KOMERCIJALNA BANKA AD SKOPJE

Independent Auditors' Report and

Separate financial statements

For the year ended 31 December 2021

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Independent Auditors' Report

KPMG AUDIT DOO Skopje
3 Filip Vtori Makedonski Street
Skopje 1000, Republic of North Macedonia
+389 (2) 3135 220
mk-office@kpmg.com
kpmg.com/mk

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

Report on the Audit of Separate Financial Statements

We have audited the accompanying separate financial statements of Komercijalna Banka AD Skopje ("the Bank"), as set out on pages 1 to 157 which comprise the separate balance sheet as at 31 December 2021 and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and reserves and separate 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 Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate 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 separate 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 separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing adopted and published in the Official Gazette of the Republic of 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 separate financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate 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 separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

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

estimates made by management, as well as evaluating the overall presentation of the separate 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 separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2021 and of its unconsolidated financial performance and its unconsolidated 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 annual account of the Bank and the financial information disclosed in the audited separate financial statements of the Bank as at and for the year ended 31 December 2021. Management is responsible for the preparation of the annual account of the Bank which was approved by the Supervisory Board of the Bank on 23 February 2022 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 23 February 2022.

Skopje, 25 February 2022

KPMG Audit DOO
Managing Director
Srdjan Randjelovic

Certified auditor of the Republic of North Macedonia
Srdjan Randjelovic

Financial Statements

SEPARATE INCOME STATEMENT
For the period from 1 January 2021 to 31 December 2021

	Note	*in thousands of Denars*	
		Current year 2021	Previous year 2020
Interest income		2,803,850	2,816,672
Interest expense		(349,236)	(397,328)
Interest income/(expense), net	6	**2,454,614**	**2,419,344**
Fee and commission income		1,574,425	1,336,817
Fee and commission expense		(579,571)	(444,601)
Fee and commission income/(expense), net	7	**994,854**	**892,216**
Net trading income/(expense)	8	17,359	4,421
Net income from other financial instruments at fair value	9	5,917	5,262
Foreign exchange gains/(losses), net	10	197,404	165,077
Other operating income	11	1,723,878	1,830,420
Share of profit of associates	24	79,103	67,614
		-	
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(934,594)	(1,369,749)
Impairment losses of non-financial assets, net	13	(4,932)	(4,399)
Personnel expenses	14	(1,034,683)	(1,024,784)
Depreciation and amortization	15	(194,289)	(174,449)
Other operating expenses	16	(800,004)	(743,837)
Share of loss of associates	24	-	-
Profit/(loss) before tax		**2,504,627**	**2,067,136**
Income tax expense	17	(200,275)	(155,170)
Profit for the financial year from continuing operations		**2,304,352**	**1,911,966**
Profit/(loss) from group of assets and liabilities held for sale		-	-
Profit/(loss) for the financial year		**2,304,352**	**1,911,966**
Profit/(loss) for the financial year attributable to*:			
Banks' shareholders		-	-
Non-controlling interest		-	-
Earnings per share	41		
basic earnings per share (in Denars)		1,011	839
diluted earnings per share (in Denars)		1,011	839

* only for consolidated financial statements

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2021 to 31 December 2021

	Note	*in thousands of Denars*	
		Current year 2021	Previous year 2020
Profit/(loss) for the year		**2,304,352**	**1,911,966**
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		(2,448)	(2,077)
- 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 bases of uncollected receivables		-	-
- revaluation reserve recognized during the year		-	-
- reduction of revaluation reserve, reclassified to income statement		-	-
Reserve for hedging instruments for Cash flow 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 to Income statement		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations		-	-
Foreign exchange difference reserve from investments 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		**(2,448)**	**(2,077)**
Total other gains/(losses) in the period		**(2,448)**	**(2,077)**
Total comprehensive income for the financial year		**2,301,904**	**1,909,889**
Total comprehensive income for the financial year, attributable to*:			
Shareholders of the Bank		-	-
Non-controlling interest		-	-

* only for consolidated financial statements

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

SEPARATE BALANCE SHEET**
At 31 December 2021

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

	Note	*in thousands of denars*		
		Current year 2021	Previous year 2020	Previous year*** 01.01.2020
Assets				
Cash and cash equivalents	18	57,857,097	49,687,631	-
Held-for-trading assets	19	119,682	45,113	-
Financial assets designated as at fair value through profit or loss on initial recognition	20	350,371	344,455	-
Derivative assets held for risk management	21	-	-	-
Loans and advances to banks	22.1	3,099,033	1,021,080	-
Loans and advances to other customers	22.2	53,536,121	50,953,838	-
Investments in securities	23	27,769,924	25,092,022	-
Investments in associates (in accordance with the "equity method")	24	348,731	324,115	-
Income tax receivable (current)	30.1	391	390	-
Other receivables	25	2,592,032	2,252,833	-
Assets pledged as collateral	26	-	-	-
Foreclosed assets	27	19,298	24,548	-
Intangible assets	28	85,353	70,219	-
Property and equipment	29	2,757,379	2,767,334	-
Deferred tax assets	30.2	-	-	-
Non-current assets held-for-sale and disposal group	31	-	-	-
Total assets		**148,535,412**	**132,583,578**	**-**
Liabilities				
Trading liabilities	32	2,623	5,668	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-
Derivative liabilities held for risk management	21	-	-	-
Deposits from banks	34.1	341,643	186,134	-
Deposits from other customers	34.2	130,736,324	116,587,587	-
Debt securities issued	35	-	-	-
Borrowings	36	713,536	576,425	-
Subordinated debt	37	-	-	-
Special reserve and provisions	38	340,635	296,064	-
Income tax payable (current)	30.1	100,314	2,466	-
Deferred tax liabilities	30.2	-	-	-
Other liabilities	39	1,466,792	1,030,153	-
Liabilities related to disposal group	31	-	-	-
Total liabilities		**133,701,867**	**118,684,497**	**-**
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		1,069	3,517	-
Other reserves		9,227,530	8,609,920	-
Retained earnings/(Accumulated losses)		2,554,352	2,235,050	-
Total equity and reserves, attributable to the shareholders of the Bank		**14,833,545**	**13,899,081**	**-**
Non-controlling interest*		**-**	**-**	-
Total equity and reserves		**14,833,545**	**13,899,081**	**-**
Total liabilities and equity and reserves		**148,535,412**	**132,583,578**	**-**
Contingent liabilities	42	21,526,309	20,480,053	-
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 Bank: 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 separate financial statements.

The separate financial statements were authorised by the Supervisory Board of the bank on 23 February 2022.

Signed on behalf of Komercijalna Banka AD Skopje:

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

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

SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES
For the period from 1 January 2021 to 31 December 2021

	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, 2020 (previous year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**5,594**	**-**	**-**	**-**	**455,813**	**-**	**7,600,838**	**1,806,756**	**323,084**	**-**	**13,242,679**	**-**	**13,242,679**
Opening balance restatement																		
As at January 1, 2020 (previous year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**5,594**	**-**	**-**	**-**	**455,813**	**-**	**7,600,838**	**1,806,756**	**323,084**	**-**	**13,242,679**	**-**	**13,242,679**
Total comprehensive income for the year																		
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,911,966**	**-**	**-**	**1,911,966**	**-**	**1,911,966**
Other gains/(losses) during the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value of financial assets available for sale																		
Debt instruments																		
-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 impairment for debt assets available for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Equity instruments																		
-unrealized changes in fair value (net)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-realized changes in the fair value (net), transferred to Other reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)
For the period from 1 January 2021 to 31 December 2021

	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	-	-	-	-	-	**(2,077)**	-	-	-	-	-	-	-	-	-	**(2,077)**	-	**(2,077)**
Total comprehensive income for the year	-	-	-	-	-	**(2,077)**	-	-	-	-	-	-	**1,911,966**	-	-	**1,909,889**	-	**1,909,889**
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)	-	**(1,253,487)**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)**	-	**(1,253,487)**
As at December 31, 2020 (previous year)/ January 1, 2021 (current year)	**2,279,067**	**771,527**	-	-	-	**3,517**	-	-	-	**455,813**	-	**8,154,107**	**1,911,966**	**323,084**	-	**13,899,081**	-	**13,899,081**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2021 to 31 December 2021

	Equity					Revaluation reserves				Other reserves			Retained earnings					
In thousands of Denars	Subscri-bed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revalua-tion 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	(Accumula-ted losses)	Total equity and reserves, attributable to the share-holders of the Bank	Non-controlling interest *	Total equity and reserves
Opening balance restatement																		
As at January 1, 2021 (current year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**3,517**	**-**	**-**	**-**	**455,813**	**-**	**8,154,107**	**1,911,966**	**323,084**	**-**	**13,899,081**	**-**	**13,899,081**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	2,304,352	-	-	**2,304,352**	**-**	**2,304,352**
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available for sale assets	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt instruments																		
-unrealized changes in fair value (net)	**-**	**-**	**-**	**-**	**-**	(2,448)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,448)**	**-**	**(2,448)**
-realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment to debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-release of impairment for debt assets available 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 instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2021 to 31 December 2021

	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-controling interest *	Total equity and reserves
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 and reserves	**-**	**-**	**-**	**-**	**-**	**(2,448)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,448)**	**-**	**(2,448)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(2,448)**	**-**	**-**	**-**	**-**	**-**	**-**	**2,304,352**	**-**	**-**	**2,301,904**	**-**	**2,301,904**
Transactions with the shareholders, recognized directly in equity and reserves																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	617,610	(294,526)	(323,084)		-		-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1,367,440)	-		(1,367,440)	-	(1,367,440)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (describe separately)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves Distribution of retained earnings – limited for shareholders' distribution	-	-	-	-	-	-	-	-	-	-	-	-	(250,000)	250,000	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**617,610**	**(1,911,966)**	**(73,084)**	**-**	**(1,367,440)**	**-**	**(1,367,440)**
As at December 31, 2021 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**1,069**	**-**	**-**	**-**	**455,813**	**-**	**8,771,717**	**2,304,352**	**250,000**		**14,833,545**	**-**	**14,833,545**

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

* only for consolidated financial statements

SEPARATE STATEMENT OF CASH FLOWS
For the period from 1 January 2021 to 31 December 2021

	Note	*in thousands of Denars*	
		Current year 2021	Previous year 2020
Operating cash flows			
Profit/(Loss) before taxation		**2,504,627**	**2,067,136**
Adjusted for:			
Minority share, included in the consolidated income statement*			
Depreciation of:			
Intangible assets	15/28	19,057	17,987
Property and equipment	15/29	175,232	156,463
Capital gain from:			
Sale of intangible assets		-	-
Sale of property and equipment	11	(3,031)	(8,485)
Sale of foreclosed assets	11	(444,063)	(1,334,371)
Capital loss from:			
Sale of intangible assets		-	-
Sale of property and equipment	16	8,992	-
Sale of foreclosed assets	16	-	-
Interest income	6	(2,803,850)	(2,816,672)
Interest expense	6	349,236	397,328
Trading income, net	8	(23,276)	(9,683)
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12		
Additional impairment losses and special reserve		3,326,429	3,077,959
Release of impairment losses and special reserve		(2,391,835)	(1,708,210)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	4,932	4,399
Release of impairment losses			
Provisions			
Additional provisions	38	5,532	-
Release of provisions	38	(470)	(21,195)
Dividend income	11	(22,310)	(22,709)
Share of profit /(loss) of associates		(79,103)	(67,614)
Other adjustments		(4,030)	(10,587)
Interest received		2,854,957	2,656,424
Interest paid		(363,221)	(456,070)
Profit from operations before changes in operating assets:		**3,113,805**	***1,922,100***
(Increase)/decrease of operating assets:			
Trading assets		(51,977)	161,589
Derivative assets held for risk management		-	-
Loans and advances to banks		(2,182,044)	3,718,031
Loans and advances to other customers		(3,229,476)	(679,402)
Assets pledged as collateral		-	-
Foreclosed assets		125,603	584,550
Obligatory deposit in foreign currency		(769,920)	(377,201)
Obligatory deposit held with NBRM according to special regulations		-	
Other receivables		(369,920)	(304,863)
Deferred tax assets		-	-
Non-current assets held-for-sale and disposal group	31	-	-

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

SEPARATE STATEMENT OF CASH FLOWS (Continued)
For the period from 1 January 2021 to 31 December 2021

	Note	*in thousands of denars*	
		Current year 2021	Previous year 2020
Increase/(decrease) in operating liabilities:			
Trading liabilities		(3,045)	5,307
Derivative liabilities held for risk management		-	-
Deposits from banks		155,360	(258,452)
Deposits from other customers		14,162,491	9,452,840
Other liabilities		436,639	71,184
Liabilities directly related to group or assets for disposal		-	-
Net cash flow from operating activities before taxation		**11,387,516**	***14,295,683***
(Paid)/received income tax		(102,428)	(157,377)
Net cash flow from operating activities		**11,285,088**	**14,138,306**
Cash flow from investing activities			
(Investments in securities)		(13,539,518)	(21,515,255)
Inflows from sale of investment in securities		10,906,358	9,649,478
(Outflows from investment in subsidiaries and associates)		-	-
Inflows from disposal of investment in subsidiaries and associates		-	-
(Purchase of intangible assets)		(34,191)	(32,209)
Inflows from sale of intangible assets		-	-
(Purchase of property and equipment)		(208,180)	(176,555)
Inflows from sale of property and equipment		36,942	15,734
(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		77,482	55,858
Net cash flow from investing activities		**(2,761,107)**	**(12,002,949)**
Cash flow from financing activities			
(Repayment of debt securities issued)		-	-
Issued debt securities		-	-
(Repayment of borrowings)		(159,385)	(602,855)
Increase of borrowings		296,876	342,912
(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)		(1,367,440)	(1,253,487)
(Other financing outflows)		-	-
Other financing inflows from financing		-	-
Net cash flow from financing activities		**(1,229,949)**	**(1,513,430)**
Effect from allowance for impairment of cash and cash equivalents	18	141	(496)
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**7,294,173**	**621,431**
Cash and cash equivalents as of January, 1		43,362,302	42,740,871
Cash and cash equivalents as of December, 31	**18**	**50,656,475**	**43,362,302**

***** only for consolidated financial statements

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

Note no.	Note
	1 Classification of financial assets and financial liabilities
	2 Risk management
2.1	Credit risk
2.2	Liquidity risk
2.3	Market risk
2.3.1	Sensitivity analysis of assets and liabilities on the change in market risk
2.3.2	Sensitivity analysis of changes in interest rates of financial assets and liabilities (excluding trading assets)
2.3.3	Currency risk
2.3.4	Other market risks
2.4	Operational risk
	3 Capital adequacy
	4 Segment Reporting
	5 Fair value of financial assets and liabilities
	Income statement
6	Interest income/ (expense), net
7	Fee and commission income/ (expense), net
8	Net Trading income
9	Net income from other financial instruments at fair value
10	Foreign exchange gains/ (losses), net
11	Other operating income
12	Impairment losses of financial assets and special reserve for off-balance sheet exposures, net
13	Impairment losses of non-financial assets, net
14	Personnel expenses
15	Depreciation and amortization
16	Other operating expenses
17	Income tax
	Balance Sheet
	Assets
18	Cash and cash equivalents
19	Held-for-trading assets
20	Financial assets at fair value through profit or loss upon initial recognition
21	Derivative assets held for risk management
22.1	Loans and advances to banks
22.2	Loans and advances to other customers
23	Investments in securities
24	Investments in associates
25	Other receivables
26	Assets pledged as collateral
27	Foreclosed assets
28	Intangible assets
29	Property and equipment
30	Current and deferred income tax assets and liabilities
31	Non-current assets held-for-sale and disposal group
	Liabilities, equity and reserves
32	Trading liabilities
33	Financial liabilities at fair value through profit or loss upon initial recognition
21	Derivative liabilities held for risk management
34.1	Due to banks
34.2	Due to other customers
35	Debt instruments issued
36	Borrowings
37	Subordinated debt
38	Special reserve and provisions
30	Deferred tax liabilities
39	Other liabilities
31	Liabilities related to disposal group
40	Subscribed capital
	Other disclosures
41	Earnings per share
42	Contingent liabilities and contingent assets
43	Operations on behalf and for account of third parties
44	Related party transactions
45	Leases
46	Share based payments
47	Subsequent events

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

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 Bank's headquarters is on St. Orce Nikolov 3, 1000 Skopje. The Bank operates in the Republic of North Macedonia with a network of branch and sub-branches.

