Capital Bank A.D., Skopje

FINANCIAL STATEMENTS
for the year ended at
December 31, 2009

Contents

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

We have audited the accompanying financial statements of Capital bank AD, Skopje ("the Bank"), which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Bank as at and for the year ended 31 December 2008 were audited by another auditor whose report dated 20 February 2009, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulations prescribed by the National Bank of Republic of Macedonia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the regulations prescribed by the National Bank of Republic of Macedonia.

KPMG Macedonia Ltd

KPMG Macedonia Ltd
29 April 2010
Skopje

Income Statement
for the period 01.01.2009 - 31.12.2009

in MKD thousand

	Note	Current year 2009	Previous year 2008
Interest income		39,344	32,112
Interest expense		(5,183)	(1,908)
NET INTEREST INCOME/(EXPENSES)	6	34,161	30,204
Fee and commission income		8,660	11,270
Fee and commission expense		(4,849)	(4,161)
NET FEE AND COMMISSION INCOME/(EXPENSES)	7	3,811	7,109
Net trading income	8	-	-
Net income from other financial instruments carried at fair value	9	-	-
Net foreign exchange gain/loss	10	1,628	1,691
Other operating income	11	11,907	7,596
Profit – sharing of associates entities	24		
Net impairment losses on financial assets	12	464	5,554
Net impairment losses on non-financial assets	13	-	(696)
Personnel expenses	14	(37,089)	(33,621)
Depreciation and amortization	15	(4,806)	(3,415)
Other operating expenses	16	(47,334)	(46,824)

Loss sharing of associates entities	24		
PROFIT/ (LOSS) BEFORE TAX		**(37,258)**	**(32,402)**
Income tax	17	(182)	-
PROFIT/ (LOSS) FOR THE YEAR		**(37,440)**	**(32,402)**
Profit / (loss) from the group of assets and liabilities held for sale *			
Profit / (loss) for the year		-	-
Profit / (loss) for the period, attributable to*:			
Equity holders of the Bank			
Minority interest			
Earnings per share	41		
Basic loss per share (in denars)		(1,421)	(1,230)
Diluted loss per share in (denares)		(1,421)	(1,230)

**Only for the consolidated financial statement*

The notes set out on pages 11 to 136 form an integral part of these financial statements.

The Financial statements presented on the pages 1 to 136 have been approved by the Supervisory Board on 29 April 2010 and signed in its behalf by:

Mr. Aco Ilievski
Management Board Member

Balance Sheet
as at 31 December 2009

	Note	*in MKD thousand* Current year 2009	Previous year 2008
ASSETS:			
Cash and cash equivalents	18	189,095	218,953
Trading assets	19	0	0
Financial assets at fair value through profit and loss designated upon initial recognition	20	0	0
Derivative assets held for risk management	21	0	0
Loans and advances to banks	22.1	0	0
Loans and advances to customers	22.2	107,789	115,074
Investment securities	23	33,440	21,973
Investments in associates entities (carried at "equity method")	24		
Current tax receivables	30.1	664	838
Other assets	25	6,247	2,388
Pledged assets	26	0	0
Assets acquired through foreclosure procedures	27	107,658	107,658
Intangible assets	28	18,760	3,806
Property and equipment	29	14,853	13,852
Deferred tax assets	30.2	0	0
Non-current assets held for sale and group for disposal	31	0	0
TOTAL ASSETS		**478,506**	**484,542**
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	-	-
Deposits from customers	34.2	107,479	76,742
Debt securities issued	35	-	-
Borrowings	36	-	-

Subordinated liabilities	37	-	-
Provisions	38	1,172	1,798
Current tax liabilities	30.1	-	-
Deferred tax liabilities	30.2	-	-
Other liabilities	39	11,251	9,972
Liabilities directly attributable to group of assets for disposal	31	-	-
Total liabilities		**119,902**	**88,512**
EQUITY			
Issued capital	40	782,489	782,489
Share premium			
Treasury shares			
Capital component of the hybrid financial instruments			
Other equity instruments			
Revaluation reserves	40.1	382	368
Other reserves			
Retained earnings/(Accumulated losses)	40.2	(424,267)	(386,827)
Total equity attributable to equity holders		**358,604**	**396,030**
Minority interest*		-	
Total equity		**358,604**	**396,030**
TOTAL LIABILITIES AND EQUITY		**478,506**	**484,542**
Contingent liabilities	42.1	29,395	46,990
Contingent assets	42.1	-	-

* only for consolidated financial statements

The notes set out on pages 11 to 136 form an integral part of these financial statements.

Statement of changes in equity
For the period 01.01.2009 – 31.12.2009

In housard MKD	Equity					Other reserves			Revaluation reserves			Retained earnings					
	Issued Capital	Share premium	Treasury shares	Capital component of the hybrid financial assets	Other equity instruments	Statutory reserve	Other reserve	Reserves from revaluation on available-for-sale securities	Risk management reserve	Translation difference reserve	Reserves from revaluation	Available for distribution	Restricted for distribution	Accumulated loss	Total equity attributable to equity holders	Minority interest	Total equity
Balance at January 1, 2008	782.489							1.236						(354.425)	429.300		429.300
Impact of transition to new Accounting Methodology																	
Balance at january 1,2008 adjusted	**782.489**							**1.236**						**(354.425)**	**429.300**		**429.300**
Change in revaluation of available-for-sale securities								(868)							(868)		(868)
Change in fair value of derivatives in cash flow hedging																	
Change in revaluation for hedges of net-investments in foreign currency																	
Foreign currency translation difference recognized in equity																	
Deferred tax asset/liability recognized in equity																	
Other (listed in details)																	
UNREALIZED GAINS/LOSSES RECOGNISED INTO EQUITY								**(868)**							**(868)**		**(868)**
Capital issued in the period																	
Profit / (loss) for the financial year														(32.402)	(32.402)		(32.402)
Statutory reserve fund																	
Other reserve fund																	
Dividends																	
Purchase of own shares																	
Sale of own shares																	
Other changes in equity (listed details)																	
Balance at December 31, 2008 (previous year/ January 1 2009 (current year)	**782.489**							**368**						**(386.827)**	**396.030**		**396.030**

The notes set out on pages 11 to 136 form an integral part of these financial statements.

Statement of Changes in Equity (continue)
For the period 01.01.2009 – 31.12.2009

In thousand mkd	Equity: Issued Capital	Equity: Share premium	Equity: Treasury shares	Equity: Capital component of the hybrid financial assets	Other equity instruments	Other reserves: Statutory reserve	Other reserves: Other reserve	Reserves from revaluation on available-for-sale securities	Risk mngmnt reserve	Reserves from revaluation: Reserve on fx translation	Reserves from revaluation: Reserves from revaluation	Retained earnings: available for distribution	Retained earnings: restricted for distribution	Accumulated loss	Total Equity attributable to equity holders	Minority interest	Total Equity
Change in revaluation of available-for-sale securities								14							14		14
Change in fair value of derivatives in cash flow hedging																	
Change in revaluation for hedges of net-investments in foreign currency																	
Foreign currency translation difference recognized in equity																	
Deferred tax asset/liability recognized in equity																	
Other (listed in details)																	
UNREALIZED GAINS/LOSSES RECOGNISED INTO EQUITY								14							14		14
Capital issued in the period														(37.440)	(37.440)		(37.440)
Profit/ (loss\ for the financial year																	
Statutory reserve fund																	
Other reserve fund																	
Dividends																	
Purchase of own shares																	
Sale of own shares																	
Other changes in equity (listed details)																	
Balance at December 31, 2009 (current year)	782.489							382						(424.267)	358.604		358.604

The notes set out on pages 11 to 136 form an integral part of these financial statements.

Statement of Cash Flows
For the period 01.01.2009 – 31.12.2009

in MKD thousand

	Note	Current year 2009	Previous year 2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(37,258)	(32,402)
ADJUSTMENT FOR NON-CASH ITEMS:			
Minority shares included in the consolidated Income Statement*			
Depreciation and amortization of:			
Intangible assets	15	699	483
Property and equipment	15	4,107	2932
Capital gains from:			
Sale of intangible assets			
Sale of property and equipment			
Sale of foreclosed assets			
Capital loss from:			
Sale of intangible assets			
Sale of property and equipment			
Sale of foreclosed assets			
Interest income	6	(39,344)	(43,382)
Interest expenses	6	5,183	6,068
Net trading income			
Impairment of financial assets (on net basis)			
Additional impairment	12	(464)	(5.554)
Release of impairment			
Impairment loss of non-financial assets on net bases	13		696
Additional impairment loss			
Release of impairment loss			
Special reserve			
Additional provision			
Realized provision	38	(626)	(1.444)
Dividend income	11	(98)	(210)
Share in the gain/(loss) of associates entities			
Profit/(loss) sharing of associates entities			
Other adjustments		665	802
Interest received		39,376	45,173
Interest paid		(5,894)	(4,984)
Profit from operating activities before changes in the		***(33,654)***	***(31,822)***

operating assets		
(Increase)/decrease of operating assets:		
Trading assets		
Derivatives held for risk hedging		
Loans to and receivables from banks		
Loans to and receivables from other clients	9,175	(17,604)
Pledged assets		
Foreclosed assets		(3,556)
Mandatory reserve in foreign currency	(39,858)	(236)
Mandatory deposit with NBRM according specific provisions	-	-
Other receivables	(5,637)	1,477
Deferred tax assets		
Non-current assets held for trading		
Increase/ (decrease) of liabilities:		
Trading liabilities		
Derivative liabilities held for risk management		
Deposits from banks		
Deposits from other clients	31,448	52,640
Other liabilities	1,279	752
Liabilities attributable to group of assets for disposal		
Net cash flows from operating activities before tax	***(37,268)***	***1.651***
(Paid)/return income tax		(125)
Net cash flow from operating activities	**(37,268)**	**1.526**
Cash flow from investment activities		
(Security investments)	(11,950)	
Proceeds from sale of investment securities		318
(Outflows from investments in subsidiaries and associated entities)		
Proceeds from sale of investments in subsidiaries and associated entities		
(Purchase of intangible assets)	(15,653)	(2.936)
Proceeds from sale of intangible assets		
(Purchase of property and equipment)	(5,108)	(10,306)
Proceeds from sale of property and equipment		
(Outflow for non-current assets held for sale)		
Proceeds from non-current assets held for sale		
(Other outflows from investment activities)		
Other proceeds from investment activities	98	210
Net cash flows from investment activities	**(32,613)**	**(12.714)**

Cash flow from financing activities			
(Payment of debt securities issued)			
Proceeds from debt securities issued			
(Payment of borrowings)			
Increase of borrowings			
(Payment of issued subordinated liabilities)			
Proceeds from issued subordinated liabilities			
Proceeds from issued shares/ equity instruments in the period			
(Purchase of own shares)			
Sold own shares			
(Paid dividends)			
(Other outflows from financing activities)			
Other proceeds from financing activities			
Net cash flow from financing activities		**-**	**-**
Effect from impairment of cash and cash equivalents		165	356
Effect from foreign currency differences of cash and cash equivalents			
Net – increase/ (decrease) of cash and cash equivalents		**(69,716)**	**(10,832)**
Cash and cash equivalents at January 1		217,316	228,148
Cash and cash equivalents at December 31	**18**	**147,600**	**217,316**

* only for the consolidated financial statements

The notes set out on pages 11 to 136 form an integral part of these financial statements.

1. Introduction

a) General

Capital Bank AD, Skopje (hereinafter referred to as "the Bank") is a joint stock company incorporated and domiciled in the Republic of Macedonia. The address of the bank's registered head office is st. "27 March" no.1, 1000 Skopje, Republic of Macedonia.

The Bank is licensed by the National Bank of the Republic of Macedonia ("NBRM") for performing domestic and payment operations abroad, including mediation in foreign currency exchange, loan and deposit activities as well as credit card operations on the territory of the Republic of Macedonia and abroad. As at 31 December 2009 and 2008, the total number of Bank's employees is 59 i.e. 56, respectively.

The Bank has no investments in subsidiaries or associated entities.

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

The Supervisory Board has approved the issuance of the financial statements on 29 April 2010.

b) Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with the Accounting Standards as adopted by "the Methodology for recording and valuation of the accounting items and preparation of financial statements ("Official Gazette of the RM" No. 118/2007) and the Manual for the types and the content of the Banks' financial statements ("Official Gazette of the RM" No. 118/2007, 80/2009 and 157/2009) (hereinafter referred to as "the Methodology")

The financial statements represent separate financial statements.

Basis of measurement

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

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

- The assets available for sale measured at fair value;

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

Functional and reporting currency

The financial statements have been prepared as at and for the year ended 31 December 2009. Except as indicated the current and the comparative data reported in these financial statements are presented in denar thousand ("MKD" or "Denar"). The Denar is the Bank's functional currency.

c) Significant accounting policies

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

c.1) Foreign currency transactions

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

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

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

	31 December 2009	31 December 2008
1 EUR	61.1732 denar	61.4123 denar
1 USD	42.6651 denar	43.5610 denar
1 CHF	41.1165 denar	41.0427 denar

c.2) Interest

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

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

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

Interest income and expense presented in the income statement include:

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

c.3) Fees and commissions

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

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

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

c.4) Dividends

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

c.5) Lease payments made

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

c.6) Income tax expense

Income tax expense comprises current tax and is recognised in the profit or loss.

According the changes in Income Tax Law, from 1 January 2009, entities are obliged to calculate and pay income tax on non-deductible expenses and on paid dividends and other distributions from profit. Income tax rate is 10% (2008: 10%).

