KOMERCIJALNA BANKA AD SKOPJE

Independent Auditors' Report and Consolidated financial statements For the year ended 31 December 2016

This is an English translation of the original Report in the Macedonian language

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Independent Auditor's Report

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TRANSLATION of the independent Auditors' report to the shareholders of Komercijalna Banka AD Skopje

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Komercijalna Banka AD Skopje ("the Bank"), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and reserves and consolidated cash flows statement for the year than ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing adopted and published in the Official Gazette of the Republic of Macedonia no. 79 from 11 June 2010. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Bank as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the regulations prescribed by the National Bank of the Republic of Macedonia.

Report on other legal and regulatory requirements

Annual report on the activities of the Bank prepared in accordance with the requirements of article 384 of the Trading Companies Law

As required under article 34(d) from the Law on Auditing, we report that the historical financial information disclosed in the annual report of the Bank, prepared by management as required under article 384(7) of the Trading Companies Law, is consistent, in all material aspects, with the financial information disclosed in the annual account of the Bank and in the audited consolidated financial statements of the Bank as of and for the year ended 31 December 2016. Management is responsible for the preparation of the consolidated annual account of the Bank which was approved by the Supervisory Board of the Bank on 28 February 2017 and for the preparation of the annual report of the activities of the Bank which was approved by the Supervisory Board of the Bank on 28 February 2017.

Skopje, 1 March 2017

KPMG Macedonia DOO
Managing Director
Gordana Nikushevska

Certified auditor of the Republic of Macedonia
Gordana Nikushevska

Audited Financial Statements

CONSOLIDATED INCOME STATEMENT
For the period from 1 January 2016 to 31 December 2016

	Note	*in thousands of Denars* current year 2016	previous year 2015
Interest income		3,636,386	3,894,642
Interest expense		(557,777)	(716,990)
Interest income/(expense), net	6	**3,078,609**	**3,177,652**
Fee and commission income		1,133,196	1,121,631
Fee and commission expense		(247,720)	(205,856)
Fee and commission income/(expense), net	7	**885,476**	**915,775**
Net trading income	8	14,776	8,798
Net income from other financial instruments at fair value	9	-	-
Foreign exchange gains/(losses), net	10	133,303	109,606
Other operating income	11	551,133	330,868
Share of profit of associates	24	43,625	39,028
Impairment losses of financial assets, net	12	(1,753,469)	(1,727,439)
Impairment losses of non-financial assets, net	13	(347,853)	(543,198)
Personnel expenses	14	(850,137)	(831,140)
Depreciation and amortization	15	(185,140)	(195,409)
Other operating expenses	16	(684,537)	(695,632)
Share of loss of associates	24	-	-
Profit/(loss) before tax		**885,786**	**588,909**
Income tax expense	17	(94,317)	(64,442)
Profit for the year from continuing operations		**791,469**	**524,467**
Profit/(loss) form group of assets and liabilities held for sale			
Profit/(loss) for the year		**791,469**	**524,467**
Profit/(loss) for the year attributable to*:			
Shareholders of the Bank		787,153	520,872
Non-controlling interest		4,316	3,595
Earnings per share	41		
basic earning per share (in Denars)		345	229
diluted earnings per share (in Denars)		345	229

* only for consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements.

This is an English translation of the original Report in the Macedonian language

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2016 to 31 December 2016

	Note	*in thousands of Denars*	
		current year 2016	previous year 2015
Profit/(loss) for the year		**791,469**	**524,467**
Other gains/(losses) for the period, not recognized in the Income statement (before tax)		-	-
Revaluation reserve for assets available for sale			-
- unrealized net- changes in fair value of assets available for sale		6,171	-
- realized net gains/(losses) from assets available for sale, reclassified to profit or loss		-	-
Revaluation reserve for foreclosed assets		-	
- revaluation reserve at the date of acquisition of the asset		-	-
- reduction of revaluation reserve, reclassified to profit or loss		-	-
Reserve for instruments for hedging net-investment in international operations risk			
-unrealized net-changes in fair value of hedging instruments of cash flow risk			
-realized net gains/(losses) on hedging instruments of cash flow, reclassified in the Income statement			
Reserve for instruments to protect against the risk of net investments in foreign operations		-	
Foreign exchange reserve of investment in foreign operations		-	-
Share in other gains/(losses) of associates not recognized in the income statement	24	-	-
Other gains/(losses) not recognized in the income statement		-	-
Income tax on other gains/(losses) not recognized in the income statement	17	-	-
Total other gains/(losses) in the period not recognized in the income statement		**6,171**	**-**
Total comprehensive income for the year		**797,640**	**524,467**
Total comprehensive income for the year, attributable to*:		-	-
Shareholders of the Bank		**793,324**	**520,872**
Non-controlling interest		**4,316**	**3,595**

* only for consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET**
At 31 December 2016

	Note	in thousands of denars		
		current year 31.12.2016	previous year 31.12.2015	Previous year*** 01.01.2015
Assets				
Cash and cash equivalents	18	33,538,674	27,663,719	-
Held-for-trading assets	19	411,339	371,029	-
Financial assets at fair value through profit or loss upon initial recognition	20	-	-	-
Derivative assets held for risk management	21	-	-	-
Loans and advances to banks	22.1	10,084,209	9,208,426	-
Loans and advances to other customers	22.2	45,268,154	47,644,522	-
Investments in securities	23	7,049,959	7,194,050	-
Investments in associates	24	210,171	189,147	-
Income tax receivable (current)	30.1	-	-	-
Other receivables	25	593,157	532,589	-
Assets pledged as collateral	26	-	-	-
Foreclosed assets	27	567,946	1,223,342	-
Intangible assets	28	38,907	41,534	-
Property and equipment	29	2,968,183	3,065,562	-
Deferred tax assets	30.2	-	-	-
Non-current assets held-for-sale and disposal group	31	-	-	-
Total assets		**100,730,699**	**97,133,920**	**-**
Liabilities				
Trading liabilities	32	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-
Derivative liabilities held for risk management	21	-	-	-
Due to banks	34.1	611,925	420,752	-
Due to other customers	34.2	87,151,875	83,780,519	-
Debt instruments issued	35	-	-	-
Borrowings	36	1,650,522	2,165,476	-
Subordinated debt	37	-	-	-
Special reserve and provisions	38	165,795	205,842	-
Income tax payable (current)	30.1	39,347	51,849	-
Deferred tax liabilities	30.2	-	-	-
Other liabilities	39	545,325	456,336	-
Liabilities related to disposal group	31	-	-	-
Total liabilities		**90,164,789**	**87,080,774**	**-**
Equity and reserves				
Subscribed capital	40	2,279,067	2,279,067	-
Share premium		771,527	771,527	-
Treasury shares		-	-	-
Other equity instruments		-	-	-
Revaluation reserves		6,171	-	-
Other reserves		6,708,773	6,468,548	-
Retained earnings/(Accumulated losses)		788,330	526,278	-
Total equity and reserves, attributable to the shareholders of the Group		**10,553,868**	**10,045,420**	**-**
Non-controlling interest*		12,042	7,726	-
Total equity and reserves		**10,565,910**	**10,053,146**	**-**
Total liabilities and equity and reserves		**100,730,699**	**97,133,920**	**-**
Contingent liabilities	42	16,158,547	17,669,060	-
Contingent assets	42	-	-	-

* only for consolidated financial statements
** this statement is also known as "Statement of Financial Position"
*** this column is filled only if the Group: retrospectively applies accounting policy, makes retrospective correction of prior year errors or makes retrospective reclassification of items in the financial statements.

The accompanying notes are an integral part of these consolidated financial statements.

The consolidated financial statetments were authorised by the Supervisory Board of the Bank on 28 February 2016.

Signed on behalf of Komercijalna Banka AD Skopje:

Ph.D. Maja Stevkova Sterieva	Ilija Iloski	Hari Kostov
Chief Finance Officer	Chief Operating Officer	Chief Executive Officer

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES
For the period from 1 January 2016 to 31 December 2016

	Equity					Revaluation reserves				Other reserves			Retained earnings					
In thousands of Denars	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for shareholder distribution	Restricted for shareholder distribution	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
As at January 1, 2015 (previous year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,813**	**-**	**5,917,131**	**100,937**	**-**	**-**	**9,524,475**	**4,131**	**9,528,606**
Opening balance restatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at January 1, 2015 (previous year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,813**	**-**	**5,917,131**	**100,937**	**-**	**-**	**9,524,475**	**4,131**	**9,528,606**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	520,872	-	-	**520,872**	**3,595**	**524,467**
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of financial assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange gains/(losses) of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized directly in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**520,872**	**-**	**-**	**520,872**	**3,595**	**524,467**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)
For the period from 1 January 2016 to 31 December 2016

	Equity					Revaluation reserves				Other reserves			Retained earnings					
In thousands of Denars	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for shareholder distribution	Restricted for shareholder distribution	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
Transactions with the shareholders, recognized directly in equity and reserves																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	95,604	(95,604)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	73	-	-	**73**	-	**73**
Other changes in equity and reserves (describe separately)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Revaluation reserve on the date of foreclosure of the asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Reduction of revaluation reserve, reclassified to Profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Income tax on paid dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	**95,604**	**(95,532)**	-	**-**	**73**	**-**	**73**
As at December 31, 2015 (previous year)/ January 1, 2016 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,813**	**-**	**6,012,735**	**526,278**	**-**	**-**	**10,045,420**	**7,726**	**10,053,146**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2016 to 31 December 2016

	Equity					Revaluation reserves				Other reserves			Retained earnings					
In thousands of Denars	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for shareholder distribution	Restricted for shareholder distribution	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controling interest *	Total equity and reserves
As at December 31, 2015 (previous year)/January 1, 2016 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,813**	**-**	**6,012,735**	**526,278**	**-**	**-**	**10,045,420**	**7,726**	**10,053,146**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	787,153	-	-	**787,153**	**4,316**	**791,469**
Other gains/(losses) not recognized in the income statement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value of financial assets available for sale	**-**	**-**	**-**	**-**	**-**	**6,171**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,171**	**-**	**6,171**
Changes in fair value of instruments for hedging cash flow risk	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value of instruments for hedging net-investments in foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange gains/(losses) of foreign operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Deferred tax assets/(liabilities) recognized in equity	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other gains/(losses) not recognized in the income statement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total unrealized gains/(losses) recognized directly in equity	**-**	**-**	**-**	**-**	**-**	**6,171**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,171**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**6,171**	**-**	**-**	**-**	**-**	**-**	**-**	**787,153**	**-**	**-**	**793,324**	**4,316**	**797,640**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2016 to 31 December 2016

	Equity					Revaluation reserves				Other reserves			Retained earnings					
In thousands of denars	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for shareholder distribution	Restricted for shareholder distribution	(Accumulated losses)	Total equity and reserves, attributable to the share-holders of the Bank	Non-controlling interest *	Total equity and reserves
Transactions with the shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued in the period																		
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	240,225	(240,225)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(284,833)	-	-	**(284,833)**	-	**(284,833)**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	(43)	-	-	**(43)**	-	**(43)**
Other changes in equity and reserves (describe separately)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation reserve on the date of foreclosure of the asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reduction of revaluation reserve, reclassified to Profit and loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income tax on paid dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	**240,225**	**(525,101)**	-	-	**(284,876)**	-	**(284,876)**
As at December 31, 2016 (current year)	**2,279,067**	**771,527**	-	-	-	**6,171**	-	-	-	**455,813**	-	**6,252,960**	**788,330**	-	-	**10,553,868**	**12,042**	**10,565,910**

The accompanying notes are an integral part of these consolidated financial statements.

* only for consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period from 1 January 2016 to 31 December 2016

	Note	*in thousands of Denars*	
		Current year 2016	Previous year 2015
Operating cash flows			
Profit/(Loss) before taxation		**885,786**	**588,909**
Adjusted for:			
Minority share, included in the consolidated income statement*		(4,316)	(3,595)
Depreciation of:			
Intangible assets	15/28	13,719	14,832
Property and equipment	15/29	171,421	180,577
Capital gain from:			
Sale of intangible assets		-	-
Sale of property and equipment	11	(107)	(457)
Sale of foreclosed assets	11	(101,265)	(26,198)
Capital loss from:			
Sale of intangible assets		-	-
Sale of property and equipment	16	-	-
Sale of foreclosed assets	16	909	1,046
Interest income	6	(3,636,386)	(3,894,642)
Interest expense	6	557,777	716,990
Trading income, net	8	(14,776)	(8,798)
Impairment losses of financial assets, net	12		
Additional impairment losses		3,622,647	4,072,571
Release of impairment losses		(1,869,178)	(2,345,132)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	347,853	543,198
Release of impairment losses		-	-
Special reserve:			
Additional provisions	38	187,187	242,645
Release of provisions	38	(222,211)	(262,885)
Dividend income	11	(5,090)	(4,533)
Share of profit /(loss) of associates		(43,625)	(39,028)
Other adjustments		1,285	6,638
Interest received		3,714,303	3,922,432
Interest paid		(592,922)	(806,598)
Profit from operations before changes in operating assets:		***3,013,011***	***2,897,972***
(Increase)/decrease of operating assets:			
Trading assets		(26,654)	(13,810)
Derivative assets held for risk management			
Loans and advances to banks		(1,436,960)	(939,978)
Loans and advances to other customers		592,685	(1,599,684)
Assets pledged as collateral			-
Foreclosed assets		407,899	45,631
Obligatory deposit in foreign currency		(171,230)	(154,615)
Obligatory deposit held with NBRM according to special regulations		-	-
Other receivables		(95,762)	(245,464)
Deferred tax assets		-	-
Non-current assets held-for-sale and disposal group		-	-

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the period from 1 January 2016 to 31 December 2016

	Note	*in thousands of denars*	
		Current year 2016	Previous year 2015
Increase/(decrease) in operating liabilities:			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Due to banks		189,948	298,682
Due to other customers		3,407,078	3,962,861
Other liabilities		88,989	85,764
Liabilities directly related to group or assets for disposal		-	-
Net cash flow from operating activities before taxation		***5,969,004***	***4,337,359***
(Paid)/received income tax		(104,415)	(16,716)
Net cash flow from operating activities		**5,864,589**	**4,320,643**
Cash flow from investing activities			
(Investments in securities)		(9,519,752)	(7,615,218)
Inflows from sale of investment in securities		9,658,194	3,744,856
(Outflows from investment in subsidiaries and associates)		-	-
Inflows from disposal of investment in subsidiaries and associates		-	-
(Purchase of intangible assets)		(11,092)	(17,677)
Inflows from sale of intangible assets		-	-
(Purchase of property and equipment)		(78,545)	(61,309)
Inflows from sale of property and equipment		221	635
(Outflows from non-current assets held-for-sale)		-	-
Inflows from non-current assets held-for-sale		-	-
(Other outflows from investing activity)		-	-
Other inflows from investing activity		28,811	13,216
Net cash flow from investing activities		**77,837**	**(3,935,497)**
Cash flow from financing activities			
(Repayment of debt securities issued)			-
Issued debt securities			-
(Repayment of borrowings)		(2,345,026)	(3,265,514)
Increase of borrowings		1,830,720	2,816,192
(Repayment of issued subordinated debts)		-	-
Issued subordinated debts		-	-
Inflows from issued shares/equity instruments during the period		-	-
(Purchase of treasury shares)		-	-
Disposal of treasury shares		-	-
(Dividends paid)		(284,883)	-
(Other financing outflows)		-	-
Other financing inflows from financing		-	-
Net cash flow from financing activities		***(799,189)***	***(449,322)***
Effect from allowance for impairment of cash and cash equivalents	18	(70)	400
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**5,143,167**	**(63,776)**
Cash and cash equivalents as of January, 1		23,422,777	23,486,553
Cash and cash equivalents as of December, 31	**18**	**28,565,944**	**23,422,777**

***** only for consolidated financial statements

The accompanying notes are an integral part of these consolidated financial statements.

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1. Introduction

a) General Information

Komercijalna Banka AD Skopje (hereinafter "the Bank"), is a shareholding company having its registered office in the Republic of Macedonia. The headquarters of the Bank are located on St. Orce Nikolov 3, 1000 Skopje. The Bank operates in the Republic of Macedonia with a network of branches and sub-branches. These consolidated financial statements include the Bank and its subsidiary KB Publikum Invest AD Skopje ("KB Publikum") (together referred to as the "Group").

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

- Collecting deposits and other recurrent sources of funds;
- Financing in the country and abroad, including factoring and financing commercial transactions;
- Issuance and administration of payment instruments (cards, cheque, travellers cheques, bills of exchange);
- Foreign exchange operations;
- Domestic and international payment operations, including purchase/sale of foreign currency funds;
- Fast money transfer;
- Issuing payment guarantees, backing guarantees and other forms of security;
- Providing services of renting safe deposit boxes, depositories and depot;
- Trade in instruments on the money market;
- Trading in foreign currency funds;
- Trading in securities;
- Rendering services of custody bank to investments and pension funds;
- Safeguarding of securities for clients;
- Intermediating in selling insurance policies;
- Data collection and analysis of companies' credit rating;
- Sale of shares in investment funds;
- Other financial services defined by law, which can be performed only by a bank.

The shares of the Bank are listed on the official market in the segment of super-listing on the Macedonian Stock Exchange on the Market of joint stock companies with consolidated reporting requirements, and is one of the ten companies which comprise the Macedonian Stock Exchange index MBI-10. The ID quotation code is the following:

Code	ISIN code
KMB (common share)	MKKMBS101019

KB Publikum is licensed to establish and manage open and closed investment funds. The company manages three open investment funds, KB Publikum – balanced, KB Publikum – bonds, and KB Publikum – cash. These funds do not have a status of legal entities and do not perform specific activities.

The consolidated financial statements of the Group for the year ending 31 December 2016 were authorised for issue by the Supervisoary Board on 28 February 2017.

1. Introduction (continued)

b) Basis of Preparation of the Consolidated Financial Statements

Accounting Standards

The consolidated financial statements of the Group have been prepared in accordance with the Trade Company Law ("Official Gazette of the Republic of Macedonia" no. 28/04, 84/05, 25/07, 87/08, 42/10, 48/10, 24/11, 166/12, 70/13, 119/13, 120/13, 187/13, 38/14, 41/14, 138/14, 192/15, 06/16, 30/16 and 61/16), Law on Banks („Official Gazette of the Republic of Macedonia " no. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15 and 190/16), law regulation passed by NBRM, the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial statements ("Official Gazette of the Republic of Macedonia" no. 169/10, 165/12, 50/13 and 110/13), and the Decision on the types and content of financial statements of the banks ("Official Gazette of the Republic of Macedonia" no. 169/10, 152/11, 54/12 and 166/13), issued by the NBRM.

Standards in Issue not yet Adopted

At the date of authorisation of these consolidated financial statements, there were no standards in issue but not yet effective.

Presentation of Consolidated Financial Statements

These financial statements represent consolidated financial statements of the Group. The Bank has investments in associates and it also prepares separate financial statements in accordance with the Methodology.

The consolidated financial statements of the Group have been presented in accordance with the form prescribed in Decision on the types and content of the financial statements of banks.

The Group's Management estimates the influence of the new and the changes in IFRS and their interpretation on the consolidated financial statements, as well as the requirements on the form and contents in accordance with the Decision on the types and content of the financial statements of banks and in accordance with the Methodology.

The presentation of the consolidated financial statements in accordance with the accounting standards applicable in the Republic of Macedonia requires the use of best estimates and reasonable assumptions by the Group's management, which affects the presented values of assets and liabilities, and the revenues and expenses in the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for estimation of the carrying amounts of assets and liabilities for which no other data is available. Actual results in subsequent period may differ from these estimates.

The estimates and assumptions are reviewed on a continues basis. The revised accounting estimates are recognized in the period for which the estimate has been revised if it affects only that period, or in the period of the estimate and future periods if the revised estimate affects both periods – the current and future period.

Information regarding the critical judgments in the implementation of the accounting policies with the most significant impact on the amounts disclosed in the consolidated financial statements are presented in Note 1.d).

1. Introduction (continued)

b) Basis of Preparation of the Consolidated Financial Statements (continued)

Presentation of Consolidated Financial Statements (continued)

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

Reporting and functional currency

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

c) Summary of Significant Accounting Policies

The accounting policies presented below have been applied consistently to all periods presented in these financial statements, except for matters disclosed in Note 1.e).

Basis of consolidation

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is acquired by the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquired entity's identifiable net assets.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii) Subsidiaries

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control commences until the date when the control ceases.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control was lost.

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

v) Equity-accounted investees

The Group's interest in equity-accounted investments comprise of investments in an associate.

Associates are those entities over which the Group has significant influence, but not control or joint control, over the financial and operating policies. Investments in associates are measured using the equity method. They are recorded initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss of equity-accounted investments, until the date on which significant influence ceases. Distributions from associates are accounted as reductions of the carrying amount of the investment.

v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Interest Income and Expense

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

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

Fee and Commission Income

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

Dividend Income

Dividend income is recognized when the right to receive payment is established for all shareholders who participate in income distribution. Dividends are presented as part of net trading income or dividend income depending on the classification of the instrument.

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions

Transactions denominated in foreign currencies have been translated into Denars at rates set by the National Bank of the Republic of Macedonia ("NBRM") at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Denars at the balance sheet date using official rates of exchange ruling on that date. Foreign exchange gains or losses arising upon the translation of transactions, and the translation of assets and liabilities denominated in foreign currencies are recognized in the income statement in the period in which they occurred.

Commitments and contingent liabilities denominated in foreign currencies are translated into Denars by applying the official exchange rates at the balance sheet date.

Official exchange rates applicable as at 31 December 2016 and 2015 for euro (EUR) and American dollar (USD) are as follows:

	2016 MKD	2015 MKD
1 EUR	61,48	61,59
1 USD	58,33	56,37

Financial assets and liabilities

***(i)* Recognition**

Financial assets and liabilities are recognised at the settlement date, representing the date when the assets is delivered by/to the Group.

***(ii)* Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to the cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Bank is recognised as a consolidated asset or liability.

The Group derecognises a financial liability when its contractual obligations are settled or cancelled or expired.

***(iii)* Offsetting**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted with the applicable accounting standards, or for gains and losses arising from a group of similar transactions.

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and liabilities (continued)

(iv) Amortised cost measurement

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

(v) Fair value measurement

Measuring at fair value assumes that the asset or liability is exchanged among market participants, in a common transaction, in accordance with current market conditions at the measurement date. Fair value of financial assets and liabilities is determined in different ways depending if the asset or liability are traded in the active market or not.

An active market is a market where transactions are carried out with the asset or liability with sufficient frequency and volume to provide pricing information for the asset or liability.

The corresponding quoted market price for the asset or liability is the one that is within a range between the purchase and selling price, which best represents fair value in the given circumstances. Typically used is the current: the purchase price of the asset which is kept or the liability that should be issued, namely retail/offered price for the asset that will be acquired or liability that is kept; the average market price or other price in accordance with the usual, accepted market practice.

If there is no active market for the financial asset or liability, the Group, in order to determine the fair value of the asset or liability, applies valuation techniques that have most available data, giving preference to data that can be validated on the market.

The common valuation techniques are: *market approach* (quoted prices are used or other relevant information from market transactions with the same or similar assets or liabilities), *cost approach* (known as the current replacement cost, represents the amount that would be required to replace the current asset) and *income approach* (discounted value of current market expectations for future amounts (cash flows or income and expense) of the asset or liability).

Cash and Cash Equivalents

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

Held-for-trading Financial Assets

Held-for-trading financial assets, are securities included in a portfolio in which a pattern of short-term profit making exists. Initially, these securities are recognized and subsequently measured at fair value, and the transaction costs are directly recognized in the income statement.

All the respective realized and unrealized gains and losses are included under net trading income. Interest, if realized, during the period of ownership of these securities, is recognized as net trading income in the income statement. The purchase and disposal of securities held-for-trading is recognized at settlement date, which represents the date when the asset is delivered to the Group.

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Available-for-sale Financial Assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or share prices. This portfolio comprises of equity securities issued by banks, financial institutions and companies, where the Bank does not exercise control, as well as debt securities issued by the Republic of Macedonia.

Available-for-sale financial assets are recognised at their fair value, except those for which there is no active market and quoted prices and whose fair value cannot be reliably measured, in which case they are measured at cost less impairment.

