KOMERCIJALNA BANKA AD SKOPJE

Independent Auditors' Report and

Separate financial statements

For the year ended 31 December 2023

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Independent Auditor's Report

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

Report on separate financial statements

We have audited the accompanying separate financial statements of Komercijalna Banka AD Skopje ("the Bank") which comprise the Balance sheet as at 31 December 2023, and the Separate Income statement, the Separate Statement of Comprehensive income, the Separate Statement of changes in equity and reserves and the Separate Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 161.

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 regulation of the National Bank of the Republic of North Macedonia, and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the Republic of North Macedonia[1]. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from 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 the auditor's 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, the auditor considers internal control relevant to the Bank'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 Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 audit opinion.

Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material aspects, the financial position of Komercijalna Banka AD Skopje as at 31 December 2023 and its financial performance and its cash flows for the year then ended, in accordance with the regulation of the National Bank of the Republic of North Macedonia.

[1] International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia, no.79 from 2010.

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Report on other legal and regulatory matters

The Bank's Management is responsible for the preparation of the Annual Report for the Bank's operations for 2023 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion whether the Annual Report for the Bank's operations is consistent with the historical financial information disclosed in the separate annual accounts and the audited separate financial statements of the Bank as at and for the year ended 31 December 2023, in accordance with auditing standards accepted in the Republic of North Macedonia[2], and the requirements of Article 34, paragraph 1, point (d) of the Law on Audit.

In our opinion, the historical financial information disclosed in the Annual report for the Bank' operations as at and for the year ended 31 December 2023 are consistent, in all material respects, with the historical financial information disclosed in the annual accounts and the audited separate financial statements as at and for the year ended 31 December 2023.

Suzana Stavrikj
Director
Grant Thornton DOO, Skopje

Biljana Mitrevska
Certified Auditor

Skopje, 21 February 2024

[2] International Standards on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), effective from 15 December 2009, translated and published in the "Official Gazette" of the Republic of Macedonia, no.79 from 2010.

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SEPARATE INCOME STATEMENT
For the period from 1 January 2023 to 31 December 2023

	Note	*in thousands of Denars*	
		Current year 2023	Previous year 2022
Interest income		5,767,405	3,416,003
Interest expense		(560,753)	(320,570)
Interest income/(expense), net	6	**5,206,652**	**3,095,433**
Fee and commission income		2,055,265	1,833,932
Fee and commission expense		(956,542)	(765,609)
Fee and commission income/(expense), net	7	**1,098,723**	**1,068,323**
Net trading income/(expense)	8	(3,578)	(3,657)
Net income from other financial instruments at fair value	9	9,198	4,566
Foreign exchange gains/(losses), net	10	365,989	336,354
Other operating income	11	297,649	941,395
Share of profit of associates	24	92,507	75,587
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(766,891)	(994,026)
Impairment losses of non-financial assets, net	13	(6,769)	(9,734)
Personnel expenses	14	(1,287,845)	(1,080,208)
Depreciation and amortization	15	(235,086)	(216,270)
Other operating expenses	16	(857,902)	(906,729)
Share of loss of associates	24	-	-
Profit/(loss) before tax		**3,912,647**	**2,311,034**
Income tax expense	17	(331,214)	(161,847)
Profit for the financial year from continuing operations		**3,581,433**	**2,149,187**
Profit/(loss) from group of assets and liabilities held for sale		-	-
Profit/(loss) for the financial year		**3,581,433**	**2,149,187**
Profit/(loss) for the financial year attributable to*:			
Banks' shareholders		-	-
Non-controlling interest		-	-
Earnings per share	41		
basic earnings per share (in Denars)		1,571	943
diluted earnings per share (in Denars)		1,571	943

* Only for consolidated financial statements

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

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

Ph.D. Nikola Dzambazovski Chief Sales and Development Officer	Biljana Maksimovska-Popovikj Chief Corporate Banking Officer	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 COMPREHENSIVE INCOME
For the period from 1 January 2023 to 31 December 2023

	Note	*in thousands of Denars* Current year 2023	Previous year 2022
Profit/(loss) for the year		**3,581,433**	**2,149,187**
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		16,967	(18,036)
- 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		**16,967**	**(18,036)**
Total other gains/(losses) in the period		**16,967**	**(18,036)**
Total comprehensive income for the financial year		**3,598,400**	**2,131,151**
Total comprehensive income for the financial year, attributable to*:		**-**	**-**
Shareholders of the Bank		-	-
Non-controlling interest			

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

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

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SEPARATE BALANCE SHEET**
At 31 December 2023

	Note	*in thousands of denars*		
		Current year 2023	Previous year 2022	Previous year*** 01.01.2022
Assets				
Cash and cash equivalents	18	62,400,247	57,443,899	-
Held-for-trading assets	19	73,595	105,558	-
Financial assets designated as at fair value through profit or loss on initial recognition	20	364,135	354,937	-
Derivative assets held for risk management	21	-	-	-
Loans and advances to banks	22.1	2,981,364	584,519	-
Loans and advances to other customers	22.2	60,206,811	59,856,354	-
Investments in securities	23	29,862,737	27,070,942	-
Investments in associates (in accordance with the "equity method")	24	403,904	385,387	-
Income tax receivable (current)	30.1	391	391	-
Other receivables	25	2,576,349	2,361,975	-
Assets pledged as collateral	26	-	-	-
Foreclosed assets	27	1,962,658	15,976	-
Intangible assets	28	70,918	81,470	-
Property and equipment	29	2,698,085	2,707,994	-
Deferred tax assets	30.2	-	-	-
Non-current assets held-for-sale and disposal group	31	5,453	5,453	-
Total assets		**163,606,647**	**150,974,855**	**-**
Liabilities				
Trading liabilities	32	599	-	-
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	521,458	260,358	-
Deposits from other customers	34.2	142,548,809	133,248,497	-
Debt securities issued	35	-	-	-
Borrowings	36	876,461	698,159	-
Subordinated debt	37	-	-	-
Special reserve and provisions	38	489,670	446,880	-
Income tax payable (current)	30.1	229,441	33,069	-
Deferred tax liabilities	30.2	-	-	-
Other liabilities	39	929,669	736,218	-
Liabilities related to disposal group	31	-	-	-
Total liabilities		**145,596,107**	**135,423,181**	**-**
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		-	(16,967)	-
Other reserves		10,748,513	9,898,860	-
Retained earnings/ (Accumulated losses)		4,211,433	2,619,187	-
Total equity and reserves, attributable to the shareholders of the Bank		**18,010,540**	**15,551,674**	**-**
Non-controlling interest*		**-**	**-**	-
Total equity and reserves		**18,010,540**	**15,551,674**	**-**
Total liabilities and equity and reserves		**163,606,647**	**150,974,855**	**-**
Contingent liabilities	42	16,751,579	18,909,050	-
Contingent assets	42	-	-	-

* only for consolidated financial statements

** this statement is also known as "Statement of Financial Position"

*** this column is filled only if the 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 20 February 2024.

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska

Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

Ph.D. Nikola Dzambazovski Chief Sales and Development Officer	Biljana Maksimovska-Popovikj Chief Corporate Banking Officer	Ph.D. Maja Stevkova Sterieva Chief Finance Officer	Ilija Iloski Chief Operating Officer	Hari Kostov Chief Executive Officer

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SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES
For the period from 1 January 2023 to 31 December 2023

	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
As at January 1, 2022 (previous year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**1,069**	**-**	**-**	**-**	**455,813**	**-**	**8,771,717**	**2,304,352**	**250,000**	**-**	**14,833,545**	**-**	**14,833,545**
Opening balance restatement	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at January 1, 2022 (previous year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**1,069**	**-**	**-**	**-**	**455,813**	**-**	**8,771,717**	**2,304,352**	**250,000**	**-**	**14,833,545**	**-**	**14,833,545**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	2,149,187	-	-	**2,149,187**	**-**	**2,149,187**
Other gains/(losses) during the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in fair value of financial assets available for sale																		
Debt instruments																		
-unrealized changes in fair value (net)	-	-	-	-	-	(18,036)	-	-	-	-	-	-	-	-	-	**(18,036)**	**-**	**(18,036)**
-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 2023 to 31 December 2023

	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	(Accumul a-ted losses)	Total equity and reserves, attributable to the share-holders of the Bank	Non-controlli ng 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	-	-	-	-	-	**(18,036)**	-	-	-	-	-	-	-	-	-	**(18,036)**	**-**	**(18,036)**
Total comprehensive income for the year	-	-	-	-	-	**(18,036)**	-	-	-	-	-	-	2,149,187	-	-	**2,131,151**	**-**	**2,131,151**
Transactions with the shareholders, recognized directly in equity and reserves																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	671,330	(671,330)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1,413,022)	-	-	**(1,413,022)**	-	**(1,413,022)**
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of retained earnings – limited for shareholders' distribution	-	-	-	-	-	-	-	-	-	-	-	-	(220,000)	220,000	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	**671,330**	**(2,304,352)**	**220,000**	-	**(1,413,022)**	**-**	**(1,413,022)**
As at December 31, 2022 (previous year)/ January 1, 2023 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**(16,967)**	**-**	**-**	**-**	**455,813**	**-**	**9,443,047**	**2,149,187**	**470,000**	**-**	**15,551,674**	**-**	**15,551,674**

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 2023 to 31 December 2023

	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	(Accumul a-ted losses)	Total equity and reserves, attributable to the share-holders of the Bank	Non-controlling interest *	Total equity and reserves
As at December 31, 2022 (previous year)/January 1, 2023 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**(16,967)**	**-**	**-**	**-**	**455,813**	**-**	**9,443,047**	**2,149,187**	**470,000**	**-**	**15,551,674**	**-**	**15,551,674**
Opening balance restatement																		
As at January 1, 2023 (current year), restated	**2,279,067**	**771,527**	**-**	**-**	**-**	**(16,967)**	**-**	**-**	**-**	**455,813**	**-**	**9,443,047**	**2,149,187**	**470,000**	**-**	**15,551,674**	**-**	**15,551,674**
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	3,581,433	-	-	**3,581,433**	**-**	**3,581,433**
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available for sale assets	**-**	**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Debt instruments																		
-unrealized changes in fair value (net)	-	-	-	-	-	16,967	-	-	-	-	-	-	-	-	-	**16,967**	**-**	**16,967**
-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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SEPARATE STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2023 to 31 December 2023

	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 compone nt of hybrid financial instrumen ts	Other reserves	Available for distribution to shareholde rs	Limited for distribution to shareholde rs	(Accumu-lated losses)	Total equity and reserves, attributable to the share-holders of the Bank	Non-controlling interest *	Total equity and reserves
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrealized gains/(losses) recognized directly in equity and reserves	**-**	**-**	**-**	**-**	**-**	**16,967**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,967**	**-**	**16,967**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**16,967**	**-**	**-**	**-**	**-**	**-**	**-**	**3,581,433**	**-**	**-**	**3,598,400**	**-**	**3,598,400**
Transactions with the shareholders, recognized directly in equity and reserves																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves												849,653	(849,653)					
Dividends													(1,139,534)			(1,139,534)		(1,139,534)
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	-	-	-	-	-	-	-	-	-	-	-	-	(160,000)	160,000	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**849,653**	**(2,149,187)**	**160,000**	**-**	**(1,139,534)**	**-**	**(1,139,534)**
As at December 31, 2023 (current year)	**2,279,067**	**771,527**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**455,813**	**-**	**10,292,700**	**3,581,433**	**630,000**	**-**	**18,010,540**	**-**	**18,010,540**

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

* Only for consolidated financial statements

Signed on behalf of Komercijalna banka AD Skopje:
Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

Ph.D. Nikola Dzambazovski Chief Sales and Development Officer	Biljana Maksimovska-Popovikj Chief Corporate Banking Officer	Ph.D. Maja Stevkova Sterieva Chief Finance Officer	Ilija Iloski Chief Operating Officer	Hari Kostov Chief Executive Officer

SEPARATE STATEMENT OF CASH FLOWS
For the period from 1 January 2023 to 31 December 2023

	Note	*in thousands of Denars*	
		Current year 2023	Previous year 2022
Operating cash flows			
Profit/(Loss) before taxation		**3,912,647**	**2,311,034**
Adjusted for:			
Minority share, included in the consolidated income statement*			
Depreciation of:			
Intangible assets	15/28	25,404	23,563
Property and equipment	15/29	209,682	192,707
Capital gain from:			
Sale of intangible assets		-	-
Sale of property and equipment	11	(655)	(7,551)
Sale of foreclosed assets	11	(46,126)	(151,130)
Capital loss from:			
Sale of intangible assets			
Sale of property and equipment	16	-	-
Sale of foreclosed assets	16	-	-
Interest income	6	(5,767,405)	(3,416,003)
Interest expense	6	560,753	320,570
Trading income, net	8	5,620	909
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12		
Additional impairment losses and special reserve		4,291,408	2,977,881
Release of impairment losses and special reserve		(3,524,517)	(1,983,855)
Impairment losses of non-financial assets, net			
Additional impairment losses	13	6,769	9,734
Release of impairment losses		-	-
Provisions			
Additional provisions	38	10,283	209
Release of provisions	38	(449)	(3,099)
Dividend income	11	(24,505)	(24,155)
Share of profit /(loss) of associates		(92,507)	(75,587)
Other adjustments		(5,473)	(6,823)
Interest received		5,397,996	3,322,165
Interest paid		(454,053)	(346,925)
Profit from operations before changes in operating assets:		***4,504,872***	***3,143,644***
(Increase)/decrease of operating assets:			
Trading assets		26,343	13,215
Derivative assets held for risk management		-	-
Loans and advances to banks		(2,515,122)	2,333,115
Loans and advances to other customers		(974,379)	(7,101,644)
Assets pledged as collateral		-	-
Foreclosed assets		(1,934,848)	111,969
Obligatory deposit in foreign currency		(2,162,139)	(1,907,029)
Obligatory deposit held with NBRM according to special regulations		-	-
Other receivables		(260,657)	199,380
Deferred tax assets		-	-
Non-current assets held-for-sale and disposal group	31	-	3,452

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

SEPARATE STATEMENT OF CASH FLOWS (Continued)
For the period from 1 January 2023 to 31 December 2023

	Note	*in thousands of denars*	
		Current year 2023	Previous year 2022
Increase/(decrease) in operating liabilities:			
Trading liabilities		599	(2,623)
Derivative liabilities held for risk management		-	-
Deposits from banks		260,902	(81,008)
Deposits from other customers		9,195,172	2,538,753
Other liabilities		193,451	(730,574)
Liabilities directly related to group or assets for disposal		-	-
Net cash flow from operating activities before taxation		***6,334,194***	***(1,479,350)***
(Paid)/received income tax		(134,842)	(229,092)
Net cash flow from operating activities		**6,199,352**	**(1,708,442)**
Cash flow from investing activities			
(Investments in securities)		(11,609,510)	(7,892,326)
Inflows from sale of investment in securities		9,127,540	8,629,963
(Outflows from investment in subsidiaries and associates)		-	-
Inflows from disposal of investment in subsidiaries and associates		-	-
(Purchase of intangible assets)		(14,851)	(19,680)
Inflows from sale of intangible assets		-	-
(Purchase of property and equipment)		(200,771)	(152,268)
Inflows from sale of property and equipment		1,663	7,592
(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		98,495	63,085
Net cash flow from investing activities		**(2,597,434)**	**636,366**
Cash flow from financing activities			
(Repayment of debt securities issued)		-	-
Issued debt securities		-	-
(Repayment of borrowings)		(660,703)	(527,089)
Increase of borrowings		839,005	511,712
(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)		(1,139,534)	(1,413,022)
(Other financing outflows)		-	-
Other financing inflows from financing		-	-
Net cash flow from financing activities		**(961,232)**	**(1,428,399)**
Effect from allowance for impairment of cash and cash equivalents	18	52	(123)
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**2,640,738**	**(2,500,598)**
Cash and cash equivalents as of January, 1		48,155,877	50,656,475
Cash and cash equivalents as of December, 31	**18**	**50,796,615**	**48,155,877**

***** Only for consolidated financial statements

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

Signed on behalf of Komercijalna banka AD Skopje:

Anita Bislimovska
Manager of Independent Finance Department, certified accountant, license no. 0106800

BANK'S BOARD OF DIRECTORS

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

Note no. **Note**

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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. Vasil Iljoski 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;
- 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;
- Economic and financial consulting
- Sale of shares in investment funds;
- Representation in insurance
- Trading with financial derivatives
- Sale of insurance policies
- 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 number of employees in the Bank on 31 December 2023 is 958 employees (on 31 December 2022: 955 employees).