Basis for calculation of income tax is the amount of non-deductible expenses determined in accordance with Income Tax Law, reduced by the amount of tax credit and tax exemptions and incentives. Basis for calculation of income tax on paid dividends and other distributions for profit is the amount of paid dividends and other distributions from profit made during the current year. Taxation on dividends, i.e. dividends' advances paid in cash, is in the moment of payment of dividend.

In 2008 the methodology for calculation of income tax was different. Tax base was profit adjusted for certain income and expenses and tax exemptions and incentives.

c.7) Financial assets and liabilities

(i) Recognition

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

(ii) Classification

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

(iii) Derecognition

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

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

(iv) Offsetting

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

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

(v) Amortised cost measurement

The amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

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

c.8) Identification and measurement of impairment

Assets carried at amortized cost

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

The Bank determines impairment losses according the Decision for credit risk management (Official Gazette nr. 13/2008 and 31/2009). According this decision, the Bank considers evidence of impairment of financial assets at both a specific level and collective level for small loan portfolio. The Bank classifies all individually active balance and off-balance positions by grouping together according the level of the credit risk and estimates the impairment losses.

The Bank uses the following criteria in determining the existence of objective evidence of impairment loss:

- Payment failure of the contractual provisions for principal and interest payment;
- Cash flow difficulties of the borrower;
- Contract or credit terms violations;
- Entrance into bankruptcy;

- Deterioration of the lenders competitiveness;
- Decrease of the value of the issued guaranties - collateral;
- Movement of the share price in the latest period.

The Bank considers objective evidence of impairment at both a specific and collective level. If the Bank determines that there is no objective evidence the asset to be specifically impaired those assets are collectively assessed for impairment by grouping together the financial assets with similar risk characteristics. The amount of the impairment losses is the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding the future losses related to the loan) discounted at the asset's original effective interest rate.

The carrying amount of the assets is decreased by use of the allowance account (impairment losses), by simultaneous recognition of the impairment loss in the income statement. Interest on the impaired assets continues to be recognized through the amortisation of the discount.

For the purpose of classification of the small loans portfolio on a collective level, the financial assets are grouped based on similar risk characteristics (i.e. a ranking process in which the Bank considers the type of the loan product). These characteristics are relevant for evaluation of the future cash flows for groups of similar assets, which indicates the debtors' ability to pay all due receivables according the contractual terms of the assets.

Namely, the financial assets for which the Bank recognizes impairment loss on a collective level are classified in homogeneous portfolios based on the type of the loan product – credit card, consumer loans, apartment loans and loans to legal entities.

The Bank does not determine impairment loss on a collective level for exposures which cannot be classified in homogeneous groups.

For the calculation of the impairment loss and provisions on a collective level, the Bank used simplified statistical model, by using the historical data for allowance for impairments of homogeneous financial assets in the last three (3) years.

Namely, based on the twelve (12) subsequent quarterly reports KA-1 for the period from 31 March 2006 to 31 December 2008, the Bank has analysed its credit exposure for each of its loan products and the respective allowance.

Based on the analysis, average percentages of allowance were determined for the portfolio of credit cards and consumer loans. The Bank's exposure to housing loans and loans to legal entities because of their insignificance, where not included in the analysis.

The Bank uses the determined average percentages as limits within which the allowance of impairment can fluctuate, i.e the specific allowance for the credit risk exposures related to the mentioned loan products.

However, for the purpose of final calculation of the impairment loss on collective level, the Bank determines the allowance for impairment for each individual exposure to credit risk in the portfolio of homogeneous financial assets.

The calculation of the allowance of impairment and the provision for each individual receivable for credit card or consumer loan is performed as follows:

For the individual exposures to credit risk towards the clients – holders of the credit cards or consumer loans, for which at the date of calculation of the impairment i.e. specific reserve balances at certain accounts are determined, the Bank recognizes a particular percentage for calculation of the impairment i.e. specific reserve.

Determination o f the % of the allowance of impairment, i.e. collective level impairment is shown below:

Account balances in the current quarter	Account balances in the previous quarter	Risk group	%	Note
Not due principal, not due interest	Not due principal, not due interest	A	1%	
Not due principal, not due interest	Principal due up to 30 days, Interest due up to 30 days	A	4%	
Not due principal, not due interest	Principal mature over 30 days, Interest mature up to 30 days	A	7%	
Not due principal, not due interest, Principal due up to 30 d, Interest due up to 30 d	Not due principal, not due interest, Principal due up to 30 d, Interest due up to 30 d	A	10%	
Not due principal, Principal due up to 30 days, Principal due over 30 days, Not due interest , Interest due up to 30 days, Interest due up to 30 days (or only due principal and interest over 30 d)	Not due principle Not due interest	B	11%-15%	If in the previous month of the quarter there were no balances of due principal up to 30days and interest due up to 30 days
Not due principal, Principal due up to 30 days, Principal due over 30 days, Not due interest, Interest due up to 30 days, Interest due up to 30 days (or only due principal and interest over 30 d)	Not due principle Not due interest Principal due up to 30 days Interest due up to 30 days	B	16%-20%	If in the previous month of the quarter there were no balances on the due principal up to 30 days and interest due up to 30 days
Not due principal, Principal due up to 30 days, Principal due over 30 days, Not due interest, Interest due up to 30 days, Interest due up to 30 days (or only due principle and interest over 30 days)	Not due principal Not – due interest Principal due up to 30 days Interest due up to 30 days	B	21%-25%	If in the previous month of the quarter there were balances on the due principal up to 30 days and due interest up to 30 days - exposures are subject to additional control and assessment of the impairment and specific reserve

Not due principal, Principal due up to 30 days, Principal due over 30 days, Not due interest, Interest due up to 30 days, Interest due up to 30 days (or only due principle and interest over 30 d)	Not due principal, Principal due up to 30 days, Principal due over 30 days, Not due interest, Interest due up to 30 days, interest due up to 30 days (or only due principle and interest over 30 days)	C	26%-50%	Exposures are subject to additional control and accession of the impairment and the provision

When the loan is considered as uncollectibiel, it is written off. Such loans are written off after the Bank finishes all the necessary procedures and has determined the impairment loss.

If subsequently there is a decrease of the allowance of impairment and the decrease can be objectively related to an event that occurred after the impairment recognition (such as improvement of debtor's rating), the previously recognised impairment loss is adjusted by decrease of the allowance account. The release of impairment is recognized in profit or loss.

Available for sale investments

At each reporting date, the Bank accesses if there is objective evidence for impairment of the available for sale investments. A significant and/or prolonged decline in the fair value below its cost is objective evidence of impairment. If any such evidence exists, the cumulative loss calculated as a difference between the cost and the current fair value is recognized in the income statement.

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

Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in equity.

c.9) Cash and cash equivalents

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

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

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

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

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

c.11) Loans and advances

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

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

c.12) Investments

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

Held to maturity financial assets

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

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

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

Available for sale financial assets

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

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

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

c.13) Property and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

	2009 %	**2008** %
Computer equipment	20	25
Telecommunication equipment	15	25
Office furniture	20	20
Vehicles	25	25
Investments in property under lease	25	25
Other equipment	10	10

Depreciation methods, useful lives and residual value are reviewed at each financial year-end and adjusted if appropriate. Estimates of the useful life in respect of certain items of property and equipment were revised in 2009 (see note 29).

c.14) Intangible assets

(i) Recognition and measurement

Intangible assets acquired by the Bank are stated at cost less accumulated amortisation and the accumulated impairment loss.

Cost related to development of new products that are based on a contracted relations and are expected to generate future economic benefits for the Bank, and in the same time are clearly included in internal projects with determined characteristics such as duration, goals, expected market segments that will be covered with that products and which can be reliably measured, are capitalized.

Initially, they are measured at cost, and subsequently are amortised over their useful life.

The value of the internally developed intangible assets will be amortised over the period of 5 years (annual amortisation rate of 20%), within which initially is planned the products to be sold on the Macedonian market.

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

	2009	**2008**
	%	%
Purchased software	15	25
Other intangible assets	10-20	20

Amortisation methods, useful lives and residual value are reviewed at each financial year-end and adjusted if appropriate. Estimates of the useful life in respect of certain items of intangible assets were revised in 2009 (see note 28).

c.15) Leased assets – lessee

Leased assets are classified as:

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

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

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

c.16) Impairment of non – financial assets

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

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

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

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

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

c.17) Deposits, borrowed funds, debt securities issued and subordinated liabilities

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

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

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

c.18) Provisions

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

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

- Off balance sheet credit exposures

- Settlement of court and other Bank's disputes
- Restructuring plans
- Onerous agreements

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

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

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

Valuation

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

In case when the expenses necessary for settlement of the liability is expected to be paid by other parties, the payment shall be treated as a separate asset. In the income statement, the costs related to the provisions should be presented net of the recognised payment.

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

c.19) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

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

(iii) Other long-term employee benefits

In accordance with local regulations the Bank pays two average salaries to its employees at the moment of retirement and a jubilee awards according the terms determined with the General collective agreement. The long-term employee benefits are discounted to determine their present value. There is no additional liability in respect of post retirement. The Bank has not calculated provision for calculated minimum amount for retirement of the employees and jubilee awards, as these amounts are not material for the financial statements.

c.20) Share capital, reserves and dividends

(a) Ordinary shares

Ordinary shares are classified as equity.

(b) Incremental costs

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

(d) Repurchase of share capital

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

(e) Fair value reserve for available for sale investments

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

(f) Retained earnings

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

(g) Dividends

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

c.21) Earnings per share

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

c.22) Segment reporting

An operating segment is a component of the Bank that can be deferred or that is engages in providing products or services (business segment) or in providing products and services in a specific areas (geographic segment) and is subject to risks and awards different from those in the other segments. The Bank primarily reports by business segments.

d) Use of estimates and judgments

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

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

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

Impairment of loans and advances

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

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

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired loans and advances, but the individual impaired items cannot yet be identified. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors, In order to estimate the required allowance, assumptions are made to define the way inherent losses are modeled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on how well these estimate future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

Allowance for impairment of available for sale equity investments

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

Determining the fair values

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

Critical accounting judgments in applying the Bank's accounting policies

Critical accounting judgments made in applying the Bank's accounting policies are presented below:

Classification of financial assets and liabilities

Bank's accounting policies enable certain financial assets and liabilities to be classified by categories at initial recognition:

- When classifying certain asset as held to maturity, the Bank has determined that there is a positive intention as well as possibility for holding the asset till maturity, as required with the accounting policy c.12.

e) Changes in accounting policies, accounting estimates and adjustments

Starting from 01 January 2009 the Methodology for recording and evaluation of the accounting entries and preparation of financial statements and the Methodology for recording and valuation of the accounting items and preparation of financial statements and the Manual for the types and the content of the Banks' financial statements went into effect. Consequently, the Bank for the first time prepares a complete set of financial statements according the NBRM"s required model of financial statements for banks and the notes to those financial statements. The data for the balance sheet positions are withdrawn from the financial statements for the year ended 31 December 2008 prepared according to the Accounting standards adopted in the Republic of Macedonia and where necessary, certain reclassifications have been made in order to meet the requirements of the model required by the NBRM.

Reclassifications have been made in the following balance sheet positions: other receivables, income tax receivables, intangible assets and property and equipment and in the following income statement items: net impairment of financial statements, net impairment loss of non-financial assets, other operating income and other operating expenses. The above mentioned reclassifications do not cause adjustments to the financial statements.

During the year ended 31 December 2009, the Bank has changed the useful life of the intangible assets and property and equipment, which represent a change in the accounting estimations. The Bank's management has made appropriate estimations of the intangible assets and property and equipment, and based on that decide to increase their useful life. The effect of this change is recognised in the current year, and respectively, the new procurements would be amortised according these changes:

- The useful life of the right on samples and trade mark is prolonged from 5 to 10 years;
- The useful life of patent right and the licenses is prolonged from 5 to 10 years;
- The useful life of software is prolonged from 4 to 6,7 years;

- The useful life of telecommunication equipment is prolonged from 4 to 6,7 years and
- The useful life of computer equipment is prolonged from 4 to 5 years.

These are recorded in the income statement under amortisation and in the balance sheet under intangible assets and property and equipment.

f) Compliance with the positive regulation

The Bank has reconciled its activities with the regulation enacted by the National Bank of Republic of Macedonia.

2. Risk management

Introduction

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks

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.

Risk management framework

Bank's business activities are exposed to different types of financial risks. The risk management of financial activities includes analyses, estimation, acceptance and management of these risks. The Bank is focused towards achieving a certain balance between the risk and the rewards and minimising of the potential negative effect to the financial result of the Bank.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate limits and controls, as well as to monitor risks and adherence to limits through reliably and modern information system. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and best practice.

The risk management is performed by the Risk Management Committee in accordance with the policies approved by the Management Board. This Committee identifies and evaluates the risks related to financing, in close cooperation with the other Bank's departments. The Management Board approves written policies for entire risk management, as well as procedures for specific types of risk such as foreign exchange risk management, interest rate risk management and credit risk management.

The Risk Management Committee is responsible for monitoring the compliance of the Bank with the policies and procedures for risk management, for monitoring the adequacy of the risk management framework in relation to the risks faced by the Bank as well as the compliance of Bank's operations with the NBRM requirements referring to risk management. The Internal Audit Department supports the Risk Management Committee in performing its functions. The Internal Audit performs regular and periodic audit of the internal risk management controls and procedures and the findings are presented to the Internal Audit Committee.

2.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks issued letter of guarantees and credits and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk and associates entities, country and sector risk).

Credit risk management

The Management Board delegates its responsibility for credit risk management to the Credit Committee which approves all loan exposures up to EUR 50 thousand.

All credit exposures over EUR 50 thousand are approved by the Supervisory Board.

