KOMERCIJALNA BANKA AD SKOPJE

Independent Auditors' Report and

Consolidated financial statements

For the year ended 31 December 2020

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Independent Auditors' Report

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Unofficial translation from the original Macedonian Independent Auditors' report to the shareholders of Komercijalna Banka AD Skopje

Report on the Audit of Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Komercijalna Banka AD Skopje ("the Bank"), as set out on pages 3 to 157, which comprise the consolidated balance sheet as at 31 December 2020 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 then 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 North Macedonia, and for such internal control as management determines is necessary to enable the preparation of the 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 Standards on Auditing adopted and published in the Official Gazette of the Republic of North 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

KPMG AUDIT DOO Skopje, a limited liability company registered in the Republic of North Macedonia and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Registered with the Trade Register of the Republic of North Macedonia with EMBS: 5078598
Tax No. MK4030996107850

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 2020 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 North 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 consolidated annual account of the Bank and the financial information disclosed in the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2020. 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 24 February 2021 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 24 February 2021.

Skopje, 26 February 2021

KPMG Audit DOO
Managing Director
Srdjan Randjelovic

Certified auditor
Srdjan Randjelovic

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT
For the period from 1 January 2020 to 31 December 2020

	Note	*in thousands of Denars* current year 2020	previous year 2019
Interest income		2,816,672	2,916,288
Interest expense		(396,117)	(511,523)
Interest income/(expense), net	6	**2,420,555**	**2,404,765**
Fee and commission income		1,403,004	1,438,910
Fee and commission expense		(445,967)	(439,926)
Fee and commission income/(expense), net	7	**957,037**	**998,984**
Net trading income	8	4,529	15,075
Net income from other financial instruments at fair value	9	5,262	7,364
Foreign exchange gains/(losses), net	10	165,074	118,058
Other operating income	11	1,812,416	802,822
Share of profit of associates	24	67,614	60,816
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(1,369,749)	(588,509)
Impairment losses of non-financial assets, net	13	(4,399)	(4,513)
Personnel expenses	14	(1,035,579)	(988,968)
Depreciation and amortization	15	(175,120)	(163,813)
Other operating expenses	16	(748,318)	(651,268)
Share of loss of associates	24	-	-
Profit/(loss) before tax		**2,099,322**	**2,010,813**
Income tax expense	17	(160,188)	(183,988)
Profit for the year from continuing operations		**1,939,134**	**1,826,825**
Profit/(loss) from group of assets and liabilities held for sale		-	
Profit/(loss) for the year		**1,939,134**	**1,826,825**
Profit/(loss) for the year attributable to*:			
Shareholders of the Bank		1,923,370	1,814,228
Non-controlling interest		15,764	12,597
Earnings per share	41		
basic earnings per share (in Denars)		844	796
diluted earnings per share (in Denars)		844	796

* 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 2020 to 31 December 2020

	Note	*in thousands of Denars* Current year 2020	Previous year 2019
Profit/(loss) for the year		**1,939,134**	**1,826,825**
Other gains/(losses) for the period (before tax)			
Other gains/(losses) for the period not recognized in the Income statement (before tax)			
Revaluation reserve for equity assets available for sale		-	-
- unrealized net- changes in fair value of equity assets available for sale		-	-
- realized net gains/(losses) from equity assets available for sale, reclassified to Other reserves		-	-
Changes in the bank's creditworthiness for financial liabilities measured at fair value		-	-
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		-	-
Other gains/ (losses) in the period which are, or might be reclassified in the Income statement (before tax)			
Revaluation reserve for debt assets available for sale			
- unrealized net- changes in fair value of debt assets available for sale		(2,077)	(12,044)
- realized net gains/(losses) from debt assets available for sale, reclassified to Income Statement		-	-
- additional impairment to debt assets available for sale		-	-
- release of impairment to debt assets available for sale		-	-
Revaluation reserve for foreclosed assets on the basis of uncollected receivables		-	-
- revaluation reserve recognized during the year		-	-
- reduction of revaluation reserve, reclassified in to Profit and 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) which are or might be reclassified to the income statement	17	-	-
Total other gains/ (losses) in the period that are or might be reclassified to the Income Statement		**(2,077)**	**(12,044)**
Total other gains/(losses) in the period		**(2,077)**	**(12.044)**
Total comprehensive income for the year		**1,937,057**	**1,814,781**
Total comprehensive income for the year, attributable to*:			
Shareholders of the Bank		1,921,293	1,802,184
Non-controlling interest		15,764	12,597

* only for consolidated financial statements

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

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CONSOLIDATED BALANCE SHEET**
At 31 December 2020

	Note	in thousands of denars		
		current year 31.12.2020	previous year 31.12.2019	Previous year*** 01.01.2019
Assets				
Cash and cash equivalents	18	49,687,632	48,733,248	-
Held-for-trading assets	19	66,831	215,462	-
Financial assets at fair value through profit or loss upon initial recognition	20	344,455	339,193	-
Derivative assets held for risk management	21	-	-	-
Loans and advances to banks	22.1	1,021,080	4,693,021	-
Loans and advances to other customers	22.2	50,953,838	50,791,397	-
Investments in securities	23	25,079,284	13,126,611	-
Investments in associates (accounted using the "equity method")	24	324,115	289,650	-
Income tax receivable (current)	30.1	390	4,591	-
Other receivables	25	2,258,084	1,984,675	-
Assets pledged as collateral	26	-	-	-
Foreclosed assets	27	24,548	40,971	-
Intangible assets	28	71,561	56,401	-
Property and equipment	29	2,768,759	2,756,311	-
Deferred tax assets	30.2	-	-	-
Non-current assets held-for-sale and disposal group	31	-	-	-
Total assets		**132,600,577**	**123,031,531**	**-**
Liabilities				
Trading liabilities	32	5,668	361	-
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	186,134	449,360	-
Due to other customers	34.2	116,492,240	107,111,540	-
Debt instruments issued	35	-	-	-
Borrowings	36	576,425	837,008	-
Subordinated debt	37	-	-	-
Special reserve and provisions	38	296,064	332,765	-
Income tax payable (current)	30.1	3,534	9,709	-
Deferred tax liabilities	30.2	-	-	-
Other liabilities	39	1,043,385	967,782	-
Liabilities related to disposal group	31	-	-	-
Total liabilities		**118,603,450**	**109,708,525**	**-**
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		3,517	5,594	-
Other reserves		8,609,920	8,056,651	-
Retained earnings/(Accumulated losses)		2,293,501	2,176,887	-
Total equity and reserves, attributable to the shareholders of the Group		**13,957,532**	**13,289,726**	**-**
Non-controlling interest*		39,595	33,280	-
Total equity and reserves		**13,997,127**	**13,323,006**	**-**
Total liabilities and equity and reserves		**132,600,577**	**123,031,531**	**-**
Contingent liabilities	42	20,480,053	19,183,405	-
Contingent assets	42	61,500	-	-

* 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 statements were authorised by the Supervisory Board of the Bank on 24 February 2021.

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 2020 to 31 December 2020

	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 distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
As at January 1, 2019 (previous year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**17,638**	**-**	**-**	**-**	**455,813**	**-**	**7,100,838**	**1,819,867**	**-**	**-**	**12,444,750**	**29,058**	**12,473,808**
Opening balance restatement																		
As at January 1, 2019 (previous year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**17,638**	**-**	**-**	**-**	**455,813**	**-**	**7,100,838**	**1,819,867**	**-**	**-**	**12,444,750**	**29,058**	**12,473,808**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	1,814,228	-	-	**1,814,228**	**12,597**	**1,826,825**
Other gains/(losses) during the period																		
Changes in fair value of financial assets available for sale																		
Debt instruments																		
-unrealized changes in fair value (net)	-	-	-	-	-	(12,044)	-	-	-	-	-	-	-	-	-	**(12,044)**	**-**	**(12,044)**
-realized changes in the fair value (net), transferred to the Income statement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-additional impairment to debt assets available for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-release of inpairment for debt assets availabl for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity instruments																		
-unrealized changes in fair value (net)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-realized changes in the fair value (net), transferred to Other reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value of assets available for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)
For the period from 1 January 2020 to 31 December 2020

	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 distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized directly in equity	**-**	**-**	**-**	**-**	**-**	**(12,044)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,044)**	**-**	**(12,044)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(12,044)**	**-**	**-**	**-**	**-**	**-**	**-**	**1,814,228**	**-**	**-**	**1,802,184**	**12,597**	**1,814,781**
Transactions with the shareholders, recognized directly in equity and reserves																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	500,000	(500,000)	-	-			
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(957,208)	-	-	**(957,208)**	**(8,375)**	**(965,583)**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specify in detail)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of retained earnings – limited for shareholders' distribution)	-	-	-	-	-	-	-	-	-	-	-	-	(323,084)	323,084	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	**500,000**	**(1,780,292)**	**323,084**	**-**	**(957,208)**	**(8,375)**	**(965,583)**
As at December 31, 2019 (previous year)/ January 1, 2020 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**5,594**	**-**	**-**	**-**	**455,813**	**-**	**7,600,838**	**1,853,803**	**323,084**	**-**	**13,289,726**	**33,280**	**13,323,006**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2020 to 31 December 2020

	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 distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
As at December 31, 2019 (previous year)/January 1, 2020 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**5,594**	**-**	**-**	**-**	**455,813**	**-**	**7,600,838**	**1,853,803**	**323,084**	**-**	**13,289,726**	**33,280**	**13,323,006**
Opening balance restatement																		
As at January 1, 2020 (current year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**5,594**	**-**	**-**	**-**	**455,813**	**-**	**7,600,838**	**1,853,803**	**323,084**	**-**	**13,289,726**	**33,280**	**13,323,006**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	**1,923,370**	-	-	**1,923,370**	**15,764**	**1,939,134**
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instrumens																		
-unrealized changes in fair value (net)	-	-	-	-	-	(2,077)	-	-	-	-	-	-	-	-	-	**(2,077)**		**(2,077)**
-realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment to debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-release of inpairment for debt assets availabl for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments																		
-unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-realized changes in the fair value (net), transferred to Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available for sale assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2020 to 31 December 2020

	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 distribution to shareholders	Limited for distribution to shareholders	(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized directly in equity	-	-	-	-	-	(2,077)	-	-	-	-	-	-				**(2,077)**		**(2,077)**
Total comprehensive income for the year	-	-	-	-	-	**(2,077)**	-	-	-	-	-	-	**1,923,370**			**1,921,293**	**15,764**	**1,937,057**
Transactions with the shareholders, recognized directly in equity and reserves																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	553,269	(553,269)			-		-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1,253,487)			(1,253,487)	(9,449)	(1,262,936)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves																		
Distribution of retained earnings – limited for shareholders' distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	**553,269**	**(1,806,756)**	-	-	**(1,253,487)**	**(9,449)**	**(1,262,936)**
As at December 31, 2020 (current year)	**2,279,067**	**771,527**	-	-	-	**3,517**	-	-	-	**455,813**	-	**8,154,107**	**1,970,417**	**323,084**	-	**13,957,532**	**39,595**	**13,997,127**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period from 1 January 2020 to 31 December 2020

	Note	*in thousands of Denars*	
		Current year 2020	Previous year 2019
Operating cash flows			
Profit/(Loss) before tax		**2,099,322**	**2,010,813**
Adjusted for:			
Minority share, included in the consolidated income statement*		(15,764)	(12,597)
Depreciation of:			
Intangible assets	15/28	18,183	14,983
Property and equipment	15/29	156,937	148,829
Capital gain from:			
Sale of intangible assets			
Sale of property and equipment	11	(8,485)	(7,098)
Sale of foreclosed assets	11	(1,334,371)	(396,842)
Capital loss from:			
Sale of intangible assets		-	-
Sale of property and equipment	16	-	-
Sale of foreclosed assets	16	-	-
Interest income	6	(2,816,672)	(2,916,288)
Interest expense	6	396,117	511,523
Trading income, net	8	(9,791)	(22,439)
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12		
Additional impairment losses and special reserve		3,077,959	2,896,119
Release of impairment losses and special reserve		(1,708,210)	(2,307,610)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	4,399	4,513
Release of impairment losses		-	-
Provisions			
Additional provisions	38	-	3,311
Release of provisions	38	(21,195)	(2,346)
Dividend income	11	(5,699)	(7,805)
Share of profit /(loss) of associates		(67,614)	(60,816)
Other adjustments		5,176	4,182
Interest received		2,656,424	2,867,721
Interest paid		(454,853)	(499,249)
Profit from operations before changes in operating assets:		***1,971,863***	***2,228,904***
(Increase)/decrease of operating assets:			
Trading assets		157,413	(154,455)
Derivative assets held for risk management		-	
Loans and advances to banks		3,718,030	(2,335,508)
Loans and advances to other customers		(679,402)	(4,838,783)
Assets pledged as collateral		-	-
Foreclosed assets		584,550	258,914
Obligatory deposit in foreign currency		(377,201)	(175,932)
Obligatory deposit held with NBRM according to special regulations		-	-
Other receivables		(304,607)	(1,330,636)
Deferred tax assets		-	-
Non-current assets held-for-sale and disposal group	31	-	-

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 CASH FLOWS (Continued)
For the period from 1 January 2020 to 31 December 2020

	Note	*in thousands of denars*	
		Current year 2020	Previous year 2019
Increase/(decrease) in operating liabilities:			
Trading liabilities		5,307	361
Derivative liabilities held for risk management		-	-
Due to banks		(258,452)	98,409
Due to other customers		9,434,022	8,062,730
Other liabilities		75,603	(5,725)
Liabilities directly related to group or assets for disposal		-	-
Net cash flow from operating activities before taxation		***14,327,126***	***1,808,279***
(Paid)/received income tax		(162,162)	(306,171)
Net cash flow from operating activities		**14,164,964**	**1,502,108**
Cash flow from investing activities			
(Investments in securities)		(21,515,255)	(10,535,717)
Inflows from sale of investment in securities		9,649,478	9,762,730
(Outflows from investment in subsidiaries and associates)		-	-
Inflows from disposal of investment in subsidiaries and associates		-	-
(Purchase of intangible assets)		(33,343)	(32,810)
Inflows from sale of intangible assets		-	-
(Purchase of property and equipment)		(176,634)	(98,358)
Inflows from sale of property and equipment		15,734	7,869
(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		39,857	54,636
Net cash flow from investing activities		**(12,020,163)**	**(841,650)**
Cash flow from financing activities			
(Repayment of debt securities issued)		-	-
Issued debt securities		-	-
(Repayment of borrowings)		(602,855)	(640,215)
Increase of borrowings		342,912	548,514
(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)		(1,262,936)	(965,583)
(Other financing outflows)		-	-
Other financing inflows from financing		-	-
Net cash flow from financing activities		***(1,522,879)***	***(1,057,284)***
Effect from allowance for impairment of cash and cash equivalents	18	(495)	(649)
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**621,427**	**(397,475)**
Cash and cash equivalents as of January, 1		**42,740,876**	**43,138,351**
Cash and cash equivalents as of December, 31	**18**	**43,362,303**	**42,740,876**

***** 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

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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 North Macedonia. The headquarters of the Bank are located on St. Orce Nikolov 3, 1000 Skopje. The Bank operates in the Republic of North 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 laws. 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, cheques, 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;
- Representation in insurance
- 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 four open investment funds, KB Publikum – balanced, KB Publikum – bonds, KB Publikum – cash and KB Publikum – MBI 10. 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 2020 were authorised for issue by the Supervisory Board on 24 February 2021.

Since the outbreak of the Covid-19 virus in RN Macedonia (March 2020), the Group has been continuously following the measures and recommendations of the Government for dealing with the virus and preventing its spread. With the purpose of avoiding the risks of the Covid-19 virus, protecting the health of employees and the clients, the Group undertakes a series of organizational and technical measures: smaller number of employees working in the Group's premises, most of the workload organized as work from home (where the processes allow it), a special protocol for contacts with clients in the Group's premises with the aim of providing the recommended physical distance, providing protective equipment and disinfectants, etc .; enabling more services online so that customers do not come to the Group's premises, etc. More information on the effects of the Covid 19 pandemic has been released in note 2.1.3. Impairment / Impairment Calculation Policies.

Introduction (continued)

b) Basis of Preparation of the Consolidated Financial Statements

Accounting Standards used for preparation of the Consolidated Financial Statements

Financial statements of the Bank have been prepared in accordance with the 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, 88/15, 192/15, 6/16, 30/16, 61/16, 64/18 and 120/18 and "Official Gazette of the Republic of North Macedonia" no.290/20), Law on Banks („Official Gazette of the Republic of Macedonia " no. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16, 7/19 and and "Official Gazette of the Republic of North Macedonia" no.101/19), law regulation prescribed by The National Bank of the Republic of North Macedonia (hereinafter "NBRNM"), the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial statements (further referred to as "the Methodology") ("Official Gazette of the Republic of Macedonia" no. 83/17) and the Decision on the types and content of the financial statements of banks and notes to the financial statements ("Official Gazette of the Republic of Macedonia" no. 83/17 and 149/18), issued by the NBRNM.

Standards in Issue not yet Adopted

At the date of authorisation of these financial statements by the Board of Directors, 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 NBRNM regulations 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 North 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 continuous 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 d).

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

Introduction (continued)

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

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 Group for the purpose of reporting to NBRNM.

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.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

vi) 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, transaction costs and all other premiums or discounts during loan approval, as well as calculated effects from the modifications due to changes in the conditions during the amortization period of the loan, which are an integral part of effective interest rate.

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.

Foreign Currency Transactions

Transactions denominated in foreign currencies have been translated into Denars at rates set by the NBRNM 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 2020 and 2019 for euro (EUR) and American dollar (USD) are as follows:

	2020 MKD	2019 MKD
1 EUR	61.69	61.49
1 USD	50.24	54.95

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities

(i) Recognition and initial measurement

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

A financial asset or a financial liability is initially measured at fair value plus for items not measured at fair value through profit or loss, transaction costs directly related to the acquisition or issue.

(ii) Classification

Financial assets

A financial asset is the asset that is:
- a monetary asset,
- equity instruments issued by another legal entity,
- contractual right to receive money or other financial asset from another person,
- contractual right to exchange financial instruments with another person under conditions that are potentially favourable to the Group.

Financial assets can be classified in one the following categories:
- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income, and
- financial assets measured at fair value through profit or loss.

The Group classifies the financial assets at initial recognition.

The classification of financial assets is based on the following 2 criteria:
- belonging to the financial asset in an appropriate business model for managing financial assets of the Group, and
- characteristics of the contractual cash flows of the financial asset (fulfilment of the SPPI requirement).

Determining the business model of the Group

The assessment of the business model of the Group is carried out at a level of the business process, not by separate instrument. The Group may have several business processes for managing financial instruments. The Group can use and manage a particular type of financial instrument in different ways, so that one type of financial instrument can appear in different business processes of the Group for managing financial instruments.

The assessment of the business model is performed by the Group's management on the basis of relevant and available external and internal factors relevant to the manner of managing financial instruments.

The assessment of the business model is performed by the Group's key management on the basis of relevant and available external and internal data, relevant to the manner of managing financial instruments, especially: the manner in which the business model's success/ accomplishments are monitored and reported to the Group's management; identification of risks that affect the fulfillment of the business model and how they are managed; the manner in which the management of the Group's prices are established; etc.
Depending on the manner of managing the financial assets, three business models are identified:
- Business model hold to collect principal and interest,
- Business model hold to collect principal and interest and sale,
- Business model for managing through the realization of their fair value (the so-called residual model).

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Business model – "Hold to collect"

The goal of this business model is to keep the asset (or portfolio of assets) to collect contractual cash flows, and the asset (or portfolio) belongs to "hold to collect" business model.

Moreover, although the purpose of this business model is to keep the financial asset to maturity, if certain financial instruments have been sold before their agreed maturity (early sales) or their modification occurs, it is not a direct indicator of the change of the business model. The following aspects of the sales assessment in the "hold to collect" model are taken into account: historical frequency, time and value of sale, reason for sale (e.g. deterioration of the credit risk of the asset, sale due to concentration in a separate segment according to certain limits for concentration, sale for the purpose of liquidity management, sale due to regulator's provisions, sales upon a decision of the Group for which the reason for it should be documented, the conditions in the environment, the amount, frequencies, etc.).

