Independent Auditors' Report and

Consolidated financial statements

For the year ended 31 December 2021

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Independent Auditors' Report



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

Report on the Audit of Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Komercijalna Banka AD Skopje ("the Bank"), as set out on pages 1 to 156, which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and reserves and consolidated cash flows statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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



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

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Bank as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the regulations prescribed by the National Bank of the Republic of North Macedonia.

Report on other legal and regulatory requirements

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

As required under article 34(d) from the Law on Auditing, we report that the historical financial information disclosed in the annual report of the Bank, prepared by management as required under article 384(7) of the Trading Companies Law, is consistent, in all material aspects, with the consolidated annual account of the Bank and the financial information disclosed in the audited consolidated financial statements of the Bank as at and for the year ended 31 December 2021. Management is responsible for the preparation of the consolidated annual account of the Bank which was approved by the Supervisory Board of the Bank on 23 February 2022 and for the preparation of the annual report of the activities of the Bank which was approved by the Supervisory Board of the Bank on 23 February 2022.

Skopje,25 February 2022

Certified auditor Srdjan Randjelovic KPMG Audit DOO Managing Director Srdjan Randjelovic

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENTFor the period from 1 January 2021 to 31 December 2021

		In thousand of denars	
	Note	current year 2021	previous year 2020
Interest income		2,803,850	2,816,672
Interest expense		(348,098)	(396,117)
Interest income/(expense), net	6	2,455,752	2,420,555
Fee and commission income		1,649,117	1,403,004
Fee and commission expense		(583,959)	(445,967)
Fee and commission income/(expense), net	7	1,065,158	957,037
Net trading income	8	17,942	4,529
Net income from other financial instruments at fair value	9	5,917	5,262
Foreign exchange gains/(losses), net	10	197,401	165,074
Other operating income	11	1,701,629	1,812,416
Share of profit of associates	24	79,103	67,614
onare of profit of associates	24	70,100	07,014
Impairment losses of financial assets and special reserve for off-			
balance sheet exposures, net	12	(934,594)	(1,369,749)
Impairment losses of non-financial assets, net	13	(4,932)	(4,399)
Personnel expenses	14	(1,048,233)	(1,035,579)
Depreciation and amortization	15	(195,183)	(175,120)
Other operating expenses	16	(806,186)	(748,318)
Share of loss of associates	24	-	-
Profit/(loss) before tax		2,533,774	2,099,322
Income tax expense	17	(205,454)	(160,188)
Profit for the year from continuing operations	17	2,328,320	1,939,134
,			·
Profit/(loss) from group of assets and liabilities held for sale		-	-
Profit/(loss) for the year		2,328,320	1,939,134
Profit/(loss) for the year attributable to*:			
Shareholders of the Bank		2,312,172	1,923,370
Non-controlling interest		16,148	15,764
Earnings per share	41		
basic earnings per share (in Denars)	41	1,015	844
diluted earnings per share (in Denars)		1,015	844
anatoa carriings per snare (in Denais)		1,010	044

^{*} only for consolidated financial statements

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOMEFor the period from 1 January 2021 to 31 December 2021

		In thousand	d of denars
	Note	current year 2021	previous year 2020
Profit/(loss) for the year		2,328,320	1,939,134
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	.,	_	_
Total other gams/(1035c3) 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 realized net gains/(losses) from debt assets available for sale, reclassified to profit or loss 		(2,448)	(2,077)
- additional impairment to debt assets available for sale		-	-
- release of impairment to debt assets available for sale		-	-
Revaluation reserve for foreclosed assets on the basis of uncollected receivables		-	-
- revaluation reserve recognized during the year			
- reduction of revaluation reserve, reclassified in to Profit and loss		-	-
Reserve for instruments for hedging net-investment in international operations risk - unrealized net-changes in fair value of hedging instruments of Cash flow risk - realized net gains/(losses) on hedging instruments of cash flow, reclassified in the Income statement		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations			_
Foreign exchange reserve of investment in foreign operations		_	_
Share in other gains/(losses) of associates not recognized in the income statement	24	-	-
Other gains/(losses) not recognized in the income statement		-	-
Income tax on other gains/(losses) which are or might be reclassified to the income statement	17	_	_
Total other gains/ (losses) in the period that are or might be reclassified to the	•		
Income Statement		(2,448)	(2,077)
Total other gains/(losses) in the period Total comprehensive income for the year		(2,448) 2,325,872	(2,077) 1,937,057
Total comprehensive income for the year, attributable to*:		_,	.,,
Shareholders of the Bank		2,309,724	1,921,293
Non-controlling interest		16,148	15,764

^{*} only for consolidated financial statements

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

CONSOLIDATED BALANCE SHEET** At 31 December 2021

Note	At 51 December 2021		usands of denars		
Assets Cash and cash equivalents Heid-for-trading assets at fair value through profit or Primarial sasets and value through profit or Primarial sasets and value through profit or Primarial State of Primaria State of Pri		Noto			
Cash and cash equivalents		Note			year ***
Cash and cash equivalents			31.12.2021	31.12.2020	01.01.2020
Held-for-trading assets 19					
Financial assets at flar value through profit or loss upon intial recognition 20 355,371 344,455		_		, ,	-
Ioss upon initial recognition		19	141,666	66,831	-
Derivative assets held for risk management 21					
Loans and advances to banks 22.1 3,099,033 1,021,080 1,0			350,371	344,455	-
Loans and advances to other customers 22.2 53,536.121 50,953.838 Investments in securities 24					
Investments in securities 23					-
Investments in associates (accounted using the "equity method") 24 348,731 324,115 301					-
Income tax receivable (current) 30.1 391 390					
Other receivables					-
Assets pledged as collateral 26 70 70 70 70 70 70 70 7					-
Foreclosed assets 19,298 24,548			2,599,727	2,258,084	
Intangible assets			10.000	- 04.540	-
Property and equipment				,	-
Deferred tax assets 30.2 31 - - - - - -					
Non-current assets held-for-sale and disposal group 31			2,758,674	2,768,759	
Total assets			-	-	-
Contingent Con		31		-	-
Trading liabilities 32 2,623 5,668 Financial liabilities at fair value through profit or loss upon initial recognition 33 - - - - - -			148,554,798	132,600,577	-
Financial liabilities at fair value through profit or loss upon initial recognition 33					
Or loss upon initial recognition		32	2,623	5,668	-
Derivative liabilities held for risk management 21					
Due to banks			-	-	-
Due to other customers			-	-	-
Debt instruments issued 35		_	- ,		-
Borrowings 36		_	130,624,153	116,492,240	-
Subordinated debt 37			740 500	- 570 405	-
Special reserve and provisions 38 340,635 296,064 -			713,536	576,425	-
Non-controlling interest* 14,899,816 13,957,532 13,997,127 14,943,735 13,997,127 1-10,000,000 14,845,4798 13,2600,577 1-10,000,000 14,845,4798 132,600,577 1-10,000,000,000 14,854,798 132,600,577 1-10,000,000,000 14,800,000,000 14,854,798 132,600,577 1-10,000,000,000 14,854,798 132,600,577 1-10,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000,000,000,000,000 14,854,798 132,600,577 1-10,000,000,000,000,000,000,000,000,000		-	240.625	200.004	-
Deferred tax liabilities 30.2 - - - - - - - - -				,	-
Other liabilities 39 1,487,602 1,043,385 - Liabilities related to disposal group 31 - - - Total liabilities 133,611,063 118,603,450 - Equity and reserves 2,279,067 2,279,067 - - Share premium 771,527 771,527 - - Treasury shares -			100,871	3,534	
Subscribed capital deserves Subscribed capital			1 497 602	1 042 205	
Total liabilities			1,467,602	1,043,303	-
Equity and reserves 40 2,279,067 2,279,067 - 5		31	122 611 062	110 602 450	-
Subscribed capital 40 2,279,067 2,279,067 - Share premium 771,527 771,527 - Treasury shares - - - - - Other equity instruments -			133,611,063	110,003,450	-
Share premium		40	2 270 067	2 270 067	
Treasury shares -		40			-
Other equity instruments - <td>•</td> <td></td> <td>771,527</td> <td>111,321</td> <td>-</td>	•		771,527	111,321	-
Revaluation reserves 1,069 3,517 -			-	-	
Other reserves 9,227,530 8,609,920 - Retained earnings/(Accumulated losses) 2,620,623 2,293,501 - Total equity and reserves, attributable to the shareholders of the Group 14,899,816 13,957,532 - Non-controlling interest* 43,919 39,595 - Total equity and reserves 14,943,735 13,997,127 - Total liabilities and equity and reserves 148,554,798 132,600,577 - Contingent liabilities 42 21,526,309 20,480,053 - Contingent assets 42 - 61,500 -			1 060	2 517	-
Retained earnings/(Accumulated losses) 2,620,623 2,293,501 - Total equity and reserves, attributable to the shareholders of the Group 14,899,816 13,957,532 - Non-controlling interest* 43,919 39,595 - Total equity and reserves 14,943,735 13,997,127 - Total liabilities and equity and reserves 148,554,798 132,600,577 - Contingent liabilities 42 21,526,309 20,480,053 - Contingent assets 42 - 61,500 -					-
Total equity and reserves, attributable to the shareholders of the Group 14,899,816 13,957,532 - Non-controlling interest* 43,919 39,595 - Total equity and reserves 14,943,735 13,997,127 - Total liabilities and equity and reserves 148,554,798 132,600,577 - Contingent liabilities 42 21,526,309 20,480,053 - Contingent assets 42 - 61,500 -	**···			, ,	
the Group 14,899,816 13,957,532 - Non-controlling interest* 43,919 39,595 - Total equity and reserves 14,943,735 13,997,127 - Total liabilities and equity and reserves 148,554,798 132,600,577 - Contingent liabilities 42 21,526,309 20,480,053 - Contingent assets 42 - 61,500 -	Retained earnings/(Accumulated losses)		2,620,623	2,293,501	-
Non-controlling interest* 43,919 39,595 - Total equity and reserves 14,943,735 13,997,127 - Total liabilities and equity and reserves 148,554,798 132,600,577 - Contingent liabilities 42 21,526,309 20,480,053 - Contingent assets 42 - 61,500 -			44 000 040	40.0== ===	
Total equity and reserves 14,943,735 13,997,127 - Total liabilities and equity and reserves 148,554,798 132,600,577 - Contingent liabilities 42 21,526,309 20,480,053 - Contingent assets 42 - 61,500 -					-
Total liabilities and equity and reserves 148,554,798 132,600,577 - Contingent liabilities 42 21,526,309 20,480,053 - Contingent assets 42 - 61,500 -					
Contingent liabilities 42 21,526,309 20,480,053 - Contingent assets 42 - 61,500 -	· •				
Contingent assets 42 - 61,500 -					
5	<u> </u>		21,526,309	, ,	-
	•	42	-	61,500	-

^{*} only for consolidated 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 23 February 2022.

Signed on behalf of Komercijalna Banka AD Skopje:

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

^{**} 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES

For the period from 1 January 2021 to 31 December 2021

	Equity			Revaluation reserves				Other reserves Retained earnings				1						
<u> </u>		Lu	uity	I		11648	iluation rese	1 462			I	:5	Retairieu	l				
						Revalua-		Foreign										
						tion		exchange					Available			Total equity		
						reserve on		reserves			Capital		for	Limited for		and reserves,		
					Revaluation	financial		on			component		distribution	distribution		attributable to		
				Other	reserve for	assets	Reserves	investment	Other		of hybrid		to	to	(Accu-	the share-	Non-	Total equity
	Subscri-	Share	(Treasury	equity	foreclosed	available	for risk	in foreign	revaluation	Statutory	financial	Other	shareholde	shareholde	mulated	holders of the	controlling	and
In thousands of Denars be	ed capital	premium		instruments	assets	for sale	mitigation	operations	reserves	reserve	instruments	reserves	rs	rs	losses)	Bank	interest *	reserves
		•	•				Ŭ											
As at January 1, 2020 (previous year) 2,	,279,067	771.527	-	_	-	5,594	_	-	_	455,813	_	7,600,838	1,853,803	323,084	-	13,289,726	33,280	13,323,006
Opening balance restatement	, -,	- /-				-,				/-		,,	, ,	, , , , , ,		.,,	, , , , , ,	, , , , , , , ,
As at January 1, 2020 (previous year),																		
	,279,067	771 527	_	_	_	5,594	_	_	_	455,813	_	7,600,838	1,853,803	323,084	_	13,289,726	33,280	13,323,006
Total comprehensive income for the	.,,,	,02.				0,004				400,010		1,000,000	1,000,000	020,004		10,200,120	00,200	10,020,000
year																		
Profit/(loss) for the year	_	_	_	_	_	_	_	_	_	_	_	_	1,923,370	_	_	1,923,370	15,764	1,939,134
Other gains/(losses) during the period	_	_	_	_	_	_	_	_	-	_	_	_	1,323,370	_	_	1,323,370	13,704	1,333,134
Changes in fair value of financial assets																		
available for sale																		
Debt instruments																		
-unrealized changes in fair value (net)						(2,077)									_	(2,077)		(2,077)
	-	-	-	-	-	(2,077)	-	-	-	-	-	-	_	_	-	(2,077)	-	(2,077)
-realized changes in the fair value (net),																		
transferred to the Income statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-additional impairment to debt assets																		
available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-release of inpairment for debt assets																		
availabl for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity instruments																		
-unrealized changes in fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-realized changes in the fair value (net),																		
transferred to Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of assets available																		
for sale	-	-			-	-	-	-	-	-		-	-	-	-	-	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (continued)

For the period from 1 January 2021 to 31 December 2021

i oi tile period i	0111 1			1 10 01	DCCCII	IDCI Z					.,,				1			1
		Ec	uity	1			Revaluatio	n reserves		C	ther reserve	es	Retained	earnings				
																Total equity		
						Revalua-		Foreign								and		
						tion		exchange					Available			reserves,		
						reserve on		reserves			Capital		for	Limited for		attributable		
					Revaluation	financial		on			component		distribution	distribution		to the	Non-	
				Other	reserve for	assets	Reserves	investment	Other		of hybrid		to	to		share-	controllin	
	Subscri-	Share	(Treasury	equity	foreclosed	available	for risk	in foreign	revaluation	Statutory	financial	Other	shareholde	shareholde	(Accumula-	holders of	g interest	Total equity
In thousands of denars	bed capital	premium	`shares)	instruments	assets	for sale	mitigation	operations	reserves	reserve	instruments	reserves	rs	rs	ted losses)	the Bank	*	and reserves
Changes in fair value of instruments for		•						'							/			
hedging cash flow risk	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_		_
Changes in fair value of instruments for																		
hedging net-investments in foreign																		
operations	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Foreign exchange gains/(losses) of																		
foreign operations	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Deferred tax assets/(liabilities)																		
recognized in equity	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Changes in the bank's creditworthiness	-	-	-	-	-	_	_	_	-	_	_	_	_	-	_	-	_	-
for financial liabilities measured at fair																		
Value	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_		_	
Other gains/(losses) not recognized in	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	Ī	_	1
the income statement																		
Total unrealized gains/(losses)		-		-		-	-	-		-	-	-	-	-	-		-	-
recognized directly in equity						(2,077))										(2,077)		(2,077)
Total comprehensive income for the		_		-	_	(2,011))	-		-		-	-	_	-	-	(2,011)	-	(2,011)
•						(2,077))							1,923,370			1,921,293	45 764	1,937,057
year		-	-	-	-	(2,077))	-	-	-	-	-	-	1,923,370	-	-	1,921,293	15,764	1,937,057
Transactions with the shareholders,																		
recognized directly in equity and																		
reserves																		
Share issued in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of statutory reserve	-	-	-	-	-	-	-	-	-	-	-		(550,000)	-	-	-	-	-
Allocation of other reserves	-	-	-	-	-	-	-	-	-	-	-	553,269	(553,269)	-	-		(0.440)	(4
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1,253,487)	-	-	(1,253,487)	(9,449)	(1,262,936)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves																		
(specify in detail)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution of retained earnings – limited																		
for shareholders' distribution)	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-
Transactions with shareholders,																		
recognized directly in equity and																		
reserves	-	-	-	-	1	-	-	-	-	-	-	553,269	(1,806,756)	-	-	(1,253,487)	(9,449)	(1,262,936)
As at December 31, 2020 (previous												1						
year)/ January 1, 2021 (current year)	2,279,067	771,527	-	-	-	3,517	-	-	-	455,813	-	8,154,107	1,970,417	323,084	-	13,957,532	39,595	13,997,127

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)

For the period from 1 January 2021 to 31 December 2021

i oi tiio perioa i					D 0001	1001 20										1		
		Ec	quity				Revaluatio	n reserves		C	ther reserve	S	Retained	earnings			1 '	
																	,	
																	,	
																	,	
																	,	
																	,	
						Revalua-		Foreign									,	
						tion		exchange					Available			Total equity	,	
						reserve on		reserves			Capital		for	Limited for		and reserves,	, ,	
					Revaluation			on			component		distribution			attributable to	, '	
					reserve for		Reserves	investment	Other		of hybrid		to		(Accumu-		Non-	Total equity
	Subscri-	Share	(Treasury	equity	foreclosed	available	for risk		revaluation	Statutory	financial	Other	shareholde			holders of the		
In thousands of Denars				instruments		for sale		operations	reserves		instruments	reserves	rs	rs	losses)	Bank	interest *	reserves
As at December 31, 2020 (previous	ocu capitai	premium	Silaies)		a33013	ioi sale	mugauon	operations	16361763	1636176	in Struments	16361763	13	13	100000)	Dank	11161631	10361763
	2,279,067	774 527			1	3,517				455.813		8,154,107	1,970,417	323,084		13,957,532	20 505	13,997,127
	2,279,067	111,521	-	-		3,517				455,613	-	0,154,107	1,970,417	323,004	-	13,957,532	39,393	13,997,127
Opening balance restatement																		
As at January 1, 2021 (current 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																	1	
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	2,312,172	-	-	2,312,172	16,148	2,328,320
Other gains/(losses) in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	ı -!	-
Debt instrumens																	, '	
-unrealized changes in fair value (net)	-	-	-	-	-	(2,448)	-	-	-	-	-	-	-	-	-	(2,448)	, '	(2,448)
-realized changes in the fair value (net),	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	ı -!	-
transferred to the Income statement																	, '	
-additional impairment to debt assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	, -!	-
available for sale																	, '	
-release of inpairment for debt assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	, -!	-
availabl for sale																	, '	
Equity instruments																	, '	
 -unrealized changes in fair value (net) 	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	, -!	-
-realized changes in the fair value (net),	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-!	-
transferred to Other reserves																	, '	
Changes in fair value of available for	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	i - '	-
sale assets					1								1				, '	1
Changes in fair value of instruments for	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	- '	-
hedging cash flow risk					1								1				, ,	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES (Continued)

For the period from 1 January 2021 to 31 December 2021

i oi tile periou i	10111 1			1 10 01	DCCCI	IDCI ZC									1			
		Ec	quity	1			Revaluatio	n reserves	1	(ther reserve	S	Retained	earnings				
						Revalua-		Foreign								Total equity		
						tion reserve on		exchange reserves			Capital		Available for	Limited for		and reserves,		
					Revaluation	financial		on			component		distribution			attributable		
	Subscri-	Share	(Treasury	Other equity	reserve for foreclosed	assets available	Reserves for risk	investment in foreign	Other revaluation	Statutory	of hybrid financial	Other	to shareholde	to shareholde	(Accumu- lated	to the share- holders of	Non- controlling	Total equity and
In thousands of denars			shares)	instruments		for sale		operations			instruments	reserves	rs	rs	losses)	the Bank	interest *	reserves
Changes in fair value of instruments for	-	-	-	-	_	-	-	-	_	-	_	-	-	_	-	-	-	-
hedging net-investments in foreign operations																		
Foreign exchange gains/(losses) of	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
foreign operations Deferred tax assets/(liabilities)	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
recognized in equity																		
Changes in the bank's creditworthiness for financial liabilities measured at fair																		
value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other gains/(losses) not recognized in the income statement	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Total unrealized gains/(losses)																		
recognized directly in equity Total comprehensive income for the	-	-	-	-	-	(2,448)	-	-	-	-	-	-	-	-	-	(2,448)	-	(2,448)
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 Purchase of treasury shares	-	-	-	-	_	-	-	-	-	-	-	-	(1,367,440)	-		(1,367,440)	(11,824)	(1,379,264)
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves Distribution of retained earnings –																		
limited for shareholders' distribution	-	-	-	-	-	-	-	-	-	-	-	-	(250,000)	250,000	-	-	-	-
Transactions with shareholders, recognized directly in equity and													(1,911,96					
reserves		-	-	-	-	_	-	-	-	-	-	617,610	6)	(73,084)	-	(1,367,440)		(1,379,264)
As at December 31, 2021 (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.