Different Bank's departments and divisions (Loan and guarantee department, Customer relation department, Legal division) in close cooperation with the Risk Management Department are responsible for control of the Bank's credit risk, including:

- *Preparation of credit policies* covering collateral requirements, credit worthiness assessment, classification upon risk category and reporting, documentary and legal procedure and compliance with regulatory and statutory requirements.

- *Control and assessment of the credit risk* Loans and guarantees department and the Risk management department monitors all risk exposures related to the determined limits, prior to facilities being committed to customers.

- *Monitoring the concentration exposure* to geographic and industrial segments (for loans and advances), and by issuer, by credit rating from institutions, markets and country's liquidity (for investments).

- *Classification of Bank's credit exposure* based on the risk of financial loss faced by the Bank and focusing to risk management. The risk classification system is used in determining where impairment losses may be required. The current risk classification framework includes five grades reflecting different levels of risk and the available collateral.

- M*onitoring the compliance with the determined limits*, including those for country risk and types of products. Regular reports for credit exposure, risk grading and the allowance for impairment are provided to the Risk management committee and appropriate corrective actions are undertaken.

Collateral represents one of the most traditional and most frequently used manner in decreasing the credit risk. The Bank applies guidelines related to acceptability of certain classes of collateral. The basic types of collateral for loans and advances are the following:

- Mortgage over apartment and business premises,
- Pledge over business assets such as equipment, inventories and receivables, and
- Pledge over financial instrument, such as shares.

The Bank's departments are obliged to implement and monitor the Bank's credit policies and procedures. In cooperation with the Risk management department they are responsible for the quality of the loan portfolio, as well as for monitoring and control of all credit risks.

The Internal audit department regularly controls the operations of the loans and guarantees Department and the Customer relation department.

Impairment and provision policies

The provision regarding the impairment at the end of the year arises at each individual level of internal rating, as described above in the credit risk measurement policy. The table below presents the applied percentages of provision for impairment for the financial assets ranked according to the internal rating system applied by the Bank:

	2009		2008	
	Fin. assets (%)	Impairment provision (%)	Fin. assets (%)	Impairment provision (%)
A	76.57	1.01	67.88	0.35
B	6.18	0.85	3.63	0.36
C	1.57	0.74	1.52	0.38
D	1.01	0.71	1.88	0.94
E	14.67	14.53	25.09	25.29
	100.00	**17.84**	**100.00**	**27.32**

2.1 Credit Risk

A *Analysis of maximum exposure of credit risk*

in MKD thousand	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets held for trading		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Fees and commissions receivables		Other receivables		Off balance exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
Carrying amount of individually significant exposures, before impairment on individual basis																				
risk category A			52.498	87.180			5.821	14.247			12.177	28.714	24	39	953	266	2.512	38.799	73.985	169.245
risk category B			972	17.841			3.515						2	15	30	59	30	7.744	4.549	25.659
risk category C			3.767	7.295									181	52		130		2.245	3.948	9.722
risk category D			3.470	9.255									38	18	-	-	60	-	3.568	9.273
risk category E			48.428	49.316				58.454					1.718	1.735	3	14.184	-	-	50.149	123.689
	-	-	*109.135*	*170.887*	-	-	*9.336*	*72.701*	-	-	*12.177*	*28.714*	*1.963*	*1.859*	*986*	*14.639*	*2.602*	*48.788*	*136.199*	*337.588*
Allowance for impairment			(53.317)	(58.832)			(953)	(58.593)			(121)	(287)	(1.832)	(1.758)	(13)	(14.239)	(121)	(1.798)	*(56.357)*	*(135.507)*
Carrying amount of individually significant exposures, less allowance for impairment	-	-	55.818	112.055	-	-	8.383	14.108	-	-	12.056	28.427	131	101	973	400	2.481	46.990	79.842	202.081
Carrying amount of collectively impaired exposures, before impairment on collective basis																			-	
Individually non-significant exposures (small loan portfolio)			55.565																-	
Individually significant exposures not individually impaired																	24.328		79.893	-
	-	-	*55.565*	-	-	-	-	-	-	-	-	-	-	-	-	-	*24.328*	-	*79.893*	-
Allowance for impairment			(3.594)														(1.051)		*(4.645)*	-
Carrying amount of collectively impaired exposures, less allowance for impairment	-	-	*51.971*	-	-	-	-	-	-	-	-	-	-	-	-	-	*23.277*	-	*75.248*	-
Carrying amount of due receivables - not impaired																				
Aging structure of due receivables – not impaired																			-	
30 days																			-	
Carrying amount of due receivables - not impaired																				
Not due receivables – not impaired																				
Restructured receivables																				
Other receivables				3.019			25.057	7.865			177.039	190.526	111		5.032	1.887	3.637		210.876	203.297
Carrying amount of not due receivable – not impaired	-	-	-	*3.019*	-	-	*25.057*	*7.865*	-	-	*177.039*	*190.526*	*111*	-	*5.032*	*1.887*	*3.637*	-	*210.876*	*203.297*
Total carrying amount of receivables with credit risk before allowance for impairment	-	-	164.700	173.906	-	-	34.393	80.566	-	-	189.216	219.240	2.074	1.859	6.018	16.526	30.567	48.788	426.968	540.885
(Total allowance for impairment)	-	-	(56.911)	(58.832)	-	-	(953)	(58.593)	-	-	(121)	(287)	(1.832)	(1.758)	(13)	(14.239)	(1.172)	(1.798)	(61.002)	(135.507)
Total carrying amount of receivables with credit risk, less allowance for impairment	-	-	107.789	115.074	-	-	33.440	21.973	-	-	189.095	218.953	242	101	6.005	2.287	29.395	46.990	365.966	405.378

2.1 Credit Risk

B ***Collateral value (fai value)***

in MKD thousands	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets held for trading		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Other receivables		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
Credit exposure that is assessed for individually impairment																
First class collateral cash deposits (in depot and/or restricted to the bank's accounts)			2.204	3.939											2.204	3.939
Government securities															-	-
Public unconditional guarantees															-	-
Bank guarantees															-	-
Guarantees from insurance companies and insurance policies															-	-
Corporate guarantees (except banking and insurance)															-	-
Guarantees from individuals															-	-
Mortgage of property Property for its own usage (apartments, houses)			37.683	66.136											37.683	66.136
business property			196.552	170.890											196.552	170.890
Mortgage on movable property			4.280	6.500											4.280	6.500
Other types of collateral			268	108.884											268	108.884
Total credit exposure that is assessed for individually impairment	-	-	*240.987*	*356.349*											*240.987*	*356.349*
Credit exposures assessed for collectively impairment																
First class collateral instruments for cash deposits (in depot and/or restricted to the bank's accounts)			334												334	-
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			324												324	-
Total credit exposure assessed for collectively impairment	-	-	*658*	-	-	-	-	-	-	-	-	-	-	-	*658*	-

2.1 Credit Risk

C ***Concentration of credit risk by industry and geographic location***

in thousand MKD	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets available for sale		Cash and cash equivalents		Fees and commissions receivables		Other receivables		Off balance exposure		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
Industry																
Nonresidents				584											-	584
Agriculture, hunting and forestry											6				6	-
Fishing															-	-
Mining															-	-
Manufacturing			24.421	34.714	3.017	3.008			9			16		3.718	27.447	41.456
Electricity, gas and water									3		3				6	-
Construction					4.112	4.119						7			4.112	4.126
Wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household use				5.414	1.264	1.256			20			26	4.382		5.666	6.696
Hotels and restaurants									9			6			9	6
Traffic, storage and communications			5.929	6.397								59			5.929	6.456
Financial intermediation						5.724	189.095	218.953		101	1.939	1.682			191.034	226.460
Activities relating to real estate, rent and business activities			4.248								4.057	17			8.305	17
Public administration and defense, compulsory social security					25.047	7.866									25.047	7.866
Education				3.000											-	3.000
Health and social work															-	-
Other communal, cultural, general and personal service activities			2.170	1.549					68			3			2.238	1.552
Private households with employed persons															-	-
Ex-territorial organizations and bodies															-	-
Individuals			71.021	63.416					133			471	25.013	43.272	96.167	107.159
Sole proprietors and individuals who are not considered as traders															-	-
Total	-	-	107.789	115.074	33.440	21.973	189.095	218.953	242	101	6.005	2.287	29.395	46.990	365.966	405.378

2.1 Credit Risk
Concentration of credit risk by industry and geographic location (continued)

In thousands MKD	Loans and advances to banks		Loans and advances to other customers		Investments in financial assets held for trading		Investments in financial assets available for sale		Investments in financial assets held to maturity		Cash and cash equivalents		Fees and commissions receivables		Other receivables		Off balance exposures		Total	
	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008	current year 2009	previous year 2008
Geographical location																				
Republic of Macedonia			107.786	114.490			33.440	16.249			187.535	206.307	242	101	6.005	2.287	29.395	46.990	364.403	386.424
EU Member States				584							1.560	12.646							1.560	13.230
Europe (other)			3					5.724											3	5.724
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	-	-	107.789	115.074	-	-	33.440	21.973	-	-	189.095	218.953	242	101	6.005	2.287	29.395	46.990	365.966	405.378

2.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in meeting its financial liabilities.

Management of liquidity risk

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.

Assets and liquidity Division receives information from other departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Assets and liquidity Division then maintains a portfolio of short-term liquid assets, comprised of short-term liquid investment securities, to ensure appropriate liquidity of the Bank.

The daily liquidity position and market conditions are regularly monitored. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. Liquidity reports are submitted to the NBRM on a monthly basis.

Exposure to liquidity risk

The Bank has access to diverse sources of funds. Funds are provided using a wide range of instruments including deposits and share capital. This increases the funding flexibility, limits the dependence from the separate source of funds and generally decreases the cost of funds. The Bank intends to maintain a balance between the continuity of funding and flexibility through the usage of liabilities with a different period of maturities. The Bank continually assesses the liquidity risk by identifying and monitoring the changes in funding required for meeting the operating goals and targets set in the Bank strategy.

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

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

in MKD thousand	Up to 1 month	1 to 3 months	3 to12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
2009(current year)							
Financial assets							
Cash and cash equivalents	108,909			80,186			189,095
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	11,682	37,120	21,025	5,882	13,317	18,763	107,789
Investment securities			33,440				33,440
Investment in associated entities							-
Income tax receivables (current)	664						664
Other receivables	6,247						6,247
Pledged assets							-
Deferred tax assets							
Total financial assets	***127,502***	***37,120***	***54,465***	***86,068***	***13,317***	***18,763***	***337,235***

2.2 Liquidity Risk

Analyses according the maturity of financial assets and liabilities (residual maturity) (continued)

In MKD thousand	Up to 1 month	1 to 3 months	3 to12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
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	38,598	116	68,153		612		107,479
Debt securities issued							-
Borrowings							-
Subordinated liabilities							-
Income tax liabilities (current)							-
Deferred tax liabilities							-
Other liabilities	11,251						11,251
Total financial liabilities	***49,849***	***116***	***68,153***	***-***	***612***	***-***	***118,730***
GAP	***77,653***	***37,004***	***(13,688)***	***86,068***	***12,705***	***18,763***	***218,505***

2.2 Liquidity Risk
Analyses of the maturity of financial assets and liabilities (residual maturity) (continued)

In MKD thousand	Up to 1 month	1 to 3 months	3 to12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
2008(previous year)							
Financial assets							
Cash and cash equivalents	215,893			3,060			218,953
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	1,626	48,008	17,087	12,133	15,604	20,616	115,074
Investments securities	101		21,871				21,973
Investments in associated entities							-
Income tax receivables (current)	838						838
Other receivables	2,387						2,387
Pledged assets							-
Deferred tax assets							
Total financial assets	***220,845***	***48,008***	***38,958***	***15,193***	***15,604***	***20,616***	***359,224***

2.2 Liquidity Risk

Analyses of the maturity of financial assets and liabilities (residual maturity) (continued)

Financial liabilities							
Trading liabilities							-
Financial liabilities at fair value through profit and loss designated upon initial recognition							-
Derivatives held for risk management							-
Deposits from banks							-
Deposits from other customers	28,817	12,033	35,278		614		76,742
Debt securities issued							-
Borrowings							-
Subordinated liabilities							-
Income tax liabilities (current)							-
Deferred tax liabilities							-
Other liabilities	**9,972**						9,972
Total financial liabilities	*38,789*	*12,033*	*35,278*	-	*614*	-	*86,714*
GAP	*182,056*	*35,975*	*3,680*	*15,193*	*14,990*	*20,616*	*272,510*

2.3 Market risk

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

Exposure to interest rate risk – non-trading portfolios

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

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

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

2.3 Market risk

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

In MKD thousand	Weighted effective interest rate (in%)	Instruments with variable interest rate *	Instruments with fixed interest rate, including instruments with variable interest rate, subject to the decisions of the Bank bodies						Non interest bearing	Total
			Up to 1 mouth	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years		
2009(current year)										
Financial assets										
Cash and cash equivalents	3.2%		75,615			80,186			33,294	189,095
Financial assets at fair value through profit and loss designated upon initial recognition										
Loans and advances to banks										-
Loans and advances to other customers										-
Investment in securities	12.1%		10,219	37,120	15,326	8,096	13,317	18,763	4,948	107,789
Investment in related entities	3.9%				24,963				8,477	33,440
Other liabilities										-
Pledged assets									6,247	6,247
										-
			85,834	***37,120***	***40,289***	***88,282***	***13,317***	***18,763***	***52,966***	***336,571***

