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

Universal Investment Bank AD, Skopje

Skopje, March 2024

Contents

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Universal Investment Bank AD Skopje

Report on the Financial Statements

We have audited the accompanying financial statements of Universal Investment Bank AD Skopje (the Bank) which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing applicable in the Republic of North Macedonia. 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

RSM

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Universal Investment Bank AD Skopje as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS).

Skopje, 29.03.2024

Certified Auditor
Jaglika Jordanova Andrijeska

Audit Company
RSM MAKEDONIJA DOOEL Skopje

Statement of comprehensive income

	Notes	(In 000 MKD) For the year ending 31 December 2023	2022
Interest income		1,426,122	1,120,661
Interest (expense)		(244,809)	(149,541)
Net interest income	5	**1,181,313**	**971,120**
Fee and commission income		617,532	602,617
Fee and commission (expense)		(321,535)	(283,004)
Net fee and commission income	6	**295,997**	**319,613**
Net foreign exchange gains		45,863	42,288
Other operating income	7	68,972	144,069
Operating income		**1,592,145**	**1,477,090**
(Additional) / Release of impairment provision on financial assets and special reserve, net	8,24	(177,809)	(403,561)
Personnel expenses	9	(427,713)	(350,998)
Amortization and depreciation	18,19	(51,189)	(50,328)
Other operating expenses	10	(313,400)	(287,236)
Operating (expenses)		**(970,111)**	**(1,092,123)**
Profit before tax		**622,034**	**384,967**
Income tax (expense)	11	(60,992)	(34,203)
Net profit for the year		**561,042**	**350,764**
Other comprehensive income			
Other comprehensive income for the year			
Total comprehensive income for the year		**561,042**	**350,764**
Earnings per share			
Basic and diluted earnings per share (in Denars)	12	1,028	642

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Statement of financial position

(In 000 MKD)

	Notes	2023	As at 31 December 2022
Assets			
Cash and cash equivalents	13	5,503,233	5,666,195
Loans and advances to banks	14	-	-
Loans and advances to customers	15	17,365,306	18,048,654
Investment securities	16	4,364,197	1,288,031
Foreclosed assets	17	198,921	30,537
Intangible assets	18	78,653	79,015
Property and equipment	19	448,239	421,002
Current tax receivables		-	-
Other receivables	20	189,913	374,481
Total assets		**28,148,462**	**25,907,915**
Liabilities			
Due to banks	21	1,874,844	1,754,217
Due to customers	22	21,342,552	19,546,720
Borrowings	23	681,055	973,720
Provisions and special reserve	24	5,901	11,028
Current tax liabilities		20,099	11,166
Deferred tax liabilities	11	12,296	2,904
Other liabilities	25	339,515	193,311
Total liabilities		**24,276,262**	**22,493,066**
Equity and reserves			
Share capital	26	545,987	545,987
Share premium		510,387	510,387
Other ownership instruments		536,786	454,393
Reserves		1,504,747	1,399,576
Retained earnings		774,293	504,506
Total equity and reserves		**3,872,200**	**3,414,849**
Total liabilities, equity and reserves		**28,148,462**	**25,907,915**
Commitments and contingencies	27	1,997,888	1,896,214

These financial statements have been authorized by the Bank's Supervisory Board on 29 March 2024.

Signed on behalf of the Board of Directors by:

Milka Todorova Chairman of the Managing Board, Chief Executive Officer	**Delcho Krastev** Member of the Managing Board, Executive Officer	**Vladislav Hadjidinev** 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 2022	**545,987**	**510,387**	**301,461**	**1,374,285**	**326,936**	**3,059,056**
Other ownership instruments	-	-	- 152,932		-	**152,932**
Transactions with owners						**-**
Distribution to reserves	-	-		25,478	(25,478)	**-**
Total transactions with owners	-	-		25,478	(25,478)	**-**
Profit for the year	-	-		-	350,764	**350,764**
Payment of interest on a perpetual bond					(27,716)	**(27,716)**
Dividends					(120,000)	**(120,000)**
Other comprehensive income	-	-		(187)	-	**(187)**
Total comprehensive income	-	-		(187)	203,048	**202,861**
At 31 December 2022	**545,987**	**510,387**	**454,393**	**1,399,576**	**504,506**	**3,414,849**
At 01 January 2023	**545,987**	**510,387**	**454,393**	**1,399,576**	**504,506**	**3,414,849**
Other ownership instruments	-	-	- 82,393		-	**82,393**
Transactions with owners						**-**
Distribution to reserves	-	-		105,171	(105,171)	**-**
Total transactions with owners	-	-		105,171	(105,171)	**-**
Profit for the year	-	-		-	561,042	561,042
Payment of interest on a perpetual bond					-31,584	-31,584
Dividends					-154,500	-154,500
Other comprehensive income	-	-			0	0
Total comprehensive income	-	-			374,958	374,958
At 31 December 2023	**545,987**	**510,387**	**536,786**	**1,504,747**	**774,293**	**3,872,200**

