

**CAPITAL BANK AD, SKOPJE**

**FINANCIAL STATEMENTS**

**for the year ended at**

**December 31, 2012**

**with the Independent Auditors' report**

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**KPMG Macedonia DOO Skopje**  
Soravia Center Skopje 7th floor  
Filip Vtori Makedonski No.3  
Skopje 1000  
Republic of Macedonia

Telephone +389 (2) 3135 220  
Telefax +389 (2) 3111 811  
E-mail [kpmg@kpmg.com.mk](mailto:kpmg@kpmg.com.mk)  
Internet [www.kpmg.com.mk](http://www.kpmg.com.mk)

## **Independent Auditors' Report to the shareholders of Capital bank AD, Skopje**

### **Report on Financial statement**

We have audited the accompanying financial statements of Capital bank AD, Skopje ("the Bank"), which comprise the balance sheet as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

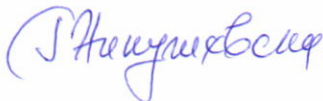
In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the regulations prescribed by the National Bank of Republic of Macedonia.

*Emphasis of matter*

Without qualifying our opinion, we draw attention to the note 1 f in the financial statements for the Bank's compliance with legal and regulatory requirements, which describes that during 2011 and 2012 the Bank was not in compliance with the minimum required amount of own funds. Furthermore, it describes the measures and activities taken by the Bank for maintaining the compliance.

Skopje, 12 June 2013

*Certified auditor of the Republic of Macedonia*  
Gordana Nikushevska



KPMG Macedonia DOO  
*Managing Director*  
Gordana Nikushevska



Capital Bank AD Skopje

**Income statement  
for the period 01.01.2012 - 31.12.2012**

	Notes	<i>in MKD thousand</i>	
		current year 2012	previous year 2011 (restated)
Interest income		77,799	39,546
Interest expense		(44,060)	(20,783)
Net interest income/(expense)	6	33,739	18,763
Fee and commission income		20,853	11,216
Fee and commission expense		(8,240)	(7,673)
Net fee and commission income/(expense)	7	12,613	3,543
Net trading income	8	-	-
Net income from other financial instruments carried at fair value	9	-	-
Net foreign exchange gain/loss	10	4,932	3,120
Other operating income	11	682	527
Profit – sharing of associates entities	24	-	-
Net impairment losses on financial assets	12	(39,016)	(6,116)
Net impairment losses on non-financial assets	13	(14,919)	-
Personnel expenses	14	(42,922)	(42,302)
Depreciation and amortization	15	(15,443)	(14,891)
Other operating expenses	16	(55,213)	(50,526)
Loss sharing of associates entities	24	-	-
<b>Profit/(loss) before tax</b>		<b>(115,547)</b>	<b>(87,882)</b>
Income tax	17	-	-
<b>Profit/(loss) for the year</b>		<b>(115,547)</b>	<b>(87,882)</b>
Profit / (loss) from the group of assets and liabilities held for sale *		-	-
<b>Profit/(loss) for the year</b>		<b>(115,547)</b>	<b>(87,882)</b>
Profit / (loss) for the period, attributable to*:			
Equity holders of the Bank		-	-
Minority interest		-	-
<b>Earnings per share</b>	41		
Basic loss per share (in denars)		(4.289)	(3.336)
Diluted loss per share in (denares)		(4.289)	(3.336)

\*Only for the consolidated financial statement

The Notes set out on pages 10-132 form an integral part of these financial statements

**Statement of Comprehensive Income  
for the period 01.01.2012 - 31.12.2012**

	Notes	<i>in MKD thousand</i>	
		current year 2012	previous year 2011 (restated)
<b>Profit/(loss) for the financial year</b>		(115,547)	(87,882)
<b>Other profit/(losses) in period recognised in the Income Statement (before taxation)</b>			
Revaluation reserve for assets available-for- sale		56	-
- unrealized net- changes in fair value of assets available- for- sale		56	-
- realized net-profit/(losses) from assets available- for- sale , reclassified in the Income Statement		-	-
Reserves for cash flow risk protection instruments		-	-
- unrealized net- changes in fair value of cash flow risk protection instruments		-	-
- realized net-profit/(losses) from cash flow risk protection instruments, reclassified in the Income Statement		-	-
Reserve for instruments to protect against the risk of net investments in foreign operations		-	-
Reserve of foreign exchange differences from investment in foreign operations		-	-
Share in other gains / (losses) of associates recognised in the Income Statement	24	-	-
Other gains / (losses) not recognised in the Income Statement		-	-
Income tax from other gains / (losses) not shown in the Income Statement	17	-	-
<b>Total other gains / (losses) in the periods not recognised in the Income Statement</b>		56	-
<b>Total comprehensive income /(loss) for the financial year</b>		<b>(115,491)</b>	<b>(87,882)</b>
<b>Total comprehensive income /(loss) for the financial year, attributable to*</b>			
Equity holders of the Bank			
Minority interest			

\*Only for the consolidated financial statement

*The Notes set out on pages 10-132 form an integral part of these financial statements*

Capital Bank AD Skopje

**Balance Sheet \*\***  
**as at 31 December 2012**

				<i>in MKD thousand</i>		
		Notes	current year 2012	previous year 2012 (restated)	previous year *** 01.01.2012 (restated)	
<b>Assets</b>						
Cash and cash equivalents	<u>18</u>		376.599	317.138	270.131	
Trading assets	<u>19</u>		-	-	-	
Financial assets at fair value through profit and loss designated upon initial recognition	<u>20</u>		-	-	-	
Derivative assets held for risk management	<u>21</u>		-	-	-	
Loans and advances to banks	<u>22.1</u>		-	-	42	
Loans and advances to customers	<u>22.2</u>		837.654	374.247	229.229	
Investment securities	<u>23</u>		76.344	7.890	9.083	
Investments in associates entities (carried at "equity method")	<u>24</u>		-	-	-	
Current tax receivables	<u>30.1</u>		-	-	-	
Other assets	<u>25</u>		10.448	32.982	32.606	
Pledged assets	<u>26</u>		-	-	-	
Assets acquired through foreclosure procedures	<u>27</u>		61.133	94.058	98.069	
Intangible assets	<u>28</u>		21.701	23.269	23.473	
Property and equipment	<u>29</u>		24.076	32.932	37.342	
Deferred tax assets	<u>30.2</u>		-	-	-	
Non-current assets held for sale and group for disposal	<u>31</u>		-	-	-	
<b>Total assets</b>			<b>1.407.955</b>	<b>882.516</b>	<b>699.975</b>	
<b>Liabilities</b>						
Trading liabilities	32		-	-	-	
Financial liabilities at fair value through profit and loss designated upon initial recognition	33		-	-	-	
Derivative liabilities held for risk management	21		-	-	-	
Deposits from banks	34,1		-	-	6.992	
Deposits from customers	34,2		1.073.344	562.501	385.405	
Debt securities issued	35		-	-	-	
Borrowings	36		-	-	-	
Subordinated liabilities	37		49.850	93.571	-	

Capital Bank AD Skopje

**Balance Sheet \*\***  
as at 31 December 2012

	Notes	<i>in MKD thousand</i>		
		current year 2012	previous year 2012 (restated)	previous year *** 01.01.2012 (restated)
Provisions	38	1.529	515	538
Current tax liabilities	30,1	-	-	-
Deferred tax liabilities	30,2	-	-	-
Other liabilities	39	5.148	14.213	7.442
Liabilities directly attributable to group of assets for disposal	31	-	-	-
<b>Total liabilities</b>		<b>1.129.871</b>	<b>670.800</b>	<b>400.377</b>
<b>Equity and reserves</b>				
Issued capital	40	856.514	782.489	782.489
Share premium		-	-	-
Treasury shares		-	-	-
Other equity instruments		-	-	-
Revaluation reserves	40.1	657	601	601
Other reserves		-	-	-
Retained earnings/(Accumulated losses)	40.2	(579.087)	(571.374)	(483.492)
<b>Total equity attributable to equity holders</b>		<b>278.084</b>	<b>211.716</b>	<b>299.598</b>
Minority interest*				
<b>Total equity and reserves</b>		<b>278.084</b>	<b>211.716</b>	<b>299.598</b>
<b>Total liabilities, equity and reserves</b>		<b>1.407.955</b>	<b>882.516</b>	<b>699.975</b>
Contingent liabilities	42	161.390	36.808	27.377
Contingent assets	42	-	-	-

\*Only for the consolidated financial statement

\*\* This statement is also known as Statement of Financial Position

\*\*\* Filled only in situation when the Bank makes : retroactive change in accounting policy, retroactive correction of error or a reclassification of items in the financial statements.

*The Notes set out on pages 10-132 form an integral part of these financial statements*

The Financial statements presented on the pages 1 to 132 have been approved by the Supervisory Board on 29 April 2013 and signed in its behalf by:

Igor Stojnev

Member of the Managing Board

Aco Ilieski

Member of the Managing Board





## Capital Bank AD Skopje

Statement of changes in equity  
For the period 01.01.2012 – 31.12.2012

<i>in MKD thousand</i>	Equity				Revaluation reserves				Other reserves			Retained earnings		(Accumulated loss)	Total equity attributable to equity holders	Minority interest*	Total equity and reserves
	Issued Capital	Share premium	(Treasury shares)	Other equity instruments	Reserves from revaluation on available-for-sale securities	Risk management reserve	Translation difference reserve	Other reserves from revaluation	Statutory reserve	Capital component of the hybrid financial assets	Other reserve	Available for distribution	Restricted for distribution				
Balance at January 1, 2011 (previous year)	782.489				601									(469.719)	313.371		313.371
Impact of corrections on the opening balance														(13.773)	(13.773)		(13.773)
<b>Balance at January 1, 2011 (previous year), restated</b>	<b>782.489</b>	-	-	-	<b>601</b>	-	-	-	-	-	-	-	-	<b>(483.492)</b>	<b>299.598</b>	-	<b>299.598</b>
<b>Comprehensive income/(loss) for the year</b>																	
<b>Profit/(loss) for the year</b>														(87.882)	(87.882)		(87.882)
<b>Other income /(loss) in the period not shown in the Income Statement</b>																	
Changes in the fair value for assets available-for-sale															-		-
Changes in the fair value for protection against cash flow risk															-		-
Changes in the fair value for protection against net-investment risk in foreign operations															-		-
Exchange rate differences of investment in foreign operations															-		-
Deferred tax assets/(liabilities) recognized in equity															-		-
Other profit/(loss) not shown in the Income Statement															-		-
<b>Total unrealized profit/(loss) recognized in the equity</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive profit/(loss) for the financial year</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	(87.882)	(87.882)	-	(87.882)
<b>Transactions with shareholders, recognized in the equity and reserves</b>																	
Issued shares within the period															-		-
Allocation of statutory reserve															-		-
Allocation of other reserves															-		-
Dividends															-		-
Acquisition of treasury shares															-		-
Sold treasury shares															-		-
Other changes in equity and reserves															-		-
<b>Transactions with shareholders, recognized in the equity and reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>As at December 31, 2011 (previous year) / January 1, 2012 (current year)</b>	<b>782.489</b>	-	-	-	<b>601</b>	-	-	-	-	-	-	-	-	<b>(571.374)</b>	<b>211.716</b>	-	<b>211.716</b>

## Capital Bank AD Skopje

Statement of changes in equity  
For the period 01.01.2012 – 31.12.2012

	Equity				Revaluation reserves				Other reserves			Retained earnings		(Accumulated loss)	Total equity attributable to equity holders	Minority interest*	Total equity and reserves
	Issued Capital	Share premium	(Treasury shares)	Other equity instruments	Reserves from revaluation on available-for-sale securities	Risk management reserve	Translation difference reserve	Other reserves from revaluation	Statutory reserve	Capital component of the hybrid financial assets	Other reserve	Available for distribution	Restricted for distribution				
<i>in MKD thousand</i>																	
<b>Comprehensive income/(loss) for the year</b>																	
<b>Profit/(loss) for the year</b>															(115.547)	(115.547)	(115.547)
<b>Other income /(loss) in the period not shown in the Income Statement</b>																	
Changes in the fair value for assets available-for-sale					56											56	56
Changes in the fair value for protection against cash flow risk																-	-
Changes in the fair value for protection against net-investment risk in foreign operations																-	-
Exchange rate differences of investment in foreign operations																-	-
Deferred tax assets/(liabilities) recognized in equity																-	-
Other profit/(loss) not shown in the Income Statement																-	-
<b>Total unrealized profit/(loss) recognized in the equity</b>	-	-	-	-	56	-	-	-	-	-	-	-	-	-	-	56	56
<b>Total comprehensive profit/(loss) for the financial year</b>	-	-	-	-	56	-	-	-	-	-	-	-	-	-	(115.547)	(115.491)	(115.491)
<b>Transactions with shareholders, recognized in the equity and reserves</b>																	
Issued shares within the period	74.025															74.025	74.025
Allocation of statutory reserve																-	-
Allocation of other reserves																-	-
Dividends																-	-
Acquisition of treasury shares																-	-
Sold treasury shares																-	-
Other changes in equity and reserves																-	-
Accumulated loss covering with subordinated loans														107.834	107.834		107.834
<b>Transactions with shareholders, recognized in the equity and reserves</b>	74.025	-	-	-	-	-	-	-	-	-	-	-	-	-	107.834	181.859	181.859
<b>On December 31, 2012 (current year)</b>	856.514	-	-	-	657	-	-	-	-	-	-	-	-	(579.087)	278.084	-	278.084

The Notes set out on pages 10-132 form an integral part of these financial statements

Capital Bank AD Skopje

**Statement of Cash Flow**  
**For the period 01.01.2012 – 31.12.2012**

	Notes	in MKD thousand	
		current year 2012	previous year 2011 (restated)
<b>Cash flows from operating activities</b>			
Profit/(losses) before taxation		(115,547)	(87,882)
Adjustments for:			
Minority interest, included in the consolidated Income Statement*		-	-
Depreciation of:			
intangible assets	15	10,060	10,027
property and equipment	15	5,383	4,864
Gain on sale of:			
intangible assets		-	-
property and equipment		-	-
assets acquired through foreclosures		(68)	(11)
Loss on sale of:			
intangible assets		-	-
property and equipment		109	-
assets acquired through foreclosures		-	-
Interest income	6	(77,799)	(39,546)
Interest expense	6	44,060	20,783
Net trading expense / (income)		-	-
Impairment losses on financial assets, on a net basis			
additional impairment	12	87,166	6,116
release of impairment	12	(48,150)	-
Impairment losses on non- financial assets, on a net basis			
additional impairment	13	14,919	-
release of impairment		-	-
Provisions			
additional provision	38	2,395	-
release of provision	38	(1,382)	(23)
Dividend income	11	(58)	(49)
Share in profit/(loss) of associates		-	-
Other corrections		-	2
Interest receipts		72,189	40,510
Interest paid		(31,097)	(14,334)
<b>Operating profit before changes in operating assets</b>		<b>(37,820)</b>	<b>(59,543)</b>
<i>(Increase)/decrease of operating assets:</i>			
Trading assets		-	-
Derivative assets held for risk management		-	-
Due from banks		-	42
Loans to customers		(481,947)	(150,381)
Pledged assets		-	-
Assets acquired through foreclosure procedures		18,074	4,022
Reserve requirements in foreign currency		(4,766)	(9,432)
Obligatory deposit with NBRM in accordance with special legislative		-	-
Other receivables		8,187	(1,652)
Deferred tax assets		-	-
Non-current assets held for sale and group for sale		-	-
<i>Increase/(decrease) of operating liabilities:</i>			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Deposits from banks		-	(6,990)
Deposits from customers		497,217	171,958
Other liabilities		(9,065)	6,771
Liabilities directly related to group of assets for sale		-	-
<b>Net cash flows from operating activities before tax</b>		<b>(10,120)</b>	<b>(45,205)</b>
(Paid)/Return on income tax		-	-
<b>Net cash flows from operating activities</b>		<b>(10,120)</b>	<b>(45,205)</b>

Capital Bank AD Skopje

Notes	<i>in MKD thousand</i>	
	current year 2012	previous year 2011 (restated)
<b>Cash flows from investing activities</b>		
(Investments in securities)	(69,034)	-
Inflows from sale of investments in securities		-
(Outflows for investments in subsidiaries and affiliates)	-	-
Inflows from sale of investments in subsidiaries and affiliates	-	-
(Acquisition of intangible assets)	(3,815)	(5,617)
Inflows from sale of intangible assets	-	-
(Acquisition of property and equipment)	(1,313)	(4,660)
Inflows from sale of property and equipment	-	-
(Outflows for non-current assets held for sale)	-	-
Inflows from non-current assets held for sale	-	867
(Other outflows from investing activities)	-	-
Other inflows from investing activities	58	49
<b>Net cash flows from investing activities</b>	<b>(74,104)</b>	<b>(9,361)</b>
<b>Cash flows from financing activities</b>		
(Repayment of issued debt securities)	-	-
Inflows from issued debt securities	-	-
(Repayment of loan payables)	-	-
Increase in loan payables	-	-
(Repayment of issued subordinated debt)	-	-
Inflows from issued subordinated debt	64,601	92,258
Inflows from issued shares/equity instruments within the period	74,025	-
(Acquisition of treasury shares)	-	-
Sold treasury shares	-	-
(Paid dividends)	-	-
(Other outflows from financing activities)	-	-
Other inflows from financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>138,626</b>	<b>92,258</b>
Effects from adjustment of value of cash and cash equivalents	117	(115)
Effects from foreign exchange gains/losses of cash and cash equivalents	176	(2)
<b>Net-increase/(decrease) of cash and cash equivalents</b>	<b>54,695</b>	<b>37,575</b>
Cash and cash equivalents as at January 1	301,478	263,903
<b>Cash and cash equivalents as at December 31</b>	<b>356,173</b>	<b>301,478</b>
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\*Only for the consolidated financial statement

*The Notes set out on pages 10-132 form an integral part of these financial statements*

## **1. Introduction**

### **a) General information**

Capital Bank AD, Skopje (hereinafter referred to as “the Bank”) is a joint stock company incorporated and domiciled in the Republic of Macedonia. The address of the bank’s registered head office is st. Mosha Pijade no.4, 1000 Skopje, Republic of Macedonia.

The Bank is licensed by the National Bank of the Republic of Macedonia (“NBRM”) for performing domestic and payment operations abroad, including mediation in foreign currency exchange, loan and deposit activities as well as credit card operations on the territory of the Republic of Macedonia and abroad. As at 31 December 2012 and 2011, the total number of Bank’s employees is 73 i.e. 68, respectively.

The Bank has no investments in subsidiaries or associated entities.

The Bank is listed at the Macedonian Stock Exchange AD, Skopje, at the open market with a symbol INTP and ISIN code (MKINTP101015).

### **b) Basis of preparation**

#### **Statement of compliance**

These financial statements have been prepared in accordance with the Accounting Standards as adopted by the Methodology for recording and valuation of the accounting items and preparation of financial statements (“Official Gazette of the RM” No.169/2010) and the Decision on the types and contents of financial statements of banks (“Official Gazette of the RM” No.169/2010 and 152/2011) (hereinafter referred to as “the Methodology”)

The financial statements represent separate financial statements.

#### **Basis of measurement**

The financial statements have been prepared using the basis for measurement specified in the Methodology for each separate type of asset, liability, income or expenses. The bases for their measurement are described in details in the note, below.

The financial statements have been prepared on the historical cost basis except for:

- The assets available for sale measured at fair value;

The preparation of these financial statements in conformity with NBRM’s Methodology requires usage of certain critical accounting estimates. It also requires the Bank’s management to make judgment that affects the application of the accounting policies. The areas that involve a higher level of judgment or complexity, or areas where the assumptions and estimates are significant to the financial statements are disclosed in Note d: Use of estimates and judgments.

#### **Functional and reporting currency**

The financial statements have been prepared as at and for the year ended 31 December 2010. Except as indicated the current and the comparative data reported in these financial statements are presented in denar thousand (“MKD” or “Denar”). The Denar is the Bank’s functional currency.

### **c) Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 1 d), which addresses change in accounting estimates and policies.

### c.1) Foreign currency transactions

Transactions in foreign currencies are translated into denars at the official exchange rates of NBRM at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Macedonian denars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in denars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the spot exchange rate at the end of the period.

Foreign currency differences arising on retranslation of the amounts in foreign currencies are recognized in profit or loss. The middle exchange rates used for translation were as follows:

	<u>31 December 2012</u>	<u>31 December 2011</u>
1 EUR	61.5000 denar	61.5050 denar
1 USD	46.6510 denar	47.5346 denar
1 CHF	50.9106 denar	50.5964 denar

### c.2) Interest

Interest income and expense are recognized in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability.

The effective interest rate is determined at the initial recognition of the asset or liability and shall not be subsequently changed.

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

Interest income and expense presented in the income statement include:

- interest on financial assets and liabilities measured at amortised cost calculated on an effective interest rate basis;
- interest on available-for-sale investment calculated on an effective interest rate basis.

### c.3) Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including financial services provided by the Bank in respect of foreign currency settlements, domestic and foreign payment operations, guarantees, letters of credit, credit card operations and other services, are recognized as the related services are performed. When a loan commitment is not expected to result in withdrawing the loan, the related loan commitment fees are recognized on a straight-line basis over the commitment period.

Other fees and commission expense relates mainly to financial service that Bank received, which are expensed as the services are received.

### c.4) Dividends

Dividend income is recognized when the right to receive income is established.

**c.5) Lease payments made**

Payments made under operating leases are recognized in profit or loss as expense over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

**c.6) Income tax expense**

According to the Macedonian tax regime income tax comprises two components:

- **Tax on dividends distributed** – basis for calculation of tax is dividend paid
- **Tax on non-deductible expenses** – basis for calculation of income tax is the amount of non-deductible expenses determined with “Rulebook for calculation and payment of income tax and prevention of double taxation or double exemption” reduced by the amount of tax credit. Tax on non-deductible expenses is paid during the year with monthly advanced payments calculated on the basis of the balance of non-deductible expenses for the previous year. At the end of the reporting period, final calculation for non-deductible expenses is prepared for the current year and reconciliation with the advanced payments is made in order to determine the final tax obligation.

