

KOMERCIJALNA BANKA AD SKOPJE

Independent Auditors' Report and

Consolidated financial statements

For the year ended 31 December 2022

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Independent Auditor's Report

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

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Report on consolidated financial statements

We have audited the accompanying consolidated financial statements of Komercijalna Banka AD Skopje and its subsidiary ("the Group") which comprise the Consolidated Balance sheet as at 31 December 2022, and the Consolidated Income statement, the Consolidated Statement of Comprehensive income, the Consolidated Statement of changes in equity and reserves and the Consolidated 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 158.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the Republic of North Macedonia¹. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Komercijalna Banka AD Skopje as at 31 December 2022 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.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2021 were audited by another auditor, who expressed unmodified opinion on those consolidated statements on 25 February 2022.

Report on other legal and regulatory matters

The Group's Management is responsible for the preparation of the Annual Report for the Group's operations for 2022 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion whether the Annual Report for the Group's operations is consistent with the historical financial information disclosed in the consolidated annual accounts and the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022, in accordance with auditing standards accepted in the Republic of North Macedonia², 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 Group' operations as at and for the year ended 31 December 2022 are consistent, in all material respects, with the historical financial information disclosed in the annual accounts and the audited consolidated financial statements as at and for the year ended 31 December 2022.

Suzana Stavrikj
Director
Grant Thornton DOO, Skopje

Biljana Mitrevska
Certified Auditor

Skopje, 23 February 2023

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.

CONSOLIDATED INCOME STATEMENT

For the period from 1 January 2022 to 31 December 2022

	Note	<i>In thousands of denars</i>	
		current year 2022	previous year 2021
Interest income		3,416,767	2,803,850
Interest expense		(319,542)	(348,098)
Interest income/(expense), net	6	3,097,225	2,455,752
Fee and commission income		1,909,597	1,649,117
Fee and commission expense		(770,312)	(583,959)
Fee and commission income/(expense), net	7	1,139,285	1,065,158
Net trading income	8	(3,560)	17,942
Net income from other financial instruments at fair value	9	4,566	5,917
Foreign exchange gains/(losses), net	10	336,112	197,401
Other operating income	11	918,921	1,701,629
Share of profit of associates	24	75,587	79,103
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	(994,026)	(934,594)
Impairment losses of non-financial assets, net	13	(9,734)	(4,932)
Personnel expenses	14	(1,095,738)	(1,048,233)
Depreciation and amortization	15	(217,243)	(195,183)
Other operating expenses	16	(912,823)	(806,186)
Share of loss of associates	24	-	-
Profit/(loss) before tax		2,338,572	2,533,774
Income tax expense	17	(166,864)	(205,454)
Profit for the year from continuing operations		2,171,708	2,328,320
Profit/(loss) from group of assets and liabilities held for sale		-	-
Profit/(loss) for the year		2,171,708	2,328,320
Profit/(loss) for the year attributable to*:			
Shareholders of the Bank		2,156,076	2,312,172
Non-controlling interest		15,632	16,148
Earnings per share	41		
basic earnings per share (in Denars)		946	1,015
diluted earnings per share (in Denars)		946	1,015

* only for consolidated financial statements

The accompanying notes are an integral part of these 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period from 1 January 2022 to 31 December 2022

	Note	<i>In thousands of denars</i>	
		Current year 2022	previous year 2021
Profit/(loss) for the year		2,171,708	2,328,320
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		(18,036)	(2,448)
- realized net gains/(losses) from debt assets available for sale, reclassified to profit or loss		-	-
- additional impairment to debt assets available for sale		-	-
- release of impairment to debt assets available for sale		-	-
Revaluation reserve for foreclosed assets on the basis of uncollected receivables		-	-
- revaluation reserve recognized during the year		-	-
- reduction of revaluation reserve, reclassified in to Profit and loss		-	-
Reserve for instruments for hedging net-investment in international operations risk		-	-
- unrealized net-changes in fair value of hedging instruments of Cash flow risk		-	-
- realized net gains/(losses) on hedging instruments of cash flow, reclassified in the Income statement		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations		-	-
Foreign exchange reserve of investment in foreign operations		-	-
Share in other gains/(losses) of associates not recognized in the income statement	24	-	-
Other gains/(losses) not recognized in the income statement		-	-
Income tax on other gains/(losses) which are or might be reclassified to the income statement	17	-	-
Total other gains/ (losses) in the period that are or might be reclassified to the Income Statement		-	-
Total other gains/(losses) in the period		(18,036)	(2,448)
Total comprehensive income for the year		(18,036)	(2,448)
Total comprehensive income for the year, attributable to*:		2,153,672	2,325,872
Shareholders of the Bank			
Non-controlling interest		2,156,076	2,309,724

* only for consolidated financial statements

The accompanying notes are an integral part of these 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

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 Officer

Hari Kostov
 Chief Executive
 Officer

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

CONSOLIDATED BALANCE SHEET**
At 31 December 2022

Note	<i>in thousands of denars</i>			
	Current year 31.12.2022	Previous year 31.12.2021	Previous year *** 01.01.2021	
Assets				
Cash and cash equivalents	18	57,443,900	57,857,098	-
Held-for-trading assets	19	127,387	141,666	-
Financial assets at fair value through profit or loss upon initial recognition	20	354,937	350,371	-
Derivative assets held for risk management	21	-	-	-
Loans and advances to banks	22.1	584,519	3,099,033	-
Loans and advances to other customers	22.2	59,856,354	53,536,121	-
Investments in securities	23	27,114,944	27,757,186	-
Investments in associates (accounted using the "equity method")	24	385,387	348,731	-
Income tax receivable (current)	30.1	983	391	-
Other receivables	25	2,368,784	2,599,727	-
Assets pledged as collateral	26	-	-	-
Foreclosed assets	27	15,976	19,298	-
Intangible assets	28	82,238	86,502	-
Property and equipment	29	2,708,886	2,758,674	-
Deferred tax assets	30.2	-	-	-
Non-current assets held-for-sale and disposal group	31	5,453	-	-
Total assets		151,049,748	148,554,798	-
Liabilities				
Trading liabilities	32	-	2,623	-
Financial liabilities at fair value through profit or loss upon initial recognition	33	-	-	-
Derivative liabilities held for risk management	21	-	-	-
Due to banks	34.1	260,358	341,643	-
Due to other customers	34.2	133,174,137	130,624,153	-
Debt instruments issued	35	-	-	-
Borrowings	36	698,159	713,536	-
Subordinated debt	37	-	-	-
Special reserve and provisions	38	446,880	340,635	-
Income tax payable (current)	30.1	33,554	100,871	-
Deferred tax liabilities	30.2	-	-	-
Other liabilities	39	764,099	1,487,602	-
Liabilities related to disposal group	31	-	-	-
Total liabilities		135,377,187	133,611,063	-
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)	1,069	-
Other reserves		9,898,860	9,227,530	-
Retained earnings/(Accumulated losses)		2,692,347	2,620,623	-
Total equity and reserves, attributable to the shareholders of the Group		15,624,834	14,899,816	-
Non-controlling interest*		47,727	43,919	-
Total equity and reserves		15,672,561	14,943,735	-
Total liabilities and equity and reserves		151,049,748	148,554,798	-
Contingent liabilities	42	18,909,050	21,526,309	-
Contingent assets	42	-	-	-

* only for consolidated financial statements

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

*** this column is filled only if the Group: retrospectively applies accounting policy, makes retrospective correction of prior year errors or makes retrospective reclassification of items in the financial statements.

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

The consolidated financial statements were authorised by the Supervisory Board of the Bank on 22 February 2023.

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
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Ph.D. Maja Stevkova
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Chief Finance Officer

Ilija Iloski
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Chief Executive
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES

For the period from 1 January 2022 to 31 December 2022

	Equity				Revaluation reserves					Other reserves			Retained earnings		(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders	Limited for distribution to shareholders				
<i>In thousands of Denars</i>																		
As at January 1, 2021 (previous year)	2,279,067	771,527	-	-	-	3,517	-	-	-	455,813	-	8,154,107	1,970,417	323,084	-	13,957,532	39,595	13,997,127
Opening balance restatement																		
As at January 1, 2021 (previous year), restated	2,279,067	771,527	-	-	-	3,517	-	-	-	455,813	-	8,154,107	1,970,417	323,084	-	13,957,532	39,595	13,997,127
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	2,312,172	-	-	2,312,172	16,148	2,328,320
Other gains/(losses) during the period																		
Changes in fair value of financial assets available for sale																		
<i>Debt instruments</i>																		
-unrealized changes in fair value (net)	-	-	-	-	-	(2,448)	-	-	-	-	-	-	-	-	-	(2,448)	-	(2,448)
-realized changes in the fair value (net), transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment to debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-release of impairment for debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Equity instruments</i>																		
-unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-realized changes in the fair value (net), transferred to Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)

For the period from 1 January 2022 to 31 December 2022

	Equity				Revaluation reserves				Other reserves			Retained earnings		Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves		
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders				Limited for distribution to shareholders	(Accumulated losses)
<i>In thousands of denars</i>																		
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in fair value of instruments for hedging net-investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Foreign exchange gains/(losses) of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Deferred tax assets/(liabilities) recognized in equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes in the bank's creditworthiness for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other gains/(losses) not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total unrealized gains/(losses) recognized directly in equity	-	-	-	-	-	(2,448)	-	-	-	-	-	-	-	-	-	(2,448)	(2,448)	
Total comprehensive income for the year	-	-	-	-	-	(2,448)	-	-	-	-	-	-	2,312,172	-	-	2,309,724	16,148	2,325,872
Transactions with the shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	617,610	(294,526)	(323,084)	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	(1,367,440)	-	-	-	(1,367,440)	(11,824)	(1,379,264)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specify in detail)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of retained earnings – limited for shareholders' distribution)	-	-	-	-	-	-	-	-	-	-	-	(250,000)	250,000	-	-	-	-	-
Transactions with shareholders, recognized directly in equity and reserves	-	-	-	-	-	-	-	-	-	-	617,610	(1,911,966)	(73,084)	-	-	(1,367,440)	(11,824)	(1,379,264)
As at December 31, 2021 (previous year)/ January 1, 2022 (current year)	2,279,067	771,527	-	-	-	1,069	-	-	-	455,813	-	8,771,717	2,370,623	250,000	-	14,899,816	43,919	14,943,735

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)

For the period from 1 January 2022 to 31 December 2022

	Equity				Revaluation reserves				Other reserves			Retained earnings		Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves		
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders				Limited for distribution to shareholders	(Accumulated losses)
<i>In thousands of Denars</i>																		
As at December 31, 2021 (previous year)/January 1, 2022 (current year)	2,279,067	771,527	-	-	-	1,069	-	-	-	455,813	-	8,771,717	2,370,623	250,000	-	14,899,816	43,919	14,943,735
Opening balance restatement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at January 1, 2022 (current year), restated	2,279,067	771,527	-	-	-	1,069	-	-	-	455,813	-	8,771,717	2,370,623	250,000	-	14,899,816	43,919	14,943,735
Total comprehensive income for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	2,156,076	-	-	2,156,076	15,632	2,171,708
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Debt instruments</i>																		
-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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Equity instruments</i>																		
-unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-realized changes in the fair value (net), transferred to Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of available for sale assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of instruments for hedging cash flow risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)
For the period from 1 January 2022 to 31 December 2022

	Equity				Revaluation reserves				Other reserves			Retained earnings		(Accumulated losses)	Total equity and reserves, attributable to the shareholders of the Bank	Non-controlling interest *	Total equity and reserves	
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Revaluation reserve for foreclosed assets	Revaluation reserve on financial assets available for sale	Reserves for risk mitigation	Foreign exchange reserves on investment in foreign operations	Other revaluation reserves	Statutory reserve	Capital component of hybrid financial instruments	Other reserves	Available for distribution to shareholders					Limited for distribution to shareholders
<i>In thousands of denars</i>																		
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)	-	
Total comprehensive income for the year	-	-	-	-	-	(18,036)	-	-	-	-	-	-	-	-	-	2,138,040	15,632	
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	-	-	-	-	-	-	
Dividends	-	-	-	-	-	-	-	-	-	-	-	(671,330)	-	-	-	-	-	
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,413,022)	-	-	-	(1,413,022)	(11,824)	
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other changes in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
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)	(11,824)	
As at December 31, 2022 (current year)	2,279,067	771,527	-	-	-	(16,967)	-	-	-	455,813	-	9,443,047	2,222,347	470,000	-	15,624,834	47,727	15,672,561

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period from 1 January 2022 to 31 December 2022

Note	<i>in thousands of Denars</i>	
	current year 2022	previous year 2021
Operating cash flows		
Profit/(Loss) before tax	2,338,572	2,533,774
Adjusted for:		
Minority share, included in the consolidated income statement*	(15,632)	(16,148)
Depreciation of:		
Intangible assets	15/28 23,944	19,430
Property and equipment	15/29 193,299	175,753
Capital gain from:		
Sale of intangible assets	11 -	-
Sale of property and equipment	11 (7,551)	(3,031)
Sale of foreclosed assets	11 (151,130)	(444,063)
Capital loss from:		
Sale of intangible assets	16 -	-
Sale of property and equipment	16 -	8,992
Sale of foreclosed assets	16 -	-
Interest income	6 (3,416,767)	(2,803,850)
Interest expense	6 319,542	348,098
Trading income, net	8 1,006	(23,859)
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12	
Additional impairment losses and special reserve	2,977,881	3,326,429
Release of impairment losses and special reserve	(1,983,855)	(2,391,835)
Impairment losses of non-financial assets, net		
Additional impairment losses	13 9,734	4,932
Release of impairment losses	-	-
Provisions		
Additional provisions	38 209	5,532
Release of provisions	38 (3,099)	(470)
Dividend income	11 (2,870)	(1,025)
Share of profit /(loss) of associates	(75,587)	(79,103)
Other adjustments	1,655	4,964
Interest received	3,321,957	2,854,957
Interest paid	(345,882)	(362,075)
<u>Profit from operations before changes in operating assets:</u>	<u>3,185,426</u>	<u>3,157,402</u>
(Increase)/decrease of operating assets:		
Trading assets	13,273	(51,677)
Derivative assets held for risk management	-	-
Loans and advances to banks	2,333,115	(2,182,044)
Loans and advances to other customers	(7,101,644)	(3,229,476)
Assets pledged as collateral	-	-
Foreclosed assets	111,969	125,603
Obligatory deposit in foreign currency	(1,907,029)	(769,920)
Obligatory deposit held with NBRM according to special regulations	-	-
Other receivables	200,266	(372,364)
Deferred tax assets	-	-
Non-current assets held-for-sale and disposal group	31 3,452	-

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the period from 1 January 2022 to 31 December 2022

Note	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Increase/(decrease) in operating liabilities:		
Trading liabilities	(2,623)	(3,045)
Derivative liabilities held for risk management	-	-
Due to banks	(81,008)	155,360
Due to other customers	2,576,549	14,145,659
Other liabilities	(723,503)	444,217
Liabilities directly related to group or assets for disposal	-	-
<u>Net cash flow from operating activities before taxation</u>	<u>(1,391,757)</u>	<u>11,419,715</u>
(Paid)/received income tax	(234,773)	(108,118)
<u>Net cash flow from operating activities</u>	<u>(1,626,530)</u>	<u>11,311,597</u>
Cash flow from investing activities		
(Investments in securities)	(7,948,094)	(13,539,518)
Inflows from sale of investment in securities	8,629,963	10,906,358
(Outflows from investment in subsidiaries and associates)	-	-
Inflows from disposal of investment in subsidiaries and associates	-	-
(Purchase of intangible assets)	(19,680)	(34,371)
Inflows from sale of intangible assets	-	-
(Purchase of property and equipment)	(152,457)	(208,571)
Inflows from sale of property and equipment	7,592	36,942
(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	41,800	56,214
<u>Net cash flow from investing activities</u>	<u>559,124</u>	<u>(2,782,946)</u>
Cash flow from financing activities		
(Repayment of debt securities issued)	-	-
Issued debt securities	-	-
(Repayment of borrowings)	(527,089)	(159,385)
Increase of borrowings	511,712	296,876
(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)	(1,417,692)	(1,372,110)
(Other financing outflows)	-	-
Other financing inflows from financing	-	-
<u>Net cash flow from financing activities</u>	<u>(1,433,069)</u>	<u>(1,234,619)</u>
Effect from allowance for impairment of cash and cash equivalents	18 (123)	141
Effect from foreign exchange differences of cash and cash equivalents	-	-
<u>Net increase/(decrease) of cash and cash equivalents</u>	<u>(2,500,598)</u>	<u>7,294,173</u>
Cash and cash equivalents as of January, 1	50,656,476	43,362,303
Cash and cash equivalents as of December, 31	18 48,155,878	50,656,476

*only for consolidated financial statements

The accompanying notes are an integral part of these consolidated 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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 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

Note**Introduction****1. Classification of financial assets and financial liabilities****2. Risk management**

- 2.1. Credit risk
- 2.2. Liquidity risk
- 2.3. Market risk
 - 2.3.1. Sensitivity analysis of assets and liabilities on the change in market risk
 - 2.3.2. Sensitivity analysis of changes in interest rates of financial assets and liabilities (excluding trading assets)
 - 2.3.3. Currency risk
 - 2.3.4. Other market risks
- 2.4. Operational risk

3. Capital adequacy**4. Segmented Reporting****5. Fair value of financial assets and liabilities****Income statement**

- 6. Interest income/ (expense), net
- 7. Fee and commission income/ (expense), net
- 8. Net Trading income
- 9. Net income from other financial instruments at fair value
- 10. Foreign exchange gains/ (losses), net
- 11. Other operating income
- 12. Impairment losses of financial assets and special reserve for off-balance sheet exposures, net
- 13. Impairment losses of non-financial assets, net
- 14. Personnel expenses
- 15. Depreciation and amortization
- 16. Other operating expenses
- 17. Income tax

Balance Sheet**Assets**

- 18. Cash and cash equivalents
- 19. Held-for-trading assets
- 20. Financial assets at fair value through profit or loss upon initial recognition
- 21. Derivative assets held for risk management
- 22.1. Loans and advances to banks
- 22.2. Loans and advances to other customers
- 23. Investments in securities
- 24. Investments in associates
- 25. Other receivables
- 26. Assets pledged as collateral
- 27. Foreclosed assets
- 28. Intangible assets
- 29. Property and equipment
- 30. Current and deferred income tax assets and liabilities
- 31. Non-current assets held-for-sale and disposal group

Liabilities, equity and reserves

- 32. Trading liabilities
- 33. Financial liabilities at fair value through profit or loss upon initial recognition
- 21. Derivative liabilities held for risk management
- 34.1. Due to banks
- 34.2. Due to other customers
- 35. Debt instruments issued
- 36. Borrowings
- 37. Subordinated debt
- 38. Special reserve and provisions
- 30. Deferred tax liabilities
- 39. Other liabilities
- 31. Liabilities related to disposal group
- 40. Subscribed capital

Other disclosures

- 41. Earnings per share
- 42. Contingent liabilities and contingent assets
- 43. Operations on behalf and for account of third parties/commission operations
- 44. Related party transactions
- 45. Leases
- 46. Share based payments
- 47. The Group's subsidiaries
- 48. Subsequent events

Introduction**a) General Information**

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

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

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

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

<u>Code</u>	<u>ISIN code</u>
KMB (common share)	MKKMBS101019

KB Publikum Invest AD Skopje is licensed to establish and manage open and closed investment funds. The company manages six open investment funds, KB Publikum – balanced, KB Publikum – bonds, KB Publikum – cash, KB Publikum – MBI 10, KB Publikum – shares and KB Publikum – golden fund. These funds do not have a status of legal entities and do not perform specific activities.