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 on the Macedonian Stock Exchange and are traded in the special sub segment Super quotation. Also, the share of the Bank 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

The separate financial statements of the Bank for the year ending 31 December 2021 were authorised for issue by the Supervisory Board of the Bank on 23 February 2022.

Introduction (continued)

b) Basis of Preparation of the Financial Statements

Accounting Standards

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 and 215/21), 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 and 122/21), 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 Financial Statements

These financial statements represent separate financial statements of the Bank. As the Bank has investment in a subsidiary it also prepares consolidated financial statements in accordance with the Methodology.

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

The Bank's Management estimates the influence of the new and the changes in the NBRNM regulations and their interpretation on the 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 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 Bank'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 financial statements are presented in d).

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

Introduction (continued)

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

Reporting and functional currency

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

c) Summary of Significant Accounting Policies

The accounting policies presented below have been applied consistently to all periods presented in these financial statements.

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 Bank 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued)

Official exchange rates applicable as at 31 December 2021 and 2020 for euro (EUR) and American dollar (USD) are as follows:

	2021 MKD	2020 MKD
1 EUR	61.63	61.69
1 USD	54.37	50.24

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 Bank.

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 Bank.

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 Bank 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 Bank, and
- characteristics of the contractual cash flows of the financial asset (fulfilment of the SPPI requirement).

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Determining the business model of the Bank

The assessment of the business model of the Bank is carried out at a level of the business process, not by separate instrument. The Bank may have several business processes for managing financial instruments. The Bank 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 Bank for managing financial instruments.

The assessment of the business model is performed by the Bank'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 key management of the Bank, taking into account all relevant and available data on the management of financial instruments, in particular: how to monitor the success / realization of the business model and how to report to the Bank's management; what are the risks that affect the realization of that business model and how are those risks managed; what is management's compensation based upon 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).

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 Bank 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 Bank 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 Bank 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Determining the business model of the Bank (continued)

Business model - fair value through profit or loss

If a financial asset or a group of financial assets is held by the Bank 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 Bank 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 Bank 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.

The *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 Bank has a typical contract (or contractual terms) which applies to all separate claims for that product, the Bank 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 Bank 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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 that are measured at amortizaed cost

In this category, the Bank 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.

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

In this category, the Bank 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 Bank classifies financial assets with the purpose of trading and settling cash flows from their sale.

This is also a residual category, i.e. the Bank in this category also classifies all those financial assets that do not fulfil the criteria of the other two categories.

The Bank 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 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).

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Equity instruments held for trading

The equity instruments held by the Bank 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 Bank 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 Bank'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.

(iii) Derecognition

The Bank 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 Bank is recognised as a separate asset or liability.
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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 Bank has determined that they still meet the requirements to be classified and measured at amortized cost at the date of the change, the Bank 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 Bank 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 Bank 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 Bank 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 Bank continues to distinguish the accumulated depreciation in accordance with the initially established amortization plan.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(iv) Modification of financial assets and liabilities

Financial liabilities

The Bank 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 Bank 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.

(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 Bank 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).

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and nostro accounts, that represent demand deposits and placements with other banks and financial institutions, account balances with the NBRM and other financial assets such as treasury and government 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 of 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 Bank.

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 Bank 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.

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 Bank does not exercise control, as well as debt securities issued by the Republic of North Macedonia. Financial assets available for sale include investments in subsidiaries 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 thay 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Financial Assets available-for-sale (continued)

At the point 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 Bank manages for the purpose of collecting contractual cash flows and which, according to the contractual terms of the asset, fulfill the SPPI requirement. These securities are measured at amortized cost using the effective interest rate method.

Loans and Receivables

Loans and receivables of the Bank 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 Bank 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 Bank, at least monthly, 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 Bank considers evidence of impairment for loans and receivables and investment securities on individual basis.

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 Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Impairment of Financial Assets (continued)

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 equity and recognised in profit or loss is the difference between the cost, less any impairment loss previously recognised in the income statement. Changes in the allowance account which are result of the time value of money are recognised as part of interest income.

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

Allowances for impairment on Loans and Receivables

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 allowance for impairment and uncollectibility are determined according to the regulative of the NBRNM ruling on each balance sheet date, according to which the Bank 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, 2021 and December 31, 2020 by applying the following percentages:

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Allowances for impairment on Loans and Receivables (continued)

The allowance for impairment and uncollectibility are determined on the basis of the degree (size) of the risk of uncollectibility or specific country risk. 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 uncollectibility 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 uncollectibility 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 uncollectibility 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 uncollectibility recorded in the income statement;

- The loan, believed to be impossible to collect, is impaired against the relevant allowance for impairment and uncollectibility. Further collections are recorded as reduction of impairment losses and uncollectibility 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 Bank connects 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", without non-performing credit exposure status;
- Within Group3, credit risk exposures with non-performing credit exposure status.

Associates and subsidiaries

An associate is an entity where the Bank participates significantly in the reaching and managing the financial and operating policies and decisions of that entity, but does not control the entity. Participation represents direct or indirect holding of at least 20% of the voting powers, except if it is not obvious that such participation does not represent significant influence.

Investments in associates are measured using the equity method, by which the investment is initially recognised at cost. Subsequent to the initial measurement, carrying amount is increased or decreased to recognise the Bank's share of the profit or loss of the investee after the date of acquisition. Distributions received from an investee reduce the carrying amount of the investment.

A subsidiary is an entity controlled by another entity-bank, known as the parent bank.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Associates and subsidiaries (continued)

The Bank has control over an entity if the following conditions are met:

- The Bank owns, directly or indirectly, major part of the managing power of that entity, except if shown that such condition does not represent control;
- The Bank has a right to return from the investment, regardless as to whether the return is positive or negative (returns include: dividends and other forms of profit distribution, changes in the value of the investment, interest, management fee, service fees, guarantees, tax incentives, participation in the cash flows etc.), and
- The Bank can use its managing power to affect the returns from the investment.

In these Separate financial statements the investments in subsidiaries are recorded by their purchase value.

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, increase for 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 Bank's borrowings is included in interest expenses and are recognized on accrued basis.

Property and equipment

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

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

Buildings	40 years
Furniture and equipment	4-20 years

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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 item “Other operating income” or “Other operating expenses”.

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 Bank 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 Bank’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset’s recoverable amount is estimated.

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

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

An impairment loss is reversed if there is an indication that the loss no longer exists or there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined (net of amortisation) if no impairment loss had been recognized in the previous years.

Foreclosed assets

Foreclosed assets include property and equipment obtained through foreclosing procedures in order to fulfil customers' liabilities, fully or partially, for the appropriate credit and are presented in the line item foreclosures assets. Foreclosed properties are initially recognized at a lower from the appraised value, reduced for the expected selling cost which are borne by the Bank, and the value of the foreclosed property referred to in the act which is passed by the Executor in the procedure for enforced collection, which represents the legal basis for gaining ownership. The appraised value is determined by a certified valuator.

At the date of the initial recognition of the asset, the Bank is obliged in accordance with the Decision on accounting and regulatory treatment of foreclosed assets (Official Gazette of R.M. 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 period of twelve-months, the Bank performs a valuation of the foreclosed property and determines a difference with the carrying amount. At the same time, the Bank 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 asset becomes a property of the Bank 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 Bank 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 Bank receives fee income for providing these services. Managed funds are not assets of the Bank and are not recognized in the financial statements. The Bank 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 Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank 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 Bank 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 Bank also pays contributions for: health insurance, professional additional contribution, contribution for employment in case of unemployment, contribution for past work with increased term. The Bank does not have additional liabilities related to these plans.

(ii) Short-term employee benefits

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

(iii) Other long-term employee benefits

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

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 nominal value in accordance with the regulations and decisions of the Bank 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 Bank's 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 reserve

Under local statutory legislation, the Bank 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 Bank's Statute.

Other reserves

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

The maintenance of the level of Bank`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 Bank`s operations, as well as well as liabilities under the Trade company law.

Earnings per share

The Bank 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Earnings per share (continued)

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.

The diluted earnings per share in the Bank 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 Bank 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) Use of 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.

Introduction (continued)

d) Use of Judgments and Estimates (continued)

Fair Value of Financial Instruments (Continued)

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

In the Republic of 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 presently not readily available.

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

Allowance for Impairment of Loans

The Bank 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 Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank.

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 Bank'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.

Introduction (continued)

e) Changes in the Accounting Policies, Accounting Estimates and Correction of Errors

For the year ended 31 December 2021 there we no changes in the accounting policies, accounting estimates and correction of errors.

f) Compliance with Regulations

There are no non-compliances with the regulations prescribed by the NBRNM in regards to the solvency and capital adequacy of the Bank, 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

	at fair value through profit or loss		At fair value through other comprehensive inome			
In denar thousands	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments	**At amortized cost**	**Total**
2021 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	57,857,097	**57,857,097**
Held-for-trading assets	119,682	-	-	-	-	**119,682**
Financial assets at fair value through profit or loss upon initial recognition	-	350,371	-	-	-	**350,371**
Derivative assets held for risk management	-	-	-	-	-	**-**
Loans and advances to banks	-	-	-	-	3,099,033	**3,099,033**
Loans and advances to other customers	-	-	-	-	53,536,121	**53,536,121**
Investments in securities	-	-	4,988,407	77,694	22,703,823	**27,769,924**
Other receivables	-	-	-	-	2,533,509	**2,533,509**
Total financial assets	***119,682***	***350,371***	***4,988,407***	***77,694***	**139,729,583**	**145,265,737**
Financial liabilities						
Trading liabilities	2,623	-	-	-	-	**2,623**
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	**-**
Derivative liabilities held for risk management	-	-	-	-		
Deposits from banks	-	-	-	-	341,643	**341,643**
Deposits from other customers	-	-	-	-	130,736,324	**130,736,324**
Debt instruments issued	-	-	-	-	-	**-**
Borrowings	-	-	-	-	713,536	**713,536**
Subordinated debt and hybrid instruments	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	1,404,538	**1,404,538**
Total financial liabilities	***2,623***	-	-	-	***133,196,041***	***133,198,664***

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

1 Classification of financial assets and financial liabilities

A Classification of financial assets and financial liabilities

	at fair value through profit or loss		At fair value through other comprehensive inome			
In denar thousands	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments	**At amortized cost**	**Total**
2020 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	49,687,631	**49,687,631**
Held-for-trading assets	45,113	-	-	-	-	**45,113**
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	77,658	21,063,060	**25,092,022**
Other receivables	-	-	-	-	2,199,929	**2,199,929**
Total financial assets	**45,113**	**344,455**	**3,951,304**	**77,658**	**124,925,538**	**129, 344,068**
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	-	-	-	-	116,587,587	**116,587,587**
Debt instruments issued	-	-	-	-	-	**-**
Borrowings	-	-	-	-	576,425	**576,425**
Subordinated debt and hybrid instruments	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	955,461	**955,461**
Total financial liabilities	**5,668**	**-**	**-**	**-**	**118,305,607**	**118,311,275**

2. Risk Management

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

The Bank has established a Strategy for risk taking and management, which is approved by the Bank's 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 Bank's 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 Bank'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 Bank has established organizational structure, with clearly defined competences and responsibilities among organizational parts of the bank where the risks are originated and managed.

Since the outbreak of the Covid-19 virus in RN Macedonia (March 2020), the Bank 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 Bank undertakes a series of organizational and technical measures: smaller number of employees working in the Bank'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 Bank'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 Bank'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 Bank 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 Bank's operations, therefore the management carefully follows the Bank'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 Bank has an established organizational structure, with clearly defined competences and responsibilities of the Supervisory Board and the Board of Directors regarding credit risk management.

The organization of the credit risk management is established on the following levels of hierarchy:
- Strategic level - the risk management function shall be performed by the members of Supervisory Board and the Board of Directors; Risk Management Committee and Audit Committee;
- Macro level - the risk management function at the level of business unit, or business line shall be performed by persons with special rights and responsibilities performing managing function and/or by a special organizational unit responsible for monitoring the credit risk management.

Credit risk management at the business unit level in the Bank includes every 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 Bank are regulated by the appropriate Policies adopted from the Bank's Supervisory Board. A special organizational unit in the Bank 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 Bank 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 Bank 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, different Credit Committees assess the creditworthiness of the clients depending on the type and size of the exposure based on defined criteria. The Bank has established different practices to mitigate credit risk in lending, including mortgages and other collateral instruments. Given that the collateral itself is not sufficient to generate cash flows, it is considered to be a secondary factor in the evaluation of creditworthiness. The value and quality of the collateral depends of the type of collateral (first class collateral, immovable, movable property, inventory, accounts receivables, etc) 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 Bank expects to collect through foreclosure of the property, and the property meets the criteria as defined in the Decision on credit risk management, the Bank 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 allowance for impairment / Special Reserve

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

According to the Bank's internal acts, impairment and provisioning are defined on an individual basis, for all credit risk exposures.

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 the creditworthiness of the client, orderly settlement of obligations and the quality of collateral.

The Bank has established a Credit Risk Management Policy and a Credit Risk Impairment Policy and Procedures, adopted by the Bank's Supervisory Board, as well as Procedures for identification, assessment, measurement, monitoring and control of credit risk adopted by The Board of Directors of the Bank, which are harmonized with the NBRSM regulation for credit risk management.

In order to mitigate the consequences of the COVID-19 pandemic, in accordance with the Decision on the methodology for credit risk management of NBRSM ("Official Gazette of the Republic of Northern 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 Northern Macedonia no. 80 from 27.03.2020), the Bank 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, while the second set of measures was applied to a smaller number of individuals, who according to the Bank were significantly affected by the crisis.

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.3 Policies for calculation of allowance for impairment / Special Reserve (continued)

The measures for non-financial legal entities were also implemented on two occasions and mainly included: approval of a grace period in the repayment of installments and interest; change of one or more contractual conditions in the exposures or approval of new loans to overcome the current problems with the liquidity of the companies. Thereby, the second set of measures was applied to a smaller number of clients who, according to the Bank, were significantly affected by the crisis.
Starting from April 2021, retail segment's exposures that were covered by the second set of measures in order to alleviate the difficulties of the last year's crisis are placed in regular repayment, while most of the exposures to legal entities that were covered by the measures are in repayment from the beginning of the year. The share of the exposures of legal entities that are still under measures is continuously decreasing and amounts to 0.087% in the total credit exposure of the Bank as of 31.12.2021.

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.