Unrealized gains and losses arising on changes in the fair value of available-for-sale financial assets are recognized in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously accumulated in the revaluation reserves should be recognized in profit or loss for the period. Interest calculated using the effective interest method, impairment losses and foreign exchange gains and losses are recognized in the income statement.

Held-to-maturity Financial Assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. If the Group is to sell or reclassify other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available-for-sale. This would prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years. These securities are measured at amortized cost using the effective interest rate method.

Loans and Receivables

Loans and receivables include loans where cash is approved directly to the customer. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Interest on loans originated by the Group is included in interest income and is recognized on an accrual basis.

Loans to customers and financial institutions are stated at their net amount reduced by allowance for impairment.

Impairment of Financial Assets

The Group, at least quarterly, assesses whether there is objective evidence that financial assets or group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows on the asset(s) that can be estimated reliably.

The Group considers evidence of impairment for loans and receivables and investment securities on individual basis.

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Group on terms that the Group 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 relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised 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 recognised in the income statement and reflected in an allowance account against loans and receivables.

Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income statement.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in equity to profit or loss. The cumulative loss that is removed from the equity and recognised in profit or loss is the difference between the cost, less any impairment loss previously recognised in the income statement. Changes in the allowance account which are result of the time value of money are recognised as part 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 recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in equity.

Impairment Losses on Loans and Receivables

Allowances for impairment and un-collectability are determined if there is objective evidence that the Group cannot collect all amounts due on a claim according to the original contractual terms. A provision for loan impairment is reported as a reduction of the carrying amount of the loan, whereas for off-balance sheet items are presented within the provisions. Additions to provisions are made through impairment losses on financial assets in the income statement.

The allowances for impairment and un-collectability are determined according to the regulation of the NBRM ruling on each balance sheet date, according to which the Group is liable to classify the assets and off-balance sheet items in groups, according to their specific level of risk and to estimate the outcome of potential losses which are calculated by applying objective and subjective metrics, as of December 31, 2016 by applying the following percentages:

Risk Category	Percentage
A	0% - 5%
B	5.1% - 20%
C	20.1% - 45%
D	45.1% - 70%
E	70.1% - 100%

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment Losses on Loans and Advances (continued)

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

- Separate loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals. Allowances for losses on impairment and un-collectability are measured and determined for the difference between the carrying amount of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows;

- Losses on impairment and un-collectability is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing since the contractual liabilities for payment of the principal and/or interest are in default, i.e. uncollected for a period longer than 90 days. All allowances for losses on impairment and un-collectability are reviewed and tested at least quarterly, and any further changes in the amount and timing of expected future cash flows in comparison to previous assessments result in changes in allowances for losses on impairment and un-collectability recorded in the income statement;

- The loan which is believed that is impossible to be collected is impaired against the relevant allowance for losses on impairment and un-collectability. Further collections are recorded as reduction of losses on impairment and un-collectability in the income statement;

- In case of loans granted to borrowers in countries with increased risk of difficulties for servicing external debt, the political and economic circumstances are assessed and additional allowances for sovereign risk are allocated.

Financial Liabilities

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

Deposits from Banks and Other Financial Institutions and Customers

These financial liabilities are initially recognized at fair value, net of transaction costs incurred. Subsequently they are measured at amortized cost, while applying an effective rate method.

Borrowings

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

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Property and equipment

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

The useful life of certain categories of property and equipment are as follows:

Buildings	40 years
Furniture and equipment	4-20 years

Depreciation methods, useful lives and residual value are reviewed at each reporting date.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss. The Bank annually reviews its property and equipment for impairment. Where the carrying amount on an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Intangible Assets

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

Impairment of Non-financial Assets

The carrying amounts of the Group'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 recognised if the net value of an asset or a cash generating unit, to which the asset belongs, exceeds its recoverable amount. For asset that generates cash flows that largely are independent, the recoverable amount is determined for cash-generating units to which the asset is allocated.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment of Non-financial Assets (continued)

An impairment loss is reversed if there is an indication that the loss no longer exists or 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 amortisation) if no impairment loss had been recognized in the previous years.

Foreclosed assets

Foreclosed assets include property and equipment obtained through foreclosing procedures in order to fulfil customers' liabilities, fully or partially, for the appropriate credit and are displayed in the item foreclosures based on outstanding receivables (foreclosures). Foreclosed properties are initially recognized at a lower than estimated value, reduced for the expected selling cost which are borne by the Group and the value of the foreclosed property referred to in the act which is passed by the competent authority, from which the legal basis for ownership rights arises. The appraised value is determined by a certified valuator.

At the date of the assets initial recognition, the Group is obliged in accordance to the Decision on accounting and regulatory treatment of foreclosed assets (Official Gazette of R.M. No. 50/13) to reduce the value of the foreclosed asset in the balance sheet by at least 20% of the initial recognized value.

After the initial recognition, at least once in a twelve-month period, the Group performs a valuation of the foreclosed property and determines a difference with the carrying amount. Simultaneously the Group calculates 20% of the carrying amount of the foreclosed property and compares it with the difference between the estimated and carrying amount. The greater amount is recognized in the income statement as impairment loss.

If a foreclosed property becomes a property of the Group for own use, the value at which the asset will be recognised is at the lower of the latest valuation determined by a certified valuator and the carrying amount of the asset at the date of the change in use (determined at that date in accordance with the Decision for accounting and regulatory treatment of foreclosed assets).

Managed funds for and on behalf of third parties

The Group acts as a fiduciary and in other fiduciary matters provides services for and on behalf of third parties such as legal entities, individuals, investment and pension funds and other institutions for which it keeps and manages assets or invests funds received in various financial instruments at the direction of the customer. The Group receives fee income for providing these services. Managed funds are not assets of the Group and are not recognized in the financial statements. The Group is not exposed to any credit risk relating to such placements, as it does not guarantee them.

Provisions

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

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

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Employee benefits

(i) Defined contribution plans

The Group contributes to its employees' post retirement plans as prescribed by the national legislation. Contributions, based on salaries, are made to the national organisations 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 recognised as an expense in the income statement when they are due. In addition to pension contributions the Group also pays contributions for: health insurance, professional additional contribution, contribution for employment in case of unemployment, contribution for past work with increased term. The Group does not have additional liabilities related to these plans.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Short-term employee benefits include: salaries, compulsory social security contributions, short term paid absences (paid annual holiday, sick leaves) and non-monetary benefits (health insurance).

(iii) Other long-term employee benefits

In accordance with local regulations the Group pays two average monthly net salaries paid in the Republic of Macedonia in the preceding three months to its employees at the moment of retirement and jubilee awards in accordance with the criteria stated in the General collective contract.

In accordance with IAS 19, these benefits are considered defined pension benefit plans. The carrying amount of the Bank’s liabilities arising from employee benefits are calculated at the end of the reporting period. The balance of these liabilities at the end of the reporting period presents the discounted amount of future payments

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date of 10%, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

1. Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax assets are recognized for unused tax losses, unused tax credit and deductible temporary differences to the extent for which is probable that the future taxable profits against which the asset can be utilized. Deferred tax assets are estimated at the end of each reporting period and reduced to the extent that is no longer probable that these tax revenues will be realized. Any such reduction should be reversed to the extent that it is probable that sufficient taxable profit will be available. Unrecognised deferred tax assets are assessed at the end of each reporting period and recognised to the extent it is probable that future taxable income will be sufficient against which the asset can be utilised.
Income tax expense comprises of current tax and is recognised in the income statement.

Leases

The Group leases assets as operating leases. Rental income and expenses are recognized in the income statement on a straight-line basis over the term of the lease.

d) Critical Accounting Judgments and Estimates

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

Fair Value of Financial Instruments

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

The Group applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment.

In the Republic of Macedonia sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available.

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

Allowance for Impairment of Loans

The Group reviews its loan portfolios to assess impairment on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Group, or national or local economic conditions that correlate with defaults on assets in the Group.

1. Introduction (continued)

d) Critical Accounting Judgments and Estimates (continued)

Allowance for Impairment of Loans (continued)
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.

Useful Lives of Tangible and Intangible Assets

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

Financial Crisis
Development on the financial markets may affect future cash flows of the Group that otherwise would be expected under the regular public interest. As a result, future cash flows are subject to possible fluctuations and whether the fluctuations are significant relative to the previously expected cash flows remains uncertain.

Assessment of control of investments

The management makes an assessment to determine if the control indicators listed in the accounting policies section 1.c). point out that the Group has control over certain investment or investment fund.

Investment funds

The Group act as a fund manager to three investment funds. Determining whether the Group has control over the investment funds is usually focused on evaluating the total economic interest of the Group with the funds (including any transferred interest and expected management provisions) and investors rights. Assets of investment funds are legally separated from the Group's assets. If the operation of the Group cease, the assets of the investment funds belong to the holders of stakes in the investment funds. Also, the Group has a low aggregate economic interest in the funds. As a result, the Group concluded that it acts as an agent to the investors in all cases, and therefore does not consolidate these funds.

Changes in the Accounting Policies

For the year ended 31 December 2016 there we no changes in the Accounting Policies, accounting estimates and correction of errors.

e) Compliance with Regulations

In July 2015, a change in the regulations was made which affects the manner of determining related parties, and according to the decisions of this regulations, the Bank's exposure to a single customer and its related parties exceeded the legaly set limit of 25% of own funds. The deadling for complying with this regulation was 31 March, 2016. For the Bank, there was an obligation to reconciliate with the new regulation regarding the connection of customers and its related parties, and hence the determination of the exposure limits under the new solutions, as of 31 March, 2016. The Bank undertook several activities and during February 2016 complied and reduced the exposure in the legally set limit.

The Action Plan by the Bank following the recommendations and findings set by the Record of the field control executed with cut-off date 31 December 2015, at Chapter II Implementation of measures prescribed by the National Bank, item 8 referred to the obligation of the Bank to undertake activities that the total exposure to the same related group of customers will bring down to the limit of 25% of own funds.

1. Introduction (continued)

e) Compliance with Regulations (continued)

The deadline for complying was 31 July, 2016. During July 2016, the Bank complied with the legal limits for exposure to this group of clients and submited the evidence to the National Bank of the Republic Macedonia.

There are no other non-compliances with the regulations prescribed by the NBRM in regards to the solvency and capital adequacy of the Group, its limits of exposure, investments, liquidity and open foreign currency position.

f) Acquisition of subsidiaries

On 25 April 2013, the Group obtained control of KB Publiikum, an investment funds managing company, by acquiring additional 14.29% of the shares and voting interests in the company. As a result, the Bank's equity interest in KB Publiikum increased from 50 to 64.29%.

In the period from 01 January 2016 to 31 December 2016, KB Publicum contributed revenue of 22,095 thousands of denars (2015: 19,335 thousand of denars) and profit of 12,087 thousand of denars (2015: 10,065 thousands of denars) to the Group's results.

Consideration transfered

The consideration transferred included MKD 12,309 thousand in cash, for 200 ordinary shares issued by KB Publicum.

Measuring fair value

Held-for trading financial assets

Held for trading financial assets are measured at fair value at acquisition date.

Financial assets and liabilities

The carrying amount of cash and cash equivalents, bank deposits, other assets and liabilities to suppliers and other liabilities, is identical to their fair value at acquisition date due to the short term maturity.

Property, equipment, and intangible assets

The items of property, equipment, and intangible assets are recognized at cost, less accumulated amortization and accumulated impairment losses, if any. Due to their insignificant participation in total assets their fair value is not expected to significantly alter the fair value of the net assets acquired.

2. Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve identifying, undertaking, measuring, monitoring and control of separate risks or their combination. Taking risk is core business activity and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group has established Strategy for undertaking and managing risks, adopted by the Supervisory Board that is revised regularly. The Strategy defines the main objectives and general directions in undertaking and managing risks, general approach to the risk management, general approach to the internal determining and assessment of the necessary capital adequacy, general review of the business strategy of the bank, as well as the possible changes in the Group's business strategy and acceptable level of risk the Group can be exposed to during its operations.

The Shareholders Assembly appoints the members of the Supervisory Board and the Audit Committee. Supervisory Board has overall responsibility for the establishment and oversight of the Group's risk management framework. Supervisory Board has established the Board of Directors, Credit Committee and Risk Management Committee. These bodies are responsible for monitoring and developing risk management policies in specific areas. The Group has established organizational structure, with clearly defined competences and responsibilities among organizational parts of the Group where credit risk is originated and managed.

The most important types of risk are credit risk, liquidity risk, market risk (risk of change in the interest rates in the banking book, currency risk and other market risks) and operational risk.

2. Risk Management (continued)

2.1 Credit Risk

The Group is exposed to credit risk which represents the risk of financial loss due to customer's default on their contractual obligations. Credit risk is the most important risk for the Group's operations, therefore the management carefully manages the Group's exposure to credit risk. The exposure to this risk arises principally from lending activities and advances, as well as activities related to off-balance sheet financial instruments, such as loan commitments to enterprises and households, guarantees and letters of credit.

2.1.1 Credit Risk Management

The Group has established organizational structure, with clearly defined competences and responsibilities of the Supervisory Board and the Board of Directors regarding credit risk management.

The organization of the credit risk management is established on the following levels of hierarchy:

- Strategic level - the risk management function shall be performed by the members of Supervisory Board and the Board of Directors; Risk Management Committee and Audit Committee;
- Macro level - the risk management function at the level of business unit, or business line shall be performed by other persons with special rights and responsibilities performing managing function and/or by special organizational unit responsible for monitoring the credit risk management.

Credit risk management at the level of business unit in the Group includes each Division where the credit risk is undertaking and the persons with special rights and responsibilities that performs the management function in the Division. The duties of these organizational units in the Bank are regulated in the appropriate Policies adopted from the Group's Supervisory Board. Special organizational unit in the Group competent for credit risk management is Risk Management and Planning Division – Credit Risk Management Department.

2.1.2 Control of Risk Exposure, Limits and Risk Protection Policies

The Group manages and controls the concentration of credit risk to any number of clients, some categories of clients, industries, currencies structure, geographic location, collateral instruments and other bases. The Group structures the level of credit risk taken by setting limits on the amount of acceptable risk of exposure to aforementioned concentrations.

Initially, when approving loans and loan commitments, different Credit Committees assess creditworthiness of the clients depending on the type and size of the exposure based on defined criteria. The Group has implemented different practices to mitigate credit risk in lending, including mortgages and other collateral instruments. Given that the collateral itself is not sufficient to generate cash flows, it is considered to be a secondary factor in the evaluation of creditworthiness. The value and quality of collateral depends of the type of collateral (immovable, movable property, inventory, accounts receivables) and the probability of activation in order of claim. For part of the credit exposures classified in risk grades D and E which the Group expects to collect through foreclosure of the property, and the property meets the criteria as defined in the Decision for credit risk management, the Group takes into consideration the value of the property in determining the present value of the expected future cash flows from those exposures. Collateral is divided into two types: first class, providing high liquidity which is considered 100% when calculating net realizable value and other collateral.

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.2 Control of Risk Exposure, Limits and Risk Protection Policies (continued)

More significant types of collateral, for loans and other exposures, include:

a) Legal entities:

- Cash;
- Real estate property;
- Equipment and motor vehicles;
- Inventory;
- Receivables;
- Guarantees issued by banks and legal entities;
- Securities, including: debt securities issued by the Government of the Republic of Macedonia, NBRM and securities issued by other entities.

b) Individuals:

- Real estate property;
- Passenger vehicles;
- Deposits;
- Securities, including: debt securities issued by the Government of the Republic of Macedonia, NBRM and securities issued by other entities.

2.1.3 Policies for calculation of impairment loss/ allowance for impairment

The impairment losses are identified losses of the Group credit portfolio that incurred at the balance sheet date and for which there is objective evidence of impairment. The Group calculates the impairment provision after making the classification of credit exposure in the appropriate risk category.

According to the Group policies, impairment and provisioning are defined on an individual basis, for all credit risk exposures which are considered individually significant, for all exposures to credit risk of the Group.

Exposures Classified on an Individual Basis

Classification in the risk category of individually significant exposures are made on the basis of the assessment (score), based on certain parameters, including creditworthiness of the client, orderly settlement of obligations and the quality of collateral.

Impairment/special reserve for individually assessed items are determined by evaluating the loss generated on the date of the balance sheet, which is the difference between the carrying amount and present value of estimated future cash flows. The effective interest rate is used to discount future cash flows. Credit exposures to banks and investments in own shares, debt instruments, as well as exposures classified as nonperforming are classified on an individual basis.

2.1.4. Methodologies of assessment of credit risk.

The Methodology of the Group for the system of internal rating of clients developed through score model includes a selection of criteria for assessment of credit risk of clients classified on individual bases, in a form of score scheme.

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.A Analysis of Maximum Exposure to Credit Risk

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of Denars	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
I. Carrying amount of exposure with an allowance for impairment/special reserve																		
Carrying amount of individually significant exposures, before the allowance for impairment and the special reserve, on individual basis	**4,375**	**6,827**	**50,997,347**	**57,978,968**	-	**2,624**	**-**	**-**	**3,873**	**1,893**	**33,510**	**45,506**	**266,900**	**403,976**	**4,753,156**	**4,994,292**	**56,059,161**	**63,434,086**
Risk category A	-	-	38,362,886	39,944,118	-	-	-	-	3,873	1,893	2,695	3,662	206,117	181,476	4,421,317	4,571,855	42,996,889	**44,703,005**
Risk category B	-	-	3,469,913	3,580,927	-	-	-	-	-	-	4,329	3,294	1,113	52,763	259,703	325,956	3,735,058	**3,962,939**
Risk category C	4,375	6,827	883,357	3,333,132	-	-	-	-	-	-	1,278	1,651	14	668	30,687	31,507	919,711	**3,373,786**
Risk category D	-	-	1,610,265	1,057,786	-	-	-	-	-	-	2,877	2,351	1,113	5,375	19,625	32,928	1,633,880	**1,098,440**
Risk category E	-	-	6,670,925	10,063,005	-	2,624	-	-	-	-	22,331	34,548	58,543	163,693	21,824	32,047	6,773,623	**10,295,917**
(Allowance for impairment and special reserve, on individual basis)	(1,207)	**(1,884)**	(7,893,051)	**(12,236,390)**	-	(2,624)		-	(136)	**(66)**	(24,593)	**(36,650)**	(62,180)	**(172,673)**	(112,578)	**(149,748)**	(8,093,744)	**(12,600,035)**
Carrying amount of individually significant exposures, reduced by allowance for impairment and the special reserve, on individual basis	**3,167**	**4,943**	**43,104,296**	**45,742,578**	-	**-**	**-**	**-**	**3,738**	**1,827**	**8,916**	**8,856**	**204,721**	**231,302**	**4,640,579**	**4,844,545**	**47,965,417**	**50,834,052**
Carrying amount of exposures assessed on group basis, before allowance for impairment and the special reserve on group basis	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**	**-**	**-**	**-**	**-**	**-**
Individually insignificant exposures (portfolio of small-amount loans)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**	**-**	**-**	**-**	**-**	**-**
Individually significant exposures that are not impaired on individual basis			**-**														**-**	**-**
(Allowance for impairment and special reserve, group basis)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount of exposures assessed on group basis, less the allowance for impairment and the special reserve, group basis	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**			**-**	**-**	**-**	**-**	**-**	**-**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.A Analysis of Maximum Exposure to Credit Risk (continued)

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of Denars	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
II. Carrying amount of exposures without allowance for impairment/special reserve																		
Past due receivables																		
Aging structure of past due receivables for which there is no allowance for impairment																		
up to 30 days	-	-	214,544	64,625	-	-	-	-	-	-	2,419	1,365	6	-	1,498,831	1,121,383	1,715,800	1,187,373
Carrying amount of receivables for which there is no allowance for impairment	-	-	214,544	64,625	-	-	-	-	-	-	2,419	1,365	6	-	1,498,831	1,121,383	1,715,800	1,187,373
non-matured receivables																		
Restructured receivables	-	-	450	-	-	-	-	-	-	-	-	-	-	-		-	450	-
Other receivables	10,081,091	9,203,527	2,178,411	2,091,520	3,675,230	7,191,534	3,374,729	2,515	22,632,704	19,022,418	2,274	1,881	332,838	242,165	7,957,357	9,481,167	50,234,634	47,236,727
Carrying amount of undue receivables for which there is no allowance for impairment /special reserve	**10,081,091**	9,203,527	2,178,862	2,091,520	3,675,230	7,191,534	3,374,729	2,515	**22,632,704**	19,022,418	2,274	1,881	332,838	242,165	7,957,357	9,481,167	50,235,084	47,236,727
Total carrying amount of the credit risk receivables before the allowance for impairment and special reserve	**10,085,466**	9,210,354	**53,390,753**	60,135,113	**3,675,230**	7,194,158	**3,374,729**	2,515	**22,636,577**	19,024,311	**38,202**	48,752	**599,745**	646,140	**14,209,344**	15,596,842	**108,010,046**	111,858,186
(Total allowance for impairment and special reserve)	**(1,207)**	(1,884)	**(7,893,051)**	(12,236,390)	**-**	(2,624)	**-**	**-**	**(136)**	(66)	**(24,593)**	(36,650)	**(62,180)**	(172,673)	**(112,578)**	(149,748)	**(8,093,744)**	(12,600,035)
Total Carrying amount of the credit risk receivables less the allowance for impairment and special reserve	**10,084,259**	**9,208,470**	**45,497,703**	**47,898,722**	**3,675,230**	**7,191,534**	**3,374,729**	**2,515**	**22,636,441**	**19,024,245**	**13,609**	**12,103**	**537,565**	**473,468**	**14,096,766**	**15,447,095**	**99,916,301**	**99,258,152**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.B Value of Collateral (Fair Value) for Mitigating of Credit Risk

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial held-to-maturity		Cash and cash equivalents		Other receivables		Off balance sheet exposures		Total	
	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
Value of collateral of credit exposure assessed for impairment on an individual basis																
First-class collateral instruments																
cash deposits (in depot and/or restricted in accounts held with the Group)	-	-	1,223,323	1,158,521	-	-	-	-	147,570	192,333	54,177	9,232	208,170	216,198	1,633,239	1,576,284
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	83,356	-	-	-	-	-	-	54	1,205	247,374	206,627	247,428	291,188
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (besides bank Guarantees and guarantees from insurance companies)	-	-	61,133	398,984	-	-	-	-	-	-	348	-	-	-	61,481	398,984
Guarantees from individuals	-	-	1	-	-	-	-	-	-	-		-	-	-	1	-
Mortgage on real estate	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-
property for private use (flats, houses)	-	-	17,292,667	17,225,271	-	-	-	-	-	-	13,317	51,732	1,225,643	995,716	18,531,627	18,272,719
business facility	-	-	34,289,954	33,907,303	-	-	-	-	-	-	39,738	48,212	6,566,824	6,233,196	40,896,516	40,188,711
Pledge over movables	-	-	13,678,522	15,463,763	-	-	-	-	-	-	14,545	127,991	3,605,383	3,292,001	17,298,450	18,883,754
Other types of collateral	-	-	952,928	657,330	-	-	-	-	-	-	442	1,451	168,768	271,638	1,122,138	930,418
Total value of collateral of credit exposure assessed for impairment on an individual basis	**-**	**-**	**67,498,528**	**68,894,528**	**-**	**-**	**-**	**-**	**147,570**	**192,333**	**122,621**	**239,823**	**12,022,162**	**11,215,375**	**79,790,881**	**80,542,060**
Value of collateral of credit exposure assessed for impairment on a group basis																
First-class collateral instruments									-							
cash deposits (in depot and/or restricted in accounts held with the Group)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (besides bank Guarantees and guarantees from insurance companies)																
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on real estate	-	-			-	-	-	-	-	-	-	-	-	-	-	-
property for private use (flats, houses)	-	-	-	-	-	-	-	-	-	-			-	-	-	-
business facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pledge over movables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other types of collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total value of collateral of credit exposure assessed for impairment on a group basis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total value of collateral of credit exposure assessed for impairment on group basis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.C Concentration of Credit Risk by Industry

