

CAPITAL BANK AD, SKOPJE

FINANCIAL STATEMENTS

**for the year ended at
December 31, 2013**



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

We have audited the accompanying financial statements of Capital bank AD, Skopje ("the Bank"), which comprise the balance sheet as at 31 December 2013, 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 2013, 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 1f in the financial statements for the Bank's compliance with legal and regulatory requirements regarding the own funds where in details are described the measures and activities taken by the Bank for maintaining the own funds.

Skopje, 29 April 2014

Certified auditor of the Republic of Macedonia
Gordana Nikushevska



KPMG Macedonia DOO
Managing Director
Gordana Nikushevska



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**Interest income
for the period 01.01.2013 - 31.12.2013**

	Notes	<i>in MKD thousand</i>	
		current year 2013	previous year 2012
Interest income		122.495	77.799
Interest expense		(56.026)	(44.060)
Net interest income/(expense)	6	66.469	33.739
Fee and commission income		29.468	20.853
Fee and commission expense		(8.685)	(8.240)
Net fee and commission income/(expense)	7	20.783	12.613
Net trading income	8	-	-
Net income from other financial instruments carried at fair value	9	-	-
Net foreign exchange gain/loss	10	5.089	4.932
Other operating income	11	5.355	682
Profit – sharing of associates entities	24	-	-
Net impairment losses on financial assets	12	(35.795)	(39.016)
Net impairment losses on non-financial assets	13	4.770	(14.919)
Personnel expenses	14	(46.883)	(42.922)
Depreciation and amortization	15	(15.519)	(15.443)
Other operating expenses	16	(48.549)	(55.213)
Loss sharing of associates entities	24	-	-
Profit/(loss) before tax		(44.280)	(115.547)
Income tax	17	-	-
Profit/(loss) for the year		(44.280)	(115.547)
Profit / (loss) from the group of assets and liabilities held for sale *		-	-
Profit/(loss) for the year		(44.280)	(115.547)
Profit / (loss) for the period, attributable to*:			
Equity holders of the Bank		-	-
Minority interest		-	-
Earnings per share	41		
Basic loss per share (in denars)		(1,541)	(4,289)
Diluted loss per share in (denares)		(1,541)	(4,289)

*Only for the consolidated financial statement

The Notes set out on pages 10-133 form an integral part of these financial statements

**Statement of Comprehensive Income
for the period 01.01.2013 - 31.12.2013**

		<i>in MKD thousand</i>	
		current year 2013	previous year 2012
		(44.280)	(115.547)
	Profit/(loss) for the financial year		
	Other profit/(losses) in period not shown in the Income Statement (before taxation)		
	Revaluation reserve for assets available-for-sale		
	- unrealized net- changes in fair value of assets available- for- sale	415	56
	- realized net-profit/(losses) from assets available- for- sale , re - classified in the Income Statement	-	-
	Revaluation reserve for foreclosed assets		
	- revaluation reserve on the date of foreclosure	173	-
	- decrease in revaluation reserve, re - classified 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 affiliated companies not shown in the Income Statement	-	-
	Other gains / (losses) not shown in the Income Statement	-	-
	Income tax from other gains / (losses) not shown in the Income Statement	-	-
	Total other gains / (losses) in the periods not shown in the Income Statement	588	56
	Comprehensive income /(loss) for the financial year	(43.692)	(115.491)
	Comprehensive income /(loss) for the financial year, attributable to*		
	Equity holders of the Bank		
	Minority interest		

*Only for the consolidated financial statement

The Notes set out on pages 10-133 form an integral part of these financial statements

Capital Bank AD Skopje

Balance Sheet **
as at 31 December 2013

		<i>in MKD thousand</i>		
	Notes	current year 2013	previous year 2012	previous year *** 01.01.2012
Assets				
Cash and cash equivalents	<u>18</u>	433.934	376.599	-
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>	-	-	-
Loans and advances to customers	<u>22,2</u>	1.143.740	837.654	-
Investment securities	<u>23</u>	117.658	76.344	-
Investments in associates entities (carried at "equity method")	<u>24</u>	-	-	-
Current tax receivables	<u>30,1</u>	-	-	-
Other assets	<u>25</u>	13.788	10.448	-
Pledged assets	<u>26</u>	-	-	-
Assets acquired through foreclosure procedures	<u>27</u>	12.175	61.133	-
Intangible assets	<u>28</u>	18.653	21.701	-
Property and equipment	<u>29</u>	63.587	24.076	-
Deferred tax assets	<u>30,2</u>	-	-	-
Non-current assets held for sale and group for disposal	<u>31</u>	171	-	-
Total assets		1.803.706	1.407.955	-
Liabilities				
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	66.957	-	-
Deposits from customers	34,2	1.405.081	1.073.344	-
Debt securities issued	35	-	-	-
Borrowings	36	-	-	-
Subordinated liabilities	37	90.365	49.850	-
Provisions	38	908	1.529	-
Current tax liabilities	30,1	-	-	-
Deferred tax liabilities	30,2	-	-	-
Other liabilities	39	6.003	5.148	-
Liabilities directly attributable to group of assets for disposal	31	-	-	-
Total liabilities		1.569.314	1.129.871	-

Capital Bank AD Skopje

Balance Sheet **
as at 31 December 2013

	Notes	<i>in MKD thousand</i>		
		current year 2013	previous year 2012	previous year *** 01.01.2012
Equity and reserves				
Issued capital	40	856.514	856.514	-
Share premium		-	-	-
Treasury shares		-	-	-
Other equity instruments		-	-	-
Revaluation reserves	40.1	1.245	657	-
Other reserves		-	-	-
Retained earnings/(Accumulated losses)	40.2	(623.367)	(579.087)	-
Total equity attributable to equity holders		234.392	278.084	-
Minority interest*				
Total equity and reserves		234.392	278.084	-
Total liabilities, equity and reserves		1.803.706	1.407.955	-
Contingent liabilities	42	199.226	161.390	-
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 10-133 form an integral part of these financial statements

The Financial statements presented on the pages 1 to 133 have been reviewed and approved by the Supervisory Board on 29 April 2014 and signed in its behalf by:


Igor Stojnev

Chairmen of the Management Board




Branko Stanoeski

Member of the Management Board

Capital Bank AD Skopje

Statement of changes in equity
For the period 01.01.2013 – 31.12.2013

<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	Revaluation reserve for foreclosed assets	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, 2012 (previous year)	782.489				601										(571.374)	211.716		211.716
Impact of corrections on the opening balance																		
Balance at January 1, 2012 (previous year), restated	782.489	-	-	-	601		-	-	-	-	-	-	-	-	(571.374)	211.716	-	211.716
Comprehensive income/(loss) for the year																		
Profit/(loss) for the year															(115.547)	(115.547)		(115.547)
Other income /(loss) in the period not shown in the Income Statement																		
Changes in the fair value for assets available-for-sale																		
Changes in the fair value for protection against cash flow risk					56												56	56
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																		
Total unrealized profit/(loss) recognized in the equity	-	-	-	-	56		-	-	-	-	-	-	-	-			56	56
Total comprehensive profit/(loss) for the financial year	-	-	-	-	56		-	-	-	-	-	-	-	-	(115.547)	(115.491)		(115.491)
Transactions with shareholders, recognized in the equity and reserves																		
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
Transactions with shareholders, recognized in the equity and reserves	74.025	-	-	-			-	-	-	-	-	-	-	-	107.834	181.859		181.859
As at December 31, 2012 (previous year) / January 1, 2013 (current year)	856.514	-	-	-	657		-	-	-	-	-	-	-	-	(579.087)	278.084		278.084

Capital Bank AD Skopje

Statement of changes in equity
For the period 01.01.2013 – 31.12.2013

in MKD thousand

	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	Revaluation reserve for foreclosed assets	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				
Comprehensive income/(loss) for the year																		
Profit/(loss) for the year																		(44.280)
Other income/(loss) in the period not shown in the Income Statement																		(44.280)
Changes in the fair value for assets available-for-sale					415													415
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						173												173
Total unrealized profit/(loss) recognized in the equity	-	-	-	-	415	173	-	-	-	-	-	-	-	-	-	-	-	588
Total comprehensive profit/(loss) for the financial year	-	-	-	-	415	173	-	-	-	-	-	-	-	-	-	-	-	(44.280)
Transactions with shareholders, recognized in the equity and reserves																		
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																		-
Transactions with shareholders, recognized in the equity and reserves																		-
On December 31, 2013 (current year)	856.514	-	-	-	1.072	173	-	-	-	-	-	-	-	-	-	-	-	(623.367)
																		234.392
																		234.392

The Notes set out on pages 10-133 form an integral part of these financial statements

Statement of Cash Flow
For the period 01.01.2013 – 31.12.2013

Notes	<i>in MKD thousand</i>	
	current year 2013	previous year 2012 (restated)
Cash flows from operating activities		
Profit/(losses) before taxation	(44,280)	(115,547)
Adjustments for:		
Minority interest, included in the consolidated Income Statement*	-	-
Depreciation of:		
intangible assets	5,776	5,383
property and equipment	9,743	10,060
Gain on sale of:		
intangible assets	-	-
property and equipment	(1)	-
assets acquired through foreclosures	(38)	(68)
Loss on sale of:		
intangible assets	-	-
property and equipment	-	109
assets acquired through foreclosures	-	-
Interest income	(122,495)	(77,799)
Interest expense	56,026	44,060
Net trading expense / (income)	-	-
Impairment losses on financial assets, on a net basis		
additional impairment	100,599	87,166
release of impairment	(64,804)	(48,150)
Impairment losses on non- financial assets, on a net basis		
additional impairment	3,044	14,919
release of impairment	(7,814)	-
Provisions		
additional provision	1,596	2,395
release of provision	(2,217)	(1,382)
Dividend income	(55)	(58)
Share in profit/(loss) of associates	-	-
Other corrections	-	-
Interest receipts	119,859	72,189
Interest paid	(57,186)	(31,097)
Operating profit before changes in operating assets	(2,247)	(37,820)
<i>(Increase)/decrease of operating assets:</i>		
Trading assets	-	-
Derivative assets held for risk management	-	-
Due from banks	-	-
Loans to customers	(338,897)	(481,947)
Pledged assets	-	-
Assets acquired through foreclosure procedures	6,660	18,074
Reserve requirements in foreign currency	(14,597)	(4,766)
Obligatory deposit with NBRM in accordance with special legislative	-	-
Other receivables	(3,032)	8,187
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	66,943	-
Deposits from customers	333,435	497,217
Other liabilities	855	(9,065)
Liabilities directly related to group of assets for sale	-	-
Net cash flows from operating activities before tax	49,120	(10,120)
(Paid)/Return on income tax	-	-
Net cash flows from operating activities	49,120	(10,120)

Statement of Cash Flow - continued**For the period 01.01.2013 – 31.12.2013****Cash flows from investing activities**

(Investments in securities)	(41,128)	(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)	(2,728)	(3,815)
Inflows from sale of intangible assets	-	-
(Acquisition of property and equipment)	(2,377)	(1,313)
Inflows from sale of property and equipment	403	-
(Outflows for non-current assets held for sale)	(171)	-
Inflows from non-current assets held for sale	-	-
(Other outflows from investing activities)	-	-
Other inflows from investing activities	55	58

Net cash flows from investing activities**(45,946)** **(74,104)****Cash flows from financing activities**

(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	40,049	64,601
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	-	-

Net cash flows from financing activities**40,049** **138,626**

Effects from adjustment of value of cash and cash equivalents

(427) 117

Effects from foreign exchange gains/losses of cash and cash equivalents

(58) 176

Net-increase/(decrease) of cash and cash equivalents**42,738** **54,695**

Cash and cash equivalents as at January 1

356,173 301,478

Cash and cash equivalents as at December 31**398,911** **356,173**

*Only for the consolidated financial statement

The Notes set out on pages 10-133 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. Filip Vtori Makedonski no.3, 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 2013 and 2012, the total number of Bank’s employees is 72 i.e. 73, respectively.

The Bank has no investments in subsidiaries or associated entities.

The Bank is listed at the Macedonian Stock Exchange AD, Skopje, at the market with special reporting obligations 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 and the Decision on the types and contents of financial statements of banks (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 judgements.

Functional and reporting currency

The financial statements have been prepared as at and for the year ended 31 December 2013. The current and the comparative data reported in these financial statements are presented in denar thousand (“MKD” or “Denar”) unless it is stated otherwise.

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 2013</u>	<u>31 December 2012</u>
1 EUR	61.5113 denar	61.5000 denar
1 USD	44.6284 denar	46.6510 denar
1 CHF	50.1764 denar	50.9106 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, issue or disposal 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 the draw-down of a 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 items is paid each month based on the previous fiscal year computation of such non-deductible differences. At year end a final tax computation is prepared with a final tax settlement and 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 rises 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 not income tax and is out of scope of IAS12. Consequently, such 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 tax contingencies, 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 tax assets or deferred tax 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 trade 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 remaining 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

Fair value measurement assumes that asset or liability is exchanged between market participants in common transaction, under current market conditions at the measurement date. Fair value of financial assets and liabilities is determined in different ways depending on whether the asset or liability is traded on active market or not.

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

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

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

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

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. 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 observable data relating to a 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 liabilities.

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.

Impairment losses on loans and receivables

Allowances for impairment and uncollectibility are determined if there is objective evidence that the Bank cannot collect all amounts due on a claim according to the original contractual terms. A provision for loan impairment is reported as a reduction of the carrying amount of the loan, whereas for off-balance sheet items are presented within the provisions. Additions to provisions are made through impairment losses on financial assets in the income statement.