2.1.4. Methodologies of assessment of credit risk

The Methodology of the Bank 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 assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of Denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Exposure to credit risk, classified in Group 1																		
Carrying value before impairment loss/ special reserve	3,099,376	1,021,208	45,575,424	42,492,288	4,988,407	3,951,304	22,703,885	21,063,122	50,817,709	45,063,113	5,874	5,312	1,156,716	852,595	16,869,427	16,887,109	145,216,819	131,336,051
(Impairment loss and special reserve)	(322)	(114)	(435,599)	(393,794)	-	-	(62)	(62)	(1,193)	(1,286)	(92)	(53)	(1,113)	(266)	(87,298)	(69,646)	(525,680)	(465,221)
Carrying value less impairment loss/ special reserve	3,099,054	1,021,094	45,139,825	42,098,495	4,988,407	3,951,304	22,703,823	21,063,060	50,816,516	45,061,827	5,782	5,259	1,155,603	852,329	16,782,129	16,817,463	144,691,138	130,870,831
Exposure to credit risk, classified in Group 2																		
Carrying value before impairment loss/ special reserve	-	-	9,728,374	9,552,624	-	-	-	-	-	-	861	1,278	661	4,190	1,189,662	989,554	10,919,558	10,547,645
(Impairment loss and special reserve)	-	-	(1,677,993)	(1,272,597)	-	-	-	-	-	-	(122)	(176)	(114)	(496)	(121,965)	(69,340)	(1,800,194)	(1,342,609)
Carrying value less impairment loss/ special reserve	-	-	8,050,381	8,280,027	-	-	-	-	-	-	738	1,102	548	3,694	1,067,697	920,214	9,119,364	9,205,037

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 assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of Denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Exposure to credit risk, classified in Group 3																		
Carrying value before impairment loss/ special reserve	-	-	1,558,127	3,223,929	-	-	-	-	-	-	5,242	5,726	7,427	27,253	182,710	257,513	1,753,506	3,514,421
(Impairment loss and special reserve)	-	-	(990,945)	(2,439,557)	-	-	-	-	-	-	(4,236)	(4,685)	(6,537)	(26,234)	(92,398)	(119,465)	(1,094,117)	(2,589,941)
Carrying value less impairment loss/ special reserve	-	-	567,182	784,371	-	-	-	-	-	-	1,005	1,042	890	1,019	90,312	138,048	659,389	924,480
Total carrying value of receivables with credit risk before impairment loss/ special reserve	3,099,376	1,021,208	56,861,925	55,268,841	4,988,407	3,951,304	22,703,885	21,063,122	50,817,709	45,063,113	11,977	12,316	1,164,804	884,038	18,241,799	18,134,176	157,889,883	145,398,118
(Total Impairment loss and special reserve)	(322)	(114)	(3,104,538)	(4,105,948)	-	-	(62)	(62)	(1,193)	(1,286)	(4,451)	(4,914)	(7,764)	(26,996)	(301,661)	(258,451)	(3,419,991)	(4,397,770)
Total carrying value of receivables with credit risk less impairment loss/ special reserve	3,099,054	1,021,094	53,757,387	51,162,893	4,988,407	3,951,304	22,703,823	21,063,060	50,816,516	45,061,827	7,526	7,403	1,157,041	857,042	17,940,138	17,875,725	154,469,891	141,000,347

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		Total	
	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Value of collateral of credit exposure, individually assessed for impairment																
First-class collateral instruments																
cash deposits (in depot and/or restricted in accounts held with the Bank)	-	-	1,446,839	1,023,348	-	-	-	-	-	-	81,845	35,504	200,126	179,162	1,728,810	1,238,014
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	236,148	150,650	236,148	150,650
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	1,663,490	476,588	-	-	-	-	-	-	-	-	333,224	547,532	1,996,714	1,024,120
Corporate guarantees (excluding bank guarantees and guarantees from insurance companies)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from individuals																
Mortgage on real estate																
property for private use (flats, houses)																
business facility	-	-	19,287,734	18,073,039	-	-	-	-	-	-	444	158	1,310,396	1,030,758	20,598,574	19,103,955
Pledge over movables	-	-	41,958,292	36,348,861	-	-	-	-	-	-	14,462	36,136	10,515,983	8,806,550	52,488,737	45,191,547
Other types of collateral	-	-	16,435,517	12,514,209	-	-	-	-	-	-	25,556	62,089	3,596,229	2,875,010	20,057,302	15,451,308
	-	-	4,985,016	2,108,879	-	-	-	-	-	-	-	50	475,960	691,092	5,460,976	2,800,021
Total value of collateral of credit exposure, individually assessed for impairment	**-**	**-**	**85,776,888**	**70,544,924**	**-**	**-**	**-**	**-**	**-**	**-**	**122,307**	**133,937**	**16,668,067**	**14,280,754**	**102,567,261**	**84,959,615**

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 assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Industry																		
Non-residents	-	-	361,283	262,630	-	-	-	-	-	-	26	49	-	-	1,687,383	1,975,727	2,048,692	2,238,406
Agriculture, forestry and fishing	-	-	837,521	692,535	-	-	-	-	-	-	48	33	-	-	17,572	14,793	855,141	707,361
Ore and stone extraction	-	-	1,746,641	1,941,691	-	-	-	-	-	-	12	12	-	-	40,866	60,644	1,787,520	2,002,347
Processing industry	-	-	3,102,921	2,808,772	-	-	-	-	-	-	99	58	25	15	177,890	208,915	3,280,935	3,017,760
Wholesale and retail industry for clothing and footwear	-	-	858,135	753,446	-	-	-	-	-	-	97	99	17	7	314,888	285,167	1,173,137	1,038,719
Chemical industry, construction material production, fuel production and processing , pharmaceutical industry	-	-	1,593,933	1,631,003	-	-	-	-	-	-	80	45	-	1	300,106	246,825	1,894,119	1,877,874
Production of metals, machines, tools and equipment	-	-	3,374,413	3,673,252	-	-	-	-	-	-	74	149	-	294	883,720	1,287,366	4,258,206	4,961,061
Other processing industry	-	-	467,971	466,238	-	-	-	-	-	-	23	22	13	1	35,214	38,545	503,220	504,805
Electricity supply, gas, steam and air conditioning	-	-	1,795,216	815,079	-	-	-	-	-	-	186	199	135,499	-	995,671	662,455	2,926,571	1,477,733
Water supply, disposal of wastewater, waste management and remediation activities on the environment	-	-	329,927	140,317	-	-	-	-	-	-	75	73	2,512	506	17,461	1,906	349,975	142,802
Construction	-	-	3,134,239	3,321,354	-	-	-	-	-	-	291	692	552	2,609	3,084,370	3,415,431	6,219,453	6,740,086

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 assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	6,016,055	7,519,131	-	-	-	-	-	-	1,022	671	1,094	1,980	4,769,716	3,982,736	10,787,887	11,504,518
Transport and warehousing	-	-	1,330,673	783,461	-	-	-	-	-	-	146	183	136	56	583,048	413,448	1,914,003	1,197,148
Accommodation facilities and food service industry	-	-	961,945	679,930	-	-	-	-	-	-	69	72	178	224	29,481	32,549	991,674	712,775
Information and communications	-	-	338,565	298,560	-	-	-	-	-	-	138	155	184	127	117,679	137,061	456,567	435,903
Finance and insurance activities	3,099,054	1,021,094	60,362	7,713	-	-	619,778	622,592	50,816,516	45,061,827	2,533	2,129	15,264	11,834	194,602	82,944	54,808,109	46,810,133
Activities related to real estate, renting and business activities	-	-	4,144,433	2,528,754	-	-	-	-	-	-	2	225	78	14	511,884	1,093,647	4,656,397	3,622,640
Professional, scientific and technical activities	-	-	789,789	1,408,960	-	-	-	-	-	-	63	79	88	4,565	98,191	100,432	888,131	1,514,036
Administrative and utility services	-	-	231,847	100,050	-	-	-	-	-	-	51	62	1,181	1,116	363,000	119,852	596,078	221,080
Public administration and defense; mandatory social security	-	-	1,860,058	1,713,201	4,988,407	3,951,304	22,084,045	20,440,468	-	-	462	468	339	142	408,115	377,264	29,341,426	26,482,847
Education	-	-	478,917	559,097	-	-	-	-	-	-	4	9	28	2	32,012	24,535	510,961	583,643
Health care and social work	-	-	1,304,316	1,248,719	-	-	-	-	-	-	123	120	22	2	72,967	154,254	1,377,429	1,403,095
Art, entertainment and recreation	-	-	240,409	304,675	-	-	-	-	-	-	45	87	20	23	153,846	144,911	394,321	449,696
Other service activities	-	-	94,026	131,594	-	-	-	-	-	-	38	39	285	361	4,060	4,700	98,411	136,694

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 assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Private households as employers, household activities that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	18,237,360	17,306,271	-	-	-	-	-	-	1,760	1,606	998,608	832,257	3,040,111	3,003,344	22,277,838	21,143,478
Individual merchants and individuals not regarded as merchants	-	-	66,433	66,459	-	-	-	-	-	-	56	68	918	906	6,284	6,274	73,691	73,707
Total	**3,099,054**	**1,021,094**	**53,757,387**	**51,162,892**	**4,988,407**	**3,951,304**	**22,703,823**	**21,063,060**	**50,816,516**	**45,061,827**	**7,526**	**7,404**	**1,157,041**	**857,042**	**17,940,138**	**17,875,725**	**154,469,891**	**141,000,347**

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 assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
in thousands of denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Geographic location																		
Republic of Macedonia	520	29,515	53,396,104	50,900,263	4,988,407	3,951,304	22,084,045	20,440,468	40,228,374	34,306,884	6,937	6,799	1,157,041	857,042	16,162,946	15,827,692	**138,024,374**	**126,319,967**
EU member countries	2,603,965	527,316	361,283	262,630	-	-	619,778	622,592	5,346,906	7,833,509	442	436	-	-	6,613	1,500	8,938,987	**9,247,983**
Europe (other)	30,810	-	-	-	-	-	-	-	2,724,881	2,408,246	77	95	-	-	1,754,819	2,042,221	4,510,587	**4,450,562**
OECD member countries (without European OECD member countries)	463,759	464,263	-	-	-	-	-	-	2,443,616	445,865	70	67	-	-	15,760	4,312	**2,923,205**	**914,507**
Other	-	-	-	-	-	-	-	-	72,738	67,324	-	5	-	-	-	-	**72,738**	**67,328**
(the exposure that represents more than 10% of total credit exposure)																		
Total	**3,099,054**	**1,021,094**	**53,757,387**	**51,162,893**	**4,988,407**	**3,951,304**	**22,703,823**	**21,063,060**	**50,816,516**	**45,061,827**	**7,526**	**7,403**	**1,157,041**	**857,042**	**17,940,138**	**17,875,725**	**154,469,891**	**141,000,347**

2. Risk Management (continued)

2.1 Credit Risk (continued)

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

The value of total credit exposure by geographic location of debtors show that the highest concentration is in the Republic of North Macedonia, amounting to 89.35% as of December 31, 2021 (2020: 89.59%). Exposure to debtors located in EU member amounts to 5.79% as of December 31, 2021 (2020: 6.56%). Exposure to debtors located in Other European countries and OECD countries amounts to 4.86% of the total credit exposure of the Bank as of December 31, 2021 (2020: 3.85%).

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 designated as such at initial recognition, through profit and loss statement									
	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 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020
Current value of financial assets measured at fair value														
Risk category														
Without credit rating	-	-	116,677	39,535	350,371	344,455	-	-	-	-	-	-	467,048	383,990
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carrying value	**-**	**-**	**116,677**	**39,535**	**350,371**	**344,455**	**-**	**-**	**-**	**-**	**-**	**-**	**467,048**	**383,990**

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 Bank 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 Bank 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 regular and timely payment of liabilities, both in normal or exceptionally conditions.

Exposure to liquidity risk depends on the separate categories in the balance sheet divided by the maturity dates (residual maturity) and the level of compliance. Exposure to insolvency risk depends on the level of capital and reserves, i.e. the Bank'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 Bank is exposed to daily claims on its available cash resources from deposits, current accounts, and loan withdrawals. The Bank does not seek to maintain cash resources to meet all of these potential claims, estimating that the really due liabilities (the stability of deposit core) can be estimated with a degree of certainty.

The Bank has established Liquidity risk managing Policy, passed by the Supervisory Board of the bank and the same is reviewed regularly. The policy defines the manner of liquidity management through determination of basic goals, capacity assessment for taking 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 Bank has established Procedures for identification, measurement or assessment, control or decreasing and following of the liquidity risk. This act is issued by the Bank's 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 of the liquidity and the liquidity risk and reporting, control or decreasing of liquidity risk and determining the internal liquidity (ILAAP).

The Bank uses the following methods for measuring the liquidity risk: maturity structure of assets (receivables) and liabilities (obligations) at aggregate level and by each significant currency, liquidity coverage ratio (LCR) at aggregate level and by each significant currency, internal liquidity ratios, concentration of the funding sources by the largest depositors, concentration of the funding sources by instruments, i.e. products, price of the funding sources and their maturity, possibility of renewal of the finding sources, determination of available unencumbered assets, stress-testing and reverse stress-test, planning of liquidity needs on a daily basis, fulfillment of legal obligation for required reserve in Denars and foreign currencies, analysis of Denar and foreign currency operating liquidity, own funds and capital adequacy ratio and other procedures.

The Bank'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 Bank'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 Bank makes decision regarding the appropriate use of funds.

Reconciliation and the controlled mismatch of assets and liabilities is fundamental to the Bank's management.

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

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Process of Liquidity Risk Management (continued)

The new Decision on the methodology for liquidity risk management ("Official Gazette of RNM" no.146/20) started to be applyed on January 1, 2021, and the Bank implemented the prescribed requirements and complied its operations with it.

Maturity analysis of financial assets and liabilities (including both balance sheet and off-balance items) as at December 31, 2021 and 2020 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 December 31, 2021 and as at December 31, 2020. The main reason for the above mentioned non-compliance is based on the fact that the short-term funding sources are used for approval of long-term loans. For the purposes of the liquidity risk management, the Bank monitors the expected inflows from loans and advances, the expected outflow of deposits, as well as the expected use of off-balance sheet liabilities where the forecast element is incorporated and it indicates 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
2021 (current year)							
Financial assets							
Cash and cash equivalents	49,695,216	1,785,554	-	6,377,520	-	-	57,858,290
Held-for-trading assets	119,682	-	-	-	-	-	119,682
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	350,371	350,371
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	2,080	818,357	1,629,765	185,366	-	463,805	3,099,374
Loans and advances to other customers	1,450,679	2,668,325	14,272,482	7,326,615	16,323,680	14,712,676	56,754,457
Investments in securities	456,297	499,907	7,565,856	5,425,788	7,482,095	6,340,042	27,769,986
Investments in associates	-	-	-	-	-	348,731	348,731
Income tax receivable (current)	-	391	-	-	-	-	391
Other receivables	2,385,997	1,281	21,800	136,645	-	-	2,545,723
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**54,109,951**	**5,773,815**	**23,489,903**	**19,451,934**	**23,805,775**	**22,215,625**	**148,847,005**
Financial liabilities							
Trading liabilities	2,623	-	-	-	-	-	2,623
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	286,993	54,583	67	-	-	-	341,643
Deposits from other customers	85,927,670	9,692,642	24,298,303	6,703,944	3,992,655	121,112	130,736,324
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	24,201	26,591	161,451	197,669	277,501	31,060	718,474
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	100,314	-	-	-	-	-	100,314
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	1,392,763	2,435	3,832	5,507	-	-	1,404,538
Total financial liabilities	**87,734,564**	**9,776,251**	**24,463,653**	**6,907,120**	**4,270,156**	**152,172**	**133,303,916**
Off balance sheet items							
Off balance sheet assets	52,641	228,220	184,628	108,370	124,610	2,157	700,626
Off balance sheet liabilities	9,342,347	1,163,428	7,344,687	2,669,471	264,746	-	20,784,679
Liquidity gap	**(42,914,319)**	**(4,937,644)**	**(8,133,809)**	**9,983,713**	**19,395,483**	**22,065,610**	**(4,540,964)**

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity) (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
2020 (previous year)							
Financial assets							
Cash and cash equivalents	41,707,699	2,431,684	-	5,549,534	-	-	49, 688,917
Held-for-trading assets	45,113	-	-	-	-	-	45,113
Financial assets at fair value through profit and 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	6,174,500	25,092,084
Investments in associates	-	-	-	-	-	324,115	324,115
Income tax receivable (current)	-	390	-	-	-	-	390
Other receivables	2,177,026	5,347	46,363	1,484	960	658	2,231,838
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**45,696,874**	**9,458,721**	**20,127,488**	**15,008,491**	**23,289,761**	**20,435,612**	**134,016,947**
Financial liabilities							
Trading liabilities	5,668	-	-	-	-	-	5,668
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	186,006	128	-	-	-	-	186,134
Deposits from other customers	73,351,100	9,422,769	23,214,792	6,957,075	3,506,559	135,292	116,587,587
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	26,187	7,785	105,454	141,044	261,652	37,487	579,609
Subordinated debt	-	-	-	-	-	-	
Income tax payable (current)	2,466	-	-	-	-	-	2,466
Deferred tax liabilities	-	-	-	-	-	-	
Other liabilities	954,172	1,179	50	60	-	-	955,461
Total financial liabilities	**74,525,599**	**9,431,861**	**23,320,296**	**7,098,179**	**3,768,211**	**172,779**	**118,316,925**
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	**(37,398,755)**	**(2,437,535)**	**(8,471,984)**	**5,160,025**	**19,336,808**	**20,262,833**	**(3,548,608)**

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 foreign currencies, interest rates, 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 %*
2021 (current year)				
Amount before sensitivity analysis/ stress-test (as at December 31, 2021)		12.493.262	72.035.978	17.34
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	2,473	12.493.262	75.216.272	16.61
Scenario 2: Denar to appreciate by 5% compared to other currencies	(2.473)	12.493.262	68.855.684	18.14
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	14.840	12.493.262	91.117.740	13.71
Scenario 2: Denar to appreciate by 30% compared to other currencies	(14.840)	12.493.262	52.954.216	23.59
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.	103.710	12.493.262	72.035.978	17.34
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to decrease by 1,00 p.p.	(103.710)	12.493.262	72.035.978	17.34

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.	622.258	12.493.262	72.035.978	17.34
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.	(622.258)	12.493.262	72.035.978	17.34
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)				
_____				
_____				
_____				
_____				
_____				

The obtained effects from the stress test at 31.12.2021 do not have an impact on the Bank's own funds because any potential effect would be absorbed by the profit for the year.