2.3 Market risk

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

In MKD thousand	Weighted effective interest rate (in%)	Instruments with variable interest rate *	Instruments with fixed interest rate, including instruments with variable interest rate, subject to the decisions of the Bank bodies						Non interest bearing	Total
			Up to 1 mouth	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years		
2009(current year)										
Financial liabilities										
Financial assets at fair value through profit and loss designated upon initial recognition										
Deposits from banks										-
Deposits from other customers	5,9%		23,558	116	68,153		612		15,040	107,479
Debt securities issued										
Borrowings										
Subordinated liabilities									11,251	11.251
Other liabilities										
			23,558	**116**	**68,153**	**-**	**612**	**-**	***26,291***	***118,730***
Interest rate gap			62,276	37,004	(27,864)	88,282	12,705	18,763	26,675	217,841

2.3 Market risk

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

In MKD thousand	Weighted effective interest rate (in%)	Instruments with variable interest rate *	Instruments with fixed interest rate, including instruments with variable interest rate, subject to the decisions of the Bank bodies						Non interest bearing	Total
			Up to 1 mouth	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years		
2008 (previous year)										
Financial assets										
Cash and cash equivalents	6.5%		157,576						61,377	218,953
Financial assets at fair value through profit and loss designated upon initial recognition										-
Loans and advances to banks										-
Loans and advances to other customers	11.6%		1,613	46,596	17,086	27,736		20,617	1,426	115,074
Investment in securities	0.5%				5,805				16,168	21,973
Investment in associated entities										-
Other receivables									2,388	2,388
Pledged assets										-
			159,189	***46,596***	***22,891***	***27,736***	**-**	***20,617***	***81,359***	***358,388***

2.3 Market risk

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

Financial liabilities									
Financial assets at fair value through profit and loss designated upon initial recognition									
Deposits from banks									
Deposits from other customers	4.3%	13,187	8,186	38,135	614			16,620	76,742
Debt securities issued									
Borrowings								11.251	11.251
Other liabilities									
		13,187	*8,186*	*38,135*	*614*	-	-	*28,390*	*88,512*
Interest rate gap		*146,002*	*38,410*	*(15,244)*	*27,122*	-	*20,617*	*52,969*	*269,876*

2.3 Market risk
2.3.2 Currency risk

in MKD thousand	MKD	EUR	USD	list separately the currencies that represent more than 10% of the total monetary assets / liabilities					Other currencies	Total
2009(current year)										
Monetary assets										
Cash and cash equivalents	130,754	45,218	12,532						591	189,095
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	52,150	52,978	2,661							107,789
Investment securities	8,478	24,962								33,440
Investment in associated entities										-
Income tax receivables (current)	664									664
Other receivables	5,760	57	430							6,247
Pledged assets										-
Total monetary assets	***197,806***	***123,215***	***15,623***	-	-	-	-	-	***591***	***337,235***

2.3 Market risk
2.3. 2 Currency risk (continued)

Monetary liabilities	MKD	EUR	USD	list separately the currencies that represent more than 10% of the total monetary assets / liabilities					Other currencies	Total
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	64,923	35,213	7,343							107,479
Debt securities issued										-
Borrowings										-
Subordinated liabilities										-
Liabilities for income tax (current)										-
Deferred tax liabilities										-
Other liabilities	11,251									11,251
Total monetary liabilities	***76,174***	***35,213***	***7,343***	-	-	-	-	-	-	***118,730***
Net position	**121,623**	**88,002**	**8,280**	-	-	-	-	-	**591**	**218,505**

2.3 Market risk
2.3.2 Currency risk (continued)

In MKD thousand	MKD	EUR	USD	list currencies that represent more than 10% of the total monetary assets / liabilities					Other currency	Total
2008 (previous year)										
Monetary assets										
Cash and cash equivalents	171,947	32,692	13,712						602	218,953
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	86,620	28,438	16							115,074
Investment securities	8,486	7,763	5,724							21,973
Investment in associated entities										-
Income tax receivables (current)	838									838
Other receivables	2,237	58	93							2,388
Pledged assets										-
Deferred tax assets										-
Total monetary assets	***270,128***	***68,951***	***19,545***	-	-	-	-	-	***602***	***359,226***

2.3 Market risk
2.3.2 Currency risk (continued)

	MKD	EUR	USD	list currencies that represent more than 10% of the total monetary assets / liabilities					Other currency	Total
Monetary liabilities										
Liabilities for trading										-
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	60,322	13,199	3,218						3	76,742
Debt securities issued										-
Borrowings										-
Subordinated liabilities										-
Liabilities for income tax (current)										-
Deferred tax liabilities										-
Other liabilities	9,581		391							9,972
Total monetary liabilities	***69,903***	***13,199***	***3,609***	-	-	-	-	-	*3*	***86,714***
Net position	**200,225**	**55,752**	**15,936**	-	-	-	-	-	**599**	**272,512**

2. Capital adequacy

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

In implementing capital adequacy requirements NBRM requires the Bank to maintain a prescribed ratio of 8% of own funds to sum of total risk-weighted assets. Total risk-weighted assets are sum of credit risk-weighted assets and sum of capital requirements for currency risk.

Bank's own funds are a sum of core capital, additional 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 period, 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.

- Additional 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 additional 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 additional 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 additional 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 additional 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 recognised and the Bank recognises 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.

The Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

There were no significant changes in the Bank's approach to capital management during the year.

The Bank's own funds position at 31 December was as follows:

No.	Description	2009	2008
Core capital			
1	**Paid-in and subscribed common and noncumulative preference shares and premium on such shares**	**782,489**	**782,489**
1.1	Nominal value	782,489	782,489
1.1.1	Nominal value of common shares	782,489	782,489
1.1.2	Nominal value of noncumulative preference shares	0	0
1.2	Premium	0	0
1.2.1	Premium on common shares	0	0
1.2.2	Premium on noncumulative preference shares	0	0
2	**Reserves and retained profit or loss**	**-386,827**	**-354,425**
2.1	Reserve fund	0	0
2.2	Retained profit restricted to distribution to shareholders	0	0
2.3	Accumulated loss from previous years	386,827	354,425
2.4	Current profit	0	0
2.5	Unrealized loss on equities available for sale	0	0
3	**Positions arising from consolidation**	**0**	**0**
3.1	Minority shares	0	0
3.2	Reserves from exchange rate differentials	0	0
3.3	Other differences	0	0
4	**Deductions**	**39,624**	**34,676**
4.1	Loss at the year end or current loss	37,440	32,402
4.2	Own shares	0	0
4.3	Intangible assets	2,184	2,265
4.4	Net-negative revaluation reserves	0	0
4.5	Difference between the amount of required and made impairment/special reserve	0	9
4.6	Amount of unallocated impairment and special reserve as a result of accounting time lag	0	0
5	**Common shares, reserves and retained profit and deductions**	**356,038**	**393,388**
6	**Amount of other positions that may be included in the core capital**	**0**	**0**
I	CORE CAPITAL	**356,038**	**393,388**
	Additional capital I		
7	**Paid-in and subscribed cumulative preference shares and premium on such shares**	**0**	**0**
7.1	Nominal value	0	0
7.2	Premium	0	0
8	**Revaluation reserve**	**306**	**294**
9	**Hybrid capital instruments**	**0**	**0**
10	**Subordinated instruments**	**0**	**0**
11	**Amount of subordinated instruments that may be included in the additional capital I**	**0**	**0**
II	**ADDITIONAL CAPITAL I**	**306**	**294**

	Deductions from core capital and additional capital I		
12	Capital investments in other banks or financial institutions of over 10% of the capital of such institutions	0	0
13	Investments in subordinated and hybrid capital instruments and other instruments of institutions referred to in 12	0	0
14	Aggregate amount of investments in capital, subordinated and hybrid instruments and other instruments exceeding 10% of (I+II)	0	0
15	Direct capital investments in insurance and reinsurance companies and pension fund management undertakings	0	0
16	Investments in financial instruments issued by the insurance and reinsurance companies and pension fund management undertakings	0	0
17	Amount of excess of limits on investments in nonfinancial institutions	0	0
18	Positions arising from consolidation (negative amounts)	0	0
III	**DEDUCTIONS**	**0**	**0**
IV	**Core capital after deductions**	**356,038**	**393,388**
V	**Additional capital I after deductions**	**306**	**294**
	Additional capital II		
19	Subordinated instruments of additional capital II	0	0
20	Additional capital I and II	306	294
21	Allowed amount of additional capital I and II	306	294
21.1	Additional capital I	306	294
21.2	Additional capital II	0	0
22	Excess of core capital	**324,500**	**393,336**
22.1	Excess of core capital (150%)	486,751	590,004
22.2	Excess of core capital (250%)	811,251	983,341
VI	**Allowed amount of additional capital II**	**0**	**0**
	Own funds		
VII	Core capital	**356,038**	**393,388**
VIII	Additional capital I	306	294
IX	Additional capital II	0	0
X	**OWN FUNDS**	**356,344**	**393,682**

The report on the capital adequacy ratio of the Bank as at 31 December is as follows:

No.	Description	Amount	
		2009	2008
I	**CREDIT RISK WEIGHTED ASSETS**		
1	On-balance credit risk - weighted assets	274,239	273,093
2	Off-balance credit risk - weighted assets	7,000	57,731
3	**Credit risk - weighted assets (1+2)**	**281,239**	**330,824**
4	Capital requirement for credit risk	22,499	26,466
II	**CURRENCY RISK - WEIGHTED ASSETS**		
5	Aggregated foreign currency position	112,981	178,982
6	Net position of gold	0	0
7	Capital required for currency risk	9,038	14,319
8	**Currency risk weighted assets**	**112,981**	**178,982**
III	**OTHER RISK-WEIGHTED ASSETS**		
9	Capital requirement for commodity risks	**0**	**0**
10	Capital requirement for market risks (10.1+10.2+10.3+10.4+10.5+10.6+10.7+10.8)	**0**	**0**
10.1	Capital requirement for specific risk of investments in debt instruments	0	0
10.2	Capital requirement for general risk of investments in debt instruments	0	0
10.3	Capital requirement for specific risk of investments in equities	0	0
10.4	Capital requirement for general risk of investments in equities	0	0
10.5	Capital requirement for settlement/delivery risk	0	0
10.6	Capital requirement for counterparty risk	0	0
10.7	Capital requirement for exceeding of exposure limits	0	0
10.8	Capital requirement for market risks arising from option positions	0	0
11	Capital requirement for other risks (9+10)	0	0
12	**Other risk weighted assets**	0	0
IV	**RISK-WEIGHTED ASSETS (3+8+12)**	**394,220**	**509,806**
13	Capital requirement for risks	**31,538**	**40,784**
V	**OWN FUNDS**	**356,344**	**393,682**
VI	**CAPITAL ADEQUACY (V/IV)**	**90%**	**77%**

4 Segment reporting
A Primary business segments

In MKD thousand	Retail banking	Corporate banking	Investment banking	Other (listed in details)			Non-allocated	Total
2009(current year)								
Net – interest income/ (expense)	14,642	6,024	-	13,495				34,161
Net fee and commission income/ (expense)	5,380	2,213	-	(3,782)				3,811
Net trading income								-
Net income from other financial instruments carried at fair value			6,048				-	6,048
Other operating income							7.487	7.487
Intersegment revenue								-
Total segment revenue	**20,022**	**8,237**	**6,048**	**9,713**	-	-	**7.487**	**51,507**
Segment financial result	22,268	6,786	5,941	9,878	-	-	(82,131)	(37,258)
Income tax							(182)	(182)
Profit / (loss) for the year	**22,268**	**6,786**	**5,941**	**9,878**	-	-	**(82,313)**	**(37,440)**
Total segment assets	76,954	37,154	8,983	213,455				336,546
Non-allocated assets per segments							141,960	141,960
Total assets	**76,954**	**37,154**	-	**222,438**	-	-	**141,960**	**478,506**
Total segment liabilities	45,665	22,123		46,107				113,895
Non-allocated liabilities per segments							6,007	6,007
Total liabilities	**45,665**	**22,123**	-	**46,107**	-	-	**6,007**	**119,902**
Net impairment of financial assets	2,246	(1,451)	(107)	165				-
Net impairment of non-financial assets							(389)	464
Depreciation and amortization								-
Restructuring costs							(4,806)	(4,806)
Capital expenditure								-
Other expenses								-
							(84,423)	(84,423)

4 Segment reporting

A Primary business segments

In MKD thousand	Retail banking	Corporate banking	Investment banking		Other (listed in details)	Non-allocated	Total
2008(previous year)							
Net – interest income/ (expense)	16,945	597	267		12,395		30,204
Net fee and commission income/ (expense)	6,212	3,687			(2,790)		7,109
Net trading income							
Net income from other financial instruments carried at fair value			(803)				(803)
Other operating income						10,091	10,091
Intersegment revenue							
Total segment revenue	**23,157**	**4,284**	**(536)**	**9,605**		**10,091**	**46,601**
Segment financial result	30,418	4,284	(981)	9,961		(76,083)	(32,401)
Income tax							
Profit /(loss) for the year	**30,418**	**4,284**	**(981)**	**9,961**		**(76,083)**	**(32,401)**
Total segment assets	81,278	33,796	21,973	218,953			356,000
Non-allocated assets per segments						128,542	128,542
Total assets	**81,278**	**33,796**	**21,973**	**218,953**		**128,542**	**484,542**
Total segment liabilities	32,538	15,812		28,392			76,742
Non-allocated liabilities per segments						11,770	11,770
Total liabilities	**32,538**	**15,812**		**28,392**		**11,770**	**88,512**
Net impairment of financial assets	7,261		(445)	356		(1,618)	5,554
Net impairment of non-financial assets							
Depreciation and amortization						(3,415)	(3,415)
Restructuring costs							
Capital expenditure							
Other expenses						(81,141)	(81,141)