The allowances for impairment and uncollectibility are determined according to the regulative of the NBRM ruling on each balance sheet date, according to which the Bank is liable to classify the assets and off-balance sheet items in groups, according to their specific level of risk and to estimate the outcome of potential losses which are calculated by applying objective and subjective metrics, as of December 31, 2013 by applying the following percentages:

<u>Risk Category</u>	<u>Percentage</u>
A	from 0% to 5%
B	from 5% to 20%
C	from 20% to 45%
D	from 45% to 70%
E	from 70% to 100%

According to the Decision on Credit Risk Management which was in force in 2013, the percentages that were in force at December 31, 2012 were:

<u>Risk Category</u>	<u>Percentage</u>
A	from 0% to 10%
B	from 10% to 25%
C	from 25% to 50%
D	from 50% to 75%
E	from 75% to 100%

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 three or 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 assets held for sale. Immediately before classification as assets 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's Management has the positive intent and ability to hold to maturity. If the Bank sells 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 as 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 that could not have been reasonably anticipated.

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 include property and equipment obtained through foreclosing procedures in order to fulfill customers' liabilities, fully or partially, for the appropriate credit and are presented in the line item foreclosed assets. Foreclosed assets are initially recognized at a lower of the appraised value, reduced for the expected selling costs which are borne by the Bank, and the value of the foreclosed assets referred to in the act which is passed by the Executor in the procedure for enforced collection, which represents the legal basis for gaining ownership. The appraised value is determined by a certified valuator.

At the date of the assets initial recognition, the Bank is obliged in accordance to the Decision on accounting and regulatory treatment of foreclosed assets to reduce the value of the foreclosed asset in the balance sheet as impairment by at least 20% of the initial recognized value. If the decreased amount or the foreclosed asset is greater than the amount of the closed receivables (the total receivables less impairment loss), for the difference the Bank recognizes a revaluation reserve. After the initial recognition, at least once in a period of twelve-months, the Bank performs a valuation of the foreclosed asset and determines a difference with the carrying amount. Simultaneously the Bank calculates 20% of the carrying amount of the foreclosed asset and compares it with the difference between the estimated and carrying amount. The greater amount is recognized in the income statement as impairment loss. If a foreclosed property becomes a property of the Bank for own use, the value at which the asset will be recognised is at the lower of the latest valuation determined by a certified valuator and the carrying amount of the asset at the date of the change in use (determined at that date in accordance with the Decision for accounting and regulatory treatment of foreclosed assets).

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 asset, or are recognized as a separate asset 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:

	2013	2012
	%	%
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 those 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:

	2013	2012
	%	%
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 carrying amounts of the Bank's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the 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 amortization), if no impairment loss had been recognized in previous periods.

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
- Pension reserves and other employee benefits
- 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 as a 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 net present value. There is no additional liability in respect of post retirement.

c.21) Share capital, reserves and dividends

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Incremental costs

Incremental costs associated with the issuance of new shares, options or the acquisition of a new business activity are recognised as a deduction from equity, net of taxes.

(iii) 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.

(iv) Retained earnings

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

(v) 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 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 these 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 may 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 loss as described in accounting note c.8.

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. When 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.

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 state of the investee, industry and sector performance, changes in technology, and cash flows from operational and financing activities.

e) Changes in accounting policies, accounting estimates and adjustments

Changes in accounting policies

Except for the changes provided below, the accounting policies are applied consistently for all periods presented in these separate financial statements.

During 2012 and 2013 NBRM issued changes to certain parts of the Methodology, applicable during 2013.

Fair Value: measurement principle

In accordance with the changes in the Methodology, chapter 3.1 Financial assets – basic principles, 3.1.3 Subsequent measurement – measurement principles at fair value, the Bank accepted the new definition of fair value and the amended provisions for an active market and valuation techniques in case there is no active market. The changes in Methodology had no significant impact in the measurement of assets and liabilities of the Bank. The accounting policy for fair value measuring is presented in note 1.c.7.

In accordance with the Decision for changes in the Methodology, changes are applied prospectively starting from 1 January, 2013.

Derecognition of financial assets

In accordance with the changes in the Methodology, chapter 3.1 Financial assets – basic principles, 3.1.5 Derecognition, the Bank accepted the new definitions for “continuing involvement” as follows.

The Bank has “continuing involvement” in the transferred financial assets if it retains any portion of the contractual rights or liabilities of the transferred financial assets or if it obtains new contractual rights or liabilities relating to the transferred financial assets.

The accounting policy for derecognition of financial assets is presented in note 1.c.7(iii).

In accordance with the Decision for changes in the Methodology, changes are applied prospectively starting from 1 January, 2013.

Investments in subsidiaries and associates, consolidation: Assessment of control

Changes in the Methodology in chapter 3.7 Investment in subsidiaries and associates and joint activities and chapter 6.8 Consolidation, have no impact on the Banks accounting policies.

Foreclosed assets

In accordance with the changes in the Methodology in chapter 3.9. Foreclosed assets and 3.10 Property and equipment, and the Decision for the accounting and regulatory treatment of foreclosed assets at initial recognition of the asset an immediate impairment of 20% of the assets value is recorded at the moment of recognition.

The accounting policies related to foreclosed assets are presented in note 1.c.13.

In accordance with the Decision for changes in Methodology and the Decision for the accounting and regulatory treatment of foreclosed assets, changes are applied prospectively.

Changes in accounting estimates

As a result of the changes in the Decision for credit risk management as of 1 December, 2013 the Bank changed its estimates related to impairment of financial assets.

The accounting policies for estimation of loss due to impairment of financial assets are given in note 1.d.

As a result to the changes in accounting estimates related to impairment of financial assets, the Bank recognized release of impairment, allowance of the financial assets in the amount of MKD 3,982 thousand in 2013.

f) Compliance with the regulations

Due to temporary decrease 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 ('The Plan') 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 on 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. During 2013 the Bank regularly submitted reports to NBRM for the fulfillment of the Plan. As at 31 December 2013 the Bank's own fund according the improvement Plan should have amount MKD 327,599 thousand while the amount realized was MKD 319,584 thousand. However, own funds as at 31 December 2013 are over the statutory limit of MKD 310,000 thousand.

According the improvement Plan during 2011 and 2012, the parent company of the Bank paid total amount of EUR 2,550,000 as subordinated loan. In May 2012, the parent company of the Bank decided to write-off the subordinated loan in the amount of EUR 1,750,000 equivalent to MKD 107,834 thousand with which the accumulated loss was covered.

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

According the improvement Plan in February 2013 the Bank signed a contract with the parent company for new subordinated loan in the amount of EUR 1,000,000 out of which EUR 650,000 were withdrawn, an equivalent of MKD 40,047 thousand.

As at 31 December, 2013 total amount of the Bank's subordinated loans amounts to EUR 1,450,000 and is in compliance with the statutory minimum for own funds.

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 an inevitable consequence. Therefore the purpose of the Bank is to achieve and appropriate balance between risk and return on assets 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 and 3.

h) Subsequent events

During February 2014 parent company provided EUR 175,000 equivalent of MKD 10,764 thousand as subordinated loan.

On the extraordinary Shareholders Meeting of the Bank on 30 December 2013 a Decision for confirmation of the Decision reached by the parent company Alfa Finance Holding for write-off of subordinated loan in amount of EUR 1,000,000 equivalent to MKD 61,683 thousand for covering Banks accumulated losses. In addition purpose the shareholders reached a Decision for covering accumulated losses for the same amount. After the finalization of the complete procedure, the Bank recorded the accumulated loss covering on 24 February, 2014 in the amount of MKD 61,683 thousand. As at 28 February 2014 the Bank's own funds are in the amount of MKD 320,730 thousand. Except the above mentioned, 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 basis of every financial business and operating risks are an inevitable consequence. Therefore the purpose of the Bank is to achieve and appropriate balance between risk and return on assets 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.

Framework for risk management

Activities for risk management from financial aspect include analysis, evaluation, acceptance and management.

The Bank's objective is to reach an appropriate balance between the risk and income, and to minimize potential negative effects of the Bank's financial performances.

The system of risk management is consistent with the provisions of the legislation relating to risk management.

The system of risk management presents a clear organizational structure of the Bank's risk management which ensures a clear alignment of responsibilities, an effective segregation of duties and tasks, and prevention of conflict of interest clashes on all levels, including the Supervisory board, Management board, higher Management, as well as between the Bank and it's clients and all other related parties.

Also, an effective risk management system assumes an effective system of internal control and audit.

The Bank has established risk management policies whose objective is to identify and analyze risks, set appropriate risk limits and controls, and monitor the risks and the adherence to limits with the aid of safe and contemporary information systems.

The Bank continuously tests the appropriateness of the policies and the established risk management systems, namely the same are recorded in accordance to the changes of the Bank's risk profile, changes in market conditions, products and best practices.

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 operations, establish and monitor the implementation of policies to manage risks and make suggestions for their review, monitor NBRM 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 potential risk potential losses in order to minimize, to set and regularly review the limits of exposure to certain types of risks, monitor results of the stress-testing and the effects of actions taken on the basis of these results and monitors the effectiveness of the internal control of risk management.

Risk Management Committee functions are facilitated by an Internal Audit Department.

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 operating risks.

2.1. Credit risk

Credit risk is the most significant risk for the Bank, so the Management carefully reviews the 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 to manage the credit risk more successfully, the Bank takes into consideration every asset 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 risk, concentration to certain exposure risks.

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, before they are approved to clients.
- ***Monitoring the concentration exposure*** through geographic and industrial segments (for loans and advances), and through issuer, through credit rating from institutions, market and country 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. According to the Bank's policies, determining the impairment loss, namely the special reserve is executed separately.

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

Calculated impairment or provision is within the following frames:

- From 0% to 5% of exposure to credit risk, classified in risk category A
- Above 5% to 20% of exposure to credit risk, classified in risk category B
- Above 20% to 45% of exposure to credit risk, classified in risk category C
- Above 45% to 70% of exposure to credit risk, classified in risk category D
- Above 70% to 100% of exposure to credit risk, classified in risk category E

• **Monitoring of the compliance** with established legal and internal limits of the 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.

The limiting of credit risk, namely the defined limits are approved by the Supervisory Board. Exposure to credit risk is also managed through regular analysis of the ability of the credit users 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 balance and off-balance sheet exposure to credit risk segments (credit cards, corporate clients, individuals, banks and financial institutions)
- Total balance and off-balance sheet exposure to credit risk status of the claim - regular, due, dysfunctional,
- The value of the impairment of the value or allowance by segments
- Structure of total assets (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 advances during the analyzed period (month) and a report on the movement of the collection of these receivables in the analyzed period (year),
- 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 their analysis, Risk Management Committee gives recommendations for taking action to reduce the Bank's exposure to credit risk.

The Bank employs a range of practices and experiences to reduce or limit the credit risk. As one of the most traditional and most common way to reduce credit risk by accepting an adequate security for the given loans, with adequate resources.

Basic types of collateral for loans and advances that represent exposure to credit risk are:

- Deposit / depots, bank and premier corporate guarantee.
- Mortgage or pledged on real estate - residential buildings, office buildings and other real property
- Pledge of movable property - vehicles, equipment, inventory, etc.
- Pledge of financial instruments (debt and equity securities).

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 it identifies indicators of impairment loss 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 audit controls of the operations of the Corporate clients sector and Business development and retail sector.

Policies for impairment and provisioning

Provision for impairment at year-end derives 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 – collateral.

Credit risk exposure presented in credit risk tables is in compliance with the Decision for credit risk.

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 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 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012
<i>in MKD thousand</i>																		
Carrying amount of individually significant exposures, before impairment on individual basis																		
risk category A	-	-	970,607	768,631	-	-	-	-	-	-	1,210	274	815	689	85,451	136,306	1,058,083	905,900
risk category B	-	-	111,527	43,500	-	-	-	-	-	-	211	51	102	23	501	995	112,341	44,569
risk category C	-	-	32,671	24,056	-	-	-	-	-	-	241	30	154	24	74	44	33,140	24,154
risk category D	-	-	30,180	14,408	2,232	2,087	-	-	836	-	415	17	3	2	0	0	33,666	16,514
risk category E	-	-	45,290	8,060	7,698	7,363	-	-	-	-	188	69	15,318	15,909	0	0	68,494	31,401
(Allowance for impairment)	-	-	1,190,275	858,655	9,930	9,450	-	-	836	-	2,265	441	16,392	16,647	86,026	137,345	1,305,724	1,022,538
	-	-	(79,851)	(46,212)	(7,774)	(7,494)	-	-	(427)	-	(436)	(80)	(15,525)	(15,942)	(907)	(1,530)	(104,920)	(71,258)
Carrying amount of individually significant exposures, less allowance for impairment	-	-	1,110,424	812,443	2,156	1,956	-	-	409	-	1,829	361	867	705	85,119	135,815	1,200,804	951,280
Carrying amount of collectively impaired exposures, before impairment on collective basis																		
Individually non-significant exposures (small loan portfolio)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Individually significant exposures not individually impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(Allowance for impairment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount of collectively impaired exposures, less allowance for impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount of due receivables - not impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Aging structure of due receivables - not impaired																		
15-30 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31-90 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
91-180 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
nad 181 days	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount of due receivables - not impaired	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Not due receivables - not impaired																		
Restructured receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	-	33,316	31,553	115,502	74,390	-	-	305,057	162,729	1	31	7,012	5,476	82,697	1,840	543,585	276,019
Carrying amount of not due receivable - not impaired	-	-	33,316	31,553	115,502	74,390	-	-	305,057	162,729	1	31	7,012	5,476	82,697	1,840	543,585	276,019
Total carrying amount of receivable with credit risk before allowance for impairment	-	-	1,223,591	890,208	125,432	83,840	-	-	305,893	162,729	2,266	472	23,404	22,123	168,723	139,185	1,849,309	1,298,557
(Total allowance for impairment)	-	-	(79,851)	(46,212)	(7,774)	(7,494)	-	-	(427)	-	(436)	(80)	(15,525)	(15,942)	(907)	(1,530)	(104,920)	(71,258)
Total carrying amount of receivable with credit risk less allowance for impairment	-	-	1,143,740	843,996	117,658	76,346	-	-	305,466	162,729	1,830	392	7,879	6,181	167,816	137,655	1,744,389	1,227,299

