

KAPITAL BANKA, AD SKOPJE

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

31 December 2015

This is an English translation of the original Report issued in Macedonian, in case of any discrepancies between the English and Macedonian version the Macedonian text shall prevail.

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Independent Auditors' Report

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To the Shareholders of Kapital Banka AD, Skopje

Report on financial statements

We have audited the accompanying financial statements of Kapital Banka AD, Skopje (the “Bank”), which comprise the Balance sheet as of 31 December 2015, and the Income statement, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, included on pages 3 to 135.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulation of the National Bank of the 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.

Auditor's 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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the Bank'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 Bank's internal control.

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

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

Basis for qualified opinion

As it is disclosed in Note 22.2 to the accompanying financial statements, as of 31 December 2015, loans and advances to customers amounted to Denar 1,750,173 thousand, net of the respective allowance for impairment in the amount of Denar 117,226 thousand. We were not provided with sufficient and appropriate supporting documentation for the purposes of our assessment related to the adequacy of the calculated and recognized impairment provision of loans and advances to customers for the year ended 31 December 2015. Consequently, we were not able to obtain reasonable assurance of the net carrying amount of loans and advances to customers at 31 December 2015.

Qualified opinion

In our opinion, except for the effect of the matter discussed in the paragraph "Basis of qualified opinion", the financial statements, present fairly, in all material respects, the financial position of the Bank as of 31 December 2015, and its financial performance and its cash flows for the year then ended, in accordance with the regulation of the National Bank of the Republic of Macedonia.

Report on other legal and regulatory matters

The Bank's management is also responsible for preparation of the Annual report of the Bank for the Bank's performance for 2015 in accordance with Article 384 of the Law on Trade Companies. Our responsibility is to express an opinion on the consistency of the annual report with the historical financial data reported in the Annual accounts and the audited financial statements as of and for the year ended 31 December 2015, in accordance with ISA 720, and in accordance with requirements of Article 34, paragraph 1, point (d) of the Law on Audit.

In our opinion, the historical financial information presented in the annual report of the Bank as of and for the year ended 31 December 2015 is consistent, in all material respects, with the information presented in the Annual accounts and the audited financial statements as of and for the year ended 31 December 2015.

Skopje,

28 April 2016

Grant Thornton DOO, Skopje

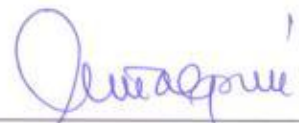
Director

Suzana Stavrik



Certified Auditor

Suzana Stavrik



**Income Statement
 for the period 01.01.2015 - 31.12.2015**

		<i>in MKD thousand</i>	
Notes		Current year 2015	Previous year 2014
Interest income		164,471	150,897
Interest expense		(67,457)	(68,602)
Net interest income/(expense)	6	97,014	82,295
Fee and commission income		41,750	34,791
Fee and commission expense		(12,195)	(10,308)
Net fee and commission income/(expense)	7	29,555	24,483
Net trading income	8	-	-
Net income from other financial instruments carried at fair value	9	-	-
Net foreign exchange gain/loss	10	14,439	6,447
Other operating income	11	2,296	5,256
Profit – sharing of associates entities	24	-	-
Net impairment losses on financial assets	12	(14,268)	(40,956)
Net impairment losses on non-financial assets	13	595	3,095
Personnel expenses	14	(48,363)	(47,597)
Depreciation and amortization	15	(9,840)	(14,491)
Other operating expenses	16	(53,653)	(48,573)
Loss sharing of associates entities	24	-	-
Profit/(loss) before tax		17,775	(30,041)
Income tax	17	(2,163)	-
Profit/(loss) for the year		15,612	(30,041)
Profit / (loss) from the group of assets and liabilities held for sale *		-	-
Profit/(loss) for the year		15,612	(30,041)
Profit / (loss) for the period, attributable to*:			
Equity holders of the Bank		-	-
Minority interest		-	-
Earnings per share	41		
Basic loss per share (in denars)		543	(1.045)
Diluted loss per share (in denars)		543	(1.115)

*Only for the consolidated financial statement

See accompanying notes to the financial statements

**Statement of Comprehensive Income
 for the period 01.01.2015 - 31.12.2015**

		<i>in MKD thousand</i>	
Notes	Current year 2015	Previous year 2014	
	Profit/(loss) for the financial year	15,612	(30,041)
	Other profit/(losses) in period not showing the Income Statement (before taxation)		
	Revaluation reserve for assets available-for-sale		
	- unrealized net-changes in fair value of assets available-for-sale	424	857
	- 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	4,859	14,477
	- decrease in revaluation reserve, re classified in the Income Statement	(3,657)	(5,047)
	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	-	-
24	Other gains / (losses) not shown in the Income Statement	-	-
	Income tax from other gains / (losses) not shown in the Income Statement	-	-
17			
	Total other gains / (losses) in the periods not shown in the Income Statement	1,626	10,287
	Comprehensive income /(loss) for the financial year	17,238	(19,754)
	Comprehensive income /(loss) for the financial year, attributable to*		
	Equity holders of the Bank		
	Minority interest		

*Only for the consolidated financial statement

See accompanying notes to the financial statements

Balance Sheet
as at 31 December 2015

	Notes	<i>in MKD thousand</i>	
		Current year 2015	Previous year 2014
Assets			
Cash and cash equivalents	<u>18</u>	538,501	794,740
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>	-	11
Loans and advances to customers	<u>22.2</u>	1,750,173	1,451,735
Investment securities	<u>23</u>	478,135	237,140
Investments in associates entities (carried at "equity method")	<u>24</u>	-	-
Current tax receivables	<u>30.1</u>	-	301
Other assets	<u>25</u>	12,334	15,638
Pledged assets	<u>26</u>	-	-
Assets acquired through foreclosure procedures	<u>27</u>	17,101	20,263
Intangible assets	<u>28</u>	10,106	14,798
Property and equipment	<u>29</u>	55,866	55,859
Deferred tax assets	<u>30.2</u>	-	-
Non-current assets held for sale and group for disposal	<u>31</u>	-	-
Total assets		2,862,216	2,590,485
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	-	65,003
Deposits from customers	34.2	2,448,558	2,127,943
Debt securities issued	35	-	-
Borrowings	36	-	-
Subordinated liabilities	37	114,272	114,061
Provisions	38	102	255
Current tax liabilities	30.1	1,833	-
Deferred tax liabilities	30.2	-	-
Other liabilities	39	3,891	6,901
Liabilities directly attributable to group of assets for disposal	31	-	-
Total liabilities		2,568,656	2,314,163

Balance Sheet
as at 31 December 2015 - continued

Notes	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Equity and reserves		
Issued capital	855,688	855,688
Share premium	-	-
Treasury shares	-	-
Other equity instruments	-	-
Revaluation reserves	13,158	11,532
Other reserves	-	-
Retained earnings/(Accumulated losses)	(575,286)	(590,898)
Total equity attributable to equity holders	293,560	276,322
Minority interest*		
Total equity and reserves	293,560	276,322
Total liabilities, equity and reserves	2,862,216	2,590,485
Contingent liabilities	326,366	268,860
Contingent assets	-	-

*Only for the consolidated financial statement

These financial statements have been approved by the Bank's Supervisory Board on 27 April 2016.

Signed on the behalf of the Bank by:

Igor Stojnev
 Chairman of the Managing Board



See accompanying notes to the financial statements

Kapital Banka AD, Skopje
Financial Statements
31 December 2015

Statement of changes in equity
For the period 01.01.2015 – 31.12.2015

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
Balance at January 1, 2014 (previous year)	856.514	-	-	-	1.072	173	-	-	-	-	-	-	-	-	(623.367)	234.392	-	234.392
Impact of corrections on the opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at January 1, 2014 (previous year), restated	856.514	-	-	-	1.072	173	-	-	-	-	-	-	-	-	(623.367)	234.392	-	234.392
Comprehensive income/(loss) for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(30.041)	(30.041)	-	(30.041)
Other income/(loss) in the period not shown in the Income Statement																		
Changes in the fair value for assets available-for-sale	-	-	-	-	857	-	-	-	-	-	-	-	-	-	-	857	-	857
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	-	-	-	-	-	9.430	-	-	-	-	-	-	-	-	-	9.430	-	9.430
Total unrealized profit/(loss) recognized in the equity	-	-	-	-	857	9.430	-	-	-	-	-	-	-	-	-	10.287	-	10.287
Total comprehensive profit/(loss) for the financial year	-	-	-	-	857	9.430	-	-	-	-	-	-	-	-	(30.041)	(19.754)	-	(19.754)
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated loss covering with subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	61.684	61.684	-	61.684
Other changes	(826)	-	-	-	-	-	-	-	-	-	-	-	-	-	826	-	-	-
Transactions with shareholders, recognized in the equity and reserves	(826)	-	-	-	-	-	-	-	-	-	-	-	-	-	62.510	61.684	-	61.684
As at December 31, 2014 (previous year) / January 1, 2015 (current year)	855.688	-	-	-	1.929	9.603	-	-	-	-	-	-	-	-	(590.898)	276.322	-	276.322

Kapital Banka AD, Skopje
Financial Statements
31 December 2015

Statement of changes in equity - continued
For the period 01.01.2015 – 31.12.2015 - continued

	Equity				Revaluation reserves				Other reserves			Retained earnings		(Accumulated loss)	Total equity attributable to equity holders	Minority interest ^o	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
<i>in MKD thousand</i>																		
Comprehensive income/(loss) for the year																		
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,612	15,612	-	15,612
Other income/(loss) in the period not shown in the Income Statement																		
Changes in the fair value for assets available-for-sale	-	-	-	-	424	-	-	-	-	-	-	-	-	-	-	424	-	424
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	-	-	-	-	-	1,202	-	-	-	-	-	-	-	-	-	1,202	-	1,202
Total unrealized profit/(loss) recognized in the equity	-	-	-	-	424	1,202	-	-	-	-	-	-	-	-	-	1,626	-	1,626
Total comprehensive profit/(loss) for the financial year	-	-	-	-	424	1,202	-	-	-	-	-	-	-	-	15,612	17,238	-	17,238
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, 2015 (current year)	855,688	-	-	-	2,353	10,805	-	-	-	-	-	-	-	-	(575,286)	293,560	-	293,560

See accompanying notes to the financial statements

Statement of Cash Flow
For the period 01.01.2015 – 31.12.2015

	Notes	<i>in MKD thousand</i>	
		Current year 2015	Previous year 2014
Cash flows from operating activities			
Profit/(losses) before taxation		17,775	(30,041)
Adjustments for:			
Minority interest, included in the consolidated Income Statement*		-	-
Depreciation of:			
intangible assets	15	4,692	6,186
property and equipment	15	5,148	8,305
Gain on sale of:			
intangible assets		-	-
property and equipment	11	-	(76)
assets acquired through foreclosures	11	(1,439)	(2,236)
Loss on sale of:			
intangible assets		-	-
property and equipment		-	-
assets acquired through foreclosures	16	-	102
Interest income	6	(164,471)	(150,897)
Interest expense	6	67,457	68,602
Net trading expense / (income)		-	-
Impairment losses on financial assets, on a net basis			
additional impairment	12	90,455	130,468
release of impairment	12	(76,187)	(89,512)
Impairment losses on non- financial assets, on a net basis			
additional impairment	13	3,062	2,026
release of impairment		(3,657)	(5,121)
Provisions			
additional provision	38	713	1,130
release of provision	38	(866)	(1,783)
Dividend income	11	(137)	(64)
Share in profit/(loss) of associates		-	-
Other corrections		209	-
Interest receipts		165,527	143,758
Interest paid		(77,742)	(68,411)
Operating profit before changes in operating assets		30,539	12,436
<i>(Increase)/decrease of operating assets:</i>			
Trading assets		-	-
Derivative assets held for risk management		-	-
Due from banks		-	-
Loans to customers		(315,566)	(344,534)
Pledged assets		-	-
Assets acquired through foreclosure procedures		5,196	(3,057)
Reserve requirements in foreign currency		2,613	(6,861)
Obligatory deposit with NBRM in accordance with special legislative		-	-
Other receivables		3,384	573
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		(65,000)	(1,942)
Deposits from customers		330,899	721,805
Other liabilities		(3,010)	898
Liabilities directly related to group of assets for sale		-	-
Net cash flows from operating activities before tax		(10,945)	379,318
(Paid)/Return on income tax		-	-
Net cash flows from operating activities		(10,945)	379,318

Statement of Cash Flow - continued
For the period 01.01.2015 – 31.12.2015

Notes	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Cash flows from investing activities		
(Investments in securities)	(365,146)	(303,172)
Inflows from sale of investments in securities	127,483	193,536
(Outflows for investments in subsidiaries and affiliates)	-	-
Inflows from sale of investments in subsidiaries and affiliates	-	-
(Acquisition of intangible assets)	-	(2,331)
Inflows from sale of intangible assets	-	-
(Acquisition of property and equipment)	(5,155)	(236)
Inflows from sale of property and equipment	-	104
(Outflows for non-current assets held for sale)	-	-
Inflows from non-current assets held for sale	-	-
(Other outflows from investing activities)	-	-
Other inflows from investing activities	137	64
Net cash flows from investing activities	(242,681)	(112,035)
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	-	86,235
Inflows from issued shares/equity instruments within the period	-	-
(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	-	86,235
Effects from adjustment of value of cash and cash equivalents	-	427
Effects from foreign exchange gains/losses of cash and cash equivalents	-	-
Net-increase/(decrease) of cash and cash equivalents	(253,626)	353,945
Cash and cash equivalents as at January 1	752,856	398,911
Cash and cash equivalents as at December 31	499,230	752,856
18		

*Only for the consolidated financial statement

See accompanying notes to the financial statements

Notes to the financial statements

1 Introduction

1.1 General

Kapital Banka AD, Skopje (hereinafter “the Bank”) is a Shareholding Company incorporated in the Republic of Macedonia.

The address of its registered head office is: St. Filip Vtori Makedonski no. 3, 1000 Skopje, Republic of Macedonia.

The Bank is licensed by the National Bank of Macedonia (“NBRM”) to perform payment operations in the country and abroad, including mediation and selling of foreign currency, lending in the country and deposit activities. As at 31 December 2015 and as at 31 December 2014, the Bank employs 72 employees, or 75 employees, respectively.

The bank has no investments in subsidiaries and associates.

The Bank's shares are quoted on the joint stock companies market with special reporting obligations of the Macedonian Stock Exchange AD Skopje, symbol INTP and ISIN code MKINTP101015.

These financial statements have been approved by the Bank’s Supervisory Board on 27 April 2016.

1.2 Basis of preparation

Statement of compliance

These financial statements are prepared in accordance with the Law on trading companies (“Official Gazette of RM” no. 28/2004 ... 88/2015), Banking Law (“Official Gazette of RM” no. 67/2007, 90/2009, 67/2010, 26/2013, 15/2015 and 153/2015), by the law regulative prescribed by the National Bank of the Republic of Macedonia (“NBRM”) and the Decision on the Methodology of recording and valuation of accounting entries and preparation of financial statements (“Official Gazette of RM” , no.169/2010, 162/2012, 50/2013, 110/13) and the Guidelines for types and content of banks’ financial statements (“Official Gazette of RM” , no.169/2010, 152/2011, 54/2012 and 166/2013).

The financial statements are separate financial statements.

The financial statements are prepared as at and for the years ended 31 December 2015 and 2014. If necessary, the presentation of comparative data is adjusted according to the changes in the presentation for the current year.

Basis of preparation (continued)

Basis of measurement

- The financial statements have been prepared on the historical cost basis except for the following:
- financial instruments at fair value through profit or loss are measured at fair value; and
- available-for-sale financial assets are measured at fair value.

Functional and presentation currency

These financial statements are presented in Macedonian Denar (“MKD” or “Denar”), which is the Bank’s functional currency. Unless otherwise stated, all amounts are expressed in Denar thousands.

Use of estimates and judgments

The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgments made by the Management in applying accounting standards that have the most significant effect on the amount recognized in the financial statements, are described in note 1.4 use of estimates and judgments.

1.3 Accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to Macedonian Denars at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Macedonian Denars at the spot exchange rate at that date. Non-monetary items stated at historical cost, denominated in foreign currency, should be translated into Denars using the exchange rate as at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to Macedonian Denars at the spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss.

The foreign currencies the Bank deals with are predominantly Euro (EUR) and United States Dollars (USD). The official exchange rates used for translation at 31 December 2015 and 2014 were as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
1 EUR	61.5947 Denars	61.4814 Denars
1 USD	56.3744 Denars	50.5604 Denars
1 CHF	56.9583 Denars	51.1152 Denars

Accounting policies (continued)

(b) 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 established on initial recognition of the financial asset and liability and is not revised subsequently.

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

Interest income and expense presented in the profit or loss include:

- interest on financial assets and liabilities at amortized cost using the effective interest method;
- interest on available-for-sale investment securities by using the effective interest method.

(c) 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, guarantees, letters of credit, domestic and foreign payment operations and other services, are recognized as the related services are performed.