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Statement of cash flows

	Notes	2023	2022
		(In 000 MKD)	
		Year ended 31 December	
Operating activities			
Profit before taxation		622,034	384,967
Adjustment for:			
Amortization and depreciation		51,189	50,328
Additional / (Release of) impairment provision on financial assets, net		177,809	403,561
Impairment losses on foreclosed assets		(9,062)	(22,263)
Additional / (Release of) impairment provision and special reserve, net		-	-
Dividend income		(817)	(736)
(Gain) / loss from foreclosed assets sold		(6,353)	(20,785)
(Gain) from property and equipment sold		(754)	(12,913)
Interest income		(1,426,122)	(1,120,661)
Interest expense		244,809	149,541
Other corrections		59,167	(229)
(Loss) before changes in operating assets and liabilities		**(288,100)**	**(189,190)**
Changes in operating assets and liabilities			
Loans and advances to banks		-	-
Obligatory reserves in foreign currency		(317,786)	(315,396)
Loans and advances to customers		402,495	(1,187,646)
Foreclosed assets		(102,991)	33,134
Other receivables		190,767	(133,182)
Due to banks		101,565	1,480,062
Due to customers		1,733,069	130,602
Other liabilities		146,204	42,690
Profit/ (Loss) after changes in operating assets and liabilities		**1,865,223**	**(138,926)**
Proceeds from interest		1,512,632	1,158,395
Interests (paid)		(163,389)	(209,814)
Income tax (paid)		(42,667)	(7,701)
Net cash (used in) / from operating activities		**3,171,799**	**801,954**
Investment activities			
Investments in securities		(3,153,869)	(520,072)
(Purchase) of property, plant and equipment and intangible assets, net		(77,310)	(51,716)
Sale of investment securities, net		-	-
Other inflows from investment activities		817	736
Net cash from investments activities		**(3,230,362)**	**(571,052)**
Financial activities			
Proceeds from issued ownership instruments during the period		82,393	152,932
Proceeds from borrowings		200,918	5,149,955
(Repayment of) borrowings		(493,724)	(5,197,595)
(Repayment of) subordinated liabilities		-	-
Payment of dividends		(154,500)	(113,066)
Payment of interest on a perpetual bond		(31,584)	(27,716)
Net cash from / (used in) financial activities		**(396,497)**	**(35,490)**
Net change in cash and cash equivalents		**(455,060)**	**195,412**
Cash and cash equivalents, beginning of the year		**4,575,378**	**4,379,966**
Cash and cash equivalents, end of the year	**13**	**4,120,318**	**4,575,378**

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 2023 and 2022 is 387 and 411 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 2023 and 2022. 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 standards and amendments effective in the period on or after 1 January 2023

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 2023:

- IFRS 17 - Insurance Contracts
- Amendments to IFRS 17 - Insurance Contracts

IFRS 17 Insurance Contracts
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

Amendments to IFRS 17
Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

b) 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 are still not effective for the annual periods ending at 31 December 2023:

- Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements
- Amendments to IAS 21 - Lack of Exchangeability
- IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 - Climate-related Disclosures

2.2. Changes in accounting policies and disclosures

- (Amendments to IAS 16) Property, Plant and Equipment — Proceeds before Intended Use
- (Amendments to IAS 37) Onerous Contracts — Cost of Fulfilling a Contract
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies
- Amendments to IAS 8 - Definition of Accounting Estimates
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

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 2023 and 2022 were as follows:

	2023 MKD	**2022** MKD
1 EUR	61.4950	61.4932
1 USD	55.6516	57.6535

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.

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.

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:

	2023	2022
Buildings	2,5%	2,5%
Equipment	14.3-25%	14.3-25%
Vehicle	14.3%	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:

	2023	2022
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.

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 Compliance with legislation

There is no non-compliance with the regulation prescribed by the NBRNM regarding solvency and capital adequacy, the Bank's exposure limits, the Bank's investments, the Bank's liquidity and the open foreign exchange position.

2.27 Events after the reporting date

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

3 Financial risk management

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

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

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

Risk management framework

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

The Bank's risk management policies are established to identify and analyze 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).

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:

3.1 Credit risk (continued)

- *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 (continued)

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Neither, past due nor impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Past due, but not impaired:														
- Up to 30 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Up to 90 days	-	-	-	-			-	-	-	-	-	-	-	-
- Over 90 days	-	-	-	-			-	-	-	-	-	-	-	-
Individually impaired	3 353 184	4,124,186	-	-	17 763 338	18,370,701	4 351 099	1,274,925	158 482	302,771	2 138 443	2,005,989	27 764 546	26,078,572
Net carrying value before provision for impairment	3 353 184	4,124,186	-	-	17 763 338	18,370,701	4 351 099	1,274,925	158 482	302,771	2 138 443	2,005,989	27 764 546	26,078,572
(Provision for impairment)	-	-	-	-	(398 032)	(322,047)	(8)	(12)	(20,367)	(15,798)	(5,901)	(11,028)	(424,308)	(348,886)
Net carrying value less provision for impairment	3 353 184	4,124,186	-	-	17 365 306	18,048,654	4 351 091	1,274,912	138,115	286,973	2 132 542	1,994,961	27 340 238	25,729,686

3.1 Credit risk (continued)

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 2023 and 2022, 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.

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

3.1 Credit risk (continued)

- 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

2023	Loans and advances to customers Gross	Impairment provision
Credit risk exposure classified in Group 1	16 783 236	(65,584)
Credit risk exposure classified in Group 2	600,173	(63,307)
Credit risk exposure classified in Group 3	379,929	(269,141)
	17,763,338	(398,032)
2022		
Credit risk exposure classified in Group 1	17,123,499	(57,944)
Credit risk exposure classified in Group 2	846,777	(81,332)
Credit risk exposure classified in Group 3	400,425	(182,771)
	18,370,701	(322,047)

Write-off policy

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

Collateral

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

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

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

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

in Denar thousand

2023	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)	579,457	124,008	703,465
-bank guarantees	-	-	-
-corporate guarantees	-	-	-
Property and equipment under pledge	23,658,780	1,128,319	24,787,099
Pledge of movable property	645,051	425,093	1,070,144
Other types of security	919,947	10,467	930, 415
	25,803,235	**1,687,887**	**27,491,122**

in Denar thousand

2022	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)	472,131	91,155	563,287
-bank guarantees	-	-	-
-corporate guarantees	-	-	-
Property and equipment under pledge	23,685,208	1,150,812	24,836,020
Pledge of movable property	685,184	414,348	1,099,532
Other types of security	668,270	353,230	1,021,500
	25,510,793	**2,009,545**	**27,520,338**

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 2023 and 2022:

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	
	2023	2022	2023	2022	2023	2022	2023	2021	2023	2022	2023	2022	2023	2022	2023	2022
Republic of Macedonia	2,179,976	2,733,063	-	-	16,896,843	17,861,898	-	-	4,351,091	1,274,912	128,919	283,835	2,099,021	1,991,270	25,655,850	24,144,978
EU members	589,264	845,148	-	-	468,463	186,756	-	-	-	-	9,082	3,138	33,521	3,691	1,100,330	1,038,733
OECD member countries (without European countries members of OECD)	583,944	545,975	-	-	-	-	-	-	-	-	108	-	-	-	584,052	545,975
Other European countries	-	-	-	-	-	-	-	-	-	-	6	-	-	-	6	-
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,353,184	4,124,186	-	-	17,365,306	18,048,654	-	-	4,351,091	1,274,912	138,115	286,973	2,132, 542	1,994,961	27,340,239	25.729.686