^{*}only for consolidated financial statements

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

•		in thousands of Denars		
	Note	current year 2021	previous year 2020	
Operating cash flows Profit/(Loss) before tax		2,533,774	2,099,322	
Adjusted for:		_,000,	2,000,022	
Minority share, included in the consolidated income statement*		(16,148)	(15,764)	
Depreciation of: Intangible assets	15/28	19,430	18,183	
Property and equipment	15/28	175,753	156,937	
Capital gain from:		,	,	
Sale of intangible assets		-		
Sale of property and equipment	11	(3,031)	(8,485)	
Sale of foreclosed assets	11	(444,063)	(1,334,371)	
Capital loss from: Sale of intangible assets				
Sale of intangible assets Sale of property and equipment	16	8,992	-	
Sale of foreclosed assets	16	-	-	
Interest income	6	(2,803,850)	(2,816,672)	
Interest expense	6	348,098	396,117	
Trading income, net	8	(23,859)	(9,791)	
Impairment losses of financial assets and special reserve for off-balance sheet exposures, net	12			
Additional impairment losses and special reserve	12	3,326,429	3,077,959	
Release of impairment losses and special reserve Impairment losses of non-financial assets, net		(2,391,835)	(1,708,210)	
Additional impairment losses Release of impairment losses	13	4,932	4,399 -	
Provisions Additional provisions	38	5,532		
Release of provisions	38	(470)	(21,195)	
Dividend income	11	(1,025)	(5,699)	
Share of profit /(loss) of associates		(79,103)	(67,614)	
Other adjustments		4,964	5,176	
Interest received		2,854,957	2,656,424	
Interest paid Profit from operations before changes in		(362,075)	(454,853)	
operating assets:		<u>3,157,402</u>	<u>1,971,863</u>	
(Increase)/decrease of operating assets: Trading assets		(51,677)	157,413	
Derivative assets held for risk management		-	-	
Loans and advances to banks		(2,182,044)	3,718,030	
Loans and advances to other customers Assets pledged as collateral		(3,229,476)	(679,402)	
Foreclosed assets		125,603	584,550	
Obligatory deposit in foreign currency Obligatory deposit held with NBRM according to special regulations		(769,920)	(377,201)	
Other receivables		(372,364)	(304,607)	
Deferred tax assets	21	-	-	
Non-current assets held-for-sale and disposal group	31	-	-	

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

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

		in thousand	ds of denars
	Note	current year	previous year
		2021	2020
Increase/(decrease) in operating liabilities:			
Trading liabilities		(3,045)	5,307
Derivative liabilities held for risk management		-	-
Due to banks		155,360	(258,452)
Due to other customers		14,145,659	9,434,022
Other liabilities		444,217	75,603
Liabilities directly related to group or assets for disposal		-	-
Net cash flow from operating activities before taxation		<u>11,419,715</u>	<u>14,327,126</u>
(Paid)/received income tax		(108,118)	(162,162)
Net cash flow from operating activities		<u>11,311,597</u>	<u>14,164,964</u>
Cash flow from investing activities			
(Investments in securities)		(13,539,518)	(21,515,255)
Inflows from sale of investment in securities		10,906,358	9,649,478
(Outflows from investment in subsidiaries and associates)		-	-
Inflows from disposal of investment in subsidiaries and associates		-	-
(Purchase of intangible assets)		(34,371)	(33,343)
Inflows from sale of intangible assets		- (222 ()	
(Purchase of property and equipment)		(208,571)	(176,634)
Inflows from sale of property and equipment		36,942	15,734
(Outflows from non-current assets held-for-sale)		-	-
Inflows from non-current assets held-for-sale		-	-
(Other outflows from investing activity)			-
Other inflows from investing activity		56,214	39,857
Net cash flow from investing activities		(2,782,946)	(12,020,163)
Cash flow from financing activities			
(Repayment of debt securities issued)		-	-
Issued debt securities		- (450.005)	(222.25)
(Repayment of borrowings)		(159,385)	(602,855)
Increase of borrowings		296,876	342,912
(Repayment of issued subordinated debts)		-	-
Issued subordinated debts		-	-
Inflows from issued shares/equity instruments during the period		-	-
(Purchase of treasury shares)		-	-
Disposal of treasury shares		- (4.070.440)	(4.000.000)
(Dividends paid)		(1,372,110)	(1,262,936)
(Other financing outflows)		-	-
Other financing inflows from financing		- (4.004.040)	(4 500 070)
Net cash flow from financing activities	4.0	(1,234,619)	<u>(1,522,879)</u>
Effect from allowance for impairment of cash and cash equivalents	18	141	(495)
Effect from foreign exchange differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		7,294,173	621,427
Cash and cash equivalents as of January, 1		43,362,303	42,740,876
Cash and cash equivalents as of December, 31	18	50,656,476	43,362,303
•		. ,	

^{*} only for consolidated financial statements

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

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;
- Safeguarding of securities for clients;
- Intermediating in selling insurance policies;
- Data collection and analysis of companies' credit rating;
- Sale of shares in investment funds;
- Representation in insurance:
- Other financial services defined by law, which can be performed only by a bank.

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

Code ISIN code
KMB (common share) MKKMBS101019

KB Publikum is licensed to establish and manage open and closed investment funds. The company manages six open investment funds, KB Publikum – balanced, KB Publikum – bonds, KB Publikum – bonds, KB Publikum – bonds, KB Publikum – bonds, 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 2021 were authorised for issue by the Supervisory Board on 23 February 2022.

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 and 120/18 and "Official Gazette of the Republic of North Macedonia" no.290/20 and 215/21), Law on Banks ("Official Gazette of the Republic of Macedonia" no. 67/07, 90/09, 67/10, 26/13, 15/15, 153/15, 190/16, 7/19 and and "Official Gazette of the Republic of North Macedonia" no.101/19 and 122/21), law regulation prescribed by The National Bank of the Republic of North Macedonia (hereinafter "NBRNM"), the Decision on the Methodology for recording and valuation of accounting items and for the preparation of financial statements (further referred to as "the Methodology") ("Official Gazette of the Republic of Macedonia" no. 83/17) and the Decision on the types and content of the financial statements of banks and notes to the financial statements ("Official Gazette of the Republic of Macedonia" no. 83/17 and 149/18), issued by the NBRNM.

Standards in Issue not yet adopted

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

Presentation of Financial Statements

These financial statements represent 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.

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

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

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

Reporting and functional currency

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

c) Summary of Significant Accounting Policies

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

Basis of consolidation

i) Business combinations

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

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

ii) Non-controlling interests

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

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

iii) Subsidiaries

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

iv) Loss of control

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

v) Equity-accounted investees

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Basis of consolidation (continued)

vi) Transactions eliminated on consolidation

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

Interest Income and Expense

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

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

Fee and Commission Income

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

Dividend Income

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

Foreign Currency Transactions

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

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

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

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities

(i) Recognition and initial measurement

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

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

(ii) Classification

Financial assets

A financial asset is the asset that is:

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

Financial assets can be classified in one the following categories:

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

The Group classifies the financial assets at initial recognition.

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

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

Determining the business model of the Group

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

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

Depending on the manner of managing the financial assets, three business models are identified:

- Business model hold to collect principal and interest,
- Business model hold to collect principal and interest and sale,
- Business model for managing through the realization of their fair value (the so-called residual model).

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Business model - "Hold to collect"

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

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

Business model - "Hold to collect and sell"

When the Group holds the funds in order to achieve a certain goal through the collection of contractual cash flows and the sale of financial assets, the asset belongs in the "hold to collect and sell" business model (also known as the FVOCI business model).

The goal of this business model is achieved by collecting cash flows and selling financial assets, i.e. the purpose of this business model is that the Group keeps financial assets for managing every day liquidity needs, maintaining a certain profit on interest proceeds, matching the duration of the financial assets to financial liabilities (maturity matching) and similar.

Business model - fair value through profit or loss

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

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

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

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

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

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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

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

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

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

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

The financial assets are generally divided into:

- Debt financial assets, and
- · Equity financial assets.

Debt financial assets

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

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

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Financial assets measured at amortized cost

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

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

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(ii) Classification (continued)

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

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

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

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

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

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

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

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

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

Equity financial assets

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

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

Equity instruments held for trading

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Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

Other equity instruments

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

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(iii) Derecognition

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

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

(iv) Modification of financial assets and liabilities

Financial assets

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

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

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

continues to distinguish the accumulated depreciation in accordance with the initially established amortization plan.

Financial liabilities

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

(v) Offsetting

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

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(vi) Fair value measurement

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

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

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

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

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

Cash and Cash Equivalents

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

Held-for-trading Financial Assets

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

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

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

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

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

Introduction (continued)

c) Summary of Significant Accounting Policies (continued)

Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

Financial Assets available-for-sale

Financial assets available-for-sale are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or share prices. This portfolio comprises of equity securities issued by financial institutions and enterprises, where the Group does not exercise control, as well as debt securities issued by the Republic of North Macedonia. Financial assets available for sale include investment in subsidiary recorded at cost.

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

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

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

Financial Assets held-to-maturity

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

Loans and Receivables

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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.

c) Summary of Significant Accounting Policies (continued)

Impairment of Financial Assets (continued)

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

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

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

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

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

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

Impairment Losses on Loans and Receivables

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

The allowances for impairment and un-collectability of loans and any other on and off-balance items are determined according to the regulation of the NBRNM ruling on each balance sheet date, according to which the Group is liable to classify the assets and off-balance sheet items in groups, according to their specific level of risk and to estimate the outcome of potential losses which are calculated by applying objective and subjective metrics, as of December 31, 2021 and December 31, 2020 by applying the following percentages:

<u>Risk</u> <u>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%

c) Summary of Significant Accounting Policies (continued)

Impairment Losses on Loans and Receivables (continued)

The allowances for impairment and un-collectability are determined on the basis of the degree (size) of the risk of un-collectability or specific country risk in case of a loss due to large Group exposure towards a specific country.

- Separate loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals.
 Allowances for losses on impairment and un-collectability are measured and determined for the difference between the carrying amount of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows;
- Losses on impairment and un-collectability is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing since the contractual liabilities for payment of the principal and/or interest are in default, i.e. uncollected for a period longer than 90 days. All allowances for losses on impairment and un-collectability are reviewed and tested at least quarterly, and any further changes in the amount and timing of expected future cash flows in comparison to previous assessments result in changes in allowances for losses on impairment and un-collectability recorded in the income statement;
- The loan which is considered uncollectable is impaired against the relevant allowance for losses on impairment and un-collectability. Further collections are recorded as reduction of losses on impairment and un-collectability in the income statement;
- In case of loans granted to borrowers in countries with increased risk of difficulties for servicing external debt, the political and economic circumstances are assessed and additional allowances for sovereign risk are allocated.

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

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

Financial Liabilities

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

Deposits from Banks and Other Financial Institutions and Customers

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

Borrowings

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

c) Summary of Significant Accounting Policies (continued)

Property and equipment

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

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

Buildings 40 years Furniture and equipment 4-20 years

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

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

Intangible Assets

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

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

Impairment of Non-financial Assets

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

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

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

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c) Summary of Significant Accounting Policies (continued)

Impairment of Non-financial Assets (continued)

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

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

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

Foreclosed assets

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

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

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

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

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

Managed funds for and on behalf of third parties

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

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.

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 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.

c) Summary of Significant Accounting Policies (continued)

Earnings per share (continued)

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

Income tax

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

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

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

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

Leases

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

d) Critical Accounting Judgments and Estimates

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

Fair Value of Financial Instruments

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

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

d) Critical Accounting Judgments and Estimates (continued)

Fair Value of Financial Instruments (continued)

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

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

Allowance for Impairment of Loans

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

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Useful Lives of Tangible and Intangible Assets

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

Assessment of control of investments

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

Investment funds

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

Introduction (continued)

e) Changes in the Accounting Policies

For the year ended 31 December 2021 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

		through profit	At fair value t			
in thousands of denars	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments	At amortized cost	Total
2021 (current year)						
Financial assets						
Cash and cash equivalents Held-for-trading assets Financial assets at fair value through profit or loss	- 141,666	-	- - -	-	57,857,098 - -	57,857,098 141,666
upon initial recognition Derivative assets held for risk management	-	350,371 -	-	-	-	350,371 -
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 Other receivables	-		4,988,407 -	64,956 -	22,703,823 2,541,204	27,757,186 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 Financial liabilities at fair value through profit or loss upon initial recognition Derivative liabilities held for	2,623	-	-	-	-	2,623
risk management Deposits from banks Deposits from other	-	- -	-	-	341,643	341,643
customers	-	-	-	-	130,624,153	130,624,153
Debt instruments issued Borrowings Subordinated debt and	-	-	-	-	713,536	713,536
hybrid instruments Other liabilities	- -	- -	-	- -	- 1,425,350	- 1,425,350
Total financial liabilities	2,623	-	-	-	133,104,682	133,107,305

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

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

		nrough profit or oss	At fair value t comprehen			
in thousands of denars	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments	At amortized cost	Total
2020 (previous year)						
Financial assets						
Cash and cash equivalents Held-for-trading assets Financial assets at fair value through profit or	- 66,831	-		- 1	49,687,632 -	49,687,632 66,831
loss upon initial recognition	_	344,455	_	-	-	344,455
Derivative assets held for		,				_
risk management	-	-	-	-	-	_
Loans and advances to banks	<u>-</u>	-	_	-	1,021,080	1,021,080
Loans and advances to						50,953,838
other customers	-	-	-	-	50,953,838	
Investments in securities Other receivables	-	-	3,951,304	64,920	21,063,060 2,205,180	25,079,284 2,205,180
Total financial assets	66,831	344,455	3,951,304	64,920	124,930,790	129,358,300
			2,000,000	5 1,0 = 0	,,	,,
Financial liabilities Trading liabilities Financial liabilities at fair value through profit or loss upon initial	5,668	-	-	-	-	5,668
recognition	-	-	-	-	-	-
Derivative liabilities held for risk management						
Deposits from banks	-	_	-	-	186,134	- 186,134
Deposits from other customers	_	_	-	<u>-</u>	116,492,240	116,492,240
Debt instruments issued	-	-	-	-		
Borrowings	-	-	-	-	576,425	576,425
Subordinated debt and hybrid instruments	_	_	_	_	_	_
Other liabilities	<u> </u>				956,115	956,115
Total financial liabilities	5,668	_	-		118,210,914	118,216,582

2. Risk Management

The Group's activities expose it to a variety of financial risks and those activities involve identification, assumption, measurement, monitoring and control of certain risks or their combination. Taking risk is a core business activity and the operational risks are an inevitable consequence of being in business. The 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 Group's Supervisory Board and is reviewed regularly. The Strategy defines the risk management system and its scope, with particular reference to the acceptable level of risk, the risk culture and the process of determining internal capital (PIC) and the process of determining internal liquidity (ILAAP).

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

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

The most important types of risk are credit risk, liquidity risk, market risk (risk of change in the interest rates in the Grouping 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 loss due to the inability of its client to settle its liabilities in the agreed amount and / or within the agreed deadlines. Credit risk is significant 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 governing bodies 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.

2.1 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 (first class collateral, immovable, movable property, inventory, accounts receivables, etc) and the probability of activation in order of claim. For part of the credit exposures classified in risk grades C non-performing, D and E, which the 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.

2.1 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 internal acts, impairment and provisioning are defined on an individual basis, for all credit risk exposures.

Exposures Classified on an Individual Basis

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

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

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

The measures for the retail segment were implemented twice, the first set of measures was organized through a Public Offer, while the second set of measures was applied to a smaller number of individuals, who according to the Bank were significantly affected by the crisis.

The measures for non-financial legal entities were also implemented on two occasions and mainly included: approval of a grace period in the repayment of installments and interest; change of one or more contractual conditions in the exposures or approval of new loans to overcome the current problems with the liquidity of the companies. Thereby, the second set of measures was applied to a smaller number of clients who, according to the Bank, were significantly affected by the crisis.

Starting from April 2021, retail segment's exposures that were covered by the second set of measures in order to alleviate the difficulties of the last year's crisis are placed in regular repayment, while most of the exposures to legal entities that were covered by the measures are in repayment from the beginning of the year. The share of the exposures of legal entities that are still under measures is continuously decreasing and amounts to 0.087% in the total credit exposure of the Bank as of 31.12.2021

Impairment / separate provision for impairment of individually assessed items on an individual basis is determined by evaluating the loss generated at the balance sheet date, which is the difference between the carrying amount and the present value of the estimated future cash flows. The effective interest rate is used to discount future cash flows.