The consolidated financial statements of the Group for the year ending 31 December 2022 were authorised for issue by the Supervisory Board on 22 February 2023.

Introduction (continued)**b) Basis of Preparation of the Financial Statements****Accounting Standards**

Financial statements of the Group 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, 64/18,120/18 and “Official Gazette of the Republic of North Macedonia“ no. 290/20, 215/21, 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 and “Official Gazette of the Republic of North Macedonia” no.101/19 and 122/21), law regulation prescribed by The National Bank of the Republic of North Macedonia (hereinafter “NBRNM”), the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial statements (further referred to as “the Methodology”) (“Official Gazette of the Republic of Macedonia“ no. 83/17) and the Decision on the types and content of the financial statements of banks and notes to the financial statements (“Official Gazette of the Republic of Macedonia“ no. 83/17 and 149/18), issued by the NBRNM.

Standards in Issue not yet adopted

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

Presentation of Financial Statements

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

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

The Group’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 Groups 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 Group’s management, which affects the presented values of assets and liabilities, and the revenues and expenses in the reporting period. These estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for estimation of the carrying amounts of assets and liabilities for which no other data is available. Actual results in subsequent period may differ from these estimates.

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

The consolidated 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 Group'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.

Basis of consolidation**i) Business combinations**

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

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

ii) Non-controlling interests

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

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

iii) Subsidiaries

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

iv) Loss of control

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

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Basis of consolidation (continued)****v) Equity-accounted investees**

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

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

vi) Transactions eliminated on consolidation

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

Interest Income and Expense

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

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

Fee and Commission Income

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

Dividend Income

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

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 2022 and 2021 for euro (EUR) and American dollar (USD) are as follows:

	2022	2021
	MKD	MKD
1 EUR	61,4932	61.6270
1 USD	57,6535	54.3736

Financial assets and financial liabilities

(i) Recognition and initial measurement

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

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

(ii) Classification

Financial assets

A financial asset is the asset that is:

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

Financial assets can be classified in one the following categories:

- financial assets measured at amortized cost,
- financial assets measured at fair value through other comprehensive income, and
- financial assets measured at fair value through profit or loss.

The Group classifies the financial assets at initial recognition.

The classification of financial assets is based on the following 2 criteria:

- belonging to the financial asset in an appropriate business model for managing financial assets of the Group, and
- characteristics of the contractual cash flows of the financial asset (fulfilment of the SPPI requirement).

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****(ii) Classification (continued)****Determining the business model of the Group**

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

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

The assessment of the business model is carried out by the Group'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 Group'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 Group'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 Group for which the reason for it should be documented, the conditions in the environment, the amount, frequencies, etc.).

Business model - "Hold to collect and sell"

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)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****(ii) Classification (continued)****Business model - fair value through profit or loss**

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

The purpose of this business model is the Group to manage the financial assets through active trading, dependent on market conditions, dependent on the level of liquidity of the securities, in order to profit from the changes in the fair value of the assets. The Group manages these assets in order to realize their market / fair value and the decisions when managing them are based on their market / fair value.

FVPL is other, so-called residual category in which financial instruments may be included if they do not belong in the business models "hold to collect" or "hold to collect and sell".

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

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

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

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

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

In the event of a change in the contractual cash flows of an existing financial asset, the Group on the date of the modification will evaluate / verify whether the condition of the SPPI is met with the new modified contractual terms.

Accordingly, the results obtained will determine whether the financial asset will continue to be classified and measured at amortized cost (if the SPPI condition is met again) or it will be determined that in the course of its future life time, the financial asset will have to be measured at fair value (if the SPPI condition is not met).

The financial assets are generally divided into:

- Debt financial assets, and
- Equity financial assets.

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Debt financial assets

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

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

Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

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

The Group owns these financial assets for the purpose of trading and realizing profit from changes in the fair value of the asset.

The financial assets included in this category are measured at fair value.

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

Other equity instruments

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

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

(iii) Derecognition

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

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

(iv) Modification of financial assets and liabilities**Financial assets**

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

The Group recognizes the difference between the new carrying amount of the modified asset and the carrying amount of the asset before the change in contractual cash flows as gain or loss from the change in the profit or loss in the accounting records as interest income/expense, as well as in the balance sheet on the accounts for accumulated depreciation.

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial assets and financial liabilities (continued)****(iv) Modification of financial assets and liabilities (continued)**

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

Financial liabilities

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

(v) Offsetting

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

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

(vi) Fair value measurement

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

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

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

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

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

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Cash and Cash Equivalents**

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

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

Held-for-trading Financial Assets

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

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

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

At initial recognition, any financial asset can be designated as a financial asset at fair value through profit or loss, except for unquoted equity instruments and those financial instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

In this category, the Group records the investments in shares in open investment funds and initially recognizes and subsequently measures them according to their fair value. All related realized and unrealized gains and losses are included in net trading income.

Introduction (continued)**Financial Assets available-for-sale**

Financial assets available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or share prices. This portfolio comprises of equity securities issued by financial institutions and enterprises, where the Group does not exercise control, as well as debt securities issued by the Republic of North Macedonia. Financial assets available for sale include 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 time of derecognition of debt financial assets available-for-sale, cumulative gains / losses previously recognized in revaluation reserves are derecognised from equity, and net gains or losses are recognized in the income statement in the item "Other operating income / Other operating expenses". Income based on interest, dividend, and foreign exchange gains and losses on available-for-sale financial assets are recognized in the income statement for the current period.

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial Assets held-to-maturity**

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

Loans and Receivables

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

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

Impairment of Financial Assets

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

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

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in the income statement and reflected in an allowance account against loans and receivables.

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

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in equity to profit or loss. The cumulative loss that is removed from the equity and recognised in profit or loss is the difference between the costs, less any impairment loss previously recognised in the income statement. Changes in the allowance account which are result of the time value of money are recognised as part of interest income.

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Allowances for impairment on Loans and Receivables

A provision for loan impairment is reported as a reduction of the carrying amount of the loan, whereas for off-balance sheet items are presented within the provisions. Additions to provisions are made through impairment losses on financial assets in the income statement.

The allowances for impairment and un-collectability of loans and any other on and off-balance items are determined according to the regulation of the NBRNM ruling on each balance sheet date, according to which the Group is liable to classify the assets and off-balance sheet items in groups, according to their specific level of risk and to estimate the outcome of potential losses which are calculated by applying objective and subjective metrics, as of December 31, 2022 and December 31, 2021 by applying the following percentages:

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

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

- Separate loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals. Allowances for losses on impairment and un-collectability are measured and determined for the difference between the carrying amount of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows;
- Losses on impairment and un-collectability is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing since the contractual liabilities for payment of the principal and/or interest are in default, i.e. uncollected for a period longer than 90 days. 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;
- 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 Group presents the Credit Risk Groups (Group 1, 2, 3) from the Methodology for recording and valuation of accounting items and for the preparation of financial statements from the Decision on the methodology for interest risk management in the following manner:

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

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Financial Liabilities**

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

Deposits from Banks and Other Financial Institutions and Customers

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

Borrowings

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

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:

	2022	2021
Buildings	40 years	40 years
Furniture and equipment	4-20 years	4-20 years
Vehicles	5 years	5 years

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

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

Intangible Assets

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

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

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

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Non-current assets held for sale and disposal group**

Non-current assets held for sale are assets that the Group holds with the intention of disposing of them. The Group 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 Group measures non-current assets held for sale at the lower of their carrying amount and fair value. The Group 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 Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the net value of an asset or a cash generating unit, to which the asset belongs, exceeds its recoverable amount. For asset that does not generate a large amount of independent cash flows, the recoverable amount is determined for cash-generating units to which the asset is allocated.

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

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.

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Foreclosed assets**

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

At the date of the assets initial recognition, the Group is obliged in accordance to the Decision on accounting and regulatory treatment of foreclosed assets (Official Gazette of RM No. 50/13 and No. 26/17) to reduce the value of the foreclosed asset in the balance sheet by at least 20% of the initial recognized value.

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

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

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

Managed funds for and on behalf of third parties

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

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.

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Provisions**

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

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

Employee benefits**(i) Defined contribution plans**

The Group contributes to its employees' post retirement plans as prescribed by the Macedonian legislation. Contributions, based on salaries, are made to the national organisations responsible for the payment of pensions. There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due. In addition to pension contributions the Group also pays contributions for: health insurance, professional additional contribution, contribution for employment in case of unemployment, contribution for past work with increased term. The Group does not have additional liabilities related to these plans.

(ii) Short-term benefits

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

(iii) Other long-term employee benefits

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

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

Other liabilities

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

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

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Equity and reserves**

The equity is comprised of:

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

Revaluation reserves

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

Statutory reserves

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

Other reserves

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

Earnings per share

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

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

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

Introduction (continued)**c) Summary of Significant Accounting Policies (continued)****Earnings per share (continued)**

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

Income tax

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

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

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

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

Leases

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

Related parties

Related parties include KB Prvo Penzisko Drushtvo AD Skopje as "Associated Company", 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. 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).

Introduction (continued)**d) Critical Accounting Judgments and Estimates**

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

Fair Value of Financial Instruments

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

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

Fair Value of Financial Instruments (continued)

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

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

Allowance for Impairment of Loans

The Group 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 Group 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 Group

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

Assessment of control of investments

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

Introduction (continued)**Investment funds**

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

e) Changes in the Accounting Policies

For the year ended 31 December 2022 there we no changes in the accounting policies, accounting estimates and correction of errors.

f) Compliance with Law Regulations

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

1. Classification of financial assets and financial liabilities

A. Classification of financial assets and financial liabilities

	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		
<i>in thousands of denars</i>						
2022 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	57,443,900	57,443,900
Held-for-trading assets	127,387	-	-	-	-	127,387
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	64,983	23,534,163	27,114,944
Other receivables	-	-	-	-	2,308,970	2,308,970
Total financial assets	127,387	354,937	3,515,798	64,983	143,727,906	147,791,011
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	-	-	-	-	133,174,137	133,174,137
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	698,159	698,159
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	760,038	760,038
Total financial liabilities	-	-	-	-	134,892,692	134,892,692

1. Classification of financial assets and financial liabilities (continued)

A. Classification of financial assets and financial liabilities (continued)

	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		
<i>in thousands of denars</i>						
2021 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	57,857,098	57,857,098
Held-for-trading assets	141,666	-	-	-	-	141,666
Financial assets at fair value through profit or loss upon initial recognition	-	350,371	-	-	-	350,371
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	3,099,033	3,099,033
Loans and advances to other customers	-	-	-	-	53,536,121	53,536,121
Investments in securities	-	-	4,988,407	64,956	22,703,823	27,757,186
Other receivables	-	-	-	-	2,541,204	2,541,204
Total financial assets	141,666	350,371	4,988,407	64,956	139,737,279	145,282,679
Financial liabilities						
Trading liabilities	2,623	-	-	-	-	2,623
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	341,643	341,643
Deposits from other customers	-	-	-	-	130,624,153	130,624,153
Debt instruments issued	-	-	-	-	-	-
Borrowings	-	-	-	-	713,536	713,536
Subordinated debt and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,425,350	1,425,350
Total financial liabilities	2,623	-	-	-	133,104,682	133,107,305

2. Risk Management

During 2022, the global uncertainty caused by the pandemic and the risks associated with it were still present. In addition, the military escalation between Russia and Ukraine and the sanctions imposed on Russia have affected the deterioration of the global economic environment, reduction of the dynamics of economic growth, strong growth in the prices of primary products, intensification of the energy crisis and difficult supply channels.

In the context of such circumstances, measures were taken by the National Bank to tighten the monetary policy in order to stabilize price growth, to prevent a further decrease in the purchasing power of the population and to enable greater predictability when making business decisions among economic subjects.

In such conditions, the Group carefully monitored the situation and promptly took actions in the direction of adequate risk management.

In such conditions, the Group carefully monitored the situation and promptly took actions in the direction of adequate risk management.

The Group'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 Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

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

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

2.1 Credit Risk

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

2.1.1 Credit Risk Management

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

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

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

2. Risk Management (continued)**2.1 Credit Risk (continued)****2.1.1 Credit Risk Management (continued)**

Credit risk management at the business unit level in the Group includes every Division where credit risk is undertaken, as well as the persons with special rights and responsibilities that perform the management function in the respective division. The duties of these organizational units of the Group are regulated by the appropriate Policies adopted from the Group's Supervisory Board. A special organizational unit in the Group competent for credit risk management is the Risk Management and Planning Division – Credit Risk Management Department.

2.1.2 Control of risk exposure limits and risk protection policies

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

Initially, when approving loans and loan commitments, different Credit Committees assess the creditworthiness of the clients depending on the type and size of the exposure based on defined criteria. The Group 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 Group expects to collect through foreclosure of the property, and the property meets the criteria as defined in the Decision on credit risk management, the Group takes into consideration the value of the property in determining the present value of the expected future cash flows from those exposures. Collateral is divided into two types: first class, providing high liquidity which is considered 100% when calculating net realizable value and other collateral.

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 Groups 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. Risk Management (continued)**2.1 Credit Risk (continued)****2.1.3 Policies for calculation of allowance for impairment / Special Reserve**

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

According to the Group'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 on the basis of the assessment (score), based on certain parameters, including the creditworthiness of the client, orderly settlement of obligations and the quality of collateral.