The Bank does not carry out stress tests from risk of changes in interest rates for investments in equity securities, as well as combined scenarios for changes in the 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 %*
2020 (previous year)				
Amount before sensitivity analysis/ stress-tests (as at December 31, 2020)		11,954,685	68,435,453	17.47
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	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) _____ _____ _____ _____				

The Bank does not carry out stress tests from risk of changes in interest rates for investments in equity securities, as well as combined scenarios for changes in the 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 2021				previous year 2020			
in thousands of Denars	As at December 31	Average value for the period	Highest value for the period	Lowest value for the period	As at December 31	Average value for the period	Highest value for the period	Lowest value for the period
Amount of interest-bearing instruments exposed to risk	-	-	-	-	-	-	-	-
Amount of foreign currency instruments exposed to risk	-	-	-	-	-	-	-	-
Amount of equity instruments exposed to risk	-	-	-	-	-	-	-	-
Variance (off-setting effect)								
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Pursuant to the “Decision on the Methodology for Determining Capital Adequacy," the Bank does not 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 Analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets)

Interest rate risk considering the Bank'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 Bank'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 Bank's profitability and capital.

The Bank 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 Bank's sensitivity to changes in interest rates. The Bank 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 Bank's banking book.

The Bank has established Policy for managing the risk of change in the interest rates in the Bank's portfolio that is adopted by the Supervisory Board of the Bank 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 Bank'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 Bank 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 Bank's 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 Bank'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, reverse stress-testing and other are methods used to measure this risk.

2. Risk Management (continued)

2.3 Market Risk (continued)

2.3.2 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 December 31, 2021 and 2020 are as follows:

in thousands of Denars

	Position	Currency	December 31, 2021
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	757,567
1.2	NET WEIGHTED POSITION FOR CURRENCY USD (FIR+VIR+AIR)	USD	10,443
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	314,316
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1,016,599
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	2,935
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**2,101,860**
3	OWN FUNDS		**12,493,262**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**16.82%**

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%**

The increase of the total weighted value/own ratio compared to 31.12.2020 mainly is a result of increased investments in securities.

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)

B. Interest Rates gap analysis

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, 2021 (current year)							
FINANCIAL ASSETS							
Cash and cash equivalents	48,707,891	1,784,795	-	-	-	-	**50,492,686**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Loans and advances to banks	2,080	817,749	1,320,995	-	-	-	**2,140,824**
Loans and advances to other customers	1,173,496	2,616,560	40,747,026	1,713,732	4,044,790	2,522,430	**52,818,034**
Investments in securities	454,167	499,908	7,564,380	5,323,621	7,339,718	6,278,769	**27,460,563**
Other interest sensitive assets	-	-	-	-	-	-	**-**
Total interest sensitive financial assets	**50,337,634**	**5,719,012**	**49,632,401**	**7,037,353**	**11,384,508**	**8,801,199**	**132,912,107**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Deposits from banks	-	54,374	-	-	-	-	**54,374**
Deposits from other customers	16,842,215	9,669,175	30,217,923	2,102,612	1,240,661	-	**60,072,586**
Debt instruments issued	-	-	-	-	-	-	**-**
Borrowings	21,279	26,526	533,687	38,701	3,907	-	**624,100**
Subordinated debt	-	-	-	-	-	-	**-**
Other interest sensitive liabilities	-	-	-	-	-	-	**-**
Total interest sensitive financial liabilities	**16,863,494**	**9,750,075**	**30,751,610**	**2,141,313**	**1,244,568**	**-**	**60,751,060**
Net balance position	**33,474,140**	**(4,031,063)**	**18,880,791**	**4,896,040**	**10,139,940**	**8,801,199**	**72,161,047**
Off balance sheet interest sensitive assets							
Off balance sheet interest sensitive liabilities							
Net off-balance sheet gap							
Total net-position	**33,474,140**	**(4,031,063)**	**18,880,791**	**4,896,040**	**10,139,940**	**8,801,199**	**72,161,047**

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 analysis (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, 2020 (previous 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	-	-	-	-	-	-	**-**
Deposits from banks	-	-	-	-	-	-	**-**
Deposits from other customers	15,956,995	9,419,827	30,011,181	1,497,303	1,295,754	5,861	**58,186,921**
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	**15,981,411**	**9,427,563**	**30,445,078**	**1,565,558**	**1,339,041**	**6,059**	**58,764,710**
Net balance position	**27,558,659**	**(41,993)**	**12,886,710**	**4,213,812**	**8,216,451**	**7,867,023**	**60,700,662**
Off balance sheet interest sensitive assets							
Off balance sheet interest sensitive liabilities							
Net off-balance sheet gap							
Total net-position	**27,558,659**	**(41,993)**	**12,886,710**	**4,213,812**	**8,216,451**	**7,867,023**	**60,700,662**

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 aim of the bank is to maximize the stability and profitability, by obtaining optimal currency structure on both assets and liabilities.

The bank has established Policy for managing the currency risk, adopted by the Supervisory board of the Bank 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 Bank's capacity to undertake foreign currency risk and assessment of the risk profile and acceptable instruments for hedging or reducing foreign currency risk.

The bank has established Procedures for identification, measurement or assessment, control or reducing and monitoring of foreign exchange risk issued by the Board of Directors of the Bank and it is revised regularly. In the Procedures, processes for managing foreign exchange risk are described in detail 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 individual 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 Bank’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 Bank is able to cover losses from foreign exchange differences arising from its liabilities by exchange rate differences arising from its assets, even under conditions of frequent changes in exchange rates.

The tables below summarize the net foreign currency position of monetary assets and liabilities of the Bank as at December 31, 2021 and 2020.

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
2021 (current year)										
Monetary Assets										
Cash and cash equivalents	40,197,940	10,263,860	5,546,159	-	-	-	-	-	1,849,138	57,857,097
Held-for-trading assets	116,677	-	3,005	-	-	-		-	-	119,682
Financial assets at fair value through profit or loss upon initial recognition	350,371	-	-	-	-	-	-	-	-	350,371
Derivative assets held for risk management	-	-	-	-					-	-
Loans and advances to banks	518	991,779	1,632,426	-	-	-	-	-	474,310	3,099,033
Loans and advances to other customers	28,632,861	24,691,554	211,706	-	-	-	-	-	-	53,536,121
Investments in securities	13,606,268	14,163,166	490	-	-	-	-	-	-	27,769,924
Investments in associates	348,731	-	-	-	-	-	-	-	-	348,731
Income tax receivable (current)	391	-	-	-	-	-	-	-	-	391
Other receivables	1,549,137	840,231	144,067	-	-	-	-	-	74	2,533,509
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	**84,802,894**	**50,950,590**	**7,537,853**	**-**	**-**	**-**	**-**	**-**	**2,323,522**	**145,614,859**
Monetary Liabilities										
Trading liabilities	2,623	-	-	-	-	-	-	-	-	2,623
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Deposits from banks	28,663	19,278	278,808	-	-	-	-	-	14,894	341,643
Deposits from other customers	71,351,718	50,171,477	6,995,955	-	-	-	-	-	2,217,174	130,736,324
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	713,536	-	-	-	-	-	-	-	713,536
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	100,314	-	-	-	-	-	-	-	-	100,314
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	980,495	175,578	236,522	-	-	-	-	-	11,943	1,404,538
Total Monetary Liabilities	**72,463,813**	**51,079,869**	**7,511,285**	**-**	**-**	**-**	**-**	**-**	**2,244,011**	**133,298,978**
Net-position	**12,339,081**	**(129,279)**	**26,568**	**-**	**-**	**-**	**-**	**-**	**79,511**	**12,315,881**

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 (previous year)										
Monetary Assets										
Cash and cash equivalents	32,538,459	10,222,683	4,971,650	-	-	-	-	-	1,954,839	49,687,631
Held-for-trading assets	45,113	-	-	-	-	-		-	-	45,113
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	15,594,853	9,496,716	453	-	-	-	-	-	-	25,092,022
Investments in associates	324,115	-	-	-	-	-	-	-	-	324,115
Income tax receivable (current)	390	-	-	-	-	-	-	-	-	390
Other receivables	1,363,403	713,147	123,269	-	-	-	-	-	110	2,199,929
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	**78,210,703**	**43,876,430**	**5,626,491**	**-**	**-**	**-**	**-**	**-**	**1,954,949**	**129,668,573**
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	-	-	-	-	-	-	-	-	-	-
Deposits from	26,584	7,691	128,156	-	-	-	-	-	23,703	186,134
Deposits from other customers	66,103,291	43,120,227	5,423,366	-	-	-	-	-	1,940,703	116,587,587
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	576,425	-	-	-	-	-	-	-	576,425
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	2,466	-	-	-	-	-	-	-	-	2,466
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	813,647	121,048	15,706	-	-	-	-	-	5,060	955,461
Total Monetary Liabilities	**66,945,988**	**43,825,391**	**5,572,896**	**-**	**-**	**-**	**-**	**-**	**1,969,466**	**118,313,741**
Net-position	**11,264,715**	**51,039**	**53,595**	**-**	**-**	**-**	**-**	**-**	**(14,517)**	**11,354.832**

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 aim of the Bank is to maximize the stability and profitability, by applying the optimal structure of trading portfolio.

The bank has established Policy for managing the market risk, adopted by the Supervisory board of the Bank 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 Bank's capacity to undertake market risk, assessment of the risk profile and acceptable instruments for hedging or reducing market risk.
The Bank has established Procedures for identification, measurement or assessment, control or decrease and monitoring of the market risk. This act is issued by the Bank’s 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 Bank’s total activities, stress-testing, reverse stress-testing and other are methods that are used for market risk assessment.

As at December 31, 2021 and 2020, according to regulatory requirements, the Bank does not determine capital required to cover the market risk for portfolio trading.

2.4 Operational Risks

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

“Legal risk” means risk of loss caused by from violation or non-adherence to the laws and bylaws, agreements, prescribed practices, ethics standards, or as a result of misinterpretation of the regulations, rules, agreements and other legal documents.

2. Risk Management (continued)

2.4 Operational Risks (continued)

The Bank 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. Within the framework of different processes of the Bank, this allows different risks that arise from such processes to be identified in order to avoid the potential negative effect on the Bank's financial result and capital position. The appropriateness of the established framework for operational risk management is under regular revision.

The identification and measurement of the operational risk is performed by the Bank through analysis of collected data that have caused or might cause damage to the Bank, analysis of the Bank'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 Bank calculates capital required for coverage of operational risk, applying the standardised approach. The amount of capital as at 31.12.2021 is presented under heading 3.1.1. Capital adequacy ratio report.
During 2021, the Bank 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 NBRSM regulations. Based on the undertaken activities, the Bank's operation in conditions of pandemic takes place continuously and all business processes are realized with current dynamics.

3. Capital Adequacy

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 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 December 2021, the Bank fulfils 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 standardized 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 December 2021 and 2020, the Bank has only Common Equity Tier 1 Capital 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.

The 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 2021**	**Previous year 2020**
I	**CREDIT RISK- WEIGHTED ASSETS**		
1	Credit risk-weighted assets under the standardized approach	65,231,388	61,807,320
2	Capital requirement for credit risk	5,218,511	4,944,586
II	**CURRENCY RISK-WEIGHTED ASSETS**		
3	Aggregate foreign exchange position	78,123	99,095
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	544,172	529,939
9	Operational risk-weighted assets	6,802,152	6,624,233
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+11.1.3+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	195	312
14	Capital requirement for other risks (10+11+12+13)	195	312
15	Other risk-weighted assets	2,438	3,900
V	**RISK-WEIGHTED ASSETS**	**72,035,978**	**68,435,453**
16	Capital requirement for risks	5,762,878	5,474,837
VI	**OWN FUNDS**	**12,493,262**	**11,954,685**
VII	**CAPITAL ADEQUACY RATIO (VI/V)**	**17.34%**	**17.47%**

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 2021	Previous year 2020
1	2	3	4
1	**Own funds**	**12,493,262**	**11,954,685**
2	**Tier 1 Capital**	**12,493,262**	**11,954,685**
3	**Common Equity Tier 1 Capital (CET1)**	**12,493,262**	**11,954,685**
3.1.	Positions of CET1	12,529,193	11,987,115
3.1.1.	Capital instruments of CET1	2,279,067	2,279,067
3.1.2.	Premium on capital instruments of CET1	771,527	771,527
3.1.3.	Mandatory reserve fund	9,227,530	8,609,920
3.1.4.	Retained unallocated earning	250,000	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	1,069	3,517
3.2.	(-) Deductions of CET1	(35,931)	(32,430)
3.2.1.	(-) Loss at the end of the year or current loss	-	-
3.2.2.	(-) Intangibles	(35,931)	(32,430)
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 2021	Previous year 2020
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 2021	Previous year 2020
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 Bank's operating segments.

Operating segment is a component of the activities of the Bank 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 Bank'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 Bank discloses 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 Bank;
- 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 Bank's total assets;
- Management has assessed that they are significant to follow for the Bank's management needs.

For the purposes of the financial reporting, the Bank 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 in December 31, 2021 and 2020 the Bank does not group two or more operating segments into one.

The operating segments of Komercijalna Banka 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 Bank discloses information for the concentration of the business activities towards separate significant clients. Significant client is an individual or a legal entity as well as parties related to them, if the Bank realizes 10% or more from its total business income or expenditure. As at December 31, 2021 and 2020 there are no significant clients in existence.

Geographical segments according to which the Bank 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); and other countries.