4 Segment reporting
B *Secondary geographic segments*

In MKD thousand	Republic of Macedonia	Member countries of the EU	Europe (rest)	Member countries of OECD	Other		Non-allocated	Total
2009 (current year)								
Net – interest income/ (expense)	35,657	(1,496)						34,161
Net fee and commission income/ (expense)	5,170	(1,359)						3,811
Net trading income								-
Net income from other financial instruments carried at fair value	6,048							6,048
Other operating income	7,487							7,487
Intersegment revenue								-
Total segment revenue	54,362	(2,855)	-	-	-	-	-	51,507
Segment financial result	(34,403)	(2,855)	-	-			-	(37,258)
Income tax							(182)	(182)
Profit / (loss) for the year	***(34,403)***	***(2,855)***	-	-	-	-	***(182)***	**(37,440)**
Total segment assets	476,946	1,560						478,506
Non-allocated assets by segments								
Total assets	**476,946**	**1,560**	-	-	-	-	-	**478,506**
Total segment liabilities	119,902							119,902
Non-allocated liabilities by segments								
Total liabilities	**119,902**	-	-	-	-	-	-	**119,902**
Net impairment of financial assets	464							464
Net impairment of non-financial assets								
Amortization and depreciation	(4,806)							(4,806)
Restructuring costs								
Capital expenditure								
Other expenses	(84,423)							**(84,423)**

In MKD thousand	Republic of Macedonia	Member countries of the EU	Europe (rest)	Member countries of OECD	Other	Non-allocated	Total
2008 (previous year)							
Net – interest income/ (expense)	30,203	1					30,204
Net fee and commission income/ (expense)	9,704	(2,595)					7,109
Net trading income							-
Net income from other financial instruments carried at fair value	(803)						(803)
Other operating income	10,091						(10,091)
Intersegment revenue							-
Total segment revenue	49,195	(2,594)	-	-	-	-	46,601
Segment financial result	(29,807)	(2,594)	-	-			(32,401)
Income tax							
Profit (loss) for the year	***(29,807)***	***(2,594)***	-	-	-	-	**(32,401)**
Total segment assets	471,896	12,646					484,542
Non-allocated assets by segments							
Total assets	**471,896**	**12,646**	-	-	-	-	**484,542**
Total segment liabilities	88,512						88,512
Non-allocated liabilities by segments							
Total liabilities	**88,512**	-	-	-	-	-	**88,512**
Net impairment of financial assets	5,554						5,554
Amortization and depreciation	(3,415)						(3,415)
Restructuring costs							
Capital expenditure							
Other expenses	(81,141)						**(81,141)**

5 Fair value of financial assets and financial liabilities

In MKD thousand	Current year 2009 Carrying amount	Current year 2009 Fair value	Previous year 2008 Carrying amount	Previous year 2008 Fair value
Financial assets				
Cash and cash equivalents	189,095	189,095	218,953	218,953
Trading assets				
Financial assets at fair value through profit and loss, designated upon initial recognition				
Derivatives held for risk management				
Loans and advances to banks				
Loans and advances to other clients	107,789	107,789	115,074	115,074
Investment securities	33,440	33,440	21,973	21,973
Investment in associated entities				
Income tax receivables (current)	664	664	838	838
Other receivables	6,247	6,247	2,388	2,388
Pledged assets				
Deferred tax assets				
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 other clients	107,479	107,479	76,742	76,742
Debt securities issued				
Borrowings				
Subordinated liabilities				
Income tax liabilities (current)				
Deferred tax liabilities				
Other liabilities	11,251	11,251	9,972	9,972

6 Net interest income/ (expenses)

A Structure of the interest income and expenses according the type of the financial instrument

In MKD thousand

	Current year 2009	Previous year 2008
Interest income		
Cash and cash equivalents	14,861	10,638
Financial assets at fair value through profit and loss, designated upon initial recognition	-	
Derivative assets held for risk management	-	
Loans and advances to banks	2,616	985
Loans and advances to customers	14,920	14,174
Investment securities	3,008	2,031
Other receivables	-	
(Net impairment of interest income)	(789)	(1,601)
Collected previously written off interest	4,728	5,885
Total interest income	***39,344***	***32,111***
Interest expense		
Financial liabilities at fair value through profit and loss, designated upon initial recognition	-	
Derivative liabilities held for risk management	-	
Deposits from banks	1,629	1
Deposits from customers	3,550	1,907
Debt securities issued	-	
Borrowings	4	
Subordinated liabilities	-	
Other liabilities	-	
Total interest expense	***5,183***	***1,908***
Net interest income/(expense)	**34,161**	**30,203**

6 Net interest income/ (expenses)

B Sector analyses of the interest income and expenses

In MKD thousand

	Current year 2009	Previous year 2008
Interest income		
Non-financial entities	3,270	1,157
Government	3,008	2,031
Non-profit institutions serving the households		0
Banks	17,477	11,556
Other financial institutions (non banking)		
Households	11,649	13,017
Non-resident	0	66
(Net impairment of interest income)	(788)	(1,601)
Collected previously written off interest	4,728	5,885
Total interest income	***39,344***	***32.112***
Interest expenses		
Non-financial entities	247	558
Government		
Non-profit institutions serving the households	8	1
Banks	1,633	1
Other financial institutions	2,348	991
Households	947	357
Non-resident		
Total interest expense	***5,183***	***1,908***
Net – interest income/(expense)	**34,161**	**30.204**

7 Net fee and commission income/ (expense)

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

In MKD thousand

	Current year 2009	Previous year 2008
Fee and commission income		
Loans	278	885
Payment operations		
domestic	695	595
abroad	191	65
Guarantees and letters of credit		36
Brokerage		
Asset management		
Trust and other fiduciary activities		
Issued securities		
Credit cards		
Other (list separately income over 10% of the total fee and commission income)		
Credit cards	**6,857**	**9.689**
other	**639**	
Total fee and commission income	***8,660***	***11,270***
Fee and commission expenses		
Loans	94	244
Payment operations		
domestic	2,666	742
abroad		
Guarantees and letters of credit		
Brokerage		149
Asset management		
Trust and other fiduciary activities		
Issued securities		
Interbank operations		
Credit cards		
Other (list separately income over 10% of the total fee and commission expenses)		
Card operations	1,359	2,566
other	730	460
Total	**4,849**	**4,161**
Net fee and commission income/(expenses)	**3,811**	**7,109**

7 Net fee and commission income/ (expense)

B *Sector analyses of the fee and commission income and expenses*

In MKD thousand

	Current year 2009	Previous year 2008
Fee and commission income		
Non-financial entities	2.307	3,911
Government		
Non-profit institutions serving the households		20
Banks		
Other financial institutions	639	7
Households	5,381	6,212
Non-resident	333	1,120
Total fee and commission income	***8,660***	***11,270***
Fee and commission expenses		
Non-financial entities	94	244
Government		
Non-profit institutions serving the households	2,666	1,109
Banks	2,089	2,808
Non-resident		
Total fee and commission expenses	***4,849***	***4,161***
Net fee and commission income/(expenses)	**3,811**	**7,109**

8 Net trading income

	In MKD thousand Current year 2009	Previous year 2008
Trading assets		
Net income / (loss) from changes in fair value of debt securities		
realised	-	
unrealised	-	
Net income /(loss) from changes in fair value of equity instruments		
realised	-	
unrealised	-	
Dividend income from trading assets	-	
Interest income from trading assets	-	
Trading liabilities		
Net income / (loss) from changes in fair value of debt securities		
realised	-	
unrealised	-	
Net income /(loss) from changes in fair value of the trading deposits		
realised	-	
unrealised	-	
Net income /(loss) from changes in fair value of the other trading financial liabilities		
realised	-	
unrealised	-	
Interest expenses from financial liabilities held for trading	-	
Net income / (loss) from changes in fair value of derivatives held for trading		
realised	-	
unrealised	-	
Net trading income	**-**	**-**

*As at 31 December 2009, the Bank does not have net trading income

9 Net income from other financial instruments carried at fair value

In MKD thousand

	Current year 2009	Current year 2009
Financial asset at fair value through profit or loss, designated upon initial recognition		
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	-	
Financial liabilities at fair value through profit or loss designated upon initial recognition		
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	-	
Net income / (loss) from changes in fair value of the derivatives held for risk management at fair value through profit or loss		
realised	-	
unrealised	-	
Net income from other financial instruments carried at fair value		

* As at 31 December 2009 the Bank does not have net income from other financial instruments carried at fair value

10 Net foreign exchange gains/ (losses)

	In MKD thousand Current year 2009	Previous year 2008
Realised net foreign exchange gains/losses	417	546
Unrealised net foreign exchange gains/losses	1,856	1,145
Net foreign exchange gains/ losses on impairment of financial assets	(645)	
Other net foreign exchange gains/ losses		
Net foreign exchange gains/ (losses)	**1,628**	**1,691**

11 Other operating income

	Current year 2009	Previous year 2008
	In MKD thousand	
Income from sale of assets available-for-sale	6,048	1,171
Dividends from equity securities available-for-sale	98	210
Net income from investments in subsidiaries and associates		
Capital gain from sale of:		
Property and equipment		
Intangible assets		
Foreclosed assets		
Non-current assets held for trading and disposal group		
Rental income	4,526	4,501
Income from won court cases		
Collected previously written off receivables	-	
Release of provision for:		
Off balance credit exposure	626	1,444
Contingent liabilities related to court cases	-	
Pension and other employee benefits	-	
restructuring	-	
Onerous agreements	-	
other provisions	-	
Other (list separately all income presenting over 10% of the total other operating income)		
Other	609	270
Income from previous years		
Total other operating income	**11,907**	**7,596**

12 Net impairment loss on financial assets

In MKD thousand	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
2009 (current year)								
Individually impaired								
Additional impairment	70	6,084	181		2,052	451	113	8,951
(Release of impairment)	(70)	(10,473)	(74)		(2,217)	(27)	(148)	(13,009)
	-	***(4,389)***	***107***	-	***(165)***	***424***	***(35)***	***(4,058)***
Collectively impaired								
Additional impairment		12,186						12,186
(Release of impairment)		(8,592)						(8,592)
	-	***3,594***	-	-	-	-	-	***3,594***
Total net impairment of financial assets	-	**(795)**	**107**	-	**(165)**	**424**	**(35)**	**(464)**

12 Net impairment loss on financial assets (continue)

In MKD thousand	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
2008 (previous years) ***Individually impaired***								
Additional impairment			445			14	1,618	2,077
(Release of impairment)		(7,275)			(356)			(7,631)
	-	*(7,275)*	***445***	-	*(356)*	***14***	***1,618***	*(5,554)*
Collectively impaired								
Additional impairment								-
(Release of impairment)								-
	-	-	-	-	-	-	-	-
Total net impairment of financial assets	-	**(7,275)**	**445**	-	**(356)**	**14**	**1,618**	**(5,554)**

13 Net impairment loss on non-financial assets

In MKD thousand	Property and equipment	Intangible assets	Foreclosed assets	Noncurrent assets held for sale	Other non financial assets	Goodwill	Total
2009 (current year)							
Additional impairment loss							-
(Release of impairment loss)							-
Total net impairment loss of non-financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2008 (previous year)							
Additional impairment loss			696				696
(Release of impairment loss)							-
Total net impairment loss of non-financial assets	**-**	**-**	**696**	**-**	**-**	**-**	**696**

14 *Personnel expenses*

	In MKD thousand	
	Current year 2009	Previous year 2008
Short-term employee benefits		
Wages and salaries	24,477	19,800
Compulsory social security obligations	12,055	11,656
Short term compensated absence	267	49
Temporary employment costs		
Profit sharing and bonuses		
Non-monetary benefits		
	36,799	***31,505***
Post-employment benefits		
Contributions to defined contribution plans		
Retirement benefits		
Increase in liability for long service-leave		
Increase in liability for other long term benefits		
Other benefits at employment termination		
	-	-
Termination benefits		
Equity-settled share-based payments		
Cash-settled share-based payments		
Collective agreement benefits	290	2,116
Total personnel expenses	**37,089**	**33,621**

15 Depreciation and amortization

In MKD thousand

	Current year 2009	Previous year 2008
Amortization of intangible assets		
Internally developed software		
Purchased software from external suppliers	404	238
Other internally developed intangible assets		
Other intangible assets	295	245
Investments in leased intangible assets		
	699	***483***
Depreciation of property and equipment		
Buildings		
Vehicles		
Office equipment and furniture	3,408	2,710
Other equipment	281	172
Other property and equipment	6	8
Leasehold improvments	412	42
	4,107	***2,932***
Total depreciation and amortization	**4,806**	**3,415**

16 Other operating expenses

In MKD thousand

	Current year 2009	Previous year 2008
Loss from sale of assets available-for-sale		1,974
Software licensing cost		
Deposit insurance premium	481	108
Premium for insurance of property and employees		
Materials and services	25,241	26,924
Administrative and marketing expenses	2,725	1,187
Other taxes and contributions	3,017	1,678
Rents	13,569	12,977
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		
Noncurrent assets held for sale		
Other (list in details all expenses over 10% of the other operating expenses)		
Business trips	1,476	617
other	825	1,359
Total other operating expenses	**47,334**	**46,824**

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

	In MKD thousand Current year 2009	Previous year 2008
Current income tax		
Expenses / (income) for current income tax	182	0
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		
	182	***0***
Deferred income tax		
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		
	0	***0***
Total expense / (return) on income tax	***182***	***0***

	In MKD thousand Current year 2009	Previous year 2008
Current income tax		
Recognised in the income statement	182	0
Recognised in equity		
	182	***0***
Deferred income tax		
Recognised in the income statement		
Recognised in equity		
	0	***0***
Total expense/ (return) on income tax	***182***	***0***

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

	in %	*In MKD thousand*	*in %*	*In MKD thousand*
	Current year 2009		Previous year 2008	
Gain / (loss) before tax		(37,258)		(32,403)
Income tax using the applicable tax rate	0%		10.00%	(3,240)
Effect of tax rates in foreign jurisdiction				
Adjustments for previous years and changes in the tax rate				
Taxed income abroad				
Non deductable expenses	0.49%	182	(0.22%)	70
Tax exempt income			0.06%	(21)
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			(9.84)%	3,191
Total expense / (return) of income tax		**182**		-
Average effective tax rate	**(0.49%)**		**0.0%**	

According the changes in Income Tax Law, from 01 January 2009, the Bank calculates and pays income tax on non-deductible expenses using tax rate of 10%. In 2008 the methodology for calculation of income tax was different. Tax basis was profit adjusted for certain income and expenses and tax exemptions and incentives.