Other fees and commission expenses relate mainly to financial service fees, which are expensed as the services are received.

(d) Dividends

Dividend income is recognized when the right to receive income is established. Dividends are reflected as a component of net trading income, or dividend income based on the underlying classification of the equity instrument.

(e) Lease payments made

Payments made under operating leases are recognized in profit or loss on a straight-line basis 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.

(f) Income tax expense

The Bank's obligation for current tax is calculated in accordance with the statutory tax regulations and by applying the prescribed tax rates which are in force or are significant in terms of their implementation on the date of the Balance sheet.

Current tax expenses at 10% is paid for the year which is determined as the difference between total revenues and total expenses for the period, increased with the non - recognized expenses for tax purposes adjusted for tax credit and less declared revenue.

Accounting policies (continued)

Income tax expense (continued)

The tax basis is reduced for the amount of income from dividends realized through participation in the capital of another taxpayer – resident of the Republic of Macedonia, stipulating they are subject to tax expense by the taxpayer who pays the dividend.

Deferred income tax is recognized on the differences between the accounting value of assets and liabilities in financial statements and their relevant tax basis used during calculation of taxable income and is recorded by applying the liability method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas a deferred tax asset is recognized for all deducted temporary differences to the extent of the probability that there will be sufficient future tax profit which will allow for using the temporary differences as refusal item.

Deferred tax assets and liabilities are measured according to the tax rates which are expected to be applied during the period when the liabilities are paid or assets realized, and stem from the prescribed tax rates (and tax laws) valid on the balance sheet date.

As at 31 December 2015 and 2014, the Bank has no registered deferred tax assets and liabilities, since there are no temporary differences on these dates.

(g) Financial assets and liabilities

(i) Recognition

Regular purchases and sales of financial assets are recognized on the trade date at which the Bank commits to purchase or sell the asset. 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.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

See accounting policies 1 (h), (i), (j), (p).

(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 surplus in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability in the Balance sheet.

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Accounting policies (continued)
Financial assets and liabilities (continued)
(iv) *Offsetting*

Financial assets and liabilities are set off and the net amount is presented in the Balance sheet when, and only when, the Bank has a legal right to set off the amounts and 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 by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(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 an asset or a liability is exchanged between the market participants in an orderly transaction. Fair value can be assessed differently, depending on whether or not the asset or liability is traded in the active market or not.

Active market: Fair value

Active market is the market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information for the asset or liability.

Regular quoted price of the asset or liability is the one which is in the margins between the purchase and sales price and which best represents fair value under current conditions. Usually it is used the current: purchase price of the asset which is held or for the liability that should be issued, i.e. sales / bid price for the asset which should be acquired or for the liability which is held: average market price or other price in accordance with the usually accepted market practice.

Absence of an active market: Valuation techniques

If there is no active market for the financial asset or liability, the Bank uses valuation techniques for which has the most available data, giving advantage to the data that can be determined by the market, for determining the fair value of the asset or liability.

Widely used valuation techniques are: market approach (quoted prices are used or other relevant information from market transactions with the same or similar assets or liabilities), cost approach (known as current replacement cost which reflects the amount that would be required currently to replace the asset) and income approach (discounted value of the current market expectations about future amounts (cash inflows or income and expenses from the asset or liability)).

Accounting policies (continued)

Financial assets and liabilities (continued)

Fair value measurement (continued)

Absence of an active market: Valuation techniques (continued)

In application of these valuation techniques the Bank considers the following:

- Application of information on negotiated prices for recent (from the past 6 months), normal commercial transactions for the same financial instrument between informed, willing parties (if they are available);
- If the previous valuation technique cannot be applied (there is no information available on the negotiated prices for recent transactions concerning the same financial instrument) then to determine the fair value the current market price of another, basically same, instrument should be used (in regards to the currency or the same or similar maturity date);
- If the information for fair value of the previous two techniques is inappropriate or cannot be applied, the fair value of the financial instrument is determined through analysis of the discounted cash flows or other alternative models for price determination.

The Bank can change or make changes in the technique for measurement of the financial instrument, if such change occurs due to the development of new markets, availability of new information, changes in market conditions or improvement of the technique for measurement and if it gives more accurate fair value of the financial instrument.

The analysis of discounted cash flows is an important and frequently applied technique for determining the fair value of many assets and liabilities. One of the most important factors in the application of this technique is the determination of an appropriate discount rate.

Discount rate should include uncertainties and risks from cash flow assessment, related to certain asset or liability, due to the fact that those risks and uncertainties will change.

The appropriate discount rate can be determined on the following way:

- Rate on the basis of current market yield from the instrument or instrument with similar characteristics;
- Rate that is free from risk, adjusted for the appropriate risk that arises from the asset. While determining the discount rate the two factors should be taken in consideration separately. The interest rate that is free from risk normally is based on the government bonds with comparable characteristics (currency or maturity) of the assets or liabilities, for which the discount rate will be applied. Risk premium from the asset is equal to the amount which market participants would ask for as a compensation for the uncertainty of the future cash flows from the asset.

If the fair value of equity instruments not traded in an active market and the derivatives related to them which have to be settled with unquoted equity instruments cannot be reliably measured, those instruments should be carried at their cost.

Accounting policies (continued)
Financial assets and liabilities (continued)
(vii) *Impairment of financial assets*

The Bank assesses, on a monthly basis, 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 asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

The Bank recognizes impairment loss in accordance with the NBRM Decision for credit risk management (Official Gazette 50/2013) and Decisions for change and amending the Decision for credit risk management (Official Gazette 157/2013).

The Bank analyses impairment indicators on loans, receivables and securities on individual basis.

A financial asset is impaired if its carrying value is higher than its estimated recoverable amount. If such evidence exists, the Bank should estimate its recoverable amount of that asset or group of assets and recognize provision for impairment (impairment loss). Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency of payments by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data such as adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.

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

Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired assets continues to be recognized through the unwinding of the discount. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities as a difference between the cost and fair value are recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

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

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security, are not reversed through the profit or loss, is recognized in other comprehensive income.

(h) Cash and cash equivalents

Cash and cash equivalents include cash balance on hand, demand deposits with banks, cash deposited with the National Bank of the Republic of Macedonia ("NBRM") and highly liquid financial assets with original maturities of three months or less, 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 liabilities.

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

Accounting policies (continued)

(i) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services directly to a debtor with no intention of trading the receivable.

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

(j) Investment securities

Investment securities are initially measured at fair value plus, in case of investment securities not at fair value through profit and loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss, or available-for-sale.

(i) Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available for sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method. If the Bank buys debt securities classified as held-to-maturity, with discount or premium, the amount of the obtained discount or premium will be recorded on the discount or premium accounts within the appropriate group of accounts for investments in held-to-maturity securities. Other commissions and fees that are integral part of the effective interest rate, as well as transaction costs directly related to the transaction, are recorded on the accumulated amortization accounts within the appropriate group of investing accounts for held-to-maturity debt securities.

A sale or reclassification of a more than an insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available for sale, and would prevent the Bank from classifying investment securities as held to maturity for the current and the following two financial years.

(ii) Available-for-sale

Available-for-sale investments are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Unquoted equity securities whose fair value cannot reliably be measured are carried at cost net of impairment losses. All other available-for-sale investments are carried at fair value.

Interest income is recognized in profit or loss using the effective interest method. Dividend income is recognized in profit or loss when the Bank becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss.

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

Accounting policies (continued)

(k) Foreclosed assets

Foreclosed assets are recognized upon completed legal procedure to foreclose and to entitle asset with the ownership. Foreclosed assets are stated at the lower of carrying amount and fair value less costs to sell. At the moment of recognition of the foreclosed asset, the receivable is derecognized from the Balance sheet.

After 01 January 2012 the Bank recognized the impairment loss for the already foreclosed asset in the income statement equal at least to the higher amount of:

- the difference between the appraised value, reduced by the selling costs and the initial accounting value, reduced by the total amount of impairment loss; and
- 20% of the initial accounting value reduced by the total amount of impairment loss.

According to the new Decision for the accounting regulatory treatment of foreclosed assets from 28 March 2013 (Official Gazette no. 50/13), the Bank is obliged to recognize at least 20% from the beginning carrying value of the foreclosed asset as at the date when foreclosed.

If the amount of the closed impairment provision is higher than 20% from the beginning carrying value of the foreclosed asset, the Bank is obliged to recognize this difference as revalorization reserve on the date when the asset is foreclosed. Revalorization reserve is part of the Bank's additional equity and it can be excluded from the additional equity if the conditions in the Decision on the methodology for determining capital adequacy are met.

At least once in 12-month period the Bank is obliged to determine the appraised value of the foreclosed asset and to recognize impairment provision in profit and loss which is equal to the higher amount from:

- The negative difference between the estimated value and realizable value of the foreclosed asset; and
- 20% from the net carrying value of the foreclosed asset.

In the period between two estimations of the market value of the foreclosed asset the Bank will recognize additional impairment provision in profit and loss which is equal to the negative difference between the net carrying value and the value of the disclosed lower sales price of the foreclosed asset.

If the Bank fails to sell the foreclosed asset up to 01 January 2010 until 01 January 2017, the Bank is obliged to reduce the net carrying value of the foreclosed asset to 0 (zero).

For foreclosed assets up to 1 January 2010 until the Decision takes effect, the Bank is obligated to make the first recognition of the impairment loss no later than 1 January 2014, and if they fail to sell later than 1 January 2018 are due on that date to bring down their net value to 0 (zero).

If the Bank fails to sell the foreclosed asset up to 5 years, the Bank is obliged to reduce the net carrying value of the foreclosed asset to 0 (zero).

Foreclosed assets are derecognised upon sale of the asset, or when the asset is permanently withdrawn from use. Surplus realized upon sale of the asset is recognized in the profit of loss at the date of sale.

Accounting policies (continued)

(l) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The Bank does not calculate depreciation for the property and equipment in preparation. Depreciation rates, based on the estimated useful lives for the current and comparative period are as follows:

	%	%
	2015	2014
IT equipment	20	20
Telecommunications equipment	15	15
Furniture and office equipment	20	20
Vehicles	25	25
Investments in properties 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.

(m) Intangible assets

(i) Recognition and measurement

Intangible assets acquired by the Bank are stated at cost less accumulated amortization and accumulated impairment losses.

(ii) Subsequent expenditure

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

Accounting policies (continued)

Intangible assets (continued)

(iii) *Amortization*

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the intangible assets. The Bank does not calculate depreciation for the intangible assets in preparation. The annual amortization rates based on the estimated useful lives for the current and comparative period are as follows:

	%	%
	2015	2014
Software	15	15
Other intangible assets	10-20	10-20

The method of calculation of depreciation, the useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(n) Leased assets-lessee

Leases in terms of which the Bank assumes substantially all the risks and rewards of ownership are classified as finance leases. 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. Assets held under other leases are classified as operating leases and, apart for the leased assets, they are not recognized in the Bank's Balance sheet.

(o) Non-current assets 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 shall be measured in accordance with the accounting policies of the Bank.

Thereafter generally the assets are measured at the lower of their carrying amount and fair value less by the sales costs. Impairment losses at initial recognition as assets held for sale and gains and losses on subsequent measurement are recognized to profit or loss. Gains are not recognized in excess of accumulated impairment losses.

(p) 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 recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that continually generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss. Impairment losses are recognized in profit or loss. Impairment losses in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a proportional basis.

The recoverable amount of an asset or a cash generating unit (CGU) is the greater amount of its fair value less costs to sell and its value in use. 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 or CGU.

Accounting policies (continued)

Impairment of non-financial assets (continued)

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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. The release of impairment losses is not recognized for the foreclosed assets.

(q) Deposits, subordinated and other liabilities

Deposits, subordinated and other liabilities are the Bank's sources 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, subordinated and other liabilities are initially measured at fair value plus transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Bank chooses to carry the liabilities at fair value through profit or loss.

(r) Provisions

A provision is recognized 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Bank recognizes any impairment loss on the assets associated with that contract.

(s) Employee benefits

(i) Defined contribution plans

The Bank contributes to its employees' post retirement plans as prescribed by the national legislation. Contributions, based on salaries, are made to the national organizations 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 recognized as an expense in profit or loss when they are due.

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

(iii) Other long term employee benefits

In accordance with local regulations the Bank pays two average salaries to its employees at the moment of retirement and jubilee awards, according to the criteria set out in the General Collective Agreement. The employee benefits are discounted to determine their present value. There is no additional liability in respect of post retirement.

Accounting policies (continued)

(t) Equity and reserves

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are recognized as a deduction from equity.

(ii) Reserves

Reserves, including other reserves and revaluation reserves, are generated throughout the period, based on distribution of profit in accordance with legal regulation and the Decisions made by the Bank's Assembly, changes if fair value of available for sale financial assets and revaluation of foreclosed assets. The Bank is obliged to allocate statutory reserves in the amount of 5% from the profit for the year, until the amount of the reserves does not achieve amount that is equal to 1/10 from the equity. In accordance with legal regulation, reserves can be used for loss cover and for dividends based on the decision of the Bank's Assembly.

(iii) Treasury shares

Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold subsequently the amount received is recognized as an increase on equity, and the resulting surplus or deficit of the transaction is transferred to/from share premium.

(iv) Dividends

Dividends are recognized as a liability in the period in which they are declared.

(u) 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.

(v) Commission bussines

The Bank manages assets on behalf of legal entities and citizens, and keeps and invest those assets in various financial instruments upon direction of the client. For these services receives compensation, and funds from this operation are excluded from the financial statements since they are not assets of the Bank.

(w) Segment reporting

The segment is a component of the Bank that can be deferred or that is engaged either in providing products or services (opeating/business segment), or in providing products or services in specific areas (geographical segment) and is subject to risks and rewards different than the other segments. The Bank primarily reports by operating segments.

Accounting policies (continued)

1.4 Use of estimates and judgments

The most important areas in need of estimates and judgments include:

Impairment of loans and advances

Assets carried at amortized costs are evaluated for impairment losses as described in accounting policy 1.3 (g) (vii).

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

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 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 judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investor, industry and sector performance, changes in technology, and operational and financing cash flows.

Determining fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 1.3 (g) (vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Impairment of non-financial assets

Impairment losses are recognized in the amount for which the carrying value of an asset or cash-generating unit exceeds its recoverable amount. In determining the recoverable amount, Management estimates expected prices, cash flows from each cash generating unit and determines the appropriate interest rate for calculating the present value of those cash flows.

Accounting policies (continued)

1.5 Changes in accounting policies, estimates and error correction

There have been no changes in the accounting policies, estimates and errors in the accompanying financial statements..

1.6 Compliance to legislative regulations

In 2015 National Bank of Macedonia handed measures to the Bank in a form of decision and written warning. The measures are handed on the basis of the findings from partial site supervision of the Bank in previous years and this year.

The Bank immediately took activities for its elimination and regularly reported to NBRM. Regarding these findings the Bank has submitted to NBRM Action plan for removal of the non-compliances set the record for the provided site supervision of July 2015.

As at 31 December 2015 there is no non-compliance with the regulations prescribed by the National Bank of Republic of Macedonia in relation to the exposure limits of the Bank, the investments of the Bank, the Bank's liquidity and open foreign exchange position.

According to the Decision of NBRM No. 316 from 08 July 2015, Kapital banka is obliged to maintain capital adequacy rate of at least 20%. As of and for the year ended 31 December 2015 rate of capital adequacy is 19,19%.

2 Risk management

The Bank is exposed to various financial risks in the course of its activity. The most significant risks to which the Bank is exposed in its operations are:

- credit risk
- liquidity risk
- market risks
- operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk.

The Bank constantly seeks to achieve an appropriate balance between risk and return and minimize potential adverse effects on the financial performance of the Bank.

Risk management framework

Management activities of financial risks include analysis, evaluation, acceptance and management. The Bank's aim is to achieve an appropriate balance between risk and return, and minimize potential adverse effects on the financial performance of the Bank.

The system of risk management is in compliance with the provisions of the legislation concerning the management risk.

The system of risk management assumes clear organizational structure for risk management of the Bank that provides existence of clear lines of responsibility, effective segregation of duties and prevention of conflicts of interest at all levels, including the Supervisory Board, the Management Board, senior management, as and between the Bank and its customers, and all other stakeholders.

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

The Bank has established policies for risk management aimed to identify and analyze these risks, to set appropriate risk limits and controls risks, and to monitor risks and adherence to limits by means of reliable and modern information systems.

The Bank regularly reviews the suitability of policies and systems for risk management or revise them in accordance with changes in the risk profile of the bank, changes in market conditions, products and best practices.

Risk Management Board is functioning as a separate body in the organizational structure of the system of risk management. Risk Management Board establishes short-term and long-term strategies for managing all kinds of material risks which the Bank is exposed to during its operation, establish and monitor the implementation of policies for risk management and gives proposals for their revision, follows NBRM regulations governing risk management and compliance system of risk management of the Bank with those regulations.