According to a notice published on the Macedonian Stock Exchange in September 2023, Komercijalna banka AD Skopje is considering the possibility of joining Stopanska banka AD Bitola to Komercijalna banka AD Skopje. The Bank made contact with the management of Stopanska banka AD Bitola for an initial exchange of information, on the basis of which a possible intention to join in the future would be defined. The notification should not be interpreted as an official intention to join Stopanska banka AD Bitola to Komercijalna banka AD Skopje and it is not binding in any aspect.

The separate financial statements of the Bank for the year ending 31 December 2023 were authorised for issue by the Supervisory Board of the Bank on 20 February 2024.

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.290/20,215/21 and 99/22), 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 "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 authorization 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.

The separate financial statements are prepared in accordance with the historical cost principle, except for the valuation of investments in financial assets available for sale that are valued at fair value, as well as other financial assets that are valued at fair value through the income statement based on the assumption of the continuity principle.

Introduction (continued)

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

Presentation of Financial Statements (continued)

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.

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, except for matters disclosed in e).

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions

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

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

Official exchange rates applicable as at 31 December 2023 and 2022 for euro (EUR) and American dollar (USD) are as follows:

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

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 carried out by the Bank's key management, taking into account all relevant and available data on the way financial instruments are managed, in particular: how the performance/achievement of the business model is monitored and how it is reported to the Bank's management; what are the risks that affect the realization of that business model and how those risks are managed; what are the basis for the Bank's management rewards 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.).

Introduction (continued)

(ii) Classification (continued)

Determining the business model of the Bank (continued)

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.

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).

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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

The financial assets are generally divided into:

- Debt financial assets, and
- Equity financial assets.

Debt financial assets

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

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

Financial assets measured at amortized cost

In this category, the 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Equity financial assets

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

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

Equity instruments held for trading

The equity instruments held by the 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(iv) Modification of financial assets and liabilities

Financial assets

If during the life of the financial instrument there are changes in contractual cash flows (other than impairment) that do not cause derecognition of the financial asset and for which the 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.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(vi) Fair value measurement

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

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

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

If there is no active market for the financial asset or liability in order to determine the fair value of the asset or liability, the 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).

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

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 they are measured at cost less impairment.

Unrealized gains and losses arising on changes in the fair value of available-for-sale financial assets are recognized in revaluation reserves.

At the 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, fulfil the SPPI requirement. These securities are measured at amortized cost using the effective interest rate method.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

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.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Impairment of Financial Assets (continued)

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 uncollectability 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, 2023 and December 31, 2022 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%

The allowance for impairment and uncollectability are determined on the basis of the degree (size) of the risk of uncollectability 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 uncollectability 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 uncollectability 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. The determination of allowances is made on a monthly basis, and any changes compared to previous periods result in a change in the allowances for impairment losses, which is recognized as an addition or release of impairment losses recorded in the income statement;

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

Allowances for impairment on Loans and Receivables (continued)

Starting from 01.01.2024, the new Decision on methodology for credit risk management ("Official Gazette of the Republic of North Macedonia" no. 57/23) comes into effect, where there is a change in the definition of non-performing credit exposures. According to the new Decision, "non-performing credit exposure" means an unpaid credit exposure in which the amount of due claims against the client on any basis (principal, interest, other non-interest-bearing receivables) has not been collected for longer than 90 consecutive days counted from the day when the due amount has exceeded the threshold of significance or it has been determined that the client meets the condition of impossibility for collection, the exposure where it has been determined that there is objective evidence that impairment has occurred, in accordance with the regulation of the National Bank of the Republic of North Macedonia on the methodology for recording and valuation of accounting items and for the preparation of financial statements, the credit exposure classified in risk categories "D" or "E", the credit exposure that meets the conditions for restructured non-performing exposures and an off-balance sheet position, which is likely to be activated or used, while the balance sheet exposure that will arise with its activation or utilization will meet the conditions for non-functional credit exposure;

- Loans that are likely to be impossible to collect are impaired with an appropriate allowance for impairment losses, and all further collections are recorded as a release of impairment losses in the income statement;
- In cases where the loans are from borrowers in countries with increased risk (difficulties in servicing external debt), the political and economic situation is assessed, and the country's risk is taken into account when determining the allowance.

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 are 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:

	2023	2022
Buildings	40 years	40 years
Furniture and equipment	4-20 years	4-20 years
Transportation vehicles	5 years	5 years

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss, 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".

Non-current assets held for sale and disposal group

Non-current assets held for sale are assets that the Bank holds with the intention of disposing of them. The Bank classifies as non-current assets held for sale those assets for which it expects their carrying amount to be recovered through sale, rather than through continued use. Non-current assets held for sale are not depreciated, as long as the asset is classified as held for sale.
These assets are available for sale at any moment and their sale is highly probable.
The Bank measures non-current assets held for sale at the lower of their carrying amount and fair value.
The Bank recognizes an impairment loss in the income statement for any initial or subsequent reduction in the asset's value to fair value.
Gains for subsequent increases in fair value are recognized at most up to the amount of cumulative previously recognized impairment losses.

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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Impairment of non-financial assets (continued)

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

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

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

Foreclosed assets

Foreclosed assets include property and equipment obtained through foreclosing procedures in order to fulfil customers' liabilities, fully or partially, for the appropriate credit and are 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

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.

Off-balance sheet record

The bank keeps off-balance sheet records for events that, at the moment of the event, do not meet the criteria for recognition of an asset or liability, but they can create inflows or outflows of funds and which represent a source of information about the operation, for determining the risk of the operation or possible future liabilities.
This position covers the following events: open uncovered letters of credit, issued uncovered payment and performance guarantees, endorsements, acceptances, undertaken irrevocable and revocable credit commitments, unused part of approved framework loans, unused credit card limits, unused and allowed overdrafts on current accounts and other forms of events on the basis of which an obligation to pay or claim funds by the Bank may arise.
In this position, there is a record of the Bank that does not represent a special type of risk, such as covered letters of credit and covered guarantees.
This position also includes records that are directly related to the relevant regulation, such as written-off receivables.

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 mandatory pension and disability contributions the Bank also pays contributions for: mandatory health insurance and additional contribution for mandatory health insurance in case of injury at work and occupational hazard.The Bank does not have additional liabilities related to these plans.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Employee benefits (continued)

(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), profit share and bonuses (salary from business performance) 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 IAS 19, these benefits are considered defined pension benefit plans. The carrying amount of the Bank's liabilities arising from employee benefits are calculated at the end of the reporting period. The balance of these liabilities at the end of the reporting period presents the discounted amount of future payments

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 %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 Income statement 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.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Related parties

Related parties include KB Prvo Penzisko Drushtvo AD Skopje as "Associated Company", KB Publikum Invest AD Skopje as "Subsidiary", members of the Supervisory Board and persons with special rights and responsibilities in the Bank together with related persons as "Management staff of the Bank" . Banking transactions are concluded with related parties in the regular course of business and are based on market conditions. These include loans, deposits, investments in securities and contingent liabilities. Income and expenses from the subsidiary mainly consist of interest expenses for deposits received, income and expenses for commissions for services rendered, income from dividends and other income. The income from the associated company mainly consists of other income - profit share, while expenses are minimal. Income and expenses for management staff mainly consist of interest income from loans, interest expenses for deposits, income from commissions, and other income and expenses (exchange rate differences and other income).

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.

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.

Introduction (continued)

d) Use of Judgments and Estimates (continued)

Allowance for Impairment of Loans

The Bank performs an analysis of its credit portfolio on a monthly basis, in order to reassess whether there are changes or objective indications that would result in loan impairment (impairment losses). When determining the need to recognize an impairment loss in the income statement, the Bank assesses whether there is evident data (evidence) that indicates a measurable decrease in the future estimated cash flow of the entire credit portfolio, before the decrease can be identified at the level of an individual credit (loan) from that portfolio. These estimates can result from the deterioration of the solvency of credit users within the group, or from national or local economic conditions that have an impact on the loss of funds in the Bank.

Management uses estimates based on: historical loss experience relating to assets that have credit risk characteristics and the existence of objective evidence of impairment that are similar to those in the portfolio when allocating future cash flows. The methodology and assumptions used for the assessment are analysed on a regular basis in order to reduce the differences between the estimated and the actual incurred losses.

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.

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

For the year ended 31 December 2023 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

In denar thousands	at fair value through profit or loss		At fair value through other comprehensive income		At amortized cost	Total
	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments		
2023 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	62,400,247	**62,400,247**
Held-for-trading assets	73,595	-	-	-	-	**73,595**
Financial assets at fair value through profit or loss upon initial recognition	-	364,135	-	-	-	**364,135**
Derivative assets held for risk management	-	-	-	-		**-**
Loans and advances to banks					2,981,364	**2,981,364**
Loans and advances to other customers	-	-	-	-	60,206,811	**60,206,811**
Investments in securities	-	-	-	115,891	29,746,846	**29,862,737**
Other receivables	-	-	-	-	2,513,745	**2,513,745**
Total financial assets	***73,595***	***364,135***	**-**	***115,891***	***157,849,013***	***158,402,634***
Financial liabilities						
Trading liabilities	599	-	-	-	-	**599**
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	**-**
Derivative liabilities held for risk management	-	-	-	-	-	**-**
Deposits from banks	-	-	-	-	521,458	**521,458**
Deposits from other customers	-	-	-	-	142,548,809	**142,548,809**
Debt instruments issued	-	-	-	-	-	**-**
Borrowings	-	-	-	-	876,461	**876,461**
Subordinated debt and hybrid instruments	-	-	-	-	-	**-**
Other liabilities	**-**	**-**	**-**	**-**	922,535	**922,535**
Total financial liabilities	***599***	**-**	**-**	**-**	***144,869,2263***	***144,869,862***

1 Classification of financial assets and financial liabilities

A Classification of financial assets and financial liabilities

In denar thousands	at fair value through profit or loss		At fair value through other comprehensive income			
	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments	**At amortized cost**	**Total**
2022 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	57,443,899	**57,443,899**
Held-for-trading assets	105,558	-	-	-	-	**105,558**
Financial assets at fair value through profit or loss upon initial recognition	-	354,937	-	-	-	**354,937**
Derivative assets held for risk management	-	-	-	-		**-**
Loans and advances to banks					584,519	**584,519**
Loans and advances to other customers	-	-	-	-	59,856,354	**59,856,354**
Investments in securities	-	-	3,515,798	77,721	23,477,423	**27,070,942**
Other receivables	-	-	-	-	2,302,168	**2,302,168**
Totalfinancialassets	***105,558***	***354,937***	***3,515,798***	***77,721***	***143,664,363***	***147,718,377***
Financial liabilities						
Trading liabilities	-	-	-	-	-	**-**
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	**-**
Derivative liabilities held for risk management	-	-	-	-	-	**-**
Deposits from banks	-	-	-	-	260,358	**260,358**
Deposits from other customers	-	-	-	-	133,248,497	**133,248,497**
Debt instruments issued	-	-	-	-	-	**-**
Borrowings	-	-	-	-	698,159	**698,159**
Subordinated debt and hybrid instruments	-	-	-	-	-	**-**
Other liabilities	**-**	-	-	-	732,157	**732,157**
Total financial liabilities	**-**	-	-	-	***134,939,171***	***134,939,171***

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

2. Risk Management

The Bank's activities expose it to a variety of financial risks and those activities involve identification, measurement or assessment, control or reduce and monitoring of the 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.

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 an important risk for the Bank's operations; therefore, the management carefully follows the Bank's exposure to credit risk. Credit exposures mainly result from lending activities, that is, balance positions that include loans; the deposits; investments in debt instruments; receivables based on leasing contracts; redeemed receivables (factoring and forfeiting); the payments made on the basis of given guarantees, letters of credit, guarantees, backing guarantees or other off-balance sheet positions; interest, fees and commissions; receivables based on commercial and other agreements with clients and other financial assets that expose the Bank to credit risk. There is also a credit risk in off-balance sheet financial instruments, such as unused irrevocable framework loans, unused allowed overdrafts on payment accounts and credit cards, guarantees and letters of credit, provided backing guarantees; provided acceptances and other off-balance sheet items that represent a potential liability for the Bank.

2.1.1 Credit Risk Management

The Bank establishes a credit risk management system as part of the Bank's corporate governance. The credit risk management system and its scope are aligned with the Bank's development plan and business policy and correspond to the nature, type and volume of financial activities carried out by the Bank and are subject to regular improvement, taking into account the Bank's risk profile and changes in the external environment.

The credit risk management system includes:
- efficient credit risk management process and
- appropriate organizational setup for credit risk management

An effective risk management process implies the adoption, establishment and application of at least:
- policies and other internal acts for identifying, measuring or evaluating, controlling or reducing and monitoring credit risk;
- rules for stress testing;
- rules for introducing a new product, activity/service or system in the Bank;
- Information system.

Credit risk management is carried out at all hierarchical levels in the Bank's organizational structure:
- 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.

The function of credit risk management in the special operating units responsible for assuming the credit risk is performed in each operating unit of the Bank where the credit risk is assumed and by the persons with special rights and responsibilities who perform a management function in that operating unit, and in accordance with the Bank's Strategy for Risk Undertaking and Management.

Competencies at the level of the listed operating units are regulated in the relevant policies and other acts adopted by the Bank's management.

The independent operating unit responsible for credit risk management in the Bank is the Risk Management and Planning Division- Credit Risk Management Department.

2. Risk Management (continued)

2.1 Credit Risk (continued)

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, currency's 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 (immovable, movable property, inventory, accounts receivables) and the probability of activation in order of claim. For part of the credit exposures classified in risk grades C non-performing, D and E, which the 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 policies, impairment and provisioning are defined on an individual basis, for all credit risk exposures which are considered individually significant.

Exposures Classified on an Individual Basis

Classification in the risk category of individually significant exposures are made as a combination of the assessment (score) based on certain parameters, including the creditworthiness of the client, orderly settlement of obligations, the quality of collateral and and the assessment of credit risk exposure obtained according to the criteria for risk categories defined in bullet 9 of the Decision on the methodology for credit risk management.

The Bank has established a Credit Risk Management Policy and Policy and procedures for impairment of credit risk exposure, adopted by the Bank's Supervisory Board, as well as Procedures for identifying, assessing, measuring, monitoring and controlling credit risk adopted by The Management Board of the Bank, which are in compliance with the NBRSM regulation for credit risk management.