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
Industry																		
Non-residents	-	-	122,154	133,147	1,934	1,919	-	-	-	-	315	52	-	-	51,927	1,246,622	176,329	1,381,740
Agriculture, hunting and forestry	-	-	1,097,056	997,538	-	-	-	-	-	-	75	64	-	21	40,207	23,116	1,137,338	1,020,739
Ore and stone extraction	-	-	314,769	301,826	-	-	-	-	-	-	21	7	1	47,187	89,911	95,157	404,703	444,176
Processing industry	-	-	3,690,955	3,728,362	-	-	-	-	-	-	118	103	3	-	192,274	203,145	3,883,350	3,931,610
Wholesale and retail industry for clothing and footwear	-	-	744,162	886,305	-	-	-	-	-	-	213	74	68	22	332,451	304,798	1,076,894	1,191,199
Chemical industry, production of construction materials, production and processing of fuels, pharmaceutical industry	-	-	1,698,942	1,911,891	-	-	-	-	-	-	43	67	183,384	58	92,064	216,915	1,974,433	2,128,930
Production of metals, machines, tools and equipment	-	-	2,954,853	3,779,405	-	-	-	-	-	-	407	581	5	2	771,098	647,542	3,726,363	4,427,530
Other processing industry	-	-	516,201	517,687	-	-	-	-	-	-	1,355	132	12	1	103,290	101,229	620,859	619,048
Electricity supply, gas, steam and air conditioning	-	-	1,021,996	1,328,937	-	-	-	-	-	-	1,138	1,145	-	1	442,214	851,552	1,465,348	2,181,635
Water supply, disposal of wastewater, waste management and remediation activities on the environment	-	-	280,622	117,755	-	-	-	-	-	-	69	78	-	-	42,852	49,668	323,544	167,501
Construction	-	-	3,484,114	3,714,046	-	-	-	-	-	-	749	559	216	2,625	4,298,267	3,783,201	7,783,346	7,500,431

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.C Concentration of Credit Risk by Industry (continued)

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
Wholesale and retail trade; repair of motor vehicles, motorcycles, and items for personal use and for households	-	-	9,207,420	8,902,102	-	-	-	-	-	-	1,582	1,322	13,111	167,193	3,549,772	3,835,441	12,771,885	12,906,058
Transport and warehousing	-	-	726,585	1,770,009	-	-	-	-	-	-	268	255	120	137	783,968	773,627	1,510,941	2,544,027
Hotels and restaurants	-	-	586,767	520,567	-	-	-	-	-	-	87	88	832	800	6,244	6,874	593,930	528,330
Information and communications	-	-	442,612	529,201	-	-	-	-	-	-	391	673	11	52	87,812	85,129	530,826	615,054
Finance and insurance activities	10,084,259	9,208,470	16,061	316,653	63,054	63,054	-	-	22,636,440	19,024,245	2,985	2,553	12,575	11,717	17,397	13,172	32,832,772	28,639,864
Activities related to real estate, renting and business activities	-	-	915,873	1,968,271	-	-	-	-	-	-	9	64	21	10	23,676	24,603	939,579	1,992,948
Professional, scientific and technical activities	-	-	657,610	395,791	-	-	-	-	-	-	118	200	21	7	161,441	147,529	819,190	543,527
Administrative and utility services	-	-	365,686	352,435	-	-	-	-	-	-	122	53	1,144	1,040	72,706	85,473	439,659	439,001
Public administration and defense; mandatory social security	-	-	1,519,833	1,517,483	3,610,242	7,126,561	3,374,729	2,515	-	-	75	103	61	1,803	2,644	2,649	8,507,584	8,651,115
Education	-	-	438,422	459,715	-	-	-	-	-	-	7	6	27	3	1,525	2,253	439,981	461,977
Health care and social work	-	-	1,065,035	1,037,828	-	-	-	-	-	-	138	113	-	1	24,750	10,574	1,089,922	1,048,516
Art, entertainment and recreation	-	-	358,617	119,868	-	-	-	-	-	-	124	93	13	2	42,022	59,033	400,776	178,995
Other utility, cultural, general and personal service activities	-	-	164,066	41,854	-	-	-	-	-	-	70	59	622	709	5,465	6,291	170,223	48,913

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.C Concentration of credit risk by industry (continued)

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
Private households with employed persons, household activities that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	13,067,431	12,512,320	-	-	-	-	-	-	3,036	3,564	325,305	240,072	2,857,076	2,868,271	16,252,849	15,624,227
Individual merchants and individuals not regarded as merchants	-	-	39,858	37,726	-	-	-	-	-	-	96	95	12	6	3,714	3,233	43,680	41,060
Total	**10,084,259**	**9,208,470**	**45,497,703**	**47,898,722**	**3,675,230**	**7,191,534**	**3,374,729**	**2,515**	**22,636,440**	**19,024,245**	**13,609**	**12,103**	**537,565**	**473,468**	**14,096,766**	**15,447,095**	**99,916,301**	**99,258,152**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.D Concentration of Credit Risk by Geographic Location

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015	Current year 2016	Previous year 2015
Geographic location																		
Republic of Macedonia	4,599,200	143,294	45,375,549	47,765,576	3,673,296	7,189,616	3,374,729	2,515	10,507,315	10,136,327	12,490	11,308	537,565	473,468	14,039,727	14,193,397	82,119,871	79,915,501
EU member countries	3,792,692	6,814,474	122,154	126,990	1,408	1,411	-	-	10,759,440	6,693,217	894	590	-	-	52,467	42,719	14,729,055	13,679,401
Europe (other)	1,229,659	1,787,140	-	6,157	-	-	-	-	334,385	881,604	99	107	-	-	2,728	1,210,978	1,566,871	3,885,985
OECD member countries (without European OECD member countries)	462,708	463,562	-	-	526	508	-	-	1,035,300	1,313,098	124	94	-	-	1,844	-	1,500,502	1,777,261
Other	-	-	-	-	-	-	-	-	-	-	3	4	-	-	-	-	3	4
(the exposure that represents more than 10% of total credit exposure)																		
Total	**10,084,259**	**9,208,470**	**45,497,703**	**47,898,722**	**3,675,230**	**7,191,534**	**3,374,729**	**2,515**	**22,636,440**	**19,024,245**	**13,609**	**12,103**	**537,565**	**473,468**	**14,096,766**	**15,447,095**	**99,916,301**	**99,258,152**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.D Concentration of Credit Risk by Geographic Location (continued)

Credit exposure and receivables by geographic location of debtors show that the highest concentration is in the Republic of Macedonia, amounting to 82.19% as at 31 December 2016 (80.51% as of 31 December 2015). Exposure to debtors located in EU member amounts to 14.74% as at 31 December 2016 (13.78% as at 31 December 2015). Exposure to debtors located in Other European countries and OECD countries amounts to 3.07% as at 31 December 2016 out of the total exposure to credit risk (5.71% as at 31 December 2015).

Unimpaired exposures that are past due, amount to 1,715,800 thousands of denars as of December 31, 2016 (2015: 1,187,373 thousands of denars) and relate to receivables past due up to 30 days and are off-balance sheet exposures in the amount of 1,498,831 thousands of denars as of December 31, 2015 (2015: 1,121,383 thousands of denars). Undue unimpaired loans amount to 50,234,634 thousands of denars (2015: 47,236,727 thousands of denars) and mainly relate to cash and cash equivalents, off-balance sheet exposure, exposures to first class banks and clients that have first class collateral, i.e. cash deposits.

2.2. Liquidity Risk

Liquidity risk is when the Group cannot provide enough funds intended for settlement of its short-term liabilities at their maturity, or it provides the necessary funds at very higher costs. Liquidity risk arises, from both the disability for precise management with unsuspected changes in assets and disability of the banks to convert the assets in monetary fund precisely and on time, at minimal cost.

Process of Liquidity Risk Management

Liquidity risk management defines managing with assets and liabilities in a way that provides regularly and on time payment of the liabilities, both in normal or exceptionally conditions.

Exposure on the liquidity risk depends on partial categories in balance sheet according to maturity dates (residual maturity) and the level of compliance. Exposure to insolvency risk depends on the level of capital and reserves, i.e. Group's own funds. The purpose of managing this risk is to maximize stability and profitability, by implementing optimal combination of maturity and foreign currency structure of assets and liabilities.

The Group is exposed to daily calls on its available cash resources from deposits, current accounts, and loan withdrawals. The Group does not seek to maintain cash resources to meet all of these potential needs, estimating that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty, estimating that the really due liabilities (stability of deposit core) can be estimated with degree of certainty.

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Process of Liquidity Risk Management (continued)

The Group has established Liquidity risk undertaking and managing policy, passed by the Supervisory board and the same is reviewed regularly. In the policy it is defined the manner of liquidity management through determination of basic goals, capacity assessment for taking a liquidity risk and assessment of risk profile, basic components of liquidity risk management system, basic components of process of maintaining appropriate level of liquidity and determination of acceptable instruments for protection from or decrease of liquidity risk.

The Group has established Procedures for identification, undertaking, assessment, monitoring and control of the liquidity risk. This act is issued by the Board of directors and is subject of regular revision. The Procedures gives in detail the proceedings (processes) for liquidity risk management as: identification and undertaking the liquidity risk, assessment of the liquidity and liquidity risk, testing the operational liquidity and liquidity stress-testing, monitoring, control and reporting for the liquidity and liquidity risk.

The management of the Group uses the following methods to maintain an appropriate level of liquidity: adequate maturity structure of its assets (claims) and liabilities (commitments), liquidity ratios, internal liquidity indicators, level of concentration, movement and stability of liabilities and their concentration, stress-testing, liquidity planning on a daily basis, meeting the legal requirements for mandatory reserves in Denars and in foreign currency, analysis for operational liquidity in Denars and in foreign currency, own funds and capital adequacy and other procedures and methods.

The Group monitors the balances of the current accounts and deposits on a daily basis. Management based on their experience determines the critical days that affect the Group's liquidity or significant dates affecting the outflow of funds. Based on the identification of available funds and previous determined daily needs of money, the Group makes decision regarding the appropriate use of funds.

Concurrence and controlling of mismatch of assets and liabilities is fundamental to the Group's management.

The Group manages liquidity risk by continuously monitoring the maturity of assets and liabilities.

In 2016 there are no changes in the regulation related to the management of the liquidity risk, just as it was in 2015.

Maturity analysis of financial assets and liabilities (including both balance sheet and off-balance items) as at 31 December 2016 and 2015 was made by remaining contractual maturity or the remaining period from the date of notification to the agreed maturity date. Amounts in the analysis are not reduced by the amounts of accumulated depreciation, impairment losses and allocated special reserve. There are indications of significant gaps for the period up to three months as at 31 December 2016 and 31 December 2015. The main reason for the above non-compliance is based on the fact that short-term sources of funds are used for approval of long-term loans. For the purposes of managing liquidity risk, Group prepares expected maturity structure in which an integrated element are expectations and it indicates a stable liquidity position.

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity)

in thousands of denars	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
2016 (current year)							
Financial assets							
Cash and cash equivalents	25,971,957	3,153,330	-	4,413,523	-	-	33,538,810
Held-for-trading assets	2,498	-	4,100	2,706	8,117	393,918	411,339
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	759,432	2,461,909	5,909,313	254	-	954,557	10,085,465
Loans and advances to other customers	2,608,544	2,869,379	20,093,065	5,794,730	12,049,319	9,932,061	53,347,098
Investments in securities	1,271,827	619,943	4,541,319	551,882	-	64,988	7,049,959
Investments in associates	-	-	-	-	-	210,171	210,171
Income tax receivable (current)	-	-	-	-	-	-	-
Other receivables	366,592	21,934	289,646	440	262	1,058	679,932
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**30,980,850**	**9,126,495**	**30,837,443**	**10,763,535**	**12,057,698**	**11,556,753**	**105,322,774**
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due to banks	278,672	333,015	238	-	-	-	611,925
Due to other customers	47,147,742	10,184,272	22,584,052	4,978,476	2,252,569	4,764	87,151,875
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	133,300	3,581	330,984	343,475	718,767	121,277	1,651,384
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	-	39,347	-	-	-	-	39,347
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	532,561	12,664	65	35	-	-	545,325
Total financial liabilities	**48,092,275**	**10,572,879**	**22,915,339**	**5,321,986**	**2,971,336**	**126,041**	**89,999,856**
Off balance sheet items							
Off balance sheet assets	170,044	-	131,816	52,195	39,446	-	393,501
Off balance sheet liabilities	6,356,964	1,665,150	4,058,964	3,180,194	379,351	-	15,640,623
Liquidity gap	**(23,298,345)**	**(3,111,534)**	**3,994,956**	**2,313,550**	**8,746,457**	**11,430,712**	**75,796**

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity)

in thousands of denars	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
2015 (previous year)							
Financial assets							
Cash and cash equivalents	23,430,230	-	-	4,233,555	-	-	27,663,785
Held-for-trading assets	2,187	-	1,760	1,490	4,469	361,123	371,029
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	639,680	3,145,999	4,468,130	250	-	956,319	9,210,378
Loans and advances to other customers	2,854,343	3,373,088	25,860,542	5,761,523	12,222,772	10,009,007	60,081,275
Investments in securities	900,000	1,810,000	4,074,467	344,609	-	67,597	7,196,673
Investments in associates	-	-	-	-	-	189,147	189,147
Income tax receivable (current)	-	-	-	-	-	-	-
Other receivables	418,671	100,083	217,839	3,773	613	932	741,911
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**28,245,111**	**8,429,170**	**34,622,738**	**10,345,200**	**12,227,854**	**11,584,125**	**105,454,198**
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due to banks	235,958	184,794	-	-	-	-	420,752
Due to other customers	43,332,520	11,145,956	22,054,844	5,450,227	1,796,372	600	83,780,519
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	172,903	12,531	413,072	449,005	940,795	177,170	2,165,476
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	-	51,849	-	-	-	-	51,849
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	478,857	3,901	266	(4,194)	(13,274)	(9,220)	456,336
Total financial liabilities	**44,220,238**	**11,399,031**	**22,468,182**	**5,895,038**	**2,723,893**	**168,550**	**86,874,932**
Off balance sheet items							
Off balance sheet assets	9,512	7,228	8,375	162,223	84,970	-	272,307
Off balance sheet liabilities	6,890,458	2,034,387	4,261,509	3,302,193	826,861	-	17,315,407
Liquidity gap	**(22,856,075)**	**(4,997,020)**	**7,901,422**	**1,310,193**	**8,762,070**	**11,415,575**	**1,536,165**

2. Risk Management (continued)

2.3 Market Risk

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

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of Denars	*in thousands of Denars*	*in thousands of Denars*	*in %*
2016 (current year)				
Amount before sensitivity analysis (as at December 31, 2016)		9,504,628	62,413,832	15.23
Effects from scenarios implementation				
Currency risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Denar to depreciate by 5% compared to other currencies	72,092	9,576,720	64,847,257	14.77
Scenario 2: Denar to appreciate by 5% compared to other currencies	(72,092)	9,432,536	59,980,406	15.73
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	432,555	9,937,183	77,014,385	12.90
Scenario 2: Denar to appreciate by 30% compared to other currencies	(432,555)	9,072,073	47,813,279	18.97
Interest rate risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1a (I option): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p.	102,415	9,607,043	62,413,832	15.39
Scenario 1a (II option): Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p.	(102,415)	9,402,213	62,413,832	15.06
Scenario 2a (I option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,50 p.p.	(814,744)	8,689,884	62,413,832	13.92
Scenario 2a (II option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,50 p.p.	814,744	10,319,372	62,413,832	16.53

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of denars	*in thousands of denars*	*in thousands of denars*	*in %*
b) Extraordinary conditions				
Scenario 1b (I option): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p.	614,487	10,119,115	62,413,832	16.21
Scenario 1b (II option): Interest rates on balance sheet items with variable interest rates to decrease by 6,00 p.p.	(614,487)	8,890,141	62,413,832	14.24
Scenario 2b (I option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 3,75 p.p.	(2,036,860)	7,467,768	62,413,832	11.96
Scenario 2b (II option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 3,75 p.p.	2,036,860	11,541,488	62,413,832	18.49
c) Combination of Scenario 1 and Scenario 2 in the regular work conditions				
Scenario 3a): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,50 p.p.	(712,330)	8,792,298	62,413,832	14.09
Scenario 3b): Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,50 p.p.	(917,159)	8,587,469	62,413,832	13.76
Scenario 3c): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,50 p.p.	917,159	10,421,787	62,413,832	16.70

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of denars	*in thousands of denars*	*in thousands of denars*	*in %*
Scenario 3d):Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,50 p.p.	712,330	10,216,958	62,413,832	16.37
d) Combination of Scenario 1 and Scenario 2 in the extraordinary work conditions				
Scenario 3a): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 3,75 p.p.	(1,422,373)	8,082,255	62,413,832	12.95
Scenario 3b): Interest rates on balance sheet items with variable interest rates to decrease by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 3,75 p.p.	(2,651,348)	6,853,280	62,413,832	10.98
Scenario 3c): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 3,75 p.p.	2,651,348	12,155,976	62,413,832	19.48
Scenario 3d): Interest rates on balance sheet items with variable interest rates to decrease by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 3,75 p.p.	1,422,373	10,927,001	62,413,832	17.51

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of denars	*in thousands of denars*	*in thousands of denars*	*in %*
Risk from changes in market prices in investments in own shares (list separately the various scenarios, including the basic features of the scenario)				
_____				
_____				
_____				
_____				
Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario)				
_____				
_____				
_____				
_____				

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of Denars	*in thousands of Denars*	*in thousands of Denars*	*in %*
2015 (previous year)				
Amount before sensitivity analysis (as at December 31, 2015)		9,279,998	67,175,188	13.81
Effects from scenarios implementation				
Currency risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Denar to depreciate by 5% compared to other currencies	(21,220)	9,258,778	69,354,152	13.35
Scenario 2: Denar to appreciate by 5% compared to other currencies	21,220	9,301,218	64,996,220	14.31
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	(127,322)	9,152,676	80,248,984	11.41
Scenario 2: Denar to appreciate by 30% compared to other currencies	127,322	9,407,320	54,101,388	17.39
Interest rate risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1a (I option): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p.	103,873	9,383,871	67,175,188	13.97
Scenario 1a (II option): Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p.	(103,873)	9,176,125	67,175,188	13.66
Scenario 2a (I option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,50 p.p.	(745,622)	8,534,376	67,175,188	12.70
Scenario 2a (II option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,50 p.p.	745,622	10,025,620	67,175,188	14.92

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of denars	*in thousands of denars*	*in thousands of denars*	*in %*
b) Extraordinary conditions				
Scenario 1b (I option): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p.	623,236	9,903,234	67,175,188	14.74
Scenario 1b (II option): Interest rates on balance sheet items with variable interest rates to decrease by 6,00 p.p.	(623,236)	8,656,762	67,175,188	12.89
Scenario 2b (I option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 3,25 p.p.	(1,615,515)	7,664,483	67,175,188	11.41
Scenario 2b (II option): Interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 3,25 p.p.	1,615,515	10,895,513	67,175,188	16.22
c) Combination of Scenario 1 and Scenario 2 in the regular work conditions				
Scenario 3a): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,50 p.p.	(641,750)	8,638,248	67,175,188	12.86
Scenario 3b): Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 1,50 p.p.	(849,495)	8,430,503	67,175,188	12.55
Scenario 3c): Interest rates on balance sheet items with variable interest rates to increase by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,50 p.p.	849,495	10,129,493	67,175,188	15.08

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of denars	*in thousands of denars*	*in thousands of denars*	*in %*
Scenario 3d):Interest rates on balance sheet items with variable interest rates to decrease by 1,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 1,50 p.p.	641,750	9,921,748	67,175,188	14.77
d) Combination of Scenario 1 and Scenario 2 in the extraordinary work conditions				
Scenario 3a): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 3,25 p.p.	(992,280)	8,287,718	67,175,188	12.34
Scenario 3b): Interest rates on balance sheet items with variable interest rates to decrease by 1,40 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to increase by 3,25 p.p.	(2,238,751)	7,041,247	67,175,188	10.48
Scenario 3c): Interest rates on balance sheet items with variable interest rates to increase by 6,00 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 3,25 p.p.	2,238,751	11,518,749	67,175,188	17.15
Scenario 3d): Interest rates on balance sheet items with variable interest rates to decrease by 1,40 p.p. and interest rates on balance sheet items with adjustable interest rates decided by the Bank's management to decrease by 3,25 p.p.	992,280	10,272,278	67,175,188	15.29

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of denars	*in thousands of denars*	*in thousands of denars*	*in %*
Risk from changes in market prices in investments in own shares (list separately the various scenarios, including the basic features of the scenario)				
_____				
_____				
_____				
_____				
Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario)				
_____				
_____				
_____				
_____				

This table presents a sensitivity analysis to changes in the market risk of the assets and liabilities of the Bank, because of the insignificant participation (below 1%) of the total assets of the subsidiary in the Group's assets. The Group does not carry stress tests from risk of changes in interest rates for investments in equity securities, as well as combined scenarios for changes in market risks.

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)

B. Analysis of Value Exposed to Market Risk in Trading Portfolio

	current year 2016				previous year 2015			
in thousands of Denars	As at December 31	Average value for the period	Highest value for the period	Lowest value for the period	As at December 31	Average value for the period	Highest value for the period	Lowest value for the period
Amount of interest-bearing instruments exposed to risk	-	-	-	-	-	-	-	-
Amount of foreign currency instruments exposed to risk	-	-	-	-	-	-	-	-
Amount of equity instruments exposed to risk	-	-	-	-	-	-	-	-
Variance (off-setting effect)								
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Pursuant to the “Decision on the methodology for determining capital adequacy," the Bank does not define capital required to cover market risks for trading portfolio, and consequently as at 31 December 2016 and 31 December 2015 the Bank had not performed analysis of value exposed to market risk in trading portfolio.

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.2 Sensitivity analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets)

Interest rate risk considering the Group's portfolio is risk of loss arising from the unfavourable changes in the interest rates which influences the items in the Group's portfolio. The risk of change in the interest rates can also arise from the liquidity gap of assets and liabilities, which may have long term negative influence on Group's profitability and capital.

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flow. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Assets and liabilities management is performed based on Group's sensitivity to changes in interest rates. The Group strives to maintain the interest margin above the level defined as internal limit. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

The exposure on this risk depends from the value of the balance and off-balance sheet items which are sensitive to interest rates, interest rates oscillation and the time period of the interest rate exposure.

The aim is maximization of the stability and profitability, through appliance of optimal structure and optimal interest rates in the Group's portfolio.

The Group has established Policy for undertaking and managing the risk of change in the interest rates in the Group's portfolio that is adopted by the Supervisory Board and is subject of regular revision. The Policy defines the main objectives, assessment of the Group's capacity to take the risk of change in the interest rates as well as assessment of its risk profile, organizational structure of the interest rate risk management function, basic elements of the interest rate risk management (management system and management process), adequate instruments for protection or reduction of the interest rate risk, as well as elements in the process of internal assessment and evaluation of the required capital adequacy.

The Group has established Procedures for identification, assessment, measurement, monitoring and control or mitigation the risk of change in the interest rates in the banking book. This act is issued by Board of Directors and is reviewed on regular bases. The Procedures gives in detail the proceedings (processes) for interest rate risk management as: identification and undertaking of interest rate risk, measurement and monitoring of interest rate risk, control and reporting of the interest rate risk exposure.

Methods used to measure this risk include: analysis of the realized interest income and expense, weighted average interest rates, interest margin and net interest margin, analysis of the structure and dynamics of interest bearing assets and interest bearing liabilities and assets quality influence to Group's profitability, ratio of the interest bearing assets and interest bearing liabilities, interest rate gap, changing of the economic value of the portfolio of banking activities, analysis of compliance in the interest rates of financial assets and liabilities and the maturity (in)consistency of interest sensitive assets and liabilities positions, the risk of differences in the level of reference interest rates of instruments with similar characteristics, the risk of movement of the yield curve, risk arising from the options that are embedded in interest-bearing positions, simulation models, stress-testing and other are methods used to measure this risk.

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.2 Sensitivity analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets) (continued)

A. Interest Rate Sensitivity Analysis

Schedules "VPV" prepared in accordance with the "Guidelines for implementing the Decision on managing the interest rate risk in the banking portfolio" for the years ended 31 December 2016 and 2015 are as follows:

in thousands of Denars

	Position	Currency	December 31, 2016
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	124,876
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(7,507)
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	847,486
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	(3,957)
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**960,898**
3	OWN FUNDS		**9,504,628**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**10.11%**

in thousands of Denars

	Position	Currency	December 31, 2015
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	116,113
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	(20,140)
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	780,359
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	(7,712)
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**868,620**
3	OWN FUNDS		**9,279,998**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**9.36%**

The table above presents the sensitivity analyses of the Bank, due to the insignificant participation (under 1%) in total assets of the subsidiary in the assets of the Bank.