Capital Bank AD Skopje

2.1 Credit Risk - continued

B Collateral value (fair value)

	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Other receivables		Off balance exposure		Total	
	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012
<i>in MKD thousands</i>																
<i>Credit exposure that is assessed for individual impairment</i>																
First class collateral																
cash deposits (in depot and/or restricted to the bank's accounts)	-	-	65.681	59.186	-	-	-	-	-	-	-	-	-	-	65.681	59.186
Government securities	-	-	3.577	3.577	-	-	-	-	-	-	-	-	-	-	3.577	3.577
Public unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank guarantees	-	-	175	-	-	-	-	-	-	-	-	-	-	-	175	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except banking and insurance)	-	-	39.982	9.179	-	-	-	-	-	-	-	-	-	-	39.982	9.179
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage of property																
Property for its own usage (apartments, houses)	-	-	717.154	897.275	-	-	-	-	-	-	-	-	-	-	717.154	897.275
business property	-	-	606.975	283.481	-	-	-	-	-	-	-	-	-	-	606.975	283.481
Mortgage on movable property	-	-	423.078	511.882	-	-	-	-	-	-	-	-	-	-	423.078	511.882
Other types of collateral	-	-	2.317.354	1.166.122	-	-	-	-	-	-	-	-	-	-	2.317.354	1.166.122
<i>Total credit exposure that is assessed for individually impairment</i>	-	-	<i>4.173.976</i>	<i>2.930.702</i>	-	-	-	-	-	-	-	-	-	-	<i>4.173.976</i>	<i>2.930.702</i>
<i>Credit exposures assessed for collective impairment</i>																
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Total credit exposure assessed for collectively impairment</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Capital Bank AD Skopje

2.1 Credit Risk - continued

C Concentration of credit risk by industry and geographic location

	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off balance exposure		Total		
	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	current year	previous year	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	
<i>in thousand MKD</i>																			
Nonresidents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, hunting and forestry	-	-	1.669	539	-	-	-	-	-	-	1	-	91	20	-	-	1.761	559	
Mining and quarrying	-	-	965	2.254	-	-	-	-	-	-	1	16	12	-	-	-	978	2.270	
food industry	-	-	2.719	9.350	-	-	-	-	-	-	-	1	-	-	380	-	3.099	9.351	
textile industry and clothing manufacturing and Footwear	-	-	21.331	22.008	-	-	-	-	-	-	25	1	5	-	-	-	21.361	22.009	
chemical industry producing building materials and processing fuels	-	-	32.361	16.360	920	858	-	-	-	-	32	-	47	-	419	2.513	33.779	19.731	
Production of metal machinery tools and equipment	-	-	2.906	2.660	179	231	-	-	-	-	-	-	-	-	-	-	3.085	2.891	
Other Manufacturing	-	-	51.633	1.086	-	-	-	-	-	-	7	10	6	-	15.504	32	67.150	1.128	
Electricity supply gas steam and air conditioning	-	-	68.203	68.029	-	-	-	-	-	-	18	1	-	-	1.428	1	69.649	68.031	
Supply with water remove of wastewater, waste management and remediation activities of the environment	-	-	2.514	2.708	-	-	-	-	-	-	-	2	-	-	-	-	2.514	2.710	
Construction	-	-	174.074	100.407	712	692	-	-	-	-	341	48	-	-	6.940	12.318	182.067	113.465	
Wholesale and retail trade, repair of motor vehicles and motorcycles	-	-	313.130	259.705	345	175	-	-	-	-	567	95	263	66	47.829	74.349	362.134	334.390	
Transport and storage	-	-	36.302	22.548	-	-	-	-	-	-	263	64	-	-	20.227	163	56.792	22.775	
buildings for accommodation and food service activities	-	-	21.506	8.281	-	-	-	-	-	-	14	6	1	-	36	-	21.557	8.287	
Information and Communications	-	-	58.108	24.838	-	-	-	-	-	-	71	1	-	-	25.903	1.070	84.082	25.909	
Financial and insurance activities	-	-	27.648	30.584	115.502	74.390	-	-	305.466	162.729	131	2	18	18	-	-	448.765	267.723	
Activities related to real estate	-	-	37.790	15.710	-	-	-	-	-	-	45	1	-	-	1.718	9.207	39.553	24.918	
Professional, scientific and technical activities	-	-	18.579	13.880	-	-	-	-	-	-	38	10	-	-	251	1.914	18.868	15.804	
Administrative and support service activities	-	-	27.156	12.149	-	-	-	-	-	-	50	66	-	-	2.173	1.830	29.379	14.045	
Public administration and defense, mandatory social assurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education	-	-	771	556	-	-	-	-	-	-	190	2	-	-	22.154	12.187	23.115	12.745	
Activities for health and social care	-	-	1.055	3.175	-	-	-	-	-	-	-	-	-	-	-	-	1.055	3.175	
Arts entertainment and recreation	-	-	30	372	-	-	-	-	-	-	1	1	1	1	399	-	431	374	
Other service activities	-	-	3.867	3.524	-	-	-	-	-	-	-	1	-	-	-	-	3.867	3.525	
Activities of households that produce goods and perform a variety of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Activities of extra-territorial organizations individuals	-	-	239.423	223.273	-	-	-	-	-	-	35	64	7.435	6.076	22.455	22.071	269.348	251.484	
Sole proprietors and individuals who are not considered as traders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	-	-	1.143.740	843.996	117.658	76.346	-	-	305.466	162.729	1.830	392	7.879	6.181	167.816	137.655	1.744.389	1.227.299	

Capital Bank AD Skopje

2.1 Credit Risk - continued

Д Concentration of credit risk by industry and geographic location

In thousands MKD

	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Fee and commission receivables		Other receivables		Off balance exposures		Total	
	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012	current year 2013	previous year 2012
Geographical location																		
Republic of Macedonia	-	-	1.143.740	843.996	117.658	76.346	-	-	233.723	112.381	1.830	392	7.879	6.181	167.816	137.655	1.672.646	1.176.951
EU Member States	-	-	-	-	-	-	-	-	71.743	50.348	-	-	-	-	-	-	71.743	50.348
Europe (other)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Member countries of OECD (excluding European countries members of OECD)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (detailed separately the exposure that represents more than 10% from the total credit exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	1.143.740	843.996	117.658	76.346	-	-	305.466	162.729	1.830	392	7.879	6.181	167.816	137.655	1.744.389	1.227.299

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 liquidity and liquidity risk management process is implemented through establishing an adequate daily liquidity management. The Bank's liquidity management is to ensure, as far as possible, that it will always have sufficient liquid funds 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 the Bank's daily 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 operations.

The department for treasury, liquidity and securities trading maintains a portfolio on short-term liquid assets with which all liabilities can be covered, where the majority are cash equivalents, assets in the NBRM, and short term liquid securities. 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 the Risk Management Sector in cooperation with Department for treasury, liquidity and securities trading are subject to review by the Department of Risk Management and approval by the Supervisory Board. Based on the daily analysis of the liquidity reports, the liquidity position of the Bank is monitored. In accordance to the provisions of the legislation, the Bank prepares reports on its exposure to liquidity risk and submits them to NBRM on a monthly basis.

Exposure to liquidity risk

The Bank has access to diverse sources of funds. Funds are provided from share capital, subordinated loans 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's strategy.

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

As part of the strategy for liquidity risk management, the Bank maintains a portfolio of highly liquid assets.

Table 2.2 Liquidity Risk, presented below represents an analysis according to the maturity of the financial assets and liabilities according to the remaining contractual maturities (residual maturity – the remaining period from the reporting date up to their factual contractual maturity). The amounts presented are gross, namely excluding the amount of accumulated depreciation, impairment and allowance.

Capital Bank AD Skopje

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 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
2013 current year								
Financial assets								
Cash and cash equivalents	458.501	-	836	35.023	-	-	-	494.360
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	91.718	63.784	426.905	165.872	294.111	189.054	-	1.231.444
Investment securities	125.432	-	-	-	-	-	-	125.432
Investment in associated entities	-	-	-	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-	-	-	-
Other receivables	30.079	-	-	-	-	-	-	30.079
Pledged assets	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-
Total financial assets	705.730	63.784	427.741	200.895	294.111	189.054	-	1.881.316
Financial liabilities								
Trading liabilities	-	-	-	-	-	-	-	-
Financial liabilities at fair value trough profit and loss designated upon initial recognition	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-
Deposits from banks	66.943	-	-	-	-	-	-	66.943
Deposits from customers	351.242	219.740	544.271	256.107	28.504	5.218	-	1.405.082
Debt securities issued	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Subordinated liabilities	652	522	-	-	-	89.191	-	90.365
Income tax liabilities (current)	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-
Other liabilities	6.002	-	-	-	-	-	-	6.002
Total financial liabilities	424.839	220.262	544.271	256.107	28.504	94.409	-	1.568.392
Off balance sheet items								
off balance assets	-	-	-	-	-	-	-	-
off balance liabilities	26.074	50.187	80.970	13.911	28.991	-	-	200.133
GAP	280.891	(156.478)	(116.530)	(55.212)	265.607	94.645	-	312.924

Capital Bank AD Skopje

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

	<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
2012 previous year								
Financial assets								
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	-	-	-	-	-	-	-	-
Total financial assets	493.701	29.512	291.714	341.173	182.910	38.077	-	1.377.087
Financial liabilities								
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
Total financial liabilities	286.057	146.216	295.198	200.532	147.414	52.925	-	1.128.342
Off balance sheet items								
off balance assets	-	-	-	-	-	-	-	-
off balance liabilities	17.878	13.967	101.673	18.689	10.712	-	-	162.919
GAP	207.644	(116.704)	(3.484)	140.641	35.496	(14.848)	-	248.745

2.3. Market risk

Market risk represents a risk that the fair value or future cash flows from certain financial instruments will fluctuate due to market price changes. Market risks arise from open currency, interest rate and positions of securities of values which are exposed to market movements and changes in volatility of the market rates or prices (such as interest rates, credit margins, foreign exchange rates and equity prices).

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 December and if necessary more frequently, on other dates.

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 of the denar value as opposed to foreign currencies (indirect currency risk).

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

Based on changes in the risk profile, namely the complexity of the exercised financial activities, the Bank revised the scenarios used for stress testing.

The bank documents those results and notifies the National Bank of Republic of Macedonia (NBRM).

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

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

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

2013 (current year)	Profit / Loss	Own funds	Risk-weighted assets	Capital adequacy rate
	<i>In MKD thousand</i>	<i>In MKD thousand</i>	<i>In MKD thousand</i>	<i>in %</i>
Amount before sensitivity analysis/stres testing as of 31.12.2013	(44.280)	319.584	1.474.444	21,67%
<i>Effects of application scenarios</i>				
Risk of changes in exchange rates				
Depreciation of denar in relation to other currencies				
10%	523	320.107	1.505.528	21,26%
15%	784	320.368	1.521.071	21,06%
30%	1.569	321.153	1.507.698	20,49%
Risk of changes in interest rates				
Change of nominal interest rate				
growth 1,5 %	(196)	319.388	1.474.444	21,66%
growth 2 %	(261)	319.323	1.474.444	21,66%
growth 2,5 %	(326)	319.258	1.474.444	21,65%
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) - continued

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

2012 (Previous year)	Profit / Loss	Own funds	Risk-weighted assets	Capital adequacy rate
	In MKD thousand	In MKD thousand	In MKD thousand	in %
Amount before sensitivity analysis/stres 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 of denar 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 of 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				

B. Analysis of amounts exposed to market risk of trading portfolio

in MKD thousand	current year 2013				previous year 2012			
	as at 31 December	average value	highest value (maximum)	lowest value (minimum)	as at 31 December	average value	highest value (maximum)	lowest value (minimum)
Amounts exposed to risk in interest bearing instruments	-	-	-	-	-	-	-	-
Amounts exposed to risk in FX instruments	-	-	-	-	-	-	-	-
Amounts exposed to risk in equity instruments	-	-	-	-	-	-	-	-
Variance (effect of off-setting)	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

2.3.2. Exposure to risk from changes of interest rate on financial assets and liabilities (excluding 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 own funds.

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 periods or in different amounts. In case of assets and liabilities with variable interest rates, the Bank is also exposed to basis risk, arising from the different manner of changes of the variable interest rate, such as the savings interest rate, EURIBOR and different types of interest.

The interest rate risk management activities are directed toward optimization of net interest income, with market interest rates which are consistent with the Bank's business strategies.