4. Segment 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		
2021 (current year)											
Interest income/(expense), net	-	-	685,965	1,768,626	23	-	-	-	-	-	2,454,614
Fee and commission income/(expense), net	-	2,190	93,805	124,583	733,945	29,067		11,182	-	82	994,854
Net trading income	-	17,359									17,359
Net income from other financial instruments at fair value	-	5,917		-							5,917
Other operating income	-	272,705	(384,638)	2,001,732	(12,827)	(3,927)		31	100,388	26,921	2,000,385
Inter segmented income	-										-
Total income by segment	-	298,171	395,132	3,894,941	721,141	25,140	-	11,213	100,388	27,003	5,473,129
Impairment losses of financial assets, net	-		(179,203)	(755,391)			-	-	-	-	(934,594)
Impairment losses of non-financial assets, net	-		-	(4,932)			-	-	-	-	(4,932)
Depreciation and amortization	-	(2,001)	(46,085)	(29,318)	(68,409)	(2,196)	-	(2,001)	-	(44,279)	(194,289)
Restructuring costs	-						-		-		-
Investments in property and equipment	-						-		-		-
Other expenses	-	(46,647)	(606,885)	(225,538)	(533,897)	(15,043)	-	(14,538)	-	(392,139)	(1,834,687)
Total expenses by segment	-	(48,648)	(832,173)	(1,015,179)	(602,306)	(17,239)	-	(16,539)	-	(436,418)	(2,968,502)
Financial result by segment	-	249,523	(437,041)	2,879,762	118,835	7,901	-	(5,326)	100,388	(409,415)	2,504,627
Income tax											(200,275)
Profit/(loss) for the year											2,304,352
Total assets by segment	-	499,629	19,930,440	122,921,113	2,705,255	34,578		29,502	361,469	-	146,481,986
Unallocated assets by segment										2,053,426	2,053,426
Total assets											148,535,412
Total liabilities by segment	-	2,625	96,482,253	36,673,210	260,556	44,040		3	-		133,462,687
Unallocated liabilities by segment										239,180	239,180
Total liabilities											133,701,867

4. Segment 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		
2020 (previous year)											
Interest income/(expense), net	-	-	678,430	1,740,888	26	-	-	-	-	-	2,419,344
Fee and commission income/(expense), net	-	2,483	130,231	118,513	608,311	24,857	-	7,821	-	-	892,216
Net trading income	-	4,421	-	-	-	-	-	-	-	-	4,421
Net income from other financial instruments at fair value	-	-	-	5,262	-	-	-	-	-	-	5,262
Other operating income	-	246,362	456,997	1,198,461	38,435	1,899	-	86	84,624	36,247	2,063,111
Inter segment income	-	-	-	-	-	-	-	-	-	-	-
Total income by segment	-	253,266	1,265,658	3,063,124	646,772	26,756	-	7,907	84,624	36,247	5,384,354
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)	-	(40,298)	(174,449)
Restructuring costs	-	-	-	-	-	-	-		-	-	-
Investments in property and equipment	-	-	-	-	-	-	-		-	-	-
Other expenses	-	(42,141)	(585,353)	(243,016)	(514,450)	(13,733)	-	(14,516)	-	(355,412)	(1,768,621)
Total expenses by segment	-	(43,903)	(679,927)	(1,591,602)	(574,303)	(15,495)	-	(16,278)	-	(395,710)	(3,317,218)
Financial result by segment	-	209,363	585,731	1,471,522	72,469	11,261	-	(8,371)	84,624	(359,463)	2,067,136
Income tax											(155,170)
Profit/(loss) for the year											1,911,966
Total assets by segment	-	418,458	18,860,644	108,198,528	2,688,120	31,915		28,835	336,853		130,563,353
Unallocated assets by segment										2,020,225	2,020,225
Total assets											132,583,578
Total liabilities by segment	-	5,670	87,314,375	31,066,088	63,195	78,736	-	2	-		118,528,066
Unallocated liabilities by segment										156,431	156,431
Total liabilities											118,684,497

4. Segment Reporting (continued)

B. Concentration of Total Income and Expense by Significant Customer

in thousands of Denars	Operating Segments										
	DL1: Services related to financing middle and large retailers	DL2: Trading and sales	DL 3: Retail banking	DL 4: Corporate banking	DL 5: Payment and settlement	DL 6: Agent services	DL 7: Asset management	DL 8: Retail brokerage	All other insignificant operating segments	Unallocated	Total
2021 (current year)											
Customer 1	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 3											
Income											
(expenses)											
Total by segment	-	-	-	-	-	-	-	-	-	-	-
2020 (previous year)											
Customer 1	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)											
Customer 3											
Income											
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	-	-	-	-	-	-	-	-	-	-	-

There is no significant concentration by significant customer.

4. Segment 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
2021 (current year)								
Total income	5,735,901	(181,464)	(85,088)	4,007	-	345	(572)	**5,473,129**
Total assets	134,486,811	8,312,301	2,755,679	2,907,883	-	72,738		**148,535,412**
2020 (previous year)								
Total income	5,543,566	(178,811)	12,286	6,063	-	1,008	242	**5,384,354**
Total assets	120,798,316	8,398,653	2,407,714	911,575	-	67,320	-	**132,583,578**

5. Fair Value of Financial Assets and Liabilities

A. Fair Value of Financial Assets and Liabilities

in thousands of denars	Current year 2021		Previous year 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	57,857,097	57,857,097	49,687,631	49,687,631
Held-for-trading assets	119,682	119,682	45,113	45,113
Financial assets at fair value through profit or loss upon initial recognition	350,371	350,371	344,455	344,455
Derivative assets held for risk management	-	-		
Loans and advances to banks	3,099,033	3,096,198	1,021,080	1,014,848
Loans and advances to other customers	53,536,121	53,536,121	50,953,838	50,953,838
Investments in securities	27,769,924	28,018,736	25,092,022	25,521,875
Investments in associates	348,731	348,731	324,115	324,115
Income tax receivable (current)	391	391	390	390
Other receivables	2,533,509	2,533,509	2,199,929	2,199,929
Assets pledged as collateral	-	-	-	-
Deferred tax assets	-	-	-	-
Financial Liabilities				
Trading liabilities	2,623	2,623	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	341,643	341,643	186,134	186,134
Deposits from customers	130,736,324	130,705,190	116,587,587	116,548,496
Debt instruments issued	-			
Borrowings	713,536	713,536	576,425	576,425
Subordinated debt				
Income tax payable (current)	100,314	100,314	2,466	2,466
Deferred tax liabilities	-	-		
Other liabilities	1,404,538	1,404,538	955,461	955,461

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

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

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.

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 Bank 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 Bank 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 Bank 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 64,956 thousand (2020: MKD 64,920 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 0.23% (2020: 0.26%).

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 period.

g) Deposits from banks

Due to the insignificant risk of changes in value and their short term maturity, 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 time deposits with adjustable and variable interest rates is their carrying amount. Out of total deposits to other customers the amount of time deposits with fixed interest rates is MKD 13,401,822 thousands (2020: MKD 10,103,732 thousand). Fixed interest rates refer to time deposits up to one year applicable (MKD 10,058,549 thousand) starting from October 1, 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 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, 2021 (current year)					
Financial assets measured at fair value					
Held-for-trading assets	19	116,677	3,005		**119,682**
Financial assets at fair value through profit or loss upon initial recognition	20	-	350,371	-	**350,371**
Derivative assets held for risk management	21	-	-	-	**-**
Investments in available-for-sale securities	23.1		4,988,407	64,956	**5,053,363**
Total		**116,677**	**5,341,783**	**64,956**	**5,523,416**
Financial liabilities measured at fair value					
Trading liabilities	32	-	2,623	-	2,623
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		**-**	**2,623**	**-**	**2,623**
December 31, 2020 (previous year)					
Financial assets measured at fair value					
Held-for-trading assets	19	39,535	5,578	-	**45,113**
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		**39,535**	**4,301,337**	**64,920**	**4,405,792**
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**

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 Bank 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

in thousands of Denars	Current year 2021		Previous year 2020	
	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, 2020 (previous 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 (previous year)	**-**	**-**	**64,920**	**64,920**	**-**	**-**	
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2020 (previous year)	**7,717**	**-**	**(37)**	**7,680**	**-**	**- - -**	

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, 2021 (current year)	-	-	64,920	64,920	-	-	-
Gains/(losses) recognized in:							
- Income statement	-	-	36	36	-	-	-
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	-	-	-	-
Purchase of financial instruments in the period	-	-	-	-	-	-	-
Disposals of financial instruments in the period	-	-	-	-	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-		-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
As of December 31, 2021 (current year)	**-**	**-**	**64,956**	**64,956**	**-**	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2021 (current year)	**-**	**-**	**36**	**36**	**-**	**-**	-

6. Interest income/(expense), net

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

	in thousands of denars	
	Current year 2021	Previous year 2020
Interest income		
Cash and cash equivalents	81,396	130,451
Financial assets at fair value through profit or loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	1,817	508
Loans and advances to other customers	2,303,645	2,440,567
Investments in securities	355,847	205,826
Other receivables	-	-
(Allowance for impairment of Interest Income, net)	(11,513)	(9,533)
Collected interest previously written off	72,658	48,853
Total interest income	**2,803,850**	**2,816,672**
Interest expense		
Financial liabilities at fair value through profit or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	12,167	10,274
Due to other customers	285,734	323,998
Debt instruments issued	-	-
Borrowings	14,529	27,539
Subordinated debt	-	-
Other liabilities	36,806	35,517
Total interest expense	**349,236**	**397,328**
Net interest income/(expense)	**2,454,614**	**2,419,344**

6 Interest income/(expense), net (continued)

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

	in thousands of denars	
	Current year 2021	Previous year 2020
Interest income		
Non-financial companies	1,291,411	1,386,866
Government	418,571	292,961
Not for profit institutions that serve to household	1,647	4,831
Banks	637	95,022
Other financial institutions (non-banks)	73,028	1,027
Households	937,784	951,560
Non-residents	19,627	45,085
(Allowance for impairment of Interest Income, net)	(11,513)	(9,533)
Collected interest previously written off	72,658	48,853
Total interest income	**2,803,850**	**2,816,672**
Interest expense		
Non-financial companies	22,760	44,975
Government	117	145
Not for profit institutions that serve to household	2,911	4,588
Banks	1,374	3,001
Other financial institutions (non-banks)	39,538	38,758
Households	251,137	273,794
Non-residents	31,399	32,067
Total interest expense	**349,236**	**397,328**
Net interest income/(expense)	**2,454,614**	**2,419,344**

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 2021	Previous year 2020
Fee and commission income		
Loans	581,504	455,808
Payment's operation	-	-
domestic	396,034	344,294
abroad	254,740	222,517
Letter of credit and guarantees	129,081	125,123
Brokerage operations	15,030	11,654
Asset management	-	-
Fiduciary activities	23,369	18,595
Issuing securities	-	-
Income for keeping transaction accounts of citizens	67,272	62,587
Income for payment operations of citizens	37,211	31,868
Other	70,184	64,371
(describe separately income which represent more than 10% of the total fees and commissions income)		
Total fee and commission income	**1,574,425**	**1,336,817**
Fee and commission expense		
Loans	423,982	307,829
Payment's operation	-	-
domestic	96,065	77,557
international	39,626	36,240
Letter of credit and guarantees	-	-
Brokerage operations	1,829	1,639
Asset management	-	-
Fiduciary activities	3,376	1,878
Issuing securities	-	-
Other	14,693	19,458
(describe separately expenses which represent more than 10% of the total fees and commissions expense)		
Total fee and commission expense	**579,571**	**444,601**
Net fee and commission income/(expense)	**994,854**	**892,216**

7 Net fee and commission income/(expense)

B Sector analysis of fee and commission income and expense

	in thousands of denars	
	Current year 2021	Previous year 2020
Fee and commission income		
Non-financial companies	890,851	748,266
Government	5,429	3,959
Not for profit institutions that serve to household	22,421	17,608
Banks	171,479	146,322
Other financial institutions (non-banks)	39,478	33,707
Households	346,441	305,250
Non-residents	98,326	81,705
Total fee and commission income	**1,574,425**	**1,336,817**
Fee and commission expense		
Non-financial companies	8,563	5,244
Government	11	442
Not for profit institutions that serve to household	-	-
Banks	123,298	97,034
Other financial institutions (non-banks)	98,200	87,427
Households	-	-
Non-residents	349,499	254,454
Total fee and commission expense	**579,571**	**444,601**
Net fee and commission income/(expense)	**994,854**	**892,216**

8 Net trading income/(expense)

	in thousands of denars	
	Current year 2021	Previous year 2020
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of equity instruments, net		
realized	(2,102)	208
unrealized	16,153	1,641
Income from dividends from trading assets	684	946
Income from interest of trading assets	-	-
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	2,241	1,715
unrealized	383	(89)
Net income/(expense) from trading	**17,359**	**4,421**

9 Net income from other financial instruments at fair value

	in thousands of denars	
	Current year 2021	Previous year 2020
Financial assets at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	5,917	5,262
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	**5,917**	**5,262**

10 Net foreign exchange gains/ (losses)

	in thousands of denars	
	Current year 2021	Previous year 2020
Realized foreign exchange gains/(losses), net	230,022	192,940
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	93	(757)
Foreign exchange differences of special reserve for off-balance sheet exposures, net	124	(526)
Other foreign exchange differences, net	(32,835)	(26,580)
Net foreign exchange gain/(loss)	**197,404**	**165,077**

11 Other Operating Income

	in thousands of denars	
	Current year 2021	Previous year 2020
Gain on sale of available-for-sale assets	-	-
Dividends from equity instruments available-for-sale	1,025	5,699
Net income from investment in subsidiaries and associates	21,285	17,010
Capital gain from the sale of:		
Property, plant and equipment	3,031	8,485
Intangible assets	-	-
Foreclosed assets	444,063	1,334,371
Non-current assets held-for-sale and group for disposal	-	-
Income from rent	7,196	6,950
Income from litigations	2,430	9
Collected receivables previously written off	1,161,724	365,873
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	55,005	56,936
income that does not represent more than 10% of the total remaining operating income	28,119	13,892
Total other operating income	**1,723,878**	**1,830,420**

The amount of MKD 1,161,724 thousand in the item “Collected receivables previously written off” mainly is a result of collected receivables of two debtors to which the Bank in previous periods was significantly credit exposed.

The amount of 444,063 thousand denars (2020: 1,334,371 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 impair-ment loss on financial assets	Special reserve for off-balance sheet exposures	**Total**
2021 (current year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	547	2,954,836	0	1	5,222	12,108	43,243	3,015,957	310,472	3,326,429
(Release of allowance for impairment and special reserve)	(345)	(2,094,359)	0	(1)	(5,363)	(5,139)	(19,491)	(2,124,698)	(267,137)	(2,391,835)
Total allowance for impairment on financial assets and special reserve for off-balance sheet exposures, net	**202**	**860,477**	**-**	**-**	**141**	**6,969**	**23,752**	**891,259**	**43,335**	**934,594**
2020 (previous 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)
Total allowance for impairment on financial assets and special reserve for off-balance sheet, net	**(1,953)**	**1,351, 906**	**-**	**-**	**496**	**6,472**	**24,725**	**1,381,646**	**(11,897)**	**1,369,749**

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**
2021 (current year)							
Additional impairment loss	-	-	4,932	-	-	-	4,932
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**4,932**	**-**	**-**	**-**	**4,932**
2020 (previous 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**

*) only for consolidated financial statements

14 Personnel expenses

	in thousands of denars	
	Current year 2021	Previous year 2020
Short-term benefits for employees		
Salaries	699,526	675,807
Compulsory social and health insurance contributions	249,333	249,451
Short-term paid absences	8,727	35,521
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	1,722	284
	959,308	**961,063**
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	456	396
	456	**396**
Termination benefits	2,178	-
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other	72,741	63,325
(costs for employees that represent more than 10% of the total costs for employees)		
Total costs for employees	**1,034,683**	**1,024,784**

15 Depreciation and amortization

	in thousands of denars	
	Current year 2021	Previous year 2020
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	10,217	11,029
Other internally developed intangible assets	-	-
Other intangible assets	8,840	6,957
Investments in intangible assets taken under lease	-	-
	19,057	**17,986**
Depreciation of property and equipment		
Buildings	80,226	79,289
Vehicles	15,925	14,504
Furniture and equipment	10,948	9,307
Other equipment	66,834	53,016
Other items of property and equipment	-	-
Investments in property and equipment taken under lease	1,299	347
	175,232	**156,463**
Total depreciation	**194,289**	**174,449**

16 Other operating expense

	in thousands of denars	
	Current year 2021	Previous year 2020
Loss from sale of assets available for sale	-	-
Software licensing expense	34,455	32,974
Deposit insurance premium	220,055	201,440
Premium on property and employee insurance	4,587	4,334
Materials and services	218,932	208,832
Administrative and marketing expenses	175,949	206,552
Other taxes and contributions	1,491	1,508
Rental expense	19,083	18,214
Court litigation expenses	1,223	6,950
Provisions for pension and other employee benefits, net	5,062	-
Provisions for contingent liabilities based on court litigations, net	-	-
Other provisions, net	-	-
restructuring	-	-
onerous contracts	-	-
other provisions	-	-
Loss from sale of:		-
Property and equipment	8,992	-
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	20,973	20,741
Costs in the process of realization of the alienation of property	26,095	11,317
(expenses that do not represent more than 10% of total other operating expense)	63,107	30,975
Other operating expense	**800,004**	**743,837**

