Grant Thornton

FINANCIAL STATEMENTS AND A REPORT FROM THE INDEPENDENT AUDITOR

Development Bank of North Macedonia AD Skopje
for the fiscal year ending on December 31st 2020

for the year that ended on December 31st 2020

CONTENTS

Income Statement

For the period from January 1st 2020 to December 31st 2020

In thousands MKD	*Note*	**2020**	**2019**
Interest income		138,458	157,640
Interest expense		(55,004)	(73,439)
Net -income/(expenses) from interest	6	83,454	84,201
Income from commissions and compensations		29,796	38,439
Commissions and compensations expenses		(9,779)	(26,335)
Net -income/(expenses) from commissions and compensations	7	20,017	12,104
Net-income from trading	8	-	-
Net-income from financial instruments registered with fair value	9	-	-
Net-income/(expenses) from exchange-rate differences	10	6,606	(243)
Other income from the activity	11	1,140	4,899
Share in the profit of the affiliated companies	24	-	-
Adjustment of the value of the financial assers, on net-basis	12	(2,748)	(16,345)
Loss due to impairment of non-financial assets, on net-basis	13	(4,394)	(1,369)
Employees-related expenses	14	(37,941)	(34,215)
Depreciation	15	(5,328)	(4,781)
Other expenses from the activity	16	(25,303)	(23,465)
Share in the loss of the affiliated companies	24	-	-
Profit/(loss) before tax		**35,503**	**20,786**
Income tax	17	(3,747)	(2,419)
Profit/(loss) for the fiscal year from continuing operations		**31,756**	**18,367**
Proft/(loss) from a group of assets and liabilities held for sales		-	-
Profit/(loss) for the fiscal year		**31,756**	**18,367**
Profit/(loss) for the period, belonging to*:			
The bank shareholders		-	-
The minority interest		-	-
Earnings per share	41		
Basic earnings per share (in MKD denars)		83	48
Diluted earnings per share (in MKD denars		83	48

* only for the consolidated financial statements

The financial statements have been approved by the Supervisory Board of the Bank on April 29th 2021 and signed on their behalf by the Development Bank of North Macedonia AD Skopje.

Kire Naumov Chief Executive Officer	Faruk Ismaili Chief Operating Officer	Kenan Idrizi Director of Asset and Liquidity Management Department Certified Accountant

COMPREHENSIVE INCOME STATEMENT
For the period from January 1st 2020 to December 31st 2020
(in thousands MKD)

	Note	2020	2019
Profit/(loss) for the fiscal year		**31,756**	**18,367**
Other profit/(loss) in the period (before tax)		-	-
Other profit/(loss) in the period not shown in the Income Statement (before tax)			
Revaluation reserve for proprietary assets held for sales			
- unrealized net-changes in the fair valueof the proprietary assets held for sales		-	-
- realized net-profit/(loss) from the proprietary assets held for sales , reclassified in Other reserves		-	-
Changes in the creditability of the bank for financial liabilities measured at fair value		-	-
Income tax from the other profit /(loss) not shown in the Income Statement.		-	-
Total other profit/(loss) in the period which is not shown in the Income Statement		-	-
Other profit/(loss) in the period , which are or could be reclassified in the Income Statement (before tax)			
Revaluation reserve for debt assets available for sale			
- unrealized net-changes in the fair valueof the debt funds held for sales		-	-
- realized net-profit/(loss) from the debt funds held for sales, reclassified in the Income Statement.		-	-
- additional adjustment of the debt funds held for sales		-	-
- release of adjustment of value of the debt funds held for sales		-	-
Revaluation reserve for the foreclosed assets based on the outstanding receivables			
- revaluation reserve recognized during the year		-	-
- decrease of the revaluation reserve, reclassified in the Income Statement		-	-
Reserve for instruments for protection from the risk of cash flow			
- unrealized net-changes in the fair valueof the instruments for protection from the risk of cash flow		-	-
- realized net-profit/(loss) from the instruments for protection from the risk of cash flow, reclassified in the Income Statement		-	-
Reserve for instruments for protection from the risk of net-investment in foreign trade		-	-
Reserve from exchange rate differences from investment in foreign trade		-	-
Share in other profit/(loss) from the affiliated companies not shown in the Income Statement	24	-	-
Other profit/(loss) not shown in the Income Statement		-	-
Income tax from other profit /(loss) which are or may be reclassified in the Income Statement	17	-	-
Total other profit/(loss) during the period, which is or might be reclassified in the Income Statement		-	-
Total other profit/(loss) during the period		-	-
Comprehensive profit/(loss) for the fiscal year		**31,756**	**18,367**

The financial statements have been approved by the Supervisory Board of the Bank on April 28th 2021 and signed on behalf of the Development Bank of North Macedonia.

Kire Naumov Chief Executive Officer	Faruk Ismaili Chief Operating Officer	Kenan Idrizi Director of Asset and Liquidity Management Department Certified Accountant

Balance Sheet

In thousands MKD	*Note*	2020	2019
Assets			
Cash and cash equivalents	*18*	1,256,699	773,636
Trading assets	*19*	-	-
Finanical assets in fair value through the Income Statement, established as such during the initial recognition	*20*	-	-
Derivative assets held for risk management	*21*	-	-
Bank loans and banks receivables	*22.1*	10,546,581	9,328,142
Loans and receivables from other clients	*22.2*	81,893	79,493
Investments in securities	*23*	-	-
Investments in affiliated companies (they will be registred based on the "capital method")	*24*	-	-
Income tax receivables (current)	*30.1*	202	3,653
Other receivables	*25*	3,649	11,060
Pledged funds	*26*	-	-
Foreclosed assets due to outstanding receivables	*27*	101	4,496
Intangible assets	*28*	755	923
Real estate and equipment	*28*	107,274	111,157
Deferred tax assets	*30.2*	-	-
Non-current assets held for sales and disposal group	*31*	-	-
Total assets		**11,997,154**	**10,312,560**
Liabilties			
Trading liabilities	*32*	-	-
Financial liabilities at fair value through the Inocme Statement established as such at the initial recognition	*33*	-	-
Derivatve liabilities held for risk management	*21*	-	-
Bank deposits	*34.1*	-	-
Other clients' deposits	*34.2*	-	-
Issued debt securities	*35*	-	-
Liabilities for loans	*36*	9,132,769	7,673,211
Subordinate liabilities	*37*	-	-
Special reserve and reservations	*38*	16,853	9,303
Income tax liabilities (current)	*30.1*	296	-
Deferred tax liabilities	*30.2*	-	-
Other liabilities	*39*	196,020	10,586
Liabilities directly related to a disposal group	*31*	-	-
Total liabilities		**9,345,938**	**7,693,100**

Balance Sheet (continues)

In thousands MKD	*Note*	2020	2019
Capital and reserves			
Registered capital	*40*	1,193,792	1,193,792
Premums from shares		-	-
Personal shares		-	-
Capital component of hybrid finanical instruments		-	-
Other proprietary instruments		-	-
Revaluation reserves		-	-
Other reserves		1,425,668	1,407,301
Retained earnings/(Accumulated loss)		31,756	18,367
Total capital and reserves belonging to the bank shareholders		**2,651,216**	**2,619,460**
Minority interes		-	-
Total capital and reserves		**2,651,216**	**2,619,460**
Total liabilities and capital and reserves		**11,997,154**	**10,312,560**
Potential liabilities	*42*	578,312	386,275
Potential assets	*42*	-	-

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Kire Naumov Chief Executive Officer	Faruk Ismaili Chief Operating Officer	Kenan Idrizi Director of Asset and Liquidity Management Department Certified Accountant

REPORT ON THE SHANGES IN CAPITAL AND RESERVES

For the period from January 1st 2020 to December 31st 2020 (in thousands MKD)

	Capital				Revalution reserve					Other reserves			Retained esarninga				
	Registered capital	Transfer from shares	(Personal shares)	Other proprietary instruments	Revaluation reserve for assets held for sales	Revaluation reserve for foreclosed assets for outstanding receivables	Reserves from risk protection	Reserve from exchange rate differences from investing in foreign trade	Other revaluation reserves	Legal reserve	Capital component of hybrid financial instruments	Other reserves	Held for shareholders allocation	Limited for shareholders allocation	(Accumulated loss)	Total capital and reserves, belonging to the Bank shareholders	Total capital and reserves
On 31 Dec.2018 (previous year)/ 1 Jan 2019 (previous year)	1,193,792	-	-	-	-	-	-	-	-	1,207,668	-	153,121	46,512	-	-	2,601,093	2,601,093
Adjustment of the initial status	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
On 1 jan. 2019 (previous year) corrected	1,193,792	-	-	-	-	-	-	-	-	1,207,668	-	153,121	46,512	-	-	2,601,093	2,601,093
Comprehensive profit/(loss) for the fiscal year																	
Profit/(Loss) for the fiscal year	-	-	-	-	-	-	-	-	-	-	-	-	18,367	-	-	18,367	18,367
Pther profit/(loss) during the period																	
Changes in the fair value of the assets held for sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments																	
- unrealized changes in the fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- realized changes in the fair value (net), transferred in the Income Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- additional adjustment of the value of the debt funds held for sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- release of the adjustment of the value of the debt funds held for sales.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proprietary instruments																	
- unrealized changes in the fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- realized changes in the fair value (net), transferred in Other reserves.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value of the instruments for protection of cash flow risks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

REPORT ON THE SHANGES IN CAPITAL AND RESERVES (continues)
For the period from January 1st 2020 to December 31st 2020 (in thousands MKD)

	Capital				Revaluation reserves					Othere reserves			Retained earnings				
	Registered capital	Transfer from shares	(Personal shares)	Other proprietary instruments	Revaluation reserve for assets held for sales	Revaluation reserve for foreclosed assets for outstanding receivables	Reserves from risk protection	Reserve from exchange rate differences from investing in foreign trade	Other revaluation reserves	Legal reserve	Capital component of hybrid financial instruments	Other reserves	Held for shareholders allocation	Limited for shareholders allocation	(Accumulated loss)	Total capital and reserves, belonging to the Bank shareholders	Total capital and reserves
Changes in the fair value of the risk of net-investment in foreign trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange rate differences from investments in foreign trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in the capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the bank creditability for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not shown in the Income Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrelaized profit/(loss) recognized in the capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive profit/(loss) for the fiscal year	-	-	-	-	-	-	-	-	-	-	-	-	18,367	-	-	18,367	18,367
Transactions with shareholders, recognized in the capital and reserves																	
Issued shares during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Separation for legal reserve.	-	-	-	-	-	-	-	-	-	46,512	-	-	(46,512)	-	-	-	-
Separation for other res.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchasing personal shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold personal shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in the capital and reserves – other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders, recognized in the capital and reserves	-	-	-	-	-	-	-	-	-	46,512	-	-	(46,512)	-	-	-	-
On 31 Dec. 2019	1,193,792	-	-	-	-	-	-	-	-	1,254,180	-	153,121	18,367	-	-	2,619,460	2,619,460

REPORT ON THE SHANGES IN CAPITAL AND RESERVES (continues)
For the period from January 1st 2020 to December 31st 2020 (in thousands MKD)

	Capital				Revaluation reserves					Other reserves		Retained earnings					
	Registered capital	Transfer from shares	(Personal shares)	Other proprietary instruments	Revaluation reserve for assets held for sales	Revaluation reserve for foreclosed assets for outstanding receivables	Reserves from risk protection	Reserve from exchange rate differences from investing in foreign trade	Other revaluation reserves	Legal reserve	Capital component of hybrid financial instruments	Other reserves	Held for shareholders allocation	Limited for shareholders allocation	(Accumulated loss)	Total capital and reserves, belonging to the Bank shareholders	Total capital and reserves
On 31 Dec.2019 (previous year)/ 1 Jan 2020 (previous year)	1,193,792	-	-	-	-	-	-	-	-	1,254,180	-	153,121	18,367	-	-	2,619,460	2,619,460
Adjustment of the initial state	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
On 1 jan. 2020(current year) corrected	1,193,792	-	-	-	-	-	-	-	-	1,254,180	-	153,121	18,367	-	-	2,619,460	2,619,460
Comprehensive profit/(loss) for the fiscal year																	
Profit/(Loss) for the fiscal year	-	-	-	-	-	-	-	-	-	-	-	-	31,756	-	-	31,756	31,756
Pther profit/(loss) during the period																	
Changes in the fair value of the assets held for sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt instruments																	
- unrealized changes in the fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- realized changes in the fair value (net), transferred in the Income Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- additional adjustment of the value of the debt funds held for sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- release of the adjustment of the value of the debt funds held for sales.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proprietary instruments																	
- unrealized changes in the fair value (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- realized changes in the fair value (net), transferred in Other reserves.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value of the instruments for protection of cash flow risks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the fair value of protection of risks od investments in foreign trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

REPORT ON THE SHANGES IN CAPITAL AND RESERVES (continued)
For the period from January 1st 2020 to December 31st 2020 (in thousands MKD)

	Capital				Revaluation reserves					Other reserves			Retained earnings				
	Registered capital	Transfer from shares	(Personal shares)	Other proprietary instruments	Revaluation reserve for assets held for sales	Revaluation reserve for foreclosed assets for outstanding receivables	Reserves from risk protection	Reserve from exchange rate differences from investing in foreign trade	Other revaluation reserves	Legal reserve	Capital component of hybrid financial instruments	Other reserves	Held for shareholders allocation	Limited for shareholders allocation	(Accumulated loss)	Total capital and reserves, belonging to the Bank shareholders	Total capital and reserves
Exchange rate differences from investments in foreign trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax assets/(liabilities) recognized in the capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in the bank creditability for financial liabilities measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not shown in the Income Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total unrelaized profit/(loss) recognized in the capital and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive profit/(loss) for the fiscal year													31,756	-	-	31,756	31,756
Transactions with shareholders recognized in the capital and reserves																	
Issued shares during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Separation for legal reserve.	-	-	-	-	-	-	-	-	-	18,367	-	-	(18,367)	-	-	-	-
Separation for other res.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchasing personal shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold personal shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in the capital and reserves – other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders, recognized in the capital and reserves	-	-	-	-	-	-	-	-	-	18,367	-	-	(18,367)	-	-	-	-
On 31 Dec. 2019	1,193,792	-	-	-	-	-	-	-	-	1,272,547	-	153,121	31,756	-	-	2,651,216	2,651,216

The financial statements have been approved by the Supervisory Board of the Bank on April 28th 2021 and signed on behalf of the Development Bank of North Macedonia AD Skopje.

Kire Naumov	Faruk Ismaili	Kenan Idrizi
Chief Executive Officer	Chief Operating Officer	Director of Asset and Liquidity Management Department
		Certified Accountant

Cash Flow Report
For the year ending on December 31st

In thousands MKD	*Note*	2020	2019
Cash flow of the primary activity			
Profit/(loss) before tax		**35,503**	**20,786**
Corrected for:			
Minority interest, included in the consolidated Income statement		-	-
Depreciation of:			
Intangible assets	15, 28	800	282
Real estate and equipment	15,29	4,528	4,498
Capital profit from:			
Intangible assets sales		-	-
Real estate and equipment sales		-	-
Sales of foreclosed assets due to outstanding receivables	11	-	(615)
Capital loss from:			
Intangible assets sales		-	-
Real estate and equipment sales		-	-
Sales of foreclosed assets due to outstanding receivables		-	-
Income from interest	6	(138,458)	(157,640)
Expenses for interest	6	55,004	73,439
Net-income from trading		-	-
Adjustment of the value of funds, on net-basis:			
Additional adjustment of the value	12	16,044	20,366
Released adjustment of the value	12	(14,639)	(7,540)
Loss due to impaired non-financial assets, on net-basis:			
Additional loss due to impairment	13	4,395	1,369
Released loss due to impairment		-	-
Reserves			
Additional reserves	38	9,700	10,860
Released reserves	38	(2,150)	(7,341)
Income from dividends		-	-
Share in the profit/(loss) of the affiliated companies		-	-
Other adjustments		-	-
Charged interest		139,472	164,949
Paid interest		(57,759)	(77,550)
Profit from the activities before changes inb the business assets		**52,440**	**45,863**
(Increasing)/decreasing of the business assets:			
Trading assets		-	-
Derivaive assets held for risk management		-	-
Bank loans and receivables		(1,222,303)	(167,352)
Other clients' loans and receivables		(331)	(27,128)
Pledged funds		-	-
Foreclossed assets due to outstanding receivables		-	615
Mandatory reserve in forreign currency		-	-
Mandatory deposit in NBRNM pursuant to special regulations		-	-
Other receivables		8,117	(6,755)
Deferred tax assets		-	-
Non-current assets held for sales and a disposal group		-	-
(Increasing)/decreasing of the business liabilities:			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Bank deposits		-	-
Other clients' deposits		-	-
Other liabilities		185,434	1,441
Liabilities directly related to disposal group of assets		-	-
Net cash flow from the primary activity before tax		**(976,643)**	**(153,316)**
(Paid)/income tax return		-	**(869)**
Net cash flow from the primary activity		**(976,643)**	**(154,184)**

Cash Flow Report (continues)

For the year ending on December 31st

In thousands MKD	*Note*	**2020**	**2019**
Cash flow of the investment activity			
(Investments in securities)		-	-
Income from sales of investment in securities		-	-
(Expenses for investments in subsidiaries and affiliated companies)		-	-
Income from sales of investment in subsidiaries and affiliated companies		-	-
(Supply of intangible assets)		(632)	(916)
Income from sales of intangible assets		-	-
(Supply of real estate and equipment)		(645)	(3,766)
Income from sales of real estate and equipment		-	-
(Expenses for the non-current assets held for sales)		-	-
Income from the non-current assets held for sales		-	-
(Other expenses from the investment activity)		-	-
Other income from the investment activity		-	-
Net cash flow of the investment activity		**(1,277)**	**(4,682)**
Cash flow of funding			
(Pay off of the issued debt securities)		-	-
Income from the izdadenite issued debt securities		-	-
(Payoff of the liabilities for loans)		(2,017,499)	(2,460,434)
Incrased liabilities for loans		3,479,812	2,702,051
(Pauoff of the issued subordinate liabilities)		-	-
Income from the issued subordinate liabilities		-	-
Income from the issued shares/proprietary instruments during the period		-	-
(Repurchasing personal shares)		-	-
Sold personal shares		-	-
(Other funding expenses)		-	-
Other funding income		-	-
Net cash flow of funding		**1,462,313**	**241,617**
Effect from the adjustment of value of cash and cash equivalents		(1,330)	(7,189)
Effect from the exchange rate differences of cash and cash equivalents		-	-
Net increase/(decrease) of cash and cash equivalents		**483,063**	**75,562**
Cash and cash equicalents on 1 January		773,636	698,074
Cash and cash equivalents on 31 December	18	**1,256,699**	**773,636**

The financial statements have been approved by the Supervisory Board of the Bank on April 28th 2021 and signed on behalf of the Development Bank of North Macedonia.

Kire Naumov	Faruk Ismaili	Kenan Idrizi
Chief Executive Officer	Chief Operating Officer	Director of Asset and Liquidity Management Department
		Certified Accountant

Notes to the financial statements

1. General information

The Development Bank of North Macedonia AD Skopje (hereinafter "The Bank" or "DBNM") is a joint-stock company registered in the Republic of North Macedonia in which Republic of North Macedonia is the only shareholder.

The registered office of the Bank is:

Dimitrie Cupovski 26

1000 Skopje

Republic of North Macedonia

The basic activities of the Bank are crediting of starting with work and development of small and medium-sized enterprises by securing mid-term and long-term loans, import funding, imported and domestic credit insurance of receivables, factoring as well as issuing warranties, trading with securities on personal behalf and on personal account. Crediting companies is done through the commercial banks in the country, accepted as Banks-participants by the Bank, which undertake the final risk of collection of receivables and directly or together with other banks or non-banking financial institutions in the country, apart from the credits approved for the local self-government units.

The purpose of the bank, pursuant to the Law on the Macedonian Bank for Development and Cooperation, is to support and facilitate the development of the Macedonian economy standing in line with the strategic policy, goals and priorities of its shareholder - the Republic of North Macedonia. The basic activities foreseen by the Law, are performed by the Bank on their own behalf and on behalf of the country pursuant to the Contract. The Ministry of Finance is the Supervisory body to oversee the operations of the Bank on behalf of the Republic of North Macedonia.

The Bank has no investments in subsidiaries and affiliated companies.

The Bank's shares do not list on the Macedonian stock-exchange AD Skopje. The total number of employees in the Bank on December 31st 2020 is 39. (2019 – 40).

Members of the Management Board and Supervisory Board

During 2019 and 2020 and up until the day of this report, the Members of the Management Board are as follows:

- Dragan Martinovski, Chief Executive Officer (until 14.05.2019);
- Kiril Kolemishevski, Chief Executive Officer (from 15.05.2019 until 17.07.2019);
- Nikola Popovski, Chief Executive Officer (from 14.08.2019 until 20.11.2019);
- Kire Naumov, Chief Executive Officer (until 21.11.2019);
- Besim Bilali, Chief Operation Officer (until 12.02.2019);
- Veqand Ramadani, Chief Executive Officer (from 13.02.2019 until 06.12.2019);
- Faruk Ismaili, Chief Executive Officer (from 07.12.2019).

The Supervisory Board Members during 2019 and 2020 and up until the day of this report, are shown as follows:

- Sofce Jovanovska, President of the Supervisory Board;

- Veqand Ramadani, Member of the Supervisory Board;
- Nikola Popovski, Member of the Supervisory Board;
- Burim Kadriu, Member of the Supervisory Board;
- Sonja Petrusheva, Member of the Supervisory Board.

1.1 Grounds for preparation of the financial statements

Compliance statement

The financial statements have been prepared in accordance with the Law on Trade Companies, the Law on the Macedonian Bank for Promoting Development, the bylaws prescribed by the National Bank of the Republic of North Macedonia, as well as the Decision on the methodology for recording and valuation of the accounting items and for preparation of the financial statements and the Decision on the types and content of the financial statements of the Banks.