Risk management (continued)

Risk management framework (continued)

Risk Management Board continually assesses and monitors the Bank's risk profile and identify the acceptable level of risk exposure potential losses in order to minimize, defines and regularly reviews exposure limits certain types of risks, monitor the results of the stress-testing the effects of activities undertaken on the basis of these results and monitors the efficiency of the internal control and risk management.

In performing its functions, the Risk Management Board is supported by the 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 the results are reported to the Audit Committee.

The most important types of risk which the Bank is exposed to are credit risk, liquidity risk, market risk and operational risk.

2.1 Credit risk

Credit risk is the most important risk for the Bank, and therefore the management carefully monitors the exposure to credit risk.

Credit risk is the current or prospective risk on the financial result and capital arising from failure to meet the terms of the contract with the Bank or otherwise fail to perform as agreed or her client inability to pay its obligations to it in the agreed amount and / or within the agreed deadline.

Exposure to this risk mainly arises from the activities of lending to households and legal entities and activities related to off-balance sheet financial instruments (approved credit limits, guarantees and letters of credit).

In order to to successfully manage this risk, the Bank takes into consideration all the positions of the Bank's assets which represent credit risk exposure.

Also, the Bank takes into consideration all the elements of credit risk exposure, the individual risk of default of any individual or entity debtor and its associated entities, country risk, risk of exposure to credit risk.

Credit risk management

The Managing Board delegate the responsibility for the management of credit risk to its Credit Committee which approves all credit exposures up to EUR 150,000.

All credit exposures above EUR 150,000 are approved by the Supervisory Board.

Corporate clients department, the Department for business and individuals development, the Department of Legal Affairs in close cooperation with the Department for Risk Management is responsible for the control of credit risk, which includes:

- **Formulating credit policies**, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- **Reviewing and assessing credit risk.** Credit departments assess all credit exposures in excess of designated limits, prior to facilities being committed to customers.
- **Limiting concentrations of exposure** to geographies and industries (for loans and advances), and by issuer, credit rating assessment by respective institutions, market liquidity and country (for investment securities).

Risk management (continued)

Credit risk (continued)

Credit risk management (continued)

• **Classification of the credit exposure of the Bank** according to the degree of risk of financial loss faced and to focus on risk management. The Bank has developed internal rating of credit exposure that is used to determine the amount of impairment, ie special reserve to cover potential losses from the balance sheet or off-balance sheet exposure to credit risk.

According to Bank policies, the determination of impairment, i.e. special reserve is made on an individual basis.

The current classification of the Bank's receivables from customers consist of five risk levels or categories that reflect different levels of risk and available collateral (A, B, C, D and E).

The calculated impairment, ie special reserve falls within the following framework:

From 0% to 5% of the credit risk expose are classified in risk category A,

Above 5% to 20% of the credit risk expose are classified in risk category B,

Above 20% to 45% of the credit risk expose are classified in risk category C,

Above 45% to 70% of the credit risk expose are classified in risk category D and

Above 70% to 100% of the credit risk expose are classified in risk category E.

• **Monitor compliance** with established legal and internal limits of the Bank's 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 are subject to review annually or more frequently if necessary.

Limiting credit risk, ie the defined limits are approved by the Supervisory Board.

Exposure to credit risk is also managed through regular analysis of the ability of users of the loans and the borrowers to fulfill the undertaken obligations to the Bank based on interest and principal.

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

- Total on-balance and off-balance sheet exposure to credit risk segments (credit cards, corporate clients, individuals, banks and financial institutions),
- Structure of the total assets (on-balance and off-balance sheet) exposure to credit risk in certain risk categories,
- Total on-balance and off-balance sheet exposure to credit risk in the status of the receivable - regularly, past due or dysfunctional,
- Structure of the total assets (on-balance and off-balance sheet) by segments in certain risk categories,
- Movement of assets exposed to credit risk-in total and by segments during the analyzed period,
- Movement of assets exposed to credit risk and impairment/special reserve during the analyzed period,
- Movement of the loan portfolio of clients- Движење на кредитно портфолио на клиенти – non-financial entities and individuals during the analyzed period,
- Movement of the contribution of non-performing loans in the total loans of customers-non-financial entities and individuals during the analyzed period,
- Movement of recovery of non-performing loans during the analyzed period,
- Review of the 20 largest exposures to clients - non-financial entities with regular status,

Risk management (continued)

Credit risk (continued)

Credit risk management (continued)

- Review of the 20 largest exposures to clients - individuals with regular status,
- Review of non-performing receivables (over Denar 1.000 thousand) from customers - non-financial entities and individuals and activities undertaken for their collection,
- Review of the Bank's exposure to credit risk by countries and cities (geographical concentration),
- Structure of loans and advances to customers-non-financial entities and individuals,
- According to the type of collateral and the structure of unsecured receivables,
- Indicators of quality of the loan portfolio of Capital Bank compared to the whole banking sector,
- Collection of non-performing receivables during the analyzed period,
- Movement of the amount of foreclosed assets based on outstanding receivables (FCA),
- Credit risk-Migration Matrix.

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

The Bank employs a range of practices and experiences to mitigate or restrict the credit risk. As one of the most traditional and common practice to mitigate credit risk is accepting suitable collateral for approved loans.

Basic types of collateral for loans and other receivables which represent exposure to credit risk are:

- deposit / depots, bank guarantees and first class corporate guarantees,
- mortgage or pledge on real estate - residential buildings, office buildings and other real estate,
- pledge of movable property - vehicles, equipment, stock etc.,
- bill of exchange and bill of exchange statement in the form of a notarial deed,
- pledge of financial instruments (debt and ownership securities).

Loans approved to corporate clients and long-term loans to individuals are generally secured; approved overdraft bank accounts and credit cards issued to individuals are secured by guarantors and / or bills of exchange at the full amount of principal, interest and other costs. In order to minimize the credit loss the Bank requires additional collateral from the counterparty in case identify indicators of impairment losses for the relevant individual loans and advances.

Generally, the Bank does not require collateral on loans and advances to banks.
The debt securities, treasury bills and other bills are generally unsecured.

Appropriate departments are obliged to implement credit policies and procedures of the Bank. They, in cooperation with the Risk Management Department are responsible for the quality of its credit portfolio and for monitoring and controlling all credit risks.

Internal Audit undertakes both regular checks on the operations of the Department for work with corporate clients and the Department for development of business and individuals.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded A to E in the Bank's internal credit risk grading system.

Risk management (continued)

Credit risk (continued)

Credit risk management (continued)

Past due, but not impaired loans

Past due, but not impaired are loans and securities where contractual interest or principal are past due by 60 days late, but the Bank believes that it is appropriate to calculate the impairment losses, due to the amount of provision of first class instruments according to the Decision for credit risk management.

Allowances for impairment

The Bank calculates impairment that represents its estimate of incurred credit losses in the loan portfolio. The main components of this impairment is a specific loss of value applies individually to all exposures.

Write-off policy

Bank writes off a loan / security (and any related allowances for impairment) when the Supervisory Board determines that the loans / securities are uncollectible. The decision is made after considering information such as significant changes in the financial position of the borrower / issuer of securities, the borrower / issuer is unable to meet its obligations, or that the amount from collateral will not be sufficient to pay the entire exposure. Bank write off a loan / security (and any related impairment) on the basis of a court decision when all possibilities for collection has been exhausted. Also, the Bank write-off of certain receivables without a final court decision, if there is unambiguous evidence of the impossibility for collecting them. Estimates of fair value are based on the value of the collateral at the time of borrowing.

Total credit risk exposure before received collateral

The total exposure to credit risk is presented by the carrying amount of financial assets in the balance sheet shown in the table below:

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

Risk management (continued)

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 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014
<i>in MKD thousand</i>																		
Carrying amount of individually significant exposures, before impairment on individual basis																		
risk category A	-	-	1,467,045	1,164,782	-	-	-	-	-	-	981	657	941	1,075	24,844	24,091	1,493,811	1,190,605
risk category B	-	-	69,584	156,859	-	-	-	-	-	-	54	242	1	-	283	738	69,922	157,839
risk category C	-	-	87,259	20,790	-	-	-	-	-	-	1,014	418	174	147	0	114	88,447	21,469
risk category D	-	-	31,494	33,898	2,676	2,438	-	-	-	-	22	76	15	1	0	0	34,207	36,413
risk category E	-	-	72,672	72,062	8,835	8,446	-	-	-	-	220	224	12,057	12,424	0	0	93,784	93,156
(Allowance for impairment)	-	-	1,728,054	1,448,391	11,511	10,884	-	-	-	-	2,291	1,617	13,188	13,647	25,127	24,943	1,780,171	1,499,482
Carrying amount of individually significant exposures, less allowance for impairment	-	-	(117,226)	(106,701)	(8,966)	(8,215)	-	-	-	-	(569)	(376)	(12,150)	(12,482)	(102)	(255)	(139,013)	(128,029)
	-	-	1,610,828	1,341,690	2,545	2,669	-	-	-	-	1,722	1,241	1,038	1,165	25,025	24,688	1,641,158	1,371,453
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 to 30 days																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Carrying amount of due receivables - not impaired																		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Not due receivables - not impaired																		
Restructured receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receivables	-	11	139,345	110,045	475,590	234,471	-	-	297,293	424,057	1,153	1,082	4,842	7,084	270,499	206,079	1,188,722	982,829
Carrying amount of not due receivable - not impaired																		
	-	11	139,345	110,045	475,590	234,471	-	-	297,293	424,057	1,153	1,082	4,842	7,084	270,499	206,079	1,188,722	982,829
Total carrying amount of receivable with credit risk before allowance for impairment																		
	-	11	1,867,399	1,558,436	487,101	245,355	-	-	297,293	424,057	3,444	2,699	18,030	20,731	295,626	231,022	2,968,893	2,482,311
(Total allowance for impairment)																		
	-	-	(117,226)	(106,701)	(8,966)	(8,215)	-	-	-	-	(569)	(376)	(12,150)	(12,482)	(102)	(255)	(139,013)	(128,029)
Total carrying amount of receivable with credit risk less allowance for impairment																		
	-	11	1,750,173	1,451,735	478,135	237,140	-	-	297,293	424,057	2,875	2,323	5,880	8,249	295,524	230,767	2,829,880	2,354,282

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

Risk management (continued)

2.1 Credit Risk - continued

B Collateral value (fair value)

in MKD thousands

Credit exposure that is assessed for individual impairment

	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 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014
<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)	-	-	187,465	140,765	-	-	-	-	-	-	-	-	-	-	187,465	140,765
Government securities	-	-	-	94,528	-	-	-	-	-	-	-	-	-	-	-	94,528
Public unconditional guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (except banking and insurance)	-	-	75,862	68,022	-	-	-	-	-	-	-	-	-	-	75,862	68,022
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage of property																
Property for its own usage (apartments, houses)	-	-	905,279	739,650	-	-	-	-	-	-	-	-	-	-	905,279	739,650
business property	-	-	557,346	571,292	-	-	-	-	-	-	-	-	-	-	557,346	571,292
Mortgage on movable property	-	-	443,014	437,956	-	-	-	-	-	-	-	-	-	-	443,014	437,956
Other types of collateral	-	-	345,396	286,401	-	-	-	-	-	-	-	-	-	-	345,396	286,401
<i>Total credit exposure that is assessed for individually impairment</i>	-	-	2,514,362	2,338,614	-	-	-	-	-	-	-	-	-	-	2,514,362	2,338,614
<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>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

Risk management (continued)

	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 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014
<i>in thousand MKD</i>																		
Nonresidents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture, hunting and forestry	-	-	944	2,034	-	-	-	-	-	-	6	-	-	-	-	-	950	2,034
Mining and quarrying	-	-	5,382	-	-	-	-	-	-	-	-	-	-	-	-	-	5,382	-
Food industry	-	-	12,401	10,252	-	-	-	-	-	-	26	1	-	-	516	516	12,943	10,769
Textile industry and clothing manufacturing and footwear	-	-	84,244	20,926	-	-	-	-	-	-	35	24	-	1	-	-	84,279	20,951
Chemical industry producing building materials and processing fuels	-	-	44,133	40,493	1,132	1,049	-	-	-	-	121	41	2	-	-	1,632	45,388	43,215
Production of metal machinery tools and equipment	-	-	31,118	34,207	125	194	-	-	-	-	16	2	14	-	-	-	31,273	34,403
Other Manufacturing	-	-	75,226	72,234	-	-	-	-	-	-	38	33	6	4	89	31	75,359	72,302
Electricity supply gas steam and air conditioning	-	-	183,548	195,138	-	-	-	-	-	-	83	276	-	-	45,263	16,455	228,894	211,869
Supply with water remove of wastewater, waste management and remediation activities of the environment	-	-	1,122	2,179	-	-	-	-	-	-	10	-	-	-	526	-	1,658	2,179
Construction	-	-	209,916	161,823	1,024	1,100	-	-	-	-	625	276	2	1	37,646	6,991	249,213	170,191
Wholesale and retail trade, repair of motor vehicles and motorcycles	-	-	295,113	274,683	264	326	-	-	-	-	412	759	50	303	72,280	76,146	368,119	352,217
Transport and storage	-	-	44,120	43,228	-	-	-	-	-	-	183	151	-	2	21,903	20,602	66,206	63,983
Buildings for accommodation and food service activities	-	-	38,682	22,604	-	-	-	-	-	-	76	83	316	322	340	340	39,414	23,349
Information and Communications	-	-	135,022	98,402	-	-	-	-	-	-	361	293	-	-	41,791	37,464	177,174	136,159
Financial and insurance activities	-	11	37,409	44,000	475,590	234,471	-	-	297,293	424,057	5	17	5,281	7,362	-	-	815,578	709,918
Activities related to real estate	-	-	36,640	79,785	-	-	-	-	-	-	51	109	2	2	-	-	36,693	79,896
Professional, scientific and technical activities	-	-	51,851	49,615	-	-	-	-	-	-	117	7	7	2	3,694	22	55,669	49,646
Administrative and support service activities	-	-	49,226	42,570	-	-	-	-	-	-	73	24	1	-	2,366	1,513	51,666	44,107
Public administration and defense, mandatory social assurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education	-	-	14,441	438	-	-	-	-	-	-	465	205	-	-	40,576	40,948	55,482	41,591
Activities for health and social care	-	-	1,465	1,262	-	-	-	-	-	-	1	-	-	-	-	-	1,466	1,262
Arts entertainment and recreation	-	-	0	-	-	-	-	-	-	-	2	12	1	1	4,786	4,784	4,789	4,797
Other service activities	-	-	14,216	2,894	-	-	-	-	-	-	13	1	-	-	-	-	14,229	2,895
Activities of households that produce goods and perform a variety of services for own needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Activities of extra-territorial organizations individuals	-	-	383,954	252,968	-	-	-	-	-	-	156	9	198	249	23,748	23,323	408,056	276,549
Sole proprietors and individuals who are not considered as traders	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	11	1,750,173	1,451,735	478,135	237,140	-	-	297,293	424,057	2,875	2,323	5,880	8,249	295,524	230,767	2,829,880	2,354,282

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

Risk management (continued)

2.1 Credit Risk - continued

D Concentration of credit risk by industry and geographic location

In thousands MKD

Geographical location
Republic of Macedonia
EU Member States
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

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 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014	current year 2015	previous year 2014
-	11	1.750.173	1.451.735	478.135	237.140	-	-	281.131	307.381	2.875	2.323	5.880	8.249	295.524	230.767	2.813.718	2.237.606
-	-	-	-	-	-	-	-	16.162	116.676	-	-	-	-	-	-	16.162	116.676
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	11	1.750.173	1.451.735	478.135	237.140	-	-	297.293	424.057	2.875	2.323	5.880	8.249	295.524	230.767	2.829.880	2.354.282

Risk management (continued)

2.2 Liquidity risk

Liquidity risk is the probability the Bank can not provide sufficient funds to settle its short-term obligations when they come due or to provide the necessary funds with much higher costs. Liquidity risk arises from the inability of the Bank to timely and quickly turn assets into cash with minimal costs, and the inability to properly manage unexpected changes in the sources of funds.

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. Division of assets, liquidity and trading securities follows the daily liquidity of the Bank 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 combinations. Division of assets, liquidity and trading securities manage portfolio of short-term liquid assets, largely consist of short-term marketable securities and placements with other banks in order to ensure adequate liquidity of the Bank.

Policies and procedures for managing liquidity risk, which are prepared by Risk Management Sector in cooperation with the Department of assets, liquidity and trading securities are subject to review by the Risk Management Board and approved by the Supervisory Board. Liquidity position of the Bank is monitored by the analysis of daily reports on liquidity. In accordance with the provisions of the legislation, the Bank prepares reports for the Bank's exposure to liquidity risk and submit them to the Nacional Bank of Republic of Macedonia on a monthly basis.

Exposure to liquidity risk

The Bank has access to a diverse funding base. The sources of funds are equity, subordinated loans and a wide range of deposit products.

The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding, required meeting business goals and targets set in terms of the overall Bank strategy.

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

The following tables analyze assets and liabilities of the Bank into relevant maturity based on the remaining period from the reporting date to the contractual maturity date as of 31 December 2015 and 2014. The amounts are presented on a gross basis, i.e. not taking into account the amounts of accumulated depreciation, impairment and allocated special reserve.