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

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 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Exposure to credit risk, classified in Group 1																		
Carrying value before impairment loss/ special reserve	**2,981,666**	**584,646**	**51,490,385**	**51,976,672**	**-**	**3,515,798**	**29,744,374**	**23,474,969**	**56,012,010**	**51,310,820**	**8,515**	**7,324**	**720,010**	**752,502**	**13,609,071**	**15,018,774**	**154,566,030**	**146,641,505**
(Impairment loss and special reserve)	**(301)**	**(70)**	**(436,642)**	**(484,425)**	**-**	**-**	**(2,229)**	**(2,249)**	**(1,268)**	**(1,342)**	**(121)**	**(127)**	**(1,011)**	**(1,109)**	**(65,560)**	**(72,093)**	**(507,131)**	**(561,415)**
Carrying value less impairment loss/ special reserve	**2,981,365**	**584,576**	**51,053,743**	**51,492,247**	**-**	**3,515,798**	**29,742,145**	**23,472,720**	**56,010,743**	**51,309,478**	**8,393**	**7,197**	**719,000**	**751,393**	**13,543,510**	**14,946,681**	**154,058,899**	**146,080,090**
Exposure to credit risk, classified in Group 2																		
Carrying value before impairment loss/ special reserve	**-**	**-**	**10,295,156**	**10,243,676**	**-**	**-**	**5,252**	**5,254**	**-**	**-**	**1,202**	**2,125**	**227**	**182**	**643,409**	**964,860**	10,945,247	**11,216,097**
(Impairment loss and special reserve)	**-**	**-**	**(1,365,875)**	**(2,022,511)**	**-**	**-**	**(552)**	**(552)**	**-**	**-**	**(233)**	**(321)**	**(28)**	**(22)**	**(67,412)**	**(110,760)**	(1,434,099)	**(2,134,166)**
Carrying value less impairment loss/ special reserve	**-**	**-**	**8,929,281**	**8,221,165**	**-**	**-**	**4,701**	**4,702**	**-**	**-**	**970**	**1,804**	**199**	**160**	**575,997**	**854,100**	9,511,148	**9,081,931**

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.A Analysis of total exposure to credit risk (continued)

in thousands of Denars	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Exposure to credit risk, classified in Group 3																		
Carrying value before impairment loss/ special reserve	-	-	1,708,697	1,466,285	-	-	-	-	-	-	6,410	6,639	30,758	15,467	376,687	270,285	2,122,552	1,758,676
(Impairment loss and special reserve)	-	-	(1,176,230)	(1,091,973)	-	-	-	-	-	-	(5,528)	(5,341)	(30,139)	(13,499)	(318,332)	(231,437)	(1,530,229)	(1,342,250)
Carrying value less impairment loss/ special reserve	-	-	532,467	374,312	-	-	-	-	-	-	882	1,298	619	1,968	58,355	38,848	592,323	416,426
Total carrying value of receivables with credit risk before impairment loss/ special reserve	584,646	3,099,376	63,686,633	56,861,925	3,515,798	4,988,407	23,480,223	22,703,885	51,310,820	50,817,709	16,088	11,977	768,151	1,164,804	16,253,919	18,241,799	159,616,278	157,889,882
(Total Impairment loss and special reserve)	(70)	(322)	(3,598,909)	(3,104,537)	-	-	(2,801)	(62)	(1,342)	(1,193)	(5,789)	(4,450)	(14,630)	(7,764)	(414,290)	(301,661)	(4,037,831)	(3,419,991)
Total carrying value of receivables with credit risk less impairment loss/ special reserve	584,576	3,099,054	60,087,724	53,757,388	3,515,798	4,988,407	23,477,422	22,703,823	51,309,478	50,816,516	10,299	7,527	753,521	1,157,040	15,839,629	17,940,138	155,578,447	154,469,890

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 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
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)	-	-	**2,642,126**	**1,465,055**	-	-	-	-	-	-	**49,598**	**83,784**	**149,784**	**189,179**	**2,841,508**	**1,738,018**
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	-	-	-	-	-	-	-	**12**	**12**	**143,388**	**143,384**	**143,400**	**143,396**
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (excluding bank guarantees and guarantees from insurance companies)	-	-	**1,248,980**	**1,574,467**	-	-	-	-	-	-	-	-	**743,458**	**417,913**	**1,992,438**	**1,992,380**
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on real estate																
property for private use (flats, houses)																
business facility	-	-	**24,545,521**	**22,435,063**	-	-		-		-	**615**	**355**	**1,398,558**	**1,212,978**	**25,944,694**	**23,648,396**
Pledge over movables	-	-	**46,089,353**	**43,449,443**	-	-	-	-	-	-	**4,703**	**11,300**	**8,836,247**	**8,090,679**	**54,930,303**	**51,551,422**
Other types of collateral	-	-	**13,912,311**	**16,798,638**	-	-	-	-	-	-	**93,551**	**775**	**3,726,277**	**2,688,512**	**17,732,139**	**19,487,925**
	-	-	**6,528,072**	**6,237,296**	-	-	-	-	-	-	**1**	**2**	**360,491**	**249,563**	**6,888,564**	**6,486,861**
Total value of collateral of credit exposure, individually assessed for impairment	-	-	**94,966,363**	**91,959,962**	-	-	-	-	-	-	**148,480**	**96,228**	**15,358,202**	**12,992,208**	**110,473,046**	**105,048,398**

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 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Industry																		
Non-residents	-	-	42,659	**259,457**	-	-	**1,717,819**	**582,748**	-	-	42	**591**	-	-	-	-	**1,760,520**	**842,796**
Agriculture, forestry and fishing	-	-	769,697	**817,134**	-	-	-	-	-	-	87	**41**	**15**	**3**	27,198	**22,415**	**796,997**	**839,593**
Ore and stone extraction	-	-	1,328,997	**1,354,673**	-	-	-	-	-	-	25	**13**	-	-	301,462	**233,710**	**1,630,484**	**1,588,396**
Processing industry	-	-	3,581,029	**3,526,177**	-	-	-	-	-	-	121	**69**	**50**	**24**	228,751	**174,394**	**3,809,951**	**3,700,664**
Wholesale and retail industry for clothing and footwear	-	-	874,433	**863,955**	-	-	-	-	-	-	71	**60**	**80**	**220**	298,834	**341,830**	**1,173,418**	**1,206,065**
Chemical industry, construction material production, fuel production and processing, pharmaceutical industry	-	-	1,143,591	**1,744,964**	-	-	-	-	-	-	180	**77**	**37**	**4**	223,130	**427,116**	**1,366,938**	**2,172,161**
Production of metals, machines, tools and equipment	-	-	2,288,023	**3,762,377**	-	-	-	-	-	-	200	**87**	**16**	**51**	920,854	**1,579,557**	**3,209,093**	**5,342,072**
Other processing industry	-	-	655,160	**1,138,401**	-	-	-	-	-	-	34	**28**	**53**	**27**	297,334	**36,695**	**952,581**	**1,175,151**
Electricity supply, gas, steam and air conditioning	-	-	2,156,795	**2,293,081**	-	-	-	-	-	-	398	**338**	**135,499**	**135,499**	423,059	**773,844**	**2,715,751**	**3,202,762**
Water supply, disposal of wastewater, waste management and remediation activities on the environment	-	-	251,613	**305,556**	-	-	-	-	-	-	41	**50**	**4,482**	**5,063**	13,416	**12,452**	**269,552**	**323,121**
Construction	-	-	5,169,646	**4,278,686**	-	-	-	-	-	-	418	**492**	**630**	**1,093**	2,371,967	**2,921,483**	**7,542,661**	**7,201,754**

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 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	**6,345,694**	**6,331,430**	-	-	-	-	-	-	**1,361**	**877**	1,017	**1,278**	**4,039,447**	**4,201,641**	**10,387,519**	**10,535,226**
Transport and warehousing	-	-	**797,064**	**752,150**	-	-	-	-	-	-	**195**	**123**	151	**109**	**336,133**	**359,122**	**1,133,543**	**1,111,504**
Accommodation facilities and food service industry	-	-	**1,718,628**	**1,195,431**	-	-	-	-	-	-	**66**	**157**	88	**220**	**38,806**	**21,667**	**1,757,588**	**1,217,475**
Information and communications	-	-	**309,155**	**324,903**	-	-	-	-	-	-	**223**	**223**	394	**253**	**135,331**	**105,660**	**445,103**	**431,039**
Finance and insurance activities	**2,981,365**	**584,575**	**73,126**	**73,273**	-	-	**225,232**	**226,806**	**56,010,743**	**51,309,477**	**4,003**	**3,642**	9,119	**16,229**	**152,178**	**48,574**	**59,455,766**	**52,262,576**
Activities related to real estate, renting and business activities	-	-	**4,181,854**	**4,738,344**	-	-	-	-	-	-	**36**	**6**	23	**16**	**277,342**	**321,231**	**4,459,255**	**5,059,597**
Professional, scientific and technical activities	-	-	**1,039,039**	**844,737**	-	-	-	-	-	-	**119**	**121**	252	**169**	**88,842**	**86,895**	**1,128,252**	**931,922**
Administrative and utility services	-	-	**171,841**	**230,976**	-	-	-	-	-	-	**102**	**126**	489	**1,461**	**88,184**	**368,938**	**260,616**	**601,501**
Public administration and defence; mandatory social security	-	-	**1,426,224**	**1,711,914**	-	**3,515,798**	**27,803,795**	**22,667,869**	-	-	**148**	**361**	299	**290**	**2,457**	**432,316**	**29,232,923**	**28,328,548**
Education	-	-	**244,679**	**418,136**	-	-	-	-	-	-	**21**	**6**	90	**52**	**4,761**	**25,085**	**249,551**	**443,279**
Health care and social work	-	-	**1,598,308**	**1,667,973**	-	-	-	-	-	-	**114**	**146**	92	**48**	**67,270**	**41,887**	**1,665,784**	**1,710,054**
Art, entertainment and recreation	-	-	**563,530**	**303,127**	-	-	-	-	-	-	**227**	**81**	62	**36**	**511,040**	**193,856**	**1,074,859**	**497,100**
Other service activities	-	-	**275,251**	**271,648**	-	-	-	-	-	-	**63**	**37**	339	**315**	**4,519**	**3,902**	**280,172**	**275,902**

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 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Private households as employers, household activities that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	**23,426,725**	**20,772,445**	-	-	-	-	-	-	**1,896**	**2,492**	566,477	**591,017**	3,315,429	**3,099,028**	27,310,527	**24,464,982**
Individual merchants and individuals not regarded as merchants	-	-	**82,732**	**106,775**	-	-	-	-	-	-	**54**	**56**	63	**47**	10,118	**6,333**	92,967	**113,211**
Total	**2,981,365**	**584,575**	**60,515,493**	**60,087,723**	-	**3,515,798**	**29,746,846**	**23,477,423**	**56,010,743**	**51,309,477**	**10,245**	**10,300**	**719,817**	**753,524**	**14,177,862**	**15,839,631**	**164,162,371**	**155,578,447**

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 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Geographic location																		
Republic of Macedonia	54,562	**83,542**	60,472,833	**59,828,265**	**-**	**3,515,798**	**27,808,496**	**22,672,571**	**48,384,524**	**39,265,132**	**10,136**	**9,200**	**719,818**	**753,522**	**14,041,947**	**15,806,903**	**151,492,315**	**141,934,933**
EU member countries	1,331,191	**7,348**	42,438	**259,457**	**-**	**-**	**818,004**	**804,852**	**3,129,152**	**7,929,363**	**94**	**989**	**-**	**-**	**124,488**	**20,358**	**5,445,366**	**9,022,367**
Europe (other)	1,132,847	**30,933**	221	-	**-**	**-**	**-**	**-**	**3,536,100**	**3,627,881**	**3**	**25**	**-**	**-**	**-**	**942**	**4,669,170**	**3,659,781**
OECD member countries (without European OECD member countries)	462,765	**462,752**	-	-	**-**	**-**	**1,120,346**	**-**	**881,104**	**408,516**	**9**	**82**	**-**	**-**	**11,428**	**11,427**	**2,475,651**	**882,777**
Other	-	**-**	-	-	**-**	**-**	**-**	**-**	**79,863**	**78,585**	**4**	**4**	**-**	**-**	**-**	**-**	**79,867**	**78,589**
(The exposure that represents more than 10% of total credit exposure)																		
Total	**2,981,365**	**584,575**	**60,515,492**	**60,087,722**	**-**	**3,515,798**	**29,746,846**	**23,477,423**	**56,010,743**	**51,309,477**	**10,245**	**10,300**	**719,818**	**753,522**	**14,177,862**	**15,839,630**	**164,162,370**	**155,578,447**

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 92.28% as of December 31, 2023 (2022: 91.23 %). Exposure to debtors located in EU member amounts to 3.32 % as of December 31, 2023 (2022: 5.80 %). Exposure to debtors located in Other European countries and OECD countries amounts to 4.40 % of the total credit exposure of the Bank as of December 31, 2023 (2022: 2.97 %).

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 2023	previous year 2022	current year 2023	previous year 2022	current year 2023	previous year 2022	current year 2023	previous year 2022	current year 2023	previous year 2022	current year 2023	previous year 2022	current year 2023	previous year 2022
Current value of financial assets measured at fair value														
Risk category														
Without credit rating	-	-	73,595	105,558	364,135	354,937	-	-	-	-	-	-	437,730	460,495
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carrying value	**-**	**-**	**73,595**	**105,558**	**364,135**	**354,937**	-	**-**	-	**-**	-	**-**	**437,730**	**460,495**

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 Ppolicy, 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, fulfilment 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.

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Process of Liquidity Risk Management (continued)

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

Maturity analysis of financial assets and liabilities (including both balance sheet and off-balance items) as at December 31, 2023 and 2022 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, 2023 and as at December 31, 2022. 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
2023 (current year)							
Financial assets							
Cash and cash equivalents	49,200,320	1,942,514	-	11,258,681	-	-	62,401,515
Held-for-trading assets	73,595	-	-	-	-	-	73,595
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	364,135	364,135
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	624,566	-	1,893,798	490	-	462,811	2,981,665
Loans and advances to other customers	1,391,077	3,111,295	15,232,053	8,709,212	17,876,525	16,908,577	63,228,739
Investments in securities	3,857,855	1,558,297	2,858,625	9,562,305	7,943,140	4,085,294	29,865,516
Investments in associates	-	-	-	-	-	403,904	403,904
Income tax receivable (current)	-	391	-	-	-	-	391
Other receivables	2,369,299	67	45,252	136,187	-	-	2,550,805
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**57,516,712**	**6,612,564**	**20,029,728**	**29,666,875**	**25,819,665**	**22,224,721**	**161,870,265**
Financial liabilities							
Trading liabilities	599	-	-	-	-	-	599
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	521,458	-	-	-	-	-	521,458
Deposits from other customers	93,148,463	8,517,383	22,828,609	5,601,697	12,194,796	257,862	142,548,810
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	13,744	60,272	214,796	211,828	195,890	183,619	880,149
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	229,441	-	-	-	-	-	229,441
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	897,787	6,942	8,417	9,416	-	-	922,562
Total financial liabilities	**94,811,492**	**8,584,597**	**23,051,822**	**5,822,941**	**12,390,686**	**441,481**	**145,103,019**
Off balance sheet items							
Off balance sheet assets	349	10,939	97,130	133,501	193,250	-	435,169
Off balance sheet liabilities	7,716,588	837,956	3,694,671	3,793,563	191,012	-	16,233,790
Liquidity gap	**(45,011,019)**	**(2,799,050)**	**(6,619,635)**	**20,183,872**	**13,431,217**	**21,783,240**	**968,625**

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
2022 (previous year)							
Financial assets							
Cash and cash equivalents	46,753,927	1,837,941	-	8,853,373	-	-	57,445,241
Held-for-trading assets	105,558	-	-	-	-	-	105,558
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	354,937	354,937
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	86,564	3,859	30,936	488	-	462,798	584,645
Loans and advances to other customers	1,784,640	3,854,285	15,714,850	8,556,043	17,950,440	15,707,512	63,567,770
Investments in securities	299,757	994,919	11,179,145	917,861	7,374,095	6,307,965	27,073,742
Investments in associates	-	-	-	-	-	385,387	385,387
Income tax receivable (current)	-	391	-	-	-	-	391
Other receivables	2,154,838	52	31,510	136,185	-	-	2,322,585
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**51,185,284**	**6,691,447**	**26,956,441**	**18,463,950**	**25,324,535**	**23,218,599**	**151,840,256**
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	260,358	-	-	-	-	-	260,358
Deposits from other customers	89,427,792	9,582,560	23,411,504	6,935,115	3,742,760	148,766	133,248,497
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	22,444	45,997	204,048	190,169	193,654	47,222	703,534
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	33,069	-	-	-	-	-	33,069
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	713,900	7,528	5,092	5,638	-	-	732,158
Total financial liabilities	**90,457,563**	**9,636,085**	**23,620,644**	**7,130,922**	**3,936,414**	**195,988**	**134,977,616**
Off balance sheet items							
Off balance sheet assets	56,129	241,539	105,570	39,127	158,468	-	600,833
Off balance sheet liabilities	8,807,392	1,213,537	5,204,041	2,973,035	245,809	-	18,443,814
Liquidity gap	**(48,023,542)**	**(3,916,636)**	**(1,762,674)**	**8,399,120**	**21,300,780**	**23,022,611**	**(980,342)**

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 %*
2023 (current year)				
Amount before sensitivity analysis/ stress-test (as at December 31, 2023)		14,413,820	80,240,242	17.96
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	23,150	14,413,820	81,884,782	17.60
Scenario 2: Denar to appreciate by 5% compared to other currencies	(23,150)	14,413,820	78,595,702	18.34
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	138,901	14,413,820	90,107,482	16.00
Scenario 2: Denar to appreciate by 30% compared to other currencies	(138,901)	14,413,820	70,373,002	20.48
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 3,00 p.p.	618,315	14,413,820	80,253,281	17.96
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to decrease by 3,00 p.p.	(618,315)	14,413,820	80,227,203	17.97

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 adjustable interest rates decided by the Bank's management to increase by 6,00 p.p.	1,236,630	14,413,820	80,266,319	17.96
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.	(1,236,630)	14,413,820	80,214,165	17.97
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)				
_____				
_____				
_____				
_____				
_____				

*In the assets weighted according to risks, the effect of the change in the assets weighted according to operational risk according to the scenarios for changing interest rates has been added.

