

Capital Bank AD Skopje

FINANCIAL STATEMENTS

31 December 2019

with

INDEPENDENT AUDITOR'S REPORT

Contents

INDEPENDENT AUDITOR'S REPORT	2
INCOME STATEMENT	4
STATEMENT OF OTHER COMPREHENSIVE INCOME.....	5
BALANCE SHEET	6
STATEMENT OF CHANGES IN EQUITY	8
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	12



RSM MAKEDONIJA DOOEL Skopje
Dame Gruev 8, 1000 Skopje, R. N. Macedonia
T+389 (0)2 3233 301
E contact@rsmmk.mk
www.rsmmk.mk

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Capital Bank AD Skopje

Report on the Audit of the Financial Statements

We have audited the financial statements of Capital Bank AD Skopje (The Bank) which comprise the Balance Sheet as of 31 December 2019 and the Income statement, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

Management responsibilities for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to express an opinion for the financial statements based on our audit. We conducted the audit according to the audit standards that are applicable in Republic of N. Macedonia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. When this risk assessment is conducted, the auditor reviews the internal control relevant to the preparation and fair presentation of the financial statements of the entity to form audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. The audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management, as well as evaluation of the complete presentation of the financial reports. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of Capital Bank AD Skopje as at 31 December 2019, as well as the financial performance and its cash flows for the year then ended in accordance with the regulative of the National Bank of Republic of North Macedonia.

Emphasis of matter

We draw attention to Note 18 of the financial statements, which discloses that the balance of the current accounts and transaction deposits with foreign banks (Raiffeisen Bank International AG, Vienna, Austria and UniCredit Bulbank, Sofia, Bulgaria) as at 31 December 2019 in total amount of 96.332 thousands denars is confirmed with SWIFT documents as evidence for the accounts balance, however we have not received audit confirmations from the stated foreign banks. Our opinion is not qualified regarding this matter.

Other matter

The financial statements for the previous year, 2018 have been audited by another auditor, who expressed a qualified opinion due to additionally determined correction of the value of loans and advances to customers in the opening balance.

Skopje, April 30, 2020

Certified Auditor
Stojan Jordanov



Audit company
RSM MAKEDONJA DООEL Skopje



THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

Income statement


For the period from 01.01.2019 to 31.12.2019

**Income statement
for the period from 01.01.2019 to 31.12.2019**

	Note	<i>In thousands Denars</i>	
		Current year 2019	Previous year 2018
Interest income		141,761	147,381
Interest expense		(40,510)	(42,960)
Net interest income / (expense)	6	101,251	104,421
Fee and commission income		40,623	35,447
Fee and commission expense		(17,529)	(14,343)
Net fee and commission income/(expense)	7	23,094	21,104
Net trading income	8	-	-
Net income from other financial instruments carried at fair value	9	-	-
Foreign exchange gains/(losses), net	10	5,411	4,192
Other operating income	11	7,756	12,071
Share of profit of associates	24	-	-
Allowance for impairment of financial assets, net	12	(34,600)	(18,111)
Impairment losses of non-financial assets, net	13	(2,966)	8,017
Personnel expenses	14	(66,111)	(63,098)
Depreciation and amortization	15	(5,274)	(4,771)
Other operating expenses	16	(45,636)	(54,617)
Share of losses of associates	24	-	-
Profit / (loss) before taxation		(17,075)	9,208
Income tax	17	-	(1,402)
Profit / (loss) for the year from continuing operations		(17,075)	7,806
Profit / (loss) from group of assets and liabilities held for sale*		-	-
Profit / (loss) for the year		(17,075)	7,806
Profit / (loss) for the financial year, attributable to*:			
Bank Shareholders		-	-
Minority interest		-	-
Earnings per share:	41		
Basic earnings per share (in Denar)		(594)	272
Diluted earnings per share (in Denar)		(594)	272

* only for consolidated financial statements

The financial statements have been approved by the Bank's Supervisory Board on April 30th, 2020 and on their behalf are signed by the Managing Board of the Bank by:


Cvetan Petrin
President of the Managing Board




Irena Nikolovska
Member of the Managing Board

Statement of other comprehensive income

For the period from 01.01.2019 to 31.12.2019

Statement of comprehensive income
for the period from 01.01.2019 to 31.12.2019

Note	In thousands Denars	
	Current year 31.12.2019	Previous year 31.12.2018
Profit/(loss) for the financial year	(17,075)	7,806
Other profits/(losses) in the period (prior to taxation)		
<i>Other profits/(losses) in the period not recognized in profit or loss (prior to taxation)</i>		
Revaluation reserve for assets available for sale		
- Unrealized net-changes in fair value of assets available for sale	1,326	357
- Realized profits/(losses) of assets available for sale, reclassified in profit and loss, net	-	-
Changes in the bank's creditworthiness, for financial liabilities measured by fair value	-	-
Income tax on other profits (losses) that are not recognized in profit or loss	-	-
Total other profits (losses) in the period that are not recognized in profit or loss	1,326	357
<i>Other profit/(losses) in the period that are or can be reclassified in profit or loss (prior to taxation)</i>		
Revaluation reserve for debt instruments available for sale		
- Unrealized net-changes in fair value of debt instruments available for sale;	8,348	2,972
- Realized profits/(losses) from debt instruments available for sale, reclassified in profit and loss, net	-	-
- Additional impairment of value of debt instruments available for sale	-	-
- Impairment reversal of value of debt instruments available for sale	-	-
Revaluation reserves for foreclosed assets		
- Revaluation reserve as at the date of foreclosure	11,765	1,299
- Decrease of the revaluation reserve, reclassified in profit and loss	(1,458)	(14,005)
Reserve for protection against risk of cash flows		
- Unrealized net-changes in fair value of instruments for protection against risk of cash flows	-	-
- Realized profits/losses from instruments for protection against risk of cash flows, reclassified in profit or loss	-	-
Reserve for instruments for the protection against risk of net investments in foreign operations	-	-
Reserve for Foreign exchange differences from investments in foreign operations	-	-
Share in other profit/(loss) of associates not recognized in profit or loss	-	-
Other profit/(loss) not recognized in profit or loss	(835)	(297)
Income tax from other profits/(losses) not recognized in profit or loss	-	-
Total other profit/(loss) for the period not recognized in profit or loss	17,820	(10,031)
Total other profit/(loss) from the period	19,146	(9,674)
Comprehensive profit/ (loss) for the financial year	2,071	(1,868)
Comprehensive income/(loss) for the financial year, attributed to*:		
Shareholders		
Minority interest		

* only for consolidated financial statements

The financial statements have been approved by the Bank's Supervisory Board on April 30th, 2020 and on their behalf are signed by the Managing Board of the Bank by:

Cvetan Petrinin
President of the Managing Board



Irena Nikolovska
Member of the Managing Board

Balance sheet**As at 31 December 2019**

Balance sheet**
as at 31.12.2019

	Note	<i>In thousands Denars</i>	
		Current year 31.12.2019	Previous year 31.12.2018
Assets			
Cash and cash equivalents	18	569,335	418,251
Trading assets	19	-	-
Financial assets at fair value through profit and loss at initial recognition			-
Derivative assets held for risk management	21	-	-
Loans and advances to banks	22.1	27	71
Loans and advances to customers	22.2	1,662,467	1,407,523
Investments in securities	23.0	363,569	452,329
Investments in associates (in accounting registered by the "equity method")			-
Income tax receivables (current)	30.1	1,582	412
Other receivables	25	32,393	36,314
Pledged assets	26	-	-
Foreclosed assets	27	14,724	7,303
Intangible assets	28	46,145	46,306
Property and equipment	29	11,317	11,894
Deferred tax assets	30.2	-	-
Non - current assets held for sale and group for disposal	31	-	-
Total assets		2,701,559	2,380,403
Liabilities			
Trading liabilities	32	-	-
Financial liabilities at fair value through profit and loss at initial recognition			-
Derivative liabilities held for risk management	21	-	-
Deposits from banks	34.1	-	123
Deposits from customers	34.2	2,238,046	1,903,966
Issued debt securities	35	-	-
Borrowings	36	-	18,012
Subordinated liabilities	37	125,134	125,084
Special reserve and provisions	38	3,995	9,912
Income tax liabilities (current)	30.1	-	-
Deferred tax liabilities	30.2	1,805	970
Other liabilities	39	20,812	12,640
Liabilities related to disposal group of assets	31	-	-
Total liabilities		2,389,792	2,070,707

Balance Sheet

As at 31 December 2019 (continued)

Balance sheet**
as at 31.12.2019

Equity and reserves			
Subscribed capital	40	855,688	855,688
Share premium		-	-
Treasury shares		-	-
Other equity instruments		-	-
Revaluation reserves		36,996	14,163
Other reserves		-	-
Retained earnings / (Accumulated losses)		(580,917)	(560,155)
Total equity and reserves attributable to the shareholders of the Bank		311,767	309,696
Minority interest *			
Total equity and reserves		311,767	309,696
Total liabilities and equity and reserves		2,701,559	2,380,403
		-	-
Contingent liabilities	42	228,059	181,905
Contingent assets	42	-	-

* only for consolidated financial statements

** this report is also known as Statement of financial position

The financial statements have been approved by the Bank's Supervisory Board on April 30th, 2020 and on their behalf are signed by the Managing Board of the Bank by:


Cvetan Petrinin
President of the Managing Board




Irena Nikolovska
Member of the Managing Board

Statement of changes in equity

For the period from 01.01.2019 to 31.12.2019

Statement for changes in equity and reserves
for period from 01.01.2019 to 31.12.2019

In thousands Denars

	Equity				Revaluation reserves					Other reserves			Retained earnings		(Accum. loss)	Total equity and reserves attributable to the shareholders of the Bank	Minority interest	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Reval. reserve of assets available for sale	Reval. reserve for foreclosed assets	Risk reserve	Forex reserve	Other revaluation reserves	Statutory reserve	Capital com. of h.v.b. fin. Instrum.	Other reserves	Attribut. to shareholder	Limited for distrib. to shareholder				
At 1 January 2018 (previous year)	855,688	-	-	-	10,897	23,146	-	-	-	-	-	-	-	-	(618,151)	271,580	-	271,580
Corrections to the opening balance	-	-	-	-	(10,206)	-	-	-	-	-	-	-	-	-	10,206	-	-	-
At 1 January 2018 (previous year), corrected	855,688	-	-	-	691	23,146	-	-	-	-	-	-	-	-	(607,945)	271,580	-	271,580
Comprehensive profit/ (loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,806	7,806	-	7,806
Profit/(loss) for the financial year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not recognized in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of assets available - for - sale debt instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- unrealized changes in fair value (net)	-	-	-	-	2,972	-	-	-	-	-	-	-	-	-	-	2,972	-	2,972
- realized changes in fair value (net) transferred in profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- additional impairment of debt instruments available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- impairment release of debt assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- impairment (reversal) impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- impairment reversal (impairment) no objectivizirana spekovost (net), unrealized changes in fair value (net)	-	-	-	-	357	-	-	-	-	-	-	-	-	-	-	357	-	357
- realized changes in fair value (net) transferred in Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of risk protection of cash flows	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of risk protection of net investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange differences from investments in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax (assets) / liabilities recognized in equity and reserves	-	-	-	-	(297)	-	-	-	-	-	-	-	-	-	-	(297)	-	(297)
Changes in the bank's creditworthiness, for financial liabilities that are measured at fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other profit/(loss) not recognized in profit or loss (specify)	-	-	-	-	-	(12,706)	-	-	-	-	-	-	-	-	-	(12,706)	-	(12,706)
Total unrealized profit (loss) recognized in equity and reserves	-	-	-	-	3,032	(12,706)	-	-	-	-	-	-	-	-	-	(9,674)	-	(9,674)
Comprehensive profit/ (loss) for the financial year	-	-	-	-	3,032	(12,706)	-	-	-	-	-	-	-	-	7,806	(1,868)	-	(1,868)
Transactions with shareholders, recognized in equity and reserves:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shares issued during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution to other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sold treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity and reserves (specify in more detail)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders, recognized in equity and reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	39,984	39,984	-	39,984
On 31 December 2018 (previous year)/ 1 January 2019 (current year)	855,688	-	-	-	3,723	10,440	-	-	-	-	-	-	-	-	(560,155)	309,696	-	309,696
Corrections on opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Statement of changes in equity For the period from 01.01.2019 to 31.12.2019 (continued)

Statement for changes in equity and reserves
for period from 01.01.2019 to 31.12.2019

In thousands Denars	Equity				Revaluation reserves					Other reserves			Retained earnings		(Accum. loss)	Total equity and reserves attributable to the shareholders of the Bank	Minority interest *	Total equity and reserves
	Subscribed capital	Share premium	(Treasury shares)	Other equity instruments	Reval. reserve of assets available for sale	Reval. reserve for foreclosed assets	Risk reserve	Forex reserve	Other revaluation reserves	Statutory reserve	Capital com. of hybrid Instrum	Other reserves	Attribut. to shareholders	Limited for distrib. to shareholders				
On 1 January 2019 (current year), corrected	855,688	-	-	-	3,723	10,440	-	-	-	-	-	-	-	-	(560,155)	309,696	-	309,696
Comprehensive profit/ (loss) for the financial year															(17,075)	(17,075)	-	(17,075)
Profit/(loss) for the financial year																		
Other profit/(loss) not recognized in profit or loss																		
Changes in fair value of assets available – for – sale debt instruments																		
- unrealized changes in fair value (net)					8,348													8,348
- realized changes in fair value (net) reclassified in profit or loss																		
- additional impairment of debt instruments available for sale																		
- impairment release of debt instruments available for sale																		
equity instruments																		
- unrealized changes in fair value (net)					1,326													1,326
- realized changes in fair value (net) transferred to Other reserves																		
Changes in fair value of protection against risk of cash flows																		
Changes in fair value of protection against risk of net investments in foreign operations																		
Foreign exchange differences from investments in foreign operations																		
Deferred tax (assets) / liabilities recognized in equity and reserves					(835)													(835)
Changes in the bank's creditworthiness, for financial liabilities that are measured at fair value																		
Other profit/(loss) not recognized in profit or loss					3,687	10,307									(3,687)	10,307		10,307
Total unrealized profit (loss) recognized in equity and reserves					12,526	10,307									(3,687)	19,146		19,146
Comprehensive profit/ (loss) for the financial year					12,526	10,307									(20,762)	2,071		2,071
Transactions with shareholders, recognized in equity and reserves:																		
Shares issued during the period																		
Distribution to statutory reserve																		
Distribution to other reserves																		
Dividends																		
Purchase of treasury shares																		
Sold treasury shares																		
Other changes in equity and reserves (specify in more detail)																		
- covering of accumulated loss with subordinated loan																		
Transactions with shareholders, recognized in equity and reserves																		
On 31 December 2019 (current year)	855,688	-	-	-	16,249	20,747	-	-	-	-	-	-	-	-	(580,917)	311,767	-	311,767

* only for consolidated financial statements

The financial statements have been approved by the Bank's Supervisory Board on April 30th, 2020 and on their behalf are signed by the Managing Board of the Bank by:

Cvetan Petrinin
President of the Managing Board



Irena Nikolovska
Member of the Managing Board

Cash Flow Statement

For the period from 01.01.2019 to 31.12.2019

Statement for cash flow
for the period from 01.01.2019 to 31.12.2019

	Note	<i>In thousands Denars</i>	
		Current year 2019	Previous year 2018
Cash flows from primary business activity			
Profit/(loss) before taxation		(17,075)	9,208
Adjustment for:			
Minority interest, included in consolidated income statement *		-	-
Amortization and depreciation of:			
Intangible assets	15	1,169	1,734
Property and equipment	15	4,105	3,037
Capital gain from:			
Sale of intangible assets		-	-
Sale of property and equipment		(769)	-
Sale of foreclosed assets		(8)	(6,295)
Capital loss from:			
Sale of intangible assets		-	-
Sale of property and equipment		-	-
Sale of foreclosed assets		-	825
Interest income	6	(141,761)	(147,381)
Interest expense	6	40,510	42,960
Net trading income		-	-
Allowance for impairment of financial assets, net			
additional impairment losses	12	163,015	181,551
release of impairment losses	12	(122,495)	(172,466)
Impairment losses of non-financial assets, net			
additional impairment losses	13	3,036	5,988
release of impairment losses		(70)	(14,005)
Special reserve			
additional provisions	38	11,360	26,982
release of provisions	38	(17,280)	(17,956)
Dividends		(86)	(110)
Participation in profit / (loss) of associates		-	-
Other corrections		16	50
Received interest		141,761	152,586
Paid interest		(39,683)	(44,520)
Profit / (Loss) from operations before changes in operating assets		25,745	22,188
<i>(Increase) / decrease of operating assets:</i>			
Trading assets		-	-
Derivative assets held for risk management		-	-
Loans and advances to banks		46	(40)
Loans and advances to customers		(290,890)	(45,406)
Pledged assets		-	-
Foreclosed assets		(74)	(1,350)
Obligatory deposit in foreign currency		(15,017)	4,698
Obligatory deposit held with NBRSM according to special regulations		80	(8,879)
Other receivables		(185)	5,251
Deferred tax assets		835	297
Non - current assets held for sale and group for disposal		-	-
<i>Increase / (decrease) in operating liabilities:</i>			
Trading liabilities		-	-
Derivative liabilities held for risk management		-	-
Deposits from banks		(123)	(3,772)
Deposits from customers		333,243	(361,602)
Other liabilities		8,172	(9,345)
Liabilities related to disposal group of assets		-	-
Net cash flow from operating activities before taxation		61,832	(397,960)
(Paid) / received income tax		(1,171)	865
Net cash flow from operating activities		60,661	(397,095)