Business model - "Hold to collect and sell"

When the Group holds the funds in order to achieve a certain goal through the collection of contractual cash flows and the sale of financial assets, the asset belongs in the "hold to collect and sell" business model (also known as the FVOCI business model).
The goal of this business model is achieved by collecting cash flows and selling financial assets, i.e. the purpose of this business model is that the Group keeps financial assets for managing every day liquidity needs, maintaining a certain profit on interest proceeds, matching the duration of the financial assets to financial liabilities (maturity matching) and similar.

Business model - fair value through profit or loss

If a financial asset or a group of financial assets is held by the Group for the purpose of trading and realizing gains or the financial assets cannot be included in the "Hold to collect" or "Hold to collect and sell" business model, then they belong in the business model "Fair value through profit or loss", (hereinafter text: FVPL).

The purpose of this business model is the Group to manage the financial assets through active trading, dependent on market conditions, dependent on the level of liquidity of the securities, in order to profit from the changes in the fair value of the assets. The Group manages these assets in order to realize their market / fair value and the decisions when managing them are based on their market / fair value.
FVPL is other, so-called residual category in which financial instruments may be included if they do not belong in the business models "hold to collect" or "hold to collect and sell".

Analysis of the contractual cash flows of the instrument - whether they represent solely payment of principal and interest – SPPI

After determining the belonging to a separate business model for managing financial assets, it is determined whether the contractual terms of the financial asset lead to cash flows, at certain dates, which are only payments of principal and interest on the outstanding principal (called "SPPI test").
SPPI condition can only be considered for debt financial assets.

The principal is the fair value of the financial asset at the initial recognition.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Analysis of the contractual cash flows of the instrument - whether they represent solely payment of principal and interest – SPPI (continued)

Interest represents compensation for the time value of the money and credit risk. However, interest can take into account other basic risks (for example, liquidity risk), as well as costs (for example, costs for servicing or administrative costs) related to keeping a financial asset for a specified period of time, as well as profits margin.

The analysis of whether the SPPI condition is met is made at the initial recognition of each / group debt financial asset. The analysis of whether the SPPI condition is met is based on the contractual terms of the instrument and all cash flows determined in the agreement are taken into account. For those debts financial assets which arise from a particular product for which the Group has a typical contract (or contractual terms) which applies to all separate claims for that product, the Group whether the SPPI condition is met analyses makes at the product level and not by separate financial asset.

In the event of a change in the contractual cash flows of an existing financial asset, the Group on the date of the modification will evaluate / verify whether the condition of the SPPI is met with the new modified contractual terms.
Accordingly, the results obtained will determine whether the financial asset will continue to be classified and measured at amortized cost (if the SPPI condition is met again) or it will be determined that in the course of its future life time, the financial asset will have to be measured at fair value (if the SPPI condition is not met).

The financial assets are generally divided into:
- Debt financial assets, and
- Equity financial assets.

Debt financial assets

Debt financial assets are classified and measured in the following categories:

- Financial assets measured at amortized cost,
- Financial assets that are measured at fair value through other comprehensive income,
- Financial assets that are measured at fair value through profit or loss.

Financial assets measured at amortized cost
In this category, the Group classifies financial assets that meet the following criteria:
- manages the financial assets for the purpose of collecting contractual cash flows, and
- in accordance with the contractual terms of the asset, the solely payment of principal and interest (SPPI) condition is met.

The financial assets included in this category are initially recognized at fair value and subsequently measured at amortized cost.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets that are measured at fair value through other comprehensive income

In this category, the Group classifies financial assets that fulfil the following criteria:

- manages the financial asset for the purpose of collecting contractual cash flows and / or for sale, and
- in accordance with the contractual terms of the asset, the solely payment of principal and interest (SPPI) condition is met.

The financial assets included in this category are initially recognized and subsequently measured at fair value.

Financial assets that are measured at fair value through profit or loss

In this category, the Group classifies financial assets with the purpose of trading and settling cash flows from their sale.
This is also a residual category, i.e. the Group in this category also classifies all those financial assets that do not fulfil the criteria of the other two categories.
The Group owns these financial assets for the purpose of trading and realizing profit from changes in the fair value of the asset.
The financial assets included in this category are measured at fair value.

Equity financial assets

The decision on the classification of equity instruments is made for an individual instrument, only in the case of initial recognition of the instrument, and then reclassification is not allowed.

The equity instruments are classified and measured at fair value (they do not have contractual cash flows on the basis of principal and interest, i.e. they do not fulfil the SPPI requirement).

Equity instruments held for trading

The equity instruments held by the Group for trading will be compulsory measured at fair value and any changes in fair value will be recorded in the profit or loss.

Other equity instruments

For equity instruments that are not traded, the Group may, at initial recognition, choose whether changes in the fair value (realized and unrealized / calculated) will be recorded in profit or loss or in revaluation reserves within other comprehensive income. Further, the amounts in the Revaluation Reserves can only be reclassified to another category of reserves, but can never be recognized in profit or loss.

For the Group's investments in equity instruments of certain specific institutions for which there is no active market and whose ownership is determined by law and / or is related to the possibility of using the services that are carried out by these institutions, it can be considered that their cost value reflects their fair value.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(iii) 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 derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Modification of financial assets and liabilities

Financial assets

If during the life of the financial instrument there are changes in contractual cash flows (other than impairment) that do not cause derecognition of the financial asset and for which the Group has determined that they still meet the requirements to be classified and measured at amortized cost at the date of the change, the Group determines the new carrying amount of the modified asset, equal to the present value of future modified cash flows, discounted using the initial / original effective interest rate.

The Group recognizes the difference between the new carrying amount of the modified asset and the carrying amount of the asset before the change in contractual cash flows as gain or loss from the change in the profit or loss in the accounting records as interest income/expense, as well as in the balance sheet on the accounts for accumulated depreciation.
As an exception, in cases of change only for the remaining contractual term for collection of receivables, change only to the adjustable interest rate, early repayment close to the contractual repayment period or insignificant / minor subscription fees, the Group does not determine the new accounting value of the modified asset (it should not make a new calculation of the effective interest rate, that is, the allocation of the accumulated depreciation) and should not recognize the gain or loss from the change in the Profit or loss, because those changes are insignificant. In the event of early repayment close to the maturity date, the Group fully capitalizes the entire remaining amount of accumulated depreciation on the due date of early repayment. In the cases of change only for the remaining agreed deadline for collection of claims, a change only to the adjustable interest rate or insignificant amount of subscription fees, the Group continues to distinguish the accumulated depreciation in accordance with the initially established amortization plan.

Financial liabilities
The Group derecognises financial liabilities when the terms of the liability are modified and the cash flows of the financial liability are fundamentally different. In such a case, a new liability is recognized on the basis of the modified fair value terms. The difference between the carrying amount of the liability that is derecognised and the new liability is recognized in the profit and loss account.

(v) 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 under the applicable accounting regulation, or for gains and losses arising from a group of similar transactions.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(vi) 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, or 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 in order to determine the fair value of the asset or liability, the Group applies valuation techniques that have most available data, giving preference to data that can be validated on the market.

The common valuation techniques include: 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, representing 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 NBRNM and other financial assets such as treasury and government securities, as highly liquid assets with maturity up to three months from the date of acquisition and insignificant changes to fair value.

In preparing the Statement of Cash flows, the obligatory reserve in foreign currency and the restricted deposits are excluded from Cash and cash equivalents.

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.

Financial assets at fair value through profit or loss, designated as such at initial recognition

At initial recognition, any financial asset can be designated as a financial asset at fair value through profit or loss, except for unquoted equity instruments and those financial instruments that do not have a quoted market price and whose fair value cannot be reliably measured.
In this category, the Group records the investments in shares in open investment funds and initially recognizes and subsequently measures them according to their fair value. All related realized and unrealized gains and losses are included in net trading income.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

Financial Assets available-for-sale

Financial assets available-for-sale 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 financial institutions and enterprises, where the Group does not exercise control, as well as debt securities issued by the Republic of North Macedonia. Financial assets available for sale include investment in subsidiary recorded at cost.

Financial assets available-for-sale 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 revaluation reserves.
At the time of derecognition of debt financial assets available-for-sale, cumulative gains / losses previously recognized in revaluation reserves are derecognised from equity, and net gains or losses are recognized in the income statement in the item "Other operating income / Other operating expenses".
Income based on interest, dividend, and foreign exchange gains and losses on available-for-sale financial assets are recognized in the income statement for the current period.

Financial Assets held-to-maturity

Financial Assets held-to-maturity are debt financial assets which the Group manages for the purpose of collecting contractual cash flows and which, according to the contractual terms of the asset, fulfil the SPPI requirement. These securities are measured at amortized cost using the effective interest rate method.

Loans and Receivables

Loans and receivables of the Group include loans where cash is provided directly to the customer. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost 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 once a month, 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.

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 costs, 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

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 of loans and any other on and off-balance items are determined according to the regulation of the NBRNM 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, 2020 and December 31, 2019 by applying the following percentages:

Risk Category	Percentage
A	0.01% - 5%
B	5.1% - 20%
C	20.1% - 45%
D	45.1% - 70%
E	70.1% - 100%

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment Losses on Loans and Receivables (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 in case of a loss due to large Group exposure towards a specific country.

- 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 considered uncollectable 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.

For the financial statements' purposes, the Group presents the Credit Risk Groups (Group 1, 2, 3) from the Methodology for recording and valuation of accounting items and for the preparation of financial statements from the Decision on the methodology for interest risk management in the following manner:

- Within Group 1, credit risk exposure classified in the risk category "A";
- Within Group 2, credit risk exposure classified in the risk categories "B" and "C", having no non-performing credit exposure status;
- Within Group3, credit risk exposures which possess non-performing credit exposure status.

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 including all transaction costs incurred. Subsequent measurement is at amortized cost, using the effective interest rate method. Interest for the Group's borrowings is included in interest expenses and are recognized on accrued basis.

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 method, 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, in the caption “Other operating income” or “Other operating expense”.

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.

Intangible assets should be deregistered in their disposal or when future economic benefits are not expected from their use or disposal. Income and losses arising from the sale of intangible assets are determined as the difference between the net proceeds of the disposal and the carrying amount of the asset are recognized in the income statement in the position "Other operating income" or "Other operating expenses

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 does not generate a large amount of independent cash flows, 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment of Non-financial Assets (continued)

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.

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 RM No. 50/13 and No. 26/17) 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).

Foreclosed assets on the basis of uncollected claims are derecognized during the sale or when they are permanently withdrawn from use (no future economic benefits are expected). The realized amount over, or below the carrying amount less the impairment loss recognized in past periods, is recognized as income in the position "Other operating income", i.e. as an expense in the position "Other operating expenses", on the day of sale.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

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.

Employee benefits

(i) Defined contribution plans

The Group contributes to its employees' post retirement plans as prescribed by the Macedonian 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 the Macedonian regulations the Group pays two average monthly net salaries paid in the Republic of North 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 the Methodology, these benefits are considered as defined pension benefit plans. The carrying amount of the Group’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

Other liabilities

Other liabilities include liabilities that do not belong and are not presented in any other item of liabilities in the Statement of financial position.

Other liabilities are recorded at amortized value in accordance with the regulations and decisions of the Group and mainly includes suppliers payable, other liabilities, accrued deferred liabilities and deferred income.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Equity and reserves

The equity is comprised of:

- share capital which is equal to the nominal value of all shares (subscribed and paid-in capital)
- increase in equity due to realized difference between the nominal value of shares and the amounts for which they were sold (share premiums)
- revaluation reserves
- Other reserves, and
- Retained earnings/ accumulated losses from previous years.

Revaluation reserves

Revaluation reserves include the revaluation reserves for assets available for sale where the gains and losses from the changes in the fair value of the financial instruments available for sale are recorded. These reserves are comprised of the net cumulative change in the fair value of the assets, which changes in the fair values are recognized directly in equity.

Statutory reserves

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 court registered capital. 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' meeting, 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 or by the Statute.

Other reserves

Other reserves are formed in addition to statutory reserve, based on decisions by the bodies of the Group for distribution of profit, and can be used to cover certain losses or for other expenses. The maintenance of the level of Group`s reserves is determined by the fulfilment of the capital requirements prescribed by NBRNM regulation according to which these positions should be fully and in any time available for covering the risks and losses that can occur from the Group`s operations, as well as well as liabilities under the Trade company law.

Earnings per share

The Group displays earnings per share in the Statement of Profit and Loss and Other Comprehensive Income if ordinary shares are subject to public trading on the market or if it is in the process of issuing ordinary shares to public markets.

Basic earnings per share is part of the profit or loss attributable to shareholders – holders of ordinary shares for the effects of all ordinary shares in circulation during the period.

Basic earnings per share is calculated when the net gain or loss attributable to holders of ordinary shares is divided by the weighted average number of ordinary shares in circulation during the period. The weighted average number of shares in circulation during the period is calculated when the number of shares in circulation at the beginning of the period is adjusted for the number of shares issued or repurchased over the period, multiplied by (time weight) the number of days during which the shares are in circulation - in relation to the total number of days in the year.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Earnings per share (continued)

The diluted earnings per share in the Group is identical to the basic earnings per share due to the non-existence of issued potential ordinary shares, the effect of which is correction of the net profit attributable to the holders of ordinary shares.

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.

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.

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.

Introduction (continued)

d) Critical Accounting Judgments and Estimates (continued)

Fair Value of Financial Instruments (continued)

In the Republic of North 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.

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.

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.

Assessment of control of investments

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

Investment funds

The Group act as a fund manager to four 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.

Introduction (continued)

e) Changes in the Accounting Policies

As of March 24, 2020 entered into force the Decision amending the Decision on the methodology for credit risk management adopted by the NBRSM ("Official Gazette of the Republic of North Macedonia" No. 76/20 and No. 116/20) in order to mitigate the consequences of the COVID-19 epidemic and by which activities were undertaken on the manner of classification and determination of impairment of non-performing credit exposures and the treatment of restructured credit exposures. The Bank made adjustments in the procedures for classification and determination of impairment in order to apply the said regulations.

Namely, the changes in the regulations referred to the fact that it facilitated the recognition of the non-performing status of credit exposure, i.e. the threshold for non-performing status was moved from 90 days to 150 days (valid in the period from March - September 2020). Thereby, this treatment was applied only to the credit exposures which on February 29, 2020 were regular. Also, for the credit exposures that on February 29, 2020 were regular, functional, the Bank could change the contractual conditions, in the period from March to September 2020, without such credit exposures be considered as restructured credit exposures. Credit exposures that were restructured before February 29, 2020 and restructured in the period March - September 2020 will not receive treatment for non-performing credit exposure. For the effects of the changes in the regulation see note 2.1.3. Impairment loss Calculation Policies/Impairment.

On 1 July 2019, the new " Decision on the Methodology for credit risk management" entered into force (Official Gazette of RM no. 149/2018).

The changes relate to the treatment of non-performing customers, the treatment of restructured claims, the rules for excluding dysfunctional and restructured customer status, defining the default criteria and changing some of the rules for the classification of credit risk exposure. The effect of applying the new Decision on release of impairment and / or special reserve or allocation of additional impairment and / or special reserve is additional impairment / special reserve in the amount of MKD 165,009 thousand in 2019.

f) Compliance with Law Regulations

At the date of the financial reports, there are no non-compliances with the regulations prescribed by the NBRNM in regards to the solvency and capital adequacy of the Group, its limits of exposure, investments, liquidity and open foreign currency position.

1. Classification of financial assets and financial liabilities

A. Classification of financial assets and financial liabilities

In denar thousands	at fair value through profit or loss		At fair value through other comprehensive inome		At amortized cost	Total
	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments		
2020 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	49,687,632	49,687,632
Held-for-trading assets	66,831	-	-	-	-	66,831
Financial assets at fair value through profit or loss upon initial recognition	-	344,455	-	-	-	344,455
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	1,021,080	1,021,080
Loans and advances to other customers	-	-	-	-	50,953,838	50,953,838
Investments in securities	-	-	3,951,304	64,920	21,063,060	25,079,284
Other receivables	-	-	-	-	2,205,180	2,205,180
Total financial assets	**66,831**	**344,455**	**3,951,304**	**64,920**	**124,930,790**	**129,358,300**
Financial liabilities						
Trading liabilities	5,668	-	-	-	-	5,668
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	186,134	186,134
Deposits from other customers	-	-	-	-	116,492,240	116,492,240
Debt instruments issued	-	-	-	-		
Borrowings	-	-	-	-	576,425	576,425
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	956,115	956,115
Total financial liabilities	**5,668**	**-**	**-**	**-**	**118,210,914**	**118,216,582**

1. Classification of financial assets and financial liabilities

A. Classification of financial assets and financial liabilities

In denar thousands	at fair value through profit or loss		At fair value through other comprehensive inome		At amortized cost	Total
	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments		
2019 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	48,733,248	48,733,248
Held-for-trading assets	215,462	-	-	-	-	215,462
Financial assets at fair value through profit or loss upon initial recognition	-	339,193	-	-	-	339,193
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	4,693,021	4,693,021
Loans and advances to other customers	-	-	-	-	50,791,397	50,791,397
Investments in securities	-	-	5,110,700	64,958	7,950,953	13,126,611
Other receivables	-	-	-	-	1,953,135	1,953,135
Total financial assets	**215,462**	**339,193**	**5,110,700**	**64,958**	**114,121,754**	**119,852,067**
Financial liabilities						
Trading liabilities	361	-	-	-	-	361
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	449,360	449,360
Deposits from other customers	-	-	-	-	107,111,540	107,111,540
Debt instruments issued	-	-	-	-		
Borrowings	-	-	-	-	837,008	837,008
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	967,782	967,782
Total financial liabilities	**361**	**-**	**-**	**-**	**109,365,690**	**109,366,051**

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 a Strategy for risk taking and management, which is approved by the Supervisory Board and is reviewed regularly. The Strategy defines the risk management system and its scope, with particular reference to the acceptable level of risk, the risk culture and the process of determining internal capital (PIC) and the process of determining internal liquidity (ILAAP).

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 the risks are originated and managed.

Since the outbreak of the Covid-19 virus in RN Macedonia (March 2020), the Group has been continuously following the measures and recommendations of the Government for dealing with the virus and preventing its spread. With the purpose of avoiding the risks of the Covid-19 virus, protecting the health of employees and the clients, the Group undertakes a series of organizational and technical measures: smaller number of employees working in the Group's premises, most of the workload organized as work from home (where the processes allow it), a special protocol for contacts with clients in the Group's premises with the aim of providing the recommended physical distance, providing protective equipment and disinfectants, etc .; enabling more services online so that customers do not come to the Group's premises, etc. More information on the effects of the Covid 19 pandemic has been released in note 2.1.3. Impairment / Impairment Calculation Policies.

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 primarily 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 an 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 business unit level in the Group includes each Division where credit risk is undertaken, as well as the persons with special rights and responsibilities that perform the management function in the respective Division. The duties of these organizational units of the Group are regulated by the appropriate Policies adopted from the Group's Supervisory Board. A special organizational unit in the Group competent for credit risk management is the 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 manages 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, various 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 creditworthiness evaluation factor. The value and quality of the 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 C non-performing, 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 on 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 North Macedonia, NBRNM 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 North Macedonia, NBRNM and securities issued by other legal 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 t 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 equity securities, debt instruments, as well as exposures classified as nonperforming are classified on an individual basis.

In order to mitigate the consequences of the COVID-19 pandemic, in accordance with the Decision on the credit risk management methodology of NBRNM ("Official Gazette of the Republic of North Macedonia no. 76/20 of 24.03.2020) and the Decree with force of law on the change of the contractual conditions of the credit exposures with the banks and savings houses (Official Gazette of the Republic of North Macedonia no. 80 from 27.03.2020), the Group in the period from March to September 2020 offered measures for easing the credit obligations of individuals and legal entities.

The measures for the retail segment were implemented twice, the first set of measures was organized through a Public Offer, when the measures offered to the individuals comprised of approving a six-month grace period in the repayment of loan obligations and permitted overdrafts on Group cards and transaction accounts.