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

Risk management (continued)

2.2 Liquidity Risk

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

in MKD thousand

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
2015 current year							
Financial assets							
Cash and cash equivalents	499.230	-	-	39.271	-	-	538.501
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	251.688	24.497	592.131	209.898	347.794	451.011	1.877.019
Investment securities	-	-	-	-	-	487.101	487.101
Investment in associated entities	-	-	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-	-	-
Other receivables	25.053	-	-	-	-	-	25.053
Pledged assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	775.971	24.497	592.131	249.169	347.794	938.112	2.927.674
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	692.235	286.021	1.066.515	321.834	81.337	616	2.448.558
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	-	291	31	-	-	113.950	114.272
Income tax liabilities (current)	1.833	-	-	-	-	-	1.833
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	3.891	-	-	-	-	-	3.891
Total financial liabilities	697.959	286.312	1.066.546	321.834	81.337	114.566	2.568.554
Off balance sheet items							
off balance assets	-	-	-	-	-	-	-
off balance liabilities	62.576	52.948	91.630	46.563	72.751	-	326.468
GAP	15.436	(314.763)	(566.045)	(119.228)	193.706	823.546	32.652

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

Risk management (continued)

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

in MKD thousand

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
2014 previous year							
Financial assets							
Cash and cash equivalents	752,856	-	-	41,884	-	-	794,740
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	11	-	-	-	-	-	11
Loans and advances to customers	235,874	92,679	469,005	142,586	309,107	317,854	1,567,105
Investment securities	-	-	-	-	-	245,355	245,355
Investment in associated entities	-	-	-	-	-	-	-
Income tax receivables (current)	301	-	-	-	-	-	301
Other receivables	28,496	-	-	-	-	-	28,496
Pledged assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	1,017,538	92,679	469,005	184,470	309,107	563,209	2,636,008
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	65,003	-	-	-	-	-	65,003
Deposits from customers	469,249	213,783	1,017,885	340,174	86,752	100	2,127,943
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	242	48	30	-	-	113,741	114,061
Income tax liabilities (current)	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	6,901	-	-	-	-	-	6,901
Total financial liabilities	541,395	213,831	1,017,915	340,174	86,752	113,841	2,313,908
Off balance sheet items							
off balance assets	-	-	-	-	-	-	-
off balance liabilities	30,979	31,310	87,044	52,016	63,088	4,678	269,115
GAP	445,164	(152,462)	(635,954)	(207,720)	159,267	444,690	52,985

Risk management (continued)

2.3 Market risks

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

Exposure to interest rate risk - non-trading portfolios

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest-bearing assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities, the Bank is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as the savings rate, LIBOR and different types of interest.

Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Bank's business strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. In general, the Bank is sensitive to changes in interest rates because for the majority of the interest-bearing assets and liabilities, the Bank has the right to simultaneously change the interest rates. When interest rates are decreasing, margins earned will also narrow, as liabilities interest rates will decrease with a lower percentage compared to assets interest rates. However, the actual effect will depend on various factors, including stability of the economy, environment and level of the inflation.

Table 2.3.2 b analyze interest-bearing assets and liabilities of the Bank into the period of the change in interest rates at 31 December 2015 and 31 December 2014.

Risk management (continued)

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

2015 (current 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/stress testing as of 31.12.2015	-	390,012	2,032,777	19.19%
<i>Effects of application scenarios</i>				
Risk of changes in exchange rates				
Depreciation of denar in relation to other currencies				
10%	166	390,178	2,074,138	18.81%
15%	249	388,261	2,094,819	18.63%
30%	497	390,509	2,156,860	18.11%
Risk of changes in interest rates				
Change of nominal interest rate				
growth 1,5 %	(91)	389,921	2,032,777	19.18%
growth 2 %	(121)	389,891	2,032,777	19.18%
growth 2,5 %	(151)	389,861	2,032,777	19.18%
Risk of changes in market prices for investment in own securities				

Combined scenarios				

Risk management (continued)

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

2014 (Previous 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/stress testing as of 31.12.2014	(30,041)	387,846	1,747,847	22.19%
<i>Effects of application scenarios</i>				
Risk of changes in exchange rates				
Depreciation of denar in relation to other currencies				
10%	516	388,362	1,787,427	21.73%
15%	775	388,621	1,807,217	21.50%
30%	1,549	389,395	1,866,588	20.86%
Risk of changes in interest rates				
Change of nominal interest rate				
growth 1,5 %	(311)	387,535	1,747,846	22.17%
growth 2 %	(414)	387,432	1,747,846	22.16%
growth 2,5 %	(518)	387,328	1,747,846	22.16%
Risk of changes in market prices for investment in own securities				

Combined scenarios				

Risk management (continued)

2.3 Market risk - continued

2.3.1. Sensitivity analysis of assets and liabilities to changes of market risk - continued

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

<i>in MKD thousand</i>	current year 2015				previous year 2014			
	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	-	-	-	-	-	-	-	-

Risk management (continued)

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 31.12.2015

in 000 MKD

			current year 2015	previous year 2014
	Position	Currency	Amount	Amount
1.1	Net weighted position for currency CHF (FCC+ SCC + PKS)	CHF	-12,732	-4
1.2	Net weighted position for currency EUR (FCC + SCC + PKS)	EUR	-7,382	-20,077
1.3	Net weighted position for currency MKD (FCC + SCC + PKS)	MKD	14,301	-7,033
1.4	Net weighted position for currency MKDkEUR (FCC + SCC + PKS)	MKDkEUR	-233	6,597
1.5	Net weighted position for currency USD (FCC + SCC + PKS)	USD	-7	-152
1.6	Net weighted position for currency GBP (FCC + SCC + PKS)	GBP	-2	-41
1.7	Net weighted position for currency AUD (FCC + SCC + PKS)	AUD	-1	0
1.8	Net weighted position for currency CAD (FCC + SCC + PKS)	CAD	0	0
2	WEIGHTED TOTAL VALUE - change the economic value of portfolio of banking activities (1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6)		-6,056	-20,710
3	OWN FUNDS		390,012	387,846
4	WEIGHTED TOTAL VALUE/OWN FUNDS (2/3*100)		-1.55%	-5.34%

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

Risk management (continued)

2.3 Market risk - continued

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

B. Analysis of compliance in the interest rates

<i>In MKD thousand</i>	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total interest bearing assets / liabilities
2015 (current year)							
Financial assets							
Cash and cash equivalents	263,716	-	-	-	-	-	263,716
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to other customers	163,585	146,331	1,344,485	4,934	-	-	1,659,335
Investment in securities	20,392	260,000	77,020	-	55,000	60,000	472,412
Other assets	741	-	-	-	-	-	741
Total interest sensitive funds	448,434	406,331	1,421,505	4,934	55,000	60,000	2,396,204
Financial liabilities							
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Deposits from other customers	373,278	195,794	1,442,447	114,540	-	-	2,126,059
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	113,950	113,950
Other liabilities	-	-	-	-	-	-	-
Total interest sensitive liabilities	373,278	195,794	1,442,447	114,540	-	113,950	2,240,009
Net balance sheet position	75,156	210,537	(20,942)	(109,606)	55,000	(53,950)	156,195
Off-balance active interest sensitive positions							
Off -balance pasive interest sensitive positions	-	-	-	-	-	-	-
Net off-balance position	-	-	-	-	-	-	-
Total net position	75,156	210,537	(20,942)	(109,606)	55,000	(53,950)	156,195

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

Risk management (continued)

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 - 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 interest bearing assets / liabilities
2014 (previous year)							
Financial assets							
Cash and cash equivalents	291,736	-	-	-	-	-	291,736
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to other customers	173,908	146,722	1,072,913	5,415	-	-	1,398,958
Investment in securities	21,690	50,000	50,040	57,020	55,000	-	233,750
Other assets	-	-	-	-	-	-	-
Total Interest sensitive funds	487,334	196,722	1,122,953	62,435	55,000	-	1,924,444
Financial liabilities							
Financial assets at fair value through profit and loss designated upon initial recognition	-	-	-	-	-	-	-
Deposits from banks	65,000	-	-	-	-	-	65,000
Deposits from other customers	330,272	159,918	1,272,918	190,990	-	-	1,954,098
Debt securities issued	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	113,741	113,741
Other liabilities	-	-	-	-	-	-	-
Total interest sensitive liabilities	395,272	159,918	1,272,918	190,990	-	113,741	2,132,839
Net balance sheet position	92,062	36,804	(149,965)	(128,555)	55,000	(113,741)	(208,395)
Off-balance active interest sensitive positions							
	-	-	-	-	-	-	-
Off -balance pasive interest sensitive positions							
	-	-	-	-	-	-	-
Net off-balance position	-	-	-	-	-	-	-
Total net position	92,062	36,804	(149,965)	(128,555)	55,000	(113,741)	(208,395)

Risk management (continued)

2.3.3 Currency risk

Currency risk is the risk of loss due to change in exchange rates between and / or change the value of the Denar against the value of other foreign currencies.

The Bank is exposed to currency risk through transactions in foreign currencies. The Bank determines that the net exposure is carried on a satisfactory level through buying and selling foreign currencies due to the compensation of the short-term exceptions. The Macedonian Denar is fixed with the Euro and the monetary projection is that the forex rate Denar / Euro will stay stable.

The monitoring of this risk on a regular basis provides security for the Supervisory Board and Managing Board and that the established control system works properly.

The tables below representing the open foreign currency position of monetary assets and liabilities of the Bank by currency on 31 December 2015 and 2014.

Risk management (continued)

2.3 Market risk - continued

2.3.3 Currency risk

in MKD thousand

2015 (current year)

Monetary assets

	MKD	EUR	USD	list separately the currencies that represent more than 10% of the total monetary assets / liabilities					Other currencies	Total
Cash and cash equivalents	439,414	74,021	21,042	-	-	-	-	-	4,024	538,501
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	1,372,847	377,326	-	-	-	-	-	-	-	1,750,173
Investment securities	304,517	173,618	-	-	-	-	-	-	-	478,135
Investment in associated entities	-	-	-	-	-	-	-	-	-	-
Income tax receivables (current)	-	-	-	-	-	-	-	-	-	-
Other receivables	11,967	94	273	-	-	-	-	-	-	12,334
Pledged assets	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total monetary assets	2,128,745	625,059	21,315	-	-	-	-	-	4,024	2,779,143
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	1,948,701	474,853	21,773	-	-	-	-	-	3,231	2,448,558
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	114,272	-	-	-	-	-	-	-	114,272
Liabilities for income tax (current)	1,833	-	-	-	-	-	-	-	-	1,833
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	3,629	64	198	-	-	-	-	-	-	3,891
Total monetary liabilities	1,954,163	589,189	21,971	-	-	-	-	-	3,231	2,568,554
Net position	174,582	35,870	(656)	-	-	-	-	-	793	210,589

Risk management (continued)

2.3 Market risk - continued
2.3.3 Currency risk -continued

in MKD thousand

2014 (previous year)

Monetary assets

	MKD	EUR	USD	list separately the currencies that represent more than 10% of the total monetary assets / liabilities					Other currencies	Total
Cash and cash equivalents	610,716	155,284	20,612	-	-	-	-	-	8,128	794,740
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	11	-	-	-	-	-	-	-	-	11
Loans and advances to other customers	1,094,536	357,199	-	-	-	-	-	-	-	1,451,735
Investment securities	122,469	114,671	-	-	-	-	-	-	-	237,140
Investment in associated entities	-	-	-	-	-	-	-	-	-	-
Income tax receivables (current)	301	-	-	-	-	-	-	-	-	301
Other receivables	15,228	244	166	-	-	-	-	-	-	15,638
Pledged assets	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total monetary assets	1,843,261	627,398	20,778	-	-	-	-	-	8,128	2,499,565

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	65,003	-	-	-	-	-	-	-	-	65,003
Deposits from other customers	1,544,119	556,063	20,580	-	-	-	-	-	7,181	2,127,943
Debt securities issued	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	114,061	-	-	-	-	-	-	-	114,061
Liabilities for income tax (current)	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	4,450	2,332	119	-	-	-	-	-	-	6,901
Total monetary liabilities	1,613,572	672,456	20,699	-	-	-	-	-	7,181	2,313,908
Net position	229,689	(45,058)	79	-	-	-	-	-	947	185,657

Risk management (continued)

2.3.4 Operating risk

The operating risk is the risk of loss resulting from inadequate or failed internal processes, inadequate personnel and inadequate or failed systems of the Bank as well as losses due to external events.

The operating risk includes legal risk, and the risk of money laundering and terrorist financing, IT risk information and other operating risks.

Legal risk as part of operating risk is the current or prospective risk to profits and own funds caused by the breach / violation of laws and regulations, agreements, prescribed practices, ethics standards, or as a result of misinterpretation of regulations, rules, contracts and other legal documents.

The effective management of operating risk, the Bank has established an organizational structure for managing operating risk, with clearly defined powers and responsibilities of the management department, risk management and other organizational units and departments in the Bank.

The Bank has established internal controls as an integral part of the overall system of internal controls in the Bank, enabling integration of the process of managing operating risk within the process of risk management.

3 Capital adequacy

The Bank's lead regulator NBRM sets and monitors the Bank's capital adequacy as a whole. The Bank is directly supervised by the local regulators.

The Bank is obliged to maintain the capital adequacy ratio in accordance with the prescribed ratio of the Bank's own assets versus the amount of the risk-weighted total assets. According to the regulations, the minimum rate of capital adequacy ratio is 8%. Total risk-weighted assets are sum of credit risk-weighted assets, total currency risk-weighted assets and total operating risk-weighted assets.

Bank's own funds are a sum of core capital, supplementary capital, less deductions, as follows::

- Core capital, which includes ordinary and non-cumulative preference shares, share premium, bank reserves allocated from net profit that serve for covering losses arising from risks the Bank faces in its operations, retained earnings not encumbered by any future obligations, stated in the Balance sheet and confirmed by a Decision of the Bank's Shareholders' Assembly or accumulated loss from previous year, profit for the year if confirmed by the certified auditor, after deductions for loss for the year, licenses, patents, goodwill and other trademarks, treasury shares and the difference between the amount of the required allowance for impairment in accordance with the risk classification and allocated allowance for impairment and allowance for impairment calculated according the Decision for credit risk management.
- Supplementary capital, which includes cumulative preference shares, share premium less the amount of purchased treasury cumulative preference shares, hybrid capital instruments and subordinated liabilities issued by the Bank.
- The total of core capital and supplementary capital is reduced by the Bank's capital investments in banks and financial institutions exceeding 10% of the capital of such institutions, subordinated instruments and other investments in other banks or other financial institutions where the Bank holds more than 10% of the capital and other deductions.

When determining the amount of own funds, the bank shall observe the following restrictions:

- The amount of the supplementary capital cannot exceed the amount of the core capital.
- The sum of the nominal value of subscribed and paid-in ordinary shares, the share premium of such shares and the amount of reserves and the retained earnings, less the deductions from the core capital and supplementary capital previously described, should exceed the sum of other positions which are part of the Bank's core capital.

The amount of subordinated instruments which are part of the supplementary capital is not to exceed 50% of the amount of core capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Capital adequacy (continued)

As at 31 December 2015 the regulated activities of the Bank were in accordance with all external imposed capital requirements during the period.

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

The allocation of the core capital between specific operations and activities in the largest scale resulting from optimizing the return on allocated capital, the amount of capital allocated to each operation or activity is based on its own resources, the process of allocating capital to specific operations and activities under consideration by Supervisory Board, independently of those responsible for the operation.