2.1.4. Methodologies of assessment of credit risk.

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

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, 2021

- 2. Risk Management (continued)
- 2.1 Credit Risk (continued)
- 2.1.A Analysis of total exposure to credit risk

		l advances anks	Loans and a		Investment assets ava	ailable-for-	Investment assets held-		Cash ar equiva		Fees and c		Other rec	ceivables	Off balan expos		То	tal
in thousands of Denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021
Exposure to credit risk, classified in Group 1																		
Carrying value before impairment loss/ special reserve	3,099,376	1,021,208	45,575,424	42,492,289	4,988,407	3,951,304	22,703,885	21,063,122	50,817,709	45,063,113	5,874	5,312	1,163,935	857,675	16,869,427	16,887,109	145,224,038	131,341,131
(Impairment loss and special reserve)	(322)	(114)	(435,599)	(393,795)	,	•	(62)	(62)	(1,193)	(1,286)	(92)	(53)	(1,113)	(266)	(87,298)	(69,646)	(525,680)	(465,221)
Carrying value less impairment loss/ special reserve	3,099,054	1,021,094	45,139,825	42,098,494	4,988,407	3,951,304	22,703,823	21,063,060	50,816,516	45,061,827	5,782	5,259	1,162,822	857,409	16,782,129	16,817,463	144,698,358	130,875,910
Exposure to credit risk, classified in Group 2																		
Carrying value before impairment loss/ special reserve	-	-	9,728,374	9,552,624		-		-	-		861	1,278	661	4,190	1,189,662	989,554	10,919,558	10,547,646
(Impairment loss and special reserve)	-	-	(1,677,993)	(1,272,597)	-	-		-	-		(122)	(176)	(114)	(496)	(121,965)	(69,340)	(1,800,194)	(1,342,609)
Carrying value less impairment loss/ special reserve																		
	-	-	8,050,381	8,280,027	-	-	-	-	-	-	738	1,102	548	3,694	1,067,697	920,214	9,119,364	9,205,037

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 2. Risk Management (continued)
- 2.1 Credit Risk (continued)

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

	Loans and		Loans and a			it in financial		t in financial d-to-maturity		nd cash alents		commission	Other rec	eivables	Off balan		То	tal
in thousands of Denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Exposure to credit risk, classified in Group 3																		
Carrying value before impairment loss/ special reserve	1	1	1,558,127	3,223,929	-	-	-		-	_	5,242	5,726	7,427	27,253	182,710	257,513	1,753,506	3,514,421
(Impairment loss and special reserve)	_	_	(990,945)	(2,439,557)	_		_		-	_	(4,236)	(4,685)	(6,537)	(26,234)	(92,398)	(119,465)	(1,094,117)	(2,589,941)
Carrying value less impairment loss/ special reserve											, ,							
Total carrying value of receivables with credit risk before impairment loss/	-	-	567,182	784,372	-	-	-	-	-	-	1,005	1,042	890	1,019	90,312	138,048	659,389	924,480
special reserve	3,099,376	1,021,208	56,861,925	55,268,842	4,988,407	3,951,304	22,703,885	21,063,122	50,817,709	45,063,113	11,977	12,316	1,172,023	889,118	18,241,800	18,134,176	157,897,102	145,403,199
(Total Impairment loss and special reserve)	(322)	(114)	(3,104,538)	(4,105,949)	_	-	(62)	(62)	(1,193)	(1,286)	(4,451)	(4,914)	(7,764)	(26,996)	(301,662)	(258,451)	(3,419,991)	(4,397,772)
Total carrying value of receivables with credit risk less impairment loss/special reserve	2 000 054	4 004 004	52.757.207	54.400.000	4 000 407	2.054.204	00 700 000	04 000 000	50.040.540	45.004.007	7.500	7,400	4464.050	000 400	47.040.420	47.075.705	454 477 444	444 005 407
Special reserve	3,099,054	1,021,094	53,757,387	51,162,893	4,988,407	3,951,304	22,703,823	21,063,060	50,816,516	45,061,827	7,526	7,402	1,164,259	862,122	17,940,138	17,875,725	154,477,111	141,005,427

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 2. Risk Management (continued)
- 2.1 Credit Risk (continued)
- 2.1.B Value of Collateral (Fair Value) for Mitigating of Credit Risk

		advances to	Loans and adv		Investment assets availa		Investment assets held		Cash ar equiva		Other re	ceivables	Off baland expos		To	otal
	Current	Previous		Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous		Previous		
in thousands of denars	year 2021	year 2020	Current year 2021	year 2020	year 2021	year 2020	year 2021	year 2020	year 2021	year 2020	year 2021	year 2020	Current year 2021	year 2020	Current year 2021	Previous year 2020
Value of collateral of credit exposure, individually assessed for impairment	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
First-class collateral instruments																
cash deposits (in depot and/or restricted in accounts held with the Bank) government securities	-	-	1,446,839	1,023,348	-	-	-	-	-	-	81,845	35,504	200,126	179,162	1,728,810	1,238,014
government securities government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees Guarantees from insurance companies	-	-	-	-	-	-	-	-	-	-	-	-	236,148	150,650	236,148	150,650
and insurance policies Corporate guarantees (excluding bank	-	-			-	-	-	-	-	-						
guarantees and guarantees from insurance companies) Guarantees from individuals	_	_	1,663,490	476,588 -	_	_	_	-	_	-	-	-	333,224	547,532 -	1,996,715	1,024,120
Mortgage on real estate	-	-	-	-	-	-	-	-	-	-						
property for private use (flats, houses)																
business facility Pledge over movables	-	-	19,287,734 41,958,292	18,073,039 36,348,861	_	_	_	_	_	-	444 14,462	158 36,136	1,310,396 10,515,983	1,030,758 8,806,550	20,598,574 52,488,737	19,103,955 45,191,547
Other types of collateral	-	-	16,435,517 4,985,016	12,514,209 2,108,879	-	-	-	-	-	-	25,556	62,089 50	3,596,229 475.960	2,875,010 691,092	20,057,302 5,460,976	15,451,308 2,800,021
			, . , . ,	, ,,,,,,,									,	,	., ,,,,,,,,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Total value of collateral of credit exposure, individually assessed for			05 776 000	70 544 024							422 207	422 027	46 669 067	44 200 754	402 567 262	04.050.045
impairment	-	-	85,776,888	70,544,924	-	-	-	-	-	-	122, 307	133, 937	16,668,067	14,280,754	102,567,262	84,959,615

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

	Loans and a		Loans and a		Investment assets ava		Investment i		Cash and cas	sh equivalents	Fees comm receiv	ission	Other re	ceivables	Off balan		То	otal
in thousands of denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previou s year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Industry																		
Non-residents	_	-	361,283	262,630	_	_	_	_	_	-	26	49	_	-	1,687,383	1,975,727	2.048.692	2,238,406
Agriculture, forestry			,	,,										-	1,001,000	.,	_,,,,,,,,	_,,
and fishing	-	-	837,521	692,535	-	-	-	-	-	-	48	33	-		17,572	14,793	855,141	707,361
Ore and stone														-				
extraction	-	-	1,746,641	1,941,691	-	-	-	-	-	-	12	12			40,866	60,644	1,787,520	2,002,347
Processing industry	-	-	3,102,921	2,808,772	-	-	-	-	-	-	99	58	25	15	177,890	208,915	3,280,935	3,017, 760
Wholesale and retail																		
industry for clothing and footwear	_	_	858.135	753,446							97	99	17	7	314.888	285.167	1.173.137	1.038.719
Chemical industry.	-	-	030,133	733,440	-	-	-	-	-	-	31	33	''	,	314,000	203,107	1,173,137	1,030,719
construction material																		
production, fuel																		
production and																		
processing,																		
pharmaceutical																		
industry	-	-	1,593,933	1,631,003	-	-	-	-	-	-	80	45	-	1	300,106	246,825	1,894,119	1,877,874
Production of metals, machines.																		
tools and equipment		_	3,374,413	3,673,252	_					_	74	149	_	294	883,720	1,287,366	4,258,206	4,961,061
Other processing	-	-	3,374,413	3,073,232	-	-	-	-	-	-	/4	149	-	294	003,720	1,207,300	4,230,200	4,901,001
industry	_	_	467,971	466,238	_	_	_	_	_	-	23	22	13	1	35.214	38.545	503,220	504,806
Electricity supply,			,	,													***************************************	,
gas, steam and air																		
conditioning	-	-	1,795,216	815,079	-	-	-	-	-	-	186	199	135,499	-	995,671	662,455	2,926,571	1,477,733
Water																		
supply, disposal																		
of wastewater, waste																		
management and remediation																		
activities on the																		
environment	_	_	329,927	140,317	_	_	_	_	_	_	75	73	2,512	506	17.461	1.906	349.975	142,803
Construction	-	-	3,134,239	3,321,354	-	-	_	-	-	-	292	692	553	2,609	3,084,370	3,415,431	6,219,454	6,740,086

KOMERCIJALNA BANKA AD SKOPJE Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

	Loans and	advances to	Loans and	advances to	Investmen	t in financial	Investment in	n financial			Fees and	commission			Off balan	ce sheet		
		anks		ustomers		lable-for-sale	assets held-t		Cash and cas	sh equivalents		ivables	Other re	eceivables	expos		To	otal
	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous
in thousands of	year	year	year	year	year	year	year	year	year	year	year	year	year	year	year	year	year	year
denars	2020	2021	2020	2021	2020	2021	2020	2021	2020	2020	2021	2020	2021	2020	2021	2020	2021	2020
Wholesale and retail																		
trade; repair of motor																		
vehicles and																		
motorcycles	-	-	6,016,055	7,519,131	-	-	-	-	-	-	1,022	671	1,094	1,980	4,769,716	3,982,736	10,787,887	11,504,518
Transport and																		
warehousing	-	-	1,330,673	783,461	-	-	-	-	-	-	146	183	136	56	583,048	413,448	1,914,003	1,197,148
Accommodation																		
facilities and food																		
service industry	-	-	961,945	679,930	-	-	-	-	-	-	69	72	178	224	29,481	32,549	991,673	712,775
Information																		
and communications	-	-	338,565	298,560	-	-	-	-	-	-	138	155	184	127	117,679	137,061	456,567	435,903
Finance and																		
insurance activities	3,099,054	1,021,094	60,362	7,713	-	-	619,778	622,592	50,816,516	45,061,827	2,533	2,129	22,483	16,914	194,602	82,944	54,815,329	46,815,213
Activities related to																		
real estate, renting											_							
and business activities	-	-	4,144,433	2,528,754	-	-	-	-	-	-	2	225	78	14	511,884	1,093,647	4,656,397	3,622,640
Professional,																		
scientific and													00	4.505	00.404	100 100	000 101	4.544.000
technical activities	-	-	789,789	1,408,960	-	-	-	-	-	-	63	79	88	4,565	98,191	100,432	888,131	1,514,036
Administrative and			004.047	400.050							F.4	62	4 404	4 440	363.000	119.852	596.079	004 000
utility services	-	-	231,847	100,050	-	-	-	-	-	-	51	62	1,181	1,116	363,000	119,852	596,079	221,080
Public administration																		
and defense;																		
mandatory social security			1.860.058	1.713.201	4.988.407	3.951.304	22,084,045				462	468	339	142	408,115	377.264	29,341,426	26,482,847
Education	-	-			,,	3,951,304	22,004,043	20,440,468	-	-	402	9	28	142	32.012	24.535	510.961	
Education	-	-	478,917	559,097	-	-	-	-	-	-	4	9	20	2	32,012	24,535	510,961	583,643
Health care and social																		
work	_	_	1,304,316	1,248,719	_	_	_	_	_	_	123	120	22	2	72,967	154,254	1,377,428	1,403,095
Art, entertainment			, ,	, 15,115											, , ,	, -		
and recreation	-	_	240,409	304,675	_	_	-	_	_	_	45	87	20	23	153,846	144,911	394,320	449,696
Other service			,,	,											,	,•	,	,,,,,
activities	-	-	94,026	131,594	-	-	-	_	-	-	39	39	286	361	4,060	4,700	98,411	136,694

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 2. Risk Management (continued)
- 2.1 Credit Risk (continued)
- 2.1.C Concentration of credit risk by industry (continued)

		I advances to anks		advances to	Investment assets availa		Investment i		Cash and cas	h equivalents	Fees comm receiv	ission	Other r	eceivables	_	nce sheet sures	To	otal
in thousands of denars	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previou s year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
Private households as employers, household activities that produce goods and perform a diverse range of services for own needs									_			_	_		_			_
Exterritorial organizations and bodies Individuals Individuals and individuals not regarded as merchants	-		- 18,237,360 66,433	- 17,306,272 66,459	-	-	-	-	-		1,760 57	1,604	998,608	- 832,257 906	3,040,111 6,284	3,003,344	- 22,277,838 73,690	21,143,477
Total	3,099,054	1,021,094	53,757,387	51,162,893	4,988,407	3,951,304	22,703,823	21,063,060	50,816,516	45,061,827	7,526	7,403	1,164,260	862,122	17,940,138	17,875,725	154,477,111	141,005,427

KOMERCIJALNA BANKA AD SKOPJE Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 2. Risk Management (continued)
- 2.1 Credit Risk (continued)

2.1.D Concentration of Credit Risk by Geographic Location

				advances to	Investment i		Investment is				Fees and o				Off balan	ice sheet		
L	oans and advan	ices to banks	other cu	stomers	assets availa	ble-for-sale	assets held-t	to-maturity	Cash and cas	sh equivalents	receiv	ables	Other red	ceivables	expos	sures	To	tal
in thousands of																		
denars		Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous
- /	Current year	year	year	year	year	year	year	year	year	year	year	year	year	year	year	year	year	year
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
							-											
Geographic																		
location																		
Republic of																		
Macedonia	520	29,515	53,396,104	50,900,263	4,988,407	3,951,304	22,084,045	20,440,468	40,228,374	34,306,884	6.937	6,799	1,164,260	862,122	16,162,946	15,827,692	138,031,593	126,325,047
			,,	,,	.,,	-,,	,,	20,110,100	,,	- 1,000,000	-,	-,	.,,200		11,112,010	,,	100,001,000	,,
EU member																		
countries	2,603,965	527,316	361,283	262,630	-	-	619,778	622,592	5,346,906	7,833,508	442	435	-	-	6,613	1,500	8,938,989	9,247,981
							·	ĺ								•		
Europe (other)	30,810	-	-	-	-	-	-	-	2,724,881	2,408,246	77	95	-	-	1,754,819	2,042,221	4,510,588	4,450,562
OECD member																		
countries																		
(without																		
European OECD																		
member																		
countries)	463,758	464,263	-	-	-	-	-	-	2,443,616	445,865	70	67	-	-	15,760	4,312	2,923,203	914,507
																•		
Other	-	-	-	-	-	-	-	-	72,738	67,324	-	6	-	-	-	-	72,738	67,330
1	l																	
(the exposure																		
that represents																		
more than 10%	l																	
of total credit	l																	
exposure)											_	_						
exposure)	-	-	-	-	-	-	-	-	-		-	-	-		-			-
Total	3,099,054	1,021,094	53,757,387	51,162,893	4,988,407	3,951,304	22,703,823	21,063,060	50,816,516	45,061,827	7,526	7,403	1,164,260	862,122	17,940,138	17,875,725	154,477,111	141,005,427

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 2. Risk Management (continued)
- 2.1 Credit Risk (continued)

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

		Tradin	g assets		Financial as	ssets at fair value		ed as such at statement		gnition, thro	ugh profit a	ind loss		
	Debt tradin	g securities	Equity tradin	g securities	Debt se	ecurities	Equity	securities		ns and s to banks	advance	ns and es to other omers	Tı	otal
In thousands of denars	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020	current year 2021	previous year 2020
Current value of financial assets measured at fair value Risk category Without credit	40.00	20.057	440.700	11.100	050.071	244.45-5							400.000	405 700
<u>rating</u> Risk category	19.961	20,057	118,700	41,196	350,371	344,455	-	-	-	-	-		489,032	405,708
Risk category	-	-	-	-	-	-	-	-	_	-	_	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	_	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	-	-	-	-	-	-	-	-	-	-	-	-		-
Risk category	19.961	20,057	118,700	41,196	350,371	344,455	-	-	_	-	_	-	489,032	405,708

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

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

The 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 Group's liquidity, or the significant dates that affect the outflow of funds. Based on the identification of available funds and the previously determined daily needs for money, the Group makes decision regarding the appropriate use of funds.

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

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Process of Liquidity Risk Management (continued)

The new Decision on the methodology for liquidity risk management ("Official Gazette of RNM" no.146/20) started to be applyed on January 1, 2021, and the 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, 2021 and 2020 was made by remaining contractual maturity or the remaining period from the date of notification to the agreed maturity date. Amounts in the analysis are not reduced by the amounts of accumulated depreciation, impairment losses and allocated special reserve. There are indications of significant gaps for the period up to one month, from one to three and from three to twelve months as at December 31, 2021 and as at December 31, 2020. The main reason for the above mentioned non-compliance is based on the fact that the short-term funding sources are used for approval of long-term loans. For the purposes of the liquidity risk management, the 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.

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity)

in thousands of denars 2021 (current year) Financial assets Cash and cash equivalents Held-for-trading assets	month 49,695,217 141,666	months 1,785,554	months	years	years	years	Total
Financial assets Cash and cash equivalents		1,785,554					
Cash and cash equivalents		1,785,554					
		1,785,554					
Held-for-trading assets	141,666		-	6,377,520	-	-	57,858,291
		-	-	-	-	-	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	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 or loss upon initial							
recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk							
management	-	-	-	-	-	-	-
Deposits from banks	286,993	54,583	67	-	-	-	341,643
Deposits from other customers	85,916,347	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)

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

2. Risk Management (continued)

2.2. Liquidity Risk (continued)

Maturity Analysis of Financial Assets and Liabilities (Residual Maturity) (continued)

in thousands of denars	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2	From 2 to 5	Over 5	Total
	monun	monus	monus	years	years	years	
2020 (previous year) Financial assets							
	44 707 700	0.404.004		E E40 E04			40 000 040
Cash and cash equivalents	41,707,700	2,431,684	-	5,549,534	-	-	49,688,918
Held-for-trading assets	66,831	-	-	-	-	-	66,831
Financial assets at fair value through						244 455	244 455
profit and loss upon initial recognition Derivative assets held for risk	-	-	-		-	344,455	344,455
management Loans and advances to banks	30,109	1,879	20.064	200.051	105.000	464 200	1 001 104
Loans and advances to danks Loans and advances to other	30,109	1,079	30,864	308,951	185,082	464,309	1,021,194
customers	1 426 407	3,271,921	15,592,724	6,510,403	15 220 021	10 107 575	EE 060 044
	1,436,187	, ,	, ,		15,330,031	13,127,575	55,268,841
Investments in securities Investments in associates	300,740	3,747,500	4,457,537	2,638,119	7,773,688	6,161,762	25,079,346
	-	390	-	-	-	324,115	324,115
Income tax receivable (current) Other receivables	2 101 060		- 46,680	1 101	960	- 658	390
	2,181,960	5,347	40,000	1,484	960	000	2,237,089
Assets pledged as collateral Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	4E 702 E07	0.450.704	- 20 427 90E	45 000 404		20 422 974	124 024 470
i otai financiai assets	45,723,527	9,458,721	20,127,805	15,008,491	23,289,761	20,422,874	134,031,179
Financial liabilities							
	5.668						F 000
Trading liabilities Financial liabilities at fair value	5,008	-	-	-	-	-	5,668
through profit and loss upon initial							
recognition Derivative liabilities held for risk	-	-	-	-	-	-	-
management Deposits from banks	186.006	128	-	-	-	-	186.134
Deposits from other customers	73,347,103	9.413.969	23,196,292	6,893,025	3,506,559	135,292	116,492,240
Debt instruments issued	73,347,103	9,413,909	23, 190,292	0,093,023	3,500,559	133,292	110,492,240
Borrowings	26,187	7,785	105,454	141,044	261,652	37,487	579,609
Subordinated debt	20,107	1,105	103,434	141,044	201,032	31,401	379,009
Income tax payable (current)	2,471	1,063	_	_	_	_	3,534
Deferred tax liabilities	2,471	1,005	_	_	_	_	3,334
Other liabilities	954,826	1,179	50	60	_	_	956,115
Total financial liabilities	74,522,261	9,424,124	23,301,796	7,034,129	3,768,211	172,779	118,223,300
Off balance sheet items	17,522,201	3,747,124	20,001,790	1,004,129	J,100,∠11	112,119	110,223,300
Off balance sheet assets	26,009	9,871	344,357	95,209	176,087	_	651,533
Off balance sheet liabilities	8,596,039	2,474,266	5,623,533	2,845,496	360,829	_	19,900,163
	, ,	, ,			· · · · · · · · · · · · · · · · · · ·	20.250.005	
Liquidity gap	(37,368,764)	(2,429,798)	(8,453,167)	5,224,075	19,336,808	20,250,095	(3,440,751)

2.3 Market Risk

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

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

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

	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of	in thousands of	in thousands of	
	Denars	Denars	Denars	in %
2021 (current year)				
Amount before sensitivity analysis/ stress-test (as at December 31, 2021)		12.493.262	72.035.978	17.34
Effects from scenario implementation				
Currency risk				
(list separately the various scenarios, including the				
basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions Scenario 1: Denar to depreciate by 5% compared to	0.470	40,400,000	75.040.070	40.04
other currencies Scenario 2: Denar to appreciate by 5% compared to	2,473	12.493.262	75.216.272	16,61
other currencies b) Extraordinary conditions	(2.473)	12.493.262	68.855.684	18,14
Scenario 1: Denar to depreciate by 30% compared to other currencies Scenario 2: Denar to appreciate by 30% compared	14.840	12.493.262	91.117.740	13,71
to other currencies Interest rate risk	(14.840)	12.493.262	52.954.216	23,59
(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. Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided	103.710	12.493.262	72.035.978	17.34
by the Bank's management to decrease by 1,00 p.p.	(103.710)	12.493.262	72.035.978	17.34

- 2. Risk Management (continued)
- 2.3 Market Risk (continued)
- 2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)
- A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

			Risk weighted	Capital
	Profit/Loss	Own funds	assets	adequacy ratio
	in thousands of		in thousands	70.0.0
	denars	denars	of denars	in %
b) Extraordinary conditions Scenario 1: Interest rates on balance sheet items with variable and ajustable interest rates decided by the Bank's management to increase by 6,00 p.p.	622.258	12.493.262	72.035.978	17.34
Scenario 2: Interest rates on balance sheet items with variable and adjustable interest rates decided by the Bank's management to decrease by 6,00 p.p.	022.200	12.100.202	72.000.070	17.01
management to decrease by 6,00 p.p.	(622.258)	12.493.262	72.035.978	17.34
Risk from changes in market prices in investments in own shares (list separately the various scenarios, including the basic features of the scenario)				
Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario)				

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

This table presents sensitivity analysis of the changes in the market risk of the Bank's assets and liabilities, due to the insignificant share (below 1%) of the total assets of the Subsidiary in the assets of the Bank. The Group 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)

(commutat)	Profit/Loss	Own funds	Risk weighted assets	Capital adequacy ratio
	in thousands of Denars	in thousands of Denars	in thousands of Denars	in %
2020 (previous year)				
Amount before sensitivity analysis/ stress-tests (as at December 31, 2020) Effects from scenarios implementation		11,954,685	68,435,453	17.47

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, 2021

Currency risk	I			l I
(list separately the various scenarios, including the				
basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions				
Scenario 1: Denar to depreciate by 5% compared to				
other currencies	3,509	11,958,194	68,567,938	17.44
Scenario 2: Denar to appreciate by 5% compared to other currencies b) Extraordinary conditions	(3,509)	11,951,176	68,302,968	17.50
Scenario 1: Denar to depreciate by 30% compared to				
other currencies	21,052	11,975,737	69,230,362	17.30
Scenario 2 : Denar to appreciate by 30% compared to other currencies	(21,052)	11,933,633	67,640,545	17.64
Interest rate risk				
(list separately the various scenarios, including the basic features of the scenario)				
Stress-test scenarios				
a)Regular (normal) work conditions Scenario 1: Interest rates on balance sheet items with variable and adjustable interest rates decided by the				
Bank's management to increase by 1,00 p.p. Scenario 2: Interest rates on balance sheet items with adjustable and variable interest rates decided	37,264	11,991,949	68,435,453	17.52
by the Bank's management to decrease by 1,00 p.p.	(37,264)	11,917,421	68,435,453	17.41
b) Extraordinary conditions				
Scenario 1: Interest rates on balance sheet items with variable and ajustable interest rates decided by the Bank's management to increase by 6,00 p.p.	223,586	12,178,271	68,435,453	17.80
Scenario 2: Interest rates on balance sheet items with variable and adjustable interest rates decided by the				
Bank's management to decrease by 6,00 p.p.	(223,586)	11,731,099	68,435,453	17.14

- 2. Risk Management (continued)
- 2.3 Market Risk (continued)
- 2.3.1 Sensitivity Analysis of Assets and Liabilities on the Change in Market Risk (continued)
- A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities (continued)

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

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

Notes to the Consolidated Financial Stateme	ents for the Year Ended December 31, 202
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Combined scenarios, if any (list separately the various scenarios, including the basic features of the scenario)	

This table presents sensitivity analysis of the changes in the market risk of the Bank's assets and liabilities, due to the insignificant share (below 1%) of the total assets of the Subsidiary in the assets of the Bank. 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.