The Group has established a Credit Risk Management Policy and Policy and procedures for impairment of credit risk exposure, adopted by the Group's Supervisory Board, as well as Procedures for identifying, assessing, measuring, monitoring and controlling credit risk adopted by The Management Board of the Group, 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.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
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	
	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021
<i>in thousands of Denars</i>																		
Exposure to credit risk, classified in Group 1																		
Carrying value before impairment loss/ special reserve	584,646	3,099,376	51,976,672	45,575,424	3,515,798	4,988,407	23,474,969	22,703,885	51,310,820	50,817,709	7,324	5,874	758,861	1,163,935	15,018,774	16,869,427	146,647,864	145,224,038
(Impairment loss and special reserve)	(70)	(322)	(484,425)	(435,599)	-	-	(2,249)	(62)	(1,342)	(1,193)	(127)	(92)	(1,109)	(1,113)	(72,093)	(87,298)	(561,415)	(525,680)
Carrying value less impairment loss/ special reserve	584,576	3,099,054	51,492,247	45,139,825	3,515,798	4,988,407	23,472,720	22,703,823	51,309,478	50,816,516	7,197	5,782	757,752	1,162,822	14,946,681	16,782,129	146,086,449	144,698,358
Exposure to credit risk, classified in Group 2																		
Carrying value before impairment loss/ special reserve	-	-	10,243,676	9,728,374	-	-	5,254	-	-	-	2,125	861	182	661	964,860	1,189,662	11,216,097	10,919,558
(Impairment loss and special reserve)	-	-	(2,022,512)	(1,677,993)	-	-	(552)	-	-	-	(321)	(122)	(22)	(114)	(110,760)	(121,965)	(2,134,166)	(1,800,194)
Carrying value less impairment loss/ special reserve	-	-	8,221,164	8,050,381	-	-	4,702	-	-	-	1,804	738	160	548	854,100	1,067,697	9,081,930	9,119,364

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.A Analysis of total exposure to credit risk (continued)

	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total		
	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	
<i>in thousands of Denars</i>																			
Exposure to credit risk, classified in Group 3																			
Carrying value before impairment loss/special reserve	-	-	1,466,285	1,558,127	-	-	-	-	-	-	6,639	5,242	15,467	7,427	270,285	182,710	1,758,676	1,753,506	
(Impairment loss and special reserve)	-	-	(1,091,973)	(990,945)	-	-	-	-	-	-	(5,341)	(4,236)	(13,499)	(6,537)	(231,437)	(92,398)	(1,342,251)	(1,094,117)	
Carrying value less impairment loss/special reserve																			
Total carrying value of receivables with credit risk before impairment loss/special reserve	-	-	374,312	567,182	-	-	-	-	-	-	1,298	1,005	1,968	890	38,848	90,312	416,426	659,389	
Total carrying value of receivables with credit risk less 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	774,510	1,172,023	16,253,920	18,241,800	159,622,637	157,897,102	
(Total Impairment loss and special reserve)	(70)	(322)	(3,598,909)	(3,104,537)	-	-	(2,800)	(62)	(1,342)	(1,193)	(5,789)	(4,450)	(14,630)	(7,764)	(414,290)	(301,662)	(4,037,832)	(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	23,477,423	22,703,823	51,309,478	50,816,516	10,299	7,527	759,881	1,164,259	15,839,630	17,940,138	155,584,805	154,477,111	

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KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

2. Risk Management (continued)

2.1 Credit Risk (continued)

2.1.B Value of Collateral (Fair Value) for Mitigating of 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		Other receivables		Off balance sheet exposures		Total	
	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021
<i>in thousands of denars</i>																
<i>Value of collateral of credit exposure, individually assessed for impairment</i>																
First-class collateral instruments																
cash deposits (in depot and/or restricted in accounts held with the Bank)	-	-	1,465,055	1,446,839	-	-	-	-	-	-	83,784	81,845	189,179	200,126	1,738,018	1,728,810
government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	-	-	-	-	-	-	-	12	-	143,384	236,148	143,396	236,148
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (excluding bank guarantees and guarantees from insurance companies)	-	-	1,574,467	1,663,490	-	-	-	-	-	-	-	-	417,913	333,224	1,992,380	1,996,715
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on real estate property for private use (flats, houses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
business facility	-	-	22,435,063	19,287,734	-	-	-	-	-	-	355	444	1,212,978	1,310,396	23,648,396	20,598,574
Pledge over movables	-	-	43,449,443	41,958,292	-	-	-	-	-	-	11,300	14,462	8,090,679	10,515,98	51,551,421	52,488,737
Other types of collateral	-	-	16,798,638	16,435,517	-	-	-	-	-	-	775	25,556	2,688,512	3,596,229	19,487,928	20,057,302
	-	-	6,237,296	4,985,016	-	-	-	-	-	-	2	-	249,563	475,960	6,486,861	5,460,976
Total value of collateral of credit exposure, individually assessed for impairment	-	-	91,959,962	85,776,888	-	-	-	-	-	-	96,228	122,307	12,992,208	16,668,067	105,048,398	102,567,262

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.C Concentration of Credit Risk by Industry

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 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021
Industry																		
Non-residents	-	-	259,457	361,283	-	-	582,748	-	-	-	591	26	-	-	-	1,687,383	842,796	2,048,692
Agriculture, forestry and fishing	-	-	817,134	837,521	-	-	-	-	-	-	41	48	3	-	22,415	17,572	839,593	855,141
Ore and stone extraction	-	-	1,354,673	1,746,641	-	-	-	-	-	-	13	12	-	-	233,710	40,866	1,588,396	1,787,520
Processing industry	-	-	3,526,177	3,102,921	-	-	-	-	-	-	69	99	24	25	174,394	177,890	3,700,664	3,280,935
Wholesale and retail industry for clothing and footwear	-	-	863,955	858,135	-	-	-	-	-	-	60	97	220	17	341,830	314,888	1,206,065	1,173,137
Chemical industry, construction material production, fuel production and processing, pharmaceutical industry	-	-	1,744,964	1,593,933	-	-	-	-	-	-	77	80	4	-	427,116	300,106	2,172,161	1,894,119
Production of metals, machines, tools and equipment	-	-	3,762,377	3,374,413	-	-	-	-	-	-	87	74	51	-	1,579,557	883,720	5,342,072	4,258,206
Other processing industry	-	-	1,138,401	467,971	-	-	-	-	-	-	28	23	27	13	36,695	35,214	1,175,151	503,220
Electricity supply, gas, steam and air conditioning	-	-	2,293,081	1,795,216	-	-	-	-	-	-	338	186	135,499	135,499	773,844	995,671	3,202,762	2,926,571
Water supply, disposal of wastewater, waste management and remediation activities on the environment	-	-	305,556	329,927	-	-	-	-	-	-	50	75	5,063	2,512	12,452	17,461	323,121	349,975
Construction	-	-	4,278,686	3,134,239	-	-	-	-	-	-	492	292	1,093	553	2,921,483	3,084,370	7,201,754	6,219,454

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.C Concentration of Credit Risk by Industry (continued)

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	6,331,430	6,016,055	-	-	-	-	-	-	877	1,022	1,278	1,094	4,201,641	4,769,716	10,535,226	10,787,887
Transport and warehousing	-	-	752,150	1,330,673	-	-	-	-	-	-	123	146	109	136	359,122	583,048	1,111,504	1,914,003
Accommodation facilities and food service industry	-	-	1,195,431	961,945	-	-	-	-	-	-	157	69	220	178	21,667	29,481	1,217,475	991,673
Information and communications	-	-	324,903	338,565	-	-	-	-	-	-	223	138	253	184	105,660	117,679	431,039	456,567
Finance and insurance activities	584,575	3,099,054	73,273	60,362	-	-	226,806	619,778	51,309,477	50,816,516	3,642	2,533	22,587	22,483	48,574	194,602	52,268,934	54,815,329
Activities related to real estate, renting and business activities	-	-	4,738,344	4,144,433	-	-	-	-	-	-	6	2	16	78	321,231	511,884	5,059,597	4,656,397
Professional, scientific and technical activities	-	-	844,737	789,789	-	-	-	-	-	-	121	63	169	88	86,895	98,191	931,922	888,131
Administrative and utility services	-	-	230,976	231,847	-	-	-	-	-	-	126	51	1,461	1,181	368,938	363,000	601,501	596,079
Public administration and defense; mandatory social security	-	-	1,711,914	1,860,058	3,515,798	4,988,407	22,667,869	22,084,045	-	-	361	462	290	339	432,316	408,115	28,328,548	29,341,426
Education	-	-	418,136	478,917	-	-	-	-	-	-	6	4	52	28	25,085	32,012	443,279	510,961
Health care and social work	-	-	1,667,973	1,304,316	-	-	-	-	-	-	146	123	48	22	41,887	72,967	1,710,054	1,377,428
Art, entertainment and recreation	-	-	303,127	240,409	-	-	-	-	-	-	81	45	36	20	193,856	153,846	497,100	394,320
Other service activities	-	-	271,648	94,026	-	-	-	-	-	-	37	39	315	286	3,902	4,060	275,902	98,411

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Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.C Concentration of credit risk by industry (continued)

in thousands of denars	Loans and advances to banks		Loans and advances to other customers		Investment in financial assets available-for-sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off balance sheet exposures		Total	
	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021
Private households as employers, household activities that produce goods and perform a diverse range of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exterritorial organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individuals	-	-	20,772,445	18,237,360	-	-	-	-	-	-	2,492	1,760	591,017	998,608	3,099,028	3,040,111	24,464,982	22,277,838
Individual merchants and individuals not regarded as merchants	-	-	106,775	66,433	-	-	-	-	-	-	52	57	47	916	6,333	6,284	113,207	73,690
Total	584,575	3,099,054	60,087,723	53,757,387	3,515,798	4,988,407	23,477,423	22,703,823	51,309,477	50,816,516	10,296	7,526	759,882	1,164,260	15,839,631	17,940,138	155,584,805	154,477,111

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.1 Credit Risk (continued)
2.1.D Concentration of Credit Risk by Geographic Location

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 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	current year 2022	previous year 2021	
Geographic location																			
Republic of Macedonia	83,542	520	59,828,265	53,396,104	3,515,798	4,988,407	22,672,571	22,084,045	39,265,132	40,228,374	9,200	6,937	759,881	1,164,260	15,806,903	16,162,946	141,941,292	138,031,593	
EU member countries	7,349	2,603,965	259,457	361,283	-	-	804,852	619,778	7,929,363	5,346,906	989	442	-	-	20,358	6,613	9,022,368	8,938,989	
Europe (other)	30,933	30,810	-	-	-	-	-	-	3,627,881	2,724,881	25	77	-	-	941	1,754,819	3,659,780	4,510,588	
OECD member countries (without European OECD member countries)	462,752	463,758	-	-	-	-	-	-	408,516	2,443,616	82	70	-	-	11,427	15,760	882,777	2,923,203	
Other	-	-	-	-	-	-	-	-	78,585	72,738	3	-	-	-	-	-	78,588	72,738	
(the exposure that represents more than 10% of total credit exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	584,576	3,099,054	60,087,722	53,757,387	3,515,798	4,988,407	23,477,423	22,703,823	51,309,477	50,816,515	10,299	7,526	759,881	1,164,260	15,839,629	17,940,138	155,584,805	154,477,111	

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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 91.23% as of December 31, 2022 (2021: 89.35%). Exposure to debtors located in EU member amounts to 5.80% as of December 31, 2022 (2021: 5.79%). Exposure to debtors located in Other European countries and OECD countries amounts to 2.97% of the total credit exposure of the Bank as of December 31, 2022 (2021: 4.86%).

2. Risk Management (continued)**2.2. Liquidity Risk**

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

Process of Liquidity Risk Management

Liquidity risk management involves management of assets and liabilities in a way that enables 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 Group's own funds. The purpose of managing this risk is to maximize stability and profitability, by implementing optimal combination of maturity and foreign currency structure of assets and liabilities.

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

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

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

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

The Group's management monitors the balances of the current accounts and deposits on a daily basis. The management, based on their experience, determines the critical days that affect the 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 Group makes decision regarding the appropriate use of funds.

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

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

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Process of Liquidity Risk Management (continued)

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

Maturity analysis of financial assets and liabilities (including both balance sheet and off-balance items) as at December 31, 2022 and 2021 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, 2022 and as at December 31, 2021. 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 Group 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.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.2. Liquidity Risk (continued)
Maturity Analysis of Financial Assets and Liabilities (Residual Maturity)

<i>in thousands of denars</i>	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 (current year)							
Financial assets							
Cash and cash equivalents	46,753,930	1,837,941	-	8,853,373	-	-	57,445,244
Held-for-trading assets	127,387	-	-	-	-	-	127,387
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	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	995,892	11,179,145	917,861	7,374,095	6,350,994	27,117,744
Investments in associates	-	-	-	-	-	385,387	385,387
Income tax receivable (current)	-	984	-	-	-	-	984
Other receivables	2,161,738	52	31,510	136,185	-	-	2,329,485
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	51,214,016	6,693,013	26,956,441	18,463,950	25,324,535	23,261,628	151,913,583
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	89,418,632	9,570,760	23,389,204	6,904,015	3,742,760	148,765	133,174,136
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	22,444	45,997	204,048	190,169	193,654	47,222	703,534
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	33,555	-	-	-	-	-	33,555
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	741,874	7,527	5,092	5,638	-	-	760,131
Total financial liabilities	90,476,863	9,624,284	23,598,344	7,099,822	3,936,414	195,987	134,931,714
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	(48,014,110)	(3,903,270)	(1,740,375)	8,430,220	21,300,781	23,065,641	(861,113)

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.2. Liquidity Risk (continued)
Maturity Analysis of Financial Assets and Liabilities (Residual Maturity) (continued)

<i>in thousands of denars</i>	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
2021 (previous year)							
Financial assets							
Cash and cash equivalents	49,695,217	1,785,554	-	6,377,520	-	-	57,858,291
Held-for-trading assets	141,666	-	-	-	-	-	141,666
Financial assets at fair value through profit and loss upon initial recognition	-	-	-	-	-	350,371	350,371
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	2,080	818,357	1,629,765	185,366	-	463,805	3,099,373
Loans and advances to other customers	1,450,679	2,668,325	14,272,482	7,326,615	16,323,680	14,712,676	56,754,457
Investments in securities	456,297	499,907	7,565,856	5,425,788	7,482,095	6,327,304	27,757,247
Investments in associates	-	-	-	-	-	348,731	348,731
Income tax receivable (current)	-	391	-	-	-	-	391
Other receivables	2,393,635	1,281	21,988	136,645	-	-	2,553,549
Assets pledged as collateral	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	54,139,574	5,773,815	23,490,091	19,451,934	23,805,775	22,202,887	148,864,076
Financial liabilities							
Trading liabilities	2,623	-	-	-	-	-	2,623
Financial liabilities at fair value through profit and loss upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	286,993	54,583	67	-	-	-	341,643
Deposits from other customers	85,916,347	9,681,642	24,250,353	6,662,044	3,992,655	121,112	130,624,153
Debt instruments issued	-	-	-	-	-	-	-
Borrowings	24,201	26,591	161,451	197,669	277,501	31,060	718,473
Subordinated debt	-	-	-	-	-	-	-
Income tax payable (current)	100,751	120	-	-	-	-	100,871
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	1,413,571	2,435	3,832	5,507	-	-	1,425,345
Total financial liabilities	87,744,486	9,765,371	24,415,703	6,865,220	4,270,156	152,172	133,213,108
Off balance sheet items							
Off balance sheet assets	52,641	228,220	184,628	108,370	124,610	2,157	700,626
Off balance sheet liabilities	9,342,347	1,163,428	7,344,687	2,669,471	264,746	-	20,784,679
Liquidity gap	(42,894,618)	(4,926,764)	(8,085,671)	10,025,613	19,395,483	22,052,872	(4,433,085)

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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
	<i>in thousands of Denars</i>	<i>in thousands of Denars</i>	<i>in thousands of Denars</i>	<i>in %</i>
2022 (current 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
	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in %</i>
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)				

Note: According to the rules of the extraordinary stress - testing conducted in 2022, at the request of the NBRNM, the effects of the stress - testing are first effected on the financial result of the Bank, and then on its own funds and capital adequacy ratio. Thereby, the obtained effects from the scenarios with 31.12.2022 do not cause increase or decrease of the Bank's own funds, but they have an effect on the financial result, which in this case has the capacity to absorb the negative effect of them.

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
	<i>in thousands of Denars</i>	<i>in thousands of Denars</i>	<i>in thousands of Denars</i>	<i>in %</i>
2021 (previous year)				
Amount before sensitivity analysis/ stress-tests (as at December 31, 2021)		12.493.262	72.035.978	17.34
Effects from scenarios implementation				
Currency risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Denar to depreciate by 5% compared to other currencies	2,473	12.493.262	75.216.272	16,61
Scenario 2: Denar to appreciate by 5% compared to other currencies	(2.473)	12.493.262	68.855.684	18,14
b) Extraordinary conditions				
Scenario 1: Denar to depreciate by 30% compared to other currencies	14.840	12.493.262	91.117.740	13,71
Scenario 2: Denar to appreciate by 30% compared to other currencies	(14.840)	12.493.262	52.954.216	23,59
Interest rate risk (list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to increase by 1,00 p.p.	103.710	12.493.262	72.035.978	17.34
Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided by the Bank's management to increase by 1,00 p.p.	(103.710)	12.493.262	72.035.978	17.34
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.	622.258	12.493.262	72.035.978	17.34
Scenario 2: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to decrease by 6,00 p.p.	(622.258)	12.493.262	72.035.978	17.34

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
	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in thousands of denars</i>	<i>in %</i>
Risk from changes in market prices in investments in own shares (list separately the various scenarios, including the basic features of the scenario) _____ _____ _____				
Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario) _____ _____ _____				

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

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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

in thousands of Denars

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

	current year 2022				previous year 2021			
	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
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

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.

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2. Risk Management (continued)**2.3 Market Risk (continued)****2.3.2 Analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets)**

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

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

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

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

The Bank has established Policy for managing the risk of change in the interest rates in the Bank's portfolio that is adopted by the Supervisory Board of the Bank and is subject of regular revision. The Policy defines: subjects and definitions, the main objectives, interest rate risk management system in the banking book (efficient management process and organizational structure of interest rate risk management) and assessment of the Bank's capacity to take the risk of change in the interest rates as well as assessment of its risk profile, adequate instruments for protection or reduction of the interest rate risk. The Bank has established Procedures for identification, measurement or assessment, control or reducing and monitoring of the risk of change in the interest rates in the banking book. This act is issued by Bank's Board of Directors and is reviewed on a regular bases. The Procedures gives in detail the proceedings and processes for interest rate risk management as: identification, measurement or assessment, control or reducing and monitoring and reporting of the interest rate risk exposure.