2.1.3. Policies for calculation of impairment loss/ allowance for impairment (continued)

Exposures Classified on an Individual Basis (continued)

The second set of measures was applied to a smaller number of individuals, who according to the Group were significantly affected by the crisis, and refers to the period from October 1, 2020 to March 31, 2021. The second change in the terms of credit liabilities referred exclusively to customers who met at least one of the following criteria: reduced monthly income of 10% or more than 10% in the period of the Covid crisis, compared to the months before the Covid crisis; termination of employment in the period of the Covid crisis and high costs of treatment in the period of the Covid crisis.

During the abovementioned period, the Group twice undertook measures and activities in order to reduce the financial burden of the corporate clients. The Group implemented the change of the terms of the credit liabilities of the corporate clients using an individual approach, through direct communication with the clients, whereby for each client an appropriate solution was offered to alleviate the financial burden in order to overcome the consequences from the Covid crisis. The measures mainly included: approval of a grace period in repayment of installments and interest; change of one or more contractual conditions of the exposures or approval of new loans to overcome the current problems with the liquidity of the companies.

The first set of measures for the corporate clients covered the period no later than September 30, 2020, while the second set of measures was applied to a smaller number of clients who according to the Group were significantly affected by the crisis and refers to the period from September 30, 2020 to 30 September 2021.

In total, the first set of measures covers an exposure of 25,080,150 thousand denars as of December 31, 2020, which is 17% of the total credit exposure of the Group as of December 31, 2020. The second set of measures covers an exposure of 7,174,016 thousand denars as of December 31, 2020, i.e. 5% of the total credit exposure as of December 31, 2020.

The sector analysis of the effect of the crisis enabled the Group to identify the sectors where a more significant negative effect was observed. The most affected sectors are the accommodation, food service and tourism sector, transport and storage sector and the manufacturing industry.

From the aspect of credit risk management, the Group in the period from March 1, 2020 to September 30, 2020 applied the regulatory measures in the process of classification and determination of impairment and special reserve based on the Decision amending the Decision on the methodology for credit risk management, adopted by the National Group of the Republic of North Macedonia (NBRNM) ("Official Gazette of the Republic of North Macedonia" No. 76/20), in order to mitigate the consequences of COVID-19.

The changes refer to the following:
- The credit exposure which on February 29, 2020 is classified as "A", "B" or "C" risk category and which in the period from March 1 to September 30, 2020 on any basis is uncollected for more than 90 days, but less than 150 days from the due date or which in this period meets any of the criteria related to inability to collect from the client, there is no treatment of non-performing credit exposure.

This also refers to the credit exposure classified in risk category "A" or "B", which was approved in the period from March 1 to September 30, 2020.

If in the period from March 1 to September 30, 2020, the Group:

- at most twice performed one of the activities of restructuring credit exposure (extension of maturity, change in the amount and dynamics of loan repayment, including approval of grace period, approval of new credit exposure, etc.), and which on February 29, 2020 is classified in risk category "A", "B" or "C", that credit exposure will not receive treatment of restructured credit exposure;
- once performed some of the activities of restructuring the already restructured credit exposures which on February 29, 2020 are classified in risk category "A", "B" or "C", that credit exposure does not receive treatment of restructured non-performing credit exposure.

2.1.3. Policies for calculation of impairment loss/ allowance for impairment (continued)

Exposures Classified on an Individual Basis (continued)

For the purposes of classification into a certain risk category and determination of impairment / special reserve of credit exposure where deferred payment of receivables is approved, the Group does not improve the risk category, nor release impairment.

Impairment / separate provision for impairment of individually assessed items on an individual basis is determined by evaluating the loss generated at the balance sheet date, which is the difference between the carrying amount and the present value of the estimated future cash flows. The effective interest rate is used to discount future cash flows. Credit exposures to Groups and investments in equity securities, debt instruments, as well as exposures that are classified as non-performing are also 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 total 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 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019
Exposure to credit risk, classified in Group 1																		
Carrying value before impairment loss/ special reserve	1,021,208	4,689,484	42,492,289	44,650,945	3,951,304	5,110,700	21,063,122	7,951,015	45,063,113	38,405,504	5,312	6,251	857,675	793,589	16,887,109	15,691,998	131,341,131	117,299,486
(Impairment loss and special reserve)	(114)	(481)	(393,795)	(413,692)	-	-	(62)	(62)	(1,286)	(837)	(53)	(74)	(266)	(380)	(69,646)	(62,276)	(465,221)	(477,802)
Carrying value less impairment loss/ special reserve	1,021,094	4,689,003	42,098,494	44,237,253	3,951,304	5,110,700	21,063,060	7,950,953	45,061,827	38,404,667	5,259	6,177	857,409	793,209	16,817,463	15,629,722	130,875,910	116,821,684
Exposure to credit risk, classified in Group 2																		
Carrying value before impairment loss/ special reserve	-	5,722	9,552,624	6,917,031	-	-	-	-	-	-	1,278	2,280	4,190	1,265	989,554	793,129	10,547,646	7,719,427
(Impairment loss and special reserve)	-	(1,579)	(1,272,597)	(696,590)	-	-	-	-	-	-	(176)	(331)	(496)	(83)	(69,340)	(108,267)	(1,342,609)	(806,850)
Carrying value less impairment loss/ special reserve	-	4,143	8,280,027	6,220,441	-	-	-	-	-	-	1,102	1,949	3,694	1,182	920,214	684,862	9,205,037	6,912,577

2. Risk Management (continued)

2.1. Credit Risk (continued)

2.1.A. Analysis of total 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 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019
Exposure to credit risk, classified in Group 3																		
Carrying value before impairment loss/ special reserve	-	-	3,223,929	3,434,939	-	-	-	-	-	-	5,726	6,932	27,253	25,052	257,513	173,685	3,514,421	3,640,608
(Impairment loss and special reserve)	-	-	(2,439,557)	(2,898,654)	-	-	-	-	-	-	(4,685)	(5,915)	(26,234)	(23,647)	(119,465)	(99,278)	(2,589,941)	(3,027,494)
Carrying value less impairment loss/ special reserve **Total carrying value of receivables with credit risk before impairment loss/ special reserve**	1,021,208	4,695,206	784,372 55,268,842	536,285 55,002,915	-	-	-	-	-	-	1,042 12,316	1,017 15,463	1,019 889,118	1,405 819,906	138,048 18,134,176	74,407 16,658,812	924,480 145,403,199	613,114 128,659,521
(Total Impairment loss and special reserve)	(114)	(2,060)	(4,105,949)	(4,008,936)	-	-	(62)	(62)	(1,286)	(837)	(4,914)	(6,320)	(26,996)	(24,110)	(258,451)	(269,821)	(4,397,772)	(4,312,146)
Total carrying value of receivables with credit risk less impairment loss/ special reserve	1,021,094	4,693,146	51,162,893	50,993,979	3,951,304	5,110,700	21,063,060	7,950,953	45,061,827	38,404,667	7,402	9,143	862,122	795,796	17,875,725	16,388,991	141,005,427	124,347,375

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 assets held-to-maturity		Cash and cash equivalents		Other receivables		Off balance sheet exposures		Tota	
	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019
Value of collateral of credit exposure																
First-class collateral instruments																
cash deposits (in depot and/or restricted in accounts held with the Bank)	-	-	1,023,348	1,099,931	-	-	-	-	-	-	35,504	114,743	179,162	208,773	1,238,014	1,423,447
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	-	-	-	-	-	-	-	-	90	150,650	150,051	150,650	150,141
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (besides bank Guarantees and guarantees from insurance companies)	-	-	476,588	384,008	-	-	-	-	-	-	-	-	547,532	295,408	1,024,120	679,416
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on real estate																
property for private use (flats, houses)	-	-	18,073,039	18,354,203							158	534	1,030,758	1,211,714	19,103,955	19,566,451
business facility	-	-	36,348,861	34,986,546	-	-	-	-	-	-	36,136	57,544	8,806,550	7,231,146	45,191,547	42,275,236
Pledge over movables	-	-	12,514,209	13,783,163	-	-	-	-	-	-	62,089	81,295	2,875,010	2,692,848	15,451,308	16,557,306
Other types of collateral	-	-	2,108,879	3,729,953	-	-	-	-	-	-	50	66	691,092	261,401	2,800,021	3,991,420
Total value of collateral of credit exposure	-	-	70,544,924	72,337,804	-	-	-	-	-	-	133, 937	254,272	14,280,754	12,051,341	84,959,615	84,643,418

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 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019
Industry																		
Non-residents	-	-	7,519,131	7,772,476	-	-	-		-	-	671	1,391	1,980	1,544	3,982,736	3,946,974	11,504,518	11,722,385
Agriculture, forestry and fishing	-	-	783,461	631,603	-	-	-	-	-	-	183	257	56	121	413,448	426,181	1,197,148	1,058,162
Ore and stone extraction	-	-	679,930	569,693	-	-	-	-	-	-	72	99	224	69	32,549	43,391	712,775	613,252
Processing industry	-	-	298,560	312,067	-	-	-	-	-	-	155	218	127	115	137,061	203,750	435,903	516,151
Wholesale and retail industry for clothing and footwear	1,021,094	4,693,146	7,713	24,137	-	-	622,592	622,603	45,061,827	38,404,667	2,129	2,319	16,914	19,222	82,944	29,546	46,815,213	43,795,641
Chemical industry, production of construction materials, production and processing of fuels, pharmaceutical industry	-	-	2,528,754	2,678,961	-	-	-	-	-	-	225	12	14	13	1,093,647	288,081	3,622,640	2,967,067
Production of metals, machines, tools and equipment	-	-	1,408,960	1,505,559	-	-	-	-	-	-	79	186	4,565	1,833	100,432	100,606	1,514,036	1,608,184
Other processing industry	-	-	100,050	212,878	-	-	-	-	-	-	62	72	1,116	1,068	119,852	138,767	221,079	352,785
Electricity supply, gas, steam and air conditioning	-	-	1,713,201	1,422,605	3,951,304	5,110,700	20,440,468	7,328,350	-	-	468	155	142	61	377,264	2,644	26,482,847	13,864,515
Water supply, disposal of wastewater, waste management and remediation activities on the environment	-	-	559,097	651,366	-	-	-	-	-	-	9	33	2	1	24,535	8,965	583,643	660,365
Construction	-	-	1,248,719	1,320,400	-	-	-	-	-	-	120	145	2	0	154,254	102,569	1,403,095	1,423,114

2. Risk Management (continued)

2.1. Credit Risk (continued)

2.1.C. Concentration of Credit Risk by Industry (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 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019
Wholesale and retail trade; repair of motor vehicles, motorcycles	-	-	7,519,131	7,772,476	-	-	-		-	-	671	1,391	1,980	1,544	3,982,736	3,946,974	11,504,518	11,722,385
Transport and warehousing	-	-	783,461	631,603	-	-	-	-	-	-	183	257	56	121	413,448	426,181	1,197,149	1,058,162
Accommodation facilities and food service industry	-	-	679,930	569,693	-	-	-	-	-	-	72	99	224	69	32,549	43,391	712,774	613,252
Information and communications	-	-	298,560	312,067	-	-	-	-	-	-	155	218	127	115	137,061	203,750	435,904	516,151
Finance and insurance activities	1,021,094	4,693,146	7,713	24,137	-	-	622,592	622,603	45,061,827	38,404,667	2,129	2,319	16,914	19,222	82,944	29,546	46,815,212	43,795,641
Activities related to real estate, renting and business activities	-	-	2,528,754	2,678,961	-	-	-	-	-	-	225	12	14	13	1,093,647	288,081	3,622,639	2,967,067
Professional, scientific and technical activities	-	-	1,408,960	1,505,559	-	-	-	-	-	-	79	186	4,565	1,833	100,432	100,606	1,514,036	1,608,184
Administrative and utility services	-	-	100,050	212,878	-	-	-	-	-	-	62	72	1,116	1,068	119,852	138,767	221,079	352,785
Public administration and defence; mandatory social security	-	-	1,713,201	1,422,605	3,951,304	5,110,700	20,440,468	7,328,349	-	-	468	155	142	61	377,264	2,644	26,482,847	13,864,515
Education	-	-	559,097	651,366	-	-	-	-	-	-	9	33	2	1	24,535	8,965	583,643	660,365
Health care and social work	-	-	1,248,719	1,320,400	-	-	-	-	-	-	120	145	2	0	154,254	102,569	1,403,095	1,423,114
Art, entertainment and recreation	-	-	304,675	197,279	-	-	-	-	-	-	87	122	23	11	144,911	107,572	449,696	304,984
Other service activities	-	-	131,594	164,156	-	-	-	-	-	-	39	76	361	396	4,700	4,268	136,693	168,897

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 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019
Private households as employers, household activities that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals		-	17,306,272	17,211,752		-		-		-	1,604	1,876	832,257	768,963	3,003,344	3,010,509	21,143,477	20,993,100
Individual merchants and individuals not regarded as merchants	-	-	66,459	66,190		-		-		-	68	182	906	901	6,274	4,617	73,707	71,890
Total	1,021,094	4,693,146	51,162,893	50,993,980	3,951,304	5,110,700	21,063,060	7,950,953	45,061,827	38,404,667	7,403	9,142	862,122	795,796	17,875,725	16,388,991	141,005,427	124,347,375

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 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019	Current year 2020	Previous year 2019
Geographic location																		
Republic of North Macedonia	29,515	29,618	50,900,263	50,777,696	3,951,304	5,110,700	20,440,468	7,328,349	34,306,884	31,049,366	6,799	8,516	862,122	795,796	15,827,692	14,663,616	126,325,047	109,763.657
EU member countries	527,316	2,801,584	262,630	216,283	-	-	622,592	622,604	7,833,508	5,159,388	435	480	-	-	1,500	7,105	9,247,981	8,807,444
Europe (other)	-	1,399,250	-	-	-	-	-	-	2,408,246	1,718,264	95	70	-	-	2,042,221	1,713,973	4,450,562	4,831,557
OECD member countries (without European OECD member countries)	464,263	462,694	-	-	-	-	-	-	445,865	404,527	67	73	-	-	4,312	4,297	914,507	871,591
Other	-	-	-	-	-	-	-	-	67,324	73,122	6	4	-	-	-	-	67,330	73,126
(the exposure that represents more than 10% of total credit exposure)	-	-	-	-	-	-	-	-	-	-	-	-						
Total	1,021,094	4,693,146	51,162,893	50,993,980	3,951,304	5,110,700	21,063,060	7,950,953	45,061,827	38,404,667	7,403	9,142	862,122	795,796	17,875,725	16,388,991	141,005,427	124,347,375

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 North Macedonia, amounting 89.59% as of December 31, 2020 (2019: 88.27%). Exposure to debtors located in EU member amounts to 6.56% as of December 31, 2020 (2019: 7.08%). Exposure to debtors located in Other European countries and OECD countries amounts to 3.85% of the total credit exposure of the Group as of December 31, 2020 (2019: 4.65%).

Unimpaired exposures that are past due, amount to 61,592 thousands of denars as of December 31, 2020 (2019: 210,661 thousands of denars) and relate to receivables past due up to 30 days and are off-balance sheet exposures in the amount of 10,949 thousands of denars as of December 31, 2020 (2019: 11,201 thousands of denars). Undue unimpaired loans amount to 59,947,872 thousands of denars as of December 31, 2020 (2019: 44,801,495 thousands of denars) and mainly relate to, clients that have first class collateral, i.e. cash deposits and exposures for which a risk weight of 0% is applied in accordance with the Natonal bank regulation on the methodology for determining the capital adequacy.

2. Risk Management (continued)

2.1. Credit Risk (continued)

2.1.E. Analysis of credit risk in assets measured at fair value through profit or loss

	Trading assets				Financial assets at fair value through profit and loss designated as such at initial recognition									
	Debt trading securities		Equity trading securities		Debt securities		Equity securities		Loans and advances to banks		Loans and advances to other customers		Total	
In thousands of denars	current year 2020	previous year 2019	current year 2020	previous year 2019	current year 2020	previous year 2019	current year 2020	previous year 2019	current year 2020	previous year 2019	current year 2020	previous year 2019	current year 2020	previous year 2019
Current value of financial assets measured at fair value														
Risk category Without credit rating	20,057	16,586	41,196	198,212	344,455	339,193	-	-	-	-	-	-	405,708	553,991
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Total carrying value	**20,057**	**16,586**	**41,196**	**198,212**	**344,455**	**339,193**	**-**	**-**	**-**	**-**	**-**	**-**	**405,708**	**553,991**

These investments refer to financial assets measured at fair value through profit or loss for which there is no credit rating issued by external credit rating agencies.

2. Risk Management (continued)

2.2. Liquidity Risk

Liquidity risk is the risk of loss that occurs when the Group cannot provide sufficient cash to meet its liabilities at maturity or can provide the necessary funds at much higher costs. Liquidity risk arises both from the inability to properly manage unexpected changes in the source of funds, and from the inability of the Group to timely and quickly convert assets into cash at minimal cost.

Process of Liquidity Risk Management

Liquidity risk management involves management of assets and liabilities in a way that enables frequent and timely payment of liabilities, both in normal or exceptionally conditions.

Exposure to liquidity risk depends on the separate categories in the balance sheet classified by maturity dates (residual maturity) and the level of reconciliation. Exposure to insolvency risk depends on the level of capital and reserves, i.e. the 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 claims 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 claims, estimating that the really due liabilities (stability of deposit core) can be estimated with a degree of certainty.

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Process of Liquidity Risk Management (continued)

The Group has established Liquidity risk managing policy, passed by the Supervisory board and the same is reviewed regularly. The policy defines 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, measurement or assessment, control or decreasing and following of the liquidity risk. This act is issued by the Board of Directors and is subject to regular revision. The Procedures define the proceedings (processes) for liquidity risk management in detail as: identification, measurement or assessment of the liquidity and liquidity risk, testing of operational liquidity and liquidity stress-testing, monitoring, control or decreasing of liquidity risk and determining the internal liquidity (ILAAP).

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

Reconciliation and the controlled 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 2019 there are changes in the regulation related to the management of the liquidity risk, which provide the establishment of establishment of an internal liquidity determination (ILAAP) process.