Statement of Cash Flow
For the period from 01.01.2019 to 31.12.2019 (continued)

Statement for cash flow
for the period from 01.01.2019 to 31.12.2019

Note	<i>In thousands Denars</i>	
	Current year 2019	Previous year 2018
Cash flow from investment activity		
(Investments in securities)	(152,480)	(71,120)
Inflows from sale of investment in securities	249,631	203,124
(Outflows from investment in subsidiaries and associates)	-	-
Inflows from disposal of investment in subsidiaries and associates	-	-
(Purchase of intangible assets)	(1,008)	(1,581)
Inflows from sale of intangible assets	-	-
(Purchase of property and equipment)	(3,544)	(1,928)
Inflows from sale of property and equipment	769	-
(Outflows from non – current assets held for sale)	-	-
Inflows from non – current assets held for sale	-	-
(Other outflows from investing activity)	-	-
Other inflows from investing activity	86	110
Net cash flow from investing activity	93,454	128,605
Cash flow from financing activity		
(Repayment of debt securities issued)	-	-
Inflows from debt securities issued	-	-
(Repayment of borrowings)	(18,000)	(126,000)
Increase of borrowings	-	144,000
(Repayment of issued subordinated debts)	-	-
Inflows from issued subordinated debts	-	92,243
Inflows from issued shares / equity instruments during the period	-	-
(Purchase of treasury shares)	-	-
Sold treasury shares	-	-
(Dividends paid)	-	-
(Other outflows from financing)	-	-
Other inflows from financing	-	-
Net cash flow from financing activity	(18,000)	110,243
Effect from allowance for impairment of cash and cash equivalents	(19)	-
Effect from foreign exchange differences of cash and cash equivalents	51	(37)
Net increase / (decrease) of cash and cash equivalents	136,147	(158,284)
Cash and cash equivalents as at 1 January	365,522	523,806
Cash and cash equivalents at 31 December	501,669	365,522

* only for consolidated financial statements

The financial statements have been approved by the Bank's Supervisory Board on April 30th, 2020 and on their behalf are signed by the Managing Board of the Bank by:

Cvetan Petrinin
President of the Managing Board



Irena Nikolovska
Member of the Managing Board

Notes to the financial statements

1. Introduction

1.1. General

Capital Bank AD Skopje (hereinafter “the Bank”) is a Joint Stock Company incorporated with headquarters in The Republic of North Macedonia.

The address of the registered headquarters of the Bank is: Street Nikola Kljusev, no. 1, 1000 Skopje, Republic of North Macedonia.

The Bank is licensed by the National Bank of Republic of North Macedonia (“NBRNM”) to perform payment operations in the country and abroad, including mediation and selling of foreign currency, lending in the country and deposit activities. The total number of employees as at 31 December 2019 and as at 31 December 2018, is 77 employees, i.e. 86 employees, accordingly.

The Bank has no investments in subsidiaries and associates.

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

These financial statements have been approved by the Bank’s Management Board on 30 April 2020.

1.2. Basis of preparation of the financial statements

Statement of compliance

The financial statements are prepared according to the Law on Trade Companies (“Official Gazette of RM” no. 28/2004 ... 120/18), Law on Banks (“Official Gazette of RNM” no. 67/2007, 90/2009, 67/2010, 26/2013, 15/2015, 153/2015, 190/2016, 7/2019 and 101/2019), bylaws prescribed by the National Bank of Republic of North Macedonia (here in after “NBRNM”), as well as the decision on the methodology for recording and valuation of the accounting items and for the preparation of the financial statements (“Official Gazette of RNM” No. 169/2010, 162/2012, 50/2013, 110/13 and 83/2017) and the Decision on the types and the content of the financial statements of the banks (“Official Gazette of RNM” No. 169/2010, 152/2011, 54/2012, 166/2013, 83/2017 and 149/2018).

The financial statements are individual financial statements.

Basis of measurement

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

- Available-for-sale financial assets measured at fair value.

Functional and reporting currency

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

Use of estimates and judgments

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

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

Information regarding the management judgment and critical estimates in the application of the accounting standards that have significant effect on the financial reports are presented in note 1.4 Use of estimates and judgments.

1.3. Significant accounting policies

The accounting policies presented are applied consistently for all the periods presented in these financial reports.

a. Foreign currency transactions

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

The foreign currencies the Bank deals with are predominantly Euro (EUR) and United States Dollars (USD). The official exchange rates used for translation at 31 December 2019 and 2018 were as follows:

	<u>31 December 2019</u>	<u>31 December 2018</u>
1 EUR	61,4856 Denars	61,4950 Denars
1 USD	54,9518 Denars	53,6887 Denars
1 CHF	56,5593 Denars	54,7742 Denars

b. Interest

Interest income and expense are recognized in the profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

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

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

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

c. Fees and commissions

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

Other fees and commission income, including financial services provided by the Bank in respect of foreign currency settlements, guarantees, letters of credit, domestic and foreign payment operations and other services, are recognized as the related services are performed.

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

d. Dividend income

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

e. Lease expense

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

f. Corporate income tax

Income tax expense comprises current and deferred tax. The income tax rate is 10%.

Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using the effective tax rate at the reporting date of 10%, and any adjustment to income tax payables in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized for unused tax losses, unused tax credit and deductible temporary differences to the extent for which is probable that there are future taxable profits against which the asset can be utilized. Deferred tax assets are assessed at the end of each reporting period and reduced to the extent that it is no longer probable that these tax revenues will be realized. Any such reduction should be reversed to the extent that it is probable that sufficient taxable profit will be available.

Unrecognized deferred tax assets are assessed at the end of each reporting period and recognized to the extent it is probable that future taxable income will be sufficient against which the asset can be utilized.

g. Financial assets and liabilities

i. Recognition

Regular purchases and sales of financial assets are recognized on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

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

ii. Classification

Financial assets must be classified in one of the following categories:

- Financial assets that are measured at amortized cost;

- Financial assets that are measured according to fair value through other comprehensive income; and
- Financial Assets that are measured according to fair value through profit or loss.

The Bank classifies the financial assets during their initial recognition based on:

- Business model of the Bank for management of financial assets, and
- Characteristics of the contractual flows of the financial asset.

In the category **financial assets that are measured at amortized cost**, the Bank classifies the financial assets that fulfill the following criteria:

- The Bank manages the financial assets for payment of contractual cash flow; and
- According to the agreed terms of the asset, the criteria of “only payment of principal and interest” is fulfilled. – SPPI

The Bank classifies the following financial assets in this category:

- Cash,
- Client receivables
- Lease receivables
- Commissions and fees receivables
- All other financial assets that present credit risk exposure in accordance with the Credit Risk Management Decision, for which the condition of SPPI is inapplicable. These funds do not require the fulfillment of the SPPI requirement.

In the category **financial assets that are measured according to fair value through other comprehensive income**, the Bank classifies the financial assets that fulfill the following criteria:

- The Bank manages the financial assets for payment of contractual cash flow; and
- According to the agreed terms of the asset, the criteria of “only payment of principal and interest” is fulfilled. – SPPI

In the category financial assets that are measured according to fair value through profit or loss the Bank classifies the managed financial assets for the purpose of trade and making profit from changes in the fair value of the asset. This is also a residual category, i.e. the Bank in this category classifies all those financial assets that do not meet the criteria of the other two categories.

The business models are determined on the level of business process in the appropriate policies that are made by the key management of the Bank. The management during the determination of the business model takes into account all the relevant and available data for the manner of management of the financial instruments. The purpose of appropriate business models are the following:

- The purpose of the business model for category financial assets that are measured at amortized cost is the Bank to keep the financial assets for payment of contractual cash flows. Thereby if certain financial instruments from this category are sold before either agreed term of maturity (early sales), this is not a direct indicator of the change in the business model of the Bank, especially if such sales are not large, not with increased frequency and if in the future such or similar financial instruments are expected to be managed within such a business model.
- The purpose of the business model for category financial assets that are measured according to fair value through other comprehensive income is that the Bank keeps the financial assets for management of liquidity, maintaining of certain interest income, for aligning of durability of the financial assets with the durability of the financial liabilities that are a source for those financial assets, etc.
- The purpose of the business model for category financial assets that are measured according to fair value through profit or loss is that the Bank manages the financial assets through their active and frequent trade in order to make a profit from changes in the fair value of assets. The Bank manages these funds in order to realize their market / fair value and makes the management decisions based on their market / fair value.

The analysis of the fulfilment of the criteria of SPPI is made in the initial recognition of every debt financial asset. The analysis of whether the SPPI criteria is fulfilled should be made based on the agreed criteria of the instrument and should take into account all the cash flows determined in the agreement.

For more details on the types of financial assets, see accounting policies 1 (h), (I), (j), and (k).

iii. Derecognition

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

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

iv. Offsetting

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

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

v. Principle of measurement at amortized cost

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

vi. Principle of fair value measurement

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

Active market: fair value

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

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

Absence of an active market: Valuation techniques

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

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

In application of these valuation techniques the Bank:

- Application of information on negotiated prices for recent (from the past 6 months), normal commercial transactions for the same financial instrument between informed, willing parties (if they are available);
- If there is no sufficient information for the negotiated prices for the same financial instrument, then to determine the fair value the current market price of another, basically same, instrument should be used (in regards to the currency or the same or similar maturity date);
- If information on the fair value of the financial instrument from the markets cannot be obtained, then data that cannot be confirmed on the markets are used to determine the fair value of the financial instrument.

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

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

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

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

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

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

vii. Impairment

On a monthly basis, the Bank assesses and recognizes impairment of the value for the expected credit losses of financial assets measured at depreciated purchase value and of debt financial assets measured at fair value through the remaining comprehensive profit. The Bank also assesses and acknowledges expected credit losses for both off-balance sheet credit exposure and receivables based on lease agreements, customer receivables and other receivables that are part of credit risk exposure, defined in the Credit Risk Management Decision.

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

A financial asset is impaired if its carrying value is higher than its estimated recoverable amount. If such evidence exists, the Bank should estimate its recoverable amount of that asset or group of assets and recognize provision for impairment (impairment loss).

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency of payments by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance

of an active market for a security, or other observable data such as adverse changes in the payment status of borrowers or issuers, or economic conditions that correlate with defaults.

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

Losses due to impairment are recognized in the Balance Sheet and are reflected in the credit correction account for loans and advances. The interest on the impaired assets continues to be recognized through the depreciation of the discount. If in the following period the amount of loss due to impairment is reduced, the loss is annulled through the income statement.

When the reduction in the fair value of assets available for sale was recognized directly in the revaluation reserves and when there is objective evidence that the asset was impaired, then the cumulative loss (the difference between the initial purchase value and the current fair value of the asset), which was recognized directly in the revaluation reserves should be removed from the revaluation reserves and 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 recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

h. Cash and cash equivalents

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

Cash and cash equivalents are carried at depreciated purchase value in the balance sheet.

i. Loans and receivables

Loans and receivables include all receivables that arise from transactions with customers and banks, both those originating from the bank and those purchased in the secondary market.

Loans and receivables are non-derivative financial assets that fulfill the SPPI criteria.

Loans and receivables do not include assets that:

- The Bank classified, at fair value through profit or loss during initial recognition;
- The Bank determined as available for sale during the initial recognition;

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

j. Investments

Investments in debt and equity securities in accordance with the Bank's business model are classified as financial assets that are measured at fair value through the remaining comprehensive income - available for sale.

Assets available for sale are those assets that the Bank holds for the purpose of collection of contractual cash flows and / or for sale; and which in accordance with the contractual terms of the asset meet the requirement of SPPI (the bank expects cash flows on certain dates "solely on the basis of repayment of principal and interest").

After the initial recognition, the financial assets are measured at their fair value without reduction for the transaction costs that may arise during the sale or disposal.

The income or losses from the subsequent measurement of the fair value of the debt financial asset available for sale are equal to the difference between the depreciated purchase value and the current fair value of the asset and should be included directly in the capital and reserves.

Losses due to impairment / correction of the value of debt financial instruments available for sale are recognized in the income statement for the current period.

At the time of derecognition of the debt financial asset available for sale (the asset is sold or matured), the cumulative income / losses previously recognized in the revaluation reserves are derecognized from equity and net income or losses are recognized in the income statement.

With investments in equity securities that the Bank classifies in this category, the changes in the fair value are recorded on the accounts for revaluation reserves and on the accounts for changes in the fair value within the accounts for recording the investments in securities and other financial instruments available for sale. Upon their derecognition, the balance of the account for the revaluation reserve account for the respective ownership security will be rebooked by the Bank on the appropriate account for Retained earnings / Accumulated losses. For investments in equity securities, the Bank does not calculate a correction of the value.

Income based on interest, dividend, as well as positive / negative exchange rate differences that are available for sale are recognized in the income statement for the current period.

k. Foreclosed assets

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

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

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

According to the Decision for the accounting regulatory treatment of foreclosed assets, the Bank is obliged to recognize at least 20% from the initial recognized value of the foreclosed asset at the date of foreclosure.

If the amount of the closed allowance for impairment is higher than 20% of the initial recognized value of the foreclosed asset, the Bank is obliged to recognize this difference as revaluation reserve on the date of foreclosure. Revaluation reserve is part of the Bank's additional regulatory capital and it can be excluded from the additional capital if the conditions in the Decision on the methodology for determining capital adequacy are met.

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

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

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

If the Bank fails to sell the foreclosed asset in the period of 5 years, the Bank is obliged at the end of the fifth year to reduce the net carrying value of the foreclosed asset to zero.

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

l. Property and equipment

i. Recognition and measurement

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

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

ii. Subsequent costs

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

iii. Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. The Bank does not calculate depreciation for the property and equipment in preparation. Depreciation rates, based on the estimated useful lives for the current and comparative period are as follows:

	%	%
	2019	2018
IT equipment	20	20
Telecommunications equipment	15	15
Furniture and office equipment	20	20
Vehicles	25	25
Investments in properties under lease	25	25
Other equipment	10	10

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

m. Intangible assets

i. Recognition and measurement

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

ii. Subsequent expenditure

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

iii. Depreciation

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

	%	%
	2019	2018
Bought software	15	15
Other intangible assets	10-20	10-20

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

n. Leased assets-lessee

Leases with which essentially all risks and rewards are transferred that are inherent in the ownership of the leased asset are classified as financial leases. When starting the lease, the financial lease is recorded at the lower amount between the fair value and the present value of the minimum lease payments. Subsequently, the asset is recorded in accordance with the Bank's accounting policy for that asset. The remaining leases are operating leases and, except for rented assets, the leased assets are not recognized in the balance sheet of the Bank.

o. Non-current assets held for sale

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

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

p. Impairment of non-financial assets

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

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

The recoverable amount of an asset or cash-generating unit is the higher amount of its fair value less costs to sell of an asset and its value in use. When estimating the use value, the estimated future cash flows are discounted to their present value using a discount rate before taxation that reflects current market estimates of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's

carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The release of impairment losses is not recognized for the foreclosed assets.

q. Deposits, subordinated and other liabilities

Deposits subordinated and other liabilities are the Bank's sources of debt funding. The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument. Deposits subordinated and other liabilities are initially presented at fair value, decreased for transaction costs and subsequently measured at depreciated purchase value with the use of method of effective interest, except in cases where the Bank chooses to record liabilities according to their fair value through profit or loss.

r. Provisions

A provision is recognized if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Bank from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is calculated, the Bank recognizes any impairment loss on the assets associated with that contract.

s. Employee benefits

i. Defined contribution plans

The Bank contributes to its employees' post retirement plans as prescribed by the national legislation. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions.