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.2 Sensitivity analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets) (continued)

B. Interest Rates gap analyses

in thousands of Denars	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest bearing assets/ liabilities
December 31, 2016 (current year)							
FINANCIAL ASSETS							
Cash and cash equivalents	19,254,603	3,152,995	-	-	-	-	22,407,598
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	759,076	2,460,839	6,862,930	-	-	-	10,082,845
Loans and advances to other customers	2,403,473	2,814,614	30,662,628	1,109,869	2,590,724	4,245,240	43,826,548
Investments in securities	1,299,086	617,482	4,466,479	596,993	-	-	6,980,040
Other interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive financial assets	**23,716,238**	**9,045,930**	**41,992,037**	**1,706,862**	**2,590,724**	**4,245,240**	**83,297,031**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition							
Due to banks	-	332,014	-	-	-	-	332,014
Due to other customers	47,351,145	10,103,435	27,993,075	-	-	-	85,447,655
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	130,011	3,573	336,760	343,476	600,631	108,859	1,523,310
Subordinated debt	-	-	-	-	-	-	-
Other interest sensitive liabilities	-	-	-	-	-	-	-
Total interest sensitive financial assets	**47,481,156**	**10,439,022**	**28,329,835**	**343,476**	**600,631**	**108,859**	**87,302,979**
Net balance sheet gap	**(23,764,918)**	**(1,393,092)**	**13,662,202**	**1,363,386**	**1,990,093**	**4,136,381**	**(4,005,948)**
Off balance sheet interest sensitive assets	-	-	-	-	-	-	-
Off balance sheet interest sensitive liabilities	-	-	-	-	-	-	-
Net off-balance sheet gap	-	-	-	-	-	-	-
Total net-gap	**(23,764,918)**	**(1,393,092)**	**13,662,202**	**1,363,386**	**1,990,093**	**4,136,381**	**(4,005,948)**

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.2 Sensitivity analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets) (continued)

B. Interest Rates gap analyses (continued)

in thousands of Denars	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest bearing assets/ liabilities
December 31, 2015 (previous year)							
FINANCIAL ASSETS							
Cash and cash equivalents	18,760,361	-	-	-	-	-	18,760,361
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	639,063	3,143,926	5,422,800	-	-	-	9,205,789
Loans and advances to other customers	2,575,794	3,298,860	31,860,876	1,073,627	2,834,287	4,079,339	45,722,783
Investments in securities	899,303	1,804,676	4,008,523	401,125	-	-	7,113,627
Other interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive financial assets	**22,874,521**	**8,247,462**	**41,292,199**	**1,474,752**	**2,834,287**	**4,079,339**	**80,802,560**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Due to banks	192,333	184,784	-	-	-	-	377,117
Due to other customers	42,362,538	11,161,232	28,561,229	-	-	-	82,084,999
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	168,978	12,512	420,945	441,132	824,825	168,361	2,036,753
Subordinated debt	-	-	-	-	-	-	-
Other interest sensitive liabilities	-	-	-	-	-	-	-
Total interest sensitive financial assets	**42,723,849**	**11,358,528**	**28,982,174**	**441,132**	**824,825**	**168,361**	**84,498,869**
Net balance sheet gap	**(19,849,328)**	**(3,111,066)**	**12,310,024**	**1,033,620**	**2,009,462**	**3,910,978**	**(3,696,309)**
Off balance sheet interest sensitive assets	-	-	-	-	-	-	-
Off balance sheet interest sensitive liabilities	-	-	-	-	-	-	-
Net off-balance sheet gap	-	-	-	-	-	-	-
Total net-gap	**(19,849,328)**	**(3,111,066)**	**12,310,024**	**1,033,620**	**2,009,462**	**3,910,978**	**(3,696,309)**

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.3 Foreign Currency Risk

Foreign currency risk is risk of loss due to change in the cross-currency exchange rates and/or change in the value of the Denar against other foreign currencies.

The exposure to currency risk depends on the value of both balance and off balance sheet items denominated in foreign currency or in Denars with foreign currency clause, and fluctuation of cross-currency rates and/or rate of the Denar compared to other currencies.

The purpose of the Group is to maximize the stability and profitability, by obtaining optimal currency structure on both assets and liabilities.

The Group has established Policy for undertaking and managing market risk that is adopted by the Supervisory Board and is subject of regular revision. The Policy defines the main objectives, assessment of the Group capacity to undertake market risk as well as assessment of its risk profile, organizational structure of the market risk management function, main elements of the market risk management (system for market risk management and process for market risk management), acceptable instruments for protection or reduction of the market risk, internal control and main elements of the process for internal determining and assessment of the required capital adequacy of the Group.

The Group has established Procedures for identification, undertaking, measurement, following and control of foreign exchange risk issued by the Board of Directors and it is revised regularly. In the Procedures processes for managing foreign exchange risk are thoroughly described as follows: identification and undertaking foreign exchange risk, measurements and following, control and reporting for exposure to foreign exchange risk.

Methods used to measure foreign exchange risk includes: exposure to foreign exchange risk both by single positions and in total, foreign exchange structure of the balance sheet, foreign exchange structure of FX assets, stress test and other methods.

The Group's policy main principle for currency risk management is to achieve and maintain compliance of its claims in foreign currency (foreign currency assets) as a minimum, the amount of its total foreign currency liabilities (obligations in foreign currency). Also, this ratio is maintained from the perspective of maturity of liabilities and assets in foreign currency. This principle in the balance sheet provides that the Group is able to cover losses from foreign exchange differences arising from its liabilities by exchange rate differences arising from its assets, even under conditions of frequent changes in exchange rates. The tables below summarize the net foreign currency position of monetary assets and liabilities of the Bank as at 31 December 2016 and 2015.

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.3 Foreign Currency Risk (continued)

in thousands of denars	MKD	EUR	USD	list separately the currencies that represent more than 10% of total monetary assets/liabilities					Other currencies	Total
2016 (current year)										
Monetary Assets										
Cash and cash equivalents	16,385,554	10,829,113	4,116,209	-	-	-	-	-	2,207,798	**33,538,674**
Held-for-trading assets	388,174	23,165	-	-	-	-	-	-	-	**411,339**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	**-**
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	**-**
Loans and advances to banks	18,310	9,722,397	-	-	-	-	-	-	343,502	**10,084,209**
Loans and advances to other customers	29,754,092	14,795,602	718,460	-	-	-	-	-		**45,268,154**
Investments in securities	5,855,123	1,194,310	526	-	-	-	-	-		**7,049,959**
Investments in associates	210,171	-	-	-	-	-	-	-	-	**210,171**
Income tax receivable (current)	-	-	-	-	-	-	-	-	-	**-**
Other receivables	282,704	200,970	109,367	-	-	-	-	-	116	**593,157**
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	**-**
Deferred tax assets	-	-	-	-	-	-	-	-	-	**-**
Total Monetary Assets	**52,894,128**	**36,765,557**	**4,944,562**	**-**	**-**	**-**	**-**	**-**	**2,551,416**	**97,155,663**
Monetary Liabilities										
Trading liabilities										
Financial liabilities at fair value through profit or loss upon initial recognition										
Derivative liabilities held for risk management										
Due to banks	164,075	198,442	117,645	-	-	-	-	-	131,763	**611,925**
Due to other customers	46,344,719	33,692,638	4,735,650	-	-	-	-	-	2,378,868	**87,151,875**
Debt instruments issued	-	-	-	-	-	-	-	-	-	**-**
Borrowings	124,778	1,525,744	-	-	-	-	-	-	-	**1,650,522**
Subordinated debt	-	-	-	-	-	-	-	-	-	**-**
Income tax payable (current)	39,347	-	-	-	-	-	-	-	-	**39,347**
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	**-**
Other liabilities	354,774	163,722	15,624	-	-	-	-	-	11,205	**545,325**
Total Monetary Liabilities	**47,027,693**	**35,580,546**	**4,868,919**	-	-	-	-	-	**2,521,836**	**89,998,994**
Net-position	**5,866,435**	**1,185,011**	**75,643**	-	-	-	-	-	**29,580**	**7,156,669**

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.3 Foreign Currency Risk (continued)

in thousands of denars	MKD	EUR	USD	list separately the currencies that represent more than 10% of total monetary assets/liabilities					Other currencies	Total
2015 (previous year)										
Monetary Assets										
Cash and cash equivalents	13,447,252	8,110,102	3,651,715	-	-	-	-	-	2,454,650	**27,663,719**
Held-for-trading assets	356,182	14,847	-	-	-	-	-	-	-	**371,029**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	**-**
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	**-**
Loans and advances to banks	143,317	9,065,109		-	-	-	-	-		**9,208,426**
Loans and advances to other customers	31,195,824	15,458,528	990,170	-	-	-	-	-	-	**47,644,522**
Investments in securities	6,849,842	343,700	508	-	-	-	-	-	-	**7,194,050**
Investments in associates	189,147	-	-	-	-	-	-	-	-	**189,147**
Income tax receivable (current)	-	-	-	-	-	-	-	-		**-**
Other receivables	320,354	115,479	96,636	-	-	-	-	-	120	**532,589**
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	**-**
Deferred tax assets	-	-	-	-	-	-	-	-	-	**-**
Total Monetary Assets	**52,501,918**	**33,107,765**	**4,739,029**	**-**	**-**	**-**	**-**	**-**	**2,454,770**	**92,803,482**
Monetary Liabilities										
Trading liabilities	-	-	-	-	-	-	-	-	-	**-**
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	**-**
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	**-**
Due to banks	8,893	207,626	92,384	-	-	-	-	-	111,849	**420,752**
Due to other customers	45,553,642	31,293,927	4,612,010	-	-	-	-	-	2,320,940	**83,780,519**
Debt instruments issued	-	-	-	-	-	-	-	-	-	**-**
Borrowings	124,779	2,040,697	-	-	-	-	-	-	-	**2,165,476**
Subordinated debt	-	-	-					-	-	**-**
Income tax payable (current)	51,849	-	-	-	-	-	-	-	-	**51,849**
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	**-**
Other liabilities	297,741	137,932	8,026	-	-	-	-	-	12,637	**456,336**
Total Monetary Liabilities	**46,036,904**	**33,680,182**	**4,712,420**	**-**	**-**	**-**	**-**	**-**	**2,445,426**	**86,874,932**
Net-position	**6,465,014**	**(572,417)**	**26,609**	**-**	**-**	**-**	**-**	**-**	**9,344**	**5,928,550**

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.4 Other Market Risks

Other market risks are risks of loss arising from the change in the price of trading financial instruments i.e. instruments that are part of the trading portfolio.

The exposure depends on the trading portfolio value and on the movement of the price of the financial instruments which constitute the portfolio.

The purpose of the Group is to maximize the stability and profitability, by applying the optimal structure of trading portfolio.

The Group has established Policy for undertaking and managing market risk that is issued by the Supervisory Board and is subject of regular revision. The Policy defines the main objectives, assessment of the Group capacity to undertake market risk as well as assessment of its risk profile, organizational structure of the market risk management function, main elements of the market risk management (system for market risk management and process for market risk management), acceptable instruments for protection or reduction of the market risk, internal control and main elements of the process for internal determining and assessment of the required capital adequacy of the Group.

The Group has established Procedures for identification, undertaking, assessment, monitoring and control of the market risk. This act is issued by the Supervisory Board and is subject of regular revision. The Procedures gives in detail the proceedings (processes) for market risk management as: identification and undertaking the market risk, assessment and monitoring, control and reporting for the market risk exposure.

Methods used to measure foreign exchange risk includes: analysis of each investment intended for trade, analysis of the trading book (type of the securities, market segmentation, market value, participation in the issuer capital etc.) currency structure, realized transactions of trading, fulfilling the law limits, fulfilling the internal limits and exceptions, trading results, daily monitoring of the trading book regarding the Group's total activities, stress-testing and other are methods that are used for market risk assessment.

As at 31 December 2016 and 2015, according to regulatory requirements, the Group does not determine capital required to cover the market risk for portfolio trading.

2.4 Operational Risks

The operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The operational risk includes the legal risk,the risk of money laundering and financing of terrorism, as well as IT risk and other operational risks

Legal risk denotes current or prospective risk to the Group's profit and own funds, caused by violation or non-adherence to the legal framework, agreements, prescribed practices, ethics standards, or as a result of misinterpretation of the regulations, rules, agreements and other legal documents.

The Group has established a framework for managing operational risk based on a strategy, policy and methodology to manage this risks, and appropriate organizational structure and established process. It allows, within the framework of different processes of the Group, different risks to be identified resulting from these processes, their measurement and undertaking corrective actions, in order to avoid the potential negative effect on the Group's financial result and capital position. The appropriateness of the established framework for operational risk management is to regular revision.

2. Risk Management (continued)

2.4 Operational Risks (continued)

The identification and measurement of the operational risk is performed by the Group through analysis of collected data on loss events occurred in the Group, and Group's key risk Indicators, by using the self-assessment method through qualitative approach, as well as through analysis of external loss data from other banks.

As at 30 September 2012 following the legal requirements the Group started to calculate capital required for coverage of operational risk, applying the standardised approach. The amount of capital as at 31 December 2016 is presented under heading 3.1.1. Capital adequacy ratio report.

3. Capital Adequacy

According to the Decision of the Central Bank for consolidated supervision, if the total assets of the subordinate entity are less than 1% of the assets of the parent entity, subordinate entity does not have to be included in the consolidated financial statements for purposes of consolidated supervision. Based on the above, capital adequacy is not determined on a consolidated basis.

Capital management

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

- To comply with the capital requirements set by NBRM;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the directives required by the regulator, for supervisory purposes. The required information is filed with the NBRM on a quarterly basis. In accordance with the law requirements, the capital adequacy ratio is minimum 8%.

Additionally, the Bank has established a Process of determining the internal capital (PIC) in accordance with the Decision on risk management specified by NBRM. The Process of determining the internal capital is based on enacted Policies and Procedures and within the same reference frame, the Bank:

- Determines the required internal capital to cover the acceptable level of risk, in accordance with its risk profile and the size and complexity of current and future financial activities;
- Focuses on establishing a sustainable level of long term capital, while taking into account the influence of all material risks and similar.

3.1 Determination of Capital Adequacy

The Bank determines its own funds and the capital adequacy in accordance to the Methodology for determining the capital adequacy set by NBRM. In accordance with the regulation, the credit risk weighted assets and the capital required for coverage of operational risks are calculated based on the standardised approach.

Capital adequacy ratio indicates the level of coverage of risk operations of the Bank and it is calculated as the relation between Bank's own funds and risk weighted assets.

a) Own funds are category that is in function of determination the rate of the capital adequacy and other prudential limits. Own funds represent a total of core capital and additional capital, reduced for the net capital invested in banks and other financial institutions as defined in the Decision for the methodology for determination of the capital adequacy.

3. Capital Adequacy (continued)

3.1 Determination of Capital Adequacy (continued)

b) Risk weighted assets represent a sum of assets weighted according to credit risk, weighted assets by currency risk, weighted assets by operational risk and weighted assets by other risks.

- Risk weighted assets based on credit risk include the active balance and off-balance sheet position, which allocated in appropriate risk categories are weighted with appropriate risk weight depending on the credit quality rating of the debtor. The credit quality rating of the debtor is determined based on issued credit rating of the debtor, by an appropriate recognised external credit rating institution. The Bank uses the credit ratings issued by the three recognised credit rating agencies: Standard&Poor`s Ratings Services, Moody`s Investors Services Ltd. and Fitch Ratings.
- Risk weighted assets based on currency risk are determined based on calculated capital necessary for coverage of currency risk, which the Bank determines based on the amount of the aggregate foreign currency position and the absolute amount of net-position in gold.
- Risk weighted assets based on operational risk are determined based on capital required for coverage of operational risks, which the Bank calculates using the standardised approach.
- Risk weighted assets based on other risks include the capital required for coverage the risk of changes in prices of commodities and the capital required for coverage market risks.

Determination of the capital adequacy according to the regulation is done on a quarterly basis, but depending on internal needs, and towards the effective risk management, other reports, analysis and simulations for potential changes of the rate of capital adequacy are made.

3. Capital Adequacy (continued)

3.1.1 Capital Adequacy Ratio Report

		in thousands of Denars	
Nr.	**Description**	Current year 2016	Previous year 2015
1	2	3	4
I	**CREDIT RISK WEIGHTED ASSETS**		
1	Assets weighted according to credit risk using the standardised approach	53,249,576	59,137,539
2	Capital required for credit risk covering	4,259,966	4,731,003
II	**CURRENCY RISK WEIGHTED ASSETS**		
3	Aggregate foreign exchange position	1,454,050	493,000
4	Net-position in gold	-	-
5	Capital needed for currency risk covering	116,324	39,440
6	Assets weighted according to currency risk	1,454,050	493,000
III	**OPERATIONAL RISKS WEIGHTED ASSETS**		
7	Capital needed for operational risk covering using the base indicator approach	-	-
8	Capital needed for operational risk covering using the standardised approach	616,816	603,572
9	**Assets weighted according to operational risk**	7,710,206	7,544,649
IV	**OTHER RISKS WEIGHTED ASSETS**	-	-
10	Capital needed for covering the risk of changes in the prices of commodities	-	-
11	Capital needed for covering market risks (11.1+11.2+11.3+11.4+11.5)	-	-
11.1	Capital needed for covering position risk (11.1.1.+11.1.2+11.13+11.1.4)	-	-
11.1.1	Capital needed for covering the specific risk of investing in debt instruments	-	-
11.1.2	Capital needed for covering the general risk of investing in debt instruments	-	-
11.1.3	Capital needed for covering the specific risk of investing in equity instruments	-	-
11.1.4	Capital needed for covering the general risk of investing in equity instruments	-	-
11.2	Capital needed for covering settlement/delivery risk	-	-
11.3	Capital needed for covering counterparty risk	-	-
11.4	Capital needed for covering the surpass of exposure limits	-	-
11.5	Capital needed for covering market risks of positions in options	-	-
12	Capital needed for covering other risks (10+11)	-	-
13	Assets weighted according to other risks	-	-
V	**RISK WEIGHTED ASSETS**	**62,413,832**	**67,175,188**
14	Capital required to risk coverage	4,993,106	5,374,015
VI	**OWN FUNDS**	**9,504,628**	**9,279,998**
VII	**CAPITAL ADEQUACY (VI/V)**	**15.23%**	**13.81%**

3. Capital Adequacy (continued)

3.1.2 Report on Own Funds

		in thousands of Denars	
Nr.	**Description**	Current year 2016	Previous year 2015
	Core Capital		
1	**Paid and registered ordinary and non-cumulative preferred shares and their premium**	**3,050,594**	**3,050,594**
1.1	Nominal value	2,279,067	2,279,067
1.1.1	Nominal value of ordinary shares	2,279,067	2,279,067
1.1.2	Nominal value of non-cumulative preferred shares	-	-
1.2	Premium	771,527	771,527
1.2.1	Premium from ordinary shares	771,527	771,527
1.2.2	Premium from non-cumulative preferred shares	-	-
2	**Reserves and retained earnings or losses**	**6,708,773**	**6,468,549**
2.1	Reserved Fund	6,708,773	6,468,549
2.2	Retained earnings restricted for distributions to shareholders	-	-
2.3	Accumulated loss from previous periods	-	-
2.4	Current profit	-	-
3	**Items as result of consolidation**	-	-
3.1	Minority interest	-	-
3.2	Exchange rate reserves	-	-
3.3	Other differences	-	-
4	**Deductible items**	**420**	**914**
4.1	Current loss	-	-
4.2	Stock Repurchased	-	-
4.3	Intangible assets	420	914
4.4	Difference between the necessary and the actual allowance for impairment/special reserve	-	-
4.5	Amount of unallocated allowance for impairment and special reserve as a result of accounting delay	-	-
4.6	Unrealised loss from available for sale equity instruments	-	-
4.7	**Other Deductibles**	-	-
I	**Core Capital**	**9,758,947**	**9,518,229**

3. Capital Adequacy (continued)

3.1.2 Report on Own Funds (continued)

		in thousands of Denars	
	Additional Capital	Current year 2016	Previous year 2015
5	**Paid and registered cumulative preferred shares and related premium**	-	-
5.1	Nominal value	-	-
5.2	Premium	-	-
6	Revaluation reserve	4,937	-
7	Hybrid capital instruments	-	-
8	Subordinated instruments	-	-
9	Amount of cumulative preferred shares and subordinated instruments that can be part of additional capital	-	-
II	**Additional Capital**	4,937	-
	Deductible items from core and additional capital		
10	Investments in capital of other banks or financial institutions which represent more than 10% of the capital of those institutions	259,256	238,231
11	Investments in subordinated and hybrid capital instruments and other instruments of the aforementioned institutions	-	-
12	Aggregate amount of capital investment, subordinated and hybrid capital instrument and other instruments which exceeds 10% of core and additional capital (I+II)	-	-
13	Investments in the equity of companies for insurance and reinsurance which exceed 10% of the capital of those companies	-	-
14	Investment in financial instruments issued by the insurance and reinsurance companies in which the bank owns over 10% of their equity	-	-
15	Amount for exceeding the limits for investment in non-financial institutions	-	-
16	Items as result of consolidation (negative amounts)	-	-
III	**DEDUCTIBLE ITEMS**	**259,256**	**238,231**
IV	**Core Capital After Deductions**	**9,504,628**	**9,279,998**
V	**Additional Capital After deductions**	-	-
	Own Funds		
VI	**Core capital**	**9,504,628**	**9,279,998**
VII	**Additional capital**	-	-
VIII	**OWN FUNDS**	**9,504,628**	**9,279,998**

4. Segmented Reporting

Segment reporting is carried out by the Group's operating segments.

Operating segment is a component of the activities of the Group for which the following conditions have been fulfilled:

- Performs activities as a result based on which incomes are generated and expenditures arise;
- Reviews from the Group's Supervisory Board, in order to assess the accomplishments and decision making for future business activities of the segment; and
- Financial information for the segment is available.

The Group disclose the information independently for each significant operating segment. A segment is considered significant if:

- The incomes of the segment participates with more than 10% of the total income of the Group;
- The amount of the profit or loss represents 10% or more from the total income of all operating segments which have made profit, or from the total loss of all the operating segments which have made loss;
- Total assets of the segment participate with 10% or more in the Group's total assets;
- Management has assessed that they are significant to follow for the Group's management needs.

For the purposes of the financial reporting, the Group groups two or more segments into one operating segment if those operating segments are similar in terms of the variety of the goods and services, the type and the group of the users of the goods and the services and the methods of distribution and offering of the goods and services. As at December 31, 2016 and 2015 the Group does not group two or more operating segments into one.

The operating segments of the Group are equal as the business lines prescribed in the "Decision on the methodology for determining capital adequacy", using the standardized approach for the determination of capital required for coverage of operational risk.

The Group discloses information for the concentration of the business activities towards consolidated significant client. Significant client is an individual or a legal entity as well as the parties related to them, if the Group realizes 10% or more from its total business income or expenditure. As at 31 December 2016 and 2015 there are no significant clients.

Geographical segments according to which the Group is reporting are:

- Member countries of the European Union;
- Other European countries, outside the EU;
- Countries outside Europe, members of the Organization for Economic Cooperation and Development (OECD);
- Other countries.