The financial statements are individual financial statements.

The financial statements have been prepared as of and for the years ended 31 December 2020 and 2019 respectively.

Measurement bases

The financial statements are prepared by applying the measurement bases specified in the Methodology for each individual type of asset, liability, income and expense. The bases for their measurement are described in detail in the continuation of this Note.

The financial statements are not prepared in terms of historical value.

Functional and reporting currency

The financial statements are presented in Macedonian Denars ("MKD" or "Denars"), which is the Bank's functional currency unless otherwise stated. The information in the financial statements is presented in thousands of Macedonian Denars.

Covid-19 pandemic effects

In March 2020, the World Health Organization (WHO) announced a global pandemic caused by the Covid-19 virus infection. The Republic of North Macedonia responded adequately with certain activities and set of economic measures for mitigating the effects of the health crisis on the domestic economy. Part of the measures to mitigate the negative impact on small and medium sized businesses as commission credits are implemented by engaging the capacities of the Bank.

The Bank's Management continues with its objective expectation that it has sufficient resources to continue its operations under the continuity assumption.

1.2 Significant accounting policies

1.2.1 Transactions in foreign currencies

Transactions in foreign currency are expressed in denars using the official exchange rates of the National Bank of the Republic of North Macedonia, valid on the day of their occurrence.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to MKD denar at the middle exchange rate valid at the Balance Sheet date. Foreign exchange profit and loss on monetary assets are the difference between the amortized cost in Denar at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency measured at the exchange rate valid at the end of the period.

All positive and negative foreign exchange profit and loss resulting from the revaluation of foreign currency amounts are included in the Income Statement. The average exchange rates used to revalue the balance sheet items denominated in foreign currency are as follows:

	2020 MKD	2019 MKD
1 EUR	61.6940	61.4856
1 USD	50.2353	54.9518

1.2.2 Interest income and expenses

The interest income and interest expense are recognized in the Income Statement using the effective interest rate method. The effective interest rate is the rate that discounts the expected future cash inflows and outflows over the expected life of the financial asset or liability to the date of final maturity or for a shorter period of time, as appropriate.

The calculation of the effective interest rate includes all fees paid or applied, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

The interest income and expense presented in the income statement include interest on financial assets and liabilities at amortized cost using the effective interest method.

1.2.3 Commissions and compensations

Income and expenses from commissions and compensations that are an integral part of the effective interest rate on financial assets and liabilities are included in the calculation of the effective interest rate.

Other income from commissions and compensations arises on the basis of financial services performed by the Bank, i.e. insurance of receivables from commercial risks in the short term, issuance of warranties on loans approved by banks for lending to small and medium sized enterprises.

Income from commissions and compensations is recognized when the related service is performed, commission and compensations expense is recognized on an accrual basis.

1.2.4 Net- income and expenses from exchange rate differences

Net income and expenses from exchange rate differences include realized and unrealized exchange differences arising from the settlement of foreign currency transactions and the translation into MKD of monetary items denominated in foreign currencies

1.2.5 Income tax

Income tax consists of current and deferred tax. Income tax is recognized in the income statement, except when it relates to items carried directly in equity, and the related income tax is recognized in equity.

The current income tax is the expected tax liability on income before taxation for the year, applying the current tax rate of 10% on the balance sheet date and adjustments to the tax liability that refers to previous years.

Deferred tax is recognized using the balance sheet method, and arises from the temporary differences between the accounting value of the assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured using the tax rates that are expected to apply when the temporary differences are realized, based on the laws that have been enacted or substantively enacted on the reporting date.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible time differences to the extent that it is probable that future taxable profit will be available against which the asset could be utilized. Deferred tax assets are estimated at the end of each reporting period and are reduced to the extent that it is no longer probable that these tax revenues will be realized. Any such reduction should be annulled to the extent that it is probable that sufficient taxable profit will be available. Unrecognized deferred tax assets are assessed at the end of each reporting period and are recognized to the extent that it is probable that future taxable revenue will be available and enough against which the asset can be utilized.

As of 31 December 2020 and 2019, the Bank has no recorded deferred tax assets or liabilities, as there are no time differences on these dates.

1.2.6 Financial assets

The Bank classifies its financial assets as measured at amortized cost, fair value through other comprehensive profit or loss or fair value through the Income Statement The Bank classifies its investments at the time of initial recognition.

The Bank evaluates the business model using the following relevant and available data for:
- the financial resources and the method of their management;
- the method of reporting to the Bank's management;
- the success in the realization of the business model;
- the management of the risks related to the realization of the business model.

The assessment of the Bank's business model is performed at the level of a portfolio on which the classification of financial assets depends. The classification of financial assets is based on:
- portfolio on debt securities;
- loan portfolio;
- receivables portfolio

1.2.7 Cash and cash equivalents

Cash and cash equivalents are cash in hand (in treasury), deposits with banks, time deposits with banks with original maturity of less than three months, deposits with the National Bank of the Republic of North Macedonia, as well as high liquid securities with original maturity of three or less than three months, which are subject to insignificant risk of changes in their fair value, and which are used by the Bank in managing short-term liabilities.

Cash and cash equivalents are recorded at amortized cost in the Balance Sheet.

1.2.8 Loans and receivables

Loans and receivables are non-derivative financial assets that meet the requirements of the SPPI.

Loans and receivables are initially recognized at fair value, including direct transaction costs, and are subsequently measured at amortized cost using the effective interest method. If the loans and receivables do not pass the SPPI test, they should be consistently measured at fair value, and the changes should be recorded in the remaining comprehensive income.

1.2.9 Held-to-maturity financial assets

Held-to-maturity financial assets are debt financial assets managed by the Bank for the purpose of collection of the agreed cash flows and which in accordance with the agreed conditions of the asset meet the condition of SPPI (the bank expects cash flows on certain dates "solely on the basis of repayment of principal capital and interest"). This item does not include financial assets:

- which have been determined at fair value through the Income Statement by the Bank, at the initial recognition

- which the Bank classifies as available for sale;

- which meet the definition of loans and receivables.

Deposits and savings are estimated at amortized cost using the effective interest rate method. The sale of a significant amount of held-to-maturity financial assets far from their maturity period will result in the reclassification of all held-to-maturity financial assets as available-for-sale in the following two years.

1.2.10 Impairment of financial assets

At each balancing date, the Bank assesses whether there is objective evidence that a financial asset is impaired. A financial asset or group of financial assets is impaired only to the extent that there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the assets (a "loss case") and that the event of loss (or cases) affects the projected cash flow of the financial asset or group of financial assets that can be measured accurately.

The criteria used by the Bank in determining the existence of objective evidence of loss of damage include:

- Non-compliance with the contractual obligations for payment of the principal or interest;
- Days of delay in payment of principal or interest;
- Cash flow difficulties with the borrower;
- Failure to comply with the terms or conditions of the loan;
- Deterioration of the competitive position of the borrower;
- Reduction of the value of the given guarantees - collateral;
- Initiation of bankruptcy proceedings;
- Activation of the security.

The Bank assesses the existence of objective evidence of impairment on an individual basis for all exposures.

The amount of the loss represents the difference between the recorded amount of the asset and the present value of the estimated future cash flows (excluding future losses on the basis of the loan) discounted by applying the original effective interest rate of the financial asset. The recorded amount of the asset is reduced through the use of a reserving account for impairment, while recognizing the related expense due to impairment in the current Income Statement.

In case of non-payment of the loan, it is written off against the respective reserve due to impairment. Such loans are written off once all necessary procedures have been completed and the amount of the loss is determined. Subsequent reimbursements of previously written-off amounts reduce the amount of reserves due to impairment of loans, in favor of current profits.

1.2.11 Real estate and equipment

The real estate and equipment are tangible investments for administrative purposes that are expected to have a useful life of more than one year. This property and equipment are recorded at cost reduced for the accumulated depreciation and impairment losses, if any. The purchase value includes the costs that are directly related to the acquisition of the asset. Procurement of software that is necessary for the operation of the relevant equipment is recognized as part of that equipment.

Expenses incurred to replace part of the property and equipment are added to the accounting value of the asset when it is probable that there will be future economic benefits associated with the Bank and the costs can be measured reliably. The present value of the replaced part is written off. The costs of the day-to-day maintenance of property and equipment are recognized in the income statement as incurred expenses.

Depreciation of property and equipment is calculated on a straight-line basis , so that the purchase value of the assets is written-off over the estimated useful lives of the assets.

The estimated useful lives of some significant items of property, plant and equipment are given below.

	2020	**2019**
Buildings	40 years	40 years
Furniture and equipment	4-5 years	4-5 years
Other assets	4-10 years	4-10 years

1.2.12 Intangible assets

Intangible assets acquired from the Bank are stated at the purchase value reduced for the accumulated depreciation and accumulated impairment losses. The consequent costs capitalize only when the economic benefit is increased which is included in the specific asset to which they relate. All the remaining costs are recognized in the income Statement as incurring expenses.

Depreciation is recognized in proportional method of writing off the purchase value of the assets during their estimated useful life over a period of four years.

1.2.13 Impairment of non-financial assets

The accounting value of the Bank's non-financial assets are reviewed at each Balance Sheet date to determine whether there is objective evidence that they are impaired. If there is such an indication, the amount of the asset that would be chargeable is estimated.

Loss due to impairment of non-financial assets is recognized to the extent that the accounting value of an asset or its cash-generating unit exceeds its reimbursable amount. A cash-generating unit is the smallest group of assets that can be identified as generating cash inflows from continuous use that are highly dependent on cash inflows from other assets or groups of assets. Impairment losses are recognized in the Income Statement. Impairment losses recognized in respect of cash-generating units are allocated to the units (group of units) on a proportionate basis.

The reimbursable amount of an asset or cash-generating unit represents the higher of its fair value reduced for the sales costs and its value in use. In estimating the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the asset.

The impairment loss recognized in prior periods is estimated at each reporting date to determine the reimbursement amount. An impairment loss is annuled only to the extent that the asset's book value does not exceed the book value that would have been determined, net of depreciation, if no impairment loss had been recognized. The increased book value of an asset, as a result of anulling the loss due to damage, should not exceed the book value that would have been determined if no loss due to damage to the asset had been recognized in the previous years

1.2.14 Foreclosed assets due to outstanding receivables

The position of foreclosed assets due to outstanding receivables is used only for land, buildings, equipment and other values obtained on the basis of outstanding receivables. The asset is considered foreclose when the Bank acquires a legal basis for recording the ownership.

Foreclosed assets due to outstanding receivables are initially recognized at the lower of:
¬ The purchase value, which is the value stated in the act issued by the competent authority, and
¬ The estimated value of the acquired asset valid on the date of recognition, reduced for the expected sales costs.

On the date of foreclosure of the asset, the Bank presents the impairment of at least 20% of the initial book value of the asset in the Balance Sheet.

The Bank establishes the estimated value of the foreclosed asset at least once in 12 months, and recognizes loss in the Income Statement, due to impairment equal to at least the higher amount of, as follows:
- Negative difference between the estimated value and net-value of the foreclosed asset and
- 20% of the net-value of the foreclosed asset.

1.2.15 Reservations

Reservations are recognized in the Balance Sheet when the Bank has a present legal or established liability as a result of a past event, which can be measured reliably and it is probable that there will be an outflow from the Bank to reconcile the liability. This position includes long-term reserves and other long-term liabilities that are not related to deferred taxes on profits or arise from loans or other financial activities. Types of items most often included in this category are calculations and reservations for off-balance sheet credit exposures.

A reservation for adverse agreements is recognized when the expected benefits of the arrangement for the Bank are lower than the inevitable costs of meeting the obligations under the arrangement.

Reservation is determined at the present value of the lower of the expected costs of canceling the contract and the present value of the expected net costs of renewing the contract. Before establishing a reservation, the Bank recognizes a loss due to impaired assets related to the agreement.

1.2.16 Compensations for the employess

The Bank pays contributions to the pension funds in accordance with the requirements of the domestic regulations for social insurance. The contributions that are determined on the basis of the employees' salaries are paid into the pension funds, responsible for the payment of the pensions. The Bank has no additional payment obligation based on these plans.
Obligations for the payment of contributions in defined contribution plans are recognized as an expense in the Income Statement when they are calculated.
Short-term benefits for employees are measured on an undiscounted basis and are recognized when the relevant service is received.

1.2.17 Financial liabilities

Financial liabilities are classified in accordance with the content of the agreed arrangement. The Bank will classify financial liabilities on the initial recognition as financial liabilities measured at amortized cost.

Liabilities for loans

Loan liabilities consist of transactions with other parties which the Bank has signed a loan agreement with.

The Bank recognizes these liabilities in its Balance Sheet at fair value, including direct transaction costs, and they are subsequently measured at amortized cost using the effective interest method.

Other liabilities

Other liabilities include liabilities to suppliers, calculated outstanding liabilities, deferred income and other liabilities, and are stated at their nominal amounts.

Derecognition of financial liabilities

The Bank derecognizes the financial obligations only when the obligations are committed, cancelled or obsolete.

1.2.18 Assets and liabilities from commission work

The funds and liabilities managed in the name and on behalf of the Government of the Republic of North Macedonia are included in the Balance Sheet on a net basis. The net liabilities presented in the Balance Sheet represent the time difference between the collection or disbursement of the liabilities.

1.2.19 Equity and reserves

(a) Shareholder equity

The shareholder equity represents the nominal value of the issued shares.

(b) Reserves

Reserves consisting of revaluation, legal and other reserves are created during the periods on the basis of profit/ loss from revaluation of the foreclosed assets, by way of distribution of the accumulated profit on the basis of the legal regulations valid for the Bank through establishment of a political risk insurance fund.

(v) Undistributed profit/loss

The undistributed proft/loss include the current retained earnings and losses as well as those from the previous periods.

1.2.20 Segment reporting

The operating segment is a group of assets or activities engaged in providing products or services that are subject to risks and compensations that differ from those in other business segments. The geographical segment is engaged in providing products or services in a certain economic environment which is subject to risks and compensations that differ from those segments that perform activities in other economic environments.

1.2.21 Contingent and foreclosed off-balance liabilties

The Bank has contingent liabilities based on short-term receivables insurance from commercial risks. The insured receivables are recorded in the off-balance sheet records of the Bank. The Bank holds a maximum of 90% of the amount of the insured invoice and reinsures its insured receivables from 80% to 90% with foreign reinsurers.

1.2.22 Events listed for their reporting date

Those events which according to their reporting date that provide additional information about the financial status of the Bank at the balance sheet date (corrective events) are reflected in the financial statements. Those subsequent events that do not have the character of corrective events are noted in the appropriate note if they are materially significant.

1.3 Use of marks and estimations

The Bank makes estimates and assumptions that affect the disclosed amounts of assets and liabilities. Estimates are reviewed on an ongoing basis and are based on past experience and other factors, including expectations of future events that are believed to be reasonable in relation to the circumstances in which they occur.

Impaired loans granted to clients and banks

The bank checks its loan portfolio on a monthly basis in order to assess its impairment. In determining the need to recognize an impairment loss in the Income Statement, the Bank assesses whether there is evidence to indicate a measurable decrease in the estimated cash flows from the loan portfolio before identifying the decrease at the level of an individual loan within the portfolio of loans and advances.

Evidence includes evident data indicating an adverse change in borrowers' payments, or country-level data or local economic conditions that correlate with a decrease in group assets. The management uses estimates based on past experience related to the impairment of assets with credit risk characteristics as well as objective evidence of impairment similar to those in the portfolio in the allocation of future cash flows. The methodology and assumptions used for estimating the amount and period of future cash flows are reviewed regularly to reduce any differences between the estimated and actual losses.

1.4 Change of accounting policies, accounting estimates and coreection of errors

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

1.5 Compliance with the legal regulation

As of December 31, 2020, the Bank has complied with the requirements of the laws and by-laws prescribed by the National Bank of the Republic of North Macedonia and the Law on the Macedonian Bank for Development Promotion for solvency and capital adequacy, exposure limits of the Bank, the Bank's investments and the Bank's liquidity.

1 Classiffication of the financial assets and liabilities

A Classiffication of the financial assets and liabilities

In thousands MKD	**Fair value in the Income Statement**		**Fair value in the other Comprehensive Income**			
	For trading	Fair value at initial recognition	Debt instruments	Proprietary instruments	**Amortized cost**	**Total**
2020 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	1,256,699	1,256,699
Trading assets	-	-	-	-	-	-
Financial assets at fair value in the Income Statement, established as such in the initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and receivables from banks	-	-	-	-	10,546,581	10,546,581
Loans and receivables form other clients	-	-	-	-	81,893	81,893
Investments in securities	-	-	-	-	-	-
Other receivables	-	-	-	-	3,649	3,649
Total financial assets	-	-	-	-	**11,888,822**	**11,888,822**
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value in the Income Statement, established as such in the initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Ban deposits	-	-	-	-	-	-
Other clients' deposits	-	-	-	-	-	-
Issued debt securities	-	-	-	-	-	-
Liabilities for loans	-	-	-	-	9,132,769	9,132,769
Subordinate liabilities and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	196,020	196,020
Total financial liabilities	-	-	-	-	**9,328,789**	**9,328,789**

1 Classiffication of the financial assets and liabilities (continues)

A Classiffication of the financial assets and liabilities (continues)

In thousands MKD	Fair value in the Income Statement For trading	Fair value at initial recognition	Fair value in the other Comprehensive Income Debt instruments	Proprieatry instruments	**Amortized cost**	**Total**
2019 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	773,636	773,636
Trading assets	-	-	-	-	-	-
Financial assets at fair value in the Income Statement, established as such in the initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and receivables from banks	-	-	-	-	9,328,142	9,328,142
Loans and receivables form other clients	-	-	-	-	79,493	79,493
Investments in securities	-	-	-	-	-	-
Other receivables	-	-	-	-	11,060	11,060
Total financial assets	-	-	-	-	**10,192,331**	**10,192,331**
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value in the Income Statement, established as such in the initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-
Other clients' deposits	-	-	-	-	-	-
Issued debt securities	-	-	-	-	-	-
Liabilities for loans	-	-	-	-	7,673,211	7,673,211
Subordinate liabilities and hybrid instruments	-	-	-	-	-	-
Other liabilities	-	-	-	-	10,586	10,586
Total financial liabilities	-	-	-	-	**7,683,797**	**7,683,797**

2 Risk Management

Risk management includes the identification, measurement or assessment, control or mitigation and monitoring of individual risks and is based on the document on the acceptable level of risk and the established risk culture. Risk-taking is the probability that a certain activity or event will have a direct negative impact on the profit and/or personal funds, or cause difficulties in achieving the Bank's objectives. The risk is appropriately managed when it is identified, understood, assessed, monitored and controlled.

The Risk Management Board establishes and implements policies for separate risk management, makes proposals for their revision and monitors and evaluates the effectiveness of the entire risk management process. The Supervisory Board adopts the risk management policies and monitors their implementation. The established policies for management of certain risks, which enable identification, measurement, monitoring and control of the risk to which they refer, provide reasonable assurance that the operations are aimed at achieving the objectives of the Bank and in accordance with the applicable rules and regulations, as well as with the approved exposure limits. The limits of exposure to individual risks are subject to revision, depending on the internal and external conditions in which the Bank operates, but at least annually. In addition, the Management Board of the Bank establishes and implements procedures for identification, measurement, monitoring and internal controls of the risk management process. Given that the risk management process is important for every employee in the Bank, trainings are conducted in order to create a constructive environment where all employees will understand their tasks and responsibilities.

The internal audit performs regular and periodic assessments of the implementation of internal controls, policies and procedures for undertaking and managing individual risks.

The risk management process is in accordance with the development plan and business policy of the Bank.

The Bank is exposed to at least the following risks by using financial instruments:

- Credit risk,
- Liquidity risk,
- Market risks (Interest rate risk and currency risk,
- Operational risk.

This note is a piece of information on the Bank 's exposure to each of these risks, the objectives, policies and processes for management and the methods used to measure the Bank' s risks.

For all these risks, the Bank establishes special policies for managing the individual types of risks, as well as procedures for identification, assessment, monitoring and control of the individual risk.

2.1 Credit risk

Credit risk is the risk of loss for the Bank due to the inability of its client or other contracting party to settle its obligations within the agreed amount and/or the agreed terms. The exposure to credit risk mainly and significantly arises from loans, deposits with banks, credit insurance of receivables, factoring and other items that are included in the balance and off-balance sheet records of the Bank.

2.1.1 Credit risk management

Credit risk management is part of an integrated approach to managing all financial risks to which the Bank is exposed. Credit risk management is a process that enables the management bodies to identify the credit risk and to choose which exposures to reduce and which to increase and how. Prior to granting credit risk exposure, the Bank identifies all significant factors that may affect the client's risk, i.e. the Bank's exposure to the client.

The Bank classifies each active balance/off-balance sheet item according to the degree of credit risk to which it is exposed on an individual basis, based on the creditability of the client and regularity in the settlement of liabilities.

The results of the analysis of the above criteria result in the determination of expected losses and classification of credit risk exposure in one of the three groups of credit risk. For the purposes of the financial statements (Note 2.1A) , The Bank connects the credit risk groups (Group 1, 2, 3) of the Methodology for recording and valuation of accounting items and for preparation of financial statements (Official Gazette of the Republic of Macedonia No. 83/17) and the risk categories of The decision on the credit risk management methodology, and it was reported as follows:

- within Group 1, credit risk exposures classified in risk category "A";

- within Group 2, credit risk exposures classified in risk categories "B" and "C", which do not have the status of non-functional credit exposure;

- within Group 3, credit risk exposures which have the status of non-functional credit exposure.