The obtained effects from the scenarios with 31.12.2023 do not cause increase or decrease of the Bank's own funds since the 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 %*
2022 (previous year)				
Amount before sensitivity analysis/ stress-test (as at December 31, 2022)		13,377,396	76,902,609	17.40
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	20,133	13,377,396	80,308,226	16.66
Scenario 2: Denar to appreciate by 5% compared to other currencies	(20,133)	13,377,396	73,496,992	18.20
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	120,801	13,377,396	97,336,312	13.74
Scenario 2: Denar to appreciate by 30% compared to other currencies	(120,801)	13,377,396	56,468,906	23.69
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 3,00 p.p.	441,967	13,377,396	76,902,609	17.40
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to decrease by 3,00 p.p.	(441,967)	13,377,396	76,902,609	17.40

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 adjustable interest rates decided by the Bank's management to increase by 6,00 p.p.	883,934	13,377,396	76,902,609	17.40
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.	(883,934)	13,377,396	76,902,609	17.40
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 scenarios with 31.12.2023 do not cause increase or decrease of the Bank's own funds since the 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)

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

	current year 2023				Previous year 2022			
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 basis. 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, 2023 and 2022 are as follows:

in thousands of Denars

	Position	Currency	December 31, 2023
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	414,813
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	28,732
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1,191,776
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	21,322
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**1,656,643**
3	OWN FUNDS		**14,413,820**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**11.49%**

in thousands of Denars

	Position	Currency	December 31, 2022
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	675,999
1.2	NET WEIGHTED POSITION FOR CURRENCY USD (FIR+VIR+AIR)	USD	(5,441)
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	183,367
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1,243,478
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	(2,843)
2	**TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO**		**2,094,560**
3	OWN FUNDS		**13,377,396**
4	**TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)**		**15.66%**

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, 2023 (current year)							
FINANCIAL ASSETS							
Cash and cash equivalents	54,170,486	1,934,925	-	-	-	-	**56,105,411**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Loans and advances to banks	610,502	-	1,867,551	-	-	-	**2,478,053**
Loans and advances to other customers	1,385,182	3,052,163	40,660,239	5,923,467	4,701,064	3,984,455	**59,706,570**
Investments in securities	119,885	1,549,463	2,856,199	9,210,034	7,746,161	4,013,517	**25,495,259**
Other interest sensitive assets	-	-	-	-	-	-	**-**
Total interest sensitive financial assets	**56,286,055**	**6,536,551**	**45,383,989**	**15,133,501**	**12,447,225**	**7,997,972**	**143,785,293**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Deposits from banks	387,418	-	-	-	-	-	**387,418**
Deposits from other customers	16,355,334	8,480,454	25,313,607	2,683,299	10,815,122	-	**63,647,816**
Debt instruments issued	-	-	-	-	-	-	**-**
Borrowings	5,854	58,878	375,524	56,398	121,515	147,579	**765,748**
Subordinated debt	-	-	-	-	-	-	**-**
Other interest sensitive liabilities	-	-	-	-	-	-	**-**
Total interest sensitive financial liabilities	**16,748,606**	**8,539,332**	**25,689,131**	**2,739,697**	**10,936,637**	**147,579**	**64,800,982**
Net balance position	**39,537,449**	**(2,002,781)**	**19,694,858**	**12,393,804**	**1,510,588**	**7,850,393**	**78,984,311**
Off balance sheet interest sensitive assets							
Off balance sheet interest sensitive liabilities							
Net off-balance sheet gap							
Total net-position	**39,537,449**	**(2,002,781)**	**19,694,858**	**12,393,804**	**1,510,588**	**7,850,393**	**78,984,311**

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, 2022 (previous year)							
FINANCIAL ASSETS							
Cash and cash equivalents	49,530,489	1,832,668	-	-	-	-	**51,363,157**
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Loans and advances to banks	86,533	3,859	31,219	-	-	-	**121,611**
Loans and advances to other customers	1,565,305	3,668,095	41,906,387	3,040,767	5,163,698	4,059,919	**59,404,171**
Investments in securities	299,757	994,919	11,115,065	844,733	7,232,255	6,246,940	**26,733,669**
Other interest sensitive assets	-	-	-	-	-	-	**-**
Total interest sensitive financial assets	**51,482,084**	**6,499,541**	**53,052,671**	**3,885,500**	**12,395,953**	**10,306,859**	**137,622,608**
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	**-**
Deposits from banks	-	-	-	-	-	-	**-**
Deposits from other customers	17,242,635	9,474,758	28,483,741	2,300,258	1,636,700	-	**59,138,092**
Debt instruments issued	-	-	-	-	-	-	**-**
Borrowings	14,436	45,058	499,060	1,751	2,147	-	**562,452**
Subordinated debt	-	-	-	-	-	-	**-**
Other interest sensitive liabilities	-	-	-	-	-	-	**-**
Total interest sensitive financial liabilities	**17,257,071**	**9,519,816**	**28,982,801**	**2,302,009**	**1,638,847**	**-**	**59,700,544**
Net balance position	**34,225,013**	**(3,020,275)**	**24,069,870**	**1,583,491**	**10,757,106**	**10,306,859**	**77,922,064**
Off balance sheet interest sensitive assets							
Off balance sheet interest sensitive liabilities							
Net off-balance sheet gap							
Total net-position	**34,225,013**	**(3,020,275)**	**24,069,870**	**1,583,491**	**10,757,106**	**10,306,859**	**77,922,064**

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, 2023 and 2022.

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
2023 (current year)										
Monetary Assets										
Cash and cash equivalents	42,634,233	13,034,091	4,312,659	-	-	-	-	-	2,419,264	62,400,247
Held-for-trading assets	73,595	-	-	-	-	-	-	-	-	73,595
Financial assets at fair value through profit or loss upon initial recognition	364,135	-	-	-	-	-	-	-	-	364,135
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	54,561	494,130	2,432,673	-	-	-	-	-	-	2,981,364
Loans and advances to other customers	31,280,032	28,922,493	4,286	-	-	-	-	-	-	60,206,811
Investments in securities	16,225,998	12,515,891	1,120,848	-	-	-	-	-	-	29,862,737
Investments in associates	403,904	-	-	-	-	-	-	-	-	403,904
Income tax receivable (current)	391	-	-	-	-	-	-	-	-	391
Other receivables	2,081,559	277,331	154,855	-	-	-	-	-	-	2,513,745
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	**93,118,408**	**55,243,936**	**8,025,321**	**-**	**-**	**-**	**-**	**-**	**2,419,264**	**158,806,929**
Monetary Liabilities										
Trading liabilities	-	-	599	-	-	-	-	-	-	599
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Deposits from banks	14,181	455,170	-	-	-	-	-	-	52,107	521,458
Deposits from other customers	78,704,801	53,838,198	7,726,028	-	-	-	-	-	2,279,782	142,548,809
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	876,461	-	-	-	-	-	-	-	876,461
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	229,441	-	-	-	-	-	-	-	-	229,441
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	701,083	119,206	96,761	-	-	-	-	-	5,485	922,535
Total Monetary Liabilities	**79,649,506**	**55,289,035**	**7,823,388**	**-**	**-**	**-**	**-**	**-**	**2,337,374**	**145,099,303**
Net-position	**13,468,902**	**(45,099)**	**201,933**	**-**	**-**	**-**	**-**	**-**	**81,890**	**13,707,626**

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
2022 (previous year)										
Monetary Assets										
Cash and cash equivalents	35,892,503	12,195,759	6,970,847	-	-	-	-	-	2,384,790	57,443,899
Held-for-trading assets	105,558	-	-	-	-	-		-	-	105,558
Financial assets at fair value through profit or loss upon initial recognition	354,937	-	-	-	-	-	-	-	-	354,937
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	83,541	500,978	-	-	-	-	-	-	-	584,519
Loans and advances to other customers	31,328,918	28,056,228	471,208	-	-	-	-	-	-	59,856,354
Investments in securities	13,607,839	13,462,583	520	-	-	-	-	-	-	27,070,942
Investments in associates	385,387	-	-	-	-	-	-	-	-	385,387
Income tax receivable (current)	391	-	-	-	-	-	-	-	-	391
Other receivables	1,948,126	197,361	156,657	-	-	-	-	-	24	2,302,168
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	**83,707,200**	**54,412,909**	**7,599,232**	**-**	**-**	**-**	**-**	**-**	**2,384,814**	**148,104,155**
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	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)

2.3.4 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, 2023 and 2022, 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 December 2023 is presented under heading 3.1.1. Capital adequacy ratio report.

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 2023, 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 during 2023 the Bank had an obligation to maintain countercyclical capital buffer. According to the Decision of the NBRSM, starting from 01.08.2023, the rate of countercyclical protective layer of the capital for exposures in the Republic of North Macedonia was determined at the amount of 0.5%, while starting from 01.10.2023, when determining the countercyclical protective layer of the capital, the appropriate countercyclical protective capital layers for exposures to other countries are taken into account.

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 related factors.

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 2023 and 2022, 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 capital adequacy according to regulations is done on a quarterly basis. However, in 2023, at the request of the NBRNM capital adequacy was also assessed on a monthly basis. Based on internal needs for effective risk management, other reports, analyses, and simulations are prepared for potential changes in the level of capital adequacy.

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 2023**	**Previous year 2022**
I	**CREDIT RISK- WEIGHTED ASSETS**		
1	Credit risk-weighted assets under the standardized approach	70,201,125	69,000,350
2	Capital requirement for credit risk	5,616,090	5,520,028
II	**CURRENCY RISK-WEIGHTED ASSETS**		
3	Aggregate foreign exchange position	507,431	411,537
4	Net-position in gold	-	-
5	Capital requirement for currency risk	40,595	32,923
6	Currency risk-weighted assets	507,431	411,537
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	762,438	599,258
9	Operational risk-weighted assets	9,530,484	7,490,722
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	96	-
14	Capital requirement for other risks (10+11+12+13)	96	-
15	Other risk-weighted assets	1,202	-
V	**RISK-WEIGHTED ASSETS**	**80,240,242**	**76,902,609**
16	Capital requirement for risks	6,419,219	6,152,209
VI	**OWN FUNDS**	**14,413,820**	**13,377,396**
VII	**CAPITAL ADEQUACY RATIO (VI/V)**	**17.96%**	**17.40%**

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 2023	Previous year 2022
1	**Own funds**	**14,413,820**	**13,377,396**
2	**Tier 1 Capital**	**14,413,820**	**13,377,396**
3	**Common Equity Tier 1 Capital (CET1)**	**14,413,820**	**13,377,396**
3.1.	Positions of CET1	14,429,107	13,402,487
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	10.748.513	9,898,860
3.1.4.	Retained unallocated earning	630.000	470,000
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	-	(16,967)
3.2.	(-) Deductions of CET1	(15.287)	(25,091)
3.2.1.	(-) Loss at the end of the year or current loss	-	-
3.2.2.	(-) Intangibles	(15.287)	(25,091)
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 2023	Previous year 2022
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 2023	Previous year 2022
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 according to 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 income 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 at December 31, 2023 and 2022 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, 2023 and 2022 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		
2023 (current year)											
Interest income/(expense), net	-	-	774,197	4,432,444	11	-	-	-	-	-	5,206,652
Fee and commission income/(expense), net	-	1,237	10,495	152,392	858,952	49,149		7,375	-	19,123	1,098,723
Net trading income	-	(3,578)	-	-	-	-	-	-	-	-	(3,578)
Net income from other financial instruments at fair value	-	9,198	-	-	-	-	-	-	-	-	9,198
Other operating income	-	344,324	302,749	(83,317)	51,116	(906)		10,517	113,792	17,870	756,145
Inter segmented income	-	-	-	-	-	-	-	-	-	-	-
Total income by segment	-	351,181	1,087,441	4,501,519	910,079	48,243	-	17,892	113,792	36,993	7,067,140
Impairment losses of financial assets, net	-	-	(186,166)	(580,725)	-	-	-	-	-	-	(766,891)
Impairment losses of non-financial assets, net	-	-	-	(6,769)	-	-	-	-	-	-	(6,769)
Depreciation and amortization	-	(2,445)	(44,666)	(35,333)	(91,778)	(2,445)	-	(2,445)	-	(55,974)	(235,086)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	(25,058)	(657,608)	(276,961)	(683,744)	(16,480)	-	(17,516)	-	(468,380)	(2,145,747)
Total expenses by segment	-	(27,503)	(888,440)	(899,788)	(775,522)	(18,925)	-	(19,961)	-	(524,354)	(3,154,493)
Financial result by segment	-	323,678	199,001	3,601,731	134,557	29,318	-	(2,069)	113,792	(487,361)	3,912,647
Income tax											(331,214)
Profit/(loss) for the year											3,581,433
Total assets by segment	-	466,787	24,660,676	131,992,540	3,478,560	31,588	-	28,980	454,830		161,113,961
Unallocated assets by segment										2,492,686	2,492,686
Total assets											163,606,647
Total liabilities by segment	-	605	105,156,378	39,883,838	128,412	56,055	-	213	-		145,225,501
Unallocated liabilities by segment										370,606	370,606
Total liabilities											145,596,107

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		
2022 (previous year)											
Interest income/(expense), net	-	-	769,084	2,326,313	36	-	-	-	-	-	3,095,433
Fee and commission income/(expense), net	-	2,681	93,228	142,380	777,724	44,006		8,249	-	55	1,068,323
Net trading income	-	(3,657)	-	-	-	-	-	-	-	-	(3,657)
Net income from other financial instruments at fair value	-	4,566	-	-	-	-	-	-	-	-	4,566
Other operating income	-	480,608	(164,996)	872,668	38,360	(2,122)		79	96,872	31,867	1,353,336
Inter segment income	-	-	-	-	-	-	-	-	-	-	-
Total income by segment	-	484,198	697,316	3,341,361	816,120	41,884	-	8,328	96,872	31,922	5,518,001
Impairment losses of financial assets, net	-	-	(186,162)	(807,864)	-	-	-	-	-	-	(994,026)
Impairment losses of non-financial assets, net	-	-	-	(9,734)	-	-	-	-	-	-	(9,734)
Depreciation and amortization	-	(2,033)	(40,983)	(33,068)	(86,270)	(2,271)		(2,271)		(49,374)	(216,270)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	(125,070)	(582,386)	(247,163)	(620,448)	(14,660)		(15,715)		(381,495)	(1,986,937)
Total expenses by segment	-	(127,103)	(809,531)	(1,097,829)	(706,718)	(16,931)	-	(17,986)	-	(430,869)	(3,206,967)
Financial result by segment	-	357,095	(112,215)	2,243,532	109,402	24,953	-	(9,658)	96,872	(398,947)	2,311,034
Income tax											(161,847)
Profit/(loss) for the year											2,149,187
Total assets by segment	-	486,953	22,133,436	122,894,443	2,787,712	31,466		29,469	398,125		148,761,604
Unallocated assets by segment										2,213,251	2,213,251
Total assets											150,974,855
Total liabilities by segment	-	4	99,191,225	35,864,140	152,920	48,748		4	-		135,257,041
Unallocated liabilities by segment										166,140	166,140
Total liabilities											135,423,181

4. Segment Reporting (continued)

B. Concentration of Total Income and Expense by Significant Customer

in thousands of Denars	Operating Segments									Unallocated	Total
	DL1: Services related to financing middle and large retailers	DL2: Trading and sales	DL 3: Retail banking	DL 4: Corporate banking	DL 5: Payment and settlement	DL 6: Agent services	DL 7: Asset management	DL 8: Retail brokerage	All other insignificant operating segments		
2023 (current year)											
Customer 1	**-**	**-**	**-**	**1,187,852**	**(137,493)**	**-**	**-**	**-**	**-**	**(859)**	**1,049,500**
Income	-	-	-	1,187,852	31	-	-	-	-	-	1,187,883
(expenses)	-	-	-	-	(137,524)	-	-	-	-	(859)	(138,383)
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	**-**	**-**	**-**	**1,187,852**	**(137,493)**	**-**	**-**	**-**	**-**	**(859)**	**1,049,500**
	-	**-**	**-**	**1,187,852**	**(137,493)**	**-**	**-**	**-**	**-**	**(859)**	**1,049,500**
2022 (previous year)											
Customer 1	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Customer 2	-	-	-	-	-	-	-	-	-	-	-
Income	-	-	-	-	-	-	-	-	-	-	-
(expenses)	-	-	-	-	-	-	-	-	-	-	-
Total by segment	-	-	-	-	-	-	-	-	-	-	-

As at 31 December 2023, the Bank has a significant concentration of one significant client from which it earns revenues amounting to 14.8% of the Bank's total revenues based on: interest, commissions and fees for performing banking services, net - trading income from assets and trading liabilities, net - income from assets and liabilities at fair value through profit and loss, realized gains from assets and liabilities available for sale on a net basis, capital investments and capital gains and other income.

As at 31 December 2022, the Bank has no significant concentration per significant client.