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 2023 and 2022:

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Non residents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, forestry and fishery	234,050	250,534	-	-	-	-	-	-	-	-	3,714	545	14,059	25,572	251,823	276,651
Mining	14,561	16,177	-	-	-	-	-	-	-	-	13	18	3,430	400	18,004	16,595
Food industry	301,098	308,821	-	-	-	-	-	-	-	-	94	106	32,511	32,329	333,703	341,256
Textile industry clothing and footwear manufacturing	103,888	188,035	-	-	-	-	-	-	-	-	123	141	56,893	73,418	160, 904	261,594
Chemical industry, production of building materials, production and processing of fuel, pharmaceutical industry	73,513	101,819	-	-	-	-	-	-	-	-	4 337	1,399	37,587	42,730	115,437	145,948

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Production of metals, machinery, tools and equipment	142, 370	151,112	-	-	-	-	-	-	-	-	115	166	30,741	35,168	173,226	186,446
Other manufacturing Industry	188,678	240,351	-	-	-	-	-	-	-	-	231	2,521	50,784	23,922	239,693	266,794
Supply of electricity, gas, steam and air conditioning	135,952	121,834	-	-	-	-	-	-	-	-	25	20	8,696	14,817	144,673	136,671
Water supply, waste water disposal, waste management and environment sanitation	13,808	8,145	-	-	-	-	-	-	-	-	243	317	6,249	11,561	20,300	20,023
Construction	807,903	978,080	-	-	-	-	-	-	-	-	1,101	1,085	459,826	366,146	1,268,810	1,345,311
Wholesaleand retail trade, repair of motorvehicles andmotor-cycles	925,771	1,206,391	-	-	-	-	-	-	-	-	951	1,460	459,826	326,532	1,232,606	1,534,383
Transport and storage	342,768	414,908	-	-	-	-	-	-	-	-	394	14,126	305,884	208,877	541,709	637,911
Facilities forlodging andfoodserviceactivities	433 289	541,445	-	-	-	-	-	-	-	-	343	2,844	14,807	15,691	448,439	559,980
Information and communication	30,021	52,865	-	-	-	-	-	-	-	-	10,434	10,155	88,103	53,803	128,558	116,823
Financialandinsuranceactiviti es	294,822	354,922	-	-	-	-	4,351,091	1,274,912	3,353,184	4,124,186	8,538	48,606	16,072	10,045	8,023,707	5,812,671
Activities related to realestate	225,893	79,066	-	-	-	-	-	-	-	-	22	201	46	1	225,961	79,268
Technicalandscientific activities	92,856	118,955	-	-	-	-	-	-	-	-	653	904	13,671	33,118	107,180	152,977
Administrative and auxiliary service activities	304,520	378,413	-	-	-	-	-	-	-	-	129	4,182	14,485	18,494	319,134	401,089
Public administrationand defense,compulsorysocialins urance	-	-	-	-	-	-	-	-	-	-	5	99,811	-	-	5	99,811
Education	1, 260	6,211	-	-	-	-	-	-	-	-	27	58	1,119	1,283	2,406	7,552
Health and social care activities	32,406	44,709	-	-	-	-	-	-	-	-	62	77	2,400	5,732	34,868	50,518
Art, entertainment, recreation	6,422	5,565	-	-	-	-	-	-	-	-	136	138	5.684	6,310	12,242	12,013
Other service activities	10,706	22,626	-	-	-	-	-	-	-	-	322	254	3.639	1,420	14,667	24,300
Individuals	12,648,751	12,457,670	-	-	-	-	-	-	-	-	106,103	97,839	767,309	687,592	13,522,163	13,243,101
Total	17,365,306	18,048,654	-	-	-	-	4,351,091	1,274,912	4,124,186	4,143,266	138,115	286,973	2,132,542	1,994,961	**27,340,238**	**25,729,686**

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 NBRNM.

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 2023 and 2022. 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 2023	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	621,369	627,267	626,207	0	0	1,874,844
Due to customers	10,725,275	1,278,376	5,073,060	4,179,162	86,680	21,342,552
Borrowings	62,278	0	167,400	375,274	76,103	681,055
Other liabilities	318,742	1396.2331	0	0	14,715	334,853
	11,727,664	**1,907,040**	**5,866,667**	**4,554,436**	**177,498**	**24,233,304**
Total assets (contractual maturities)	**5,280,528**	**1,554,039**	**7,287,779**	**8,060,400**	**5,704,736**	**27,887,483**

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	45,213	54,057	230,652	383,023	55,681	768,627
Letter of credits	1,115	1,145	3,075	-	-	5,334
Other	121,980	264,162	819,123	24,309	-	1,229,575
	168,308	**319,365**	**1,052,850**	**407,333**	**55,681**	**2,003,536**

in Denar thousand

31 December 2022	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	520,476	0	1,233,740	0	0	1,754,217
Due to customers	10,145,661	1,201,676	5,027,161	3,101,079	71,144	19,546,721
Borrowings	94,116	90,298	160,452	512,189	116,665	973,721
Other liabilities	174,987	797	0	0	14,716	190,500
	10,935,241	**1,292,770**	**6,421,354**	**3,613,268**	**202,525**	**22,465,158**
Total assets (contractual maturities)	**5,675,989**	**1,096,692**	**4,739,932**	**8,374,156**	**5,776,577**	**25,663,347**

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	118,508	96,430	189,247	249,605	61,722	715,512
Letter of credits	-	11,057	4,950	-	-	16,007
Other	91,587	256,457	806,372	21,240	-	1,175,655
	210,096	**363,944**	**1,000,569**	**270,845**	**61,722**	**1,907,175**