When measuring credit risk, the main indicators used by the Bank are the exposure, the probability of bankruptcy or liquidation, the probability of downgrading, the probability of compensation of written-off receivables, the Bank's expectations regarding the impact of the economic and business conditions on the ability of the client to fulfill its obligations, etc.
Instruments for protection and mitigation of the credit risk used by the Bank are the system of exposure limits, quality of security, system of early warning, appropriate evaluation of the components of credit risk, use of appropriate information, definition of risk markets, etc. The clearly defined organizational structure is an important element of the credit risk management process, which provides credit risk exposures within the limits set by the Supervisory Board

The Supervisory Board approves an exposure to a person of over 20% of the Bank's own funds. The Risk Management Committee approves exposures to persons from over 10% to 20% of the Bank's own funds. Credit risk exposures below these limits are approved by the Credit Committee and the Insurance Committee.

The Lending and Warranties Sector, the Credit Insurance Sector, as well as the Assets and Liquidity Sector follow all credit exposures in relation to the established limits.

The Board of Directors of the Bank is responsible for internal control from the aspect of credit risk exposure, due to which internal acts are established in which the limits of the risks are determined, which are intended to help control and manage the risk. Namely, the control process aims to minimize the impact of capital risk and profit in accordance with the strategic goals of the Bank.

A Analysis of the total exposure to credit risk

In thousands MKD	Bank loans and receivables 2020	Bank loans and receivables 2019	Other clients' loans and receivables 2020	Other clients' loans and receivables 2019	Investments in financial assets held for sales 2020	Investments in financial assets held for sales 2019	Investments in financial assets held until maturity 2020	Investments in financial assets held until maturity 2019	Cash and cash equivalents 2020	Cash and cash equivalents 2019	Other receivables 2020	Other receivables 2019	Off-balance exposure 2020	Off-balance exposure 2019	2020	Total 2019
Exposure to credit risk, classified in Group 1																
Book value before adjustment/special reserve	10,547,636	9,329,075	80,136	78,741	-	-	-	-	1,257,065	774,928	3,125	10,564	572,336	380,349	12,460,298	10,573,657
(Adjustment of value and special reserve)	(1,055)	(933)	(1,311)	(1,415)	-	-	-	-	(8,541)	(7,189)	-	(1)	(1,931)	(852)	(12,838)	(10,390)
Book value reduced for the value and special reserve adjustment	**10,546,581**	**9,328,142**	**78,825**	**77,326**	-	-	-	-	**1,248,524**	**767,739**	**3,125**	**10,563**	**570,405**	**379,497**	**12,447,460**	**10,563,267**
Exposure to credit risk, classified in Group 2																
Book value before adjustment/special reserve	-	-	3,404	761	-	-	-	-	-	-	-	11	9,761	8,368	13,165	9,140
(Adjustment of value and special reserve)	-	-	(477)	(106)	-	-	-	-	-	-	-	(2)	(1,854)	(1,590)	(2,331)	(1,698)
Book value reduced for the value and special reserve adjustment	-	-	**2,927**	**655**	-	-	-	-	-	-	-	**9**	**7,907**	**6,778**	**10,834**	**7,442**
Exposure to credit risk, classified in Group 3																
Book value before adjustment/special reserve	-	-	1,431	2,401	-	-	-	-	-	-	3,611	9,705	6,861	6,861	11,903	18,967
(Adjustment of value and special reserve)	-	-	(1,290)	(889)	-	-	-	-	-	-	(3,611)	(9,705)	(6,861)	(6,861)	(11,762)	(17,455)
Book value reduced for the value and special reserve adjustment	-	-	**141**	**1,512**	-	-	-	-	-	-	-	-	-	-	**141**	**1,512**
Total book value of receivables with credit risk before adjustment of the value on group basis and special reserve	10,547,636	9,329,075	84,971	81,903	-	-	-	-	1,257,065	774,928	6,736	20,280	588,958	395,578	12,485,366	10,601,764
(Total value adjustment and spcial reserve)	(1,055)	(933)	(3,078)	(2,410)	-	-	-	-	(8,541)	(7,189)	(3,611)	(9,708)	(10,646)	(9,303)	(26,931)	(29,543)
Total book value of receivables with credit risk, reduced for the value and special reserve adjustment	**10,546,581**	**9,328,142**	**81,893**	**79,493**	-	-	-	-	**1,248,524**	**767,739**	**3,125**	**10,572**	**578,312**	**386,275**	**12,458,435**	**10,572,221**

2.1.2 Impaired loans and securities

Impaired loans and securities are such loans and securities for which the Bank, pursuant to the Decision of the NBRNM on the Methodology for credit risk management by the Macedonian Bank for Development Promotion, has established that there is need of separating losses due to impairment.

2.1.3 Value adjustment

The Bank calculates the value adjustment, which is an estimate of the incurred losses due to impairment in the loan portfolio.

The amount of the value adjustment for active balance receivables is determined as the difference between the book value of the balance receivables and their present value (estimated reimbursable amount). The present value of the active balance receivables is obtained by discounting the expected future cash flows from those receivables using the effective interest rate determined on the basis of the agreement.

2.1.4 Special reserve

The Bank calculates a special reserve, which is an estimate of the incurred losses due to impairment in the off-balance credit exposure. The Bank assesses whether there is a risk of potential losses on its active off-balance sheet items exposed to credit risk (approved guarantees) when the following prerequisites are met:

• The bank has a current liability as a result of past event,

• There is a possibility of an outflow of resources,

• A reliable estimate can be made of the amount that will be required to settle the liability.

When such losses are in accordance with the above conditions, the Bank allocates an appropriate amount of special reserve in accordance with the Decision on the methodology for credit risk management and the Methodology for determining value adjustment and allocation of special reserve by DBNM prescribed by the National Bank of the Republic of North Macedonia.

The amount of special reserve for active off-balance sheet items on an individual basis is equal to the present value of the expected future cash flows based on payments of the Bank on the assumed contingent liabilities and payments from the client, discounted with the current market price of risk-free securities issued in the same currency and with the same maturity as the currency and the maturity of the expected payment or collection.
If there is no current market price of risk-free securities with the same maturity as the one of the expected payment, the determination of the present value of the expected payment based on the assumed contingent liability of The Bank is made at the current market price of risk-free securities with the closest maturity to the one of the expected payment.
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2.1.5 Policy of writing-off

The Bank writes off the amount of the loan/security (and the corresponding special reserve) when the Supervisory Board determines that the loan/securities are uncollectible. The decision is made after reviewing information as significant changes in the financial position of the debtor/issuer of the securities, if the debtor/issuer is not able to settle their liabilities, or the amount from the realization will not be sufficient to cover the entire exposure. The Bank writes off the claim based on a valid court judgment for unfoundedness of the claim or that the Bank is not entitled to the claim, if the bankruptcy proceedings are completed-a legal court decision for approved plan for reorganization of the debtor in Bankruptcy, the Bank has no reasonable expectation that the credit exposure will be recovered in whole or in part; as well as if there is a small amount for individually insignificant claims. The Bank makes a partial or complete write-off of the receivable by a decision of the Supervisory Board of the Bank.

The Bank is obliged to write off and if 12 months have elapsed from the date when the Bank was obliged to make a value adjustment, i.e. to allocate a special reserve of 100% by applying the Decision on methodology for credit risk management (Official Gazette of RNM No. 149/18) from July 1st, 2019. Until July 1st, 2019, the Bank was obliged to write off and if two years have passed since the date the Bank was obliged to make a write-off and value adjustment, i.e. to allocate a special reserve of 100%. Based on this, the Bank has been writing off 5.408 MKD during 2020 (2019: no write-off) (Note 25).

Notes to the financial statements (continues)
Risk Management (continues)

B Collateral value (fair value) for credit risk protection

In thousands MKD	Bank loans and receivables 2020	Bank loans and receivables 2019	Other clients loans and receivables 2020	Other clients loans and receivables 2019	Investments in financial assets held for sales 2020	Investments in financial assets held for sales 2019	Invetsments in financial assets held until maturity 2020	Invetsments in financial assets held until maturity 2019	Cash and cash equivalents 2020	Cash and cash equivalents 2019	Other receivables 2020	Other receivables 2019	Off-balance exposures 2020	Off-balance exposures 2019	2020	Total 2019
Collateral value of the exposure estimated for impairment on individual basis																
First-class instruments forsecuring monetary deposits (in depo and/or limited accounts in the Bank)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State unconditional warranties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank warranties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance companies warranties and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporative warranties (except for Insurance Banks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Warranties from natural persons	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pledge on real estate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Estate for personal use (flats, houses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Estate for operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pledge on movable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other collateral	10,462,819	9,526,706	85,807	86,929	-	-	-	-	-	-	-	-	-	-	10,548,626	9,613,635
Total collateral value of the credit exposure estimated for impairment on individual basis	**10,462,819**	**9,526,706**	**85,807**	**86,929**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,548,626**	**9,613,635**

Notes to the financial statements (continues)
Risk Management (continues)

B Collateral value (fair value) for credit risk protection (continues)

In thousands MKD	Bank loans and receivables 2020	2019	Other clients loans and receivables 2020	2019	Investments in financial assets held for sales 2020	2019	Invetsments in financial assets held until maturity 2020	2019	Cash and cash equivalents 2020	2019	Other receivables 2020	2019	Off-balance exposures 2020	2019	Total 2020	2019
Collateral value of the exposure estimated for impairment on individual basis																
First-class instruments forsecuring monetary deposits (in depo and/or limited accounts in the Bank)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State unconditional warranties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank warranties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance companies warranties and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporative warranties (except for Insurance Banks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Warranties from natural persons	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pledge on real estate																
Estate for personal use (flats, houses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Estate for operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pledge on movable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total collateral value of the credit exposure estimated for impairment on individual basis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes to the financial statements (continues)
Risk Management (continues)

C Presence of credit risk in sectors and activities

In thousands MKD	Bank loans and receivables		Other clients loans and receivables		Investments in financial assets held for sales		Invetsments in financial assets held until maturity		Cash and cash equivalents		Other receivables		Off-balance exposures		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Industrial branch																
Non-residents	-	-	53,760	62,889	-	-	-	-	-	173,961	465	8,694	542,565	355,122	596,790	600,666
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	-	-	-	-	500	672	500	672
Mining and axcavation of stone	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Food indsutry	-	-	4,540	-	-	-	-	-	-	-	3	-	11,525	10,596	16,068	10,596
Textile industry and manufacture of clothes and shoes	-	-	1	-	-	-	-	-	-	-	-	-	-	420	1	420
Chemical industry, manufacture of construction materials, and manufacture and processing of fuel, Pharmaceutical undustry	-	-	136	171	-	-	-	-	-	-	-	-	-	-	136	171
Manufacture of metals and machinery	-	-	18	25	-	-	-	-	-	-	-	-	1,669	56	1,687	81
Other processing industry.	-	-	2,490	2,490	-	-	-	-	-	-	3	-	3,540	3,068	6,033	5,558
Sypply with electricity, gas, steam and air-conditioning	-	-	-	-	-	-	-	-	-	-	2	-	-	-	2	-
Supply with water, removal of waste water, managing waste and activitiesfor rehabilitation of the environment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civil construction	-	-	-	-	-	-	-	-	-	-	3	-	3,588	-	3,591	-
Wholesale and retail trade Reparation of vehicles and motorcycles	-	-	5,109	4,324	-	-	-	-	-	-	-	14	14,870	16,298	19,979	20,636
Transport and storage	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-	12
Accommodation and food activities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Information and communication	-	-	-	-	-	-	-	-	-	-	-	-	36	-	36	-

Notes to the financial statements (continues)
Risk Management (continues)

C Presence of credit risk in sectors and activities (continues)

In thousands MKD	Bank loans and receivables 2020	Bank loans and receivables 2019	Other clients loans and receivables 2020	Other clients loans and receivables 2019	Investments in financial assets held for sales 2020	Investments in financial assets held for sales 2019	Invetsments in financial assets held until maturity 2020	Invetsments in financial assets held until maturity 2019	Cash and cash equivalents 2020	Cash and cash equivalents 2019	Other receivables 2020	Other receivables 2019	Off-balance exposures 2020	Off-balance exposures 2019	Total 2020	Total 2019
Financial and inustrance activities	10,546,581	9,328,142	15,839	-				-	1,248,524	593,778	2,649	-	-	-	11,813,593	9,921,920
Real estate activities		-		-	-	-		-	-	-	-	-	-	-		-
Professional and scientific activities		-		-	-	-		-	-	-	-	-	19	31	19	31
Administrative and assistant activities		-		-	-	-		-	-	-	-	-		-	-	-
Public office, mandatory social security		-		9,594	-	-		-			-	1,864		-	-	11,458
Education		-		-	-	-		-		-	-	-		-	-	-
Health and social protection activities		-		-	-	-		-		-	-	-		-	-	-
Art, fun and recreation		-		-	-	-		-		-	-	-		-	-	-
Other services		-		-	-	-		-		-	-	-		-	-	-
Household activities as employers household activities prducing different goods and provide different services for personal needs		-		-	-	-		-		-	-	-		-	-	-
Activities of external organizations and bodies		-		-	-	-		-		-	-	-		-	-	-
Natural persons		-		-	-	-		-		-	-	-		-	-	-
Sole proprietors – natural persons considering themselves merchants.		-		-	-	-		-		-	-	-		-	-	-
Total	10,546,581	9,328,142	81,893	79,493	-	-	-	-	1,248,524	767,739	3,125	10,572	578,312	386,275	12,458,435	10,572,221

Notes to the financial statements (continues)
Risk Management (continues)

D Presence of credit risk geographically

In thousands MKD	Bank loans and receivables 2020	Bank loans and receivables 2019	Other clients loans and receivables 2020	Other clients loans and receivables 2019	Investments in financial assets held for sales 2020	Investments in financial assets held for sales 2019	Invetsments in financial assets held until maturity 2020	Invetsments in financial assets held until maturity 2019	Cash and cash equivalents 2020	Cash and cash equivalents 2019	Other receivables 2020	Other receivables 2019	Off-balance exposures 2020	Off-balance exposures 2019	Total 2020	Total 2019	Bank loans and receivables 2020	Bank loans and receivables 2019
Geographic location																		
Republic of North Macedonia	10,546,581	9,328,142	28,133	16,604	-	-	-	-	1,040,868	593,778	2,662	1,878	35,746	31,153	11,653,990	9,971,555	10,546,581	9,328,142
Member-states of EU	-	-	49,314	58,441	-	-	-	-	3,161	1,860	278	5,763	498,526	240,176	551,279	306,240	-	-
Europe(the rest)	-	-	4,446	4,448	-	-	-	-	204,495	172,101	-	-	37,953	13,238	246,894	189,787	-	-
OECD members (without European members OECD)	-	-	-	-	-	-	-	-	-	-	-	-	-	145	-	145	-	-
Rest	-	-	-	-	-	-	-	-	-	-	185	2,931	6,087	101,563	6,272	104,494	-	-
Total	10,546,581	9,328,142	81,893	79,493	-	-	-	-	1,248,524	767,739	3,125	10,572	578,312	386,275	12,458,435	10,572,221	10,546,581	9,328,142

The presence by location for loans and receivables is measured by location of the debtor. The presence by location for investment is measured by the location of the issuer of the securities.

2.2 Liquidity risk

Liquidity risk is the probability that the Bank will not be able to provide sufficient funds to settle its short-term liabilities at the time of their maturity or to provide the necessary funds at a much higher cost. The liquidity risk arises from the inability of the Bank to timely and quickly convert the assets into cash at minimal cost, as well as from the inability to properly manage the unexpected changes in the sources of funds.

2.2.1 Liquidity risk management

When managing liquidity, what the bank takes into account, as far as possible in the long run, is that it always has sufficient liquid assets to pay the upcoming liabilities, under normal and unusual conditions, without incurring unacceptable losses damage to the reputation of the Bank.

The Assets and Liquidity Sector receives information from other sectors regarding the liquidity profile of their financial assets and liabilities as well as details of other projected cash flows arising from projected future operations. The Assets and Liquidity Department maintains a portfolio of short-term liquid assets, mainly composed of short-term liquid securities and placements with other banks, in order to ensure adequate liquidity of the Bank.

The Bank classifies the assets and liabilities according to their maturity based on the remaining period from the reporting date to the agreed maturity date of 31st December 2019 and 31st December 2018 respectively. The amounts are presented on a gross basis, without taking into account the amounts of accumulated depreciation, value adjustment, special reserve and suspicious receivables.

Analysis based on the maturity of financial ssets and liabilities (remaining maturity)

In thousands MKD	Up to month	From to 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
2020							
Financial assets							
Cash and cash equivalents	1,265,240	-	-	-	-	-	1,265,240
Trading assets	-	-	-	-	-	-	-
Financial assets at fair value in the Income Statement established as such at the initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Bank loans and receivables	502,058	-	1,325,485	1,695,263	3,567,642	3,457,188	10,547,636
Other clients' loand and receivables	59,527	20,202	5,242	-	-	-	84,971
Investments in securities	-	-	-	-	-	-	-
Investments in affiliated companies	-	-	-	-	-	-	-
Income tax receivables (current)	202	-	-	-	-	-	202
Other receivables	3,186	-	4,074	-	-	-	7,260
Pledged funds	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**1,830,213**	**20,202**	**1,334,801**	**1,695,263**	**3,567,642**	**3,457,188**	**11,905,309**
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value in the Income Statement established as such at the initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-	-
Other clients'deposits	-	-	-	-	-	-	-
Issued debt securities	-	-	-	-	-	-	-
Liabilities for loans	261,137	-	918,960	1,441,446	3,088,910	3,422,316	9,132,769
Subordinate liabilities	-	-	-	-	-	-	-
Income tax liabilities (current)	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-
Osther liabilities	194,844	46	1,130	-	-	-	196,020
Total financial liabilities	**455,981**	**46**	**920,090**	**1,441,446**	**3,088,910**	**3,422,316**	**9,328,789**
Off-balance sheet items							
Off-balance sheet assets	-	-	-	-	-	-	-
Off-balance sheet liabilities	2,104	-	-	4,757	-	-	6,861
Maturity mismatch	**1,372,128**	**20,156**	**414,711**	**249,060**	**478,732**	**34,872**	**2,569,659**

Analysis based on the maturity of financial ssets and liabilities (remaining maturity) (continues)

In thousands MKD	Up to month	From to 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
2019							
Financial assets							
Cash and cash equivalents	780,825	-	-	-	-	-	780,825
Trading assets	-	-	-	-	-	-	-
Financial assets at fair value in the Income Statement established as such at the initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Bank loans and receivables	658,712	46,114	1,735,067	1,469,936	3,132,848	2,286,398	9,329,075
Other clients' loand and receivables	53,399	24,784	1,320	-	-	-	79,503
Investments in securities	-	-	-	-	-	-	-
Investments in affiliated companies	-	-	-	-	-	-	-
Income tax receivables (current)	3,653	-	-	-	-	-	3,653
Other receivables	2,368	-	8,696	-	-	-	11,064
Pledged funds	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	**1,498,957**	**70,898**	**1,745,083**	**1,469,936**	**3,132,848**	**2,286,398**	**10,204,120**
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value in the Income Statement established as such at the initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-	-
Other clients'deposits	-	-	-	-	-	-	-
Issued debt securities	-	-	-	-	-	-	-
Liabilities for loans	491,198	-	1,517,502	1,170,244	2,631,236	1,863,031	7,673,211
Subordinate liabilities	-	-	-	-	-	-	-
Income tax liabilities (current)	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-
Osther liabilities	9,699	64	823	-	-	-	10,586
Total financial liabilities	500,897	64	1,518,325	1,170,244	2,631,236	1,863,031	7,683,797
Off-balance sheet items							
Off-balance sheet assets	-	-	-	-	-	-	-
Off-balance sheet liabilities	-	-	-	-	-	-	-
Maturity mismatch	2,104	-	-	-	4,757	-	6,861
	995,956	70,834	226,758	299,692	496,855	423,367	2,513,462

2.3 Market risk

Market risk is the risk of changes in market prices, such as changes in interest rates, changes in the price of capital, foreign exchange rates and credit margins (which do not relate to changes in the creditability of the debtor/issuer of securities) and which will affect the Bank's income or the value of the financial instruments owned. The purpose of market risk management is to manage and control the exposure to market risk within acceptable parameters, by optimizing the return. The Bank does not have a trading portfolio

2.3.1 Exposure to interest rate risk – portfolio not held for trading

Interest rate risk in the banking activities portfolio is a risk of loss arising from unfavorable changes in interest rates, which affect the positions in the Bank's banking activities portfolio. This risk is the most significant type of market risk.

The Bank is exposed to interest rate volatility as a result of the fact that interest-bearing assets and liabilities mature or their interest rate changes in different periods or in different amounts. In case of assets and liabilities with variable interest rates, the Bank is also exposed to the basic risk, which arises from the different way of changing the variable interest rates.

The management of this risk, which has a direct impact on the revenues and the economic value of the Bank's banking activities portfolio, is part of the Bank's integrated risk management system. The Development Bank of North Macedonia establishes a system for risk management from the changes in interest rates in the portfolio of banking activities in accordance with the volume and type of activities it performs, as well as the degree of exposure to risk of changes in interest rates.

To measure this risk, the Bank applies a gap analysis technique - maturity structure of interest-sensitive active and passive positions in certain time periods. As a function of monitoring and control, the Bank establishes limits for exposure to interest rate risk, as well as adequate management of this risk aimed at achieving the goals and objectives of the Bank.