4. Segmented Reporting (continued)

A. Operating Segments

in thousands of Denars	Operating Segments									Unallocated	Total
	BL1: Services related to financing middle and large retailers	BL2: Trading and sales	BL 3: Retail banking	BL 4: Corporate banking	BL 5: Payment and settlement	BL 6: Agent services	BL 7: Asset management	BL 8: Retail brokerage	All other insignificant operating segments		
2016 (current year)											
Interest income/(expense), net	-	708	477,164	2,600,617	119	1	-	-	-	-	**3,078,609**
Fee and commission income/(expense), net	-	1,879	81,553	161,068	593,407	23,596	-	2,752	21,227	(6)	**885,476**
Net trading income	-	14,567	-	-	-	-	-	-	209	-	**14,776**
Net income from other financial instruments at fair value	-	-	-	-	-	-	-	-	-	-	**-**
Other operating income	-	187,401	5,579	450,871	31,942	(8,863)	-	1	43,625	17,505	**728,061**
Inter segmented income	-	-	-	-	-	-	-	-	-	-	**-**
Total income by segment	-	204,555	564,296	3,212,556	625,468	14,734	-	2,753	65,061	17,499	**4,706,922**
Impairment losses of financial assets, net	-	-	(46,146)	(1,707,323)	-	-	-	-	-	-	**(1,753,469)**
Impairment losses of non-financial assets, net	-	-	(2,858)	(344,995)	-	-	-	-	-	-	**(347,853)**
Depreciation and amortization	-	(1,924)	(42,611)	(27,013)	(68,921)	(1,924)	-	(2,109)	(118)	(40,520)	**(185,140)**
Restructuring costs	-	-	-	-	-	-	-	-	-	-	**-**
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	**-**
Other expenses	-	(44,130)	(598,905)	(173,900)	(413,958)	(10,543)	-	(12,476)	(7,310)	(273,452)	**(1,534,674)**
Total expenses by segment	-	(46,054)	(690,520)	(2,253,231)	(482,879)	(12,467)	-	(14,585)	(7,428)	(313,972)	**(3,821,136)**
Financial result by segment	-	158,501	(126,224)	959,325	142,589	2,267	-	(11,832)	57,633	(296,473)	**885,786**
Income tax											**(94,317)**
Profit/(loss) for the year											**791,469**
Total assets by segment	-	441,271	14,210,097	82,352,452	2,708,915	35,476	-	36,526	216,564		**100,001,301**
Unallocated assets by segment										729,398	**729,398**
Total assets											**100,730,699**
Total liabilities by segment	-	-	64,772,708	24,613,542	132,326	513,157	-	-	512		**90,032,245**
Unallocated liabilities by segment										132,544	**132,544**
Total liabilities											**90,164,789**

4. Segmented Reporting (continued)

A. Operating Segments (continued)

in thousands of Denars	Operating Segments									Unallocated	Total
	BL1: Services related to financing middle and large retailers	BL2: Trading and sales	BL 3: Retail banking	BL 4: Corporate banking	BL 5: Payment and settlement	BL 6: Agent services	BL 7: Asset management	BL 8: Retail brokerage	All other insignificant operating segments		
2015 (previous year)											
Interest income/(expense), net	-	-	306,241	2,871,283	142	(14)	-	-	-	-	**3,177,652**
Fee and commission income/(expense), net	-	(2,279)	72,826	175,480	625,648	23,710	-	1,897	18,461	32	**915,775**
Net trading income	-	8,382	-	-	-	-	-	-	416	-	**8,798**
Net income from other financial instruments at fair value	-	-	-	-	-	-	-	-	-	-	**-**
Other operating income	-	232,428	(472,734)	633,839	12,102	(256)	-	5	39,031	35,087	**479,502**
Inter segmented income	-	-	-	-	-	-	-	-	-	-	**-**
Total income by segment	-	238,531	(93,667)	3,680,602	637,892	23,440	-	1,902	57,908	35,119	**4,581,727**
Impairment losses of financial assets, net	-	-	(24,586)	(1,702,853)	-	-	-	-	-	-	**(1,727,439)**
Impairment losses of non-financial assets, net	-	-	(4,187)	(528,378)	-	-	-	-	(10,633)	-	**(543,198)**
Depreciation and amortization	-	(1,993)	(44,324)	(28,579)	(72,884)	(2,168)	-	(2,344)	(61)	(43,056)	**(195,409)**
Restructuring costs	-	-	-	-	-	-	-	-	-	-	**-**
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	**-**
Other expenses	-	(42,536)	(577,919)	(162,098)	(421,083)	(10,838)	-	(12,771)	(6,939)	(292,588)	**(1,526,772)**
Total expenses by segment	-	(44,529)	(651,016)	(2,421,908)	(493,967)	(13,006)	-	(15,115)	(17,633)	(335,644)	**(3,992,818)**
Financial result by segment	-	194,002	(744,683)	1,258,694	143,925	10,434	-	(13,213)	40,275	(300,525)	**588,909**
Income tax											**(64,442)**
Profit/(loss) for the year											**524,467**
Total assets by segment	-	402,656	13,401,192	79,636,426	2,650,551	38,960	-	39,945	193,550		**96,363,280**
Unallocated assets by segment										770,640	**770,640**
Total assets											**97,133,920**
Total liabilities by segment	-	-	64,498,024	21,993,579	125,404	266,690	-	7	1,012		**86,884,716**
Unallocated liabilities by segment										196,058	**196,058**
Total liabilities											**87,080,774**

4. Segmented Reporting (continued)

B. Concentration of Total Income and Expense by Significant Customer

in thousands of Denars	Operating Segments										
	DL1: Services related to financing middle and large retailers	DL2: Trading and sales	DL 3: Retail banking	DL 4: Corporate banking	DL 5: Payment and settlement	DL 6: Agent services	DL 7: Asset management	DL 8: Retail brokerage	All other insignificant operating segments	Unallocated	Total
2016 (current year)											
Customer 1	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	-	-	-	-	-	-	-	-	-	-	-
2015 (previous year)											
Customer 1	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	-	-	-	-	-	-	-	-	-	-	-

4. Segmented Reporting (continued)

C. Geographical Location

in thousands of Denars	Republic of Macedonia	EU member states	Europe (other countries)	OECD member states (without EU countries-members of OECD	Other (significant geographical segments)	Other insignificant geographical segments	Unallocated	Total
2016 (current year)								
Total income	4,657,304	21,688	15,523	12,035	-	360	12	**4,706,922**
Total assets	82,991,987	14,675,468	1,564,125	1,499,119	-	-	-	**100,730,699**
2015 (previous year)								
Total income	4,261,117	138,701	147,302	34,995	-	(2,065)	1,677	**4,581,727**
Total assets	78,959,117	13,722,423	2,674,712	1,777,668	-	-	-	**97,133,920**

5. Fair Value of Financial Assets and Liabilities

A. Fair Value of Financial Assets and Liabilities

	Current year 2016		Previous year 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
in thousands of denars				
Financial Assets				
Cash and cash equivalents	33,538,674	33,538,674	27,663,719	27,663,719
Held-for-trading assets	411,339	411,339	371,029	371,029
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	10,084,209	10,084,209	9,208,426	9,208,426
Loans and advances to other customers	45,268,154	45,268,154	47,644,522	47,644,522
Investments in securities	7,049,959	7,053,885	7,194,050	7,194,016
Investments in associates	210,171	210,171	189,147	189,147
Income tax receivable (current)	-	-		
Other receivables	593,157	593,157	532,589	532,589
Assets pledged as collateral			-	-
Deferred tax assets			-	-
Financial Liabilities				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Due to banks	611,925	611,925	420,752	420,752
Due to other customers	87,151,875	87,151,875	83,780,519	83,780,519
Debt instruments issued	-	-	-	-
Borrowings	1,650,522	1,650,522	2,165,476	2,165,476
Subordinated debt	-	-	-	-
Income tax payable (current)	39,347	39,347	51,849	51,849
Deferred tax liabilities	-	-	-	-
Other liabilities	545,325	545,325	456,336	456,336

Fair value represents the amount at which an asset could be replaced or a liability settled on regular, market conditions between informed and voluntary parties. Fair value has been based on management assumptions according to the profile of the asset and liability base.

5. Fair Value of Financial Assets and Liabilities (continued)

A. Fair Value of Financial Assets and Liabilities (continued)

a) Cash and cash equivalents

The carrying amount of cash and cash equivalents equals their fair values as they include cash and nostro accounts representing unrestricted demand deposits and placements with NBRM, which mature in short periods.

b) Trading assets

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

c) Loans and advances to banks

Due to the insignificant risk of change in value, the fair value of loans and advances to banks is equal to their carrying amounts.

d) Loans and advances to customers

Loans and advances to customers are carried at amortized cost less impairment The major part of the loans and advances to customers is with adjustable interest rate. The estimated fair value of loans and advances to customers is determined by the discounting expected future cash flows. Expected future cash flows for determining the fair value are discounted using current market interest rate.

The Group provides loans from credit lines financed from the Macedonian Bank for Reconstruction and Development, and these loans are offered on the market by other banks as well, under the same conditions. Their interest rates are considered to be market interest rates. Also, the Group provides retail loans with fixed interest rates in the first couple of years of the loan. Loans with similar characteristics and interest rates are offered by other banks on the market as well, thus their interest rates are considered to be market interest rates.

e) Investments in securities

Investments in securities include debt securities held to maturity at amortised cost using the effective interest rate method and assets classified as available for sale which are measured at fair value. Fair value for assets classified as available for sale is based on published prices on active market or published prices available from stock exchange, dealer and broker. In cases where this information is not available, fair value is estimated by: information for realized prices of recent normal commercial transactions among voluntary parties; analysis of discounted cash flows; other alternative models for price determination.

Investments in securities include the amount of MKD 64,988 thousand (2015: MKD 67,597 thousand), related to investments in secutiries for which there is no active market and do not have recent transaction that can be used for determination of the fair value. These invesments in secutires are presented at cost, decreased by the impairment loss. Their share in total investments in securities is only 1.76% (2015: 1%).

f) Other receivables

The fair value of other receivables equals their carrying value as they will mature in short periods.

g) Due to banks

Due to the insignificant risk of changes in value, the fair value of demand and time deposits is equal to their carrying amounts.

5. Fair Value of Financial Assets and Liabilities (continued)

A. Fair Value of Financial Assets and Liabilities (continued)

h) Due to other customers

The fair value of demand deposits and deposits with variable interest rates is their carrying amount. Out of the total due to other customers, zero percent represent deposits with fixed interest rates, thus the carrying amount of total deposits of other customers approximates their carrying amount.

i) Borrowings

Fair value of borrowings with variable interest rate does not differ from its carrying value due to interest rate adjustment for specific financial liabilities with market interest rates for similar instruments. The fair value of credit lines regulated with special terms and for which the market does not provide reliable estimates of prices for similar instruments, approximately presents their carrying value.

j) Other liabilities

The fair value of other receivables equals their carrying value as they will mature shortly.

5. Fair Value of Financial Assets and Liabilities (Continued)

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value

B.1. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value

in thousands of Denars	Note	Level 1	Level 2	Level 3	Total
December 31, 2016 (current year)					
Financial assets measured at fair value					
Held-for-trading assets	19	408,841	2,498	-	411,339
Financial assets at fair value through profit or loss upon initial recognition	20				
Derivative assets held for risk management	21				
Investments in available-for-sale securities	23.1	-	3,610,242	64,988	**3,675,230**
Total		**408,841**	**3,612,740**	**64,988**	**4,086,569**
Financial liabilities measured at fair value					
Trading liabilities	32	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		-	-	-	-
December 31, 2015 (previous year)					
Financial assets measured at fair value					
Held-for-trading assets	19	368,841	2,187	-	**371,028**
Financial assets at fair value through profit or loss upon initial recognition	20	-	-	-	**-**
Derivative assets held for risk management	21	-	-	-	**-**
Investments in available-for-sale securities	23.1	7,126,561	-	64,973	**7,191,534**
Total		**7,495,402**	**2,187**	**64,973**	**7,562,562**
Financial liabilities measured at fair value					
Trading liabilities	32	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		**-**	**-**	**-**	**-**

5. Fair Value of Financial Assets and Liabilities (continued)

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

B.1. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

The Group classifies all financial assets and liabilities at fair value, using fair value hierarchy which reflects the significance of inputs used in determining fair value. The fair value hierarchy includes the following levels:

a) Level 1 – Fair value is determined directly with reference to quoted market prices of the financial instruments in active markets;
b) Level 2 - Fair value is determined using valuation techniques that include active markets inputs, which can be direct, i.e. prices, or indirect, i.e. derived from prices;
c) Level 3 - Fair value is determined using valuation techniques that include inputs that cannot be directly or indirectly followed on the active markets, or are not visible.

B.2. Transfers Between Levels 1 and 2 of Fair Values

	Current year 2016		Previous year 2015	
in thousands of Denars	Transfers from level 1 to level 2	Transfers from level 2 to level 1	Transfers from level 1 to level 2	Transfers from level 2 to level 1
Financial assets measured at fair value				
Held-for-trading assets	-	-	-	-
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investments in available-for-sale securities	3,610,242	-	-	-
Total	**3,610,242**	-	-	-
Financial liabilities carried at fair value				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

5. Fair Value of Financial Assets and Liabilities (continued)

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

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

in tousands of denars	Held-for-trading assets	Financial assets at fair value through profit or loss upon initial recognition	Investments in available-for-sale securities	**Total assets**	Trading liabilities	Financial liabilities at fair value through profit or loss upon initial recognition	**Total liabilities**
As of January 1, 2015 (previous year)	-	-	64,918	**64,918**	-	-	-
Gains/(losses) recognized in:							
- Income statement	-	-	55	**55**	-	-	-
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	**-**	-	-	-
Purchase of financial instruments in the period	-	-	-	**-**	-	-	-
Disposals of financial instruments in the period	-	-					
Issued financial instruments in the period	-	-	-	**-**	-	-	-
Paid financial instruments in the period	-	-	-	**-**	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-		**-**	-	-	-
Reclassified in loans and advances	-	-	-	**-**	-	-	-
As of December 31, 2015 (previous year)	**-**	**-**	**64,973**	**64,973**	**-**	**-**	-
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2015 (previous year)	**-**	**-**	**55**	**55**	**-**	**-**	-

5. Fair Value of Financial Assets and Liabilities (continued)

B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)

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

in tousands of denars	Held-for-trading assets	Financial assets at fair value through profit or loss upon initial recognition	Investments in available-for-sale securities	**Total assets**	Trading liabilities	Financial liabilities at fair value through profit or loss upon initial recognition	**Total liabilities**
As of January 1, 2016 (current year)	-	-	64,973	**64,973**	-	- -	
Gains/(losses) recognized in:							
- Income statement	-	-	15	**15**	-	- -	
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	**-**	-	- -	
Purchase of financial instruments in the period	-	-			-	- -	
Disposals of financial instruments in the period	-	-			-	- -	
Issued financial instruments in the period	-	-	-	**-**	-	- -	
Paid financial instruments in the period	-	-	-	**-**	-	- -	
Reclassified financial instruments to/(from) Level 3	-	-		**-**	-	- -	
Reclassified in loans and advances	-	-	-	**-**	-	- -	
As of December 31, 2016 (current year)	**-**	**-**	**64,988**	**64,988**	**-**	**- -**	
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2016 (current year)	**-**	**-**	**15**	**15**	**-**	**- -**	

6. Net interest income/(expense)

A. Structure of interest income and expense according to the type of financial instrument

	in thousands of denars	
	Current year 2016	Previous year 2015
Interest income		
Cash and cash equivalents	258,597	226,950
Financial assets at fair value through profit or loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	4,729	12,684
Loans and advances to other customers	3,017,522	3,279,496
Investments in securities	164,167	107,279
Other receivables	708	-
(Impairment on interest income, net)	(73,872)	(109,512)
Collected interest previously written off	264,535	377,745
Total interest income	**3,636,386**	**3,894,642**
Interest expense		
Financial liabilities at fair value through profit or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	332	213
Due to other customers	539,437	695,054
Debt instruments issued	-	-
Borrowings	18,008	21,723
Subordinated debt	-	-
Other liabilities	-	-
Total interest expense	**557,777**	**716,990**
Net interest income/(expense)	**3,078,609**	**3,177,652**

6 Net interest income/(expense), (continued)

B. Sector analysis of interest income and expense according to sector

	in thousands of denars	
	Current year 2016	Previous year 2015
Interest income		
Non-financial companies	2,034,909	2,321,086
Government	226,978	171,255
Not for profit institutions that serve to household	2,721	3,740
Banks	230,348	219,471
Other financial institutions (non-banks)	904	116
Households	914,677	879,486
Non-residents	35,186	31,255
(Allowance for impairment of Interest Income, net)	(73,872)	(109,512)
Collected interest previously written off	264,535	377,745
Total interest income	**3,636,386**	**3,894,642**
Interest expense		
Non-financial companies	41,414	53,069
Government	1,045	566
Not for profit institutions that serve to household	11,249	13,330
Banks	18,098	21,579
Other financial institutions (non-banks)	10,446	16,418
Households	453,582	595,543
Non-residents	21,943	16,485
Total interest expense	**557,777**	**716,990**
Net interest income/(expense)	**3,078,609**	**3,177,652**

7 Fee and Commission Income/(Expense), Net

A Structure of Fee and Commission Income and Expense According to the Type of Financial Activity

	in thousands of denars	
	Current year 2016	Previous year 2015
Fee and commission income		
Loans	232,112	202,932
Payment operations	-	
domestic	377,446	386,541
international	197,676	206,276
Letter of credit and guarantees	171,770	174,818
Brokerage operations	4,954	2,821
Asset management	21,040	18,255
Fiduciary activities	25,863	23,749
Issuing securities	-	-
Other	102,335	106,239
(describe separately income which represent more than 10% of the total fees and commissions income)		
Total fee and commission income	**1,133,196**	**1,121,631**
Fee and commission expense		
Loans	153,339	117,510
Payment's operation	-	
domestic	67,123	65,195
international	13,533	12,661
Letter of credit and guarantees	-	-
Brokerage operations	704	717
Asset management	-	-
Fiduciary activities	2,082	1,070
Issuing securities	-	-
Other	10,939	8,703
(describe separately expenses which represent more than 10% of the total fees and commissions expense)		
Total fee and commission expense	**247,720**	**205,856**
Net fee and commission income/(expense)	**885,476**	**915,775**

7 Net fee and commission income/(expense)

B Sector analysis of fee and commission income and expense

	in thousands of denars	
	Current year 2016	Previous year 2015
Fee and commission income		
Non-financial companies	674,413	665,526
Government	4,431	5,014
Not for profit institutions that serve to household	15,480	15,104
Banks	61,857	55,569
Other financial institutions (non-banks)	51,248	45,946
Households	239,914	239,797
Non-residents	85,853	94,675
Total fee and commission income	**1,133,196**	**1,121,631**
Fee and commission expense		
Non-financial companies	1,491	906
Government	1,749	1,749
Not for profit institutions that serve to household	-	-
Banks	35,648	29,276
Other financial institutions (non-banks)	76,536	72,660
Households	-	-
Non-residents	132,296	101,265
Total fee and commission expense	**247,720**	**205,856**
Net fee and commission income/(expense)	**885,476**	**915,775**

8 Net trading income/(expense)

	in thousands of denars	
	Current year 2016	Previous year 2015
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
realized	191	-
unrealized	(179)	311
Profit/(loss) from fair value changes of equity instruments, net		
realized	(2,850)	321
unrealized	15,917	6,860
Income from dividends from trading assets	1,120	1,150
Income from interest of trading assets	577	156
Trading liabilities		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of trading deposits, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of remaining financial liabilities for trading, net		
realized	-	-
unrealized	-	-
Interest expense of financial liabilities held for trading	-	-
Profit/(loss) from fair value change of derivatives held for trade, net		
realized	-	-
unrealized	-	-
Net income/(expense) from trading	**14,776**	**8,798**

9 Net income from other financial instruments at fair value

	in thousands of denars	
	Current year 2016	Previous year 2015
Financial assets at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	-	-
Gains/(losses) from changes in fair value of equity instruments, net		
realized	-	-
unrealized	-	-
Dividend income from trading assets at fair value through profit or loss	-	-
Profit/(loss) from changes in fair value of loans and receivables at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Financial liabilities at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from the changes in fair value of deposits at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Profit/(loss) from the changes in fair value of borrowings at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Profit/ s(loss) from the changes in fair value of other financial liabilities at fair value through profit and loss		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value change of derivatives held for risk management at the fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Net income from other financial instruments at fair value	**-**	**-**

10 Net foreign exchange gains/ (losses)

	in thousands of denars	
	Current year 2016	Previous year 2015
Realized foreign exchange gains/(losses), net	158,653	170,225
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	7,700	(20,245)
Foreign exchange differences of special reserve for off balance exposure, net	125	(1,420)
Other foreign exchange differences, net	(33,175)	(38,954)
Net foreign exchange gain/(loss)	**133,303**	**109,606**

11 Other Operating Income

	in thousands of denars	
	Current year 2016	Previous year 2015
Gain from sale of available-for-sale assets	-	-
Dividends from equity instruments available-for-sale	5,090	4,533
Net income from investment in subsidiaries and associates	-	-
Capital gain from the sale of:		
Property and equipment	107	457
Intangible assets	-	-
Foreclosed assets	101,265	26,198
Non-current assets held-for-sale and group for disposal	-	-
Income from rent	8,884	14,864
Income from litigations	-	3,504
Collected receivables previously written off	286,624	99,412
Release from the special reserve and provisions for:		
Off-balance credit exposure	37,045	27,802
Contingent commitments based on litigations	-	-
Pensions and other employee benefits	-	-
Restructuring	-	-
Onerous contracts	-	-
Other provisions	-	-
Other (income that represents more than 10% of the total remaining operating income)		
Income from foreign exchange operations	55,860	86,149
Income for credit cards membership	37,781	37,660
income that does not represent more than 10% of the total remaining operating income	18,477	30,289
Total other operating income	**551,133**	**330,868**

The amount of MKD 101.265 thousand in 2016 in the line “Capital gain from the sale of foreclosed assets” is derived from sale of capital assets (production line, catering facility and commercial building), comparing to 2015, where out of the total amount of the capital gain a significant part was from sale of a single industrial facility.

The amount of MKD 286,624 thousand in 2016 in the line “Collected receivables previously written off” is derived from collection of the receivables that the Bank has written off during 2016, according the Decision for amending the Decision for managing the credit risk from NBRM (Official Gazette 223/16), i.e. after the fulfilment of the condition two years to be passed from date the Group was required to provide an allowance for impairment of 100%.