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 2023 and 2022. 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 2023	Less than one month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	**Total**
Assets						
Cash and cash equivalents	2,799,786	-	-	-	-	2,799,786
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	518,913	971,351	7,291,096	5,708,099	2,583,630	17,073,089
Investments in securities	214,536	596,874	3,528,466	11,010	-	4,350,886
Other receivables	-	-	-	-	-	-
	3,533,235	1,568,225	10,819,563	5,719,109	2,583,630	24,223,761
Liabilities						
Due to banks	620,994	614,950	614,950	-	-	1,850,894
Due to customers	11,825,652	1,111,075	4,541,817	3,622,929	85,943	21,187,417
Borrowings	61,058	-	197,168	345,574	76,033	679,834
Other liabilities	-	-	-	-	-	-
	12,507,704	1,726,025	5,353,935	3,968,503	161,976	23,718,144
Net interest rate gap position	**(8,974,470)**	**(157,800)**	**5,465,627**	**1,750,606**	**2,421,653**	**505,617**
As at 31 December 2022						
Assets						
Cash and cash equivalents	3,471,106	-	-	-	-	3,471,106
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	527,861	1,025,258	7,513,918	6,209,187	2,469,239	17,745,462
Investments in securities	-	119,557	1,032,070	122,986	-	1,274,614
Other receivables	-	-	-	-	-	-
	3,998,967	1,144,815	8,545,988	6,332,174	2,469,239	22,491,182
Liabilities						
Due to banks	703,963	-	1,045,384	-	-	1,749,347
Due to customers	11,200,859	1,045,302	4,487,259	2,651,708	69,873	19,455,000
Borrowings	88,938	86,744	261,982	430,900	103,530	972,094
Other liabilities	-	-	-	-	-	-
	11,993,760	1,032,046	5,794,625	3,082,608	173,403	22,176,441
Net interest rate gap position	**(7,994,794)**	**12,769**	**2,751,363**	**3,249,566**	**2,295,836**	**314,741**

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 2023, 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 2023 would respectively increase/decrease by approximately Denar 10,112 thousand (2022: decrease/increase by Denar 6,295 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 2023 and 2022:

in Denar thousand	MKD	EUR	USD	Other currencies	Total
As at 31 December 2023					
Assets					
Cash and cash equivalents	3,618,713	1,663,318	126,921	94,281	5,503,233
Loans and advances to customers	8,353,529	8,285,879	593,571	132,327	17,365,306
Investment securities	4,283,331	80,866	-	-	4,364,197
Current tax receivable	-	-	-	-	-
Other receivables	134,664	54,098	824	327	189,913
Total Assets	16,390,237	10,084,161	721,316	226,935	27,422,649
Liabilities					
Due to banks	18,675	1,732,120	124,049	-	1,874,844
Due to customers	12,880,524	7,662,796	578,514	220,718	21,342,552
Tax liabilities	20,099	-	-	-	20,099
Borrowings	114,021	567,034	-	-	681,055
Other liabilities	244,810	77,674	15,751	1,280	339,515
Total Liabilities	13,278,129	10,039,624	718,314	221,998	24,258,065
Net foreign currency position	3,112,108	44,537	3,002	4,937	3,164,584
As at 31 December 2022					
Total Assets	14,486,397	10,167,725	437,099	286,140	25,377,361
Total Liabilities	11,550,870	10,224,472	433,390	270,402	22,479,134
Net foreign currency position	2,935,527	(56,747)	3,709	15,738	2,898,227

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 2023	Change in 2022	Profit or loss 2023	Profit or loss 2022
EUR	1%	1%	445	(567)
USD	5%	5%	150	185
Other currencies	1%	1%	49	157

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	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Income and expenses												
Net interest income /(expenses)	182,025	24,435	976,998	967,467	22,290	(20,782)	0	0	0	0	1,181,313	971,120
Net fee and commission income	(137)	0	82,410	170,779	73,889	37,177	139,835	110,045	-	1,612	295,997	319,613
Other operating income	51,908	55,337	45,107	112,730	0	0	17,820	18,290	0	0	114,835	186,357
Release of imp.prov. /Impairment (losses), net	0	0	(172,205)	(397,019)	(5,604)	(6,542)	0	0	0	0	(177,809)	(403,561)
Depreciation and amortization	(7,517)	(2,718)	(35,511)	(42,624)	(3,092)	(559)	(5,069)	(4,373)	0	(54)	(51,189)	(50,328)
Impairment losses on non-financial assets, net	0	0	0	0	9,062	22,263	0	0	0	0	9,062	22,263
Investment costs for property and equipment	(8,043)	(2,673)	(37,998)	(41,917)	(3,309)	(549)	(5,424)	(4,300)	0	(54)	(54,774)	(49,493)
Other expenses	(99,788)	(32,998)	(487,272)	(517,471)	(41,051)	(6,782)	(67,290)	(53,086)	0	(667)	(695,401)	(611,004)
Profit before tax per segment	**118,448**	41,383	**371,529**	**251,945**	**52,185**	**24,226**	**79,872**	**66,576**	**0**	**837**	622,034	384,967
Income tax			371,529								(60,992)	(34,203)
Profit for the year											**561,042**	**350,764**
Total assets per segment	5,985,170	3,726,857	16,289,905	15,773,723	994,763	2,151,162	1,526,959	1,473,599	0	0	24,796,797	23,125,341
Non-allocated assets per segment	0	0	0	0	0	0	0	0	3,351,665	2,782,574	3,351,665	2,782,574
Total assets	**5,985,170**	3,726,857	**16,289,905**	**15,773,723**	**994,763**	**2,151,162**	**1,526,959**	**1,473,599**	**3,351,665**	**2,782,574**	**28,148,462**	**25,907,915**
Total liabilities per segment	1,488,799	100,101	12,056,299	13,303,449	1,353,542	668,412	9,262,355	8,213,723	0	0	24,160,995	22,285,685
Non-allocated liabilities per segment	0	0	0	0	0	0	0	-	115,267	207,381	115,267	207,381
Total liabilities	**1,488,799**	100,101	**12,056,299**	**13,303,449**	**1,353,542**	**668,412**	**9,262,355**	**8,213,723**	**115,267**	**207,381**	**24,276,262**	**22,493,066**