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

2. Risk Management (continued)

2.3 Market Risk (continued)

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

A. Interest Rate Sensitivity Analysis

Schedules "VPV" prepared in accordance with the "Guidelines for implementing the Decision on managing the interest rate risk in the banking portfolio" for the years ended December 31, 2022 and 2021 are as follows:

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	MKD	2,094,560
3	OWN FUNDS		13,377,396
4	TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)		15.66%
	Position	Currency	December 31, 2021
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR+VIR+AIR)	MKD	757,567
1.2	NET WEIGHTED POSITION FOR CURRENCY USD (FIR+VIR+AIR)	USD	10,443
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR+VIR+AIR)	EUR	314,316
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR (FIR+VIR+AIR)	MKD cl EUR	1,016,599
1.5	NET WEIGHTED POSITION FOR OTHER CURRENCIES (FIR+VIR+AIR)	other	2,935
2	TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC VALUE OF THE BANKING PORTFOLIO		2,101,860
3	OWN FUNDS		12,493,262
4	TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)		16.82%

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

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
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, 2022 (current 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	6,302,385	26,789,114
Other interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive financial assets	51,482,084	6,499,541	53,052,671	3,885,500	12,395,953	10,362,304	137,678,053
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Deposits from other customers	17,234,835	9,462,958	28,430,341	2,300,258	1,636,700	-	59,065,092
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	17,249,271	9,508,016	28,929,401	2,302,009	1,638,847	-	59,627,544
Net balance position	34,232,813	(3,008,475)	24,123,270	1,583,491	10,757,106	10,362,304	78,050,509
Off balance sheet interest sensitive assets							
Off balance sheet interest sensitive liabilities							
Net off-balance sheet gap							
Total net-position	34,232,813	(3,008,475)	24,123,270	1,583,491	10,757,106	10,362,304	78,050,509

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
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, 2021 (previous year)								
FINANCIAL ASSETS								
Cash and cash equivalents	48,707,891	1,784,795	-	-	-	-	-	50,492,686
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-
Loans and advances to banks	2,080	817,749	1,320,995	-	-	-	-	2,140,824
Loans and advances to other customers	1,173,496	2,616,560	40,747,026	1,713,732	4,044,790	2,522,430	-	52,818,034
Investments in securities	454,167	499,908	7,564,380	5,323,621	7,339,718	6,278,769	-	27,460,563
Other interest sensitive assets	-	-	-	-	-	-	-	-
Total interest sensitive financial assets	50,337,634	5,719,012	49,632,401	7,037,353	11,384,508	8,801,199	-	132,912,107
FINANCIAL LIABILITIES								
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-
Deposits from banks	-	54,374	-	-	-	-	-	54,374
Deposits from other customers	16,837,115	9,658,175	30,128,073	2,102,612	1,240,661	-	-	59,966,636
Debt instruments issued	-	-	-	-	-	-	-	-
Borrowings	21,279	26,526	533,687	38,701	3,907	-	-	624,100
Subordinated debt	-	-	-	-	-	-	-	-
Other interest sensitive liabilities	-	-	-	-	-	-	-	-
Total interest sensitive financial liabilities	16,858,394	9,739,075	30,661,760	2,141,313	1,244,568	-	-	60,645,110
Net balance position	33,479,240	(4,020,063)	18,970,641	4,896,040	10,139,940	8,801,199	-	72,266,997
Off balance sheet interest sensitive assets								
Off balance sheet interest sensitive liabilities								
Net off-balance sheet gap								
Total net-position	33,479,240	(4,020,063)	18,970,641	4,896,040	10,139,940	8,801,199	-	72,266,997

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

The Group has established Policy for managing the currency risk, adopted by the Supervisory board 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 Group has established Procedures for identification, measurement or assessment, control or reducing and monitoring of foreign exchange risk issued by the Board of Directors and it is revised regularly. In the Procedures, processes for managing foreign exchange risk are 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 Group's Policy, main principle for currency risk management is to achieve and maintain compliance of its claims in foreign currency (foreign currency assets) as a minimum, the amount of its total foreign currency liabilities (obligations in foreign currency). Also, this ratio is maintained from the perspective of maturity of liabilities and assets in foreign currency. This principle in the balance sheet provides that the Group is able to cover losses from foreign exchange differences arising from its liabilities by exchange rate differences arising from its assets, even under conditions of frequent changes in exchange rates.

The tables below summarize the net foreign currency position of monetary assets and liabilities of the Bank as at December 31, 2022 and 2021.

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.3 Market Risk (continued)
2.3.3 Foreign Currency Risk (continued)

	<i>in thousands of Denars</i>			list separately the currencies that represent more than 10% of total monetary assets/liabilities					Other currencies	Total
	MKD	EUR	USD							
2022 (current year)										
Monetary Assets										
Cash and cash equivalents	35,892,504	12,195,759	6,970,847	-	-	-	-	-	2,384,790	57,443,900
Held-for-trading assets	127,387	-	-	-	-	-	-	-	-	127,387
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	13,506,585	520	-	-	-	-	-	-	27,114,944
Investments in associates	385,387	-	-	-	-	-	-	-	-	385,387
Income tax receivable (current)	983	-	-	-	-	-	-	-	-	983
Other receivables	1,954,928	197,361	156,657	-	-	-	-	-	24	2,308,970
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	83,736,424	54,456,911	7,599,232	-	-	-	-	-	2,384,814	148,177,381
Monetary Liabilities										
Trading liabilities	-	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	163,574	260,358
Deposits from banks	27,166	38,752	30,866	-	-	-	-	-	2,190,920	133,174,137
Deposits from other customers	70,089,900	53,475,559	7,417,758	-	-	-	-	-	-	698,159
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	698,159	-	-	-	-	-	-	-	33,554
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	33,554	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	5,914	760,038
Other liabilities	473,723	121,196	159,205	-	-	-	-	-	2,360,408	134,926,246
Total Monetary Liabilities	70,624,343	54,333,666	7,607,829	-	-	-	-	-	24,406	13,251,135
Net-position	13,112,081	123,245	(8,597)	-	-	-	-	-	-	-

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
2. Risk Management (continued)
2.3 Market Risk (continued)
2.3.3 Foreign Currency Risk (continued)

	<i>in thousands of denars</i>			list separately the currencies that represent more than 10% of total monetary assets/liabilities					Other currencies	Total
	MKD	EUR	USD							
2021 (previous year)										
Monetary Assets										
Cash and cash equivalents	40,197,941	10,263,860	5,546,159	-	-	-	-	-	1,849,138	57,857,098
Held-for-trading assets	138,661	-	3,005	-	-	-	-	-	-	141,666
Financial assets at fair value through profit or loss upon initial recognition	350,371	-	-	-	-	-	-	-	-	350,371
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	518	991,779	1,632,426	-	-	-	-	-	474,310	3,099,033
Loans and advances to other customers	28,632,861	24,691,554	211,706	-	-	-	-	-	-	53,536,121
Investments in securities	13,593,530	14,163,166	490	-	-	-	-	-	-	27,757,186
Investments in associates	348,731	-	-	-	-	-	-	-	-	348,731
Income tax receivable (current)	391	-	-	-	-	-	-	-	-	391
Other receivables	1,556,832	840,231	144,067	-	-	-	-	-	74	2,541,204
Assets pledged as collateral	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total Monetary Assets	84,819,836	50,950,590	7,537,853	-	-	-	-	-	2,323,522	145,631,801
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	71,239,547	50,171,477	6,995,955	-	-	-	-	-	2,217,174	130,624,153
Debt instruments issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	713,536	-	-	-	-	-	-	-	713,536
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Income tax payable (current)	100,871	-	-	-	-	-	-	-	-	100,871
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	1,001,245	175,640	236,522	-	-	-	-	-	11,943	1,425,350
Total Monetary Liabilities	72,372,949	51,079,931	7,511,285	-	-	-	-	-	2,244,011	133,208,176
Net-position	12,446,887	(129,341)	26,568	-	-	-	-	-	79,511	12,423,625

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

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

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

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

2.4 Operational Risks

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

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

The Group has established a framework for managing operational risk based on a strategy, policy and methodology to manage this risk, and appropriate organizational structure and established process. Within the framework of different processes of the Group, this allows different risks that arise from such processes to be identified in order to avoid the potential negative effect on the Group's financial result and capital position. The appropriateness of the established framework for operational risk management is under regular revision.

The identification and measurement of the operational risk is performed by the Group through analysis of collected data that have caused or might cause damage to the Group, analysis of the Groups key risk Indicators by using the self-assessment method through qualitative approach, as well as through analysis of external loss data from other banks.

The Group calculates capital required for coverage of operational risk, applying the standardised approach. The amount of capital as at 31.12.2022 is presented under heading 3.1.1. Capital adequacy ratio report.

3. Capital adequacy

According to the Decision from NBRNM for consolidated supervision, if the total assets of the subsidiary is less than 1% of the assets of the parent company, the subsidiary will not be included in the consolidated financial statements for purposes of the consolidated supervision. Based on the above, the capital adequacy ratio is not prepared on a consolidated basis.

Capital management

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

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

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the directives required by the regulator, for supervisory purposes. The required information is filed to the NBRNM on a monthly 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 2022, the Bank fulfils the legally prescribed capital requirements and the prescribed capital requirements for capital conservation buffer and for systemically important bank, which are fulfilled with the Common Equity Tier 1 Capital. According to the regulation, the Bank has no obligation to maintain countercyclical capital buffer during 2022.

Additionally, the Group 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 Group 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 2022 and 2021, 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 2022, 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

No.	Description	in thousands of Denars	
		Current year 2022	Previous year 2021
I	CREDIT RISK- WEIGHTED ASSETS		
1	Credit risk-weighted assets under the standardized approach	69,000,350	65,231,388
2	Capital requirement for credit risk	5,520,028	5,218,511
II	CURRENCY RISK-WEIGHTED ASSETS		
3	Aggregate foreign exchange position	411,537	78,123
4	Net-position in gold	-	-
5	Capital requirement for currency risk	32,923	-
6	Currency risk-weighted assets	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	599,258	544,172
9	Operational risk-weighted assets	7,490,722	6,802,152
IV	OTHER RISKS-WEIGHTED ASSETS		
10	Capital requirement for commodity risks	-	-
11	Capital requirement for market risks (11.1+11.2+11.3)	-	-
11.1	Capital requirement for position risk (11.1.1.+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital requirement for specific risk of investments in debt instruments	-	-
11.1.2	Capital requirement for general risk of investments in debt instruments	-	-
11.1.3	Capital requirement for specific risk of investments in equities	-	-
11.1.4	Capital requirement for general risk of investments in equities	-	-
11.2	Capital requirement for exceeding of exposure limits	-	-
11.3	Capital requirement for market risks arising from option positions	-	-
12	Capital requirement for settlement/delivery risk	-	-
13	Capital requirement for counterparty risk	-	195
14	Capital requirement for other risks (10+11+12+13)	-	195
15	Other risk-weighted assets	-	2,438
V	RISK-WEIGHTED ASSETS	76,902,609	72,035,978
16	Capital requirement for risks	6,152,209	5,762,878
VI	OWN FUNDS	13,377,396	12,493,262
VII	CAPITAL ADEQUACY RATIO (VI/V)	17.40%	17.34%

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 2022	Previous year 2021
1.	Own funds	13,377,396	12,493,262
2.	Tier 1 Capital	13,377,396	12,493,262
3.	Common Equity Tier 1 Capital (CET1)	13,377,396	12,493,262
3.1.	Positions of CET1	13,402,487	12,529,193
3.1.1.	Capital instruments of CET1	2,279,067	2,279,067
3.1.2.	Premium on capital instruments of CET1	771,527	771,527
3.1.3.	Mandatory reserve fund	9,898,860	9,227,530
3.1.4.	Retained unallocated earning	470,000	250,000
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)	1,069
3.2.	(-) Deductions of CET1	(25,091)	(35,931)
3.2.1.	(-) Loss at the end of the year or current loss	-	-
3.2.2.	(-) Intangibles	(25,091)	(35,931)
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 2022	Previous year 2021
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 2022	previous year 2021
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 Group's operating segments.

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

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

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

For the purposes of the financial reporting, the Group groups two or more segments into one operating segment if those operating segments are similar in terms of the variety of the goods and services, the type and the group of the users of the goods and the services and the methods of distribution and offering of the goods and services. As at December 31, 2022 and 2021 the Group does not group two or more operating segments into one.

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

The Group discloses information for the concentration of the business activities towards separate significant clients. Significant client is an individual or a legal entity as well as parties related to them, if the Group realizes 10% or more from its total business income or expenditure. As at December 31, 2022 and 2021 there are no significant clients in existence.

Geographical segments according to which the Group is reporting are:

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

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

4. Segment Reporting (continued)

A. Operating Segments

		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 manage- ment	BL 8: Retail brokerage		
<i>in thousands of Denars</i>											
2022 (current year)											
Interest income/(expense), net	-	-	769,084	2,328,105	36	-	-	-	-	-	3,097,225
Fee and commission income/(expense), net	-	2,681	93,228	142,380	777,054	44,006	-	8,249	71,632	55	1,139,285
Net trading income	-	(3,657)	-	-	-	-	-	-	97	-	(3,560)
Net income from other financial instruments at fair value	-	4,566	-	-	-	-	-	-	-	-	4,566
Other operating income	-	480,366	(164,996)	872,668	38,360	(2,122)	-	79	75,587	30,678	1,330,620
Inter segmented income	-	-	-	-	-	-	-	-	-	-	-
Total income by segment	-	483,956	697,316	3,343,153	815,450	41,884	-	8,328	147,316	30,733	5,568,136
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)	(973)	(49,374)	(217,243)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	(125,070)	(582,386)	(247,163)	(620,448)	(14,660)	-	(15,715)	(21,624)	(381,495)	(2,008,561)
Total expenses by segment	-	(127,103)	(809,531)	(1,097,829)	(706,718)	(16,931)	-	(17,986)	(22,597)	(430,869)	(3,229,564)
Financial result by segment	-	356,853	(112,215)	2,245,324	108,732	24,953	-	(9,658)	124,719	(400,136)	2,338,572
Income tax											(166,864)
Profit/(loss) for the year											2,171,708
Total assets by segment	-	486,953	22,133,436	122,894,443	2,787,712	31,466	-	29,469	473,018		148,836,497
Unallocated assets by segment										2,213,251	2,213,251
Total assets											151,049,748
Total liabilities by segment	-	4	99,191,225	35,789,780	152,920	48,748	-	4	28,366		135,211,047
Unallocated liabilities by segment										166,140	166,140
Total liabilities											135,377,187

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Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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 service s	BL 7: Asset managem ent	BL 8: Retail brokerage			All other insignificant operating segments
2021 (previous year)											
Interest income/(expense), net	-	-	685,965	1,769,764	23	-	-	-	-	-	2,455,752
Fee and commission income/(expense), net	-	2,190	93,805	124,583	733,100	29,067	-	11,182	71,149	82	1,065,158
Net trading income	-	17,359	-	-	-	-	-	-	583	-	17,942
Net income from other financial instruments at fair value	-	5,917	-	--	-	-	-	-	-	-	5,917
Other operating income	-	272,702	(384,638)	2,001,732	(12,827)	(3,927)	-	31	79,103	25,957	1,978,133
Inter segment income	-	-	-	-	-	-	-	-	-	-	-
Total income by segment	-	298,168	395,132	3,896,079	720,296	25,140	-	11,213	150,835	26,039	5,522,902
Impairment losses of financial assets, net	-	-	(179,203)	(755,391)	-	-	-	-	-	-	(934,594)
Impairment losses of non-financial assets, net	-	-	-	(4,932)	-	-	-	-	-	-	(4,932)
Depreciation and amortization	-	(2,001)	(46,085)	(29,318)	(68,409)	(2,196)	-	(2,001)	(894)	(44,279)	(195,183)
Restructuring costs	-	-	-	-	-	-	-	-	-	-	-
Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	-
Other expenses	-	(46,647)	(606,885)	(225,538)	(533,897)	(15,043)	-	(14,538)	(19,732)	(392,139)	(1,854,419)
Total expenses by segment	-	(48,648)	(832,173)	(1,015,179)	(602,306)	(17,239)	-	(16,539)	(20,626)	(436,418)	(2,989,128)
Financial result by segment	-	249,520	(437,041)	2,880,900	117,990	7,901	-	(5,326)	130,209	(410,379)	2,533,774
Income tax											(205,454)
Profit/(loss) for the year											2,328,320
Total assets by segment	-	499,629	19,930,440	122,921,113	2,705,255	34,578	-	29,502	380,855	-	146,501,372
Unallocated assets by segment	-	499,629	19,930,440	122,921,113	2,705,255	34,578	-	29,502	380,855	-	146,501,372
Total assets										2,053,426	2,053,426
										148,554,798	148,554,798
Total liabilities by segment	-	2,625	96,482,253	36,561,039	260,556	44,040	-	3	21,367	-	133,371,883
Unallocated liabilities by segment										239,180	239,180
Total liabilities											133,611,063

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

4. Segment Reporting (continued)

B. Concentration of Total Income and Expense by Significant Customer

		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		
<i>in thousands of Denars</i>												
2022 (current year)												
Customer 1		-	-	-	-	-	-	-	-	-	-	-
Income		-	-	-	-	-	-	-	-	-	-	-
(expenses)		-	-	-	-	-	-	-	-	-	-	-
Customer 2		-	-	-	-	-	-	-	-	-	-	-
Income		-	-	-	-	-	-	-	-	-	-	-
(expenses)		-	-	-	-	-	-	-	-	-	-	-
Total by segment		-	-	-	-	-	-	-	-	-	-	-
2021 (previous year)												
Customer 1		-	-	-	-	-	-	-	-	-	-	-
Income		-	-	-	-	-	-	-	-	-	-	-
(expenses)		-	-	-	-	-	-	-	-	-	-	-
Customer 2		-	-	-	-	-	-	-	-	-	-	-
Income		-	-	-	-	-	-	-	-	-	-	-
(expenses)		-	-	-	-	-	-	-	-	-	-	-
Total by segment		-	-	-	-	-	-	-	-	-	-	-

There is no significant concentration by significant customer.