There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss when they are due.

ii. Short-term benefits

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

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

iii. Other long-term employee benefits

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

t. Equity and reserves

i. Ordinary shares

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

ii. Reserves

Legal reserve

According to local legislation, the Bank should calculate and allocate 5 percent of the net profit for the year in legal reserves until the level of reserves reaches 1/10 of the court registered capital. Until the minimum level is reached, the statutory reserve can only be used to cover the losses. When the statutory reserve reaches the minimum required level, and all losses are covered, the statutory reserve may be used to pay dividends, based on a decision of the shareholders assembly, but only if the amount of the dividends for the current business year has not reached the minimum amount prescribed by the Law on Trade Companies or by the Statute of the Bank.

Revaluation reserve for foreclosed assets resulting from uncollected receivables

Foreclosed assets resulting from uncollected receivables are formed at the moment of recognition of foreclosed assets. The method of determination of the revaluation reserve is further explained in note 1.3.(v).

The Bank derecognizes the revaluation reserve by a release in the Income statement at the moment the asset is sold. Further, the revaluation reserve may be derecognized in cases when the asset is not sold, but the revaluation reserve is excluded from the supplementary capital in accordance with the Decision on the methodology for determining capital adequacy.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognized or impaired.

iii. Purchase of own shares

When the Bank buys its own shares, the amount of compensation paid, including direct dependent costs, is recognized as a reduction in the share capital. The purchased shares are classified as their own shares and represent a negative item in the total capital. When own shares are subsequently sold, the amount received is recognized as an increase in equity, and the surplus or shortfall from the transaction is transferred to / from the premium of shares.

iv. Dividends

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

u. Earnings per share

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

v. Trust activities

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

w. Segment reporting

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

1.4. Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have significant effect on the amount recognized in the financial statements are described below:

Impairment of loans and advances

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

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

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

Determining fair value

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 1 (e)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Impairment of non-financial assets

Impairment losses are recognized in the amount for which the carrying value of an asset or cash-generating unit exceeds its recoverable amount. In determining the recoverable amount, Management estimates expected

prices, cash flows from each cash generating unit and determines the appropriate interest rate for calculating the present value of those cash flows.

1.5. Changes in accounting policies, estimates and error correction

In 2017, the National Bank of Republic of North Macedonia adopted amendments to the Decision on Methodology for recording and valuation of accounting items and preparation of financial statements ("Official Gazette of RSM" No. 83/2017) in order to comply with the requirements of the International Financial Reporting Standard (IFRS) 9 - Financial instruments, that entered into force on 01 January 2018. With this Methodology, a new classification of financial instruments has been adopted, which is determined in accordance with the business model of the Bank for financial assets management and the characteristics of the contractual cash flows of the financial asset. During 2018, the Bank made changes in the classification and measurement of financial instruments, with which completely harmonized with the new requirements. During 2018, NBRNM adopted a new Decision on Credit Risk Management Methodology ("Official Gazette of RNM" No. 149/2018) which adopted a new methodology for determining the impairment of financial instruments and it began to be applied. from 1 July 2019. As of July 1, 2019, the Bank fully applies the new methodology for determining the impairments of financial assets. Classification of financial instruments in accordance with the International Financial Reporting Standard (IFRS) 9 - Financial instruments are shown in the table below:

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

1 Classification of financial assets and financial liabilities

A. Classification of financial assets and financial liabilities

	At fair value through profit or loss		At fair value through other comprehensive income		At amortized cost	Total
	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments		
<i>in thousands denars</i>						
2019 (current year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	569,335	569,335
Trading assets	-	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	27	27
Loans and advances to customers	-	-	-	-	1,662,467	1,662,467
Investments in securities	-	-	363,569	-	-	363,569
Other receivables	-	-	-	-	32,393	32,393
Total financial assets	-	-	363,569	-	2,264,222	2,627,791
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits to banks	-	-	-	-	-	-
Deposits to other customers	-	-	-	-	2,238,046	2,238,046
Issued debt securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities and hybrid instruments	-	-	-	-	125,134	125,134
Other unmentioned interest sensitive liabilities	-	-	-	-	20,812	20,812
Total financial liabilities	-	-	-	-	2,383,992	2,383,992

	At fair value through profit or loss		At fair value through other comprehensive income		At amortized cost	Total
	Held for trading	At fair value at initial recognition	Debt instruments	Equity instruments		
<i>in thousands denars</i>						
2018 (previous year)						
Financial assets						
Cash and cash equivalents	-	-	-	-	418,251	418,251
Trading assets	-	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	71	71
Loans and advances to customers	-	-	-	-	1,407,523	1,407,523
Investments in securities	-	-	448,005	4,324	-	452,329
Other receivables	-	-	-	-	36,314	36,314
Total financial assets	-	-	448,005	4,324	1,862,159	2,314,488
Financial liabilities						
Trading liabilities	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Deposits to banks	-	-	-	-	123	123
Deposits to other customers	-	-	-	-	1,903,966	1,903,966
Issued debt securities	-	-	-	-	-	-
Borrowings	-	-	-	-	18,012	18,012
Subordinated liabilities and hybrid instruments	-	-	-	-	125,084	125,084
Other unmentioned interest sensitive liabilities	-	-	-	-	12,640	12,640
Total financial liabilities	-	-	-	-	2,039,825	2,039,825

During 2019 there have been no changes in the accounting policies, estimates and errors in the accompanying financial statements.

1.6. Compliance with laws and regulation

During 2019 the National Bank of Republic of North Macedonia imposed the following measures to the Bank:

- During 2019 the National Bank of Republic of North Macedonia performed control afterwards the Bank received Meeting minutes from the conducted immediate field control in the area of credit risk management, operating risk, related parties' transactions and reliability of previously imposed measures. The minutes contain certain findings and recommendations. According to the Minutes, the Bank developed an Action Plan for fulfilling the recommendations for which regular notifications are given to the NBRNM.
- As at and for the year ended on 31 December 2019, the Bank is compliant to the regulative prescribed by the NBRNM in regards to the limit exposure of the Bank, investments of the Bank, liquidity of the Bank, the opened foreign currency position and the equity rate adequacy as well as the percentage of exposure of the shareholder with qualified participation in the Bank and its related entities regarding its own assets that on 31 December 2019 is 7,21% which is under the regulatory limit of 10%.
- NBRNM regularly reports for the exceeding the legal or limits prescribed by the National Bank, as well as for acting upon the imposed measures and decisions in the terms determined by the Law or the decisions.
- As at 31 December 2019, equity rate adequacy is 23,17% and is above the prescribed limit.

2. Risk management

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

- Credit risk
- Liquidity risk
- Market risks
- Operational risk

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

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

Risk management framework

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

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

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

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

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

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

In the organizational structure of the risk management system, the Risk Management Board functions as a separate body. The Risk Management Board establishes short-term and long-term strategies for managing all types of material risks to which the Bank is exposed during its operations, establishes and monitors the implementation of risk management policies and makes proposals for their revision, monitors the regulations of the NBRNS that regulate risk management and the compliance of the Bank's risk management system with those regulations.

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

In performing its functions, the Risk Management Board is supported by the Internal Audit Department.

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

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

2.1. Credit risk

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

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

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

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

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

Credit risk management

The Managing Board delegate the responsibility for the management of credit risk to its Credit Committee which approves all credit exposures up to EUR 150.000.

All credit exposures above EUR 150.000 are approved by the Supervisory Board.

Corporate clients Sector, Business development and retail Sector, Legal Department in close cooperation with the Risk Management Sector are responsible for the control of credit risk, which includes:

- Preparation of credit policies including requests for exposure coverage of credit risks with including requirements to cover credit risk exposure with adequate collateral, credit assessment of credit applicant risk classification and reporting, required documentation and legal procedures, and compliance with legal requirements.
- Credit risk control and assessment. The Corporate Customer Service Sector, the Business and Individuals Development Sector, and the Risk Management Sector monitor all credit exposures to established limits before being approved by customers.
- Monitoring concentrations of exposure by geographical and industrial segments (for loans and advances), and by issuer, credit rating assessment by respective institutions, market liquidity and country (for investment securities).
- Classification of the credit exposure of the Bank according to the degree of financial loss risk and focus on risk management. The Bank has developed internal rating of credit exposure that is used to determine the amount of impairment, ie special reserve to cover potential losses from the balance sheet or off-balance sheet exposure to credit risk.

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

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

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

- From 0% to 5% of the credit risk expose are classified in risk category A,
- Above 5% to 20% of the credit risk expose are classified in risk category B,
- Above 20% to 45% of the credit risk expose are classified in risk category C,
- Above 45% to 70% of the credit risk expose are classified in risk category D and
- Above 70% to 100% of the credit risk expose are classified in risk category E.

Above 70% to 100% credit risk exposure is classified in risk category E.

For the purpose of the financial statements (note 2.1A), the Bank connected the groups of credit risk (Group 1, 2, 3) from the Methodology for recording and valuation of accounting items and preparation of financial statements

(Official Gazette of R.M no. 83/17) and the risk categories from the Decision on the methodology for credit risk management, and reported in the following manner:

- Within Group 1, credit risk exposures classified in risk category "A";
- Within Group 2, credit risk exposures classified in the risk categories "B" and "C", which do not have the status of non-performing credit exposure;
- Within Group 3, credit risk exposures that have the status of non-performing credit exposure.
 - **Monitor compliance** with established legal and internal limits of the Bank's exposure to credit risk, including those for exposure to the type provision, exposure to country risk, exposure to banks and financial institutions etc.

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

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

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

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

- Review of total credit risk exposure by segments - individuals, non-financial legal entities and banks and other financial institutions,
- Structure of credit exposure by risk categories,
- Summary form (KA) for classification of credit risk exposure, (modified version of the KA Report for NBRNM, which separately presents the claims classified in category "B" - receivables with regular status and non-performing receivables),
- Structure of credit exposure by segments according to credit risk levels (risk categories),
- Movement of assets exposed to credit risk - total and by segments for the analyzed period,
- Movement of assets exposed to credit risk and impairment / special reserve for the analyzed period,
- Movement in Credit portfolio of clients - non-financial legal entities and individuals for the analyzed period,
- Movement of the participation of non-performing loans in total loans to clients - non-financial legal entities and natural persons for the analyzed period,
- Movement for collection of non-financial loans for the analyzed period,
- Review of the 20 largest regular receivables from a client - non-financial legal entities,
- Review of the 20 largest regular receivables from customers - individuals,
- Review of the total non-performing receivables (over M1,000 thousand denars) from clients - non-financial legal entities and individuals and undertaken activities for their collection,
- Geographical concentration of credit risk exposure,
- Structure of loans to and receivables from clients - non-financial legal entities and individuals,
- According to the type of security and structure of unsecured receivables,
- Comparative analysis of indicators for the quality of the credit portfolio of Capital Bank in relation to the banking sector,
- Collection of non-performing receivables for the analyzed period,
- Movement of the amount of taken assets based on unpaid receivables (FCA),
- Credit risk - migration matrix.

Based on reports and analysis, the Risk Management Board provides recommendations for taking action to reduce the Bank's exposure to credit risk. The Bank applies a range of practices and experiences to mitigate or restrict the credit risk. One of the most traditional and common practice to mitigate credit risk is accepting suitable collateral for approved loans.

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

- Deposit / depots, bank guarantees and first class corporate guarantees,

- Mortgage or pledge on real estate - residential buildings, office buildings and other real estate,
- Pledge of movable property - vehicles, equipment, stock etc.,
- Bill of exchange and bill of exchange statement in the form of a notarial deed, - pledge of financial instruments (debt and ownership securities).

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

Generally, the Bank does not require collateral on loans and advances to banks.

The debt securities, treasury bills and other bills are generally unsecured.

Appropriate departments are obliged to implement credit policies and procedures of the Bank.

They, in cooperation with the Risk Management Sector are responsible for the quality of its credit portfolio and for monitoring and controlling all credit risks.

Internal Audit undertakes both regular checks on the operations of the Corporate clients Sector and Business development and retail Sector.

Impaired loans and investments

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

Past due, but not impaired loans

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

Allowances for impairment

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

Write-off policy

Bank writes off a loan / security (and any related allowances for impairment) when:

- The Supervisory Board determines that the loans / securities are uncollectible. The decision is made after considering information such as significant changes in the financial position of the borrower / issuer of securities, the borrower / issuer is unable to meet its obligations, or that the amount from collateral will not be sufficient to pay the entire exposure.
- Bank write off a loan / security (and any related impairment) on the basis of a court decision when all possibilities for collection has been exhausted.
- Also, the Bank write-off of certain receivables without a final court decision, if there is unambiguous evidence of the impossibility for collecting them. Estimates of fair value are based on the value of the collateral at the time of borrowing.
- Also, the Bank write-off of certain receivables (and any related allowances for impairment) if two years have elapsed from the date when the Bank has corrected the value, ie set aside a special reserve of 100%.

Stress tests credit risk

As at 31 December 2019 the Bank performed Stress tests using different scenarios in order to evaluate the level of sensitivity of the Bank as a result of worsen credit quality of the loans portfolio, change of currency structure, worsen credit quality of major customers etc.

For the purposes of Stress testing the Bank's sensitivity to the possible deterioration of the quality of the client's loan portfolio - non-financial legal entities and individuals, the Bank has chosen extreme scenarios that may occur as a result of the Bank's operations and they are adjusted to size.

In conducting the Stress test of the Bank's resistance to its credit risk exposure, the Bank applied the following scenarios:

1. Migration of loans receivables from credit risk category A to B by 10%, 20% and 30%
2. Migration of loans receivables from credit risk category B to C by 10%, 20% and 30%
3. Migration of loans receivables from credit risk category A and B to B and C by 10%, 20% and 30%
4. Migration of exposure to major loans receivables (top 5, 10 and 15 clients) from their current credit risk category to next one.

The assumption is that there will be no changes of the total credit exposure.

After applying scenarios 1, 2 and 3, the results show that:

- As at 31.12.2019, the Bank's own assets are sufficient to absorb the potential loss that may arise from its credit risk exposure, ie they are maintained above the legal minimum of 310,000 thousand denars.
- After applying all the scenarios, the capital adequacy ratio decreases, but remains above the established level of the NBRNM and the legally defined level of at least 8%.
- The Bank will use the results for the negative effects after the applied Stress scenarios for timely undertaking of activities for reduction, i.e. rejection of the potential risks during the first signals for significant deterioration of the loan portfolio.