Bank's assets and the capital adequacy as of 31 December 2015 and 2014 are as follows:

3 Capital Adequacy

Report for own funds at 31.12.2015

(in 000 MKD)

No.	Description	Current year 2015	Previous year 2014
1	2	3	4
<i>Core capital</i>			
1	Paid-in and subscribed common and noncumulative preference shares and premium on sale of such shares	855,688	855,688
1.1	Nominal value	855,688	855,688
1.1.1	Nominal value of common shares	855,688	855,688
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	-590,898	-560,857
2.1	Reserve fund	-	-
2.2	Retained profit restricted to distribution to shareholders	-	-
2.3	Accumulated loss from previous years	590,898	560,857
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	1,415	31,872
4.1	Loss at the year end or current loss	0	30,041
4.2	Own shares	-	-
4.3	Intangible assets	1,415	1,831
4.4	Difference between the amount of required and made impairment/special reserve	-	-
4.5	Amount of unallocated impairment and special reserve as a result of accounting time lag	-	-
4.6	Unrealized loss on equity securities available for sale	-	-
4.7	Other deductions	-	-
1	CORE CAPITAL	263,375	262,959

3 Capital Adequacy - continued

**Report
for own funds at 31.12.2015 - continued**

(in 000 MKD)

No.	Description	Current year 2015	Previous year 2014
1	2	3	4
<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	12,687	11,146
7	Hybrid capital instruments	-	-
8	Subordinated instruments	113,950	113,741
9	Amount of subordinated instruments that may be included in the additional capital I	113,950	113,741
II	ADDITIONAL CAPITAL	126,637	124,887
<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	263,375	262,959
V	Additional capital after deductions	126,637	124,887
<i>Own funds</i>			
VI	Core capital	263,375	262,959
VII	Additional capital	126,637	124,887
VIII	OWN FUNDS	390,012	387,846

3 Capital adequacy - continued

**Report
on capital adequacy ratio at 31.12.2015**

(in 000 MKD)

No	Description	Current year 2015	Previous year 2014
1	2	3	4
I	CREDIT RISK WEIGHTED ASSETS	-	-
1	Credit Risk Weighted Assets with standardized approach	1,804,578	1,577,558
2	Capital requirement for credit risk cover	144,366	126,205
II	CURRENCY RISK - WEIGHTED ASSETS		
3	Aggregated foreign currency position	1,657	5,164
4	Net position of gold	-	-
5	Capital required for currency risk	-	0
6	Currency risk weighted assets	-	0
III	OPERATIONAL RISK-WEIGHTED ASSETS		
7	Capital requirement for operational risk with using of basic indicator	18,256	13,623
8	Capital requirement for operational risk with using of standardized approach	-	-
9	Operational risk weighted assets	228,199	170,288
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	2,032,777	1,747,847
14	Capital requirement for risks	162,622	139,828
VI	OWN FUNDS	390,012	387,846
VII	CAPITAL ADEQUACY (VI/V)	19.19%	22.19%

4 Segment reporting

Segment reporting is performed by the Bank's operating segments, perscribed with NBRM's regulative.

An operating segment is a component of the Bank's activities which meets the following conditions:

- Performs activities which generate income and expenses;
- The Bank's Supervisory Board reviews operating performance in separate operating segments on a regular basis (at least semi-annually), in order to estimate achievements and make decisions for future business activities of said segment;
- Separate financial information on the segment is available.

The Bank discloses information for every significant operating segment separately. An operating segment is considered significant if any of the following quantitative thresholds are reached:

- The segment's income (including the incomes from transfers between segments) participates with 10% or more in the Bank's total income;
- The absolute amount of profit or loss of the segment is 10% or more than the higher amount between a) total profits from all operating segments with registered earnings or b) total losses off all operating segments that have registered losses;
- The segment's assets participate with 10% or more in the Bank's total assets;

The bank should disclose information on the concentration of its business activities on certain significant customers. An important client is the one from which the Bank achieved 10% or more of total revenues and total expenditures of the Bank.

The following summary describes the operations in each of the Bank's primary reportable segments:

-
- Retail - loans, credit cards, current and term deposits, payment services, etc.;
- Corporate banking (dealing with financial and non-financial companies) - loans, term deposits, guarantees and letters of credit, payment services, derivatives, etc.;
- Investment banking - managing assets of others, advisory services, services related to issuing securities etc. and
- other, not included above.

The bank should disclose an analysis of its business activities according to geographical secondary segments, ie geographical areas where they are carried out, for the following geographic areas:

- Republic of Macedonia;
- Member countries of the European union;
- Other European countries outside the European Union;
- Countries outside Europe, members of the Organization for economic Co-operation and Development (OECD); and;
- Other countries.

4 Segment reporting
A Operating segments

in MKD thousand

2015 (current year)

	Operating segments				Other insignificant operating segments	Unallocated	Total
	Retail banking	Corporate banking	Investment banking	Liquidity			
Net interest income / (expense)	(1,555)	101,756	9,488	(12,675)	-	-	97,014
Net fees and commissions income / (expense)	6,218	27,890	-	(4,553)	-	-	29,555
Net trading income	-	-	-	-	-	-	-
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	16,735	16,735
Income realized between segments	-	-	-	-	-	-	-
Total income by segments	4,663	129,646	9,488	(17,228)	-	16,735	143,304
Impairment loss on financial assets, on net basis	2,131	(16,270)	(751)	531	-	91	(14,268)
Impairment loss on non-financial assets, on net basis	-	-	-	-	-	595	595
Depreciation	-	-	-	-	-	(9,840)	(9,840)
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in real estate and equipment	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	(102,016)	(102,016)
Total expenses by segments	2,131	(16,270)	(751)	531	-	(111,170)	(125,529)
Financial result by segment	6,794	113,376	8,737	(16,697)	-	(94,435)	17,775
Income tax	-	-	-	-	-	-	(2,163)
Profit/(loss) for the financial year							15,612
Total assets by segment	384,910	1,351,076	741,851	291,847	-	92,532	2,862,216
Unallocated assets per segment	-	-	-	-	-	-	-
Total assets	384,910	1,351,076	741,851	291,847	-	92,532	2,862,216
Total liabilities by segment	1,153,108	682,154	613,398	114,481	-	5,515	2,568,656
Unallocated liabilities by segment	-	-	-	-	-	-	-
Total liabilities	1,153,108	682,154	613,398	114,481	-	5,515	2,568,656

4 Segment reporting - continued

A Operating segments -continued

in MKD thousand

2014 (previous year)

	Operating segments				Other insignificant operating segments	Unallocated	Total
	Retail banking	Corporate banking	Investment banking	Liquidity			
Net interest income /(expense)	(9,660)	96,090	7,694	(11,829)	-	-	82,295
Net fees and commissions income / (expense)	5,229	25,675	-	(6,421)	-	-	24,483
Net trading income	-	-	-	-	-	-	-
Net income from other financial instruments recorded at fair value	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	11,703	11,703
Income realized between segments	-	-	-	-	-	-	-
Total income by segments	(4,431)	121,765	7,694	(18,250)	-	11,703	118,481
Impairment loss on financial assets, on net basis	(4,360)	(36,583)	(441)	428	-	-	(40,956)
Impairment loss on non-financial assets, on net basis	-	-	-	-	-	3,095	3,095
Depreciation	-	-	-	-	-	(14,491)	(14,491)
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in real estate and equipment	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	(96,170)	(96,170)
Total expenses by segments	(4,360)	(36,583)	(441)	428	-	(107,566)	(148,522)
Financial result by segment	(8,791)	85,182	7,253	(17,822)	-	(95,863)	(30,041)
Income tax							-
Profit/(loss) for the financial year							(30,041)
Total assets by segment	254,259	1,155,805	463,876	612,010	-	104,535	2,590,485
Unallocated assets per segment	-	-	-	-	-	-	-
Total assets	254,259	1,155,805	463,876	612,010	-	104,535	2,590,485
Total liabilities by segment	1,186,679	377,660	563,860	179,063	-	6,901	2,314,163
Unallocated liabilities by segment	-	-	-	-	-	-	-
Total liabilities	1,186,679	377,660	563,860	179,063	-	6,901	2,314,163

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

4 Segment reporting - continued
B Concentration of total revenue and expenses by customers

<i>in MKD thousand</i>	Operating segments		Other insignificant operating segments	Unallocated	Total
	Corporative banking interest income	Corporative banking fee and commission income			
2015 (current year)					
Bank should separately display total income and total expenditure made by a significant customer					
Customer 1					
Income	3,589	673	-	-	4,262
(Expenses)	(365)		-	-	(365)
Customer 2					
Income	3,933	348	-	-	4,281
(Expenses)		-	-	-	-
Customer 3					
Income	4,715	78	-	-	4,793
(Expenses)	-		-	-	-
	-	-	-	-	-
	-	-	-	-	-
Total by segment	11,872	1,099	-	-	12,971
2014 (previous year)					
Bank should separately display total income and total expenditure made by a significant customer					
Customer 1					
Income	5,143	86	-	-	5,229
(Expenses)	(1,916)	-	-	-	(1,916)
Customer 2					
Income	5,223	507	-	-	5,730
(Expenses)	(7,689)	-	-	-	(7,689)
Customer 3					
Income	2,952	278	-	-	3,230
(Expenses)	(2,022)	-	-	-	(2,022)
	-	-	-	-	-
	-	-	-	-	-
Total by segment	1,691	871	-	-	2,562

4 Segment reporting - continued

C Geographic area

in MKD thousand

2015 (current year)

	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
Total income	137.751	5.553	-	-	-	-	-	-	143.304
Total assets	2.846.054	16.162	-	-	-	-	-	-	2.862.216
									-
2014 (previous year)									
Total income	117.729	752	-	-	-	-	-	-	118.481
Total assets	2.473.808	116.677	-	-	-	-	-	-	2.590.485

5 Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be replaced or a liability settled on an arm's length basis. Fair values have been based on management assumptions according to the profile of the asset and liability base.

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates their fair value, considering that they include cash, bank accounts and bank deposits with short - term maturity.

Loans and advances to customers

Loans and advances to banks and customers are carried at amortized cost and are net of provisions for impairment. The loans and advances to customers have predominantly floating interest rates and their fair value is determined by discounting of future cash flows using the market interest rate.

Investment securities

Investment securities include interest bearing assets held to maturity and assets classified as available for sale carried at fair value. The calculation of fair value of assets available for sale has been disclosed below in this note and has been determined on the basis of the disclosed hierarchy.

Other receivables

The fair value of other financial assets is considered to approximate their respective carrying values by definition and due to their short-term nature.

Deposits

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The fair value of the term deposits with variable interest rates approximates their carrying values as at the Balance sheet date.

Other liabilities

The accounting value of loan liabilities approximates their fair value.

Subordinated liabilities

The accounting value of subordinated liabilities approximates their fair value.

5 Fair value of financial assets and financial liabilities

A Fair value of financial assets and liabilities

in MKD thousand

Financial assets

	current year 2015		previous year 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	538,501	538,501	794,740	794,740
Trading assets	-	-	-	-
Financial assets at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	11	11
Loans and advances to other customers	1,750,173	1,750,173	1,451,735	1,451,735
Investment securities	478,135	478,135	237,140	237,140
Investments in affiliated companies	-	-	-	-
Receivables for income tax (current)	-	-	301	301
Other receivables	12,334	12,334	15,638	15,638
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	-	-	65,003	65,003
Deposits from other customers	2,448,558	2,448,558	2,127,943	2,127,943
Issued debt securities	-	-	-	-
Loans payable	-	-	-	-
Subordinated debt	114,272	114,272	114,061	114,061
Income tax liabilities (current)	1,833	1,833	-	-
Deferred tax liabilities	-	-	-	-
Other liabilities	3,891	3,891	6,901	6,901

Fair value hierarchy

The Bank classifies its financial assets and liabilities according to the hierarchy of valuation techniques and information whether the necessary input for evaluation publicly accessible or not, according to which there are three levels of the fair value hierarchy and:

- Level 1 - fair value is determined by direct application / reference to the quoted market price of financial instruments in an active market;
- Level 2 - fair value is determined using valuation techniques that include inputs (input) from active markets (inputs can directly or indirectly be confirmed and monitored in active markets, such as ∴ listed prices in an active market for similar financial instruments, or any significant inputs into the model to determine the fair value can be verified and monitored in an active market);
- Level 3 - fair value is determined using valuation techniques that include inputs (inputs) that can directly or indirectly be confirmed and monitored in an active market or based on a valuation technique in which the highest share information risks of financial instruments that can be monitored and confirmed in active markets.

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 2015 (current year)

Financial assets measured at fair value

Trading assets

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

Derivative assets held for risk management

Investments in securities available-for-sale

Total

Financial liabilities measured at fair value

Trading liabilities

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

Derivative liabilities held for risk management

Total

31 December 2014 (previous year)

Financial assets measured at fair value

Trading assets

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

Derivative assets held for risk management

Investments in securities available-for-sale

Total

Financial liabilities measured at fair value

Trading liabilities

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

Derivative liabilities held for risk management

Total

Notes	Level 1	Level 2	Level 3	Total
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
23.1	179.340	298.795	-	478.135
Total	179.340	298.795	-	478.135
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
Total	-	-	-	-
19	-	-	-	-
20	-	-	-	-
21	-	-	-	-
23.1	118.060	119.080	-	237.140
Total	118.060	119.080	-	237.140
32	-	-	-	-
33	-	-	-	-
21	-	-	-	-
Total	-	-	-	-

During the period no transfers between levels of the fair value.

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

<i>in MKD thousand</i>	current year 2015		previous year 2014	
	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>Financial assets measured at fair value</i>				
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	-	-	-	-
<i>Financial liabilities measured at fair value</i>				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through income statement, determined as such upon initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

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

	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, 2014 (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, 2014 (previous year)	-	-	-	-	-	-	-
Total profit/(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2014 (previous year)	-	-	-	-	-	-	-
Balance at January 1, 2015 (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, 2015 (current year)	-	-	-	-	-	-	-
Total profit/(loss) recognized in the Income Statement for the financial assets and liabilities that are held on December 31, 2015 (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 2015	Previous year 2014
Interest income		
Cash and cash equivalents	6.628	5.143
Financial assets at fair value through profit and loss, designated upon initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	1.444	967
Loans and advances to customers	138.627	126.536
Investment securities	9.488	7.694
Other receivables	-	-
(Net impairment of interest income)	(5.878)	(1.971)
Collected previously written off interest	14.162	12.528
Total interest income	164.471	150.897
Interest expense		
Financial liabilities at fair value through profit and loss, designated upon initial recognition	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	14	94
Deposits from customers	64.078	66.844
Debt securities issued	-	-
Borrowings	3	16
Subordinated liabilities	3.362	1.648
Other liabilities	-	-
Total interest expense	67.457	68.602
Net interest income/(expense)	97.014	82.295

6 Net interest income/ (expenses) - continued

B Sector analyses of the interest income and expense

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Interest income		
Non-financial entities	110.396	99.879
Government	9.488	7.694
Non-profit institutions serving the households	150	-
Banks	8.072	6.110
Other financial institutions (non banking)	2.380	2.549
Households	25.701	24.108
Non-resident	-	-
(Net impairment of interest income)	(5.878)	(1.971)
Collected previously written off interest	14.162	12.528
Total interest income	164.471	150.897
Interest expenses		
Non-financial entities	3.616	2.593
Government	-	-
Non-profit institutions serving the households	664	1.197
Banks	17	110
Other financial institutions (non banking)	23.109	17.121
Households	35.541	44.324
Non-resident	4.510	3.257
Total interest expense	67.457	68.602
Net – interest income/(expense)	97.014	82.295

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 2015	Previous year 2014
Fee and commission income		
Loans	12,024	10,989
Payment operations	-	
domestic	9,121	8,293
abroad	5,311	3,688
Guarantees and letters of credit	10,728	7,424
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>	4,566	4,397
<i>Other</i>	-	-
Total fee and commission income	41,750	34,791
Fee and commission expenses		
Loans	4	12
Payment operations	-	-
domestic	3,419	2,710
abroad	1,926	1,798
Guarantees and letters of credit	-	-
Brokerage	-	-
Asset management	-	-
Trust and other fiduciary activities	-	-
Issued securities	-	-
Other (list separately income over 10% of the total fee and commission expenses)	-	-
<i>Interbank operations</i>	1,779	1,537
<i>Card operations</i>	4,671	3,900
<i>Other</i>	396	351
Total fee and commission expenses	12,195	10,308
Net fee and commission income/(expenses)	29,555	24,483

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

B Sector analysis of the fee and commission income and expenses

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Fee and commission income		
Non-financial entities	32.523	27.459
Government	-	-
Non-profit institutions serving the households	139	128
Banks	-	-
Other financial institutions (non banking)	1.040	1.194
Households	6.218	5.229
Non-resident	1.830	781
Total fee and commission income	41.750	34.791
Fee and commission expenses		
Non-financial entities	1.704	1.912
Government	-	-
Non-profit institutions serving the households	-	-
Banks	4.061	3.021
Other financial institutions (non banking)	1.847	1.923
Non-resident	4.583	3.452
Total fee and commission expenses	12.195	10.308
Net fee and commission income/(expenses)	29.555	24.483

8 Net trading income

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
<i>Trading assets</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	-	-
Interest income from trading assets	-	-
<i>Trading liabilities</i>		
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 2015	Previous year 2014
<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 2015	Previous year 2014
Realised net foreign exchange gains/losses	15,960	6,121
Unrealised net foreign exchange gains/losses		
Net foreign exchange gains/ losses on impairment of financial assets	(125)	243
Other net foreign exchange gains/ losses	(1,396)	83
Net foreign exchange gains/ (losses)	14,439	6,447

11 Other operating income

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Income from sale of assets available-for-sale	-	-
Dividends from equity securities available-for-sale	137	64
Net income from investments in subsidiaries and associates	-	-
Capital gain from sale of:		
Property and equipment	-	76
Intangible assets	-	-
Foreclosed assets	1,439	2,236
Non-current assets held for trading and disposal group	-	-
Income from rent	-	-
Income from litigations	-	-
Collected previously written off receivables	1	-
Release of provision for:		
Off balance credit exposure	153	653
Contingent liabilities related to court cases	-	-
Pension and other employee benefits restructuring	-	-
Adverse contracts	-	-
Other provisions	-	-
Other (list separately all income presenting over 10% of the total other operating income)		
<i>income from previous years</i>	191	1,194
<i>other</i>	-	1,033
<i>income from non-residents</i>	-	-
<i>income from positive court decisions</i>	-	-
<i>revenue after the inventory</i>	65	-
<i>reimbursement of funds</i>	227	-
<i>balancing account</i>	83	-
Total other operating income	2,296	5,256