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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
2022 (current year)								
Total income	5,786,403	(140,170)	(85,054)	3,260		1,938	1,759	5,568,136
Total assets	138,374,087	8,255,098	3,469,885	872,174		78,504	-	151,049,748
2021 (previous year)								
Total income	5,785,674	(181,464)	(85,088)	4,007	-	345	(572)	5,522,902
Total assets	134,506,197	8,312,301	2,755,679	2,907,883	-	72,738	-	148,554,798

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
5. Fair Value of Financial Assets and Liabilities
A. Fair Value of Financial Assets and Liabilities

	Current year 2022		Previous year 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>in thousands of denars</i>				
Financial Assets				
Cash and cash equivalents	57,443,900	57,443,900	57,857,098	57,857,098
Held-for-trading assets	127,387	127,387	141,666	141,666
Financial assets at fair value through profit or loss upon initial recognition	354,937	354,937	350,371	350,371
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	584,519	584,519	3,099,033	3,096,198
Loans and advances to other customers	59,856,354	59,856,354	53,536,121	53,536,121
Investments in securities	27,114,944	26,092,164	27,757,186	28,005,999
Investments in associates	385,387	385,387	348,731	348,731
Income tax receivable (current)	983	983	391	391
Other receivables	2,308,970	2,308,970	2,541,204	2,541,204
Assets pledged as collateral			-	-
Deferred tax assets			-	-
Financial Liabilities				
Trading liabilities	-	-	2,623	2,623
Financial liabilities at fair value through profit or loss upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	260,358	260,358	341,643	341,643
Deposits from customers	133,174,137	133,126,312	130,624,153	130,593,019
Debt instruments issued	-	-	-	-
Borrowings	698,159	698,159	713,536	713,536
Subordinated debt	-	-	-	-
Income tax payable (current)	33,554	33,554	100,871	100,871
Deferred tax liabilities	-	-	-	-
Other liabilities	760,038	760,038	1,425,350	1,425,350

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 64,982 thousands of denars (2021: 64,956 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 0.24% (2021: 0.23%).

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

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

f) Other receivables

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

g) Deposits from banks

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

h) Deposits from other customers

The fair value of demand deposits and time deposits with adjustable and variable interest rates is their carrying amount. Out of total deposits to other customers, the amount of time deposits with fixed interest rates is 15,412,085 thousands of denars (2021: 13,401,822 thousands of denars). Fixed interest rates refer to time deposits up to one year applicable (11,475,127 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.

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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

December 31, 2022 (current year)

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 measured at fair value

Trading liabilities

Financial liabilities at fair value through

profit or loss upon initial recognition

Derivative liabilities held for risk

management

Total

December 31, 2021 (previous year)

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 measured at fair value

Trading liabilities

Financial liabilities at fair value through

profit or loss upon initial recognition

Derivative liabilities held for risk

management

Total

Note	Level 1	Level 2	Level 3	Total
19	107,405	19,982	-	127,387
20	-	354,937	-	354,937
21	-	-	-	-
23.1	-	3,515,798	64,982	3,580,780
Total	107,405	3,890,717	64,982	4,063,104
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
Total	-	-	-	-
19	118,700	22,966	-	141,666
20	-	350,371	-	350,371
21	-	-	-	-
23.1	-	4,988,407	64,956	5,053,363
Total	118,700	5,361,744	64,956	5,545,400
32	-	2,623	-	2,623
33	-	-	-	-
21	-	-	-	-
Total	-	2,623	-	2,623

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

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

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

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

in thousands of Denars

	Current year 2022		Previous year 2021	
	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	-	-	-	-

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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

<i>in thousands of denars</i>	Held-for-trading assets	Financial assets at fair value through profit or loss upon initial recognition	Investments in available-for-sale securities	Total assets	Trading liabilities	Financial liabilities at fair value through profit or loss upon initial recognition	Total liabilities
As of January 1, 2021 (previous year)	-	-	64.920	64.920	-	-	-
Gains/(losses) recognized in:							
- Income statement	-	-	36	36	-	-	-
- Other comprehensive income in the period not recognized in profit or loss	-	-	-	-	-	-	-
Purchase of financial instruments in the period	-	-	-	-	-	-	-
Disposals of financial instruments in the period	-	-	-	-	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
As of December 31, 2021 (previous year)	-	-	64,956	64,956	-	-	-
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2021 (prior year)	-	-	36	36	-	-	-

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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

<i>in thousands of denars</i>	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 (current 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 (current year)	-	-	64,982	64,982	-	-	-
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2022 (current year)	-	-	26	26	-	-	-

6. Interest income/(expense), net

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

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Interest income		
Cash and cash equivalents	350,463	81,396
Financial assets at fair value through profit or loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	26,481	1,817
Loans and advances to other customers	2,567,118	2,303,645
Investments in securities	419,076	355,847
Other receivables	-	-
(Allowance for impairment of Interest Income, net)	(11,336)	(11,513)
Collected interest previously written off	64,965	72,658
Total interest income	3,416,767	2,803,850
Interest expense		
Financial liabilities at fair value through profit or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	12,061	12,167
Due to other customers	262,819	284,596
Debt instruments issued	-	-
Borrowings	17,087	14,529
Subordinated debt	-	-
Other liabilities	27,575	36,806
Total interest expense	319,542	348,098
Interest income/(expense), net	3,097,225	2,455,752

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

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

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Interest income		
Non-financial companies	1,500,630	1,291,411
Government	473,173	418,571
Not for profit institutions that serve to household	7,074	1,647
Banks	8,692	637
Other financial institutions (non-banks)	226,679	73,028
Households	991,298	937,784
Non-residents	155,592	19,627
(Allowance for impairment of Interest Income, net)	(11,336)	(11,513)
Collected interest previously written off	64,965	72,658
Total interest income	3,416,767	2,803,850
Interest expense		
Non-financial companies	21,763	22,760
Government	105	117
Not for profit institutions that serve to household	2,577	2,911
Banks	666	1,374
Other financial institutions (non-banks)	26,603	38,400
Households	233,466	251,137
Non-residents	34,362	31,399
Total interest expense	319,542	348,098
Net interest income/(expense)	3,097,225	2,455,752

7 Fee and Commission Income/(Expense), Net

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

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Fee and commission income		
Loans	733,431	581,504
Payment's operation	-	-
domestic	432,877	395,217
abroad	288,259	254,712
Letter of credit and guarantees	152,863	129,081
Brokerage operations	12,301	15,030
Asset management	71,449	67,990
Fiduciary activities	24,855	23,369
Issuing securities	-	-
Income for keeping transaction accounts of citizens	68,086	67,272
Income for payment operations of citizens	38,415	37,211
Other	87,061	77,731
(describe separately income which represent more than 10% of the total fees and commissions income)		
Total fee and commission income	1,909,597	1,649,117
Fee and commission expense		
Loans	596,035	423,982
Payment's operation	-	-
domestic	109,398	99,785
international	43,713	39,626
Letter of credit and guarantees	-	-
Brokerage operations	1,402	2,185
Asset management	-	-
Fiduciary activities	3,429	3,376
Issuing securities	-	-
Other	16,335	15,005
(describe separately expenses which represent more than 10% of the total fees and commissions expense)		
Total fee and commission expense	770,312	583,959
Net fee and commission income/(expense)	1,139,285	1,065,158

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
7 Net fee and commission income/(expense)
B Sector analysis of fee and commission income and expense

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Fee and commission income		
Non-financial companies	1,079,037	890,851
Government	5,187	5,429
Not for profit institutions that serve to household	26,080	22,421
Banks	201,733	171,479
Other financial institutions (non-banks)	130,262	114,170
Households	351,310	346,441
Non-residents	115,988	98,326
Total fee and commission income	1,909,597	1,649,117
Fee and commission expense		
Non-financial companies	10,956	8,563
Government	9	11
Not for profit institutions that serve to household	-	-
Banks	193,037	123,298
Other financial institutions (non-banks)	110,786	102,588
Households	-	-
Non-residents	455,524	349,499
Total fee and commission expense	770,312	583,959
Net fee and commission income/(expense)	1,139,285	1,065,158

8 Net trading income/(expense)

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Trading assets		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	228	-
Profit/(loss) from fair value changes of equity instruments, net		
realized	484	(2,102)
unrealized	(12,253)	16,516
Income from dividends from trading assets	2,588	701
Income from interest of trading assets	-	-
Trading liabilities		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	-	203
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	5,393	2,241
unrealized	-	383
Net income/(expense) from trading	(3,560)	17,942

9 Net income from other financial instruments at fair value

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
<i>Financial assets at fair value through profit or loss upon initial recognition</i>		
Profit/(loss) from fair value changes on debt securities, net		
realized	-	-
unrealized	4,566	5,917
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	-	-
<i>Financial liabilities at fair value through profit or loss upon initial recognition</i>		
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	-	-
<i>Profit/(loss) from fair value change of derivatives held for risk management at the fair value through profit and loss, net</i>		
realized	-	-
unrealized	-	-
Net income from other financial instruments at fair value	4,566	5,917

10 Net foreign exchange gains/ (losses)

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Realized foreign exchange gains/(losses), net	342,706	230,017
Unrealized foreign exchange gains/(losses), net		
Foreign exchange differences of allowance for impairment of financial assets, net	5,099	95
Foreign exchange differences of special reserve for off-balance sheet exposures, net	287	124
Other foreign exchange differences, net	(11,980)	(32,835)
Net foreign exchange gain/(loss)	336,112	197,401

11. Other operating income

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Gain on sale of available-for-sale assets	-	-
Dividends from equity instruments available-for-sale	2,870	1,025
Net income from investment in subsidiaries and associates	-	-
Capital gain from the sale of:		
Property, plant and equipment	7,551	3,031
Intangible assets	-	-
Foreclosed assets	151,130	444,063
Non-current assets held-for-sale and group for disposal	-	-
Income from rent	6,535	6,202
Income from litigations	194	2,430
Collected receivables previously written off	566,355	1,161,724
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	152,346	55,005
income that does not represent more than 10% of the total remaining operating income	29,050	28,149
Total other operating income	918,921	1,701,629

The amount of 151,130 thousands of denars (2021: 444,063 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.

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

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Separate Financial Statements for the Year Ended December 31, 2022
12 Net impairment loss on financial assets

<i>in thousands of denars</i>		Loans and advances to banks	Loans and advances to other customers	Investments in financial assets available for sale	Investments in financial assets held to maturity	Cash and cash equivalents	Fees and commission receivables	Other receivables	Total impairment loss on financial assets	Special reserve for off-balance sheet exposures	Total
2022 (current 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)	
	(263)	847,828	-	2,745	123	10,063	20,615	881,111	112,915	994,026	
Total allowance for impairment on financial assets and special reserve for off-balance sheet exposures, net											
2021 (previous year)											
Allowance for impairment and special reserve											
	547	2,954,836	-	1	5,222	12,108	43,243	3,015,957	310,472	3,326,429	
Additional allowance for impairment and special reserve											
	(345)	(2,094,359)	-	(1)	(5,363)	(5,139)	(19,491)	(2,124,698)	(267,137)	(2,391,835)	
(Release of allowance for impairment and special reserve)											
	202	860,477	-	-	141	6,969	23,752	891,259	43,335	934,594	

The increase in the net impairment loss on financial assets is due to the increased volume of lending, but also due to the increased strictness in credit risk assessment by the Bank's management, while as a result of the unfavorable conditions in the economy, a larger amount of provisions was set aside for the corporate portfolio.

Meanwhile, in the last quarter of 2022, there has been a significant amount of additional impairment of the value of financial assets, primarily for clients whose production process has been at a standstill for a long time due to high energy prices or due to temporary measures of competent judicial authorities with which the disposal of financial assets was temporarily blocked for certain clients.

13. Impairment losses of non-financial assets, net

<i>in thousands of denars</i>		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
2022 (current 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	
2021 (previous year)								
Additional impairment loss	-	-	4,932	-	-	-	4,932	
(Release of impairment loss)	-	-	-	-	-	-	-	
Total impairment loss of non-financial assets, on net-basis	-	-	4,932	-	-	-	4,932	

*) only for consolidated financial statements

14. Personnel expenses

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
<i>Short-term benefits for employees</i>		
Salaries	744,173	708,572
Compulsory social and health insurance contributions	264,474	252,641
Short-term paid absences	1,857	8,727
Costs for temporary employment	-	-
Share in profit and remuneration	-	-
Non-monetary benefits	628	1,722
	1,011,132	971,662
<i>Benefits after termination of employment</i>		
Defined pension benefit plans	-	-
Retirement benefits	-	-
Increase of liability for defined pension benefit plans	-	-
Increase of liability for other long term benefits	-	-
Other benefits upon termination of employment	-	456
	-	456
Termination benefits	359	2,178
Equity settled share-based payments	-	-
Cash settled share-based payments	-	-
Other (costs for employees that represent more than 10% of the total costs for employees)	84,247	73,937
Total costs for employees	1,095,738	1,048,233

15. Depreciation and amortization

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	12,506	10,581
Other internal developed intangible assets	-	-
Other intangible assets	11,438	8,849
Investments in intangible assets taken under lease	-	-
	23,944	19,430
Depreciation of property and equipment		
Buildings	80,820	80,226
Vehicles	17,368	16,295
Furniture and equipment	14,684	10,966
Other equipment	76,469	66,967
Other items of property and equipment	-	-
Investments in property and equipment taken under lease	3,958	1,299
	193,299	175,753
Total depreciation	217,243	216,270

16. Other operating expenses

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Loss from sale of assets available for sale	-	-
Software licensing expense	40,086	35,530
Deposit insurance premium	235,705	220,055
Premium on property and employee insurance	5,582	5,356
Materials and services	275,034	221,157
Administrative and marketing expenses	186,114	177,299
Other taxes and contributions	1,510	1,497
Rental expense	21,124	19,262
Court litigation expenses	8,190	1,324
Provisions for pension and other employee benefits, net	-	5,062
Provisions for contingent liabilities based on court litigations, net	-	-
Other provisions, net	-	-
restructuring	-	-
onerous contracts	-	-
other provisions	-	-
Loss from sale of:	-	-
Property and equipment	-	8,992
Intangible assets	-	-
Foreclosed assets	-	-
Non-current assets held-for-sale and group for disposal	-	-
Other	-	-
(expenses that represent more than 10% of total other operating expenses)	-	-
Expenses under foreign exchange operations	101,158	20,973
Costs in the process of realization of the alienation of property (expenses that do not represent more than 10% of total other operating expense)	6,628	26,095
	31,692	63,584
Other operating expense	912,823	806,186

17 Income tax

A Expense/income based on current and deferred tax

<i>in thousands of denars</i>		
current year 2022	previous year 2021	
Current income tax		
Expense/(income) based on current income tax for the year	166,864	205,454
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	-	-
166,864	205,454	
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	-	-
-	-	
166,864	205,454	

Total expense/(return) on income tax

<i>in thousands of denars</i>		
current year 2022	previous year 2021	
Current income tax		
Recognized in the income statement	166,864	205,454
Recognized in the equity and reserves	-	-
166,864	205,454	
Deferred income tax		
Recognized in the income statement	-	-
Recognized in the equity and reserves	-	-
-	-	
166,864	205,454	

Total expense/(return) on income tax

17 Income tax (continued)

B Reconciliation between average effective tax rate and applicable tax rate

	<i>in %</i>	<i>in thousands of denars</i>	<i>in %</i>	<i>in thousands of denars</i>
	current year 2022		previous year 2021	
Profit/ (loss) before taxation	100.00	2,311,034	100.00	2,533,774
Income tax as per applicable tax rate	10	233,857	10	253,377
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	0.9	20,617	0.8	19,309
Tax-exempt income	(0.6)	(14,030)	(0.8)	(19,513)
Tax exemption unrecognized in income statement	-	-	-	-
Recognition of previous unrecognized tax losses	-	-	-	-
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years	-	-	-	-
Changes in deferred tax	-	-	-	-
Other	(3.1)	(73,580)	(1.9)	(47,719)
Total expense/(return) on income tax	-	166,864	-	205,454
Average effective tax rate	7.1		8.1	

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

	current year 2022			previous year 2021		
	Before taxation	(expenditure)/return of income tax	Less income tax	Before taxation	(expenditure)/return of income tax	Less income tax
in thousands of denars						
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

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Cash on hand	1,680,542	1,721,649
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits	32,453,421	36,318,487
Current accounts and transaction deposits with foreign banks	2,223,628	7,213,881
Current accounts and transaction deposits with local banks	4,481	2,606
Treasury bills that may be traded on the secondary market	2,731,250	2,552,229
Government bills that may be traded on the secondary market	-	-
Time deposits up to 3 months	9,025,152	2,847,085
Other short-term highly liquid assets	458	445
Interest receivables	38,134	1,151
(Allowance for impairment)	(1,188)	(1,057)
<i>Included in cash and cash equivalents for the purposes of the Statement of cash flows</i>	48,155,878	50,656,476
Obligatory foreign currency deposits	7,747,118	5,840,089
Restricted deposits	1,541,058	1,360,669
(Allowance for impairment)	(154)	(136)
Total	57,443,900	57,857,098

As at 31 of December 2022, the Bank has restricted deposits in the amount of 1,541,058 thousands of denars (2021: 1,360,669 thousands of denars), as follows:

- In the account in KIBS on behalf of the Reserve Guarantee Fund in the amount of 719,059 thousands of denars in accordance with the Reserve Guarantee Fund Rules (2021: 586,875 thousands of denars)
- In the account in Euroclear, for fiduciary purposes, assets in the amount of 576,535 thousands of denars (2021: 543,736 thousand denars),
- In HSBC Bank PLC account, for operational purposes for Mastercard cards, assets in the amount of 166,871 thousands of denars (2021: 157,312 thousands of denars),
- In the United Overseas Bank Limited account, for operational purposes for Visa cards, assets in the amount of 78,593 thousands of denars (2021: 72,745 thousands of denars).

On the mandatory reserve in euros at the National Bank, compensation is determined at a rate equal to the lower rate of 0% and the interest rate of the available overnight deposit of the European Central Bank, which was valid on the last day of the fulfillment period.