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
2023 (current year)								
Total income	7,010,023	56,656	(49,107)	3,520	-	4,337	41,711	**7,067,140**
Total assets	153,013,658	4,500,640	4,668,565	1,343,921	-	79,863	-	**163,606,647**
2022 (previous year)								
Total income	5,736,268	(140,170)	(85,054)	3,260	-	1,938	1,759	**5,518,001**
Total assets	138,299,194	8,255,098	3,469,885	872,174	-	78,504	-	**150,974,855**

5. Fair Value of Financial Assets and Liabilities

A. Fair Value of Financial Assets and Liabilities

in thousands of denars	Current year 2023		Previous year 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Cash and cash equivalents	62,400,247	62,400,247	57,443,899	57,443,899
Held-for-trading assets	73,595	73,595	105,558	105,558
Financial assets at fair value through profit or loss upon initial recognition	364,135	364,135	354,937	354,937
Derivative assets held for risk management			-	-
Loans and advances to banks	2,981,364	2,981,364	584,519	584,519
Loans and advances to other customers	60,206,811	60,206,811	59,856,354	59,856,354
Investments in securities	29,862,737	28,731,298	27,070,942	26,047,351
Investments in associates	403,904	403,904	385,387	385,387
Income tax receivable (current)	391	391	391	391
Other receivables	2,516,619	2,516,619	2,302,168	2,302,168
Assets pledged as collateral	-	-	-	-
Deferred tax assets	-	-	-	-
Financial Liabilities				
Trading liabilities	599	599	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	521,458	521,458	260,358	260,358
Deposits from customers	142,548,809	142,253,980	133,248,497	133,200,672
Debt instruments issued	-	-	-	-
Borrowings	876,461	876,461	698,159	698,159
Subordinated debt	-	-	-	-
Income tax payable (current)	229,441	229,441	33,069	33,069
Deferred tax liabilities	-	-	-	-
Other liabilities	922,535	922,535	732,157	732,157

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

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

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

a) Cash and cash equivalents

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

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

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

c) Loans and advances to banks

The fair value of loans and advances to banks is determined in accordance with current market conditions and current interest rates. For some of the banks' claims on deposits due to their specific characteristics and the absence of similar instruments in the market, the 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 64,965 thousands of denars (2022: 64,982 thousands of denars), 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 0.22 % (2022: 0.24 %).

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 interest-bearing demand deposits and interest-bearing time deposits with adjustable and variable interest rates is their carrying amount. Out of total deposits to other customers the amount of interest-bearing time deposits with fixed interest rates is 24,937,506 thousands of denars (2022: 15,412,085 thousands of denars). Fixed interest rates refer to time deposits up to one year applicable (13,498,420 thousands of denars) 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, 2023 (current year)					
Financial assets measured at fair value					
Held-for-trading assets	19	73,595	-	-	**73,595**
Financial assets at fair value through profit or loss upon initial recognition	20	-	364,135	-	**364,135**
Derivative assets held for risk management	21	-	-	-	**-**
Investments in available-for-sale securities	23.1	-	-	64,965	**64,965**
Total		**73,595**	**364,135**	**64,965**	**502,695**
Financial liabilities measured at fair value					
Trading liabilities	32	599	-	- 599	599
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	- -	-
Derivative liabilities held for risk management	21	-	-	- -	-
Total		**599**	**-**	**-**	**599**
December 31, 2022 (previous year)					
Financial assets measured at fair value					
Held-for-trading assets	19	105,558	-	-	**105,558**
Financial assets at fair value through profit or loss upon initial recognition	20	-	354,937	-	**354,937**
Derivative assets held for risk management	21	-	-	-	**-**
Investments in available-for-sale securities	23.1	-	3,515,798	64,982	**3,580,780**
Total		**105,558**	**3,870,735**	**64,982**	**4,041,275**
Financial liabilities measured at fair value					
Trading liabilities	32	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		**-**	**-**	**-**	**-**

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

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

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

The 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 2023		Previous year 2022	
	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, 2022 (previous year)	-	-	64.956	64.956	-	-	-
Gains/(losses) recognized in:							
- Income statement	-	-	26	26	-	-	-
- 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, 2022 (previous year)	**-**	**-**	**64.982**	**64.982**	**-**	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2022 (previous year)	**-**	**-**	**26**	**26**	**-**	**-**	**-**

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, 2023 (current year)	-	-	64,982	64,982	-	-	-
Gains/(losses) recognized in:							
- Income statement	-	-	(17)	(17)	-	-	-
- 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, 2023 (current year)	**-**	**-**	**64,965**	**64,965**	**-**	**-**	**-**
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2023 (current year)	**-**	**-**	**(17)**	**(17)**	**-**	**-**	**-**

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 2023	Previous year 2022
Interest income		
Cash and cash equivalents	1,590,273	350,463
Financial assets at fair value through profit or loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	74,435	26,481
Loans and advances to other customers	3,243,717	2,567,118
Investments in securities	837,029	418,312
Other receivables	-	-
(Allowance for impairment of Interest Income, net)	(51,052)	(11,336)
Collected interest previously written off	73,003	64,965
Total interest income	**5,767,405**	**3,416,003**
Interest expense		
Financial liabilities at fair value through profit or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	4,797	12,061
Due to other customers	519,338	263,847
Debt instruments issued	-	-
Borrowings	29,438	17,087
Subordinated debt	-	-
Other liabilities	7,180	27,575
Total interest expense	**560,753**	**320,570**
Net interest income/(expense)	**5,206,652**	**3,095,433**

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

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

	in thousands of denars	
	Current year 2023	Previous year 2022
Interest income		
Non-financial companies	1,979,188	1,500,630
Government	839,703	472,409
Not for profit institutions that serve to household	9,375	7,074
Banks	964,634	8,692
Other financial institutions (non-banks)	227,735	226,679
Households	1,200,328	991,298
Non-residents	524,491	155,592
(Allowance for impairment of Interest Income, net)	(51,052)	(11,336)
Collected interest previously written off	73,003	64,965
Total interest income	**5,767,405**	**3,416,003**
Interest expense		
Non-financial companies	60,980	21,763
Government	465	105
Not for profit institutions that serve to household	5,489	2,577
Banks	4,928	666
Other financial institutions (non-banks)	11,640	27,631
Households	438,741	233,466
Non-residents	38,510	34,362
Total interest expense	**560,753**	**320,570**
Net interest income/(expense)	**5,206,652**	**3,095,433**

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 2023	Previous year 2022
Fee and commission income		
Loans	853,164	733,431
Payment's operation	-	
domestic	480,976	433,518
abroad	295,978	288,287
Letter of credit and guarantees	153,429	152,863
Brokerage operations	8,700	12,301
Asset management	-	-
Fiduciary activities	25,960	24,855
Issuing securities	-	-
Income for keeping transaction accounts of citizens	82,108	68,086
Income for payment operations of citizens	40,831	38,415
Other	114,119	82,176
(describe separately income which represent more than 10% of the total fees and commissions income)	-	-
Total fee and commission income	**2,055,265**	**1,833,932**
Fee and commission expense		
Loans	710,197	596,035
Payment's operation	-	-
domestic	175,383	105,394
international	44,238	43,713
Letter of credit and guarantees	1	-
Brokerage operations	787	1,140
Asset management	-	-
Fiduciary activities	3,558	3,429
Issuing securities	-	-
Other	22,378	15,898
(describe separately expenses which represent more than 10% of the total fees and commissions expense)		
Total fee and commission expense	**956,542**	**765,609**
Net fee and commission income/(expense)	**1,098,723**	**1,068,323**

7 Net fee and commission income/(expense) (continued)

B Sector analysis of fee and commission income and expense

	in thousands of denars	
	Current year 2023	Previous year 2022
Fee and commission income		
Non-financial companies	1,252,385	1,079,037
Government	4,551	5,187
Not for profit institutions that serve to household	30,342	26,080
Banks	161,660	201,733
Other financial institutions (non-banks)	62,815	54,597
Households	412,544	351,310
Non-residents	130,968	115,988
Total fee and commission income	**2,055,265**	**1,833,932**
Fee and commission expense		
Non-financial companies	12,470	10,956
Government	9	9
Not for profit institutions that serve to household	-	-
Banks	204,176	193,037
Other financial institutions (non-banks)	179,808	106,083
Households	-	-
Non-residents	560,079	455,524
Total fee and commission expense	**956,542**	**765,609**
Net fee and commission income/(expense)	**1,098,723**	**1,068,323**

8 Net trading income/(expense)

	in thousands of denars	
	Current year 2023	Previous year 2022
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
realized	927	-
unrealized	-	-
Profit/(loss) from fair value changes of equity instruments, net		
realized	406	484
unrealized	1,360	(12,070)
Income from dividends from trading assets	2,032	2,536
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	(8,614)	5,393
unrealized	311	-
Net income/(expense) from trading	**(3,578)**	**(3,657)**

9 Net income from other financial instruments at fair value

	in thousands of denars	
	Current year 2023	Previous year 2022
Financial assets at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	9,198	4,566
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	**9,198**	**4,566**

10 Net foreign exchange gains/ (losses)

	in thousands of denars	
	Current year 2023	Previous year 2022
Realized foreign exchange gains/(losses), net	360,981	342,711
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	2,190	5,099
Foreign exchange differences of special reserve for off-balance sheet exposures, net	42	287
Other foreign exchange differences, net	2,776	(11,743)
Net foreign exchange gain/(loss)	**365,989**	**336,354**

11 Other Operating Income

	in thousands of denars	
	Current year 2023	Previous year 2022
Gain on sale of available-for-sale assets	-	-
Dividends from equity instruments available-for-sale	3,220	2,870
Net income from investment in subsidiaries and associates	21,285	21,285
Capital gain from the sale of:		
Property, plant and equipment	655	7,551
Intangible assets	-	-
Foreclosed assets	46,126	151,130
Non-current assets held-for-sale and group for disposal	-	-
Income from rent	5,569	7,736
Income from litigations	-	194
Collected receivables previously written off	196,259	566,355
Release provisions for:		
Contingent commitments based on litigations	-	-
Pensions and other employee benefits	-	2,890
Restructuring	-	-
Onerous contracts	-	-
Other provisions	-	-
Other (income that represents more than 10% of the total remaining operating income)		
Income from foreign exchange operations	801	152,346
income that does not represent more than 10% of the total remaining operating income	23,734	29,038
Total other operating income	**297,649**	**941,395**

The amount of 46,126 thousands of denars (2022: 151,130 thousands of 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**
2023 (current year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	399	3,867,700	-	203	9,108	13,085	70,943	3,961,438	329,970	4,291,408
(Release of allowance for impairment and special reserve)	(166)	(3,184,309)	-	(223)	(9,160)	(4,870)	(32,876)	(3,231,604)	(292,913)	(3,524,517)
Total allowance for impairment on financial assets and special reserve for off-balance sheet exposures, net	**233**	**683,391**	**-**	**(20)**	**(52)**	**8,215**	**38,067**	**729,834**	**37,057**	**766,891**
2022 (previous year)										
Allowance for impairment and special reserve										
Additional allowance for impairment and special reserve	372	2,496,327	-	3,343	7,755	14,166	43,819	2,565,782	412,099	2,977,881
(Release of allowance for impairment and special reserve)	(635)	(1,648,499)	-	(598)	(7,632)	(4,103)	(23,204)	(1,684,671)	(299,184)	(1,983,855)
Total allowance for impairment on financial assets and special reserve for off-balance sheet, net	**(263)**	**847,828**	**-**	**2,745**	**123**	**10,063**	**20,615**	**881,111**	**112,915**	**994,026**

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**
2023 (current year)							
Additional impairment loss	-	-	6,769	-	-	-	6,769
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**6,769**	**-**	**-**	**-**	**6,769**
2022 (previous year)							
Additional impairment loss	-	-	6,282	3,452	-	-	9,734
(Release of impairment loss)	-	-	-	-	-	-	-
Total impairment loss of non-financial assets, on net-basis	**-**	**-**	**6,282**	**3,452**	**-**	**-**	**9,734**

*) only for consolidated financial statements

14 Personnel expenses

	in thousands of denars	
	Current year 2023	Previous year 2022
Short-term benefits for employees		
Salaries	876,076	733,825
Compulsory social and health insurance contributions	304,097	260,688
Short-term paid absences	2,159	1,857
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	421	628
	1,182,753	**996,998**
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	307	-
	307	**-**
Termination benefits	-	359
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other	104,785	82,851
(costs for employees that represent more than 10% of the total costs for employees)		
Total costs for employees	**1,287,845**	**1,080,208**

15 Depreciation and amortization

	in thousands of denars	
	Current year 2023	Previous year 2022
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	13,658	12,125
Other internally developed intangible assets	-	-
Other intangible assets	11,746	11,438
Investments in intangible assets taken under lease	-	-
	25,404	**23,563**
Depreciation of property and equipment		
Buildings	81,378	80,820
Vehicles	14,477	17,031
Furniture and equipment	19,857	14,653
Other equipment	85,350	76,253
Other items of property and equipment	-	-
Investments in property and equipment taken under lease	8,620	3,950
	209,682	**192,707**
Total depreciation	**235,086**	**216,270**

16 Other operating expense

	in thousands of denars	
	Current year 2023	Previous year 2022
Loss from sale of assets available for sale	-	-
Software licensing expense	57,753	39,082
Deposit insurance premium	243,992	235,705
Premium on property and employee insurance	5,460	4,679
Materials and services	286,322	272,505
Administrative and marketing expenses	200,252	185,172
Other taxes and contributions	1,639	1,504
Rental expense	21,477	20,908
Court litigation expenses	1,457	8,190
Provisions for pension and other employee benefits, net	9,834	-
Provisions for contingent liabilities based on court litigations, net	-	-
Other provisions, net		-
restructuring	-	-
onerous contracts	-	-
other provisions	-	-
Loss from sale of:	-	
Property and equipment	-	-
Intangible assets	-	-
Foreclosed assets	-	-
Non-current assets held-for-sale and group for disposal	-	-
Other	-	
(expenses that represent more than 10% of total other operating expenses)	-	
Expenses under foreign exchange operations	-	101,158
Costs in the process of realization of the alienation of property	4,459	6,628
(expenses that do not represent more than 10% of total other operating expense)	25,257	31,198
Other operating expense	**857,902**	**906,729**

17 Income tax

A Expense/income based on current and deferred tax

	in thousands of denars	
	Current year 2023	Previous year 2022
Current income tax		
Expense/(income) based on current income tax for the year	331,214	161,847
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	-	-
	331,214	**161,847**
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	**331,214**	**161,847**

	in thousands of denars	
	Current year 2023	Previous year 2022
Current income tax		
Recognized in the income statement	331,214	161,847
Recognized in the equity and reserves	-	-
	331,214	**161,847**
Deferred income tax		
Recognized in the income statement	-	-
Recognized in the equity and reserves	-	-
Total expense/(return) on income tax	**331,214**	**161,847**

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 2023		Previous year 2022	
Profit/ (loss) before taxation	100.00	3,912,647	100.00	2,311,034
Income tax as per applicable tax rate	10	391,265	10	231,103
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	0.6	23,483	0.9	20,472
Tax-exempt income	(0.6)	(23,250)	(0.7)	(16,149)
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	(1.5)	(60,284)	(3.2)	(73,580)
Total expense/(return) on income tax	**-**	**331,214**	**-**	**161,847**
Average effective tax rate	**8.5**		**7.0**	

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

	Current year 2023			Previous year 2022		
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 2023	Previous year 2022
Cash on hand	2,400,504	1,680,542
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits	38,788,947	32,453,421
Current accounts and transaction deposits with foreign banks	1,776,788	2,223,628
Current accounts and transaction deposits with local banks	6,612	4,480
Treasury bills that may be traded on the secondary market	2,514,379	2,731,250
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	5,277,207	9,025,152
Other short-term highly liquid assets	54	458
Interest receivables	33,222	38,134
(Allowance for impairment)	(1,098)	(1,188)
Included in cash and cash equivalents for the purposes of the Statement of cash flows	**50,796,615**	**48,155,877**
Obligatory foreign currency deposits	9,909,257	7,747,118
Restricted deposits	1,694,545	1,541,058
(Allowance for impairment)	(170)	(154)
Total	**62,400,247**	**57,443,899**

As at 31 of December 2023, the Bank has restricted deposits in the amount of 1,694,545 thousands of denars (2022: 1,541,058 thousands of denars), as follows:

- In the account in KIBS on behalf of the Reserve Guarantee Fund in the amount of MKD 889,634 thousand in accordance with the Reserve Guarantee Fund Rules (2022: 719,059 thousands of denars)
- In the account in Euroclear, for fiduciary purposes, assets in the amount of 556,516 thousands of denars (2022: 576,535 thousands of denars),
- In HSBC Bank PLC account, for operational purposes for Mastercard cards, assets in the amount of 168,524thousands of denars (2022: 166,871 thousands of denars),
- In the United Overseas Bank Limited account, for for operational purposes for Visa cards, assets in the amount of 79,871 thousands of denars (2022: 78,593 thousands of denars)

The amount of 2,514,379 thousands of denars (2022: 2,731,250 thousands of denars) refers to treasury bills issued by NBRSM acquired on the primary market in the amount of 2,509,406 thousands of denars and on the secondary market in the amount of 4,973 thousands of denars (2022: 2,543,965 thousands of denars issued by NBRSM and 187,285 thousands of denars issued by Schweizerishe Nationalbank).