Risk management activities are intended to optimize net interest income, with market interest rates consistent with the Bank's business strategies

2.3.1.1 Analysis of sensitivity of assets and liabilities to changes in the market risk

A. Analysis of sensitivity of assets and liabilities to changes in the market risk

	Profit/loss	Personal assets	Risk-weighted assets	Capital adequacy ratio
	In thousand MKD	In thousand MKD	In thousand MKD	in %
2020				
Amount before the sensitivity analysis/stress-tests (status on 31.12.2019)	31,756	2,466,340	7,964,088	30.97
Effects from the scenarios application				
Risk of exchange rate change (state the different scenarios, including the basic characteristics of the scenario)				
- Depreciation of the MKD denar for 30%	517,988	2,984,328	11,203,952	26.64
- Appreciation of the MKD denar for 30%	(517,988)	1,948,352	4,724,224	41.24
Risk of interest rate change (state the different scenarios, including the basic characteristics of the scenario)				
- Interest code 400 basic points	54,032	2,520,372	7,964,088	31.65
- Interest code 400 basic points basic points and increase of non-functional receivables	(263,543)	2,202,797	6,705,059	32.85
Risk of market price change in investments in proprietary securities (state the different scenarios, including the basic characteristics of the scenario)	-	-	-	-
Combined scenarios, if any (state the different scenarios, including the basic characteristics of the scenario)	-	-	-	-

2.3.1.1 Analysis of sensitivity of assets and liabilities to changes in the market risk (continues)

A. Analysis of sensitivity of assets and liabilities to changes in the market risk (continues)

	Profit/loss	Personal assets	Risk-weighted assets	Capital adequacy ratio
2019	In thousands MKD	In thousands MKD	In thousands MKD	во %
Amount before the sensitivity analysis/stress-tests (status on 31.12.2018)	18,367	2,447,967	7,502,877	32.63
Effects from the scenarios application				
Risk of exchange rate change (state the different scenarios, including the basic characteristics of the scenario)				
– Depreciation of the MKD denar for 30%	595,578	3,043,545	10,380,160	29.32
– Appreciation of the MKD denar for 30%	(595,578)	1,852,389	4,625,590	40.05
Risk of interest rate change (state the different scenarios, including the basic characteristics of the scenario)				
– Interest code 400 basic points	167,955	2,615,922	7,502,877	34.87
– Interest code 400 basic points basic points and increase of non-functional receivables	23,060	2,471,027	7,093,033	34.84
Risk of market price change in investments in proprietary securities (state the different scenarios, including the basic characteristics of the scenario)	-	-	-	-
Combined scenarios, if any (state the different scenarios, including the basic characteristics of the scenario)	-	-	-	-

Notes to the financial statements (continues)
Risk Management (continues)
Market risk (continues)

2.3.1.1 Analysis of sensitivity of assets and liabilities to changes in the market risk (continues)

B. Analysis of the value exposed to market risk for the trading portfolio

In thousands MKD	Status on 31st December	Average value	Highest value (maximum)	Lowest value (minimum)	Status on 31st December	Average value	Highest value (maximum)	Lowest value (minimum)
Value exposed at risk with interest-bearing instruments	-	-	-	-	-	-	-	-
Value exposed at risk with instruments in foreign currency	-	-	-	-	-	-	-	-
Value exposed at risk with proprietary instruments	-	-	-	-	-	-	-	-
Variance (net effect)	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

2.3.2. Exposure to interest rate risk – portfolio not held for trading

A Analysis of the sensitivity to intrest rates

DBNM **Report**

REPORT

For the changes in the economic value for positions from the portfolio of the banking activities on 31.12.2020

in 000 MKD

	Position	Currency	Amount
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY - EUR (FIR + CIR + AIR)*	MKDkIEUR	3,353
1.2	NET WEIGHTED POSITION FOR CURRENCY - MKD (FIR + CIR + AIR)	EUR	28,652
1.3	NET WEIGHTED POSITION FOR CURRENCY - MKDkIEUR (FIR + CIR + AIR)	MKD	(4,964)
1.4	NET WEIGHTED POSITION FOR CURRENCY - USD (FIR + CIR + AIR)	USD	-
2	**TOTAL WEIGHTED VALUE – cHANGE OF THE ECONOMIC VALUE OF THE PRTFOLIO OF THE BANKING ACTIVITIES (1.1 + 1.2 + 1.3 + 1.4)**		27,041
3	PERSONAL ASSETS		2,466,340
4	**TOTAL WEIGHTED VALUE/PERSONAL ASSETS (2/3*100)**		1.10%

- FIR – fixed interest rate
- CIR – changeable interest rate
- AIR – adjustable interest rate

DBNM **Report**

REPORT

For the changes in the economic value for positions from the portfolio of the banking activities on 31.12.2019

во 000 денари

	Position	Currency	Amount
	1	2	3
1.1	NET WEIGHTED POSITION FOR CURRENCY MKDkIEUR (FIR + CIR + AIR)	MKDkIEUR	5,808
1.2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR + CIR + AIR)	EUR	84,856
1.3	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR + CIR + AIR)	MKD	(6,642)
1.4	NET WEIGHTED POSITION FOR CURRENCY USD (FIR + CIR + AIR)	USD	-
2	**TOTAL WEIGHTED VALUE – cHANGE OF THE ECONOMIC VALUE OF THE PRTFOLIO OF THE BANKING ACTIVITIES (1.1 + 1.2 + 1.3 + 1.4)**		84,025
3	PERSONAL ASSETS		2,447,967
4	**TOTAL WEIGHTED VALUE/PERSONAL ASSETS (2/3*100)**		3.43%

2.3.2 Exposure to interest rate – portfolio not held for trading (continues)
B. Compliance analysis of the interest rates

In thousands	Up to 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/liabilitires
2020 (current year)							
FInancial assets							
Cash and cash equivalents	1,248,366	-	-	-	-	-	1,248,366
Financial assets at fair value in the Income statement, established as such at initial recognition	-	-	-	-	-	-	-
Bank loans and receivables	486,231	-	1,325,527	1,695,094	3,567,285	3,456,664	10,530,801
Other clients' loans and receivables	35,256	26,720	4,364	-	-	-	66,340
Investments in securities	-	-	-	-	-	-	-
Other not mentioned sensitive to interest assets	-	-	-	-	-	-	-
Total interest-sensitive assets	1,769,853	26,720	1,329,891	1,695,094	3,567,285	3,456,664	11,845,507
Financial liabilities							
Financial liabilities at fair value in the Income statement, established as such at initial recognition	-	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-	-
Other clients' deposits	-	-	-	-	-	-	-
Issued debt securities	-	-	-	-	-	-	-
Liabilities for loans	290,323	-	883,863	1,441,446	3,088,910	3,422,315	9,126,857
Subordinate liabilities and hybrid instruments	-	-	-	-	-	-	-
Other not mentioned sensitive to interest liabilities	-	-	-	-	-	-	-
Total interest-sensitiveliabilities	290,323	-	883,863	1,441,446	3,088,910	3,422,315	9,126,857
Net-balance position	1,479,530	26,720	446,028	253,648	478,375	34,349	2,718,650
Off-balance interest-sensitive active positions	-	-	-	-	-	-	-
Off-balance interest-sensitive passive positions	-	-	-	-	-	-	-
Net off-balance position	-	-	-	-	-	-	-
Total net-balance position	1,479,530	26,720	446,028	253,648	478,375	34,349	2,718,650

2.3.2 Exposure to interest rate – portfolio not held for trading (continues)
B. Compliance analysis of the interest rates (continues)

In thousands	Up to 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/liabilitires
2019							
FInancial assets							
Cash and cash equivalents	767,415	-	-	-	-	-	767,415
Financial assets at fair value in the Income statement, established as such at initial recognition	-	-	-	-	-	-	-
Bank loans and receivables	639,119	46,110	1,735,134	1,469,789	3,132,534	2,285,928	9,308,614
Other clients' loans and receivables	34,090	29,884	1,321	-	-	-	65,295
Investments in securities	-	-	-	-	-	-	-
Other not mentioned sensitive to interest assets	-	-	-	-	-	-	-
Total interest-sensitive assets	**1,440,624**	**75,994**	**1,736,455**	**1,469,789**	**3,132,534**	**2,285,928**	**10,141,324**
Financial liabilities							
Financial liabilities at fair value in the Income statement, established as such at initial recognition	-	-	-	-	-	-	-
Bank deposits	-	-	-	-	-	-	-
Other clients' deposits	-	-	-	-	-	-	-
Issued debt securities	-	-	-	-	-	-	-
Liabilities for loans	666,089	-	1,416,140	1,100,287	2,631,236	1,851,252	7,665,004
Subordinate liabilities and hybrid instruments	-	-	-	-	-	-	-
Other not mentioned sensitive to interest liabilities	-	-	-	-	-	-	-
Total interest-sensitiveliabilities	**666,089**	-	**1,416,140**	**1,100,287**	**2,631,236**	**1,851,252**	**7,665,004**
Net-balance position	**774,535**	**75,994**	**320,315**	**369,502**	**501,298**	**434,676**	**2,476,320**
Off-balance interest-sensitive active positions	-	-	-	-	-	-	-
Off-balance interest-sensitive passive positions	-	-	-	-	-	-	-
Net off-balance position	-	-	-	-	-	-	-
Total net-balance position	**774,535**	**75,994**	**320,315**	**369,502**	**501,298**	**434,676**	**2,476,320**

2.3.3. Currency risk

Currency risk is the risk of loss due to changes in exchange rates and/or changes in the value of the Denar in relation to the value of other foreign currencies. The Bank establishes a system for identification, measurement, monitoring and control of currency risk to which the Bank is exposed in its operations, covering all activities and transactions which in the balance sheet and off-balance sheet records are recorded in foreign currency and indexed in denar in a foreign exchange clause.

The Development Bank of North Macedonia is establishing a policy to the extent that it is possible to place funds from foreign sources in the same currency or in Denars with a foreign exchange clause in the currency of the origin of the funds.

The measurement of the currency risk is performed through the indicator for the ratio of the aggregate foreign exchange position with the Bank's own funds. The currency risk management policy defines this internal limit, which is different from the legal one, since in accordance with the Law on MBDP, the regulations for open foreign exchange positions do not apply to the Bank.

The monitoring of this risk on a regular basis provides security for the Supervisory and Management Boards that the established control system functions accordingly.

In thousand MKD	**MKD**	**EUR**	**USD**	**Other currencies**	**Total**
2020					
Monetary assets					
Cash and cash equivalents	1,049,044	207,655	-	-	1,256,699
Trading assets	-	-	-	-	-
Financial assets at fair value in the Income Statement established at such in initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Other bank loans and receivables	29,995	10,516,586	-	-	10,546,581
Other clients' loans and receivables	19,596	62,297	-	-	81,893
Investments in securities	-	-	-	-	-
Investments in affiliated companies	-	-	-	-	-
Income tax receivables (current)	202	-	-	-	202
Other receivables	1,404	2,245	-	-	3,649
Pledged funds	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total monetary assets	**1,100,241**	**10,788,783**	-	-	**11,889,024**
Monetary liabilities					
Trading liabilities	-	-	-	-	-
Financial liabilities at fair value in the Income Statement established at such in initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other clients' deposits	-	-	-	-	-
Issued securities	-	-	-	-	-
Liabilities for loans	71,473	9,061,296	-	-	9,132,769
Subordinate liabilities	-	-	-	-	-
Income tax liabilities (current)	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	187,509	8,511	-	-	196,020
Total monetary liabilities	**258,982**	**9,069,807**	-	-	**9,328,789**
Net-position	**841,259**	**1,718,976**	-	-	**2,560,235**

In thousands MKD	MKD	EUR	USD	Other currencies	Total
2019					
Monetary assets					
Cash and cash equivalents	599,675	173,961	-	-	773,636
Trading assets	-	-	-	-	-
Financial assets at fair value in the Income Statement established at such in initial recognition	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-
Other bank loans and receivables	-	9,328,142	-	-	9,328,142
Other clients' loans and receivables	10,742	68,751	-	-	79,493
Investments in securities	-	-	-	-	-
Investments in affiliated companies	-	-	-	-	-
Income tax receivables (current)	3,653	-	-	-	3,653
Other receivables	585	10,475	-	-	11,060
Pledged funds	-	-	-	-	-
Deferred tax assets	-	-	-	-	-
Total monetary assets	**614,655**	**9,581,329**	**-**	**-**	**10,195,984**
Monetary liabilities					
Trading liabilities	-	-	-	-	-
Financial liabilities at fair value in the Income Statement established at such in initial recognition	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other clients' deposits	-	-	-	-	-
Issued securities	-	-	-	-	-
Liabilities for loans	78,620	7,594,591	-	-	7,673,211
Subordinate liabilities	-	-	-	-	-
Income tax liabilities (current)	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	2,745	7,841	-	-	10,586
Total monetary liabilities	**81,365**	**7,602,432**	**-**	**-**	**7,683,797**
Net-position	**533,290**	**1,978,897**	**-**	**-**	**2,512,187**

2.4 Operational risk

The operational risk is defined as the risk of loss arising from inappropriate or unsuccessful internal processes and systems, human factor or external events. The Bank has established a framework for operational risk management based on the strategy, policy and methodology for managing this risk. It allows within the various processes in the Bank to identify the risks arising from these processes, their measurement and taking corrective actions in order to avoid the potential negative effect on the financial result and capital position of the Bank.

3. Capital adequacy

The NBRNM, as the main regulator in the banking sector, monitors the capital adequacy of the Bank as a whole, but for the Bank, in accordance with the Law on Establishment of the Macedonian Bank for Development Promotion, higher capital adequacy rates are not applied, which may be prescribed by the governor.

The bank is obliged to maintain a capital adequacy ratio that cannot be lower than 8%, while it is obliged to maintain a regular share capital rate in the amount of 4.5% of the risk weighted assets and share capital rate in the amount of 6% of the risk weighted assets.

The bank is obliged to maintain a protective layer for preservation of the capital in the amount of 2.5% of the risk weighted assets and to calculate and maintain a countercyclical protective layer of the capital.

The Bank's own funds as of 31st December 2020 and 31st December 2019 are regular share capital.

Own funds Report

The Bank's own funds on 3st December, as follows:

	Description	2020	2019
A1.	Own funds	2,466,340	2,447,967
A2.	Basic capital	2,466,340	2,447,967
A3.	Regular basic capital (RBC)	2,466,340	2,447,967
A3.1	Positions in RBC	2,466,340	2,447,973
A3.1.1.	Capital instruments in RBC	1,193,792	1,193,792
A3.1.2.	Premium from the capital instruments RBC	-	-
A3.1.3.	Mandatory general resrve (general fund)	1,272,548	1,254,181
A3.1.4.	Retained non-allocated income	-	-
A3.1.5	(-) Accumulated losss from previous years	-	-
A3.1.6.	Current income or income at the end of the year	-	-
A3.1.7.	Cumulative comprehensive income or loss	-	-
A3.2.	(-) Deductible items of RBC	-	(6)
A3.2.01.	(-) 3Loss at the end of the year or current loss	-	-
A3.2.02.	(-) Intangible assets	-	(6)
A3.2.03.	(-) Deferred tax assets which depend on the future profitability of the Bank	-	-
A3.2.04.	(-) Investment in own capital instruments from RBC	-	-
A3.2.04.1.	(-) Direct investment in own capital instruments from RBC	-	-
A3.2.04.2.	(-) Indirect investment in own capital instruments from RBC	-	-
A3.2.04.3.	(-) Synthetic investment in own capital instruments from RBC	-	-
A3.2.04.4.	(-) Investment in own capital instruments from RBC for which the Bank is liable to buy	-	-
A3.2.04.	(-) investment in proprietary capital instruments from RBC	-	-
A3.2.04.1.	(-) Direct investment in proprietary capital instruments from RBC	-	-
A3.2.04.2.	(-)Indirect investment in proprietary capital instruments from RBC	-	-
A3.2.04.3.	(-) Synthetic investment in proprietary capital instruments from RBC	-	-
A3.2.04.4.	(-) investment in proprietary capital instruments from RBC	-	-
A3.2.05		-	-
A3.2.06.	(-) Direct, indirect, synthetic investment in capital instruments from RBC to entities from the finance sector, in which the bank has no significan investment.	-	-
A3.2.07.	(-)Direct, indirect, synthetic investment in capital instruments from RBC to entities from the finance sector, in which the bank has significan investment	-	-
A3.2.08.	(-) Amount of deductible items from ABC which des not exceed the total amount of ABC	-	-
A3.2.09.	(-) Amount of excess of limits for investment in financial institutions	-	-
A3.2.10.	(-) Income costs	-	-
A3.2.11.	(-) difference between the amount and necessary adjustment of the value/the special reserve	-	-
A3.3.	Regulation adjustments of RBC	-	-
A3.3.1.	(-) Increase of RBC which arises from the positions of securitization	-	-
A3.3.2.	(-) Profit or (+) los from the risk protection from cash flows	-	-

	Description	2019	2018
A3.3.3.	(-) Profit or (+) loss from liabilities of the Bank which are measured at fair value	-	-
A3.3.4.	(-)Profit or (+) loss from related to liabilities based on derivatives which are measured at fair value	-	-
A3.4.	Positions as result of consolidation	-	-
A3.4.1.	Minority interest recognized in RBC as consolidated basis в	-	-
A3.4.2.	Other	-	-
A3.5.	Other positions in RBC	-	-
A3.6.		-	-
B4.	Added basic capital (ABC)	-	-
B4.1	Positions in ABC	-	-
B4.1.1.	Capital instruments from ABC	-	-
B4.1.2.	Premium from capital instruments from ABC	-	-
B4.2.	(-) Deductible items from ABC	-	-
B4.2.1.	(-) Investment in personal capital instruments from ABC	-	-
B4.2.1.1.	(-) Direct investment in personal capital instruments from ABC в	-	-
B4.2.1.2.	(-) Indirect investment in personal capital instruments from ABC	-	-
B4.2.1.3.	(-) Synthetic investment in personal capital instruments from ABC	-	-
B4.2.1.4.	(-) Investment in personal capital instruments from ABC for which the Bank is liable to buy	-	-
B4.2.2.	(-) Direct, indirect, synthetic investment in capital instruments from ABC to entities from the finance sector, where the entities has investments in the Bank itself	-	-
B4.2.3.	(-)Direct, indirect, synthetic investment in capital instruments from ABC to entities from the finance sector, where the bank has no significant investment	-	-
B4.2.4.	(-)Direct, indirect, synthetic investment in capital instruments from ABC to entities from the finance sector, where the bank has significant investment	-	-
B4.2.5.	(-) Amount of deductible items from AC which exceeds the total amount of AC	-	-
B4.2.6.	(-) tax costs	-	-
B4.3.	Regulation adjustnments of ABC	-	-
B4.3.1.	(-) ABC increase arising from the positions od securitizations	-	-
B4.3.2.	(-) Profit or (+) loss from risk protection from cash flows	-	-
B4.3.3.	(-)Profit or (+) loss from bank liabilities which are measured at fair value	-	-
B4.3.4.	(-)Profit or (+) loss related to liabilities based on derivatives which are measured at fair value	-	-
B4.4.	Positions as a result of consolidation	-	-
B4.4.1.	(+/-) Acceptable additional basic capital which is recognized in ABC as consolidated basis	-	-
B4.4.2.	Other	-	-

	Description	2020	2019
B4.5.	Other positions from ABC	-	-
C5.	Additional capital (AC)	-	-
C5.1.	Positions in AC	-	-
C5.1.1.	Capital instruments from AC	-	-
C5.1.2.	Subordinate loans	-	-
C5.1.3.	Premium from capital instruments from AC	-	-
C5.2.	(-) Deductible items from AC	-	-
C5.2.1.	(-) Investments in personal capital instruments from AC	-	-
C5.2.1.1.	(-) Direct investment in personal capital instruments from AC	-	-
C5.2.1.2.	(-) indirect investment in personal capital instruments from AC	-	-
C5.2.1.3.	(-) Synthetic investment in personal capital instruments from AC	-	-
C5.2.1.4.	(-) Investment in personal capital instruments from AC , for which the bank is responsible to buy	-	-
C5.2.2.	(-) Direct, indirect and synthetic investment in positions of AC, to entities from the finance sector, where the entities have investments in the Bank	-	-
C5.2.3.	(-)Direct, indirect and synthetic investment in positions of AC, to entities from the finance sector, where the Bank has no significant investment	-	-
C5.2.4.	(-)Direct, indirect and synthetic investment in positions of AC, to entities from the finance sector, where the Bank has significant investment	-	-
C5.3.	Regulation adjustments of AC	-	-
C5.3.1.	(-) Increase of AC which arises from the positions of securitization	-	-
C5.3.2.	(-) Profit or (+) loss from risk protection from cash flows	-	-
C5.3.3.	(-)Profit or (+) loss from bank liabilities which are measured at fair value	-	-
C5.3.4.	(-)Profit or (+) loss related to liabilities based on derivatives which are measured at fair value	-	-
C5.4.	Positions as a result of consolidation	-	-
C5.4.1.	(+/-) Acceptable additional basic capital which is recognized in AC as consolidated basis	-	-
C5.4.2.	Other	-	-
C5.5.	Other positions from AC	-	-

	Description	2020	2019
1	2	3	4
I	**CREDIT RISK-WEIGHTED ASSETS**		
1	Credit risk – weighted assets by applying the standard approach	6,029,305	5,279,923
2	Capital needed to cover the credit risk	482,344	422,394
II	**CURRENCY RISK-WEIGHTED ASSETS**		
3	Aggregate currency position	1,726,627	1,985,260
4	Net-position in gold	-	-
5	Capital needed to cover the currency risk	138,130	158,821
6	Currency risk – weighted assets	1,726,627	1,985,260
III	**OPERATIONAL RISK-WEIGHTED ASSETS**	-	-
7	Capital needed to cover the operational risk by applying the basic indicatoor approach	16,652	19,016
8	Operational risk – weighted assets by applying the standard approach	-	-
9	Operational risk – weighted assets	208,156	237,694
IV	**OTHER RISK-WEIGHTED ASSETS**	-	-
10	Capital needed to cover the risk of price change of goods	-	-
11	Capital needed to cover the market risks (11.1+11.2+11.3+11.4+11.5)	-	-
11.1	Capital needed to cover the position risk (11.1.1+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital needed to cover the specific risk form investment in debt funds	-	-
11.1.2	Capital needed to cover the general risk of investment in debt funds	-	-
11.1.3	Capital needed to cover the specific risk form investment in proprietary securities	-	-
11.1.4	Capital needed to cover the general risk of investment in proprietary securities	-	-
11.2	Capital needed to cover the reconciliation/delivery	-	-
11.3	Capital needed to cover the of the other contracting party	-	-
11.4	Capital needed to cover the excess of limits of exposure	-	-
11.5	Capital needed to cover the market risks of positions in options	-	-
12	Capital needed to cover the other risks (10+11)	-	-
V	**RISK-WEIGHTED ASSETS**	**7,964,088**	**7,502,877**
D13	Capital needed to cover the risks	637,127	600,231
VI	**PERSONAL ASSETS**	**2,466,340**	**2,447,967**
VII	**CAPITAL ADEQUACY (VI / V)**	**30.97%**	**32.63%**

4. Segment reporting

Segment reporting is performed by the Bank's operating segments, prescribed by the regulations of the National Bank of the Republic of North Macedonia. The Bank discloses information separately for each significant operating segment, and also presents information on the concentration (presence) of its business activities to individual significant clients.