In cases of negative interest rates, banks are obliged to pay compensation to NBRSM for mandatory reserve in euros. On this basis, in the period January-December 2022, the Bank was indebted for an amount of 18.76 million denars, i.e. 9.75 million denars less than the same period last year when the borrowing amounted to 28.3 million denars, given that starting from August 2022 Banks do not pay interest on the mandatory foreign currency reserve obligation.

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Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
18 Cash and cash equivalents (continued)
in thousands of denars

	current year 2022				previous year 2021			
	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	1,193	-	-	1,193	1,286	-	-	1,286
Impairment loss for the year								
Additional impairment	7,755	-	-	7,755	5,222	-	-	5,222
(Release of impairment)	(7,632)	-	-	(7,632)	(5,363)	-	-	(5,363)
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	26	-	-	26	48	-	-	48
(Written off receivables)		-	-			-	-	
As at December 31	1,342	-	-	1,342	1,193	-	-	1,193

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

19 Trading assets (continued)

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

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Trading securities		
<i>Debt securities for trading</i>		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	19,982	19,961
	19,982	19,961
Quoted	-	-
Unquoted	19,982	19,961
<i>Equity instruments for trading</i>		
Equity instruments issued by banks	-	-
Other equity instruments	107,405	118,700
	107,405	118,700
Quoted	107,405	118,700
Unquoted	-	-
Trading derivatives		
Agreements dependent on interest rate change	-	-
Agreements dependent on exchange rate change	-	3,005
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	-	-
	-	3,005
Loans and advances		
Loans and advances to banks	-	-
Loans and advances to other costumers	-	-
Total trading assets	127,387	141,666

Quoted equity trading instruments in the amount of 107,405 thousands of denars (2021: 118,700 thousands of denars) refer to investment in shares issued by domestic non-financial companies.

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

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other instruments in the money market	-	-
Government bonds issued	-	-
Corporate bonds	-	-
Other debt instruments	354,937	350,371
	354,937	350,371
Quoted	-	-
Unquoted	354,937	350,371
<i>Equity instruments</i>		
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	354,937	350,371

Other unquoted debt instruments in the amount of 354,937 thousands of denars refer to investments in participation in investment funds (2021: 350,371 thousands of denars), as follows: participations in the open investment fund KB Publikum - Balanced in the amount of 10,492 thousands of denars (2021: 11,874 thousands of denars) and participation in the open investment fund KB Publikum - Paricen in the amount of 344,445 thousands of denars (2021: 338,497 thousands of denars).

21 Derivative assets and liabilities held for risk management

		<i>in thousands of denars</i>			
		current year 2022		previous year 2021	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A.	Derivatives for protection against risk/Derivatives held for risk management				
A.1	<i>By type of the variable</i>				
	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	<i>By type of protection against risk</i>				
	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

<i>in thousands of denars</i>			
current year 2022		previous year 2021	
Short term	Long term	Short term	Long term
Loans to banks			
Domestic banks	83,000	51	45
Foreign banks	-	-	-
Time deposits over 3 months			
Domestic banks	-	488	485
Foreign banks	30,747	462,798	2,136,257
Repo			
Domestic banks	-	-	-
Foreign banks	-	-	-
Other receivables			
Domestic banks	-	-	-
Foreign banks	7,294	-	4,244
Interest receivables	211	-	1,503
Current maturity	51	(51)	308,149
Total loans and advances to banks before impairment	121,303	463,286	2,450,153
(Allowance for impairment)	(12)	(58)	(214)
Total loans and advances to banks, net of allowance for impairment	121,291	463,228	2,449,939

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
22 Loans and advances (continued)
22.1 Loans and advances to banks (continued)
in thousands of denars

	current year 2022				previous year 2021			
	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	322	-	-	322	114	-	-	114
Impairment loss for the year								
Additional impairment	372	-	-	372	271	276	-	547
(Release of impairment)	(635)	-	-	(635)	(68)	(277)	-	(345)
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	11	-	-	11	5	1	-	6
(Written off receivables)	-	-	-	-	-	-	-	-
As at December 31	70	-	-	70	322	-	-	322

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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

	<i>in thousands of denars</i>			
	current year 2022		previous year 2021	
	short-term	long-term	short-term	long-term
Non-financial companies				
Receivables upon principal	9,830,783	29,949,662	8,363,550	27,126,836
Interest receivables	95,954	-	68,037	-
Government				
Receivables upon principal	552	1,722,788	83,416	1,871,717
Interest receivables	5,751	-	6,438	-
Non-profit institutions that serve households				
Receivables upon principal	109,964	232,973	132,151	43,897
Interest receivables	509	-	73	-
Financial companies, besides banks				
Receivables upon principal	7,748	2,729	1,922	2,049
Interest receivables	22	-	6	-
Households				
Receivables upon principal				
Housing loans	81,201	8,543,777	48,734	7,050,448
Customer loans	324,606	9,978,339	321,686	9,020,630
Vehicle loans	-	1,913	51	2,511
Mortgage loans	-	-	-	-
Credit cards	40,419	975,466	36,995	913,705
Other loans	856,405	388,168	864,158	275,261
Interest receivables	45,505	-	43,079	-
Non-residents, except banks				
Receivables upon principal	42,951	215,226	145,868	215,695
Interest receivables	1,853	-	1,745	-
Current maturity	9,637,831	(9,637,831)	8,049,217	(8,049,217)
Total loans and advances to other customers before impairment	21,082,054	42,373,210	18,167,126	38,473,532
(Allowance for impairment)	(1,559,555)	(2,039,355)	(1,192,068)	(1,912,469)
Total loans and advances to other customers, net of allowance for impairment	19,522,499	40,333,855	16,975,058	36,561,063

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 2022 the amount of the pledged loans and advances is in the amount of 175,902 thousands of denars (2021: 100,946 thousands of denars).

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
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)

	current year 2022			previous year 2021				
	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	435,599	1,677,993	990,945	3,104,537	393,793	1,272,597	2,439,557	4,105,948
Impairment loss for the year								
Additional impairment	403,266	1,302,637	790,424	2,496,327	487,488	1,612,433	854,916	2,954,836
(Release of impairment)	(434,755)	(825,007)	(388,737)	(1,648,499)	(454,418)	(1,166,644)	(473,296)	(2,094,359)
Transfer to:	-	-	-	-	-	-	-	-
Impairment loss for Group 1	(40,560)	38,916	1,644	-	(25,235)	22,826	2,409	-
Impairment loss for Group 2	138,377	(215,433)	77,056	-	26,401	(124,017)	97,616	-
Impairment loss for Group 3	11,098	8,236	(19,334)	-	7,235	60,857	(68,092)	-
(Foreclosed assets based on outstanding receivables)	-	-	-	-	-	-	(189,316)	(189,316)
Foreign exchange gain/losses	162	(4,837)	(456)	(5,131)	335	(59)	(425)	(149)
(Written off receivables)	-	-	(348,324)	(348,324)	-	-	(1,672,424)	(1,672,424)
As at December 31	513,187	1,982,505	1,103,218	3,598,910	435,599	1,677,993	990,945	3,104,539

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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

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
<i>(current carrying amount of loans and advances)</i>		
First-class security instruments		
Cash deposits (in vault and/or restricted in accounts held with the bank)	1,042,206	1,189,713
Government securities	-	-
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (except banks and guarantees from insurance companies)	536,762	456,748
Guarantees from individuals	-	-
Mortgage on real estate		
Property for private use (flats, houses)	11,083,718	9,124,079
Property for business	21,482,940	19,079,535
Pledge over movables	7,669,360	7,114,278
Other types of collateral	1,625,837	1,639,906
Unsecured	16,415,531	14,931,862
Total loans and advances to other customers, net of allowance for impairment	59,856,354	53,536,121

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*

		<i>in thousands of denars</i>	
		current year 2022	previous year 2021
<i>Debt securities</i>			
Treasury bills		-	-
Government bills		3,515,798	4,988,407
Other instruments in the money market		-	-
Government bonds		-	-
Corporate bonds		-	-
Other equity investments		-	-
		3,515,798	4,988,407
Quoted		-	-
Unquoted		3,515,798	4,988,407
<i>Equity investments</i>			
Equity investments issued by banks		-	-
Other equity investments		64,983	64,956
		64,983	64,956
Quoted		-	-
Unquoted		64,983	64,956
Total investment in financial instruments available for sale		3,580,781	5,053,363

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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 2022				previous year 2021			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	-	-	-	-	-	-	-	-
Impairment loss for the year								
Additional impairment	-	-	-	-	-	-	-	-
(Release of impairment)	-	-	-	-	-	-	-	-
Transfer to:								
Impairment loss for Group 1	-	-	-	-	-	-	-	-
Impairment loss for Group 2	-	-	-	-	-	-	-	-
Impairment loss for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets based on outstanding receivables)	-	-	-	-	-	-	-	-
Foreign exchange gain/losses	-	-	-	-	-	-	-	-
(Written off receivables)	-	-	-	-	-	-	-	-
As at December 31	-	-	-	-	-	-	-	-

23 Investments in securities (continued)**23.1 Investments in financial assets available for sale (continued)****A. *Structure of the investments in financial assets available for sale according to type of financial instrument (continued)***

Investments in debt securities available-for-sale in the amount of 3,515,798 thousands of denars (2021: 4,988,407 thousands of denars) refer to investments in government bills issued by the Ministry of Finance with interest from 0,4% to 2% with maturity period 2023.

The investments in equity instruments available-for-sale in the amount of 64,983 thousands of denars (2021: 64,956 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 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

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	2,516,109	919,848
Other instruments in the money market	-	-
Government bonds	20,208,500	21,164,197
Corporate bonds	229,606	619,840
Other debt securities	582,748	-
	23,536,963	22,703,885
Quoted	20,438,106	21,784,037
Unquoted	3,098,857	919,848
Total investment in financial instruments held to maturity before impairment	23,536,963	22,703,885
(Impairment)	(2,800)	(62)
Total investment in financial instruments held to maturity after impairment	23,534,163	22,703,823

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
23 Investments in securities (continued)
23.2 Investments in financial assets held to maturity (continued)
in thousands of denars

	current year 2022				previous year 2021			
	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
Movements in allowance for impairment								
As at January 1	62	-	-	62	62	-	-	62
Impairment loss for the year								
Additional impairment	2,258	1,085	-	3,343	1	-	-	1
(Release of impairment)	(64)	(534)	-	(598)	(1)	-	-	(1)
Transfer to:	-	-	-	-	-	-	-	-
Impairment loss for Group 1	-	-	-	-	-	-	-	-
Impairment loss for Group 2	-	-	-	-	-	-	-	-
Impairment loss for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets based on outstanding receivables)	-	-	-	-	-	-	-	-
Foreign exchange gain/losses	(7)	-	-	(7)	-	-	-	-
(Written off receivables)	-	-	-	-	-	-	-	-
As at December 31	2,249	551	-	2,800	62			62

Debt securities in the amount of 23,536,963 thousands of denars (2021: 22,703,885 thousands of denars) include government bonds in the amount of 20,208,500 thousands of denars (2021: 21,164,197 thousands of denars) and corporate bonds issued by foreign banks in the amount of 229,606 thousands of denars (2021: 619,840 thousands of denars), other debt - government bonds issued by foreign governments in amount of 582,748 thousands of denars (2021: none) and government bills in the amount of 2,516,109 thousands of denars (2021: 919,848 thousands of denars).

The government bonds refer to continued government bonds in the amount of 11,115,796 thousands of denars with maturity period from 2023 to 2024 with interest rate from 1,20% to 3,10% annually (2021: 13,116,495 thousands of denars with maturity period from 2022 to 2034 with interest rate from 0,35% to 3,10% annually), structured government bonds in the amount of 189,450 thousands of denars with maturity period from 2023 to 2031 with interest rate of 2,00% annually (2021: 202,336 thousands of denars with maturity period from 2022 to 2031 with interest rate of 2,00% annually) and Macedonian Eurobonds in the amount of 8,903,254 thousands of denars with maturity period from 2023 to 2028 with interest rate from 1,625% to 5.58% annually (2021: 7,845,366 thousands of denars with maturity period from 2023 to 2028 with interest rate from 1,625% до 5.625% annually).

The corporate bonds consist of bonds issued by banks, in the amount of 160,565 thousands of denars issued by Nova Ljubljanska Banka DD with maturity in 2025 and a coupon interest rate of 6% and the amount of 63,787 thousands of denars issued by Reiffeisen Bank ZRT. with a maturity in 2025 and a coupon interest rate of 8.75% and a bond issued by SN Insurance Broker AD Bitola in the amount of 5,254 thousands of denars with maturity in 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 maturity in 2025.

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
24 Investment in associates and subsidiaries
A Percentage of the Bank's share in associates and subsidiaries

Name of subsidiaries and associates	Country	<i>in %</i>			
		Share in ownership in %		Percentage of voting right	
		Current year 2022	previous year 2021	current year 2022	previous year 2021
KB PRVO PENZISKO DRUSTVO AD SKOPJE	Republic of North Macedonia	49.00%	49.00%	49.00%	49.00%
KB PUBLIKUM INVEST AD SKOPJE	Republic of North Macedonia	64.29%	64.29%	64.29%	64.29%

B Financial information for associates - 100%

Name of associates	<i>in thousands of denars</i>				
	Total assets	Total liabilities	Total capital and reserves	Income	Profit/(loss) for the financial year
Current 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
Previous year 2021					
KB PRVO PENZISKO DRUSTVO AD SKOPJE	788,903	21,972	766,931	323,819	159,659
	788,903	21,972	766,931	323,819	159,659

According to the equity method, the Group shows in the Income Statement a profit corresponding to the share it has in the company. In 2022, the Group in the income statement showed a share in the profit of the associated company in the amount of 75,587 thousands of denars (2021: 79,103 thousands of denars).

25 Other receivables

	<i>In thousands of denars</i>	
	current year 2022	previous year 2021
Trade receivables	93	179
Prepaid expenses	-	-
Deferred income	-	-
Fees and commission receivables	28,526	22,717
Receivables from employees	13	8
Advances for intangible assets	-	4,197
Advances for property and equipment	17,059	17,187
Other (receivables representing more than 10% of the total other receivables)		
Pre-paid pensions	1,501,277	1,347,414
Bank credit card settlement transactions	376,434	968,815
Other receivables by other basis in denars	326,341	178,162
Other receivables by other basis in foreign exchange currency	39,000	6,058
Suspicious and doubtful receivables from receivables from clients and other receivables	15,928	7,533
Inventory, petty inventory and numismatic collection	42,755	37,147
(state separately the receivables that not represent more than 10% of the total other receivables)	41,777	22,525
Total other receivables before value allowance	2,389,203	2,611,942
(Allowance for impairment)	(20,419)	(12,215)
Total other receivables, net of allowance for impairment	2,368,784	2,599,727

The line "Pre-paid pensions" in the amount of 1,501,277 thousands of denars (2021: 1,347,414 thousands of denars) refer to paid pensions for December 2022 from the Bank's funds. Those funds were collected from the Pension and disability insurance fund of North Macedonia with payment on 5 January 2023 (for 2021 on 5 January 2022).

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
25 Other receivables (continued)
in thousands of denars

	current year 2022			previous year 2021				
	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	1,206	236	10,773	12,215	319	670	30,919	31,909
Impairment loss for the year								
Additional impairment	19,620	1,763	36,602	57,985	12,659	208	42,484	55,351
(Release of impairment)	(19,429)	(1,557)	(6,321)	(27,307)	(11,897)	(539)	(12,194)	(24,629)
Transfer to:	-	-	-	-	-	-	-	-
Impairment loss for Group 1	(5)	1	4	-	(4)	-	4	-
Impairment loss for Group 2	2	(55)	53	-	90	(144)	53	-
Impairment loss for Group 3	16	12	(28)	-	41	39	(80)	-
(Foreclosed assets based on outstanding receivables)	-	-	-	-	-	-	(878)	(878)
Foreign exchange gain/losses	(1)	-	1	-	(3)	-	3	-
(Written off receivables)	-	-	(22,474)	(22,474)	-	-	(49,538)	(49,538)
As at December 31	1,409	400	18,610	20,419	1,206	236	10,773	12,215

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26 Assets pledged as collateral

	<i>in thousands of denars</i>	
	current year 2022	previous year 20201
Debt securities	-	-
Equity instruments	-	-
Loans and advances from banks	-	-
Loans and advances from other customers	-	-
Other receivables	-	-
Total collateralized assets	-	-

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
27 Foreclosed assets

	Land	Buildings	Equipment	Residential buildings and apartments	Other valuables	Total
<i>in thousands of denars</i>						
Opening carrying amount						
As at January 1 2021 (previous year)	46,135	1,130,214	99,925	107,027	2,060	1,385,361
Foreclosed during the year	7,089	489,039	14,575	-	1,199	511,902
(sold during of the year)	(11,644)	(443,518)	(15,306)	(63,600)	-	(534,068)
(transfer into assets for own use)	-	-	-	-	-	-
As at December 31, 2021 (previous year)	41,580	1,175,735	99,194	43,427	3,259	1,363,195
As at January 1, 2022 (current 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 (current year)	43,434	1,040,627	87,123	57,154	3,205	1,231,543
Impairment						
As at January 1, 2021 (previous year)	44,960	1,110,628	96,240	107,027	1,958	1,360,813
Impairment loss during the year	5,622	378,995	12,843	-	1,220	398,680
(sold during the year)	-	-	-	-	-	-
(transfer into assets for own use)	(9,857)	(329,435)	(12,704)	(63,600)	-	(415,596)
As at December 31, 2021 (previous year)	40,725	1,160,188	96,379	43,427	3,178	1,343,897
As at January 1, 2022 (current 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
(transfer into assets for own use)	-	-	-	-	-	-
(sold during the year)	(4,806)	(151,708)	(12,506)	(8,302)	(49)	(177,371)
As at December 31, 2022 (current year)	42,751	1,025,864	86,654	57,154	3,144	1,215,567
Net carrying amount						
As at January 1, 2021 (previous year)	1,175	19,586	3,685	-	102	24,548
As at December 31, 2021 (previous year)	855	15,547	2,815	-	81	19,298
As at December 31 2022 (current year)	683	14,763	469	-	61	15,976

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27 Foreclosed assets (continued)

Foreclosed assets are assets that are not used in the Groups regular operations. Foreclosed assets are owned by the Group.