The amount of 9,909,257 thousands of denars refers to the obligation for mandatory reserves in foreign currency which is set aside in accordance with the NBRSM regulation with which changes were made during the year in the direction of increasing the obligation for mandatory reserves in euros (2022: 7,747,118 thousands of denars).

18 Cash and cash equivalents (continued)

in thousands of denars

	Current year 2023				Previous year 2022			
	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	**1,342**	-	-	**1,342**	**1,193**	-	-	**1,193**
Impairment loss for the year								
Additional impairment	9,108	-	-	**9,108**	7,755	**-**	**-**	**7,755**
(Release of impairment)	(9,160)	-	-	**(9,160)**	(7,632)	**-**	**-**	**(7,632)**
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	(22)	-	-	**(22)**	26	**-**	**-**	**26**
(Written off receivables)	-	-	-	**-**		**-**	**-**	**-**
As at December 31	**1,268**	-	-	**1,268**	**1,342**	**-**	**-**	**1,342**

19 Trading assets (continued)

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

	in thousands of denars	
	Current year 2023	Previous year 2022
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	72,685	105,558
	72,685	**105,558**
Quoted	72,685	105,558
Unquoted	-	-
Trading derivatives		
Agreements dependent on interest rate change	-	-
Agreements dependent on exchange rate change	910	-
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	-	-
	910	**-**
Loans and advances		
Loans and advances to banks	-	-
Loans and advances to other costumers	-	-
Total trading assets	**73,595**	**105,558**

Quoted equity trading instruments in the amount of 72,685 thousands of denars (2022: 105,558 thousands of denars) refer to investment in shares issued by domestic non-financial companies.

Derivatives for trading in the amount of 910 thousands of denars (2022: 0) refer to contracts dependent on exchange rate changes.

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 2023	Previous year year 2022
Debt securities		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	364,135	354,937
	364,135	**354,937**
Quoted	-	-
Unquoted	364,135	354,937
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	**364,135**	**354,937**

Other unquoted debt instruments in the amount of 364,135 thousands of denars refer to investments in participation in investment funds (2022: 354,937 thousands of denars), as follows: participations in the open investment fund KB Publikum - Balanced in the amount of 11,744 thousands of denars (2022: 10,492 thousands of denars) and participation in the open investment fund KB Publikum - Paricen in the amount of 352,391 thousands of denars (2022: 344,445 thousands of denars).

21 Derivative assets and liabilities held for risk management

		in thousands of denars			
		Current year 2023		Previous year year 2022	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A	**Derivatives for protection against risk/Derivatives held for risk management**				
A.1	*By type of the variable*				
	Derivatives held for risk management				
	Agreements dependent on interest rate change	-	-	-	-
	Agreements dependent on exchange rate change	-	-	-	-
	Agreements dependent on changes in price of securities	-	-	-	-
	Other agreements that meet the IAS 39 criteria	-	-	-	-
	Total derivatives held for risk management	**-**	**-**	**-**	**-**
A.2	*By type of protection against risk*				
	Protection against risk 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 IAS 39 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 2023		Previous year 2022	
	Short term	Long term	Short term	Long term
Loans to banks				
Domestic banks	54,000	47	83,000	51
Foreign banks	-	-	-	-
Time deposits over 3 months				
Domestic banks	-	490	-	488
Foreign banks	2,423,766	462,811	30,747	462,798
Repo				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Other receivables				
Domestic banks	-	-	-	-
Foreign banks	-	-	7,294	-
Interest receivables	40,551	-	211	-
Current maturity	47	(47)	51	(51)
Total loans and advances to banks before impairment	**2,518,364**	**463,301**	**121,303**	**463,286**
(Allowance for impairment)	(252)	(49)	(12)	(58)
Total loans and advances to banks, net of allowance for impairment	**2,518,112**	**463,252**	**121,291**	**463,228**

22 Loans and advances (continued)

22.1 Loans and advances to banks (continued)

in thousands of denars

	Current year 2023				Previous year 2022			
	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	**70**	-	-	**70**	**322**	-	-	**322**
Impairment loss for the year								
Additional impairment	399	**-**	**-**	**399**	372	**-**	**-**	**372**
(Release of impairment)	(166)	**-**	**-**	**(166)**	(635)	**-**	**-**	**(635)**
Transfer to:		-	-	**-**	-	-	-	**-**
- Impairment loss for Group 1	-	-	-	**-**	-	-	-	**-**
- Impairment loss for Group 2	-	-	-	**-**	-	-	-	**-**
- Impairment loss for Group 3	-	-	-	**-**	-	-	-	**-**
(Foreclosed assets based on outstanding receivables)	-	-	-	**-**	-	-	-	**-**
Foreign exchange gain/losses	(2)	-	-	**(2)**	11	-	-	**11**
(Written off receivables)	**-**	-	-	**-**	-	-	-	**-**
As at December 31	**301**	**-**	**-**	**301**	**70**	**-**	**-**	**70**

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 2023		Previous year 2022	
	short-term	long-term	short-term	long-term
Non-financial companies				
Receivables upon principal	7,814,214	29,557,387	9,830,783	29,949,662
Interest receivables	117,093	-	95,954	-
Government	-	-		
Receivables upon principal	-	1,434,085	552	1,722,788
Interest receivables	6,113	-	5,751	-
Non-profit institutions that serve households	-	-		
Receivables upon principal	79,995	240,701	109,964	232,973
Interest receivables	748	-	509	-
Financial companies, besides banks	-	-		
Receivables upon principal	5,802	2,916	7,748	2,729
Interest receivables	28	-	22	-
Households	-	-		
Receivables upon principal	-	-		
Housing loans	57,139	9,454,156	81,201	8,543,777
Customer loans	593,519	11,346,519	324,606	9,978,339
Vehicle loans	-	630	-	1,913
Mortgage loans	-	-	-	-
Credit cards	37,164	1,014,938	40,419	975,466
Other loans	868,015	453,193	856,405	388,168
Interest receivables	57,521	-	45,505	-
Non-residents, except banks	-	-		
Receivables upon principal	43,642	-	42,951	215,226
Interest receivables	38	-	1,853	-
Current maturity	9,937,297	(9,937,297)	9,637,831	(9,637,831)
Total loans and advances to other customers before impairment	**19,618,328**	**43,567,228**	**21,082,054**	**42,373,210**
(Allowance for impairment)	(1,348,464)	(1,630,281)	(1,559,555)	(2,039,355)
Total loans and advances to other customers, net of allowance for impairment	**18,269,864**	**41,936,947**	**19,522,499**	**40,333,855**

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 2023 the amount of the pledged loans and advances is in the amount of 103,647 thousands of denars (2022: 175,902 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 2023				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	513,186	1,982,505	1,103,219	**3,598,910**	**435,599**	**1,677,993**	**990,945**	**3,104,537**
Impairment loss for the year								
Additional impairment	1,019,956	1,341,526	1,506,218	**3,867,700**	403,266	1,302,637	790,424	**2,496,327**
(Release of impairment)	(1,159,599)	(938,171)	(1,086,539)	**(3,184,309)**	(434,755)	(825,007)	(388,737)	**(1,648,499)**
Transfer to:					-	-	-	**-**
- Impairment loss for Group 1	(34,877)	31,257	3,620	**-**	(40,560)	38,916	1,644	**-**
- Impairment loss for Group 2	50,385	(238,719)	188,334	**-**	138,377	(215,433)	77,056	**-**
- Impairment loss for Group 3	11,221	10,082	(21,303)	**-**	11,098	8,236	(19,334)	**-**
(Foreclosed assets based on outstanding receivables)			(958,045)	**(958,045)**	-	-	-	**-**
Foreign exchange gain/losses	4,688	949	(7,804)	**(2,167)**	162	(4,837)	(456)	**(5,131)**
(Written off receivables)			(343,344)	**(343,344)**	-	-	(348,324)	**(348,324)**
As at December 31	**404,960**	**2,189,429**	**384,356**	**2,978,745**	**513,187**	**1,982,505**	**1,103,218**	**3,598,910**

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 2023	Previous year year 2022
(current carrying amount of loans and advances)		
First-class security instruments		
Cash deposits (in vault and/or restricted in accounts held with the bank)	1,794,189	1,042,206
Government securities	-	-
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except banks and guarantees from insurance companies)	239,866	536,762
Guarantees from individuals	-	-
Mortgage on real estate	-	
Property for private use (flats, houses)	12,331,162	11,083,718
Property for business	21,341,566	21,482,940
Pledge over movables	5,914,788	7,669,360
Other types of collateral	1,341,330	1,625,837
Unsecured	17,243,910	16,415,531
Total loans and advances to other customers, net of allowance for impairment	**60,206,811**	**59,856,354**

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 2023	Previous year 2022
Debt securities		
Treasury bills	-	-
Government bills	-	3,515,798
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other equity investments	-	-
	-	**3,515,798**
Quoted	-	-
Unquoted	-	3,515,798
Equity investments		
Equity investments issued by banks	-	-
Other equity investments	115,891	77,721
	115,891	**77,721**
Quoted	-	-
Unquoted	115,891	77,721
Total investment in financial instruments available for sale	**115,891**	**3,593,519**

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 2023				Previous year 2022			
	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)

The investments in equity instruments available-for-sale in the amount of 115,891 thousands of denars (2022: 77,721 thousands of denars) include the amount of 64,965 thousands of denars (2022: 64,983 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 50,926 thousands of denars represent investment in subsidiary (2022: 12,738 thousands of denars).

In the course of 2023, the Bank increased its stake in the company KB Publikum Invest AD Skopje by 99 new shares, i.e. by 14.14% in the ownership stake (for the amount of 38,188,000 Den) and on 31.12.2023 the Bank's participation in the subsidiary KB Publikum Invest AD Skopje is 78.43%.

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 2023	Previous year 2022
Debt securities		
Treasury bills	-	-
Government bills	3,130,562	2,516,109
Other instruments in the money market	-	-
Government bonds	24,673,233	20,151,760
Corporate bonds	228,012	229,606
Other debt securities	1,717,819	582,748
	29,749,626	**23,480,223**
Quoted	26,619,064	20,381,366
Unquoted	3,130,562	3,098,857
***Total investment in financial instruments held to maturity before* impairment**	**29,749,626**	**23,480,223**
(Impairment)	(2,780)	(2,800)
Total investment in financial instruments held to maturity after impairment	**29,746,846**	**23,477,423**

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity (continued)

in thousands of denars

	Current year 202				Previous year 2022			
	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	2,249	551	-	**2,800**	**62**	**-**	**-**	**62**
Impairment loss for the year						**-**	**-**	
Additional impairment	174	29	-	**203**	2,258	1,085	-	**3,343**
(Release of impairment)	(194)	(29)	-	**(223)**	(64)	(534)	-	**(598)**
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	-	-	-	**-**	(7)	-	-	**(7)**
(Written off receivables)	-	-	-	**-**	-	-	-	**-**
As at December 31	**2,229**	**551**	**-**	**2,780**	**2,249**	**551**	**-**	**2,800**

Debt securities in the amount of 29,749,626 thousands of denars (2022: 23,480,223 thousands of denars) include government bonds issued by the Republic of North Macedonia in the amount of 24,673,233 thousands of denars (2022: 20,151,760 thousands of denars),corporate bonds issued by foreign banks and domestic financial company in the amount of 228,012 thousands of denars (2022: 229,606 thousands of denars), other debt instruments – government bonds issued by foreign countries in the amount of 1,717,819 thousands of denars (2022: 582,748 thousands of denars) and government bills issued by the Republic of North Macedonia in the amount of 3,130,562 thousands of denars (2022: 2,516,109 thousands of denars)

The government bills in the amount of 3,130,562 thousands of denars mature in 2024 with interest rate from 3,50% to 4,25% annually (2022: 2,516,109 thousands of denars that mature in 2023 with interest rate from 1,50% to 3,50% annually).

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity (continued)

The bonds issued by the Republic of North Macedonia refer to government bonds issued on the domestic market in the amount of 16,258,262 thousands of denars with a maturity period from 2024 to 2034 and bear interest at a rate of 1.20 % to 5.25 % annually (2022: 11,305,246 thousands of denars with a maturity period from 2023 to 2034 and bear interest at a rate of 1.20 % to 3.10 % and government bonds issued on foreign markets (Eurobonds) in the amount of 8,414,971 thousands of denars with a maturity period from 2025 to 2028 and bear interest at a rate from 1.625 % to 6.96 % annually (2022: 8,846,514 thousands of denars with a maturity period from 2023 to 2028 and bear interest at a rate from 1.625 % to 5.58 % annually)

The government bonds issued by the Republic of North Macedonia include a bond in the amount of 3,690,000 thousands of denars and coupon interest in the amount of 47,970 thousands of denars which matured on 31.12.2023 which is a non-working day and the Ministry of Finance paid them off on the first working day on 02.01.2024.

Corporate bonds consist of bonds issued by foreign banks in the amount of 222,760 thousands of denars with a maturity until 2025 and a coupon interest rate of 6 % to 8.75 % and a bond issued by a domestic financial company in the amount of 5,252 thousands of denars with a maturity until 2027 and a coupon interest rate of 6 % (2022: bonds issued by foreign banks 224,352 thousands of denars with a maturity until 2025 and a coupon interest rate of 6 % to 8.75 %, a bond issued by a domestic financial company in the amount of 5,254 thousands of denars with a maturity of 2027 and a coupon interest rate of 6 %).

The other debt instruments refer to government bonds issued by the Ministry of Finance France in the amount of 582,748 thousands of denars with a maturity of 2025 and government bonds issued by the U.S. Department of the Treasury in the amount of 1,120,345 thousands of denars with a maturity until 2024 and 2025 (2022: government bonds issued by the Ministry of Finance France in the amount of 582,748 thousands of denars with maturity until 2025).

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 2023	Previous year 2022	Current year 2023	Previous year 2022
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	78.43%	64.29 %	78.43%	64,29 %

During 2023, the Bank increased its share in the company KB Publikum Invest AD Skopje by 99 shares, i.e. 14.14% ownership share, and as of 12.31.2023, the Bank's participation in the subsidiary KB Publikum Invest AD Skopje is 78.43%.

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 2023					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	842,402	24,873	817,529	398,022	188,790
	842,402	**24,873**	**817,529**	**398,022**	**188,790**
Previous year 2022					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	802,270	22,531	779,739	355,566	154,258
	802,270	**22,531**	**779,739**	**355,566**	**154,258**

According to the equity method, in the Income Statement, the Bank shows a profit corresponding to the Bank's share in the company. In 2023, the Bank presented in the income statement a share in the profit of the associated company in the amount of 92,507 thousand of denars (2022: 75,587 thousands of denars).

In the same reporting period, the Bank received a dividend in the amount of 73,990 thousands of denars (2022: 38,931 thousands of denars), and according to the principal method, a correction/reduction of the stake was made for the same amount.

With the corrections made in the year, the accounting value of the share in the associated company on December 31, 2023 is 403,904 thousands of denars (December 31, 2022: 385,387 thousands of denars)

25 Other receivables

	in thousands of denars	
	current year 2023	Previous year 2022
Trade receivables	5	93
Prepaid expenses	-	-
Deferred income	-	-
	-	
Fees and commission receivables	23,734	22,167
Receivables from employees	-	-
Advances for intangible assets	-	-
Advances for property and equipment	16,820	17,052
Other (receivables representing more than 10% of the total other receivables)		
Pre-paid pensions	1,735,383	1,501,277
Bank credit card settlement transactions	532,049	376,434
Other receivables by other basis in denars	169,222	326,341
Other receivables by other basis in foreign exchange currency	9,428	39,000
Suspicious and doubtful receivables from receivables from clients and other receivables	29,638	15,928
Inventory, petty inventory and numismatic collection	42,911	42,755
VAT receivables	2,873	-
(state separately the receivables that not represent more than 10% of the total other receivables)	51,346	41,347
Total other receivables before value allowance	**2,613,409**	**2,382,394**
(Allowance for impairment)	(37,060)	(20,419)
Total other receivables, net of allowance for impairment	**2,576,349**	**2,361,975**

The item “pre-paid pensions” in the amount of 1,735,383 thousands of denars (31 December 2022: 1,501,277 thousands of denars) refer to paid pensions for December 2023 (December 2022) from the Bank’s funds. Those funds were collected from the Pension and disability insurance fund of North Macedonia with payment on 3 January 2024 (for 2022 on 5 January 2023).