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 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 2021				previous year 2020				
As at December 31,		Highest value for the period			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 Group does not determine capital required to cover market risks for trading portfolio, because trading portfolio does not exceed 5% of the total assets or 915 million denars.

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

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

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

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

The Group has established Policy for managing the risk of change in the interest rates in the Group's portfolio that is adopted by the Supervisory Board of the Group and is subject of regular revision. The Policy defines: subjects and definitions, the main objectives, interest rate risk management system in the banking book (efficient management process and organizational structure of interest rate risk management) and assessment of the Group's capacity to take the risk of change in the interest rates as well as assessment of its risk profile, adequate instruments for protection or reduction of the interest rate risk. The Group has established Procedures for identification, measurement or assessment, control or reducing and monitoring of the risk of change in the interest rates in the banking book. This act is issued by Group'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 Group's profitability, ratio of the interest bearing assets and interest bearing liabilities, interest rate gap, changing of the economic value of the portfolio of banking activities, analysis of compliance in the interest rates of financial assets and liabilities and the maturity (in)consistency of interest sensitive assets and liabilities positions, the risk of differences in the level of reference interest rates of instruments with similar characteristics, the risk of movement of the yield curve, risk arising from the options that are embedded in interest-bearing positions, simulation models, stress-testing, reverse stress-testing and other are methods used to measure this risk.

2.3 Market Risk (continued)

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

A. Interest Rate Sensitivity Analysis

Schedules "VPV" prepared in accordance with the "Guidelines for implementing the Decision on managing the interest rate risk in the banking portfolio" for the years ended December 31, 2021 and 2020 are as follows:

in thousands of Denars

	Position	Currency	December 31, 2021
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD		
	(FIR+VIR+AIR)	MKD	757,567
1.2	NET WEIGHTED POSITION FOR CURRENCY USD		
	(FIR+VIR+AIR)	USD	10,443
1.3	NET WEIGHTED POSITION FOR CURRENCY EUR		
	(FIR+VIR+AIR)	EUR	314,316
1.4	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR	MKD cl	
	(FIR+VIR+AIR)	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%
		_	
	Position	Currency	December 31, 2020
-	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKD		
	(FIR+VIR+AIR)	MKD	899,847
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR		
	(FIR+VIR+AIR)	EUR	281,782
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD cl EUR	MKD cl	
	(FIR+VIR+AIR)	EUR	587,821
1.4	NET WEIGHTED POSITION FOR OTHER CURRENCIES		
	(FIR+VIR+AIR)	other	(2,782)
2	TOTAL WEIGHTED VALUE – CHANGE IN THE ECONOMIC		
	VALUE OF THE BANKING PORTFOLIO		1,766,668
3	OWN FUNDS		11,954,685
4	TOTAL WEIGHTED VALUE/OWN FUNDS (2/3*100)		14.78%

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

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 2. Risk Management (continued)
- 2.3 Market Risk (continued)
- 2.3.2 Sensitivity analysis of Changes in Interest Rates of Financial Assets and Liabilities (Excluding Trading Assets)
- B. Interest Rates gap analysis

in thousands of Denars	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest bearing assets/ liabilities
December 31, 2021 (current year)				•	•		
FINANCIAL ASSETS							
Cash and cash equivalents	48,707,891	1,784,795	-	-	-	-	50,492,686
Financial assets at fair value through profit or loss upon initial recognition	-	-	-	_	-	-	_
Loans and advances to banks	2,080	817,749	1,320,995	-	-	-	2,140,824
Loans and advances to other customers	1,173,496	2,616,560	40,747,026	1,713,732	4,044,790	2,522,430	52,818,034
Investments in securities	454,167	499,908	7,564,380	5,323,621	7,339,718	6,278,769	27,460,563
Other interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive financial assets	50,337,634	5,719,012	49,632,401	7,037,353	11,384,508	8,801,199	132,912,107
FINANCIAL LIABILITIES Financial liabilities at fair value through profit or loss upon initial recognition							
Deposits from banks	-	54,374	-	-	-	-	54,374
Deposits from other customers	16,837,115	9,658,175	30,128,073	2,102,612	1,240,661	-	59,966,636
Debt instruments issued	- 04.070		-	- 00 704	- 0.007	-	-
Borrowings Subordinated debt	21,279	26,526	533,687	38,701	3,907	-	624,100
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		(4.000.000)	10.0=0.011		10 100 010	2 221 122	
Total net-position	33,479,240	(4,020,063)	18,970,641	4,896,040	10,139,940	8,801,199	72,266,997

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

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

The Group has established Procedures for identification, measurement or assessment, control or reducing and monitoring of foreign exchange risk issued by the Board of Directors of the Group 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, 2021 and 2020.

- 2. Risk Management (continued)
- 2.3 Market Risk (continued)
- 2.3.3 Foreign Currency Risk (continued)

				list separately the currencies that represent more than 10% of total monetary assets/liabilities			Other			
in thousands of Denars	MKD	EUR	USD						currencies	Total
2021 (current 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 banks	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

- 2. Risk Management (continued)
- 2.3 Market Risk (continued)
- 2.3.3 Foreign Currency Risk (continued)

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

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

The Group has established Procedures for identification, measurement or assessment, control or decrease and monitoring of the market risk. This act is issued by the Group'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 Group'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 Group 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 Group, or from external events. The operational risk also includes the legal risk, as well as the risk of money laundering and financing of terrorism, 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 Group's key risk Indicators by using the self-assessment method through qualitative approach, as well as through analysis of external loss data from other Groups.

The Group calculates capital required for coverage of operational risk, applying the standardised approach. The amount of capital as at 31.12.2021 is presented under heading 3.1.1. Capital adequacy ratio report.

During 2021, the Group operated in conditions of a pandemic with Covid-19, during which activities were undertaken to harmonize the operations with the measures adopted by the Government and the NBRSM regulations. Based on the undertaken activities, the Group's operation in conditions of pandemic takes place continuously and all business processes are realized with current dynamics.

3. Capital Adequacy

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

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

As at 31 December 2021, the Bank fulfils the legally prescribed capital requirements and the prescribed capital requirements for capital conservation buffer and for systemically important bank, which are fulfilled with the Common Equity Tier 1 Capital. According to the regulation, the Bank has no obligation to maintain countercyclical capital buffer.

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

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

3. Capital Adequacy (continued)

3.1 Determination of Capital Adequacy

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

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

- a) Own funds are category that is in function of determination the rate of the capital adequacy and other regulatory and prudential limits. Own funds represent a total of core capital (Tier 1 Capital) and additional capital (Tier 2 Capital), where the core capital (Tier 1 Capital) consists of: Common Equity Tier 1 Capital (CET1) and Additional Tier 1 Capital (AT1). As at December 2021 and 2020, the Bank has only Common Equity Tier 1 Capital which is a part of the Bank's core capital (Tier 1 Capital).
- b) Risk weighted assets represent a sum of weighted assets according to credit risk, weighted assets by currency risk, weighted assets by operational risk and weighted assets by other risks.
 - Risk weighted assets based on credit risk include the active balance and off-balance sheet position, which allocated in appropriate risk categories are weighted with appropriate risk weight depending on the credit quality rating of the debtor. The credit quality rating of the debtor is determined based on the prescribed regulation by NBRNM.
 - Risk weighted assets based on currency risk are determined based on calculated capital necessary for coverage of currency risk, which the Bank determines based on the amount of the aggregate foreign currency position and the absolute amount of netposition in gold.
 - Risk weighted assets based on operational risk are determined based on capital required for coverage of operational risks, which the Bank calculates using the standardised approach.
 - Risk weighted assets based on other risks include the capital required for coverage of commodity risks, the capital required for coverage of market risks, the capital requirement for settlement/delivery risk and the capital requirement for counterparty risk.

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

- 3.
- Capital Adequacy (continued)
 Determination of Capital Adequacy (continued)
 Capital Adequacy Ratio Report 3.1 3.1.1

3.1.1	Capital Adequacy Ratio Report	in thousands of Denars			
No.	Description	Current year 2021	Previous year 2020		
ı	CREDIT RISK- WEIGHTED ASSETS				
	Credit risk-weighted assets under the standardized				
1	approach	65,231,388	61,807,320		
2	Capital requirement for credit risk	5,218,511	4,944,586		
II	CURRENCY RISK-WEIGHTED ASSETS				
3	Aggregate foreign exchange position	78,123	99,095		
4	Net-position in gold	-	-		
5	Capital requirement for currency risk	-	-		
6	Currency risk-weighted assets	-	-		
III	OPERATIONAL RISKS-WEIGHTED ASSETS	-	-		
7	Capital requirement for operational risk under the				
7	basic indicator approach Capital requirement for operational risk under the	-	-		
8	standardized approach	544,172	529,939		
9	Operational risk-weighted assets	6,802,152	6,624,233		
IV	OTHER RISKS-WEIGHTED ASSETS	0,002,132	0,024,233		
10	Capital requirement for commodity risks	_			
10	Capital requirement for market risks				
11	(11.1+11.2+11.3)	_	-		
	Capital requirement for position risk				
11.1	(11.1.1.+11.1.2+11.1.3+11.1.4)	-	-		
	Capital requirement for specific risk of investments in				
11.1.1	debt instruments	-	-		
11.1.2	Capital requirement for general risk of investments in debt instruments				
11.1.2	Capital requirement for specific risk of investments in	-	-		
11.1.3	equities	_	_		
11.1.0	Capital requirement for general risk of investments in				
11.1.4	equities	-	-		
	•				
11.2	Capital requirement for exceeding of exposure limits Capital requirement for market risks arising from	-	-		
11.3	option positions	_	_		
11.0	Option positions	-	<u> </u>		
12	Capital requirement for settlement/delivery risk	-			
40		,			
13	Capital requirement for counterparty risk	195	312		
14	Capital requirement for other risks (10+11+12+13) Other risk-weighted assets	195	312		
15 V	RISK-WEIGHTED ASSETS	2,438	3,900		
V 16	Capital requirement for risks	72,035,978	68,435,453		
VI	OWN FUNDS	5,762,878	5,474,837		
VII		12,493,262	11,954,685		
VII	CAPITAL ADEQUACY RATIO (VI/V)	17.34%	17.47%		

3.

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

		in thousands of Denars			
No.	Description	Current	Previous year		
4		year 2021	2020		
1.	Own funds	12,493,262	11,954,685		
2.	Tier 1 Capital	12,493,262	11,954,685		
3.	Common Equity Tier 1 Capital (CET1)	12,493,262	11,954,685		
3.1.	Positions of CET1	12,529,193	11,987,115		
3.1.1.	Capital instruments of CET1	2,279,067	2,279,067		
3.1.2.	Premium on capital instruments of CET1	771,527	771,527		
3.1.3.	Mandatory reserve fund	9,227,530	8,609,920		
3.1.4.	Retained unallocated earning	250,000	323,084		
3.1.5.	(-) Accumulated loss from previous years	-	-		
3.1.6.	Current profit or profit at the end of the year	-	_		
3.1.7.	Comprehensive income or loss	1,069	3,517		
3.2.	(-) Deductions of CET1	(35,931)	(32,430)		
3.2.1.	(-) Loss at the end of the year or current loss	-	-		
3.2.2.	(-) Intangibles	(35,931)	(32,430)		
2.2.2	() Defermed to a context that well are finding over the little of the little of				
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	-	-		
0.00	() Amount of annual flowing and flowing a				
3.2.9.	(-) Amount of exceeding the limits on investments in non-financial institutions	-	-		
3.2.10.	(-) Tax costs	-	-		
0 0 44	(-) Difference between the necessary and the actual allowance for impairment				
3.2.11.	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	-	-		
0.0.4	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair				
3.3.4.	value.	-	-		
3.4.	Positions as a result of consolidation	-	-		
0.4.4	Non-controlling (minority) participation that is recognized in CET1 on consolidated				
3.4.1. 3.4.2.	basis	-	-		
	Other	- 1	-		

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

			sands of nars
No.	Description	Current year 2021	Previous year 2020
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	1	-
4.4.2.	Other	-	
4.5.	Other positions from AT1	-	-

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

		in thousands	of Denars
No.	Description	Current year 2021	previous year 2020
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 (-) Direct, indirect and synthetic investments in capital 	-	
5.2.4.	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 (-) Gains or (+) losses from covering risk arising from the cash	-	-
5.3.2.	flow	-	-
5.3.3.	(-) Gains or (+) losses from liabilities of the bank measured at fair value	-	
5.3.4.	(-) Gains or (+) losses related with liabilities based on derivatives measured at fair value	-	_
5.4.	Positions as a result of consolidation		-
5.4.1.	Acceptable additional tier 1 capital that is recognized in T2 on consolidated basis	-	-
5.4.2.	Other	-	-
5.5.	Other positions from T2	-	-

4. Segmented Reporting

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

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

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

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

- The incomes of the segment participates with more than 10% of the total income of the 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 in December 31, 2021 and 2020 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, 2021 and 2020 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.

4. Segment Reporting (continued)

A. Operating Segments

				Operating Se	egments						
	51.4			ı							
in thousands of Denars	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	Unallocated	Total
2021 (current year) Interest income/(expense), net	-	-	685,965	1,769,764	23	-	-	-	-	-	2,455,752
Fee and commission income/(expense), net Net trading income Net income from other financial instruments at		2,190 17,359	93,805	124,583	733,100	29,067		11,182	71,149 583	82	1,065,158 17,942
fair value Other operating income Inter segmented income		5,917 272,702	(384,638)	- 2,001,732	(12,827)	(3,927)		31	79,103	25,957	5,917 1,978,133
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 Depreciation and amortization Restructuring costs	- - -	(2,001)	- (46,085)	(4,932) (29,318)	(68,409)	(2,196)		(2,001)	(894)	(44,279)	(4,932) (195,183) -
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 Profit/(loss) for the year											(205,454) 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										2,053,426	2,053,426
Total assets											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

4. Segment Reporting (continued)

A. Operating Segments (continued)

			(Operating Segm	ents						
in thousands of denars	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	Unallocat ed	Total
2020 (previous year) Interest income/(expense), net Fee and commission income/(expense), net Net trading income		2,483	678,430 130,231	1,742,099 118,513	26 608,155	- 24,857	-	- 7,821	64,977	-	2,420,555 957,037
Net trading income Net income from other financial instruments at fair value Other operating income	- -	4,421 - 246,359	456,997	5,262 1,198,461	38,435	1,899		86	108 67,614	35,253	4,529 5,262 2,045,104
Inter segment income Total income by segment	-	253,263	1,265,658	3,064,335	646,616	26,756	_	7,907	132,699	35,253	5,432,487
Impairment losses of financial assets, net	-	-	(52,148)	(1,317,601)	-	-	-	-	132,035	-	(1,369,749)
Impairment losses of non-financial assets, net Depreciation and amortization	-	- (1,762)	- (42,426)	(4,399) (26,586)	(59,853)	(1,762)	-	(1,762)	- (671)	- (40,298)	(4,399) (175,120)
Restructuring costs Investments in property and equipment	-	-	-	-	-	-	-	-	-	-	
Other expenses Total expenses by segment	-	(42,141) (43,903)	(585,353) (679,927)	(243,016) (1,591,602)	(514,450) (574,303)	(13,733) (15,495)	-	(14,516) (16,278)	(15,276) (15,947)	(355,412)	(3,333,165)
Financial result by segment	-	209,360	585,731	1,472,733	72,313	11,261	-	(8,371)	116,752	(360,457)	2,099,322
Income tax Profit/(loss) for the year Total assets by segment											(160,188) 1,939,134
Unallocated assets by segment	-	418,458	18,860,644	108,198,528	2,688,120	31,915		28,835	353,852		130,580,352
Total assets										2,020,225	2,020,225 132,600,577
Total liabilities by segment	-	5,670	87,314,375	30,970,741	63,195	78,736		2	14,300		118,447,019
Unallocated liabilities by segment <i>Total liabilities</i>										156,431	156,431 118,603,450

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

4. Segment Reporting (continued)

B. Concentration of Total Income and Expense by Significant Customer

					Operating Seg	ments						
	in thousands of Denars	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	Unallocated	Total
2021 (current year)					·							
Customer 1 Income		-	-	-	-	-	-	-	-	-	-	-
(expenses) Customer 2		-	-	-	-	-	-	-	-	-	-	-
Income (expenses)		-	-	-	-	-	-	-	-	-	-	-
Customer 3												
Income (expenses)		-	-	-	-	-	-		-	-	-	-
Total by segment		-	-	-	-	-	-	-	-	-	-	-
2020 (previous year) Customer 1		_										
Income		-	-	-	-	-	-	-	-	-	-	-
(expenses) Customer 2		-	-	-	-	-	-	-	-	-	-	-
Income (expenses)		-	-	-	-	-	-	-	-	-	-	-
Customer 3												
Income (expenses)		-	-	-	-	-	-		-	-	-	-
Total by segment		-	-	-	-	-	-	-	-	-	-	-

There is no significant concentration by significant customer.