18 *Cash and cash equivalents*

In MKD thousand

	Current year 2009	Previous year 2008
Cash in hand	13,315	16,387
Cash and balances with NBRM, except obligatory deposits in foreign currency	26,873	18,255
Current accounts and deposits with foreign banks	1,560	12,646
Current accounts and deposits with domestic banks	12,176	12,730
Treasury bills tradable at the secondary market	93,773	141,609
Government bills tradable at the secondary market		
Time deposits with maturity of up to three months		15,967
Other short term highly liquid assets		
Interest receivables	24	9
(Allowances for impairment)	(121)	(287)
Included in the cash and cash equivalents for the purposes of Statement of cash flow	***147,600***	***217,316***
Mandatory deposits in foreign currency	41,495	1,637
Restricted deposits		
(Allowances for impairment)		
Total	**189,095**	**218,953**

In MKD thousand

	Current year 2009	Previous year 2008
Specific allowances for impairment		
Balance at 1 January	287	643
Impairment loss for the year		
additional impairment	2,052	
(release of impairment)	(2,217)	(356)
Effect of foreign currency movements	(1)	
(Written off receivables)		
Balance at 31 December	**121**	**287**

As at 31 December 2009 the cash and cash equivalents includes the amount of MKD 20,534 thousand (2008: MKD 12,525 thousand) representing the obligatory reserve in MKD.

The Bank is obliged to maintain obligatory reserve in MKD at its account with National Bank of Republic of Macedonia, calculated at the rate of 10% (2008: 10%) to the Bank's liabilities towards the residents and non-residents, legal entities and individuals based on the average daily amounts on these accounts at each calendar day during the previous month, as well as the obligatory reserve in the amount of 20% (2008: 10%) on the amount of liabilities denominated in MKD with foreign currency clause. Also the Bank is obliged to maintain obligatory reserve in foreign currency at a special accounts with National Bank of Republic of Macedonia, calculated at a rate of 13% (2008: 10%) on the average daily amounts of the accounts for liabilities in foreign currency towards residents and non residents, legal entities and individuals at each calendar day during the previous month. During 2009 and 2008 the Bank has meet the obligations for maintaining the required level of obligatory foreign currency reserve. These assets are not available for performance of the Bank's daily operating activities.

The interest rate on the obligatory reserve in MKD during 2009 and 2008 was 2% annually. The interest rate on the obligatory reserve in foreign currency in 2008 was 0% and in 2009 according the changes in July was 0,1% annually.

Treasury bills issued by the NBRM are with maturity of 27 to 28 days (2008: 28 to 29 days) and have interest rate of 7,5% up to 9% annually (2008: 6,96% annually).

19 Trading assets

In MKD thousand

	Current year 2009	Previous year 2008
Trading securities		
Debt trading securities		
Treasury bills		
Government bills		
Other money market instruments		
Governments bonds		
Corporate bonds		
Other debt securities		
	-	-
Listed		
Non-listed		
Trading equity securities		
Equity securities issued by banks		
Other equity instruments		
	-	-
Listed		
Non-listed		
Trading derivates		
Contracts that depends on the change of the interest rate		
Contracts that depends on the foreign exchange rate		
Contracts that depends on the equity price		
Other contracts that fulfill the IAS 39 requirements		
	-	-
Total trading assets	-	-

*As at 31 December 2009 the Bank does not have a trading portfolio

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

In MKD thousand

	Current year 2009	Previous year 2008
Debt securities		
Treasury bills		
Government bills		
Other money market instruments		
Governments bonds		
Corporate bonds		
Other debt securities		
	-	-
Listed		
Non-listed		
Equity securities		
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	-	-

* As at 31 December 2009 the Bank does not have financial assets at fair value through profit and loss, recognized at initial recognition

21 Derivative assets and liabilities held for risk management

In MKD thousand

		Current year 2009		Previous year 2008	
		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	-	-	-	-
Б	***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	-	-	-	-

* As at 31 December 2009 the Bank does not have derivative assets and liabilities held for risk management

22 Loans and advances
22.1 Loans and advances to banks

In MKD thousand

	Current year 2009		Previous year 2008	
	Short term	Long term	Short term	Long term
Loans to banks				
Domestic banks				
Foreign banks				
Term deposits, with maturity over three months				
Domestic banks				
Foreign banks				
Repo				
Domestic banks				
Foreign banks				
Other receivables				
Domestic banks				
Foreign banks				
Current maturity				
Total loans and advances to banks before allowances for impairment				
Allowances for impairment				
Total loans and advances to banks less allowances for impairment				

In MKD thousand

	Current year 2009	Previous year 2008
Specific allowances for impairment		
Balance at January 1	-	
Impairment loss for the year		
Additional impairment	70	
(release of impairment)	(70)	
FX effect		
(Receivables written off)		
Balance at 31 December	-	-

* As at 31 December 2009 the Bank does not have loans and advances to banks

22.2 *Loans and advances to customers*

A *Portfolio of loans and advances to customers according the type of the debtor*

In MKD thousand

	Current year 2009		Previous year 2008	
	Short term	Long term	Short term	Long term
Non-financial entities				
Principle	27,098	27,161	23,254	27,688
Interest receivable	193		133	
Government				
Principal				
Interest receivable				
Non-profit institutions serving to the households				
Principle				
Interest receivable				
Financial institutions, except banks				
Principle				
Interest receivable				
Household				
Principle				
Housing loans	760	594	4,817	1,075
Consumer loans	42,592	22,087	12,282	25,249
Car loans				
Mortgage loans				11
Credit cards	42,719		77,519	
Other loans	211			
Interest receivable	1,265		1,294	
Non-residents				
Principle	20		584	
Interest receivable	-		-	
Current maturity	10,197	(10,197)	4,635	(4,635)
Total loans and advances to customers before allowances for impairment	***125,055***	***39,645***	***124,518***	***49,388***
(Allowances for impairment)	(55,228)	(1,683)	(57,797)	(1,035)
Total loans and advances to customers less allowances for impairment	**69,827**	**37,962**	**66,721**	**48,353**
		107,789		**115,074**

22.2 Loans and advances to customers

A ***Portfolio of loans and advances to customers according the type of the deptor***

In MKD thousand

	Current year 2009	Previous year 2008
Specific allowances for impairment		
Balance at 1 January	58,832	66,107
Impairment loss for the year		
Additional impairment	6,084	
(release of impairment)	(10,473)	(7,275)
FX effect	(1.126)	
(Receivables written off)		
Balance of 31 December	**53,317**	**58,832**
Collective allowances for impairment		
Balance at January 1		-
Impairment loss for the year		
Additional impairment	12,186	
(release of impairment)	(8,592)	
FX effect		
(Receivables written off)		
Balance at 31 December	**3.594**	**-**
Total allowances for impairment of loans and advances to customers	**56,911**	**58,832**

22.2 Loans and advances to customers

B Portfolio of loans and advances to customers according the type of the collateral

In MKD thousand

	Current year 2009	Previous year 2008
(current carrying amount of loans and advances)		
First class collateral		
Cash deposits (depo and or/ restricted at bank's accounts)	2,213	3,611
Government securities		
Government unconditional guarantees		
Bank guarantees		
Guarantees issued by insurance companies and insurance policies		
Corporate guarantees (except from banks and insurance companies)		
Guarantees from individuals	48,618	54,442
Pledge on property		
Property for its own use (apartments and houses)	8,157	15,558
Business property	30,461	26,591
Pledge on movable lien		213
Other types of collateral		
Unsecured loans	18,340	14,659
Total loans and advances to customers less allowance for impairment	**107,789**	**115,074**

23 Investment securities
23.1 Investments in financial assets available for sale

In MKD thousand

	Current year 2009	Previous year 2008
Debt securities		
Treasury bills		
Government bills	17,996	
Other money market instruments		
Government bonds	7,061	7,865
Corporate bonds		
Other debt instruments		58,454
	25,057	***66,319***
Listed	***7,061***	***7,865***
Non-listed	***17,996***	***58,454***
Equity instruments		
Equity instruments issued by banks		
Other equity instruments	9,336	14,247
	9,336	***14,247***
Listed	9,336	8,443
Non-listed	-	5,804
Total investments in available for sale instruments before allowances for impairment	***34,393***	***80,566***
(Allowances for impairment)	(953)	(58,593)
Total investments in available for sale instruments less allowances for impairment	**33,440**	**21,973**

Specific allowances for impairment	Current year 2009	Previous year 2008
Balance at 1 January	58,593	58,148
Impairment loss for the year		
Additional impairment	181	
(release of impairment)	(74)	
FX effect	390	445
(Receivables written off)	(58,137)	
Balance at 31 December	**953**	**58,593**

As at 31 December 2009 the government bonds issued by the Ministry of Finance of Republic of Macedonia are comprised of:

- Government bonds from the fifth issue in 2006, with maturity of 10 years and annual interest rate of 2% (2008: 2%), which at 31 December 2009 are in the amount of MKD 4,814 thousand (2008: MKD 5,404 thousand);
- Government bonds from the sixth issue in 2007, with maturity of 10 years and annual interest rate of 2% (2008: 2%), which at 31 December 2009 are in the amount of MKD 212 thousand (2008: MKD 240 thousand); and
- Government bonds from the seventh issue in 2008, with maturity of 10 years and with an annual rate of 2% (2008: 2%), which at 31 December 2009 are in the amount of MKD 1,940 thousand (2008: MKD 2,121 thousand).

As at 31 December 2008 the total amount of MKD 58,454 thousand refers to the bonds issued by the Russian Federation which has been written off in 2009.

23.2 Investments in financial assets held to maturity

In MKD thousand

	Current year 2009	Previous year 2008
Debt securities		
Treasury bills		
Government bills		
Other money market instruments		
Government bonds		
Corporate bonds		
Other debt instruments		
Listed		
Non-listed		
Equity instruments		
Equity instruments issued by banks		
Other equity instruments		
Listed		
Non-listed		
Total investments in financial instruments held to maturity before allowances for impairment		
(Allowances for impairment)		
Total investments in financial instruments held to maturity less allowances for impairment		

Specific allowances for impairment	Current year 2009	Previous year 2008
Balance at 1 January		
Impairment loss for the year		
Additional impairment		
(release of impairment)		
FX effect		
(Receivables written off)		
Balance at 31 December		

*As at 31 December 2009 the Bank does not investments in financial assets held to maturity.

24 Investments in subsidiaries and associated entities

A Proportion of participation on the bank in subsidiaries and associates entities

in %

Name of subsidiaries and associated entities	Country	Proportion of interest ownership		Proportion of voting power	
		Current year 2 009	Previous year 2008	Current year 2009	Previous year 2008

Б Financial information for the associated entities - 100%

In MKD thousand

Name of associated entities	Total assets	Total liabilities	Total capital and reserves	Revenue	Profit/(loss) for the year
Current year 2008					
	-	-	-	-	-
Previous year 2008					
	-	-	-	-	-

* As at 31 December 2009 the Bank does not have investments in subsidiaries and associated entities.

25 *Other receivables*

In MKD thousand

	Current year 2009	Previous year 2008
Trade receivables	-	24
Prepayments	608	285
Deferred income	1.350	224
Fee and commission receivables	2.071	101
Receivables from employees	3	123
Advances for intangible assets	1.690	367
Advances for property and equipment		
Other (list in details all receivables over 10% of the total other receivables)		
material expenses	1.165	589
numismatics	155	163
leasing	968	524
receivables from payments on behalf of customers	33	15.942
other	49	43
Total other receivables before allowances for impairment	***8.092***	***18.385***
(Allowances for impairment)	(1.845)	(15.997)
Total other receivables less allowances for impairment	**6.247**	**2.388**

In MKD thousand

	Current year 2009	Previous year 2008
Specific allowances for impairment		
Balance at 1 January	15.997	14.365
Impairment loss for the year		
Additional impairment	564	1.632
(release of impairment)	(175)	
FX effect	1.382	
(Receivables written off)	(15.923)	
Balance at 31 December	**1.845**	**15.997**

26 Pledged assets

In MKD thousand

	Current year 2009	Previous year 2008
Debt securities		
Equity instruments		
Total pledged assets	-	-

*As at 31 December 2009 the Bank does not have pledged assets.