25 Other receivables (continued)

in thousands of denars

	Current year 2023				Previous year 2022			
	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	**1,409**	**400**	**18,610**	**20,419**	**1,206**	**236**	**10,773**	**12,215**
Impairment loss for the year								
Additional impairment	31,678	2,304	50,046	**84,028**	19,620	1,763	36,602	**57,985**
(Release of impairment)	(26,929)	(2,212)	(8,604)	**(37,745)**	(19,429)	(1,557)	(6,321)	**(27,307)**
Transfer to:					-	-	-	**-**
- Impairment loss for Group 1	(5)	1	4	**-**	(5)	1	4	**-**
- Impairment loss for Group 2	2	(55)	53	**-**	2	(55)	53	**-**
- Impairment loss for Group 3	16	12	(28)	**-**	16	12	(28)	**-**
(Foreclosed assets based on outstanding receivables)	-	-	(1,950)	**(1,950)**	-	-	-	**-**
Foreign exchange gain/losses	(1)	-	4	**3**	(1)	-	1	**-**
(Written off receivables)	-	-	(27,695)	**(27,695)**	-	-	(22,474)	**(22,474)**
As at December 31	**6,170**	**450**	**30,440**	**37,060**	**1,409**	**400**	**18,610**	**20,419**

26 Assets pledged as collateral

	in thousands of denars	
	Current year 2023	Previous year year 2022
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 2022 (previous year)	41,580	1,175,735	99,194	43,427	3,259	1,363,195
Foreclosed during the year	6,716	16,618	435	22,029	-	45,798
(sold during of the year)	(4,862)	(151,726)	(12,506)	(8,302)	(54)	(177,450)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2022 (previous year)	**43,434**	**1,040,627**	**87,123**	**57,154**	**3,205**	**1,231,543**
As at January 1, 2023 (current year)	43,434	1,040,627	87,123	57,154	3,205	1,231,543
Foreclosed during the year	259,225	1,201,083	1,780,449	39,449	-	3,280,206
(sold during of the year)	(12,654)	(52,291)	(2,189)	(1,030)	-	(68,164)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2023 (current year)	**290,005**	**2,189,419**	**1,865,383**	**95,573**	**3,205**	**4,443,585**
Impairment						
As at January 1, 2022 (previous year)	40,725	1,160,188	96,379	43,427	3,178	1,343,897
Impairment loss during the year	6,832	17,384	2,781	22,029	15	49,041
(sold during the year)	-	-	-	-	-	-
(transfer into assets for own use)	(4,806)	(151,708)	(12,506)	(8,302)	(49)	(177,371)
As at December 31, 2022 (previous year)	**42,751**	**1,025,864**	**86,654**	**57,154**	**3,144**	**1,215,567**
As at January 1, 2023 (current year)	42,751	1,025,864	86,654	57,154	3,144	1,215,567
Impairment loss during the year	101,543	561,497	631,024	39,447	12	1,333,523
(transfer into assets for own use)	-	-	-	-	-	-
(sold during the year)	(12,654)	(52,290)	(2,189)	(1,030)	-	(68,163)
As at December 31, 2023 (current year)	**131,640**	**1,535,071**	**715,489**	**95,571**	**3,156**	**2,480,927**
Net carrying amount						
As at January 1, 2022 (previous year)	**855**	**15,547**	**2,815**	**-**	**81**	**19,298**
As at December 31, 2022 (previous year)	**683**	**14,763**	**469**	**-**	**61**	**15,976**
As at December 31 2023 (current year)	**158,365**	**654,348**	**1,149,894**	**2**	**49**	**1,962,658**

27 Foreclosed assets (continued)

Foreclosed assets are assets that are not used in the Banks regular operations. Foreclosed assets are owned by the Bank.

Part of these assets, until their disposal, are leased by the Bank. The net value of leased assets as at 31 December 2023 is 18,508 thousands of denars (as at 31 December 2022 in the amount of 7,920 thousands of denars).

The fair value of foreclosed assets as at 31 December 2023 is in the amount of 4,158,248 thousands of denars (as at 31 December 2022 is in the amount of 971,621 thousands of denars).

Part of the recognised impairment in 2023, in the amount of 6,769 thousands of denars (2022: 6,282 thousands of denars) is recognized as an expense in the Income statement (see note 13), and the remainder is recognized in the balance sheet.

During 2023 the Bank realized capital gain from the sale of foreclosed assets in the amount of 46,126 thousands of denars (2022: 151,130 thousands of denars) (see note 11).

In this reporting period, in addition to the rest of the property that was foreclosed, the Bank also foreclosed property (real estate and equipment) from three debtors to whom there was a greater credit exposure, and thus acquired ownership of properties that represent significant business capacities.

On that basis, there is an increase in the amount of foreclosed in the amount of 1,946,682 thousands of denars.

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, 2022 (previous year)	-	241,530	-	81,473	18,576	-	-	**341,579**
Increases by new supplies	-	28,045	-	1,632	(9,997)	-	-	**19,680**
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, 2022 (previous year)	**-**	**269,575**	**-**	**83,105**	**8,579**	**-**	**-**	**361,259**
As at January 1, 2023 (current year)	**-**	**269,575**	**-**	**83,105**	**8,579**	**-**	**-**	**361,259**
Increases by new supplies	-	10,423	-	569	3,860	-	-	**14,852**
Increases by internal development	-	-	-	-	-	-	-	**-**
Increases by business combinations	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	-	-	-	-	-
(disposal through business combinations)	-	-	-	-	-	-	-	**-**
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	**-**
Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	**-**
As at December 31, 2023 (current year)	**-**	**279,998**	**-**	**83,674**	**12,439**	**-**	**-**	**376,111**

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, 2022 (previous year)	**-**	**209,650**	**-**	**46,576**	**-**	**-**	**-**	**256,226**
Depreciation for the year	-	12,125	-	11,438	-	-	-	**23,563**
Impairment loss during the year	-	-	-	-	-	-	**-**	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	**-**	**-**
(Disposal and write off)	-	-	-	-	-	-	-	-
As at December 31, 2022 (previous year)	**-**	**221,775**	**-**	**58,014**	**-**	**-**	**-**	**279,789**
As at January 1, 2023 (current year)	-	221,775	-	58,014	-	-	-	**279,789**
Depreciation for the year	-	13,658	-	11,746	-	-	-	**25,404**
Impairment loss during the year	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	-	-	-	-	-	-
Balance at December 31, 2023 (current year)	**-**	**235,433**	**-**	**69,760**	**-**	**-**	**-**	**305,193**
Current carrying amount								
Balance at January 1, 2022	**-**	**31,880**	-	**34,897**	**18,576**	**-**	**-**	**85,353**
Balance at December 31, 2022 (previous year)	**-**	**47,800**	**-**	**25,091**	**8,579**	**-**	**-**	**81,470**
Balance at December 31, 2023 (current year)	**-**	**44,565**	**-**	**13,914**	**12,439**	**-**	**-**	**70,918**

*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 2022 (previous year)	-	-	-	-	-	-	**-**
As at December 31 2023 (current year)	-	-	-	-	-	-	**-**

As at 31 December 2023, the Bank has not pledged intangible assets as collateral for the Bank's liabilities (as at 31 December 2022: none).

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 2022 (previous year)	**89,200**	**3,228,017**	**157,748**	**360,094**	**791,276**	**13,472**	**55,026**	**65,186**	**4,760,019**
Increases	-	-	-	-	-	-	152,268	-	**152,268**
Increase through business combinations	-	-	-	-	-	-	-	**-**	**-**
(Disposal and write off)	-	-	(16,351)	(45,799)	(91,858)	-	-	(800)	**(154,808)**
(Disposal through business combinations)	-	-	-	-	-	-	-	**-**	**-**
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	**-**	**-**
transfer from non-current assets held for sale	-	-	-	-	-	-	-	**-**	**-**
Other transfers	-	46,582	4,512	33,039	90,403	37	(184,725)	10,152	**-**
As at 31 December 2022 (previous year)	**89,200**	**3,263,015**	**145,909**	**347,334**	**789,821**	**13,509**	**22,569**	**74,538**	**4,745,895**
As at 1 January 2023 (current year)	89,200	3,263,015	145,909	347,334	789,821	13,509	22,569	74,538	4,745,895
Increases	-	-	-	-	-	-	200,771	-	200,771
Increase through business combinations	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	(177)	(3,769)	(27,244)	(55,939)	-	-	(9,856)	(96,985)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	**-**
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	**-**
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	45,901	10,247	29,371	92,742	-	(192,543)	14,282	-
As at 31 December 2023 (current year)	**89,200**	**3,308,739**	**152,387**	**349,462**	**826,624**	**13,509**	**30,797**	**78,964**	**4,849,681**

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 2022 (previous year)	**-**	**910,764**	**115,717**	**320,222**	**609,267**	-	-	**46,670**	**2,002,640**
Depreciation for the year	-	80,820	17,031	14,653	76,253	-	-	3,950	**192,707**
Impairment loss during the year	-	-	-	-	-	-	-	**-**	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	**-**
(Disposal and write off)	-	-	(16,351)	(45,799)	(91,817)	-	-	(800)	**(154,767)**
(Transfer to non-current assets held for sale)	-	(2,679)	-	-	-	-	-	-	**(2,679)**
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	**-**
Other transfers	-	-	-	-	-	-	-		**-**
Balance at 31 December 2022 (previous year)	-	**988,905**	**116,397**	**289,076**	**593,703**	-	-	**49,820**	**2,037,901**
Balance at 1 January 2023 (current year)	-	988,905	116,397	289,076	593,703	-	-	49,820	2,037,901
Depreciation for the year	-	81,378	14,477	19,857	85,350	-	-	8,620	209,682
Impairment loss during the year	-	-	-	-	-	-	-	-	**-**
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(43)	(3,769)	(27,100)	(55,219)	-	-	(9,856)	(95,987)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	**-**
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	
Balance at 31 December 2023 (current year)	**-**	**1,070,240**	**127,105**	**281,833**	**623,834**	**-**	**-**	**48,584**	**2,151,596**
Current carrying amount									
As at 1 January 2022 (previous year)	**89,200**	**2,317,253**	**42,031**	**39,872**	**182,009**	**13,472**	**55,026**	**18,516**	**2,757,379**
As at 31 December 2022 (previous year)	**89,200**	**2,274,110**	**29,512**	**58,258**	**196,118**	**13,509**	**22,569**	**24,718**	**2,707,994**
As at 31 December 2023 (current year)	**89,200**	**2,238,499**	**25,282**	**67,628**	**202,790**	**13,509**	**30,797**	**30,380**	**2,698,085**

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 2023 (current year)	-	-	-	-	-	-	-	-	-

The amount of unpaid liabilities for the purchase of property and equipment in 2023 is in the amount of 12,995 thousands of denars (2022: 5,053 thousands of denars).

As at 31 December 2023, the Bank has not pledged property and equipment as collateral for the Bank's liabilities (as at 31 December 2022: none).

30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

	in thousands of denars	
	current year 2023	Previous year year 2022
Income tax receivables (current)	391	391
Income tax liabilities (current)	229,441	33,069

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	Current year 2023			Previous year year 2022		
in thousands of denars	Deferred tax assets	(Deferred tax liabilities)	On net basis	Deferred tax assets	(Deferred tax liabilities)	On net basis
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other 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 2023	Previous year 2022
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 2022				
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 2023				
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 2023	Previous year 2022
Intangible assets	-	-
Property and equipment	5,453	5,453
Total non-current assets held for sale	**5,453**	**5,453**

The asset is in the process of being sold, and the sale is expected to be realized in the first quarter of 2024.

B Disposal Group

	in thousands of denars	
	current year 2023	Previous year 2022
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 2023	Previous year 2022
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-	-

32 Trading liabilities

	in thousands of denars	
	Current year 2023	Previous year 2022
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	599	-
Agreements depending on the securities price change	-	-
Other agreements that fulfil the IFRS 9 criteria	-	-
Total trading liabilities	**599**	-

Trading liabilities in 2023 in the amount of 599 thousands of denars refer to trading derivatives, agreements depending on exchange rate change (2022: none).

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

	in thousands of denars			
	Current year 2023		Previous year 2022	
	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 2023	Previous year 2022
Movement in changes of bank's creditworthiness for financial liabilities measured at fair value		
As at 01 January	-	-
Recognized in Other comprehensive income for the year	-	-
(Transfer to other reserve funds)	-	-
Balance as at 31 December	**-**	**-**

34 Deposits

34.1 Deposits from banks

	in thousands of denars			
	Current year 2023		Previous year 2022	
	short-term	long-term	short-term	long-term
Current accounts				
domestic banks	118,835	-	233,191	-
foreign banks	15,006	-	27,167	-
Demand deposits				-
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Time deposits				-
domestic banks	387,419	-	-	-
foreign banks	-	-		
Restricted deposits				-
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Other deposits				-
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Deposit interest liabilities				-
domestic banks	198	-	-	-
foreign banks	-	-	-	-
Current maturity	-	-	**-**	-
Total deposits from banks	**521,458**	**-**	**260,358**	**-**

34 Deposits (continued)

34.2 Other deposits

	in thousands of denars			
	Current year 2023		Previous year 2022	
	short-term	long-term	short-term	long-term
Non-financial companies				
Current accounts	30,457,139	-	29,139,361	-
Demand deposits	394,361	-	544,314	-
Time deposits	2,482,680	825,971	775,890	467,609
Restricted deposits	512,424	1,215,430	580,392	872,007
Other deposits	-	-	-	-
Interest payable on deposits	17,730	-	9,012	-
	33,864,334	**2,041,401**	**31,048,969**	**1,339,616**
Government				
Current accounts	528,559	-	569,735	-
Demand deposits	2,534	-	2,347	-
Time deposits	35,000	20,000	35,000	-
Restricted deposits	186	-	199	-
Other deposits	-	-	-	-
Interest payable on deposits	440	-	85	-
	566,719	**20,000**	**607,366**	**-**
Non-profit institutions in service of households				
Current accounts	2,578,486	-	2,326,746	-
Demand deposits	471	-	483	-
Time deposits	362,996	191,952	379,622	178,095
Restricted deposits	16,260	2,035	14,055	2,028
Other deposits	-	-	-	-
Interest payable on deposits	3,869	-	994	-
	2,962,082	**193,987**	**2,721,900**	**180,123**
Financial companies, other than banks				
Current accounts	373,221	-	431,292	-
Demand deposits	397	-	419	-
Time deposits	-	419,879	41,500	541,779
Restricted deposits	11,433	13,807	6,217	28,803
Other deposits	-	-	-	-
Interest payable on deposits	4,666	-	2,929	-
	389,717	**433,686**	**482,357**	**570,582**
Households				
Current accounts	42,084,096	-	38,274,502	-
Demand deposits	8,880,744	-	9,767,958	-
Time deposits	28,088,605	19,051,498	30,542,772	14,286,155
Restricted deposits	891,861	1,336,281	1,096,202	791,705
Other deposits	-	-	-	-
Interest payable on deposits	207,222	-	116,101	-
	80,152,528	**20,387,779**	**79,797,535**	**15,077,860**
Non-residents, other than banks				
Current accounts	962,241	-	750,128	-
Demand deposits	1,493	-	1,494	-
Time deposits	70,192	287,478	80,355	244,446
Restricted deposits	206,834	7,560	337,919	7,403
Other deposits	-	-	-	-
Interest payable on deposits	778	-	444	-
	1,241,538	**295,038**	**1,170,340**	**251,849**
Current maturity	5,317,536	(5,317,536)	6,593,390	(6,593,390)
Total other deposits	**124,494,454**	**18,054,355**	**122,421,857**	**10,826,640**

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 2023	Previous year 2022
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 2023		*Previous year 2022*	
	short-term	*long-term*	*short-term*	*long-term*
Banks				
Residents				
Loans payable	*34*	*463,738*	*34*	*176,073*
Repo-transactions	*-*	*-*	*-*	*-*
Interest payables	*192*	*-*	*80*	*-*
Non-residents				
Loans payable	*-*	*409,385*	*-*	*520,110*
Repo-transactions	*-*	*-*	*-*	*-*
Interest payables	*3,112*	*-*	*1,862*	*-*
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	*285,474*	*(285,474)*	*270,512*	*(270,512)*
Total loans payable	***288,812***	***587,649***	***272,488***	***425,671***