Maturity analysis of financial assets and liabilities (including both balance sheet and off-balance items) as at December 31, 2020 and 2019 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 one month, from one to three and from three to twelve months as at 31 December 2020 and as at 31 December 2019. The main reason for the above mentioned 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, the Group prepares expected maturity structure, with expectations as an integrated element that 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
2020 (current year)							
Financial assets							
Cash and cash equivalents	41,707,700	2,431,684	-	5,549,534	-	-	49,688,918
Held-for-trading assets	66,831	-	-	-	-	-	66,831
Financial assets at fair value through profit or loss upon initial recognition	-	-	-		-	344,455	344,455
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	30,109	1,879	30,864	308,951	185,082	464,309	1,021,194
Loans and advances to other customers	1,436,187	3,271,921	15,592,724	6,510,403	15,330,031	13,127,575	55,268,841
Investments in securities	300,740	3,747,500	4,457,537	2,638,119	7,773,688	6,161,762	25,079,346
Investments in associates	-	-	-	-	-	324,115	324,115
Income tax receivable (current)	-	390	-	-	-	-	390
Other receivables	2,181,960	5,347	46,680	1,484	960	658	2,237,089
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**45,723,527**	**9,458,721**	**20,127,805**	**15,008,491**	**23,289,761**	**20,422,874**	**134,031,179**
Financial liabilities							
Trading liabilities	5,668	-	-	-	-	-	5,668
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Due to banks	186,006	128	-	-	-	-	186,134
Due to other customers	73,347,103	9,413,969	23,196,292	6,893,025	3,506,559	135,292	116,492,240
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	26,187	7,785	105,454	141,044	261,652	37,487	579,609
Subordinated debt	-	-	-	-	-	-	
Income tax payable (current)	2,471	1,063	-	-	-	-	3,534
Deferred tax liabilities	-	-	-	-	-	-	
Other liabilities	954,826	1,179	50	60	-	-	956,115
Total financial liabilities	**74,522,261**	**9,424,124**	**23,301,796**	**7,034,129**	**3,768,211**	**172,779**	**118,223,300**
Off balance sheet items							
Off balance sheet assets	**26,009**	**9,871**	**344,357**	**95,209**	**176,087**	**-**	**651,533**
Off balance sheet liabilities	**8,596,039**	**2,474,266**	**5,623,533**	**2,845,496**	**360,829**	**-**	**19,900,163**
Liquidity gap	**(37,368,764)**	**(2,429,798)**	**(8,453,167)**	**5,224,075**	**19,336,808**	**20,250,095**	**(3,440,751)**

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
2019 (previous year)							
Financial assets							
Cash and cash equivalents	43,562,744	-	-	5,171,341	-	-	**48,734,085**
Held-for-trading assets	55,239	-	160,223	-	-	-	**215,462**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	339,193	**339,193**
Derivative assets held for risk management	-	-	-	-	-	-	**-**
Loans and advances to banks	2,613,836	3,334	1,122,831	479	491,885	462,741	**4,695,106**
Loans and advances to other customers	1,332,396	3,162,371	17,091,807	5,993,856	14,339,796	13,037,683	**54,957,909**
Investments in securities	37,327	1,340,075	5,754,277	1,820,452	2,254,562	1,919,981	**13,126,674**
Investments in associates	-	-	-	-	-	289,650	**289,650**
Income tax receivable (current)	-	4,591	-	-	-	-	**4,591**
Other receivables	1,916,141	16,712	49,203	318	535	658	**1,983,567**
Assets pledged as collateral	-	-	-	-	-	-	**-**
Deferred tax assets	-	-	-	-	-	-	**-**
Total financial assets	**49,517,683**	**4,527,083**	**24,178,341**	**12,986,446**	**17,086,778**	**16,049,906**	**124,346,237**
Financial liabilities							
Trading liabilities	361	-	-	-	-	-	**361**
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Derivative liabilities held for risk management	-	-	-	-	-	-	**-**
Due to banks	317,739	130,936	685	-	-	-	**449,360**
Due to other customers	63,112,535	9,889,264	24,160,627	6,695,890	3,215,518	37,706	**107,111,540**
Debt instruments issued	-	-	-	-	-	-	**-**
Borrowings	61,276	115,485	173,618	127,910	274,166	88,096	**840,551**
Subordinated debt	-	-	-	-	-	-	
Income tax payable (current)	9,166	543	-	-	-	-	**9,709**
Deferred tax liabilities	-	-	-	-	-	-	
Other liabilities	958,502	9,099	104	77	-	-	**967,782**
Total financial liabilities	**64,459,579**	**10,145,327**	**24,335,034**	**6,823,877**	**3,489,684**	**125,802**	**109,379,303**
Off balance sheet items							
Off balance sheet assets	159,024	15,986	255,321	42,425	106,862	70,032	**649,650**
Off balance sheet liabilities	8,490,867	1,390,780	4,941,023	3,582,823	46,486	278,256	**18,730,235**
Liquidity gap	**(23,273,739)**	**(6,993,038)**	**(4,842,395)**	**2,622,171**	**13,657,470**	**15,715,880**	**(3,113,651)**

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 %*
2020 (current year)				
Amount before sensitivity analysis/ stress-test (as at December 31, 2020)		11,954,685	68,435,453	17.47
Effects from scenario 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	3,509	11,958,194	68,567,938	17.44
Scenario 2: Denar to appreciate by 5% compared to other currencies	(3,509)	11,951,176	68,302,968	17.50
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	21,052	11,975,737	69,230,362	17.30
Scenario 2: Denar to appreciate by 30% compared to other currencies	(21,052)	11,933,633	67,640,545	17.64
Interest rate risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to increase by 1,00 p.p.	37,264	11,991,949	68,435,453	17.52
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to increase by 1,00 p.p.	(37,264)	11,917,421	68,435,453	17.41

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 1: Interest rates on balance sheet items with variable and ajustable interest rates decided by the Bank's management to increase by 6,00 p.p.	223,586	12,178,271	68,435,453	17.80
Scenario 2: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to decrease by 6,00 p.p.	(223,586)	11,731,099	68,435,453	17.14
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)

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 %*
2019 (previous year)				
Amount before sensitivity analysis/ stress-tests (as at December 31, 2019)		11,409,347	68,755,233	16.59
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	6,833	11,416,180	71,322,602	16.01
Scenario 2: Denar to appreciate by 5% compared to other currencies	(6,833)	11,402,514	66,187,864	17.23
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	40,999	11,450,346	84,159,446	13.61
Scenario 2: Denar to appreciate by 30% compared to other currencies	(40,999)	11,368,348	53,351,020	21.31
Interest rate risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to increase by 1,00 p.p.	(30,398)	11,378,949	68,755,233	16.55
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to increase by 1,00 p.p.	30,398	11,439,745	68,755,233	16.64

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 1: Interest rates on balance sheet items with variable and ajustable interest rates decided by the Bank's management to increase by 6,00 p.p.	(182,391)	11,226,956	68,755,233	16.33
Scenario 2: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to decrease by 6,00 p.p.	182,391	11,591,738	68,755,233	16.86
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 2020				previous year 2019			
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 Group does not determine capital required to cover market risks for trading portfolio, because trading portfolio does not exceed 5% of the total assets or 915 million denars.

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 (hereinafter: interest rate risk) 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 net interest margin in the frames of acceptable level. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

The exposure to this risk depends on 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 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: subjects and definitions, the main objectives, interest rate risk management system in the banking book (efficient management process and organizational structure of interest rate risk management) and assessment of the Group's capacity to take the risk of change in the interest rates as well as assessment of its risk profile, adequate instruments for protection or reduction of the interest rate risk. The Group has established Procedures for identification, measurement or assessment, control or reducing and monitoring of the risk of change in the interest rates in the banking book. This act is issued by the Board of Directors and is reviewed on a regular bases. The Procedures gives in detail the proceedings and processes for interest rate risk management as: identification, measurement or assessment, control or reducing and monitoring 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 (spread), net interest margin and other internal indicators of risk of changes in interest rates, 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 reverse stress- test 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 2020 and 2019 are as follows:

in thousands of Denars

	Position	Currency	December 31, 2020
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	899,847
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	281,782
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	587,821
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	(2,782)
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**1,766,668**
3	OWN FUNDS		**11,954,685**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**14.78%**

in thousands of Denars

	Position	Currency	December 31, 2019
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	260,998
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	100,224
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	598,021
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	(6,791)
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**952,453**
3	OWN FUNDS		**11,409,347**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**8.35%**

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.

The increase of the ratio compared to 31.12.2019 mainly is a result of increased investments in government bonds

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, 2020 (current year)							
FINANCIAL ASSETS							
Cash and cash equivalents	42,282,022	2,430,818	-	-	-	-	**44,712,840**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Loans and advances to banks	30,107	1,888	31,313	-	-	-	**63,308**
Loans and advances to other customers	929,178	3,205,363	38,880,798	3,144,863	1,852,245	1,840,939	**49,853,386**
Investments in securities	298,763	3,747,501	4,419,677	2,634,507	7,703,247	6,032,143	**24,835,838**
Other interest sensitive assets	-	-	-	-	-	-	**-**
Total interest sensitive financial assets	**43,540,070**	**9,385,570**	**43,331,788**	**5,779,370**	**9,555,492**	**7,873,082**	**119,465,372**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Due to banks	-	-	-	-	-	-	-
Due to other customers	15,953,995	9,411,027	29,928,631	1,497,303	1,295,754	5,861	58,092,571
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	24,416	7,736	433,897	68,255	43,287	198	577,789
Subordinated debt	-	-	-	-	-	-	-
Other interest sensitive liabilities	-	-	-	-	-	-	-
Total interest sensitive financial liabilities	**15,978,411**	**9,418,763**	**30,362,528**	**1,565,558**	**1,339,041**	**6,059**	**58,670,360**
Net balance position	**27,561,659**	**(33,193)**	**12,969,260**	**4,213,812**	**8,216,451**	**7,867,023**	**60,795,012**
Off balance sheet interest sensitive assets							
Off balance sheet interest sensitive liabilities							
Net off-balance sheet gap							
Total net-position	**27,561,659**	**(33,193)**	**12,969,260**	**4,213,812**	**8,216,451**	**7,867,023**	**60,795,012**

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, 2019 (previous year)							
FINANCIAL ASSETS							
Cash and cash equivalents	37,853,577	-	-	-	-	-	37,853,577
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	2,612,915	2,414	1,123,072	-	-	-	3,738,401
Loans and advances to other customers	1,164,742	3,098,917	36,558,763	6,132,089	2,069,602	1,285,969	50,310,082
Investments in securities	11,238	1,332,280	5,703,908	1,755,494	2,254,562	1,919,980	12,977,462
Other interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive financial assets	**41,642,472**	**4,433,611**	**43,385,743**	**7,887,583**	**4,324,164**	**3,205,949**	**104,879,522**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Due to banks	229,608	128,025	-	-	-	-	357,633
Due to other customers	16,293,012	9,898,335	31,510,441	301,504	619,319	-	58,622,611
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	58,838	682	467,076	76,543	110,375	987	714,501
Subordinated debt	-	-	-	-	-	-	-
Other interest sensitive liabilities	-	-	-	-	-	-	-
Total interest sensitive financial assets	**16,581,458**	**10,027,042**	**31,977,517**	**378,047**	**729,694**	**987**	**59,694,745**
Net balance sheet gap	**25,061,014**	**(5,593,431)**	**11,408,226**	**7,509,536**	**3,594,470**	**3,204,962**	**45,184,777**
Off balance sheet interest sensitive assets							
Off balance sheet interest sensitive liabilities							
Net off-balance sheet gap							
Total net-gap	**25,061,014**	**(5,593,431)**	**11,408,226**	**7,509,536**	**3,594,470**	**3,204,962**	**45,184,777**

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 foreign 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 - managing the currency risk, adopted by the Supervisory board and it is revised regularly. The policy defines the primary goals, the primary components of the currency risk management system (efficient process and organizational structure), assessment of the Group's capacity to undertake foreign currency risk and assessment of the risk profile and acceptable instruments for hedging or reducing foreign currency risk.

The Group has established Procedures for identification, measurement or assessment, control or reducing and monitoring 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, measurement or assessment, control or reducing and monitoring for exposure to foreign exchange risk.

Methods used to measure foreign currency risk includes: analysis of exposure to foreign currency risk both by single positions and in total, foreign currency structure of the balance sheet, foreign currency structure of FX assets, stress test, reverse 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 Group as at December 31, 2020 and 2019.

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
2020 (current year)										
Monetary Assets										
Cash and cash equivalents	32,538,460	10,222,683	4,971,650	-	-	-	-	-	1,954,839	49,687,632
Held-for-trading assets	66,831	-	-	-	-	-	-	-	-	66,831
Financial assets at fair value through profit or loss upon initial recognition	344,455	-	-	-	-	-	-	-	-	344,455
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	29,514	991,566	-	-	-	-	-	-	-	1,021,080
Loans and advances to other customers	27,970,401	22,452,318	531,119	-	-	-	-	-	-	50,953,838
Investments in securities	15,582,115	9,496,716	453	-	-	-	-	-	-	25,079,284
Investments in associates	324,115	-	-	-	-	-	-	-	-	324,115
Income tax receivable (current)	390	-	-	-	-	-	-	-	-	390
Other receivables	1,368,655	713,147	123,269	-	-	-	-	-	109	2,205,180
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	78,224,936	43,876,430	5,626,491	-	-	-	-	-	1,954,948	129,682,805
Monetary Liabilities										
Trading liabilities	-	-	5,668	-	-	-	-	-	-	5,668
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Due to banks	26,584	7,691	128,156	-	-	-	-	-	23,703	186,134
Due to other customers	66,007,944	43,120,227	5,423,366	-	-	-	-	-	1,940,703	116,492,240
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	576,425	-	-	-	-	-	-	-	576,425
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	3,534	-	-	-	-	-	-	-	-	3,534
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	814,255	121,094	15,706	-	-	-	-	-	5,060	956,115
Total Monetary Liabilities	66,852,317	43,825,437	5,572,896	-	-	-	-	-	1,969,466	118,220,116
Net-position	**11,372,619**	**50,993**	**53,595**	-	-	-	-	-	**(14,518)**	**11,462,689**

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
2019 (previous year)										
Monetary Assets										
Cash and cash equivalents	35,754,721	5,808,699	5,235,697	-	-	-	-	-	1,934,131	48,733,248
Held-for-trading assets	55,025	160,437	-	-	-	-	-	-	-	215,462
Financial assets at fair value through profit or loss upon initial recognition	339,193	-	-	-	-	-	-	-	-	339,193
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	
Loans and advances to banks	29,517	4,493,843	-	-	-	-	-	-	169,661	4,693,021
Loans and advances to other customers	26,679,872	23,586,381	525,144	-	-	-	-	-	-	50,791,397
Investments in securities	7,244,663	5,881,453	495	-	-	-	-	-	-	13,126,611
Investments in associates	289,650	-	-	-	-	-	-	-	-	289,650
Income tax receivable (current)	4,591	-	-	-	-	-	-	-	-	4,591
Other receivables	1,185,175	635,422	132,330	-	-	-	-	-	208	1,953,135
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	**71,582,407**	**40,566,235**	**5,893,666**	**-**	**-**	**-**	**-**	**-**	**2,104,000**	**120,146,308**
Monetary Liabilities										
Trading liabilities	-	-	361	-	-	-	-	-	-	361
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	
Due to banks	154,289	104,251	143,984	-	-	-	-	-	46,836	449,360
Due to other customers	59,809,511	39,528,211	5,712,726	-	-	-	-	-	2,061,092	107,111,540
Debt instruments issued	-	-	-	-	-	-	-	-	-	
Borrowings	123,590	713,418	-	-	-	-	-	-	-	837,008
Subordinated debt	-	-	-	-	-	-	-	-	-	
Income tax payable (current)	9,709	-	-	-	-	-	-	-	-	9,709
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	754,951	179,732	16,811	-	-	-	-	-	16,288	967,782
Total Monetary Liabilities	**60,852,050**	**40,525,612**	**5,873,882**	**-**	**-**	**-**	**-**	**-**	**2,124,216**	**109,375,760**
Net-position	**10,730,357**	**40,623**	**19,784**	**-**	**-**	**-**	**-**	**-**	**(20,216)**	**10,770,548**

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 and goods held for trading.

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 managing the market risk, adopted by the Supervisory board and it is revised regularly. The Policy defines the subject and definitions, primary goals, the market risk management system (efficient process and organizational structure), assessment of the Group's capacity to undertake market risk, assessment of the risk profile and acceptable instruments for hedging or reducing market risk.

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

Methods used to measure foreign exchange risk include: 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, reverse stress-testing and other are methods that are used for market risk assessment.

As at December 31, 2020 and 2019, 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, personnel and systems in the Group, or from external events. The operational risk also includes the legal risk, as well as the risk of money laundering and financing of terrorism, IT risk and other operational risks.

Legal risk means risk of loss, caused by violation or non-adherence to thelaws and bylaws , 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 risk, 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 under 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 that have caused or might cause damage to the Group, analysis of the 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.

The Group calculates the capital required for coverage of operational risk, applying the standardised approach. The amount of capital as at 31 December 2020 is presented under heading 3.1.1. Capital adequacy ratio report.

During 2020, the Group operated in conditions of a pandemic with Covid-19, during which activities were undertaken to harmonize the operations with the measures adopted by the Government and the NBRNM regulations. Based on the undertaken activities, the Group's operation in conditions of pandemic takes place continuously and all business processes are realized with current dynamics.

3. Capital Adequacy

According to the NBRNM's Decision 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 the balance sheet, are:

- To comply with the capital requirements set by NBRNM;
- 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 to the NBRNM on a quarterly basis.

According to the Decision on amending the Decision on the methodology for determining capital adequacy (Official Gazette No. 167/2020), adopted by the NBRNM, for consumer loans that have been extended with the measures for easing the financial burden through the public offer, when calculating the total maturity, the new maturity date is not taken into account, i.e. the date before the change is taken into account. This rule is implemented on claims where the maturity period has been extended in the period from March 25, 2020 to September 30, 2020, whereby, only if the initial maturity exceeds 8 years, then the risk weight remains 150%, according to the regulation for calculating the capital adequacy.

According to the law regulation, the Bank has to respect the following ratios:

- Common Equity Tier 1 Capital cannot be lower than 4.5% from the risk weighted assets (Common Equity Tier 1 Capital ratio),
- Tier 1 Capital cannot be lower than 6% from the risk weighted assets (Tier 1 Capital ratio) and
- The capital adequacy cannot be lower than 8%.

As at 31.12.2020 the Bank fulfills the legally prescribed capital requirements and the prescribed capital requirements for capital conservation buffer and for systemically important bank, which are fulfilled with the Common Equity Tier 1 Capital. According to the regulation, the Bank has no obligation to maintain countercyclical capital buffer.

Additionally, the Bank has established a Process of determining the internal capital (PIC) in accordance with the Decision on risk management specified by NBRNM. 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. Capital Adequacy (continued)

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 NBRNM. 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 regulatory and prudential limits. Own funds represent a total of core capital (Tier 1 Capital) and additional capital (Tier 2 Capital), where the core capital (Tier 1 Capital) consists of: Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1). As at 31 December 2020 and 2019 the Bank has only Common Equity Tier 1 Capital (CET1), which is a part of the Bank's core capital (Tier 1 Capital).

b) Risk weighted assets represent a sum of weighted assets 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 the prescribed regulation by NBRNM.
- 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 of commodity risks, the capital required for coverage of market risks, the capital requirement for settlement/delivery risk and the capital requirement for counterparty risk.