17 Income tax

A Expense/income based on current and deferred tax

	in thousands of denars	
	Current year 2021	Previous year 2020
Current income tax		
Expense/(income) based on current income tax for the year	200,275	155,170
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	-	-
	200,275	**155, 170**
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	**200,275**	**155,170**

	in thousands of denars	
	Current year 2021	Previous year 2020
Current income tax		
Recognized in the income statement	200,275	155,170
Recognized in the equity and reserves	-	-
	200,275	**155,170**
Deferred income tax		
Recognized in the income statement	-	-
Recognized in the equity and reserves	-	-
Total expense/(return) on income tax	**200,275**	**155,170**

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 2021		Previous year 2020	
Profit/ (loss) before taxation	100.00	2,504,627	100.00	2,067,136
Income tax as per applicable tax rate	10	250,463	10	206,714
Effects from different tax rates in other countries	-	-	-	-
Corrections for previous years and changes in tax rate	-	-	-	-
Income taxed abroad	-	-	-	-
Expense unrecognized for tax purposes	0.8	19,169	1.1	21,929
Tax-exempt income	(0.9)	(21,638)	(0.1)	(2,348)
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	(1.9)	(47,719)	(3.4)	(71,125)
Total expense/(return) on income tax	**-**	**200,275**	**-**	**155,170**
Average effective tax rate	**8.0**		**7.6**	

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

	Current year 2021			Previous year 2020		
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 foreign 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 2021	Previous year 2020
Cash on hand	1,721,649	1,730,262
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits	36,318,487	28,894,467
Current accounts and transaction deposits with foreign banks	7,213,881	5,697,132
Current accounts and transaction deposits with local banks	2,605	78
Treasury bills that may be traded on the secondary market	2,552,229	2,408,696
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	2,847,085	4,630,362
Other short-term highly liquid assets	445	1,076
Interest receivables	1,151	1,390
(Allowance for impairment)	(1,057)	(1,161)
Included in cash and cash equivalents for the purposes of the Statement of cash flows	**50,656,475**	**43,362,302**
Obligatory foreign currency deposits	5,840,089	5,070,169
Restricted deposits	1,360,669	1,255,285
(Allowance for impairment)	(136)	(125)
Total	**57,857,097**	**49,687,631**

As at 31 of December 2021, the Bank has restricted deposits in the amount of 1,360,669 thousand denars (2020: 1,255,285 thousand denars), as follows:

- In the account in KIBS on behalf of the Reserve Guarantee Fund in the amount of MKD 586,875 thousand in accordance with the Reserve Guarantee Fund Rules (2020: 537,944 thousand denars)
- In the account in Euroclear, for fiduciary purposes, assets in the amount of 543,736 thousand denars (2020: 502,353 thousand denars),
- In HSBC Bank PLC account, for operational purposes for Mastercard cards, assets in the amount of 157,312 thousand denars (2020: 145,184 thousand denars),
- In the United Overseas Bank Limited account, for for operational purposes for Visa cards, assets in the amount of 72,745 thousand denars (2020: 67,331 thousand denars)
- In the account for confirmed letters of credit there are no restricted deposits (2020: 2,473)

18 Cash and cash equivalents (continued)

in thousands of Denars

	Current year 2021				Previous year 2020			
	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	1,286	-	-	**1,286**	837	-	-	**837**
Impairment loss for the year								
Additional impairment	5,222	-	-	**5,222**	6,646	-	-	**6,646**
(Release of impairment)	(5,363)	-	-	**(5,363)**	(6,150)	-	-	**(6,150)**
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	48	-	-	**48**	(47)	-	-	**(47)**
(Written off receivables)		-	-		-	-	-	**-**
As at December 31	**1,193**	**-**	**-**	**1,193**	**1,286**	**-**	**-**	**1,286**

19 Trading assets (continued)

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

	in thousands of denars	
	Current year 2021	Previous year 2020
Trading securities		
Debt securities for trading		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	**-**
Quoted	-	-
Unquoted	-	-
Equity instruments for trading		
Equity instruments issued by banks	-	-
Other equity instruments	116,677	39,535
	116,677	**39,535**
Quoted	116,677	39,535
Unquoted	-	-
Trading derivatives		
Agreements dependent on interest rate change	-	-
Agreements dependent on exchange rate change	3,005	5,578
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	-	-
	3,005	**5,578**
Loans and advances		
Loans and advances to banks	-	-
Loans and advances to other costumers	-	-
Total trading assets	**119,682**	**45,113**

Quoted equity trading instruments in the amount of 116,677 thousand denars (2020: 39,535 thousand denars) refer to investment in shares issued by domastic non-financial companies.

Trading derivatives in the amount of 3,005 thousand denars (2020: 5,578 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 through the income statement classified as such at initial recognition

	in thousands of denars	
	Current year 2021	previous year 2020
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	350,371	344,455
	350,371	**344,455**
Quoted	-	-
Unquoted	350,371	344,455
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 classified as such as initial recognition	**350,371**	**344,455**

Other unquoted debt instruments in the amount of 350,371 thousands of denars refer to investments in participation in investment funds (2020: 344,455 thousands of denars).

Participations in investment funds include particpations in the open investment fund KB Publikum - Balanced in the amount of 11,874 thousands of denars (2020: 10,646 thousands of denars) and participation in the open investment fund KB Publikum - Paricen in the amount of 338,497 thousands of denars (2020: 333,809 thousands of denars).

21 Derivative assets and liabilities held for risk management

		in thousands of denars			
		Current year 2021		previous year 2020	
		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 IFRS 9 criteria	-	-	-	-
	Total derivatives held for risk management	**-**	**-**	**-**	**-**
A.2	*By type of protection against risk*				
	Protection against risk of fair value	-	-	-	-
	Protection against risk of cash flows	-	-	-	-
	Protection against risk of 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 IFRS 9 criteria	-	-	-	-
	Total inherent derivatives	**-**	**-**	**-**	**-**
	Total derivatives held for risk management	**-**	**-**	**-**	**-**

22 Loans and advances

22.1 Loans and advances to banks

	in thousands of denars			
	Current year 2021		previous year 2020	
	Short term	Long term	Short term	Long term
Loans to banks				
Domestic banks	-	45	29,000	46
Foreign banks	-	-	-	-
Time deposits over 3 months				
Domestic banks	-	485	-	481
Foreign banks	2,136,257	956,821	30,847	957,861
Repo				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Other receivables				
Domestic banks	-	-	-	-
Foreign banks	4,244	-	2,940	-
Interest receivables	1,503	-	19	-
Current maturity	308,149	(308,149)	46	(46)
Total loans and advances to banks before impairment	**2,450,153**	**649,202**	**62,852**	**958,342**
(Allowance for impairment)	(214)	(108)	(6)	(108)
Total loans and advances to banks, net of allowance for impairment	**2,449,939**	**649,094**	**62,846**	**958,234**

22 Loans and advances (continued)

22.1 Loans and advances to banks (continued)

in thousands of Denars

	Current year 2021				Previous year 2020			
	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	114	-	-	**114**	481	1,579	-	**2,060**
Impairment loss for the year								
Additional impairment	271	276	-	**547**	19	334	-	353
(Release of impairment)	(68)	(277)		**(345)**	(388)	(1,918)	-	(2,306)
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	5	1	-	**6**	2	5	-	**7**
(Written off receivables)					-	-	-	-
As at December 31	**322**	-	-	**322**	**114**	**-**	**-**	**114**

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 2021		previous year 2020	
	short-term	long-term	short-term	long-term
Non-financial companies				
Receivables upon principal	8,363,550	27,126,836	10,811,804	24,375,493
Interest receivables	68,037	-	149,302	-
Government				
Receivables upon principal	83,416	1,871,717	7	1,722,976
Interest receivables	6,438	-	4,625	-
Non-profit institutions that serve households				
Receivables upon principal	132,151	43,897	124,530	44,843
Interest receivables	73	-	534	-
Financial companies, besides banks				
Receivables upon principal	1,922	2,049	-	2,075
Interest receivables	6	-	3	-
Households				
Receivables upon principal				
Housing loans	48,734	7,050,448	1,060	6,638,311
Customer loans	321,686	9,020,630	249,345	8,651,384
Vehicle loans	51	2,511	-	3,069
Mortgage loans	-	-	-	-
Credit cards	36,995	913,705	20,372	843,010
Other loans	864,158	275,261	837,307	247,268
Interest receivables	43,079	-	69,296	-
Non-residents, except banks				
Receivables upon principal	145,868	215,695	43,086	218,973
Interest receivables	1,745	-	1,113	-
Current maturity	8,049,217	(8,049,217)	7,756,900	(7,756,900)
Total loans and advances to other customers before impairment	**18,167,126**	**38,473,532**	**20,069,284**	**34,990,502**
(Allowance for impairment)	(1,192,068)	(1,912,469)	(2,725,910)	(1,380,038)
Total loans and advances to other customers, net of allowance for impairment	**16,975,058**	**36,561,063**	**17,343,374**	**33,610,464**

Out of the total loans and advances to other customers the Bank has pledged a lien with regard to the sub-loans approved from the credit line of the European Investment Bank ("EIB"), in favour of the Development Bank of North Macedonia ("DBNM"). As at 31 December 2021 the amount of the pledged loans and advances is in the amount of 100,946 thousands of denars (2020: 182,453 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 2021				Previous year 2020			
	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	393,793	1,272,597	2,439,557	**4,105,948**	413,690	696,591	2,898,653	**4,008,934**
Impairment loss for the year								
Additional impairment	487,488	1,612,433	854,916	**2,954,836**	369,762	1,417,546	1,025,530	**2,812,838**
(Release of impairment)	(454,418)	(1,166,644)	(473,296)	**(2,094,359)**	(409,167)	(727,951)	(323,814)	**(1,460,932)**
Transfer to:								
- Impairment loss for Group 1	(25,235)	22,826	2,409	-	(40,292)	38,312	1,980	**-**
- Impairment loss for Group 2	26,401	(124,017)	97,616	-	46,954	(159,283)	112,329	**-**
- Impairment loss for Group 3	7,235	60,857	(68,092)	-	12,748	7,130	(19,878)	**-**
(Foreclosed assets based on outstanding receivables)	-	-	(189,316)	**(189,316)**	-	-	(534,278)	**(534,278)**
Foreign exchange gain/losses	335	(59)	(425)	**(149)**	97	253	424	**774**
(Written off receivables)	-	-	(1,672,424)	**(1,672,424)**	-	-	(721,388)	**(721,388)**
As at December 31	**435,599**	**1,677,993**	**990,945**	**3,104,538**	**393,792**	**1,272,598**	**2,439,558**	**4,105,948**

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 2021	previous year 2020
(current carrying amount of loans and advances)		
First-class security instruments		
Cash deposits (in vault and/or restricted in accounts held with the bank)	1,189,713	817,466
Government securities	-	-
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except banks and guarantees from insurance companies)	456,748	217,144
Guarantees from individuals	-	-
Mortgage on real estate		
Property for private use (flats, houses)	9,124,079	8,468,769
Property for business	19,079,535	19,291,323
Pledge over movables	7,114,278	6,160,546
Other types of collateral	1,639,907	1,018,722
Unsecured	14,931,862	14,979,868
Total loans and advances to other customers, net of allowance for impairment	**53,536,121**	**50,953,838**

23 Investments in securities

23.1 Investments in financial assets available for sale

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

	in thousands of denars	
	Current year 20201	previous year 2020
Debt securities		
Treasury bills	-	-
Government bills	4,988,407	3,951,304
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other equity investments	-	-
	4,988,407	**3,951,304**
Quoted		
Unquoted	4,988,407	3,951,304
Equity investments		
Equity investments issued by banks	-	-
Other equity investments	77,694	77,658
	77,694	**77,658**
Quoted		-
Unquoted	77,694	77,658
Total investment in financial instruments available for sale	**5,066,101**	**4,028,962**

23 Investments in securities (continued)

23.1 Investments in financial assets available for sale (continued)

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

in thousands of Denars

	Current year 2021				Previous year 2020			
	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)

A. 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 4,988,407 thousands of denars (2020: 3,951,304 thousands of denars) refer to investments in government bills.

The investments in equity instruments available-for-sale in the amount of 77,694 thousands of denars (2020: 77,658 thousands of denars) include the amount of 64,956 thousands of denars (2020: 64,920 thousands of denars) related to the 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 other equity investments in the amount of 12,738 thousands of denars represent investment in subsidiary (2020: 12,738 thousands of denars).

The Bank 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 Bank, and the rest of the investments will be sold when the Bank estimates that there are favourable conditions on the capital market for their sale.

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity

	in thousands of denars	
	Current year 2021	Previous year 2020
Debt securities		
Treasury bills	-	-
Government bills	919,848	1,498,050
Other instruments in the money market	-	-
Government bonds	21,164,197	18,942,418
Corporate bonds	619,840	622,654
Other debt securities	-	-
	22,703,885	**21,063,122**
Quoted	21,784,037	19,565,072
Unquoted	919,848	1,498,050
***Total investment in financial instruments held to maturity before* impairment**	**22,703,885**	**21,063,122**
(Impairment)	(62)	(62)
Total investment in financial instruments held to maturity after impairment	**22,703,823**	**21,063,060**

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity (continued)

in thousands of Denars

	Current year 2021				Previous year 2020			
	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**	62	-	-	**62**
Impairment loss for the year		-	-					
Additional impairment	1	-	-	**1**	1	-	-	1
(Release of impairment)	(1)	-	-	**(1)**	(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 22,703,885 thousand denars (2020: 21,063,122 thousand denars) include government bonds in the amount of 21,164,197 thousand denars (2020: 18,942,418 thousand denars) and corporate bonds issued by foreign banks in the amount of 619,840 thousand denars (2020: 622,654 thousand denars) and government bills in the amount of 919,848 thousand denars (2020: 1,498,050)

The government bonds refer to continued government bonds in the amount of 13,116,495 thousand denars with maturity period from 2022 to 2034 with interest rate from 0,35% to 3,10% annually (2020: 11,929,673 thousand denars with maturity period from 2021 to 2034 година with interest rate from 0,35% to 3,10% annually), structured government bonds in the amount of 202,336 thousand denars with maturity period from 2022 to 2031 with interest rate of 2,00% annually (2020: 140,466 thousand denars with maturity period from 2021 to 2029 with interest rate of 2,00% annually) and Macedonian Eurobonds in the amount of 7,845,366 thousand denars with maturity period from 2023 to 2028 with interest rate from 1.625% to 5.625% annually (2020: 6,872,279 thousand denars with maturity period from 2021 to 2026 with interest rate from 2.75% to 5.625% annually).
The government bills in the amount of 919,848 thousand denars are with maturity period in 2022 with interest rate of 0.50% annually (2020: MKD 1,498,050 thousand with maturity in 2021 with interest rate 0.50%).

24 Investment in associates and subsidiaries

A Percentage of the Bank's share in associates and subsidiaries

		in %			
		Share in ownership in %		Percentage of voting right	
Name of subsidiaries and associates	Country	Current year 2021	previous year 2020	Current year 2021	previous year 2020
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 2021					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	788,903	21,972	766,931	323,819	159,659
	788,903	**21,972**	**766,931**	**323,819**	**159,659**
Previous year 2020					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	710,943	54,471	656,472	286,161	137,987
	710,943	**54,471**	**656,472**	**286,161**	**137,987**

25 Other receivables

	in thousands of denars	
	current year 2021	previous year 2020
Trade receivables	179	3,104
Prepaid expenses	-	-
Deferred income	-	-
Fees and commission receivables	15,498	14,179
Receivables from employees	-	35
Advances for intangible assets	4,197	-
Advances for property and equipment	17,180	15,208
Other (receivables representing more than 10% of the total other receivables)		
Pre-paid pensions	1,347,414	1,320,997
Bank credit card settlement transactions	968,815	819,839
Other receivables by other basis in denars	178,162	23,268
Other receivables by other basis in foreign exchange currency	6,058	3,378
Suspicious and doubtful receivables from receivables from clients and other receivables	7,533	27,409
Inventory, petty inventory and numismatic collection	37,147	37,696
(state separately the receivables that not represent more than 10% of the total other receivables)	22,064	19,629
Total other receivables before value allowance	**2,604,247**	**2,284,742**
(Allowance for impairment)	(12,215)	(31,909)
Total other receivables, net of allowance for impairment	**2,592,032**	**2,252,833**

The item “Pre-paid pensions” in the amount of 1,347,414 thousand denars (2020: 1,320,997 thousand denars) refer to paid pensions for December 2021 from the Bank’s funds. Those funds were collected from the Pension and disability insurance fund of North Macedonia with payment on 5 January 2022 (for 2020 on 5 January 2021).