12 Net impairment loss on financial assets

in thousands of denars	Loans and advances to banks	Loans and advances to other customers	Investments in financial assets available for sale	Investments in financial assets held to maturity	Cash and cash equivalents	Fees and commission receivables	Other receivables	**Total**
2016 (current year)								
Allowance for impairment on individual basis								
Additional allowance for impairment	6,318	3,526,945	-	-	311	20,151	68,922	3,622,647
(Release of allowance for impairment)	(6,993)	(1,808,065)	-	-	(241)	(9,297)	(44,582)	(1,869,178)
	(675)	**1,718,880**	**-**	**-**	**70**	**10,854**	**24,340**	**1,753,469**
Allowance for impairment on group basis								
Additional allowance for impairment	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total allowance for impairment on financial assets, net	**(675)**	**1,718,880**	**-**	**-**	**70**	**10,854**	**24,340**	**1,753,469**
2015 (previous year)								
Allowance for impairment on individual basis								
Additional allowance for impairment	5,156	3,997,935	-	-	323	24,051	45,106	**4,072,571**
(Release of allowance for impairment)	(4,441)	(2,305,764)	-	-	(723)	(10,789)	(23,415)	**(2,345,132)**
	715	**1,692,171**	**-**	**-**	**(400)**	**13,262**	**21,691**	**1,727,439**
Allowance for impairment on group basis								
Additional allowance for impairment	-	-	-	-	-	-	-	-
(Release of allowance for impairment)	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total allowance for impairment on financial assets, net	**715**	**1,692,171**	**-**	**-**	**(400)**	**13,262**	**21,691**	**1,727,439**

13 Net impairment loss on non-financial assets

in thousands of Denars	Property and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale and group for sale	Other non-financial assets	Non-controlling interest*	**Total**
2016 (current year)							
Additional impairment loss	-	-	347,853	-	-	-	347,853
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**347,853**	**-**	**-**	**-**	**347,853**
2015 (previous year)							
Additional impairment loss	-	10,633	532,565	-	-	-	543,198
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**10,633**	**532,565**	**-**	**-**	**-**	**543,198**

*) only for consolidated financial statements

14 Personnel expenses

	in thousands of denars	
	current year 2016	previous year 2015
Short-term benefits for employees		
Salaries	582,185	570,499
Compulsory social and health insurance contributions	209,991	207,129
Short-term paid absences	1,487	1,911
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	77	2,101
	793,740	**781,640**
Benefits after termination of employment		
Defined pension benefit plans	-	-
Retirement benefits	-	-
Increase of liability for defined pension benefit plans	-	-
Increase of liability for other long term benefits	-	-
Other benefits upon termination of employment	467	-
	467	**-**
Termination benefits	4,022	7,572
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other	51,908	41,928
(costs for employees that represent more than 10% of the total costs for employees)		
Total costs for employees	**850,137**	**831,140**

15 Depreciation and amortization

	in thousands of denars	
	current year 2016	previous year 2015
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	13,226	13,355
Other internal developed intangible assets	-	-
Other intangible assets	493	1,477
Investments in intangible assets taken under lease	-	-
	13,719	**14,832**
Depreciation of property and equipment		
Buildings	78,936	78,283
Vehicles	5,983	9,733
Furniture and equipment	28,142	30,953
Other equipment	52,196	53,522
Other items of property and equipment	-	-
Investments in property and equipment taken under lease	6,164	8,086
	171,421	**180,577**
Total depreciation	**185,140**	**195,409**

16 Other operating expense

	in thousands of denars	
	current year 2016	previous year 2015
Loss from sale of assets available-for-sale	362	84
Software licensing expense	15,459	12,291
Deposit insurance premium	306,446	306,944
Premium for property and employee insurance	5,092	5,138
Materials and services	202,097	207,531
Administrative and marketing expense	71,821	77,161
Other taxes and contributions	2,277	2,242
Rental expense	19,963	23,052
Court litigation expense	4,731	8,172
Special reserve for off – balance sheet exposure, on a net basis	-	-
Provisions for pension and other employee benefits, on a net basis	2,021	11,510
Provisions for contingent liabilities based on court litigations, on a net basis	-	-
Other provisions, on a net basis	-	
restructuring	-	-
onerous contracts	-	-
other provisions	-	-
Loss from sale of:	-	
Property and equipment	-	-
Intangible assets	-	-
foreclosed assets	909	1,046
non – current assets held for sale and group for sale and disposal group	-	-
Other (expenses that represent more than 10% of total other operating expense)		
Expenses under F/X operations	25,027	23,727
(expenses that do not represent more than 10% of total other operating expense)	28,332	16,734
Other operating expense	**684,537**	**695,632**

17 Income tax

A Expense/income based on current and deferred tax

	in thousands of denars	
	current year 2016	previous year 2015
Current income tax		
Expense/(income) based on current income tax for the year	94,317	64,442
Adjustments for previous years	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Changes in accounting policies and errors	-	-
Other	-	-
	94,317	**64,442**
Deferred income tax		
Deferred income tax that arises from temporary differences for the year	-	-
Recognition of previous unrecognized tax losses	-	-
Change in tax rate	-	-
Introduction of new taxes	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-
Other	-	-
	-	-
Total expense/(return) on income tax	**94,317**	**64,442**

	in thousands of denars	
	current year 2016	previous year 2015
Current income tax		
Recognized in the income statement	94,317	64,442
Recognized in equity and reserves	-	-
	94,317	**64,442**
Deferred income tax		
Recognized in the income statement	-	-
Recognized in equity and reserves	-	-
	-	-
Total expense/(return) on income tax	**94,317**	**64,442**

17 Income tax (continued)

B Reconciliation between average effective tax rate and applicable tax rate

	in %	*in thousands of denars*	*in %*	*in thousands of denars*
	current year 2016		previous year 2015	
Profit/ (loss) before taxation	100.00	885,786	100.00	599,616
Income tax as per applicable tax rate	10	88,579	10	59,962
Effects from different tax rates in other countries	-	-	-	-
Corrections for previous years and changes in tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Expense unrecognized for tax purposes	0.7	6,409	0.8	5,087
Tax-exempt income	(0.1)	(671)	(0.1)	(607)
Tax exemption unrecognized in income statement	-		-	
Recognition of previous unrecognized tax losses	-		-	
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-		-	
Changes in deferred tax	-		-	
Other	-		-	
Total expense/(return) on income tax		**94,317**	**-**	**64,442**
Average effective tax rate	**10.6**		**10.7**	

C Income tax from other profit/(losses)in the period which are not disclosed in the Income statement

	Current year 2016			Previous year 2015		
in thousands of Denars	Before taxation	(expenditure)/return of income tax	Less income tax	Before taxation	(expenditure)/return of income tax	Less income tax
Revalued reserve for assets available for sale	-	-	-	-	-	-
Reserve for instruments for protection against cash flow risk	-	-	-	-	-	-
Reserve for instruments for protection against the risk net-investment in international operations	-	-	-	-	-	-
Reserve from currency differences from investment in international operations	-	-	-	-	-	-
Share in the remaining profits/(losses) from affiliates which are not disclosed in the Income statement	-	-	-	-	-	-
Other profits/(losses) which are not disclosed in the Income statement	-	-	-	-	-	-
Total other profits/(losses) which are not disclosed in the Income statement	-	-	-	-	-	-

18 Cash and cash equivalents

	in thousands of Denars	
	current year 2016	previous year 2015
Cash on hand	1,542,572	1,365,784
Accounts and deposits with NBRM, besides obligatory FC deposits	5,154,588	3,238,591
Current accounts and transaction deposits with foreign banks	5,978,022	5,453,070
Current accounts and transaction deposits with local banks	886	8,492
Treasury bills that may be traded on the secondary market	5,778,123	6,299,613
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	10,108,176	7,052,595
Other short-term highly liquid assets	1,650	2,952
Interest receivables	2,063	1,746
(Allowance for impairment)	(136)	(66)
Included in cash and cash equivalents for the needs of the Statement of cash flows	**28,565,944**	**23,422,777**
Obligatory FC deposits	4,203,376	4,032,146
Restricted deposits	769,354	208,796
(Impairment)	-	-
Total	**33,538,674**	**27,663,719**

	in thousands of Denars	
	current year 2016	previous year 2015
Movements in allowance for impairment		
As at January 1	66	462
Impairment loss for the year		
Additional impairment	311	323
(Release of impairment)	(241)	(723)
(Foreclosed assets)	-	-
Foreign exchange gain/losses	-	4
(written-off receivables)	-	-
As at December 31	**136**	**66**

19 Trading assets (continued)

A. Structure of trading assets by the type of the financial instrument

	in thousands of denars	
	current year 2016	previous year 2015
Trading securities		
Debt securities for trading		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	23,165	14,847
Corporate bonds	-	-
Other debt instruments	-	-
	23,165	**14,847**
Quoted	23,165	14,847
Unquoted	-	-
Equity instruments for trading	-	
Equity instruments issued by banks	99	66
Other equity instruments	388,075	356,116
	388,174	**356,182**
Quoted	69,660	47,334
Unquoted	318,514	308,848
Trading derivatives		
Agreements dependent on interest rate change	-	-
Agreements dependent on exchange rate change	-	-
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IAS 39 criteria	-	-
	-	-
Total trading assets	**411,339**	**371,029**

Government bonds in the amount of 23,165 thousands of denars (2015: 14,847 thousands of denars) refers to structural government bonds, bearing interest rate at the rate of 2% per year.

The other unquoted equity investments in the amount of 318,514 thousands of denars (2015: 308,848 thousands of denars) are related with investments in participations in investment funds. The investment in investment funds include investments in the Open-end investment fund KB Publikum – Balansiran in the amount of 8,348 thousands of denars (2015: 7,241 thousands of denars), investments in the Open-end investment fund KB Publikum - Paricen in the amount of 307,668 thousands of denars (2015: 299,419 thousands of denars), and investments in KD Funds AD Skopje - KD Cash deposit in the amount of 2,498 thousand of denars (2015: 2,187 thousand of denars).

The quoted equity investments held for trading in the amount of 69,660 thousands of denars (2015: 47,334 thousands of denars) relate to investments in shares issued by domestic banks in the amount of 99 thousands of denars (2015: 66 thousands of denars) and investments in shares issued by domestic non-financial entities in the amount of 69,561 thousands of denars (2015: 47,268 thousands of denars).

All income from financial assets held for trading is recognized as net trading income.

19 Trading assets (continued)

B. Reclassified trading assets

B.1 Condition of reclassified trading assets

In thousands of Denars	Reclassified amount (date of reclassification)	Current year 2016		Previous year 2015	
		carrying amount 31.12.2016 (current year)	fair value 31.12.2016 (current year)	carrying amount 31.12. 2015 (previous year)	fair value 31.12.2015 (previous year)
Trading assets reclassified in 2016 (current year) in:					
- financial assets available for sale	-	-	-	-	-
- loans and advances to banks	-	-	-	-	-
- loans and advances to other clients	-	-	-	-	-
	-	-	-	-	-
Trading assets reclassified in 2015 (previous year) in:					
- financial assets available for sale	-	-	-	-	-
- loans and advances to banks	-	-	-	-	-
- loans and advances to other clients	-	-	-	-	-
	-	-	-	-	-

19 Trading assets

B. Reclassification of trading assets (continued)

B.2 Gains and losses from reclassification of trading assets

in thousands of denars	Reclassified during 2016 (current year)		Reclassified during 2015 (previous year)			
	Income statement 2016 (current year)	Other gains/ (losses) 2016 (current year)	Income statement 2016 (current year)	Other gains/ (losses) 2016 (current year)	Income statement 2015 (previous year)	Other gains/ (losses) 2015 (previous year)
Period before reclassification						
Trading assets reclassified in financial assets available for sale						
- net-income from trading	-	-	-	-	-	-
Trading assets reclassified in loans and advances from banks						
- net-income from trading	-	-	-	-	-	-
Trading assets reclassified in loans and advances from other clients						
- net-income from trading	-	-	-	-	-	-
	-	-	-	-	-	-
Period after reclassification						
Trading assets reclassified in financial assets available for sale						
- interest income	-	-	-	-	-	-
- impairment of the value of the financial assets, on net-basis	-	-	-	-	-	-
- changes in the fair value, on net-basis	-	-	-	-	-	-
Trading assets reclassified in loans and advances from banks						
- interest income	-	-	-	-	-	-
- impairment of the value of the financial assets, on net-basis	-	-	-	-	-	-
Trading assets reclassified in loans and advances from other clients						
- interest income	-	-	-	-	-	-
- impairment of the value of the financial assets, on net-basis	-	-	-	-	-	-
	-	-	-	-	-	-

19 Trading assets (continued)

B. Reclassified assets for trading (continued)

B.3 Gains or losses which would have been recognized in the Income statement if the assets have not been reclassified

	Reclassified during 2016 (current year)	Reclassified during 2015 (previous year)	
in thousands of denars	Income statement 2016 (current year)	Income statement 2016 (current year)	Income statement 2015 (previous year)
Trading assets reclassified in financial assets available for sale			
- net-income from trading	-	-	-
Trading assets reclassified in loans and advances from banks			
- net-income from trading	-	-	-
Trading assets reclassified in loans and advances from other clients			-
- net-income from trading	-	-	-
	-	-	-

20 Financial assets at fair value via the income statement determined as such at initial recognition

	in thousands of denars	
	current year 2016	previous year 2015
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Equity instruments		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
Total financial assets at fair value through the income statement determined as such as initial recognition	-	-

21 Derivative assets and liabilities held for risk management

		in thousands of denars			
		current year 2016		previous year 2015	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A	**Derivatives for protection against risk/Derivatives held for risk management**				
A.1	*By type of the variable*				
	Derivatives held for risk management				
	Agreements dependent on interest rate change	-	-	-	-
	Agreements dependent on exchange rate change	-	-	-	-
	Agreements dependent on changes in price of securities	-	-	-	-
	Other agreements that meet the IAS 39 criteria	-	-	-	-
	Total derivatives held for risk management	**-**	**-**	**-**	**-**
A.2	*By type of protection against risk*				
	Protection against risk to fair value	-	-	-	-
	Protection against risk to cash flows	-	-	-	-
	Protection against risk to net investment in international operations	-	-	-	-
	Total derivatives held for risk management	**-**	**-**	**-**	**-**
B	***Inherent derivatives***				
	Agreements dependent on interest rate change	-	-	-	-
	Agreements dependent on exchange rate change	-	-	-	-
	Agreements dependent on changes in price of securities	-	-	-	-
	Other agreements that meet the IAS 39 criteria	-	-	-	-
	Total inherent derivatives	**-**	**-**	**-**	**-**
	Total derivatives held for risk management	**-**	**-**	**-**	**-**

22 Loans and advances (continued)

22.1 Loans and advances to banks

	in thousands of denars			
	current year 2016		previous year 2015	
	Short term	Long term	Short term	Long term
Loans to banks				
Domestic banks	18,000	56	143,000	51
Foreign banks	-	-	-	-
Time deposits over 3 months				
Domestic banks	4,580,349	254	-	250
Foreign banks	4,032,374	1,446,406	8,099,703	956,319
Repo				
Domestic banks			-	-
Foreign banks	-	-	-	-
Other receivables				
Domestic banks	-	-	-	-
Foreign banks	6,817	-	8,533	-
Interest receivables	1,160	-	2,454	-
Current maturity	491,905	(491,905)	51	(51)
Total loans and advances to banks before impairment	**9,130,605**	**954,811**	**8,253,741**	**956,569**
(Allowance for impairment)	(1,207)	-	(1,884)	-
Total loans and advances to banks after impairment	**9,129,398**	**954,811**	**8,251,857**	**956,569**

	in thousands of denars	
	current year 2016	previous year 2015
Movement of allowance for impairment		
As at January 1	1,884	1,169
Impairment loss for the year		
Additional impairment	6,318	5,156
(Release of impairment)	(6,993)	(4,441)
(Foreclosed assets)	-	-
Foreign exchange gains/losses	(2)	-
(Written off receivables)	-	-
As at December 31	**1,207**	**1,884**

22 Loans and advances (continued)

22.2 Loans and advances to other customers

A Structure of the loans and advances to other customers by the type of the debtor

	in thousands of denars			
	current year 2016		previous year 2015	
	short-term	long-term	short-term	long-term
Non-financial companies				
Receivables upon principal	16,561,577	21,127,765	21,876,486	22,398,116
Interest receivables	155,194	-	221,316	-
Government				
Receivables upon principal	29,027	1,522,644	17,305	1,542,082
Interest receivables	1,550	-	1,618	-
Non-profit institutions that serve households				
Receivables upon principal	4,440	142,119	2,510	38,413
Interest receivables	327	-	347	-
Financial companies, besides banks				
Receivables upon principal	1,962	13,022	1,351	14,301
Interest receivables	11	-	14	-
Households				
Receivables upon principal				
Housing loans	1,118	4,971,870	520	4,080,802
Customer loans	359,795	5,603,702	655,124	5,880,173
Vehicle loans	30	7,635	58	10,236
Mortgage loans	-	-	-	-
Credit cards	78,911	1,020,609	262,138	1,045,197
Other loans	1,168,520	225,526	1,353,644	212,971
Interest receivables	41,408	-	40,141	-
Non-residents, except banks				
Receivables upon principal	87,956	34,201	183,022	42,884
Interest receivables	286	-	143	-
Current maturity	6,900,331	(6,900,331)	7,245,863	(7,245,863)
Total loans and advances to other customers before impairment	**25,392,443**	**27,768,762**	**31,861,600**	**28,019,312**
(Impairment)	(7,305,489)	(587,562)	(11,291,424)	(944,966)
Total loans and advances to other customers reduced by impairment	**18,086,954**	**27,181,200**	**20,570,176**	**27,074,346**

Out of the total loans and advances to other customers the Group has pledged a lien with regard to the sub-loans approved from the credit lines from the European Investment Bank ("EIB") and Italian Credit Line (“IKL”) in favour of Macedonian Bank for Development Promotion ("MBDP"). As at 31 December 2016 the amount of the pledged loans and advances is in the amount of 1,593,485 thousands of denars (2015: 1,980,236 thousands of denars).

22 Loans and advances (continued)

22.2 Loans and advances to other customers (continued)

A Structure of the loans and advances to other customers by the type of the debtor (continued)

	in thousands of denars	
	current year 2016	previous year 2015
Movements in impairment on an individual basis		
As at January 1	12,236,390	10,492,157
Impairment for the year		
Additional impairment	3,526,945	3,997,934
(Release of impairment)	(1,808,065)	(2,305,764)
(Foreclosed assets)	(3,913)	81,266
Foreign exchange gains/losses	(7,690)	20,122
(Written of receivables)	(6,050,616)	(49,325)
As at December 31	**7,893,051**	**12,236,390**
Movements in impairment on a group basis		
As at January 1	-	-
Impairment for the year		
Additional impairment	-	-
(Release of impairment)	-	-
(Foreclosed assets based on outstanding receivables)	-	-
Foreign exchange gains/losses	-	-
(Written of receivables)	-	-
As at December 31	**-**	**-**
Total impairment for loans and advances to other customers	**7,893,051**	**12,236,390**

The increase in “Written off receivables” is a results of the Decision for amending the decision for managing the credit risk (Offical Gazzete 223/16), according to which the Bank was required to write off the credit exposures after two years when the the Bank was required to allocate allowance for impairment of 100%. As a result an amount of MKD 6,050,616 thousand (Note 22.2) was written off and other receivables in the amount of MKD 157,152 thousand (Note 25) were written off, as well.

The item “(Foreclosed assets)” in 2015 is positive due to the reversal of the, in previous period (2013), closed impairment of a foreclosed asset. The reversal is made after a Verdict from the Primary Court II Skopje from 2015, in the amount of 109,710 thousand denars (explained in more detail in Note 27).

Since this is not a monetary transaction, it does not appear in the Statement of Cash Flows for 2015.

22 Loans and advances (continued)

22.2 Loans and advances to other customers (continued)

B Structure of loans and advances to other clients by type of collateral

	in thousands of denars	
	current year 2016	previous year 2015
(current carrying amount of loans and advances)		
First-class security instruments		
Cash deposits (in vault and/or restricted in accounts held with the group)	1,024,987	832,774
Government securities	-	-
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (besides banks and guarantees from insurance companies)	-	50,252
Guarantees from individuals	4,749	6,545
Mortgage on real estate		
Property for private use (flats, houses)	7,954,029	7,186,304
Property for business activity	16,747,834	17,797,963
Pledge over movables	6,610,368	7,714,164
Other types of security	129,679	145,587
Unsecured	12,796,508	13,910,933
Total loans and advances to other customers reduced by impairment	**45,268,154**	**47,644,522**

23 Investments in securities

23.1 Investments in financial assets available-for-sale

A. Structure of the investments in financial assets available for sale according to type of financial instrument

	in thousands of denars	
	current year 2016	previous year 2015
Debt securities		
Treasury bills	-	-
Government bills	3,203,202	6,183,998
Other instruments in the money market	-	-
Government bonds	407,040	942,563
Corporate bonds	-	-
Other equity investments	-	-
	3,610,242	**7,126,561**
Quoted	3,610,242	7,126,561
Unquoted	-	-
Equity investments		
Equity investments issued by banks	-	-
Other equity investments	64,988	67,597
	64,988	**67,597**
Quoted		-
Unquoted	64,988	67,597
Total investment in financial instruments available for sale before impairment	**3,675,230**	**7,194,158**
(Impairment)	-	(2,624)
Total investment in financial instruments available for sale reduced by impairment	**3,675,230**	**7,191,534**

	in thousands of Denars	
	current year 2016	previous year 2015
Movement in allowance for impairment		
As at January 1	2,624	2,624
Impairment for the year		
Additional impairment	-	-
(Release of impairment)	-	-
(Foreclosed assets)	-	-
Foreign exchange gains/losses	-	-
(Written of receivables)	(2,624)	-
As at December 31	**-**	**2,624**

23 Investment in securities (continued)

23.1 Investment in financial assets available for sale (continued)

B. Reclassified financial assets available for sale

B.1 Balance of reclassified assets available for sale

in thousands of Denars	Reclassified amount (date of reclassification)	Current year 2016		Previous year 2015	
		carrying amount 31.12.2016 (current year)	fair value 31.12.2016 (current year)	carrying amount 31.12.2015 (previous year)	fair value 31.12.2015 (previous year)
Trading assets reclassified in 2016 (current year) in:					
- loans and advances to banks	-	-	-	-	-
- loans and advances to other clients	-	-	-	-	-
	-	-	-	-	-
Trading assets reclassified in 2015 (previous year) in:					
- loans and advances to banks	-	-	-	-	-
- loans and advances to other clients	-	-	-	-	-
	-	-	-	-	-

23 Investment in securities (continued)

23.1 Investment in financial assets available for sale (continued)

B. Reclassified financial assets available for sale (continued)

B.2 Gains and losses from the reclassified assets available for sale

in thousands of denars	Income statement 2016 (current year)	Other gains/ (losses) 2016 (current year)	Income statement 2015 (previous year)	Other gains/ (losses) 2015 (previous year)
Period before reclassification				
Assets available for sale reclassified in loans and advances from banks				
- Interest income	-	-	-	-
- Impairment of the financial assets, on net-basis	-	-	-	-
- changes in the fair value, on net-basis	-	-	-	-
Assets available for sale reclassified in loans and advances from other clients				
- Interest income	-	-	-	-
- Impairment of the financial assets, on net-basis	-	-	-	-
- changes in the fair value, on net-basis	-	-	-	-
	-	-	-	-
Period after reclassification				
Assets available for sale reclassified in loans and advances from banks				
- Interest income	-	-	-	-
- Impairment of the financial assets, on net-basis	-	-	-	-
- Amounts reversed from revaluation reserves	-	-	-	-
Assets available for sale reclassified in loans and advances from other clients				
- Interest income	-	-	-	-
- Impairment of the financial assets, on net-basis	-	-	-	-
- Amounts reversed from revaluation reserves	-	-	-	-
	-	-	-	-

23 Investments in securities (continued)

23.1 Investments in financial assets available for sale (continued)

B. Reclassified financial assets available for sale (continued)

B.2 Gains or losses which would have been recognized if the assets have not been reclassified

in thousands of denars	Income Statement 2016 (current year)	Other gains/ losses 2016 (current year)	Income Statement 2015 (previous year)	Other gains/ losses 2015 (previous year)
Assets available for sale reclassified in loans and advances from banks				
- Interest income	-	-	-	-
- impairment of the financial assets, on net-basis	-	-	-	-
- changes in fair value, on net-basis	-	-	-	-
Assets available for sale reclassified in loans and advances from other clients				
- Interest income	-	-	-	-
- changes in the value of the financial assets, on net-basis	-	-	-	-
- changes in fair value, on net-basis	-	-	-	-
	-	-	-	-

Investments in debt securities available-for-sale in the amount of 3,610,242 thousands of denars (2015: 7,126,561 thousands of denars) are related to the investments in government bills in the amount of 3,203,202 thousands of denars (2015: 6,183,998 thousands of denars) and investments in government bonds in the amount of 407,040 thousands of denars (2015: 942,563 thousands of denars).

The investments in equity instruments available-for-sale in amount of 64,988 thousands of denars (2015: 67,597 thousands of denars) relate to investments in securities issued by financial companies. Taking into account that for these investments there is no active market, as well as a lack of recent transactions that could be applied in determination the fair value, the investments in available-for-sale securities are stated at their fair value, less any impairment. The market for these securities is irregular and is not fully developed, so that the fair value cannot be reliably measured.

The Group does not plan to sell part of investments in available-for-sale equity instruments issued by financial companies whose operations are related to the regular operations of the Group, and the rest of the investments will be sold when the Group will estimate that there are favourable conditions at the capital market for their disposal.

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity

	in thousands of denars	
	Current year 2016	Previous year 2015
Debt securities		
Treasury bills	-	-
Government bills	2,775,844	-
Other instruments in the money market	-	-
Government bonds	598,885	2,516
Corporate bonds	-	-
Other debt securities	-	-
	3,374,729	**2,516**
Quoted	3,374,729	2,516
Unquoted	-	-
***Total investment in financial instruments held to maturity before* impairment**	**3,374,729**	**2,516**
(Impairment)	-	-
Total investment in financial instruments held to maturity after impairment	**3,374,729**	**2,516**

	in thousands of denars	
	current year 2016	previous year 2015
Movement in allowance for impairment		
As at January 1	-	-
Impairment for the year		
Additional impairment	-	-
(Release of impairment)	-	-
(Foreclosed assets)	-	-
Foreign exchange gains/losses	-	-
(Written of receivables)	-	-
As at December 31	-	-

Debt securities include government bills in the amount of 2,775,844 thousands of denars (2015: nill) and government bonds in the amount of 598,885 thousand of denars, out of which continuous government bonds in the amount of 598,317 thousand of denars (2015: nill) and government bonds for denationalisation in the amount of 568 thousand of denars (2015: 2,516 thousand of denars). Government bills are with maturity of 6 and 12 months. Continuous government bonds are with maturity up to 2018 and interest rate of 2.7% per annum. Government bonds for denationalisation are from the VI emission with maturity in 2017 (2015: 2017) and interest rate of 2% per annum (2015: 2% per annum).

The income from debt securities held-to-maturity is recognized as interest income.