A Operating segments

In thousands MKD	Work with population	Corporate banking	Investment banking	Other insignificant operating segments	Non-allocated	Total
2020						
Net-income(expenses) from interests	-	83,454	-	-	-	83,454
Net-income(expenses) from commissions and compensations	-	20,017	-	-	-	20,017
Net-income from trading	-	-	-	-	-	-
Net-income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	-	7,746	-	-	-	7,746
Income realized between segments	-	-	-	-	-	-
Total income at a segment	-	**111,217**	-	-	-	**111,217**
Value adjustment of the financial assets, at net-basis	-	(2,748)	-	-	-	(2,748)
Loss due to impairment of non-financial assets, at net-basis	-	(4,394)	-	-	-	(4,394)
Depreciation	-	(5,328)	-	-	-	(5,328)
Restructuring expenses	-	-	-	-	-	-
Expenses for investment in real estate and equipment	-	-	-	-	-	-
Other expenses	-	(63,244)	-	-	-	(63,244)
Total expenses at a segment	-	**(75,714)**	-	-	-	**(75,714)**
Financial result at a segment	-	35,503	-	-	-	35,503
Income tax	-	(3,747)	-	-	-	(3,747)
Profit/loss for the fiscal year	-	**31,756**	-	-	-	**31,756**
Total assets at a segment	-	11,997,154	-	-	-	11,997,154
Non-allocated assets at a segment	-	-	-	-	-	-
Total assets	-	11,997,154	-	-	-	11,997,154
Totla liabilities at a segment	-	9,345,938	-	-	-	9,345,938
Non-allocated liabilities at a segment	-	-	-	-	-	-
Total liabilities	-	9,345,938	-	-	-	9,345,938

A Operating segments (continues)

In thousands MKD	Work with population	Corporate banking	Investment banking	Other insignificant operating segments	Non-allocated	Total
2019						
Net-income(expenses) from interests	-	84,201	-	-	-	84,201
Net-income(expenses) from commissions and compensations	-	12,104	-	-	-	12,104
Net-income from trading	-	-	-	-	-	-
Net-income from other financial instruments recorded at fair value	-	-	-	-	-	-
Other operating income	-	4,656	-	-	-	4,656
Income realized between segments	-	-	-	-	-	-
Total income at a segment	-	**100,961**	-	-	-	**100,961**
Value adjustment of the financial assets, at net-basis	-	(16,345)	-	-	-	(16,345)
Loss due to impairment of non-financial assets, at net-basis	-	(1,369)	-	-	-	(1,369)
Depreciation	-	(4,781)	-	-	-	(4,781)
Restructuring expenses	-	-	-	-	-	-
Expenses for investment in real estate and equipment	-	-	-	-	-	-
Other expenses	-	(57,680)	-	-	-	(57,680)
Total expenses at a segment	-	**(80,175)**	-	-	-	**(80,175)**
Financial result at a segment	-	20,786	-	-	-	20,786
Income tax	-	(2,419)	-	-	-	(2,419)
Profit/loss for the fiscal year	-	**18,367**	-	-	-	**18,367**
Total assets at a segment	-	10,312,560	-	-	-	10,312,560
Non-allocated assets at a segment	-	-	-	-	-	-
Total assets	-	**10,312,560**	-	-	-	**10,312,560**
Totla liabilities at a segment	-	7,693,100	-	-	-	7,693,100
Non-allocated liabilities at a segment	-	-	-	-	-	-
Total liabilities	-	**7,693,100**	-	-	-	**7,693,100**

B. Concentration of total income and expenses with significant clients

In thousand MKD	Corporate banking	Investment banking	Other insignificant operating segments	Non-allocated	Total for a significant client
2020 (current year)					
Client 1					
income	47,462	-	-	-	47,462
(expenses)	(1,127)	-	-	-	(1,127)
Client 2					
income	-	-	-	-	-
(expenses)	(39,441)	-	-	-	(39,441)
Client 3					
income	43,590	-	-	-	43,590
(expenses)	-	-	-	-	-
Client 4					
income	17,126	-	-	-	17,126
(expenses)	-	-	-	-	-
Client 5					
income	10,336	-	-	-	10,336
(expenses)	-	-	-	-	-
Client 6					
income	7,906	-	-	-	7,906
(expenses)	-	-	-	-	-
Total at a segment	**85,852**	-	-	-	**85,852**

B. Concentration of total income and expenses with significant clients (continues)

In thousand MKD	Corporate banking	Investment banking	Other insignificant operating segments	Non-allocated	Total for a significant client
2019 (previous year)					
Client 1					
income	55,447	-	-	-	55,447
(expenses)	(1,853)	-	-	-	(1,853)
Client 2					
income	-	-	-	-	-
(expenses)	(56,952)	-	-	-	(56,952)
Client 3					
income	38,267	-	-	-	38,267
(expenses)	-	-	-	-	-
Client 4					
income	15,211	-	-	-	15,211
(expenses)	-	-	-	-	-
Client 5					
income	9,889	-	-	-	9,889
(expenses)	-	-	-	-	-
Client 6					
income	9,197	-	-	-	9,197
(expenses)	-	-	-	-	-
Total at a segment	**69,206**	-	-	-	**69,206**

C Geographical areas

In thousand MKD	Republic of Macedonia	EU Member-states	Europe (the rest of the countries)	OECD members (without the European OECD member-states)	Other	Other insignificant geographical segments	Non-allocated	Total
2020 (current year)								
Total income	172,602	(61,385)	-	-	-	-	-	111,217
Total assets	11,735,149	262,005	-	-	-	-	-	11,997,154
2019 (previous year)								
Total income	165,135	(64,174)	-	-	-	-	-	100,961
Total assets	10,066,888	245,672	-	-	-	-	-	10,312,560

5. Fair value of the financial assets and liabilities

Fair value is the value for which an asset may be replaced or a libility paid under normal commercial conditions. The objective value is determined on the basis of the assessments made by the Management, depending on the assets or liabilities.

Cash and cash equivalents

The book value of the cash and cash equivalents corresponds to the fair value, taking into account that they both include cash, bank accounts and deposits with a short maturity.

Loans and receivables from banks and clients

The loans and receivables from banks and clients are identified at amortized cost reduced for the reserve due to impairment. The loans and receivables from the clients are generally variable in terms of interest rates and their estimated fair value is determined by discounting of the future estimated cash flows by applying the effective interest rate.

Other receivables

The fair value of the other receivables corresponds to the their book value taking into account their short-term maturity.

Liabilities for loans

The fair value of the liabilities for loans with variable interest rates is close to their book value due to the adjustment of the interest rates to the specific financial liabilities with the market interest rates for similar instruments.

The fair value of credit lines that are regulated by special conditions and for which the market has no other financial instruments with the same or similar characteristics is close to the level of their book value.

Other liabilities

The fair value of the remaining liabilities corresponds to the level of their book value taking their short maturity into account.

A. Fair value of the financial assets and liabilities

	2020		2019	
In thousands MKD	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets				
Cash and cash equivalents	1,256,699	1,256,699	773,636	773,636
Trading assets	-	-	-	-
Financial assets at fair value in the Income Statement established as such at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Banks loans and receivables	10,546,581	10,546,581	9,328,142	9,328,142
Other clients loans and receivables	81,893	81,893	79,493	79,493
Investment in securities	-	-	-	-
Investment in affiliated companies	-	-	-	-
Income tax receivables (current)	202	202	3,653	3,653
Other receivables	3,649	3,649	11,060	11,060
Pledged funds	-	-	-	-
Deferred tax assets	-	-	-	-
Financial liabilities				
Trading liabilities	-	-	-	-
Financial liabilities at fair value in the Income Statement, established at such in initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Bank deposits	-	-	-	-
Other clients' deposits	-	-	-	-
Issued debt securities	-	-	-	-
Liabilities for loans	9,132,769	9,132,769	7,673,211	7,673,211
Subordinate liabilities	-	-	-	-
Income tax liabilities (current)	296	296	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	196,020	196,020	10,586	10,586

B. Level of fair value of the financial assets and liabilities measured at fair value

B.1. Level of fair value of the financial assets and liabilities measured at fair value

In thousands MKD	Note	Level 1	Level 2	Level 3	**Total**
31 Dec. 2020 (current year)					
Financial assets measured at fair value					
Trading assets	19	-	-	-	-
Financial assets at fair value in the Income Statement, established at such at initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investment in securities held for sales	23.1	-	-	-	-
Total		-	-	-	-
Financial liabilities measured at fair value					
Trading liabilities	32	-	-	-	-
Financial liabilities at fair value in the Income Statement, established at such at initial recognition	33	-	-	-	-
Derivative liabilities held for risk management к	21	-	-	-	-
Total		-	-	-	-
31 Dec. 2019 (previous year)					
Financial assets measured at fair value					
Trading assets	19	-	-	-	-
Financial assets at fair value in the Income Statement, established at such at initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investment in securities held for sales	23.1	-	-	-	-
Total		-	-	-	-
Financial liabilities measured at fair value					
Trading liabilities	32	-	-	-	-
Financial liabilities at fair value in the Income Statement, established at such at initial recognition	33	-	-	-	-
Derivative liabilities held for risk management к	21	-	-	-	-
Total		-	-	-	-

B. Level of fair value of the financial assets and liabilities measured at fair value(continues)

B.2. Transfer between levels 1 and 2 of the fair value

	Current year 2020		Previous year 2019	
In thousands MKD	Transfers from level 1 into level 2	Transfers from level 2 into level 1	Transfers from level 1 into level 2	Transfers from level 2 into level 1
Financial assets measured at fair value				
Trading assets	-	-	-	-
Financial assets at fair value in the Income Statement, established at such at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investment in securities held for sales	-	-	-	-
Total	-	-	-	-
Financial liabilities measured at fair value				
Trading liabilities	-	-	-	-
Financial liabilities at fair value in the Income Statement, established at such at initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

B. Level of fair value of the financial assets and liabilities measured at fair value(continues)
B.3. Compliance of the flow of fair value during the year, measured at level 3

In thousands MKD	Trading assets	Financial assets at fair value in the IS, established at such at initial recognition	Investment in securities held for sales	Total assets	Trading liabilities	Financial liabilities at fair value in the IS, established at such at initial recognition	Total liabilities
Status at 1 Jan. 2019 (previous year)							
Profit/(loss) recognized in:							
- Income Statement (IS)	-	-	-	-	-	-	-
- Other profit/(loss) in period not shown in the IS	-	-	-	-	-	-	-
Buying financial assets during the period	-	-	-	-	-	-	-
Sold financial instruments during the period	-	-	-	-	-	-	-
Issued financial instruments during the period	-	-	-	-	-	-	-
Paid financial instruments during the period	-	-	-	-	-	-	-
Reclassified financial instruments in/(from) level 3	-	-	-	-	-	-	-
Reclassified in loans and receivables	-	-	-	-	-	-	-
Status at 31 Dec. 2019 (previous year)	-	-	-	-	-	-	-
Total profit/(loss) recognized in the Income Statement for the financial assets and liabilities held on 31 Dec. 2019 (previous year)	-	-	-	-	-	-	-

B. Level of fair value of the financial assets and liabilities measured at fair value(continues)
B.3. Compliance of the flow of fair value during the year, measured at level 3(continues)

In thousands MKD	Trading assets	Financial assets at fair value in the IS, established at such at initial recognition	Investment in securities held for sales	**Total assets**	Trading liabilities	Financial liabilities at fair value in the IS, established at such at initial recognition	**Total liabilities**
Status at 1 Jan 2020 (current year)							
Profit/(loss) recognized in:							
- Income Statement (IS)	-	-	-	-	-	-	-
- Other profit/(loss) in period not shown in the IS	-	-	-	-	-	-	-
Buying financial assets during the period	-	-	-	-	-	-	-
Sold financial instruments during the period	-	-	-	-	-	-	-
Issued financial instruments during the period	-	-	-	-	-	-	-
Paid financial instruments during the period	-	-	-	-	-	-	-
Reclassified financial instruments in/(from) level 3	-	-	-	-	-	-	-
Reclassified in loans and receivables	-	-	-	-	-	-	-
Status at 31 Dec. 2019 (previous year)	-	-	-	-	-	-	-
Total profit/(loss) recognized in the Income Statement for the financial assets and liabilities held on 31 Dec. 2019 (previous year)	-	-	-	-	-	-	-

6. Net - income/(expenses) from interest

A Structure of the income and expenses from interest according to the type of financial instruments

In thousands MKD	2020	2019
Income from interest		
Cash and cash equivalents	5,907	6,956
Financial assets at fair value in the IS, established at such at initial recognition	-	-
Derivative assets held for risk management	-	-
Bank loans and receivables	95,488	99,879
Othe rclients' loans and receivables	36,919	50,626
Investment in securities	-	-
Other receivables	-	-
(Value adjustment of income from interest, on net-basis)	-	(24)
Charged previously written-off interest	144	203
Total income from interest	**138,458**	**157,640**
Expenses for interest		
Financial liabilities at fair value in the IS, established at such at initial recognition	-	-
Derivative liabilities held for risk management	-	-
Bank deposits	-	-
Other clients' deposits	-	-
Issued debt securities	-	-
Liabilities for loans	53,125	71,458
Subordinate liabilities	-	-
Other liabilities-negative interest on assets placed in foreign banks	1,879	1,981
Total expenses for interest	**55,004**	**73,439**
Net-income/(expenses) from interest	**83,454**	**84,201**

B Sector analysis of the incomeand expenses from interest, acc. to the sector

In thousands MKD	2020	2019
Income from interest		
Non-financial assets	1,613	1,032
State	35,306	49,593
Non-profit institutions serving households	-	-
Banks	101,392	106,829
Other financial institutions (non-banking)	-	-
Households	-	-
Non-residents	3	7
(Value adjustment of income from interest, on net-basis)	-	(24)
Charged previously written-off interest	144	203
Total income from interest	**138,458**	**157,640**
Expenses for interest		
Non-financial assets	-	-
State	766	843
Non-profit institutions serving households	-	-
Banks	-	-
Other financial institutions (non-banking)	-	-
Households	-	-

Non-residents	54,238	72,596
Total expenses for interest	**55,004**	**73,439**
Net-income/(expenses) from interest	**83,454**	**84,201**

7. Net- income/(expenses) from commissions and compensations

A Structure of the income and expenses from commissions and compensations according to the type of financial activities

In thousand MKD	**2020**	**2019**
Income from commissions and compensations		
Crediting	953	827
Payment system		
In the country	-	-
Abroad	-	-
Documentary credits and warranties	16,687	31,772
Brokerage	-	-
Assets management	12,156	5,840
Commission and trust activities	-	-
Issuing securities	-	-
Other	-	-
Total income from commissions and compensations	29,796	38,439
Liabilities for commissions and compensations		
Crediting	361	997
Payment system		
In the country	426	752
Abroad	739	1,089
Documentary credits and warranties	8,253	23,497
Brokerage	-	-
Assets management	-	-
Commission and trust activities	-	-
Issuing securities	-	-
Other	-	-
Total expenses for commissions and compensations	9,779	26,335
Net-income/(expenses) from commissions and compensations	20,017	12,104

B Sector analysis of the income and expenses from commisions and compensations

In thousands MKD	**2020**	**2019**
Income from commissions and compensations		
Non-financial companies	16,913	16,899
State	12,155	5,840
Non-profit institutions serving households	-	-
Banks	17	-
Other financial institutions (non-banking)	-	-
Households	-	-
Non-residents	711	15,700
***Total* income from commissions and compensations**	29,796	38,439
Expenses for commissions and compensations		
Non-financial companies	1,442	16,180
State	-	-
Non-profit institutions serving households	-	-
Banks	426	1,841

Other financial institutions (non-banking)	-	-
Non-residents	7,911	8,314
***Total expenses* for commissions and compensations**	**9,779**	**26,335**
Net-income/(expenses) from commissions and compensations	**20,017**	**12,104**

8. Net income from trading

In thousand MKD	2020	2019
Trading assets		
Profit/(loss) from the adjustment of the fair value of debt securities, on net-basis		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the adjustment of the fair value of the proprietory instruments, on net-basis		
- realized	-	-
- unrealized	-	-
Income from dividend from the trading assets	-	-
Income from interest from the trading assets	-	-
Trading liabilities		
Profit/(loss) from the adjustment of the fair value of debt securities, on net-basis		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the adjustment of the fair value of trading deposits, on net-basis		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the adjustment of the fair value of the other financial trading liabilities, on net-basis		
- realized	-	-
- unrealized	-	-
Expenses for interst from the financial liabilities held for trading, on net-basis		
Profit/(loss) from the adjustment of the fair value of derivatives held for trading, on net-basis		
- realized	-	-
- unrealized	-	-
Net-income from trading	-	-

9. Net-income from other financial instruments recorded at fair value

In thousands MKD	2020	2019
Financial assets at fair value in the Income statement, established at such at initial recognition		
Profit/(loss) from the adjustment of the fair value of debt securities, on net-basis		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the adjustment of the fair value of proprietory instruments, on net- basis		
- realized	-	-
- unrealized	-	-
Income from dividends from the financial assers at fair value in the Income Statement	-	-
Profit/(loss) from the adjustment of the fair value of loans and receivables at fair value in the IS, on net-basis		
- realized	-	-
- unrealized	-	-
Financial liabilities at fair value in the Income statement, established at such at initial recognition		
Profit/(loss) from the adjustment of the fair value of debt securities, on net-basis		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the adjustment of the fair value of deposits at fair value in the IS, on net-basis		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the adjustment of the fair value of the liabilities for loans at fair value in the IS, on net-basis		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the adjustment of the fair value of the other financial liabilities at fair value in the IS, on net-basis		
- realized	-	-
- unrealized	-	-
Profit/(loss) from the adjustment of the fair value of derivatives held for risk management at fair value in the IS, on net-basis		
- realized	-	-
- unrealized	-	-
Net-income from other financial instruments recorded at fair value	-	-

10. Net- income/(expenses) from exchange rates differences

In thousands MKD	2020	2019
Realized income/(expenses) from exchange rate differences, on net-basis	191	78
Unrealized income/(expenses) from exchange rate differences, on net-basis		
exchange rate differences to the value adjustment of the financial assets, on net-basis	(26)	109
exchange rate differences to a special reserve of the off-balance sheet exposure, on net-basis	1	(113)
Other excange rate differences, on net-basis	6,440	(317)
Net- income/(expenses) from exchange rates differences	**6,606**	**(243)**

11. Other income from the activity

In thousands MKD	2020	2019
Profit from assets sales held for sales	-	-
Dividend from proprietary instruments held for sales	-	-
Net-income from investment in subsidiaries and affiliate companies	-	-
Capital income from sales of:		
Real estate and equipment	-	-
Intangible assets	-	-
Foreclosed assets due to outstanding receivables	-	615
Non-current assets held for sales and a disposal group	-	-
Income from lease	-	-
Income from won court cases	-	389
Charged previously written-off receivables	115	1,011
Release from reservations for:		
Contingent liabilities based on court	-	-
Pensions and other benefits of the employees	-	-
Restructuring	-	-
Unfauvarable agreements	-	-
Other reservations	-	-
Other		
Other income from work with foreign currency	263	2,793
Total other income from the activity	594	-
Total other income from the activity	168	91

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated)

12. Value adjustment of the financial assets and special reserve for off-balance exposure, on net-basis

In thousands mKD

	Banks loans and receivables	Other clients' loans and receivables	Investment in financial assets held for sales	Investment in financial assets held until maturity	Cash and cash equivalents	Receivables for commissions and compensations	Other reveivables	Total value adjustment of the financial assets	Special reserve for the off-balance exposure	Total
2020 (current year)										
Value adjustment and special reserve										
Additional value adjustment and special reserve	300	4,459	-	-	8,496	2,789	-	16,044	3,493	19,537
(Release from the value adjustment and special reserve)	(184)	(3,794)	-	-	(7,166)	(3,495)	-	(14,639)	(2,150)	(16,789)
Total value adjustment of the financial assets and special reserve for off-balance exposure, on net-basis	**116**	**665**	-	-	**1,330**	**(706)**	-	**1,405**	**1,343**	**2,748**
2019 (previous year)										
Value adjustment and special reserve										
Additional value adjustment and special reserve	934	6,419	-	-	7,340	5,673	-	20,366	10,860	31,226
(Release from the value adjustment and special reserve)	(1)	(6,407)	-	-	(151)	(981)	-	(7,540)	(7,341)	(14,881)
Total value adjustment of the financial assets and special reserve for off-balance exposure, on net-basis	**933**	**12**	-	-	**7,189**	**4,692**	-	**12,826**	**3,519**	**16,345**

13 Loss due to impairment of the non-financial assets, on net-basis

In thousands MKD	**Real estate and equipment**	**Intangible assets**	**Foreclosed assets due to outstanding receivables**	**Non-current assets held for sales and disposal group**	**Other non-financial assets**	**Minority interest**	**Total**
2020							
Additional loss due to impairment	-	-	4,394	-	-	-	4,394
(Release from the loss due to impairment)	-	-	-	-	-	-	-
Total loss due to impairment of the non-financial assets, on net-basis	-	-	**4,394**	-	-	-	**4,394**
2019							
Additional loss due to impairment	-	-	1,369	-	-	-	1,369
(Release from the loss due to impairment)	-	-	-	-	-	-	-
Total loss due to impairment of the non-financial assets, on net-basis	-	-	**1,369**	-	-	-	**1,369**