Geographic segments

Denar thousand	Republic of Macedonia	EU member countries	Other countries	Non-allocated	**Total**
2023					
Total income	1,691,355	(84,450)	1,771	(16,531)	1,592,145
Total assets	26,368,167	1,666,193	60	114,042	28,148,462
2022					
Total income	1,542,520	(48,482)	(19,084)	2,136	1,477,090
Total assets	25,699,485	147,294	61,111	25	25,907,915

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 2023	Level 1	Level 2	Level 3	**Total**
Assets				
Securities available for sale	13,106	-	-	13,106

31 December 2022	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 2023		31 December 2022	
	Net Carrying Amount	Fair Value	Net Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	5,503,233	5,503,233	5,666,195	5,666,195
Loans and advances to banks				
Loans and advances to customers	17,365,306	17,365,306	18,048,654	18,048,654
Investment securities	4,364,197	4,364,197	1,288,031	1,288,031
Other receivables	138,115	138,115	286,973	286,973
Financial liabilities				
Due to banks	1,874,844	1,874,844	1,754,217	1,754,217
Due to customers	21,342,552	21,342,552	19,546,720	19,546,720
Borrowings	681,055	681,055	973,720	973,720
Other liabilities	334,853	334,853	190,500	190,500

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 2023
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	0	5,503,233	0	0	5,503,233
Loans and advances to banks	0		0	0	0
Loans and advances to customers	0	17,365,306	0	0	17,365,306
Investment securities	4,351,091	0	13,106	0	4,364,197
Other receivables	0	138,115	0	0	138,115
	4,351,091	**23,006,654**	**13,106**	**0**	**27,370,851**

Financial liabilities

	Other financial liabilities at amortized cost	Total
Due to banks	1,874,844	1,874,844
Due to customers	21,342,552	21,342,552
Borrowings	681,055	681,055
Other liabilities	334,853	334,853
31 December 2023	**24,233,304**	**24,233,304**

31 December 2022
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	0	5,666,195	0	0	5,666,195
Loans and advances to banks	0		0	0	0
Loans and advances to customers	0	18,048,654	0	0	18,048,654
Investment securities	1,274,925	0	13,106	0	1,288,031
Other receivables	0	286,973	0	0	286,973
	1,274,925	**24,001,822**	**13,106**	**0**	**25,289,853**

Financial liabilities

	Other financial liabilities at amortized cost	Total
Due to banks	1,754,217	1,754,217
Due to customers	19,546,720	19,546,720
Borrowings	973,720	973,720
Other liabilities	190,500	190,500
31 December 2022	**22,465,157**	**22,465,157**

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 2023 and 2022 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

	2023	2022
Interest income		
Loans and advances to customers	1,216,621	1,079,708
Investment securities	127,584	26,838
Cash and cash equivalents	80,998	11,321
Loans and advances to banks	919	2,794
	1,426,122	***1,120,661***
Interest expense		
Due to customers	207,358	123,087
Borrowings	6,758	8,954
Due to banks	30,425	6,461
Other	268	11,039
	244,809	***149,541***
Net interest income	**1,181,313**	**971,120**

6 Net fee and commission income

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

	2023	2022
Fee and commission income		
Loans and credit cards	183,347	170,275
Payment operations		
- Domestic	238,572	241,068
- International	44,810	43,121
Visa and MasterCard	104,727	104,493
Letters of credit and guarantees	25,346	23,685
Money transfer	598	1,442
Other	20,132	18,533
	617,532	*602,617*
Fee and commission expenses		
Credit cards	272,125	242,776
Payment operations		
- Domestic	30,610	23,394
- International	15,161	14,459
Other	3,639	2,375
	321,535	*283,004*
Net fee and commission income	**295,997**	**319,613**

7 Other operating income

	2023	2022
Rent income	426	419
Gains form equipment sold	7,107	33,698
Dividends received	817	736
Release of impairment provisions and special reserve, net (Note 24)	-	-
Other income from payment operations	11,055	10,638
SWIFT	3,270	3,250
Collected written-off receivables	10,579	6,335
Revenue from the sale of receivables	17,674	59,772
Revenue from the sale of gold	7,192	17,392
Other	10,852	11,829
	68,972	**144,069**

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

	2023	2022
(Charge) / recovery for:		
Cash and cash equivalent (Note 13)	21	85
Loans and advances to customers (Note 15)	(163,472)	(379,760)
Investment securities (Note 16)	4	0
Other receivables (Note 20)	(19,489)	(19,541)
	(182,936)	**(399,216)**

9 Personnel expenses

	2023	2022
Net salaries and contributions	273,245	224,334
Social and health contributions	137,727	112,521
Other employee benefits	16,741	14,143
	427,713	**350,998**

10 Other operating expenses

	2023	2022
Materials and services	115,186	136,442
Rent expenses	42,858	41,116
Deposit insurance premiums	36,074	34,588
Impairment losses on foreclosed assets	(9,062)	(22,263)
Administrative and marketing expenses	69,157	57,572
Software license expenses	21,214	19,318
Property and employee insurance premiums	10,434	9,457
Impairment provisions and special reserve, net (Note 25)	-	-
Losses from sold foreclosed assets		
Litigation expenses	2,251	860
Losses from sold equipment		
Other expenses	25,288	10,146
Other	-	-
	313,400	**287,236**

11 Income tax expense

	2023	2022
Current income tax expense	51,600	33,147
Deferred income tax (income) / expense	9,392	1,056
	60,992	**34,203**

Reconciliation of the income tax expense as per the Statement of comprehensive income for the years ended 31 December 2023 and 2022 is as follows:

	In %	2023	In %	2022
Profit before taxation		622,034		384,967
Income tax calculated at rate of 10% (2022: 10%)	*10*	*62,202*	*10*	*38,496*
Non-deductible expenses for tax purposes	0.62	3,865	0.71	2,730
Tax-exempt income	-0.82	-5,075	-1.82	-7,023
		60,992		**34,203**
Effective tax rate	**9.81**		**8.88**	

Deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Loans and advances to customers	-	-	-	-	-	-
Other	-	-	9,392	1,056	9,392	1,056
	-	**-**	9,392	**1,056**	9,392	**1,056**

11 Income tax expense

Movement of temporary differences during the years is as follows:

	Loans and advances to customers
At 31 December 2021	**1,848**
Recognized in profit or loss during 2022	1,056
At 31 December 2022	**2,904**
Recognized in profit or loss during 2023	9,392
At 31 December 2023	**12,296**

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.