Total credit risk exposure before collateral

The total credit risk exposure is shown through the recorded amounts of financial assets in the Balance Sheet shown in the table below:

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

2.1 Credit risk

1 Credit risk analysis

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available - for - sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off-balance exposures		Total	
	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018
<i>in thousands denars</i>																		
Exposure to credit risk, classified in Group 1																		
Carrying value, before impairment provision and special reserve	27	73	1,414,166	1,181,432	363,570	448,005	-	-	354,867	244,655	926	375	8,777	7,503	165,911	136,536	2,308,243	2,018,579
(Impairment provision and special reserve)		(2)	(11,118)	(7,657)	-	-	-	-	(19)	-	(14)	(8)	(2)	(2)	(1,543)	(2,837)	(12,696)	(16,306)
Carrying value, less impairment provision and special reserve	27	71	1,403,048	1,173,775	363,570	448,005	-	-	354,848	244,655	912	367	8,775	7,501	164,368	133,699	2,295,547	2,002,273
Exposure to credit risk, classified in Group 2																		
Carrying value, before impairment provision and special reserve	-	-	241,985	238,647	-	-	-	-	-	-	546	733	921	4,195	29,339	14,872	272,791	258,447
(Impairment provision and special reserve)	-	-	(23,447)	(30,039)	-	-	-	-	-	-	(76)	(118)	(191)	(231)	(2,452)	(1,892)	(26,166)	(32,280)
Carrying value, less impairment provision and special reserve	-	-	218,538	208,608	-	-	-	-	-	-	470	615	730	3,964	26,887	12,980	246,625	226,167
Exposure to credit risk, classified in Group 3																		
Carrying value, before impairment provision and special reserve	-	-	107,860	195,823	-	-	-	-	-	-	678	1,668	5,523	1,925	-	25,463	114,061	224,879
(Impairment provision and special reserve)	-	-	(66,980)	(170,683)	-	-	-	-	-	-	(647)	(1,229)	(4,257)	(1,755)	-	(5,183)	(71,884)	(178,850)
Carrying value, less impairment provision and special reserve	-	-	40,880	25,140	-	-	-	-	-	-	31	439	1,266	170	-	20,280	42,177	46,029
Total carrying value of individually significant exposures, before impairment and provision for special reserve, on individual basis	27	73	1,764,011	1,615,902	363,570	448,005	-	-	354,867	244,655	2,150	2,776	15,221	13,623	195,250	176,871	2,695,095	2,501,905
(Total impairment provision and special reserve)	-	(2)	(101,545)	(208,379)	-	-	-	-	(19)	-	(737)	(1,355)	(4,450)	(1,988)	(3,995)	(9,912)	(110,746)	(221,636)
Total carrying value, less impairment provision and special reserve	27	71	1,662,466	1,407,523	363,570	448,005	-	-	354,848	244,655	1,413	1,421	10,771	11,635	191,255	166,959	2,584,349	2,280,269

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

2.1 Credit risk (continues)

B Collateral value (fair value) for mitigating of credit risk

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available - for - sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Other receivables		Off-balance exposures		Total	
	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018
<i>in thousands denars</i>																
<i>Value of collateral for credit exposure assessed for impairment on individual basis</i>																
First-class collateral instruments																
Cash deposits (deposit and/or limited accounts in the bank)	-	-	102,690	140,765	-	-	-	-	-	-	-	-	3,941	4,648	106,631.0	145,413
Government securities	-	-	100,385	42,898	-	-	-	-	-	-	-	-	615	1,906	101,000.0	44,804
Government unconditional guarantees	-	-	4,933	1,402	-	-	-	-	-	-	-	-	-	-	4,933.0	1,402
Bank guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guarantees from insurance companies and insurance policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate guarantees (apart from banking and insurance companies)	-	-	57,000	57,000	-	-	-	-	-	-	-	-	-	3,727	57,000.0	60,727
Guarantees from individuals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Property pledge																
Property for own use (flats, houses)	-	-	947,711	812,951	-	-	-	-	-	-	-	-	74,678	25,823	1,022,389.0	838,774
Business property	-	-	727,169	374,253	-	-	-	-	-	-	-	-	73,930	14,176	801,099.0	388,429
Movable property pledge	-	-	209,962	191,350	-	-	-	-	-	-	-	-	11,501	1,334	221,463.0	192,684
Other types of pledge	-	-	393,202	477,331	-	-	-	-	-	-	-	-	10,514	5,842	403,796.0	483,173
<i>Total value of collateral for credit exposure assessed for impairment on individual basis</i>	-	-	2,542,132	2,097,850	-	-	-	-	-	-	-	-	175,179	57,456	2,718,311	2,155,406

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

2.1 Credit risk (continues)

1* Concentration of credit risk by sectors and activities

	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off-balance exposures		Total	
	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018
<i>in thousands denars</i>																		
Non-residents	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Agriculture, forestry and fishery	-	-	1,164	32,272	-	-	-	-	-	-	1	1	-	-	-	-	1,165	32,273
Mining and quarrying	-	-	5,453	9,056	-	-	-	-	-	-	8	1	8	8	-	-	3,469	9,065
Food industry	-	-	39,160	26,052	-	-	-	-	-	-	133	-	-	-	-	-	39,293	26,052
Textile industry, clothing and footwear manufacturing	-	-	5,049	3,288	-	-	-	-	-	-	13	3	4	8	-	-	3,866	3,299
Chemical industry, production of building materials, production and processing of fuel, pharmaceutical industry	-	-	23,282	-	-	-	-	-	-	-	4	2	2	18	-	-	23,288	17,460
Production of metals, machinery, truck and equipment	-	-	12,319	2,256	-	-	-	-	-	-	1	1	-	-	11,485	-	23,805	2,257
Other manufacturing industry	-	-	32,284	30,596	-	-	-	-	-	-	8	34	34	22	78	1,248	32,404	31,900
Supply of electricity, gas, steam and air conditioning	-	-	39,394	51,602	-	-	-	-	-	-	1	42	-	-	8,711	3,770	48,106	54,814
Water supply, wastewater disposal, waste management and environmental remediation activities	-	-	13,021	12,207	-	-	-	-	-	-	1	8	-	-	-	-	13,022	12,218
Construction	-	-	215,308	80,826	-	-	-	-	-	-	63	151	43	40	51,683	60,610	267,097	141,627
Wholesale and retail trade, repair of motor vehicles and motor cycles	-	-	216,028	264,239	-	-	-	-	-	-	160	217	143	168	12,041	10,656	228,372	275,140
Transport and storage	-	-	49,835	29,826	-	-	-	-	-	-	215	187	4	-	20,419	17,052	69,673	47,065
Facilities for lodging and food service activities	-	-	29,920	17,697	-	-	-	-	-	-	207	2	43	-	600	-	30,770	17,699
Information and communication	-	-	117,834	153,973	-	-	-	-	-	-	4	67	1,020	3,642	466	980	119,324	158,664
Financial and insurance activities	27	71	17,527	12	363,370	448,065	-	-	354,848	214,655	2	2	8,814	6,608	191	233	744,978	699,414
Activities related to real estate	-	-	5,368	8,523	-	-	-	-	-	-	8	17	41	3	-	-	5,937	8,541
Professional, technical and scientific activities	-	-	37,071	38,930	-	-	-	-	-	-	96	145	143	0	12	12	37,897	39,231
Administrative and support service activities	-	-	15,827	38,104	-	-	-	-	-	-	40	36	24	-	8,060	1,377	23,891	39,517
Public administration and defence, compulsory social insurance	-	-	5,231	11,301	-	-	-	-	-	-	-	-	-	-	-	-	5,231	11,301
Education	-	-	11,209	14,574	-	-	-	-	-	-	142	138	-	-	39,552	39,808	51,063	54,480
Health and social care activities	-	-	2,686	2,316	-	-	-	-	-	-	7	7	-	-	-	-	2,693	2,323
Art, entertainment, recreation	-	-	122	4,705	-	-	-	-	-	-	29	41	3	23	11,731	7,452	11,885	12,221
Other service activities	-	-	9,199	13,327	-	-	-	-	-	-	6	4	143	-	-	-	9,348	13,331
Activities as households as employers, households that produce various goods and services for personal needs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Extrajuridical organizations and bodies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Trade unions	-	-	757,115	544,789	-	-	-	-	-	-	288	284	280	891	26,289	23,759	783,072	569,703
Trade and intermediaries that are not considered as banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Total	27	71	1,662,166	1,107,523	363,570	448,065	-	-	354,848	214,655	1,413	1,031	10,771	11,435	191,255	166,968	2,521,149	2,230,269

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

67 Concentration of credit risk by location

in thousands denars	Loans and advances to banks		Loans and advances to customers		Investments in financial assets available for sale		Investment in financial assets held-to-maturity		Cash and cash equivalents		Fees and commission receivables		Other receivables		Off-balance exposures		Total		
	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	
Geographical location																			
Republic of North Macedonia	27	71	1,662,866	1,407,523	363,570	448,005	-	-	238,223	181,853	1,413	1,421	10,771	11,635	191,255	166,959	2,488,026	2,217,866	
EU member countries	-	-	-	-	-	-	-	-	96,323	62,893	-	-	-	-	-	-	96,323	62,893	
Europe (other)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
OECD member countries (without the European member countries of OECD)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other (not including the exposure higher than 10% of the total credit exposure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	27	71	1,662,866	1,407,523	363,570	448,005	-	-	334,546	244,746	1,413	1,421	10,771	11,635	191,255	166,959	2,504,319	2,230,260	

D Analysis of credit risk of the financial assets measured at fair value through Profit and loss

in thousands denars	Assets available for sale				Financial assets measured at fair value through Profit and loss at initial recognition								Total	
	Debt instruments		Equity instruments		Debt instruments		Equity instruments		Loans and advances to banks		Loans and advances to customers			
	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018
Carrying value of the financial assets measured at fair value														
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
category of risk _____	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carrying value	-	-	-	-	-	-	-	-	-	-	-	-	-	-

2.2. Liquidity risk

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

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and Stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. Division of assets, liquidity and trading securities follows the daily liquidity of the Bank and current market conditions on a regular basis. This department receives information from other departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business combinations. Division of assets, liquidity and trading securities manage portfolio of short-term liquid assets, largely consist of short-term marketable securities and placements with other banks in order to ensure adequate liquidity of the Bank.

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

Exposure to liquidity risk

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

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

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

Stress test scenarios of Bank's exposure to liquidity risk:

As at 31 December 2019 the Bank performed Stress tests using different scenarios in order to evaluate the level of sensitivity of the Bank as a result of changes of deposit terms, changes of macroeconomic conditions and/or worsen reputation of the Bank.

For the purposes of Stress testing on liquidity risk, the Bank defined several scenarios through which it measured the effect on equity, the capital adequacy ratio and the level of internally defined liquidity indicators, as well as their eventual overcoming.

During so, the basic assumption was that the loan portfolio of the Bank will not grow, ie the Bank will place only assets that it has collected on the basis of loans during 2018.

To measure the effects on equity and the capital adequacy ratio, the Bank has applied the following scenario, i.e. sub-scenario:

1. Outflow of 5% of deposits with two sub-scenarios:
 - o Outflow of 5% of total deposits
 - o Outflow of 5% of the time deposits

After applying this scenario, the results show that:

- The Bank's own assets are maintained above the legal minimum of 310,000 thousand denars.
- The capital adequacy ratio, which, although reduced after the application of all scenarios, is above the minimum level prescribed by the NBRNM.

To measure the effects on liquidity indicators (LPs), the Bank applied the following scenario:

2. Reduction of total deposits by 10%, 20% and 30% with six sub-scenarios:
 - 2.A. Reduction of total deposits by 10%, 20% and 30% and the effects on the indicator Total loans / Total deposits.
 - 2.B. Reduction of total deposits by 10%, 20% and 30% and the effects on the indicator Liquid assets / Total deposits by sight, whereby it is assumed that the liquid assets will decrease in the part of cash in the amount for which the deposits are reduced, and deposits by vision would remain unchanged.
 - 2.C. Reduction of total deposits by 10%, 20% and 30% and the effects on the indicator Liquid Assets / Total Assets, whereby it is assumed that the liquid assets will decrease in the part of the cash for the amount for which the deposits are reduced, and for the same amount will the total assets decreased.
 - 2.D. Reduction of total deposits by sight by 10%, 20% and 30% and the effects on the indicator Liquid assets / Total liabilities, with the assumption being a decrease in liquid assets, and total liabilities would remain the same under the assumption that the Bank will take appropriate action for collecting new sources of funds.
 - 2.E.a. Reduction of time deposits by 10%, 20% and 30% and the effects on the indicator Overdue deposits / Total deposits, whereby the amount of total deposits will be reduced by the amount of withdrawn time deposits, i.e. the Bank will not undertake activities to collect new sources of funds.
 - 2.E.b. Reduction of time deposits by 10%, 20% and 30% and the effects on the indicator Overdue deposits / Total deposits, whereby the assumption is that deposits by sight will flow in the amount of 100%.
 - 2.F. Reduction of total deposits (more specifically deposits of legal entities) by 10%, 20% and 30% and the effects on the level of coverage of total household deposits with liquid assets.

After applying the scenarios, the obtained results show that there is an exceeding of six internally defined LPs after the application of the extreme scenario.

The Bank uses the results for the negative effects on the liquidity indicators for timely preparation of a reduction plan, ie rejection of the potential risks during the first signals, primarily in order to undertake appropriate activities for maintaining the liquidity indicators within the internally defined borders, in a way such as provided for in the Bank's Liquidity Management Plan in state of emergency .

The following tables analyze the assets and liabilities of the Bank, grouped according to their maturity based on the remaining period from the date of notification to the contractual maturity date of 31 December 2019 and 2018. Thereby, the amounts are presented on a gross basis, ie the amounts of the accumulated depreciation, the correction of the value and the allocated special reserve are not taken into account.

2.2 Liquidity risk

Maturity analysis of financial assets and liabilities (Residual Maturity)

in thousands denars

	Less than 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
31 December 2019 (current year)							
Financial assets							
Cash and cash equivalents	516,421	-	-	52,914	-	-	569,335
Trading assets	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	27	-	-	-	-	-	27
Loans and advances to customers	145,310	35,135	251,198	144,891	435,932	764,567	1,777,033
Investments in securities	6,089	-	50,701	-	27,212	279,567	363,569
Investment in associates	-	-	-	-	-	-	-
Income tax receivables (current)	1,582	-	-	-	-	-	1,582
Other receivables	34,919	-	2,661	-	-	-	37,580
Pledged assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-
Total financial assets	704,348	35,135	304,560	197,805	463,144	1,044,134	2,749,126
Financial liabilities							
Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Deposits from customers	780,939	206,858	1,054,388	178,246	17,614	-	2,238,045
Issued debt securities	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	1,937	-	159	-	-	123,038	125,134
Income tax liabilities (current)	-	-	-	-	-	-	-
Deferred tax liabilities	1,805	-	-	-	-	-	1,805
Other liabilities	20,812	-	-	-	-	-	20,812
Total financial liabilities	805,493	206,858	1,054,547	178,246	17,614	123,038	2,385,796
Off-balance entries							
Off-balance assets	-	-	-	-	-	-	-
Off-balance liabilities	13,665	35,503	97,762	29,649	51,843	3,632	232,054
Net liquidity gap	(114,810)	(207,226)	(847,749)	(10,090)	393,687	917,464	131,276

The analysis according to the maturity of the financial assets and liabilities on December 31, 2019 shows inconsistency between the assets and liabilities with maturities over two years. This discrepancy is due to the fact that the Bank's loans are mostly with maturities over 2 years, while deposits have maturities of up to 12 months. Although with a maturity of up to 12 months, historical data show that these deposits maintain a stable level throughout the year, which can be concluded that the Bank has no problems in maintaining its liquidity.

2.2 Liquidity risk - continues

Maturity analysis of financial assets and liabilities (Residual Maturity) - continues

in thousands denars

31 December 2018 (previous year)

Financial assets

	Less than 1 month	from 1 to 3 months	from 3 to 12 months	from 1 to 2 years	from 2 to 5 years	over 5 years	Total
Cash and cash equivalents	379,603	-	-	38,648	-	-	418,251
Trading assets	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-
Loans and advances to banks	73	-	-	-	-	-	73
Loans and advances to customers	251,932	19,321	258,371	104,929	368,628	622,904	1,626,085
Investments in securities	140,286	50,219	61,668	51,111	27,030	122,015	452,329
Investment in associates	-	-	-	-	-	-	-
Income tax receivables (current)	412	-	-	-	-	-	412
Other receivables	36,085	-	3,573	-	-	-	39,658
Pledged assets	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-

Total financial assets

808,391 69,540 323,612 194,688 395,658 744,919 2,536,808

Financial liabilities

Trading liabilities	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-
Deposits from banks	123	-	-	-	-	-	123
Deposits from customers	632,504	125,280	833,861	281,152	31,169	-	1,903,966
Issued debt securities	-	-	-	-	-	-	-
Borrowings	18,012	-	-	-	-	-	18,012
Subordinated liabilities	1,935	-	159	-	-	122,990	125,084
Income tax liabilities (current)	-	-	-	-	-	-	-
Deferred tax liabilities	970	-	-	-	-	-	970
Other liabilities	12,640	-	-	-	-	-	12,640

Total financial liabilities

666,184 125,280 834,020 281,152 31,169 122,990 2,060,795

Off-balance entries

Off-balance assets	-	-	-	-	-	-	-
Off-balance liabilities	53,093	12,731	63,884	40,440	20,254	1,415	191,817

Net liquidity gap

89,114 (68,471) (574,292) (126,904) 344,235 620,514 284,196

2.3. Market risks

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

Exposure to interest rate risk – non - trading portfolios

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

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

The activities for managing the assets and liabilities are implemented from the aspect of the sensitivity of the Bank to the changes in the interest rates.

Table 2.3.2 b analyzes the interest assets and liabilities of the Bank, grouped according to the period of change of interest rates on December 31, 2019 and December 31, 2018.