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. Determination of Capital Adequacy (continued)
3.1.1. Capital Adequacy Ratio Report

		in thousands of Denars	
No.	**Description**	**Current year 2020**	**Previous year 2019**
I	**CREDIT RISK-WEIGHTED ASSETS**		
1	Credit risk-weighted assets under the standardized approach	61,807,320	62,038,192
2	Capital requirement for credit risk	4,944,586	4,963,055
II	**CURRENCY RISK- WEIGHTED ASSETS**		
3	Aggregate foreign exchange position	99,095	152,908
4	Net-position in gold	-	
5	Capital requirement for currency risk	-	-
6	Currency risk-weighted assets	-	-
III	**OPERATIONAL RISKS- WEIGHTED ASSETS**	-	
7	Capital requirement for operational risk under the basic indicator approach	-	
8	Capital requirement for operational risk under the standardized approach	529,939	537,363
9	Operational risk-weighted assets	6,624,233	6,717,041
IV	**OTHER RISKS-WEIGHTED ASSETS**		-
10	Capital requirement for commodity risks	-	-
11	Capital requirement for market risks (11.1+11.2+11.3)	-	-
11.1	Capital requirement for position risk (11.1.1.+11.1.2+11.3+11.1.4)	-	-
11.1.1	Capital requirement for specific risk of investments in debt instruments	-	-
11.1.2	Capital requirement for general risk of investments in debt instruments	-	-
11.1.3	Capital requirement for specific risk of investments in equities	-	-
11.1.4	Capital requirement for general risk of investments in equities	-	-
11.2	Capital requirement for exceeding of exposure limits	-	-
11.3	Capital requirement for market risks arising from option positions	-	-
12	Capital requirement for settlement/delivery risk	-	-
13	Capital requirement for counterparty risk	312	-
14	Capital requirement for other risks (10+11+12+13)	312	-
15	Other risk-weighted assets	3,900	-
V	**RISK-WEIGHTED ASSETS**	**68,435,453**	**68,755,233**
16	Capital requirement for risks	5,474,837	5,500,418
VI	**OWN FUNDS**	**11,954,685**	**11,409,347**
VII	**CAPITAL ADEQUACY RATIO (VI/V)**	**17.47%**	**16.59%**

3. Capital Adequacy (continued)
3.1. Determination of Capital Adequacy (continued)
3.1.2. Report on own funds

No.	Description	in thousands of Denars	
		Current year 2020	Previous year 2019
1	2	3	4
1	**Own funds**	**11,954,685**	**11,409,347**
2	**Tier 1 Capital**	**11,954,685**	**11,409,347**
3	**Common Equity Tier 1 Capital (CET1)**	**11,954,685**	**11,409,347**
3.1.	Positions of CET1	11,987,115	11,435,922
3.1.1.	Capital instruments of CET1	2,279,067	2,279,067
3.1.2.	Premium on capital instruments of CET1	771,527	771,526
3.1.3.	Mandatory reserve fund	8,609,920	8,056,651
3.1.4.	Retained unallocated earning	323,084	323,084
3.1.5.	(-) Accumulated loss from previous years	-	
3.1.6.	Current profit or profit at the end of the year	-	-
3.1.7.	Comprehensive income or loss	3,517	5,594
3.2.	(-) Deductions of CET1	(32,430)	(26,575)
3.2.1.	(-) Loss at the end of the year or current loss	-	-
3.2.2.	(-) Intangibles	(32,430)	(26,575)
3.2.3.	(-) Deferred tax assets that rely on future profitability of the bank	-	-
3.2.4.	(-) Investments in own capital instruments from CET1	-	-
3.2.4.1.	(-) Direct investments in own capital instruments from CET1	-	-
3.2.4.2.	(-) Indirect investments in own capital instruments from CET1	-	-
3.2.4.3.	(-) Synthetic investments in own capital instruments from CET1	-	-
3.2.4.4.	(-) Investments in own capital instruments from CET1 for which the bank has contractual obligation to buy	-	-
3.2.5.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector, whereas those companies have investments in the bank	-	-
3.2.6.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector in which the bank does not have significant investment	-	-
3.2.7.	(-) Direct, indirect and synthetic investments in capital instruments from CET1 of the companies from the financial sector in which the bank has significant investment	-	-
3.2.8.	(-) Amount of deductions from AT1 which exceeds the total amount of AT1	-	-
3.2.9.	(-) Amount of exceeding the limits on investments in non-financial institutions	-	-
3.2.10.	(-) Tax costs	-	-
3.2.11.	(-) Difference between the necessary and the actual allowance for impairment provision/special reserve	-	-
3.3.	Regulatory adjustments from CET1	-	-
3.3.1.	(-) Increase of CET1 that arises from the positions of securitisation	-	-
3.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
3.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
3.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value.	-	-
3.4.	Positions as a result of consolidation	**-**	**-**
3.4.1.	Non-controlling (minority) participation that is recognized in CET1 on consolidated basis	-	-
3.4.2.	Other	-	-
3.5.	Other positions from CET1	**-**	**-**

3. Capital Adequacy (continued)
3.1. Determination of Capital Adequacy (continued)
3.1.2. Report on Own Funds (continued)

No.	Description	in thousands of Denars	
		Current year 2020	Previous year 2019
1	2	3	4
4	**Additional Tier 1 capital (AT1)**	**-**	**-**
4.1.	Positions of AT1	**-**	**-**
4.1.1.	Capital instruments of AT1	-	-
4.1.2.	Premium on capital instruments of AT1	-	-
4.2.	(-) Deduction of AT1	-	-
4.2.1.	(-) Investments in own capital instruments from AT1	**-**	**-**
4.2.1.1.	(-) Direct investments in own capital instruments from AT1	-	-
4.2.1.2.	(-) Indirect investments in own capital instruments from AT1	-	-
4.2.1.3.	(-) Synthetic investments in own capital instruments from AT1	-	-
4.2.1.4.	(-) Investments in own capital instruments from AT1 for which the bank has contractual obligation to buy.	-	-
4.2.2.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector, whereas those companies have investments in the bank.	-	-
4.2.3.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector, in which the bank does not have significant investment.	-	-
4.2.4.	(-) Direct, indirect and synthetic investments in capital instruments from AT1 of the companies from the financial sector in which the bank has significant investment.	-	-
4.2.5.	(-) Amount of deductions from T2 which exceeds the total amount of T2	-	-
4.2.6.	(-) Tax costs	-	-
4.3.	Regulatory adjustments from AT1	**-**	**-**
4.3.1.	(-) Increase of AT1 that arises from the positions of securitisation	-	-
4.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
4.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
4.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value	-	-
4.4.	Positions as a result of consolidation	**-**	**-**
4.4.1.	Acceptable additional tier 1 capital that is recognized in AT1 on consolidated basis	-	-
4.4.2.	Other	-	-
4.5.	Other positions from AT1	**-**	**-**

3. Capital Adequacy (continued)
3.1. Determination of Capital Adequacy (continued)
3.1.2. Report on Own Funds (continued)

No.	Description	in thousands of Denars	
		Current year 2020	Previous year 2019
1	2	3	4
5	**Tier 2 capital (T2)**	**-**	**-**
5.1.	Positions of T2	**-**	**-**
5.1.1.	Capital instruments of T2	-	-
5.1.2.	Subordinated loans	-	-
5.1.3.	Premium on capital instruments of T2	-	-
5.2.	(-) Deductions of T2	**-**	**-**
5.2.1.	(-) Investments in own capital instruments from T2	**-**	**-**
5.2.1.1.	(-) Direct investments in own capital instruments from T2	-	-
5.2.1.2.	(-) Indirect investments in own capital instruments from T2	-	-
5.2.1.3.	(-) Synthetic investments in own capital instruments from T2	-	-
5.2.1.4.	(-) Investments in own capital instruments from T2 for which the bank has contractual obligation to buy	-	-
5.2.2.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector, whereas those companies have investments in the bank	-	-
5.2.3.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector, in which the bank does not have significant investment	-	-
5.2.4.	(-) Direct, indirect and synthetic investments in capital instruments from T2 of the companies from the financial sector in which the bank has significant investment	-	-
5.3.	Regulatory adjustments from T2	**-**	**-**
5.3.1.	(-) Increase of T2 that arises from the positions of securitisation	-	-
5.3.2.	(-) Gains or (+) losses from covering risk arising from the cash flow	-	-
5.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	-
5.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value	-	-
5.4.	Positions as a result of consolidation	**-**	**-**
5.4.1.	Acceptable additional tier 1 capital that is recognized in T2 on consolidated basis	-	-
5.4.2.	Other	-	-
5.5.	Other positions from T2	**-**	**-**

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, 2020 and 2019 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 2020 and 2019 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		
2020 (current year)											
Interest income/(expense), net	-	-	678,430	1,742,099	26	-	-	-	-	-	**2,420,555**
Fee and commission income/(expense), net	-	2,483	130,231	118,513	608,155	24,857	-	7,821	64,977	-	**957,037**
Net trading income	-	4,421	-	-	-	-	-	-	108	-	**4,529**
Net income from other financial instruments at fair value	-	-	-	5,262	-	-	-	-	-	-	**5,262**
Other operating income	-	246,359	456,997	1,198,461	38,435	1,899	-	86	67,614	35,253	**2,045,104**
Inter segmented income	-	-	-	-	-	-	-	-	-	-	**-**
Total income by segment	-	253,263	1,265,658	3,064,335	646,616	26,756	-	7,907	132,699	35,253	**5,432,487**
Impairment losses of financial assets, net	-	-	(52,148)	(1,317,601)	-	-	-	-	-	-	**(1,369,749)**
Impairment losses of non-financial assets, net	-	-	-	(4,399)	-	-	-	-	-	-	**(4,399)**
Depreciation and amortization	-	(1,762)	(42,426)	(26,586)	(59,853)	(1,762)	-	(1,762)	(671)	(40,298)	**(175,120)**
Restructuring costs	-	-	-	-	-	-	-	-	-	-	**-**
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	**-**
Other expenses	-	(42,141)	(585,353)	(243,016)	(514,450)	(13,733)	-	(14,516)	(15,276)	(355,412)	**(1,783,897)**
Total expenses by segment	-	(43,903)	(679,927)	(1,591,602)	(574,303)	(15,495)	-	(16,278)	(15,947)	(395,710)	**(3,333,165)**
Financial result by segment	-	209,360	585,731	1,472,733	72,313	11,261	-	(8,371)	116,752	(360,457)	**2,099,322**
Income tax											**(160,188)**
Profit/(loss) for the year											**1,939,134**
Total assets by segment	-	418,458	18,860,644	108,198,528	2,688,120	31,915	-	28,835	353,852	-	**130,580,352**
Unallocated assets by segment										2,020,225	**2,020,225**
Total assets											**132,600,577**
Total liabilities by segment	-	5,670	87,314,375	30,970,741	63,195	78,736	-	2	14,300	-	**118,447,019**
Unallocated liabilities by segment										156,431	**156,431**
Total liabilities											**118,603,450**

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		
2019 (previous year)											
Interest income/(expense), net	-	-	515,820	1,888,276	669	-	-	-	-	-	**2,404,765**
Fee and commission income/(expense), net	-	1,325	128,850	127,929	663,234	19,446	-	5,532	52,668	-	**998,984**
Net trading income	-	14,234	-	-	-	-	-	-	841	-	**15,075**
Net income from other financial instruments at fair value	-	-	-	7,364	-	-	-	-	-	-	**7,364**
Other operating income	-	180,521	(34,539)	748,966	9,166	(5,573)	-	72	60,816	22,267	**981,696**
Inter segmented income	-										
Total income by segment	-	196,080	610,131	2,772,535	673,069	13,873	-	5,604	114,325	22,267	**4,407,884**
Impairment losses of financial assets, net	-	-	(79,120)	(509,389)	-	-	-	-	-	-	**(588,509)**
Impairment losses of non-financial assets, net	-	-	-	(4,513)	-	-	-	-	-	-	**(4,513)**
Depreciation and amortization	-	(1,942)	(37,573)	(24,516)	(58,874)	(1,616)	-	(1,616)	(593)	(37,083)	**(163,813)**
Restructuring costs	-	-	-	-	-	-	-	-	-	-	**-**
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	**-**
Other expenses	-	(50,742)	(509,361)	(197,230)	(471,216)	(11,636)	-	(12,443)	(13,051)	(374,557)	**(1,640,236)**
Total expenses by segment	-	(52,684)	(626,054)	(735,648)	(530,090)	(13,252)	-	(14,059)	(13,644)	(411,640)	**(2,397,071)**
Financial result by segment	-	143,396	(15,923)	2,036,887	142,979	621	-	(8,455)	100,681	(389,373)	**2,010,813**
Income tax											**(183,988)**
Profit/(loss) for the year											**1,826,825**
Total assets by segment	-	409,543	18,746,440	99,028,016	2,642,509	29,171	-	27,851	315,829		**121,199,359**
Unallocated assets by segment										1,832,172	**1,832,172**
Total assets											**123,031,531**
Total liabilities by segment	-	374	81,307,638	27,942,524	134,875	174,018	-	3	9,649		**109,569,081**
Unallocated liabilities by segment										139,444	**139,444**
Total liabilities											**109,708,525**

4. Segmented Reporting (continued)

B. Concentration of Total Income and Expense by Significant Customer

in thousands of Denars	Operating Segments									Unallocated	Total
	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		
2020 (current year)											
Customer 1	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	-	-	-	-	-	-	-	-	-	-	-
2019 (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 North 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
2020 (current year)								
Total income	5,591,699	(178,811)	12,286	6,063	-	1,008	242	**5,432,487**
Total assets	120,815,315	8,398,653	2,407,714	911,575	-	67,320	-	**132,600,577**
2019 (previous year)								
Total income	4,466,532	(88,957)	18,248	7,320	-	4,778	(37)	**4,407,884**
Total assets	111,010,337	7,961,782	3,117,514	868,776	-	73,122	-	**123,031,531**

5. Fair Value of Financial Assets and Liabilities

A. Fair Value of Financial Assets and Liabilities

in thousands of denars	Current year 2020		Previous year 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	49,687,632	49,687,632	48,733,248	48,733,248
Held-for-trading assets	66,831	66,831	215,462	215,462
Financial assets at fair value through profit or loss upon initial recognition	344,455	344,455	339,193	339,193
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	1,021,080	1,014,848	4,693,021	4,682,630
Loans and advances to other customers	50,953,838	50,953,838	50,791,397	50,791,397
Investments in securities	25,079,284	25,509,137	13,126,611	13,292,886
Investments in associates	324,115	324,115	289,650	289,650
Income tax receivable (current)	390	390	4,591	4,591
Other receivables	2,205,180	2,205,180	1,984,675	1,984,675
Assets pledged as collateral				
Deferred tax assets	-	-	-	-
Financial Liabilities				
Trading liabilities	5,668	5,668	361	361
Financial liabilities at fair value through profit or loss upon initial recognition	-		-	-
Derivative liabilities held for risk management	-		-	-
Due to banks	186,134	186,134	449,360	449,360
Due to other customers	116,492,240	116,453,149	107,111,540	107,095,998
Debt instruments issued	-		-	-
Borrowings	576,425	576,425	837,008	837,008
Subordinated debt	-	-	-	-
Income tax payable (current)	3,534	3,534	9,709	9,709
Deferred tax liabilities			-	-
Other liabilities	956,115	956,115	967,782	967,782

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 NBRNM, which mature in short periods.

b) Financial assets recognized at fair value through profit or loss

Fair value of trading assets and financial assets at fair value through profit or loss designated as such upon initial recognition is determined by reference to market prices and is equal to their carrying amount.

c) Loans and advances to banks

The fair value of loans and advances to banks is determined in accordance with current market conditions and current interest rates. For some of the banks' claims on deposits due to their specific characteristics and the absence of similar instruments in the market, the Group considers that their carrying amount approximates their fair value.

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 and variable 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 Development Bank of North Macedonia (DBNM), 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.

The fair value of debt securities held-to-maturity is determined using discounted cash flow techniques with the current yield on the primary debt securities market for debt securities with similar residual maturity.

Investments in securities include the amount of MKD 64,920 thousand (2019: MKD 64,958 thousand), related to investments in securities for which there is no active market and do not have recent transaction that can be used for determination of the fair value. These investments in securities are presented at cost, decreased by the impairment loss. Their share in total investments in securities is only 0.03% (2019: 0.49%).

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

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

f) Other receivables

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

g) Deposits from banks

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

h) Deposits from other customers

The fair value of demand deposits and deposits with adjustable and variable interest rates is their carrying amount. Out of total due to other customers the amount of time deposits with fixed interest rates is MKD 10,103,732 thousands (2019; 7,168,057 thousands). Fixed interest rates refer to time deposits up to one year (MKD 7,304,814 thousands) applicable starting from 01.10.2017, and products with such characteristics and interest rates are offered in other banks on the market. Therefore, these interest rates can be considered as market rates, because of which the fair value of these deposits equals 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, 2020 (current year)					
Financial assets measured at fair value					
Held-for-trading assets	19	41,196	25,635	-	**66,831**
Financial assets at fair value through profit or loss upon initial recognition	20	-	344,455	-	**344,455**
Derivative assets held for risk management	21				
Investments in available-for-sale securities	23.1		3,951,304	64,920	**4,016,224**
Total		**41,196**	**4,321,394**	**64,920**	**4,427,510**
Financial liabilities measured at fair value					
Trading liabilities	32	-	5,668	-	5,668
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total			**5,668**		**5,668**
December 31, 2019 (previous year)					
Financial assets measured at fair value					
Held-for-trading assets	19	38,202	17,037	160,223	**215,462**
Financial assets at fair value through profit or loss upon initial recognition	20	-	339,193	-	**339,193**
Derivative assets held for risk management	21	-	-	-	**-**
Investments in available-for-sale securities	23.1	-	5,110,700	64,958	**5,175,658**
Total		**38,202**	**5,466,930**	**225,181**	**5,730,313**
Financial liabilities measured at fair value					
Trading liabilities	32	-	361	-	361
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		**-**	**361**	**-**	**361**

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 2020		Previous year 2019	
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	-	-	-	-
Total	**-**	-	-	-
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 thousands 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, 2019 (previous year)	-	-	64,947	64,947	-	-	-
Gains/(losses) recognized in:							
- Income statement	6,486	-	10	6,496	-	-	-
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	-	-	-	-
Purchase of financial instruments in the period	153,737	-	-	153,737	-	-	-
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, 2019 (previous year)	**160,223**	**-**	**64,957**	**225,180**	**-**	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2019 (previous year)	**6,486**	**-**	**10**	**6,496**	**-**	**-**	**-**

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 thousands 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, 2020 (current year)	160,223	-	64,957	**225,180**	-	-	-
Gains/(losses) recognized in:						-	-
- Income statement	7,717	-	(37)	**7,680**	-	-	-
- 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	(167,940)	-	-	(167,940)	-	-	-
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, 2020 (current year)	**-**	**-**	**64,920**	**64,920**	**-**	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2020 (current year)	**7,717**	**-**	**(37)**	**7,680**	**-**	**-**	**-**

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 2020	Previous year 2019
Interest income		
Cash and cash equivalents	130,451	279,603
Financial assets at fair value through profit or loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	508	1,249
Loans and advances to other customers	2,440,567	2,419,273
Investments in securities	205,826	152,852
Other receivables	-	-
(Impairment on interest income, net)	(9,533)	(27,405)
Collected interest previously written off	48,853	90,716
Total interest income	**2,816,672**	**2,916,288**
Interest expense		
Financial liabilities at fair value through profit or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	10,274	7,574
Due to other customers	322,787	443,112
Debt instruments issued	-	-
Borrowings	27,539	24,621
Subordinated debt	-	-
Other liabilities	35,517	36,216
Total interest expense	**396,117**	**511,523**
Net interest income/(expense)	**2,420,555**	**2,404,765**

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

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

	in thousands of denars	
	Current year 2020	Previous year 2019
Interest income		
Non-financial companies	1,386,866	1,451,890
Government	292,961	213,141
Not for profit institutions that serve to household	4,831	9,653
Banks	95,022	158,132
Other financial institutions (non-banks)	1,027	1,538
Households	951,560	884,667
Non-residents	45,085	133,956
(Allowance for impairment of Interest Income, net)	(9,533)	(27,405)
Collected interest previously written off	48,853	90,716
Total interest income	**2,816,672**	**2,916,288**
Interest expense		
Non-financial companies	44,975	49,386
Government	145	315
Not for profit institutions that serve to household	4,588	6,109
Banks	3,001	5,908
Other financial institutions (non-banks)	37,547	33,653
Households	273,794	373,718
Non-residents	32,067	42,434
Total interest expense	**396,117**	**511,523**
Net interest income/(expense)	**2,420,555**	**2,404,765**

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 2020	Previous year 2019
Fee and commission income		
Loans	455,808	440,917
Payment operations	-	-
domestic	343,696	385,503
abroad	222,469	241,328
Letter of credit and guarantees	125,123	134,845
Brokerage operations	11,654	7,644
Asset management	58,225	49,717
Fiduciary activities	18,595	19,049
Issuing securities	-	
Other (describe separately income which represent more than 10% of the total fees and commissions income)	167,434	159,907
Total fee and commission income	**1,403,004**	**1,438,910**
Fee and commission expense		
Loans	307,829	301,097
Payment's operation	-	-
domestic	78,511	81,210
international	36,240	39,194
Letter of credit and guarantees	-	-
Brokerage operations	1,992	1,488
Asset management	-	-
Fiduciary activities	1,878	1,352
Issuing securities	-	-
Other (describe separately expenses which represent more than 10% of the total fees and commissions expense)	19,517	15,585
Total fee and commission expense	**445,967**	**439,926**
Net fee and commission income/(expense)	**957,037**	**998,984**

7. Net fee and commission income/(expense)

B. Sector analysis of fee and commission income and expense

	in thousands of denars	
	Current year 2020	Previous year 2019
Fee and commission income		
Non-financial companies	748,266	779,134
Government	3,959	4,482
Not for profit institutions that serve to household	17,608	20,267
Banks	146,322	109,614
Other financial institutions (non-banks)	99,894	82,997
Households	305,250	327,148
Non-residents	81,705	115,268
Total fee and commission income	**1,403,004**	**1,438,910**
Fee and commission expense		
Non-financial companies	5,244	3,162
Government	442	1,749
Not for profit institutions that serve to household	-	-
Banks	97,034	82,050
Other financial institutions (non-banks)	88,793	87,052
Households	-	-
Non-residents	254,454	265,913
Total fee and commission expense	**445,967**	**439,926**
Net fee and commission income/(expense)	**957,037**	**998,984**

8. Net trading income/(expense)

	in thousands of denars	
	Current year 2020	Previous year 2019
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
realized	76	115
unrealized	165	49
Profit/(loss) from fair value changes of equity instruments, net		
realized	208	(4,609)
unrealized	1,443	17,560
Income from dividends from trading assets	1,009	1,708
Income from interest of trading assets	2	6
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	1,715	(58)
unrealized	(89)	304
Net income/(expense) from trading	**4,529**	**15,075**

9. Net income from other financial instruments at fair value

	in thousands of denars	
	Current year 2020	Previous year 2019
Financial assets at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	5,262	7,364
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	**5,262**	**7,364**

10. Net foreign exchange gains/ (losses)

	in thousands of denars	
	Current year 2020	Previous year 2019
Realized foreign exchange gains/(losses), net	192,937	135,725
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	(757)	(105)
Foreign exchange differences of special reserve for off balance exposure, net	(526)	40
Other foreign exchange differences, net	(26,580)	(17,602)
Net foreign exchange gain/(loss)	**165,074**	**118,058**

11. Other Operating Income

	in thousands of denars	
	Current year 2020	Previous year 2019
Gain on sale of available-for-sale assets	-	-
Dividends from equity instruments available-for-sale	5,699	7,805
Net income from investment in subsidiaries and associates	-	-
Capital gain from the sale of:		
Property, plant and equipment	8,485	7,098
Intangible assets	-	-
Foreclosed assets	1,334,371	396,842
Non-current assets held-for-sale and group for disposal	-	-
Income from rent	5,956	8,996
Income from litigations	9	267
Collected receivables previously written off	365,873	295,028
Release provisions for:		
Contingent commitments based on litigations	-	-
Pensions and other employee benefits	21,195	-
Restructuring	-	-
Onerous contracts	-	-
Other provisions	-	-
Other (income that represents more than 10% of the total remaining operating income)		
Income from foreign exchange operations	56,936	62,153
Income for credit cards membership		-
income that does not represent more than 10% of the total remaining operating income	13,892	24,633
Total other operating income	**1,812,416**	**802,822**

The amount of 1,334,371 thousand denars (2019: 396,842 thousand denars) in the item “Capital gain from the sale of foreclosed assets” is mostly derived from the sale of foreclosed assets of the Bank which covers a large area of administrative and business premises in attractive locations in Skopje and other cities, production plants with production lines and work equipment, as well as land. The sold foreclosed assets from which the capital gain was realized was foreclosed from legal entities that had significant credit exposure in the Bank.