	2023	2022
Net-profit attributable to shareholders	561,042	350,764
Net-profit attributable to holders of ordinary shares	561,042	350,764
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)	**1,028**	**642**

13 Cash and cash equivalents

	2023	2022
Current accounts and deposits with foreign banks	469,348	541,707
Account and balances with the NBRM, except for obligatory foreign currency reserves	1,163,813	870,074
Placement with banks with maturity up to 3 months	1,728,446	2,238,890
Cash in hand	258,447	297,162
Current accounts and deposits with domestic banks	29,366	183,171
Treasury bills which can be traded on the secondary market		
Treasury bills held to maturity	470,973	444,470
Less: provision for impairment	-75	-96
Included in cash and cash equivalents for the purpose of the Statement of cash flows	**4,120,318**	**4,575,378**
Obligatory foreign currency reserves	1,314,916	997,130
Restricted deposits	67,999	93,687
	5,503,233	**5,666,195**

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

	2023	2022
Movements of provision for impairment		
Balance at 01 January	96	181
Charge/ (Release) of provision for impairment, net (Note 16)	**(21)**	**(85)**
Balance at 31 December	**75**	**96**

13 Cash and cash equivalents (continued)

Pursuant to Article 47 paragraph 1 item 6 and in accordance with Article 20 paragraph 2 of the Law on the National Bank of the Republic of North Macedonia (Official Gazette of the Republic of Macedonia No. 158/10, 123/12, 43/14, 153/15, 6/16 and 83/18, Official Gazette of the Republic of North Macedonia No. 110/21 and Official Gazette of the Republic of North Macedonia No. 171/23 and 197/23, the National Bank of the Republic of North Macedonia shall regulate the calculation and fulfillment of the reserve requirement for banks.

The basis for calculating the reserve requirement are the banks' obligations in domestic currency (5%), in domestic currency with FX clause (100%) and in foreign currency (21%). Banks' reserve requirement base is determined as an average of the liabilities for each day of the calendar month that precedes the fulfillment period.

The reserve requirement for banks in Denars shall be calculated as a sum of 5% for liabilities in domestic currency plus 19% from (calculated sum of 21% from liabilities in in foreign currency plus 13% for liabilities to non-resident financial companies in foreign currency with contractual maturity up to one year)

The reserve requirement base from the banks' liabilities in domestic currency from this decision is reduced by the amount of claims based on:
- newly approved loans to legal entities intended for financing projects for the construction of new facilities or for increasing the installed capacity of existing facilities for the domestic production of electricity from renewable sources.

Banks meet the reserve requirement in denars at an average level. The bank shall fulfill the reserve requirement in Denars if the average daily outstanding amount on bank's account with the National Bank and the bank's balance on the account for the reserve guarantee fund of Clearing house Clearing Interbank Systems AD Skopje for the fulfillment period is at least equal to the calculated reserve requirement.
On a daily basis, the bank may fully use the portion of the reserve requirement in Denars that is fulfilled through the bank's account with the National Bank.

The banks' reserve requirement in foreign currency is set at 81% of the amount calculated as a sum of 21% for liabilities in foreign currency , 100% for liabilities in dosmestic currency with FX clause 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 90% 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 10% 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.

As at 31 December 2023, treasury bills issued by the National Bank of the Republic of Macedonia mature within 42 days (2022: 35 days) and bear interest of 6.30% p.a. (2022: 4.75%), and are classified as held-to-maturity.

14 Loans and advances to banks

	2023	2022
Loans and advances to banks at amortized cost	-	-
	-	-

15 Loans and advances to customers

	2023	2022
Loans and advances to customers at amortized cost	17,365,306	18,048,654
	17,365,306	**18,048,654**

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

	2023		2022	
	Short-term	Short-term	Short-term	Short-term
Corporate customers	1,050,456	3,003,012	1,441,072	3,727,974
Public sector	1	0	54	0
Financial institution other than banks	36,416	250,325	39,633	309,735
Retail customers:				
Principal				
Housing	32,637	3,515,795	29,119	3,111,909
Consumer	372,390	7,428,140	282,673	7,507,887
Vehicle	25	135	18	214
Credit cards	515,853	0	529,169	0
Other	640,655	444,001	641,249	556,531
Nonresident customers	473,439	0	193,351	0
Other	0	58	1	112
	3,121,872	14,641,466	3,156,339	15,214,362
Current maturity	2,215,365	-2,215,365	2,214,176	-2,214,176
	5,337,237	12,426,101	5,370,515	13,000,186
Less: provision for impairment	-334,312	-63,720	-245,709	-76,338
	5,002,925	**12,362,381**	**5,124,806**	**12,923,848**

At 31 December 2023 non-performing loans amounted to Denar 380,164 thousand (2022: Denar 320,562 thousands). Unrecognized interest relating to such loans amounted to Denar 19,363 thousand (2022: Denar 11,934 thousand).

As at 31 December 2023 loans and advances to customers in amount of 386,392 Denar thousand (2022: Denar 702,941 thousand) are mortgaged as collateral for borrowings from MBDP (Note 24).