14. Expenses for the employees

In thousands MKD	2020	2019
Short-term benefits for the employees		
Salaries	23,899	21,721
Mandatory contributions for social and health insurance	12,389	11,013
Short-term paid leave	-	-
Expenses for temporary employment	-	-
Share in the profit and rewards	-	-
Non-monetary benefits	-	-
	36,288	**32,734**
Benefits after termination of work		
Contributions for pension plans for defined contributions	-	-
Benefits for pension	52	-
Increased liability for pension plans for defined benefits	-	-
Increased liability for other long-term benefits	-	-
Other benefits after termination of employment	-	-
	52	**-**
Benefits because termination of work		
Payments to employees based on shares, paid by proprietary instruments	-	-
Payments to employees based on shares, paid by cash equivalents	-	-
Other	1,601	1,481
	1,601	**1,481**
Total expenses for employees	**37,941**	**34,215**

15. Depreciation

In thousands MKD	2020	2019
Depreciation of intangible assets		
Internally developed software	-	-
Software bought from external suppliers	794	221
Other internally developed intangible assets	-	-
Other intangible assets	6	62
Investment in intangible assets taken uder lease	-	-
	800	**283**
Depreciation of real estate and equipment		
Construction facilities	3,883	3,872
Transport means	-	-
Furniture and office equipment	642	623
Other equipment	3	3
Other items of the real estate and equipment	-	-
Investment in real estate and equipment taken under lease	-	-
	4,528	**4,498**
Total depreciation	**5,328**	**4,781**

16. Other expenses from the activity

	In thousands MKD	
	2020	**2018**
Loss from sales of assets held for sales	-	-
Expenses for licensing the software	-	-
Insurance premiums for deposits	-	-
Insurance premiums for the estate and employees	564	342
Materials and services	14,671	16,604
Administrative expenses for marketing	-	-
Other taxes and contributions	274	323
Expenses for lease	11	131
Expenses for court cases	96	206
Reservations for pension and other benefits for the employees, on net-basis	-	-
Reservations for contingent liabilities based on court cases, on net-basis	6,207	-
Other reservations on net-basis		
Restructuring	-	-
Unfavourable agreements	-	-
Other reservations	-	-
Loss from sales of:		
Real estate and equipment	-	-
Intangible assets	-	-
Foreclosed assets due to outstanding receivables	-	-
Non-current assets held for sales and a disposal group	-	-
Membership fees expenses	1,062	2,216
Expenses for work with foreign currency	2	322
Other	2,416	3,321
Total other expenses from the activity	**25,303**	**23,465**

17. Income tax

A Expenses/income for the current and deferred tax

In thousands MKD	2020	2019
Current income tax		
Expenses/(income) for the current income tax for the year	3,747	2,419
Adjustments for the previous years	-	-
Benefits from the previously unrecognized tax losses, tax credits and temporary differences from the previous years	-	-
Changes in the accounting policies and errors	-	-
Other	-	-
	3,747	2,419
Deferred income tax		
Deferred income tax arising from the temporary diffrences for the year	-	-
Recognition of previously unrecognized tax losses	-	-
Changes in the tax rate	-	-
Introducing new taxes	-	-
Benefits from the previously unrecognized tax losses, tax credits or temporary differences from the previous years	-	-
Other	-	-
Total expenses/(return) from the income tax	3,747	2,419

In thousands MKD	2020	2019
Current income tax		
Recognized in the Income Statement	3,747	2,419
Recognized in the capital	-	-
	3,747	2,419
Deferred income tax		
Recognized in the Income Statement	-	-
Recognized in the capital	-	-
	-	-
Total expenses/(return) of the income tax	3,747	2,419

B Reconciliation between the the average effective tax rate and the applicable tax rate

	%	*Thousands MKD*	%	*Thousands MKD*
	2020		**2019**	
Income/(loss) before tax	-	35,503	-	20,786
Income tax pursuant to the applicable tax procedure	10%	3,550	10%	2,079
Effect from different tax rates in other countries	-	-	-	-
Adjustments for previous years and changes in the tax rate	-	-	-	-
Taxed income abroad	-	-	-	-
Unrecognized expenses for tax purposes	0.6%	197	1.6%	340
Tax-relieved income	-	-	-	-
Tax-release unrecognized in the Income Statement	-	-	-	-
Recognition of previously inrecognized tax losses	-	-	-	-
Benefits from previously unreccognized tax losses, tax credits and temporary differents from previous years	-	-	-	-
Deferred income changes	-	-	-	-
Other	-	-	-	-
Total expenses/(return) of the income tax	-	**3,747**	-	**2,419**
Average effective tax rate	**10.6%**	-	**11.6%**	-

B Income tax from other income/(loss) during the period which are not shown in the Income Statement

	Current year 2020			Previous year 2019		
In thousands MKD	Before tax	(expenses)/return of income tax	Reduced for the income tax	Before tax	(expenses)/return of income tax	Reduced for the income tax
Revaluation reserve for assets held for sales	-	-	-	-	-	-
Reserve for instruments for protection of cash flows risks	-	-	-	-	-	-
Reserve for instruments for protection of risk from net-investment in foreign work	-	-	-	-	-	-
Reserve from exchange differences from investment in foreign work	-	-	-	-	-	-
Share in the other income/(loss) from the affiliated companies not shown in the Income Statement	-	-	-	-	-	-
Other income/(loss) not shown in the Income Statement	-	-	-	-	-	-
Total other profit/(loss) during the period, not shown in the Income Statement	-	-	-	-	-	-

18 Cash and cash equivalents

In thousands MKD	**2020**	**2019**
Cash in treasury	19	50
Accounts and deposits in NBRNM, except for mandatory deposits in foreign currency	8,148	5,836
Current accounts and transaction deposits in foreign banks	216,196	181,150
Current accounts and transaction deposits in domestic banks	8	11

(All amounts are expressed in thousands MKD, unless otherwise stated)

Treasury records which can be traded on the secondary market	254,703	254,443
State records which can be traded on the secondary market	-	-
Term deposits with maturity period of three months	786,000	339,000
Other short-term high-liquid assets	-	-
Receivables based on interest	166	335
(Value adjustment)	(8,541)	(7,189)
Included in the cash and cash equivalents for the needs of the Cash Flow Report	**1,256,699**	**773,636**
Mandatory deposits in foreign currencies	-	-
Limited deposits	-	-
(Value adjustment)	-	-
Total	**1,256,699**	**773,636**

The treasurt records in amount of 254.703 MKD (2019:254.443 MKD) are debt securities issued by the NBRNM with maturity period of 28 days and an interest rate of 1.50%(2019:2.25%).

18 Cash and cash equivalents (continues)

	Current year 2020				Previous year 2019			
In thousands mKD	Value adjustment for Group I	Value adjustment for Group 2	Value adjustment for Group 3	Total value adjustment	Value adjustment for Group I	Value adjustment for Group 2	Value adjustment for Group 3	Total value adjustment
Flow of the value adjustment								
Status on 1 January	7,189	-	-	7,189	-	-	-	-
Value adjustment for the year								
Additional value adjustment	8,496	-	-	8,496	-	-	-	7,340
(release from value adjustment)	(7,166)	-	-	(7,166)	-	-	-	(151)
Transfer into:								
- Value adjustment for Group 1	-	-	-	-	-	-	-	-
- Value adjustment for Group 2	-	-	-	-	-	-	-	-
- Value adjustment for Group 3	-	-	-	-	-	-	-	-
(Foreclosed assets due to outstanding receivables)	-	-	-	-	-	-	-	-
Effects from exchange rate differences	22	-	-	22	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-
Status on 31 December	8,541	-	-	8,541	-	-	-	7,189

19. Trading assets

Structure of the trading assets according to the type of the financial instrument

	In thousands MKD	
	2020	2019
Trading securities		
Debt trading securities		
Treasury trading records	-	-
State trading records	-	-
Other instruments on the money-market	-	-
Bonds issued by the country	-	-
Corporate bonds	-	-
Other debt instruments	-	-
Quoted	-	-
Unquoted	-	-
Proprietary trading instruments		
Proprietary instruments issued by banks	-	-
Other proprietary instruments	-	-
Quoted	-	-
Unquoted	-	-
Trading derivatives		
Agreements dependant on the interest rate change	-	-
Agreements dependent on the exchange rate	-	-
Agreements dependent on the change of the securities price	-	-
Other agreements meeting the criteria of MSFI 9	-	-
Total trading assets	-	-

B. Reclassified trading assets

B.1 Status of the reclasiffied trading assets

		Current year 2020		Previous year 2019	
In thousands MKD	Reclassified amount (on the reclasifficatio date)	Book value on 31.12.2020 (current year)	Fair value on 31.12.2020 (current year)	Book value on 31.12.2019 (current year)	Fair value on 31.12.2019 (current year)
Trading assets reclassified in 2020 (current year) in:					
- financial assets held for sales	-	-	-	-	-
- bank loans and receivables	-	-	-	-	-
- other clients' loans and receivables	-	-	-	-	-
Trading assets reclassified in 2019 (current year) in:					
- financial assets held for sales	-	-	-	-	-
- bank loans and receivables	-	-	-	-	-
- other clients' loans and receivables	-	-	-	-	-

B.2 Profit or loss from the reclasiffied trading asstes

	Reclasiffied during 2020 (current year)			Reclasiffied during 2019 (previous year)		
In thousands MKD	Income Statement 2020 (current year)	Other profit/(loss) 2020 (current year)	Income Statement 2020 (current year)	Other profit/(loss) 2020 (current year)	Income Statement 2019 (previous year)	Other profit/(loss) 2019 (previous year)
Period before reclassification						
Trading assets reclasiffied in financial assets held for sales						
- net-trading income	-	-	-	-	-	-
Trading assets reclasiffied in loans and receivables from banks						
- net-trading income	-	-	-	-	-	-
Trading assets reclasiffied in loans and receivables from other clients						
- net-trading income	-	-	-	-	-	-
Period after reclassification						
Trading assets reclasiffied in financial assets held for sales						
- interest income	-	-	-	-	-	-
- value adjustment of the financial assets, on net-basis	-	-	-	-	-	-
- changes in the fair value, on net-basis	-	-	-	-	-	-
Trading assets reclasiffied in loans and receivables from banks						
- interest income	-	-	-	-	-	-
- value adjustment of the financial assets, on net-basis	-	-	-	-	-	-
Trading assets reclasiffied in loans and receivables from other clients						
- interest income	-	-	-	-	-	-
- value adjustment of the financial assets, on net-basis	-	-	-	-	-	-

B.3 Profit or loss that would be recognized in the Income statement if the assets were not reclasiffied

	Reclasiffied during 2020 (current year)	Reclasiffied during 2019 (previous year)	
In thousands MKD	Income Statement 2020(current year)	Income Statement 2020 (current year)	Income Statement 2019 (previous year)
Trading assets reclasiffied in financial assets held for sales	-	-	-
- net-trading income	-	-	-
Trading assets reclasiffied in bank loans and receivables	-	-	-
- net-trading income	-	-	-
Trading assets reclasiffied in other clients' loans and receivables	-	-	-
- net-trading income	-	-	-

20. Financial assets at fair value in the Income Statement, established as such at the initial recognition

In thousands MKD	**2020**	**2019**
Debt securities		
Treasury records	-	-
State records	-	-
Other instruments on the money-market	-	-
Bonds issued by the country	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Proprietary instruments		
Proprietary instruments issued by banks	-	-
Other proprietary instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Bank loans and receivables	-	-
Other clients' loans and receivablesi	-	-
Total financial assets at fair value in the Income Statement, established at such at initial recognition	-	-

21. Derivative assets and liabilities held for risk management

In thousands MKD

		Current year 2020		Previous year 2019	
		Derivative assets	(derivative liabilities)	Derivative assets	(derivative liabilities)
A.	**Derivatives for risk protection/derivatives held for risk management**				
A.1	*According to the type of application*				
	Derivatives held for risk management				
	Agreements dependent on the interest rate change	-	-	-	-
	Agreements dependent on the exchange rate change	-	-	-	-
	Agreements dependent on the price change of securities	-	-	-	-
	Other agreements meeting the criteria of MSFI 9	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
A.2	*According to the type of risk protection*				
	Protection from risk of fair value	-	-	-	-
	Protection from risk of cash flow	-	-	-	-
	Protection from risk of net-investment in foreign work	-	-	-	-
	Total derivatives held for risk management	-	-	-	-
B.	**Embedded derivatives**				
	Agreements dependent on the interest rate change	-	-	-	-
	Agreements dependent on the exchange rate change	-	-	-	-
	Agreements dependent on the price change of securities	-	-	-	-
	Other agreements meeting the criteria of MSFI 9	-	-	-	-
	Total embedded derivatives	-	-	-	-
	Total derivatives held for risk management	-	-	-	-

22 Loans and receivables

22.1 Bank loans and receivables

In thousands MKD	2020 Short-term	2020 Long-term	2019 Short-termi	2019 Long-term
Bank loans				
Domesic banks	85,694	10,446,162	94,872	9,214,675
Foreign banks	-	-	-	-
Term-deposits, with a maturity period of over three months				
Domesic banks	-	-	-	-
Foreign banks	-	-	-	-
Repo				
Domesic banks	-	-	-	-
Foreign banks	-	-	-	-
Other receivables				
Domesic banks	-	-	-	-
Foreign banks	-	-	-	-
Receivables on the basis of interest	15,780	-	19,528	-
Current maturity	1,726,069	(1,726,069)	2,325,493	(2,325,493)
Total banks loans and receivables before value adjustment	**1,827,543**	***8,720,093***	***2,439,893***	***6,889,182***
(Value adjustment)	(5)	(1,050)	(2)	(931)
Total banks loans and receivables reduced for the value adjustment	**1,827,538**	**8,719,043**	**2,439,891**	**6,888,251**

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated)

22.1 Banks loans and receivables (continues)

	Current year 2020				Previous year 2019			
In thousands MKD	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment
Flow of value adjustment								
Status on 1 Jan.	933	-	-	933	-	-	-	-
Value adjustment for the year								
Additional value adjustment	300	-	-	300	-	-	-	934
(release from value adjustment)	(184)	-	-	(184)	-	-	-	(1)
Transfer in:								
- Value adjustment for group 1	-	-	-	-	-	-	-	-
- Value adjustment for group 2	-	-	-	-	-	-	-	-
- Value adjustment for group 3	-	-	-	-	-	-	-	-
(Foreclosed assets due to outstanding receivables)	-	-	-	-	-	-	-	-
Effect from the exchange rate differences	6	-	-	6	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-
Status on 31 Dec.	**1,055**	-	-	**1,055**	-	-	-	**933**

22.2 Other clients loans and receivables

A Structure of the loans and receivables from other clients according to the type of the debtor

	2020		2019	
In thousands MKD	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Non-financial companies				
Receivables for principal	67,796	-	71,100	-
Receivables based on interest	164	-	218	-
State				
Receivables for principal	8,549	-	4,911	-
Receivables based on interest	8,462	-	5,674	-
Non-profit institutions serving the households				
Receivables for principal	-	-	-	-
Receivables based on interest	-	-	-	-
Financial companies, apart from banks				
Receivables for principal	-	-	-	-
Receivables based on interest	-	-	-	-
Households				
Receivables for principal	-	-	-	-
Home loans	-	-	-	-
Consumer loans	-	-	-	-
Car loans	-	-	-	-
Mortgage loans	-	-	-	-
Credit cards	-	-	-	-
Other loans	-	-	-	-
Receivables based on interest	-	-	-	-
Non-residents, apart from banks				
Receivables for principal	-	-	-	-
Receivables based on interest	-	-	-	-
Current maturity	-	-	-	-
Total other clients' loans and receivables before value adjustment	**84,971**	-	**81,903**	-
(Value adjustment)	(3,078)	-	(2,410)	-
Total other clients' loans and receivables reduced for the value adjustment	**81,893**	-	**79,493**	-

As of December 31, 2020, the total interest receivables from the state amount to MKD 8.462 (2019: MKD 5.674), of which MKD 8,384 (2019: MKD 5.644) refer to the Bank receivables in accordance with the Agreements for interest rate subsidies concluded between the Ministry of Finance and the Bank, which arise from the financial agreements for securing a loan, intended for financing small and medium-sized enterprises and other priority projects concluded between the European Investment Bank and the Bank.

22.2 Other clients' loans and receivables (continues)

A Structure of the other clients' loans and receivables according to the type of the debtor (continues)

	Current year 2020				Previous year 2019			
In thousands MKD	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment
Flow of value adjustment								
Status on 1 Jan.	1,415	106	889	2,410	-	-	-	2,397
Value adjustment for the year								
Additional value adjustment	2,149	583	1,727	4,459	-	-	-	6,419
(release from value adjustment)	(1,523)	(212)	(2,059)	(3,794)	-	-	-	(6,407)
Transfer in:								
- Value adjustment for group 1	(730)	-	730	-	-	-	-	-
- Value adjustment for group 2	-	-	-	-	-	-	-	-
- Value adjustment for group 3	-	-	-	-	-	-	-	-
(Foreclosed assets due to outstanding receivables)	-	-	-	-	-	-	-	-
Effect from the exchange rate differences	-	-	3	3	-	-	-	1
(Written-off receivables)	-	-	-	-	-	-	-	-
Transfer of value adjustment from non-functional interest	-	-	-	-	-	-	-	-
Status on 31 Dec.	**1,311**	**477**	**1,290**	**3,078**	-	-	-	**2,410**

22.2 Other clients' loans and receivables (continues)

B Structure of the other clients' loans and receivables according to the type of security

In thousands MKD	**2020**	**2019**
(current book value of loans and receivables)		
First-class instruments for security		
Monetary deposits (in depo and/or limited bank accounts)	-	-
State securities	-	-
State unconditional warranties	-	-
Bank warranties	-	-
Warranties from the insurance companies and insurance policies	-	-
Corporate warranties (except for banks and insurance companies)	37,085	35,500
Warranties from natural persons	-	-
Pledged real estate		
Personal usage property (houses, flats)	-	-
Business property	-	-
Pledged movable property	-	-
Other types of security	29,630	31,554
Unsecured	15,178	12,439
Total other clients' loans and receivables reduced for the value adjustment	**81,893**	**79,493**

23. Investment in securities

23.1 Investment in financial assets held for sales

Structure of the investment in financial assets held for sales according to the type of financial instrument

	In thousands MKD	
	2020	**2019**
Debt securities		
Treasury records	-	-
State records	-	-
Other instruments on the money-market	-	-
Bonds issued by the State	-	-
Corporate bonds	-	-
Other debt instruments	-	-
Quoted	-	-
Unquoted	-	-
Proprietory instruments		
Proprietory instruments issued by banks	-	-
Other proprietory instruments	-	-
Quoted	-	-
Unquoted	-	-
Total investment in financial instruments held for sales	-	-

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated)

23.1 Investment in financial assets held for sales (continues)

Structure of the investment in financial assets held for sales according to the type of financial instrument (continues)

	Current year 2020				Previous year 2019			
In thousands MKD	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment
Flow of value adjustment								
Status on 1 Jan.	-	-	-	-	-	-	-	-
Value adjustment for the year								
Additional value adjustment	-	-	-	-	-	-	-	-
(release from value adjustment)	-	-	-	-	-	-	-	-
Transfer in:								
- Value adjustment for group I	-	-	-	-	-	-	-	-
- Value adjustment for group 2	-	-	-	-	-	-	-	-
- Value adjustment for group 3	-	-	-	-	-	-	-	-
(Foreclosed assets due to outstanding receivables)	-	-	-	-	-	-	-	-
Effect from the exchange rate differences	-	-	-	-	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-
Status on 31 Dec.	-	-	-	-	-	-	-	-

23.2 Investment in financial assets held until maturity

In thousands MKD	2020	2019
Debt securities		
Treasury records	-	-
State records	-	-
Other instruments at money market	-	-
Bonds issued by the country	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
Total investment in financial assets held until maturity before value adjustment	-	-
(Value adjustment)	-	-
Total investment in financial assets held until maturity reduced for the value adjustment	-	-

23.2 Investment in financial assets held until maturity (continues)

	Current year 2020				Previous year 2019			
In thousands MKD	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment
Flow of value adjustment								
Status on 1 Jan.	-	-	-	-	-	-	-	-
Value adjustment for the year								
Additional value adjustment	-	-	-	-	-	-	-	-
(release from value adjustment)	-	-	-	-	-	-	-	-
Transfer in:								
- Value adjustment for group 1	-	-	-	-	-	-	-	-
- Value adjustment for group 2	-	-	-	-	-	-	-	-
- Value adjustment for group 3	-	-	-	-	-	-	-	-
(Foreclosed assets due to outstanding receivables)	-	-	-	-	-	-	-	-
Effect from the exchange rate differences	-	-	-	-	-	-	-	-
(Written-off receivables)	-	-	-	-	-	-	-	-
Status on 31 Dec.	-	-	-	-	-	-	-	-

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated)

24. Investment in subisidiaries and affiliated companies

A Bank participation percentage in subsidiaries and affiliated companies

in %

Name of the subsidiaries and affiliated companies	Country	Percentage participation in ownership 2020	Percentage participation in ownership 2019	Percentage of right to vote 2020	Percentage of right to vote 2019
-	-	-	-	-	-
-	-	-	-	-	-
		-	-	-	-

B Financial information for the affiliated companies – 100 %

In thousands MKD

Name of the affiliated companies	Total assets	Total liabilities	Total capital and reserves	Income	profit/(loss) for the fiscal year
2020					
-	-	-	-	-	-
-	-	-	-	-	-
	-	-	-	-	-
2019					
-	-	-	-	-	-
-	-	-	-	-	-
	-	-	-	-	-