Consequently, the tax regime caused some implications in presentation of the tax in the financial statements which are summarized below:

***Tax on dividends distributed***

Tax on dividends distributed is considered as income tax under the International Accounting Standard 12 – Income Tax adopted in Republic of Macedonia (IAS 12).

Recognition of this type of income tax is consistent with the recognition of dividend obligation ( recognized when the dividend is paid and/or announced). Provisions for income tax arising from dividend distribution are not recognized until dividends are announced and/or paid.

When the tax on distributed dividends arises from advance dividends, paid before the reporting date, income tax is recognized and presented in the Income Statement after the profit and loss before tax line as income tax.

When tax on distributed dividends arises from retained earnings, it is recognized and presented in the statement of changes in equity.

***Tax on non-deductible expenses***

Tax on non-deductible expenses is tax which is not included in IAS12. Consequently, such a tax expense is presented within the other operating expenses and related liabilities/receivables are presented in other assets/liabilities in the Balance Sheet.

***Recognition of tax provisions***

In case of uncertain tax liabilities, provisions are made in accordance with International Accounting Standard 37 – Provisions, contingent liabilities and contingent assets, adopted in Republic of Macedonia (IAS 37).

Such provisions are not presented as deferred assets or deferred liabilities, but as other assets or other liabilities.

Recognition/derecognition of such tax provisions (which is not income tax) is presented as other operating expenses.

### **c.7) Financial assets and liabilities**

#### ***(i) Recognition***

The Bank initially recognizes loans and advances, deposits and borrowed funds on the date at which they are originated, at cost. All other financial assets and liabilities are initially recognized on the trading date at which the Bank becomes a party to the contractual provisions of the instrument.

#### ***(ii) Classification***

The Bank classifies its financial assets in the following categories: loans and advances, available for sale financial assets and financial assets held to maturity. The Management classifies its investments at initial recognition.

#### ***(iii) Derecognition***

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

The Bank derecognizes financial liabilities when its contractual obligations are settled, cancelled or expired.

#### ***(iv) Offsetting***

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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

#### ***(v) Amortized cost measurement***

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

#### ***(vi) Fair value measurement***

The fair values of the quoted investments in an active market are based on the currently quoted prices. If a market for a certain financial instrument is not active (and for unquoted securities), the fair value is determined by the Bank using the valuation techniques. The valuation techniques include net present value techniques, discounted cash flow method, comparison with the similar instruments for which the market prices is available and pricing models.

### **c.8) Identification and measurement of impairment**

At each reporting date the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the assets that can be estimated reliably.

The Bank determines impairment losses according the Decision for credit risk management (Official Gazette nr. 17/2008, 31/2009 and 91/2011). According this decision, the Bank classifies all individually active balance and off-balance positions by grouping together according the level of the credit risk and estimates the impairment losses.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan by the Bank on terms that the Bank would not otherwise consider, indications that the borrower or issuer of security is under bankruptcy, disappearance of active market for a security, or other obvious information for group of assets such as adverse changes in payment status of the



borrower or issuer of securities in the group, or economic conditions that correlate with defaults on groups obligations.

Impairment losses are recognized in the profit and loss and are reflected in the account for impairment losses on loans and receivables. Interest on impaired assets continues to be recognized as amortization of the discount.

If the impairment loss decreases in the subsequent period, the impairment loss is reversed through profit and loss.

#### ***Investments available for sale***

Impairment losses on investments available for sale is recognized by transferring the difference between the amortized cost and current fair value from the statement of comprehensive income and reserves in the equity to Income Statement. If in a subsequent period the impairment loss on available for sale debt securities decrease, impairment loss is reversed through profit and loss.

Any subsequent increase in the fair value of impaired available for sale equity securities is recognized in other comprehensive income.

#### **c.9) Cash and cash equivalents**

Cash and cash equivalents include cash balance on hand, demand deposits with banks, time deposits with banks with original maturity of less than three months, cash deposited with the National Bank of the Republic of Macedonia (“NBRM”) and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortized cost in the balance sheet.

#### **c.10) Non current assets classified as held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Bank’s accounting policies.

Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

#### **c.11) Loans and advances**

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term. They arise when the Bank approves cash or services directly to the customers without intend for exchange of receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

#### **c.12) Investments**

Investment securities are initially measured at fair value plus direct transaction costs, and subsequently accounted for depending on their classification.

### ***Held to maturity financial assets***

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity. If the Bank sale significant amount of financial assets held-to-maturity before its mature, it would result in the reclassification of all financial assets available for sale, and would prevent the Bank from classifying investment held to maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Bank has collected substantially all of the asset's original principal;
- sales or reclassifications attributable to non-recurring isolated events beyond the Bank's control.

### ***Available for sale financial assets***

Financial assets available-for-sale are those that are not held for trading, that are not approved by the Bank, or are held to maturity. Available for sale financial assets are those intended to be held for an undefined period of time and can be sold if the Bank has a liquidity gap or there is a change in the interest rate, foreign exchange rate or market prices.

Available for sale investments are carried at fair value except the unquoted equity securities whose fair value cannot be reliably measured, that are carried at cost less impairment loss.

Fair value changes are recognised directly in equity until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in equity are recognized in profit or loss. However, the interest calculated by using the effective interest rate method, as well as the foreign exchange gains and losses of monetary assets classified as available for sale are recognised in the profit or loss. The dividends on available for sale securities are recognised in the profit or loss when the Bank becomes entitled to the dividend.

### **c.13) Foreclosed assets**

Foreclosed assets are property and equipment which the Bank forecloses on the basis of uncollectible receivables. The Bank records these assets in accordance with the Decision for accounting and regulatory treatment of foreclosed assets (Official Gazette of the Republic of Macedonia no.79/2007 and no.74/2012).

At initial recognition foreclosed assets are recorded at appraised value less expected cost for sale which will be charged to the bank and the cost value of the foreclosed assets whichever is lower.

After the initial recognition the Bank is obliged at least at annual basis to assess the value of the existing assets and to recognize impairment loss in the Income Statement equal to at least the higher between:

- difference between the appraised value less costs for sale and the initial accounting value less total impairment loss and
- 20% of initial accounting value less total impairment loss.

**c.14) Property and equipment****(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. The cost includes expenditures that are directly attributed to the acquisition of the asset. The software necessary for normal functioning of certain property or equipment is recognized as part of that property or equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognised within other income or other expenses in profit or loss.

**(ii) Subsequent costs**

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is calculated on straight-line bases in order to allocate the cost of the property and equipment over the useful lives of each part of an item of property and equipment.

Depreciation rates, based on the estimated useful lives for the current and comparative periods are as follows:

	<b>2012</b>	<b>2011</b>
	%	%
Computer equipment	20	20
Telecommunication equipment	15	15
Office furniture	20	20
Vehicles	25	25
Investments in property under lease	25	25
Other equipment	10	10

Depreciation methods, useful lives and residual value are reviewed at each financial year-end and adjusted if appropriate.

**c.15) Intangible assets****(i) Recognition and measurement**

Intangible assets acquired by the Bank are stated at cost less accumulated amortisation and the accumulated impairment loss. Cost related to development of new products that are based on a contracted relations and are expected to generate future economic benefits for the Bank, and in the same time are clearly included in internal projects with determined characteristics such as duration, goals, expected market segments that will be covered with that products and which can be reliably measured, are capitalized. Initially, they are measured at cost, and subsequently are amortised over their useful life.

**(ii) Subsequent expenditure**

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in the profit or loss as incurred.

**(iii) Amortization**

Amortization is recognised on straight-line bases over the estimated useful life of the intangible assets.

The amortization rates based on the estimated useful lives for the current and comparative periods are as follows:

	<b>2009</b>	<b>2008</b>
	%	%
Purchased software	15	25
Other intangible assets	10-20	20

Amortisation methods, useful lives and residual value are reviewed at each financial year-end and adjusted if appropriate.

**c.16) Leased assets – lessee**

Leased assets are classified as:

- (i) Financial lease – when substantially all risks and rewards of the ownership of the asset are transferred, regardless of whether the ownership has been transferred or is planned to be transferred, and
- (ii) Operating lease – all other assets taken under lease. These leased assets are not recognized in the Bank's balance sheet.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Currently, the Bank has only operating lease and the payments are recognised as expense, or income in case of sublease, in the income statement.

**c.17) Impairment of non – financial assets**

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

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

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

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**c.18) Deposits, borrowed funds, debt securities issued and subordinated liabilities**

Deposits, debt securities issued and the subordinated liabilities are the Bank's source of debt funding.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits, debt securities issued subordinated liabilities and borrowed funds are initially measured at fair value plus incremental direct transaction costs related to the acquisition or issue of the financial liability. Subsequently they are measured at their amortized cost using the effective interest method.

**c.19) Provisions**

A provision is recognized in the balance sheet if, as a result of a past event the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

This item includes the long term provision and other long term liabilities not related to the deferred income tax or derive from borrowings or other financial activities. Types of items mostly included in this category are the calculation and provisions for:

- Off balance sheet credit exposures
- Settlement of court and other Bank's disputes
- Restructuring plans
- Onerous agreements

In general, provision should be recognised if and only if:

- The Bank has a current liability (legal or constructive) towards other party (identified party or the public) as a result of a past event.
- There is a probability (over 50%) that the Bank will face a resource outflow in order to settle certain liability
- The Bank can reliably estimate the amount of the liability.

The provisions presenting hidden reserves or are not economically justified shall not be recognised.

***Valuation***

An inherent characteristic of the long term provisions is that the amount at which the liability will be settled and the time of settlement very often shall be estimated. The carrying amount of these liabilities is determined based on the best estimation of the amount and the time of the expected settlement of the liability. When the effect of the time is significant, the provision amount is the present value (discounted based on the long term rate of the borrowing funds of the Bank) of the expected costs for liability settlement.

In the income statement, the costs related to the provisions should be presented net of the recognised payment.

Provisions shall be subject to review at each reporting date and shall be adjusted in order to reflect the most appropriate current estimation. The change of the liability from one period to another shall include the change in the estimated amount or the settlement period, change in the applied discount rate and the different exchange rate used. The increase of the provision as a result of discounting is recognised as expense. The other net liability change which is presented at the previous reporting date is presented as increase or decrease of the expense regarding the liability.

## **c.20) Employee benefits**

### ***(i) Defined contribution plans***

The Bank contributes to its employees' post retirement plans as prescribed by the national legislation for social security. Contributions, based on salaries, are made to the national Pension Fund and the mandatory private pension funds, responsible for the payment of pensions. There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are calculated.

### ***(ii) Short-term benefits***

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### ***(iii) Other long-term employee benefits***

In accordance with local regulations the Bank pays two average salaries to its employees at the moment of retirement and a jubilee awards according the terms determined with the General collective agreement. The long-term employee benefits are discounted to determine their present value. There is no additional liability in respect of post retirement.

## **c.21) Share capital, reserves and dividends**

### ***(a) Ordinary shares***

Ordinary shares are classified as equity.

### ***(b) Incremental costs***

Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from equity.

### ***(d) Repurchase of share capital***

When share capital recognised as equity is repurchased, the contributions paid, including the directly attributable costs is recognises as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as deduction from total equity. When treasury shares are sold subsequently the amount received is recognizes as an increase on equity, and the resulting surplus or deficit of the transaction is transferred to/from share premium.

### ***(e) Fair value reserve for available for sale investments***

The fair value reserve includes the change in the fair value of available-for-sale investments, until the investment is derecognised.

***(f) Retained earnings***

Retained earnings include the retained earnings from current and previous periods.

***(g) Dividends***

Dividends are recognized as a liability in the period in which they are declared by the Company's shareholders.

**c.22) Earnings per share**

The Bank presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**c.23) Managed funds**

The Bank manages with assets on behalf and for account of legal entities and citizens and holds and invests the funds by the directions of the customers. The Bank receives fee and commission income for these services and these assets are not recognized in the financial statements of the Bank as they do not represent assets of the Bank.

**d) Use of estimates and judgments**

Preparation of financial statements requires managerial judgments, estimates and assumptions that impact the application of policies and the presentation of assets and liabilities, income and expenses. The actual results might differ from these estimates.

The estimates and assumptions are constantly reviewed. The changes of the accounting estimations are recognised in the period in which the change of the estimations is performed and in the future periods if the change influences the future periods.

Information related to managerial judgments and critical estimates in application of the accounting standards that has significant influence to the financial statements is presented below:

***Impairment of loans and advances***

Assets accounted for at amortised cost are assessed for impairment on a basis described in accounting note c.8.

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

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified.

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In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

### *Allowance for impairment of available for sale equity investments*

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

### *Determining the fair values*

The determination of fair value for financial assets and liabilities for which there is no observable market price and which fair value cannot be reliably measured, requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

## **e) Changes in accounting policies, accounting estimates and adjustments**

### *Changes in accounting policies*

During the year ended 31 December 2012 the Bank has no changes in accounting policies and estimates

### *Correction of error*

During the year 2012 the Bank made retroactive correction of transactions which were inappropriately recorded as other assets, intangible assets and property and equipment which actually represent expenses. Corrections were performed retroactively in 2012 and they caused additional expenses in amount of MKD 13.773 thousand for year 2010, and decrease of depreciation cost and impairment losses in total amount of MKD 1.702 thousand for year 2011.

The following table summarizes the corrections in Balance Sheet (Statement of Financial Position) as a result of error:

<i>In MKD thousand</i>	Other assets	Intangible assets	Property and equipment	Retained earnings/ (Accumulated loss)
Balance at 1 January 2011, as previously reported	35,374	33,449	38,371	(469,719)
Impact of the correction of error at 1 January 2011	(2,768)	(9,976)	(1,029)	(13,773)
<b>Restated balances at 1 January 2011</b>	<b>32,606</b>	<b>23,473</b>	<b>37,342</b>	<b>(483,492)</b>
Balances at 31 December 2011, as previously reported	35,722	31,571	33,961	(559,303)
Impact of the correction of error at 1 January 2011	(2,768)	(9,976)	(1,029)	(13,773)
Effect on the Income Statement	28	1,674		1,702
<b>Restated balance at 31 December 2011</b>	<b>32,982</b>	<b>23,269</b>	<b>32,932</b>	<b>(571,374)</b>

Effect on the Statement of Comprehensive Income (Income Statement) is as follows:



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<i>In MKD thousand</i>	Notes	2012	2011
Decrease in impairment loss on financial assets		-	28
Decrease in depreciation cost		-	1,674
<b>Effect on the Income Statement</b>		-	1,702

### f) Compliance with the positive regulation

Due to temporary fall in the amount of own funds under the statutory limit of MKD 310,000 thousand the Governer of NBRM in 2011 issued Decision no. 8494 on 03.11.2011 in which the Supervisory Board is required to prepare and submit Improvement plan, with measures worked out in details, activities and due dates to achieve them as well as maintaining own funds in amount not lower than the statutory amount. The plan prepared by the Bank was accepted by NBRM with Decision no. 8929 from 24.11.2011. In September 2012 the Bank received Decision no. 7720 amending the Decision 8929 regarding credit activities and maintenance of liquid assets. The Bank is obliged to submit reports to NBRM every 10 days for the maintenance of the liquid assets.

According the Improvement plan in March 2012, the parent company of the Bank paid EUR 250,000 equivalent of MKD 15,375 thousand as subordinated loan.

In order to meet the Improvement plan in May 2012, the parent company of the Bank decided to write-off the subordinated loan in amount of EUR 1,750,000 equivalent to MKD 107,834 thousand and to form special reserve for loss covering. This special reserve was used for covering the accumulated losses of the Bank. This decision was confirmed on the Shareholders Meeting which was held on 21 May 2012.

Also on the Shareholders Meeting on 21 May 2012 was reached a decision for issuing of shares in a public offering in amount of EUR 2,000,000.

In July 2012 the Bank obtained new subordinated loan in amount of EUR 800,000 from the parent company Alfa Finance Holding, Bulgaria, and in September 2012 the Bank issued new 2,401 shares on public offering at nominal value of EUR 500 in total amount of EUR 1,200,500 equivalent to MKD 74,025 thousand.

On 31 March 2012 and 30 June 2012 Banks own funds were below the statutory minimum of MKD 310,000 thousand, but with the decision for write-off of the subordinated loans and with the new share issue, the Bank is in compliance with the Improvement plan and Decision no. 8929 from NBRM.

As at 31 December 2012 the Bank is in compliance with the statutory minimum for own funds.

During 2013 the Bank has signed a contract for new subordinated loan in the amount of EUR 1,000,000 from the parent company Alfa Finance Holding, out of which an amount of EUR 150,000 is withdrawn in March 2013.

### g) Risk management disclosures

The Bank is exposed to various types of financial risks during its activities. Taking risks is basis of every financial business and operating risks are inevitable consequence. Therefore the purpose of the Bank is to achieve and appropriate balance between risk and asset return and minimize potential adverse effects from the financial operations.

The Bank is exposed to following types of risks:

- Credit risk,
- Market risk (interest risk and currency risk),
- Liquidity risk and other operating risks,
- Risk related with maintaining minimum capital adequacy (8%) and maintenance of own funds at prescribed level of minimum MKD 310 million.

Quantitative information for each type of risk are presented separately in notes 2.1, 2.2, 2.3, 2.3.1, 2.3.2, 2.3.3 и 3.

## **h) Subsequent events**

Starting from 1 January 2013 according to the amendments of the Law on trade companies, the Bank should allocate 5% of net profit for the year as statutory reserve, until the reserve of the Bank reaches one tenth of issued capital. After the reporting date there are no other events of significant importance which should be presented in the financial statements.

## **2. Risk management disclosures**

The Bank is exposed to various types of financial risks during its activities. Taking risks is a basis of every financial business and operating risks are an inevitable consequence. Therefore the purpose of the Bank is to achieve an appropriate balance between risk and asset return and minimize potential adverse effects from the financial operations.

This note presents information about the Bank's exposure to each of these risks, objectives, policies and processes for measuring and managing the risks of the Bank. Оваа белешка претставува информација за изложеноста на

### ***Framework for risk management***

Management activities of financial risks include character analysis, evaluation, acceptance and management. The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate limits and controls, as well as to monitor risks and adherence to limits through a reliable and modern information system. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and best practice.

The system of risk management is consistent with the provisions of the legislation relating to risk management that assumes a clear organizational structure (clearly defined tasks, responsibilities and appropriate communication of the management and the appropriate organizational units involved in risk management), effective process of risk management and effective system of internal control and audit.

In the organizational structure of the system of risk management, Risk Management Committee functions as a separate body.

Risk Management Committee establishes short- and long-term strategies for managing all types of material risks to which the Bank is exposed during its operation, establish and monitor the implementation of policies to manage risks and make suggestions for their review, monitor Bank regulations governing risk management and compliance of system of risk management of the Bank with those regulations.

The Risk Management Committee continuously evaluates and monitors the risk profile of the Bank and determine acceptable levels of exposure to risk potential losses in order to minimize, to set and regularly review limits the exposure of certain types of risks, monitor results of the stress-testing the effects of actions taken on the basis of these results and monitors the effectiveness of the internal control and risk management.

Risk Management Committee functions are facilitated by internal audit.

The Internal Audit Department is responsible for the independent review of risk management and the manner of their control. The Internal Audit undertakes both regular and periodic audits of internal controls and procedures for risk management and presents the results to the Audit Committee.

The most important types of risk to which the Bank is exposed to are credit risk, liquidity risk, market risk and other operating risks. Market risk includes currency risk, interest rate risk and other market risks.

### **2.1. Credit risk**

Credit risk is the most significant risk for the bank, so the Management carefully reviews its exposure to credit risk.

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks issued letter of guarantees and credits and investment securities.

In function of more successful credit risk management, Banks takes into consideration every asset of the Bank which represents exposure to credit risk. Also the Banks takes into consideration all elements of credit risk exposure: individual obligor default risk and associates entities, country and industry risk, concentration to certain exposure risk etc.

### ***Credit risk management***

The Management Board delegates its responsibility for credit risk management to the Credit Committee which approves all loan exposures up to EUR 150 thousand . All credit exposures over EUR 150 thousand are approved by the Supervisory Board.

Different Bank's departments and divisions (Corporate clients Sector, Retail Sector, Legal Department) in close cooperation with the Risk Management Sector are responsible for control of the Bank's credit risk, including:

- ***Preparation of credit policies*** covering collateral requirements, credit worthiness assessment, classification upon risk category and reporting, documentary and legal procedure and compliance with regulatory and statutory requirements.
- ***Control and assessment of the credit risk.*** Corporate clients Sector, Retail Sector and Risk Management Sector monitor all risk exposures related to the determined limits, prior to facilities being committed to customers.
- ***Monitoring the concentration exposure*** to geographic and industrial segments (for loans and advances), and by issuer, by credit rating from institutions, markets and country's liquidity (for investments).
- ***Classification of Bank's credit exposure*** based on the risk of financial loss faced by the Bank and focusing to risk management. The risk classification system is used in determining where impairment losses may be required.

The current risk classification framework includes five grades reflecting different levels of risk and the available collateral (A, B, C, D, and E).

The criteria for classification of claims in different risk categories are as follows:

#### **Risk category A shall include:**

- Claims on the National Bank the Republic of Macedonia, the European Central Bank and governments and central banks of other countries with credit ratings at least A-(S & P, Fitch) or A3 (Moody's );
- Credit risk exposure to clients whose current financial standing and the estimated future cash inflows do not put at stake its further business and the possibility to settle the current and future liabilities to the bank;
- Credit risk exposure to a client which settles its liabilities within the maturity period or with a delay of not more than 30 days and for which the bank did not make any claim restructuring over the last two years; and
- Credit risk exposure fully collateralized by first-class collateral instrument.