27 *Foreclosed assets*

In MKD thousand`	Land	Buildings	Equipment	Apartments	Other	Total
Cost						
Balance at 1 January 2008 (previous year)		65.234	5.236	34.328		104.798
foreclosed during the year				3.556		3.556
(sold during the year)						-
(transferred to own assets)						-
Balance at 31 December 2008 (previous year)	-	***65.234***	***5.236***	***37.884***	-	***108.354***
Balance at 1 January 2009 (current year)	-	65.234	5.236	37.884	-	108.354
foreclosed during the year						
(sold during the year)						
(transferred to own assets)						-
Balance at 31 December 2009 (current year)	-	***65.234***	***5.236***	***37.884***	-	***108.354***
Allowances for impairment						
Balance at 1 January 2008 (previous year)						-
Impairment loss for the year		223	406	67		696
(transferred to own assets)						

27 Foreclosed assets (continued)

Balance at 31 December 2008 (previous year)	**-**	***223***	***406***	***67***	**-**	***696***
Balance at 1 January 2009 (current year)	-	223	406	67	-	696
Impairment for the year						-
(transferred to own assets)						-
Balance at 31 December 2009 (current year)	**-**	***223***	***406***	***67***	**-**	***696***
Carrying amount						
at 1 January 2008 (previous year)	-	65.234	5.236	34.328	-	104.798
at 31 December 2008 (previous year)	**-**	**65.011**	**4.830**	**37.817**	**-**	**107.658**
at 31 December 2009 (current year)	**-**	**65.011**	**4.830**	**37.817**	**-**	**107.658**

On 18 December 2009 the Bank has signed a pre-agreement for sale of the foreclosed assets in the amount of MKD 107,637 thousand. The agreement will be realised within the next six months. As the carrying amount of these assets at the reporting date equals the selling price, the Bank has not revalued these assets, as required by the Decision for accounting and regulatory treatment of the foreclosed assets.

28 Intangible assets

A Reconciliation of the carrying amount

In MKD thousand	Internally developed software	Purchased software from external suppliers	Other internally developed intangible assets	Other intangible assets	Investment in intangible assets under lease	Goodwill	Total
Cost							
Balance at 1 January 2008 (previous year)		3,335		5,061	-		8,396
Increase through new purchases		1,091		1,845			2,936
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							-
at 31 December 2008 (previous year)	-	***4,426***	-	***6,906***	-	-	***11,332***
Balance at 1 January 2009 (current year)	-	4,426	-	6,906	-	-	11,332
Increase through new purchases		8,302		215			8,517
Increase through internal development			7,136				7,136
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 2009 (current year)	-	***12,728***	**7,136**	***7,121***	-	-	***26,985***
Amortization and impairment losses							
Balance at 1 January 2008 (previous year)		2.646		4.397	-		7.043
Amortization for the period		238		245			483
Impairment losses for the period							-
(release of impairment losses for the year)							-
(disposals and write-offs)							-

Balance at 31 December 2008 (previous year)	-	***2.884***	-	***4.642***	-	-	***7.526***
Balance at 1 January 2009 (current year)		2.884	-	4.642	-	-	7.526
Amortization for the year		404		295			699
Impairment loss for the year							-
(release of impairment loss for the year)							-
(disposals and write-offs)							-
Balance at 31 December 2009 (current year)	-	***3.288***	-	***4.937***	-	-	***8.225***
Carrying amount							
at 1 January 2008 (previous year)	-	689	-	664	-	-	1.353
at 31 December 2008 (previous year)	-	**1.542**	-	**2.264**	-	-	**3.806**
at 31 December 2009 (current year)	-	**9.440**	**7.136**	**2.184**	-	-	**18.760**

* only for the consolidated financial statements

Б 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

In MKD thousand	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 2008 (previous year)						-
at 31 December 2009 (current year)						-

Changes in the accounting estimates

During the year ended 31 December 2009, the Bank has conducted an operational efficiency review and changed the useful life of the software and other intangible assets. As a result the useful life of the software and the other intangible assets has increased and resulted with decrease of the amortisation rate of software from 25% to 15% and decrease of the amortisation rate on the other intangible assets from 20% to 10% accordingly.

The effect of these changes on amortization expense, in current and future periods is as follows:

	2009	**2010**	**2011**	**Subsequent years**
Decrease in the amortization expense	565	1.307	999	1.051

29 *Property and equipment*

A Reconciliation of the carrying amount

In MKD thousand	Land	Buildi ngs	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 2008 (previous year)			1,112	49,150	5,656	990		70,122	127,030
increase				6,440	381	16	1,409	2,060	10,306
increase through business combination									
(disposals and write-offs)				(3,212)					(3,212)
(disposal through business combination)									-
(transfer to non-current assets held for sale)									-
transfer from non-current assets held for sale									-
Other transfers				1,409			(1,409)		-
Balance at 31 December 2008 (previous year)	-	-	***1,112***	***53,787***	***6,037***	***1,006***	-	***72,182***	***134,124***
Balance at 1 January 2009 (current year)	-	-	1,112	53,787	6,037	1,006	-	72,182	134,124
increase				1,872	1,589		1,098	549	5,108
Increase through business combination									-
(disposals and write-offs)									-
(disposals through business									

combination)									-
(transfer to non-current assets held for sale)									-
transfer from non-current assets held for sale									-
Other transfers									-
Balance at 31 December 2009 (current year)	-	-	***1,112***	***55,659***	***7,626***	***1,006***	***1,098***	***72,731***	***139,232***
Depreciation and impairment losses									
Balance at 1 January 2008 (previous year)			1,112	43,491	5,465	362		70,122	120,552
Depreciation for the year				2,710	172	8		42	2,932
Impairment losses for the year									-
(release of impairment losses for the year)									-
(disposals and write-offs)				(3,212)					(3,212)
(transfer to non-current assets held for sale)									-
transfer from non-current assets held for sale									-
Balance at 31 December 2008 (previous year)	-	-	***1,112***	***42,989***	***5,637***	***370***	-	***70,164***	***120,272***
Balance at 1 January 2009 (current year)	-	-	1,112	42,989	5,637	370		70,164	120,272
Depreciation for the year				3,408	281	6		412	4,107
Impairment losses for the year									-
(release of impairment losses for the year)									-
(disposals and write-offs)									-
(transfer to non-current assets held for									

sale)									-
transfer from non-current assets held for sale									-
Other transfers									-
Balance at 31 December 2009 (current year)	-	-	*1,112*	*46,397*	*5,918*	*376*	-	*70,576*	*124,379*
Carrying amount									
at 1 January 2008 (previous year)	-	-	-	5,659	191	628	-	-	6,478
at 31 December 2008 (previous year)	-	-	-	**10,798**	**400**	**636**	-	**2,018**	**13,852**
at 31 December 2009 (current year)	-	-	-	**9,262**	**1,708**	**630**	**1,098**	**2,155**	**14,853**

Changes in the accounting estimates

During the year ended 31 December 2009, the Bank has conducted an operational efficiency review and changed the useful life of the computers and the telecommunication equipment. As a result the useful life of the computers and telecommunication equipment has increased and resulted with decrease of the depreciation rate of the computers from 25% to 20% and decrease of the depreciation rate of the telecommunication equipment from 25% to 15% accordingly.

The effect of these changes on depreciation expense, in current and future periods is as follows:

	2009	**2010**	**2011**	**Subsequent years**
Decrease of the depreciation expense	585	621	(73)	79

30 Current and deferred tax assets and liabilities
30.1 Current tax assets and tax liabilities

In MKD thousand

	Current year 2009	Previous year 2008
Income tax receivables (current)	664	838
Income tax liabilities (current)		

30.2 Deferred tax assets and tax liabilities

A ***Recognised deferred tax assets and deferred tax liabilities***

In MKD thousand	Current year 2009 Deferred tax assets	Current year 2009 (Deferred tax liabilities)	Current year 2009 Net	Previous year 2008 Deferred tax assets	Previous year 2008 (Deferred tax liabilities)	Previous year 2008 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	-	-	-	-	-	-

Б ***Unrecognised deferred tax assets***

	In MKD thousand Current year 2009	Previous year 2008
Tax losses		
Tax credits		
Total unrecognised deferred tax assets	-	-

B

Reconciliation of the movements of the deferred tax assets and deferred tax liabilities during the year

In MKD thousand	at 1 January	Recognised during the year in: Income statement	Equity	at 31 December
Previous year 2008				
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 2009

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	-	-	-	-

* As at 31 December 2009 the Bank does not have differed tax assets and deferred tax liabilities.

31 Non current assets held for sale

A Non current assets held for sale

In MKD thousand

	Current year 2009	Previous year 2008
Intangible assets		
Property and equipment		
Total non current assets held for sale	-	-

Б *Disposal group*

In MKD thousand

	Current year 2009	Previous year 2008
Group of assets for disposal		
Financial assets		
Intangible assets		
Property and equipment		
Investment in associates entities		
Income tax receivables		
Other assets		
Total group of asset for disposal	-	-
Liabilities directly attributable to the group of assets for disposal		
Financial liabilities		
Provision		
Income tax liabilities		
Other liabilities		
Total liabilities directly attributable to the group of assets for disposal	-	-

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

In MKD thousand

	Current year 2009	Previous year 2008
Gain/(loss) recgonised from the sale of assets held for sale and disposal group		

* As at 31 December 2009 the Bank does not have non current assets held for sale.

32 Trading liabilities

In MKD thousand

	Current year 2009	Previous year 2008
Deposits form banks		
Current accounts, demand deposits and deposits over night		
Term deposits		
Other deposits		
	-	-
Deposits from other customers		
Current accounts, demand deposits and deposits over night		
Term deposits		
Other deposits		
	-	-
Debt securitiesiIssued		
Money market instruments		
Deposit certificates		
Issued bonds		
Other		
	-	-
Other financial liabilities		
Trading derivatives		
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	-	-

* As at 31 December 2009 the Bank does not have trading liabilities

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

In MKD thousand

	Current year 2009		Previous year 2008	
	Carrying amount	Contractual value, payable at maturity	Carrying amount	Contractual value, payable at maturity
Deposits form banks				
Current accounts, demand deposits and deposits over night				
Term deposits				
Other deposits				
	-	-	-	
Deposits from other customers				
Current accounts, demand deposits and deposits over night				
Term deposits				
Other deposits				
	-	-	-	
Debt securities issued				
Money market instruments				
Deposit certificates				
Issued bonds				
Other				
	-	-	-	
Subordinated liabilities				
Other financial liabilities				
Total financial liabilities at fair value through profit or loss, designated upon initial recognitions	-	-	-	

* As at 31 December 2009 the Bank does not have financial liabilities at fair value through profit or loss, designated upon initial recognitions

34. Deposits
34.1 Deposit form banks

In MKD thousand

	Current year 2009		Previous year 2008	
	Short term	Long term	Short term	Long term
Current accounts			-	-
Domestic banks				
Foreign banks				
Demand deposits				
Domestic banks				
Foreign banks				
Term deposits				
Domestic banks				
Foreign banks				
Restricted deposits				
Domestic banks				
Foreign banks				
Other deposits				
Domestic banks				
Foreign banks				
Interest liabilities for deposits				
Domestic banks				
Foreign banks				
Current maturity				
Total deposits to banks	-	-	-	-

* As at 31 December 2009 the Bank does not have deposits to banks

34.2 Deposits from other customers

In MKD thousand

	Current year 2009		Previous year 2008	
	Short term	Long term	Short term	Long term
Non-financial entities				
Current accounts	14,783		11,774	
Demand deposits	18		965	
Term deposits	5,000		2,905	
Restricted deposits				
Other deposits				
Interest liabilities	18		168	
	19,819	-	***15,812***	-
Government				
Current accounts				
Demand deposits				
Term deposits				
Restricted deposits				
Other deposits				
Interest liabilities				
	-	-	-	-
Non-profit institutions serving the households				
Current accounts	6			
Demand deposits				
Term deposits				
Restricted deposits				
Other deposits				
Interest liabilities				
	6	-	-	-
Financial institutions, except banks				
Current accounts	2,797		79	
Demand deposits				
Term deposits	43,058		25,004	
Restricted deposits				
Other deposits				
Interest liabilities	162		939	
	46,017	-	***26,022***	-

Individuals				
Current accounts	14,619		13,157	
Demand deposits	6		20	
Term deposits	23,735	612	18,583	614
Restricted deposits				
Other deposits				
Interest liabilities	380		164	
	38,740	***612***	***31,924***	***614***
Non residents, except banks				
Current accounts	***2,285***		***2,370***	
Demand deposits				
Term deposits				
Restricted deposits				
Other deposits				
Interest liabilities				
	2,285	-	***2,370***	-
Current maturity				
Total deposits from customers	**106,867**	**612**	**76,128**	**614**

35 Debt securities issued

In MKD thousand

	Current year 2009	Previous year 2008
Money market instruments		
Deposit certificates		
Issued bonds		
Other		
Interest liabilities for issued securities		
Total debt securities issued	-	-

* As at 31 December 2009 the Bank does not have debt securities issued

36 Borrowings

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

In MKD thousand

	Current year 2009		Previous year 2008	
	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				
Repo transactions				
Interest liabilities				
Current maturity				
Total borrowings	-	-	-	-

Б ***Borrowings according the borrower***

In MKD thousand

	Current year 2009		Previous year 2008	
	Short term	Long term	Short term	Long term
Domestic sources:				
______________				
______________				
______________				
______________				
______________				
______________				
______________				
	-	-	-	-
Foreign sources:				
______________				
______________				
______________				
______________				
______________				
______________				
	-	-	-	-
Current maturity				
Total borrowings	-	-	-	-

* As at 31 December 2009 the Bank does not have borrowings

37 Subordinated liabilities

In MKD thousand

	Current year 2009	Previous year 2008
Subordinated deposit		
(list separately:)		
______________________		
______________________		
______________________		
______________________		
______________________		
Interest liabilities		
	-	-
Subordinated borrowings		
(list separately:)		
______________________		
______________________		
______________________		
______________________		
______________________		
Interest liabilities		
	-	-
Subordinated debt securities issued		
(list separately:)		
______________________		
______________________		
______________________		
______________________		
______________________		
Interest liabilities		
	-	-
	-	-
Redeemable preference shares		
Total subordinated liabilities	-	-

* As at 31 December 2009 the Bank does not have subordinated liabilities

38 Provisions

In MKD thousand	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 2008 (previous year)	3,242						3,242
Charge during the year							-
(used during the year)							-
(release of provisions)	(1,444)						(1,444)
Balance at 31 December 2008 (previous year)	**1,798**	**-**	**-**	**-**	**-**	**-**	**1,798**
Balance at 1 January 2009 (current year)	1,798	-	-	-	-	-	1,798
Charge during the year							-
(used during the year)							-
(release of provisions)	(626)						(626)
Balance at 31 December 2009 (current year)	**1,172**	**-**	**-**	**-**	**-**	**-**	**1,172**

39 Other liabilities

In MKD thousand

	Current year 2009	Previous year 2008
Trade payables	3,568	2,163
Advances received	1,200	1,200
Fee and commission liabilities	105	84
Accrued expenses	1,084	1,200
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)		
VAT liabilities	1,266	1,030
Liabilities for credit cards operations	3,874	3,478
Received advances for loans	154	270
other		547
Total other liabilities	**11,251**	**9,972**

40 *Issued capital*

A *Issued capital*

	In MKD thousand Share nominal value		*Number of issued shares* Ordinary shares		Irredeemable prefernce shares		*In MKD thousand* Total issued capital	
	Ordinary shares	irredeemable preference shares	Current year 2009	Previous year 2008	Current year 2009	Previous year 2008	Current year 2009	Previous year 2008
Balance at 1 January	29,706		26,341	26,341			782,489	782,489
Shares issued during the year							-	-
Excercise of share options							-	-
Changes in the share nominal value							-	-
Other changes during the year (in details):							-	-
							-	-
							-	-
							-	-
Balance at 31 December – fully paid	**29,706**	**-**	**26,341**	**26,341**	**-**	**-**	**782,489**	**782,489**

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Bank (2008: one vote per share). All shares rank equally with regard to the Bank's residual assets.