Movements of provision for impairment	2023	2022
Balance at 01 January	322,047	271,734
Charge/ (Release) of provision for impairment, net (Note 8)	273,243	390,274
Foreclosed assets from non-collectable receivables	(96,809)	(50,362)
Effect from foreign exchange differences	(59)	(295)
Write-off	(42,870)	(29,174)
Sold receivables	(57,520)	(260,130)
Balance as at 31 December	**398,032**	**322,047**

16 Investment securities

	2023	2022
Held-to-maturity investment securities	4,351,091	1,274,925
Available-for-sale investment securities	13,106	13,106
	4,364,197	**1,288,031**

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

	2023	2022
Movements of provision for impairment		
Balance at 01 January	12	12
Charge/ (Release) of provision for impairment, net(Note 16)	**(4)**	**-**
Balance at 31 December	**8**	**12**

17 Foreclosed assets

	2023	2022
Land	-	-
Buildings	157,286	12,112
Equipment	0	-
Residential facilities and apartments	34,532	16,988
Other	7,103	1,437
	198,921	**30,537**

As at 31 December 2023, the net carrying value of Bank's foreclosed assets amount to Denar 198,921 thousand (2022: Denar 30,537 thousand). As at 31 December 2023 their fair value less cost to sell is in the amount of Denar 276,334 thousand (2022: Denar 62,802 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 2021 / 01 January 2022	**205,049**	**86,403**	**169**	**291,621**
Additions during the year	7,376	14,792	800	22,968
(Disposals and write offs)	-	-	-	-
Transfers	-	-	-	-
At 31 December 2022	**212,425**	**104,195**	**969**	**314,589**
Additions during the year	11,908	244	-	12,152
(Disposals and write offs)	-	-	-	-
Transfers	800	-	(800)	-
At 31 December 2023	**225,133**	**101,439**	**169**	**326,741**
Accumulated amortization				
At 31 December 2021/01 January 2022	**148,441**	**71,200**	**-**	**219,641**
Amortization for the year	12,021	3,912	-	15,933
(Disposals and write offs)	-	-	-	-
At 31 December 2022	**160,462**	**75,112**	**-**	**235,574**
Amortization for the year	8,666	3,848	-	12,514
(Disposals and write offs)	-	-	-	-
At 31 December 2023	**169,128**	**78,960**	**-**	**248,088**

Net carrying value				
At 31 December 2021	**56,608**	**15,203**	**169**	**71,980**
At 31 December 2022	**51,963**	**26,083**	**969**	**79,015**
At 31 December 2023	**56,005**	**22,479**	**169**	**78,653**

At 31 December 2023 and 2022, 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 31 December 2021/01 January 2022	**501,914**	**453,612**	**8,742**	**964,268**
Additions during the year	-	46,605	-	46,605
(Disposals and write offs)	(7,564)	(9,043)	-	(16,607)
Transfer	-	7,373	(7,373)	-
At 31 December 2022	**494,350**	**498,547**	**1,369**	**994,266**
Additions during the year	-	23,802	42,244	66,046
(Disposals and write offs)	-	(16,494)	-	(16,494)
Transfers	-	41,200	(41,200)	-
At 31 December 2023	**494,350**	**547,055**	**2,413**	**1,043,818**
Accumulated depreciation				
At 31 December 2021/01 January 2022	**146,665**	**403,867**	**-**	**550,532**
Depreciation for the year	12,469	21,926	-	34,395
(Disposals and write offs)	(2,690)	(8,973)	-	(11,663)
At 31 December 2022	**156,444**	**416,820**	**-**	**573,264**
Depreciation for the year	12,359	26,316	-	38,675
(Disposals and write offs)	-	(16,360)	-	(16,360)
At 31 December 2023	**168,803**	**426,776**	**-**	**595,579**
Net carrying value				
At 31 December 2021	355,249	49,745	8,742	413,736
At 31 December 2022	**337,906**	**81,727**	**1,369**	**421,002**
At 31 December 2023	**325,547**	**120,279**	**2,413**	**448,239**

At 31 December 2023 and 2022, all property and equipment are owned by the Bank. The Bank has no mortgages or other encumbrances over its property, plant and equipment.

20 Other receivables

	2023	2022
Fee and commission receivables	44,030	38,695
Prepaid expenses	41,845	38,101
Credit card receivables	78,225	55,118
Receivables for court cases	5,256	2,290
Advances for intangible assets	2,759	3,135
Advances for property and equipment	71	40,305
Inventories	6,134	4,745
Other receivables from litigations	0	-
Receivables from leased assets	0	-
Money transfer	120	120
Trade receivables	5,063	8,289
Employee receivables	230	90
Other	26,547	199,391
	210,280	**390,279**
Less: provision for impairment	(20,367)	(15,798)
	189,913	**374,481**

20 Other receivables

	2023	2022
Movements of provision for impairment		
Balance at 01 January	15,798	9,599
Additional provision for impairment / (Release) of provision for impairment, net (Note 8)	19,489	19,591
Foreclosed assets from non-collectable receivables	(1,400)	(163)
Effect from foreign exchange differences	40	38
Write-off	(12,220)	(7,257)
Sold receivables	(1,340)	(6,010)
Balance at 31 December	**20,367**	**15,798**

21 Due to banks

		2023		2022
	Short-term	Long-term	Short-term	Long-term
Current accounts of domestic banks	36,319	-	92,031	-
Current accounts of foreign banks	90,633	-	90,256	-
Term deposits of domestic banks	247,444	-	28,849	-
Term deposits of foreign banks	269,798	1,229,900	312,467	1,229,864
Restricted deposits of domestic banks	750	-	750	-
Other deposits	0	-	0	-
Current maturity	1,229,900	(1,229,900)	1,229,864	(1,229,864)
	1,874,844	**0**	**1,754,217**	**0**

22 Due to customers

	2023		2022	
	Short-term	Long-term	Short-term	Long-term
Non-financial institutions				
Current accounts	3,044,880	-	2,647,153	-
Term deposits	1,005,129	370,604	696,728	121,537
Restricted deposits	20,629	201,413	4,254	168,990
Other deposits	50,299	-	54,641	0
	4,120,937	**572,017**	**3,402,776**	**290,527**
State				
Current accounts	3,481	-	2,813	-
Demand deposits	0	-	-	-
Term deposits	0	-	-	-
Other deposits	2,250	-	1,158	-
	5,731	**-**	**3,971**	**-**
Not-for-profit institutions				
Current accounts	161,878	0	130,312	-
Term deposits	8,675	5,104	7,811	5,259
Restricted deposits	-	-	-	305
Other deposits	237	-	863	-
	170,790	**5,104**	**138,986**	**5,564**
Financial institutions, other than banks				
Current accounts	272,295		199,699	
Term deposits	652,808	331,680	520,585	672,359
Restricted deposits	6,200	32,648	3,117	35,728
Other deposits	-	-	-	-
	931,303	**364,328**	**723,401**	**708,087**
Citizens				
Current accounts	4,937,646	-	4,438,667	-
Demand deposits	1,305,126	-	1,743,067	-
Term deposits	3,288,450	4,099,461	3,023,132	3,461,882
Restricted deposits	33,083	215,049	25,336	218,809
Other deposits	46,162	-	40,061	-
	9,610,467	**4,314,510**	**9,270,263**	**3,680,691**
Nonresidents				
Current accounts	487,589	-	497,993	-
Demand deposits	679,655	-	679,378	-
Term deposits	33,614	16,442	100,368	22,998
Restricted deposits	220	3,710	275	3,695
Other deposits	26,135	-	17,747	-
	1,227,213	**20,152**	**1,295,761**	**26,693**
Current maturity	1,704,635	(1,704,635)	2,223,717	(2,223,717)
	17,771,076	**3,571,476**	**17,058,875**	**2,487,845**