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 impairment loss on financial assets	Special reserve for off-balance sheet exposures	**Total**
2020 (current year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	353	2,812,838	-	1	6,646	9,847	38,292	2,867,977	209,982	3,077,959
(Release of allowance for impairment and special reserve)	(2,306)	(1,460,932)	-	(1)	(6,150)	(3,375)	(13,567)	(1,486,331)	(221,879)	(1,708,210)
	(1,953)	**1,351,906**	**-**	**-**	**496**	**6,472**	**24,725**	**1,381,646**	**(11,897)**	**1,369,749**
Total allowance for impairment on financial assets and special reserve for off-balance sheet exposures, net	**(1,953)**	**1,351,906**	**-**	**-**	**496**	**6,472**	**24,725**	**1,381,646**	**(11,897)**	**1,369,749**
2019 (previous year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	7,301	2,559,578	-	62	3,074	16,831	48,420	2,635,267	260,851	2,896,119
(Release of allowance for impairment and special reserve)	(7,466)	(1,842,775)	-	-	(2,295)	(8,966)	(17,558)	(1,879,060)	(428,550)	(2,307,610)
	(165)	716,803	**-**	62	779	7,865	30,862	756,207	(167,699)	588,509
Total allowance for impairment on financial assets and special reserve for off-balance sheet, net	**(165)**	**716,803**	-	**62**	**779**	**7,865**	**30,862**	**756,207**	**(167,699)**	**588,509**

The total impairment of financial assets and special reserve for off-balance sheet exposure on a net basis in 2020 is higher compared to 2019 due to the fact that in 2020 a lower amount of impairment relief and special reserve was realized. At the same time, in 2020 there is a higher amount of additions to the impairment compared to 2019, due to reduced creditworthiness of customers, and it is estimated that the Bank made a certain anticipation of the expected deterioration of the loan portfolio in 2021, as a result of the crisis caused by Covid-19.

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**
2020 (current year)							
Additional impairment loss	-	-	4,399	-	-	-	4,399
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**4,399**	**-**	**-**	**-**	**4,399**
2019 (previous year)							
Additional impairment loss	-	-	4,513	-	-	-	4,513
(Release of impairment loss)	-	-		-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**4,513**	**-**	**-**	**-**	**4,513**

*) only for consolidated financial statements

14. Personnel expenses

	in thousands of denars	
	current year 2020	previous year 2019
Short-term benefits for employees		
Salaries	683,054	674,816
Compulsory social and health insurance contributions	252,131	239,000
Short-term paid absences	35,521	1,296
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	284	2,116
	970,990	**917,228**
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	396	163
	396	**163**
Termination benefits	-	1,883
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other	64,193	69,694
(costs for employees that represent more than 10% of the total costs for employees)		
Total costs for employees	**1,035,579**	**988,968**

15. Depreciation and amortization

	in thousands of denars	
	current year 2020	previous year 2019
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	11,225	10,729
Other internal developed intangible assets	-	-
Other intangible assets	6,957	4,254
Investments in intangible assets taken under lease	-	-
	18,182	**14,983**
Depreciation of property and equipment		
Buildings	79,289	79,210
Vehicles	14,504	11,259
Furniture and equipment	9,318	9,829
Other equipment	53,480	48,066
Other items of property and equipment	-	-
Investments in property and equipment taken under lease	347	466
	156,938	**148,830**
Total depreciation	**175,120**	**163,813**

16. Other operating expense

	in thousands of denars	
	Current year 2020	Previous year 2019
Loss from sale of assets available for sale	-	-
Software licensing expense	33,793	28,205
Deposit insurance premium	201,440	186,196
Premium on property and employee insurance	4,725	4,844
Materials and services	210,665	210,362
Administrative and marketing expenses	207,656	125,495
Other taxes and contributions	1,513	1,485
Rental expense	18,393	18,547
Court litigation expenses	6,952	1,167
Provisions for pension and other employee benefits, net	-	965
Provisions for contingent liabilities based on court litigations, net	-	-
Other provisions, net	-	-
restructuring	-	-
onerous contracts	-	-
other provisions	-	-
Loss from sale of:	-	-
Property and equipment	-	-
Intangible assets	-	-
Foreclosed assets	-	-
Non-current assets held-for-sale and group for disposal	-	-
Other		
(expenses that represent more than 10% of total other operating expenses)		
Expenses under foreign exchange operations	20,741	29,661
Costs in the process of realization of the alienation of property		-
(expenses that do not represent more than 10% of total other operating expense)	42,440	44,341
Other operating expense	**748,318**	**651,268**

The item "Administrative and marketing expenses " mostly refers to donations of financial assistance and medical equipment to the Ministry of Health of the Republic of North Macedonia and public health institutions in order to support the efforts and engagements of the health sector of the country during the period of the Covid Health Crisis.

Also, donations were given to sports entities in accordance with a system of vouchers issued by the Agency for Youth and Sports.

17. Income tax

A. Expense/income based on current and deferred tax

	in thousands of denars	
	current year 2020	previous year 2019
Current income tax		
Expense/(income) based on current income tax for the year	160,188	183,988
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	-	-
	160,188	**183,988**
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	-	-

	in thousands of denars	
	current year 2020	previous year 2019
Current income tax		
Recognized in the income statement	160,188	183,988
Recognized in equity and reserves		-
	160,188	**183,988**
Deferred income tax		
Recognized in the income statement	-	-
Recognized in equity and reserves	-	-
	-	-
Total expense/(return) on income tax	**160,188**	**183,988**

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 2020		previous year 2019	
Profit/ (loss) before taxation	100.00	2,099,322	100.00	2,010,813
Income tax as per applicable tax rate	10	209,932	10	201,081
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	1.0	22,037	0.8	16,480
Tax-exempt income	0.0	(656)	(0.1)	(896)
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	(3.4)	-71,125	(1.6)	(32,677)
Total expense/(return) on income tax	**-**	**160,188**	**-**	**183,988**
Average effective tax rate	**7.6**		**9.1**	

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

	Current year 2020			Previous year 2019		
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 2020	previous year 2019
Cash on hand	1,730,262	1,659,883
Accounts and deposits with NBRNM, besides obligatory FC deposits	28,894,467	28,666,738
Current accounts and transaction deposits with foreign banks	5,697,132	1,506,095
Current accounts and transaction deposits with local banks	79	5,193
Treasury bills that may be traded on the secondary market	2,408,696	5,832,535
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	4,630,362	5,060,773
Other short-term highly liquid assets	1,076	1,958
Interest receivables	1,390	8,408
(Allowance for impairment)	(1,161)	(707)
Included in cash and cash equivalents for the needs of the Statement of cash flows	**43,362,303**	**42,740,876**
Obligatory FC deposits	5,070,169	4,692,968
Restricted deposits	1,255,285	1,299,534
(Impairment)	(125)	(130)
Total	**49,687,632**	**48,733,248**

As at 31 of December 2020, the Group has restricted deposits in the amount of 1,255,285 thousand denars (2019: 1,299,534 thousand denars), as follows:

- In the account in KIBS on behalf of the Reserve Guarantee Fund in the amount of MKD 537,944 thousand in accordance with the Reserve Guarantee Fund Rules (2019: 518,641 thousand denars)
- In the account in Euroclear, for fiduciary purposes, assets in the amount of 502,353 thousand denars (2019: 549,518 thousand denars),
- In HSBC Bank PLC account, for operational purposes for Mastercard cards, assets in the amount of 145,184 thousand denars (2019: 158,246 thousand denars),
- In the United Overseas Bank Limited account, for for operational purposes for Visa cards, assets in the amount of 67,331 thousand denars (2019: 73,129 thousand denars)
- In the account for confirmed letters of credit, assets in the amount of 2,473 thousand denars (2019; none)

18. Cash and cash equivalents (continued)

in thousands of Denars

	Current year 2020				Previous year 2019			
	Impairment loss for Group 1	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**	**Impairment loss for Group 1**	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**
Movements in allowance for impairment								
As at January 1	837	-	-	**837**	62	-	-	**62**
Impairment loss for the year								
Additional impairment	6,646	-	-	**6,646**	3,074	-	-	**3,074**
(Release of impairment)	(6,150)	-	-	**(6,150)**	(2,295)	-	-	**(2,295)**
Transfer to:	-							
- Impairment loss for Group 1	-	-	-		-	-	-	**-**
- Impairment loss for Group 2	-	-	-		-	-	-	**-**
- Impairment loss for Group 3	-	-	-		-	-	-	**-**
(Foreclosed assets based on outstanding receivables)	-	-	-		-	-	-	**-**
Foreign exchange gain/losses	(47)	-	-	**(47)**	(4)	-	-	**(4)**
(Written off receivables)	-	-	-		-	-	-	**-**
As at December 31	**1,286**	**-**	**-**	**1,286**	**837**	**-**	**-**	**837**

19. Trading assets (continued)

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

	in thousands of denars	
	current year 2020	previous year 2019
Trading securities		
Debt securities for trading		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	-	214
Corporate bonds		-
Other debt instruments	20,057	16,371
	20,057	**16,585**
Quoted		214
Unquoted	20,057	16,371
Equity instruments for trading		
Equity instruments issued by banks		160,223
Other equity instruments	41,196	37,989
	41,196	**198,212**
Quoted	41,196	37,989
Unquoted		160,223
Trading derivatives		
Agreements dependent on interest rate change		-
Agreements dependent on exchange rate change	5,578	665
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	-	-
	5,578	**665**
Loans and advances		
Loans and advances to banks	-	-
Loans and advances to other costumers	-	-
Total trading assets	**66,831**	**215,462**

Investments in equity instruments issued by banks as at 31 December 2019 were investments in shares issued by Tirana Bank Sh.A. Albania which were sold in 2020.

Quoted equity trading instruments in the amount of 41,196 thousand denars (2019: 37,989 thousand denars) refer to investment in shares issued by domastic non-financial companies.

Trading derivatives in the amount of 5,578 thousand denars (2019: 665 thousand denars) refer to agreements dependent on exchange rate change.

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

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

	in thousands of denars	
	current year 2020	previous year 2019
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	344,455	339,193
	344,455	**339,193**
Quoted	-	-
	344,455	
Unquoted		339,193
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	**344,455**	**339,193**

Other unquoted debt instruments in the amount of 344,455 thousands of denars refer to investments in participation in investment funds (2019: 339,193 thousands of denars).

Participations in investment funds include particpations in the open investment fund KB Publikum - Balanced in the amount of 10,646 thousands of denars (2019: 10,536 thousands of denars) and participation in the open investment fund KB Publikum- Paricen in the amount of 333,809 thousands of denars (2019: 328,657 thousands of denars).

21. Derivative assets and liabilities held for risk management

		in thousands of denars			
		current year 2020		previous year 2019	
		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 2020		previous year 2019	
	Short term	Long term	Short term	Long term
Loans to banks				
Domestic banks	29,000	46	29,000	53
Foreign banks	-	-	-	-
Time deposits over 3 months				
Domestic banks	-	481	-	479
Foreign banks	30,847	957,861	3,705,100	954,625
Repo				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Other receivables				
Domestic banks	-	-	-	-
Foreign banks	2,940	-	5,697	-
Interest receivables	19	-	127	-
Current maturity	46	(46)	53	(53)
Total loans and advances to banks before impairment	**62,852**	**958,342**	**3,739,977**	**955,104**
(Allowance for impairment)	(6)	(108)	(1,953)	(107)
Total loans and advances to banks after impairment	**62,846**	**958,234**	**3,738,024**	**954,997**

22. Loans and advances (continued)

22.1. Loans and advances to banks (continued)

in thousands of Denars

	Current year 2020				Previous year 2019			
	Impairment loss for Group 1	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**	**Impairment loss for Group 1**	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**
Movements in allowance for impairment								
As at January 1	481	1,579	-	**2,060**	-	1,400	828	**2,227**
Impairment loss for the year								
Additional impairment	19	334	-	353	485	4,646	2,170	**7,301**
(Release of impairment)	(388)	(1,918)	-	(2,306)	(4)	(4,466)	(2,996)	**(7,466)**
Transfer to:	-	-	-	-				
- Impairment loss for Group 1	-	-	-	**-**	-	-	-	**-**
- Impairment loss for Group 2	-	-	-	**-**	-	-	-	**-**
- Impairment loss for Group 3	-	-	-	**-**	-	-	-	**-**
(Foreclosed assets based on outstanding receivables)	-	-	-	**-**	-	-	-	**-**
Foreign exchange gain/losses	2	5	-	**7**	-	(1)	(2)	**(2)**
(Written off receivables)	-	-	-	-	-	-	-	-
As at December 31	**114**	**-**	**-**	**114**	**481**	**1,579**	**-**	**2,060**

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 2020		previous year 2019	
	short-term	long-term	short-term	long-term
Non-financial companies				
Receivables upon principal	10,811,804	24,375,493	12,596,531	22,753,537
Interest receivables	149,302	-	100,517	-
Government				
Receivables upon principal	7	1,722,976	3,216	1,437,932
Interest receivables	4,625	-	4,268	-
Non-profit institutions that serve households				
Receivables upon principal	124,530	44,843	8,983	153,540
Interest receivables	534	-	1,375	-
Financial companies, besides banks				
Receivables upon principal	-	2,075	100	23,197
Interest receivables	3	-	20	-
Households				
Receivables upon principal				
Housing loans	1,060	6,638,311	1,342	6,448,356
Customer loans	249,345	8,651,384	293,561	8,672,924
Vehicle loans	-	3,069	4	3,611
Mortgage loans	-	-	-	-
Credit cards	20,372	843,010	35,203	875,623
Other loans	837,307	247,268	884,858	241,022
Interest receivables	69,296	-	44,487	-
Non-residents, except banks				
Receivables upon principal	43,086	218,973	-	215,018
Interest receivables	1,113	-	1,106	-
Current maturity	7,756,900	(7,756,900)	7,429,540	(7,429,540)
Total loans and advances to other customers before impairment	**20,069,284**	**34,990,502**	**21,405,111**	**33,395,220**
(Impairment)	(2,725,910)	(1,380,038)	(3,169,212)	(839,722)
Total loans and advances to other customers reduced by impairment	**17,343,374**	**33,610,464**	**18,235,899**	**32,555,498**

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 line of the European Investment Bank ("EIB"), in favor of Development Bank of North Macedonia ("DBNM"). As at 31 December 2020 the amount of the pledged loans and advances is in the amount of 182,453 thousands of denars (2019: 385,758 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 2020				Previous year 2019			
	Impairment loss for Group 1	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**	**Impairment loss for Group 1**	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**
Movements in allowance for impairment								
As at January 1	413,690	696,591	2,898,653	**4,008,934**	437,902	617,044	4,887,258	**5,942,204**
Impairment loss for the year								
Additional impairment	369,762	1,417,546	1,025,530	**2,812,838**	506,040	913,061	1,140,476	**2,559,578**
(Release of impairment)	(409,167)	(727,951)	(323,814)	**(1,460,932)**	(558,097)	(722,439)	(562,239)	**(1,842,775)**
Transfer to:								
- Impairment loss for Group 1	(40,292)	38,312	1,980	**-**	(33,357)	28,113	5,244	**-**
- Impairment loss for Group 2	46,954	(159,283)	112,329		51,388	(155,160)	103,772	**-**
- Impairment loss for Group 3	12,748	7,130	(19,878)	**-**	9,741	15,945	(25,686)	**-**
(Foreclosed assets based on outstanding receivables)	-	-	(534,278)	**(534,278)**	**-**	**-**	(483,913)	**(483,913)**
Foreign exchange gain/losses	97	253	424	**774**	73	27	(25)	**75**
(Written off receivables)	-	-	(721,388)	**(721,388)**	**-**	**-**	(2,166,234)	**(2,166,234)**
As at December 31	**393,792**	**1,272,598**	**2,439,558**	**4,105,948**	**413,690**	**696,591**	**2,898,653**	**4,008,934**

The increased amount of Written off receivables in 2019 is due to the methodology for managing credit risk, that came into force on 1 July 2019, according to which the Group started performing mandatory transfer of the credit exposures for which has passed twelve months since the date the Bank was supposed to perform allowance for impairment of 100% on the accounts for off-balance sheet exposure, unlike the previous period when the mandatory transfer was performed after two years since the date the Bank was supposed to perform allowance for impairment of 100%.

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 2020	previous year 2019
(current carrying amount of loans and advances)		
First-class security instruments		
Cash deposits (in vault and/or restricted in accounts held with the group)	817,466	904,173
Government securities	-	-
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (besides banks and guarantees from insurance companies)	217,144	356,536
Guarantees from individuals	-	-
Mortgage on real estate		
Property for private use (flats, houses)	8,468,769	8,556,438
Property for business activity	19,291,323	18,231,548
Pledge over movables	6,160,546	6,491,585
Other types of security	1,018,722	1,368,826
Unsecured	14,979,868	14,882,291
Total loans and advances to other customers reduced by impairment	**50,953,838**	**50,791,397**

23. Investments in securities

23.1. Investments in financial assets available-for-sale

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

	in thousands of denars	
	current year 2020	previous year 2019
Debt securities		
Treasury bills	-	-
Government bills	3,951,304	5,110,700
Other instruments in the money market		-
Government bonds		-
Corporate bonds		-
Other equity investments		-
	3,951,304	**5,110,700**
Quoted		-
Unquoted	3,951,304	5,110,700
Equity investments		
Equity investments issued by banks		-
Other equity investments	64,920	64,958
	64,920	**64,958**
Quoted		-
Unquoted	64,920	64,958
Total investment in financial instruments available for sale	**4,016,224**	**5,175,658**

23. Investments in securities (continued)

23.1. Investments in financial assets available for sale (continued)

Structure of the investments in financial assets available for sale according to type of financial instrument (continued)

in thousands of Denars

	Current year 2020				Previous year 2019			
	Impairment loss for Group 1	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**	**Impairment loss for Group 1**	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**
Movements in allowance for impairment								
As at January 1	-	-	-	-	-	-	-	-
Impairment loss for the year								
Additional impairment	-	-	-	-	-	-	-	-
(Release of impairment)	-	-	-	-	-	-	-	-
Transfer to:								
- Impairment loss for Group 1								
- Impairment loss for Group 2								
- Impairment loss for Group 3								
(Foreclosed assets based on outstanding receivables)	-	-	-	-	-	-	-	-
Foreign exchange gain/losses	-	-	-	-	-	-	-	-
(Written off receivables)	-	-	-	-	-	-	-	-
As at December 31	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

23. Investments in securities (continued)

23.1. Investments in financial assets available for sale (continued)

Structure of the investments in financial assets available for sale according to type of financial instrument (continued)

Investments in debt securities available-for-sale in the amount of 3,951,304 thousands of denars (2019: 5,110,700 thousands of denars) refer to the investments in government bills.