#### **Risk category B shall include:**

- Credit risk exposure to a client whose cash inflows are considered by the bank, on the basis of creditworthiness assessment, to be sufficient for full settlement of the due liabilities, irrespective of the current financial weaknesses, and that there are no signs for further deterioration of the client's condition and
- Credit risk exposure to a client which most often settles its liabilities with a delay of 31 to 60 days, or with an exception from 61 to 90 days, if the delay is only occasional within the interval from 61 to 90 days, and for which the bank did not make any claim restructuring within the last six months.

**Risk category C shall include:**

- Credit risk exposure to a client whose cash flows are considered inadequate for regular settlement of the due liabilities
- Credit risk exposure to an inadequately capitalized client
- Credit risk exposure to a client with inadequate maturity structure of the assets and the liabilities
- Credit risk exposure to a client for whom the bank does not have an access to all required and updated information necessary to assess the creditworthiness of the client.
- Credit risk exposure to a client whose liabilities have been restructured.
- Credit risk exposure to a client who most often settles its liabilities with a delay of 61 to 120 days, or with an exception from 121 to 180 days, if the delay is only occasionally within the interval of 121 to 180 day.
- Credit risk exposure to a client non-financial person claims based on financial credit entity with a credit rating equal to or lower than CCC + (S & P, Fitch) or Caa1 (Moody's) or a person with a higher credit rating, but is based in a country whose credit rating is equal to or lower than CCC + (S & P, Fitch) or Caa1 (Moody's);
- Credit risk exposure to a client non-financial person claims based on financial loan from person who is not established credit rating but is based in a country whose credit rating is equal to or lower than B-(S & P, Fitch) or B3 (Moody's) or is based in a country which is not a defined credit rating;

Notwithstanding, the bank can not classified exposure of lines 7 and 8 in the risk category C, if:

- Exposure is based on the customs guarantee or warranty for tender.
- Financial credit is less than 31.000.000 (if the financial loan is given in foreign currency is taken into account MKD equivalent of a loan) or
- Financial credit is equal or greater to / from 31.000.000 MKD and the bank's exposure is greater than the amount of financial credit and the bank made impairment or carved allowance, in the amount of at least 25% of the financial loan.

**Risk category D shall include:**

- Credit risk exposure to an illiquid client
- Credit risk exposure to a client whose creditors written off their claims thereon,
- Credit risk exposure to a client under bankruptcy, from which the bank expects to collect its claims partially.
- Credit risk exposure to a client under liquidation procedure
- Credit risk exposure, the collection of which depend on the foreclosure of the collateral instruments,
- Credit risk exposure where there are expectations that the bank would collect only a portion of its claims on the client,
- Credit risk exposure to a client who most often settles its liabilities with a delay of 121 to 270 days, or with an exception with occasional delay of over 270 days.
- Credit risk exposure to a client (including governments and central banks) with credit rating equal to or lower than CCC + (S & P, Fitch) or Caa1 (Moody's);
- Credit risk exposure to a client with credit rating higher than the rating of item 8 of this sub, but based in a country whose credit rating is equal to or lower than CCC + (S & P, Fitch) or Caa1 (Moody's) and
- Credit risk exposure to a client who not specified credit rating but is based in a country whose credit rating is equal to or lower than B-(S & P, Fitch) or B3 (Moody's) or is based in a country which is not credit rating is determined.

Notwithstanding, the bank cannot classify the exposure of items 8, 9 and 10 in risk category "D" if it comes to off-balance requests based on customs warranty or guarantee to tender.

**Risk category E shall include:**

- Credit risk exposure to a client who settles its liabilities with a delay of over 270 days or is in default,
- Credit risk exposure to a client under bankruptcy, not collateralized by a high quality collateral instrument,
- Credit risk exposure subject to lawsuit.
- Credit risk exposure where there are firm expectations that the bank will not be able to collect fully its claims on the client or that it will collect only an insignificant portion.

• **Monitoring of the compliance** with established legal and internal limits on banks' exposure to credit risk, including those for exposure to the type provision, exposure to country risk, exposure to banks and financial institutions etc.

Defined limits are monitored and subject to revision annually or more frequently if necessary.

Limiting credit risk or the defined limits are approved by the Supervisory Board. Exposure to credit risk is also managed through regular analysis of the ability of users of credit and the credit to meet contingent liabilities to the Bank in respect of interest and principal.

**Risk Management Sector prepares monthly reports for the Bank's exposure to credit risk:**

- Total on-balance and off-balance sheet exposure to credit risk segments (credit cards, corporate clients, individuals, banks and financial institutions)
- Total on-balance and off-balance sheet exposure to credit risk status of the claim - regularly due, dysfunctional,
- The value of the impairment of the value or allowance for segments
- Structure of total assets (on-balance and off-balance sheet) exposure to credit risk by the risk categories,
- Amount of nonperforming portfolio in segments
- Review of the Bank's exposure to credit risk states and cities (geographical concentration)
- Review of the 20 largest exposures to customers - non-financial entities,
- Review of the 20 largest exposures to customers - individuals,
- Review of non-performing receivables from customers - non-financial entities and activities undertaken for their collection,
- Review of the 20 largest non-performing advances to customers - individuals and activities undertaken for their collection,
- Report on the collection of non-functional requirements during the analyzed period (month) and diagram to move the collection of these receivables in the period analyzed,
- Report on the movement of assets exposed to credit risk during the analyzed period,
- Exposures greater than 5% of their own funds,
- Indicators of the quality of the loan portfolio of Capital Bank compared to the banking sector in general and the sector of small banks and are regularly submitted to Risk Management Committee.

Based on the reports and analysis, Risk Management Committee makes recommendations for taking action to reduce the Bank's exposure to credit risk.

The Bank employs a range of policies and practices to reduce or limit the credit risk. As one of the most traditional and most common ways to reduce credit risk by providing loans to provide adequate resources. The Bank implements guidelines on the acceptability of certain types of assets.

Basic types of collateral for loans and advances are:

- Deposit / depots, bank and premier corporate guarantee.
- Mortgage or lien on real property - residential buildings, office buildings and other real property
- Pledge of movable property - vehicles, equipment, inventory and so on.
- Financial instruments (debt and equity).

Loans to corporate clients and long-term loans to individuals are insured, approved overdraft of transaction accounts and credit cards issued to individuals are secured by guarantors and / or bonds in the full amount of principal, interest and other costs. In order to minimize the credit loss the bank requires additional collateral from customers in case identifies indicators of impairment for the relevant individual loans and advances.

Overall, the Bank does not require collateral for loans and advances to banks. Debt securities, treasury bills and other eligible bills are generally unsecured.

The relevant departments are required to implement credit policies and procedures of the Bank. They, in cooperation with the Department of Risk Management are responsible for the quality of its loan portfolio, as well as monitoring and controlling all credit risks.

Internal Audit undertakes regular audits of department work with corporate clients and departments to develop business and individuals.

### ***Policies for impairment and provisioning***

Provision for impairment at year-end derived from each of the internal rating as explained in the section on credit risk management.

Internal ranking helps the management in determining the existence of objective evidence of impairment under IAS 39, based on the criteria set out by the Bank:

- Failure to comply with contractual obligations for payment of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of contract or credit terms;
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position and
- Reduction in the value of guarantees - security

## Capital Bank AD Skopje

### 2.1 Credit Risk

#### A Analysis of maximum exposure of credit risk

	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets held for trading		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Fees and commissions receivables		Other assets		Off balance exposure		Total		
	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	
<i>in MKD thousand</i>																					
<b>Carrying amount of individually significant exposures, before impairment on individual basis</b>																					
risk category A	-	-	768.631	340.433	-	-	-	-	-	-	-	11.530	274	167	689	4.354	136.306	20.412	905.900	376.896	
risk category B	-	-	43.500	16.245	-	-	-	-	-	-	-	-	51	75	23	17.094	995	2.084	44.569	35.499	
risk category C	-	-	24.056	13.666	-	-	-	-	-	-	-	-	30	12	24	7	44	226	24.154	13.911	
risk category D	-	-	14.408	4.789	-	-	2.087	2.036	-	-	-	-	17	10	2	2	0	0	16.515	6.837	
risk category E	-	-	8.060	10.283	-	-	7.363	7.301	-	-	-	-	69	173	15.909	25	0	0	31.401	17.782	
Allowance for impairment	-	-	858.655	385.416	-	-	9.450	9.337	-	-	-	-	441	437	16.647	21.482	137.345	22.722	1.022.539	450.925	
	-	-	(46.212)	(23.809)	-	-	(7.494)	(6.936)	-	-	-	-	(80)	(153)	(15.942)	(1.814)	(1.530)	-515	(71.258)	(33.342)	
<b>Carrying amount of individually significant exposures, less allowance for impairment</b>	-	-	812.443	361.607	-	-	1.956	2.401	-	-	-	-	361	284	706	19.668	135.815	22.207	951.282	417.583	
<b>Carrying amount of collectively impaired exposures, before impairment on collective basis</b>																					
<b>Individually non-significant exposures (small loan portfolio)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Individually significant exposures not individually impaired</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allowance for impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Carrying amount of collectively impaired exposures, less allowance for impairment</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Carrying amount of due receivables - not impaired</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Aging structure of due receivables – not impaired</b>																					
15-30 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31-90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91-180days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
nad 181days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Carrying amount of due receivables - not impaired</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Not due receivables – not impaired</b>																					
Restructured receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	31.553	14.872	-	-	74.390	5.490	-	-	162.729	184.163	31	2	5.476	3.853	1.840	10.422	276.019	218.802	
<b>Carrying amount of not due receivable – not impaired</b>	-	-	31.553	14.872	-	-	74.390	5.490	-	-	162.729	184.163	31	2	5.476	3.853	1.840	10.422	276.019	218.802	
<b>Total carrying amount of receivables with credit risk before allowance for impairment</b>	-	-	890.208	400.288	-	-	83.840	14.827	-	-	162.729	195.693	472	439	22.123	25.335	139.185	33.144	1.298.558	669.727	
<b>Total allowance for</b>	-	-	(46.212)	(23.809)	-	-	(7.494)	(6.936)	-	-	-	(115)	(80)	(153)	(15.942)	(1.814)	(1.530)	(515)	(71.258)	(33.342)	
<b>Total carrying amount of receivables with credit risk, less allowance for impairment</b>	-	-	843.996	376.479	-	-	76.346	7.891	-	-	162.729	195.578	392	286	6.182	23.521	137.655	32.629	1.227.301	636.385	

Capital Bank AD Skopje

2.1 Credit Risk - continued

B Collateral value (fair value)

in MKD thousands

Credit exposure that is assessed for individually impairment

	Loans and advances to banks		Loans and advances to banks Loans and advances to other customers		Investments in financial assets held for trading		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Other receivables		Total	
	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011
First class collateral																
cash deposits (in depot and/or restricted to the bank's accounts)	-	-	59.186	30.759	-	-	-	-	-	-	-	-	-	-	59.186	30.759
Government securities	-	-	3.577	131	-	-	-	-	-	-	-	-	-	-	3.577	131
Public unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except banking and insurance)	-	-	9.179	-	-	-	-	-	-	-	-	-	-	-	9.179	-
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage of property																
Property for its own usage (apartments, houses)	-	-	897.275	375.272	-	-	-	-	-	-	-	-	-	-	897.275	375.272
business property	-	-	283.481	610.322	-	-	-	-	-	-	-	-	-	-	283.481	610.322
Mortgage on movable property	-	-	511.882	6.322	-	-	-	-	-	-	-	-	-	-	511.882	6.322
Other types of collateral	-	-	1.166.122	615	-	-	-	-	-	-	-	-	-	-	1.166.122	615
<b>Total credit exposure that is assessed for individually impairment</b>	-	-	<b>2.930.704</b>	<b>1.023.421</b>	-	-	-	-	-	-	-	-	-	-	<b>2.930.704</b>	<b>1.023.421</b>
Credit exposures assessed for collectively impairment																
First class collateral instruments for																
cash deposits (in depot and/or restricted to the bank's accounts)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except banking and insurance)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on property																
Property for its own usage (apartments, houses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Business property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage on movable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other types of collateral	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total credit exposure assessed for collectively impairment</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Capital Bank AD Skopje

2.1 Credit Risk - continued

C Concentration of credit risk by industry and geographic location

*in thousand MKD*

	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets held for trading		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Fees and commissions receivables		Other receivables		Off balance exposure		Total	
	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011
Nonresidents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, hunting and forestry	-	-	539	-	-	-	-	-	-	-	-	0	1	20	-	-	-	-	559	1
Mining and quarrying	-	-	2,254	3,431	-	-	-	-	-	-	-	16	0	-	-	-	-	-	2,270	3,431
food industry	-	-	9,350	1,931	-	-	-	-	-	-	-	1	1	-	-	-	-	-	9,351	1,932
textile industry and clothing manufacturing and Footwear	-	-	22,008	24,363	-	-	-	-	-	-	-	1	0	-	-	-	-	-	22,009	24,363
chemical industry producing building materials and processing fuels	-	-	16,360	149	-	-	858	812	-	-	-	0	0	-	-	2,513	-	-	19,732	962
Production of metal machinery tools and equipment	-	-	2,660	3,653	-	-	231	284	-	-	-	0	19	-	-	-	-	-	2,891	3,956
Other Manufacturing	-	-	1,086	1,380	-	-	-	-	-	-	-	10	1	-	-	32	19	-	1,128	1,400
Electricity supply gas steam and air conditioning	-	-	68,029	-	-	-	-	-	-	-	-	1	-	-	8	1	-	-	68,031	8
Supply with water remove of wastewater, waste management and remediation activities of the environment	-	-	2,708	-	-	-	-	-	-	-	-	2	-	-	-	-	-	-	2,710	-
Construction	-	-	100,407	38,814	-	-	693	1,025	-	-	-	48	6	-	-	12,318	777	-	113,466	40,622
Wholesale and retail trade, repair of motor vehicles and motorcycles	-	-	259,705	87,741	-	-	175	279	-	-	-	95	45	66	3,993	74,349	4,978	-	334,391	97,036
Transport and storage	-	-	22,548	11,743	-	-	-	-	-	-	-	64	69	-	8	163	150	-	22,774	11,970
buildings for accommodation and food service activities	-	-	8,281	3,132	-	-	-	-	-	-	-	6	2	-	-	-	-	-	8,287	3,134
Information and Communications	-	-	24,838	13,059	-	-	-	-	-	-	-	1	11	-	659	1,070	1,222	-	25,909	14,951
Financial and insurance activities	-	-	30,584	1,036	-	-	74,390	5,490	-	-	162,729	195,578	2	1	18	15,401	-	-	267,724	217,505
Activities related to real estate	-	-	15,710	24,477	-	-	-	-	-	-	-	-	1	1	-	2,131	9,207	-	24,918	26,609
Stru~ni, nau~ni i tehni~ki dejnosti	-	-	13,880	5,359	-	-	-	-	-	-	-	-	10	4	-	3	1,914	105	15,804	5,471
Administrative and support service activities	-	-	12,149	4,885	-	-	-	-	-	-	-	-	66	32	-	-	1,830	1,720	14,045	6,637
Public administration and defense, mandatory social assurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Education	-	-	556	186	-	-	-	-	-	-	-	1	1	-	-	12,187	-	-	12,744	187
Activities for health and social care	-	-	3,175	599	-	-	-	-	-	-	-	0	0	-	-	-	-	-	3,175	599
Arts entertainment and recreation	-	-	372	-	-	-	-	-	-	-	-	1	0	1	1	-	-	-	373	1
Other service activities	-	-	3,524	4,006	-	-	-	-	-	-	-	1	1	-	-	-	60	-	3,525	4,067
Activities of households that produce goods and perform a variety of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Activities of extra-territorial organizations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
individuals	-	-	223,272	146,534	-	-	-	-	-	-	-	-	64	90	6,076	1,318	22,071	23,598	251,483	171,539
Sole proprietors and individuals who are not considered as traders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	843,995	376,478	-	-	76,347	7,890	-	-	162,729	195,578	392	286	6,181	23,521	137,655	32,628	1,227,299	636,380

## Capital Bank AD Skopje

### 2.1 Credit Risk - continued

#### D Concentration of credit risk by industry and geographic location

<i>In thousands MKD</i>	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets held for trading		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Pobaruwawa za provizii i nadomesti		Other receivables		Off balance exposures		Total	
	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011	current year 2012	previous year 2011
Geographical location																				
Republic of Macedonia	-	-	843.996	376.478	-	-	76.346	7.891	-	-	112.381	149.453	392	286	6.181	23.521	137.655	32.628	1.176.952	590.256
EU Member States	-	-	-	-	-	-	-	-	-	-	50.348	46.124	-	-	-	-	-	-	50.348	46.124
Europe (other)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Member countries of OECD (excluding European countries)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (detailed separately the exposure that represents more than 10% from the total credit exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	843.996	376.478	-	-	76.346	7.891	-	-	162.729	195.578	392	286	6.181	23.521	137.655	32.628	1.227.300	636.380

## **2.2. Liquidity risk**

Liquidity risk is the risk for the bank to become incapable to provide sufficient funds for settlement of its short term liabilities when such liabilities fall due, or to provide such funds at much higher costs.

### ***Management of liquidity risk***

The Bank's liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and emergency conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Department for treasury, liquidity and securities trading, monitors Bank's liquidity and current market conditions on a regular basis.

This Department receives information from other departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Assets and liquidity Division then maintains a portfolio of short-term liquid assets, comprised of short-term liquid investment securities, to ensure appropriate liquidity of the Bank. The bank can successfully meet with unexpected net cash outflows by selling securities and accessing additional funding sources.

All policies and procedures for management of liquidity risk which are prepared by Risk Management Sector in cooperation with Department for treasury, liquidity and securities trading are subject to review and approval from Department of Risk Management and Supervisory Board.

The daily liquidity position and market conditions are regularly monitored. Daily reports cover the liquidity position of the Bank. Liquidity reports are submitted to the NBRM on a monthly basis.

### ***Exposure to liquidity risk***

The Bank has access to diverse sources of funds. Funds are provided using a wide range of instruments including deposits share capital and a wide range of deposit products.

The Bank intends to maintain a balance between the continuity of funding and flexibility through the usage of liabilities with a different period of maturities. The Bank continually assesses the liquidity risk by identifying and monitoring the changes in funding required for meeting the operating goals and targets set in the Bank strategy.

In addition the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

**2.2 Liquidity Risk****Analysis according the maturity of financial assets and liabilities (residual maturity)**

	<i>in MKD thousand</i>	Up to 1 month	1 to 3 months	3 to12 months 1 to 2 years	2 to 5 years	Over 5 years	Total
<b>2012 current year</b>							
<b>Financial assets</b>							
Cash and cash equivalents	356,173	-	-	20,426	-	-	376,599
Trading assets	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	26,945	29,512	291,714	320,747	182,910	38,077	889,905
Investment securities	83,903	-	-	-	-	-	83,903
Investment in associated entities	-	-	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-	-	-
Other receivables	26,680	-	-	-	-	-	26,680
Pledged assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
<b>Total financial assets</b>	<b>493,701</b>	<b>29,512</b>	<b>291,714</b>	<b>341,173</b>	<b>182,910</b>	<b>38,077</b>	<b>1,377,087</b>
<b>Financial liabilities</b>							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Deposits from customers	280,909	146,216	295,198	200,532	147,414	3,075	1,073,344
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	49,850	49,850
Income tax liabilities (current)	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	5,148	-	-	-	-	-	5,148
<b>Total financial liabilities</b>	<b>286,057</b>	<b>146,216</b>	<b>295,198</b>	<b>200,532</b>	<b>147,414</b>	<b>52,925</b>	<b>1,128,342</b>
<b>Off balance sheet items</b>							
off balance assets	-	-	-	-	-	-	-
off balance liabilities	17,878	13,967	101,673	18,689	10,712	-	162,919
<b>GAP</b>	<b>207,644</b>	<b>(116,704)</b>	<b>(3,484)</b>	<b>140,641</b>	<b>35,496</b>	<b>(14,848)</b>	<b>248,745</b>

Capital Bank AD Skopje

2.2 Liquidity Risk -continued

Analysis according the maturity of financial assets and liabilities (residual maturity)

	Up to 1 month	1 to 3 months	3 to12 months 1 to 2 years	2 to 5 years	Over 5 years	Total
<i>in MKD thousand</i>						
<b>2011 previous year)</b>						
<b>Financial assets</b>						
Cash and cash equivalents	301,595	-	15,660	-	-	317,255
Trading assets	-	-	-	-	-	-
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	21,463	24,728	132,593	75,499	113,038	400,641
Investments securities	14,826	-	-	-	-	14,826
Investments in associated entities	-	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-	-
Other receivables	20,594	-	17,094	-	-	37,688
Pledged assets	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-
<b>Total financial assets</b>	<b>358,478</b>	<b>24,728</b>	<b>132,593</b>	<b>108,253</b>	<b>113,038</b>	<b>770,410</b>
<b>Financial liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-
Derivatives held for risk management	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-
Deposits from other customers	159,635	83,708	231,499	76,888	10,771	562,501
Debt securities issued	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	93,571	93,571
Income tax liabilities (current)	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	14,213	-	-	-	-	14,213
<b>Total financial liabilities</b>	<b>173,848</b>	<b>83,708</b>	<b>231,499</b>	<b>76,888</b>	<b>10,771</b>	<b>670,285</b>
<b>off balance sheet items</b>						
<b>off balance assets</b>	-	-	-	-	-	-
<b>off balance liabilities</b>	33,697	-	3,524	102	-	37,323
<b>GAP</b>	<b>184,630</b>	<b>(58,980)</b>	<b>(98,906)</b>	<b>31,365</b>	<b>102,267</b>	<b>100,125</b>

## **2.3. Market risk**

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit margin (not relating to changes in the debtor's / security issuer's credit capability) will affect the Bank's income or the value of its financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return.

### **2.3.1. Analysis of sensitivity of assets and liabilities on the market risk**

In accordance with the nature, size and complexity of the financial activities performed, the bank performs stress testing of its exposure to market risk, (changes in interest rate, foreign exchange rates in order to assess the potential impact of one or more internal or external risk factors on the value of the assets and liabilities or the level of capital and capital adequacy.