Assets and liabilities risk management activities are conducted in the aspect of the Bank's sensitivity to interest rate changes. In general, the Bank is sensitive to changes in interest rates, because major part of the interest-bearing assets and liabilities the Bank holds the right to simultaneously change 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. The Bank is always cautious not to decrease the interest margin. 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 provided:

- 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 as at 31.12.2013

in 000 MKD

			current year 2013	previous year 2012
	Position	Currency	Amount	
1,1	NET WEIGHTED POSITION FOR CURRENCY CHF (FIR + WIR + AIR)	CHF	-4	-4
1,2	NET WEIGHTED POSITION FOR CURRENCY EUR (FIR + WIR + AIR)	EUR	-15.565	-8.884
1,3	NET WEIGHTED POSITION FOR CURRENCY MKD (FIR + WIR + AIR)	MKD	-1.729	1.635
1,4	NET WEIGHTED POSITION FOR CURRENCY MKDkiEUR ((FIR + WIR + AIR))	MKDkiEUR	4.535	3.217
1,6	NET WEIGHTED POSITION FOR CURRENCY GBP (FIR + WIR + AIR)	GBP	-134	-70
1,9	NET WEIGHTED POSITION FOR CURRENCY MKDkiUSD (FIR + WIR + AIR)	MKDkiUSD	-	4
1,1	NET WEIGHTED POSITION FOR CURRENCY USD (FIR + WIR + AIR)	USD	-151	-105
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)		13.048	4.207
3	OWN FUNDS		319.584	351.942
4	WEIGHTED TOTAL VALUE/OWN FUNDS (2/3*100)		4,08%	1,20%

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) - continued

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
2013 (current year)							
Financial assets							
Cash and cash equivalents	231,818	-	-	-	-	-	231,818
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to other customers	80,096	86,141	924,585	5,882	-	-	1,096,704
Investment in securities	89,746	-	114,600	-	-	-	204,346
Other assets	8,709	-	-	-	-	-	8,709
Total Interest sensitive funds	410,369	86,141	1,039,185	5,882	-	-	1,541,577
Financial liabilities							
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	66,943	-	-	-	-	-	66,943
Deposits from other customers	104,219	165,254	790,036	133,339	-	-	1,192,848
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	89,191	89,191
Other liabilities	105,214	-	-	-	-	-	105,214
Total Interest sensitive liabilities	276,376	165,254	790,036	133,339	-	89,191	1,454,196
Net balance sheet position	133,993	(79,113)	249,149	(127,457)	-	(89,191)	87,381
off-balance active interest sensitive positions	-	-	-	-	-	-	-
off -balance pasive interest sensitive positions	-	-	-	-	-	-	-
net off-balance position	-	-	-	-	-	-	-
Total net position	133,993	(79,113)	249,149	(127,457)	-	(89,191)	87,381

The Table has been prepared in accordance with the Rulebook for the implementation of the Decision for risk management of the interest rate risk in the portfolio of the bank activities and include interest rate sensitive balance sheet and off balance sheet positions on net basis reduced for the impairment, and adjusted for the premium amount, discount and changes in fair value, without taking into consideration the amount of accumulated depreciation.

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) - continued

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
2012 (previous year)							
Financial assets							
Cash and cash equivalents	179,202	-	-	-	-	-	179,202
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	800,376
Investment in securities	164,259	-	-	-	-	-	164,259
Other assets	-	-	-	-	-	-	-
Total Interest sensitive funds	382,524	35,380	718,173	609	1,942	5,209	1,143,837
Financial liabilities							
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	-	864,278
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	49,200	49,200
Other liabilities	103,865	-	-	-	-	-	103,865
Total Interest sensitive liabilities	198,712	143,587	617,009	5,000	3,835	49,200	1,017,343
Net balance sheet position	183,812	(108,207)	101,164	(4,391)	(1,893)	(43,991)	126,494
off-balance active interest sensitive positions	-	-	-	-	-	-	-
off -balance pasive interest sensitive positions	-	-	-	-	-	-	-
net off-balance position	-	-	-	-	-	-	-
Total net position	183,812	(108,207)	101,164	(4,391)	(1,893)	(43,991)	126,494

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 currencies. 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.

Therefore, two scenarios are assumed:

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

The goal of 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 depending on which position is higher net positive or negative cash flows occur that increase or reduce own funds.

The application of these scenarios includes:

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

The application of these scenarios does not include:

- 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 of the denar, where 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

list separately the currencies that represent more than 10% of the total monetary assets / liabilities

<i>in MKD thousand</i>	MKD	EUR	USD						Other currencies	Total
2013 (current year)										
Monetary assets										
Cash and cash equivalents	229.077	105.689	91.241	-	-	-	-	-	7.927	433.934
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	802.304	341.436	-	-	-	-	-	-	-	1.143.740
Investment securities	45.866	71.792	-	-	-	-	-	-	-	117.658
Investment in associated entities	-	-	-	-	-	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-	-	-	-	-	-
Other receivables	13.373	266	149	-	-	-	-	-	-	13.788
Pledged assets	-	-	-	-	-	-	-	-	-	-
deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total monetary assets	1.090.620	519.183	91.390	-	-	-	-	-	7.927	1.709.120
Monetary liabilities										
Trading liabilities	-	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Deposits from banks	-	-	66.957	-	-	-	-	-	-	66.957
Deposits from other customers	935.025	441.661	22.665	-	-	-	-	-	5.730	1.405.081
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	90.365	-	-	-	-	-	-	-	90.365
Liabilities for income tax (current)	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	5.905	73	-	-	-	-	-	-	25	6.003
Total monetary liabilities	940.930	532.099	89.622	-	-	-	-	-	5.755	1.568.406
Net position	149.690	(12.916)	1.768	-	-	-	-	-	2.172	140.714

Capital Bank AD Skopje

2.3 Market risk - continued
2.3.3 Currency risk -continued

list separately the currencies that represent more than 10% of the total monetary assets / liabilities

in MKD thousand

2012 (previous year)

Monetary assets

	MKD	EUR	USD						Other currencies	Total
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	-	-	-	-	-	-	-	-	-	-
Total monetary assets	868.337	394.791	30.907	-	-	-	-	-	7.010	1.301.045

Monetary liabilities

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
Total monetary liabilities	725.798	362.820	33.979	-	-	-	-	-	5.745	1.128.342
Net position	142.539	31.971	(3.072)	-	-	-	-	-	1.265	172.703

3. Capital Adequacy

Capital adequacy and prescribed initial capital are internally monitored by the Bank's Management 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, as a ratio between the total risk-weighted assets according to risk and own funds, the Bank maintains it over prescribed rate of 8%.

The total risk-weighted assets is the sum of:

- Assets weighted through credit risk by applying a standardized approach;
- Assets weighted through currency risk;
- Assets weighted through operational risk by applying the basic indicator approach.

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

The Bank's own funds are a sum of core capital and supplementary capital as follows:

Core capital includes:

- Paid in and subscribed ordinary shares and
- Accumulated losses from previous years

Less the deductions:

- Loss at the end of the year and
- Intangible assets

Additional capital includes:

- Revaluation reserves
- Subordinated liabilities

While determining the amount of own funds, the Bank complies 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	Current year 2013	Previous year 2012
1	2	3	3
<i>Core capital</i>			
1	Paid-in and subscribed common and noncumulative preference shares and premium on sale of such shares	856,514	856,514
1.1	Nominal value	856,514	856,514
1.1.1	Nominal value of common shares	856,514	856,514
1.1.2	Nominal value of noncumulative preference shares	-	-
1.2	Premium	-	-
1.2.1	Premium on common shares	-	-
1.2.2	Premium on noncumulative preference shares	-	-
2	Reserves and retained profit or loss	-579,087	-463,540
2.1	Reserve fund	-	-
2.2	Retained profit restricted to distribution to shareholders	-	-
2.3	Accumulated loss from previous years	579,087	463,540
2.4	Current profit	-	-
3	Positions arising from consolidation	-	-
3.1	Minority shares	-	-
3.2	Reserves from exchange rate differentials	-	-
3.3	Other differences	-	-
4	Deductions	48,065	121,168
4.1	Loss at the year end or current loss	44,280	115,547
4.2	Own shares	-	-
4.3	Intangible assets	3,785	5,621
4.4	Difference between the amount of required and made impairment/special	-	-
4.5	Amount of unallocated impairment and special reserve as a result of acco	-	-
4.6	Unrealized loss on equity securities available for sale	-	-
4.7	Other deductions	-	-
1	CORE CAPITAL	229,362	271,806

3 Capital Adequacy - continued

Report
for own funds

No.	Description	Current year 2013	Previous year 2012
1	2	3	3
<i>Additional capital</i>			
5	Paid-in and subscribed cumulative preference shares and premium on such shares	-	-
5.1	Nominal value	-	-
5.2	Premium	-	-
6	Revaluation reserve	1.031	526
7	Hybrid capital instruments	-	-
8	Subordinated instruments	89.191	49.200
9	Amount of subordinated instruments that may be included in the additional capital I	89.191	49.200
II	ADDITIONAL CAPITAL	90.222	49.726
<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	-	-
11	Investments in subordinated and hybrid capital instruments and other instruments of institutions referred to in 10	-	-
12	Aggregate amount of investments in capital, subordinated and hybrid instruments and other instruments exceeding 10% of (I+II)	-	-
13	Investments in insurance and reinsurance companies of over 10% of the capital in such institutions	-	-
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	-	-
15	Amount of excess of limits on investments in nonfinancial institutions	-	-
16	Positions arising from consolidation (negative amounts)	-	-
III	DEDUCTIONS	-	-
IV	Core capital after deductions	229.362	271.806
V	Additional capital after deductions	90.222	49.726
<i>Own funds</i>			
VI	Core capital	229.362	271.806
VII	Additional capital	90.222	49.726
VIII	OWN FUNDS	319.584	321.532

3 Capital adequacy - continued

Report
on capital adequacy ratio

No	Description	in 000 MKD	
		Current year	Previous year
		2013	2012
1	2	3	3
I	CREDIT RISK WEIGHTED ASSETS	-	-
1	Credit Risk Weighted Assets with standardized approach	1.347.513	939.260
2	Capital requirement for credit risk cover	107.801	75.141
II	CURRENCY RISK - WEIGHTED ASSETS		
3	Aggregated foreign currency position	5.228	25.455
4	Net position of gold	-	-
5	Capital required for currency risk	-	2.036
6	Currency risk weighted assets	-	25.455
III	OPERATIONAL RISK-WEIGHTED ASSETS		
7	Capital requirement for operational risk with using of basic indicator	10.154	5.795
8	Capital requirement for operational risk with using of standardized approach	-	-
9	Operational risk weighted assets	126.930	72.436
IV	OTHER RISK-WEIGHTED ASSETS		
10	Capital requirement for commodity risks	-	-
11	Capital requirement for market risks (11.1+11.2+11.3+11.4+11.5)	-	-
11.1	Capital requirements for risk of positioning (11.1.1+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital requirement for specific risk of investments in debt instruments	-	-
11.1.2	Capital requirement for general risk of investments in debt instruments	-	-
11.1.3	Capital requirement for specific risk of investments in equities	-	-
11.1.4	Capital requirement for general risk of investments in equities	-	-
11.2	Capital requirement for settlement/delivery risk	-	-
11.3	Capital requirement for counterparty risk	-	-
11.4	Capital requirement for exceeding of exposure limits	-	-
11.5	Capital requirement for market risks arising from option positions	-	-
12	Capital requirement for other risks (10+11)	-	-
13	Other risk weighted assets	-	-
V	RISK-WEIGHTED ASSETS	1.474.443	1.037.151
14	Capital requirement for risks	117.955	82.972
VI	OWN FUNDS	319.584	321.532
VII	CAPITAL ADEQUACY (VI/V)	0,22	0,31

4. Segment reporting

Segment reporting is executed through 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 (operations 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 participation of 10% and more in the Bank's total revenues/expenses– *Table 4B*.

4.3. Secondary geographic areas reported by the Bank are:

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

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

Capital Bank AD Skopje

4 Segment reporting

A Operating segments

in MKD thousand

2013 (current year)

	Operating segments				Other insignificant operating segments	Unallocated	Total
	Retail banking	Corporate banking	Investment banking	Liquidity			
Net interest income /(expense)	(5.455)	75.041	3.457	(6.574)	-	-	66.469
Net fees and commissions income / (expense)	4.901	20.806	-	(4.924)	-	-	20.783
Net trading income	-	-	-	-	-	-	-
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	10.444	10.444
Income realized between segments	-	-	-	-	-	-	-
Total income by segments	(554)	95.847	3.457	(11.498)	-	10.444	97.696
Impairment loss on financial assets, on net basis	(6.542)	(29.445)	(215)	407	-	-	(35.795)
Impairment loss on non-financial assets, on net basis	-	-	-	-	-	4.770	4.770
Depreciation	-	-	-	-	-	(15.519)	(15.519)
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in real estate and equipment	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	(95.432)	(95.432)
Total expenses by segments	(6.542)	(29.445)	(215)	407	-	(106.181)	(141.976)
Financial result by segment	(7.096)	66.402	3.242	(11.091)	-	(95.737)	(44.280)
Income tax	-	-	-	-	-	-	-
Profit/(loss) for the financial year	(7.096)	66.402	3.242	(11.091)	-	(95.737)	(44.280)
Total assets by segment	246.660	882.837	206.502	371.294	-	96.413	1.803.706
Unallocated assets per segment	-	-	-	-	-	-	-
Total assets	246.660	882.837	206.502	371.294	-	96.413	1.803.706
Total liabilities by segment	924.080	237.727	-	403.211	-	4.296	1.569.314
Unallocated liabilities by segment	-	-	-	-	-	-	-
Total liabilities	924.080	237.727	-	403.211	-	4.296	1.569.314

Capital Bank AD Skopje

4 Segment reporting - continued

A Operating segments -continued

in MKD thousand

2012 (previous 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	-	-	-	-	-	-	-
Total income by segments	(1.264)	54.963	38	(7.347)	-	5.576	51.966
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)
Total expenses by segments	(1.936)	(35.337)	(623)	117	-	(129.734)	(167.513)
Financial result by segment	(3.200)	19.626	(585)	(7.230)	-	(124.158)	(115.547)
Income tax							-
Profit/(loss) for the financial year	(3.200)	19.626	(585)	(7.230)	-	(124.158)	(115.547)
Total assets by segment	235.427	581.500	166.213	315.808	-	109.007	1.407.955
Unallocated assets per segment	-	-	-	-	-	-	-
Total assets	235.427	581.500	166.213	315.808	-	109.007	1.407.955
Total liabilities by segment	724.453	232.684	-	171.019	-	1.715	1.129.871
Unallocated liabilities by segment	-	-	-	-	-	-	-
Total liabilities	724.453	232.684	-	171.019	-	1.715	1.129.871