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

4. Segment Reporting (continued)

C. Geographical Location

in thousands of De	Republic of North Macedonia	EU member states	Europe (other countries)	OECD member states (without EU countries- members of OECD	Other (significant geographical segments)	Other insignificant geographical segments	Unallocated	Total
2021 (current year)								
Total income	5,785,674	(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
2020 (previous year)								
Total income	5,591,699	(178,811)	12,286	6,063	-	1,008	242	5,432,487
Total assets	120,815,315	8,398,653	2,407,714	911,575	-	67,320	-	132,600,577

5. Fair Value of Financial Assets and Liabilities

A. Fair Value of Financial Assets and Liabilities

	Current	year 2021	Previous ye	ar 2020
	Carrying amount	Fair value	Carrying amount	Fair value
in thousands of denars				
Financial Assets				
Cash and cash equivalents Held-for-trading assets Financial assets at fair value through	57,857,098 141,666	57,857,098 141,666	49,687,632 66,831	49,687,632 66,831
profit or loss upon initial recognition Derivative assets held for risk management	350,371	350,371	344,455	344,455
Loans and advances to banks Loans and advances to other	3,099,033	3,096,198	1,021,080	1,014,848
customers Investments in securities Investments in associates Income tax receivable (current)	53,536,121 27,757,186 348,731 391	53,536,121 28,005,999 348,731 391	50,953,838 25,079,284 324,115 390	50,953,838 25,509,137 324,115 390
Other receivables	2,541,204	2,541,204	2,205,180	2,205,180
Assets pledged as collateral Deferred tax assets	-	-	- -	-
Financial Liabilities Trading liabilities Financial liabilities at fair value through profit	2,623	2,623	5,668	5,668
or loss upon initial recognition Derivative liabilities held for risk management	-	-	-	-
Deposits from banks Deposits from customers Debt instruments issued	341,643 130,624,153	341,643 130,593,019	186,134 116,492,240	186,134 116,453,149
Borrowings Subordinated debt	713,536	713,536	576,425	576,425
Income tax payable (current) Deferred tax liabilities	100,871 -	100,871 -	3,534	3,534
Other liabilities	1,425,350	1,425,350	956,115	956,115

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.

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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 MKD 64,956 thousand (2020: MKD 64,920 thousand), related to investments in securities for which there is no active market and do not have recent transaction that can be used for determination of the fair value. These investments in securities are presented at cost, decreased by the impairment loss. Their share in total investments in securities is only 0.23% (2020: 0.26%).

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

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

f) Other receivables

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

g) Deposits from banks

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

h) Deposits from other customers

The fair value of demand deposits and time deposits with adjustable and variable interest rates is their carrying amount. Out of total deposits to other customers the amount of time deposits with fixed interest rates is MKD 13,401,822 thousands (2020: MKD 10,103,732 thousand). Fixed interest rates refer to time deposits up to one year applicable (MKD 10,058,549 thousand) starting from October 1, 2017, and products with such characteristics and interest rates are offered in other banks on the market. Therefore, these interest rates can be considered as market rates, because of which the fair value of these deposits equals their carrying amount.

i) Borrowings

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

j) Other liabilities

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

management

Total

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

in thousands of Denars	Note	
December 31, 2021 (current year)		
Financial assets measured at fair value		
Held-for-trading assets	19	
Financial assets at fair value through profit		
or loss upon initial recognition	20	
Derivative assets held for risk management	21	
Investments in available-for-sale securities	23.1	
Total		
Financial liabilities measured at fair		
value		
Trading liabilities	32	
Financial liabilities at fair value through		
profit or loss upon initial recognition	33	
Derivative liabilities held for risk		
management	21	
Total		
December 31, 2020 (previous year)		
Financial assets measured at fair value		
Held-for-trading assets	19	
Financial assets at fair value through profit		
or loss upon initial recognition	20	
Derivative assets held for risk management	21	
Investments in available-for-sale securities	23.1	
Total		
Financial liabilities measured at fair		
value	20	
Trading liabilities	32	
Financial liabilities at fair value through		
profit or loss upon initial recognition Derivative liabilities held for risk	33	
Derivative liabilities neig for risk		

Note	Level 1	Level 2	Level 3	Total
11000				1000.
19	118,700	22,966		141,666
20		350,371		350,371
21		4 000 407	64.056	E 052 262
23.1	118,700	4,988,407 5,361,744	64,956 64,956	5,053,363 5,545,400
	110,700	5,361,744	04,550	5,545,400
32	-	2,623	-	2,623
				-
33	-	-	-	-
21	-	-	-	-
	-	2,623	-	2,623
19	41,196	25,635	_	66,831
	,	_0,000		55,551
20	-	344,455	-	344,455
21	-	-	-	-
23.1	-	3,951,304	64,920	4,016,224
	41,196	4,321,394	64,920	4,427,510
32		5,668		5,668
02	-	5,000	-	5,000
33	_	_	_	_
21	-	-	-	-
	-	5,668	-	5,668

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

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

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

5.2. Transfers between Levels 1 and 2 of Fair Values

_				
	Current	year 2021	Previous y	ear 2020
in thousands of Denars	Transfers from	Transfers from	Transfers from	Transfers
	level 1 to level	level 2 to level 1	level 1 to level	from level 2
	2		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	_	_	_	_
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	-	I -	- '	-

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 5. Fair Value of Financial Assets and Liabilities (continued)
- B. Levels of Fair Value of Financial Assets and Liabilities, Measured at Fair Value (continued)
- B.3. Reconciliation of the Movements in Fair Values Measured at Level 3 during the Year

in thousands of denars	Held-for- trading assets	Financial assets at fair value through profit or loss upon initial recognition	Investments in available-for-sale securities	Total assets	Trading liabilities	Financial liabilities at fair value through profit or loss upon initial recognition	Total liabilities
As of January 1, 2020 (previous year)	160,223	-	64,957	225,180	-	•	-
Gains/(losses) recognized in:						-	-
- Income statement	7,717	-	(37)	7,680	-	-	-
- Other comprehensive income in the period not							
recognized in profit or loss	-	-	-	-	-	-	-
Purchase of financial instruments in the period	-	-	-	-	-	-	-
Disposals of financial instruments in the period	(167,940)	-	-	(167,940)	-	-	-
Issued financial instruments in the period	-	-	-	-	-	-	-
Paid financial instruments in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
As of December 31, 2020 (previous year)	-	-	64,920	64,920	-		-
Total gains/(losses) recognized in income statement for the assets and liabilities outstanding as of December 31, 2020 (prior year)	7,717	-	(37)	7,680		_	_

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 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

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

6. Interest income/(expense), net

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

	in thousand	s of denars
	current year	previous year
	2021	2020
Interest income		
Cash and cash equivalents	81,396	130,451
Financial assets at fair value through profit or		
loss upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	1,817	508
Loans and advances to other customers	2,303,645	2,440,567
Investments in securities	355,847	205,826
Other receivables (Allowance for impairment of Interest Income, net)	(11,513)	(9,533)
Collected interest previously written off	72,658	48,853
Total interest income	2,803,850	2,816,672
Total Interest moone	2,000,000	2,010,012
Interest expense		
Financial liabilities at fair value through profit		
or loss upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Due to banks	12,167	10,274
Due to other customers	284,596	322,787
Debt instruments issued	14 520	27 520
Borrowings Subordinated debt	14,529	27,539
Other liabilities	36,806	35,517
Total interest expense	348,098	396,117
•		į
Interest income/(expense), net	2,455,752	2,420,555

- 6 Interest income/(expense), net (continued)
- B. Sector analysis of interest income and expense according to sector

	in thousands of denars		
	current year 2021	previous year 2020	
Interest income			
Non-financial companies	1,291,411	1,386,866	
Government	418,571	292,961	
Not for profit institutions that serve to household	1,647	4,831	
Banks	637	95,022	
Other financial institutions (non-banks)	73,028	1,027	
Households	937,784	951,560	
Non-residents	19,627	45,085	
(Allowance for impairment of Interest Income, net)	(11,513)	(9,533)	
Collected interest previously written off	72,658	48,853	
Total interest income	2,803,850	2,816,672	
Interest expense			
Non-financial companies	22,760	44,975	
Government	117	145	
Not for profit institutions that serve to household	2,911	4,588	
Banks	1,374	3,001	
Other financial institutions (non-banks)	38,400	37,547	
Households	251,137	273,794	
Non-residents	31,399	32,067	
Total interest expense	348,098	396,117	
Net interest income/(expense)	2,455,752	2,420,555	

7 Fee and Commission Income/(Expense), Net

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

	in thousands of denars	
	current year	previous year
	2021	2020
Fee and commission income		
Loans	581,504	455,808
Payment's operation	-	-
domestic	395,217	343,696
abroad	254,712	222,469
Letter of credit and guarantees	129,081	125,123
Brokerage operations	15,030	11,654
Asset management	67,990	58,225
Fiduciary activities	23,369	18,595
Issuing securities	-	-
Income for keeping transaction accounts of citizens	67,272	62,587
Income for payment operations of citizens	37,211	31,868
Other	77,731	72,979
(describe separately income which represent more than 10% of the		
total fees and commissions income) Total fee and commission income	4 640 447	4 402 004
Total lee and commission income	1,649,117	1,403,004
Fee and commission expense		
Loans	423,982	307,829
Payment's operation	· -	· -
domestic	99,785	78,511
international	39,626	36,240
Letter of credit and guarantees	-	-
Brokerage operations	2,185	1,992
Asset management	-	-
Fiduciary activities	3,376	1,878
Issuing securities	-	-
Other	15,005	19,517
(describe separately expenses which represent more than 10% of the total fees and commissions expense)		
Total fee and commission expense	583,959	445,967
F	, 0 0 0	- ,
Net fee and commission income/(expense)	1,065,158	957,037

- 7 Net fee and commission income/(expense)
- B Sector analysis of fee and commission income and expense

	in thousands of denars		
	current year previous ye		
	2021	2020	
Fee and commission income			
Non-financial companies	890,851	748,266	
Government	5,429	3,959	
Not for profit institutions that serve to household	22,421	17,608	
Banks	171,479	146,322	
Other financial institutions (non-banks)	114,170	99,894	
Households	346,441	305,250	
Non-residents	98,326	81,705	
Total fee and commission income	1,649,117	1,403,004	
Fee and commission expense			
Non-financial companies	8,563	5,244	
Government	11	442	
Not for profit institutions that serve to household	-	-	
Banks	123,298	97,034	
Other financial institutions (non-banks)	102,588	88,793	
Households	-	-	
Non-residents	349,499	254,454	
Total fee and commission expense	583,959	445,967	
Net fee and commission income/(expense)	1,065,158	957,037	

8 Net trading income/(expense)

		ao or aoriaro
	current year 2021	previous year 2020
Trading assets	2021	2020
Profit/(loss) from fair value changes on debt securities, net		
realized unrealized	-	76 165
Profit/(loss) from fair value changes of equity instruments, net		100
realized unrealized	(2,102) 16,516	208 1,443
Income from dividends from trading assets	701	1,009
Income from interest of trading assets	-	2
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 unrealized	2,241 383	1,715 (89)
Net income/(expense) from trading	17,942	4,529

in thousands of denars

9 Net income from other financial instruments at fair value

Net income nom other infancial instruments at fair value	: 41s = = s s	la af danana
	in thousand	· · · · · · · · · · · · · · · · · · ·
	current year 2021	previous year 2020
Financial assets at fair value through profit or loss upon initial recognition		
Profit/(loss) from fair value changes on debt securities, net realized	-	-
unrealized Gains/(losses) from changes in fair value of equity instruments, net	5,917	5,262
realized unrealized	-	-
Dividend income from trading assets at fair value through profit or loss Profit/(loss) from changes in fair value of loans and receivables at fair value	-	-
through profit and loss, net realized unrealized	-	-
	_	_
Financial liabilities at fair value through profit or loss upon initial recognition Profit/(loss) from fair value changes on debt securities, net		
realized unrealized	-	
Profit/(loss) from the changes in fair value of deposits at fair value through profit and loss, net		
realized unrealized	- -	- -
Profit/(loss) from the changes in fair value of borrowings at fair value through profit and loss, net		
realized unrealized	-	-
Profit/ s(loss) from the changes in fair value of other financial liabilities at fair value through profit and loss		
realized unrealized	-	
Profit/(loss) from fair value change of derivatives held for risk management at the fair value through profit and loss, net		
realized unrealized	-	-
Net income from other financial instruments at fair value	5,917	5,262

10 Net foreign exchange gains/ (losses)

Realized foreign exchange gains/(losses), net Unrealized foreign exchange gains/(losses), net

Foreign exchange differences of allowance for impairment of financial assets, net

Foreign exchange differences of special reserve for off-balance sheet exposures, net

Other foreign exchange differences, net

Net foreign exchange gain/(loss)

197,401	165,074					
(32,835)	(26,580)					
124	(526)					
95	(757)					
230,017	192,937					
current year 2021	previous year 2020					
in thousands of denars						

11. Other operating income

	current year 2021	previous year 2020
	-	-
Gain on sale of available-for-sale assets	1.025	E 600
Dividends from equity instruments available-for-sale Net income from investment in subsidiaries and associates	1,025	5,699
Capital gain from the sale of:	<u>-</u>	_
Property, plant and equipment	3,031	8,485
Intangible assets	-	-
Foreclosed assets	444,063	1,334,371
Non-current assets held-for-sale and group for disposal	-	-
Income from rent	6,202	5,956
Income from litigations	2,430	9
Collected receivables previously written off	1,161,724	365,873
Release provisions for:		
Contingent commitments based on litigations Pensions and other employee benefits	-	21,195
Restructuring	_	21,195
Onerous contracts		-
	_	
Other provisions Other		-
(income that represents more than 10% of the total remaining		
operating income)		
Income from foreign exchange operations	55,005	56,936
income that does not represent more than 10% of the total remaining	,	,
operating income	28,149	13,892
Total other operating income	1,701,629	1,812,416

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

The amount of 444,063 thousands of denars (2020: 1,334,371 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.

in thousands of denars

KOMERCIJALNA BANKA AD SKOPJE Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

12 Net impairment loss on financial assets

in thousands of denars	Loans and advances to banks	Loans and advances to other customers	Investments in financial assets available for sale	Investments in financial assets held to maturity	Cash and cash equivalents	Fees and commission receivables	Other receivable	Total impair- ment loss on financial assets	Special reserve for off- balance sheet exposures	Total
2021 (current year)	to parme	- Guetonione		· · · · · · · · · · · · · · · · · · ·	- oquiraioo	10001100				
Allowance for impairment and special reserve										
Additional allowance for impairment and special	5.47	0.054.000			5 000	10.100	40.040	0.045.057	040.470	0.000.400
reserve (Release of allowance for impairment and special	547	2,954,836	0	1	5,222	12,108	43,243	3,015,957	310,472	3,326,429
reserve)	(345)	(2,094,359)	0	(1)	(5,363)	(5,139)	(19,491)	(2,124,698)	(267,137)	(2,391,835)
	202	860,477	-	-	141	6,969	23,752	891,259	43,335	934,594
Total allowance for impairment on financial assets and special reserve for off-balance sheet exposures, net										
2020 (previous year)										
Allowance for impairment and special reserve Additional allowance for impairment and special	353	2,812,838	-	1	6,646	9,847	38,292	2,867,977	209,982	3,077,959
reserve	(2,306)	(1,460,932)	-	(1)	(6,150)	(3,375)	(13,567)	(1,486,331)	(221,879)	(1,708,210)
(Release of allowance for impairment and special reserve)	(1,953)	1,351,906	•	-	496	6,472	24,725	1,381,646	(11,897)	1,369,749

13. Impairment losses of non-financial assets, net

in thousands of denars	Property and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale and group for sale	Other non- financial assets	Non- controlling interest*	Total
2021 (current year)							
Additional impairment loss (Release of impairment loss)		-	4,932	-	-	-	4,932
Total impairment loss of non-financial assets, on net-basis	-	-	4,932	-	-	-	4,932
2020 (previous year)							
Additional impairment loss (Release of impairment loss)	-	-	4,399	-	-	-	4,399
Total impairment loss of non-financial assets, on net-basis	-		4,399	-		-	4,399

^{*)} only for consolidated financial statements

14. Personnel expenses

in thousands	of denars
	previous year
current year 2021	2020
•	
708.572	683,054
	252,131
	35,521
-	-
-	_
1.722	284
	970,990
	311,000
-	_
_	_
_	_
_	_
456	396
456	396
2.178	_
-	_
-	-
73,937	64,193
	, , , , ,
1,048,233	1,035,579
	current year 2021 708,572 252,641 8,727 - 1,722 971,662 - 456 456 2,178 - 73,937

15. Depreciation and amortization

	current year 2021	previous year 2020
Depreciation of intangible assets		
Internal developed software	-	-
Software acquired from external suppliers	10,581	11,225
Other internal developed intangible assets	-	-
Other intangible assets	8,849	6,957
Investments in intangible assets taken under lease	-	-
	19,430	18,182
Depreciation of property and equipment		
Buildings	80,226	79,289
Vehicles	16,295	14,504
Furniture and equipment	10,966	9,318
Other equipment	66,967	53,480
Other items of property and equipment	-	-
Investments in property and equipment taken under lease	1,299	347
	175,753	156,938
Total depreciation	195,183	175,120

in thousands of denars

16. Other operating expenses

Other operating expenses	in thousan	ds of denars
	current year	previous year
	2021	2020
Loss from sale of assets available for sale	-	-
Software licensing expense	35,530	33,793
Deposit insurance premium	220,055	201,440
Premium on property and employee insurance	5,356	4,725
Materials and services	221,157	210,665
Administrative and marketing expenses	177,299	207,656
Other taxes and contributions	1,497	1,513
Rental expense	19,262	18,393
Court litigation expenses	1,324	6,952
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:	0.000	-
Property and equipment	8,992	-
Intangible assets Foreclosed assets	-	-
Non-current assets held-for-sale and group for disposal	-	-
Other	-	-
(expenses that represent more than 10% of total other operating expenses)		
Expenses under foreign exchange operations	20,973	20,741
Costs in the process of realization of the alienation of property	26,095	11,317
(expenses that do not represent more than 10% of total other operating	20,000	11,011
expense)	63,584	32,123
Other operating expense	806,186	748,318
	,	,

17 Income tax

A Expense/income based on current and deferred tax

Current income tax

Expense/(income) based on current income tax for the year 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

Deferred income tax

Deferred income tax that arises from temporary differences for the year Recognition of previous unrecognized tax losses
Change in tax rate
Introduction of new taxes
Benefits of previous unrecognized tax losses, tax loans or temporary differences from previous years
Other

Total expense/(return) on income tax

current year 2021	previous year 2020
205,454	160,188
-	-
<u>-</u>	_
- -	-
205,454	160,188
, -	
-	-
-	-
-	-
-	-
_	
-	-
-	-
205,454	160,188
,	•

in thousands of denars

Current income tax

Recognized in the income statement Recognized in the equity and reserves

Deferred income tax

Recognized in the income statement Recognized in the equity and reserves

Total expense/(return) on income tax

in thousands of denars			
current year	previous year		
2021	2020		
•			
205,454	160,188		
-	-		
205,454	160,188		
-	-		
-	-		
-	-		
205,454	160,188		
•	-		

17 Income tax (continued)

Average effective tax rate

B Reconciliation between average effective tax rate and applicable tax rate

Profit/ (loss) before taxation
Income tax as per applicable tax rate
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
Tax-exempt income
Tax exemption unrecognized in income statement
Recognition of previous unrecognized tax losses
Benefits of previous unrecognized tax losses, tax loans or
temporary differences from previous years
Changes in deferred tax
Other
Total expense/(return) on income tax

	in		in
	thousands		thousands
in 0/		in 0/	
in %	of denars	in %	of denars
current	year 2021	previous y	year 2020
100.00	2,533,774	100.00	2,099,322
10	253,377	10	209,932
-	-	-	-
-	-	-	-
-	-	-	-
0.8	19,309	1.0	22,037
(8.0)	(19,513)	0.0	(656)
-	-	-	-
-	-	-	-
		_	_
-	-		
-	-	-	-
(1.9)	(47,719)	(3.4)	(71,125)
-	205,454	-	160,188
8.1		7.6	

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

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

Ī	current year 2021		previous year 2020			
	Before taxation	(expenditure)/return of income tax	Less income tax	Before taxation	(expenditur e)/return of income tax	Less income tax
	-	-	-	1	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
ļ	-	-	-	-	-	-
	_	-	-	-	_	_

18. Cash and cash equivalents

Cash on hand
Accounts and deposits with NBRNM, apart from obligatory foreign currency deposits
Current accounts and transaction deposits with foreign banks
Current accounts and transaction deposits with local banks
Treasury bills that may be traded on the secondary market
Government bills that may be traded on the secondary market
Time deposits up to 3 months
Other short-term highly liquid assets
Interest receivables
(Allowance for impairment)
Included in cash and cash equivalents for the purposes of the
Statement of cash flows

Obligatory foreign currency deposits
Restricted deposits
(Allowance for impairment)

Total

in thousands of denars			
current year 2021	previous year 2020		
4 704 640	4 700 000		
1,721,649	1,730,262		
36,318,487	28,894,467		
7,213,881	5,697,132		
2,606 2,552,229	79 2,408,696		
-	-		
2,847,085	4,630,362		
445 1,151	1,076 1,390		
(1,057)	(1,161)		
E0 0E0 470	40.000.000		
50,656,476	43,362,303		
5,840,089	5,070,169		
1,360,669	1,255,285		
(136)	(125)		
57,857,098	49,687,632		

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

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

18 Cash and cash equivalents (continued)

in thousands of denars

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

ment Total Impairment loss	Impairment loss for Group 1	previous y Impairment loss for Group 2	ear 2020 Impairment loss for Group 3	Total Impairment loss
or Impairment loss	loss for Group 1	loss for	loss for	Impairment
- 1,28	6 927			
	037	-	-	837
		-		6,646 (6,150)
-	-			
-	-		-	(4=)
-	-	-	-	1,286
	- 5,22: - (5,363 4	- 5,222 6,646 - (5,363) (6,150)	- 5,222 6,646 - (5,363) (6,150)	- 5,222 6,646 (5,363) (6,150)

19 Trading assets (continued)

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

Structure of training accord by the type of the imanetal monamen	in thousands	s of denars
	current year	previous year
	2021	2020
Trading securities		
Debt securities for trading		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments in the money market	-	-
Government bonds	-	-
Corporate bonds		
Other debt instruments	19,961	20,057
	19,961	20,057
Quoted		
Unquoted	19,961	20,057
Equity instruments for trading		
Equity instruments issued by banks		
Other equity instruments	118,700	41,196
	118,700	41,196
Quoted	118,700	41,196
Unquoted		
Trading derivatives		
Agreements dependent on interest rate change	_	
Agreements dependent on exchange rate change	3,005	5,578
Agreements dependent on changes in price of securities	-	-
Other agreements that meet IFRS 9 criteria	_	-
ŭ	3,005	5,578
Loans and advances	·	·
Loans and advances to banks	-	-
Loans and advances to other costumers	-	-
Total trading assets	141,666	66,831

Quoted equity trading instruments in the amount of 118,700 thousands of denars (2020: 41,196 thousands of denars) refer to investment in shares issued by domastic non-financial companies.