The bank performs stress testing at least on 31.12. and if necessary more frequently, on other date.

Stress-testing is based on choice of extreme scenarios that may be specific to the bank (internal factors) and those that may result from market conditions in which the bank operates (external factors).

Stress tests also include effects of worsening of credit portfolio of the bank as a result of changes in interest rates on loans, or changes in value foreign currency (indirect currency risk).

Depending on the results of stress-testing, Board of directors take appropriate action determined organs, organizational units or persons responsible for carrying out those activities.

Based on changes in the risk profile, bank revised the scenarios that are used in stress testing.

The bank performs documentation of results, and their notification to the National Bank of Macedonia.

The effects of analysis of sensitivity of assets and liabilities to changes on market risk are presented in Table 2.3.A.

The bank does not assess the risk of the price of financial instruments held for trading in accordance with the methodology for determining capital adequacy; the Bank does not have a trading portfolio.

Capital Bank AD Skopje

2.3 Market risk

2.3.1 Analysis of reconciliation of the interest rates of financial assets and liabilities (without trading portfolio and derivatives)

A Analysis of reconciliation of the interest rates of financial assets and liabilities

2012 (current year)	profit / loss	own funds	Risk-weighted assets	rate of capital adequacy
	<i>In MKD thousand</i>	<i>In MKD thousand</i>	<i>In MKD thousand</i>	<i>In %</i>
Amount before sensitivity analysis stress testing as of 31.12.2012	(115,547)	321,532	1,078,556	29,81%
<i>effects of application scenarios</i>				
Risk of changes in exchange rates depreciation rate in relation to other currencies				
10%	2,234	323,766	1,113,232	29.08%
15%	3,351	324,883	1,130,569	28.74%
30%	6,702	328,234	1,182,583	27.76%
Risk of changes in interest rates change the nominal interest rate				
growth 1,5 %	146	321,678	1,078,556	29.82%
growth 2 %	195	321,727	1,078,556	29.83%
growth 2,5 %	243	321,775	1,078,556	29.83%
risk of changes in market prices for investment in own securities				
_____				
_____				
_____				
combined scenarios				
_____				
_____				

Capital Bank AD Skopje

2,3 Market risk - continued

2,3,1 Analysis of reconciliation of the interest rates of financial assets and liabilities (without trading portfolio and derivatives)

A Analysis of reconciliation of the interest rates of financial assets and liabilities

2011 (Previous year)	profit / loss	own funds	Risk-weighted assets	rate of capital adequacy
	<i>In MKD thousand</i>	<i>In MKD thousand</i>	<i>In MKD thousand</i>	<i>In %</i>
Amount before sensitivity analysis stress testing as of 31.12.2011	(89.584)	313.888	631.147	50,00
<i>effects of application scenarios</i>				
Risk of changes in exchange rates				
depreciation rate in relation to other currencies				
10%	(4.535)	309.353	618.817	49,99
15%	(6.802)	307.086	616.550	49,81
30%	(13.605)	300.283	609.747	49,25
Risk of changes in interest rates				
change the nominal interest rate				
growth 1,5 %	99	313.987	631.147	49,75
growth 2 %	132	314.020	631.147	49,75
growth 2,5 %	165	314.053	631.147	49,76
risk of changes in market prices for investment in own securities				
combined scenarios				
depreciation rate in relation to other currencies				
10% (resulting in an increase of non-performing loans of 5% with % impairment of 25%)	(4.847)	309.041	617.570	50,04
15% (resulting in an increase of non-performing loans of 10% with % impairment of 50%)	(8.673)	305.215	612.809	49,81
30% (resulting in an increase of non-performing loans of 5% with % impairment of 75%)	(22.022)	291.866	598.525	48,76



### **2.3.2. Exposure to risk from changes of interest rate on financial assets and liabilities (without trading assets)**

In its assessment the exposure of risk from changes in interest rates, the Bank takes into account all positions of all the banking activities that are sensitive to changes in interest rates as a result of which they can affect their profits and capital.

The Bank is exposed to the risk of interest rate fluctuations as a result that the interest-bearing assets and interest-bearing liabilities are due or their interest rate is changed in different period of time or in different amounts. In case of assets and liabilities with floating interest rate, the Bank is also exposed to basic risk, arising from the different changing of the floating interest rate, such as the savings interest rate, LIBOR and different types of interest

Asset and liabilities risk management activities are conducted in the aspect of the Bank's sensitivity to interest rate changes. In general, the Bank is asset sensitive because of the major part of the interest - bearing assets and liabilities the Bank holds the right for simultaneously changing the interest rates. In the circumstances when the interest rates are decreasing, the interest margins will be decreased also, as a result that the liabilities interest rates will decrease with a lower percentage compared to assets interest rates. However the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation

Quantified information about the Bank's exposure to the risk of interest rate risk are given:

- Table 2.3.2.A - Analysis of the risk of changing interest rates on financial assets and liabilities (excluding assets held for trading) - Analysis of sensitivity to interest rates and
- Table 2.3.2.B - Analysis of the risk of changing interest rates on financial assets and liabilities (excluding assets held for trading)-Analysis of compliance in interest rates.

## 2,3 Market risk - continued

## 2.3.2. Analysis of reconciliation of the interest rates of financial assets and liabilities (without trading portfolio and derivatives)

## A Analysis of reconciliation of the interest rates

## REPORT

The change in the economic value of portfolio of banking activities

vo 000 MKD

			current year 2012	previous 2011
	Position	Валута	Износ	
	1	2		
1,1	NET WEIGHTED POSITION FOR CURRENCY CHF (FIR + WIR + AIR)	CHF	-4	-1
1,2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR + WIR + AIR)	EUR	-8.884	-14.706
1,3	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR + WIR + AIR)	MKD	1.635	-607
1,4	NET WEIGHTED POSITION FOR CURRENCY MKDKiEUR ((FIR + WIR + AIR))	MKDKiEUR	3.217	10.536
1,6	NET WEIGHTED POSITION FOR CURRENCY GBP (FIR + WIR + AIR)	GBP	-70	
1,9	NET WEIGHTED POSITION FOR CURRENCY MKDKiUSD (FIR + WIR + AIR)	MKDKiUSD	4	15
1,1	NET WEIGHTED POSITION FOR CURRENCY USD (FIR + WIR + AIR)	USD	-105	-221
2	WEIGHTED TOTAL VALUE - change the economic value of portfolio of banking activities (1.1 + 1.2 + 1.3 + 1.4 + 1.6 + 1.9 + 1.10)		4.207	-4.985
3	OWN FUNDS		351.942	313.888
4	WEIGHTED TOTAL VALUE/OWN FUNDS (2/3*100)		1,20%	-1,59%

Capital Bank AD Skopje

2.3 Market risk - continued  
2.3.2 Analysis of reconciliation of the interest rates of financial assets and liabilities (without trading portfolio and derivatives)

B. Analysis of reconciliation of the interest rates

<i>In MKD thousand</i>	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	total interest bearing assets / liabilities
<b>2012 (current year)</b>							
<b>Financial assets</b>							
Cash and cash equivalents	179,202	-	-	-	-	-	<b>179,202</b>
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to other customers	39,063	35,380	718,173	609	1,942	5,209	<b>800,376</b>
Investment in securities	164,259	-	-	-	-	-	<b>164,259</b>
Other assets	-	-	-	-	-	-	-
<b>Total Interest sensitive funds</b>	<b>382,524</b>	<b>35,380</b>	<b>718,173</b>	<b>609</b>	<b>1,942</b>	<b>5,209</b>	<b>1,143,837</b>
<b>Financial liabilities</b>							
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Deposits from other customers	94,847	143,587	617,009	5,000	3,835	-	<b>864,277</b>
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	49,200	<b>49,200</b>
Other liabilities	103,865	-	-	-	-	-	<b>103,865</b>
<b>Total Interest sensitive liabilities</b>	<b>198,711</b>	<b>143,587</b>	<b>617,009</b>	<b>5,000</b>	<b>3,835</b>	<b>49,200</b>	<b>1,017,342</b>
<b>Net balance sheet position</b>	<b>183,812</b>	<b>(108,207)</b>	<b>101,164</b>	<b>(4,391)</b>	<b>(1,893)</b>	<b>(43,991)</b>	<b>126,496</b>
<b>off-balance active interest sensitive positions</b>							
	-	-	-	-	-	-	-
<b>off -balance pasive interest sensitive positions</b>							
	-	-	-	-	-	-	-
<b>net off-balance position</b>							
	-	-	-	-	-	-	-
<b>Total net position</b>	<b>183,812</b>	<b>(108,207)</b>	<b>101,164</b>	<b>(4,391)</b>	<b>(1,893)</b>	<b>(43,991)</b>	<b>126,496</b>

**2.3 Market risk -continued**  
**2.3.2 Analysis of reconciliation of the interest rates of financial assets and liabilities (without trading portfolio and derivatives)**

*B. Analysis of compliance in the interest rates*

<i>In MKD thousand</i>	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	total interest bearing assets / liabilities
<b>2011 (previous year)</b>							
<b>Financial assets</b>							
Cash and cash equivalents	88.941	-	-	-	-	-	<b>88.941</b>
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to other customers	21.526	23.649	127.817	54.231	102.070	33.947	<b>363.240</b>
Investment in securities	130.236	-	-	-	-	-	<b>130.236</b>
Other receivables	-	-	-	-	-	-	-
<b>Total Interest sensitive funds</b>	<b>240.703</b>	<b>23.649</b>	<b>127.817</b>	<b>54.231</b>	<b>102.070</b>	<b>33.947</b>	<b>582.417</b>
<b>Financial liabilities</b>							
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Deposits from other customers	130.008	83.462	222.499	66.744	17.173	-	<b>519.886</b>
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
subordinated liabilities	-	-	-	-	-	92.258	<b>92.258</b>
Other liabilities	-	-	-	-	-	-	-
<b>Total Interest sensitive liabilities</b>	<b>130.008</b>	<b>83.462</b>	<b>222.499</b>	<b>66.744</b>	<b>17.173</b>	<b>92.258</b>	<b>612.143</b>
<b>Net balance sheet position</b>	<b>110.695</b>	<b>(59.813)</b>	<b>(94.682)</b>	<b>(12.513)</b>	<b>84.897</b>	<b>(58.311)</b>	<b>(29.727)</b>
<b>off-balance active interest sensitive positions</b>							
	-	-	-	-	-	-	-
<b>off -balance pasive interest sensitive positions</b>							
	-	-	-	-	-	-	-
<b>net off-balance position</b>	-	-	-	-	-	-	-
<b>Total net position</b>	<b>110.695</b>	<b>(59.813)</b>	<b>(94.682)</b>	<b>(12.513)</b>	<b>84.897</b>	<b>(58.311)</b>	<b>(29.727)</b>

### 2.3.3. Currency risk

The currency risk is a risk of loss due to a change in the cross-currency exchange rates and/or change of the value of the Denar relative to the value of other foreign currency. The bank is exposed to currency risk through transactions in foreign currency. The Bank ensures that the net exposure to currency risk is kept to an acceptable level by buying or selling foreign exchange for short-term deviations.

At least once a year, the Bank performs stress testing based on the choice of more or less extreme scenarios to assess the impact of one or more internal or external risk factors on the Bank's exposure to currency risk, or the level of regulatory capital adequacy and the Bank's capital. The implementation of stress testing, the Bank covers all items denominated in foreign currencies and foreign exchange indexed.

It is assumed two scenarios;

1. Depreciation rate in relation to all other currencies by 10%, 15% and 30% -
2. Appreciation rate against all other currencies by 10%, 15% and 30%

The analysis is an assessment of the impact that such changes would cause the positions of assets denominated in foreign currency positions denominated in foreign exchange indexed, and the positions of liabilities denominated in foreign currencies and items denominated in foreign exchange indexed, and in Depending on which position is better to produce a net positive or negative cash flows that increase or reduce own funds.

The application of these scenarios includes:

- Effects of exchange rate differences from changes in the exchange rate against other currencies, the amount of which is directly corrected amount of own funds,

The application of these scenarios not includes:

- The effects of changes in the amount of the allocated amount in the balance sheet and off-balance sheet positions with a currency component
- Indirect effects of the deterioration of the credit portfolio of the Bank as a result of a possible depreciation rate, and the customer would face difficulties in repayment of loans, in which case the currency risk takes the form of credit risk (the currency induced credit risk).

The effects of the first scenario, are given in

Table 2.3. - Analysis of the sensitivity of assets and liabilities to changes in market risk

Capital Bank AD Skopje

2.3 Market risk - continued  
2.3.3 Currency risk

<i>in MKD thousand</i>	MKD	EUR	USD	list separately the currencies that represent more than 10% of the total monetary assets / liabilities					Other currencies	Total
<b>2012 (current year)</b>										
<b>Monetary assets</b>										
Cash and cash equivalents	264,746	74,522	30,321	-	-	-	-	7,010		376,599
Trading assets				-	-	-	-	-		-
Financial assets at fair value through profit and loss designated upon initial recognition				-	-	-	-	-		-
Derivative assets held for risk management				-	-	-	-	-		-
Loans and advances to banks				-	-	-	-	-		-
Loans and advances to other customers	521,595	315,676	383	-	-	-	-	-		837,654
Investment securities	71,895	4,449		-	-	-	-	-		76,344
Investment in associated entities				-	-	-	-	-		-
Income tax receivables (current)				-	-	-	-	-		-
Other receivables	10,101	144	203	-	-	-	-	-		10,448
Pledged assets				-	-	-	-	-		-
deferred tax assets				-	-	-	-	-		-
<b>Total monetary assets</b>	<b>868,337</b>	<b>394,791</b>	<b>30,907</b>	-	-	-	-	<b>7,010</b>		<b>1,301,045</b>
<b>Monetary liabilities</b>										
Trading liabilities	-	-	-	-	-	-	-	-		-
Financial liabilities at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-	-		-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-		-
Deposits from banks	-	-	-	-	-	-	-	-		-
Deposits from other customers	720,650	312,970	33,979	-	-	-	-	5,745		1,073,344
Debt securities issued	-	-	-	-	-	-	-	-		-
Borrowings	-	-	-	-	-	-	-	-		-
Subordinated liabilities	-	49,850	-	-	-	-	-	-		49,850
Liabilities for income tax (current)	-	-	-	-	-	-	-	-		-
Deferred tax liabilities	-	-	-	-	-	-	-	-		-
Other liabilities	5,148	-	-	-	-	-	-	-		5,148
<b>Total monetary liabilities</b>	<b>725,798</b>	<b>362,820</b>	<b>33,979</b>	-	-	-	-	<b>5,745</b>		<b>1,128,342</b>
<b>Net position</b>	<b>142,539</b>	<b>31,971</b>	<b>(3,072)</b>	-	-	-	-	<b>1,265</b>		<b>172,703</b>

Capital Bank AD Skopje

2.3 Market risk - continued  
2.3.3 Currency risk

in MKD thousand	MKD	EUR	USD	list separately the currencies that represent more than 10% of the total monetary assets / liabilities					Other currencies	Total
<b>2011 (previous year)</b>										
<b>Monetary assets</b>										
Cash and cash equivalents	217.874	77.879	20.305	-	-	-	-	-	1.080	317.138
Trading assets	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-	-	-	-
Loans and advances to other customers	132.985	240.600	662	-	-	-	-	-	-	374.247
Investment securities	2.470	5.421	-	-	-	-	-	-	-	7.891
Investment in associated entities	-	-	-	-	-	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-	-	-	-	-	-
Other receivables	35.365	156	201	-	-	-	-	-	-	35.722
Pledged assets	-	-	-	-	-	-	-	-	-	-
deferred tax assets	-	-	-	-	-	-	-	-	-	-
<b>Total monetary assets</b>	<b>388.694</b>	<b>324.056</b>	<b>21.168</b>	-	-	-	-	-	<b>1.080</b>	<b>734.998</b>
<b>Monetary liabilities</b>										
Trading liabilities	-	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-	-	-	-
Deposits from other customers	345.649	187.628	28.883	-	-	-	-	-	341	562.501
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	93.571	-	-	-	-	-	-	-	93.571
Liabilities for income tax (current)	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	14.130	83	-	-	-	-	-	-	-	14.213
<b>Total monetary liabilities</b>	<b>359.779</b>	<b>281.282</b>	<b>28.883</b>	-	-	-	-	-	<b>341</b>	<b>670.285</b>
<b>Net position</b>	<b>28.915</b>	<b>42.774</b>	<b>(7.715)</b>	-	-	-	-	-	<b>739</b>	<b>64.713</b>

### 3. Capital Adequacy

Capital adequacy and prescribed initial capital are internally followed by the Bank on a monthly basis, using techniques based on the guidelines of the NBRM for the purposes of supervision.

Reports of capital adequacy ratio and amount of own funds are submitted to the NBRM on a quarterly basis.

Capital adequacy ratio, the ratio between the total risk-weighted assets and regulatory capital, the bank maintains over prescribed rate of 8%.

The total risk-weighted assets is the sum of:

- Assets weighted credit risk standardized approach;
- Weighted assets and currency risk;
- Weighted assets operational risk using the basic indicator approach.

Capital requirement for credit, currency and operational risk, are calculated in accordance with the methodology for determining capital adequacy.

The bank owns fund is a sum of core capital and supplementary capital as follows:

Core capital includes:

- Paid and subscribed shares and
- Accumulated losses from previous years less the deductions:
- Loss at the end of the year and trademarks

Additional capital includes:

- Revaluation reserves
- Subordinated liabilities

While determining the amount of own funds, the Bank comply with the following restrictions:

- The amount of additional capital may not exceed the amount of core capital.
- The amount of subordinated instruments that are part of the supplementary capital cannot exceed 50% of the share capital.

During the year there were no significant changes in the Bank's approach to capital management.



## 3 Capital Adequacy

Report  
for own funds

No.	Description	in 000 MKD	in 000 MKD
		2012	2011
<i>Core capital</i>			
<b>1</b>	<b>Paid-in and subscribed common and noncumulative preference shares and premium on sale of such shares</b>	<b>856.514</b>	<b>782.489</b>
1	Nominal value	856.514	782.489
1.1.1	Nominal value of common shares	856.514	0
1.1.2	Nominal value of noncumulative preference shares	0	0
1.2	Premium	0	0
1.2.1	Premium on common shares	0	0
1.2.2	Premium on noncumulative preference shares	0	0
<b>2</b>	<b>Reserves and retained profit or loss</b>	<b>-463.540</b>	<b>-469.719</b>
2.1	Reserve fund	0	0
2.2	Retained profit restricted to distribution to shareholders	0	0
2.3	Accumulated loss from previous years	463.540	469.719
2.4	Current profit	0	0
<b>3</b>	<b>Positions arising from consolidation</b>	<b>0</b>	<b>0</b>
3.1	Minority shares	0	0
3.2	Reserves from exchange rate differentials	0	0
3.3	Other differences	0	0
<b>4</b>	<b>Deductions</b>	<b>121.168</b>	<b>91.621</b>
4.1	Loss at the year end or current loss	115.547	89.584
4.2	Own shares	0	0
4.3	Intangible assets	5.621	2.037
4.4	Difference between the amount of required and made impairment/special	0	0
4.5	Amount of unallocated impairment and special reserve as a result of acco	0	0
4.6	Unrealized loss on equity securities available for sale	0	0
4.7	Other deductions	0	0
<b>1</b>	<b>CORE CAPITAL</b>	<b>271.806</b>	<b>221.149</b>

## Capital Bank AD Skopje

## 3 Capital Adequacy - continued

Report  
for own funds

No.	Description	in 000 MKD	in 000 MKD
		2012	2011
<i>Additional capital</i>			
<b>5</b>	<b>Paid-in and subscribed cumulative preference shares and premium on such shares</b>	<b>0</b>	<b>0</b>
5.1	Nominal value	0	0
5.2	Premium	0	0
<b>6</b>	<b>Revaluation reserve</b>	<b>526</b>	<b>481</b>
<b>7</b>	<b>Hybrid capital instruments</b>	<b>0</b>	<b>0</b>
<b>8</b>	<b>Subordinated instruments</b>	<b>49.200</b>	<b>92.258</b>
<b>9</b>	<b>Amount of subordinated instruments that may be included in the additional capital I</b>	<b>49.200</b>	<b>92.258</b>
<b>II</b>	<b>ADDITIONAL CAPITAL</b>	<b>49.726</b>	<b>92.739</b>
<i>Deductions from core capital and additional capital</i>			
10	Capital investments in other banks or financial institutions of over 10% of the capital of such institutions	0	0
11	Investments in subordinated and hybrid capital instruments and other instruments of institutions referred to in 10	0	0
12	Aggregate amount of investments in capital, subordinated and hybrid instruments and other instruments exceeding 10% of (I+II)	0	0
13	Investments in insurance and reinsurance companies of over 10% of the capital in such institutions	0	0
14	Investments in financial instruments issued by the insurance and reinsurance companies in which the Bank owns over 10% of the capital of such institutions	0	0
15	Amount of excess of limits on investments in nonfinancial institutions	0	0
16	Positions arising from consolidation (negative amounts)	0	0
<b>III</b>	<b>DEDUCTIONS</b>	<b>0</b>	<b>0</b>
<b>IV</b>	<b>Core capital after deductions</b>	<b>271.806</b>	<b>221.149</b>
<b>V</b>	<b>Additional capital after deductions</b>	<b>49.726</b>	<b>92.739</b>
<i>Own funds</i>			
<b>VI</b>	<b>Core capital</b>	<b>271.806</b>	<b>221.149</b>
<b>VII</b>	<b>Additional capital</b>	<b>49.726</b>	<b>92.739</b>
<b>VIII</b>	<b>OWN FUNDS</b>	<b>321.532</b>	<b>313.888</b>

Capital Bank AD Skopje

**3 Capital adequacy - continued**

**Report**  
on capital adequacy ratio

No	Description	in 000 MKD	in 000 MKD
		2012	2011
1	2	3	3
<b>I</b>	<b>CREDIT RISK WEIGHTED ASSETS</b>		
1	Credit Risk Weighted Assets with standardized approach	<b>939.260</b>	<b>578.003</b>
2	Capital requirement for credit risk cover	<b>75.141</b>	<b>46.240</b>
<b>II</b>	<b>CURRENCY RISK - WEIGHTED ASSETS</b>		
3	Aggregated foreign currency position	<b>25.455</b>	<b>53.144</b>
4	Net position of gold	<b>0</b>	<b>0</b>
5	Capital required for currency risk	<b>2.036</b>	<b>4.252</b>
6	<b>Currency risk weighted assets</b>	<b>25.455</b>	<b>53.144</b>
<b>III</b>	<b>OPERATIONAL RISK-WEIGHTED ASSETS</b>		
7	Capital requirement for operational risk with using of basic indicator	<b>5.795</b>	<b>0</b>
8	Capital requirement for operational risk with using of standardized approach	<b>0</b>	<b>0</b>
9	Operational risk weighted assets	<b>72.436</b>	<b>0</b>
<b>IV</b>	<b>OTHER RISK-WEIGHTED ASSETS</b>		
10	Capital requirement for commodity risks	<b>0</b>	<b>0</b>
11	Capital requirement for market risks (11.1+11.2+11.3+11.4+11.5)	<b>0</b>	<b>0</b>
11.1	Capital requirements for risk of positioning (11.1.1+11.1.2+11.1.3+11.1.4)	<b>0</b>	<b>0</b>
11.1.1	Capital requirement for specific risk of investments in debt instruments	<b>0</b>	<b>0</b>
11.1.2	Capital requirement for general risk of investments in debt instruments	<b>0</b>	<b>0</b>
11.1.3	Capital requirement for specific risk of investments in equities	<b>0</b>	<b>0</b>
11.1.4	Capital requirement for general risk of investments in equities	<b>0</b>	<b>0</b>
11.2	Capital requirement for settlement/delivery risk	<b>0</b>	<b>0</b>
11.3	Capital requirement for counterparty risk	<b>0</b>	<b>0</b>
11.4	Capital requirement for exceeding of exposure limits	<b>0</b>	<b>0</b>
11.5	Capital requirement for market risks arising from option positions	<b>0</b>	<b>0</b>
12	Capital requirement for other risks (10+11)	<b>0</b>	<b>0</b>
13	<b>Other risk weighted assets</b>	<b>0</b>	<b>0</b>
<b>V</b>	<b>RISK-WEIGHTED ASSETS</b>	<b>1.037.151</b>	<b>631.147</b>
14	Capital requirement for risks	<b>82.972</b>	<b>50.492</b>
<b>VI</b>	<b>OWN FUNDS</b>	<b>321.532</b>	<b>313.888</b>
<b>VII</b>	<b>CAPITAL ADEQUACY (VI/V)</b>	<b>0,31</b>	<b>0,50</b>

#### 4. Segment reporting

Segment reporting is by primary operating segments, concentration of total revenues and expenses by significant customers and concentration by secondary geographic areas.