25 Other receivables (continued)

in thousands of Denars

	Current year 2021				Previous year 2020			
	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	320	670	30,919	**31,909**	**455**	**414**	**29,562**	**30,431**
Impairment loss for the year								
Additional impairment	12,659	208	42,484	**55,351**	10,199	2,476	35,464	48,139
(Release of impairment)	(11,897)	(538)	(12,194)	**(24,629)**	(10,375)	(2,157)	(4,409)	(16,942)
Transfer to:								-
- Impairment loss for Group 1	(4)	-	4	-	(9)	2	7	-
- Impairment loss for Group 2	90	(143)	53	-	7	(118)	110	-
- Impairment loss for Group 3	41	39	(80)	-	22	54	(75)	-
(Foreclosed assets based on outstanding receivables)	-	-	(878)	**(878)**	-	-	(822)	(822)
Foreign exchange gain/losses	(3)	-	3	**-**	21	(1)	1	22
(Written off receivables)	-	-	(49,538)	**(49,538)**	-	-	(28,919)	(28,919)
As at December 31	**1,206**	**236**	**10,773**	**12,215**	**320**	**670**	**30,919**	**31,909**

26 Assets pledged as collateral

	in thousands of denars	
	current year 2021	previous year 2020
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**
Opening carrying amount						
As at January 1, 2020 (previous 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)	(1,674,569)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2020 (previous year)	**46,135**	**1,130,214**	**99,925**	**107,027**	**2,060**	**1,385,361**
As at January 1, 2021 (current year)	46,135	1,130,214	99,925	107,027	2,060	1,385,361
Foreclosed during the year	7,089	489,039	14,575	-	1,199	511,902
(sold during of the year)	(11,644)	(443,518)	(15,306)	(63,600)	-	(534,068)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2021 (current year)	**41,580**	**1,175,735**	**99,194**	**43,427**	**3,259**	**1,363,195**
Impairment						
As at January 1, 2020 (previous 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
(sold during the year)	-	-	-	-	-	-
(transfer into assets for own use)	(126,043)	(1,146,225)	(285,709)	(85,440)	(6,355)	(1,649,772)
As at December 31, 2020 (previous year)	**44,960**	**1,110,628**	**96,240**	**107,027**	**1,958**	**1,360,813**
As at January 1, 2021 (current year)	44,960	1,110,628	96,240	107,027	1,958	1,360,813
Impairment loss during the year	5,622	378,995	12,843	-	1,220	398,680
(transfer into assets for own use)	-	-	-	-	-	-
(sold during the year)	(9,857)	(329,435)	(12,704)	(63,600)	-	(415,596)
As at December 31, 2021 (current year)	**40,725**	**1,160,188**	**96,379**	**43,427**	**3,178**	**1,343,897**
Net carrying amount						
As at January 1, 2020 (previous year)	**2,147**	**32,736**	**5,595**	**-**	**493**	**40,971**
As at December 31, 2020 (previous year)	**1,175**	**19,586**	**3,685**	**-**	**102**	**24,548**
As at December 31 2021 (current year)	**855**	**15,547**	**2,815**	**-**	**81**	**19,298**

27 Foreclosed assets (continued)

The fair value of the acquired assets through foreclosure procedure as at 31 December 2021 is in the amount of 1,155,870 thousands of denars (as at 31 December 2020 is in the amount of 1,179,314 thousands of denars).

Part of the recognised impairment in 2021 in the amount of 4,932 thousands of denars (2020: 4,399 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**
Purchase value								
As at January 1, 2020 (previous year)	-	207,855	-	57,359	10,545	-	-	275,759
Increases by new supplies	-	19,396	-	10,388	2,425	-	-	32,209
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, 2020 (previous year)	**-**	**227,251**	**-**	**67,747**	**12,970**	**-**	**-**	**307,968**
As at January 1, 2021 (current year)	-	227,251	-	67,747	12,970	-	-	307,968
Increases by new supplies	-	14,279		14,306	5,606			34,191
Increases by internal development	-	-	-	-	-	-	-	-
Increases by business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(580)	-	-	-	(580)
(disposal through business combinations)	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-
As at December 31, 2021 (current year)	**-**	**241,530**	**-**	**81,473**	**18,576**	**-**	**-**	**341,579**

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, 2020 (previous year)	-	188,403	-	31,359	-	-	-	219,762
Depreciation for the year	-	11,030	-	6,957	-	-	-	17,987
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	-
As at December 31, 2020 (previous year)	**-**	**199,433**	**-**	**38,316**	**-**	**-**	**-**	**237,749**
As at January 1, 2021 (current year)	-	199,433	-	38,316	-	-	-	237,749
Depreciation for the year	-	10,217	-	8,840	-	-	-	**19,057**
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(580)	-	-	-	(580)
Balance at December 31, 2021 (current year)	**-**	**209,650**	**-**	**46,576**	**-**	**-**	**-**	**256,226**
Current carrying amount								
Balance at January 1, 2020	-	**19,452**	**-**	**26,000**	**10,545**	**-**	**-**	**55,997**
Balance at December 31, 2020 (previous year)	**-**	**27,818**	**-**	**29,431**	**12,970**	**-**	**-**	**70,219**
Balance at December 31, 2021 (current year)	**-**	**31,880**	**-**	**34,897**	**18,576**	**-**	**-**	**85,353**

*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 2020 (previous year)	-	-	-	-	-	-	**-**
As at December 31 2021 (current year)	-	-	-	-	-	-	**-**

29 Property and equipment

A Reconciliation of the 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 2020 (previous year)	89,188	3,195,819	150,630	354,160	719,761	13,472	31,504	49,836	4,604,370
Increases	-	-	-	-	-	-	176,555	-	176,555
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	14,303	119,562	-	(170,272)	-	-
As at 31 December 2020 (previous year)	**89,200**	**3,222,144**	**151,752**	**355,178**	**742,593**	**13,472**	**37,787**	**49,836**	**4,661,962**
As at 1 January 2021 (current year)	89,200	3,222,144	151,752	355,178	742,593	13,472	37,787	49,836	4,661,962
Increases	-	-	-	-	-	-	208,180	-	208,180
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(52,813)	(27,553)	(14,496)	(10,897)	-	-	(4,364)	(110,123)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	58,686	33,549	19,412	59,580	-	(190,941)	19,714	-
As at 31 December 2021 (current year)	**89,200**	**3,228,017**	**157,748**	**360,094**	**791,276**	**13,472**	**55,026**	**65,186**	**4,760,019**

29 Property and equipment

A Reconciliation of the 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 2020 (previous year)	-	762,715	113,394	327,703	596,679	-	-	49,388	1,849,879
Depreciation for the year	-	79,289	14,504	9,307	53,016	-	-	347	156,463
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(1,556)	(553)	(13,240)	(96,365)	-	-	-	(111,714)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-		-
Balance at 31 December 2020 (previous year)	**-**	**840,448**	**127,345**	**323,770**	**553,330**	**-**	**-**	**49,735**	**1,894,628**
Balance at 1 January 2021 (current year)	-	840,448	127,345	323,770	553,330	-	-	49,735	1,894,628
Depreciation for the year	-	80,226	15,925	10,948	66,834	-	-	1,299	175,232
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(9,910)	(27,553)	(14,496)	(10,897)	-	-	(4,364)	(67,220)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	
Balance at 31 December 2021 (current year)	**-**	**910,764**	**115,717**	**320,222**	**609,267**	-	-	**46,670**	**2,002,640**
Current carrying amount									
As at 1 January 2020 (previous year)	**89,188**	**2,433,104**	**37,236**	**26,457**	**123,082**	**13,472**	**31,504**	**448**	**2,754,491**
As at 31 December 2020 (previous year)	**89,200**	**2,381,696**	**24,407**	**31,408**	**189,263**	**13,472**	**37,787**	**101**	**2,767,334**
As at 31 December 2021 (current year)	**89,200**	**2,317,253**	**42,031**	**39,872**	**182,009**	**13,472**	**55,026**	**18,516**	**2,757,379**

29 Property and equipment (continued)

B Carrying amount of the items of property, plant and equipment over which there is limited ownership and/or are pledged as collateral/pledge for the 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 2020 (previous year)	-	-	-	-	-	-	-	-	-
As at December 31 2021 (current year)	-	-	-	-	-	-	-	-	-

The amount of commitments for the purchase of property and equipment in 2021 is in the amount of 261 thousands of denars (2020: 6,445 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 2021	previous year 2020
Income tax receivables (current)	391	390
Income tax liabilities (current)	100,314	2,466

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	Current year 2021			previous year 2020		
	Deferred tax assets	(Deferred tax liabilities)	On net basis	Deferred tax assets	(Deferred tax liabilities)	On net basis
in thousands of Denars						
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	-	-	-	-	-	-
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 2021	Previous year 2020
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	**-**	**-**

30 Deferred tax assets and deferred tax liabilities (continued)

C Reconciliation of movements of deferred tax assets and deferred tax liabilities during 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 2020				
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 utilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Protection against cash flow risk	-	-	-	-
Total recognized deferred tax assets-liabilities	**-**	**-**	**-**	**-**
Current year 2021				
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 2021	Previous year 2020
Intangible assets	-	-
Property and equipment	-	-
Total non-current assets held for sale	**-**	**-**

B Disposal Group

	in thousands of denars	
	current year 2021	Previous year 2020
Group of assets for disposal		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investment in associates	-	-
Income tax receivables	-	-
Other assets	-	-
Total group of assets for disposal	-	-
Liabilities directly related to the 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 2021	Previous year 2020
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-	-

32 Trading liabilities

	in thousands of denars	
	Current year 2021	Previous year 2020
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	2,623	5,668
Agreements depending on the securities price change	-	-
Other agreements that fulfil the IFRS 9 criteria	-	-
Total trading liabilities	**2,623**	**5,668**

Trading liabilities in the amount of 2,623 thousand denars (2020: 5,668 thousand denars) refer to trading derivatives, agreements depending on exchange rate change.

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

	in thousands of denars			
	Current year 2021		Previous year 2020	
	Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
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	-	-	-	-
	-	-	-	-
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 2021	Previous year 2020
Movement in changes of bank's creditworthiness for financial liabilities measured at fair value		
As at 1 January		
Recognized in Other comprehensive income for the year		
(Transfer to other reserve funds)		
Balance as at 31 December		

34 Deposits

34.1 Deposits from banks

	in thousands of Denars			
	Current year 2021		Previous year 2020	
	short-term	long-term	short-term	long-term
Current accounts				
domestic banks	258,324	-	159,422	-
foreign banks	28,665	-	26,578	-
Demand deposits		-		
domestic banks	4	-	6	-
foreign banks	-	-	-	-
Time deposits		-	-	
domestic banks	54,373	-	-	-
foreign banks	-	-	-	-
Restricted deposits		-	-	
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Other deposits		-	-	
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Deposit interest liabilities		-	-	
domestic banks	7	-	-	-
foreign banks	270	-	128	-
Current maturity	-	-	-	-
Total deposits from banks	**341,643**	-	**186,134**	**-**

34 Deposits (continued)

34.2 Other deposits

	in thousands of Denars			
	Current year 2021		Previous year 2020	
	short-term	long-term	short-term	long-term
Non-financial companies				
Current accounts	30,248,282	-	25,288,051	-
Demand deposits	34,937	-	50,347	-
Time deposits	590,656	486,278	624,102	635,538
Restricted deposits	353,833	1,066,455	385,851	718,586
Other deposits	-	-	-	-
Interest payable on deposits	8,414	-	13,001	-
	31,236,122	**1,552,733**	**26,361,352**	**1,354,124**
Government				
Current accounts	535,529	-	468,610	-
Demand deposits	2,116	-	2,180	-
Time deposits	35,000	-	45,000	-
Restricted deposits	185	-	184	-
Other deposits	-	-	-	-
Interest payable on deposits	85	-	88	-
	572,915	**-**	**516,062**	**-**
Non-profit institutions in service of households				
Current accounts	2,112,713	-	1,825,366	-
Demand deposits	214	-	161	-
Time deposits	394,790	177,903	398,152	142,903
Restricted deposits	61,685	8,676	52,809	5,169
Other deposits	-	-	-	-
Interest payable on deposits	2,061	-	1,776	-
	2,571,463	**186,579**	**2,278,264**	**148,072**
Financial companies, other than banks				
Current accounts	550,744	-	458,208	-
Demand deposits	9,735	-	82	-
Time deposits	134,500	811,929	202,200	787,150
Restricted deposits	16,068	22,055	13,768	23,588
Other deposits	-	-	-	-
Interest payable on deposits	5,506	-	4,435	-
	716,553	**833,984**	**678,693**	**810,738**
Households				
Current accounts	34,607,604	-	28,477,170	-
Demand deposits	9,519,141	-	8,389,015	-
Time deposits	31,634,147	14,457,923	31,203,128	13,772,816
Restricted deposits	339,419	799,996	255,926	746,202
Other deposits	-	-	-	-
Interest payable on deposits	139,365	-	149,764	-
	76,239,676	**15,257,919**	**68,475,003**	**14,519,018**
Non-residents, other than banks				
Current accounts	942,282	-	950,932	-
Demand deposits	1,496	-	1,494	-
Time deposits	97,818	249,975	104,096	248,767
Restricted deposits	265,097	10,998	130,010	10,125
Other deposits	-	-	-	-
Interest payable on deposits	714	-	837	-
	1,307,407	**260,973**	**1,187,369**	**258,892**
Current maturity	7,274,479	(7,274,479)	6,491,918	(6,491,918)
Total other deposits	**119,918,615**	**10,817,709**	**105,988,661**	**10,598,926**

34 Deposits (continued)

34.2 Other deposits (continued)

Restricted deposits are deposits that the Bank makes payments abroad, opens letters of credit, acquires foreign currency assets for payment on behalf of its clients, and part of it serve as a collateral under loans and guaranties issued that the Bank 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 2021	Previous year 2020
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 2021		Previous year 2020	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Loans payable	259	194,769	260	184,383
Repo-transactions	-	-	-	-
Interest payables	220	-	398	-
Non-residents				
Loans payable	-	517,068	-	389,963
Repo-transactions	-	-	-	-
Interest payables	1,220	-	1,421	-
Non-financial companies				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions in service of households				
Loans payable	-	-	-	-
Interest payables	-	-	-	-
Financial companies, other than banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-residents, except for banks				
Non-financial entities				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Government				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions in service of households				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Financial companies, other than banks				
Loans payable	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Households				
Loans payable	-	-	-	-
Interest payables	-	-	-	-
Current maturity	210,544	(210,544)	137,347	(137,347)
Total loans payable	**212,243**	**501,293**	**139,426**	**436,999**

36 Borrowings (continued)

B Borrowings according to the creditor

	in thousands of Denars			
	Current year 2021		Previous year 2020	
	short-term	long-term	short-term	long-term
domestic sources:				
Development Bank of North Macedonia - DBNM (previously MDBP) – ZKDF	259	890	263	1,930
DBNM-EIB	220	193,879	395	182,453
	479	**194,769**	**658**	**184,383**
foreign sources:				
EBRD - TARA (Transfer and Amendment and Restatement Agreement)	1,148	101,534	1,372	117,308
EBRD - CSP (SME Competitiveness Support Program)	46	253,658	49	272,655
EBRD - GEFF (Western Balkans Green Economy Financing Facility)	6	61,019	-	-
EBRD – CSP II (SME Competitiveness Support Program)	20	100,857	-	-
	1,220	**517,068**	**1,421**	**389,963**
Current maturity	210,544	(210,544)	137,347	(137,347)
Total borrowings	**212,243**	**501,293**	**139,426**	**436,999**

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	0%, 1%	According to the agreements concluded with DBNM	6 bills of exchange in form of Notary deed * Pledge of receivables under sub-loan agreements with final users in the form of Notary deed
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	EUR	1.85% p.a (6 month EURIBOR + 1.85 p.p annualy, value zero for negative Euroibor rate)	30.12.2025	Unsecured
EBRD –CSP II	EUR	1.7% p.a (3 month EURIBOR + 1.7 p.p annualy, value zero for negative Euroibor rate)	28.03.2024	Unsecured

36 Borrowings (continued)

B Borrowings according to the creditor (continued)

The Bank 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 2021 the amount of borrowings for which the Bank has pledged receivables is 100,946 thousands of denars (2020: 182,453 thousands denars).