24 Investment in subsidiaries and associates

A Percentage of Bank's share in associates

		in %			
		Share of ownership in %		Percentage of voting right	
Name of subsidiaries and associates	Country	current year 2016	previous year 2015	current year 2016	previous year 2015
KB PRVO PENZISKO DRUSTVO AD SKOPJE	Republic of Macedonia	49,00%	49,00%	49,00%	49,00%
KB PUBLIKUM INVEST AD SKOPJE	Republic of Macedonia	64,29%	64,29%	64,29%	64,29%

On 25 April 2013, the Group acquired control of KB Publikum, company for managing investment funds, by acquiring additional 14.29% of the voting share capital. As a result, the Groups share in KB Publikum's capital increased from 50% to 64.29%. For more information see to Note 47.

B Financial information for associates - 100%

	in thousands of Denars				
Name of associates	Total assets	Total liabilities	Total capital and reserves	Income	Profit/(loss) for the financial year
Current year 2016					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	440,011	17,856	422,155	225,751	89,031
	440,011	**17,856**	**422,155**	**225,751**	**89,031**
Previous year 2015					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	394,212	14,963	379,249	204,442	79,649
	394,212	**14,963**	**379,249**	**204,442**	**79,649**

25 Other receivables

	in thousands of denars	
	current year 2016	previous year 2015
Trade receivables	199,483	227,243
Prepaid expenses	-	-
Deferred income	-	-
Fees and commission receivables	39,539	47,705
Receivables from employees	68	122
Advances for intangible assets	63	-
Advances for property and equipment	975	-
Other (receivables representing more than 10% of the total other receivables)		
Other receivables by other basis in foreign exchange currency	301,724	203,995
Suspicious and doubtful receivables from receivables from clients and other receivables	60,652	170,744
Inventory of materials, petty inventory and numismatic collections	33,175	37,004
(state separately the receivables representing more than 10% of the total other receivables)	44,251	55,098
Total other receivables before value adjustment	**679,930**	**741,911**
(Impairment)	(86,773)	(209,322)
Total other receivables reduced by value adjustment	**593,157**	**532,589**

	in thousands of denars	
	current year 2016	previous year 2015
Movement of allowance for impairment		
Balance at January 1	209,322	179,251
Impairment loss for the year:		
additional impairment	89,073	69,157
(release of impairment)	(53,879)	(34,204)
(Foreclosed assets)	(584)	175
Foreign exchange differences	(7)	118
(Written-off receivables)	(157,152)	(5,175)
Balance at December 31	**86,773**	**209,322**

The increase in “Written off receivables” is a results of the Decision for amending the decision for managing the credit risk (Offical Gazzete 223/16), according to which the Bank was required to write off the credit exposures after two years when the the Bank was required to allocate allowance for impairment of 100%. As a result an amount of MKD 6,050,616 thousand (Note 22.2) was written off and other receivables in the amount of MKD 157,152 thousand (Note 25) were written off, as well.

The item “(Foreclosed assets)” is positive in 2015 due to the reversal of the, in previous period (2013), closed impairment of a foreclosed asset. The reversal is made after a Verdict from the Primary Court II Skopje from 2015, in the amount of 177 thousand denars (explained in more detail in Note 27).

26 Assets pledged as collateral

	in thousands of denars	
	current year 2016	previous year 2015
Debt securities	-	-
Equity instruments	-	-
Total collateralized assets	-	-

27 Foreclosed assets

in thousands of Denars	Land	Buildings	Equipment	Residential buildings and apartments	Other valuables	**Total**
Begining carrying amount						
As at January 1 2015 (previous year)	181,105	2,409,914	193,158	201,093	-	**2,985,270**
Foreclosed during the year	3,364	40,218	-	725	-	**44,307**
(sold during of the year)	(5,000)	(435,068)	(1,664)	(34,444)	-	**(476,176)**
(transfer into assets for own use)	-	-	-	-	-	**-**
As at December 31, 2015 (previous year)	**179,469**	**2,015,064**	**191,494**	**167,374**	**-**	**2,553,401**
As at January 1, 2016 (current year)	179,469	2,015,064	191,494	167,374	-	**2,553,401**
Foreclosed during the year	1,636	3,282	-	30,778	-	**35,696**
(sold during of the year)	(9,753)	(578,293)	(35,815)	(29,000)	-	**(652,861)**
(transfer into assets for own use)	-	-	-	-	-	**-**
As at December 31, 2016 (current year)	**171,352**	**1,440,053**	**155,679**	**169,152**	**-**	**1,936,236**
Impairment						
As at January 1, 2015 (previous year)	39,046	893,138	73,395	70,868	-	**1,076,447**
Impairment loss during the year	41,848	416,702	41,097	34,829	-	**534,476**
(sold during the year)	-	-	-	-	-	**-**
(transfer into assets for own use)	(1,871)	(254,153)	(684)	(24,156)	-	**(280,864)**
As at December 31, 2015 (previous year)	**79,023**	**1,055,687**	**113,808**	**81,541**	**-**	**1,330,059**
As at January 1, 2016 (current year)	79,023	1,055,687	113,808	81,541	-	**1,330,059**
Impairment loss during the year	27,754	274,406	15,040	61,935		**379,135**
(transfer into assets for own use)	-	-	-	-	-	**-**
(sold during the year)	(4,560)	(294,536)	(19,689)	(22,119)	-	**(340,904)**
As at December 31, 2016 (current year)	**102,217**	**1,035,557**	**109,159**	**121,357**	**-**	**1,368,290**
Net carrying amount						
As at January 1, 2015 (previous year)	**142,059**	**1,516,776**	**119,763**	**130,225**	-	**1,908,823**
As at December 31, 2015 (previous year)	**100,446**	**959,377**	**77,686**	**85,833**	**-**	**1,223,342**
As at December 31 2016 (current year)	**69,135**	**404,496**	**46,520**	**47,795**	**-**	**567,946**

27 Foreclosed assets (continued)

The fair value of the acquired assets through foreclosure procedure as at 31 December 2016 is in the amount of 1,446,250 thousands of denars (as at 31 December 2015 is in the amount of 2,187,410 thousands of denars).

The item (Foreclosed assets) in 2015 includes a reversal of the foreclosure of an asset - a building in 2013 on the basis of a Verdict from the Primary Court II Skopje from 2015. The reversed cost of the building was 110,766 thousand denars. The closed impairment of the asset was in the amount of 109,887 denar thousand and it also reflected in Notes 22.2 and 25 for 2015.

Since this is not a monetary transaction, it does not appear in the Statement of Cash Flows for 2015.

Part of the recognised impairment in 2016 in the amount of 347,853 thousands of denars (2015: 532,565 thousands of denars) is recognized as an expense in the consolidated statement of comprehensive income (see note 13), and the remainder is recognized in the consolidated balance sheet.

28 Intangible assets

A Reconciliation of the present carrying amount

in thousands of denars	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	Non-controlling interest *	**Total**
Purchase value								
As at January 1, 2015 (previous year)	-	227,432	-	43,641	3,168	-	-	**274,241**
Increases by new supplies	-	14,186	-	-	3,492	-	-	**17,678**
Increases by internal development	-	-	-	-	-	-	-	**-**
Increases by business combinations	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	-	-	-	-	**-**
(disposal through business combination)	-	-	-	-	-	-	-	**-**
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	**-**
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	**-**
As at December 31, 2015 (previous year)	**-**	**241,618**	**-**	**43,641**	**6,660**	**-**	**-**	**291,919**
As at January 1, 2016 (current year)	-	241,618	-	43,641	6,660	-	-	**291,919**
Increases by new supplies	-	15,541	-	-	(4,449)	-	-	**11,092**
Increases by internal development	-	-	-	-	-	-	-	**-**
Increases by business combinations	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	(4,390)	-	-	-	**(4,390)**
(disposal through business combinations)	-	-	-	-	-	-	-	**-**
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	**-**
Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	**-**
As at December 31, 2016 (current year)	**-**	**257,159**	-	**39,251**	**2,211**	**-**	**-**	**298,621**

28 Intangible assets (continued)

A Reconciliation of the present carrying amount (continued)

in thousands of denars	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	Non-controlling interest *	**Total**
Depreciation and impairment								
As at January 1, 2015 (previous year)	-	194,302	-	30,618	-	-	-	**224,920**
Depreciation for the year	-	13,355	-	1,477	-	-	-	**14,832**
Impairment loss during the year	-	-	-	10,633	-	-	-	**10,633**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	-	-	-	-	**-**
As at December 31, 2015 (previous year)	**-**	**207,657**	**-**	**42,728**	**-**	**-**	**-**	**250,385**
As at January 1, 2016 (current year)	-	207,657	-	42,728	-	-	-	**250,385**
Depreciation for the year	-	13,226	-	493	-	-	-	**13,719**
Impairment loss during the year	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	(4,390)	-	-	-	**(4,390)**
Balance at December 31, 2016 (current year)	**-**	**220,883**	**-**	**38,831**	**-**	**-**	**-**	**259,714**
Current carrying amount								
Balance at January 1, 2015	**-**	**33,130**	**-**	**13,023**	**3,168**	**-**	**-**	**49,321**
Balance at December 31, 2015 (previous year)	**-**	**33,961**		**913**	**6,660**			**41,534**
Balance at December 31, 2016 (current year)	**-**	**36,276**	**-**	**420**	**2,211**	**-**	**-**	**38,907**

*only for consolidated financial statements

Impairment loss in 2015 in the position other intangible assets in the amount of 10,633 thousand denars refers to goodwill which was acquired from the consolidation.

28 Intangible assets (continued)

B Carrying amount of the intangible assets where there is a limit of ownership and / or are pledged as collateral for liabilities of the Bank

in thousands of Denars	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	**Total**
Present carrying value as at:							
As at December 31 2015 (previous year)	-	-	-	-	-	-	**-**
As at December 31 2016 (current year)	-	-	-	-	-	-	**-**

The item increase by new supplies in “Intangible assets in progress” is adverse since during 2016 more intangible assets have been put in use than purchased.

29 Property and equipment

A Reconciliation of the present carrying amount

in thousands of denars	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investments in property and equipment taken under lease	**Total**
Purchase value									
As at 1 January 2015 (previous year)	88,565	3,151,200	136,970	346,250	682,981	13,327	27,739	61,885	**4,508,917**
Increases	-	-	-	-	-	-	61,309	-	**61,309**
Increase through business combinations	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	(9,105)	(11,198)	-	-	(1,577)	**(21,880)**
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	70	25,346	-	9,046	36,292	-	(70,754)	-	**-**
As at 31 December 2015 (previous year)	**88,635**	**3,176,546**	**136,970**	**346,191**	**708,075**	**13,327**	**18,294**	**60,308**	**4,548,346**
As at 1 January 2016 (current year)	88,635	3,176,546	136,970	346,191	708,075	13,327	18,294	60,308	**4,548,346**
Increases	-	-	-	-	-	-	78,545	-	**78,545**
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(4,428)	(43,377)	-	-	(5,746)	**(53,551)**
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	100	6,652	8,650	3,891	53,290	-	(74,222)	1,639	-
As at 31 December 2016 (current year)	**88,735**	**3,183,198**	**145,620**	**345,654**	**717,988**	**13,327**	**22,618**	**56,201**	**4,573,341**

29 Property and equipment

A Reconciliation of the present carrying amount (continued)

in thousands of denars	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investments in property and equipment taken under lease	**Total**
Depreciation and impairment									
As at 1 January 2015 (previous year)	-	370,440	117,275	254,156	539,328	-	-	42,762	**1,323,961**
Depreciation for the year	-	78,283	9,733	30,953	53,522	-	-	8,086	**180,577**
Impairment loss during the year	-	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	(9,105)	(11,198)	-	-	(1,451)	**(21,754)**
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	**-**
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	-	-	-	-	-	-	-	**-**
Balance at 31 December 2015 (previous year)	**-**	**448,723**	**127,008**	**276,004**	**581,652**	**-**	**-**	**49,397**	**1,482,784**
Balance at 1 January 2016 (current year)	-	448,723	127,008	276,004	581,652	-	-	49,397	**1,482,784**
Depreciation for the year		78,936	5,983	28,142	52,196			6,164	**171,421**
Impairment loss during the year	-	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(4,428)	(43,377)	-	-	(5,632)	**(53,437)**
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	(1,200)	4,390	-	1,200	-	-	-	**4,390**
Balance at 31 December 2016 (current year)	**-**	**526,459**	**137,381**	**299,718**	**591,671**	**-**	**-**	**49,929**	**1,605,158**
Current carrying amount									
As at 1 January 2015(previous year)	**88,565**	**2,780,760**	**19,695**	**92,094**	**143,653**	**13,327**	**27,739**	**19,123**	**3,184,956**
As at 31 December 2015 (previous year)	**88,635**	**2,727,823**	**9,962**	**70,187**	**126,423**	**13,327**	**18,294**	**10,911**	**3,065,562**
As at 31 December 2016 (current year)	**88,735**	**2,656,739**	**8,239**	**45,936**	**126,317**	**13,327**	**22,618**	**6,272**	**2,968,183**

29 Property and equipment (continued)

B Carrying amount of the items of property, plant and equipment ovew which there is limited ownership and/or are pledged as collateral/pledge for bank's liabilities

in thousands of Denars	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investments in property and equipment taken under lease	Total
Current carrying amount at:									
As at December 31 2015 (previous year)	-	-	-	-	-	-	-	-	-
As at December 31 2016 (current year)	-	-	-	-	-	-	-	-	-

The amount of commitments for the purchase of property and equipment in 2016 is in the amount of 1,250 thousands of denars (2015: 7,503 thousands of denars).

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30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

	in thousands of denars	
	current year 2016	previous year 2015
Income tax receivables (current)	-	-
Income tax liabilities (current)	39,347	51,849

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	current year 2016			previous year 2015		
in thousands of Denars	Deferred tax assets	(Deferred tax liabilities)	On net basis	Deferred tax assets	(Deferred tax liabilities)	On net basis
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other clients	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unutilized tax losses and unutilized tax loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Deferred tax assets/liabilities recognized in the income statement	-	-	-	-	-	-
	-	-	-	-	-	-
Investments in financial assets available for sale	-	-	-	-	-	-
Protection against cash flow risk	-	-	-	-	-	-
Deferred tax assets liabilities recognized in the capital	**-**	**-**	**-**	**-**	**-**	**-**
Total recognized tax assets/liabilities	**-**	**-**	**-**	**-**	**-**	**-**

30 Deferred tax assets and deferred tax liabilities (continued)

B Unrecognized deferred tax assets

	in thousands of Denars	
	current year 2016	Previous year 2015
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	**-**	**-**

30 Deferred tax assets and deferred tax liabilities (continued)

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

in thousands of denars	As at January 1	Recognized in the course of the year in: Income statement	Capital	As at December 31
Previous year 2015				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to other clients	-	-	-	-
Investments in securities	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and utilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Protection against cash flow risk	-	-	-	-
Total recognized deferred tax assets-liabilities	**-**	**-**	**-**	**-**
Current year 2016				
Derivative assets held for risk management	-	-	-	-
Placement with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investment in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unutilized tax losses and unutilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Protection against cash flow risk	-	-	-	-
Total recognized deferred tax assets/liabilities	**-**	**-**	**-**	**-**

31 Non-current assets held for sale and disposal group

A Non-current assets held for sale

	in thousands of denars	
	current year 2016	previous year 2015
Intangible assets	-	-
Property and equipment	-	-
Total non current assets held for sale	**-**	**-**

B Disposal Group

	in thousands of denars	
	current year 2016	previous year 2015
Group of assets for disposal		
Financial assets	-	-
Intangible assets	-	-
Property, plant and equipment	-	-
Investment in associates	-	-
Income tax receivables	-	-
Other assets	-	-
Total group of assets for disposal	-	-
Liabilities directly related to group of assets for disposal		
Financial liabilities	-	-
Special reserve	-	-
Income tax liabilities	-	-
Other liabilities	-	-
Total liabilities directly related to the group of assets for disposal	-	-

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

	in thousands of denars	
	current year 2016	previous year 2015
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-	-

32 Trading liabilities

	in thousands of denars	
	current year 2016	previous year 2015
Deposits from banks		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
Deposits from other clients		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
Issued debt securities		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
Other financial liabilities	-	-
Trading derivatives		
Agreements depending on interest rate change	-	-
Agreements depending on exchange rate change	-	-
Agreements depending on the securities price change	-	-
Other agreements that fulfil the IAS 39 criteria	-	-
	-	-
Total trading liabilities	**-**	**-**

33 Financial liabilities at fair value through the profit and loss determined as such at initial recognition

	in thousands of denars			
	current year 2016		previous year 2015	
	Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
Due to banks				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
Due to customers				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
Issued debt securities				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Subordinated debt	-	-	-	-
Other financial liabilities	-	-	-	-
Total financial liabilities at fair value through the profit and loss determined as such at initial recognition	**-**	**-**	**-**	**-**

34 Deposits

34.1 Due to banks

	in thousands of Denars			
	current year 2016		previous year 2015	
	short-term	long-term	short-term	long-term
Current accounts				
domestic banks	254,577	-	16,770	-
foreign banks	24,095	-	26,850	-
Demand deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Time deposits				
domestic banks	184,444	-	184,785	-
foreign banks	-	-	-	-
Restricted deposits				
domestic banks	147,570	-	192,333	-
foreign banks	-	-	-	-
Other deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Deposit interest liabilities				
domestic banks	14	-	14	-
foreign banks	1,225	-	-	-
Current maturity	-	-	-	-
Total deposits from banks	**611,925**	**-**	**420,752**	**-**

34 Deposits (continued)

34.2 Other deposits

	in thousands of Denars			
	current year 2016		previous year 2015	
	short-term	long-term	short-term	long-term
Non-financial companies				
Current accounts	17,442,789	-	15,297,845	-
Demand deposits	945,524	-	15,971	-
Time deposits	1,089,575	680,402	1,399,954	496,619
Restricted deposits	433,563	395,193	400,226	408,897
Other deposits	-	-	-	-
Interest payable on deposits	19,843	-	18,572	-
	19,931,294	**1,075,595**	**17,132,568**	**905,516**
Government				
Current accounts	182,356	-	165,966	-
Demand deposits	1,712	-	2,441	-
Time deposits	75,000	-	-	-
Restricted deposits	186	-	187	-
Other deposits	-	-	-	-
Interest payable on deposits	890	-	1	-
	260,144	**-**	**168,595**	**-**
Non-profit institutions in service of households				
Current accounts	1,107,734	-	1,030,287	-
Demand deposits	552	-	676	-
Time deposits	389,798	129,087	430,960	226,621
Restricted deposits	148,476	4,075	140,759	9,397
Other deposits	-	-	-	-
Interest payable on deposits	3,513	-	7,704	-
	1,650,073	**133,162**	**1,610,386**	**236,018**
Financial companies, other than banks				
Current accounts	424,665	-	448,843	-
Demand deposits	158,175	-	7	-
Time deposits	52,100	370,000	86,070	350,000
Restricted deposits	1,266	5,834	41,346	2,689
Other deposits	-	-	-	-
Interest payable on deposits	2,447	-	1,060	-
	638,653	**375,834**	**577,326**	**352,689**
Households				
Current accounts	12,252,308	-	10,606,464	-
Demand deposits	6,000,963	-	5,601,551	-
Time deposits	31,979,788	9,955,784	34,105,658	9,837,126
Restricted deposits	215,317	840,596	271,024	703,597
Other deposits	-	-	-	-
Interest payable on deposits	223,303	-	257,055	-
	50,671,679	**10,796,380**	**50,841,752**	**10,540,723**
Non-residents, other than banks				
Current accounts	964,238	-	763,157	-
Demand deposits	1,495	-	1,497	-
Time deposits	205,092	309,920	248,829	308,802
Restricted deposits	127,318	9,330	88,712	955
Other deposits	-	-	-	-
Interest payable on deposits	1,668	-	2,994	-
	1,299,811	**319,250**	**1,105,189**	**309,757**
Current maturity	5,464,412	(5,464,412)	5,097,504	(5,097,504)
Total other deposits	**79,916,066**	**7,235,809**	**76,533,320**	**7,247,199**

34 Deposits (continued)

34.2 Other deposits (continued)

Restricted deposits are deposits that the Group in behalf of its clients makes payments abroad, opens letters of credit, acquires foreign currency assets for payment, and part of it serve as a collateral under loans and guaranties issued that the Group has approved to certain companies, deposits as collateral under approved consumption loans and retail loans and earlier received payments under consumption and housing loans.

35 Issued debt securities

	in thousands of Denars	
	current year 2016	previous year 2015
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payable on issued securities	-	-
Total issued debt securities	**-**	**-**

36. Borrowings

A Borrowings structure according to liability type and creditor's sector

	in thousands of denars			
	current year 2016		previous year 2015	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Borrowings	8,118	1,503,260	19,833	2,009,983
Repo-transactions	-	-	-	-
Interest payables	3,275	-	3,925	-
Non-residents				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-financial companies				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Borrowings	-	123,829	-	131,716
Repo-transactions	-	-	-	-
Interest payables	8	-	19	-
Non-profit institutions in service of households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
Financial entities, other than banks				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-residents, except for banks				
Non-financial entities				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions in service of households				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Financial companies, other than banks				
Borrowings	-	12,019	-	-
Repo-transactions	-	-	-	-
Interest payables	13	-	-	-
Households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
Current maturity	456,463	(456,463)	574,729	(574,729)
Total Borrowings	**467,877**	**1,182,645**	**598,506**	**1,566,970**

36 Borrowings (continued)

B Borrowings according to the creditor

	in thousands of Denars			
	current year 2016		previous year 2015	
	short-term	long-term	short-term	long-term
domestic sources:				
MBPR	68	10,606	111	15,405
MBPR-IKL	72	11,374	135	21,250
MBPR- ZKDF	8,148	15,953	19,934	60,376
MF-FSR	8	7,859	19	15,746
NBRM – Primary issue	-	8,809		8,809
MBPR-EIB	3,105	1,456,518	3,578	1,904,143
Agency for Managing Accounts	-	115,970		115,970
	11,401	**1,627,089**	**23,777**	**2,141,699**
foreign sources:				
MIDF B.V	13	12,019	-	-
	13	**12,019**	-	-
Current maturity	456,463	(456,463)	574,729	(574,729)
Total borrowings	**467,877**	**1,182,645**	**598,506**	**1,566,970**

Lender	Currency	Interest rate	Year of maturity	Type of collateral
MBPR	MKD/EUR	3%	According to the agreements concluded with final users	4 bills of exchange
MBPR – IKL	EUR	3%	According to the agreements concluded with final users	12 bills of exchange * Pledge of receivables under sub-loan agreements with final users in the form of Notary deed
MBPR – ZKDF	MKD/EUR	0,5%	According to the agreements concluded with final users	3 bills of exchange
MF - FSR	EUR	3month EURIBOR + 1.44%	30.05.2017	3 bills of exchange
NBRM – Primary issue	MKD	-	2020	1 bill of exchange
MBPR - EIB	EUR	1%	According to the agreements concluded with final users	16 bills of exchange in form of Notary deed * Pledge of receivables under sub-loan agreements with final users in the form of Notary deed
Agency for accounts management	MKD	-	2020	Unsecured
MIDF B.V	EUR	6,5% fixed, 5% adjustable	According to the agreements concluded with final users	Unsecured

36 Borrowings (continued)

B Borrowings according to the creditor (continued)

The Group has pledged a lien in the form of a notary deed in favour of MBDP based on receivables from sub-loan agreements concluded with final users approved from the credit lines from EIB and IKL, both administered through MBDP. As at 31 December 2016 the amount of borrowings for which the Group has pledged receivables is 1,368,652 thousands of denars (2015: 1,597,845 thousands denars).