25. Other receivables

In thousands MKD	**2020**	**2019**
Receivables from the suppliers	-	-
Expenses paid in advance	-	-
Calculated deferred income	524	488
Receivables for commissions and compensations	6,736	20,280
Receivables from the employees	-	-
Advanced payment for intangible assets	-	-
Advanced payment for real estate and equipment	-	-
Inventory	-	-
Receivables in calculation of business activities in foreign currency	-	-
Other	-	-
Total other receivables before value adjustment	**7,260**	**20,768**
(Value adjustment)	(3,611)	(9,708)
Total other receivables reduced for the value adjustment	**3,649**	**11,060**

25. Other receivables (continues)

	Current year 2020				Previous year 2019			
In thousands MKD	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment	Value adjustment for group 1	Value adjustment for group 2	Value adjustment for group 3	Total value adjustment
Flow of value adjustment								
Status on 1 Jan.	1	2	9,705	9,708	-	-	-	5,017
Value adjustment for the year								
Additional value adjustment	250	-	2,539	2,789	-	-	-	5,673
(release from value adjustment)	(1)	(2)	(3,492)	(3,495)	-	-	-	(981)
Transfer in:								
- Value adjustment for group 1	(250)	-	250	-	-	-	-	-
- Value adjustment for group 2	-	-	-	-	-	-	-	-
- Value adjustment for group 3	-	-	-	-	-	-	-	-
(Foreclosed assets due to outstanding receivables)	-	-	-	-	-	-	-	-
Effect from the exchange rate differences	-	-	17	17	-	-	-	(1)
(Written-off receivables)	-	-	(5,408)	(5,408)	-	-	-	-
Status on 31 Dec.	-	-	3,611	3,611	-	-	-	9,708

26. Pledged funds

In thousands MKD	2020	2019
Debt securities	-	-
Proprietory instruments	-	-
Total pledged funds	-	-

27. Foreclosed assets due to outstanding receivables

In thousands MKD	Land	Construction facilities	Equipment	Residential objects and flats	Other values	Total
Initial book value						
Status on 1 jan. 2019	264	17,635	708	-	-	18,607
Foreclosed assets during the year	-	-	-	-	-	-
(sold during the year)	-	-	(621)	-	-	(621)
(transfer in own funds)	-	-	-	-	-	-
Status on 31 Dec 2019	**264**	**17,635**	**87**	-	-	**17,986**
Status on 1 jan. 2019	264	17,635	87	-	-	17,986
Foreclosed assets during the year	-	-	-	-	-	-
(sold during the year)	-	-	-	-	-	-
(transfer in own funds)	-	-	-	-	-	-
Status on 31 Dec 2020	**264**	**17,635**	**87**	-	-	**17,986**
Impairment						
Status on 1 jan.2019	264	11,800	679	-	-	12,743
Loss due to impairment during the year	-	1,367	1	-	-	1,368
(sold during the year)	-	-	(621)	-	-	(621)
(transfer in own funds)	-	-	-	-	-	-
Status on 31 Dec. 2019	**264**	**13,167**	**59**	-	-	**13,490**
Status on 1 jan. 2020	264	13,167	59	-	-	13,490
Loss due to impairment during the year	-	4,367	28	-	-	4,395
(sold during the year)	-	-	-	-	-	-
(transfer in own funds)	-	-	-	-	-	-
Status on 31 Dec. 2020	**264**	**17,534**	**87**	-	-	**17,885**
Current book value						
on 1 jan2018	-	**5,835**	**29**	-	-	**5,864**
on 31 Dec. 2019	-	**4,468**	**28**	-	-	**4,496**
on 31 Dec. 2020	-	**101**	**0**	-	-	**101**

As of 31 December 2020, the fair value of the foreclosed assets amounts to MKD 22.214 (2019: MKD 22.363).

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD denars, unless otherwise stated)

28. Intangible assets

A. Reconciliation of the current book value

In thousands MKD	Internally developed software	Software bought from external suppliers	Other internally-developped intnagible assets	Other intangible assets	Investment in intangible assets under lease	Minority interest	Total
Purchase value							
Status on 1 jan. 2019	-	25,442	-	966	-	-	26,408
Increase through new supply	-	916	-	-	-	-	916
Increase through internal development	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-
(disposal and expenses)	-	-	-	-	-	-	-
(disposal through business combinations)	-	-	-	-	-	-	-
(transfer in non-current assets held for sales)	-	-	-	-	-	-	-
Tramsfer from non-current assets held for sales)	-	-	-	-	-	-	-
Status on 31 Dec. 2019	-	**26,358**	-	**966**	-	-	**27,324**
Status on 1 Jan. 2020	-	26,358	-	966	-	-	27,324
Increase through new supply	-	632	-	-	-	-	632
Increase through internal development	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-
(disposal and expenses)	-	-	-	-	-	-	-
(disposal through business combinations)	-	-	-	-	-	-	-
(transfer in non-current assets held for sales)	-	-	-	-	-	-	-
Tramsfer from non-current assets held for sales)	-	-	-	-	-	-	-
Status on 31 Dec. 2020	-	**26,990**	-	**966**	-	-	**27,956**
Depreciation and impairment							
Status on 1 Jan. 2019	-	25,221	-	897	-	-	26,118
Depreciation for the year	-	221	-	62	-	-	283
Loss due to impairment during the year	-	-	-	-	-	-	-
Release of loss due to impairment during the year	-	-	-	-	-	-	-
Disposal and expenses	-						
Status on 31 Dec 2019	-	**25,442**	-	**959**	-	-	**26,401**
Status on Jan. 2020	-	25,442	-	959	-	-	26,401
Depreciation for the year	-	794	-	6	-	-	800
Loss due to impairment during the year	-	-	-	-	-	-	-
Release of loss due to impairment during the year	-	-	-	-	-	-	-
Status on 31 Dec. 2020	-	**26,236**	-	**965**	-	-	**27,201**
Current book value							
On 1 Jan. 2019	-	**221**	-	**69**	-	-	**290**
On 31 Dec 2019	-	**916**	-	**7**	-	-	**923**

On 31 Dec 2020	-	754	-	1	-	-	755

B. *Book value of intnagible assets where there is limitation of ownership and/or they are pledged to secure the bank's liabiltiies*

In thousands MKS	Internally-developed software	Software bought from external suppliers	Other internally-developed intangible assets	Other intnagible assets	Investment in intangible assets under lease	Total
Current book value of:						
On 31 Dec. 2019	-	-	-	-	-	-
On 31 Dec. 2020	-	-	-	-	-	-

On 31 Dec 2020 and 2019, the Bank has no intangible assets for which there is limitation of ownership and/or are pledged to secure the Bank's liabilities.

29. Real estate and equipment

A. Reconciliation of the current book value

In thousands MKD	Land	Construction facilities	Transport means	Furniture and office inventory	Other equipment	Other items in real estate and equipment	Real estate and equipment in preparation	Investment in real estate and equipment under lease	Total
Book value									
Status on 1 jan. 2019	-	153,774	6,556	32,050	32	-	-	-	192,412
Increase	-	1,564	-	2,202	-	-	-	-	3,766
Increase through business combinations	-	-	-	-	-	-	-	-	-
(disposal and expenses)	-	-	-	-	-	-	-	-	-
(disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer in non-current assets held for sales)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sales)	-	-	-	-	-	-	-	-	-
Other transfer	-	-	-	-	-	-	-	-	-
Status on 31 Dec. 2019	-	**155,338**	6,556	**34,252**	**32**	-	-	-	**196,178**
Status on 1 Jan. 2020	-	155,338	6,556	34,252	32	-	-	-	196,178
Increase	-	-	-	645		-	-	-	645
Increase through business combinations	-	-	-	-	-	-	-	-	-
(disposal and expenses)	-	-	-	-	-	-	-	-	-
(disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer in non-current assets held for sales)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sales)	-	-	-	-	-	-	-	-	-
Other transfer	-	-	-	-	-	-	-	-	-
Status on 31 Dec. 2020	-	**155,338**	6,556	**34,897**	**32**	-	-	-	**196,823**

A. *Reconciliation of the current book value (continues)*

In thousands MKD	Land	Construction facilities	Transport means	Furniture and office inventory	Other equipment	Other items in real estate and equipment	Real estate and equipment in preparation	Investment in real estate and equipment under lease	Total
Depreciation and impairment									
Status on Jan. 2019	-	42,683	6,556	31,259	25	-	-	-	80,523
Depreciation for the year	-	3,872	-	623	3	-	-	-	4,498
Loss due to impairment during the year	-	-	-	-	-	-	-	-	-
Release of loss due to impairment during the year	-	-	-	-	-	-	-	-	-
(disposal and expenses)	-	-	-	-	-	-	-	-	-
(transfer in nin-current assets held for sales)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sales)	-	-	-	-	-	-	-	-	-
Other transfer	-	-	-	-	-	-	-	-	-
Status on 31 Dec. 2019	-	**46,555**	**6,556**	**31,882**	**28**	-	-	-	**85,021**
Status on 1 Jan. 2020	-	46,555	6,556	31,882	28	-	-	-	85,021
Depreciation for the year	-	3,883	-	642	3	-	-	-	4,528
Loss due to impairment during the year	-	-	-	-	-	-	-	-	-
Release of loss due to impairment during the year	-	-	-	-	-	-	-	-	-
(disposal and expenses)	-	-	-	-	-	-	-	-	-
(transfer in nin-current assets held for sales)	-	-	-	-	-	-	-	-	-
Transfer from non-current assets held for sales)	-	-	-	-	-	-	-	-	-
Other transfer	-	-	-	-	-	-	-	-	-
Status on 31 Dec.2020		**50,438**	**6,556**	**32,524**	**31**	-	-	-	**89,549**
Current book value									
On 1 Jan. 2019	-	**111,091**	-	791	7	-	-	-	**111,889**
On 31 Dec. 2019	-	**108,783**	-	2,370	4	-	-	-	**111,157**
On 31 Dec.2020	-	**104,900**	-	2,373	1	-	-	-	**107,274**

B. *Book value of the real estate and equipment where there is limitation of the ownership and/or they are pledged to secure the Bank's liabilities*

In thousands MKD	Land	Construction facilities	Transport means	Furniture and office inventory	Other equipment	Other items in real estate and equipment	Real estate and equipment in preparation	Investment in real estate and equipment under lease	Total
Current book value of:									
On 31 Dec. 2019	-	-	-	-	-	-	-	-	-
On 31 Dec.2020	-	-	-	-	-	-	-	-	-

On 31 Dec. 2020 and 2019, the Bank has no real estate and equipment for which there is limitation of the ownership and/or are pledged to secure the Bank's liabilities.

30. Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

In thousands MKD	2020	2019
Income tax receivables (current)	202	3.653
Income tax liabilities (current)	(296)	-

30.2 Deferred tax assets and deferred tax liabilities

A. Recognized deferred tax assets and deferred tax liabilities

	2020			2019		
In thousands MKD	Deffered tax assets	Deferred tax liabilities	On net-basis	Deffered tax assets	Deferred tax liabilities	On net-basis
Derivative assets held for risk management	-	-	-	-	-	-
Bank loans and receivables	-	-	-	-	-	-
Other clients' loans and receivables	-	-	-	-	-	-
Investment in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Real estate and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unused tax losses and unused tax loans	-	-	-	-	-	-
Other	-	-	-	-	-	-
Deferred tax assets/liabilities recognized in the Income Statement	-	-	-	-	-	-
Investment in financial assets held for sales	-	-	-	-	-	-
Protection of cash flow risks	-	-	-	-	-	-
Deferred tax assets/liabilities recognized in the capital	-	-	-	-	-	-
Total recognized deferred tax assets/liabilities	-	-	-	-	-	-

30.2 Deferred tax assets and deferred tax liabilities (continues)

B. *Unrecognized deferred tax assets*

In thousands MKD	**2020**	**2019**
Tax losses	-	-
Tax loans	-	-
Total unrecognized deferred tax assets	-	-

V. *Reconciliation of the flow of deferred tax assets and deferred tax liabilities during the year*

In thousands MKD	Status on 1 Jan.	Recognized during the year: Income statement	Capital	Status on 31 Dec.
2020				
Derivative assets held for risk management	-	-	-	-
Bank loans and receivables	-	-	-	-
Other clients' loans and receivables	-	-	-	-
Investment in securities	-	-	-	-
Intangible assets	-	-	-	-
Real estate and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax loans	-	-	-	-
Other	-	-	-	-
Investment in financial assets held for sales	-	-	-	-
Protection from risk of cash flow	-	-	-	-
Total recognized deferred tax assets/liabilities	-	-	-	-
2019				
Derivative assets held for risk management	-	-	-	-
Bank loans and receivables	-	-	-	-
Other clients' loans and receivables	-	-	-	-
Investment in securities	-	-	-	-
Intangible assets	-	-	-	-
Real estate and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax loans	-	-	-	-
Other	-	-	-	-
Investment in financial assets held for sales	-	-	-	-
Protection from risk of cash flow	-	-	-	-
Total recognized deferred tax assets/liabilities	-	-	-	-

31. Non-current assets held for sales and disposal group

A. Non-current assets held for sales

In thousands MKD	**2020**	**2019**
Intnagible assets	-	-
Real estate and equipment	-	-
Total non-current assets held for sales	-	-

B. Disposal group

In thousands MKd	**2020**	**2019**
Disposal group of assets		
Financial assets	-	-
Intangible assets	-	-
Real estate and equipment	-	-
Investment in affiliated companies	-	-
Reveivables for income tax	-	-
Other assets	-	-
Total disposal group of assets	-	-
Liabilities directly related to the disposal group of assets		
Financial liabilities	-	-
Special reserve	-	-
Liabilities for income tax	-	-
Other liabilities	-	-
Total liabilities directly related to the disposal group of assets	-	-

V. Profit/(loss) recognized from the sales of assets held for sales and a disposal group

In thousands MKD	**2020**	**2019**
Profit/(loss) recognized from the sales of assets held for sales and a disposal group	-	-

32. Liabilities for trading

In thousands MKD	**2020**	**2019**
Bank deposits		
Current accounts, demand deposits and overnight deposits	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
Other clients deposits		
Current accounts, demand deposits and overnight deposits	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
Issued debt securities		
Instruments at the money-market	-	-
Ceritifcates for deposits	-	-
Issued bonds	-	-
Other	-	-
	-	-
Other financial liabilities	-	-
Derivatives for trading		
Agreements dependent on the interest rate change	-	-
Agreements dependent on the exchange rate change	-	-
Agreements dependent on the price change of securities	-	-
Other agreements meeting the criteria of MSFI9	-	-
	-	-
Total liabilities for trading	-	-

33. Financial liabilities at fair value in the Income Statement, established at such at initial recognition

In thousands MKD	2020 Current book value	2020 Contract value, payable at maturity	2019 Current book value	2019 Contract value, payable at maturity
Bank deposits				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Term deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
Other clients' deposits				
Current accounts, demand deposits and overnight deposits	-	-	-	-
Term deposits	-	-	-	-
Other deposits	-	-	-	-
	-	-	-	-
Issued debt securities				
Instruments at the money-market	-	-	-	-
Certificates for bonds	-	-	-	-
Issued bonds	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Subordinate liabilities	-	-	-	-
Other financial liabilities	-	-	-	-
Total financial liabilities at fair value in the Income Statement, established at such at the initial recognition	-	-	-	-

	In thousands MKD Current year 2020	Previous year 2019
Flow of changes in the creditability of the Bank, for financial liabilities measeured at fair value		
Status on 1 Jan.	-	-
Recognized in the Other Comprehensive Profit for the year	-	-
(Transfer in other reserve funds)	-	-
Status on 31 Dec.	-	-

34. Deposits

34.1 Bank deposits

	2020		2019	
In thousands MKD	**Short-term**	**Long-term**	**Short-term**	**Long-term**
Current accounts				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Demand deposits				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Term deposits				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Limited deposits				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Other deposits				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Liabilities based on interest for deposits				
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Current maturity	-	-	-	-
Total bank deposits	-	-	-	-

34.2 Other clients' deposits

	2020		2019	
In thousands MKD	Short-term	Long-term	Short-term	Long-term
Non-financial assets				
Current accounts	-	-	-	-
Demand deposits	-	-	-	-
Term deposits	-	-	-	-
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Liabilities based on interest for deposits	-	-	-	-
	-	-	-	-
State				
Current accounts	-	-	-	-
Demand deposits	-	-	-	-
Term deposits	-	-	-	-
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Liabilities based on interest for deposits	-	-	-	-
	-	-	-	-
Non-prof institutionsserving households				
Current accounts	-	-	-	-
Demand deposits	-	-	-	-
Term deposits	-	-	-	-
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Liabilities based on interest for deposits	-	-	-	-
	-	-	-	-
Financial companies apart from banks				
Current accounts	-	-	-	-
Demand deposits	-	-	-	-
Term deposits	-	-	-	-
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Liabilities based on interest for deposits	-	-	-	-
	-	-	-	-
Households				
Current accounts	-	-	-	-
Demand deposits	-	-	-	-
Term deposits	-	-	-	-
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Liabilities based on interest for deposits	-	-	-	-
	-	-	-	-
Non-residents, apart from banks				
Current accounts	-	-	-	-
Demand deposits	-	-	-	-
Term deposits	-	-	-	-
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Liabilities based on interest for deposits	-	-	-	-
	-	-	-	-
Current maturity	-	-	-	-
Total of other clients' deposits	-	-	-	-

35. Issued debt securities

In thousands MKD	2020	2019
Instruments at the money-market	-	-
Certificates for deposit	-	-
Issued bonds	-	-
Other	-	-
Liabilities based on interest for issued securities	-	-
Total issued debt securities	-	-

36. Liabilities for loans

A. *Structure of the liabilities for loans according to the type of the liability and the sector of the lender*

		2019		2018
In thousands MKD	Short-term	Long-term	Short-term	Long-term
Banks				
- Residents				
Liabilities for loans	-	-	-	-
Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	-	-	-	-
- Non-residents				
Liabilities for loans	-	9,053,710	-	7,584,250
Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	7,586	-	10,341	-
Non-financial companies				
Liabilities for loans	-	-	-	-
Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	-	-	-	-
State				
Liabilities for loans	-	71,473	-	78,620
Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	-	-	-	-
Non-profit institutions serving the households				
Liabilities for loans	-	-	-	-
Liabilities based on interest	-	-	-	-
Financial companies, apart from banks				
Liabilities for loans	-	-	-	-
Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	-	-	-	-
Non-residents, apart from banks				
-Non-financial companies				
Liabilities for loans	-	-	-	-
Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	-	-	-	-
-State				
Liabilities for loans	-	-	-	-
Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	-	-	-	-
-Non-profit institutions serving households				
Liabilities for loans	-	-	-	-
Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	-	-	-	-
-Financial companies, apart from banks				
Liabilities for loans	-	-	-	-

Repurchase agreements (Repo-transactions)	-	-	-	-
Liabilities based on interest	-	-	-	-
-Households				
Liabilities for loans	-	-	-	-
Liabilities based on interest	-	-	-	-
Current maturity	1,172,511	(1,172,511)	2,008,700	(2,008,700)
Total liabilities for loans	**1,180,097**	**7,952,672**	**2,019,041**	**5,654,170**

B. *Liabilties for loans according to the creditability*

	2020		2019	
In thousands MKD	Short-term	Long-term	Short-term	Long-term
Domestic resources				
Republic of North Macedonia	-	71,473	-	78,620
Foreign resources	-	-	-	-
EIB	7,586	8,404,395	10,341	6,896,794
KfW	-	649,315	-	687,456
Current maturity	1,172,511	(1,172,511)	2,008,700	(2,008,700)
Total liabilities for loans	**1,180,097**	**7,952,672**	**2,019,041**	**5,654,170**

As of 31 December 2020, the largest part of the liabilities for loans relates to borrowings from the European Investment Bank (EIB) in amount of MKD 8.404.395 (2019: MKD 6.896.794), which was concluded on June 25, 2009. The realization of the EIB credit line intended for support of small and medium-sized enterprises and priority projects, started on June 25th, 2009, when the first agreement was concluded with the EIB for the realization of the first phase of this credit line in total of EUR 100,000,000 with a maturity date of April 16, 2021. In addition, four more agreements were concluded with the EIB for the implementation of the next four phases, on 14 October 2011 a new agreement was signed with the EIB in the total amount of EUR 50,000,000 - Phase II with a due date 16 October 2019. On July 10, 2012, an agreement in total amount of EUR 100,000,000 was signed with the EIB - Phase III with a maturity date of October 16, 2020. On December 31, 2013, an agreement in the total amount of EUR 100,000,000 was signed with the EIB - Phase IV with a maturity date of October 16, 2023.

On September 11, 2018, an agreement was signed with the EIB in total amount of EUR 100,000,000 - phase V with a maturity of 12 years following the withdrawal of the last tranche. The interest rate is determined for each tranche of the loan, on the day of the delivery of the request for withdrawal of funds and they range from 0.3% to 3.0% on an annual basis.

As of December 31, 2020, in addition to the liabilities for loans from the EIB, the Bank has liabilities for loans relating to credit lines from KFW in amount of MKD 649.315 (2019: MKD 687.456). The end maturity date is December 30, 2044, and the interest rates range from 0.8% to 2.0% on an annual basis.

Loans taken from the European Investment Bank (EIB) and loans taken from KfW are secured by government guarantees.

37. Subordinate liabilities

In thousands MKD	2020	2019
Liabilities for subordinate deposits		
Liabilities based on interest	-	-
	-	-
Liabilities for subordinate deposits		
Liabilities based on interest	-	-
	-	-
Liabilities for subordinate issued debt securities		
Liabilities based on interest	-	-
	-	-
Redeemable preferred shares	-	-
Total subordinate liabilities	-	-

38. Special reserve and reservations

In thousands MKD	Special reserves for off-balance credit exposure	Reservations for contingent liabilities based on court disputes	Reservations for pensions and other benefits for the employees	Reservations for restructuring	Reservations for unfavourable agreements	Other reservations	Total
Status on jan. 2019	5,784	-	-	-	-	-	5,784
Additional reservations during the year	10,860	-	-	-	-	-	10,860
(used reservations during the year)	-	-	-	-	-	-	-
(release of reservations during the year)	(7,341)	-	-	-	-	-	(7,341)
Effect from exchange rate differences	-	-	-	-	-	-	-
Status on 31 Dec. 2019	**9,303**	-	-	-	-	-	**9,303**
Status on jan. 2020	9,303	-	-	-	-	-	9,303
Additional reservations during the year	3,493	6,207	-	-	-	-	9,700
(used reservations during the year)	-	-	-	-	-	-	-
(release of reservations during the year)	(2,150)	-	-	-	-	-	(2,150)
Effect from exchange rate differences	-	-	-	-	-	-	-
Status on 31 Dec 2020	**10,646**	**6,207**	-	-	-	-	**16,853**

The special reserve for the off-balance credit exposure of the Bank arises from the financial warranties based on concluded agreements for guaranteeing collection in short-term export. The reserves for potential liabilities based on court disputes arise from an assessment of the value of the claims.