23 Borrowings

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

	2023 Short-term	2023 Long-term	2022 Short-term	2022 Long-term
Banks	*7,368*	*671,552*	*79,904*	*891,326*
State	*3*	*2,132*	*3*	*2,487*
Current maturity	222,307	(222,307)	264,959	(264,959)
	229,678	**451,377**	**344,866**	**628,854**

Borrowings by creditors

	2023 Short-term	2023 Long-term	2022 Short-term	2022 Long-term
Domestic sources:				
Macedonian Bank for Development Promotion in foreign currency	7,368	557,532	79,904	796,226
Macedonian Bank for Development Promotion in domestic currency	-	114,020	-	95,100
Ministry of Finance of RM	3	2,132	3	2,487
	7,371	**673,684**	**79,907**	**893,813**
Current maturity	222,307	(222,307)	264,959	(264,959)
	229,678	**451,377**	**344,866**	**628,854**

As at 31 December 2023, the Bank has outstanding liabilities on credit lines from the Development Bank of the Republic of North Macedonia in amount of Denar 678,920 thousand (2022: Denar 971,230 thousand. As collateral for these obligations the Bank has issued bills of exchange with promissory notes and pledge of its claims and rights acquired from the beneficiary in favor of the Development Bank of the Republic of North Macedonia.

As of December 31, 2023, the Bank has liabilities in Denar loans with fx clause to the Ministry of Finance of RNM - Agricultural credit discount fund in amount of Denar 2,135 thousand (2022: Denar 2,490 thousand

24 Provision and special reserve

	Commitments and contingencies
Balance at 01 January 2022	6,683
(Release) provision for impairment, net (Note 7)	4,346
Foreign exchange gain	(1)
Balance at 31 December 2022 (Note 25)	**11,028**
Balance at 01 January 2023	11,028
(Release) provision for impairment, net (Note 7)	(5,127)
Foreign exchange gain	-
Balance at 31 December 2023	**5,901**

25 Other liabilities

	2023	2022
Non allocated inflows	153	268
Trade payables	63,988	42,295
Fee and commission	15,108	13,091
Other taxes and contributions	20,459	10,705

Accrued expenses	3,854	780
Payments for initial investment	1,828	1,549
Subscriptions	37,437	34,716
Other	196,688	89,907
	339,515	**193,311**

26 Share capital

At 31 December 2023 the authorized share capital comprised ordinary shares 545,987 (2022: 545,987). Ordinary shares have a par value of MKD 1,000 (2022: 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. (2022: 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	2023	2022	2023	2022	2023	2022
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 2023 and 2022, the following shareholders have ownership exceeding 5% of the total issued shares with a voting right:

	Share capital in Denar thousand 2023	2022	Voting right 2023	2022
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:

	2023	2022
Guarantees		
in MKD	699,064	652,263
in foreign currency	69,563	63,249
Letters of credit in foreign currency	5,334	16,007
Unused overdrafts on current accounts	895,582	830,896
Unused credit limits non- cancellable	334,246	344,827
	2,003,789	**1,907,242**
Provision for impairment (Note 24)	-5,901	(11,028)
	1,997,888	**1,896,214**

Litigations

At 31 December 2023, legal proceedings raised against the Bank amount in total Denar 1,372 thousand (2022: Denar 1,372 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 2023, these assets amount to Denar 667,314 thousand (2021: Denar 518,314 thousand).

29 Pension plans

The Bank does not operate any defined contribution plans or share-based remuneration options as at 31 December 2023 and 2022. 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 2023 and 2022.

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 2023 and 2022, the balances and volume of transactions with related entities and Key management personnel are as follows:

	Other related parties		Key management personnel		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Current accounts	329,708	51,452	0	0	329,708	51,452
Other assets	2,671	2,411	350	209	3,021	2,620
Loans and other receivables	154,462	45	55,457	54,200	209,919	54,245
Investment securities	81,079	123,310	0	0	81,079	123,310
	567,920	**177,218**	**55,807**	**54,409**	**623,727**	**231,627**
Liabilities						
Deposits	2,666,534	2,739,129	148,484	137,389	2,815,018	2,876,518
Subordinated liabilities	0	0	0	0	0	0
Other liabilities	8,291	6,691	2	2	8,293	6,693
	2,674,825	**2,745,820**	**148,486**	**137,391**	**2,823,311**	**2,883,211**
Income						
Interest income	12,169	10,900	1,936	1,776	14,105	12,676
Fee and commission income	6,250	2,862	208	204	6,458	3,066
Other income	1,058	686	229	126	1,287	812
	19,477	**14,448**	**2,373**	**2,106**	**21,850**	**16,554**
Expenses						
Interest expenses	30,081	5,387	1,791	1,076	31,872	6,463
Fee and commission expenses	97,410	78,214	0	0	97,410	78,214
Other expenses	7,868	23,098	2,829	2,836	10,697	25,934
Short term benefits	0	0	139,631	103,052	139,631	103,052
	135,359	**106,699**	**144,251**	**106,964**	**279,610**	**213,663**

31 Events after the reporting period

After December 31, 2023 - the reporting date, until the date of approval of these financial statements, there are no events that would cause a correction in the financial statements, nor events that are materially significant for publication in those financial statements reports.