##### 4.1. Primary operating segments reported by the Bank are:

- Retail banking - loans, credit cards, demand and term deposits, payment operations etc.;
- Corporate banking (business with non-financial and financial entities) - loans, term deposits, letter of guarantees and letter of credit, payment operations, derivatives etc.;
- Investment banking – assets management, consulting services, services related to issuing securities etc.
- Other, not included above.

Quantified information on reporting segments – primary operating segments - *Table 4A*

##### 4.2 Concentration of total revenues and expenses by major clients with 10% and more participation in total revenues/expenses of the Bank – *Table 4B*

##### 4.3. Secondary geographic areas reported by the Bank are:

- Republic of Macedonia;
- Member countries of European Union;
- Other European countries, outside European Union;
- Countries outside Europe, members of OECD;
- Other countries.

Quantified information on reporting segments - secondary geographic areas *Table 4C*

Capital Bank AD Skopje

**4 Segment reporting**  
**A Operating segments**

*in MKD thousand*

**2012 (current year)**

	Operating segments				Other insignificant operating segments	Unallocated	Total
	Retail banking	Corporate banking	Investment banking	Liquidity			
Net interest income /(expense)	(5,954)	41,755	-	(2,062)	-	-	33,739
Net fees and commissions income / (expense)	4,690	13,208	-	(5,285)	-	-	12,613
Net trading income	-	-	-	-	-	-	-
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-	-
Other operating income	-	-	38	-	-	5,576	5,614
Income realized between segments	-	-	-	-	-	-	-
<b>Total income by segments</b>	<b>(1,264)</b>	<b>54,963</b>	<b>38</b>	<b>(7,347)</b>	<b>-</b>	<b>5,576</b>	<b>51,966</b>
Impairment loss on financial assets, on net basis	(1,936)	(35,337)	(623)	117	-	(1,237)	(39,016)
Impairment loss on non-financial assets, on net basis	-	-	-	-	-	(14,919)	(14,919)
Depreciation	-	-	-	-	-	(15,443)	(15,443)
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in real estate and equipment	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	(98,135)	(98,135)
<b>Total expenses by segments</b>	<b>(1,936)</b>	<b>(35,337)</b>	<b>(623)</b>	<b>117</b>	<b>-</b>	<b>(129,734)</b>	<b>(167,513)</b>
Financial result by segment	(3,200)	19,626	(585)	(7,230)	-	(124,158)	(115,547)
Income tax	-	-	-	-	-	-	-
<b>Profit/(loss) for the financial year</b>							(115,547)
Total assets by segment	235,427	581,500	166,213	315,808	-	109,007	1,407,955
Unallocated assets per segment	-	-	-	-	-	-	-
<b>Total assets</b>	<b>235,427</b>	<b>581,500</b>	<b>166,213</b>	<b>315,808</b>	<b>-</b>	<b>109,007</b>	<b>1,407,955</b>
Total liabilities by segment	724,453	232,684	-	171,019	-	1,715	1,129,871
Unallocated liabilities by segment	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>724,453</b>	<b>232,684</b>	<b>-</b>	<b>171,019</b>	<b>-</b>	<b>1,715</b>	<b>1,129,871</b>

Capital Bank AD Skopje

4 Segment reporting - continued

A Operating segments

in MKD thousand

2011 (previous year)

	Operating segments				Other insignificant operating segments	Unallocated	Total
	Retail banking	Corporate banking	Investment banking	Liquidity			
Net interest income /(expense)	7.627	12.593	356	(1.813)	-	-	18.763
Net fees and commissions income / (expense)	4.582	4.110	-	(5.149)	-	-	3.543
Net trading income	-	-	-	-	-	-	-
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	3.647	3.647
Income realized between segments	-	-	-	-	-	-	-
<b>Total income by segments</b>	<b>12.209</b>	<b>16.703</b>	<b>356</b>	<b>(6.962)</b>	-	<b>3.647</b>	<b>25.953</b>
Impairment loss on financial assets, on net basis	(1.965)	(4.078)	(338)	(117)	-	354	(6.144)
Impairment loss on non-financial assets, on net basis	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	(16.565)	(16.565)
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in real estate and equipment	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	(92.828)	(92.828)
<b>Total expenses by segments</b>	<b>(1.965)</b>	<b>(4.078)</b>	<b>(338)</b>	<b>(117)</b>	-	<b>(109.039)</b>	<b>(115.537)</b>
Financial result by segment	<b>10.244</b>	<b>12.625</b>	<b>18</b>	<b>(7.079)</b>	-	<b>(105.392)</b>	<b>(89.584)</b>
Income tax	-	-	-	-	-	-	-
<b>Profit/(loss) for the financial year</b>							<b>(89.584)</b>
Total assets by segment	152.442	229.658	7.821	317.138	-	187.528	894.587
Unallocated assets per segment	-	-	-	-	-	-	-
<b>Total assets</b>	<b>152.442</b>	<b>229.658</b>	<b>7.821</b>	<b>317.138</b>	-	<b>187.528</b>	<b>894.587</b>
Total liabilities by segment	317.091	168.740	-	173.196	-	11.773	670.800
Unallocated liabilities by segment	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>317.091</b>	<b>168.740</b>	-	<b>173.196</b>	-	<b>11.773</b>	<b>670.800</b>

Capital Bank AD Skopje

4 Segment reporting - continued

B Concentration of total revenue and expenses by customers

<i>in MKD thousand</i>	Operating segments		Other insignificant operating segments	Unallocated	Total
	Corporative banking interest income	Corporative banking fee and commission income			
<b>2012 (current year)</b>					
<b>Customer 1</b>	(2.365)	-	-	-	(2.365)
Income		-	-	-	-
(Expenses)	(2.365)	-	-	-	(2.365)
<b>Customer 2</b>	4.519	219	-	-	4.738
Income	4.519	219	-	-	4.738
(Expenses)	-	-	-	-	-
<b>Customer 3</b>	1.913	695	-	-	2.608
Income	1.913	695	-	-	2.608
(Expenses)	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
<b>Total by segment</b>	<b>4.067</b>	<b>914</b>	-	-	<b>4.981</b>
<b>2011 (previous year)</b>					
<b>Customer 1</b>	(2.951)	-	-	-	(2.951)
Income		-	-	-	-
(Expenses)	(2.951)	-	-	-	(2.951)
<b>Customer 2</b>	2.439	118	-	-	2.557
Income	2.439	118	-	-	2.557
(Expenses)	-	-	-	-	-
<b>Customer 3</b>	2.131	182	-	-	2.313
Income	2.131	182	-	-	2.313
(Expenses)	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
<b>Total by segment</b>	<b>1.619</b>	<b>300</b>	-	-	<b>1.919</b>

Capital Bank AD Skopje

4 Segment reporting - continued

C Geographic area

<i>in MKD thousand</i>	Republic of Macedonia	Member countries of European Union	Europe (other)	Member countries of OECD (without European membercountries of OECD)	Other	Other insignificant geographic segments	Unallocated	Total
<b>2012 (current year)</b>								
Total income	51.556	410	-	-	-	-	-	51.966
Total assets	1.357.606	50.349	-	-	-	-	-	1.407.955
								-
<b>2011 (previous year)</b>								
Total income	25.932	21	-	-	-	-	-	25.953
Total assets	848.462	46.125	-	-	-	-	-	894.587



## **5. Fair value of financial assets and financial liabilities**

### ***Cash and cash equivalents***

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

### ***Placements with and loans to other customers***

Placements with and loans to other customers are measured at amortized cost less the amount for impairment. Discount rate used for measurement of impairment of placements and loans to other customers is effective interest rate determined with the contract. The majority of the placements and loans to other customers are with variable and adjustable interest rate; therefore their carrying amount is approximately their fair value.

### ***Investments***

Investments in securities include investments in governments bills held to maturity which mature within 91 day, therefore carrying amount of government bills represent their fair value. Equity shares are measured at fair value.

### ***Other assets***

Fair value of other assets due to their short term nature approximates their carrying value.

### ***Deposits from banks and other customers***

The fair value of demand deposits, including interest non-bearing deposits is the amount repayable on demand. Fair value of time deposits with variable and adjustable interest rate approximates their carrying value at the reporting date.

### ***Other liabilities***

Fair value of other liabilities which are regularly with very short maturities, approximates their carrying value.

## 5 Fair value of financial assets and financial liabilities

## A Fair value of financial assets and liabilities

	current year 2012		previous year 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>in MKD thousand</i>				
<b>Financial assets</b>				
Cash and cash equivalents	376.599	376.599	317.138	317.138
Trading assets	-	-	-	-
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Placement with, and loans to banks	-	-	-	-
Placement with, and loans to other customers	837.654	837.654	374.247	374.247
Investment securities	76.344	76.344	7.890	7.890
Investments in affiliated companies	-	-	-	-
Receivables for income tax (current)	-	-	-	-
Other receivables	10.448	10.448	35.722	35.722
Pledged assets	-	-	-	-
Deferred tax assets	-	-	-	-
<b>Financial liabilities</b>				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	-	-	-	-
Deposits from other customers	1.073.344	1.073.344	562.501	562.501
Issued debt securities	-	-	-	-
Borrowings	-	-	-	-
Subordinated debt	49.850	49.850	93.571	93.571
Income tax liabilities (current)	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	5.148	5.148	14.213	14.213

**Fair value hierarchy**

Bank classifies its financial assets and liabilities at fair value using hierarchy of fair value which reflects the importance of input values used in determining fair value. The hierarchy includes the following levels:

- Level 1 – Fair value is determined on the basis of quoted market prices of financial instruments on active markets;
- Level 2 – Fair value is determined using techniques that include input values of an active market and that is direct prices or indirect ie derived from prices
- Level 3 – Fair value is determined using techniques that include input values which can not directly or indirectly be traced on active markets , or are not available

Capital Bank AD Skopje

5 Fair value of financial assets and financial liabilities - continued

B Levels of fair value of financial assets and liabilities, measured by fair value

B1 Levels of fair value of financial assets and liabilities, measured by fair value

in MKD thousand

31 December 2012 (current year)

*Financial assets measured at fair value*

Trading assets

Financial assets at fair value through income statement, determined as such upon initial recognition

Derivative assets held for risk management

Investments in securities available-for-sale

**Total**

*Financial liabilities measured at fair value*

Trading liabilities

Financial liabilities at fair value through income statement, determined as such upon initial recognition

Derivative liabilities held for risk management

**Total**

31 December 2011 (previous year)

*Financial assets measured at fair value*

Trading assets

Financial assets at fair value through income statement, determined as such upon initial recognition

Derivative assets held for risk management

Investments in securities available-for-sale

**Total**

*Financial liabilities measured at fair value*

Trading liabilities

Financial liabilities at fair value through income statement, determined as such upon initial recognition

Derivative liabilities held for risk management

**Total**

Notes	Level 1	Level 2	Level 3	Total
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
23.1	6.461	69.883	-	76.344
	6.461	69.883	-	76.344
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
	-	-	-	-
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
23.1	7.890	-	-	7.890
	7.890	-	-	7.890
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
	-	-	-	-

There are no transfers between fair value levels in the period.

Capital Bank AD Skopje

5 Fair value of financial assets and financial liabilities - continued

B Level of fair value of financial assets and liabilities, measured by fair value - continued

B2 Transfers between fair value level 1 and 2

*in MKD thousand*

**Financial assets measured at fair value**

Trading assets

Financial assets at fair value through income statement, determined as such upon initial recognition

Derivative assets held for risk management

Investments in securities, available for sale

**Total**

**Financial liabilities measured at fair value**

Trading liabilities

Financial liabilities at fair value through income statement, determined as such upon initial recognition

Derivative liabilities held for risk management

**Total**

	current year 2012		previous year 2011	
	Transfers from level 1 to level 2	Transfers from level 1 to level 2	Transfers from level 1 to level 2	Transfers from level 1 to level 2
Trading assets	-	-	-	-
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investments in securities, available for sale	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Financial liabilities measured at fair value</b>				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
<b>Total</b>	-	-	-	-

Capital Bank AD Skopje

5 Fair value of financial assets and financial liabilities - continued

B Level of fair value of financial assets and liabilities, measured by fair value - continued

B3 Adjustments to movements during the year in fair values measured in Level 3

*in MKD thousand*

**Balance at January 1, 2011 (previous year)**

Profit/(loss) recognized in:

- Income Statement

- Other income /(loss) in the period not shown  
in the Income Statement

Purchased financial assets in the period

Sold financial assets in the period

Issued financial instruments in the period

Paid financial instruments in the period

Re-classified financial instruments to/from Level

Re-classified in loans and claims

**Balance at December 31, 2011 (previous year)**

**Total profit /(loss) recognized in the Income Statement  
for the financial assets and liabilities that are held  
on December 31, 2011 (previous year)**

**Balance at January 1, 2012 (current year)**

Profit/(loss) recognized in:

- Income Statement

- Other income /(loss) in the period not shown  
in the Income Statement

Purchased financial assets in the period

Sold financial assets in the period

Issued financial instruments in the period

Paid financial instruments in the period

Re-classified financial instruments to/from Level

Re-classified in loans and claims

**Balance at December 31, 2012 (current year)**

**Total profit /(loss) recognized in the Income Statement  
for the financial assets and liabilities that are held  
on December 31, 2012 (current year)**

Trading assets	Financial assets at fair value through income statement, determined as such upon initial recognition	Investments in securities, available for sale	Total assets	Trading liabilities	Financial liabilities at fair value through income statement, determined as such upon initial recognition	Total liabilities
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

**6. Net interest income/ (expenses)***A Structure of the interest income and expenses according the type of the financial instrument*

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b>Interest income</b>		
Cash and cash equivalents	7,189	6,367
Financial assets at fair value through profit and loss, designated upon initial recognition		
Derivative assets held for risk management		
Loans and advances to banks	209	343
Loans and advances to customers	62,746	29,894
Investment securities	3,410	355
Other receivables		
(Net impairment of interest income)	(3,381)	(712)
Collected previously written off interest	7,626	3,299
<b>Total interest income</b>	<b>77,799</b>	<b>39,546</b>
<b>Interest expense</b>		
Financial liabilities at fair value through profit and loss, designated upon initial recognition		
Derivative liabilities held for risk management		
Deposits from banks		316
Deposits from customers	42,236	18,232
Debt securities issued		
Borrowings	7	6
Subordinated liabilities	1,817	2,229
Other liabilities		
<b>Total interest expense</b>	<b>44,060</b>	<b>20,783</b>
<b>Net interest income/(expense)</b>	<b>33,739</b>	<b>18,763</b>

**6. Net interest income/ (expenses) - continued****B Sector analyses of the interest income and expense**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b>Interest income</b>		
Non-financial entities	43,649	17,035
Government	3,410	355
Non-profit institutions serving the households		324
Banks	7,398	6,710
Other financial institutions (non banking)	853	
Households	18,243	12,535
Non-resident		
(Net impairment of interest income)	(3,381)	(712)
Collected previously written off interest	7,627	3,299
<b>Total interest income</b>	<b>77,799</b>	<b>39,546</b>
<b>Interest expenses</b>		
Non-financial entities	5,298	2,839
Government		129
Non-profit institutions serving the households	6	1,798
Banks	7	322
Other financial institutions (non banking)	7,424	5,616
Households	28,442	7,850
Non-resident	2,883	2,229
<b>Total interest expense</b>	<b>44,060</b>	<b>20,783</b>
<b>Net – interest income/(expense)</b>	<b>33,739</b>	<b>18,763</b>

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

## A Structure of the fee and commission income and expenses according the type of financial activities

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b>Fee and commission income</b>		
Loans	5.039	2.037
Payment operations		
domestic	5.717	2.179
abroad	2.444	2.477
Guarantees and letters of credit	3.600	428
Brokerage		
Asset management		
Trust and other fiduciary activities		
Issued securities		
Credit cards		
Other (list separately income over 10% of the total fee and commission income)		
<i>Credit cards</i>	4.053	4.093
<i>other</i>		2
<b>Total fee and commission income</b>	<b>20.853</b>	<b>11.216</b>
<b>Fee and commission expenses</b>		
Loans	41	
Payment operations		
domestic	2.429	2.225
abroad	1.767	150
Guarantees and letters of credit		
Brokerage		
Asset management		
Trust and other fiduciary activities		
Issued securities		
Interbank operations	1.742	1.716
Other (list separately income over 10% of the total fee and commission expenses)		
<i>Card operations</i>	2.130	2.003
<i>other</i>	131	26
		1.265
		288
<b>Total fee and commission expenses</b>	<b>8.240</b>	<b>7.673</b>
<b>Net fee and commission income/(expenses)</b>	<b>12.613</b>	<b>3.543</b>



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

## B Sector analysis of the fee and commission income and expenses

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b>Fee and commission income</b>		
Non-financial entities	15,142	5,856
Government		0
Non-profit institutions serving the households	40	38
Banks		
Other financial institutions (non banking)	572	417
Households	4,689	4,543
Non-resident	410	361
<b>Total fee and commission income</b>	<b>20,853</b>	<b>11,215</b>
<b>Fee and commission expenses</b>		
Non-financial entities	1,973	1,746
Government		
Non-profit institutions serving the households		
Banks	3,088	3,102
Other financial institutions (non banking)	1,536	1,272
Non-resident	1,643	1,553
<b>Total fee and commission expenses</b>	<b>8,240</b>	<b>7,673</b>
<b>Net fee and commission income/(expenses)</b>	<b>12,613</b>	<b>3,542</b>

## 8 Net trading income

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b>Trading assets</b>		
Net income / (loss) from changes in fair value of debt securities		
realised		
unrealised		
Net income /(loss) from changes in fair value of equity instruments		
realised		
unrealised		
Dividend income from trading assets		
Interest income from trading assets		
<b>Trading liabilities</b>		
Net income / (loss) from changes in fair value of debt securities		
realised		
unrealised		
Net income /(loss) from changes in fair value of the trading deposits		
realised		
unrealised		
Net income /(loss) from changes in fair value of the other trading financial liabilities		
realised		
unrealised		
Interest expenses from financial liabilities held for trading		
<i>Net income / (loss) from changes in fair value of derivatives held for trading</i>		
realised		
unrealised		
<b>Net trading income</b>	<b>0</b>	<b>0</b>

## 9 Net income from other financial instruments carried at fair value

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b><i>Financial asset at fair value through profit or loss, designated upon initial recognition</i></b>		
Net income / (loss) from changes in fair value of debt securities		
realised		
unrealised		
Net income / (loss) from changes in fair value of equity instruments		
realised		
unrealised		
Dividend income from trading assets at fair value through profit or loss		
Net income / (loss) from changes in fair value of the loans and advances at fair value through profit or loss		
realised		
unrealised		
<b><i>Financial liabilities at fair value through profit or loss designated upon initial recognition</i></b>		
Net income / (loss) from changes in fair value of debt securities		
realised		
unrealised		
Net income / (loss) from changes in fair value of the deposits at fair value through profit or loss		
realised		
unrealised		
Net income / (loss) from changes in fair value of the borrowings at fair value through profit or loss		
realised		
unrealised		
Income / (loss) from changes in fair value of the other financial liabilities at fair value through profit or loss		
realised		
unrealised		
<b><i>Net income / (loss) from changes in fair value of the derivatives held for risk management at fair value through profit or loss</i></b>		
realised		
unrealised		
<b>Net income from other financial instruments carried at fair value</b>	<b>0</b>	<b>0</b>