2.3 Market risk

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

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities

	Profit/Loss	Own assets	Risk weighted assets	CAPITAL ADEQUACY
	<i>in thousands denars</i>	<i>in thousands denars</i>	<i>in thousands denars</i>	<i>in %</i>
31 December 2019 (current year)				
Amount before sensitivity analysis/stress tests (balance at 31.12.2019)	(17,075)	427,631	1,845,750	23.17%
Effects from used scenarios				
Risks from changes in foreign exchange rates				
Depreciation of the Denar against other currencies (direct currency risk)				
10%	352	427,983	1,887,364	22.68%
15%	527	428,158	1,908,171	22.44%
30%	1,055	428,686	1,970,593	21.75%
Risk from changes in interest rates				
Change in nominal interest rate				
increase by 1.5%	551	428,182	1,845,750	23.20%
increase by 2%	735	428,366	1,845,750	23.21%
increase by 2.5%	918	428,549	1,845,750	23.22%
Risk of change in market rates in investments in equity securities (list separately different scenarios, including basic characteristics of the scenario).				
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
Combined scenarios (list separately different scenarios, including basic characteristics of the scenario)				
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-

2.3 Market risk - continues

2.3.1. Analysis of the sensitivity of assets and liabilities to changes in market risk - continues

A. Sensitivity Analysis on the Changes of Market Risk on Assets and Liabilities - continues

	Profit/Loss	Own assets	Risk weighted assets	CAPITAL ADEQUACY
	<i>in thousands denars</i>	<i>in thousands denars</i>	<i>in thousands denars</i>	<i>in %</i>
31 December 2018 (previous year)				
Amount before sensitivity analysis/stress tests (balance at 31.12.2018)	7,806	422,938	1,667,738	25.36%
Effects from used scenarios:				
Risks from changes in foreign exchange rates				
Depreciation of the Denar against other currencies (direct currency risk)				
10%	1,459	424,397	1,703,044	24.92%
15%	2,188	425,126	1,720,697	24.71%
30%	4,376	427,314	1,773,656	24.09%
Risk from changes in interest rates				
Change in nominal interest rate				
increase by 1.5%	260	423,198	1,667,738	25.38%
increase by 2%	347	423,285	1,667,738	25.38%
increase by 2.5%	434	423,372	1,667,738	25.39%
Risk of change in market rates in investments in equity securities (list separately different scenarios, including basic characteristics of the scenario).				
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
Combined scenarios (list separately different scenarios, including basic characteristics of the scenario)				
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-
_____	-	-	-	-

2.3 Market risk - continues

2.3.1. Analysis of the sensitivity of assets and liabilities to changes in market risk - continues

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

in thousands denars

Value exposed to risk in interest-bearing instruments
Value exposed to risk in instruments in foreign currency
Value exposed to risk in equity instruments
Variance (Off-setting effect)
Total

current year 2019				Previous year 2018			
At 31 December	Average value	Highest value (maximum)	Lowest value (minimum)	At 31 December	Average value	Highest value (maximum)	Lowest value (minimum)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-

2.3 *Market risk*

2.3.2 *Analysis of the risk of changes in interest rates of financial assets and liabilities (interest rate risk) (trading assets are not included)*

A *Sensitivity Analysis of Changes in Interest Rates of Financial Assets and Liabilities*

Report VPV

REPORT

Changes of economic value of the portfolio from bank activities at 31 December 2019

	Position	Currency	Current year 2019	Previous year 2018
			Amount	Amount
	1	2		3
1.1	Net weighted position of currencies CHF (FIR + VIR + AIR)	CHF	-	-
1.2	Net weighted position of currencies EUR (FIR + VIR + AIR)	EUR	(4,117)	(755)
1.3	Net weighted position of currencies MKD (FIR + VIR + AIR)	MKD	26,513	5,218
1.4	Net weighted position of currencies MKDkEUR (FIR + VIR + AIR)	MKDkEUR	15,882	14,457
1.5	Net weighted position of currencies USD (FIR + VIR + AIR)	USD	(273)	(306)
1.6	Net weighted position of currencies GBP (FIR + VIR + AIR)	GBP	(1)	(1)
1.7	Net weighted position of currencies AUD (FIR + VIR + AIR)	AUD	-	-
1.8	Net weighted position of currencies CAD (FIR + VIR + AIR)	CAD	-	-
2	Total weighted value – changes in the economic value of the portfolio of banking activities (1.1 + 1.2 + 1.3 + 1.4 + 1.5 + 1.6 + 1.7 + 1.8)		38,005	18,613
3	Own funds		427,631	422,938
4	Total weighted average value/own assets(2/3*100)		8.89%	4.40%

The tables below are prepared in accordance with the Guidelines for Implementing the Decision on Risk Management of Changing Interest Rates in the portfolio of banking activities and include interest-bearing balance sheets and off-balance sheet positions on a net basis reduced for the impairment, i.e. separately allocated for reserves premium, discount, and changes in fair value, without taking into account the amount of accumulated depreciation.

2.3 *Market risk (continues)*

2.3.2 *Analysis of the risk of changes in interest rates of financial assets and liabilities (interest rate risk)*
(trading assets are not included)

B. *Analysis of Reconciliation of Interest Rates*

in thousands denars

	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest-bearing assets/liabilities
31 December 2019 (current year)							
<i>Financial assets</i>							
Cash and cash equivalents	170,818	-	-	-	-	-	170,818
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	62,689	64,371	1,423,904	5,738	703	297	1,557,702
Investments in securities	172,915	-	50,701	27,212	-	265,504	516,332
Other unmentioned interest sensitive assets	-	-	-	-	-	-	-
<i>Total interest sensitive financial assets</i>	406,422	64,371	1,474,605	32,950	703	265,801	2,244,852
<i>Financial liabilities</i>							
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Deposits from customers	69,327	226,753	1,068,971	184,578	2,912	-	1,552,541
Issued debt securities	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	61,553	61,486	123,039
Other unmentioned interest sensitive liabilities	-	-	-	-	-	-	-
<i>Total interest sensitive financial liabilities</i>	69,327	226,753	1,068,971	184,578	64,465	61,486	1,675,580
Net-balance position	337,095	(162,382)	405,634	(151,628)	(63,762)	204,315	569,272
Off-balance interest sensitive assets positions	-	-	-	-	-	-	-
Off-balance interest sensitive liabilities positions	-	-	-	-	-	-	-
Net off-balance position	-	-	-	-	-	-	-
Total net position	337,095	(162,382)	405,634	(151,628)	(63,762)	204,315	569,272

2.3 Market risk (continues)

**2.3.2 Analysis of the risk of changes in interest rates of financial assets and liabilities (interest rate risk)
(trading assets are not included) continues**

B. Analysis of Reconciliation of Interest Rates - continues

in thousands denars

	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total interest-bearing assets/liabilities
31 December 2018 (previous year)							
Financial assets							
Cash and cash equivalents	167,874	-	-	-	-	-	167,874
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-	-
Loans and advances to customers	96,754	85,160	907,683	30,213	72,076	76,221	1,268,107
Investments in securities	141,519	50,219	61,668	51,111	27,030	109,920	441,467
Other unmentioned interest sensitive assets	-	-	-	-	-	-	-
Total interest sensitive financial assets	406,147	135,379	969,351	81,324	99,106	186,141	1,877,448
Financial liabilities							
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Deposits from customers	83,842	160,295	858,724	178,855	2,923	-	1,284,639
Issued debt securities	-	-	-	-	-	-	-
Borrowings	18,000	-	-	-	-	-	18,000
Subordinated liabilities	-	-	-	-	-	122,990	122,990
Other unmentioned interest sensitive liabilities	-	-	-	-	-	-	-
Total interest sensitive financial liabilities	101,842	160,295	858,724	178,855	2,923	122,990	1,425,629
Net-balance position	304,305	(24,916)	110,627	(97,531)	96,183	63,151	451,819
Off-balance interest sensitive assets positions	-	-	-	-	-	-	-
Off-balance interest sensitive liabilities positions	-	-	-	-	-	-	-
Net off-balance position	-	-	-	-	-	-	-
Total net position	304,305	(24,916)	110,627	(97,531)	96,183	63,151	451,819

2.3.3. Currency risk

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

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

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

The tables below representing the open foreign currency position of monetary assets and liabilities of the Bank by currency on 31 December 2019 and 2018.

2.3 Market risk (continues)

2.3.3 Currency risk

<i>in thousands denars</i>	MKD	EUR	USD	other (more than 10% from total monetary assets/liabilities)					Other currencies	Total
31 December 2019 (current year)										
Monetary assets										
Cash and cash equivalents	368,067	175,950	19,812	-	-	-	-	-	5,506	569,335
Trading assets	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-	-
Loans and advances to banks	27	-	-	-	-	-	-	-	-	27
Loans and advances to customers	1,271,223	391,244	-	-	-	-	-	-	-	1,662,467
Investments in securities	239,585	123,984	-	-	-	-	-	-	-	363,569
Investment in associates	-	-	-	-	-	-	-	-	-	-
Income tax receivables (current)	1,582	-	-	-	-	-	-	-	-	1,582
Other receivables	32,393	-	-	-	-	-	-	-	-	32,393
Pledged assets	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Total monetary assets	1,912,877	691,178	19,812	-	-	-	-	-	5,506	2,629,373
Monetary liabilities										
Trading liabilities	-	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-	-	-	-
Deposits from customers	1,664,327	549,513	19,974	-	-	-	-	-	4,232	2,238,046
Issued debt securities	-	-	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	125,134	-	-	-	-	-	-	-	125,134
Income tax liabilities (current)	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	1,805	-	-	-	-	-	-	-	-	1,805
Other liabilities	20,143	669	-	-	-	-	-	-	-	20,812
Total monetary liabilities	1,686,275	675,316	19,974	-	-	-	-	-	4,232	2,385,797
Net-position	226,602	15,862	(162)	-	-	-	-	-	1,274	243,576

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

2.3 Market risk (continues)
2.3.3 Currency risk - continues

in thousands denars

	MKD	EUR	USD	наведете ги одделно валутите кои претставуваат повеќе од 10% од вкупните монетарни средства/обврски; other (more than 10% from total monetary assets/liabilities)				Other currencies	Total
31 December 2018 (previous year)									
Monetary assets									
Cash and cash equivalents	266,759	123,870	20,858	-	-	-	-	6,764	418,251
Trading assets	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-	-	-
Derivative assets held for risk management	-	-	-	-	-	-	-	-	-
Loans and advances to banks	71	-	-	-	-	-	-	-	71
Loans and advances to customers	1,089,312	318,211	-	-	-	-	-	-	1,407,523
Investments in securities	332,488	119,841	-	-	-	-	-	-	452,329
Investment in associates	-	-	-	-	-	-	-	-	-
Income tax receivables (current)	412	-	-	-	-	-	-	-	412
Other receivables	36,076	70	168	-	-	-	-	-	36,314
Pledged assets	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	-	-	-
Total monetary assets	1,725,118	561,992	21,026	-	-	-	-	6,764	2,314,900
Monetary liabilities									
Trading liabilities	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-	-	-	-
Deposits from banks	-	123	-	-	-	-	-	-	123
Deposits from customers	1,473,109	405,687	19,740	-	-	-	-	5,430	1,903,966
Issued debt securities	-	-	-	-	-	-	-	-	-
Borrowings	18,012	-	-	-	-	-	-	-	18,012
Subordinated liabilities	-	125,084	-	-	-	-	-	-	125,084
Income tax liabilities (current)	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	970	-	-	-	-	-	-	-	970
Other liabilities	12,264	371	5	-	-	-	-	-	12,640
Total monetary liabilities	1,504,355	531,265	19,745	-	-	-	-	5,430	2,060,795
Net-position	220,763	30,727	1,281	-	-	-	-	1,334	254,105

2.3.4. Operating risk

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

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

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

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

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

3. Capital adequacy

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

According to the regulations, the minimum rate of capital adequacy ratio is 8%. Total risk-weighted assets are sum of credit risk-weighted assets, total currency risk-weighted assets and total operating risk-weighted assets.

Bank's own funds are consisted of:

(1) Core capital

Regular core capital

- Capital instruments that have a share capital treatment,
- Unconditionally irreversible, they do not have a maturity date and cannot be redeemed, repayable, i.e. their value cannot be reduced,
- Highest quality in regards to other capital instruments of the Bank, i.e. are used firstly to cover losses in the period of operating of the Bank and every capital instrument that is part of the regular core capital proportionally and equally (eng: pari passu) is used to cover losses.
- In case of bankruptcy or liquidation of the Bank, those are the last payments in regards to all other obligations of the Bank to the other creditors;
- In case of bankruptcy or liquidation of the Bank, they give the right to collection from the rest of the assets of the Bank which will remain after the payment of the other obligations;
- Are not secured or covered with any security by the Bank or related entity which would reduce the degree of subordination of these instruments
- They are not subject to any agreement that reduces the degree of subordination of the instrument, in case of bankruptcy or liquidation of the Bank.

Supplementary core capital

- Capital instruments that meet certain criteria,
- Have no maturity date
- In a case of bankruptcy or liquidation of the Bank are paid with instruments that are part of the supplementary core capital,
- Can be purchased or repaid by the Bank only with the prior consent of the National Bank,
- Certain criteria is met in regards to the fee that can be allocated,
- The capital instrument has no deposit treatment (savings investment).
- The Bank has full discretion, at any time, to cancel the payment of the fee for an unlimited period and on a non-cumulative basis and without restrictions to use the unpaid fee for the fulfillment of its obligations.
- The cancellation of the payment of the fee is not considered as impossibility for the Bank to settle its obligations.
- Are issued by or approved by the Bank and are paid completely,
- The obligations based on this positions are completely subordinated to the obligations for the other depositors and creditors of the Bank;
- Have a maturity of at least 5 years;
- In case when one or more options for redemption or early repayment are provided, the use of the option for redemption / early repayment is a discretionary right only of the issuer;
- They can be redeemed or repaid prematurely, only with the consent of the National Bank.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is

also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

As at 31 December 2019 the regulated activities of the Bank were in accordance with all external imposed requirements during the period.

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

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

Process of determining the internal capital (PIC)

The Bank has established a process for determining the internal capital (PIC) including the following phases:

- Identifying material risks;
- Measurement or evaluation of the separate material risks and determination of the respective amount of internal capital for covering the individual risk;
- Determining the total internal capital for covering the risks; and
- Comparing the amount of the Bank's own funds with the total internal capital intended for covering the risks; and undertaking activities for maintaining the required amount of own funds.

The allocation of the capital between the specific operations and activities, mostly results from optimizing of the return from the allocated capital. The amount of the allocated capital of each operation or activity is based on the own funds.

The process of capital allocation to specific operations and activities is reviewed by the Risk Management Committee, independently from those responsible for the operations.

Bank's own funds and the capital adequacy as of 31 December 2019 and 2018 are as follows:

3 Report on capital adequacy (continues)

REPORT
on own funds
balance as at 31.12.2019

(in 000 denars)

No.	Description	2019	2018
1	2	3	3
1.	Own funds	427,631	422,938
2.	Own capital	310,124	299,948
3.	Regular Core Capital (RCC)	310,124	299,948
3.1.	Positions in RCC	328,842	301,890
3.1.1.	Capital instruments from RCC	855,688	855,688
3.1.2.	Premium from capital instruments from RCC	-	-
3.1.3.	Mandatory general reserves (general reserves fund)	-	-
3.1.4.	Retained undistributed profit	-	-
3.1.5.	(-) Accumulated loss from previous years	(563,842)	(567,961)
3.1.6.	Profit and loss from the year	-	-
3.1.7.	Cumulated comprehensive profit or loss	36,996	14,163
3.2.	(-) Deduction items from RCC	(18,718)	(1,942)
3.2.1.	(-) Loss at year end or current loss	(17,075)	-
3.2.2.	(-) Intangible assets	(1,643)	(1,942)
3.2.3.	(-) Deferred tax assets depending from future profitability	-	-
3.2.4.	(-) Investments in own equity instruments from RCC	-	-
3.2.4.1.	(-) Direct investments in own equity instruments from RCC	-	-
3.2.4.2.	(-) Indirect investments in own equity instruments from RCC	-	-
3.2.4.3.	(-) Syntactical investments in own equity instruments from RCC	-	-
3.2.4.4.	(-) Investments in own equity instruments in RCC for which the Bank has buying contractual agreement	-	-
3.2.5.	(-) Direct, indirect and syntatic investments in equity instruments from RCC of persons in the finance sector, while these persons have investments in the bank	-	-
3.2.6.	(-) Direct, indirect and syntactical investments in equity instruments from RCC of persons in the finance sector in which the bank does not have significant investments	-	-
3.2.7.	(-) Direct, indirect and syntactical investments in equity instruments from RCC of persons in the finance sector in which the bank has significant investments	-	-
3.2.8.	(-) Amount of deduction items from AOC exceeding the total amount of AOC	-	-
3.2.9.	(-) Amount exceeding the investment limits in non-financial institutions	-	-
3.2.10.	(-) Tax expenses	-	-
3.2.11.	(-) Difference between the amount of the required and the carried out impairment / special reserve	-	-
3.3.	Regulatory compliance of RCC	-	-
3.3.1.	(-) Increase of RCC arising from the securitization positions	-	-
3.3.2.	(-) Gains or (+) losses from hedging against cash flow risk	-	-
3.3.3.	(-) Gains or (+) losses from bank's liabilities measured at fair value	-	-
3.3.4.	(-) Gains or (+) losses related to liabilities based on derivatives measured at fair value	-	-
3.4.	Positions result of consolidation	-	-
3.4.1.	Non-controlling (minority) share recognized in RCC on consolidation basis	-	-
3.4.2.	Other	-	-
3.5.	Other positions from RCC	-	-