39. Other liabilities

In thousands MKD	2020	2019
Liabilities to the suppliers	932	1,600
Granted advance payments	-	-
Liabilities for commissions and compensations	5,747	5,115
Calculated expenses	-	-
Deffered income from the previous year	3,818	3,428
Short-term liabilities to the employees	-	-
Short-term liabilities for employees' benefits	-	-
Liabilities for unrealized payment transfers	-	-
Other taxes and contributions	-	-
Other		
- Other liabilities	185,070	-
Total other liabilities	453	443

On December 29, 2020, the Government of the Republic of North Macedonia paid 185.070 MKD pursuant to the Decision to increase the initial capital of the Development Bank of North Macedonia AD Skopje adopted on on December 12, 2020. Until the completion of the subscription of the shares, in accordance with the Decision on Methodology for Recording and Valuation of the Accounting Items and Preparation of Financial Statements, the paid-in and unsubscribed capital is presented in the position of Other Liabilities.

On April 23, 2021, the Assembly of Shareholders of the Bank adopted a Decision to increase the initial capital of the bank no. 02-6117/1 for the amount of 185.070 MKD. Until the date of approval of these financial statements, the Bank has not subscribed the paid-in capital.

(All amounts are expressed in thousands MKD denars, unless otherwise stated)

40. Registered capital

A Registered capital

As of December 31, 2020, the total shareholder capital of the Bank is 1.193.792 MKD (2019: 1.193.792 MKD) and it consists of 384.103 (2019: 384.103) approved and fully paid ordinary shares. The nominal value per share is 3.108 MKD (2018: 3.108 MKD). The total capital is owned by the Government of the Republic of North Macedonia. The Government of the Republic of North Macedonia, with the Decision to increase the initial capital development of the Development Bank of North Macedonia AD Skopje, paid 185.070 MKD on December 12, 2020. After the completion of the administrative procedure, the increase shall be done by issuance of 59.546 ordinary shares.

		In MKD		*No. Of issued shares*				*In MKD*
	Nominal value per share		Ordinary shares		Non-redeemable shares		Total recorded capital	
	Ordinary shares	Non-redeemable priority shares	2020	2019	2020	2019	2020	2019
Status on 1 jan. – fully paid	3,108	-	384,103	384,103	-	-	1,193,792	1,193,792
Registered shares during the year	-	-	-	-	-	-	-	-
Option realization of shares	-	-	-	-	-	-	-	-
Division/increase of the nominal value of the share	-	-	-	-	-	-	-	-
Other changes during the year	-	-	-	-	-	-	-	-
Status on 31 Dec - fully paid	**3,108**	-	**384,103**	**384,103**	-	-	**1,193,792**	**1,193,792**

B. Dividends
B.1 Announced and paid dividends for the year

In thousands MKD	**2020**	**2019**
Announced and paid dividends for the year	-	-

In thousands MKD	**2020**	**2019**
Dividend per ordinary share	-	-
Dividend per preferred share	-	-

Pursuant to the Law on Founding the Macedonian Bank for Development Promotion, the dividend belonging to the state is allocated within the reserves of the Bank.

B.2 Announced dividends after the Balance Sheet date (no liabilities for dividends are shown in the Balance Sheet)

In thousands MKD	**2020**	**2019**
Announced dividends after 31 December	-	-

In thousands MKD	**2020**	**2019**
Dividend per ordinary share	-	-
Dividend per preferred share	-	-

V Shareholders whose ownership surpasses 5% of the shares, with a right to vote

	In thousands MKD			*Vo %*
	2020	2019	2020	2019
Name of the shareholder	Registered capital (nominal value)	Premium from shares (nominal value)	Right to vote	Right to vote
Government of the Republic of North Macedonia	1,193,792	1,193,792	100	100
Total	**1,193,792**	**1,193,792**	**100**	**100**

(All amounts are expressed in thousands MKD, unless otherwise stated)

41. Earnings per share

A. Basic earnings per share

	2020	2019
Net-profit/(loss) belonging to the owners of ordinary shares		
Net-profit for the year	31,756	18,367
Dividend for non-redeemable preferred shares	-	-
Adjustments of the net-profit belonging to the owners of ordinary shares	-	-
Net-profit belonging to the owners of ordinary shares	**31,756**	**18,367**

	2020	2019
Weighted average number of ordinary shares		
Issued ordinary shares on 1 January	384,103	384,103
Effects from changes of the number of ordinary shares during the year		
-effect from emitting new shares	-	-
- effect from anulling personal shares	-	-
- effect from withdrawal of previously issed shares	-	-
- effect from conversion of prefereed into ordinary shares	-	-
Weighted average number of ordinary shares on 31 December	384,103	384,103
Basic earnings per share (in MKD)	**83**	**48**

B. Diluted earnings per share

	2020	2019
Net-profit belonging to the owners of ordinary shares(diluted)		
Net-profit for the year, belonging to the owners of ordinary shares	31,756	18,367
Adjustments of the net-profit belonging to the owners of ordinary shares for the effects of all issued potential ordinary shares	-	-
Net- profit belonging to the owners of ordinary shares (diluted)	**31,756**	**18,367**

	2020	2019
Weighted average number of ordinary shares (diluted)		
Issued ordinary shares on 1 January	384,103	384,103
Effects from the issuance of potential ordinary shares	-	-
Weighted average number of ordinary shares (diluted) on 31 December	384,103	384,103
Diluted earnings per share (in MKD)	**83**	**48**

42. Contingent liabilities and assets

42.1 Contingent liabilities

In thousands MKD	2020	2019
Paid unsupported warranties		
In MKD denars	-	-
In foreign currency	-	-
Performance unsupported bonds		
In MKD denars	-	-
In foreign currency	-	-
Unsupported documentary credits		
In MKD denars	-	-
In foreign currency	-	-
In MKD denars with currency clause	-	-
Unused overdraft in current accounts	-	-
Foreclosed liabilities for credit cards	-	-
Foreclosed liabilities for crediting and unused credit limits	-	-
Other unsupported contingent liabilities	588,958	395,578
Issued supported contingent liabilities	-	-
Other supported contingent liabilities	-	-
Total contingent liabilities before special reserve	**588,958**	**395,578**
(Special reserve)	(10,646)	(9,303)
Total contingent liabilities reduced for the special reserve	**578,312**	**386,275**

The total remaining unsupported contingent liabilities amounting to MKD 588.958 as of December 31, 2020 (2019: MKD 395.578) arise from issued insurance policies for the receivables, the special reserve for them as of December 31, 2020 is MKD 10.646 (2019: MKD 9.303). The contingent liabilities in this note are irrevocable.

The Bank has potential liabilities on the basis of issued insurance policies for the receivables. Insured persons are generally insured against commercial risks, i.e. bankruptcy and continued non-payment by the buyer. In case one of the stated risks occurs, the indemnity is paid to the insured. These contingent liabilities have off-balance sheet credit risk and a special reserve is set aside for them.

In the Balance Sheet the receivables as well as the liabilities to the re-reinsurers are recognized, the receivables from the insured on the basis of commissions, the receivables from the insured in case of possible recourse of paid damages, as well as the liabilities to the insured on the basis of paid damages. The respective adjustments of the receivables from the insured persons and re-insurers are recorded in the Balance Sheet too.

Court disputes
As of December 31, 2020, the lawsuits against the Bank amount to a total of 36.795 MKD (2019: 36.839 MKD). For part of the litigation procedures in the amount of 13.793 MKD, the Bank as of 31.12.2020 recorded a reserve in accordance with the Legal Risk Management Procedures in the amount of 45% of the value of the claim i.e. 6.207 MKD (Note 16).

Pension plans

The Bank has no defined plans for compesantion since the Management considers that the current value of the future liabilities. Regarding the number of the employees (39) and their age is not material for the financial statements as of December 31, 2020 and 2019.

42.2 Contingent assets

In thousands MKD	**2020**	**2019**
Total contingent assets	-	-

(All amounts are expressed in thousands MKD, unless otherwise stated)

43. Activities on behalf and in favour of third parties

	2020			2019		
	Assets	Liabilities	Net-position	Assets	Liabilities	Net-position
Administrating assets on behalf and in favour of the third parties						
Deposits in MKD denars	-	-	-	-	-	-
Deposits in foreign currencies	-	-	-	-	-	-
Loans in MKD denars	-	-	-	-	-	-
Loans in foreign currencies	-	-	-	-	-	-
Other receivables in MKD denars	-	-	-	-	-	-
Other receivables in foreign currencies	-	-	-	-	-	-
Managing assets on behalf and in favour of third parties						
Deposits in MKD denars	-	-	-	-	-	-
Deposits in foreign currencies	-	-	-	-	-	-
Loans in MKD denars	2,399,544	2,399,544	-	1,615,867	1,615,867	-
Loans in foreign currencies	11,957	11,957	-	89,914	89,914	-
Other receivables in MKD denars	-	-	-	-	-	-
Other receivables in foreign currencies	-	-	-	-	-	-
Trust accounts	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	**2,411,501**	**2,411,501**	-	**1,705,781**	**1,705,781**	-

The Bank is authorized to be an agent of the Government of the Republic of North Macedonia, placing the loans from the Italian credit line, from the funds from the Republic of North Macedonia for the Self-Employment Project, the funds from the International Bank for Reconstruction and Development for the Sustainable Energy Project, the Renewable credit fund and compensation funds, to final debtors through selected commercial banks from the Republic of North Macedonia or directly.

Within the set of economic measures to help the Economy cope with the COVID-19 crisis during March-April 2020, the Government of RNM and DBNM concluded Annexes to the Agreement for the establishment of a credit for energy efficiency and renewable energy sources and under the Agreement for administration of the Special Credit Fund concluded with the Ministry of Finance, with which the funds from the Special Credit Fund owned by the Government of RNM are reallocated for the COVID-1 credit for the purposes of dealing with the negative consequences of the coronavirus.

Also, within the set of economic measures to help the farm to deal with COVID-19, the crisis with the Decision on Amendments to the Decision on the Conditions and Criteria for Reassignment of the Funds from the Compensation Funds from Foreign Government published in Official Gazette No. 105 on April 21, 2020, part of the funds were transferred to the COVID-2 credit for direct support of micro, small and medium-sized enterprises affected by the crisis. Within the set of economic measures for supporting the economy during November 2020, the Government of RNM and DBNM concluded an Agreement for the administration of a fund for micro and small-sized enterprises i.e. a credit intended for the implementation of the measure for establishing interest-free credit with a grant component intended for micro and small –sized enterprises - COVID-3.

44. Transactions with affiliated parties
A. Balance Sheet

In thousands MKD	Parent company	Subsidiaries	Affiliated companies	Bank Management	Other afilliated parties	Total
Status on 31 Dec. 2020						
Assets						
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and receivables						
Mortgage loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Receivables for financial leasing	-	-	-	-	-	-
Recevables for faktoring and forfaiting	-	-	-	-	-	-
Other loans and receivables	8,382	-	-	-	8,627	17,009
Investment in securities	-	-	-	-	-	-
(value adjustment)	-	-	-	-	(1,172)	(1,172)
Other assets	2,653	-	-	-	-	2,653
Total	**11,035**	-	-	-	**7,455**	**18,490**
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Issued securities	-	-	-	-	-	-
Liabilities for loans	71,473	-	-	-	-	71,473
Subordinate liabilities	-	-	-	-	-	-
Other liabilities	35	-	-	-	-	35
Total	**71,508**	-	-	-	-	**71,508**

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated)

Contingent liabilities						
Issued warranties	-	-	-	-	-	-
Issued documentary credits	-	-	-	-	-	-
Other contingent liabilities	-	-	-	-	-	-
(Special reserve)	-	-	-	-	-	-
Total	-	-	-	-	-	-
Contingent assets						
Received warranties	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

A. Balance Sheet (continues)

In thousands MKD	Parent company	Subsidiaries	Affiliated companies	Bank Management	Other afilliated parties	Total

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated)

Status on 31 Dec. 2019						
Assets						
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and receivables						
Mortgage loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Receivables for financial leasing	-	-	-	-	-	-
Recevables for faktoring and forfaiting	-	-	-	-	-	-
Other loans and receivables	5,644	-	-	-	4,942	10,586
Investment in securities	-	-	-	-	-	-
(value adjustment)	-	-	-	-	(994)	(994)
Other assets	1,864	-	-	-	-	1,864
Total	7,508	-	-	-	3,948	11,456
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	-	-	-	-	-	-
Issued securities	-	-	-	-	-	-
Liabilities for loans	78,620	-	-	-	-	78,620
Subordinate liabilities	-	-	-	-	-	-
Other liabilities	84	-	-	-	-	84
Total	78,704	-	-	-	-	78,704
Contingent liabilities						
Issued warranties	-	-	-	-	-	-
Issued documentary credits	-	-	-	-	-	-
Other contingent liabilities	-	-	-	-	-	-
(Special reserve)	-	-	-	-	-	-
Total	-	-	-	-	-	-
Contingent assets						
Received warranties	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

The affiliated parties to the Bank are as follows: the persons with special rights and responsibilities in the Bank and their related parties, shareholders with qualified participation in the Bank and their related parties, as well as the responsible persons for those shareholders. The sole owner is the Government of the Republic of North Macedonia and the Bank may not approve loans and issue warranties to the state, public enterprises and institutions financed from the budget.

B. Income and expenses arising from transactions with affiliated parteis

In thousands MKD	Parent company	Subsidiaries	Affiliated companies	Bank Management	Other afilliated parties	Total
2020 (current year)						
Income						
Income from interest	34,733	-	-	-	572	35,305
Income from commissions and compensations	12,156	-	-	-	-	12,156
Net-incoem from trading	-	-	-	-	-	-
Income from dividends	-	-	-	-	-	-
Capital profit from sales of non-current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
Total	**46,889**	-	-	-	**572**	**47,461**
Rashodi						
Expenses for interest	766	-	-	-	-	766
Expenses for commissions and compensations	-	-	-	-	-	-
Net-loss from trading	-	-	-	-	-	-
Expenses for supply of non-current assets	-	-	-	-	-	-
Value adjustment of financial assets, on net-basis	-	-	-	-	(179)	(179)
Other expenses		-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
Total	**766**	-	-	-	**(179)**	**587**

B. Income and expenses arising from transactions with affiliated parties (continues)

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated)

In thousands MKD	Parent company	Subsidiaries	Affiliated companies	Bank Management	Other afilliated parties	Total
2019 (previous year)						
Income						
Income from interest	48,643	-	-	-	950	49,593
I ncome from commissions and compensations	5,840	-	-	-	-	5,840
Net-income from trading	-	-	-	-	-	-
Income from dividends	-	-	-	-	-	-
Capital profit from sales of non-current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
Total	**54,483**	-	-	-	**950**	**55,433**
Expenses						
Expenses for interest	842	-	-	-	-	842
Expenses for commissions and compensations	-	-	-	-	-	-
Net-loss from trading	-	-	-	-	-	-
Expenses for supply of non-current assets	-	-	-	-	-	-
Value adjustment of financial assets, on net-basis	-	-	-	-	(819)	(819)
Other expenses	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
Total	**842**	-	-	-	**(819)**	**23**

V. Benefits for the Bank Management

In thousands MKD

	Current year 2020	Previous year 2019
Short-term benefits for the employees	20,652	18,943
Benefits after the employment termination	-	-
Benefits because of employment termination	-	-
Payments to employees based on shares, paid by proprietary instruments	-	-
Payments to employees based on shares, paid by monetary assets	-	-
Other	-	-
Total	**20,652**	**18,943**

45. Lease

A. Lessor

A1. Receivables for financial lease

In thousands MKD	Total receivables for financial lease	Period of receivables' maturity for financial lease		
		Up to 1 year	Up to 1 year	Up to 1 year
Status on 31 Dec. 2020 (current year)				
Current value of the minimum payment for lease	-	-	-	-
Total	-	-	-	-
Status on 31 Dec. 2019 (previous year)				
Current value of the minimum payment for lease	-	-	-	-
Total	-	-	-	-

A.2 Receivables for irrevocable operating lease

In thousands MKD	Total receivables for operating lease	Period of maturity of the receivables for operating lease		
		Up to 1 year	Up to 1 year	Up to 1 year
Status on 31 Dec 2020 (current year)				
Current value of the minimum payment for lease	-	-	-	-
Total	-	-	-	-
Status on 31 Dec 2019 (previous year)				
Current value of the minimum payment for lease	-	-	-	-
Total	-	-	-	-

A.2 Receivables for irrevocable operating lease (continues)

In thousands MKD	Land	Construction facilities	Transport means	Furniture and office inventory	Other equipment	Other items of real estate and equipment	Total
Value of the property given under operating lease:							
Status on 31 Dec. 2020 (current year)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Status on 31 Dec 2019 (previous year)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

B. Lessee

B.1 Liabilities for financial lease

In thousands MKD	Total liabilities for financial lease	Period of maturity of th eliabilies for financial lease		
		Up to 1 year	Between and 5 years	Over 5 years
Status on 31 Dec. 2020 (current year)				
Current value of the minimum payment for the lease	-	-	-	-
Total	-	-	-	-
Status on 31 Dec. 2019 (previous year)				
Current value of the minimum payment for the lease	-	-	-	-
Total	-	-	-	-

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated

B.1 Liabilities for financial lease (continues)

In thousands MKD	Land	Construction facilities	Transport means	Furniture and office inventory	Other equipment	Other items of the real estate and equipment	Total
Value of the estate taken under financial lease:							
Purchase value							
Status on 1 Jan. 2019	-	-	-	-	-	-	-
- Increase	-	-	-	-	-	-	-
- Disposal and expenses	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
Status on 31 Dec. 2019	-	-	-	-	-	-	-
Status on 1 jan 2019	-	-	-	-	-	-	-
- Increase	-	-	-	-	-	-	-
- Disposal and expenses	-	-	-	-	-	-	-
- other	-	-	-	-	-	-	-
Status on 31 Dec.2020	-	-	-	-	-	-	-
Accumulated depreciation and impairment							
Status on 1 Jan 2019	-	-	-	-	-	-	-
- Depreciation for the year	-	-	-	-	-	-	-
- Loss due to impairment during the year	-	-	-	-	-	-	-
- (release of loss due to impairment during the year)	-	-	-	-	-	-	-
- (disposal and expenses)	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
Status on 31 Dec 2019	-	-	-	-	-	-	-
Status on 1 Jan 2020							
- Depreciation for the year	-	-	-	-	-	-	-
- Loss due to impairment during the year	-	-	-	-	-	-	-
- (release of loss due to impairment during the year)	-	-	-	-	-	-	-
- (disposal and expenses)	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-
Status on 31 Dec 2020	-	-	-	-	-	-	-

Notes to the financial statements (continues)
With the status on and for the year ending on 31 December 2020
(All amounts are expressed in thousands MKD, unless otherwise stated

B.1 Liabilities for financial lease(continues)

	Land	Construction facilities	Transport means	Furniture and office inventory	Other equipment	Other items of real estate and equipment	Total
Current book value							
On 1 jan. 2019	-	-	-	-	-	-	-
On 31 Dec 2019	-	-	-	-	-	-	-
On 31 Dec 2020	-	-	-	-	-	-	-

B.2 Liabilities for irrevocable operating lease

In thousands MKD	Total liabilities for irrevocable operating lease	Period of maturity of the liabilities for operating lease: Up to 1 year	between 1 and 5 years	Over 5 years
Status on 31 Dec. 2020 (current year)				
Current value of the minimum payment for the lease	-	-	-	-
Total	-	-	-	-
Status on 31 Dec. 2019 (previous year)				
Current value of the minimum payment for the lease	-	-	-	-
Total	-	-	-	-

46. Payment based on shares

	In thousands MKD 2020	2019
Date of giving the options	-	-
Date of expiry of the option	-	-
Price of option realization	-	-
Price of the share on the date of giving the option	-	-
Variance	-	-
Expected dividend income	-	-
Interest rate	-	-
Fair value of the date of giving the option	-	-

	2020 No. of options for shares	2020 Weighted average price for the options for shares	2019 No. of options for shares	2019 Weighted average price for the options for shares
Status on 1st Jan	-	-	-	-
Changes during the year:	-	-	-	-
- options given to the members of the Superrvisory Board	-	-	-	-
- options given to the members of the Executive Board	-	-	-	-
- other options given	-	-	-	-
- forfeiting options	-	-	-	-
- realized options	-	-	-	-
- options with expired date	-	-	-	-
Status on 31st Dec	-	-	-	-

47. Events following the Balance Sheet date

After 31st December 2020 - the date of reporting, until the date of approval of these financial statements, except as disclosed in the paragraph below, there are no events that would cause correction of the financial statements, nor other events that are materially significant for disclosure in these financial statements.

Annex 1- Annual Statement

Development Bank of Noth Macedonia

December 31st 2020

Annex 2 – Annual Report

I, the undersigned, hereby certify that the foregoing is a true and correct translation from Macedonian into English.

Skopje, September 1st 2021
Court Certified Translator
Aleksandra Jankova

Јас, долупотпишаната потврдувам дека правилно го извршив преводот од македонски на англиски јазик.

Скопје, 01.09.2021г.
Овластен судски преведувач,
Александра Јанкова

GrantThornton
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