Some of these assets, until their disposal, are leased by the Group. The net value of leased assets as at 31 December 2022 is 7,920 thousands of denars (as at 31 December 2021 in the amount of 11,923 thousands of denars).

The fair value of the acquired assets through foreclosure procedure of foreclosed assets as at 31 December 2022 is in the amount of 971,621 thousands of denars (as at 31 December 2021 is in the amount of 1,155,870 thousands of denars).

Part of the recognized impairment in 2022 in the amount of 6,282 thousands of denars (2021: 4,932 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 2020 the Group realized capital gain from the sale of foreclosed assets in the amount of 151,130 thousands of denars (2021: 444,063 thousands of denars) (see note 11).

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
28 Intangible assets
A Reconciliation of the present carrying amount

	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
<i>in thousands of denars</i>								
Purchase value								
As at January 1, 2021 (previous year)	-	229,738	-	78,448	12,970	-	-	321,156
Increases by new supplies	-	14,406	-	14,359	5,606	-	-	34,371
Increases by internal development	-	-	-	-	-	-	-	-
Increases by business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(580)	-	-	-	(580)
(disposal through business combination)	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-
As at December 31, 2021 (previous year)	-	244,144	-	92,227	18,576	-	-	354,947
As at January 1, 2022 (current year)	-	244,144	-	92,227	18,576	-	-	354,947
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 combinations)	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale)	-	-	-	-	-	-	-	-
As at December 31, 2022 (current year)	-	272,189	-	93,859	8,579	-	-	374,627

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KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
28 Intangible assets (continued)
A Reconciliation of the present carrying amount (continued)

	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
<i>in thousands of denars</i>								
Depreciation and impairment								
As at January 1, 2021 (previous year)	-	200,578	-	49,017	-	-	-	249,595
Depreciation for the year	-	10,581	-	8,849	-	-	-	19,430
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(580)	-	-	-	(580)
As at December 31, 2021 (previous year)	-	211,159	-	57,286	-	-	-	268,445
As at January 1, 2022 (current year)	-	211,159	-	57,286	-	-	-	268,445
Depreciation for the year	-	12,487	-	11,457	-	-	-	23,944
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	-
Balance at December 31, 2022 (current year)	-	223,646	-	68,743	-	-	-	292,389
Current carrying amount								
Balance at January 1, 2021	-	29,160	-	29,431	12,970	-	-	71,561
Balance at December 31, 2021 (previous year)	-	32,985	-	34,941	18,576	-	-	86,502
Balance at December 31, 2022 (current year)	-	48,543	-	25,116	8,579	-	-	82,238

*only for consolidated financial statements

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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

		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
		<i>in thousands of denars</i>						
Present carrying value as at:								
As at December 31 2021 (previous year)		-	-	-	-	-	-	-
As at December 31 2022 (current year)		-	-	-	-	-	-	-

As at 31 December 2022, the Bank has not pledged intangible assets as collateral for the Bank's liabilities (as at 31 December 2021: none).

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
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 2021 (previous year)	89,200	3,222,143	151,752	355,459	745,877	13,472	37,786	50,036	4,665,725
Increases	-	-	-	-	-	-	208,571	-	208,571
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(52,813)	(27,553)	(14,496)	(10,897)	-	-	(4,364)	(110,123)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	58,686	35,403	19,415	58,114	-	(191,332)	19,714	-
As at 31 December 2021 (previous year)	89,200	3,228,016	159,602	360,378	793,094	13,472	55,025	65,386	4,764,173
As at 1 January 2022 (current year)	89,200	3,228,016	159,602	360,378	793,094	13,472	55,025	65,386	4,764,173
Increases	-	-	-	-	-	-	152,457	-	152,457
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(16,351)	(45,799)	(92,005)	-	-	(800)	(154,955)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	(11,584)	-	-	-	-	-	-	(11,584)
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	46,582	4,512	33,076	90,450	37	(184,914)	10,257	-
As at 31 December 2022 (current year)	89,200	3,263,014	147,763	347,655	791,539	13,509	22,568	74,843	4,750,091

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

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
29 Property and equipment
A Reconciliation of the carrying amount (continued)

	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
<i>in thousands of denars</i>									
Depreciation and impairment									
As at 1 January 2021 (previous year)	-	840,450	127,346	324,004	555,232	-	-	49,934	1,896,966
Depreciation for the year	-	80,226	16,295	10,966	66,967	-	-	1,299	175,753
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(9,910)	(27,553)	(14,496)	(10,897)	-	-	(4,364)	(67,220)
(Transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	680	759	(397)	-	-	(1,042)	-
Balance at 31 December 2021 (previous year)	-	910,766	116,768	321,233	610,905	-	-	45,827	2,005,499
Balance at 1 January 2022 (current year)	-	910,766	116,768	321,233	610,905	-	-	45,827	2,005,499
Depreciation for the year	-	80,820	17,402	14,668	76,451	-	-	3,958	193,299
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(16,351)	(45,799)	(91,964)	-	-	(800)	(154,914)
(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 (current year)	-	988,907	117,819	290,102	595,392	-	-	48,985	2,041,205
Current carrying amount									
As at 1 January 2021 (previous year)	89,200	2,381,693	24,406	31,455	190,645	13,472	37,786	102	2,768,759
As at 31 December 2021 (previous year)	89,200	2,317,250	42,834	39,145	182,189	13,472	55,025	19,559	2,758,674
As at 31 December 2022 (current year)	89,200	2,274,107	29,944	57,553	196,147	13,509	22,568	25,858	2,708,886

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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*

Current carrying amount at:

As at December 31 2021 (previous year)

As at December 31 2022 (current year)

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
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-

The amount of commitments for the purchase of property and equipment in 2022 is in the amount of 5,053 thousands of denars (2021: 261 thousands of denars).

As at 31 December 2022, the Bank has not pledged property and equipment as collateral for the Bank's liabilities (as at 31 December 2021: none).

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

<i>in thousands of denars</i>	
current year 2022	previous year 2021
Income tax receivables (current)	391
Income tax liabilities (current)	100,871

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	current year 2022			previous year 2021		
	Deferred tax assets	(Deferred tax liabilities)	On net basis	Deferred tax assets	(Deferred tax liabilities)	On net basis
<i>in thousands of denars</i>						
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*

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	-	-

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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	Recognized in the course of the year in:		As at December 31
		As at January 1	Income statement	
Previous year 2021				
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 2022				
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	-	-	-	-

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

31 Non-current assets held for sale and disposal group**A Non-current assets held for sale**

<i>in thousands of denars</i>	
current year 2022	previous year 2021
Intangible assets	
Property and equipment	-
Total non-current assets held for sale	-
	5,453

B Disposal Group

<i>in thousands of denars</i>	
current year 2022	previous year 2021
<i>Group of assets for disposal</i>	
Financial assets	-
Intangible assets	-
Property and equipment	-
Investment in associates	-
Income tax receivables	-
Other assets	-
<i>Total group of assets for disposal</i>	<i>-</i>
<i>Liabilities directly related to the group of assets for disposal</i>	
Financial liabilities	-
Special reserve	-
Income tax liabilities	-
Other liabilities	-
<i>Total liabilities directly related to the group of assets for disposal</i>	<i>-</i>

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

<i>in thousands of denars</i>	
current year 2022	previous year 2021
Profit/(loss) recognized from the sale of assets held-for-sale and disposal group	-

32 Trading liabilities

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
<i>Deposits from banks</i>		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
<i>Deposits from other clients</i>		
Current accounts, demand deposits and overnight deposits	-	-
Time deposits	-	-
Other deposits	-	-
	-	-
<i>Issued debt securities</i>		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
<i>Other financial liabilities</i>	--	-
<i>Trading derivatives</i>		
Agreements depending on interest rate change	-	-
Agreements depending on exchange rate change	-	2,623
Agreements depending on the securities price change	-	-
Other agreements that fulfil the IFRS 9 criteria	-	-
	-	2,623
Total trading liabilities	-	2,623

As at 31 December 2022 the Bank has no trading liabilities.

Trading liabilities in 2021 in the amount of 2,623 thousands of denars refer to trading derivatives, agreements depending on exchange rate change.

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

	<i>in thousands of denars</i>			
	current year 2022		previous year 2021	
	Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
<i>Deposits from banks</i>				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Deposits from other clients</i>				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Time deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
<i>Issued debt securities</i>				
Money market instruments	-	-	-	-
Deposit certificates	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
<i>Subordinated debt</i>	-	-	-	-
<i>Other financial liabilities</i>	-	-	-	-
	-	-	-	-
Total financial liabilities at fair value through the profit and loss determined as such at initial recognition	-	-	-	-

	<i>in thousands of denars</i>	
	Current year 2022	Previous year 2021
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

	<i>in thousands of denars</i>			
	current year 2022		previous year 2021	
	short-term	long-term	short-term	long-term
Current accounts				
domestic banks	233,191	-	258,324	-
foreign banks	27,167	-	28,665	-
Demand deposits				
domestic banks	-	-	4	-
foreign banks	-	-	-	-
Time deposits				
domestic banks	-	-	54,373	-
foreign banks	-	-	-	-
Restricted deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Other deposits				
domestic banks	-	-	-	-
foreign banks	-	-	-	-
Deposit interest liabilities				
domestic banks	-	-	7	-
foreign banks	-	-	270	-
Current maturity	-	-	-	-
Total deposits from banks	260,358	-	341,643	-

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

34 Deposits (continued)

34.2 Other deposits

	<i>in thousands of denars</i>			
	current year 2022		previous year 2021	
	Short term	Long term	Short term	Long term
Non-financial companies				
Current accounts	29,139,361	-	30,248,282	-
Demand deposits	544,314	-	34,937	-
Time deposits	775,890	467,609	590,656	486,278
Restricted deposits	580,392	872,007	353,833	1,066,455
Other deposits	-	-	-	-
Interest payable on deposits	9,012	-	8,414	-
	31,048,969	1,339,616	31,236,122	1,552,733
Government				
Current accounts	569,735	-	535,529	-
Demand deposits	2,347	-	2,116	-
Time deposits	35,000	-	35,000	-
Restricted deposits	199	-	185	-
Other deposits	-	-	-	-
Interest payable on deposits	85	-	85	-
	607,366	-	572,915	-
Non-profit institutions in service of households				
Current accounts	2,326,746	-	2,112,713	-
Demand deposits	483	-	214	-
Time deposits	379,622	178,095	394,790	177,903
Restricted deposits	14,055	2,028	61,685	8,676
Other deposits	-	-	-	-
Interest payable on deposits	994	-	2,061	-
	2,721,900	180,123	2,571,463	186,579
Financial companies, other than banks				
Current accounts	430,012	-	544,619	-
Demand deposits	419	-	9,735	-
Time deposits	41,500	468,779	134,500	705,979
Restricted deposits	6,217	28,803	16,068	22,055
Other deposits	-	-	-	-
Interest payable on deposits	2,849	-	5,410	-
	480,997	497,582	710,332	728,034
Households				
Current accounts	38,274,502	-	34,607,604	-
Demand deposits	9,767,958	-	9,519,141	-
Time deposits	30,542,772	14,286,155	31,634,147	14,457,923
Restricted deposits	1,096,202	791,705	339,419	799,996
Other deposits	-	-	-	-
Interest payable on deposits	116,101	-	139,365	-
	79,797,535	15,077,860	76,239,676	15,257,919
Non-residents, other than banks				
Current accounts	750,128	-	942,282	-
Demand deposits	1,494	-	1,496	-
Time deposits	80,355	244,446	97,818	249,975
Restricted deposits	337,919	7,403	265,097	10,998
Other deposits	-	-	-	-
Interest payable on deposits	444	-	714	-
	1,170,340	251,849	1,307,407	260,973
Current maturity	6,593,390	(6,593,390)	7,274,479	(7,274,479)
Total other deposits	122,420,497	10,753,640	119,912,394	10,711,759

34 Deposits (continued)**34.2 Other deposits (continued)**

Restricted deposits are deposits that the Group 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 Group has approved to certain companies, deposits as collateral under approved consumption loans and retail loans.

35 Issued debt securities

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest payable on issued securities	-	-
Total issued debt securities	-	-

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

	<i>in thousands of denars</i>			
	current year 2022		previous year 2021	
	short-term	long-term	short-term	long-term
Banks				
Residents				
Loans payable	34	176,073	259	194,769
Repo-transactions	-	-	-	-
Interest payables	80	-	220	-
Non-residents				
Loans payable	-	520,110	-	517,068
Repo-transactions	-	-	-	-
Interest payables	1,862	-	1,220	-
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	270,512	(270,512)	210,544	(210,544)
Total loans payable	272,488	425,671	212,243	501,293

36 Borrowings (continued)

B Borrowings according to the creditor

<i>in thousands of Denars</i>					
		Current year 2022		Previous year 2021	
		short-term	long-term	short-term	long-term
<i>domestic sources:</i>					
Development Bank of North Macedonia - DBNM (previously MDBP) – ZKDF					
	34	170	259	890	
DBNM-EIB					
	80	175,902	220	193,879	
	114	176,072	479	194,769	
<i>foreign sources:</i>					
EBRD - TARA (Transfer and Amendment and Restatement Agreement)					
	917	80,837	1,148	101,534	
EBRD - CSP (SME Competitiveness Support Programme)					
	93	196,090	46	253,658	
EBRD - GEFF (Western Balkans Green Economy Financing Facility)					
	7	28,640	6	61,019	
EBRD – CSP II (SME Competitiveness Support Programme)					
	38	87,799	20	100,857	
EBRD - GEFF II (Western Balkans Green Economy Financing Facility)					
	579	60,917	-	-	
EBRD – REBOOT (Sustainable Reboot SME Programme)					
	228	65,828	-	-	
	1,862	520,111	1,220	517,068	
Current maturity					
	270,512	(270,512)	210,544	(210,544)	
Total borrowings					
	272,488	425,671	212,243	501,293	

36 Borrowings (continued)

B Borrowings according to the creditor

Lender	Currency	Interest rate	Year of maturity	Type of collateral
DBNM – ZKDF	MKD/EUR	0,5%	According to the agreements concluded with final users	3 bills of exchange
DBNM – ZKDF	MKD	-	15.07.2022	4 bills of exchange
DBNM - EIB	EUR	0%, 1%	According to the agreements concluded with DBNM	6 bills of exchange in form of Notary deed * Pledge of receivables under sub-loan agreements with final users in the form of Notary deed
EBRD-TARA	EUR	6,5% fixed, 5% adjustable	According to the agreements concluded with final users	Unsecured
EBRD - CSP	EUR	2% p.a (3 month EURIBOR + 2 p.p annually, value zero for negative Euroibor rate) variable	28.09.2026	Unsecured
EBRD-GEFF	EUR	1.85% p.a (6 month EURIBOR + 1.85 p.p annually, value zero for negative Euroibor rate)	30.12.2025	Unsecured
EBRD –CSP II	EUR	1.7% p.a (3 month EURIBOR + 1.7 p.p annually, value zero for negative Euroibor rate)	28.03.2024	Unsecured
EBRD-GEFF II	EUR	1.7% p.a (6 month EURIBOR + 1.7 p.p annually, value zero for negative Euroibor rate)	10.03.2025	Unsecured
EBRD-REBOOT	EUR	1.7% p.a (3 month EURIBOR + 1.7 p.p annually, value zero for negative Euroibor rate)	12.05.2025	Unsecured

The Group has pledged a lien in the form of a notary deed in favor of DBNM based on receivables from sub-loan agreements concluded with final users approved from the credit line from EIB, both administered through DBNM. As at 31 December 2022 the amount of borrowings for which the Group has pledged receivables is 175,902 thousands of denars 2021: 100,946 thousands denars) (see note 22.2)

As at 31 December 2022, the Bank is in compliance with the covenants as per the agreements with the EBRD.

37 Subordinated liabilities

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
<i>Subordinated deposits liabilities</i>		
Interest payables	-	-
<i>Subordinated loans liabilities</i>		
Interest payables	-	-
<i>Subordinated issued debt securities liabilities</i>		
Interest payables	-	-
Redeemable preference shares	-	-
Total subordinated debt	-	-

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

38 Special reserves and provisions

	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
<i>in thousands of denars</i>							
Balance at January 1, 2021 (previous year)	258,451	-	37,613	-	-	-	296,064
Additional provisions during the year	310,472	-	5,532	-	-	-	316,004
(provisions used during the year)	-	-	(3,702)	-	-	-	(3,702)
(release of provisions during the year)	(267,137)	-	(470)	-	-	-	(267,607)
Exchange rate effect	(124)	-	-	-	-	-	(124)
As at 31 December 2021 (previous year)	301,662	-	38,973	-	-	-	340,635
Balance at January 1, 2022 (current 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 (current year)	414,290	-	32,590	-	-	-	446,880

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Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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 2022 92,40% of total off-balance sheet items in the assets are classified in the risk category A, risk category B participates with 5,61%, and risk categories C, D and E with 1,99%.