3 Report on capital adequacy (continues)

**REPORT
on own funds
balance as at 31.12.2019**

(in 000 denars)

No.	Description	2019	2018
1	2	3	3
4.	Additional own capital (AOC)	-	-
4.1.	Position in AOC	-	-
4.1.1.	Capital instruments from RCC	-	-
4.1.2.	Premium from capital instruments from AOC	-	-
4.2.	(-) Deduction items from AOC	-	-
4.2.1.	(-) Investments in own equity instruments from AOC	-	-
4.2.1.1.	(-) Direct investments in own equity instruments from AOC	-	-
4.2.1.2.	(-) Indirect investments in own equity instruments from AOC	-	-
4.2.1.3.	(-) Syntactical investments in own equity instruments from AOC	-	-
4.2.1.4.	(-) Investments in own equity instruments in AOC for which the Bank has buying contractual agreement	-	-
4.2.2.	(-) Direct, indirect and syntactical investments in equity instruments from AOC of persons in the financial sector who have investments in the bank	-	-
4.2.3.	(-) Direct, indirect and syntactical investments in equity instruments from AOC of persons in the financial sector in which the bank does not have significant investments	-	-
4.2.4.	(-) Direct, indirect and syntactical investments in equity instruments from AOC of persons in the financial sector in which the bank has significant investments	-	-
4.2.5.	(-) Amount of deduction items from AC exceeding the total AC	-	-
4.2.6.	(-) Tax expenses	-	-
4.3.	Regulatory compliance of AOC	-	-
4.3.1.	(-) Increase of AOC arising from securitization positions	-	-
4.3.2.	(-) Gains or (+) losses from hedging of cash flow risk	-	-
4.3.3.	(-) Gains of (+) losses from bank's liabilities measured at fair value	-	-
4.3.4.	(-) Gains or (+) losses related to liabilities based on derivatives measured at fair value	-	-
4.4.	Positions result of consolidation	-	-
4.4.1.	Acceptable additional own capital recognized in AOC on consolidating bases	-	-
4.4.2.	Other	-	-
4.5.	Other positions from AOC	-	-
5.	Additional capital (AC)	117,507	122,990
5.1.	Positions in AC	117,507	122,990
5.1.1.	Equity instruments from AC	-	-
5.1.2.	Subordinated loans	117,507	122,990
5.1.3.	Premium from equity instruments from AC	-	-
5.2.	(-) Deduction items from AC	-	-
5.2.1.	(-) Investments in own equity instruments from AC	-	-
5.2.1.1.	(-) Direct investments in own equity instruments from AC	-	-
5.2.1.2.	(-) Indirect investments in own equity instruments from AC	-	-
5.2.1.3.	(-) Syntactical investments in own equity instruments from AC	-	-
5.2.1.4.	(-) Investments in own equity instruments in AC for which the Bank has buying contractual agreement	-	-
5.2.2.	(-) Direct, indirect and syntactical investments in equity instruments from AC of persons in the financial sector who have investments in the bank	-	-
5.2.3.	(-) Direct, indirect and syntactical investments in equity instruments from AC of persons in the financial sector in which the bank does not have significant investments	-	-
5.2.4.	(-) Direct, indirect and syntactical investments in equity instruments from AC of persons in the financial sector in which the bank has significant investments	-	-
5.3.	Regulatory compliance of AC	-	-
5.3.1.	(-) Increase of AC arising from securitization positions	-	-
5.3.2.	(-) Gains or (+) losses from hedging of cash flow risk	-	-
5.3.3.	(-) Gains of (+) losses from bank's liabilities measured at fair value	-	-
5.3.4.	(-) Gains or (+) losses related to liabilities based on derivatives measured at fair value	-	-
5.4.	Positions result of consolidation	-	-
5.4.1.	Acceptable additional own capital recognized in AC on consolidating bases	-	-
5.4.2.	Other	-	-
5.5.	Other positions from AC	-	-

3 Report on capital adequacy (continues)

**REPORT
on capital adequacy
balance as at 31.12.2019**

(in 000 denars)

No.	DESCRIPTION	2019	2018
1	2	3	4
I	Credit risk weighted assets		
1	Credit risk weighted assets with the standardized approach	1,583,448	1,369,918
2	Capital necessary to cover credit risk	126,676	109,593
II	FOREIGN CURRENCY RISK WEIGHTED ASSETS		
3	Aggregate foreign currency position	3,515	14,586
4	Net-position of gold	-	-
5	Capital necessary to cover currency risk	-	1,167
6	Foreign exchange risk weighted assets	-	14,586
III	OPERATING RISK WEIGHTED ASSETS		
7	Capital necessary to cover operating risk with the basic indicator approach	20,984	22,659
8	Capital necessary to cover operating risk with the standardized approach	-	-
9	Operating risk weighted assets	262,302	283,234
IV	OTHER RISK WEIGHTED ASSETS		
10	Capital necessary to cover the risk from price changes of goods	-	-
11	Capital necessary to cover market risks (11.1+11.2+11.3+11.4+11.5)	-	-
11.1	Capital necessary to cover position risks (11.1.1+11.1.2+11.1.3+11.1.4)	-	-
11.1.1	Capital necessary to cover the specific risk from investment in debt instruments	-	-
11.1.2	Capital necessary to cover the general risk from investment in debt instruments	-	-
11.1.3	Capital necessary to cover the specific risk from investment in equity instruments	-	-
11.1.4	Capital necessary to cover the general risk from investment in equity instruments	-	-
11.2	Capital necessary to cover the settlement risk	-	-
11.3	Capital necessary to cover counterparty risk	-	-
11.4	Capital necessary to cover overdraft of exposure limits	-	-
11.5	Capital necessary to cover market risks from options	-	-
12	Capital necessary to cover the other risks (10+11)	-	-
13	Other risk weighted assets	-	-
V	RISK WEIGHTED ASSETS	1,845,750	1,667,738
14	Capital necessary to cover the risks	147,660	133,419
VI	OWN FUNDS	427,631	422,938
VII	CAPITAL ADEQUACY (VI/V)	23.17%	25.36%

4. Segment reporting

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

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

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

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

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

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

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

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

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

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

4 Segment reporting

A Operating segments

in thousands denars

31 December 2019 (current year)

Net Interest income / (expense)	21,574	74,352	10,379	(5,054)	-	-	101,251
Net fee and commission income/(expense)	10,975	26,085	(62)	(13,904)	-	-	23,094
Net trading income	-	-	-	-	-	-	-
Net income from other financial instruments carried at fair value	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	13,167	13,167
Income realized between segments	-	-	-	-	-	-	-
Total income per segment	32,549	100,437	10,317	(18,958)	-	13,167	137,512
Allowance for impairment of financial assets, net	(15,567)	(20,988)	-	(16)	-	(3,949)	(40,520)
Impairment losses of financial assets, net	-	-	-	-	-	(2,966)	(2,966)
Depreciation and amortization	-	-	-	-	-	(5,274)	(5,274)
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	(105,827)	(105,827)
Total expenses per segment	(15,567)	(20,988)	-	(16)	-	(118,016)	(154,587)
Financial performance per segment	16,982	79,449	10,317	(18,974)	-	(104,849)	(17,075)
Income tax	-	-	-	-	-	-	-
Profit/(loss) for the financial year							(17,075)
Total assets per segment	759,987	903,894	363,569	569,362	-	104,747	2,701,559
Unallocated assets per segment	-	-	-	-	-	-	-
Total assets	759,987	903,894	363,569	569,362	-	104,747	2,701,559
Total liabilities per segment	1,257,701	565,665	420,480	125,263	-	20,683	2,389,792
Unallocated liabilities per segment	-	-	-	-	-	-	-
Total liabilities	1,257,701	565,665	420,480	125,263	-	20,683	2,389,792

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

4 Segment reporting - continues

A Operating segments - continues

in thousands denars

31 December 2018 (previous year)

	Operating segments				All other insignificant operating segments	Non-allocated	Total
	Retail customers	Corporate	Investment	Liquidity			
Net interest income / (expense)	15,304	81,044	12,602	(4,529)	-	-	104,421
Net fee and commission income/(expense)	7,444	25,069	-	(11,409)	-	-	21,104
Net trading income	-	-	-	-	-	-	-
Net income from other financial instruments carried at fair value	-	-	-	-	-	-	-
Other operating income	-	-	-	-	-	16,263	16,263
Income realized between segments	-	-	-	-	-	-	-
Total income per segment	22,748	106,113	12,602	(15,938)	-	16,263	141,788
Allowance for impairment of financial assets, net	(774)	(7,923)	-	-	-	(388)	(9,085)
Impairment losses of financial assets, net	-	-	-	-	-	8,017	8,017
Depreciation and amortization	-	-	-	-	-	(4,771)	(4,771)
Restructuring costs	-	-	-	-	-	-	-
Costs for investment in property and equipment	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	(126,741)	(126,741)
Total expenses per segment	(774)	(7,923)	-	-	-	(123,883)	(132,580)
Financial performance per segment	21,974	98,190	12,602	(15,938)	-	(107,620)	9,208
Income tax	-	-	-	-	-	-	(1,402)
Profit/(loss) for the financial year							7,806
Total assets per segment	545,962	862,943	452,329	418,322	-	100,847	2,380,403
Unallocated assets per segment	-	-	-	-	-	-	-
Total assets	545,962	862,943	452,329	418,322	-	100,847	2,380,403
Total liabilities per segment	1,140,209	489,648	285,003	143,410	-	12,437	2,070,707
Unallocated liabilities per segment	-	-	-	-	-	-	-
Total liabilities	1,140,209	489,648	285,003	143,410	-	12,437	2,070,707

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

4 Segment reporting - continues

B Concentration of Total Income and Expense by Significant Customer

<i>in thousands denars</i>	Operating segments							All other insignificant operating segments	Non-allocated	Total by significant customer
	Corporate interest	Corporate commission								
31 December 2019 (current year) (The Bank should present total revenues and expenses by a significant client separately)										
Customer 1										
Income	4,223	295	-	-	-	-	-	-	-	4,518
(Expenses)	-	-	-	-	-	-	-	-	-	-
Customer 2										
Income	3,199	388	-	-	-	-	-	-	-	3,587
(Expenses)	-	-	-	-	-	-	-	-	-	-
Customer 3										
Income	2,234	1,248	-	-	-	-	-	-	-	3,482
(Expenses)	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total by segment	9,656	1,931	-	-	-	-	-	-	-	11,587
31 December 2018 (previous year) (The Bank should present total revenues and expenses by a significant client separately)										
Customer 1										
Income	2,195	96	-	-	-	-	-	-	-	2,291
(Expenses)	-	-	-	-	-	-	-	-	-	-
Customer 2										
Income	1,936	22	-	-	-	-	-	-	-	1,958
(Expenses)	-	-	-	-	-	-	-	-	-	-
Customer 3										
Income	1,062	448	-	-	-	-	-	-	-	1,510
(Expenses)	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Total by segment	5,193	566	-	-	-	-	-	-	-	5,759

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

4 Segment reporting - continues

F Geographical Location

in thousands denars

	Republic of North Macedonia	EU member countries	Europe (other)	OECD member countries (without european countries members of OECD)	Other		Other insignificant geographic segments	Non-allocated	Total
31 December 2019 (current year)									
Total income	128,164	9,348	-	-	-	-	-	-	137,512
Total assets	2,605,227	96,332	-	-	-	-	-	-	2,701,559
31 December 2018 (previous year)									
Total income	137,709	4,079	-	-	-	-	-	-	141,788
Total assets	2,317,600	62,803	-	-	-	-	-	-	2,380,403

5. Fair value of financial assets and liabilities

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

Cash and cash equivalents

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

Loans and advances to customers

Loans and advances to banks and customers are carried at amortized cost and are net of provisions for impairment. Carrying value of the loans and advances to customers with floating interest rates approximates their fair value.

Investment securities

Investment securities include investments classified as held to maturity and available for sale carried at fair value. The fair value of assets available for sale is determined on the basis of their market value on the active market and discounted cash flows with market rates.

Other receivables

The fair value of other financial assets is considered approximate to their respective carrying values taking into consideration their short-term nature.

Deposits, loans and subordinated liabilities

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The fair value of the term deposits with variable interest rates approximates their carrying values as at the Balance sheet date. The estimated fair value of deposits that are fixed interest-bearing and loans and subordinated liabilities not listed on the active market are determined on the basis of discounted cash flows, using market interest rates for new debts with similar residual maturity.

Other liabilities

The carrying value of other liabilities approximates their fair value due to short-term maturity.

5 Fair Value of Financial Assets and Financial Liabilities

A Fair Value of Financial Assets and Financial Liabilities

<i>in thousands denars</i>	current year 2019		previous year 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	569,335	569,335	418,251	418,251
Trading assets	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	27	27	71	71
Loans and advances to customers	1,662,467	1,662,467	1,407,523	1,407,523
Investments in securities	363,569	363,569	452,329	452,329
Investment in associates	-	-	-	-
Income tax receivables (current)	1,582	1,582	412	412
Other receivables	32,393	32,393	36,314	36,314
Pledged assets	-	-	-	-
Deferred tax assets	-	-	-	-
Financial liabilities				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Deposits from banks	-	-	123	123
Deposits from customers	2,238,046	2,238,046	1,903,966	1,903,966
Issued debt securities	-	-	-	-
Borrowings	-	-	18,012	18,012
Subordinated liabilities	125,134	125,134	125,084	125,084
Income tax liabilities (current)	-	-	-	-
Deferred tax liabilities	1,805	1,805	970	970
Other liabilities	20,812	20,812	12,640	12,640

Fair value hierarchy

The Bank classifies its financial assets and liabilities according to fair value using hierarchy of value that presents the meaning of the input values used to determine their fair value. The hierarchy includes the following levels:

- Level 1 - fair value is determined based on quoted market price of financial instruments in an active market;
- Level 2 - fair value is determined using valuation techniques that include inputs (input) from active markets including direct i.e. prices or indirect i.e. derived from prices;
- Level 3 - fair value is determined using valuation techniques that include inputs (inputs) that cannot directly or indirectly follow the active markets or are not available;

5 Fair Value of Financial Assets and Financial Liabilities - continues

B. Levels of fair value of financial assets and liabilities, assessed by fair value

B.1. Levels of fair value of financial assets and liabilities, assessed by fair value

in thousands denars

31 December 2019 (current year)

Financial assets at fair value

	Note	Level 1	Level 2	Level 3	Total
Trading assets	19	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investment in securities available for sale	23.1	-	363,569	-	363,569
Total		-	363,569	-	363,569

Financial liabilities at fair value

Trading liabilities	32	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		-	-	-	-

31 December 2018 (previous year)

Financial assets at fair value

Trading assets	19	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	20	-	-	-	-
Derivative assets held for risk management	21	-	-	-	-
Investment in securities available for sale	23.1	4,324	448,005	-	452,329
Total		4,324	448,005	-	452,329

Financial liabilities at fair value

Trading liabilities	32	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	33	-	-	-	-
Derivative liabilities held for risk management	21	-	-	-	-
Total		-	-	-	-

During the period, there are no transfers between levels of the fair value.