Statutory reserve

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

Fair value reserve for assets available for sale

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

Б Dividends

Б.1 Declared dividends and dividends paid by the Bank

In MKD thousand

	Current year 2009	Previous year 2008
Declared dividends and dividends paid		

In MKD thousand

	Current year 2009	Previous year 2008
Dividends per ordinary share		
Dividends per preference share		

Б.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

In MKD thousand

	Current year 2009	Previous year 2008
Declared dividends after 31 December		

In MKD thousand

	Current year 2009	Previous year 2008
Dividends per ordinary share		
Dividends per preference share		

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

B ***Shareholders' structure over 5% from the voting shares***

Shareholder name	*In MKD thousand* Current year 2009 Issued capital (nominal value)	Previous year 2008 Issued capital (nominal value)	*in %* Current year 2009 Voting right	Previous year 2008 Voting right
Alfa Finance Holding, Bulgaria	769,108	769,108	98.29%	98.29%
Total	**769,108**	**769,108**	**98.29%**	**98.29%**

41 Earnings per share

A Basic earnings per share

	In MKD thousand	
	Current year 2009	Previous year 2008
Net-profit attributable to the ordinary shareholders		
Net-profit for the year	(37,440)	(32,402)
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	***(37,440)***	***(32,402)***

	Number of share	
Weighted average number of ordinary shares	Current year 2009	Previous year 2008_
Issued ordinary shares on 1 January	26,341	26,341
Effects of changes in the number of ordinary shares for the year (list all items separately)		
________________		
________________		
________________		
________________		
________________		
________________		
________________		
________________		
________________		
________________		
________________		
Weighted average number of ordinary shares at 31 December	***26,341***	***26,341***
Basic earnings per share (in MKD)	**(1,421)**	**(1,230)**

B Diluted earnings per share

	In MKD thousand	
	Current year 2009	Previous year 2008
Net-profit attributed to the ordinary shareholders (diluted)		
Net-profit for the year attributed to the ordinary shareholders	(37,440)	(32,402)
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)	***(37,440)***	***(32,402)***

	Number of shares	
Weighted average number of ordinary shares (diluted)	Current year 2009	Previous year 2008
Issued ordinary shares at 1 January	26,341	26,341
Effects of the issuance of the potential ordinary shares (list in details)		
______________		
______________		
______________		
______________		
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______________		
Weighted average number of ordinary shares (diluted) at 31 December	***26,341***	***26,341***
Diluted earnings per share (in MKD)	**(1.421)**	**(1.230)**

42.0 Contingent assets and liabilities
42.1 Contingent liabilities

In MKD thousand

	Current year 2009	Previous year 2008
Uncovered payment letters of guarantees		
In MKD	752	3,676
In foreign currency		
In MKD with a foreign currency clause		
Performance uncovered letter of guarantees		
In MKD		80
In foreign currency		
In MKD with a foreign currency clause		
Uncovered letters of credit		
In MKD		
In foreign currency		
In MKD with a foreign currency clause		
Unused credit card limits	26,178	45,032
Irrevocable credit lines and unused loan limits	3,637	
Other uncovered contingent liabilities		
Issued covered letters of guarantees		
Covered letters of credit		
Other covered contingent liabilities		
Total contingent liabilities before provisions	***30,567***	***48,788***
(Provisions)	(1,172)	(1,798)
Total contingent liabilities less provisions	**29,395**	**46,990**

42.2 Contingent assets

In MKD thousand

	Current year 2009	Current year 2009
List in details:		
____________________		
____________________		
____________________		
____________________		
____________________		
Total contingent assets	-	-

Litigations and claims

As at 31 December 2009 the litigations and claims against the Bank are in the amount of MKD 20,374 thousand. There is no provision recorded at the reporting date, as the professional legal consultations indicate that there is no possibility of significant losses. Besides that, various legal actions and claims might occur in the future against the Bank from the legal disputes, which might arise from the regular business operations. The related risks are analysed with regard to their occurrence. Although the final outcome of the litigations and claims against the Bank cannot be determined, the management believes that those will not have a material effect on the Bank's financial position.

Tax risk

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessment and penalties. The Bank's management is not aware of any additional circumstances, which may give rise to a potential material liability in this respect.

43 Trust activities

In MKD thousand

	Current year 2009 Assets	Current year 2009 Liabilities	Current year 2009 Net position	Current year 2009 Assets	Current year 2009 Liabilities	Current year 2009 Net position
Assets taken into administration (trust activities)						
Deposits in denars			-			-
Deposits in foreign currency			-			-
Loans in denars			-			-
Loans in foreign currency			-			-
Other receivables in denars			-			-
Other receivables in foreign currency			-			-
Assets taken under management						
Deposits in denars			-			-
Deposits in foreign currency			-			-
Loans in denars			-			-
Loans in foreign currency			-			-
Other receivables in denars			-			-
Other receivables in foreign currency			-			-
Custody accounts			-			-
Other			-			-
Total	-	-	-	-	-	-

* As at 31 December 2009 the Bank does not have trust activities

44 Related parties transactions

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

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

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

44 Related parties transactions

A Balance sheet

In MKD thousand	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Balance at 31 December 2009 (current year)						
Assets						
Current accounts						
Trading assets						-
Loans and advances						
mortgage loans						-
consumer loans				418		418
financial lease receivables						-
factoring and forfeiting						-
other loans and advances				576	2	578
Security investments						-
(Allowances for impairment)				(14)		(14)
Other assets						-
Total	-	-		980	2	982
Liabilities						
Trading liabilities						-
Deposits				5,963		5,963
Issued securities						-
Borrowings						-
Subordinated liabilities						-
Other liabilities				755		755
Total	-	-	-	6,718		6,718
Contingent liabilities						
Issued letter of guarantees						-
Issued letters of credit						-
Other contingent liabilities				367	59	426
(Provisions)				(7)	(1)	(8)
Total	-	-		360	58	418

In MKD thousand	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Contingence assets						
Received guarantees						-
Other contingence assets						-
Total	-	-	-	-	-	-

In MKD thousand	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Balance at 31 December 2008 (previous year)						
Assets						
Trading assets						-
Loans and advances						
mortgage loans						-
consumer loans						-
financial lease receivables						-
factoring and forfeiting						-
other loans and advances				2,863		2,863
Security investments						-
(Allowances for impairment)						-
Other assets				2,863		2,863
Total	-	-	-	-	-	-
Liabilities						
Trading liabilities						-
Deposits				7,756		7,756
Issued securities						-
Borrowings						-
Subordinated liabilities						-
Other liabilities						-

Total	-	-	-	**7,756**	-	**7,756**
Contingent liabilities						
Issued letter of guarantees						-
Issued letters of credit						-
Other contingent liabilities						-
(Provisions)						-
Total	-	-	-	-	-	-
Contingent assets						
Received guarantees						-
Other contingent assets						-
Total	-	-	-	-	-	-

B ***Income and expenses arising from related parties transactions***

2009 (current year) *In MKD thousand*	Parent	Subsidiaries	Associates	Bank's management	Other related parties	Total
Revenue						
Interest income						
Fee and commission income				228		228
Net-trading income				13		13
Dividend income						-
						-
Capital gain from sale of non current assets						
Other income						-
Transfers between the entities						-
						-
Total	-	-	-	**241**	-	**241**
Expenses						
Interest expense						
Fee and commission expense				236		236
Net-trading losses						-
Expenses for acquisition of non current assets						-
						-
Net impairment loss on financial assets						
Other expenses				16		16
Transfers between the entities				7		7
						-
Total	-	-	-	**259**	-	**259**

In MKD thousand	**Parent**	**Subsidiaries**	**Associates**	**Bank's management**	**Other related parties**	**Total**
2008 (previous year)						
Revenue						
Interest income				157		157
Fee and commission income				8		8
Net-trading income						-
Dividend income						-
Capital gain from sale of non current assets						-
Other income						-
Transfers between the entities						-
Total	-	-	-	**165**	-	**165-**
Expenses						
Interest expense				159		159
Fee and commission expense				24		24
Net-trading losses						-
Expenses for acquisition of non current assets						-
Net impairment loss on financial assets						-
Other expenses						-
Transfers between the entities						-
Total	-	-	-	**183**	-	**183**

C ***Bank's key management personnel compensations***

	In MKD thousand	
	Current year 2009	Previous year 2008
Short term employee benefits	13,582	8,108
Post employment benefits		
Termination benefits		
Share based payments, paid with equity instruments		
Share based payments, paid in cash		
Other		
Total	**13,582**	**8,108**

45 Leasing

A Lessor

A.1 Finance lease receivable

In MKD thousand	Total finance lease receivables	Maturity of the finance lease receivables: Up to 1 year	From 1 to 5 year	Over 5 year
Balance at 31 December 2009 (current year)				
Carrying amount of the minimum lease payments				
	-			
	-			
	-			
	-			
Total	-	-	-	-
Balance at 31 December 2008 (previous year)				
Carrying amount of the minimum lease payments				
	-			
	-			
	-			
	-			
Total	-	-	-	-

A.2 Non cancelable operating lease receivables

		Maturity of the operating lease receivables		
In MKD thousand	Total operating lease receivables	Up to 1 year	From 1 to 5 year	Over 5 year
Balance at 31 December 2009 (current year)				
Carrying amount of the minimum lease payment				
	-			
	-			
	-			
	-			
Total	-	-	-	-
Balance at 31 December 2008 (previous year)				
Carrying amount of the minimum lease payment				
	-	-		
	-			
	-			
	-			
Total	-	-	-	-

In MKD thousand	Land	Buildings	Vehicle	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of the property under operating lease:							
Balance at 31 December 2009 (current year)							
Balance at 31 December 2008 (previous year)							

Б Lessee

Б1 Finance lease payables

		Maturity of the finance lease payables		
In MKD thousand	Total finance lease payables	Up to 1 year	From 1 to 5 year	Over 5 year
Balance at 31 December 2009 (current year)	-			
Total	-	-	-	-
Balance at 31 December 2008 (previous year)	-			
Total	-	-	-	-

Value of the property under finance lease: *In MKD thousand*	Land	Buildings	Vehicle	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Cost							
Balance at 1 January 2008 (previous year)							-
Additions							-
(Disposals and write offs)							-
Other							-
Balance at 1 January 2009 (current year)	-	-	-	-	-	-	-
Balance at 1 January 2009 (current year)	-	-	-	-	-	-	-
Additions							-
(Disposals and write offs)							-
Other							-
Balance at 31 December 2009 (current year)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses							
Balance at 1 January 2008 (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 2008 (previous year)	-	-	-	-	-	-	-
Balance at 1 January 2009 (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 2009 (current year)	-	-	-	-	-	-	-
Carrying amounts							
At 1 January 2008 (previous year)	-	-	-	-	-	-	-
At 31 December 2008 (previous year)	-	-	-	-	-	-	-
At 31 December 2009 (current year)	-	-	-	-	-	-	-

B.2 Non cancelable operating lease payables

In MKD thousand	Total operating lease payables	Maturity of the operating lease payables		
		Up to 1 year	1 to 5 years	Over 5 years
Balance at 31 December 2009 (current year)				
Non cancelable lease payables	3,231	3,231	-	-
	-			
Total	**3,231**	**3,231**	-	-
Balance at 31 December 2008 (previous year)				
Non cancelable lease payables	3,106	3,106	-	-
Total	**3,106**	**3,106**	-	-

46 Shares-based payments

In MKD thousand

	Current year 2009	Previous year 2008
Grant date		
Expiration date		
Exercise price		
Share price on grant date		
Volatility		
Expected dividend yield		
Interest rate		
Fair value at grant date		

	Current year 2009		Previous year 2008	
	Number of options	Average exercise price	Number of options	Average exercise pric
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	-	-		

* As at 31 December 2009 the Bank does not have shares-based payments

47 Subsequent events

After the balance sheet date, the Bank has received a resolution no. 2716 dated 19 April 2010 from NBRM giving a prior consent for change of the Bank's head quarters address from st. 27 March no. 1, 1000 Skopje, to st. Mosha Pijade no. 4, 1000 Skopje. The new premises are taken by the Bank under operating lease and are not in the Bank's possession.