**10 Net foreign exchange gains/ (losses)**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Realised net foreign exchange gains/losses	4.939	3.879
Unrealised net foreign exchange gains/losses	22	(816)
Net foreign exchange gains/ losses on impairment of financial assets	(30)	57
Net foreign exchange gains/ losses on provision for off-balance sheet items	1	
Other net foreign exchange gains/ losses		
<b>Net foreign exchange gains/ (losses)</b>	<b>4.932</b>	<b>3.120</b>

**11 Other operating income**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Income from sale of assets available-for-sale	38	
Dividends from equity securities available-for-sale	58	48
Net income from investments in subsidiaries and associates		
Capital gain from sale of:		
Property and equipment		
Intangible assets		
Foreclosed assets	48	11
Non-current assets held for trading and disposal group		
Rental income		418
Income from won court cases		
Collected previously written off receivables		
Release of provision for:		
Off balance credit exposure		23
Contingent liabilities related to court cases		
Pension and other employee benefits restructuring		
Onerous agreements		
other provisions		
Other (list separately all income presenting over 10% of the total other operating income)		
<i>Other</i>	445	
<i>Income from previous years</i>	93	27
<b>Total other operating income</b>	<b>682</b>	<b>527</b>

## 12 Net impairment loss on financial assets

<i>In MKD thousand</i>	Loans and advances to banks	Loans and advances to customers	Investment in financial assets available for sale	Investment in financial assets held to maturity	Cash and cash equivalents	Fee and commission receivables	Other receivables	Total
<b>2012 (current year)</b>								
<b><i>Individually impaired</i></b>								
Additional impairment		71.015	623		45	418	15.065	87.166
(Release of impairment)		(46.852)			(162)	(281)	(855)	(48.150)
	-	<b>24.163</b>	<b>623</b>	-	<b>(117)</b>	<b>137</b>	<b>14.210</b>	<b>39.016</b>
<b><i>Collectively impaired</i></b>								
Additional impairment								-
(Release of impairment)								-
	-	-	-	-	-	-	-	-
<b>Total net impairment of financial assets</b>	-	<b>24.163</b>	<b>623</b>	-	<b>(117)</b>	<b>137</b>	<b>14.210</b>	<b>39.016</b>
<b>2011 (previous year) - restated</b>								
<b><i>Individually impaired</i></b>								
Additional impairment		24.151	338		149	135	1.870	26.643
(Release of impairment)		(19.764)	-		(34)	(304)	(425)	(20.527)
	-	<b>4.387</b>	<b>338</b>	-	<b>115</b>	<b>(169)</b>	<b>1.445</b>	<b>6.116</b>
<b><i>Collectively impaired</i></b>								
Additional impairment								-
(Release of impairment)								-
	-	-	-	-	-	-	-	-
<b>Total net impairment of financial assets-restated</b>	-	<b>4.387</b>	<b>338</b>	-	<b>115</b>	<b>(169)</b>	<b>1.445</b>	<b>6.116</b>

## 13 Net impairment loss on non-financial assets

<i>In MKD thousand</i>	Property and equipment	Intangible assets	Foreclosed assets	Noncurrent assets held for sale	Other non financial assets	Goodwill	Total
<b>2012 (current year)</b>							
Additional impairment loss			14.919				14.919
(Release of impairment loss)							0
<b>Total net impairment loss of non-financial assets</b>	<b>0</b>	<b>0</b>	<b>14.919</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14.919</b>
<b>2011 (previous year)</b>							
Additional impairment loss			-				0
(Release of impairment loss)							0
<b>Total net impairment loss of non-financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\* only for consolidation reports

**14 Personnel expenses**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Short-term employee benefits		
Wages and salaries	31.563	31.560
Compulsory social security obligations	11.122	10.186
Short term compensated absence	64	331
Temporary employment costs		
Profit sharing and bonuses	23	
Non-monetary benefits		
	<b>42.772</b>	<b>42.077</b>
Post-employment benefits		
Contributions to defined contribution plans		
Retirement benefits		
Increase in liability for long service-leave		
Increase in liability for other long term benefits		
Other benefits at employment termination		
	<b>0</b>	<b>0</b>
Termination benefits		
Equity-settled share-based payments		
Cash-settled share-based payments		
<i>Collective agreement benefits</i>	150	225
_____		
_____		
<b>Total personnel expenses</b>	<b>42.922</b>	<b>42.302</b>



**15 Depreciation and amortization**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011 (restated)
<b>Amortization of intangible assets</b>		
Internally developed software		
Purchased software from external suppliers	3.146	2.785
Other internally developed intangible assets	1.661	1.661
Other intangible assets	346	332
Investments in leased intangible assets	230	86
	<b>5.383</b>	<b>4.864</b>
<b>Depreciation of property and equipment</b>		
Buildings		
Vehicles	867	858
Office equipment and furniture	3.841	4.052
Other equipment	829	881
Other property and equipment	67	41
Leasehold improvements	4.456	4.195
	<b>10.060</b>	<b>10.027</b>
<b>Total depreciation and amortization</b>	<b>15.443</b>	<b>14.891</b>

**16 Other operating expenses**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Loss from sale of assets available-for-sale		
Software licensing cost		
Deposit insurance premium	3.745	1.091
Premium for insurance of property and employees	1.037	860
Materials and services	22.139	24.289
Administrative and marketing expenses	6.099	3.604
Other taxes and contributions	1.494	1.432
Rents	14.871	17.092
Expenses for litigations and claims		
Provision for off balance exposure, net	1.013	
Provision for pension and other employment benefits, net		
Provision for contingent liabilities related to court cases, net		
Other provisions net		
<hr/>		
Capital loss on sale of:		
Property and equipment		
Intangible assets		
Foreclosed assets	905	
Noncurrent assets held for sale		
Other ( list in details all expenses over 10% of the other operating expenses)		
<i>Business trips</i>	1.635	1.133
<i>Court taxes</i>	709	
<i>Tax on non-deductible expenses</i>	308	278
<i>other</i>	1.258	747
<b>Total other operating expenses</b>	<b>55.213</b>	<b>50.526</b>

17 *Income tax***A Expenses/ income on current and deferred tax**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b><i>Current income tax</i></b>		
Expenses / (income) for current income tax		
Adjustments for previous year		
Benefits from previously unrecognized tax losses, tax loans and temporary differences from previous years		
Changes in the accounting policies and errors		
Other		
	<i>0</i>	<i>0</i>
<b><i>Deferred income tax</i></b>		
Deferred income tax arising from temporary differences for the year		
Recognition of previously unrecognized tax losses		
Changes in the tax rate		
Introduction of new taxes		
Benefits of previously non recognized tax losses, tax loans and temporary differences from previous years		
Other		
	<i>0</i>	<i>0</i>
<b>Total expense / (return) on income tax</b>		

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b><i>Current income tax</i></b>		
Recognised in the income statement	<i>0</i>	<i>0</i>
Recognised in equity		
	<i>0</i>	<i>0</i>
<b><i>Deferred income tax</i></b>		
Recognised in the income statement		
Recognised in equity		
	<i>0</i>	<i>0</i>
<b>Total expense/ (return) on income tax</b>		

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17 Income tax - continued

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

	in %	In MKD thousand	in %	In MKD thousand
	Current year 2012		Previous year 2011	
Gain / (loss) before tax		(115.547)		(89.584)
Income tax using the applicable tax rate				
Effect of tax rates in foreign jurisdiction				
Adjustments for previous years and changes in the tax rate				
Taxed income abroad				
Non deductible expenses	0,00%		0,00%	
Tax exempt income				
Tax exemptions not recognized in the profit and loss				
Recognition of previously non-recognized tax losses				
Benefits from previously non recognized tax losses, tax credits and temporary differences from previous years				
Change in the deferred tax				
Other				
<b>Total expense / (return) of income tax</b>		-		-
<b>Average effective tax rate</b>	<b>0,00%</b>		<b>0,00%</b>	

C Income tax from other gains / (losses) in periods not shown in the Income Statement

	Current year 2012			Previous year 2011		
	Before taxation	(Expenditure)/return of income tax	Less income tax	Before taxation	(Expenditure)/return of income tax	Less income tax
Revaluation reserve for assets available for sale						
Reserve for instruments for protection against the cash flow risk						
Reserve for instruments for protection against the risk of net investments in foreign operations						
Reserve of foreign exchange differences from investments in foreign operations						
Share in other gains / (losses) of affiliates companies that are not shown in the Income Statement						
Other gains / (losses) not shown in the Income Statement						
<b>Total other gains / (losses) in the period that are not shown in the Income Statement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**18 Cash and cash equivalents**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Cash in hand	34.628	32.621
Cash and balances with NBRM, except obligatory deposits in foreign currency	158.777	73.337
Current accounts and deposits with foreign banks	50.348	46.124
Current accounts and deposits with domestic banks	22.455	24.697
Treasury bills tradable at the secondary market	89.926	124.816
Government bills tradable at the secondary market		
Time deposits with maturity of up to three months		
Other short term highly liquid assets		
Interest receivables (Allowances for impairment)	39	
<b><i>Included in the cash and cash equivalents for the purposes of Statement of cash flow</i></b>	<b>356.173</b>	<b>301.595</b>
Mandatory deposits in foreign currency	20.426	15.660
Restricted deposits (Allowances for impairment)	0	(117)
<b>Total</b>	<b>376.599</b>	<b>317.138</b>

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b>Specific allowances for impairment</b>		
Balance at 1 January	117	0
Impairment loss for the year		
additional impairment	45	149
(release of impairment)	(162)	(34)
Effect of foreign currency movements (Written off receivables)		2
<b>Balance at 31 December</b>	<b>0</b>	<b>117</b>

**19 Trading assets****A. Structure of trading assets by type of financial instrument**

		<i>in MKD thousand</i>	
		Current year 2012	Previous year 2011
<b>Trading securities</b>			
<i>Debt trading securities</i>			
Treasury bills			
Government bills			
Other money market instruments			
Governments bonds			
Corporate bonds			
Other debt securities			
		<i>0</i>	<i>0</i>
Listed			
Non-listed			
<i>Trading equity securities</i>			
Equity securities issued by banks			
Other equity instruments			
		<i>0</i>	<i>0</i>
Listed			
Non-listed			
<b>Trading derivatives</b>			
Contracts dependant on interest rate change			
Contracts dependant on foreign exchange rate change			
Contracts dependant on changes in price of equity securities			
Other contracts that meet IAS 39 requirements			
		<i>0</i>	<i>0</i>
<b>Total trading assets</b>		<b>0</b>	<b>0</b>

**19 Trading assets - continued****B. Reclassified trading assets****B.1 Balance of the reclassified trading assets**

<i>Reclassified amount (on the date of reclassification)</i>	Current year 2012		Previous year 2011	
	book amount on 31.12.2012 ( current year)	fair value on 31.12.2012 (current year)	book amount on 31.12.2011 ( previous year)	fair value on 31.12.2011 (previous year)
<i>in MKD thousand</i>				
<b>Trading assets, reclassified in 2012 (current year) in:</b>				
financial assets available-for-sale				
loans and claims from banks				
loans and claims from other customers				
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Trading assets, reclassified in 2011 (previous year) in:</b>				
financial assets available-for-sale				
loans and claims from banks				
loans and claims from other customers				
	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

## 19 Trading assets - continued

## B Reclassified trading assets

## B.2 Profit and loss from reclassified trading assets

in MKD thousand

## Period before reclassification

Trading assets, reclassified in financial assets available-for-sale  
 Net income from trading

Trading assets, reclassified in loans and claims from banks  
 Net income from trading

Trading assets, reclassified in loans and claims from other customers  
 Net income from trading

Reclassified in 2012 (current year)		Reclassified in 2012 (current year)			
Income Statement 2012 (Current year)	Other profit/(loss) 2012 (Current year)	Income Statement 2012 (Current year)	Other profit/(loss) 2012 (Current year)	Income Statement 2011 (Previous year)	Other profit/(loss) 2011 (Previous year)
0	0	0	0	0	0

## Period after reclassification

Trading assets, reclassified in financial assets available-for-sale  
 Interest income  
 Impairment of financial assets on net basis  
 Changes in the fair value on net basis

Trading assets, reclassified in loans and claims from banks  
 Interest income  
 Impairment of financial assets on net basis

Trading assets, reclassified in loans and claims from other customers  
 Interest income  
 Impairment of financial assets on net basis

0	0	0	0	0	0



**19 Trading assets - continued****B.3 Profit or loss recognized in the Income Statement if assets have not been reclassified**

*in MKD thousand*

	Income Statement 2012 (Current year)	Other profit /(loss) 2012 (Current year)	Income Statement 2011 (Previous year)	Other profit /(loss) 2011 (Previous year)
Trading assets, reclassified in financial assets available-for-sale				
Interest income				
Impairment of financial assets on net basis				
Changes in the fair value on net basis				
Trading assets, reclassified in loans and claims from banks				
Interest income				
Impairment of financial assets on net basis				
Changes in the fair value on net basis				
	0	0	0	0

**20 Financial assets at fair value through profit and loss, designated upon initial recognition**

		<i>in MKD thousand</i>	
		Current year 2012	Previous year 2011
<b><i>Debt securities</i></b>			
Treasury bills			
Government bills			
Other money market instruments			
Governments bonds			
Corporate bonds			
Other debt securities			
		<b>0</b>	<b>0</b>
Listed			
Non-listed			
<b><i>Equity securities</i></b>			
Equity securities issued by banks			
Other equity instruments			
		<b>0</b>	<b>0</b>
Listed			
Non-listed			
Loans and advances to banks			
Loans and advances to other customers			
<b>Total financial assets at fair value through profit and loss, designated upon initial recognition</b>		<b>0</b>	<b>0</b>

21 *Derivative assets and liabilities held for risk management*

<i>in MKD thousand</i>			
Current year 2012		Previous year 2011	
Derivative assets	(Derivative liabilities)	Derivative assets	(Derivative liabilities)
<b>A Derivatives hedges /Derivatives held for risk management</b>			
A.1 <i>Instrument type</i>			
<b>Derivatives held for risk management</b>			
Contracts that depend on the change of the interest rate			
Contracts that depend on the change of the foreign exchange rate			
Contracts that depends on the equity price change			
Other contracts that fulfill the IAS 39 requirements			
<b>Total derivatives held for risk management</b>			
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
A.2 <i>Hedges type</i>			
Fair value hedge			
Cash flow hedge			
Net investment hedge in foreign operation			
<b>Total derivatives held for risk management</b>			
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B Embedded derivatives</b>			
Contracts that depend on the change of the interest rate			
Contracts that depend on the change of the foreign exchange rate			
Contracts that depends on the equity price change			
Other contracts that fulfill the IAS 39 requirements			
<b>Total embedded derivatives</b>			
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total derivatives held for risk managemen</b>			
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Capital Bank AD Skopje

22 *Loans and advances*

22.1 *Loans and advances to banks*

<i>in MKD thousand</i>					
		Current year 2012		Previous year 2011	
		Short term	Long term	Short term	Long term
Loans to banks					
	Domestic banks				
	Foreign banks				
Term deposits, with maturity over three months					
	Domestic banks				
	Foreign banks				
Repo					
	Domestic banks				
	Foreign banks				
Other receivables					
	Domestic banks				
	Foreign banks				
Current maturity					
<b>Total loans and advances to banks before allowances for impairment</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Allowances for impairment					
<b>Total loans and advances to banks less allowances for impairment</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

		<i>in MKD thousand</i>	
		Current year 2012	Previous year 2011
<b>Specific allowances for impairment</b>			
Balance at January 1		-	-
Impairment loss for the year			
Additional impairment		-	-
(release of impairment)		-	-
FX effect (Receivables written off)			
<b>Balance at 31 December</b>		<b>0</b>	<b>0</b>

22 *Loans and advances - continued*22.2 *Loans and advances to customers*A *Portfolio of loans and advances to customers according the type of the debtor*

	<i>in MKD thousand</i>			
	Current year 2012		Previous year 2011	
	Short term	Long term	Short term	Long term
<b>Non-financial entities</b>				
Principal	165,825	437,582	62,240	171,149
Interest receivable	6,894		1,634	
<b>Government</b>				
Principal				
Interest receivable				
<b>Non-profit institutions serving to the households</b>				
Principal	3,175			3,856
Interest receivable			29	
<b>Financial institutions, except banks</b>				
Principal		30,177		
Interest receivable	164			
<b>Household</b>				
Principal				
Housing loans		18,474		9,956
Consumer loans	20,715	122,450	10,888	84,484
Car loans				
Mortgage loans				
Credit cards	53,105		44,692	
Other loans	9,360	14,311	8,079	
Interest receivable	1,423		1,049	
<b>Non-residents</b>				
Principal				
Interest receivable				
Current maturity	79,323	(79,323)		
<b>Total loans and advances to customers before allowances for impairment</b>	<b>339,984</b>	<b>543,671</b>	<b>128,611</b>	<b>269,445</b>
(Allowances for impairment)	(23,260)	(22,741)	(14,954)	(8,855)
<b>Total loans and advances to customers less allowances for impairment</b>	<b>316,724</b>	<b>520,930</b>	<b>113,657</b>	<b>260,590</b>

**22 Loans and advances - continued****22,2 Loans and advances to customers - continued****A Portfolio of loans and advances to customers according the type of the debtor**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b>Specific allowances for impairment</b>		
Balance at 1 January	23.809	20.187
Impairment loss for the year		
Additional impairment	71.015	24.151
(release of impairment)	(46.852)	(19.764)
FX effect	(4)	4
(Receivables written off)	(1.967)	(769)
<b>Balance of 31 December</b>	<b>46.001</b>	<b>23.809</b>
<b>Collective allowances for impairment</b>		
Balance at January 1	-	-
Impairment loss for the year		
Additional impairment	-	-
(release of impairment)	-	-
FX effect	-	-
(Receivables written off)	-	-
<b>Balance at 31 December</b>	<b>-</b>	<b>-</b>
<b>Total allowances for impairment of loans and advances to customers</b>	<b>46.001</b>	<b>23.809</b>

**22 Loans and advances - continued****22,2 Loans and advances to customers - continued****B Portfolio of loans and advances to customers according the type of the collateral**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<i>(current carrying amount of loans and advances)</i>		
First class collateral		
Cash deposits (depo and or/ restricted at bank's accounts)	37.476	25.020
Government securities	-	3
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees issued by insurance companies and insurance policies	-	-
Corporate guarantees (except from banks and insurance companies)	495	-
Guarantees from individuals		187.699
Pledge on property		
Property for its own use (apartments and houses)	300.102	110.999
Business property	18.370	18.199
Pledge on movable lien	4.146	2.083
Other types of collateral	477.006	27.282
Unsecured loans	60	2.962
<b>Total loans and advances to customers less allowance for impairment</b>	<b>837.654</b>	<b>374.247</b>

**23 Investment securities****23,1 Investments in financial assets available for sale****A Structure of investments in financial assets available-for-sale by type of financial instrument**

		<i>in MKD thousand</i>	
		Current year 2012	Previous year 2011
<b><i>Debt securities</i></b>			
Treasury bills			
Government bills		69.883	
Other money market instruments			
Government bonds		4.507	5.490
Corporate bonds			
Other debt instruments			
		<b>74.390</b>	<b>5.490</b>
Listed		<b>4.507</b>	<b>5.490</b>
Non-listed		<b>69.883</b>	
<b><i>Equity instruments</i></b>			
Equity instruments issued by banks			
Other equity instruments		9.513	9.336
		<b>9.513</b>	<b>9.336</b>
Listed		<b>9.513</b>	<b>9.336</b>
Non-listed			
<b><i>Total investments in available for sale instruments before allowances for impairment</i></b>		<b>83.903</b>	<b>14.826</b>
<b>(Allowances for impairment)</b>		<b>(7.559)</b>	<b>(6.936)</b>
<b><i>Total investments in available for sale instruments less allowances for impairment</i></b>		<b>76.344</b>	<b>7.890</b>

		<i>in MKD thousand</i>	
		Current year 2012	Previous year 2011
<b>Specific allowances for impairment</b>			
Balance at 1 January		6.936	6.598
Impairment loss for the year			
Additional impairment		623	338
(release of impairment)			
FX effect			
(Receivables written off)			
<b>Balance at 31 December</b>		<b>7.559</b>	<b>6.936</b>



As at 31 December 2012 the government bonds for denationalization issued by the Ministry of Finance of Republic of Macedonia are comprised of:

- Government bonds from the fifth issue in 2006, with maturity of 10 years and annual interest rate of 2% (2011: 2%), which at 31 December 2012 are in the amount of MKD 2,958 thousand (2011: MKD 3,637 thousand);
- Government bonds from the sixth issue in 2007, with maturity of 10 years and annual interest rate of 2% (2011: 2%), which at 31 December 2012 are in the amount of MKD 146 thousand (2011: MKD 177 thousand); and
- Government bonds from the seventh issue in 2008, with maturity of 10 years and with an annual rate of 2% (2011: 2%), which at 31 December 2012 are in the amount of MKD 1,346 thousand (2011: MKD 1,606 thousand).