4 Segment reporting - continued**B Concentration of total revenue and expenses by customers***in MKD thousand***2013 (current year)**

Bank should separately display total income and total expenditure made by a significant customer

Customer 1

Income

5.459 224 - - 5.683

(Expenses)

(3.287) - - - (3.287)

Customer 2

Income

3.918 580 - - 4.498

(Expenses)

(1.785) - - - (1.785)

Customer 3

Income

2.423 1.012 - - 3.435

(Expenses)

(1.501) - - - (1.501)

-

- - - - -

-

- - - - -

-

- - - - -

Total by segment**5.227 1.816 - - 7.043****2012 (previous year)**

Bank should separately display total income and total expenditure made by a significant customer

Customer 1

Income

- - - - -

(Expenses)

(2.365) - - - (2.365)

Customer 2

Income

4.519 219 - - 4.738

(Expenses)

- - - - -

Customer 3

Income

1.913 695 - - 2.608

(Expenses)

- - - - -

-

- - - - -

-

- - - - -

-

- - - - -

Total by segment**4.067 914 - - 4.981**

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4 Segment reporting

C Geographic area

in MKD thousand

2013 (current year)

Total income

Total assets

2012 (previous year)

Total income

Total assets

	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
									-
	96.767	929	-	-	-	-	-	-	97.696
	1.732.372	71.334	-	-	-	-	-	-	1.803.706
									-
	51.556	410	-	-	-	-	-	-	51.966
	1.357.606	50.349	-	-	-	-	-	-	1.407.955

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 their amount for impairment. Discount rate used for measurement of impairment of placements and loans to other customers is the 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 approximates 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 receivables

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

Deposits from banks and other customers

The fair value of demand deposits, including non interest -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 2013		previous year 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>in MKD thousand</i>				
Financial assets				
Cash and cash equivalents	433.934	433.934	376.599	376.599
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	1.143.740	1.143.740	837.654	837.654
Investment securities	117.658	117.658	76.344	76.344
Investments in affiliated companies	-	-	-	-
Receivables for income tax (current)	-	-	-	-
Other receivables	13.788	13.788	10.448	10.448
Pledged assets	-	-	-	-
Deferred tax assets	-	-	-	-
Financial liabilities				
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	66.957	66.957	-	-
Deposits from other customers	1.405.081	1.405.081	1.073.344	1.073.344
Issued debt securities	-	-	-	-
Loans payable	-	-	-	-
Subordinated debt	90.365	90.365	49.850	49.850
Income tax liabilities (current)	-	-	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	6.003	6.003	5.148	5.148

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 by using techniques that include input values of an active market and that is direct i.e. prices or indirect i.e. 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

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 2013 (current year)**Financial assets measured at fair value**

Trading assets

19 - - - -

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

20 - - - -

Derivative assets held for risk management

21 - - - -

Investments in securities available-for-sale

23.1 5.797 111.861 - 117.658

Total**5.797 111.861 - 117.658****Financial liabilities measured at fair value**

Trading liabilities

32 - - - -

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

33 - - - -

Derivative liabilities held for risk management

21 - - - -

Total**- - - -****31 December 2012 (previous year)****Financial assets measured at fair value**

Trading assets

19 - - - -

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

20 - - - -

Derivative assets held for risk management

21 - - - -

Investments in securities available-for-sale

23.1 6.461 69.883 - 76.344

Total**6.461 69.883 - 76.344****Financial liabilities measured at fair value**

Trading liabilities

32 - - - -

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

33 - - - -

Derivative liabilities held for risk management

21 - - - -

Total**- - - -**

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

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

	current year 2013		previous year 2012	
	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
<i>in MKD thousand</i>				
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	-	-	-	-

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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, 2012 (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 3

Re-classified in loans and claims

Balance at December 31, 2012 (previous year)

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

Balance at January 1, 2013 (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 3

Re-classified in loans and claims

Balance at December 31, 2013 (current year)

**Total profit /(loss) recognized in the Income Statement
for the financial assets and liabilities that are held
on December 31, 2013 (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
Balance at January 1, 2012 (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 3	-	-	-	-	-	-	-
Re-classified in loans and claims	-	-	-	-	-	-	-
Balance at December 31, 2012 (previous year)	-	-	-	-	-	-	-
Total profit /(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2012 (previous year)	-	-	-	-	-	-	-
Balance at January 1, 2013 (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 3	-	-	-	-	-	-	-
Re-classified in loans and claims	-	-	-	-	-	-	-
Balance at December 31, 2013 (current year)	-	-	-	-	-	-	-
Total profit /(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2013 (current year)	-	-	-	-	-	-	-

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 2013	Previous year 2012
Interest income		
Cash and cash equivalents	4.475	7.189
Financial assets at fair value through profit and loss, designated upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	523	209
Loans and advances to customers	108.080	62.746
Investment securities	3.457	3.410
Other receivables	-	-
(Net impairment of interest income)	(4.549)	(3.381)
Collected previously written off interest	10.509	7.626
Total interest income	122.495	77.799
Interest expense		
Financial liabilities at fair value through profit and loss, designated upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	332	-
Deposits from customers	53.678	42.236
Debt securities issued	-	-
Borrowings	41	7
Subordinated liabilities	1.975	1.817
Other liabilities	-	-
Total interest expense	56.026	44.060
Net interest income/(expense)	66.469	33.739

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

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Interest income		
Non-financial entities	80.881	43.649
Government	3.457	3.410
Non-profit institutions serving the households	-	-
Banks	4.998	7.398
Other financial institutions (non banking)	2.526	853
Households	24.673	18.243
Non-resident	-	-
(Net impairment of interest income)	(4.549)	(3.381)
Collected previously written off interest	10.509	7.627
Total interest income	122.495	77.799
Interest expenses		
Non-financial entities	5.170	5.298
Government	-	-
Non-profit institutions serving the households	671	6
Banks	373	7
Other financial institutions (non banking)	9.943	7.424
Households	36.087	28.442
Non-resident	3.782	2.883
Total interest expense	56.026	44.060
Net – interest income/(expense)	66.469	33.739

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 2013	Previous year 2012
Fee and commission income		
Loans	8.965	5.039
Payment operations		
domestic	7.037	5.717
abroad	3.271	2.444
Guarantees and letters of credit	5.911	3.600
Brokerage		
Asset management		
Trust and other fiduciary activities		
Issued securities		
Other (list separately income over 10% of the total fee and commission income)		
<i>Credit cards</i>	4.284	4.053
<i>other</i>		
Total fee and commission income	29.468	20.853
Fee and commission expenses		
Loans	24	41
Payment operations		
domestic	2.541	2.429
abroad	1.773	1.767
Guarantees and letters of credit		
Brokerage		
Asset management		
Trust and other fiduciary activities		
Issued securities		
Interbank operations	1.661	1.742
Other (list separately income over 10% of the total fee and commission expenses)		
<i>Card operations</i>	2.516	2.130
<i>other</i>	170	131
Total fee and commission expenses	8.685	8.240
Net fee and commission income/(expenses)	20.783	12.613

7 Net fee and commission income/ (expense)

B Sector analysis of the fee and commission income and expenses

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Fee and commission income		
Non-financial entities	22.856	15.142
Government		
Non-profit institutions serving the households	46	40
Banks		
Other financial institutions (non banking)	1.185	572
Households	4.902	4.689
Non-resident	479	410
Total fee and commission income	29.468	20.853
Fee and commission expenses		
Non-financial entities	2.096	1.973
Government		
Non-profit institutions serving the households		
Banks	3.042	3.088
Other financial institutions (non banking)	1.802	1.536
Non-resident	1.745	1.643
Total fee and commission expenses	8.685	8.240
Net fee and commission income/(expenses)	20.783	12.613

8 Net trading income

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Trading assets		
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	-	-
Trading liabilities		
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	-	-
Net trading income	-	-

9 Net income from other financial instruments carried at fair value

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
<i>Financial asset at fair value through profit or loss, designated upon initial recognition</i>		
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	-	-
<i>Financial liabilities at fair value through profit or loss designated upon initial recognition</i>		
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	-	-
<i>Net income / (loss) from changes in fair value of the derivatives held for risk management at fair value through profit or loss</i>		
realised	-	-
unrealised	-	-
Net income from other financial instruments carried at fair value	-	-

10 Net foreign exchange gains/ (losses)

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Realised net foreign exchange gains/losses	6.045	4.939
Unrealised net foreign exchange gains/losses		
Net foreign exchange gains/ losses on impairment of financial assets	19	(30)
Other net foreign exchange gains/ losses	(975)	23
Net foreign exchange gains/ (losses)	5.089	4.932

11 Other operating income

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Income from sale of assets available-for-sale	-	38
Dividends from equity securities available-for-sale	55	58
Net income from investments in subsidiaries and associates	-	-
Capital gain from sale of:		
Property and equipment	1	-
Intangible assets	-	-
Foreclosed assets	38	48
Non-current assets held for trading and disposal group	-	-
Rental income	-	-
Income from won court cases	-	-
Collected previously written off receivables	3	-
Release of provision for:		
Off balance credit exposure	621	-
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>	223	445
<i>income from previous years</i>	411	93
<i>income from non-residents</i>	2.005	-
<i>income from positive court decisions</i>	1.090	-
<i>income from inventory</i>	908	-
Total other operating income	5.355	682

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12 Net impairment loss on financial assets

In MKD thousand

2013 (current year)

Individually impaired

Additional impairment
(Release of impairment)

	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
		98.925	216		508	851	99	100.599
		(63.465)			(81)	(593)	(665)	(64.804)
	-	35.460	216	-	427	258	(566)	35.795
								-
								-
	-	-	-	-	-	-	-	-
Total net impairment of financial assets	-	35.460	216	-	427	258	(566)	35.795
		71.015	623		45	418	15.065	87.166
		(46.852)	-		(162)	(281)	(855)	(48.150)
	-	24.163	623	-	(117)	137	14.210	39.016
								-
								-
	-	-	-	-	-	-	-	-
Total net impairment of financial assets	-	24.163	623	-	(117)	137	14.210	39.016

2012 (previous year)

Individually impaired

Additional impairment
(Release of impairment)

Collectively impaired

Additional impairment
(Release of impairment)

Total net impairment of financial assets

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
2013 (current year)							
Additional impairment loss	-	-	3,044	-	-	-	3,044
(Release of impairment loss)	-	-	(7,814)	-	-	-	(7,814)
Total net impairment loss of non-financial assets	-	-	(4,770)	-	-	-	(4,770)
2012 (previous year)							
Additional impairment loss	-	-	14,919	-	-	-	14,919
(Release of impairment loss)	-	-	-	-	-	-	0
Total net impairment loss of non-financial assets	-	-	14,919	-	-	-	14,919

*only for consolidated financial statements

14 Personnel expenses

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Short-term employee benefits		
Wages and salaries	34.387	31.563
Compulsory social security obligations	12.300	11.122
Short term compensated absence	75	64
Temporary employment costs	-	-
Profit sharing and bonuses	-	23
Non-monetary benefits	-	-
	46.762	42.772
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	-	-
	-	-
Termination benefits		
Equity-settled share-based payments	-	-
Cash-settled share-based payments	-	-
Other (list separately those expenses that are more than 10% of total expenses)	-	-
<i>Collective agreement benefits</i>	121	150
Total personnel expenses	46.883	42.922

15 Depreciation and amortization

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Amortization of intangible assets		
Internally developed software	-	-
Purchased software from external suppliers	3.528	3.146
Other internally developed intangible assets	1.660	1.661
Other intangible assets	359	346
Investments in leased intangible assets	229	230
	5.776	5.383
Depreciation of property and equipment		
Buildings	-	-
Vehicles	964	867
Office equipment and furniture	3.468	3.841
Other equipment	820	829
Other property and equipment	58	67
Leasehold improvements	4.433	4.456
	9.743	10.060
Total depreciation and amortization	15.519	15.443

16 Other operating expenses

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Loss from sale of assets available-for-sale	-	-
Software licensing cost	-	-
Deposit insurance premium	5.711	3.745
Premium for insurance of property and employees	1.050	1.037
Materials and services	21.279	22.139
Administrative and marketing expenses	2.101	6.099
Other taxes and contributions	1.124	1.494
Rents	14.567	14.871
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	-	-
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>	2.100	1.635
<i>Court taxes</i>	17	709
<i>Tax on non-deductible expenses</i>	300	308
<i>other</i>	300	1.258
Total other operating expenses	48.549	55.213

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

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
<i>Current income tax</i>		
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>Deferred income tax</i>		
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	-	-
	-	-
Total expense / (return) on income tax	-	-

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
<i>Current income tax</i>		
Recognised in the income statement	-	-
Recognised in equity	-	-
	-	-
<i>Deferred income tax</i>		
Recognised in the income statement	-	-
Recognised in equity	-	-
	-	-
Total expense/ (return) on income tax	-	-

17 Income tax - continued

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

	<i>in %</i>	<i>In MKD thousand</i>	<i>in %</i>	<i>In MKD thousand</i>
	Current year 2013		Previous year 2012	
Gain / (loss) before tax		(44.280)		(115.547)
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				
Total expense / (return) of income tax		-		-
Average effective tax rate	0,00%		0,00%	

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

	Current year 2013			Previous year 2012		
	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						
Total other gains / (losses) in the period that are not shown in the Income Statement	-	-	-	-	-	-