The investments in equity instruments available-for-sale in the amount of 64,920 thousands of denars (2019: 64,958 thousands of denars) refer 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 determining the fair value, the investments in available-for-sale securities are stated at cost, less any impairment. The market for these securities is not consistent and it is not fully developed, so that the fair value cannot be reliably measured.

The Group does not plan to sell the part of investments in available-for-sale equity instruments issued by financial companies whose operations are related to the regular operations of the Group.

23. Investments in securities (continued)

23.2. Investments in financial assets held to maturity

	in thousands of denars	
	Current year 2020	Previous year 2019
Debt securities		
Treasury bills	-	-
Government bills	1,498,050	-
Other instruments in the money market	-	-
Government bonds	18,942,418	7,328,349
Corporate bonds	622,654	622,666
Other debt securities	-	-
	21,063,122	**7,951,015**
Quoted	19,565,072	7,951,015
Unquoted	1,498,050	-
***Total investment in financial instruments held to maturity before* impairment**	**21,063,122**	**7,951,015**
(Impairment)	(62)	(62)
Total investment in financial instruments held to maturity after impairment	**21,063,060**	**7,950,953**

23. Investments in securities (continued)

23.2. Investments in financial assets held to maturity (continued)

in thousands of Denars

	Current year 2020				Previous year 2019			
	Impairment loss for Group 1	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**	**Impairment loss for Group 1**	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**
Movements in allowance for impairment								
As at January 1	62	-	-	**62**	-	-	-	**-**
Impairment loss for the year								
Additional impairment	1	-	-	1	62	-	-	**62**
(Release of impairment)	(1)	-	-	(1)	-	-	-	**-**
Transfer to:	-	-	-					
- Impairment loss for Group 1	-	-	-	-	-	-	-	**-**
- Impairment loss for Group 2	-	-	-	-	-	-	-	**-**
- Impairment loss for Group 3	-	-	-	-	-	-	-	**-**
(Foreclosed assets based on outstanding receivables)	-	-	-	-	-	-	-	**-**
Foreign exchange gain/losses	-	-	-	-	-	-	-	**-**
(Written off receivables)	-	-	-	-	-	-	-	**-**
As at December 31	**62**	-	-	**62**	**62**	**-**	**-**	**62**

Debt securities in the amount of 21,063,122 thousand denars (2019: 7,951,015 thousand denars) include government bonds in the amount of 18,942,418 thousand denars (2019: 7,328,349 thousand denars) and corporate bonds issued by foreign banks in the amount of 622,654 thousand denars (2019: 622,666 thousand denars) and government bills in the amount of 1,498,050 thousand denars (2019: none)

The government bonds refer to continued government bonds in the amount of 11,929,673 thousand denars with maturity period from 2021 to 2034 with interest rate from 0,35% to 3,10% annually (2019: 4,355,240 thousand denars with maturity period from 2020 to 2034 година with interest rate from 0,90% to 3,10% annually), structured government bonds in the amount of 140,466 thousand denars with maturity period from 2021 to 2029 with interest rate of 2,00% annually (2019: 161,902 thousand denars with maturity period from 2020 to 2029 with interest rate of 2,00% annually) and Macedonian Eurobonds in the amount of 6,872,279 thousand denars with maturity period from 2021 to 2026 with interest rate from 2.75% to 5.625% annually (2019: 2,811,208 thousand denars with maturity period from 2020 to 2025 with interest rate from 2.75% to 5.625% annually).

The government bills in the amount of 1,498,050 thousand denars and are with maturity period in 2021 with interest rate of 0.50% annually (2019: none)

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 2020	previous year 2019	current year 2020	previous year 2019
KB PRVO PENZISKO DRUSTVO AD SKOPJE	Republic of North Macedonia	49.00%	49.00%	49.00%	49.00%
KB PUBLIKUM INVEST AD SKOPJE	Republic of North Macedonia	64.29%	64.29%	64.29%	64.29%

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 2020					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	710,943	54,471	656,472	284,161	137,987
	710,943	**54,471**	**656,472**	**284,161**	**137,987**
Previous year 2019					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	604,827	20,469	584,358	271,449	124,114
	604,827	**20,469**	**584,358**	**271,449**	**124,114**

25 Other receivables

	in thousands of denars	
	current year 2020	previous year 2019
Trade receivables	3,104	11,000
Prepaid expenses		-
Deferred income		-
Fees and commission receivables		
Receivables from employees	19,258	22,032
Advances for intangible assets	40	38
Advances for property and equipment	-	407
Other (receivables representing more than 10% of the total other receivables)	15,208	2,448
Pre-paid pensions	1,320,997	1,131,551
Bank card settlement transactions	819,839	743,030
Other receivables by other basis in denars	23,268	26,084
Other receivables by other basis in foreign currency	3,378	5,803
Suspicious and doubtful receivables from receivables from clients and other receivables	27,409	25,254
Inventory of materials, petty inventory and numismatic collections	37,696	31,540
(other receivables that do not represent more than 10% of the total other receivables)	19,796	15,919
Total other receivables before value adjustment	**2,289,993**	**2,015,106**
(Impairment)	(31,909)	(30,431)
Total other receivables reduced by value adjustment	**2,258,084**	**1,984,675**

The item "Pre-paid pensions" in the amount of 1,320,997 thousand denars (2019: 1,131,551 thousand denars) refer to paid pensions for December 2020 from the Group's funds. Those funds were collected from the Pension and disability insurance fund of North Macedonia with payment on 5 January 2021 (for 2019 on 3 January 2020).

25 Other receivables (continued)

in thousands of Denars

	Current year 2020				Previous year 2019			
	Impairment loss for Group 1	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**	**Impairment loss for Group 1**	**Impairment loss for Group 2**	**Impairment loss for Group 3**	**Total Impairment loss**
Movements in allowance for impairment								
As at January 1	**455**	**414**	**29,562**	**30,431**	233	1,082	76,601	**77,916**
Impairment loss for the year								
Additional impairment	10,199	2,476	35,464	48,139	2,485	3,493	59,273	**65,251**
(Release of impairment)	(10,375)	(2,157)	(4,409)	(16,941)	(2,340)	(3,854)	(20,330)	**(26,524)**
Transfer to:				-				
- Impairment loss for Group 1	(9)	2	7	-	(17)	2	15	**-**
- Impairment loss for Group 2	8	(118)	110	-	6	(431)	425	**-**
- Impairment loss for Group 3	21	54	(75)	-	54	122	(176)	**-**
(Foreclosed assets based on outstanding receivables)	-	-	(822)	(822)	-	-	(2,372)	**(2,372)**
Foreign exchange gain/losses	21	(1)	1	21	34	-	2	**36**
(Written off receivables)	-	-	(28,919)	(28,919)	-	-	(83,876)	**(83,876)**
As at December 31	**320**	**670**	**30,919**	**31,909**	**455**	**414**	**29,562**	**30,431**

The increase in the Written off receivables is due to the new methodology for managing credit risk, that came into force on 1 July 2019, according to which the Group started performing mandatory transfer of the credit exposures for which has passed twelve months since the date the Bank was supposed to perform allowance for impairment of 100% on the accounts for off-balance sheet exposure, unlike the previous period when the mandatory transfer was performed after two years since the date the Bank was supposed to perform allowance for impairment of 100%.

26 Assets pledged as collateral

	in thousands of denars	
	current year 2020	previous year 2019
Debt securities	-	-
Equity instruments	-	-
Loans and advances from banks	-	-
Loans and advances from other customers	-	-
Other receivables	-	-
Total collateralized assets	-	-

27 Foreclosed assets

in thousands of Denars	Land	Buildings	Equipment	Residential buildings and apartments	Other valuables	**Total**
Beginning carrying amount						
As at January 1 2019 (previous year)	85,522	1,166,084	140,998	273,425	994	1,667,023
Foreclosed during the year	112,389	970,816	256,840	3,826	8,125	1,351,996
(sold during of the year)	(62,785)	(529,162)	(37,714)	(86,754)	(940)	(717,355)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2019 (previous year)	**135,126**	**1,607,738**	**360,124**	**190,497**	**8,179**	**2,301,664**
As at January 1, 2020 (current year)	**135,126**	**1,607,738**	**360,124**	**190,497**	**8,179**	**2,301,664**
Foreclosed during the year	39,936	688,389	27,366	1,970	605	758,266
(sold during of the year)	(128,927)	(1,165,913)	(287,565)	(85,440)	(6,724)	(1,674,568)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2020 (current year)	**46,135**	**1,130,214**	**99,925**	**107,027**	**2,060**	**1,385,361**
Impairment						
As at January 1, 2019 (previous year)	59,352	1,037,595	116,857	273,220	477	1,487,501
Impairment loss during the year	110,500	941,410	255,576	4,031	7,642	1,319,159
(sold during the year)	-	-	-	-	-	-
(transfer into assets for own use)	(36,873)	(404,003)	(17,904)	(86,754)	(433)	(545,967)
As at December 31, 2019 (previous year)	**132,979**	**1,575,002**	**354,529**	**190,497**	**7,686**	**2,260,693**
As at January 1, 2020 (current year)	**132,979**	**1,575,002**	**354,529**	**190,497**	**7,686**	**2,260,693**
Impairment loss during the year	38,024	681,851	27,420	1,970	627	749,892
(transfer into assets for own use)	-	-	-	-	-	-
(sold during the year)	(126,043)	(1,146,225)	(285,709)	(85,440)	(6,355)	(1,649,772)
As at December 31, 2020 (current year)	**44,960**	**1,110,628**	**96,240**	**107,027**	**1,958**	**1,360,813**
Net carrying amount						
As at January 1, 2019 (previous year)	**26,170**	**128,489**	**24,141**	**205**	**517**	**179,522**
As at December 31, 2019 (previous year)	**2,147**	**32,736**	**5,595**	**-**	**493**	**40,971**
As at December 31 2020 (current year)	**1,175**	**19,586**	**3,685**	**-**	**102**	**24,548**

27 Foreclosed assets (continued)

The fair value of the acquired assets through foreclosure procedure as at 31 December 2020 is in the amount of 1,179,314 thousands of denars (as at 31 December 2019 is in the amount of 2,009,429 thousands of denars).

Part of the recognised impairment in 2020 in the amount of 4,399 thousands of denars (2019: 4,513 thousands of denars) is recognized as an expense in the Income statement (see note 13), and the remainder is recognized in the 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**
Cost								
As at January 1, 2019 (previous year)	-	206,919	-	44,561	3,523	-	-	**255,003**
Increases by new supplies	-	2,289	-	23,499	7,022	-	-	**32,810**
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, 2019 (previous year)	**-**	**209,208**	**-**	**68,060**	**10,545**	**-**	**-**	**287,813**
As at January 1, 2020 (current year)	**-**	**209,208**	**-**	**68,060**	**10,545**	**-**	**-**	**287,813**
Increases by new supplies	-	20,530	-	10,388	2,425	-	-	33,343
Increases by internal development	-	-	-	-	-	-	-	**-**
Increases by business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	**-**
(disposal through business combinations)	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-
As at December 31, 2020 (current year)	**-**	**229,738**	**-**	**78,448**	**12,970**	**-**	**-**	**321,156**

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, 2019 (previous year)	-	178,623	-	37,806	-	-	-	**216,429**
Depreciation for the year	-	10,729	-	4,254	-	-	-	**14,983**
Impairment loss during the year	-	-	-	-	-	-	**-**	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	**-**	**-**
(Disposal and write off)	-	-	-	-	-	-	**-**	**-**
As at December 31, 2019 (previous year)	**-**	**189,352**	**-**	**42,060**	**-**	**-**	**-**	**231,412**
As at January 1, 2020 (current year)	**-**	**189,352**	**-**	**42,060**	**-**	**-**	**-**	**231,412**
Depreciation for the year	-	11,226	-	6,957	-	-	-	18,183
Impairment loss during the year	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	-	-	-	-	**-**
Balance at December 31, 2020 (current year)	**-**	**200,578**	**-**	**49,017**	**-**	**-**	**-**	**249,595**
Current carrying amount								
Balance at January 1, 2019	**-**	**28,296**	**-**	**6,755**	**3,523**	**-**	**-**	**38,574**
Balance at December 31, 2019 (previous year)	**-**	**19,856**	**-**	**26,000**	**10,545**	**-**	**-**	**56,401**
Balance at December 31, 2020 (current year)	**-**	**29,160**		**29,431**	**12,970**			**71,561**

*only for consolidated financial statements

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 2019 (previous year)	-	-	-	-	-	-	**-**
As at December 31 2020 (current year)	-	-	-	-	-	-	**-**

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 2019 (previous year)	88,735	3,189,620	145,834	340,031	726,189	13,327	43,736	50,168	**4,597,640**
Increases	-	-	-	-	-	-	98,359	-	**98,359**
Increase through business combinations	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	(2,010)	(17,583)	(5,066)	(63,154)	-	-	(132)	**(87,945)**
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	453	8,208	22,379	19,459	59,948	145	(110,592)	-	**-**
As at 31 December 2019 (previous year)	**89,188**	**3,195,818**	**150,630**	**354,424**	**722,983**	**13,472**	**31,503**	**50,036**	**4,608,054**
As at 1 January 2020 (current year)	**89,188**	**3,195,818**	**150,630**	**354,424**	**722,983**	**13,472**	**31,503**	**50,036**	**4,608,054**
Increases	-	-	-	-	-	-	176,634	-	176,634
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(2,317)	(6,631)	(13,285)	(96,730)	-	-	-	(118,963)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	12	28,642	7,753	14,320	119,624	-	(170,351)	-	-
As at 31 December 2020 (current year)	**89,200**	**3,222,143**	**151,752**	**355,459**	**745,877**	**13,472**	**37,786**	**50,036**	**4,665,725**

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 2019 (previous year)	-	684,794	119,719	323,157	613,213	-	-	49,204	**1,790,087**
Depreciation for the year	-	79,210	11,259	9,829	48,066	-	-	466	**148,830**
Impairment loss during the year	-	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	(1,288)	(17,583)	(5,066)	(63,154)	-	-	(83)	**(87,174)**
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	**-**
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	-	-	-	-	-	-	-	**-**
Balance at 31 December 2019 (previous year)	**-**	**762,716**	**113,395**	**327,920**	**598,125**	**-**	**-**	**49,587**	**1,851,743**
Balance at 1 January 2020 (current year)	**-**	**762,716**	**113,395**	**327,920**	**598,125**	**-**	**-**	**49,587**	**1,851,743**
Depreciation for the year	-	79,289	14,504	9,324	53,472	-	-	347	156,936
Impairment loss during the year	-	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	(1,555)	(553)	(13,240)	(96,365)	-	-	-	(111,713)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	**-**
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	-	-	-	-	-	-	-	**-**
Balance at 31 December 2020 (current year)		**840,450**	**127,346**	**324,004**	**555,232**			**49,934**	**1,896,966**
Current carrying amount									
As at 1 January 2019(previous year)	**88,735**	**2,581,325**	**14,585**	**29,449**	**108,832**	**13,327**	**27,106**	**2,425**	**2,865,784**
As at 31 December 2019 (previous year)	**89,188**	**2,433,102**	**37,235**	**26,504**	**124,858**	**13,472**	**31,503**	**449**	**2,756,311**
As at 31 December 2020 (current year)	**89,200**	**2,381,693**	**24,406**	**31,455**	**190,645**	**13,472**	**37,786**	**102**	**2,768,759**

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 2019 (previous year)	-	-	-	-	-	-	-	-	-
As at December 31 2020 (current year)	-	-	-	-	-	-	-	-	-

The amount of commitments for the purchase of property and equipment in 2020 is in the amount of 6,445 thousands of denars (2019: 10,358 thousands of denars).

30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

	in thousands of denars	
	current year 2020	previous year 2019
Income tax receivables (current)	390	4,591
Income tax liabilities (current)	3,534	9,709

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	current year 2020			previous year 2019		
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 2020	Previous year 2019
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 2019				
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 2020				
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 2020	previous year 2019
Intangible assets	-	-
Property and equipment	-	-
Total non current assets held for sale	**-**	**-**

B Disposal Group

	in thousands of denars	
	current year 2020	previous year 2019
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 2020	previous year 2019
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-	-

32 Trading liabilities

	in thousands of denars	
	current year 2020	previous year 2019
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	5,668	361
Agreements depending on the securities price change	-	-
Other agreements that fulfil the IFRS 9 criteria	-	-
	5,668	361
Total trading liabilities	**5,668**	**361**

Trading liabilities in the amount of 5,668 thousand denars (2019: 361 thousand denars) refer to trading derivatives, agreements depending on exchange rate change.

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

	in thousands of denars			
	current year 2020		previous year 2019	
	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	**-**	**-**	**-**	**-**

	in thousands of denars	
	Current year 2020	Previous year 2019
Movement in changes of bank's creditworthiness for financial liabilities measured at fair value		
As at 01 January		
Recognized in Other comprehensive income for the year		
(Transfer to other reserve funds)		
Balance as at 31 December		

34 Deposits

34.1 Due to banks

	in thousands of Denars			
	current year 2020		previous year 2019	
	short-term	long-term	short-term	long-term
Current accounts				
domestic banks	159,422	-	60,564	-
foreign banks	26,578	-	26,260	-
Demand deposits		-	-	
domestic banks	6	-	2	-
foreign banks	-	-	-	-
Time deposits	-	-		
domestic banks	-	-	229,607	-
foreign banks	-	-	-	-
Restricted deposits	-	-		
domestic banks	-	-	128,025	-
foreign banks	-	-	-	-
Other deposits	-	-		
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Deposit interest liabilities	-	-		
domestic banks	-	-	46	-
foreign banks	128	-	4,856	-
Current maturity	-	-	-	-
Total deposits from banks	**186,134**	-	**449,360**	**-**

34 Deposits (continued)

34.2 Other deposits

	in thousands of Denars			
	current year 2020		previous year 2019	
	short-term	long-term	short-term	long-term
Non-financial companies				
Current accounts	25,288,051	-	20,951,570	-
Demand deposits	50,347	-	613,330	-
Time deposits	624,102	635,538	929,750	735,449
Restricted deposits	385,851	718,586	465,802	524,959
Other deposits	-	-	-	-
Interest payable on deposits	13,001	-	21,297	-
	26,361,352	**1,354,124**	**22,981,749**	**1,260,408**
Government				
Current accounts	468,610	-	428,239	-
Demand deposits	2,180	-	1,988	-
Time deposits	45,000	-	35,000	-
Restricted deposits	184	-	188	-
Other deposits	-	-	-	-
Interest payable on deposits	88	-	252	-
	516,062	**-**	**465,667**	**-**
Non-profit institutions in service of households				
Current accounts	1,825,366	-	1,505,649	-
Demand deposits	161	-	350	-
Time deposits	398,152	142,903	406,292	147,806
Restricted deposits	52,809	5,169	57,897	4,231
Other deposits	-	-	-	-
Interest payable on deposits	1,776	-	3,868	-
	2,278,264	**148,072**	**1,974,056**	**152,037**
Financial companies, other than banks				
Current accounts	457,316	-	524,625	-
Demand deposits	82	-	422	-
Time deposits	202,200	692,800	205,997	490,800
Restricted deposits	13,768	23,588	2,991	21,655
Other deposits	-	-	-	-
Interest payable on deposits	4,330	-	3,337	-
	677,696	**716,388**	**737,372**	**512,455**
Households				
Current accounts	28,477,170	-	22,964,548	-
Demand deposits	8,389,015	-	7,987,190	-
Time deposits	31,203,128	13,772,816	31,895,738	13,016,655
Restricted deposits	255,926	746,202	257,071	1,062,214
Other deposits	-	-	-	-
Interest payable on deposits	149,764	-	193,107	-
	68,475,003	**14,519,018**	**63,297,654**	**14,078,869**
Non-residents, other than banks				
Current accounts	950,932	-	1,082,891	-
Demand deposits	1,494	-	1,492	-
Time deposits	104,096	248,767	120,808	316,470
Restricted deposits	130,010	10,125	116,609	11,746
Other deposits	-	-	-	-
Interest payable on deposits	837	-	1,257	-
	1,187,369	**258,892**	**1,323,057**	**328,216**
Current maturity	6,491,918	(6,491,918)	6,427,721	(6,427,721)
Total other deposits	**105,987,664**	**10,504,576**	**97,207,276**	**9,904,264**

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.

