
Fee and commission expenses	55,492	44,060	-	-	55,492	44,060
Other expenses	25,700	25,142	23,653	18,833	49,353	43,975
Short term benefits	-	-	92,501	69,606	92,501	69,606
	86,697	**74,274**	**118,096**	**90,003**	**204,793**	**164,277**

31 Events after the reporting period

In December 2019, there was an outbreak of a new coronavirus in the city of Wuhan, in the province of Hubeiin the People's Republic of China which has spread in a short period of time. On December 31, 2019, the World Health Organization (WHO) was notified of the new coronavirus in the PRC. On January 30, 2020, the WHO officially declared the emergence and spread of coronavirus public health emergency of international concern. Subsequently, on March 11, 2020, the outbreak of coronavirus is declared global pandemic by WHO.

On March 18, 2020, state of emergency was declared in our country on the entire territory of RNM in order to curb the spread of COVID 19. The National Bank and the Government of RNM adopted several measures aimed at mitigating the consequences of the pandemic on the financial system in the republic. In accordance with the new situation with COVID-19, NBRNM made a Decision to amend the decision on credit risk management methodology, Official Gazette no.76/20 of 24.03.2020. The purpose of the changes is to relax the conditions for taking and measuring credit risk, during the state of emergency, caused by COVID-19.

At the same time, the Government of RNM adopted a Decree on the manner of changing the contractual terms of credit exposures with the banks and saving houses, Official Gazette no. 80/20 of 27.03.2020.

Given that subsequent events and circumstances related to the outbreak of COVID 19 did not exist on the date of reporting, the management of the Bank maintains that they do not affect the financial statements as of December 31, 2019 and as such should not correct the reported data. Management believes that the potential effects of COVID 19 on the operation of the bank in the future cannot be forecasted with certainty.