39 Other liabilities

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Trade payables	30,765	21,130
Received advances	5,949	5,043
Fee and commission liabilities	11,425	10,352
Accrued expenses	36,814	18,768
Deferred income from previous years		-
Short - term liabilities to employees		-
Short - term liabilities for employee benefits	418	262
Other:		
(liabilities more than 10% of the total other liabilities)		
Other liabilities on other basis	64,588	35,772
Bank credit card settlement transactions	278,323	870,942
Liabilities to entities in the process of founding a company	5,868	5,361
Delayed payments liabilities based on collections from abroad	273,488	276,975
VAT liabilities	3,643	61,993
Liabilities in foreign currency for establishing legal entities	9,263	115,007
Liabilities upon activities with credit cards issued by foreign banks	-	28,017
Other liabilities		
(liabilities less than 10% of the total other liabilities)	43,555	37,980
Total other liabilities	764,099	1,487,602

KOMERCIJALNA BANKA AD SKOPJE
Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022
40 Subscribed Capital
A Subscribed Capital

	<i>in Denars</i>		<i>number of issued shares</i>				<i>in thousands of denars</i>	
	Nominal value per share		Ordinary shares		Preference shares non-redeemable		Total subscribed capital	
	ordinary shares	Preference shares- non-redeemable	Current year 2022	previous year 2021	Current year 2022	Previous year 2021	Current year 2022	Previous year 2021
	-	-	-	-	-	-	-	-
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 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. All shares rank equally with regard to the Bank's residual assets. According to the Bank's shareholders book as at 31 December 2022, 137,496 ordinary shares from the total shareholders' equity of the Bank or 6,03% (as at 31 December 2021, 136,496 ordinary shares i.e. 5.99%) there is limitation of the rights established based on the law and/or Decision or act of the competent body.

As at 31 December 2022 the Group does not hold treasury shares. The Open-end Investment Funds managed by the Bank's subsidiary KB Publikum Invest AD Skopje owns a total of 17,666 ordinary shares or 0.78% 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 15,056 ordinary shares, i.e. 0.66% of the total share capital of the Bank (as at 31 December 2021 total 18,393 ordinary shares i.e. 0.81%: KB Publikum - Balanced owns 3,337 ordinary shares, i.e. 0.146% of the total share capital of the Bank and KB Publikum MBI 10 owns 15,056 ordinary shares, i.e. 0.66% of the total share capital of the Bank).

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

40 Subscribed Capital (continued)**B Dividends****B.1 Announced and paid dividends by the Group**

<i>in thousands of denars</i>	
current year 2022	previous year 2021
Declared dividends and paid dividends for the year	-

<i>In denars</i>	
current year 2022	previous year 2021
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)

<i>in thousands of denars</i>	
current year 2022	previous year 2021
Announced dividends after December 31	1,139,534

<i>In denars</i>	
current year 2022	previous year 2021
Dividend per ordinary share	500
Dividend per preference share	-

Draft - Decision on determining the dividend amount and dates of dividend payout for 2022 is passed by the Supervisory Board. By 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

	<i>in thousands of denars</i>		<i>in %</i>	
	current year 2022	Previous year 2021	Current year 2022	Previous year 2021
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%

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

41 Earnings per share

A Basic earnings per share

<i>in thousands of denars</i>	
current year 2022	previous year 2021
Net profit for the year	2,312,172
(Dividend for non-redeemable priority shares)	
Correction of net profit entitled to the holders of the ordinary shares	-
Value of issued shares	-
Value of withdrawn shares	-
Value of dividend paid in shares	-
Net - Profit attributable to holders of ordinary shares	2,312,172

Net - Profit attributable to holders of ordinary shares

Net profit for the year

(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

<i>Number of shares</i>	
current year 2022	previous year 2021
Issued ordinary shares as of January 1	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
Basic earnings per share (in Denars)	1,015

Weighted average number of ordinary shares

Issued ordinary shares as of January 1

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

Basic earnings per share (in Denars)

B Diluted earnings per share

<i>in thousands of denars</i>	
current year 2022	previous year 2021
Net gain for the year entitled to the holders of the ordinary shares (diluted)	2,312,172
(diluted)	
Correction of net gain entitled to the holders of the ordinary shares for effects of all emitted potential ordinary shares (list separately)	-
Dividend from priority shares converted into ordinary shares	-
Income from realized options	-
Value of redeemable treasury shares	-
Net gain entitled to the holders of the ordinary shares (diluted)	2,312,172

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)

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)

<i>Number of shares</i>	
current year 2022	previous year 2021
Ordinary shares issued on 1 January	2,279,067
Effect from issue of potential ordinary shares	-
Weighted average number of the ordinary shares (diluted) on 31 December	2,279,067
Diluted earnings per share (in Denars)	1,015

Weighted average number of the ordinary shares (diluted)

Ordinary shares issued on 1 January

Effect from issue of potential ordinary shares

Weighted average number of the ordinary shares (diluted) on 31 December

Diluted earnings per share (in Denars)

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Unsecured payment guarantees		
in Denars	807,244	1,559,153
in foreign currency	2,164,235	1,540,209
in Denars with foreign currency clause	182,329	109,275
Unsecured performance guarantees		
in Denars	4,669,366	4,527,900
in foreign currency	445,477	542,691
in Denars with foreign currency clause	1,510,482	1,073,390
Unsecured letter of credit		
in Denars	-	-
in foreign currency	761,920	2,658,387
in Denars with foreign currency clause	-	-
Unused overdraft on current accounts	1,968,916	1,912,180
Unused credit card limits	1,183,159	1,182,584
Foreclosed liabilities for crediting and unused credit limits	2,560,791	3,136,030
Issued secured guarantees	876,585	974,608
Covered letter of credit	2,940	68,682
Other secured contingent liabilities	2,189,896	2,542,881
Total contingent liabilities before provisions	19,323,340	21,827,970
(Provisions)	(414,290)	(301,661)
Total contingent liabilities, net of provisions	18,909,050	21,526,309

For part of the contingent liabilities in the amount of 234,668 thousands of denars (2021: 239,806 668 thousands of denars) there is a litigation proceeding upon issued letter of guarantee for Granit AD Skopje. The case was initiated in front of an authorized court in Poland on September 16th 2011 by the State Treasury – General Directorate for National Roads and Motorways from Warsaw (beneficiary of the guarantee) against Komercijalna Banka AD Skopje, which was received in the Bank on 2 July 2012, requesting a payment upon the issued letter of guarantee in the amount of 17.897.404,09 PLN, equivalent to 234,668 thousands of denars. The letter of guarantee was issued based on a contract for building a motorway concluded on May 5th, 2010 between the plaintiff (State Treasury – General Directorate for State Roads and Motorways) and Granit AD Skopje (requestor of the guarantee).

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

42 Contingent liabilities and contingent assets**42.1 Contingent liabilities (continued)**

The payment after the activated guarantee has not been made by the Group due to the Decision for a temporary measure dated April 4, 2011, passed by the Basic Court Skopje 2 - Skopje, at the request of the claimant of the Guarantee Granit AD Skopje, which prohibits the User from of the Guarantor to take any action that would mean protesting or collecting the bank guarantee in question, and at the same time the Group is prohibited from making a payment upon the payment request from the Beneficiary of the guarantee.

With final and enforceable Verdict no. 56 TA-465/11 of the Skopje Court of First Instance 2 Skopje, rendered after the main legal proceedings on 05 May 2018, obliges the Respondent State Treasury - General Directorate of State Roads and Highways of Warsaw to return to the Plaintiff the Granit Bank Guarantee issued by Komercijalna Banka and it is determined that it has no right to take any action that would mean protesting or refunding the bank guarantee, thereby extinguishing all consequences of the said bank guarantee.

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

As at December 31, 2022, the Bank is conducting 15 court proceedings (2021: 21 court proceedings) in which 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 2022 was 402,307 thousands of denars plus interest (2021: 511,047 thousands of denars plus interest an amount which includes the amount from the above mentioned procedure. According to the Bank's lawyers, the final outcome of these legal cases is not expected to have negative consequences for the Bank, therefore no provision is recognized for that.

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

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

The amount of the revocable contingent liabilities is in the amount of 2.189.896 thousands of denars, and amount of irrevocable are in the amount of 5.712.866 thousands of denars (2021: 2.542.881 thousands of denars, and the amount of irrevocable is 6.230.795 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

<i>in thousands of denars</i>	
current year 2022	previous year 2021
-	-

List separately the more significant contingent assets:

Total contingent assets

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

	<i>in thousands of denars</i>					
	current year 2022			previous year 2021		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties						
Denar deposits	42,994	44,419	(1,425)	42,994	44,419	(1,425)
Foreign currency deposits	-	-	-	-	-	-
Denar loans	153,292	152,354	938	180,251	179,079	1,172
Foreign currency loans	-	-	-	-	-	-
Other Denar receivables	-	61	(61)	-	7	(7)
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	104,619	101,426	3,193	133,814	133,454	360
Other	1,721	4,165	(2,444)	1,753	4,113	(2,359)
Total	302,626	302,425	201	358,813	361,072	(2,259)

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

44 Related party transactions

A Balance sheet

in thousands of denars

As at 31 December 2022 (current year)

Assets

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
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	-	-	17	1,181,355	-	1,181,372
Investment in securities	-	-	385,387	-	-	385,387
(Impairment provisions)	-	-	-	(18,528)	-	(18,528)
Other assets	-	-	-	-	-	-
Total	-	-	385,404	1,283,814	-	1,669,218
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	2,737	1,049,563	-	1,052,300
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total	-	-	2,737	1,049,563	-	1,052,300

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KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

44 Related party transactions (continued)

A Balance sheet (continued)

in thousands of denars

As at 31 December 2022 (current year)

Contingent liabilities

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
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	-	-	-	-	-	-

in thousands of denars

As at 31 December 2021 (previous year)

Assets

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Current accounts	-	-	-	-	-	-
Held-for-trading assets	-	-	-	-	-	-
Loans and receivables						
Mortgage loans	-	-	-	88,683	-	88,683
Consumer loans	-	-	-	29,498	-	29,498
Financial lease receivables	-	-	-	-	-	-
Factoring and forfeiting of receivables	-	-	-	-	-	-
Other loans and receivables	-	-	8	1,046,937	-	1,046,945
Investment in securities	-	-	348,731	-	-	348,731
(Impairment provisions)	-	-	-	(18,645)	-	(18,645)
Other assets	-	-	-	-	-	-
Total	-	-	348,739	1,146,473	-	1,495,212

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KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

44 Related party transactions (continued)

A Balance sheet (continued)

	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	501	897,380	-	897,881
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total	-	-	501	897,380	-	897,881
Contingent liabilities						
Issued guarantees	-	-	-	61,087	-	61,087
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	297	50,040	-	50,337
(Provisions)	-	-	(7)	(632)	-	(639)
Total	-	-	290	110,495	-	110,785
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

44 Related parties transactions (continued)

B Income and expenses arising from related party transactions

<i>in thousands of Denars</i>	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2022 (current year)						
Income						
Interest Income	-	-	-	40,035	-	40,035
Fee and commission income	-	-	187	7,036	-	7,223
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	-	75,629	3,002	-	78,631
Transfers between entities	-	-	-	-	-	-
Total	-	-	75,816	50,073	-	125,889
Expense						
Interest expense	-	-	-	8,814	-	8,814
Fee and commission expense	-	-	-	-	-	-
Net trading losses	-	-	-	-	-	-
Expences for procurement of non-current assets	-	-	-	-	-	-
Impairment provisions of financial assets, on net basis	-	-	-	(349)	-	(349)
Other expences	-	-	2	1,650	-	1,652
Transfers between entities	-	-	-	-	-	-
Total	-	-	2	10,115	-	10,117

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KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

44 Related parties transactions (continued)

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

<i>in thousands of Denars</i>	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2021 (previous year)						
Income						
Interest Income	-	-	3	35,470	-	35,473
Fee and commission income	-	-	270	7,178	-	7,448
Net trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	-	79,138	2,255	-	81,393
Transfers between entities	-	-	0	-	-	-
Total	-	-	79,411	44,903	-	124,314
Expense						
Interest expense	-	-	-	7,741	-	7,741
Fee and commission expense	-	-	-	-	-	-
Net trading losses	-	-	-	-	-	-
Expences for procurement of non-current assets	-	-	-	-	-	-
Impairment provisions of financial assets, on net basis	-	-	-	1,602	-	1,602
Other expences	-	-	3	1,129	-	1,132
Transfers between entities	-	-	-	-	-	-
Total	-	-	3	10,472	-	10,475

44 Related parties transactions (continued)

C Remuneration for the management of the bank

	<i>in thousands of denars</i>	
	current year 2022	previous year 2021
Short-term benefits for employees	245,600	240,861
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	15,707	14,537
Total	261,307	255,398

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

45 Leases

A Lessor

A.1 Receivables from financial leases

	Total finance lease receivables	Maturity period for financial lease receivables		
		up to 1 year	од 1 до 5 години	up to 1 year
<i>in thousands of denars</i>				
As at 31 December 2022 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	-	-	-	-
As at 31 December 2021 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	-	-	-	-

A.2 Receivables from irrevocable operating leases

	Total irrevocable operating lease receivables	Maturity period for irrevocable operating lease receivables		
		up to 1 year	from 1 to 5 years	over 5 years
<i>in thousands of denars</i>				
As at 31 December 2022 (current year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	-	-	-	-
As at 31 December 2021 (previous year)				
Current value of minimum payment for the leasehold	-	-	-	-
Total	-	-	-	-

45 Leases (continued)

A Lessor (continued)

A.2 Irrevocable operating lease receivables (continued)

<i>in thousands of Denars</i>	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 2022 (current year)	-	-	-	-	-	-	-
As at 31 December 2021 (previous year)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

B Lessee

B.1 Liabilities from financial leases

<i>in thousands of Denars</i>	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 2022 (current year)	-	-	-	-
Total	-	-	-	-
As at 31 December 2021 (previous year)	-	-	-	-
Total	-	-	-	-

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

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 2021 (previous year)	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
(disposal and write- off)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
As at 31 December 2021 (previous year)	-	-	-	-	-	-	-
As at 1 January 2022 (current year)	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
(disposal and write- off)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
As at 31 December 2022 (current year)	-	-	-	-	-	-	-

KOMERCIJALNA BANKA AD SKOPJE

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

45 Lease (continued)

B Lease (continued)

B.1 Liabilities from financial lease (continued)

<i>in thousands of denars</i>	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Accumulated depreciation and impairment							
Balance at January 1, 2021 (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, 2021 (previous year)	-	-	-	-	-	-	-
Balance at January 1, 2022 (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, 2022 (current year)	-	-	-	-	-	-	-
Current carrying amount							
at January 1, 2021 (previous year)	-	-	-	-	-	-	-
At December 31, 2021 (previous year)	-	-	-	-	-	-	-
At December 31, 2022 (current year)	-	-	-	-	-	-	-

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2022

45 Leases (continued)

B Lessee (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, 2022 (current year)	45,780	4,285	13,943	27,552
Total	45,780	4,285	13,943	27,552
Balance at December 31, 2021 (previous year)	50,773	4,299	16,958	29,516
Total	50,773	4,299	16,958	29,516

46 Share based payments

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

<i>in thousands of denars</i>			
Current year 2022		Previous year 2021	
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

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

Current year 2022		Previous year 2021	
number of options for share	Weighted average prices of options for share	number of options for share	Weighted average prices of options for share
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

47. The Group's subsidiaries

See accounting policies (c).

Significant subsidiaries

KB Publikum is a significant subsidiary of the Group. It executes its activities in the Republic of North Macedonia. The Bank holds 64.29% of the shares with voting right in the subsidiary (2021: 64.29%).

Significant restrictions

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

47. The Group's subsidiaries (continued)

Non-controlling interest in subsidiaries

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

KB Publikum

In thousands of denars

31 December 2022

Assets

Cash and cash equivalents	1,281
Held for trading financial assets	21,830
Financial assets held to maturity	55,767
Bank deposits	73,000
Property and equipment	930
Intangible assets	768
Other assets	8,634

Total assets	162,210
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Liabilities

Liabilities to suppliers and other liabilities	28,556
Total liabilities	28,556

Net assets	133,654
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Carrying amount of non-controlling participation	47,727
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**For the year ended 31
December 2022**

Revenue	78,005
Expenses	(34,233)
Profit/(loss)	43,772
Total comprehensive income/(loss)	43,772
Profit/(loss) of non-controlling interest	15,632

**For the year ended 31
December 2022**

Cash flows from operating activities	50,526
Cash flows from investing activities	(22,261)
Cash flows from financing activities, before dividends to non-controlling interest	(21,286)
Cash flows from financing activities, dividends to non-controlling interest	(11,824)
Net increase/(decrease) of cash and cash equivalents	(4,845)

47 The Group's subsidiaries (continued)

KB Publikum*In thousands of denars***31 December 2021****Assets**

Cash and cash equivalents	6,126
Held for trading financial assets	21,984
Bank deposits	106,046
Property and equipment	1,360
Intangible assets	1,149
Other assets	7,825

Total assets	144,490
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Liabilities

Liabilities to suppliers and other liabilities	21,498
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Total liabilities	21,498
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Net assets	122,992
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Carrying amount of non-controlling participation	43,919
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**For the year ended 31
December 2021**

Revenue	77,286
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Expenses	(32,066)
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Profit/(loss)	45,220
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Total comprehensive income/(loss)	45,220
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Profit/(loss) of non-controlling interest	16,148
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**For the year ended 31
December 2021**

Cash flows from operating activities	50,204
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Cash flows from investing activities	(11,862)
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Cash flows from financing activities, before dividends to non-controlling interest	(21,286)
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Cash flows from financing activities, dividends to non-controlling interest	(11,824)
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Net increase of cash and cash equivalents	5,232
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48 Events after the date of the balance sheet

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