18 Cash and cash equivalents

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Cash in hand	31.472	34.628
Cash and balances with NBRM, except obligatory deposits in foreign currency	122.015	158.777
Current accounts and deposits with foreign banks	72.170	50.348
Current accounts and deposits with domestic banks	17.837	22.455
Treasury bills tradable at the secondary market	88.888	89.926
Government bills tradable at the secondary market	-	-
Time deposits with maturity of up to three months	66.956	-
Other short term highly liquid assets	-	-
Interest receivables	-	39
(Allowances for impairment)	-	-
<i>Included in the cash and cash equivalents for the purposes of Statement of cash flow</i>	399.338	356.173
Mandatory deposits in foreign currency	35.023	20.426
Restricted deposits	-	-
(Allowances for impairment)	-427	-
Total	433.934	376.599

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Specific allowances for impairment		
Balance at 1 January	-	117
Impairment loss for the year		
additional impairment	508	45
(release of impairment)	(81)	(162)
(Foreclosed assets)	-	-
Effect of foreign currency movements	-	-
(Written off receivables)	-	-
Balance at 31 December	427	-

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

		<i>in MKD thousand</i>	
		Current year 2013	Previous year 2012
Trading securities			
<i>Debt trading securities</i>			
Treasury bills	-	-	-
Government bills	-	-	-
Other money market instruments	-	-	-
Governments bonds	-	-	-
Corporate bonds	-	-	-
Other debt securities	-	-	-
	-	-	-
Listed	-	-	-
Non-listed	-	-	-
<i>Trading equity securities</i>			
Equity securities issued by banks	-	-	-
Other equity instruments	-	-	-
	-	-	-
Listed	-	-	-
Non-listed	-	-	-
Trading derivatives			
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	-	-	-
	-	-	-
Total trading assets	-	-	-

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 2013		Previous year 2012	
	book amount on 31.12.2013 (current year)	fair value on 31.12.2013 (current year)	book amount on 31.12.2012 (previous year)	fair value on 31.12.2012 (previous year)
<i>in MKD thousand</i>				
Trading assets, reclassified in 2013 (current year) in:				
financial assets available-for-sale	-	-	-	-
loans and claims from banks	-	-	-	-
loans and claims from other customers	-	-	-	-
	-	-	-	-
Trading assets, reclassified in 2012 (previous year) in:				
financial assets available-for-sale	-	-	-	-
loans and claims from banks	-	-	-	-
loans and claims from other customers	-	-	-	-
	-	-	-	-

19 Trading assets - continued

B Reclassified trading assets - continued

B.2 Profit and loss from reclassified trading assets

	Reclassified in 2013 (current year)		Reclassified in 2013 (current year)			
	Income Statement 2013 (Current year)	Other profit /(loss) 2013 (Current year)	Income Statement 2013 (Current year)	Other profit /(loss) 2013 (Current year)	Income Statement 2012 (Previous year)	Other profit /(loss) 2012 (Previous year)
<i>in MKD thousand</i>						
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	-	-	-	-	-	-
	-	-	-	-	-	-
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	-	-	-	-	-	-
	-	-	-	-	-	-

19 Trading assets - continued

B.3 Profit or loss recognized in the Income Statement if assets have not been reclassified

in MKD thousand

	Reclassified during 2013 (current year)	Reclassified during 2012 (previous year)	
	Income Statement 2013 (Current year)	Income Statement 2013 (Current year)	Income statement 2012 (Previous year)
Trading assets, reclassified in financial assets available-for-sale	-	-	-
- net trading income	-	-	-
Trading assets, reclassified in loans and claims from banks	-	-	-
- net trading income	-	-	-
Trading assets, reclassified in loans and claims from other customers	-	-	-
- net trading income	-	-	-
	-	-	-

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

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other money market instruments	-	-
Governments bonds	-	-
Corporate bonds	-	-
Other debt securities	-	-
	-	-
Listed	-	-
Non-listed	-	-
<i>Equity securities</i>		
Equity securities issued by banks	-	-
Other equity instruments	-	-
	-	-
Listed	-	-
Non-listed	-	-
Loans and advances to banks	-	-
Loans and advances to other customers	-	-
Total financial assets at fair value through profit and loss, designated upon initial recognition	-	-

21 Derivative assets and liabilities held for risk management

<i>in MKD thousand</i>			
Current year 2013		Previous year 2012	
Derivative assets	(Derivative liabilities)	Derivative assets	(Derivative liabilities)
A Derivatives hedges /Derivatives held for risk management			
A.1 Instrument type			
Derivatives held for risk management			
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	-	-	-
Total derivatives held for risk management	-	-	-
A.2 Hedges type			
Fair value hedge	-	-	-
Cash flow hedge	-	-	-
Net investment hedge in foreign operation	-	-	-
Total derivatives held for risk management	-	-	-
B Embedded derivatives			
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	-	-	-
Total embedded derivatives	-	-	-
Total derivatives held for risk managemen	-	-	-

22 *Loans and advances*22,1 *Loans and advances to banks*

<i>in MKD thousand</i>					
		Current year 2013		Previous year 2012	
		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		-	-	-	-
Interest receivable		-	-	-	-
Current maturity		-	-	-	-
Total loans and advances to banks before allowances for impairment		-	-	-	-
(Allowances for impairment)		-	-	-	-
Total loans and advances to banks less allowances for impairment		-	-	-	-

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

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 2013		Previous year 2012	
	Short term	Long term	Short term	Long term
Non-financial entities				
Principle	300.798	622.132	165.825	437.582
Interest receivable	9.385	-	6.894	-
Government				
Principal	-	-	-	-
Interest receivable	-	-	-	-
Non-profit institutions serving to the households				
Principle	2.857	-	3.175	-
Interest receivable	-	-	-	-
Financial institutions, except banks				
Principle	-	26.390	-	30.177
Interest receivable	202	-	164	-
Household				
Principle				
Housing loans	-	18.972	-	18.474
Consumer loans	24.688	134.542	20.715	122.450
Car loans	-	-	-	-
Mortgage loans	-	-	-	-
Credit cards	57.987	-	53.105	-
Other loans	15.329	8.812	9.360	14.311
Interest receivable	1.497	-	1.423	-
Non-residents				
Principle	-	-	-	-
Interest receivable	-	-	-	-
Current maturity	162.888	(162.888)	79.323	(79.323)
<i>Total loans and advances to customers before allowances for impairment</i>	575.631	647.960	339.984	543.671
(Allowances for impairment)	(66.831)	(13.020)	(23.260)	(22.741)
Total loans and advances to customers less allowances for impairment	508.800	634.940	316.724	520.930

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 - continued**

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Specific allowances for impairment		
Balance at 1 January	46.001	23.809
Impairment loss for the year		
Additional impairment	98.925	71.015
(release of impairment)	(63.176)	(46.852)
(Foreclosed assets)	(289)	-
FX effect	(5)	(4)
(Receivables written off)	(1.605)	(1.967)
Balance of 31 December	79.851	46.001
Collective allowances for impairment		
Balance at January 1	-	-
Impairment loss for the year		
Additional impairment	-	-
(release of impairment)	-	-
Foreclosed assets	-	-
FX effect	-	-
(Receivables written off)	-	-
Balance at 31 December	-	-
Total allowances for impairment of loans and advances to customers	79.851	46.001

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 2013	Previous year 2012
<i>(current carrying amount of loans and advances)</i>		
First class collateral		
Cash deposits (depo and or/ restricted at bank's accounts)	53.252	37.476
Government securities	3.845	-
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees issued by insurance companies and insurance policies	-	-
Corporate guarantees (except from banks and insurance companies)	16.744	494
Guarantees from individuals	-	-
Pledge on property		
Property for its own use (apartments and houses)	389.755	300.102
Business property	108.437	18.370
Pledge on movable lien	105.461	4.146
Other types of collateral	450.092	477.006
Unsecured loans	16.154	60
Total loans and advances to customers less allowance for impairment	1.143.740	837.654

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 2013	Previous year 2012
Debt securities			
Treasury bills		-	-
Government bills		111.861	69.883
Other money market instruments		-	-
Government bonds		3.641	4.507
Corporate bonds		-	-
Other debt instruments		-	-
		115.502	74.390
Listed		3.641	4.507
Non-listed		111.861	69.883
Equity instruments			
Equity instruments issued by banks		-	-
Other equity instruments		9.930	9.513
		9.930	9.513
Listed		9.930	9.513
Non-listed		-	-
Total investments in available for sale instruments before allowances for impairment		125.432	83.903
(Allowances for impairment)		(7.774)	(7.559)
Total investments in available for sale instruments less allowances for impairment		117.658	76.344

		<i>in MKD thousand</i>	
		Current year 2013	Previous year 2012
Specific allowances for impairment			
Balance at 1 January		7.559	6.936
Impairment loss for the year			
Additional impairment		216	623
(release of impairment)		-	-
(Foreclosed assets)		-	-
FX effect		(1)	-
(Receivables written off)		-	-
Balance at 31 December		7.774	7.559

As at 31 December 2013 the government bonds for denationalization issued by the Ministry of Finance of Republic of Macedonia are comprised of:

- Government bonds from the fifth issue published in 2006, with maturity of 10 years and annual interest rate of 2% (2012: 2%), which at 31 December 2013 are in the amount of MKD 2,277 thousand (2012: MKD 2,958 thousand);
- Government bonds from the sixth issue published in 2007, with maturity of 10 years and annual interest rate of 2% (2012: 2%), which at 31 December 2013 are in the amount of MKD 121 thousand (2012: MKD 146 thousand); and
- Government bonds from the seventh issue published in 2008, with maturity of 10 years and with an annual rate of 2% (2012: 2%), which at 31 December 2013 are in the amount of MKD 1,185 thousand (2012: MKD 1,346 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 2013		previous year 2012	
	book value on 31.12.2013 (current year)	fair value on 31.12.2013 (current year)	book value on 31.12.2012 (previous year)	fair value on 31.12.2012 (previous year)
<i>in MKD thousand</i>				
Assets available-for-sale reclassified in 2013 (current year) in:				
loans and claims from banks	-	-	-	-
loans and claims from other customers	-	-	-	-
	-	-	-	-
Assets available-for-sale reclassified in 2012 (previous year) in:				
loans and claims from banks	-	-	-	-
loans and claims from other customers	-	-	-	-
	-	-	-	-

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

	Income Statement 2013 (Current year)	Other profit /(loss) 2013 (Current year)	Income Statement 2012 (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	-	-	-	-
	-	-	-	-

23 Investment securities - continued
23.2 Investments in financial assets held to maturity - continued

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
<i>Debt securities</i>		
Treasury bills	-	-
Government bills	-	-
Other money market instruments	-	-
Government bonds	-	-
Corporate bonds	-	-
Other debt instruments	-	-
	-	-
Listed	-	-
Non-listed	-	-
<i>Total investments in available for sale instruments before allowances for impairment</i>	-	-
(Allowances for impairment)	-	-
<i>Total investments in available for sale instruments less allowances for impairment</i>	-	-

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Movement in allowance for impairment		
Balance at 1 January	-	-
Impairment loss for the year		
Additional impairment	-	-
(release of impairment)	-	-
(Foreclosed assets based on outstanding	-	-
Foreign exchange effects	-	-
(Written of receivables)	-	-
Balance at 31 December	-	-

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 2013	Previous year 2012	Current year 2013	Previous year 2012

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 2013	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Previous year 2012	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

25 Other receivables

<i>in MKD thousand</i>		
Current year 2013	Previous year 2012 (restated)	
Trade receivables	15.350	15.903
Prepayments	843	761
Deferred income	-	
Fee and commission receivables	2.705	1.001
Receivables from employees	-	
Advances for intangible assets	-	
Advances for property and equipment	-	
Other (list in details all receivables over 10% of the total other receivables)	-	
<i>material expenses</i>	1.615	1.034
<i>numismatics</i>	148	148
<i>receivables from payments on behalf of customers</i>	409	80
<i>operation with credit cards</i>	7.344	5.649
<i>anticipative interest</i>	1.315	1.957
<i>other</i>	20	148
Total other receivables before allowances for impairment	29.749	26.681
(Allowances for impairment)	(15.961)	(16.233)
Total other receivables less allowances for impairment	13.788	10.448

<i>in MKD thousand</i>		
Current year 2013	Previous year 2012 (restated)	
Specific allowances for impairment		
Balance at 1 January	16.233	1.939
Impairment loss for the year		
Additional impairment	950	15.483
(release of impairment)	(1.258)	(1.136)
(Foreclosed assets)	-	-
FX effect	52	(26)
(Receivables written off)	(16)	(27)
Balance at 31 December	15.961	16.233

26 Pledged assets

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Debt securities	-	-
Equity instruments	-	-
Total pledged assets	-	-

27 Foreclosed assets

<i>In MKD thousand</i>	Land	Buildings	Equipment	Apartments	Other	Total
Cost						
Balance at 1 January 2012 (previous 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)	-	-	-	-	-	-
Balance at 31 December 2012 (previous year)	-	64.866	5.215	6.599	-	76.680
Balance at 1 January 2013 (current year)	-	64.866	5.215	6.599	-	76.680
foreclosed during the year	-	-	579	-	-	579
(sold during the year)	-	(8.640)	-	-	-	(8.640)
(transferred to own assets)	-	(49.331)	-	-	-	(49.331)
Balance at 31 December 2013 (current year)	-	6.895	5.794	6.599	-	19.288
Allowances for impairment						
Balance at 1 January 2012 (previous year)	-	223	406	67	-	696
Impairment loss for the year	-	12.637	962	1.320	-	14.919
(sold during the year)	-	-	-	(68)	-	(68)
(transferred to own assets)	-	-	-	-	-	-
Balance at 31 December 2012 (previous year)	-	12.860	1.368	1.319	-	15.547
Balance at 1 January 2013 (current year)	-	12.860	1.368	1.319	-	15.547
Impairment for the year	-	1.126	978	1.056	-	3.160
(sold during the year)	-	(1.728)	-	-	-	(1.728)
(transferred to own assets)	-	(9.866)	-	-	-	(9.866)
Balance at 31 December 2013 (current year)	-	2.392	2.346	2.375	-	7.113
Carrying amount						
at 1 January 2012 (previous year)	-	65.011	4.809	24.238	-	94.058
at 31 December 2012 (previous year)	-	52.006	3.847	5.280	-	61.133
at 31 December 2013 (current year)	-	4.503	3.448	4.224	-	12.175

According to the Decision on accounting and regulatory treatment of foreclosed assets in 2013 the Bank recorded impairment losses in the amount of MKD 3,160 thousand out of which MKD 3,044 thousand are recognized as expense in the Income Statement (see note 13) and the remaining part of MKD 116 thousand is recognized in the Balance Sheet. During the year the Bank sold foreclosed business premises in amount of MKD 6,950 thousand and realized capital gain of MKD 38 thousand. The Bank also foreclosed equipment in the amount of MKD 579 thousand. Business premises in amount of MKD 47,279 thousand was transferred to property of the Bank for own use recorded as property and equipment under construction and for this transaction the Bank recorded release of impairment in the amount of MKD 7,814 thousand. Fair value of foreclosed assets as at 31 December 2013 amounts to MKD 18.448 thousand.