Trading derivatives in the amount of 3,005 thousands of denars (2020: 5,578 thousands of denars) refer to agreements dependent on exchange rate change.

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

20 Financial assets at fair value through the income statement classified as such at initial recognition

Debt securities Treasury bills Government bills Other instruments in the money market Government bonds issued Corporate bonds Other debt instruments
Quoted Unquoted
Equity instruments Equity instruments issued by banks Other equity instruments
Quoted Unquoted
Loans and advances to banks Loans and advances to other customers

classified as such as initial recognition

Total financial assets at fair value through the income statement

in thousands of denars			
current year	previous year		
2021	2020		
-	-		
-	-		
-	-		
-	-		
-			
350,371	344,455		
350,371	344,455		
250 274	-		
350,371	344,455		
_	_		
_	<u>-</u>		
_	-		
-	-		
-	-		
-	-		
-	-		
350,371	344,455		

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

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

21 Derivative assets and liabilities held for risk management

		in thousands of denars			
		current year 2021		previous year 2020	
		derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A. A.1	Derivatives for protection against risk/Derivatives held for risk management By type of the variable Derivatives held for risk management Agreements dependent on interest rate change Agreements dependent on exchange rate change	-	-	-	-
	Agreements dependent on changes in price of securities Other agreements that meet the IFRS 9 criteria Total derivatives held for risk management		- -	- - -	- - -
A.2	By type of protection against risk Protection against risk of fair value Protection against risk of cash flows Protection against risk of net investment in international operations Total derivatives held for risk management	- - -	- - -	- - -	- - -
Б.	Inherent derivatives Agreements dependent on interest rate change Agreements dependent on exchange rate change	-	-	-	-
	Agreements dependent on changes in price of securities Other agreements that meet the IFRS 9 criteria Total inherent derivatives Total derivatives held for risk management	- - -	- - -	- - -	- - - -

22 Loans and advances

22.1 Loans and advances to banks

Loans to banks Domestic banks Foreign banks Time deposits over 3 months Domestic banks Foreign banks Repo Domestic banks Foreign banks Other receivables Domestic banks Foreign banks Interest receivables **Current maturity** Total loans and advances to banks before impairment (Allowance for impairment) Total loans and advances to banks, net of allowance for impairment

in thousands of denars			
current year 2021		previous year 2020	
Short term	Long term	Short term	Long term
-	45 -	29,000	46 -
- 2,136,257	485 956,821	30,847	481 957,861
-	-	-	-
4,244 1,503 308,149	- - - (308,149)	2,940 19 46	- - - (46)
2,450,153 (214)	649,202 (108)	62,852 (6)	958,342 (108)
2,449,939	649,094	62,846	958,234

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

22 Loans and advances (continued)

22.1 Loans and advances to banks (continued)

in thousands of denars

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

current year 2021					previous y		ando or donaro
Impairment	Impairment	Impairment	Total	Impairment	Impairment	Impairment	Total
loss for Group	loss for	loss for	Impairment	loss for	loss for	loss for	Impairment
1	Group 2	Group 3	loss	Group 1	Group 2	Group 3	loss
114	-	-	114	481	1,579	-	2,060
271 (68)	276 (277)	-	547 (345)	19 (388)	334 (1,918)	-	353 (2,306)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
_	_	_	_	_	_	_	-
_	_	_	_	_	_	_	_
6	1	-	7	2	5	-	7
-	-	-	-	-	-	-	-
322	-	-	322	114	-	-	114

22 Loans and advances (continued)

22.2 Loans and advances to other customers

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

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

Out of the total loans and advances to other customers the Bank has pledged a lien with regard to the sub-loans approved from the credit line of the European Investment Bank ("EIB"), in favour of the Development Bank of North Macedonia ("DBNM"). As at 31 December 2021 the amount of the pledged loans and advances is in the amount of 100,946 thousands of denars (2020: 182,453 thousands of denars).

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

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

	current yea	ar 2021			previous	year 2020	
Impairment loss	Impairment loss for	Impairment loss for	Total Impairment	Impairment Impairment To			Total Impairment
for Group 1	Group 2	Group 3	loss	Group 1	Group 2	Group 3	loss
393,793	1,272,597	2,439,557	4,105,948	413,690	696,591	2,898,653	4,008,934
487,488 (454,418)	1,612,433 (1,166,644)	854,916 (473,296)	2,954,836 (2,094,359)	369,762 (409,167)	1,417,546 (727,951)	1,025,530 (323,814)	2,812,838 (1,460,932)
(25,235) 26,401	22,826 (124,017)	2,409 97,616	-	(40,292) 46,954	38,312 (159,283)	1,980 112,329	-
7,235	60,857	(68,092)	-	12,748	7,130	(19,878)	-
-	-	(189,316)	(189,316)	-	-	(534,278)	(534,278)
335	(59)	(425)	(149)	97	253	424	774
-	` -	(1,672,424)	(1,672,424)	-	-	(721,388)	(721,388)
435,599	1,677,993	990,945	3,104,538	393,792	1,272,598	2,439,558	4,105,948

22 Loans and advances (continued)

22.2 Loans and advances to other customers (continued)

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

(current carrying amount of loans and advances)

First-class security instruments

Cash deposits (in vault and/or restricted in accounts held with the bank)

Government securities

Government unconditional guarantees

Bank guarantees

Guarantees from insurance companies and insurance policies

Corporate guarantees (except banks and guarantees from insurance companies)

Guarantees from individuals

Mortgage on real estate

Property for private use (flats, houses)

Mortgage on real estate
Property for private use (flats, houses)
Property for business
Pledge over movables
Other types of collateral
Unsecured

Total loans and advances to other customers, net of allowance for impairment

in thousands of denars					
current year 2021	previous year 2020				
1,189,713	817,466 -				
-	-				
	-				
456,748	217,144 -				
0.404.070	0.400.700				
9,124,079 19,079,535 7,114,278 1,639,906 14,931,862	8,468,769 19,291,323 6,160,546 1,018,722 14,979,868				
53,536,121	50,953,838				

23 Investments in securities

23.1 Investments in financial assets available for sale

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

	in thousands of denars			
	current year 2021	previous year 2020		
Debt securities				
Treasury bills	-	-		
Government bills	4,988,407	3,951,304		
Other instruments in the money market	-	-		
Government bonds	-	-		
Corporate bonds	-	-		
Other equity investments	-	-		
	4,988,407	3,951,304		
Quoted	4 000 407	0.054.004		
Unquoted	4,988,407	3,951,304		
Equity investments				
Equity investments issued by banks	-	-		
Other equity investments	64,956	64,920		
	64,956	64,920		
Quoted				
Unquoted	64,956	64,920		
Total investment in financial instruments available for sale	5,053,363	4,016,224		

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 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)

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

						III tilous	arius oi ueriars	
	current year 2021				previous year 2020			
Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment Ioss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
	_	_						
-	_	_	_	-	_	_		
_	_	_	_	_	_	_		
_	_	_	_	_	_	_		
-	-	-	-	-	-	-		
-	-	-	-	-	-	-		
-	-	-	-	_	-	-		

in thousands of denars

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

Investments in debt securities available-for-sale in the amount of 4,988,407 thousands of denars (2020: 3,951,304 thousands of denars) refer to investments in government bills.

The investments in equity instruments available-for-sale in the amount of 64,956 thousands of denars (2020: 64,920 thousands of denars) related to the investments in securities issued by financial companies. Taking into account that for these investments there is no active market, as well as a lack of recent transactions that could be applied in determining the fair value, the investments in available-for-sale securities are stated at cost, less any impairment. The market for these securities is not consistent and it is not fully developed, so that the fair value cannot be reliably measured.

The 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

Debt securities

Treasury bills
Government bills
Other instruments in the money market
Government bonds
Corporate bonds

Quoted Unquoted

Other debt securities

Total investment in financial instruments held to maturity before impairment

(Impairment)

Total investment in financial instruments held to maturity after impairment

in thousands of denars					
current year 2021	previous year 2020				
919,848 - 21,164,197 619,840	1,498,050 - 18,942,418 622,654				
22,703,885	21,063,122				
21,784,037 919,848	19,565,072 1,498,050				
22,703,885 (62)	21,063,122 (62)				
22,703,823	21,063,060				

23 Investments in securities (continued)

23.2 Investments in financial assets held to maturity (continued)

in thousands of denars

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

						111 111000	ands of denais
	current year 2021 previous year 2020				ear 2020		
Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss	Impairment loss for Group 1	Impairment loss for Group 2	Impairment loss for Group 3	Total Impairment loss
62	-	-	62	62	-	-	62
1 (1)	-	-	1 (1)	1 (1)	-	-	1 (1)
-	_	_	- (1)		-	-	(1)
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
62			62	62	-	-	62

Debt securities in the amount of 22,703,885 thousands of denars (2020: 21,063,122 thousands of denars) include government bonds in the amount of 21,164,197 thousands of denars (2020: 18,942,418 thousands of denars) and corporate bonds issued by foreign banks in the amount of 619,840 thousands of denars (2020: 622,654 thousands of denars) and government bills in the amount of 919,848 thousands of denars (2020: 1,498,050 thousands of denars)

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

24 Investment in associates and subsidiaries

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

		in %				
		Share in ov	Share in ownership in %		of voting right	
Name of subsidiaries and associates	Country	Current year 2021	previous year 2020	current year 2021	previous year 2020	
KB PRVO PENZISKO DRUSTVO AD SKOPJE	Republic of North Macedonia Republic of North	49.00%	49.00%	49.00%	49.00%	
KB PUBLIKUM INVEST AD SKOPJE	Macedonia	64.29%	64.29%	64.29%	64.29%	

B Financial information for associates - 100%

	in thousands of denars					
			Total capital and		Profit/(loss) for	
Name of associates	Total assets	Total liabilities	reserves	Income	the financial year	
Current year 2021						
KB PRVO PENZISKO DRUSTVO AD SKOPJE	788,903	21,972	766,931	323,819	159,659	
	788,903	21,972	766,931	323,819	159,659	
Previous year 2020 KB PRVO PENZISKO DRUSTVO AD SKOPJE	710,943	54,471 54,471	656,472 656,472	286,161	137,987	
	710,943	54,471	656,472	286,161	137,987	

25 Other receivables

	In thousands of denars				
	current year	previous year			
	2021	2020			
Trade receivables	179	3,104			
Prepaid expenses	-	-			
Deferred income	-	-			
	00 747	40.050			
Fees and commission receivables	22,717	19,258			
Receivables from employees	8	40			
Advances for intangible assets	4,197	45.000			
Advances for property and equipment	17,187	15,208			
Other					
(receivables representing more than 10% of the total other					
receivables)					
Pre-paid pensions	1,347,414	1,320,997			
Bank credit card settlement transactions	968,815	819,839			
Other receivables by other basis in denars	178,162	23,268			
Other receivables by other basis in foreign exchange	170,102	20,200			
currency	6,058	3,378			
Suspicious and doubtful receivables from receivables from	5,555	2,212			
clients and other receivables					
	7,533	27,409			
Inventory, petty inventory and numismatic collection	,	,			
	37,147	37,696			
(state separately the receivables that not represent more					
than 10% of the total other receivables)	22,525	19,796			
Total other receivables before value allowance	2,611,942	2,289,993			
(Allowance for impairment)	(12,215)	(31,909)			
Total other receivables, net of allowance for impairment	2,599,727	2,258,084			

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

25 Other receivables (continued)

in thousands of denars

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

	current ye	ear 2021		previous year 2020				
Impairment	Impairment	Impairment	Total	Impairment	Impairment	Impairment	Total	
loss for Group	loss for	loss for	Impairment	loss for	loss for	loss for	Impairment	
1	Group 2	Group 3	loss	Group 1	Group 2	Group 3	loss	
319	670	30,919	31,909	455	414	29,562	30,431	
12,659	208	42,484	55,351	10,199	2,476	35,464	48,139	
(11,897)	(539)	(12,194)	(24,629)	(10,375)	(2,157)	(4,409)	(16,942)	
							-	
(4)	-	4	-	(9)	2	7	-	
90	(144)	53	-	7	(118)	110	-	
41	39	(80)	-	22	54	(75)	-	
-	-	(878)	(878)	-	-	(822)	(822)	
(3)	-	3	-	21	(1)	1	22	
-	-	(49,538)	(49,538)	-	-	(28,919)	(28,919)	
1,206	236	10,773	12,215	320	670	30,919	31,909	

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

26 Assets pledged as collateral

Debt securities
Equity instruments
Loans and advances from banks
Loans and advances from other customers
Other receivables
Total collateralized assets

in thousands of denars								
current year 2021	previous year 2020							
-	-							
-	-							
-	-							
-	-							
-	-							
-	•							

27 Foreclosed assets

in thousands of denars	Land	Buildings	Equipment	Residential buildings and apartments	Other valuables	Total
Opening carrying amount	405.400	4 007 700	202 121	400 407	0.470	0.004.004
As at January 1 2020 (previous year)	135,126	1,607,738	360,124	190,497	8,179	2,301,664
Foreclosed during the year (sold during of the year)	39,936 (128,927)	688,389 (1,165,913)	27,366 (287,565)	1,970 (85,440)	605 (6,724)	758,266 (1,674,569)
(transfer into assets for own use)	(120,321)	(1,103,913)	(201,303)	(00,440)	(0,724)	(1,074,309)
As at December 31, 2020 (previous year)	46,135	1,130,214	99,925	107,027	2,060	1,385,361
As at January 1, 2021 (current year)	46,135	1,130,214	99,925	107,027	2,060	1,385,361
Foreclosed during the year	7,089	489,039	14,575	-	1,199	511,902
(sold during of the year)	(11,644)	(443,518)	(15,306)	(63,600)	-	(534,068)
(transfer into assets for own use)	_	-	_	-	_	_
As at December 31, 2021 (current year)	41,580	1,175,735	99,194	43,427	3,259	1,363,195
Luca d'anno ant						
Impairment As at January 1, 2020 (previous year)	132,979	1,575,002	354,529	190,497	7,686	2,260,693
Impairment loss during the year	38,024	681,851	27,420	1,970	627	749,892
(sold during the year)	-	-	-	1,570	-	145,052
(transfer into assets for own use)	(126,043)	(1,146,225)	(285,709)	(85,440)	(6,355)	(1,649,772)
As at December 31, 2020 (previous year)	44,960	1,110,628	96,240	107,027	1,958	1,360,813
As at January 1, 2021 (surrent year)	44.060	1 110 629	06 240	107.027	1,958	1,360,813
As at January 1, 2021 (current year) Impairment loss during the year	44,960 5,622	1,110,628 378,995	96,240 12,843	107,027	1,956	398,680
(transfer into assets for own use)	5,022	370,993	12,043	[]	1,220	390,000
(sold during the year)	(9,857)	(329,435)	(12,704)	(63,600)	_	(415,596)
As at December 31, 2021 (current year)	40,725	1,160,188	96,379	43,427	3,178	1,343,897
Net carrying amount	-,	,,	,,,	-,	-, -	,= -,
As at January 1, 2020 (previous year)	2,147	32,736	5,595	-	493	40,971
As at December 31, 2020 (previous year)	1,175	19,586	3,685	-	102	24,548
As at December 31 2021 (current year)	855	15,547	2,815	-	81	19,298

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

27 Foreclosed assets (continued)

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

Part of the recognised impairment in 2021 in the amount of 4,932 thousands of denars (2020: 4,399 thousands of denars) is recognized as an expense in the Income statement (see note 13), and the remainder is recognized in the balance sheet.