35 Issued debt securities

	in thousands of Denars	
	current year 2020	previous year 2019
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 2020		previous year 2019	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Borrowings	260	184,383	551	398,187
Repo-transactions	-	-	-	-
Interest payables	398	-	841	
Non-residents				
Borrowings	-	389,963	-	321,029
Repo-transactions	-	-	-	-
Interest payables	1,421	-	1,618	-
Non-financial companies				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Borrowings	-	-	-	114,782
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
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	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
Current maturity	137,347	(137,347)	347,369	(347,369)
Total Borrowings	**139,426**	**436,999**	**350,379**	**486,629**

36 Borrowings (continued)

B Borrowings according to the creditor

	in thousands of Denars			
	Current year 2020		Previous year 2019	
	short-term	long-term	short-term	long-term
domestic sources:				
Development Bank of North Macedonia - DBNM (previously MDBP) – ZKDF	263	1,930	556	3,620
NBRM – Primary issue	-	-	-	8,809
DBNM-EIB	395	182,453	836	385,758
Agency for Managing Accounts	-	-	-	114,782
	658	**184,383**	**1,392**	**512,969**
foreign sources:				
EBRD	1,372	117,308	1,597	136,429
EBRD - IPA	49	272,655	21	184,600
	1,421	**389,963**	**1,618**	**321,029**
Current maturity	137,347	(137,347)	347,369	(347,369)
Total borrowings	**139,426**	**436,999**	**350,379**	**486,629**

Lender	Currency	Interest rate	Year of maturity	Type of collateral
DBNM – ZKDF	MKD/EUR	0,5%	According to the agreements concluded with final users	3 bills of exchange
DBNM – ZKDF	MKD	-	15.07.2022	4 bills of exchange
DBNM - EIB	EUR	1%	According to the agreements concluded with final users	4 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
EBRD-TARA	EUR	6,5% fixed, 5% adjustable	According to the agreements concluded with final users	Unsecured
EBRD - CSP	EUR	2% p.a (3 month EURIBOR + 2 p.p annualy, value zero for negative Euroibor rate) variable	28.09.2026	Unsecured
EBRD-GEFF (Western Balkans Green Economy Financing Facility)	EUR	1.85% p.a (6 month EURIBOR + 1.85 p.p annualy, value zero for negative Euroibor rate) variable	30.12.2025	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 favor of DBNM based on receivables from sub-loan agreements concluded with final users approved from the credit line from EIB, both administered through DBNM. As at 31 December 2020 the amount of borrowings for which the Group has pledged receivables is 182,453 thousands of denars (2019: 385,758 thousands denars).

37 Subordinated liabilities

	in thousands of denars	
	current year 2020	previous year 2019
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, 2019 (previous year)	437,560	-	65,361	-	-	-	**502,921**
Additional provisions during the year	260,851	-	3,311	-	-	-	**264,162**
(used provisions during the year)	-	-	(3,382)	-	-	-	**(3,382)**
(release of provisions during the year)	(428,550)	-	(2,346)	-	-	-	**(430,896)**
Exchange rate effect	(40)	-	-	-	-	-	**(40)**
As at 31 December 2019 (previous year)	**269,821**	**-**	**62,944**	**-**	**-**	**-**	**332,765**
Balance at January 1, 2020 (current year)	**269,821**	**-**	**62,944**	**-**	**-**	**-**	**332,765**
Additional provisions during the year	209,982	-	-	-	-	-	209,982
(used provisions during the year)	-	-	(4,136)	-	-	-	(4,136)
(release of provisions during the year)	(221,879)	-	(21,195)	-	-	-	(243,073)
Exchange rate effect	527	-	-	-	-	-	526
As at 31 December 2020 (current year)	**258,451**	**-**	**37,613**	**-**	**-**	**-**	**296,064**

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 2020, 97.63 % of total off-balance sheet items in the assets are classified in the risk category a, risk category B participates with 0.54%, and risk categories C, D and E with 1.83%.

39 Other liabilities

	in thousands of denars	
	current year 2020	previous year 2019
Trade payables	27,213	23,171
Received advances	4,549	18,818
Fee and commission liabilities	10,016	9,471
Accrued expenses	12,639	15,040
Deferred income from previous years	-	-
Short - term liabilities to employees	-	917
Short - term liabilities for employee benefits	200	749
Other:		
(liabilities more that 10% of the total other liabilities)		
Other liabilities on other basis		
Bank credit card settlement transactions	38,061	27,792
Liabilities to entities in the process of founding a company	706,263	617,386
Delayed payments liabilities based on collections from abroad	3,779	3,726
VAT liabilities	93,514	150,871
Liabilities in foreign currency for establishing legal entities	74,492	4,616
Liabilities upon activities with credit cards issued by foreign banks	8,719	12,608
Other liabilities	32,136	43,009
(liabilities less than 10% of the total other liabilities)	31,804	39,608
Total other liabilities	**1,043,385**	**967,782**

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 2020	previous year 2019	current year 2020	previous year 2019	current year 2020	previous year 2019
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 issued ordinary shares of the Bank are fully paid. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the shareholders' Assembly of the Bank. All shares rank equally with regard residual assets. According to the shareholders book as at 31 December 2020, 192,458 ordinary shares from the total shareholders' equity of the Group or 8,44% (as at 31 December 2019, 206,571 ordinary shares i.e. 9,06%) there is limitation of the rights established based on the law and/or Decision or act of the competent body.

As at 31 December 2020 the Group does not hold treasury shares. The Open-end Investment Funds managed by the Bank's subsidiary KB Publikum Invest AD Skopje owns a total of 20,131 ordinary shares or 0,88% from the total shareholders' equity, where KB Publikum - Balanced owns 3,491 ordinary shares, i.e. 0,153% of the total share capital and KB Publikum MBI 10 owns 16,640 ordinary shares, i.e. 0,73% of the total share capital (as at 31 December 2019 KB Publikum - Balanced owns 4,137 ordinary shares, i.e. 0.182% of the total share capital and KB Publikum MBI 10 owns 18,956 ordinary shares, i.e. 0.832% of the total share capital).

40 Subscribed Capital (continued)

B Dividends

B.1 Announced and paid dividends by the Bank

	in thousands of denars	
	current year 2020	previous year 2019
Declared dividends and paid dividends for the year	-	-

	in Denars	
	current year 2020	previous year 2019
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 2020	previous year 2019
Announced dividends after December 31	1,367,440	1,253,487

	in Denars	
	current year 2020	previous year 2019
Dividend per ordinary share	600	550
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 2020	Previous year 2019	Current year 2020	Previous year 2019
Shareholder's name	Subscribed capital (nominal value)	Subscribed capital (nominal value)	voting right	voting right
ADORA INZENERING DOOEL eksport-import	292,863	260,306	12,85%	11,42%
Total	**292,863**	**260,306**	**12,85%**	**11,42%**

41 Earnings per share

A Basic earnings per share

	in thousands of denars	
	current year 2020	previous year 2019
Net - Profit attributable to holders of ordinary shares		
Net gain for the year	1,923,370	1,814,228
(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	1,923,370	**1,814,228**

	Number of shares	
	current year 2020	previous year 2019
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)	**844**	**796**

B Diluted earnings per share

	in thousands of denars	
	current year 2020	previous year 2019
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)	1,923,370	1,814,228
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)	**1,923,370**	**1,814,228**

	number of shares	
	current year 2020	previous year 2019
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)	**844**	**796**

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities

	in thousands of denars	
	current year 2020	previous year 2019
Unsecured payment guarantees		
in Denars	998,004	718,822
in foreign currency	1,901,353	1,131,688
in Denars with foreign currency clause	90,797	172,331
Unsecured performance guarantees		
in Denars	4,829,016	5,021,114
in foreign currency	457,454	830,008
in Denars with foreign currency clause	1,054,245	1,336,709
Unsecured letter of credit		
in Denars	-	-
in foreign currency	2,652,864	2,219,866
in Denars with foreign currency clause	-	-
Unused overdraft on current accounts	1,951,587	1,917,766
Unused credit card limits	1,174,765	1,110,936
Foreclosed liabilities for crediting and unused credit limits	3,024,091	2,199,573
Issued secured guarantees	832,051	720,603
Covered letter of credit	6,288	2,386
Other secured contingent liabilities	1,765,989	2,071,424
Total contingent liabilities before special reserve	**20,738,504**	**19,453,226**
(Provisions)	(258,451)	(269,821)
Total contingent liabilities less special reserve	**20,480,053**	**19,183,405**

For part of the contingent liabilities in the amount of 239,266 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 2 July 2012, requesting a payment upon the issued letter of guarantee in the amount of 17.897.404,09 PLN, equivalent to 239,266 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 Group 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 April 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 Group to make payments upon the issued letter of guarantee.

42.1 Contingent liabilities (continued)

With final and enforceable Verdict no. 56 TA-465/11 of the Skopje Court of First Instance 2 Skopje, rendered after the main legal proceedings on 05 May 2019, obliges the Respondent State Treasury - General Directorate of State Roads and Highways of Warsaw to return to the Plaintiff the Granit Bank Guarantee issued by Komercijalna Banka and it is determined that it has no right to take any action that would mean protesting or refunding the bank guarantee, thereby extinguishing all consequences of the said bank guarantee within 8 days of receipt of the judgment.

Given that the procedure in which the Group has been sued before a Polish court has not been finalized, if the Group makes payment under this bank guarantee based on a final and recognized decision of the Polish court, it will constitute a claim against Granit AD Skopje and the Group's management do not expect collection problems and adverse financial consequences.

On January 24, 2018, a lawsuit against the Group was filed before the Court in Amsterdam along with 12 other entities. According to the complaint, there is allegedly a claim from Cunico Resources N.V., International Mineral Resources B.V., Summerside Investments S.a.r.l and Cunico Marketing FZE for alleged damagecaused by initiating of FENI Industry AD Kavadarci's bankruptcy proceedings. The lawsuit should be rejected due to the lack of jurisdiction of the Amsterdam court, but even if the court decides to engage in a dispute, it will be rejected due to the complete unfounded allegations of the lawsuits. According to the management and the Group's lawyers, the final outcome of this legal case is not expected to have negative consequences on the Group

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 contingent liabilities is in the amount of 1,765,989 thousands of denars, and amount of irrevocable are in the amount of 6,150,443 thousands of denars (2019: 2,071,424 thousands of denars, and the amount of irrevocable is 4,117,339 thousands of denars).

Taxation risk

The accounting records and regulations are subject to tax audit by the tax authorities for a period of 5 years subsequent to the reported tax year, and may eventually impose additional tax liabilities. According to the estimates of the Group's management at the date of these financial statements, they are not aware of any additional conditions that may cause potential materially significant liabilities on this basis.

42.2 Contingent Assets

	in thousands of denars	
	current year 2020	previous year 2019
List separately the more significant contingent assets:	61,500	-
Total contingent assets	**61,500**	-

The Group has contingent assets in accordance with an agreement for sale of fireclosed assets, whereby part of the fee is uncertain and depends on future events, which are not entirely under the control of the Bank. Part of the compensation under the contract which is probable, but can not be said to be really certain, the Group presents as an contingent asset.

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

	in thousands of denars					
	current year 2020			previous year 2019		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties						
Denar deposits	42,994	44,419	(1,425)	43,068	44,464	(1,396)
Foreign currency deposits	-	-	-	-	-	-
Denar loans	181,108	179,921	1,187	234,564	233,666	899
Foreign currency loans	-	-	-	-	-	-
Other Denar claims	-	4	(4)	-	36	(36)
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	78,477	74,360	4,117	51,894	51,597	296
Other	1,997	4,352	(2,355)	638	2,932	(2,294)
Total	**304,576**	**303,056**	**1,520**	**330,164**	**332,695**	**(2,531)**

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 2020 (current year)						
Assets						
Current accounts	-	-	-	-	-	**-**
Trading assets	-	-	-	-	-	**-**
Loans and claims						
mortgage loans	-	-	-	103,576	-	**103,576**
consumer loans	-	-	-	23,960	-	**23,960**
receivables under financial leasing						
factoring and forfeiting of receivables	-	-	-	-	-	**-**
other loans and receivables	-	-	1	995,239	-	**995,240**
Investment in securities	-	-	324,115	-	-	**324,115**
(Impairment)	-	-	-	(16,758)	-	**(16,758)**
Other assets	-	-	-	-	-	**-**
Total	-	-	**324,116**	**1,106,017**	**-**	**1,430,133**
Liabilities	**-**	**-**				
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	59,737	983,301	-	**1,043,038**
Issued securities	-	-	-	-	-	**-**
Liabilities under loans	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	10	-	**10**
Total	**-**	**-**	**59,737**	**983,311**	**-**	**1,043,048**

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 2020 (current year)						
Contingent liabilities						
Issued guarantees	-	-	-	77,409	-	**77,409**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	305	72,416	-	**72,721**
(Special reserve)	-	-	(8)	(985)	-	**(993)**
Total	**-**	**-**	**297**	**148,840**	**-**	**149,137**
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 2019 (previous year)						
Assets						
Current accounts	-	-	-	-	-	**-**
Trading assets	-	-	-	-	-	**-**
Loans and claims						
mortgage loans	-	-	-	80,675	-	**80,675**
consumer loans	-	-	-	32,466	-	**32,466**
receivables under financial leasing						
Factoring and forfeiting of receivables	-	-	-	-	-	**-**
other loans and receivables	-	-	-	674,746	-	**674,746**
Investment in securities	-	-	289,650	-	-	**289,650**
Impairment	-	-	-	(8,302)	-	**(8,302)**
Other assets	-	-	-	-	-	-
Total	**-**	**-**	**289,650**	**779,585**	**-**	**1,069,235**

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	-	-	13,148	721,857	-	**735,005**
Issued securities	-	-	-	-	-	**-**
Liabilities under loans	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Total	**-**	**-**	**13,148**	**721,857**	**-**	**735,005**
Contingent liabilities						
Issued guarantees	-	-	-	57,575	-	**57,575**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	305	70,525	-	**70,830**
(Special reserve)	-	-	(8)	(769)	-	**(777)**
Total	**-**	**-**	**298**	**127,331**	**-**	**127,628**
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 2020 (current year)						
Income						
Interest Income	-	-	-	33,850	-	**33,850**
Income from fees and commissions	-	-	164	4,863	-	**5,027**
Net gains from trading	-	-	-	-	-	**-**
Dividend income	-	-	-	-	-	**-**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	-	67,642	1,692	-	**69,334**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**67,806**	**40,405**	**-**	**108,211**
Expenditures						
Interest expenditures	-	-	-	7,486	-	**7,486**
Expenditures for fees and commissions	-	-	-	-	-	**-**
Net losses from trading	-	-	-	-	-	**-**
Expenditures for procurement of non-current assets	-	-	-	-	-	**-**
Impairment of financial assets, on net basis	-	-	-	8,681	-	**8,681**
Other expenditures	-	-	1	1,032	-	**1,033**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**1**	**17,199**	**-**	**17,200**

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 2019 (previous year)						
Income						
Interest Income	-	-	-	28,815	-	28,815
Income from fees and commissions	-	-	198	4,821	-	5,019
Net gains from trading	-	-	-	-	-	**-**
Dividend income	-	-	-	-	-	**-**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	-	60,832	959	-	61,791
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**61,030**	**34,595**	**-**	**95,625**
Expenditures						
Interest expenditures	-	-	-	8,669	-	8,669
Expenditures for fees and commissions	-	-	-	-	-	**-**
Net losses from trading	-	-	-	-	-	**-**
Expenditures for procurement of non-current assets	-	-	-	-	-	**-**
Impairment of financial assets, on net basis	-	-	-	2,560	-	**2,560**
Other expenditures	-	-	-	438	-	**438**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**11,667**	**-**	**11,667**

44 Related parties transactions (continued)

C Remuneration for the management of the bank

	in thousands of denars	
	current year 2020	previous year 2019
Short-term benefits for employees	228,189	197,250
Benefits after employment termination	-	-
Benefits due to employment termination	-	-
Payments to employees on the basis of shares, settled by equity instruments	-	-
Payments to employees on the basis of shares, settled by monetary funds	-	-
Other	13,017	13,059
Total	**241,206**	**210,309**

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	over 5 years
As at 31 December 2020 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2019 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**

A.2 Receivables from irrevocable operating leases

in thousands of denars	Total irrevocable operating lease receivables	Maturity period for irrevocable operating lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
As at 31 December 2020 (current year)				
Current value of minimum payment for the leasehold				
Total				
As at 31 December 2019 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**

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 2020 (current year)	-	-	-	-	-	-	**-**
As at 31 December 2019 (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	over 5 years
As at 31 December 2020 (current year)	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2019 (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 2019 (previous year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2019 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 1 January 2020 (current year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2020 (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, 2019	-	-	-	-	-	-	**-**
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, 2019 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at January 1, 2020 (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, 2020 (current year)	-	-	-	-	-	-	**-**
Current carrying amount							
at January 1, 2019 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2019 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2020 (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	over 5 years
Balance at December 31, 2020 (current year)	40,628	1,868	7,472	31,288
Total	**40,628**	**1,868**	**7,472**	**31,288**
Balance at December 31, 2019 (previous year)	42,496	1,868	7,472	33,156
Total	**42,496**	**1,868**	**7,472**	**33,156**

46 Share based payments

	in thousands of denars			
	current year 2020		previous year 2019	
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 2020		previous year 2019	
	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 (c).

Significant subsidiaries

KB Publikum is a significant subsidiary of the Group. It executes its activities in the Republic of North Macedonia. The Bank holds 64.29% of the shares with voting right in the subsidiary (2019: 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

	31 December 2020
Assets	
Cash and cash equivalents	894
Held for trading financial assets	21,718
Bank deposits	94,350
Property and equipment	1,523
Intangible assets	1,342
Other assets	5,506
Total assets	**125,333**
Liabilities	
Liabilities to suppliers and other liabilities	14,451
Total liabilities	**14,451**
Net assets	**110,882**
Carrying amount of non-controlling participation	**39,595**

	For the year ended 31 December 2020
Revenue	69,026
Expenses	(24,881)
Profit/(loss)	44,145
Total comprehensive income/(loss)	**44,145**
Profit/(loss) of non-controlling interest	**15,764**

	For the year ended 31 December 2020
Cash flows from operating activities	49,660
Cash flows from investing activities	(23,585)
Cash flows from financing activities, before dividends to non-controlling interest	(17,010)
Cash flows from financing activities, dividends to non-controlling interest	(9,449)
Net increase/(decrease) of cash and cash equivalents	**(384)**

47 The Group's subsidiaries (continued)

KB Publikum

in thousands of denars	**31 December 2019**
Assets	
Cash and cash equivalents	1,279
Held for trading financial assets	18,441
Bank deposits	75,150
Property and equipment	404
Intangible assets	1,952
Other assets	5,997
Total assets	**103,223**
Liabilities	
Liabilities to suppliers and other liabilities	10,026
Total liabilities	**10,026**
Net assets	**93,197**
Carrying amount of non-controlling participation	**33,280**

	For the year ended 31 December 2019
Revenue	56,065
Expenses	(20,789)
Profit/(loss)	35,276
Total comprehensive income/(loss)	**35,276**
Profit/(loss) of non-controlling interest	**12,597**

	For the year ended 31 December 2019
Cash flows from operating activities	35,119
Cash flows from investing activities	(15,558)
Cash flows from financing activities, before dividends to non-controlling interest	(15,075)
Cash flows from financing activities, dividends to non-controlling interest	(3,316)
Net increase of cash and cash equivalents	**1,170**

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.