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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	Investment in intangible assets under lease	uncontrolled participation	Total
Cost							
Balance at 1 January 2012 (previous 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	-	-	-	-	-	-	-
Balance at 31 December 2011 (previous year) - restated	-	26.090	8.303	6.719	1.148	-	42.260
Balance at 1 January 2013 (current year)	-	26.090	8.303	6.719	1.148	-	42.260
Increase through new purchases	-	2.544	-	184	-	-	2.728
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	-	-	-	-	-	-	-
Balance at 31 December 2013 (current year)	-	28.634	8.303	6.903	1.148	-	44.988

Capital Bank AD Skopje

28 Intangible assets - continued

A Reconciliation of carrying amount - continued

<i>In MKD thousand</i>	Internally developed software	Purchased software from external suppliers	Other internally developed intangible assets	Other intangible assets	Investment in intangible assets under lease	uncontrolled participation *	Total
Amortization and impairment losses							
Balance at 1 January 2012 (previous year)	-	7.667	3.277	4.118	114	-	15.176
Amortization for the period	-	3.146	1.661	346	230	-	5.383
Impairment losses for the period	-	-	-	-	-	-	-
(release of impairment losses for the year)	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	-	-	-	-
Balance at 31 December 2012 (previous year)	-	10.813	4.938	4.464	344	-	20.559
Balance at 1 January 2013 (current year)	-	10.813	4.938	4.464	344	-	20.559
Amortization for the year	-	3.528	1.660	359	229	-	5.776
Impairment loss for the year	-	-	-	-	-	-	-
(release of impairment loss for the year)	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	-	-	-	-
Balance at 31 December 2013 (current year)	-	14.341	6.598	4.823	573	-	26.335
Carrying amount							
at 1 January 2012 (previous year)	-	15.172	5.026	2.037	1.034	-	23.269
at 31 December 2012 (previous year)	-	15.277	3.365	2.255	804	-	21.701
at 31 December 2013 (current year)	-	14.293	1.705	2.080	575	-	18.653

* only for the 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	Investment in intangible assets under lease	Total
Carrying amount:						
at 31 December 2012 (previous year)	-	-	-	-	-	-
at 31 December 2013 (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
Cost									
Balance at 1 January 2012 (previous year) - restated	-	-	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)	-	-	-	-	-	-	-	-	-
(disposal through business combination)	-	-	-	(166)	-	-	-	-	(166)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2012 (previous year)	-	-	3.466	46.507	5.942	927	-	22.314	79.156
Balance at 1 January 2013 (current year)	-	-	3.466	46.507	5.942	927	-	22.314	79.156
increase	-	-	-	-	-	-	2.378	-	2.378
Increase through business combination (disposals and write-offs)	-	-	-	-	-	-	-	-	-
(disposals through business combination)	-	-	(1.137)	-	(239)	-	-	-	(1.376)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	1.649	536	-	-	44.901	193	47.279
Balance at 31 December 2013 (current year)	-	-	3.978	47.043	5.703	927	47.279	22.507	127.437

Capital Bank AD Skopje

29 Property and equipment - continued

A Reconciliation of the carrying amount - continued

In MKD thousand

	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment under construction	Leasehold improvement	Total
Amortization and impairment losses									
Balance at 1 January 2012 (previous year) - restated	-	-	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	-	-	-	-	-	-	-	-	-
Balance at 31 December 2012 (previous year) - restated	-	-	1.870	38.014	3.356	158	-	11.682	55.080
Balance at 1 January 2013 (current year)	-	-	1.870	38.014	3.356	158	-	11.682	55.080
Depreciation for the year	-	-	964	3.468	820	58	-	4.433	9.743
Impairment losses for the year	-	-	-	-	-	-	-	-	-
(release of impairment losses for the year)	-	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	(734)	-	(239)	-	-	-	(973)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2013 (current year)	-	-	2.100	41.482	3.937	216	-	16.115	63.850
Carrying amount									
at 1 January 2012 (previous year)	-	-	2.463	11.312	3.349	763	-	15.045	32.932
at 31 December 2012 (previous year)	-	-	1.596	8.493	2.586	769	-	10.632	24.076
at 31 December 2013 (current year)	-	-	1.878	5.561	1.766	711	47.279	6.392	63.587

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

In MKD thousand

	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 2012 (previous year)	-	-	-	-	-	-	-	-	-
at 31 December 2013 (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 2013	Previous year 2012
Income tax receivables (current)	-	-
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 2013			Previous year 2012		
	Deferred tax assets	(Deferred tax liabilities)	Net	Deferred tax assets	(Deferred tax liabilities)	Net
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to other customers	-	-	-	-	-	-
Investment securities	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-	-	-
Other	-	-	-	-	-	-
Deferred tax assets/liabilities recognised in income statement	-	-	-	-	-	-
Investments in financial assets available for sale	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-
Deferred tax assets/liabilities recognised in equity	-	-	-	-	-	-
Total unrecognized deferred tax assets / liabilities	-	-	-	-	-	-

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 2013	Previous year 2012
Tax losses	-	-
Tax credits	-	-
Total unrecognised deferred tax assets	-	-

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
Previous year 2012				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to other customers	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available for sale	-	-	-	-
Cash flow hedges	-	-	-	-
Total recognised deferred tax assets / liabilities	-	-	-	-

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 - continued**

<i>In MKD thousand</i>	Recognised during the year in:			
	at 1 January	Income statement	Equity	at 31 December
Current year 2013				
Derivative assets held for risk management	-	-		-
Loans and advances to banks	-	-		-
Loans and advances to other customers	-	-		-
Investment in securities	-	-		-
Intangible assets	-	-		-
Property and equipment	-	-		-
Other receivables	-	-		-
Derivative liabilities held for risk management	-	-		-
Other liabilities	-	-		-
Unused tax losses and tax credits	-	-		-
Other	-	-		-
Investments in financial assets available for sale	-		-	-
Cash flow hedges	-		-	-
Total recognised deferred tax assets / liabilities	-	-	-	-

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

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Intangible assets	-	-
Property and equipment	171	-
Total non current assets held for sale	171	0

B Disposal group

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
<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>	0	0
<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>	0	0

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

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Gain/(loss) recognised from the sale of assets held for sale and disposal group	-	-

32 Trading liabilities

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
<i>Deposits form banks</i>		
Current accounts, demand deposits and deposits over night	-	-
Term deposits	-	-
Other deposits	-	-
	0	0
<i>Deposits from other customers</i>		
Current accounts, demand deposits and deposits over night	-	-
Term deposits	-	-
Other deposits	-	-
	0	0
<i>Debt securities Issued</i>		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	0	0
<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	-	-
	0	0
Total trading liabilities	0	0

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

<i>in MKD thousand</i>			
Current year 2013		Previous year 2012	
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	-	-	-
0	0	0	0
<i>Deposits from other customers</i>			
Current accounts, demand deposits and deposits over night	-	-	-
Term deposits	-	-	-
Other deposits	-	-	-
0	0	0	0
<i>Debt securities issued</i>			
Money market instruments	-	-	-
Deposit certificates	-	-	-
Issued bonds	-	-	-
Other	-	-	-
0	0	0	0
<i>Subordinated liabilities</i>			
	-	-	-
<i>Other financial liabilities</i>			
	-	-	-
Total financial liabilities at fair value through profit or loss, designated upon initial recognitions	0	0	0

34 Deposits
34,1 Deposit from banks

<i>in MKD thousand</i>			
Current year 2013		Previous year 2012	
Short term	Long term	Short term	Long term
Current accounts			
Domestic banks	-	-	-
Foreign banks	-	-	-
Demand deposits			
Domestic banks	-	-	-
Foreign banks	-	-	-
Term deposits			
Domestic banks	66.957	-	-
Foreign banks	-	-	-
Restricted deposits			
Domestic banks	-	-	-
Foreign banks	-	-	-
Other deposits			
Domestic banks	-	-	-
Foreign banks	-	-	-
Interest liabilities for deposits			
Domestic banks	-	-	-
Foreign banks	-	-	-
Current maturity	-	-	-
Total deposits to banks	66.957	-	-

34 Deposits

34,2 Deposits from other customers

<i>in MKD thousand</i>					
		Current year 2013		Previous year 2012	
		Short term	Long term	Short term	Long term
Non-financial entities					
Current accounts		127.714	-	71.869	-
Demand deposits		18	-	30	-
Term deposits		32.745	34.308	97.605	37.079
Restricted deposits		-	1.230	-	1.230
Other deposits		-	-	-	-
Interest liabilities		1.734	-	1.243	-
		162.211	35.538	170.747	38.309
Government					
Current accounts		-	-	-	-
Demand deposits		-	-	-	-
Term deposits		-	-	-	-
Restricted deposits		-	-	-	-
Other deposits		-	-	-	-
Interest liabilities		-	-	-	-
		-	-	-	-
Non-profit institutions serving the households					
Current accounts		10.505	-	610	-
Demand deposits		-	-	-	-
Term deposits		7.000	16.531	-	-
Restricted deposits		-	-	-	-
Other deposits		-	-	-	-
Interest liabilities		668	-	-	-
		18.173	16.531	610	-

34 Deposits - continued

34,2 Deposits from other customers -continued

<i>in MKD thousand</i>			
Current year 2013		Previous year 2012	
Short term	Long term	Short term	Long term
Financial institutions, except banks			
Current accounts	3.280	-	37.262
Demand deposits	-	-	-
Term deposits	213.164	25.000	66.600
Restricted deposits	-	-	15.000
Other deposits	-	-	-
Interest liabilities	4.062	-	1.658
	220.506	25.000	105.520
Individuals			
Current accounts	47.312	-	39.288
Demand deposits	2	-	2
Term deposits	292.003	534.611	196.264
Restricted deposits	492	11.959	572
Other deposits	-	-	14.096
Interest liabilities	11.018	-	-
	350.827	546.570	252.863
Non residents, except banks			
Current accounts	3.860	-	38.766
Demand deposits	-	-	-
Term deposits	-	25.035	1.322
Restricted deposits	-	-	19.413
Other deposits	-	-	-
<i>Interest liabilities</i>	830	-	372
	4.690	25.035	40.460
Current maturity	358.846	(358.846)	152.123
Total deposits from customers	1.115.253	289.828	722.323
		152.123	(152.123)
		722.323	351.021

35 Debt securities issued

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest liabilities for issued securities	-	-
Total debt securities issued	-	-

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 2013		Previous year 2012	
	Short term	Long term	Short term	Long term
Banks				
<i>Residents</i>				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
<i>Non residents</i>				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non financial entities				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Government				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non profit organization serving the household				
Borrowings	-	-	-	-
Interest liabilities	-	-	-	-
Financial entities, except banks				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non residents, except banks				
Non financial entities				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Government				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non profit organization serving the household				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Financial entities, except banks				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Household				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Current maturity	-	-	-	-
Total borrowings	-	-	-	-

36 Borrowings - continued**B Borrowings according the borrower**

		<i>in MKD thousand</i>			
		Current year 2013		Previous year 2012	
		Short term	Long term	Short term	Long term
<i>Domestic sources:</i>					
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
		-	-	-	-
<i>Foreign sources:</i>					
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
_____		-	-	-	-
		-	-	-	-
Current maturity					
Total borrowings		-	-	-	-

37 Subordinated liabilities

<i>in MKD thousand</i>	
Current year 2013	Previous year 2012
<i>Subordinated deposit</i> (list separately:)	
_____	-
_____	-
Interest liabilities	-
	-
<i>Subordinated borrowings</i> (list separately:)	
Alfa Finance Holding, Bulgaria	49.209
Alfa Finance Holding, Bulgaria	39.982
Alfa Finance Holding, Bulgaria	-
Interest liabilities	1.174
	90.365
	49.850
<i>Subordinated debt securities issued</i> (list separately:)	
_____	-
_____	-
_____	-
Interest liabilities	-
	-
Redeemable preference shares	-
Total subordinated liabilities	90.365
	49.850

As at 31 December 2013 the Bank has subordinated liabilities in the amount of MKD 90,365 thousand (2012: MKD 49,850 thousand). This obligations result from foreign funds transfer according contracts for subordinated loans in total amount of EUR 1,450 thousand. Subordinated loan 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. The principal amount of loans should be repaid in a single installment on the last day of maturity.