**23 Investment securities - continued****23,1 Investments in financial assets available for sale - continued****B Reclassified financial assets available-for-sale****B1 Balance of the reclassified financial assets available-for-sale**

<i>Reclassified amount (on the date of reclassification)</i>	current year 2012		previous year 2011	
	book value on 31.12.2012 (current year)	fair value on 31.12.2012 (current year)	book value on 31.12.2011 (previous year)	fair value on 31.12.2011 (previous year)
<i>in MKD thousand</i>				
<b>Assets available-for-sale reclassified in 2012 (current year) in:</b>				
loans and claims from banks				
loans and claims from other customers				
	0	0	0	0
<b>Assets available-for-sale reclassified in 2011 (previous year) in:</b>				
loans and claims from banks				
loans and claims from other customers				
	0	0	0	0

**23 Investment securities - continued****23,1 Investments in financial assets available for sale - continued****B Reclassified financial assets available-for-sale - continued****B2 Profit and loss from reclassified assets available for sale***in MKD thousand****Period before reclassification***

Assets available-for-sale reclassified in loans and claims from banks

interest income

impairment of financial assets on net basis

changes in the fair value on net basis

Assets available-for-sale reclassified in loans and claims from other customers

interest income

impairment of financial assets on net basis

changes in the fair value on net basis

	Income Statement 2012 (Current year)	Other profit /(loss) 2012 (Current year)	Income Statement 2011 (Previous year)	Other profit /(loss) 2012 (Previous year)
<b><i>Period before reclassification</i></b>				
Assets available-for-sale reclassified in loans and claims from banks				
interest income				
impairment of financial assets on net basis				
changes in the fair value on net basis				
Assets available-for-sale reclassified in loans and claims from other customers				
interest income				
impairment of financial assets on net basis				
changes in the fair value on net basis				
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><i>Period after reclassification</i></b>				
Assets available-for-sale reclassified in loans and claims from banks				
interest income				
impairment of financial assets on net basis				
amount reposted from Revaluation reserves				
Assets available-for-sale reclassified in loans and claims from other customers				
interest income				
impairment of financial assets on net basis				
amount reposted from Revaluation reserves				
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**23 Investment securities - continued****23,1 Investments in financial assets available for sale - continued****B Reclassified financial assets available-for-sale - continued****B3 Profit or loss that would have been recognized if assets were not reclassified**

<i>in MKD thousand</i>	Income Statement 2012 (Current year)	Other profit /(loss) 2012 (Current year)	Income Statement 2011 (Previous year)	Other profit /(loss) 2012 (Previous year)
Assets available-for-sale reclassified in loans and claims from banks				
- interest income				
- impairment of financial assets on net basis				
- changes in the fair value on net basis				
Assets available-for-sale reclassified in loans and claims from other customers				
- interest income				
- impairment of financial assets on net basis				
- changes in the fair value on net basis				
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**24 Investments in subsidiaries and affiliated entities****A Proportion of participation on the bank in subsidiaries and affiliated entities**

Name of subsidiaries and affiliated entities	Country	vo %			
		Proportion of interest ownership		Proportion of voting power	
		Current year 2012	Previous year 2011	Current year 2012	Previous year 2011

**B Financial information for the affiliated entities - 100%**

Name of affiliated entities	in MKD thousand				
	Total assets	Total liabilities	Total capital and reserves	Revenue	Profit/(loss) for the year
Current year 2012					
	0	0	0	0	0
Previous year 2011					
	0	0	0	0	0

## 25 Other receivables

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011 (restated)
Trade receivables	15.903	17.094
Prepayments	761	2.493
Deferred income		
Fee and commission receivables	1.001	438
Receivables from employees		
Advances for intangible assets		702
Advances for property and equipment		3.453
Other (list in details all receivables over 10% of the total other receivables)		
<i>material expenses</i>	1.034	2.749
<i>numismatics</i>	148	148
<i>leasing</i>		689
<i>receivables from payments on behalf of customers</i>	80	73
<i>operation with credit cards</i>	5.649	3.970
<i>other</i>	148	235
<i>anticipative interest</i>	1.957	2.877
<b>Total other receivables before allowances for impairment</b>	<b>26.681</b>	<b>34.921</b>
(Allowances for impairment)	(16.233)	(1.939)
<b>Total other receivables less allowances for impairment</b>	<b>10.448</b>	<b>32.982</b>

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011 (restated)
<b>Specific allowances for impairment</b>		
Balance at 1 January	1.939	616
Impairment loss for the year		
Additional impairment	15.483	2.005
(release of impairment )	(1.136)	(729)
FX effect	(26)	51
(Receivables written off)	(27)	(4)
<b>Balance at 31 December</b>	<b>16.233</b>	<b>1.939</b>

**26 Pledged assets**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Debt securities		
Equity instruments		
<b>Total pledged assets</b>	<b>0</b>	<b>0</b>

## 27 Foreclosed assets

<i>In MKD thousand</i>	Land	Buildings	Equipment	Apartments	Other	Total
<b>Cost</b>						
Balance at 1 January 2011 (previous year)	-	65.234	5.236	28.295	-	98.765
foreclosed during the year	-	-	-	-	-	-
(sold during the year)	-	-	(21)	(3.990)	-	(4.011)
(transferred to own assets)	-	-	-	-	-	-
<b>Balance at 31 December 2011 (previous year)</b>	-	<b>65.234</b>	<b>5.215</b>	<b>24.305</b>	-	<b>94.754</b>
Balance at 1 January 2012 (current year)	-	65.234	5.215	24.305	-	94.754
foreclosed during the year	-	1.459	-	-	-	1.459
(sold during the year)	-	(1.827)	-	(17.706)	-	(19.533)
(transferred to own assets)	-	-	-	-	-	-
<b>Balance at 31 December 2012 (current year)</b>	-	<b>64.866</b>	<b>5.215</b>	<b>6.599</b>	-	<b>76.680</b>
<b>Allowances for impairment</b>						
Balance at 1 January 2011 (previous year)	-	223	406	67	-	696
Impairment loss for the year	-	-	-	-	-	-
(transferred to own assets)	-	-	-	-	-	-
<b>Balance at 31 December 2011 (previous year)</b>	-	<b>223</b>	<b>406</b>	<b>67</b>	-	<b>696</b>
Balance at 1 January 2012 (current year)	-	223	406	67	-	696
Impairment for the year	-	12.637	962	1.320	-	14.919
(sold during the year)	-	-	-	(68)	-	(68)
(transferred to own assets)	-	-	-	-	-	-
<b>Balance at 31 December 2012 (current year)</b>	-	<b>12.860</b>	<b>1.368</b>	<b>1.319</b>	-	<b>15.547</b>
<b>Carrying amount</b>						
at 1 January 2011 (previous year)	-	65.011	4.830	28.228	-	98.069
<b>at 31 December 2011 (previous year)</b>	-	<b>65.011</b>	<b>4.809</b>	<b>24.238</b>	-	<b>94.058</b>
<b>at 31 December 2012 (current year)</b>	-	<b>52.006</b>	<b>3.847</b>	<b>5.280</b>	-	<b>61.133</b>



## 28 Intangible assets

## A Reconciliation of carrying amount

<i>In MKD thousand</i>	Internally developed software	Purchased software from external suppliers	Other internally developed intangible assets	Other intangible assets	intangible assets under construction	Investment in intangible assets under lease	uncontrolled participation	Total
<b>Cost</b>								
Balance at 1 January 2011 (previous year)	-	19.532	8.303	5.667	-	283	-	33.785
Increase through new purchases	-	3.307	-	488	-	865	-	4.660
Increase through internal development	-	-	-	-	-	-	-	-
Increase through business combination	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	-	-	-	-	-
(disposals through business combination)	-	-	-	-	-	-	-	-
(transfers to non-current assets held for sale)	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2011 (previous year) - restated</b>	-	<b>22.839</b>	<b>8.303</b>	<b>6.155</b>	-	<b>1.148</b>	-	<b>38.445</b>
Balance at 1 January 2012 (current year)	-	22.839	8.303	6.155	-	1.148	-	38.445
Increase through new purchases	-	3.251	-	564	-	-	-	3.815
Increase through internal development	-	-	-	-	-	-	-	-
Increase through business combination	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	-	-	-	-	-
(disposals through business combination)	-	-	-	-	-	-	-	-
(transfers to non-current assets held for sale)	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2012 (current year)</b>	-	<b>26.090</b>	<b>8.303</b>	<b>6.719</b>	-	<b>1.148</b>	-	<b>42.260</b>

## 28 Intangible assets - continued

## A Reconciliation of carrying amount

<i>In MKD thousand</i>	Internally developed software	Purchased software from external suppliers	Other internally developed intangible assets	Other intangible assets	intangible assets under construction	Investment in intangible assets under lease	uncontrolled participation	Total
<b>Amortization and impairment losses</b>								
Balance at 1 January 2011 (previous year)	-	4.882	1.616	3.786	-	28	-	10.312
Amortization for the period	-	2.785	1.661	332	-	86	-	4.864
Impairment losses for the period	-	-	-	-	-	-	-	-
(release of impairment losses for the year)	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2011 (previous year) - restated</b>	-	<b>7.667</b>	<b>3.277</b>	<b>4.118</b>	-	<b>114</b>	-	<b>15.176</b>
Balance at 1 January 2012 (current year)	-	7.667	3.277	4.118	-	114	-	15.176
Amortization for the year	-	3.146	1.661	346	-	230	-	5.383
Impairment loss for the year	-	-	-	-	-	-	-	-
(release of impairment loss for the year)	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2012 (current year)</b>	-	<b>10.813</b>	<b>4.938</b>	<b>4.464</b>	-	<b>344</b>	-	<b>20.559</b>
<b>Carrying amount</b>								
at 1 January 2011 (previous year)	-	14.650	6.687	1.881	-	255	-	23.473
at 31 December 2011 (previous year)	-	15.172	5.026	2.037	-	1.034	-	23.269
at 31 December 2012 (current year)	-	15.277	3.365	2.255	-	804	-	21.701

\* only for consolidated financial statements

## B Carrying amount of the intangible assets where there is a restriction of the ownership and/or are pledge as collateral for the bank's liabilities

<i>In MKD thousand</i>	Internally developed software	Purchased software from external suppliers	Other internally developed intangible assets	Other intangible assets	intangible assets under construction	Investment in intangible assets under lease	Total
Carrying amount:							
at 31 December 2011 (previous year)	-	-	-	-	-	-	-
at 31 December 2012 (current year)	-	-	-	-	-	-	-

## 29 Property and equipment

## A Reconciliation of the carrying amount

<i>In MKD thousand</i>	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment under construction	Leasehold improvement	Total
<b>Cost</b>									
Balance at 1 January 2011 (previous year) - restated	-	-	3.275	39.507	5.023	844	3.098	20.645	72.392
increase	-	-	191	3.006	784	113	-	1.626	5.720
increase through business combination (disposals and write-offs)	-	-	-	-	-	-	-	-	-
(disposal through business combination)	-	-	-	-	-	(103)	-	-	(103)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	3.029	69	-	(3.098)	-	-
<b>Balance at 31 December 2011 (previous year) - restated</b>	-	-	<b>3.466</b>	<b>45.542</b>	<b>5.876</b>	<b>854</b>	-	<b>22.271</b>	<b>78.009</b>
Balance at 1 January 2012 (current year)	-	-	3.466	45.542	5.876	854	-	22.271	78.009
increase	-	-	-	1.131	66	73	-	43	1.313
Increase through business combination (disposals and write-offs)	-	-	-	-	-	-	-	-	-
(disposals through business combination)	-	-	-	(166)	-	-	-	-	(166)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2012 (current year)</b>	-	-	<b>3.466</b>	<b>46.507</b>	<b>5.942</b>	<b>927</b>	-	<b>22.314</b>	<b>79.156</b>

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29 Property and equipment -continued

A Reconciliation of the carrying amount

<i>In MKD thousand</i>	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment under construction	Leasehold improvement	Total
<b>Amortization and impairment losses</b>									
Balance at 1 January 2011 (previous year) - restated	-	-	145	30.178	1.646	50	-	3.031	35.050
Depreciation for the year	-	-	858	4.052	881	41	-	4.195	10.027
Impairment losses for the year	-	-	-	-	-	-	-	-	-
(release of impairment losses for the year)	-	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	-	-	-	-	-	-
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2011 (previous year) - restated</b>	-	-	<b>1.003</b>	<b>34.230</b>	<b>2.527</b>	<b>91</b>	-	<b>7.226</b>	<b>45.077</b>
Balance at 1 January 2012 (current year)	-	-	1.003	34.230	2.527	91	-	7.226	45.077
Depreciation for the year	-	-	867	3.841	829	67	-	4.456	10.060
Impairment losses for the year	-	-	-	-	-	-	-	-	-
(release of impairment losses for the year)	-	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	(57)	-	-	-	-	(57)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2012 (current year)</b>	-	-	<b>1.870</b>	<b>38.014</b>	<b>3.356</b>	<b>158</b>	-	<b>11.682</b>	<b>55.080</b>
<b>Carrying amount</b>									
at 1 January 2011 (previous year)	-	-	3.130	9.329	3.377	794	3.098	17.614	37.342
<b>at 31 December 2011 (previous year)</b>	-	-	<b>2.463</b>	<b>11.312</b>	<b>3.349</b>	<b>763</b>	-	<b>15.045</b>	<b>32.932</b>
<b>at 31 December 2012 (current year)</b>	-	-	<b>1.596</b>	<b>8.493</b>	<b>2.586</b>	<b>769</b>	-	<b>10.632</b>	<b>24.076</b>

B Carrying amount of the property and equipment where there is a restriction of the ownership and/or are pledge as collateral for the bank's liabilities

<i>In MKD thousand</i>	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment under construction	Leasehold improvement	Total
Carrying amount:									
at 31 December 2011 (previous year)	-	-	-	-	-	-	-	-	-
at 31 December 2012 (current year)	-	-	-	-	-	-	-	-	-

30 *Current and deferred tax assets and liabilities*30,1 *Current tax assets and tax liabilities*

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Income tax receivables (current)	0	0
Income tax liabilities (current)		

30,2 *Deferred tax assets and tax liabilities*A *Recognised deferred tax assets and deferred tax liabilities*

<i>In MKD thousand</i>	Current year 2012			Previous year 2011		
	Deferred tax assets	(Deferred tax liabilities)	Net	Deferred tax assets	(Deferred tax liabilities)	Net
Derivative assets held for risk management			0			0
Loans and advances to banks			0			0
Loans and advances to other customers			0			0
Investment securities			0			0
Property and equipment			0			0
Intangible assets			0			0
Other receivables			0			0
Derivative liabilities held for risk management			0			0
Other liabilities			0			0
Unused tax losses and unused tax credits			0			0
Other			0			0
<b><i>Deferred tax assets/liabilities recognised in income statement</i></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Investments in financial assets available for sale			0			0
Cash flow hedges			0			0
<b><i>Deferred tax assets/liabilities recognised in equity</i></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total unrecognized deferred tax assets / liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**30 Current and deferred tax assets and liabilities - continued****30,2 Deferred tax assets and tax liabilities - continued****B Unrecognised deferred tax assets**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Tax losses		
Tax credits		
<b>Total unrecognised deferred tax assets</b>	<b>0</b>	<b>0</b>

**30 Current and deferred tax assets and liabilities - continued****30,2 Deferred tax assets and tax liabilities - continued****C Reconciliation of the movements of the deferred tax assets and deferred tax liabilities during the year**

<i>In MKD thousand</i>	Recognised during the year in:			
	at 1 January	Income statement	Equity	at 31 December
<b>Previous year 2011</b>				
Derivative assets held for risk management				0
Loans and advances to banks				0
Loans and advances to other customers				0
Investments in securities				0
Intangible assets				0
Property and equipment				0
Other receivables				0
Derivative liabilities held for risk management				0
Other liabilities				0
Unused tax losses and tax credits				0
Other				0
Investments in financial assets available for sale				0
Cash flow hedges				0
<b>Total recognised deferred tax assets / liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**30 Current and deferred tax assets and liabilities - continued****30,2 Deferred tax assets and tax liabilities - continued****C Reconciliation of the movements of the deferred tax assets and deferred tax liabilities during the year**

<i>In MKD thousand</i>	Recognised during the year in:			
	at 1 January	Income statement	Equity	at 31 December
<b>Current year 2012</b>				
Derivative assets held for risk management				0
Loans and advances to banks				0
Loans and advances to other customers				0
Investment in securities				0
Intangible assets				0
Property and equipment				0
Other receivables				0
Derivative liabilities held for risk management				0
Other liabilities				0
Unused tax losses and tax credits				0
Other				0
Investments in financial assets available for sale				0
Cash flow hedges				0
<b>Total recognised deferred tax assets / liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



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

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Intangible assets	-	-
Property and equipment	-	-
<b>Total non current assets held for sale</b>	<b>0</b>	<b>0</b>

**B Disposal group**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<i>Group of assets for disposal</i>		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investment in associates entities	-	-
Income tax receivables	-	-
Other assets	-	-
<i>Total group of asset for disposal</i>	<b>0</b>	<b>0</b>
<i>Liabilities directly attributable to the group of assets for disposal</i>		
Financial liabilities	-	-
Provision	-	-
Income tax liabilities	-	-
Other liabilities	-	-
<i>Total liabilities directly attributable to the group of assets for disposal</i>	<b>0</b>	<b>0</b>

**C Gain / (loss) recognised from the sale of assets held for sale and disposal group**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Gain/(loss) recognised from the sale of assets held for sale and disposal group	-	-

**32 Trading liabilities**

		<i>in MKD thousand</i>	
		Current year 2012	Previous year 2011
<i>Deposits form banks</i>			
Current accounts, demand deposits and deposits over night		-	-
Term deposits		-	-
Other deposits		-	-
		<b>0</b>	<b>0</b>
<i>Deposits from other customers</i>			
Current accounts, demand deposits and deposits over night		-	-
Term deposits		-	-
Other deposits		-	-
		<b>0</b>	<b>0</b>
<i>Debt securities Issued</i>			
Money market instruments		-	-
Deposit certificates		-	-
Issued bonds		-	-
Other		-	-
		<b>0</b>	<b>0</b>
<i>Other financial liabilities</i>			
		-	-
<i>Trading derivatives</i>			
Contracts that depends on the change of the interest rate		-	-
Contracts that depends on the change of foreign exchange rate		-	-
Contracts that depends on the change of equity price		-	-
Other contracts that fulfill the IAS 39 requirements		-	-
		<b>0</b>	<b>0</b>
<b>Total trading liabilities</b>		<b>0</b>	<b>0</b>

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33 Financial liabilities at fair value through profit or loss, designated upon initial recognitions

<i>in MKD thousand</i>			
Current year 2012		Previous year 2011	
Carrying amount	Contractual value, payable at maturity	Carrying amount	Contractual value, payable at maturity
<i>Deposits from banks</i>			
Current accounts, demand deposits and deposits over night	-	-	-
Term deposits	-	-	-
Other deposits	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Deposits from other customers</i>			
Current accounts, demand deposits and deposits over night	-	-	-
Term deposits	-	-	-
Other deposits	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Debt securities issued</i>			
Money market instruments	-	-	-
Deposit certificates	-	-	-
Issued bonds	-	-	-
Other	-	-	-
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Subordinated liabilities</i>			
<i>Other financial liabilities</i>	-	-	-
<b>Total financial liabilities at fair value through profit or loss, designated upon initial recognitions</b>	<b>0</b>	<b>0</b>	<b>0</b>

## 34 Deposits

## 34,1 Deposit from banks

<i>in MKD thousand</i>					
		Current year 2012		Previous year 2011	
		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	-	-	-	-
Restricted deposits		-	-	-	-
	Domestic banks	-	-	-	-
	Foreign banks	-	-	-	-
Other deposits		-	-	-	-
	Domestic banks	-	-	-	-
	Foreign banks	-	-	-	-
Interest liabilities for deposits		-	-	-	-
	Domestic banks	-	-	-	-
	Foreign banks	-	-	-	-
Current maturity		-	-	-	-
<b>Total deposits to banks</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

34 *Deposits - continued*34,2 *Deposits from other customers*

<i>in MKD thousand</i>					
		Current year 2012		Previous year 2011	
		Short term	Long term	Short term	Long term
Non-financial entities					
Current accounts		71.869	-	84.632	-
Demand deposits		30	-	1.261	-
Term deposits		97.605	37.079	61.917	-
Restricted deposits		-	1.230	8.885	1.230
Other deposits		-	-	-	-
Interest liabilities		1.243	-	1.410	-
		<b>170.747</b>	<b>38.309</b>	<b>158.105</b>	<b>1.230</b>
Government					
Current accounts		-	-	-	-
Demand deposits		-	-	-	-
Term deposits		-	-	-	-
Restricted deposits		-	-	-	-
Other deposits		-	-	-	-
Interest liabilities		-	-	-	-
		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Non-profit institutions serving the households					
Current accounts		610	-	4.081	-
Demand deposits		-	-	-	-
Term deposits		-	-	-	-
Restricted deposits		-	-	-	-
Other deposits		-	-	-	-
Interest liabilities		-	-	-	-
		<b>610</b>	<b>0</b>	<b>4.081</b>	<b>0</b>

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## 34 Deposits - continued

## 34,2 Deposits from other customers - continued

<i>in MKD thousand</i>					
		Current year 2012		Previous year 2011	
		Short term	Long term	Short term	Long term
Financial institutions, except banks					
Current accounts		37.262	-	1.922	-
Demand deposits		-	-	-	-
Term deposits		66.600	15.000	70.331	6.150
Restricted deposits		-	-	-	-
Other deposits		-	-	-	-
Interest liabilities		1.658	-	669	-
		<b>105.520</b>	<b>15.000</b>	<b>72.922</b>	<b>6.150</b>
Individuals					
Current accounts		39.288	-	22.385	-
Demand deposits		2	-	2	-
Term deposits		196.264	416.326	180.441	92.696
Restricted deposits		572	14.096	-	9.379
Other deposits		-	-	-	-
Interest liabilities		16.737	-	3.945	-
		<b>252.863</b>	<b>430.422</b>	<b>206.773</b>	<b>102.075</b>
Non residents, except banks					
Current accounts		38.766	-	3.645	-
Demand deposits		-	-	-	-
Term deposits		1.322	19.413	7.160	-
Restricted deposits		-	-	-	-
Other deposits		-	-	-	-
<i>Interest liabilities</i>		372	-	360	-
		<b>40.460</b>	<b>19.413</b>	<b>11.165</b>	<b>-</b>
Current maturity		<b>152.123</b>	<b>(152.123)</b>	<b>21.796</b>	<b>(21.796)</b>
<b>Total deposits from customers</b>		<b>722.323</b>	<b>351.021</b>	<b>474.842</b>	<b>87.659</b>

**35 Debt securities issued**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest liabilities for issued securities	-	-
<b>Total debt securities issued</b>	<b>0</b>	<b>0</b>

## 36 Borrowings

## A Portfolio of the borrowings according the type of the liability and sector of the issuer

	<i>in MKD thousand</i>			
	Current year 2012		Previous year 2011	
	Short term	Long term	Short term	Long term
<b>Banks</b>				
<b>Residents</b>				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
<b>Non residents</b>	-	-	-	-
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
<b>Non financial entities</b>				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
<b>Government</b>				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
<b>Non profit organization serving the household</b>				
Borrowings	-	-	-	-
Interest liabilities	-	-	-	-





## 37 Subordinated liabilities

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<i>Subordinated deposit</i> (list separately:)		
_____		
_____		
_____		
_____		
Interest liabilities		
	<b>0</b>	<b>0</b>
<i>Subordinated borrowings</i> (list separately:)		
Alfa Finance Holding, Bulgaria	49.200	30.752
Alfa Finance Holding, Bulgaria	-	30.753
Alfa Finance Holding, Bulgaria	-	30.753
_____		
_____		
Interest liabilities	650	1.313
	<b>49.850</b>	<b>93.571</b>
<i>Subordinated debt securities issued</i> (list separately:)		
_____		
_____		
_____		
_____		
Interest liabilities		
	<b>0</b>	<b>0</b>
Redeemable preference shares		
<b>Total subordinated liabilities</b>	<b>49.850</b>	<b>93.571</b>

As at 31 December 2012 the Bank has subordinated obligations in amount of MKD 49,850 thousand (2011: MKD 93,571 thousand). This obligations result from foreign funds transfer according contracts for subordinated loans in amount of EUR 800 thousand on 4 June 2012. Subordinated loans contracts are with Alfa Finance Holding, Bulgaria and are in accordance with the local regulations. These funds can be used as additional capital to cover all types of risk. Subordinated loans are with annual interest rate of 2.95% and the interest is paid every six months. Period of repayment of subordinated loans is eight years from the date of its complete withdrawal. The principal amount of loans should be repaid in a single installment on the last day of maturity.