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Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

12 Net impairment loss on financial assets

<i>In MKD thousand</i>	Loans and advances to banks	Loans and advances to customers	Investment in financial assets available for sale	Investment in financial assets held to maturity	Cash and cash equivalents	Fee and commission receivables	Other receivables	Total
2015 (current year)								
<i>Individually impaired</i>								
Additional impairment	-	88.591	751	-	1	1.045	67	90.455
(Release of impairment)	-	(74.965)	-	-	(1)	(836)	(385)	(76.187)
	-	13.626	751	-	-	209	(318)	14.268
<i>Collectively impaired</i>								
Additional impairment	-	-	-	-	-	-	-	-
(Release of impairment)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total net impairment of financial assets	-	13.626	751	-	-	209	(318)	14.268
2014 (previous year)								
<i>Individually impaired</i>								
Additional impairment	-	127.866	441	-	545	1.134	482	130.468
(Release of impairment)	-	(84.199)	-	-	(972)	(1.330)	(3.011)	(89.512)
	-	43.667	441	-	(427)	(196)	(2.529)	40.956
<i>Collectively impaired</i>								
Additional impairment	-	-	-	-	-	-	-	-
(Release of impairment)	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total net impairment of financial assets	-	43.667	441	-	(427)	(196)	(2.529)	40.956

13 Net impairment loss on non-financial assets

In MKD thousand

2015 (current year)

Additional impairment loss
(Release of impairment loss)

Total net impairment loss of non-financial assets

2014 (previous year)

Additional impairment loss
(Release of impairment loss)

Total net impairment loss of non-financial assets

	Property and equipment	Intangible assets	Foreclosed assets	Non-current assets held for sale	Other non-financial assets	Goodwill	Total
	-	-	3,062	-	-	-	3,062
	-	-	-	-	(3,657)	-	(3,657)
	-	-	3,062	-	(3,657)	-	(595)
	-	-	1,855	171	-	-	2,026
	-	-	-	-	(5,121)	-	(5,121)
	-	-	1,855	171	(5,121)	-	(3,095)

* only for consolidation reports

14 Personnel expenses

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Short-term employee benefits		
Wages and salaries	34,450	34,037
Compulsory social security obligations	12,748	12,356
Short term compensated absence	290	296
Temporary employment costs	-	-
Profit sharing and bonuses	-	-
Non-monetary benefits	-	-
	47,488	46,689
Post-employment benefits		
Contributions to defined contribution plans	-	-
Retirement benefits	-	98
Increase in liability for long service-leave	-	-
Increase in liability for other long term benefits	-	-
Other benefits at employment termination	-	-
	-	98
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>	875	810
Total personnel expenses	48,363	47,597

15 Depreciation and amortization

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Amortization of intangible assets		
Internally developed software	-	-
Purchased software from external suppliers	4,074	3,924
Other internally developed intangible assets	44	1,661
Other intangible assets	373	371
Investments in leased intangible assets	201	230
	4,692	6,186
Depreciation of property and equipment		
Buildings	-	-
Vehicles	505	899
Office equipment and furniture	2,103	2,508
Other equipment	558	750
Other property and equipment	58	58
Leasehold improvements	1,924	4,090
	5,148	8,305
Total depreciation and amortization	9,840	14,491

16 Other operating expenses

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Loss from sale of assets available-for-sale	-	-
Software licensing cost	-	-
Deposit insurance premium	5,929	6,269
Premium for insurance of property and employees	1,008	1,061
Materials and services	24,002	20,157
Administrative and marketing expenses	2,790	2,175
Other taxes and contributions	1,349	918
Rents	15,316	15,324
Expenses for litigations and claims	-	-
Provision for off balance exposure, net	-	-
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	-	102
Non-current assets held for sale	-	-
Other (list in details all expenses over 10% of the other operating expenses)	-	-
<i>business trips</i>	547	2,100
<i>court taxes</i>	757	14
<i>write-off of cards</i>	767	-
<i>other</i>	1,188	453
Total other operating expenses	53,653	48,573

17 Income tax

A Expenses/ income on current and deferred tax

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
<i>Current income tax</i>		
Expenses / (income) for current income tax	(2.163)	-
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>(2.163)</i>	-
<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>(2.163)</i>	-

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
<i>Current income tax</i>		
Recognised in the income statement	2.163	-
Recognised in equity	-	-
	<i>2.163</i>	-
<i>Deferred income tax</i>		
Recognised in the income statement	-	-
Recognised in equity	-	-
	-	-
Total expense/ (return) on income tax	<i>2.163</i>	-

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 2015		Previous year 2014	
Gain / (loss) before tax		17,775		(30,041)
Income tax using the applicable tax rate	10%	1,778		
Effect of tax rates in foreign jurisdiction				
Adjustments for previous years and changes in the tax rate				
Taxed income abroad				
Non deductible expenses	2.21%	392	11.50%	3,455
Tax exempt income	-0.04%	(7)		
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		2,163		
Average effective tax rate	12.17%		0.00%	

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

	Current year 2015			Previous year 2014		
	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 2015	Previous year 2014
Cash in hand	42,501	29,410
Cash and balances with NBRM, except obligatory deposits in foreign currency	159,436	299,389
Current accounts and deposits with foreign banks	16,162	116,676
Current accounts and deposits with domestic banks	17,415	15,645
Treasury bills tradable at the secondary market	263,716	226,736
Government bills tradable at the secondary market	-	-
Time deposits with maturity of up to three months	-	65,000
Other short term highly liquid assets	-	-
Interest receivables	-	-
(Allowances for impairment)	-	-
<i>Included in the cash and cash equivalents for the purposes of Statement of cash flow</i>	499,230	752,856
Mandatory deposits in foreign currency	39,271	41,884
Restricted deposits	-	-
(Allowances for impairment)	-	-
Total	538,501	794,740

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Movements of allowance for impairment		
Balance at 1 January	-	427
Impairment loss for the year		
additional impairment	1	545
(release of impairment)	(1)	(972)
(Foreclosed assets)	-	-
Effect of foreign currency movements	-	-
(Written off receivables)	-	-
Balance at 31 December	-	-

Cash and cash equivalents (continued)

According to the Decision on reserve requirement taken by the National Bank of Republic of Macedonia, Bank's reserve prescribed ratio equals 8% (2014: 8%) for liabilities in domestic currency, 20% (2014: 20%) for liabilities in domestic currency with FX clause and 15% (2014: 15%) for liabilities in foreign currency. The basis for the reserve requirement is determined as an average of the Bank's liabilities for each calendar day of the preceding month. Periods of reserve requirement follow the indicative calendar of fulfillment periods of mandatory reserve in denars and euros to banks and saving houses.

Bank obligatory reserve in foreign currency is allocated on special foreign currency accounts of the NBRM abroad and meets the Euro at a fixed level.

The interest rate on the obligatory reserve in Denar during 2015 amounted to 0% pa (2014: 0% pa). The interest rate on the obligatory reserve in foreign currency during 2015 amounted to 0% (2014: 0% pa).

Treasury bills issued by the National Bank with a maturity of 28 days (2014: 35 days) and interest rates totaling 3.25% per annum (2014: of 3.25% per annum).

19 Trading assets

A. Structure of trading assets by type of financial instrument

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
<i>Trading securities</i>		
<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	-	-
<i>Trading derivatives</i>		
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 2015		Previous year 2014	
	book amount on 31.12.2015 (current year)	fair value on 31.12.2015 (current year)	book amount on 31.12.2014 (previous year)	fair value on 31.12.2014 (previous year)
<i>in MKD thousand</i>				
Trading assets, reclassified in 2015 (current year) in:				
financial assets available-for-sale	-	-	-	-
loans and advances to banks	-	-	-	-
loans and advances to other customers	-	-	-	-
	-	-	-	-
Trading assets, reclassified in 2014 (previous year) in:				
financial assets available-for-sale	-	-	-	-
loans and advances to banks	-	-	-	-
loans and advances to other customers	-	-	-	-
	-	-	-	-

19 Trading assets - continued

B Reclassified trading assets - continued

B.2 Profit and loss from reclassified trading assets

<i>in MKD thousand</i>	Reclassified in 2015 (current year)		Reclassified in 2014 (current year)			
	Income Statement 2015 (Current year)	Other profit /(loss) 2015 (Current year)	Income Statement 2015 (Current year)	Other profit /(loss) 2015 (Current year)	Income Statement 2014 (Previous year)	Other profit /(loss) 2014 (Previous year)
<i>Period before reclassification</i>						
Trading assets, reclassified in financial assets available-for-sale	-	-	-	-	-	-
Net income from trading	-	-	-	-	-	-
Trading assets, reclassified in loans and advances to banks	-	-	-	-	-	-
Net income from trading	-	-	-	-	-	-
Trading assets, reclassified in loans and advances to other customers	-	-	-	-	-	-
Net income from trading	-	-	-	-	-	-
	-	-	-	-	-	-
<i>Period after reclassification</i>						
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 advances to banks	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Impairment of financial assets on net basis	-	-	-	-	-	-
Trading assets, reclassified in loans and advances to other customers	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Impairment of financial assets on net basis	-	-	-	-	-	-
	-	-	-	-	-	-

19 Trading assets - continued

B Reclassified trading assets - continued

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

in MKD thousand

	Reclassified in 2015	Reclassified in 2014 (Previous year)	
	(current year)	Income Statement 2015	Income Statement 2014
	Income Statement 2015	Income Statement 2015	Income Statement 2014
	(Current year)	(Current year)	(Previous year)
Trading assets, reclassified in financial assets available-for-sale	-	-	-
- net trading income	-	-	-
Trading assets, reclassified in loans and advances to banks	-	-	-
- net trading income	-	-	-
Trading assets, reclassified in loans and advances to 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 2015	Previous year 2014
<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 2015		Previous year 2014		
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 management	-	-	-	-

22 Loans and advances

22.1 Loans and advances to banks

<i>in MKD thousand</i>					
		Current year 2015		Previous year 2014	
		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		-	-	11	-
Current maturity		-	-	-	-
Total loans and advances to banks before allowances for impairment		-	-	11	-
(Allowances for impairment)		-	-	-	-
Total loans and advances to banks less allowances for impairment		-	-	11	-

		<i>in MKD thousand</i>	
		Current year 2015	Previous year 2014
Movements of allowance 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		-	-

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 - continued

	<i>in MKD thousand</i>			
	Current year 2015		Previous year 2014	
	Short term	Long term	Short term	Long term
Non-financial entities				
Principle	578.913	848.002	505.185	719.173
Interest receivable	12.245		16.279	
Government				
Principal	-	-	-	-
Interest receivable	-	-	-	-
Non-profit institutions serving to the households				
Principle	2.146	9.808	2.453	-
Interest receivable	-	-	-	-
Financial institutions, except banks				
Principle	-	17.150	14.887	29.636
Interest receivable	395	-	456	
Household				
Principle				
Housing loans	-	33.401	-	26.130
Consumer loans	81.540	206.570	49.763	119.771
Car loans			-	-
Mortgage loans			-	-
Credit cards	56.843		58.872	-
Other loans	7.417	10.976	5.007	9.134
Interest receivable	1.993		1.690	-
Non-residents				
Principle	-	-	-	-
Interest receivable	-	-	-	-
Current maturity	117.204	(117.204)	178.568	(178.568)
Total loans and advances to customers before allowances for impairment	858.696	1.008.703	833.160	725.276
(Allowances for impairment)	(108.545)	(8.681)	(89.063)	(17.638)
Total loans and advances to customers less allowances for impairment	750.151	1.000.022	744.097	707.638

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 - continued

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Movements of allowance for impairment, individual basis		
Balance at 1 January	106,701	79,851
Impairment loss for the year		
Additional impairment	88,591	127,866
(Release of impairment)	(74,965)	(84,199)
(Foreclosed assets)	(3,109)	(15,191)
FX effect	74	(227)
(Receivables written off)	(66)	(1,399)
Balance of 31 December	117,226	106,701
Movements of allowance for impairment, group basis		
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	117,226	106,701

22,2 *Loans and advances - continued*
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 2015	Previous year 2014
<i>(current carrying amount of loans and advances)</i>		
First class collateral		
Cash deposits (depo and or/ restricted at bank's accounts)	153.734	128.779
Government securities	-	51.321
Government unconditional guarantees	-	-
Bank guarantees	-	-
Guarantees issued by insurance companies and insurance policies	-	-
Corporate guarantees (except from banks and insurance companies)	52.929	60.824
Guarantees from individuals	-	-
Pledge on property		
Property for its own use (apartments and houses)	380.321	280.702
Business property	260.155	245.971
Pledge on movable lien	224.203	62.302
Other types of collateral	140.207	568.258
Unsecured loans	538.624	53.578
Total loans and advances to customers less allowance for impairment	1.750.173	1.451.735

As of 31 December 2015, nonperforming loans included in loans and advances to customers amounted to Denar 190,283 thousand (2014: Denar 126,691 thousand). Unrecognized interest and other related costs on these loans amounted to Denar 29,500 thousand (2014: Denar 16,277 thousand).

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 2015	Previous year 2014
Debt securities			
Treasury bills		-	-
Government bills		298,795	119,080
Other money market instruments		-	-
Government bonds		176,795	115,391
Corporate bonds		-	-
Other debt instruments		-	-
		475,590	234,471
Listed		176,795	115,391
Non-listed		298,795	119,080
Equity instruments			
Equity instruments issued by banks		-	-
Other equity instruments		11,511	10,884
		11,511	10,884
Listed		11,511	10,884
Non-listed		-	-
Total investments in available for sale instruments before allowances for impairment		487,101	245,355
(Allowances for impairment)		(8,966)	(8,215)
Total investments in available for sale instruments less allowances for impairment		478,135	237,140

		<i>in MKD thousand</i>	
		Current year 2015	Previous year 2014
Movements of allowance for impairment			
Balance at 1 January		8,215	7,774
Impairment loss for the year			
Additional impairment		751	441
(Release of impairment)		-	-
(Foreclosed assets)		-	-
FX effect		-	-
(Receivables written off)		-	-
Balance at 31 December		8,966	8,215

Investments in securities (continued)

Investments in financial assets available-for-sale (continued)

As of 31 December 2015, bonds for denationalisation issued by the Ministry of Finance in the Republic of Macedonia consist of:

- Government bonds from the fifth issue, issued in 2006, with a maturity of 10 years and an annual interest rate of 2% (2014: 2%), which, as of 31 December 2015 amounted to Denar 793 thousand (2014: Denar 1.582 thousand);
- Government bonds of sixth issue, issued in 2007, with a maturity of 10 years and an annual interest rate of 2% (2014: 2%), which, as of 31 December 2015 amounted to Denar 63 thousand (2014: Denar 93 thousand);
- Government bonds from the seventh emission, issued in 2008, with a maturity of 10 years and an annual interest rate of 2% (2014: 2%), which as of 31 December 2015 amounted to Denar 742 thousand (2014: Denar 977 thousand);
- Government bonds DO 2014/29-1016 dk, issued on 30.10.2014, with a maturity of 2 years and annual interest rate of 3% (2014: 3%), which as of 31 December 2015 amounted to Denar 57.020 thousand (2014: Denar 57.020 thousand);
- Government bonds DO 2013/13-05 dk, issued on 30.05.2013, with a maturity of 5 years and annual interest rate of 4,9% (2014: 4,9%), which as of 31 December 2015 amounted to Denar 55.000 thousand (2014: Denar 55.000 thousand);
- Government bonds DO 2015/22-0630 dk, issued on 25.06.2015, with a maturity of 15 years and annual interest rate of 4% (2014: 4%), which as of 31 December 2015 amounted to Denar 60.000 thousand;

As of 31 December 2015, the treasury bills, issued by the Ministry of Finance in the Republic of Macedonia consist of:

- Government bills DZ 2015/01-364, issued on 14.01.2015, with a maturity of 364 days and an annual interest rate of 1,7%, which as of 31 December 2015 amounted to Denar 19.995 thousand;
- Government bills DZ 2015/04-90, issued on 03.12.2015, with a maturity of 90 days and an annual interest rate of 1,35%, which as of 31 December 2015 amounted to Denar 109.750 thousand;
- Government bills DZ 2015/06-364, issued on 25.03.2015, with a maturity of 364 days and an annual interest rate of 1,7%, which as of 31 December 2015 amounted to Denar 149.463 thousand; and
- Government bills DZ 2015/21-364, issued on 04.11.2015, with a maturity of 364 days and an annual interest rate of 2,5%, which as of 31 December 2015 amounted to Denar 19.587 thousand.