On the Shareholders Meeting on 30 December 2013 a Decision for confirmation of the Decision was reached by the parent company Alfa Finance Holding for write-off of subordinated loan in amount of EUR 1,000 thousand for covering the Banks accumulated losses.

<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 2012 (previous year)	515	-	-	-	-	-	515
Charge during the year (used during the year)	2.395	-	-	-	-	-	2.395
(release of provisions)	-	-	-	-	-	-	-
	(1.381)	-	-	-	-	-	(1.381)
Balance at 31 December 2012 (previous year)	1.529	-	-	-	-	-	1.529
Balance at 1 January 2013 (current year)	1.529	-	-	-	-	-	1.529
Charge during the year (used during the year)	1.596	-	-	-	-	-	1.596
(release of provisions)	(2.217)	-	-	-	-	-	(2.217)
Balance at 31 December 2013 (current year)	908	-	-	-	-	-	908

39 Other liabilities

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Trade payables	3.122	1.377
Advances received	-	-
Fee and commission liabilities	132	176
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>	265	338
<i>Liabilities for credit cards operations</i>	247	1.265
<i>Received advances for loans</i>	2.022	629
<i>Other</i>	215	1.363
Total other liabilities	6.003	5.148

Capital Bank AD Skopje

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 2013	Previous year 2012	Current year 2013	Previous year 2012	Current year 2013	Previous year 2012
Balance at 1 January	29,800	-	28.742	26.341	-	-	856.514	782.489
Shares issued during the year	-	-	-	2.401	-	-	-	74.025
Exercise of share options	-	-	-	-	-	-	-	-
Division/accumulation of share nominal value	-	-	-	-	-	-	-	-
Other changes during the year (in details):	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Balance at 31 December – fully paid			28.742	28.742	-	-	856.514	856.514

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 (2012: 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.

According to the amendments on the Trading Companies Law, which come into effect from 1 January 2013, the amount necessary to be allocated to statutory reserve is reduced from 15% to 5%, until the level of reserves reaches 1/10 of the shareholders equity.

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.

Revaluation reserve for foreclosed assets

Revaluation reserves for foreclosed assets are formed at the moment of recognition of the foreclosed assets. Method for determination of the revaluation reserve is explained in detail in note c 13.

The Bank derecognizes the revaluation reserve when the asset is sold recording release in the Income statement. In addition, revaluation reserve may be derecognized even if the asset is not sold, but in that case revaluation reserve should be excluded from the additional capital, according the Decision on Methodology for capital adequacy.

B Dividends**B.1 Declared dividends and dividends paid by the Bank**

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Declared dividends and dividends paid	-	-

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
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 2013	Previous year 2012
Declared dividends after 31 December	-	-

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
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 2013	Previous year 2012	Current year 2013	Previous year 2012
Shareholder name	Issued capital (nominal value)	Issued capital (nominal value)	Voting right	Voting right
Alfa Finance Holding, Bulgaria	827.699	827.699	96,64%	96,64%

Total	827.699	827.699	96,64%	96,64%

* 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 2013	Previous year 2012
<i>Net-profit attributable to the ordinary shareholders</i>			
Net-profit for the year		(44,280)	(115,547)
Dividend for irredeemable preference shares		-	-
Adjustments of the net-profit attributable to the ordinary share holders (list separately):			
_____		-	-
Net-profit attributable to the ordinary shareholders		(44,280)	(115,547)

		<i>Number of share</i>	
		Current year 2013	Previous year 2012
<i>Weighted average number of ordinary shares</i>			
Issued ordinary shares on 1 January		28,742	26,341
Effects of changes in the number of ordinary shares for the year (list all items separately)			
_____		-	600
Weighted average number of ordinary shares at 31 December		28,742	26,941
Basic earnings per share (in MKD)		(1.541)	(4.289)

41 Earnings per share - continued**B Diluted earnings per share**

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
<i>Net-profit attributed to the ordinary shareholders (diluted)</i>		
Net-profit for the year attributed to the ordinary shareholders	(44,280)	(115,547)
Adjustments of the net-profit belonging to the ordinary shareholders for the effect of all issued ordinary shares (in details)		
	-	-
Net-profit attributed to the ordinary shareholders (diluted)	(44,280)	(115,547)

	<i>Number of share</i>	
	Current year 2013	Previous year 2012
<i>Weighted average number of ordinary shares (diluted)</i>		
Issued ordinary shares at 1 January	28,742	26,341
Effects of the issuance of the potential ordinary shares (list in details)		
		600
Weighted average number of ordinary shares (diluted) at 31 December	28,742	26,941
Diluted earnings per share (in MKD)	(1.541)	(4.289)

42 Contingent assets and liabilities**42.1 Contingent liabilities**

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Uncovered payment letters of guarantees	-	-
In MKD	39,206	44,653
In foreign currency	46,718	38,745
In MKD with a foreign currency clause	-	-
Performance uncovered letter of guarantees	-	-
In MKD	11,762	23,686
In foreign currency	-	-
In MKD with a foreign currency clause	-	-
Uncovered letters of credit	-	-
In MKD	-	-
In foreign currency	-	-
In MKD with a foreign currency clause	-	-
Unused current accounts limits	2,021	-
Unused credit card limits	21,870	20,914
Irrevocable credit lines and unused loan limits	23,719	19,587
Other uncovered contingent liabilities		
Issued covered letters of guarantees	8,552	5,963
Covered letters of credit	-	-
Other covered contingent liabilities	46,286	9,371
Total contingent liabilities before provisions	200,134	162,919
(Provisions)	(908)	(1,529)
Total contingent liabilities less provisions	199,226	161,390

42.2 Contingent assets

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
List in details:		
	-	-
Total contingent assets	-	-

42. Contingent liabilities and contingent assets

Contingent liabilities

Contingent liabilities of the Bank mainly result from off-balance sheet recordings as unused credit limits and exposure on guarantees. Amount of MKD 21,870 thousand (2012: MKD 20,914 thousand) represents unused limit on credit cards while the amount of MKD 23,719 thousand (2012: MKD 19,587 thousand) represents unused limit on revocable credit lines, granted to legal entities.

Exposure to guarantees amounts to MKD 106,238 thousand (2012: MKD 113,047 thousand), of which MKD 97,686 thousand (2012: MKD 107,084 thousand) are uncovered and the rest are covered guarantees.

Litigations and claims

As at 31 December 2013 the litigations and claims against the Bank are in the amount of MKD 29,705 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 2013			Previous year 2012		
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	7.495	-	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	-	7.495	-	9.067	(9.067)
Deposits in foreign currency	-	-	-	-	-
Loans in denars	-	-	-	-	-
Loans in foreign currency	-	-	-	-	-
Other receivables in denars	-	-	-	-	-
Other receivables in foreign currency	-	-	-	-	-
Custody accounts	-	-	-	-	-
Other	-	-	-	-	-
Total	7.495	7.495	9.067	9.067	0

44. Related parties transactions

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

According the Banking law, as the 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 owing 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 follow:

44 Related parties transactions

A Balance sheet

In MKD thousand

Balance at 31 December 2013 (current year)

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Assets						
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and advances						
mortgage loans	-	-	-	4.844	-	4.844
consumer loans	-	-	-	3.206	-	3.206
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting	-	-	-	-	-	-
other loans and advances	-	-	-	793	20.062	20.855
Security investments	-	-	-	-	-	-
(Allowances for impairment)	-	-	-	(68)	(201)	(269)
Other assets	-	-	-	-	-	-
Total	-	-	-	8.775	19.861	28.636
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	157	-	-	6.307	5.000	11.464
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	90.366	-	-	-	-	90.366
Other liabilities	-	-	-	-	-	-
Total	90.523	-	-	6.307	5.000	101.830
Contingent liabilities						
Issued letter of guarantees	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	576	3.927	4.503
(Provisions)	-	-	-	(6)	-	(6)
Total	-	-	-	570	3.927	4.497
Contingence assets						
Received guarantees	-	-	-	-	-	-
Other contingence assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

44 Related parties transactions - continued

A Balance sheet - continued

In MKD thousand

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Balance at 31 December 2012 (previous year)						
Assets						
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	-	-	-	-	-	-
Total	-	-	-	7.596	-	7.596
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	4.473	-	-	6.057	-	10.530
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	49.850	-	-	-	-	49.850
Other liabilities	-	-	-	-	-	-
Total	54.323	-	-	6.057	-	60.380
Contingent liabilities						
Issued letter of guarantees	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	633	-	633
(Provisions)	-	-	-	(6)	-	(6)
Total	-	-	-	627	-	627
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

44 Related parties transactions - continued

B Income and expenses arising from related parties transactions

In MKD thousand

2013 (current year)

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Revenue						
Interest income	-	-	-	560	-	560
Fee and commission income	-	-	-	20	-	20
Net-trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gain from sale of non current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
Total	-	-	-	580	-	580
Expenses						
Interest expense	-	-	-	196	-	196
Fee and commission expense	-	-	-	-	-	-
Net-trading losses	-	-	-	-	-	-
Expenses for acquisition of non current assets	-	-	-	-	-	-
Net impairment loss on financial assets	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
Total	-	-	-	196	-	196

44 Related parties transactions - continued

B Income and expenses arising from related parties transactions - continued

In MKD thousand

2012 (previous year)

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Revenue						
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	-	-	-	-	-	-
Total	266	-	-	449	-	715
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	-	-	-	-	-	-
Total	2.066	-	-	321	-	2.387

44 Related parties transactions - continued

C Bank's key management personnel compensations

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Short term employee benefits	13.967	15.165
Post employment benefits	-	-
Termination benefits	-	-
Share based payments, paid with equity instruments	-	-
Share based payments, paid in cash	-	-
Other	-	-
Total	13.967	15.165

A Lessor

A.1 Finance lease receivable

<i>In MKD thousand</i>	Total finance lease receivable	Maturity of the finance lease receivables		
		Up to 1 year	From 1 to 5 year	Over 5 year
Balance at 31 December 2013 (current year)				
Carrying amount of the minimum lease payments	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance at 31 December 2012 (previous year)				
Carrying amount of the minimum lease payments	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

A.2 Non cancelable operating lease receivables

<i>In MKD thousand</i>	Total operating lease receivables	Maturity of the operating lease receivables		
		Up to 1 year	From 1 to 5 year	Over 5 year
Balance at 31 December 2013 (current year)				
Carrying amount of the minimum lease payments	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance at 31 December 2012 (previous year)				
Carrying amount of the minimum lease payments	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

<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 operating lease:							
Balance at 31 December 2013 (current year)	-	-	-	-	-	-	-
Balance at 31 December 2012 (previous year)	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

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>				
Balance at 31 December 2013 (current year)				
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance at 31 December 2012 (previous year)				
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

45 Leasing - continued

B Lessee - continued

B.1 Finance lease payables - continued

In MKD thousand

Value of the property under finance lease:

Cost

Balance at 1 January 2012 (previous year)

Additions

(Disposals and write offs)

Other

Balance at 31 December 2012 (previous year)

Balance at 1 January 2013 (current year)

Additions

(Disposals and write offs)

Other

Balance at 31 December 2013 (current year)**Accumulated depreciation and impairment losses**

Balance at 1 January 2012 (previous year)

Depreciation for the year

Impairment losses during the year

(release of the impairment during the year)

(disposals and write offs)

Other

Balance at 31 December 2012 (previous year)

Balance at 1 January 2013 (current year)

Depreciation for the year

Impairment loss during the year

(release of the impairment loss during the year)

(disposals)

Other

Balance at 31 December 2013 (current year)**Carrying amounts**

At 1 January 2012 (previous year)

At 31 December 2012 (previous year)**At 31 December 2013 (current year)**

	Land	Buildings	Vehicle	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of the property under finance lease:							
Cost							
Balance at 1 January 2012 (previous year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at 31 December 2012 (previous year)	-	-	-	-	-	-	-
Balance at 1 January 2013 (current year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at 31 December 2013 (current year)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses							
Balance at 1 January 2012 (previous year)	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-
Impairment losses during the year	-	-	-	-	-	-	-
(release of the impairment during the year)	-	-	-	-	-	-	-
(disposals and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at 31 December 2012 (previous year)	-	-	-	-	-	-	-
Balance at 1 January 2013 (current year)	-	-	-	-	-	-	-
Depreciation for the year	-	-	-	-	-	-	-
Impairment loss during the year	-	-	-	-	-	-	-
(release of the impairment loss during the year)	-	-	-	-	-	-	-
(disposals)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at 31 December 2013 (current year)	-	-	-	-	-	-	-
Carrying amounts							
At 1 January 2012 (previous year)	-	-	-	-	-	-	-
At 31 December 2012 (previous year)	-	-	-	-	-	-	-
At 31 December 2013 (current year)	-	-	-	-	-	-	-

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
<i>Balance at 31 December 2013 (current year)</i>				
Non cancelable lease payables	68.575	10.836	43.344	14.395
Total	68.575	10.836	43.344	14.395
<i>Balance at 31 December 2012 (previous year)</i>				
Non cancelable lease payables	79.711	10.836	43.344	25.531
Total	79.711	10.836	43.344	25.531

46 Shares-based payments

	<i>in MKD thousand</i>	
	Current year 2013	Previous year 2012
Grant date	-	-
Expiration date	-	-
Exercise price	-	-
Share price on grant date	-	-
Volatility	-	-
Expected dividend yield	-	-
Interest rate	-	-
Fair value at grant date	-	-

	Current year 2013		Previous year 2012	
	Number of options	Average exercise price	Number of options	Average exercise price
Balance at 1 January				
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	-	-	-	-
Balance at 31 December	0	0	0	0