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

5 Fair Value of Financial Assets and Financial Liabilities - continues

B. Levels of fair value of financial assets and liabilities, assessed by fair value -continues

B.2. Transfers between levels 1 and 2 by fair value

in thousands denars

Financial assets at fair value

Trading assets	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investment in securities available for sale	-	-	-	-
Total	-	-	-	-

Financial liabilities at fair value

Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

	current year 2019		previous year 2018	
	Transfers from level 1 to level 2	Transfers from level 1 to level 2	Transfers from level 1 to level 2	Transfers from level 1 to level 2
Financial assets at fair value				
Trading assets	-	-	-	-
Financial assets at fair value through profit and loss at initial recognition	-	-	-	-
Derivative assets held for risk management	-	-	-	-
Investment in securities available for sale	-	-	-	-
Total	-	-	-	-
Financial liabilities at fair value				
Trading liabilities	-	-	-	-
Financial liabilities at fair value through profit and loss at initial recognition	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Total	-	-	-	-

5 Fair Value of Financial Assets and Financial Liabilities - continues

B. Levels of fair value of financial assets and liabilities, assessed by fair value -continues

B.3. Reconciliation of movements in fair value during the year, measured in Level 3

<i>in thousands denars</i>	Trading assets	Financial liabilities at fair value through profit and loss at initial recognition	Investment in securities available-for-sale	Total assets	Trading liabilities	Financial liabilities at fair value through profit and loss at initial recognition	Total liabilities
Balance as off 1 Januari 2018 (previous year)	-	-	-	-	-	-	-
Profits/ (losses) recognized in:	-	-	-	-	-	-	-
- Statement of Income	-	-	-	-	-	-	-
- Other profits/(losses) not recognized in the statement of income	-	-	-	-	-	-	-
Financial instruments purchased in the period.	-	-	-	-	-	-	-
Financial instruments sold in the period	-	-	-	-	-	-	-
Financial instruments issued in the period	-	-	-	-	-	-	-
Financial instruments paid for in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
Balance at 31 December 2018 (previous year)	-	-	-	-	-	-	-
Total profit/(loss) recognized in profit and loss for financial assets and liabilities held until 31 December 2018 (previous year)	-	-	-	-	-	-	-
Balance as off 1 Januari 2019 (current year)	-	-	-	-	-	-	-
Profits/ (losses) recognized in:	-	-	-	-	-	-	-
- Statement of Income	-	-	-	-	-	-	-
- Other profits/(losses) not recognized in the statement of income	-	-	-	-	-	-	-
Financial instruments purchased in the period.	-	-	-	-	-	-	-
Financial instruments sold in the period	-	-	-	-	-	-	-
Financial instruments issued in the period	-	-	-	-	-	-	-
Financial instruments paid for in the period	-	-	-	-	-	-	-
Reclassified financial instruments to/(from) Level 3	-	-	-	-	-	-	-
Reclassified in loans and advances	-	-	-	-	-	-	-
Balance at 31 December 2019 (current year)	-	-	-	-	-	-	-
Total profit/(loss) recognized in profit and loss for financial assets and liabilities held until 31 December 2019 (current year)	-	-	-	-	-	-	-

6 Net Interest income / (expense)

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

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Interest income		
Cash and cash equivalents	3,573	5,311
Financial assets at fair value through profit and loss at initial recognition	-	-
Derivative assets held for risk management	-	-
Loans and advances to banks	309	517
Loans and advances to customers	121,084	105,703
Investments in securities	10,371	12,602
Other receivables	-	-
(Allowance for impairment of interest income, net)	4,515	7,008
Collected interest previously written off	1,909	16,240
Total interest income	141,761	147,381
Interest expense		
Financial liabilities at fair value through profit and loss at initial recognition	-	-
Derivative liabilities held for risk management	-	-
Deposits from banks	-	1
Deposits from customers	34,160	37,438
Issued debt securities	-	-
Borrowings	17	27
Subordinated liabilities	6,121	5,482
Other liabilities	212	12
Total interest expense	40,510	42,960
Net interest income(expense)	101,251	104,421

6 Net Interest income / (expense) - continues

B Sector analysis of interest income and expenses according to sector

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Interest income		
Non-financial companies	70,294	63,732
State	15,628	12,623
Non-profit institutions providing services to households	489	639
Banks	3,882	5,828
Other financial institutions (non-banking)	-	-
Households	45,044	41,311
Non-residents	-	-
(Allowance for impairment of interest income, net)	4,515	7,008
Collected interest previously written off	1,909	16,240
Total interest income	141,761	147,381
Interest expense		
Non-financial companies	562	414
State	-	-
Non-profit institutions providing services to households	723	668
Banks	229	40
Other financial institutions (non-banking)	8,706	10,318
Households	24,343	26,418
Non-residents	5,947	5,102
Total interest expense	40,510	42,960
Net interest income (expense)	101,251	104,421

7 Net fee and commission income/(expense)

A Structure of fee and commission income and expense according to the type of financial instruments

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Fee and commission income		
Loans	14,281	10,501
Payment operations		-
in the country	7,575	8,533
abroad	8,311	4,789
Letter of credit and guarantees	6,293	7,212
Brokerage operations	-	-
Asset management	-	-
Fiduciary activities	-	-
Issuing securities	-	-
Other (describe separately income which represent more than 10% of the total fees and commissions income)	-	-
<i>card operations</i>	4,063	4,342
<i>other</i>	100	70
Total fee and commission income	40,623	35,447
Fee and commission expense		
Loans	76	-
Payment operations	-	-
in the country	3,569	3,207
abroad	3,212	3,225
Letter of credit and guarantees	-	-
Brokerage operations	-	-
Asset management	-	-
Fiduciary activities	-	-
Issuing securities	-	-
Other (describe separately income which represent more than 10% of the total fees and commissions income)	-	-
<i>interbank activities</i>	-	-
<i>card operations</i>	10,141	7,630
<i>other</i>	531	281
Total fee and commission expense	17,529	14,343
Net fee and commission income/(expense)	23,094	21,104

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

B Sector analysis of fees and commission income and revenue

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Fee and commission income		
Non-financial companies	24,140	23,877
State	-	-
Non-profit institutions providing services to households	-	56
Banks	-	-
Other financial institutions (non-banking)	663	689
Households	9,596	6,746
Non-residents	6,224	4,079
Total fee and commission income	40,623	35,447
Fee and commission expense		
Non-financial companies	2,900	2,245
State	-	-
Non-profit institutions providing services to households	-	-
Banks	2,249	2,901
Other financial institutions (non-banking)	2,755	2,034
Non-residents	9,625	7,163
Total fee and commission expense	17,529	14,343
Net fee and commission income(expense)	23,094	21,104

8 Net trading income/ (expense)

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>Trading assets</i>		
Profit/(loss) from fair value changes of debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of equity instruments, net		
realized	-	-
unrealized	-	-
Income from dividends from trading assets	-	-
Income from interest of trading assets	-	-
<i>Trading liabilities</i>		
Profit/(loss) from fair value changes of debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of trading deposits, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of remaining financial liabilities for trading, net		
realized	-	-
unrealized	-	-
Interest expense of financial liabilities held for trade	-	-
<i>Profit/(loss) from fair value change of derivatives held for trading, net</i>		
realized	-	-
unrealized	-	-
Net trading income	-	-

9 Net income from other financial instruments carried at fair value

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>Financial assets at fair value through profit and loss at initial recognition</i>		
Profit/(loss) from fair value changes of debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from fair value changes of equity instruments, net		
realized		
unrealized	-	-
Income from dividends from financial assets at fair value through profit and loss	-	-
Profit/(loss) from the changes in fair value of loans and receivables at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
<i>Financial liabilities at fair value through profit and loss at its/ their initial recognition</i>		
Profit/(loss) from fair value changes of debt securities, net		
realized	-	-
unrealized	-	-
Profit/(loss) from the changes in fair value of deposits at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Profit/(loss) from the changes in fair value of borrowings at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
Profit/(loss) from the changes in fair value of other financial liabilities at fair value through profit and loss, net		
realized	-	-
unrealized	-	-
<i>Profit/(loss) from fair value changes of derivatives held for risk management at fair value through profit and loss, net</i>		
realized	-	-
unrealized	-	-
Net income from other financial instruments carried at fair value	-	-

10 Foreign exchange gains/(losses), net

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Realized foreign exchange gains / (losses), net	4,705	4,009
Unrealized foreign exchange gains / (losses), net		
foreign exchange differences of allowance for impairment of financial assets, net	754	472
other foreign exchange differences, net	(48)	(289)
Foreign exchange gains/(losses), net	5,411	4,192

11 Other operating income

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Profit from the sale of assets available – for – sale	-	-
Dividends from equity instruments available – for – sale	86	110
Net income from investment in subsidiaries and associates	-	-
Capital gain from the sale of:		
property and equipment	769	-
intangible assets	-	-
foreclosed assets	8	6,295
Non - current assets held for sale and group for disposal	-	-
Income from rent	454	692
Income from litigations	-	-
Collected receivables previously written off	4,094	212
Release of special reserve and provisions for:		
contingent commitments based on litigations	-	-
pensions and other employee benefits	-	-
restructuring	-	-
adverse contracts	-	-
other provisions	-	-
Other (list individually the income that represents more than 10% of the total other operating income)		
<i>interest from withdrawn deposits</i>	473	203
<i>refunds</i>	271	289
<i>penalty interest income according to contract</i>	-	3,851
<i>Master card campagne income</i>	922	-
<i>other</i>	679	419
Total other operating income	7,756	12,071

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

12 Allowance for impairment of financial assets and special reserves for off-balance sheet exposures, net

<i>in thousands denars</i>	Loans and advances to banks	Loans and advances to customers	Investment in finan. assets available-for-sale	Investment in finan. assets held to maturity	Cash and cash equivalents	Fees and commission receivables	Other receivables	Total allowance for impairment of financial assets	Special reserve for off-balance sheet exposure	Total
31 December 2019 (current year)										
<i>Allowance for impairment and special reserve</i>										
Additional allowance for impairment and special reserve	3	154,919	71	-	179	1,522	6,321	163,015	11,360	174,375
(Release of allowance for impairment and special reserve)	(5)	(118,523)	(71)	-	(160)	(1,363)	(2,373)	(122,495)	(17,280)	(139,775)
Total allowance for impairment of financial assets and special reserve for off-balance sheet exposure, net	(2)	36,396	-	-	19	159	3,948	40,520	(5,920)	34,600
31 December 2018 (previous year)										
<i>Allowance for impairment and special reserve</i>										
Additional allowance for impairment and special reserve	2	171,077	-	-	-	3,905	6,567	181,551	26,982	208,533
(Release of allowance for impairment and special reserve)	-	(164,900)	-	-	-	(4,041)	(3,525)	(172,466)	(17,956)	(190,422)
Total allowance for impairment of financial assets and special reserve for off-balance sheet exposure, net	2	6,177	-	-	-	(136)	3,042	9,085	9,026	18,111

13 Impairment losses of nonfinancial assets, net

in thousands denars

	Property and equipment	Intangible assets	Foreclosed assets	Non - current assets held for sale and group for disposal	Other non-financial assets	Uncontrolled participation*	Total
31 December 2019 (current year)							
Additional impairment loss	-	-	3,036	-	-	-	3,036
(Release of impairment loss)	-	-	-	-	(70)	-	(70)
Total impairment loss of non-financial assets, net	-	-	3,036	-	(70)	-	2,966
31 December 2018 (previous year)							
Additional impairment loss	-	-	5,988	-	-	-	5,988
(Release of impairment loss)	-	-	-	-	(14,005)	-	(14,005)
Total impairment loss of non-financial assets, net	-	-	5,988	-	(14,005)	-	(8,017)

* only for consolidated financial statements

14 Personnel expenses

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>Short - term employee benefits</i>		
Salaries	35,407	41,227
Mandatory contribution for social and health insurance	23,302	20,151
Short - term paid leave of absence	534	451
Expenses for temporary employment	-	-
Interest in profit and rewards	3,831	-
Non-monetary benefits	-	-
	63,074	61,829
<i>Benefits after employment</i>		
Contribution to pension plans for defined contributions	-	-
Benefits at retirement	-	-
Increasing the obligation for pension plans and defined benefits	-	-
Increasing the obligation for other long-term benefits	-	-
Other benefits after the termination of employment	-	-
<i>Benefits due to termination of employment</i>		
Employee payment based on shares, settled with equity instruments	-	-
Employee payment based on shares, settled in cash	-	-
Other	3,037	1,269
	-	-
Total personnel expenses	66,111	63,098

15 Depreciation and amortization

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Amortization of intangible assets		
Internally developed software	-	-
Acquired software from external suppliers	870	1,341
Other internally developed intangible assets	-	-
Other intangible assets	299	393
Investments in intangible assets under lease	-	-
	1,169	1,734
Depreciation of property and equipment		
Buildings	-	-
Transport vehicles	624	46
Furniture and office equipment	2,092	1,613
Other equipment	39	49
Other items of property and equipment	93	70
Investment in property and equipment under lease	1,257	1,259
	4,105	3,037
Total depreciation and amortization	5,274	4,771

16 Other operating expenses

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Loss due to the sale of assets available – for – sale	-	-
Expenses for software licensing	-	-
Insurance premiums on deposits	3,257	3,310
Insurance premiums on property and employees	379	518
Materials and services	23,490	30,762
Administrative and marketing expenses	3,611	3,602
Other taxes and contributions	430	665
Expenses for rent	9,851	10,093
Expenses for litigation	-	-
Provisions for pensions and other employee benefits, net на нето-основа; Provisions for contingent liabilities based on litigations, net	-	-
Other provisions, net	-	-
Loss from the sale of: property and equipment	-	-
intangible assets	-	-
foreclosed assets	-	825
non - current assets held for sale and group for disposal	-	-
Other (describe separately income which represents more than 10% of the total other operating expenses)		
<i>business trips</i>	222	729
<i>expenses for fees and court decisions</i>	620	768
<i>fees for members of Supervisory Board and Audit Committee</i>	1,754	1,899
<i>expenses from previous years</i>	1,584	
<i>other</i>	438	1,446
Total other operating expenses	45,636	54,617

17 Income tax

A Expenses/income for current and deferred income tax

<i>in thousands denars</i>	
current year 2019	previous year 2018
Current income tax	
Expenses / (income) for current income tax for the year	1,402
Adjustments for previous years	-
Benefits from previously unrecognized tax losses, tax credit or temporary differences from previous year	-
Changes in accounting policies and errors	-
Other	-
-	1,402
Deferred income tax	
Deferred income tax that arises from temporary differences for the year	-
Recognition of previously unrecognized tax losses	-
Changes in the tax rate	-
Introducing new taxes	-
Benefits from previously unrecognized tax losses, tax credit or temporary differences from previous year	-
Other	-
-	-
Total expenses/(return) of income tax	1,402

<i>in thousands denars</i>	
current year 2019	previous year 2018
Current income tax	
Recognized in the Income statement	1,402
Recognized in equity and reserves	-
-	1,402
Deferred income tax	
Recognized in the Income statement	-
Recognized in equity and reserves	297
-	297
Total expenses/(return) of income tax	1,699

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

17 Income tax - continues

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

	<i>in %</i>	<i>in thousands denars</i>	<i>in %</i>	<i>in thousands denars</i>
	current year 2019		previous year 2018	
Profit/(loss) before taxation		(17,075)		9,208
Income tax in accordance with the applicable tax rate	10%	-1,708	10%	921
Effect from various tax rates in other countries				
Adjustment for previous years and changes in the tax rate				
Taxed income abroad				
Expenses unrecognized for tax purposes	-5.14%	878	5.35%	492
Tax exempted income			-0.12%	(11)
Tax exemptions unrecognized in the Income statement				
Recognition of previously unrecognized tax losses				
Benefits from previously unrecognized tax losses, tax credit or temporary differences from previous year				
Changes of deferred tax				
Other				
Losses from current years for which deferred tax asset is not recognised	-4.86%	829		
Total expenses/(return) of income tax		0		1,402
Average effective tax rate	0.00%		15.23%	

V Income tax for other profit/ (losses) during the period, not shown in profit and loss

<i>in thousands denars</i>	current year 2019			previous year 2018		
	before taxation	(Expenses) received income tax	Less income tax	before taxation	(Expenses) received income tax	Less income tax
Revalorization reserve for assets available-for-sale	-	-	-	-	-	-
Reserve for protection against risk of cash flows	-	-	-	-	-	-
Reserve for instruments for the protection against risk of net investments in foreign operations	-	-	-	-	-	-
Reserve for Foreign exchange differences from investments in foreign operations	-	-	-	-	-	-
Share in other profit/(loss) of associates not recognized in profit or loss	-	-	-	-	-	-
Other profit/(loss) not recognized in profit or loss	8,348	(835)	7,513	2,972	(297)	2,675
Other profit/(loss) from the period not recognized in profit or loss	8,348	(835)	7,513	2,972	(297)	2,675

18 Cash and cash equivalents

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Cash in hand	46,594	50,058
Current account and deposits with the NBRSM, except for obligatory foreign currency reserves	167,893	70,719
Current accounts and deposits with foreign banks	96,332	62,803
Current accounts and deposits with domestic banks	32,018	26,115
Treasury bills traded on the secondary market	158,851	155,827
Government bills traded on the secondary market	-	-
Time deposits with a maturity period less than, or equal to three months	-	-
Other short - term highly liquid assets	-	-
Interest receivables	-	-
(Allowance for impairment)	(19)	-
Included in cash and cash equivalents for the purpose of the Statement of cash flows	501,669	365,522
Obligatory foreign currency deposits	55,699	40,682
Limited deposits	11,967	12,047
(Allowance for impairment)	-	-
Total	569,335	418,251

	current year 2019				previous year 2018			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment
in thousands denars								
Changes in provision for impairment								
As at 1 January				-				-
Allowance for impairment for the year				179				-
additional allowance for impairment (release of allowance for impairment)				(160)				-
Transfer to:								
- allowance for impairment for Group 1				-				-
- allowance for impairment for Group 2				-				-
- allowance for impairment for Group 3				-				-
(Foreclosed assets)				-				-
Effect of exchange rate differences				-				-
(Written-off receivables)				-				-
Balance at December 31st				19				-

18. Cash and cash equivalents (continued)

According to the Decision for obligatory reserve made by the National Bank of Republic of North Macedonia, Bank's prescribed obligatory reserve ratio equals 8% (2018: 8%) for liabilities in domestic currency, 50% (2018: 50%) for liabilities in domestic currency with FX clause and 15% (2018: 15%) for liabilities in foreign currency. The basis for the reserve requirement is determined as an average of the Bank's liabilities for each calendar day of the preceding month. Periods of reserve requirement follow the indicative calendar of fulfillment periods of mandatory reserve in denars and euros to banks and saving houses.