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Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

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

in MKD thousand

**Assets available-for-sale reclassified in 2015
(current year) in:**

loans and advances to banks
loans and advances to customers

**Assets available-for-sale reclassified in 2014
(previous year) in:**

loans and advances to banks
loans and advances to customers

<i>Reclassified amount (on the date of reclassification)</i>	current year 2015		previous year 2014	
	book value on 31.12.2015 (current year)	fair value on 31.12.2015 (current year)	book value on 31.12.2014 (previous year)	fair value on 31.12.2014 (previous year)
loans and advances to banks	-	-	-	-
loans and advances to customers	-	-	-	-
	-	-	-	-
loans and advances to banks	-	-	-	-
loans and advances to customers	-	-	-	-
	-	-	-	-

23 Investment securities - continued

23.1 Investments in financial assets available for sale - continued

B Reclassified financial assets available-for-sale

B2 Profit and loss from reclassified assets available for sale

in MKD thousand

	Income Statement 2015 (Current year)	Other profit /(loss) 2015 (Current year)	Income Statement 2014 (Previous year)	Other profit /(loss) 2014 (Previous year)
<i>Period before reclassification</i>				
Assets available-for-sale reclassified in loans and advances to 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 advances to customers	-	-	-	-
interest income	-	-	-	-
impairment of financial assets on net basis	-	-	-	-
changes in the fair value on net basis	-	-	-	-
	-	-	-	-
<i>Period after reclassification</i>				
Assets available-for-sale reclassified in loans and advances to banks	-	-	-	-
interest income	-	-	-	-
impairment of financial assets on net basis	-	-	-	-
amount reposted from Revaluation reserves	-	-	-	-
Assets available-for-sale reclassified in loans and advances to customers	-	-	-	-
interest income	-	-	-	-
impairment of financial assets on net basis	-	-	-	-
amount reposted from Revaluation reserves	-	-	-	-
	-	-	-	-

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

<i>in MKD thousand</i>	Income Statement 2015 (Current year)	Other profit /(loss) 2015 (Current year)	Income Statement 2014 (Previous year)	Other profit /(loss) 2014 (Previous year)
Assets available-for-sale reclassified in loans and advances to 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 advances to 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

Debt securities

Treasury bills
Government bills
Other money market instruments
Government bonds
Corporate bonds
Other debt instruments

Listed
Non-listed

Total investments in held to maturity instruments before allowances for impairment

(Allowances for impairment)

Total investments in held to maturity instruments less allowances for impairment

<i>in MKD thousand</i>	
Current year 2015	Previous year 2014
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

Movements of allowance for impairment

Balance at 1 January
Impairment loss for the year
 additional impairment
 (release of impairment)
(Foreclosed assets)
FX effect
(Receivables written off)
Balance at 31 December

<i>in MKD thousand</i>	
Current year 2015	Previous year 2014
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-

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	in %			
		Proportion of interest ownership		Proportion of voting power	
		Current year 2015	Previous year 2014	Current year 2015	Previous year 2014

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 2015	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
Previous year 2014	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

25 Other receivables

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Trade receivables	12,066	12,366
Prepayments	2,032	2,025
Deferred income		-
Fee and commission receivables	3,444	2,700
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>	1,357	2,146
<i>numismatics</i>	148	148
<i>receivables from payments on behalf of customers operation with credit cards</i>	598	940
<i>anticipative interest</i>	5,242	7,425
<i>other</i>	63	745
	103	1
Total other receivables before allowances for impairment	25,053	28,496
(Allowances for impairment)	(12,719)	(12,858)
Total other receivables less allowances for impairment	12,334	15,638

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Movements of allowance for impairment		
Balance at 1 January	12,858	15,961
Impairment loss for the year		
additional impairment	1,112	1,616
(release of impairment)	(1,221)	(4,341)
(Foreclosed assets)	(81)	(362)
FX effect	51	(16)
(Receivables written off)	-	-
Balance at 31 December	12,719	12,858

26 Pledged assets

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
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 2014 (previous year)	-	6,895	5,794	6,599	-	19,288
foreclosed during the year	-	12,867	1,794	13,557	729	28,947
(sold during the year)	-	(10,686)	(975)	(3,552)	-	(15,213)
(transferred to own assets)	-	-	-	-	(369)	(369)
Balance at 31 December 2014 (previous year)	-	9,076	6,613	16,604	360	32,653
Balance at 1 January 2015 (current year)	-	9,076	6,613	16,604	360	32,653
foreclosed during the year	-	5,239	-	1,800	-	7,039
(sold during the year)	-	-	(591)	(6,572)	-	(7,163)
(transferred to own assets)	-	-	-	-	-	-
Balance at 31 December 2015 (current year)	-	14,315	6,022	11,832	360	32,529
Allowances for impairment						
Balance at 1 January 2014 (previous year)	-	2,392	2,346	2,375	-	7,113
Impairment loss for the year	-	3,240	1,087	4,444	204	8,975
(sold during the year)	-	(2,137)	(208)	(1,279)	-	(3,624)
(transferred to own assets)	-	-	-	-	(74)	(74)
Balance at 31 December 2014 (previous year)	-	3,495	3,225	5,540	130	12,390
Balance at 1 January 2015 (current year)	-	3,495	3,225	5,540	130	12,390
Impairment for the year	-	2,164	739	1,521	46	4,470
(sold during the year)	-	-	(118)	(1,314)	-	(1,432)
(transferred to own assets)	-	-	-	-	-	-
Balance at 31 December 2015 (current year)	-	5,659	3,846	5,747	176	15,428
Carrying amount						
at 1 January 2014 (previous year)	-	4,503	3,448	4,224	-	12,175
at 31 December 2014 (previous year)	-	5,581	3,388	11,064	230	20,263
at 31 December 2015 (current year)	-	8,656	2,176	6,085	184	17,101

As of 31 December 2015, the Bank's foreclosed assets based on uncollected receivables are with a total current carrying value of Denar 17.101 thousand (2014: Denar 20.263 thousand). Their fair value as of 31 December 2015 amounted to Denar 40.037 thousand (2014: Denar 34.847 thousand).

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 2014 (previous year)	-	28,634	8,303	6,903	1,148	-	44,988
Increase through new purchases	-	2,253	-	78	-	-	2,331
Increase through internal development	-	-	-	-	-	-	-
Increase through business combination (disposals and write-offs)	-	(3,335)	-	(3,258)	-	-	(6,593)
(disposals through business combination)	-	-	-	-	-	-	-
(transfers to non-current assets held for sale)	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-
Balance at 31 December 2014 (previous year)	-	27,552	8,303	3,723	1,148	-	40,726
Balance at 1 January 2015 (current year)	-	27,552	8,303	3,723	1,148	-	40,726
Increase through new purchases	-	-	-	-	-	-	-
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 2015 (current year)	-	27,552	8,303	3,723	1,148	-	40,726

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 2014 (previous year)	-	14,341	6,598	4,823	573	-	26,335
Amortization for the period	-	3,924	1,661	371	230	-	6,186
Impairment losses for the period	-	-	-	-	-	-	-
(release of impairment losses for the year)	-	-	-	-	-	-	-
(disposals and write-offs)	-	(3,335)	-	(3,258)	-	-	(6,593)
Balance at 31 December 2014 (previous year)	-	14,930	8,259	1,936	803	-	25,928
Balance at 1 January 2015 (current year)	-	14,930	8,259	1,936	803	-	25,928
Amortization for the year	-	4,074	44	373	201	-	4,692
Impairment loss for the year	-	-	-	-	-	-	-
(release of impairment loss for the year)	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	-	-	-	-
Balance at 31 December 2015 (current year)	-	19,004	8,303	2,309	1,004	-	30,620
Carrying amount							
at 1 January 2014 (previous year)	-	14,293	1,705	2,080	575	-	18,653
at 31 December 2014 (previous year)	-	12,622	44	1,787	345	-	14,798
at 31 December 2015 (current year)	-	8,548	-	1,414	144	-	10,106

* 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 2014 (previous year)	-	-	-	-	-	-
at 31 December 2015 (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 2014 (previous year) - restated	-	-	3,978	47,043	5,703	927	47,279	22,507	127,437
increase	-	-	-	-	-	-	605	-	605
increase through business combination (disposals and write-offs)	-	-	-	-	-	-	-	-	-
(disposals through business combination)	-	-	(190)	(19,269)	(470)	-	-	(1,431)	(21,360)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	369	126	96	-	(591)	-	-
Balance at 31 December 2014 (previous year)	-	-	4,157	27,900	5,329	927	47,293	21,076	106,682
Balance at 1 January 2015 (current year)	-	-	4,157	27,900	5,329	927	47,293	21,076	106,682
increase	-	-	-	-	-	-	5,155	-	5,155
increase through business combination (disposals and write-offs)	-	-	-	-	-	-	-	-	-
(disposals through business combination)	-	-	-	(5,381)	(821)	(10)	-	-	(6,212)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	1,556	-	-	(1,556)	-	-
Balance at 31 December 2015 (current year)	-	-	4,157	24,075	4,508	917	50,892	21,076	105,625

At 31 December 2015 and 2014, all property, plant and equipment are owned by the Bank. The Bank has no mortgages or other encumbrances over its property, plant and equipment.

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

29 Property and equipment - continued

A Reconciliation of the carrying amount - continued

<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
Amortization and impairment losses									
Balance at 1 January 2014 (previous year)	-	-	2.100	41.482	3.937	216	-	16.115	63.850
Depreciation for the year	-	-	899	2.508	750	58	-	4.090	8.305
Impairment losses for the year	-	-	-	-	-	-	-	-	-
(release of impairment losses for the year)	-	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	(162)	(19.269)	(470)	-	-	(1.431)	(21.332)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014 (previous year)	-	-	2.837	24.721	4.217	274	-	18.774	50.823
Balance at 1 January 2015 (current year)	-	-	2.837	24.721	4.217	274	-	18.774	50.823
Depreciation for the year	-	-	505	2.103	558	58	-	1.924	5.148
Impairment losses for the year	-	-	-	-	-	-	-	-	-
(release of impairment losses for the year)	-	-	-	-	-	-	-	-	-
(disposals and write-offs)	-	-	-	(5.381)	(821)	(10)	-	-	(6.212)
(transfer to non-current assets held for sale)	-	-	-	-	-	-	-	-	-
transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-
Other transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2015 (current year)	-	-	3.342	21.443	3.954	322	-	20.698	49.759
Carrying amount									
at 1 January 2014 (previous year)	-	-	1.878	5.561	1.766	711	47.279	6.392	63.587
at 31 December 2014 (previous year)	-	-	1.320	3.179	1.112	653	47.293	2.302	55.859
at 31 December 2015 (current year)	-	-	815	2.632	554	595	50.892	378	55.866

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

<i>In MKD thousand</i>	Land	Buildings	Vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Property and equipment under construction	Leasehold improvement	Total
Carrying amount:									
at 31 December 2014 (previous year)	-	-	-	-	-	-	-	-	-
at 31 December 2015 (current year)	-	-	-	-	-	-	-	-	-

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

30 Current and deferred tax assets and liabilities

30,1 Current tax assets and tax liabilities

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Income tax receivables (current)	-	301
Income tax liabilities (current)	1.833	-

30,2 Deferred tax assets and tax liabilities

A Recognised deferred tax assets and deferred tax liabilities

<i>In MKD thousand</i>	Current year 2015			Previous year 2014		
	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	-	-	-	-	-	-

B Unrecognised deferred tax assets

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
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 - continued

<i>In MKD thousand</i>	Recognised during the year in:			
	at 1 January	Income statement	Equity	at 31 December
Previous year 2014				
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	-	-	-	-
Current year 2015				
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 2015	Previous year 2014
Intangible assets	-	-
Property and equipment	-	-
Total non current assets held for sale	-	-

B Disposal group

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
<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>	-	-
<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>	-	-

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

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Gain/(loss) recognised from the sale of assets held for sale and disposal group	-	-

32 Trading liabilities

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
<i>Deposits form banks</i>		
Current accounts, demand deposits and deposits over night	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
<i>Deposits from other customers</i>		
Current accounts, demand deposits and deposits over night	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
<i>Issued debt securities</i>		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
<i>Other financial liabilities</i>	-	-
<i>Trading derivatives</i>		
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	-	-
	-	-
Total trading liabilities	-	-

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

<i>in MKD thousand</i>			
Current year 2015		Previous year 2014	
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	-	-	-
	-	-	-
<i>Deposits from other customers</i>			
Current accounts, demand deposits and deposits over night	-	-	-
Term deposits	-	-	-
Other deposits	-	-	-
	-	-	-
<i>Issued debt securities</i>			
Money market instruments	-	-	-
Deposit certificates	-	-	-
Issued bonds	-	-	-
Other	-	-	-
	-	-	-
<i>Subordinated liabilities</i>			
	-	-	-
<i>Other financial liabilities</i>			
	-	-	-
Total financial liabilities at fair value through profit or loss, designated upon initial recognitions	-	-	-

34 Deposits
34,1 Deposit from banks

<i>in MKD thousand</i>			
Current year 2015		Previous year 2014	
Short term	Long term	Short term	Long term
Current accounts		-	
Domestic banks	-	-	-
Foreign banks	-	-	-
Demand deposits		-	
Domestic banks	-	-	-
Foreign banks	-	-	-
Term deposits			
Domestic banks	-	65.000	-
Foreign banks	-	-	-
Restricted deposits		-	
Domestic banks	-	-	-
Foreign banks	-	-	-
Other deposits		-	
Domestic banks	-	-	-
Foreign banks	-	-	-
Interest liabilities for deposits			
Domestic banks	-	3	-
Foreign banks	-	-	-
Current maturity	-	-	-
Total deposits to banks	-	65.003	-

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

<i>in MKD thousand</i>					
		Current year 2015		Previous year 2014	
		Short term	Long term	Short term	Long term
Non-financial entities					
Current accounts		276.529		168.634	-
Demand deposits		18		18	-
Term deposits		262.507	52.720	80.878	55.306
Restricted deposits				-	-
Other deposits				-	-
Interest liabilities		973		1.287	-
		540.027	52.720	250.817	55.306
Government					
Current accounts		-	-	-	-
Demand deposits		-	-	-	-
Term deposits		-	-	-	-
Restricted deposits		-	-	-	-
Other deposits		-	-	-	-
Interest liabilities		-	-	-	-
		-	-	-	-
Non-profit institutions serving the households					
Current accounts		6.840	-	13.018	-
Demand deposits		-	-	-	-
Term deposits		12.500	20.420	7.349	16.828
Restricted deposits		-	-	-	-
Other deposits		-	-	-	-
Interest liabilities		280	-	1.518	-
		19.620	20.420	21.885	16.828

34 Deposits - continued

34.2 Deposits from other customers-continued

<i>in MKD thousand</i>				
Current year 2015		Previous year 2014		
<i>Short term</i>	<i>Long term</i>	<i>Short term</i>	<i>Long term</i>	
Financial institutions, except banks				
Current accounts	14,308	-	8,368	-
Demand deposits	-	-	-	-
Term deposits	542,710	53,859	483,451	65,802
Restricted deposits	-	-	-	-
Other deposits	-	-	-	-
Interest liabilities	2,521	-	6,238	-
	559,539	53,859	498,057	65,802
Individuals				
Current accounts	118,730	-	89,144	-
Demand deposits	2	-	2	-
Term deposits	160,568	845,959	151,635	926,241
Restricted deposits	8,459	14,311	369	10,112
Other deposits	-	-	-	-
Interest liabilities	5,079	-	9,176	-
	292,838	860,270	250,326	936,353
Non residents, except banks				
Current accounts	24,903	-	6,157	-
Demand deposits	-	-	-	-
Term deposits	403	23,728	231	25,032
Restricted deposits	-	-	-	-
Other deposits	-	-	-	-
<i>Interest liabilities</i>	231	-	1,149	-
	25,537	23,728	7,537	25,032
Current maturity	607,210	(607,210)	672,295	(672,295)
Total deposits from customers	2,044,771	403,787	1,700,917	427,026

35 Issued debt securities

<i>in MKD thousand</i>	
Current year 2015	Previous year 2014
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 2015		Previous year 2014	
	Short term	Long term	Short term	Long term
Banks				
Residents				
Borrowings	-	-	-	-
Repo transactions	-	-	-	-
Interest liabilities	-	-	-	-
Non residents				
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	-	-	-	-
Interest liabilities	-	-	-	-
Current maturity	-	-	-	-
Total borrowings	-	-	-	-

36 Borrowings - continued

B Borrowings according the borrower

		<i>in MKD thousand</i>			
		Current year 2015		Previous year 2014	
		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 2015	Previous year 2014
<i>Subordinated deposit</i>			
(list separately:)			
_____		-	-
_____		-	-
Interest liabilities		-	-
		-	-
<i>Subordinated borrowings</i>			
(list separately:)			
Alfa Finance Holding, Bulgaria		49.276	49.185
Alfa Finance Holding, Bulgaria		12.319	12.297
Alfa Finance Holding, Bulgaria		6.159	6.148
		46.196	46.111
Interest liabilities		322	320
		114.272	114.061
<i>Subordinated debt securities issued</i>			
(list separately:)			
_____		-	-
_____		-	-
_____		-	-
Interest liabilities		-	-
		-	-
Redeemable preference shares		-	-
Total subordinated liabilities		114.272	114.061

Subordinated liabilities (continued)

As of 31 December 2015 the Bank has subordinated liabilities in the amount of Denar 114.272 thousand (2014: Denar 114.061 thousand). These liabilities are result from transfer of foreign currency on the basis of agreements for subordinated loans totaling EUR 1,850 thousand. Agreements for subordinated loans are signed with Alfa Finance Holding, Bulgaria in compliance with the local regulations and these funds the Bank may use as additional capital to cover all types of risks. Subordinated loans are approved with interest rate on an annual basis of 2.95% and interest is payable every six months. Principal of loans shall be repaid in a single installment on the last day of maturity, which in all agreements for subordinated loans is 8 years from the date of signature.