37 Subordinated liabilities

	in thousands of denars	
	current year 2016	previous year 2015
Subordinated deposits liabilities		
Interest payables	-	-
Subordinated loans liabilities		
Interest payables	-	-
Subordinated issued debt securities liabilities		
Interest payables	-	-
Redeemable preference shares	-	-
Total subordinated debt	-	-

38 Special reserves and provisions

in thousands of denars	Special reserves for off-balance sheet credit exposures	Provisions for contingent liabilities based on litigations	Provisions for pensions and other employee benefits	Provisions for restructuring	Provisions for unfavourable agreements	Other provisions	**Total**
Balance at January 1, 2015 (previous year)	176,130	-	48,532	-	-	-	**224,662**
Additional provisions during the year	230,469	-	12,176	-	-	-	**242,645**
(used provisions during the year)	-	-	(3,948)	-	-	-	**(3,948)**
(release of provisions during the year)	(258,271)	-	(666)	-	-	-	**(258,937)**
Exchange rate effect	1,420	-	-	-	-	-	**1,420**
As at 31 December 2015 (previous year)	**149,748**	**-**	**56,094**	**-**	**-**	**-**	**205,842**
Balance at January 1, 2016 (current year)	149,748	-	56,094	-	-	-	**205,842**
Additional provisions during the year	184,158	-	3,029	-	-	-	**187,187**
(used provisions during the year)	-	-	(4,897)	-	-	-	**(4,897)**
(release of provisions during the year)	(221,203)	-	(1,008)	-	-	-	**(222,211)**
Exchange rate effect	(126)	-	-	-	-	-	**(126)**
As at 31 December 2016 (current year)	**112,577**	-	**53,218**	-	-	-	**165,795**

38 Special reserves and provisions (continued)

Off-balance sheet items in the assets, exposed to credit risk for which the special reserve is determined, are classified in different risk categories appropriately to the estimated risk for potential losses. As at 31 December 2016, 97.66% of total off-balance sheet items in the assets are classified in the risk category A, risk category B participates with 1.83%, and risk categories C, D and E with 0.51%.

39 Other liabilities

	in thousands of denars	
	current year 2016	previous year 2015
Trade payables	17,444	24,175
Received advances	17,198	2,464
Fee and commission liabilities	7,913	8,333
Accrued expenses	35,433	14,795
Deferred income from previous years	-	-
Short - term liabilities to employees	-	-
Short - term liabilities for employee benefits	-	2
Other:		
(liabilities more that 10% of the total other liabilities)		
Other liabilities on other basis	261,849	199,937
Delayed payments liabilities based on collections from abroad	118,827	117,757
VAT liabilities	2,829	30,755
Liabilities in foreign currency for establishing legal entities	16,164	18,268
Liabilities upon card operations	50,229	19,199
Other liabilities		
(liabilities less than 10% of the total other liabilities)	17,439	20,651
Total other liabilities	**545,325**	**456,336**

40 Subscribed Capital

A Subscribed Capital

	in Denars		*number of issued shares*				*in thousands of denars*	
	Nominal value per share		Ordinary shares		Preference shares non-redeemable		Total subscribed capital	
	ordinary shares	Preference shares- non-redeemable	current year 2016	previous year 2015	current year 2016	previous year 2015	current year 2016	previous year 2015
As at 1 January-fully paid	1,000	-	2,279,067	2,279,067	-	-	2,279,067	2,279,067
Subscribed shares during the year	-	-	-	-	-	-	-	-
Realization of share options	-	-	-	-	-	-	-	-
Division/ increase of nominal value per share	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
Conversion of preference in ordinary shares	-	-	-	-	-	-		-
As at 31 December – fully paid	**1,000**	**-**	**2,279,067**	**2,279,067**	**-**	**-**	**2,279,067**	**2,279,067**

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at Shareholders Assembly. All shares rank equally with regard to the residual assets. According to the shareholders book as at 31 December 2016, 102,951 ordinary shares i.e 4.52% from the total shareholders equity (as at 31 December 2015, 128,228 ordinary shares i.e 5.63%) there is limitation of the rights established based on the law and/or Decision or act of the competent body (for example limitation of the vote right according to the Governor decision).

As at 31 December 2016 the Group does not hold treasury shares. The Open-end Investment Fund KB Publikum - Balanced managed by the Group's subsidiary, KB Publikum Invest AD owns 2,109 shares, i.e. 0.0925% of the total share capital (as at 31 December 2015 owns 2,109 shares, i.e. 0.0925%).

40 Subscribed Capital (continued)

B Dividends

B.1 Announced and paid dividends by the Bank

	in thousands of denars	
	current year 2016	previous year 2015
Declared dividends and paid dividends for the year	-	-

	in Denars	
	current year 2016	previous year 2015
Dividend per ordinary share	-	-
Dividend per preference share	-	-

B.2 Announced dividend after the balance sheet date (the liabilities for dividends are not shown in the Balance sheet)

	in thousands of Denars	
	current year 2016	previous year 2015
Announced dividends after December 31	341,860	284,883

	in Denars	
	current year 2016	previous year 2015
Dividend per ordinary share	150	125
Dividend per preference share	-	-

B Shareholders with ownership over 5% of the shares with the right of vote

	in thousands of denars		*in %*	
	current year 2016	previous year 2015	current year 2016	previous year 2015
Shareholder's name	Subscribed capital (nominal value)	Subscribed capital (nominal value)	voting right	voting right
East Capital Explorer Investment AB	227,907	227,907	10.00%	10.00%
European Bank for Reconstruction and Development	119,540	119,540	5.25%	5.25%
Total	**347,447**	**347,447**	**15.25%**	**15.25%**

40 Subscribed Capital (continued)

Statutory reserve

Under local statutory legislation, the Group is required to set aside 5 percent of its net profit for the year in a statutory reserve until the level of the reserve reaches 1/10 of the shareholders equity. Until achieving the minimum required level the statutory reserve could only be used for loss recovery. When the statutory reserve exceeds the minimum required level and when all losses are covered, the statutory reserve can also be used for distribution of dividends, based on a decision of the shareholders' Assembly, but only if the amount of the dividends for the current business year has not reached the minimum for distribution as prescribed in the Trade Company Law.

Other reserves

The other reserves are formed in addition to statutory reserve, based on decisions by the bodies for management for distribution of profit, and can be used to cover certain losses or for other expenditures.

41 Earnings per share

A Basic earnings per share

	in thousands of denars	
	current year 2016	previous year 2015
Net - Profit attributable to holders of ordinary shares		
Net gain for the year	787,153	520,872
(Dividend for non-redeemable non-voting shares)		
Correction of net gain entitled to the holders of the ordinary shares	-	-
Value of emitted shares	-	-
Value of withdrawn shares	-	-
Value of dividend paid in shares	-	-
Net - Profit attributable to holders of ordinary shares	**787,153**	**520,872**

	Number of shares	
	current year 2016	previous year 2015
Weighted average number of ordinary shares		
Issued ordinary shares as of January 1	2,279,067	2,279,067
Effects of the changes in the number of ordinary shares during the year		
Effect from conversion of non-redeemable non-voting shares into ordinary shares	-	-
Effect from sale of own shares on the market	-	-
Effects of new issue of ordinary shares	-	-
Weighted average number of ordinary shares on 31 December	**2,279,067**	**2,279,067**
Basic earnings per share (in Denars)	**345**	**229**

B Diluted earnings per share

	in thousands of denars	
	Current year 2016	Previous year 2015
Net gain entitled to the holders of the ordinary shares (diluted)		
Net gain for the year entitled to the holders of the ordinary shares (diluted)	787,153	520,872
Correction of net gain entitled to the holders of the ordinary shares for effects of all emitted potential ordinary shares (list separately)		
Dividend from non-voting shares converted into ordinary shares	-	-
Incomes from realized options	-	-
Value of redeemable own shares	-	-
Net gain entitled to the holders of the ordinary shares (diluted)	**787,153**	**520,872**

	number of shares	
	current year 2016	previous year 2015
Weighted average number of the ordinary shares (diluted)		
Ordinary shares issued on 1 January	2,279,067	2,279,067
Effect from issue of potential ordinary shares		
Weighted average number of the ordinary shares (diluted) on 31 December	**2,279,067**	**2,279,067**
Diluted earnings per share (in Denars)	**345**	**229**

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities

	in thousands of denars	
	current year 2016	previous year 2015
Unsecured payment guarantees		
in Denars	681,045	581,854
in foreign currency	1,192,996	1,551,140
in Denars with foreign currency clause	43,089	29,332
Unsecured performance guarantees		
in Denars	4,273,152	4,048,793
in foreign currency	1,713,506	1,828,179
in Denars with foreign currency clause	904,797	683,056
Unsecured letter of credit		
in Denars	-	-
in foreign currency	924,074	2,237,829
in Denars with foreign currency clause	-	-
Unused overdraft on current accounts	1,766,422	1,751,450
Unused credit card limits	1,177,461	1,247,322
Foreclosed liabilities for crediting and unused credit limits	1,532,802	1,637,888
Issued secured guarantees	602,473	476,943
Covered letter of credit	28,026	26,455
Other secured contingent liabilities	1,431,281	1,718,567
Total contingent liabilities before special reserve	**16,271,124**	**17,818,808**
(Provisions)	(112,577)	(149,748)
Total contingent liabilities less special reserve	**16,158,547**	**17,669,060**

For part of the contingent liabilities in the amount of 248,724 thousands of denars there is a litigation proceeding upon issued letter of guarantee for Granit AD Skopje. The case was initiated in front of an authorized court in Poland on September 16th 2011 by the State Treasury – General Directorate for National Roads and Motorways from Warsaw (beneficiary of the guarantee) against Komercijalna Banka AD Skopje, which was received in the Bank on July 2nd 2012, requesting a payment upon the issued letter of guarantee in the amount of 17.897.404,09 PLN, equivalent to 248,724 thousands of denars. The letter of guarantee was issued based on a contract for building a motorway concluded on May 5th, 2010 between the plaintiff (State Treasury – General Directorate for State Roads and Motorways) and Granit AD Skopje (requestor of the guarantee).

The guarantee has been activated and a payment is requested as a result of a breach of contract for building a motorway between the State Treasury – General Directorate for National Roads and Motorways of Warsaw and Granit AD Skopje. There is a separate legal dispute related to this contract, which is handled in front of the authorized court in Warsaw, Poland. On 7th of March 2016, the court passed a verbal verdict in which it ruled in favour of the plaintiff and ordered Komercijalna banka AD Skopje to pay the amount under the activated guarantee, interest and court expenses. The verdict was appealed and the procedure is in decision making stage by higher court.

The Bank has not performed a payment upon this issued letter of guarantee as a result of a Decision for temporary suspension issued on the 4th of February 2011 by the Basic Court in Skopje 2, on request of Granit AD Skopje. The temporary suspension prohibits the beneficiary of the guarantee to undertake any activities which would protest or enforce the guarantee, at the same time imposing a restriction on the Bank to make payments upon the issued letter of guarantee. The Bank has an obligation to follow the ruling of the Macedonian court, as long as it is in force. If the Bank is to make a payment upon this issued letter of guarantee, the amount will be transformed into a receivable from Granit AD Skopje, and the Bank's Management does not expect collection problems and adverse financial effects.

42.2 Contingent Assets

	in thousands of denars	
	current year 2016	previous year 2015
List separately the more significant contingent assets:	-	-
Total contingent assets	-	-

The Group provides banks guarantees and letters of credit to guarantee the operation of customers to third parties. These agreements have fixed limits and generally are approved for a period up to one year. Due dates are not concentrated in any period.

These contingent liabilities have off balance sheet credit risk, because in the balance sheet are recognized only the fees and accruals for potential losses until such contingent liabilities and commitments are fulfilled or expire. A large part of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

The amount of the revocable potential liabilities is in the amount of 1,431,281 thousands of denars, and amount of irrevocable are in the amount of 4,388,963 thousands of denars (2015: 1,718,567 thousands of denars, and the amount of irrevocable is 4,543,264 thousands of denars).

43 Operations on behalf and for account of third parties/commission operations

	in thousands of denars					
	current year 2016			previous year 2015		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties						
Denar deposits	46,248	49,837	(3,589)	46,376	49,837	(3,461)
Foreign currency deposits	-	-	-	-	-	-
Denar loans	501,281	499,754	1,527	220,511	218,081	2,430
Foreign currency loans	-	-	-	-	-	-
Other Denar claims	-	-	-	-	-	-
Other foreign currency receivables	-	-	-	-	-	-
Asset management on behalf and for account of third parties						
Denar deposits	-	-	-	-	-	-
Foreign currency deposits	-	-	-	-	-	-
Denar loans	-	-	-	-	-	-
Foreign currency loans	-	-	-	-	-	-
Other Denar claims	-	-	-	-	-	-
Other foreign currency receivables	-	-	-	-	-	-
Trust accounts	47,261	47,261	-	44,066	44,066	-
Other	840	2,916	(2,076)	504	2,489	(1,985)
Total	**595,630**	**599,768**	**(4,138)**	**311,457**	**314,473**	**(3,016)**

44 Related party transactions

A Balance sheet

in thousands of denars	Parent company	Subsidiaries	Associates	Management personnel of the bank	Other related parties	**Total**
As at 31 December 2016 (current year)						
Assets						
Current accounts	-	-	-	-	-	**-**
Trading assets	-	-	-	-	-	**-**
Loans and claims					-	**-**
mortgage loans	-	-	-	62,950	-	**62,950**
consumer loans	-	-	-	33,523	-	**33,523**
receivables under financial leasing	-	-	-	-	-	**-**
factoring and forfeiting of receivables	-	-	-	-	-	**-**
other loans and receivables	-	-	123	146,873	-	**146,996**
Investment in securities	-	-	210,171	-	-	**210,171**
(Impairment)	-	-	(3)	(2,303)	-	**(2,306)**
Other assets	-	-	-	-	-	-
Total	**-**	**-**	**210,291**	**241,043**	**-**	**451,334**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	4,190	644,205	-	**648,395**
Issued securities	-	-	-	-	-	**-**
Liabilities under loans	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Total	**-**	**-**	**4,190**	**644,205**	**-**	**648,395**

44 Related party transactions (continued)

*A Balance sheet (*continued)

In thousands of denars	Parent company	Subsidiaries	Associates	Management personnel of the bank	Other related parties	**Total**
As at 31 December 2016 (current year)						
Contingent liabilities						
Issued guarantees	-	-	-	105,029	-	**105,029**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	304	38,412	-	**38,716**
(Special reserve)	-	-	(8)	(374)	-	**(381)**
Total	**-**	**-**	**296**	**143,068**	**-**	**143,364**
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

In thousands of denars	Parent company	Subsidiaries	Associates	Management personnel of the bank	Other related parties	**Total**
As at 31 December 2015 (previous year)						
Assets						
Current accounts	-	-	-	-	-	**-**
Trading assets	-	-	-	-	-	**-**
Loans and claims						
mortgage loans	-	-	-	64,265	-	**64,265**
consumer loans	-	-	-	28,437	-	**28,437**
receivables under financial leasing	-	-	-	-	-	**-**
Factoring and forfeiting of receivables	-	-	-	-	-	**-**
other loans and receivables	-	-	130	89,939	-	**90,069**
Investment in securities	-	-	189,146	-	-	**189,146**
Impairment	-	-	(3)	(26,967)	-	**(26,970)**
Other assets	-	-	-	-	-	-
Total	**-**	**-**	**189,273**	**155,674**	**-**	**344,947**

44 Related party transactions (continued)

*A Balance sheet (*continued)

	Parent company	Subsidiaries	Associates	Management personnel of the bank	Other related parties	Total
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	450	544,552	-	**545,002**
Issued securities	-	-	-	-	-	**-**
Liabilities under loans	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Total	**-**	**-**	**450**	**544,552**	**-**	**545,002**
Contingent liabilities						
Issued guarantees	-	-	-	9,540	-	**9,540**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	298	31,572	-	**31,870**
(Special reserve)	-	-	(7)	(328)	-	**(335)**
Total	**-**	**-**	**291**	**40,784**	**-**	**41,075**
	-	-	-	-	-	**-**
Contingent assets	-	-	-	-	-	**-**
Received guarantees	-	-	-	-	-	**-**
Other contingent assets	**-**	**-**	**-**	**-**	**-**	**-**
Total	-	-	-	-	-	-

44 Related parties transactions (continued)

B Income and expenditures arising from related party transactions

in thousands of Denars	Parent company	Subsidiaries	Associates	Management personnel of the bank	Other related parties	Total
As at 31 December 2016 (current year)						
Income						
Interest Income	-	-	-	11,480	-	**11,480**
Income from fees and commissions	-	-	218	5,363	-	**5,581**
Net gains from trading	-	-	-	-	-	**-**
Dividend income	-	-	-	-	-	**-**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	-	43,701	4,602	-	**48,303**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**43,919**	**21,445**	**-**	**65,364**
Expenditures						
Interest expenditures	-	-	1	8,336	-	**8,337**
Expenditures for fees and commissions	-	-	-	-	-	**-**
Net losses from trading	-	-	-	-	-	**-**
Expenditures for procurement of non-current assets	-	-	-	-	-	**-**
Impairment of financial assets, on net basis	-	-	-	4,135	-	**4,135**
Other expenditures	-	-	70	3,741	-	**3,811**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**71**	**16,212**	**-**	**16,283**

44 Related parties transactions (continued)

B Income and expenditures arising from related party transactions (continued)

in thousands of Denars	Parent company	Subsidiaries	Associates	Management personnel of the bank	Other related parties	Total
As at 31 December 2015 (previous year)						
Income						
Interest Income	-	-	-	9,512	-	**9,512**
Income from fees and commissions	-	-	154	4,264	-	**4,418**
Net gains from trading	-	-	-	-	-	**-**
Dividend income	-	-	-	-	-	**-**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	-	39,115	8,816	-	**47,931**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**39,269**	**22,592**	**-**	**61,861**
Expenditures						
Interest expenditures	-	-	2	8,322	-	**8,324**
Expenditures for fees and commissions	-	-	-	-	-	**-**
Net losses from trading	-	-	-	-	-	**-**
Expenditures for procurement of non-current assets	-	-	-	-	-	**-**
Impairment of financial assets, on net basis	-	-	4	444	-	**448**
Other expenditures	-	-	80	8,320	-	**8,400**
Transfers between entities	-	-	-	-	-	**-**
Total	-	**-**	**86**	**17,086**	**-**	**17,172**

44 Related parties transactions (continued)

C Remuneration for the management of the bank

	in thousands of denars	
	current year 2016	previous year 2015
Short-term benefits for employees	125,926	129,709
Benefits after employment termination	-	-
Benefits due to employment termination	44	87
Payments to employees on the basis of shares, settled by equity instruments	-	-
Payments to employees on the basis of shares, settled by monetary funds	-	-
Other	26	80
Total	**125,996**	**129,876**

45 Leases

A Lessor

A.1 Receivables from financial leases

in thousands of denars	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	up to 1 year
As at 31 December 2016 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2015 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**

A.2 Receivables from irrevocable operating leases

in thousands of denars	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	up to 1 year
Value of property given under operating leasehold:				
As at 31 December 2016 (current year)	-	-	-	-
As at 31 December 2015 (previous year)	**-**	**-**	**-**	**-**
Total				
in thousands of denars	-	-	-	-
Value of property given under operating leasehold:	**-**	**-**	**-**	**-**

45 Leases (continued)

A Lessor (continued)

A.2 Irrevocable operating lease receivables (continued)

in thousands of Denars	Land	Buildings	Means of transportation	Furniture and office equipment	Other equipment	Other items of property and equipment	**Total**
Value of property given under operating leasehold:	-	-	-	-	-	-	**-**
As at 31 December 2016 (current year)	-	-	-	-	-	-	**-**
As at 31 December 2015 (previous year)	-	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B Lessee

B.1 Liabilities from financial leases

in thousands of Denars	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	up to 1 year
As at 31 December 2016 (current year)	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2015 (previous year)	-	-	-	-
Total	**-**	**-**	**-**	**-**

45 Lease (continued)

B Lessee (continued)

B.1 Liabilities under financial lease (continued)

in thousands of Denars	Land	Buildings	Means of transportation	Furniture and office equipment	Other equipment	Other items of property and equipment	**Total**
Value of the property taken under financial leasehold:							
Cost value							
As at 1 January 2015 (previous year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2015 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 1 January 2016 (current year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2016 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45 Lease (continued)

B Leasee (continued)

B.1 Liabilities from financial lease (continued

in thousands of denars	Land	Buildings	Means of transportation	Furniture and office equipment	Other equipment	Other items of property and equipment	**Total**
Accumulated depreciation and impairment							
Balance at January 1, 2015	-	-	-	-	-	-	**-**
depreciation for the year	-	-	-	-	-	-	**-**
impairment loss during the year	-	-	-	-	-	-	**-**
(release of impairment loss during the year)	-	-	-	-	-	-	**-**
(disposal and write offs)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Balance at December 31, 2015 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at January 1, 2016 (current year)							
depreciation for the year	-	-	-	-	-	-	**-**
impairment loss during the year	-	-	-	-	-	-	**-**
(release of impairment loss during the year)	-	-	-	-	-	-	**-**
(disposal and write offs)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Balance at December 31, 2016 (current year)	-	-	-	-	-	-	**-**
Current carrying amount							
at January 1, 2015 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2015 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2016 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45 Leases (continued)

B Leasee (continued)

B.2 Irrevocable operating lease liabilities

in thousands of denars	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	up to 1 year
Balance at December 31, 2016 (current year)	48,100	1,868	7,472	38,760
Total	**48,100**	**1,868**	**7,472**	**38,760**
Balance at December 31, 2015 (previous year)	66,733	2,495	9,979	54,259
Total	**66,733**	**2,495**	**9,979**	**54,259**

46 Share based payments

	in thousands of denars			
	current year 2016		previous year 2015	
Date of granting of option	-	-	-	-
Date of option expiry	-	-	-	-
Price of option realization	-	-	-	-
Share price on the date the option is granted	-	-	-	-
Variance	-	-	-	-
Expected dividend return	-	-	-	-
Interest rate	-	-	-	-
Fair value on the date the option is granted	-	-	-	-

	current year 2016		previous year 2015	
	number of options for share	Weighted average prices of options for share	number of options for share	Weighted average prices of options for share
As at 1 January	-	-	-	-
Changes during the year:				
options given to the members of Supervisory Board	-	-	-	-
options given to the members of Board of Directors	-	-	-	-
other given options	-	-	-	-
forfeited options	-	-	-	-
realized options	-	-	-	-
options with expired deadline	-	-	-	-
As at 31 December	-	-	-	-

47 The Group's subsidiaries

See accounting policies 1.(c).

Significant subsidiaries

KB Publikum is a significant subsidiary of the Group. It executes its activities in the Republic of Macedonia. The Bank holds 64.29% of the shares with voting right in the subsidiary (2015: 64.29%).

Significant restrictions

The Group has no significant restrictions in its ability to use assets or to settle liabilities.

47 The Group's subsidiaries (continued)

Non-controlling interest in subsidiaries

The table below provides information for subsidiaries that have tangible significant non-controlling interest

KB Publikum

in thousands of denars	Note	31 December 2016
Assets		
Cash and cash equivalents		43
Held for trading financial assets		3,607
Bank deposits		27,750
Property and equipment	29	178
Intangible assets	28	325
Other assets		2,329
Total assets		**34,232**
Liabilities		
Liabilities to suppliers and other liabilities		511
Total liabilities		**511**
Net assets		**33,721**
Carrying amount of non-controlling participation		**12,042**

	For the 2016
Revenue	22,095
Expenses	(10,008)
Profit/(loss)	12,087
Total comprehensive income/(loss)	**12,087**
Profit/(loss) of non-controlling interest	**4,316**

	For the year ended 31 December 2016
Cash flows from operating activities	10,945
Cash flows from investing activities	(10,918)
Cash flows from financing activities, before dividends to non-controlling interest	-
Cash flows from financing activities, dividends to non-controlling interest	-
Net increase of cash and cash equivalents	**27**

47 The Group's subsidiaries (continued)

KB Publikum

in thousands of denars	Note	31 December 2015
Assets		
Cash and cash equivalents		16
Held for trading financial assets		2,277
Bank deposits		18,200
Property and equipment	29	146
Intangible assets	28	270
Other assets		1,735
Total assets		**22,644**
Liabilities		
Liabilities to suppliers and other liabilities		1,010
Total liabilities		**1,010**
Net assets		**21,634**
Carrying amount of non-controlling participation		**7,725**

	For the 2015
Revenue	19,168
Expenses	9,103
Profit/(loss)	10,065
Total comprehensive income/(loss)	**10,065**
Profit/(loss) of non-controlling interest	**3,595**

	For the year ended 31 December 2015
Cash flows from operating activities	10,729
Cash flows from investing activities	(10,759)
Cash flows from financing activities, before dividends to non-controlling interest	-
Cash flows from financing activities, dividends to non-controlling interest	-
Net increase of cash and cash equivalents	**(30)**

48 Events after the date of the balance sheet

No events occurred which would require to be disclosed between the balance sheet date and the date when the financial statements were approved for issuing.