37 Subordinated liabilities

	in thousands of denars	
	Current year 2021	Previous year 2020
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 unfavorable agreements	Other provisions	**Total**
Balance at January 1, 2020 (previous year)	**269,821**	**-**	**62,944**	-	-	-	**332,765**
Additional provisions during the year	209,982	-	-	-	-	-	209,982
(provisions used during the year)	-	-	(4,136)	-	-	-	(4,136)
(release of provisions during the year)	(221,879)	-	(21,195)	-	-	-	(243,074)
Exchange rate effect	527	-	-	-	-	-	527
As at 31 December 2020 (previous year)	**258,451**	**-**	**37,613**	**-**	**-**	**-**	**296,064**
Balance at January 1, 2021 (current year)	**258,451**	**-**	**37,613**	**-**	**-**	**-**	**296,064**
Additional provisions during the year	310,472	-	5,532	-	-	-	316,004
(provisions used during the year)	-	-	(3,702)	-	-	-	(3,702)
(release of provisions during the year)	(267,137)	-	(470)	-	-	-	(267,607)
Exchange rate effect	(124)	-	-	-	-	-	(124)
As at 31 December 2021 (current year)	**301,662**	**-**	**38,973**	**-**	**-**	**-**	**340,635**

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 2021 92.48% of total off-balance sheet items in the assets are classified in the risk category A, risk category B participates with 6.35%, and risk categories C, D and E with 1.17%.

39 Other liabilities

	in thousands of denars	
	current year 2021	Previous year 2020
Trade payables	20,697	26,796
Received advances	5,043	4,549
Fee and commission liabilities	10,352	10,016
Accrued expenses	18,768	12,639
Deferred income from previous years	-	-
Short - term liabilities to employees	-	-
Short - term liabilities for employee benefits	262	200
Other:		
(liabilities more than 10% of the total other liabilities)		
Other liabilities on other basis	35,772	38,061
Bank credit card settlement transactions	870,942	706,263
Liabilities to entities in the process of founding a company	5,361	3,779
Delayed payments liabilities based on collections from abroad	276,975	93,514
VAT liabilities	61,993	74,492
Liabilities in foreign currency for establishing legal entities	115,007	8,719
Liabilities upon activities with credit cards issued by foreign banks	28,017	32,136
Other liabilities (liabilities less than 10% of the total other liabilities)	17,603	18,989
Total other liabilities	**1,466,792**	**1,030,153**

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 2021	previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
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 shares into ordinary								
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 to the Bank's residual assets. According to the Bank's shareholders book as at 31 December 2021, 136,496 ordinary shares from the total shareholders' equity of the Bank or 5.99% (as at 31 December 2020, 192,458 ordinary shares i.e. 8.44%) there is limitation of the rights established based on the law and/or Decision or act of the competent body.

As at 31 December 2021 the Bank 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 18,393 ordinary shares or 0.81% from the total shareholders' equity of the Bank, where KB Publikum - Balanced owns 3,337 ordinary shares, i.e. 0.146% of the total share capital of the Bank and KB Publikum MBI 10 owns 15,056 ordinary shares, i.e. 0.66% of the total share capital of the Bank (as at 31 December 2020 KB Publikum - Balanced owns 3,491 ordinary shares, i.e. 0.153% of the total share capital of the Bank and KB Publikum MBI 10 owns 16,640 ordinary shares, i.e. 0.73% of the total share capital of the Bank).

40 Subscribed Capital (continued)

B Dividends

B.1 Announced and paid dividends by the Bank

	in thousands of denars	
	Current year 2021	previous year 2020
Declared dividends and paid dividends for the year	-	-

	in Denars	
	Current year 2021	Previous year 2020
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 2021	previous year 2020
Announced dividends after December 31	1,413,022	1,367,440

	in Denars	
	Current year 2021	previous year 2020
Dividend per ordinary share	620	600
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 2021	Previous year 2020	Current year 2021	Previous year 2020
Shareholder's name	Subscribed capital (nominal value)	Subscribed capital (nominal value)	voting right	voting right
ADORA INZENERING DOOEL eksport-import	341,700	292,863	14.99%	12,85%
Total	**341,700**	**292,863**	**14.99%**	**12,85%**

41 Earnings per share

A Basic earnings per share

	in thousands of denars	
	Current year 2021	previous year 2020
Net - Profit attributable to holders of ordinary shares		
Net profit for the year	2,304,352	1,911,966
(Dividend for non-redeemable priority shares)	-	-
Correction of net profit entitled to the holders of the ordinary shares		
Value of issued shares	-	-
Value of withdrawn shares	-	-
Value of dividend paid in shares	-	-
Net - Profit attributable to holders of ordinary shares	**2,304,352**	**1,911,966**

	Number of shares	
	Current year 2021	previous year 2020
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 priority shares into ordinary shares	-	-
Effect from sale of treasury 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)	**1,011**	**839**

B Diluted earnings per share

	in thousands of denars	
	Current year 2021	Previous year 2020
Net profit entitled to the holders of the ordinary shares (diluted)		
Net gain for the year entitled to the holders of the ordinary shares (diluted)	2,304,352	1,911,966
Correction of net gain entitled to the holders of the ordinary shares for effects of all emitted potential ordinary shares (list separately)		
Dividend from priority shares converted into ordinary shares	-	-
Income from realized options	-	-
Value of redeemable treasury shares	-	-
Net gain entitled to the holders of the ordinary shares (diluted)	**2,304,352**	**1,911,966**

	number of shares	
	Current year 2021	previous year 2020
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)	**1,011**	**839**

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities

	in thousands of denars	
	Current year 2021	Previous year 2020
Unsecured payment guarantees		
in Denars	1,559,153	998,004
in foreign currency	1,540,209	1,901,353
in Denars with foreign currency clause	109,275	90,797
Unsecured performance guarantees		
in Denars	4,527,900	4,829,016
in foreign currency	542,691	457,454
in Denars with foreign currency clause	1,073,390	1,054,245
Unsecured letter of credit		
in Denars	-	-
in foreign currency	2,658,387	2,652,864
in Denars with foreign currency clause	-	-
Unused overdraft on current accounts	1,912,180	1,951,587
Unused credit card limits	1,182,584	1,174,765
Foreclosed liabilities for crediting and unused credit limits	3,136,030	3,024,091
Issued secured guarantees	974,608	832,051
Covered letter of credit	68,682	6,288
Other secured contingent liabilities	2,542,881	1,765,989
Total contingent liabilities before provisions	**21,827,970**	**20,738,504**
(Provisions)	(301,661)	(258,451)
Total contingent liabilities, net of provisions	**21,526,309**	**20,480,053**

42.1 Contingent liabilities

For part of the contingent liabilities in the amount of 239,806 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 239,806 thousands of denars. The letter of guarantee was issued based on a contract for building a motorway concluded on May 5th, 2010 between the plaintiff (State Treasury – General Directorate for State Roads and Motorways) and Granit AD Skopje (requestor of the guarantee).

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

The Bank has not performed a payment upon this issued letter of guarantee as a result of a Decision for temporary suspension issued on the 4th of 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 Bank to make payments upon the issued letter of guarantee.

42 Contingent liabilities and contingent assets

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 2018, 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 Bank has been sued before a Polish court has not been finalized, if the Bank 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.

As at December 31, 2021, the Bank is involved in 21 court proceedings as a defendant against legal entities and individuals, arising from the Bank’s operations. The total amount of contingent liabilities that may arise from these proceedings as at 31 December 2021 was MKD 511,047 thousand plus interest, an amount which includes the amount from the above mentioned procedure. According to the Bank’s lawyers, the final outcome of these legal cases is not expected to have negative consequences for the Bank, therefore no provision is recognized for that.

The Bank 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 2,542,881 thousands of denars, and amount of irrevocable are in the amount of 6,230,795 thousands of denars (2020: 1,765,989 thousands of denars, and the amount of irrevocable is 6,150,443 thousands of denars).

Taxation risk

The Bank’s 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 Bank'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 2021	Previous year 2020
List separately the more significant contingent assets:	-	61,500
Total contingent assets	**-**	**61,500**

In 2020, the Bank had 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.

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

	in thousands of denars					
	Current year 2021			Previous year 2020		
	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)	42,994	44,419	(1,425)
Foreign currency deposits	-	-	-	-	-	-
Denar loans	180,251	179,079	1,172	181,108	179,921	1,187
Foreign currency loans	-	-	-	-	-	-
Other Denar receivables	-	7	(7)	-	4	(4)
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 receivables	-	-	-	-	-	-
Other foreign currency receivables	-	-	-	-	-	-
Trust accounts	133,814	133,454	360	78,477	74,360	4,117
Other	1,754	4,113	(2,359)	1,997	4,352	(2,355)
Total	**358,813**	**361,072**	**(2,259)**	**304,576**	**303,056**	**1,520**

44 Related party transactions

A Balance sheet

in thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	**Total**
As at 31 December 2021 (current year)						
Assets						
Current accounts	-	-	-	-	-	**-**
Trading assets	-	-	-	-	-	**-**
Loans and receivables						
mortgage loans	-	-	-	88,683	-	**88,683**
consumer loans	-	-	-	29,498	-	**29,498**
Financial lease receivables						**0-**
Factoring and forfeiting of receivables	-	-	-	-	-	**0**
other loans and receivables	-	131	8	1,046,937	-	**1,047,076**
Investment in securities	-	12,738	348,731	-	-	**361,469**
(Allowance for impairment)	-	(2)	-	(18,645)	-	**(18,647)**
Other assets	-	-	-	-	-	**0**
Total	**-**	**12,867**	**348,739**	**1,146,473**	**-**	**1,508,079**
		-	-	-	-	**-**
Liabilities	-					
Trading liabilities	-	-	-	-	-	-
Deposits	-	112,075	501	897,380	-	**1,009,956**
Issued securities	-	-	-	-	-	**-**
Borrowings	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Total	**-**	**112,075**	**501**	**897,380**	**-**	**1,009,956**

44 Related party transactions (continued)

*A Balance sheet (*continued)

In thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	**Total**
As at 31 December 2021 (current year)						
Contingent liabilities						
Issued guarantees	-	-	-	61,087		**61,087**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	297	50,040	-	**50,337**
(Provision)	-	-	(7)	(632)	-	**(639)**
Total	**-**	**-**	**290**	**110,495**	-	**110,785**
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	**-**

In thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	**Total**
As at 31 December 2020 (previous year)						
Assets						
Current accounts	-	-	-	-	-	**-**
Trading assets	-	-	-	-	-	**-**
Loans and receivables						
mortgage loans	-	-	-	103,576	-	**103,576**
consumer loans	-	-	-	23,960	-	**23,960**
claims under financial leasing						
Factoring and forfeiting of receivables	-	-	-	-	-	**-**
other loans and receivables	-	150	1	995,239	-	**995,390**
Investment in securities	-	12,738	324,115	-	-	**336,853**
(Allowance for impairment)	-	(2)	-	(16,758)	-	**(16,760)**
Other assets	-	-	-	-	-	-
Total	**-**	**12,886**	**324,116**	**1,106,017**	**-**	**1,443,019**

44 Related party transactions (continued)

*A Balance sheet (*continued)

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	95,242	59,737	983,301	-	**1,138,280**
Issued securities	-	-	-	-	-	**-**
Borrowings	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Total	**-**	**95,242**	**59,737**	**983,301**	**-**	**1,138,280**
Contingent liabilities						
Issued guarantees	-	-	-	77,409	-	**77,409**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	305	72,416	-	**72,721**
(Provision)	-	-	(8)	(985)	-	**(993)**
Total	**-**	**-**	**297**	**148,840**	**-**	**149,137**
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	Key management personnel	Other related parties	Total
As at 31 December 2021 (current year)						
Income						
Interest Income	-	-	3	35,470	-	**35,473**
Income from fees and commissions	-	739	270	7,178	-	**8,187**
Net gains from trading	-	-	-	-	-	**-**
Dividend income	-	21,285	-	-	-	**21,285**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	999	79,138	2,255	-	**82,392**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**23,023**	**79,411**	**44,903**	-	**147,337**
Expense						
Interest expense	-	1,139	-	7,741	-	**8,880**
Fees and commissions expense	-	-	-	-	-	**-**
Net trading losses	-	-	-	-	-	**-**
Expenditures for procurement of non-current assets	-	-	-	-	-	**-**
Impairment of financial assets, on net basis	-	13	-	1,602	-	**1,615**
Other expenditures	-	-	3	1,129	-	**1,132**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**1,152**	**3**	**10,472**	-	**11,627**

44 Related parties transactions (continued)

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

in thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2020 (previous year)						
Income						
Interest Income	-	-	-	33,850	-	**33,850**
Income from fees and commissions	-	561	164	4,863	-	**5,588**
Net gains from trading	-	-	-	-	-	**-**
Dividend income	-	17,010	-	-	-	**17,010**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	5	67,642	1,692	-	**69,339**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**17,576**	**67,806**	**40,405**	**-**	**125,787**
Expense						
Interest expense	-	1,211	-	7,486	-	**8,697**
Fees and commissions expense	-	-	-	-	-	**-**
Net trading losses	-	-	-	-	-	**-**
Expenditures for procurement of non-current assets	-	-	-	-	-	**-**
Impairment of financial assets, on net basis	-	(3)	-	8,681	-	**8,678**
Other expenditures	-	-	1	1,032	-	**1,033**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**1,208**	**1**	**17,199**	**-**	**18,408**

44 Related parties transactions (continued)

C Remuneration for the management of the bank

	in thousands of denars	
	Current year 2021	Previous year 2020
Short-term benefits for employees	233,354	221,502
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	14,137	12,874
Total	**247,491**	**234,376**

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 2021 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2020 (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 2021 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2020 (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	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	**Total**
Value of property given under operating leasehold:							
As at 31 December 2021 (current year)	-	-	-	-	-	-	**-**
As at 31 December 2020 (previous year)	-	-	-	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

B Lessee

B.1 Liabilities from financial leases

in thousands of Denars	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	from 1 to 5 years	up to 1 year
As at 31 December 2021 (current year)	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2020 (previous year)	-	-	-	-
Total	**-**	**-**	**-**	**-**

45 Lease (continued)

B Lessee (continued)

B.1 Liabilities under financial lease (continued)

in thousands of Denars	Land	Buildings	Vehicles	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 2020 (previous year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2020 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 1 January 2021 (current year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2021 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45 Lease (continued)

B Lease (continued)

B.1 Liabilities from financial lease (continued

in thousands of denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	**Total**
Accumulated depreciation and impairment							
Balance at January 1, 2020 (previous 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 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at January 1, 2021 (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, 2021 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Current carrying amount							
at January 1, 2020 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2020 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2021 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45 Leases (continued)

B Leasee (continued)

B.2 Irrevocable operating lease liabilities

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	up to 1 year
Balance at December 31, 2021 (current year)	50,773	4,299	16,958	29,516
Total	**50,773**	**4,299**	**16,958**	**29,516**
Balance at December 31, 2020 (previous year)	40,628	1,868	7,472	31,288
Total	**40,628**	**1,868**	**7,472**	**31,288**

46 Share based payments

	in thousands of denars			
	Current year 2021		Previous year 2020	
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 2021		Previous year 2020	
	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 Subsequent events

No material events subsequent to the reporting date have occurred which require disclosure in the financial statements.