28 Intangible assets

A Reconciliation of the present carrying amount

	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
in thousands of denars								
Purchase value As at January 1, 2020 (previous year) Increases by new supplies Increases by internal development	- - -	209,208 20,530	- - -	68,060 10,388 -	10,545 2,425 -	- - -	- - -	287,813 33,343
Increases by business combinations (Disposal and write off)	-	-	-	-	-	-	-	-
(disposal through business combination)	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale) Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-
As at December 31, 2020 (previous year)	-	229,738	-	78,448	12,970	-	_	321,156
								·
As at January 1, 2021 (current year) Increases by new supplies	-	229,738 14,406	-	78,448 14,359	12,970 5,606	-	-	321,156 34,371
Increases by internal development	-	-	-	-	-	-	-	-
Increases by business combinations (Disposal and write off)	_	-	-	(580)	-	-	-	(580)
(disposal through business combinations)	-	-	-	-	_	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sale)	-	244 144	-	- 02 207	10 F76	-	-	- 256 407
As at December 31, 2021 (current year)	-	244,144	-	93,387	18,576	-	-	356,107

28 Intangible assets (continued)

A Reconciliation of the present carrying amount (continued)

·			Other internally			Investments in		
	Internally	Software	developed	Other	Intangible	intangible	Non-	
	developed	from external	intangible	intangible	assets in	assets taken	controlling	
	software	suppliers	assets	assets	progress	under lease	interest *	Total
in thousands of denars								
Depreciation and impairment								
As at January 1, 2020 (previous year)	-	189,352	-	42,060	-	-	-	231,412
Depreciation for the year	-	11,226	-	6,957	-	-	-	18,183
Impairment loss during the year	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)								
As at December 31, 2020 (previous year)	-	200,578	-	49,017	-	-	-	249,595
A t . I		000 570		40.047				040 505
As at January 1, 2021 (current 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)
Balance at December 31, 2021 (current year)	-	211,159	-	58,446	-	-	-	269,605
, , , , , , , , , , , , , , , , , , , ,	-	211,109	-	50,440	-	-	-	209,005
Current carrying amount Balance at January 1, 2020 (previous year)	_	19,856	_	26,000	10,545	_	_	56,401
Balance at December 31, 2020 (previous year)	<u> </u>	19,030		20,000	10,545	-	-	30,401
year)	_	29,160	-	29,431	12,970	_	_	71,561
Balance at December 31, 2021 (current year)	<u>-</u>	32,985	_	34,941	18,576	<u> </u>	 +	86,502
Dalance at December 31, 2021 (current year)		32,303	-	UT, UT I	10,570		-	00,002

^{*}only for consolidated financial statements

- 28 Intangible assets (continued)
- B Carrying amount of the intangible assets where there is a limit of ownership and / or are pledged as collateral for liabilities of the Bank

in thousands of denars	Internally developed software	Software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in progress	Investments in intangible assets taken under lease	Total
Present carrying value as at:							
As at December 31 2020 (previous year) As at December 31 2021 (current year)	-	-	-	-		-	-

29 Property and equipment

A Reconciliation of the carrying amount

in thousands of denars	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment in progress	Investments in property and equipment taken under lease	Total
Purchase value									
As at 1 January 2020 (previous year) Increases Increase through business combinations	89,188 -	3,195,818 -	150,630 -	354,424 -	722,983 -	13,472 -	31,503 176,634	50,036 -	4,608,054 176,634
(Disposal and write off)	-	(2,317)	(6,631)	(13,285)	(96,730)	-	-	-	(118,963)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	` <u>-</u>
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	- 10	-		-	-	-	(470.054)	-	-
Other transfers	12	28,642	7,753	14,320	119,624		(170,351)		-
As at 31 December 2020 (previous year)	89,200	3,222,143	151,752	355,459	745,877	13,472	37,786	50,036	4,665,725
As at 1 January 2021 (current year)	89,200	3,222,143	151,752	355,459	745,877	13,472	37,786	50,036	4,665,725
Increases	· -	-	· -	· -	, <u>-</u>	· -	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 (current year)	89,200	3,228,016	159,602	360,378	793,094	13,472	55,025	65,386	4,764,173

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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
in thousands of denars									
Depreciation and impairment									
As at 1 January 2020 (previous year)	-	762,716	113,395	327,920	598,125	-	-	49,587	1,851,743
Depreciation for the year	-	79,289	14,504	9,324	53,472	-	-	347	156,936
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(Release of impairment loss during the year)	-	(4.555)	(550)	(40.040)	(00.005)	-	-	-	(444.740)
(Disposal and write off)	-	(1,555)	(553)	(13,240)	(96,365)	-	-	-	(111,713)
(Transfer to non-current assets held for sale) Transfer for non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020 (previous year)	-	840,450	127,346	324,004	555,232	-	-	49,934	1,896,966
Dalance at 31 December 2020 (previous year)		040,430	127,340	324,004	333,232		_	43,334	1,090,900
Balance at 1 January 2021 (current 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	_	-	-	- 10,000	-	_	_	- 1,200	-
(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 (current year)	-	910,766	116,768	321,233	610,905	-	-	45,827	2,005,499
Current carrying amount									
As at 1 January 2020 (previous year)	89,188	2,433,102	37,235	26,504	124,858	13,472	31,503	449	2,756,311
As at 31 December 2020 (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 (current year)	89,200	2,317,250	42,834	39,145	182,189	13,472	55,025	19,559	2,758,674

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 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

	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	
S	1 1	1 1		-	-		-	-	-	

in thousands of denars

Current carrying amount at: As at December 31 2020 (previous year) As at December 31 2021 (current year)

The amount of commitments for the purchase of property and equipment in 2021 is in the amount of 261 thousands of denars (2020: 6,445 thousands of denars).

30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

in thousands of denars

current year 2021 previous year 2020

391 390 100,871 3,534

Income tax receivables (current)
Income tax liabilities (current)

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

	current year 2021			previous year 2020			
	Deferred tax assets	(Deferred tax liabilities)	On net basis	Deferred tax assets	(Deferred tax liabilities)	On net basis	
in thousands of denars							
Derivative assets held for risk							
management	-	-	-	-	-	-	
Loans and advances to banks Loans and advances to other	-	-	-	-	-	-	
customers	-	-	-	-	-	-	
Investments in securities	-	-	-	-	-	-	
Intangible assets	-	-	-	-	-	-	
Property and equipment Other receivables	-	-	-	-	-	-	
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	-	-	-	-		-	

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 30 Deferred tax assets and deferred tax liabilities (continued)
- B Unrecognized deferred tax assets

Tax losses
Tax credits
Total unrecognized deferred tax assets

in thousands of denars								
current year	previous year							
2021	2020							
-	-							
-	-							
-	-							

- 30 Deferred tax assets and deferred tax liabilities (continued)
- C Reconciliation of movements of deferred tax assets and deferred tax liabilities during the year

		Recognized in the the year		
in thousands of denars	As at January 1	Income statement	Capital	As at December 31
Previous year 2020				
Derivative assets held for risk management Loans and advances to banks	-	-	-	-
Loans and advances to other clients	_	-		-
Investments in securities	_	-	_	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management				
Other liabilities	- -	-	- -	- -
Unutilized tax losses and utilized tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Protection against cash flow risk Total recognized deferred tax assets-liabilities	-	-	-	-
•	-	-	-	-
Current year 2021 Derivative assets held for risk management	_		-	_
Placement with and loans to banks	-	-	-	-
Placements with and loans to other clients	-	-	-	-
Investment in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment Other receivables	-	-	_	-
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	-	-	-	-
-	-			

Non-current assets held for sale and disposal group

A Non-current assets held for sale

Intangible assets
Property and equipment
Total non-current assets held for sale

in thousands of denars				
current year	previous year			
2021	2020			
-	-			
-	-			
•	-			

B Disposal Group

Group of assets for disposal
Financial assets
Intangible assets
Property and equipment
Investment in associates
Income tax receivables
Other assets
Total group of assets for disposal

Liabilities directly related to the group of assets for disposal
Financial liabilities
Special reserve
Income tax liabilities
Other liabilities
Total liabilities directly related to the group of assets for disposal

in thousands of denars					
current year 2021	previous year 2020				
-	-				
-	-				
-	-				
-	-				
-	-				
-	-				
-	-				
-	-				
-	-				
-	-				
-	-				
-	-				

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

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

in thousands of denars				
current year	previous year			
2021	2020			
-	-			

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

32 Trading liabilities

Deposits from banks

Current accounts, demand deposits and overnight deposits Time deposits

Other deposits

Deposits from other clients

Current accounts, demand deposits and overnight deposits

Time deposits

Other deposits

Issued debt securities

Money market instruments

Deposit certificates

Issued bonds

Other

Other financial liabilities

Trading derivatives

Agreements depending on interest rate change Agreements depending on exchange rate change Agreements depending on the securities price change Other agreements that fulfil the IFRS 9 criteria

Total trading liabilities

in thousands of denars			
current year 2021	previous year 2020		
2021	2020		
-	-		
-	-		
-	-		
-	-		
-	-		
-	-		
-	-		
-	-		
-	-		
-	-		
-	-		
-	-		
-	-		
	-		
_	-		
2,623	5,668		
-,	-		
-	-		
2,623	5,668		
2,623	5,668		

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

	in thousands of denars			
	current year 2021		previous ye	ar 2020
	Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
Deposits from banks Current accounts, demand deposits and overnight deposits	_	<u>-</u>	_	-
Time deposits Other deposits	-	- -	-	-
Deposits from other clients Current accounts, demand deposits	-		-	-
and overnight deposits Time deposits Other deposits	-	-	-	- - -
	-	-	-	-
Issued debt securities Money market instruments				
Deposit certificates	-	- -	-	-
Issued bonds Other	-	-	-	-
Other		<u>-</u>	-	
Subordinated debt Other financial liabilities	-	-	-	-
Total financial liabilities at fair value through the profit and loss determined as such at initial recognition	_	_	_	_

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

in thousands of denars				
Current year 2021	Previous year 2020			
-	-			
-	-			
-	-			

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

34 Deposits

34.1 Deposits from banks

Current accounts domestic banks foreign banks Demand deposits domestic banks foreign banks Time deposits domestic banks foreign banks Restricted deposits domestic banks foreign banks Other deposits domestic banks foreign banks Deposit interest liabilities domestic banks foreign banks Current maturity Total deposits from banks

in thousands of denars						
current ye	ear 2021	previous year 2020				
short-term	long-term	short-term	long-term			
	-					
258,324	-	159,422	-			
28,665	-	26,578	-			
,	-	ŕ	-			
4	-	6	-			
-	-	-	-			
	-	-	-			
54,373	-	-	-			
-	-	-	-			
	-	-	-			
-	-	-	-			
-	-	-	-			
	-	-	-			
-	-	-	-			
-	-	-	-			
	-	-	-			
7	-	-	-			
270	-	128	-			
-	-	-	-			
341,643	-	186,134	-			

34 Deposits (continued)

34.2 Other deposits

	-
	Sł
Non-financial companies	
Current accounts	
Demand deposits	
•	
Time deposits	
Restricted deposits	
Other deposits	
Interest payable on deposits	
Covernment	
Government	
Current accounts	
Demand deposits	
Time deposits	
Restricted deposits	
Other deposits	
Interest payable on deposits	
interest payable on appeals	
Non-profit institutions in service of households	
Current accounts	
Demand deposits	
Time deposits	
Restricted deposits	
Other deposits	
Interest payable on deposits	
e. set payable en aspesite	
Financial companies other than banks	
Financial companies, other than banks	
Current accounts	
Demand deposits	
Time deposits	
Restricted deposits	
Other deposits	
Interest payable on deposits	
Lleueshalde	
Households	
Current accounts	
Demand deposits	
Time deposits	
Restricted deposits	
Other deposits	
Interest payable on deposits	
interest payable on deposits	
Non-residents, other than banks	
Current accounts	
Demand deposits	
Time deposits	
Restricted deposits	
Other deposits	
Other deposits	
Interest payable on deposits	
Current maturity	
Total other deposits	
- F	

current ye Short term	in thousands of denars						
	current year 2021 previous year 2020						
Snort term	Long term	Short term	Long term				
Chort tolli	Long tom	Chort tomi	Long tom				
30,248,282	_	25,288,051					
34,937	_	50,347	_				
590,656	486,278	624,102	635,538				
353,833	1,066,455	385,851	718,586				
333,633	1,000,455	303,031	1 10,000				
0.444	-	40.004	-				
8,414	-	13,001	-				
31,236,122	1,552,733	26,361,352	1,354,124				
, ,	, ,	, ,	, ,				
535,529	-	468,610	-				
2,116	_	2,180	-				
35,000	_	45,000	-				
185	_	184	_				
-	_	-	_				
85	_	88	_				
572,915		516,062	_				
<u> </u>		0.0,002					
2,112,713	-	1,825,366	-				
214	-	161	-				
394,790	177,903	398,152	142,903				
61,685	8,676	52,809	5,169				
-	-	-	-				
2,061	-	1,776	-				
2,571,463	186,579	2,278,264	148,072				
			,				
			,				
544,619	-	457,316	-				
9,735	-	82	-				
9,735 134,500	- - 705,979	82 202,200	692,800				
9,735	- - 705,979 22,055	82	-				
9,735 134,500		82 202,200	692,800				
9,735 134,500		82 202,200	692,800				
9,735 134,500 16,068		82 202,200 13,768	692,800				
9,735 134,500 16,068 - 5,410 710,332	22,055 - -	82 202,200 13,768 4,330 677,696	- - 692,800 23,588 - -				
9,735 134,500 16,068 - 5,410 710,332	22,055 - -	82 202,200 13,768 4,330 677,696	- - 692,800 23,588 - -				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141	22,055 - - 728,034	82 202,200 13,768 4,330 677,696 28,477,170 8,389,015	692,800 23,588 - - 716,388				
9,735 134,500 16,068 - 5,410 710,332	22,055 - -	82 202,200 13,768 4,330 677,696	692,800 23,588 - 716,388 - 13,772,816				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141	22,055 - - 728,034	82 202,200 13,768 4,330 677,696 28,477,170 8,389,015	692,800 23,588 - - 716,388				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147	22,055 - - 728,034 - - 14,457,923	82 202,200 13,768 4,330 677,696 28,477,170 8,389,015 31,203,128	692,800 23,588 - 716,388 - 13,772,816				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147	22,055 - - 728,034 - - 14,457,923	82 202,200 13,768 4,330 677,696 28,477,170 8,389,015 31,203,128	692,800 23,588 - 716,388 - 13,772,816				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365	22,055 - - 728,034 - - 14,457,923 799,996 - -	82 202,200 13,768 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764	692,800 23,588 - 716,388 - 13,772,816 746,202				
9,735 134,500 16,068 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419	22,055 - - 728,034 - - 14,457,923	82 202,200 13,768 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926	692,800 23,588 - 716,388 - 13,772,816				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676	22,055 - - 728,034 - - 14,457,923 799,996 - -	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003	692,800 23,588 - 716,388 - 13,772,816 746,202				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676	22,055 - - 728,034 - - 14,457,923 799,996 - -	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003	692,800 23,588 - 716,388 - 13,772,816 746,202				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676	22,055 - - 728,034 - - 14,457,923 799,996 - - - 15,257,919	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003	692,800 23,588 - 716,388 - 13,772,816 746,202 - - 14,519,018				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676	22,055 728,034 - 14,457,923 799,996 15,257,919 - 249,975	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003 950,932 1,494 104,096	692,800 23,588 - 716,388 - 13,772,816 746,202 - - 14,519,018				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676	22,055 - - 728,034 - - 14,457,923 799,996 - - - 15,257,919	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003	692,800 23,588 - 716,388 - 13,772,816 746,202 - - 14,519,018				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676 942,282 1,496 97,818 265,097	22,055 728,034 - 14,457,923 799,996 15,257,919 - 249,975	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003 950,932 1,494 104,096 130,010	692,800 23,588 - 716,388 - 13,772,816 746,202 - - 14,519,018				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676 942,282 1,496 97,818 265,097 - 714	22,055 728,034 - 14,457,923 799,996 15,257,919 - 249,975 10,998	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003 950,932 1,494 104,096 130,010	692,800 23,588 - 716,388 - 13,772,816 746,202 - - - 14,519,018				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676 942,282 1,496 97,818 265,097 - 714 1,307,407	22,055 728,034 - 14,457,923 799,996 15,257,919 - 249,975 10,998 260,973	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003 950,932 1,494 104,096 130,010 - 837 1,187,369	692,800 23,588 - 716,388 - 13,772,816 746,202 - - 14,519,018 - 248,767 10,125 - - 258,892				
9,735 134,500 16,068 - 5,410 710,332 34,607,604 9,519,141 31,634,147 339,419 - 139,365 76,239,676 942,282 1,496 97,818 265,097 - 714	22,055 728,034 - 14,457,923 799,996 15,257,919 - 249,975 10,998	82 202,200 13,768 - 4,330 677,696 28,477,170 8,389,015 31,203,128 255,926 - 149,764 68,475,003 950,932 1,494 104,096 130,010	692,800 23,588 - 716,388 - 13,772,816 746,202 - - - 14,519,018				

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

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

Money market instruments
Deposit certificates
Issued bonds
Other
Interest payable on issued securities
Total issued debt securities

in thousands of denars				
current year	previous year			
2021	2020			
-	-			
-	-			
-	-			
-	-			
-	-			
-	-			

36. Borrowings

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

	in thousands of denars				
	current year 2021		previous ye	previous year 2020	
	short-term	long-term	short-term	long-term	
Banks					
Residents					
Loans payable	259	194,769	260	184,383	
Repo-transactions	-	-	-	-	
Interest payables	220	-	398	-	
Non-residents		E47.000		000.000	
Loans payable	•	517,068	-	389,963	
Repo-transactions	1,220	-	1 401	-	
Interest payables	1,220	-	1,421	-	
Non-financial companies					
Loans payable	-	-	-	-	
Repo-transactions Interest payables	-	-	-	-	
Government	-	-	-	-	
Loans payable					
Repo-transactions	-	-	-	-	
Interest payables	_	_	_	_	
Non-profit institutions in service of		_	_		
households					
Loans payable	-	-	_	_	
Interest payables	-	-	_	-	
Financial companies, other than banks					
Loans payable	-	-	_	-	
Repo-transactions	-	-	_	_	
Interest payables	-	-	-	-	
Non-residents, except for banks					
Non-financial entities					
Loans payable	-	-	-	-	
Repo-transactions	-	-	-	-	
Interest payables	-	-	-	-	
Government					
Loans payable	-	-	-	-	
Repo-transactions	-	-	-	-	
Interest payables	-	-	-	-	
Non-profit institutions in service of households					
Loans payable Repo-transactions	-	-	-	-	
Interest payables	_	_	_	_	
Financial companies, other than banks					
Loans payable	-	-	-	-	
Repo-transactions	-	-	_	_	
Interest payables	-	-	-	-	
Households					
Loans payable	-	-	-	-	
Interest payables	-	-	-	-	
Current maturity	210,544	(210,544)	137,347	(137,347)	
Total loans payable	212,243	501,293	139,426	436,999	
ioniio pajanio	2.2,2.10	001,200	100,120	700,000	

36 Borrowings (continued)

B Borrowings according to the creditor

domestic sources:

Development Bank of North

Macedonia - DBNM (previously

MDBP) – ZKDF

DBNM-EIB

foreign sources:
 EBRD - TARA (Transfer and
Amendment and Restatement
Agreement)
 EBRD - CSP (SME
Competitiveness Support Program)
 EBRD - GEFF (Western Balkans
Green Economy Financing Facility)
 EBRD - CSP II (SME
Competitiveness Support Program)

Current maturity

Total borrowings

in thousands of Denars						
Current	year 2021	Previous year 2020				
short-term	long-term	short-term	long-term			
259	890	263	1,930			
220	193,879	395	182,453			
479	194,769	658	184,383			
1,148	101,534	1,372	117,308			
46	253,658	49	272,655			
6	61,019	-	-			
20	100,857	-	-			
1,220	517,068	1,421	389,963			
210,544	(210,544)	137,347	(137,347)			
212,243	501,293	139,426	436,999			

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

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

Borrowings (continued)

В Borrowings according to the creditor (continued)

The Group has pledged a lien in the form of a notary deed in favor of DBNM based on receivables from sub-loan agreements concluded with final users approved from the credit line from EIB, both administered through DBNM. As at 31 December 2021 the amount of borrowings for which the Group has pledged receivables is 100,946 thousands of denars (2020: 182,453 thousands denars).

37 Subordinated liabilities

Total subordinated debt

Subordinated deposits liabilities Interest payables Subordinated loans liabilities Interest payables Subordinated issued debt securities liabilities Interest payables Redeemable preference shares

in thousands of denars					
current year 2021	previous year 2020				
-	-				
-	-				
-	-				
-	-				
-	-				

2021	2020
_	_
-	-
-	-
-	-
-	-
-	-

38 Special reserves and provisions

in the weed of denote	Special reserves for off-balance sheet credit exposures	Provisions for contingent liabilities based on litigations	Provisions for pensions and other employee benefits	Provisions for restructuring	Provisions for unfavorable agreements	Other provisions	Total
in thousands of denars							
Balance at January 1, 2020 (previous							
year)	269,821	-	62,944	-	-	-	332,765
Additional provisions during the year	209,982	-	-	-	-	-	209,982
(provisions used during the year)	-	-	(4,136)	-	-	-	(4,136)
(release of provisions during the year)	(221,879)	-	(21,195)	-	-	-	(243,074)
Exchange rate effect	527	-	-	-	-	-	527
As at 31 December 2020 (previous year)	258,451	-	37,613	-	-	-	296,064
Balance at January 1, 2021 (current							
year)	258,451	-	37,613	-	-	-	296,064
Additional provisions during the year	310,472	-	5,532	-	-	-	316,004
(provisions used during the year)	-	-	(3,702)	-	-	-	(3,702)
(release of provisions during the year)	(267,137)	-	(470)	-	-	-	(267,607)
Exchange rate effect	(124)	-	= .	-	-	_	(124)
As at 31 December 2021 (current year)	301,662	=	38,973	-	-	-	340,635

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

38 Special reserves and provisions (continued)

Off-balance sheet items in the assets, exposed to credit risk for which the special reserve is determined, are classified in different risk categories appropriately to the estimated risk for potential losses. As at 31 December 2021 92.48% of total off-balance sheet items in the assets are classified in the risk category A, risk category B participates with 6.35%, and risk categories C, D and E with 1.17%.