36 Borrowings (continued)

B Borrowings according to the creditor

	in thousands of denars			
	Current year 2023		Previous year 2022	
	short-term	long-term	short-term	long-term
domestic sources:				
Development Bank of North Macedonia – DBNM (previously MDBP) – ZKDF	34	34	34	170
DBNM-EIB	135	433,917	80	175,902
DBNM – Digitalization/ Energy Efficiency/ renewable energy sources	57	29,787	-	-
	226	**463,738**	**114**	**176,072**
foreign sources:				
EBRD – TARA (Transfer and Amendment and Restatement Agreement)	687	60,342	917	80,837
EBRD – CSP (SME Competitiveness Support Programme)	94	137,996	93	196,090
EBRD – GEFF (Western Balkans Green Economy Financing Facility)	1	1,928	7	28,640
EBRD – CSP II (SME Competitiveness Support Programme)	11	17,560	38	87,799
EBRD – GEFF II (Western Balkans Green Economy Financing Facility)	647	36,551	579	60,917
EBRD – REBOOT (Sustainable Reboot SME Programme)	642	81,989	228	65,828
EBRD – GEFF III (Western Balkans GEFF III – Repower Residential Programme)	1,030	73,019	-	-
	3,112	**409,385**	**1,862**	**520,111**
Current maturity	285,474	(285,474)	270,512	(270,512)
Total borrowings	**288,812**	**587,649**	**272,488**	**425,671**

36 Borrowings (continued)

B Borrowings according to the creditor (continued)

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%, 1,5%	According to the agreements concluded with DBNM	8 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	3-month EURIBOR + 2 p.p annually, value zero for negative Euribor rate	28.09.2026	Unsecured
EBRD-GEFF	EUR	6-month EURIBOR + 1.85 p. p annually, value zero for negative Euribor rate	30.12.2025	Unsecured
EBRD –CSP II	EUR	3-month EURIBOR + 1.7 p. p annually, value zero for negative Euribor rate	28.03.2024	Unsecured
EBRD-GEFF II	EUR	6-month EURIBOR + 1.7 pp. annually, value zero for negative Euribor rate	10.03.2025	Unsecured
EBRD-REBOOT	EUR	3-month EURIBOR + 1.7 pp. annually, value zero for negative Euribor rate	12.05.2025	Unsecured
EBRD-GEFF III	EUR	6-month EURIBOR + 1.55 p. p annually, value zero for negative Euribor rate	03.04.2025	Unsecured

The Bank has pledged a lien in the form of a notary deed in favour 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 2023 the amount of borrowings for which the Bank has pledged receivables is 103,647 thousands of denars (2022: 175,902 thousands of denars) (see note 22.2)

As at 31 December 2023, the Bank is in compliance with the covenants as per the agreements with the EBRD.

37 Subordinated liabilities

	in thousands of denars	
	Current year 2023	Previous year 2022
Subordinated deposits liabilities		
Interest payables	-	-
Subordinated loans liabilities		
Interest payables	-	-
Subordinated issued debt securities liabilities		
Interest payables	-	-
Redeemable preference shares	-	-
Total subordinated debt	-	-

38 Special reserves and provisions

in thousands of denars	Special reserves for off-balance sheet credit exposures	Provisions for contingent liabilities based on litigations	Provisions for pensions and other employee benefits	Provisions for restructuring	Provisions for unfavourable agreements	Other provisions	**Total**
Balance at January 1, 2022 (previous year)	**301,662**	**-**	**38,973**	**-**	**-**	**-**	**340,635**
Additional provisions during the year	412,099	-	209	-	-	-	412,308
(provisions used during the year)	-	-	(3,493)	-	-	-	(3,493)
(release of provisions during the year)	(299,184)	-	(3,099)	-	-	-	(302,283)
Exchange rate effect	(287)	-	-	-	-	-	(287)
As at 31 December 2022 (previous year)	**414,290**	**-**	**32,590**	**-**	**-**	**-**	**446,880**
Balance at January 1, 2023 (current year)	**414,290**	**-**	**32,590**	**-**	**-**	**-**	**446,880**
Additional provisions during the year	329,970	-	10,283	-	-	-	340,253
(provisions used during the year)	-	-	(4,058)	-	-	-	(4,058)
(release of provisions during the year)	(292,913)	-	(449)	-	-	-	(293,362)
Exchange rate effect	(43)	-	-	-	-	-	(43)
As at 31 December 2023 (current year)	**451,304**	**-**	**38,366**	**-**	**-**	**-**	**489,670**

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 2023 93,03% of total off-balance sheet items in the assets are classified in the risk category A, risk category B participates with 4,08%, and risk categories C, D and E with 2.89%.

39 Other liabilities

	in thousands of denars	
	current year 2023	Previous year 2022
Trade payables	49,557	30,337
Received advances	13,732	5,949
Fee and commission liabilities	17,803	11,401
Accrued expenses	35,316	36,814
Deferred income from previous years	-	-
Short - term liabilities to employees	-	-
Short - term liabilities for employee benefits	538	418
Other:		
(liabilities more than 10% of the total other liabilities)		
Other liabilities on other basis	37,293	64,588
Bank credit card settlement transactions	519,240	278,323
Liabilities to entities in the process of founding a company	13,033	5,868
Delayed payments liabilities based on collections from abroad	207,768	273,488
VAT liabilities	6,596	3,643
Liabilities in foreign currency for establishing legal entities	8,756	9,263
Other liabilities		
(liabilities less than 10% of the total other liabilities)	20,037	16,126
Total other liabilities	**929,669**	**736,218**

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 2023	Previous year 2022	Current year 2023	Previous year 2022	Current year 2023	Previous year 2022
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 2023, 144.236 ordinary shares from the total shareholders' equity of the Bank or 6,33% (as at 31 December 2022, 137,496 ordinary shares i.e., 6.03%) there is limitation of the rights established based on the law and/or Decision or act of the competent body.

As at 31 December 2023 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 13.846 ordinary shares or 0.61% from the total shareholders' equity of the Bank, where KB Publikum - Balanced owns 2,610 ordinary shares, i.e. 0.115% of the total share capital of the Bank and KB Publikum MBI 10 owns 11.236 ordinary shares, i.e. 0.49% of the total share capital of the Bank (as at 31 December 2022 a total of 17,666 ordinary shares or 0.78%, where KB Publikum - Balanced owns 2,610 ordinary shares, i.e. 0.115% 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).

40 Subscribed Capital (continued)

B Dividends

B.1 Announced and paid dividends by the Bank

	in thousands of denars	
	Current year 2023	Previous year 2022
Declared dividends and paid dividends for the year	-	-

	in Denars	
	Current year 2023	Previous year 2022
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 2023	Previous year 2022
Announced dividends after December 31	2,073,951	1,139,534

	in Denars	
	Current year 2023	Previous year 2022
Dividend per ordinary share	910	500
Dividend per preference share	-	-

Draft - Decision on determining the dividend amount and dates of dividend payout for 2023 is passed by the Bank's Supervisory Board. Up to the date of issuance of these financial statements, the dividend is yet to be adopted by the Shareholders' Assembly.

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

	in thousands of denars		*in %*	
	current year 2023	Previous year 2022	Current year 2023	Previous year 2022
Shareholder's name	Subscribed capital (nominal value)	Subscribed capital (nominal value)	voting right	voting right
ADORA INZENERING DOOEL eksport-import	341,700	341,700	14.99 %	14.99 %
Total	**341,700**	**341,700**	**14.99 %**	**14.99 %**

41 Earnings per share

A Basic earnings per share

	in thousands of denars	
	Current year 2023	Previous year 2022
Net - Profit attributable to holders of ordinary shares		
Net profit for the year	3,581,433	2,149,187
(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	**3,581,433**	**2,149,187**

	Number of shares	
	Current year 2023	Previous year 2022
Weighted average number of ordinary shares		
Issued ordinary shares as at 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)	**1,571**	**943**

B Diluted earnings per share

	in thousands of denars	
	Current year 2023	Previous year 2022
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)	3,581,433	2,149,187
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)	**3,581,433**	**2,149,187**

	number of shares	
	Current year 2023	Previous year 2022
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)	**1,571**	**943**

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities

	in thousands of denars	
	Current year 2023	Previous year 2022
Unsecured payment guarantees		
in Denars	1,173,754	807,244
in foreign currency	1,236,572	2,164,235
in Denars with foreign currency clause	269,211	182,329
Unsecured performance guarantees		
in Denars	4,456,528	4,669,366
in foreign currency	79,229	445,477
in Denars with foreign currency clause	1,181,139	1,510,482
Unsecured letter of credit		
in Denars	-	-
in foreign currency	424,060	761,920
in Denars with foreign currency clause	-	-
Unused overdraft on current accounts	2,093,893	1,968,916
Unused credit card limits	1,261,384	1,183,159
Foreclosed liabilities for crediting and unused credit limits	2,453,396	2,560,791
Issued secured guarantees	922,184	876,585
Covered letter of credit	46,907	2,940
Other secured contingent liabilities	1,604,626	2,189,896
Total contingent liabilities before provisions	**17,202,883**	**19,323,340**
(Provisions)	(451,304)	(414,290)
Total contingent liabilities, net of provisions	**16,751,579**	**18,909,050**

As at December 31, 2023, the Bank is conducting 13 court proceedings (2022: 15 court proceedings) in which The Bank is sued by 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 2023 was 127,704 thousands of denars including interest (2022: 402,307 thousands of denars including interest).

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 1,604,626 thousands of denars, and amount of irrevocable (unused irrevocable credit limits) are in the amount of 5,808,673 thousands of denars (2022: 2,189,896 thousands of denars, and the amount of irrevocable is 5,712,866 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 2023	Previous year 2022
List separately the more significant contingent assets:	-	-
Total contingent assets	-	-

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

	in thousands of denars					
	Current year 2023			Previous year 2022		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties						
Denar deposits	44,419	44,419	-	42,994	44,419	(1,425)
Foreign currency deposits	-	-	-	-	-	-
Denar loans	113,983	115,454	(1,471)	153,292	152,354	938
Foreign currency loans	-	-	-	-	-	-
Other Denar receivables	-	80	(80)	-	61	(61)
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	94,473	94,473	-	104,619	101,426	3,193
Other	1,422	3,940	(2,518)	1,721	4,165	(2,444)
Total	**254,297**	**258,365**	**(4,069)**	**302,626**	**302,425**	**201**

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 2023 (current year)						
Assets						
Current accounts	-	-	-	-	-	-
Held-for-trading assets	-	-	-	-	-	-
Loans and receivables						
Mortgage loans	-	-	-	155,673	-	155,673
Consumer loans	-	-	-	34,600	-	34,600
Financial lease receivables	-	-	-	-	-	-
Factoring and forfeiting of receivables	-	-	-	-	-	-
Other loans and receivables	-	620	14	1,115,580	-	1,116,214
Investments in securities	-	50,926	403,904	-	-	454,830
(Impairment provisions)	-	(9)	-	(12,144)	-	(12,153)
Other assets	-	-	-	-	-	-
Total	**-**	**51,537**	**403,918**	**1,293,709**	**-**	**1,749,164**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	33,002	1,429	1,136,117	-	1,170,548
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total	**-**	**33,002**	**1,429**	**1,136,117**	**-**	**1,170,548**

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 2023 (current year)						
Contingent liabilities						
Issued guarantees	-	-	-	89,682	-	89,682
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	296	42,164	-	42,460
(Provisions)	-	-	(3)	(434)	-	(437)
Total	**-**	**-**	**293**	**131,412**	**-**	**131,705**
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 2022 (previous year)						
Assets						
Current accounts	-	-	-	-	-	-
Held-for-trading assets	-	-	-	-	-	-
Loans and receivables	-					
Mortgage loans	-	-	-	100,334	-	**100,334**
Consumer loans	-	-	-	20,653	-	**20,653**
Financial lease receivables	-	-	-	-		**-**
Factoring and forfeiting of receivables	-	-	-	-	-	**-**
Other loans and receivables	-	99	17	1,181,355	-	**1,181,471**
Investments in securities	-	12,738	385,387	-	-	**398,125**
(Impairment provisions)	-	(2)	-	(18,528)	-	**(18,530)**
Other assets	-	-	-	-	-	**-**
Total	**-**	**12,835**	**385,404**	**1,283,814**	**-**	**1,682,053**

44 Related party transactions (continued)

*A Balance sheet (*continued)

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Liabilities						
Trading liabilities	-	-	-	-	-	**-**
Deposits	-	74,280	2,737	1,049,563	-	**1,126,580**
Issued securities	-	-	-	-	-	**-**
Borrowings	-	-	-	-	-	**-**
Subordinated debt	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Total	**-**	**74,280**	**2,737**	**1,049,563**	**-**	**1,126,580**
Contingent liabilities						
Issued guarantees	-	-	-	40,153	-	**40,153**
Issued letters of credit	-	-	-	-	-	**-**
Other contingent liabilities	-	-	292	36,214	-	**36,506**
(Provisions)	-	-	(7)	(390)	-	**(397)**
Total	**-**	**-**	**285**	**75,977**	**-**	**76,262**
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

44 Related parties transactions (continued)

B Income and expenses arising from related party transactions

in thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2023 (current year)						
Income						
Interest Income	-	-	-	59,772	-	59,772
Fee and commission income	-	2,031	266	7,461	-	9,758
Net trading income	-	-	-	-	-	-
Dividend income	-	21,285	-	-	-	21,285
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	1,527	92,549	3,216	-	97,292
Transfers between entities	-	-	-	-	-	-
Total	**-**	**24,843**	**92,815**	**70,449**	**-**	**188,107**
Expense						
Interest expense	-	825	-	14,996	-	15,821
Fee and commission expense	-	-	-	-	-	-
Net trading losses	-	-	-	-	-	-
Expenses for procurement of non-current assets	-	-	-	-	-	-
Impairment provisions of financial assets, on net basis	-	8	(5)	(5,033)	-	(5,030)
Other expenses	-	6	1	2,526	-	2,533
Transfers between entities	-	-	-	-	-	-
Total	**-**	**839**	**(4)**	**12,489**	**-**	**13,324**

44 Related parties transactions (continued)

B Income and expenses 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 2022 (previous year)						
Income						
Interest Income	-	-	-	40,035	-	**40,035**
Fee and commission income	-	729	187	7,036	-	**7,952**
Net trading income	-	-	-	-	-	**-**
Dividend income	-	21,285	-	-	-	**21,285**
Capital gains from sale of non-current assets	-	-	-	-	-	**-**
Other income	-	1,205	75,629	3,002	-	**79,836**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**23,219**	**75,816**	**50,073**	-	**149,108**
Expense						
Interest expense	-	1,028	-	8,814	-	**9,842**
Fee and commission expense	-	-	-	-	-	**-**
Net trading losses	-	-	-	-	-	**-**
Expenses for procurement of non-current assets	-	-	-	-	-	**-**
Impairment provisions of financial assets, on net basis	-	(4)	-	(349)	-	**(353)**
Other expenses	-	-	2	1,650	-	**1,652**
Transfers between entities	-	-	-	-	-	**-**
Total	**-**	**1,024**	**2**	**10,115**	-	**11,141**

44 Related parties transactions (continued)

C Remuneration for the management of the bank

	in thousands of denars	
	Current year 2023	Previous year 2022
Short-term benefits for employees	295,451	237,968
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	15,746	14,928
Total	**311,197**	**252,896**

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 2023 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2022 (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 2023 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2022 (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 2023 (current year)	-	-	-	-	-	-	**-**
As at 31 December 2022 (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 2023 (current year)	-	-	-	-
Total	**-**	**-**	**-**	**-**
As at 31 December 2022 (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 2022 (previous year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2022 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
As at 1 January 2023 (current year)	-	-	-	-	-	-	**-**
Increase	-	-	-	-	-	-	**-**
(disposal and write- off)	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
As at 31 December 2023 (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, 2022 (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, 2022 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at January 1, 2023 (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, 2023(current year)	-	-	-	-	-	-	**-**
Current carrying amount							
at January 1, 2022 (Previous year year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2022 (previous year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At December 31, 2023 (current year)	**-**	**-**	**-**	**-**	**-**	**-**	**-**

45 Leases (continued)

B Lease (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, 2023 (current year)	37,575	4,285	11,524	21,766
Total	**37,575**	**4,285**	**11,524**	**21,766**
Balance at December 31, 2022 (previous year)	45,780	4,285	13,943	27,552
Total	**45,780**	**4,285**	**13,943**	**27,552**

46 Share based payments

	in thousands of denars			
	Current year 2023		Previous year 2022	
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 2023		Previous year 2022	
	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.