<i>In MKD thousand</i>	Off balance sheet credit exposure	Pending legal issues and litigations	Pensions and other employee benefits	Restructuring	Onerous contracts	Other provisions	Total
Balance at 1 January 2011 (previous year)	538	-	-	-	-	-	538
Charge during the year (used during the year)	1.149	-	-	-	-	-	1.149
(release of provisions)	(1.172)	-	-	-	-	-	(1.172)
FX effect	-	-	-	-	-	-	-
<b>Balance at 31 December 2011 (previous year)</b>	<b>515</b>	0	0	0	0	0	<b>515</b>
Balance at 1 January 2012 (current year)	515	0	0	0	0	0	515
Charge during the year (used during the year)	2.395	-	-	-	-	-	2.395
(release of provisions)	(1.382)	-	-	-	-	-	(1.382)
FX effect	1	-	-	-	-	-	1
<b>Balance at 31 December 2012 (current year)</b>	<b>1.529</b>	0	0	0	0	0	<b>1.529</b>

**39 Other liabilities**

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Trade payables	1.377	5.554
Advances received		5.416
Fee and commission liabilities	176	144
Accrued expenses	-	-
Deferred income from previous year	-	-
Short term employee liabilities	-	-
Short term employee benefits	-	-
Other (state in details liabilities over 10% of the total other liabilities)	-	-
<i>VAT liabilities</i>	338	287
<i>Liabilities for credit cards operations</i>	1.265	1.309
<i>Received advances for loans</i>	629	214
<i>other</i>	1.363	1.289
<b>Total other liabilities</b>	<b>5.148</b>	<b>14.213</b>

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40 Issued capital

A Issued capital

	<i>In MKD thousand</i>		<i>Number of issued shares</i>				<i>In MKD thousand</i>	
	Share nominal value		Ordinary shares		Irredeemable preference shares		Total issued capital	
	Ordinary shares	irredeemable preference shares	Current year 2012	Previous year 2011	Current year 2012	Previous year 2011	Current year 2012	Previous year 2011
Balance at 1 January	29.706	-	26,341	26,341	-	-	782,489	782,489
Shares issued during the year	30.831	-	2,401	-	-	-	74,025	-
Realisation of share options	-	-	-	-	-	-	-	-
Dividing/accumulation of share nominal value	-	-	-	-	-	-	-	-
Other changes during the year (in details):	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<b>Balance at 31 December – fully paid</b>			<b>28,742</b>	<b>26,341</b>	<b>0</b>	<b>0</b>	<b>856,514</b>	<b>782,489</b>

#### **40. Issued capital**

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at Shareholders meetings of the Bank (2011: one vote per share). All shares rank equally with regard to the Bank's residual assets.

##### ***Statutory reserve***

Under local statutory legislation, the Bank is required to set aside 15 percent of its net profit for the year in a statutory reserve until the level of the reserve reaches 1/5 of the court registered capital. Until achieving the minimum required level the statutory reserve could only be used for loss recovery. When the statutory reserve exceeds the minimum required level and when all losses are covered, the statutory reserve can also be used for distribution of dividends, based on a decision of the shareholders' meeting, but only if the amount of the dividends for the current business year has not reached the minimum for distribution as prescribed in the Trade Company Law or by the Bank's Statute.

##### ***Revaluation reserve for assets available for sale***

Revaluation reserve for assets available for sale includes the cumulative net effect of changes in the fair value of the investments available for sale until the investment is derecognized or impaired.

## Capital Bank AD Skopje

### 40 Issued capital - continued

#### B Dividends

##### B.1 Declared dividends and dividends paid by the Bank

<i>in MKD thousand</i>	
Current year 2012	Previous year 2011
Declared dividends and dividends paid	-

<i>in MKD thousand</i>	
Current year 2012	Previous year 2011
Dividends per ordinary share	-
Dividends per preference share	-

##### B.2 Declared dividends after the reporting date (the dividend liabilities are not presented in the balance sheet)

Remark: Draft - decision for the declared dividends for the year by the Supervisory board of the Bank, but up to the issuance of the Financial statements, the decision is not confirmed by the Shareholder's Assembly of the Bank

<i>in MKD thousand</i>	
Current year 2012	Previous year 2011
Declared dividends after 31 December	-

<i>in MKD thousand</i>	
Current year 2012	Previous year 2011
Dividends per ordinary share	-
Dividends per preference share	-

\* After the balance sheet date no dividends were proposed by the Supervisory Board of the Bank.

#### C Shareholders' structure over 5% from the voting shares

	<i>in MKD thousand</i>		<i>in %</i>	
	Current year 2012	Previous year 2011	Current year 2012	Previous year 2011
Shareholder name	Issued capital (nominal value)	Issued capital (nominal value)	Voting right	Voting right
Alfa Finance Holding, Bulgaria	827.699	753.674	96,64%	96,32%
_____				
_____				
_____				
_____				
<b>Total</b>	<b>827.699</b>	<b>753.674</b>	<b>96,64%</b>	<b>96,32%</b>

\* After the balance sheet date no dividends were proposed by the Supervisory Board of the Bank.

## 41 Earnings per share

## A Basic earnings per share

		<i>in MKD thousand</i>	
		Current year 2012	Previous year 2011
<i>Net-profit attributable to the ordinary shareholders</i>			
Net-profit for the year		(115.547)	(87.882)
Dividend for irredeemable preference shares			
Adjustments of the net-profit attributable to the ordinary share holders (list separately):			
_____			
_____			
_____			
_____			
<b>Net-profit attributable to the ordinary shareholders</b>		<b>(115.547)</b>	<b>(87.882)</b>
		<i>Number of share</i>	
		Current year 2012	Previous year 2011
<i>Weighted average number of ordinary shares</i>			
Issued ordinary shares on 1 January		26.341	26.341
Effects of changes in the number of ordinary shares for the year (list all items separately)			
issued new ordinary shares - September 2012		600	
_____			
_____			
_____			
_____			
_____			
_____			
<b>Weighted average number of ordinary shares at 31 December</b>		<b>26.941</b>	<b>26.341</b>
<b>Basic earnings per share (in MKD)</b>		<b>(4,289)</b>	<b>(3,336)</b>



## 41 Earnings per share - continued

## B Diluted earnings per share

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<i>Net-profit attributed to the ordinary shareholders (diluted)</i>		
Net-profit for the year attributed to the ordinary shareholders	(115.547)	(87.882)
Adjustments of the net-profit belonging to the ordinary shareholders for the effect of all issued ordinary shares (in details)		
_____		
_____		
_____		
_____		
<b>Net-profit attributed to the ordinary shareholders (diluted)</b>	<b>(115.547)</b>	<b>(87.882)</b>

	<i>Number of share</i>	
	Current year 2012	Previous year 2011
<i>Weighted average number of ordinary shares (diluted)</i>		
Issued ordinary shares at 1 January	26.341	26.341
Effects of the issuance of the potential ordinary shares (list in details)		
issued new ordinary shares - September 2012	600	
_____		
_____		
_____		
_____		
_____		
_____		
<b>Weighted average number of ordinary shares (diluted) at 31 December</b>	<b>26.941</b>	<b>26.341</b>
<b>Diluted earnings per share (in MKD)</b>	<b>(4,289)</b>	<b>(3,336)</b>

42 *Contingent assets and liabilities*42,1 *Contingent liabilities*

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
<b>Uncovered payment letters of guarantees</b>	-	-
In MKD	44.653	1.641
In foreign currency	38.745	4.351
In MKD with a foreign currency clause	-	-
<b>Performance uncovered letter of guarantees</b>	-	-
In MKD	23.686	2.717
In foreign currency	-	-
In MKD with a foreign currency clause	-	-
<b>Uncovered letters of credit</b>	-	-
In MKD	-	-
In foreign currency	-	-
In MKD with a foreign currency clause	-	-
<b>Unused credit card limits</b>	20.914	24.249
<b>Irrevocable credit lines and unused loan limits</b>	19.587	3.850
<b>Other uncovered contingent liabilities</b>	9.048	-
<b>Issued covered letters of guarantees</b>	5.963	300
<b>Covered letters of credit</b>	-	-
Other covered contingent liabilities	323	215
<b>Total contingent liabilities before provisions</b>	<b>162.919</b>	<b>37.323</b>
(Provisions)	(1.529)	(515)
<b>Total contingent liabilities less provisions</b>	<b>161.390</b>	<b>36.808</b>

42,2 *Contingent assets*

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
List in details:		
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
<b>Total contingent assets</b>	<b>0</b>	<b>0</b>

## **42. Contingent liabilities and contingent assets**

### Contingent liabilities

Contingent liabilities of the Bank mainly result from off-balance sheet recordings as limits on credit cards and exposure on guarantees. Amount of MKD 20,914 thousand represents unused limit on credit cards while the amount of MKD 19,587 thousand represent unused limit on revocable credit lines, granted to legal entities that the Bank may not approve to the clients account at its own discretion.

Exposure to guarantees amounts MKD 113,047 thousand, of which MKD 107,084 thousand are uncovered and the rest are covered guarantees.

### Litigations and claims

As at 31 December 2012 the litigations and claims against the Bank are in the amount of MKD 29,745 thousand. There is no provision recorded at the reporting date, as the professional legal consultations indicate that there is no possibility of significant losses. Besides that, various legal actions and claims might occur in the future against the Bank from the legal disputes, which might arise from the regular business operations. The related risks are analysed with regard to their occurrence. Although the final outcome of the litigations and claims against the Bank cannot be determined, the management believes that those will not have a material effect on the Bank's financial position.

## 43 Operations on behalf and for account of third parties

<i>in MKD thousand</i>					
Current year 2012			Previous year 2011		
Assets	Liabilities	Net position	Assets	Liabilities	Net position
Administration of assets on behalf and for account of third parties					
Deposits in denars		-			-
Deposits in foreign currency		-			-
Loans in denars	9.067	9.067			-
Loans in foreign currency		-			-
Other receivables in denars		-			-
Other receivables in foreign currency		-			-
Asset management on behalf and for account of third parties					
Deposits in denars		-			-
Deposits in foreign currency		-			-
Loans in denars	9.067	(9.067)			-
Loans in foreign currency		-			-
Other receivables in denars		-			-
Other receivables in foreign currency		-			-
Custody accounts		-			-
Other		-			-
<b>Total</b>	<b>9.067</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### **44. Related parties transactions**

The Bank's ultimate parent is Alfa Finance Holding, Bulgaria.

According to the Banking law, Bank's related parties are: individuals with special rights and responsibilities within the Bank and with them related persons, shareholders with qualified participation in the Bank (directly or indirectly owning at least 5% of the total number of shares or the issued voting shares or enabling significant influence to the Bank's management) and with them related persons, as well as the responsible persons of the shareholders – legal entities.

At the end of the year the transactions with the related parties are as follows:

## 44 Related parties transactions

## A Balance sheet

In MKD thousand

## Balance at 31 December 2012 (current year)

## Assets

Current accounts

Trading assets

Loans and advances

mortgage loans

consumer loans

financial lease receivables

factoring and forfeiting

other loans and advances

Security investments

(Allowances for impairment)

Other assets

## Total

## Liabilities

Trading liabilities

Deposits

Issued securities

Borrowings

Subordinated liabilities

Other liabilities

## Total

## Contingent liabilities

Issued letter of guarantees

Issued letters of credit

Other contingent liabilities

(Provisions)

## Total

## Contingence assets

Received guarantees

Other contigence assets

## Total

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
<b>Balance at 31 December 2012 (current year)</b>						
<b>Assets</b>						
Current accounts						
Trading assets	-	-	-	-	-	-
Loans and advances						
mortgage loans	-	-	-	5.401	-	5.401
consumer loans	-	-	-	2.238	-	2.238
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting	-	-	-	-	-	-
other loans and advances	-	-	-	250	-	250
Security investments	-	-	-	-	-	-
(Allowances for impairment)	-	-	-	(293)	-	(293)
Other assets	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>7.596</b>	-	<b>7.596</b>
<b>Liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Deposits	4.473	-	-	6.057	-	10.530
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	49.850	-	-	-	-	49.850
Other liabilities	-	-	-	-	-	-
<b>Total</b>	<b>54.323</b>	-	-	<b>6.057</b>	-	<b>60.380</b>
<b>Contingent liabilities</b>						
Issued letter of guarantees	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	633	-	633
(Provisions)	-	-	-	(6)	-	(6)
<b>Total</b>	-	-	-	<b>627</b>	-	<b>627</b>
<b>Contingence assets</b>						
Received guarantees	-	-	-	-	-	-
Other contigence assets	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

## 44 Related parties transactions - continued

## A Balance sheet

In MKD thousand

## Balance at 31 December 2011 (previous year)

## Assets

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Trading assets	-	-	-	-	-	-
Loans and advances						
mortgage loans	-	-	-	1.632	-	1.632
consumer loans	-	-	-	1.171	-	1.171
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting	-	-	-	-	-	-
other loans and advances	15	-	-	1.174	-	1.189
Security investments	-	-	-	-	-	-
(Allowances for impairment)	-	-	-	(42)	-	(42)
Other assets	-	-	-	-	-	-
<b>Total</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>3.935</b>	<b>-</b>	<b>3.950</b>
<b>Liabilities</b>						
Trading liabilities	-	-	-	-	-	-
Deposits	4.000	-	-	3.033	-	7.033
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	92.259	-	-	-	-	92.259
Other liabilities	2	-	-	-	-	2
<b>Total</b>	<b>96.261</b>	<b>-</b>	<b>-</b>	<b>3.033</b>	<b>-</b>	<b>99.294</b>
<b>Contingent liabilities</b>						
Issued letter of guarantees	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	512	-	512
(Provisions)	-	-	-	(3)	-	(3)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>509</b>	<b>-</b>	<b>509</b>
<b>Contingent assets</b>						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 44 Related parties transactions - continued

## B Income and expenses arising from related parties transactions

In MKD thousand

## 2012 (current year)

## Revenue

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Interest income	-	-	-	421	-	421
Fee and commission income	266	-	-	28	-	294
Net-trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gain from sale of non current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
<b>Total</b>	<b>266</b>	<b>-</b>	<b>-</b>	<b>449</b>	<b>-</b>	<b>715</b>

## Expenses

Interest expense	2.066	-	-	67	-	2.133
Fee and commission expense	-	-	-	-	-	-
Net-trading losses	-	-	-	-	-	-
Expenses for acquisition of non current assets	-	-	-	-	-	-
Net impairment loss on financial assets	-	-	-	254	-	254
Other expenses	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
<b>Total</b>	<b>2.066</b>	<b>-</b>	<b>-</b>	<b>321</b>	<b>-</b>	<b>2.387</b>



## 44 Related parties transactions - continued

**B Income and expenses arising from related parties transactions***In MKD thousand***2011 (previous year)****Revenue**

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Interest income	-	-	-	265	-	265
Fee and commission income	304	-	-	11	-	315
Net-trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gain from sale of non current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
<b>Total</b>	<b>304</b>	<b>-</b>	<b>-</b>	<b>276</b>	<b>-</b>	<b>580</b>
<b>Expenses</b>						
Interest expense	3.194	-	-	31	-	3.225
Fee and commission expense	-	-	-	-	-	-
Net-trading losses	-	-	-	-	-	-
Expenses for acquisition of non current assets	-	-	-	-	-	-
Net impairment loss on financial assets	-	-	-	(10)	-	(10)
Other expenses	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
<b>Total</b>	<b>3.194</b>	<b>-</b>	<b>-</b>	<b>21</b>	<b>-</b>	<b>3.215</b>

## 44 Related parties transactions - continued

## C Bank's key management personnel compensations

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Short term employee benefits	15.165	11.066
Post employment benefits	-	-
Termination benefits	-	-
Share based payments, paid with equity instruments	-	-
Share based payments, paid in cash	-	-
Other	-	-
<b>Total</b>	<b>15.165</b>	<b>11.066</b>

A Lessor

A.1 Finance lease receivable

*In MKD thousand*

	Total finance lease receivable	Maturity of the finance lease receivables		
		Up to 1 year	From 1 to 5 year	Over 5 year
<b>Balance at 31 December 2012 (current year)</b>				
Carrying amount of the minimum lease payments	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Balance at 31 December 2011 (previous year)</b>				
Carrying amount of the minimum lease payments	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

A.2 Non cancelable operating lease receivables

*In MKD thousand*

	Total operating lease receivables	Maturity of the operating lease receivables		
		Up to 1 year	From 1 to 5 year	Over 5 year
<b>Balance at 31 December 2012 (current year)</b>				
Carrying amount of the minimum lease payments	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Balance at 31 December 2011 (previous year)</b>				
Carrying amount of the minimum lease payments	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

*In MKD thousand*

	Land	Buildings	Vehicle	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of the property under operating lease:							
Balance at 31 December 2012 (current year)	-	-	-	-	-	-	-
Balance at 31 December 2011 (previous year)	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-

45 *Leasing - continued**B Lessee**B.1 Finance lease payables*

	Total finance lease payables	Maturity of the finance lease payables		
		Up to 1 year	From 1 to 5 year	Over 5 year
<i>In MKD thousand</i>				
<b>Balance at 31 December 2012 (current year)</b>				
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-
<b>Balance at 31 December 2011 (previous year)</b>				
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>Total</b>	-	-	-	-

## 45 Leasing - continued

## B Lessee - continued

## B.1 Finance lease payables - continued

<i>In MKD thousand</i>	Land	Buildings	Vehicle	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of the property under finance lease:							
<b>Cost</b>							
Balance at 1 January 2008 (previous year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Balance at 31 Decembar 2011 (previous year)</b>	-	-	-	-	-	-	-
Balance at 1 January 2012 (current year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Balance at 31 December 2012 (current year)</b>	-	-	-	-	-	-	-
<b>Accumulated depreciation and impairment losses</b>							
Balance at 1 January 2011 (previous year)	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-
Impairment losses during the year	-	-	-	-	-	-	-
(release of the impairment during the year)	-	-	-	-	-	-	-
(disposals and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Balance at 31 December 2011 (previous year)</b>	-	-	-	-	-	-	-
Balance at 1 January 2012 (current year)	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-
Impairment loss during the year	-	-	-	-	-	-	-
(release of the impairment loss during the year)	-	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Balance at 31 December 2012 (current year)</b>	-	-	-	-	-	-	-
<b>Carrying amounts</b>							
At 1 January 2011 (previous year)	-	-	-	-	-	-	-
<b>At 31 December 2011 (previous year)</b>	-	-	-	-	-	-	-
<b>At 31 December 2012 (current year)</b>	-	-	-	-	-	-	-

**45 Leasing - continued****B Lessee - continued****B.2 Non cancelable operating lease payables**

<i>In MKD thousand</i>	Total operating lease payables	Maturity of the operating lease payables		
		Up to 1 year	From 1 to 5 year	Over 5 year
<b>Balance at 31 December 2012 (current year)</b>				
Non cancelable lease payables	79.711	10.836	43.344	25.531
<b>Total</b>	<b>79.711</b>	<b>10.836</b>	<b>43.344</b>	<b>25.531</b>
<b>Balance at 31 December 2011 (previous year)</b>				
Non cancelable lease payables	142.967	15.276	61.104	66.587
<b>Total</b>	<b>142.967</b>	<b>15.276</b>	<b>61.104</b>	<b>66.587</b>

	<i>in MKD thousand</i>	
	Current year 2012	Previous year 2011
Grant date	-	-
Expiration date	-	-
Exercise price	-	-
Share price on grant date	-	-
Volatility	-	-
Expected dividend yield	-	-
Interest rate	-	-
Fair value at grant date	-	-

	Current year 2012		Previous year 2011	
	Number of options	Average exercise price	Number of options	Average exercise price
<b>Balance at 1 January</b>				
Movements during the year:				
Options granted to Supervisory Board members	-	-	-	-
Options granted to Managing Board members	-	-	-	-
Other options granted	-	-	-	-
Options forfeited	-	-	-	-
Option exercised	-	-	-	-
Options expired	-	-	-	-
<b>Balance at 31 December</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>