39 Other liabilities

	current year 2021	previous year 2020
Trade payables	21,130	27,213
Received advances	5,043	4,549
Fee and commission liabilities	10,352	10,016
Accrued expenses	18,768	12,639
Deferred income from previous years	-	
Short - term liabilities to employees	_	_
Short - term liabilities for employee benefits	262	200
Other:		
(liabilities more than 10% of the total other liabilities)		
Other liabilities on other basis		
	35,772	38,061
Bank credit card settlement transactions	870,942	706,263
Liabilities to entities in the process of founding a company	5,361	3,779
Delayed payments liabilities based on collections from abroad	276,975	93,514
VAT liabilities	61,993	74,492
Liabilities in foreign currency for establishing legal entities	115,007	8,719
Liabilities upon activities with credit cards issued by foreign banks	28,017	32,136
Other liabilities		
(liabilities less than 100/ of the total other liabilities)	27.000	24.004
(liabilities less than 10% of the total other liabilities)	37,980	31,804
Total other liabilities	1,487,602	1,043,385

in thousands of denars

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

40 Subscribed Capital

A Subscribed Capital

As at 1 January-fully paid 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

in Der	nars	number of issued shares			in thousands of denars		
Nominal value per share		Ordinary shares		Preference shares non-		Total aubacribad agnital	
		Ordinary shares		redeemable		Total subscribed capital	
ordinary shares	Preference shares- non- redeemable	Current year 2021	previous year 2020	Current year 2021	Previous year 2020	Current year 2021	Previous year 2020
1,000	-	2,279,067	2,279,067		-	2,279,067	2,279,067
-	-	-	-		-	-	-
-	-	-	-		-	-	-
-	-	-	-		-	-	-
-	-	-	-		-	-	-
-	-	-	_		-	-	-
1,000	-	2,279,067	2,279,067		-	2,279,067	2,279,067

The issued ordinary shares of the Bank are fully paid. The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at the shareholders' Assembly of the Bank. All shares rank equally with regard to the Bank's residual assets. According to the Bank's shareholders book as at 31 December 2021, 136,496 ordinary shares from the total shareholders' equity of the Bank or 5.99% (as at 31 December 2020, 192,458 ordinary shares i.e. 8.44%) there is limitation of the rights established based on the law and/or Decision or act of the competent body.

As at 31 December 2021 the Bank does not hold treasury shares. The Open-end Investment Funds managed by the Bank's subsidiary KB Publikum Invest AD Skopje owns a total of 18,393 ordinary shares or 0.81% from the total shareholders' equity of the Bank, where KB Publikum - Balanced owns 3,337 ordinary shares, i.e. 0.146% of the total share capital of the Bank and KB Publikum MBI 10 owns 15,056 ordinary shares, i.e. 0.66% of the total share capital of the Bank (as at 31 December 2020 KB Publikum - Balanced owns 3,491 ordinary shares, i.e. 0.153% of the total share capital of the Bank and KB Publikum MBI 10 owns 16,640 ordinary shares, i.e. 0.73% of the total share capital of the Bank).

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 40 Subscribed Capital (continued)
- B Dividends

B.1 Announced and paid dividends by the Bank

Declared dividends and paid dividends for the year

in thousands of denars	
current year 2021	previous year 2020
-	-

In denars	
current year 2021	previous year 2020
-	-
-	_

Dividend per ordinary share Dividend per preference share

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

Announced dividends after December 31

in thousands of denars	
current year	
2021	previous year 2020
1,413,022	1,367,440

Dividend per	ordinary share
Dividend per	preference share

In denars		
current year 2021	previous year 2020	
620	600	
-	-	

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

	in thousands of denars		in %	
	current year 2020	Previous year 2020	Current year 2021	Previous year 2020
Shareholder's name	Subscribed capital (nominal value)	Subscribed capital (nominal value)	voting right	voting right
ADORA INZENERING DOOEL eksport-import	341,700	292,863	14.99%	12,85%
Total	341,700	292,863	14.99%	12,85%

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

41 Earnings per share

A Basic earnings per share

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

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

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)

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)

in thousands of denars	
current year	previous year
2021	2020
2,312,172	1,923,370
-	-
-	-
-	-
-	-
2,312,172	1,923,370

Number of shares	
current year 2021	previous year 2020
2,279,067	2,279,067
_	-
-	-
-	-
2,279,067	2,279,067
1,015	844

in thousands of denars		
current year 2021	previous year 2020	
2,312,172	1,923,370	
-	-	
-	-	
-	-	
2,312,172	1,923,370	

Number of shares	
current year	previous year
2021	2020
2,279,067	2,279,067
2,279,067	2,279,067
1,015	844

Contingent liabilities and contingent assets

42.1 Contingent liabilities

	in thousands of denars		
	current year 2021	previous year 2020	
	2021	2020	
Unsecured payment guarantees			
in Denars	1,559,153	998,004	
in foreign currency	1,540,209	1,901,353	
in Denars with foreign currency clause	109,275	90,797	
Unsecured performance guarantees		55,151	
in Denars	4,527,900	4,829,016	
in foreign currency	542,691	457,454	
in Denars with foreign currency clause	1,073,390	1,054,245	
Unsecured letter of credit			
in Denars	-	-	
in foreign currency	2,658,387	2,652,864	
in Denars with foreign currency clause	-	-	
Unused overdraft on current accounts	1,912,180	1,951,587	
Unused credit card limits	1,182,584	1,174,765	
Foreclosed liabilities for crediting and unused credit limits	3,136,030	3,024,091	
Issued secured guarantees	974,608	832,051	
Covered letter of credit	68,682	6,288	
Other secured contingent liabilities	2,542,881	1,765,989	
Total contingent liabilities before provisions	21,827,970	20,738,504	
(Provisions)	(301,661)	(258,451)	
Total contingent liabilities, net of provisions	21,526,309	20,480,053	

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

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

The Bank has not performed a payment upon this issued letter of guarantee as a result of a Decision for temporary suspension issued on the 4th of April 2011 by the Basic Court in Skopje 2, on request of Granit AD Skopje. The temporary suspension prohibits the beneficiary of the guarantee to undertake any activities which would protest or enforce the guarantee, at the same time imposing a restriction on the Bank to make payments upon the issued letter of guarantee.

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

42 Contingent liabilities and contingent assets

42.1 Contingent liabilities (continued)

With final and enforceable Verdict no. 56 TA-465/11 of the Skopje Court of First Instance 2 Skopje, rendered after the main legal proceedings on 05 May 2018, obliges the Respondent State Treasury - General Directorate of State Roads and Highways of Warsaw to return to the Plaintiff the Granit Bank Guarantee issued by Komercijalna Banka and it is determined that it has no right to take any action that would mean protesting or refunding the bank guarantee, thereby extinguishing all consequences of the said bank guarantee within 8 days of receipt of the judgment.

If the Bank is to make a payment upon this issued letter of guarantee, the amount will be transformed into a receivable from Granit AD Skopje, and the Bank's Management does not expect collection problems and adverse financial effects.

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

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

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

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

Taxation risk

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

42.2 Contingent Assets

List separately the more significant contingent assets: **Total contingent assets**

in thousands of denars					
current year	previous year				
2021	2020				
-	61,500				
-	61,500				

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

In 2020, the Group had contingent assets in accordance with an agreement for sale of fireclosed assets, whereby part of the fee is uncertain and depends on future events, which are not entirely under the control of the Group.

In 2021, the fee was fully paid.

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

Administration of assets 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
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
Other
Total

in thousands of denars									
				.: 00	200				
CI	urrent year 20	121	pre	vious year 20					
					Net				
Assets	Liabilities	Net position	Assets	Liabilities	position				
42,994	44,419	(1,425)	42,994	44,419	(1,425)				
-	-	=	-	-	-				
180,251	179,079	1,172	181,108	179,921	1,187				
-	-	-	-	-	-				
-	7	(7)	-	4	(4)				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
-	-	-	-	-	-				
133,814	133,454	360	78,477	74,360	4,117				
1,753	4,113	(2,359)	1,997	4,352	(2,355)				
358,813	361,072	(2,259)	304,576	303,056	1,520				

44 Related party transactions

A Balance sheet

in thousands of denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2021 (current year)						
Assets						
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and receivables						
mortgage loans	-	-	-	88,683	-	88,683
consumer loans	-	-	-	29,498	-	29,498
Financial lease receivables				-		-
Factoring and forfeiting of receivables	-	-	-	-	-	-
other loans and receivables	-	-	8	1,046,937	=	1,046,945
Investment in securities	-	-	348,731		-	348,731
(Allowance for impairment)	-	-	-	(18,645)	-	(18,645)
Other assets	-	-	-	-	-	-
Total	ı	•	348,739	1,146,473	-	1,495,212
Liabilities						
Trading liabilities						
	-	-	501	897,380	-	897,881
Deposits						
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
	-	-	501	897,380	-	897,881
Total						

44 Related party transactions (continued)

A Balance sheet (continued)

in thousands of denars
As at 31 December 2021 (current year)
Contingent liabilities
Issued guarantees
Issued letters of credit
Other contingent liabilities
(Provision)

Contingent assets

Received guarantees Other contingent assets

Total

Total

Total

Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
-	-	-	61,087		61,087
-	- - -	297 (7)	50,040 (632)	, , ,	50,337 (639)
-	-	290	110,495	-	110,785
-	- -				
-	-	-	ı	ı	-

	in thousands of dena
As at 31 Dec	ember 2020 (previous year)
Assets	
Current accor	unts
Trading asse	ts
Loans and re	ceivables
mortgage loa	ns

consumer loans
claims under financial leasing
Factoring and forfeiting of receivables
other loans and receivables
Investment in securities
(Allowance for impairment)
Other assets

nars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
)						
	-	-	-	-	-	-
	-	-	-	-	-	-
				400 570		400 570
	-	-	-	103,576	-	103,576
	-	-	-	23,960	-	23,960
	-	-	. .		-	
	-	-	1	995,239	-	995,240
	-	-	324,115	-	-	324,115
	-	-	-	(16,758)	-	(16,758)
	-	-	-	-	-	-
	-	-	324,116	1,106,017	-	1,430,133

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

44 Related party transactions (continued)

A Balance sheet (continued)

71 Bararios circos (continuos)					
	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties
Liabilities					
Trading liabilities	-	-	-	-	-
Deposits	-	-	59,737	983,301	-
Issued securities	-	-	-	-	-
Borrowings	-	-	-	-	-
Subordinated debt	-	-	-	-	-
Other liabilities	-	-	-	10	-
Total	-	-	59,737	983,311	-
Contingent liabilities					
Issued guarantees	-	-	-	77,409	-
Issued letters of credit	-	-	-	-	-
Other contingent liabilities	-	-	305	72,416	-
(Provision)	-	-	(8)	(985)	-
Total	-	-	297	148,840	•
Contingent assets					
Received guarantees	-	-	-	-	-
Other contingent assets	_	-	-	-	-
Total	-	-	-	-	-

Total

1,043,038

1,043,048

77,409

72,721 (993) 149,137

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

44 Related parties transactions (continued)

B Income and expenditures arising from related party transactions

in thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2021 (current year)						
Income			2	05 470		25 472
Interest Income Income from fees and commissions	-	-	270	35,470	-	35,473
Net gains from trading	-	-	270	7,178	-	7,448
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				7 744		
Interest expense	-	-	-	7,741	-	7,741
Fees and commissions expense Net trading losses	-	-	-	-	-	-
Expenditures for procurement of non-current assets	_	_	_	- -	_	-
Impairment of financial assets, on net basis	_	_	_	1,602	_	1,602
Other expenditures	-	-	3	1,129	-	1,132
Transfers between entities	=	-	=	-	-	
Total	-	-	3	10,472	-	10,475

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

44 Related parties transactions (continued)

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

in thousands of Denars	Parent company	Subsidiaries	Associates	Key management personnel	Other related parties	Total
As at 31 December 2020 (previous year)						
Income Interest Income				33,850		22 950
Income from fees and commissions	-	-	164	4,863	-	33,850 5,027
Net gains from trading	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gains from sale of non-current assets	-	-	-	-	-	-
Other income	-	-	67,642	1,692	-	69,334
Transfers between entities Total	-	-	67,806	40,405	-	108,211
Total			01,000	+0,+00		100,211
Expense						
Interest expense	-	-	-	7,486	-	7,486
Fees and commissions expense	-	-	-	-	-	-
Net trading losses Expenditures for procurement of non-current assets	-	-	-	-	-	-
Expericitures for procurement of non-current assets	-	-	-	-	-	-
Impairment of financial assets, on net basis	-	-	-	8,681	-	8,681
Other expenditures	-	-	1	1,032	-	1,033
Transfers between entities	-	-	-	-	-	-
Total	•	-	1	17,199	-	17,200

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

44 Related parties transactions (continued)

C Remuneration for the management of the bank

Short-term benefits for employees
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
Total

in thousands of denars					
current year	previous year				
2021	2020				
240,861	228,189				
-	-				
-	-				
_	_				
_	_				
14 527	12 017				
14,537	13,017				
255,398	241,206				

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

45 Leases

A Lessor

A.1 Receivables from financial leases

in thousands of denars

As at 31 December 2021 (current year)

Current value of minimum payment for the leasehold

Total

As at 31 December 2020 (previous year)

Current value of minimum payment for the leasehold

Total

Total finance lease	Maturity period for financial lease receivables				
receivables	up to 1	од 1 до 5	up to 1		
	year	години	year		
-	-	•	1		
-	•	•	ı		
-	-	-	ı		
-	•	ı	•		

A.2 Receivables from irrevocable operating leases

in thousands of denars

As at 31 December 2021 (current year)

Current value of minimum payment for the leasehold

Total

As at 31 December 2020 (previous year)

Current value of minimum payment for the leasehold

Total

Total irrevocable operating lease	Maturity period for irrevocable operating lease receivables				
receivables	up to 1 year	from 1 to 5 years	over 5 years		
-	-	-	-		
-	•	-	-		
-	-	-	-		
-	•	-	-		

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 45 Leases (continued)
- A Lessor (continued)
- A.2 Irrevocable operating lease receivables (continued)

in thousands of Denars
Value of property given
under operating
leasehold:
As at 31 December 2021
(current year)
As at 31 December 2020
(previous year)
Total

Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
-	ı	-	-	-	-	
-	ı	-	-	-	-	-
-	-	-	-	-	-	-

B Lessee

B.1 Liabilities from financial leases

in thousands of Denars

As at 31 December 2021 (current year)

Total

As at 31 December 2020 (previous year)

Total

Total finance lease	Maturity period for financial lease receivables			
receivables	up to 1 from 1 to year 5 years up to 1 year			
-	-	1	-	
1			-	
-	-	1	-	
-	-	-	-	

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

45 Lease (continued)

B Lessee (continued)

B.1 Liabilities under financial lease (continued)

in thousands of Denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of the property taken under financial leasehold: Cost value							
As at 1 January 2020 (previous year)	-	-	-	-	-	-	-
Increase	-	-	-	-	-	-	-
(disposal and write- off)	-	-	-	-	-	-	-
Other	-	-	-	-	-	•	-
As at 31 December 2020 (previous year)	-	-	-	-	-	-	-
As at 1 January 2021 (current year)	-	1	-	-	-	-	-
Increase	-	-	-	-	-	-	-
(disposal and write- off)	-	-	-	-	-	-	-
Other	-	-	=	-	-	-	-
As at 31 December 2021 (current year)				•		•	-

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 45 Lease (continued)
- B Lease (continued)
- B.1 Liabilities from financial lease (continued

in thousands of denars	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Accumulated depreciation and impairment							
Balance at January 1, 2020 (previous year)	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal and write offs) Other	-	-	-	-	-	-	-
		-	-	-	-	-	-
Balance at December 31, 2020 (previous year)	-	-	-	-	-	-	-
Balance at January 1, 2021 (current year)							
depreciation for the year	-	-	-	-	-	=	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	=	-	-
Balance at December 31, 2021 (current year)	-	-	-	-	-	-	-
Current carrying amount							
at January 1, 2020 (previous year)		-		-	-	-	-
At December 31, 2020 (previous year)	-	-	-	-	-	-	-
At December 31, 2021 (current year)	_	-	-	-	-	-	-

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

- 45 Leases (continued)
- B Leasee (continued)

B.2 Irrevocable operating lease liabilities

in thousands of denars

Balance at December 31, 2021 (current year) **Total**

Balance at December 31, 2020 (previous year)

Total

Total irrevocable	Maturity period for irrevocable				
operating lease	operatii	ng lease rec	eivables		
receivables	up to 1	from 1 to			
receivables	year	5 years	up to 1 year		
50,773	4,299	16,958	29,516		
50,773	4,299	16,958	29,516		
40,628	1,868	7,472	31,288		
40,628	1,868	· · · · · · · · · · · · · · · · · · ·			

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

in	in thousands of denars					
Current year	ır 2021	Previous ye	ear 2020			
-	-	1	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			
-	-	-	-			

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	Current year 2021		Current year 2021 Previous year 2020		ous year 2020
number of options for share	Weighted average prices of options for share	number of options for share	Weighted average prices of options for share		
-	-	-	-		
-	-	-	-		
-	-	-	-		
-	-	-	-		
-	-	-	-		
-	-	-	-		
-	-	-	-		
-	-	-	-		

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 (2020: 64.29%).

Significant restrictions

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

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

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 2021
Assets Cash and cash equivalents Held for trading financial assets Bank deposits Property and equipment Intangible assets Other assets	6,126 21,984 106,046 1,360 1,149 7,825
Total assets	144,490
Liabilities Liabilities to suppliers and other liabilities Total liabilities	21,498 21,498
Net assets Carrying amount of non-controlling participation	122,992 43,919
Revenue Expenses Profit/(loss) Total comprehensive income/(loss) Profit/(loss) of non-controlling interest	For the year ended 31 December 2021 77,286 (32,066) 45,220 45,220 16,148
	For the year ended 31 December 2021
Cash flows from operating activities Cash flows from investing activities Cash flows from financing activities, before dividends to non-	50,204 (11,862)
controlling interest Cash flows from financing activities, dividends to non-controlling	(21,286)
interest Net increase/(decrease) of cash and cash equivalents	(11,824) 5,232

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2021

The Group's subsidiaries (continued)

KB Publikum In thousands of denars	31 December 2020
Assets Cash and cash equivalents Held for trading financial assets Bank deposits	894 21,718 94,350
Property and equipment Intangible assets Other assets	1,523 1,342 5,506
Total assets	125,333
Liabilities	44.454
Liabilities to suppliers and other liabilities Total liabilities	14,451 14,451
Net assets	110,882
Carrying amount of non-controlling participation	39,595
	For the year ended 31 December 2020
Revenue	69,026
Expenses	(24,881)
Profit/(loss) Total comprehensive income/(loss)	44,145 44,145
Profit/(loss) of non-controlling interest	15,764
- · ·	For the year ended 31 December 2020
Cash flows from operating activities	49,660
Cash flows from investing activities	(23,585)
Cash flows from financing activities, before dividends to non- controlling interest Cash flows from financing activities, dividends to non-controlling	(17,010)
interest	(9,449)
Net increase of cash and cash equivalents	(384)

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.