The subordinated loan in the amount of EUR 800,000 matures on 30 April 2022, the subordinated loan in the amount of EUR 200,000 matures on 30 June 2022, the subordinated loan in the amount of EUR 100,000 matures on 26 September 2022 and the subordinated loan in the amount of EUR 750,000 matures of 22 December 2022.

On 31 December 2015, the Board of Directors of the majority shareholder Alfa Finance Holding adopted a Decision for giving up the rights of their receivables from the subordinated loan in the amount of EUR 1,000,000. On 11 January 2016 the Supervisory Board adopted a Decision to accept the decision of the shareholder. On 3 February 2016 held an extraordinary session of the Assembly of Shareholders of the Bank where they adopted a Decision for confirming the Decision of the majority shareholder Alfa Finance Holding for giving up the rights of their receivables from a subordinated loan and a Decision to cover the accumulated loss of the Bank from these funds. This decision by the Bank was implemented in February 2016.

38 Provisions

<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 2014 (previous year)	908	-	-	-	-	-	908
Charge during the year (used during the year)	1,130	-	-	-	-	-	1,130
(release of provisions)	(1,783)	-	-	-	-	-	(1,783)
Balance at 31 December 2014 (previous year)	255	-	-	-	-	-	255
Balance at 1 January 2015 (current year)	255	-	-	-	-	-	255
Charge during the year (used during the year)	713	-	-	-	-	-	713
(release of provisions)	(866)	-	-	-	-	-	(866)
Balance at 31 December 2015 (current year)	102	-	-	-	-	-	102

39 Other liabilities

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Trade payables	1.654	1.182
Advances received	-	-
Fee and commission liabilities	210	185
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>liabilities for taxes and contributions</i>	247	1.716
<i>settlement accounts on credit cards</i>	242	124
<i>settlement accounts on loans</i>	773	826
<i>founding equity</i>	-	307
<i>payments on collection from abroad</i>	198	2.090
<i>settlement accounts on other bases</i>	504	-
<i>other</i>	63	471
Total other liabilities	3.891	6.901

40 Share capital

As at 31 December 2015, total shareholders equity of the Bank amounted to Denar 855.688 thousand (2014: Denar 855.688 thousand) and it consists of Denar 28.742 (2014: 28.742) approved and fully paid ordinary shares. The nominal value per share is Denar 29.800 (2014: Denar 29.800 денари). Holders of ordinary shares are entitled to receive dividends as declared from time and eligible shareholders for the equivalent of 1 ordinary share (2014: 1 ordinary share). All shares are entitled to a proportional share in the division of bankruptcy or liquidation.

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 2015	Previous year 2014	Current year 2015	Previous year 2014	Current year 2015	Previous year 2014
Balance at 1 January	29.800	-	28,742	-	-	855,688	856,514
Shares issued during the year	-	-	-	-	-	-	-
Exercise of share options	-	-	-	-	-	-	-
Division/accumulation of share nominal value	-	-	-	-	-	-	-
Other changes during the year (in details):	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
alignment of capital based on the findings of the expert	-	-	-	-	-	-	(826)
Balance at 31 December – fully paid	29.800		28,742			855,688	855,688

In accordance with the shareholders' register of the Bank on 31 December 2014 for 3.763 ordinary shares or 13.09% of total share capital of the Bank is limiting the rights established by law and / or Decision of a competent authority. In accordance with the shareholders' register of the Bank during 2015, limiting the rights were removed.

40 Issued capital - continued

B Dividends

B.1 Declared dividends and dividends paid by the Bank

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Declared dividends and dividends paid	-	-

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
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 2015	Previous year 2014
Declared dividends after 31 December	-	-

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Dividends per ordinary share	-	-
Dividends per preference share	-	-

C Shareholders' structure over 5% from the voting shares

Shareholder name	<i>in MKD thousand</i>		<i>in %</i>	
	Current year 2015	Previous year 2014	Current year 2015	Previous year 2014
	Issued capital (nominal value)	Issued capital (nominal value)	Voting right	Voting right
Alfa Finance Holding, Bulgaria	842.333	842.333	98,43%	98,43%
Total	842.333	842.333	98,43%	98,43%

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

After a day of preparing the balance sheet no dividends were proposed by the Supervisory Board.

41 Earnings per share

A Basic earnings per share

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
<i>Net-profit attributable to the ordinary shareholders</i>		
Net-profit for the year	15,612	(30,041)
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	15,612	(30,041)

	<i>Number of shares</i>	
	Current year 2015	Previous year 2014
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares on 1 January	28,742	28,742
Effects of changes in the number of ordinary shares for the year (list all items separately)		
_____	-	-
Weighted average number of ordinary shares at 31 December	28,742	28,742
Basic earnings per share (in MKD)	543	1,045

B Diluted earnings per share

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
<i>Net-profit attributed to the ordinary shareholders (diluted)</i>		
Net-profit for the year attributed to the ordinary shareholders	15,612	(30,041)
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)	15,612	(30,041)

	<i>Number of shares</i>	
	Current year 2015	Previous year 2014
<i>Weighted average number of ordinary shares (diluted)</i>		
Issued ordinary shares at 1 January	28,742	28,742
Effects of the issuance of the potential ordinary shares (list in details)		

Weighted average number of ordinary shares (diluted) at 31 December	28,742	28,742
Diluted earnings per share (in MKD)	543	1,045

42 Commitments and contingencies

42.1 Commitments

Contingencies

Major part of contingent liabilities of the Bank relate to off balance sheet accounts of unused credit limits and exposure under guarantees. The amount of Denar 23.160 thousand (2014: Denar 22.828 thousand) represents unused limits on credit cards while the amount of Denar 27.997 thousand (2014: Denar 25.661 thousand) represents unused limit on approved credit exposures to legal entities. Exposure under guarantees amounted to Denar 272.873 thousand (2014: Denar 218.499 thousand), out of which Denar 270.734 thousand (2014: Denar 206.241 thousand) are uncovered, and the remaining part of Denar 2.439 thousand (2014: Denar 12.258 thousand) are covered guarantees.

As of 31 December 2015 the total amount of the revocable contingent liabilities is Denar 27.997 thousand (2014: Denar 25.661 thousand), and the amount of irrevocable contingent liabilities is Denar 298.369 thousand (2014: Denar 243.199 thousand).

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Uncovered payment letters of guarantees	-	-
In MKD	59,957	60,898
In foreign currency	51,662	29,907
In MKD with a foreign currency clause	12,480	161
Performance uncovered letter of guarantees		
In MKD	38,655	49,267
In foreign currency	11,562	24,734
In MKD with a foreign currency clause	28,796	6,466
Uncovered letters of credit		
In MKD	-	-
In foreign currency	-	-
In MKD with a foreign currency clause	-	-
Unused overdrafts on current accounts	2,438	2,127
Unused credit card limits	23,160	22,828
Irrevocable credit lines and unused loan limits	27,997	25,661
Issued covered letters of guarantees	2,439	12,258
Covered letters of credit	-	-
Other covered contingent liabilities	67,322	34,808
Total contingent liabilities before provisions	326,468	269,115
(Provisions)	(102)	(255)
Total contingent liabilities less provisions	326,366	268,860

Commitments and contingencies (continued)

Contingencies (continued)

Litigation procedures

As at 31 December 2015, legal proceedings against the Bank amount to Denar 60.282 thousand in total (2014: Denar 37.866 thousand). The provision as of the balance sheet date has not been recorded because the professional legal advice indicates that there is no possibility of significant losses. In addition, various legal actions and claims may be asserted in the future against the Bank from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, the Management of the Bank believes that no material liabilities are likely to occur.

Taxation

The Bank's financial statements and accounting records are subject to tax control by the tax authorities in the period for 5 years after the tax report for the financial year is submitted and can cause additional tax liabilities. According to the estimates from the Bank's Management there are no additional conditions that can bring forth potential materially significant liabilities by this account.

Capital commitments

There have been no recorded capital liabilities on the reporting date that have not been recognized in the financial statements.

42.2 Contingent assets

List in details:

Total contingent assets

<i>in MKD thousand</i>	
Current year 2015	Previous year 2014
-	-
-	-

43 Operations on behalf and for account of third parties

<i>in MKD thousand</i>					
Current year 2015			Previous year 2014		
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	7,642	-	7,568	-	7,568
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	-	7,642	-	7,568	(7,568)
Deposits in foreign currency	-	-	-	-	-
Loans in denars	-	-	-	-	-
Loans in foreign currency	-	-	-	-	-
Other receivables in denars	-	-	-	-	-
Other receivables in foreign currency	-	-	-	-	-
Custody accounts	-	-	-	-	-
Other	-	-	-	-	-
Total	7,642	7,642	7,568	7,568	-

44. Related party transactions

According to the Banking Law, related parties are considered: persons with special rights and responsibilities in the Bank and persons related to them; shareholders with a qualified contribution to the Bank (direct or indirect ownership of at least 5% of the total number of shares, or voting right shares or that enable a significant influence on the Bank's managing), affiliates and entities, as well as the responsible persons of these shareholders - legal entities, Bank's subsidiaries and other persons related to the Bank.

The management of the Bank believes that these transactions are performed on normal market conditions in the normal course of business.

Balances and scope with key management personnel of the Bank and its related parties as of and for the years ended 31 December 2015 and 2014 are as follows:

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

44 Related parties transactions

A Balance sheet

In MKD thousand

Balance at 31 December 2015 (current year)

Assets

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and advances						
mortgage loans	-	-	-	6.533	-	6.533
consumer loans	-	-	-	1.060	-	1.060
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting	-	-	-	-	-	-
other loans and advances	-	-	-	802	24.658	25.460
Security investments	-	-	-	-	-	-
(Allowances for impairment)	-	-	-	(19)	(24)	(43)
Other assets	-	-	-	-	-	-
Total	-	-	-	8.376	24.634	33.010
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	826	-	-	3.412	2.658	6.896
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	113.950	-	-	-	-	113.950
Other liabilities	-	-	-	4.337	192	4.529
Total	114.776	-	-	7.749	2.850	125.375
Contingent liabilities						
Issued letter of guarantees	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	712	-	712
(Provisions)	-	-	-	(3)	-	(3)
Total	-	-	-	709	-	709
Contingence assets						
Received guarantees	-	-	-	-	-	-
Other contingence assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

Kapital Banka AD, Skopje
Notes to the financial statements (continued)
As of and for the year ended 31 December 2015

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 2014 (previous year)						
Assets						
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and advances						
mortgage loans	-	-	-	7,562	-	7,562
consumer loans	-	-	-	1,278	-	1,278
financial lease receivables	-	-	-	-	-	-
factoring and forfeiting	-	-	-	-	-	-
other loans and advances	-	-	-	912	17,725	18,637
Security investments	-	-	-	-	-	-
(Allowances for impairment)	-	-	-	(169)	(118)	(287)
Other assets	-	-	-	-	-	-
Total	-	-	-	9,583	17,607	27,190
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	1,773	-	-	2,756	2,263	6,792
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	114,061	-	-	-	-	114,061
Other liabilities	-	-	-	1,652	196	1,848
Total	115,834	-	-	4,408	2,459	122,701
Contingent liabilities						
Issued letter of guarantees	-	-	-	-	-	-
Issued letters of credit	-	-	-	-	-	-
Other contingent liabilities	-	-	-	658	-	658
(Provisions)	-	-	-	(5)	-	(5)
Total	-	-	-	653	-	653
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

2015 (current year)

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Revenue						
Interest income	-	-	-	515	1,968	2,483
Fee and commission income	87	-	-	18	943	1,048
Net-trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gain from sale of non current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
Total	87	-	-	533	2,911	3,531
Expenses						
Interest expense	3,362	-	-	70	-	3,432
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	3,362	-	-	70	-	3,432

44 Related parties transactions - continued

B Income and expenses arising from related parties transactions - continued

In MKD thousand

2014 (previous year)

Revenue

	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Interest income	-	-	-	569	2.724	3.293
Fee and commission income	84	-	-	18	1.266	1.368
Net-trading income	-	-	-	-	-	-
Dividend income	-	-	-	-	-	-
Capital gain from sale of non current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between the entities	-	-	-	-	-	-
Total	84	-	-	587	3.990	4.661

Expenses

Interest expense	1.648	-	-	70	2	1.720
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	1.648	-	-	70	2	1.720

44 Related parties transactions - continued

C Bank's key management personnel compensations

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Short term employee benefits	11.658	15.231
Post employment benefits	-	-
Termination benefits	-	-
Share based payments, paid with equity instruments	-	-
Share based payments, paid in cash	-	-
Other	-	-
Total	11.658	15.231

45 Leasing

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 2015 (current year)				
Carrying amount of the minimum lease payments				
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance at 31 December 2014 (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 2015 (current year)				
Carrying amount of the minimum lease payments				
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance at 31 December 2014 (previous year)				
Carrying amount of the minimum lease payments				
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-

In MKD thousand

Value of the property under operating lease:
Balance at 31 December 2015 (current year)
Balance at 31 December 2014 (previous year)
Total

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

45 Leasing - continued

B Lessee

B.1 Finance lease payables

<i>In MKD thousand</i>	Total finance lease payables	Maturity of the finance lease payables		
		Up to 1 year	From 1 to 5 year	Over 5 year
Balance at 31 December 2015 (current year)				
	-	-	-	-
	-	-	-	-
	-	-	-	-
Total	-	-	-	-
Balance at 31 December 2014 (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 2014 (previous year)

Additions

(Disposals and write offs)

Other

Balance at 31 December 2014 (previous year)

Balance at 1 January 2015 (current year)

Additions

(Disposals and write offs)

Other

Balance at 31 December 2015 (current year)

Accumulated depreciation and impairment losses

Balance at 1 January 2014 (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 2014 (previous year)

Balance at 1 January 2015 (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 2015 (current year)

Carrying amounts

At 1 January 2014 (previous year)

At 31 December 2014 (previous year)

At 31 December 2015 (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 2014 (previous year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at 31 December 2014 (previous year)	-	-	-	-	-	-	-
Balance at 1 January 2015 (current year)	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
(Disposals and write offs)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at 31 December 2015 (current year)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses							
Balance at 1 January 2014 (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 2014 (previous year)	-	-	-	-	-	-	-
Balance at 1 January 2015 (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 2015 (current year)	-	-	-	-	-	-	-
Carrying amounts							
At 1 January 2014 (previous year)	-	-	-	-	-	-	-
At 31 December 2014 (previous year)	-	-	-	-	-	-	-
At 31 December 2015 (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
Balance at 31 December 2015 (current year)				
Non cancelable lease payables	-	-	-	-
Total	-	-	-	-
Balance at 31 December 2014 (previous year)				
Non cancelable lease payables	57,739	10,836	43,344	3,559
Total	57,739	10,836	43,344	3,559

On 1 December 2015 the Bank acquired a right of termination of the lease of office space and on the same date the lessor with notice of termination of the contract. According to the Agreement the Bank this notice shall be submitted six months in advance with the Treaty will be valid until 1 June 2016. Bank has to pay penalties in the amount of 4 monthly rents due to early termination of the lease contract.

46 Share-based payments

	<i>in MKD thousand</i>	
	Current year 2015	Previous year 2014
Grant date	-	-
Expiration date	-	-
Exercise price	-	-
Share price on grant date	-	-
Volatility	-	-
Expected dividend yield	-	-
Interest rate	-	-
Fair value at grant date	-	-

	Current year 2015		Previous year 2014	
	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	-	-	-	-

47 Events after the reporting date

On 31 December 2015 the Board of Directors of the majority shareholder Alfa Finance Holding adopted a Decision on cancellation of their claims under subordinated loan in the amount of EUR 1,000,000. On 11 January 2016 Supervisory Board adopted a Decision to accept the Decision of the shareholder. On 3 February 2016 held an extraordinary session of the Assembly of Shareholders which was adopted a decision confirming the decision of the majority shareholder Alfa Finance Holding for giving up their claims on the basis of a subordinated loan and a Decision to cover the accumulated loss of the Bank of these funds..

After 31 December 2015 - the reporting date until the approval of these financial statements, there are no adjusting events that are materially significant for disclosure in these financial statements, nor events that are material to the disclosure in these financial statements, except for the events reported above in this.

Kapital Banka AD, Skopje
Annexes
As of and for the year ended 31 December 2015

Annex 1 – Annual Account

Kapital Banka AD, Skopje
Annexes
As of and for the year ended 31 December 2015

Annex 2 – Annual Report



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