Bank obligatory reserve in foreign currency is allocated on special foreign currency accounts of the NBRNM abroad (95%) and on the account of the Bank in NBRNM (5%) is in Euro.

As at 31 December 2019, restricted deposits represent funds on account held in Klirinski interBankrski sistem ("KIBS") as Reserve Guarantee Fund. In accordance with NBRNM decision, these funds are placed as collateral against the risk from unsettled transaction in domestic payment operations and are without interest.

The interest rate on the obligatory reserve in Denar during 2019 amounted to 0% per annum (2018: 0% per annum). The interest rate on the obligatory reserve in foreign currency during 2019 amounted to 0,40% to 0,50% (2018: 0% per annum).

Treasury bills issued by the National Bank with a maturity of 28 - 35 days (2015: 35 days) and interest rates totaling 2.25% per annum (2018: of 2.5% per annum).

Current accounts and deposits with foreign banks on 31.12.2019 amount to 96.332 thousand denars. From this amount 94.673 thousand denars are cash in Raiffeisen Bank International AG, Vienna, Austria (in denars: 94.673.370 denars; in foreign currency: 1.449.245,90 EUR, 987,52 GBP, 70.904,24 USD and 28.254,31 CHF) and 1.659 thousand denars in UniCredit Bulbank in Sofia, Bulgaria (in denars: 1.658.914 denars; in foreign currency: 26.980,52 EUR). The balances as at 31.12.2019 are confirmed with SWIFT documents as evidence of the balance of the accounts on 31.12.2019, but no confirmations were received from the stated foreign banks.

19 Trading assets

Trading assets structure according to type of financial instrument

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>Trading Securities</i>		
<i>Debt securities for trading</i>		
Treasury bills for trading	-	-
Government bills for trading	-	-
Other instruments on the money market	-	-
Bonds issued by the government	-	-
Corporative bonds	-	-
Other debt instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Equity instruments for trading</i>		
Equity instruments issued by banks	-	-
Other equity instruments	-	-
	-	-
Quoted	-	-
Unquoted	-	-
<i>Trade derivatives</i>		
Contracts dependent on the interest rate change	-	-
Contracts dependent on the exchange rate change	-	-
Contracts dependent on the change of price of securities	-	-
Other contracts that meet the criteria of IFRS 9	-	-
	-	-
<i>Loans and receivables</i>		
Loans and advances to banks	-	-
Loans and advances to customers	-	-
	-	-
Total assets for trading	-	-

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

		<i>in thousands denars</i>	
		current year 2019	previous year 2018
<i>Debt securities</i>			
Treasury bills		-	-
Government bills		-	-
Other instruments on the money market		-	-
Bonds issued by the government		-	-
Corporative bonds		-	-
Other debt instruments		-	-
		-	-
		-	-
Quoted		-	-
Unquoted		-	-
<i>Equity instruments</i>			
Equity instruments issued by banks		-	-
Other equity instruments		-	-
		-	-
		-	-
Quoted		-	-
Unquoted		-	-
Loans and advances to banks		-	-
Loans and advances to customers		-	-
Total financial assets at fair value through profit and loss, at initial recognition		-	-

21 Derivative assets and liabilities held for risk management

<i>in thousands denars</i>			
current year 2019		previous year 2018	
derivative assets	(derivative liabilities)	derivative assets	(derivative liabilities)
A Derivatives for risk protection /Derivatives held for risk management			
A.1 According to type of variability			
Derivatives held for risk management			
Contracts dependent on the change of interest rate	-	-	-
Contracts dependent on the change of exchange rate	-	-	-
Contracts dependent on the change of price of securities	-	-	-
Other contracts that meet the criteria of IAS 39	-	-	-
Total derivatives held for risk management	-	-	-
A.2 According to risk protection			
Fair value risk protection	-	-	-
Cash flow risk protection	-	-	-
Risk protection of net investment in foreign operations	-	-	-
Total derivatives held for risk management	-	-	-
B Embedded derivatives			
Contracts dependent on the change of interest rate	-	-	-
Contracts dependent on the change of exchange rate	-	-	-
Contracts dependent on the change of price of securities	-	-	-
Other contracts that meet the criteria of IAS 39	-	-	-
Total embedded derivatives	-	-	-
Total derivatives held for risk management	-	-	-

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

22 Loans and advances - continues
22.2 Loans and advances to customers

A Structure of loans and advance to clients by type of borrower

	<i>in thousands denars</i>			
	current year 2019		previous year 2018	
	short-term	long-term	short-term	long-term
Non-financial companies				
receivables per principal	227,883	723,206	362,561	666,529
interest receivables	6,722	-	7,591	-
State				
receivables per principal	-	-	-	-
interest receivables	-	-	-	-
Non-profit institutions providing services to households				
receivables per principal	-	6,647	-	8,448
interest receivables	35	-	45	-
Financial companies, except banks				
receivables per principal	-	-	-	-
interest receivables	-	-	-	-
Households				
receivables per principal				
housing loans	11,159	62,016	7,414	51,179
consumer loans	85,027	564,203	70,193	371,119
car loans	-	-	-	-
mortgages	-	-	-	-
credit cards	52,042	-	46,985	-
other loans	2,713	17,947	2,008	18,499
interest receivables	4,411	-	3,331	-
Non-residents, except banks				
receivables per principal	-	-	-	-
interest receivables	-	-	-	-
Current maturity	41,651	(41,651)	209,731	(209,731)
Total loans and advances to other customers before allowance for impairment	431,643	1,332,368	709,859	906,043
(Allowance for impairment)	(77,549)	(23,995)	(190,238)	(18,141)
Total loans and advances to customers less allowance for impairment	354,094	1,308,373	519,621	887,902

	current year 2019				previous year 2018			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment
Movements of allowance for impairment								
As at 1 January				208,379				342,272
Allowance for impairment for the year								
additional allowance for impairment				154,921				171,077
(release of allowance for impairment)				(118,528)				(164,900)
Transfer to:								
- allowance for impairment for Group 1				-				-
- allowance for impairment for Group 2				-				-
- allowance for impairment for Group 3				-				-
(Foreclosed assets)				(1,196)				-
Effect of exchange rate differences				(727)				(472)
(Written-off receivables)				(141,305)				(139,598)
Balance at December 31st				101,544				208,379

22 Loans and advances - continues

22.2 Loans and advances to customers - continues

B Structure of Loans and advances to customers per type of collateral

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>(Current carrying value of loans and advances)</i>		
First class instruments		
Cash deposits (in depot and/or limited bank accounts)	126,989	174,137
Government securities	18,352	14,639
Government unconditional guarantees	60	1,796
Bank guarantees	-	-
Guarantees from insurance companies and insurance policies	-	-
Corporate guarantees (apart from banking and insurance companies)	42,284	44,365
Guarantees from individuals	-	-
Property pledge	-	-
Property for own use (flats, houses)	543,686	408,409
Property for operating activities	141,818	106,705
Movable property pledge	84,672	27,137
Other types of collateral	232,807	246,072
Unsecured	471,799	384,263
Total loans and advances to customers less allowance for impairment	1,662,467	1,407,523

As at 31 December 2019, nonperforming loans included in loans and advances to customers before impairment amount to 107,845 thousand denars (2018: 195,871 thousand denars). Non-performing interest and other related costs on these loans amounted to 12,402 thousand denars (2018: 52,492 thousand denars).

23 Investments in securities

23.1 Investments in financial assets available-for-sale

Structure of investments in financial assets available for sale by type of financial instrument

		<i>in thousands denars</i>	
		current year 2019	previous year 2018
<i>Debt securities</i>			
Treasury bills		-	-
Government bills		-	31,341
Other instruments on the money market		-	-
Government issued bonds		363,569	416,664
Corporate bonds		-	-
Other debt instruments		-	-
		363,569	448,005
	Quoted	-	-
	Unquoted	363,569	448,005
<i>Equity instruments</i>			
	Equity instruments issued by banks	-	-
	Other equity instruments	-	4,324
		-	4,324
	Quoted	-	4,324
	Unquoted	-	-
Total investment in financial instruments available – for – sale		363,569	452,329

	current year 2019				previous year 2018			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment
<i>Movements of allowance for impairment</i>								
As at 1 January				-				-
Allowance for impairment for the year				71				-
additional allowance for impairment (release of allowance for impairment)				(71)				-
Transfer to				-				-
- allowance for impairment for Group 1				-				-
- allowance for impairment for Group 2				-				-
- allowance for impairment for Group 3				-				-
(Foreclosed assets)				-				-
Effect of exchange rate differences				-				-
(Written-off receivables)				-				-
Balance at December 31st								

23. Investment securities

23.1. Investments in financial assets available for sale

Bonds issued by the Ministry of Finance in the Republic of North Macedonia are consisted of:

- Government bonds DO 2015/22-0630 dk, issued on 25.06.2015, with a maturity of 15 years and an annual interest rate of 4% (2018: 4%), which as of 31 December 2019 amounted to 70,027 thousand denars (2018: 65.771 thousand denars).
- Government bonds DO 2017/16-0632 dk, issued on 08.06.2017, with a maturity of 15 years and an annual interest rate of 3.8% (2018: 3.8%), which as of 31 December 2019 amounted to 42.257 thousand denars (2018: 41.233 thousand denars).
- Government bonds DO 2017/29-1020 dk, issued on 05.10.2017, with a maturity of 3 years and an annual interest rate of 2.35% (2018: 2.35%), which as of 31 December 2019 amounted to 50.980 thousand denars (2018: 51.391 thousand denars).
- Government bonds DO 2018/18-0921 dk, issued on 04.12.2018, with a maturity on 20.09.2021 and an annual interest rate of 1.5% (2018: 1.5%), which as of 31 December 2019 amounted to 27.325 thousand denars (2018: 27.143 thousand denars).
- Government bonds DO 2018/23-1048 dk, issued on 16.10.2018, with a maturity of 30 years and an annual interest rate of 4.5% (2018: 4.5%), which as of 31 December 2019 amounted to 13.843 thousand denars (2018: 12.836 thousand denars).
- Government bonds DO 2019/01-0119 dk, issued on 26.02.2019, with a maturity of 15 years and an annual interest rate of 3.2%, which as of 31 December 2019 amounted to 83.943 thousand denars.
- Government bonds DO 2019/04a-0234 dk, issued on 26.03.2019, with a maturity of 15 years and an annual interest rate of 3.2%, which as of 31 December 2019 amounted to 45.119 thousand denars.
- Government bonds DO 2019/12-0934 dk, issued on 17.09.2019, with a maturity of 15 years and an annual interest rate of 3.1%, which as of 31 December 2019 amounted to 30.075 thousand denars.

23.2 Investments in financial assets held to maturity

<i>in thousands denars</i>	
current year 2019	previous year 2018
<i>Debt securities</i>	
Treasury bills	-
Government bills	-
Other instruments on the money market	-
Government issued bonds	-
Corporate bonds	-
Other debt instruments	-
	-
Quoted	-
Unquoted	-
Total investment in financial instruments held to maturity before allowance for impairment	-
(Allowance for impairment)	-
Total investment in financial instruments held to maturity less allowance for impairment	-

in thousands denars	current year 2019				previous year 2018			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment
Movements of allowance for impairment								
As at 1 January				-				-
Allowance for impairment for the year				-				-
additional allowance for impairment (release of allowance for impairment)				-				-
Transfer to				-				-
- allowance for impairment for Group 1				-				-
- allowance for impairment for Group 2				-				-
- allowance for impairment for Group 3				-				-
(Foreclosed assets)				-				-
Effect of exchange rate differences				-				-
(Written-off receivables)				-				-
Balance at December 31st				-				-

24 Investment in subsidiaries and associates

A Percentage of the Bank's ownership in subsidiaries and associates

Name of subsidiaries and associates	Country	60 %			
		Percentage of ownership		Percentage of right to vote	
		current year 2019	previous year 2018	current year 2019	previous year 2018
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-

B Financial information for subsidiaries - 100%

Name of associates	in thousands denars				
	Total assets	Total liabilities	Total equity and reserves	Income	Profit/(loss) for the financial year
current year 2019	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
previous year 2018	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-

25 Other receivables

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Trade receivables	4,034	4,803
Prepaid expenses	9,341	13,461
Calculated deferred income		-
Fees and commission receivables	2,150	2,282
Receivables from the employees	6	3
Advances for intangible assets	8,967	8,686
Advances for property and equipment	-	-
Other (list individually receivables that represent more than 10% of the total other receivables)		
<i>Inventory</i>	1,752	949
<i>numismatics</i>	148	148
<i>receivables for payments on behalf of customers</i>	2,138	2,446
<i>credit card operations</i>	7,191	6,871
<i>anticipatory interest</i>	17	6
<i>calculation receivables</i>	1,690	-
<i>other</i>	146	3
Total other receivables before allowance for impairment	37,580	39,658
(Allowance for impairment)	(5,187)	(3,344)
Total other receivables less allowance for impairment	32,393	36,314

	current year 2019				previous year 2018			
	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment	Allowance for impairment for Group 1	Allowance for impairment for Group 2	Allowance for impairment for Group 3	Total allowance for impairment
Movements of allowance for impairment								
As at 1 January				3,344				4,303
Allowance for impairment for the year				7,843				10,472
additional allowance for impairment (release of allowance for impairment)				(3,736)				(7,566)
Transfer to:								
- allowance for impairment for Group 1								-
- allowance for impairment for Group 2								-
- allowance for impairment for Group 3								-
(Foreclosed assets)				(635)				(2,594)
Effect of exchange rate differences				27				-
(Written-off receivables)				(1,656)				(1,271)
Balance at December 31st				5,187				3,344

26 Pledged assets

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Debt securities	-	-
Equity instruments	-	-
Loans and advances to banks	-	-
Loans and advances to customers	-	-
Other receivables	-	-
Total pledged assets	-	-

The Bank during 2019 and 2018 has no pledged assets.

27 *Foreclosed assets*

in thousands denars

	Land	Buildings	Equipment	Residential facilities and apartments	Other	Total
Initial carrying value						
Balance as of January 1st 2018 (previous year)	13,645	5,177	180	18,890	-	37,892
Foreclosed during the year	-	2,024	1,859	-	1,630	5,513
(Sold during the year)	-	(3,640)	(180)	(18,890)	(1,630)	(24,340)
(Transfer to own assets)	-	-	-	-	-	-
Balance at December 31st 2018 (previous year)	13,645	3,561	1,859	-	-	19,065
Balance as of January 1st 2019 (current year)	13,645	3,561	1,859	-	-	19,065
Foreclosed during the year	-	3,390	-	9,091	719	13,200
(Sold during the year)	-	-	-	-	(129)	(129)
(Transfer to own assets)	-	-	-	-	-	-
Balance at December 31st 2019 (current year)	13,645	6,951	1,859	9,091	590	32,136
Impairment						
Balance as of January 1st 2018 (previous year)	4,535	2,456	180	9,420	-	16,591
Impairment loss	2,729	2,630	1,859	827	326	8,371
(Sold during the year)	-	(2,447)	(180)	(10,247)	(326)	(13,200)
(Transfer to own assets)	-	-	-	-	-	-
Balance at December 31st 2018 (previous year)	7,264	2,639	1,859	-	-	11,762
Balance as of January 1st 2019 (current year)	7,264	2,639	1,859	-	-	11,762
Impairment loss	2,729	985	-	1,818	144	5,676
(Sold during the year)	-	-	-	-	(26)	(26)
(Transfer to own assets)	-	-	-	-	-	-
Balance at December 31st 2019 (current year)	9,993	3,624	1,859	1,818	118	17,412
Current carrying value						
At January 1st 2018 (previous year)	9,110	2,721	-	9,470	-	21,301
at December 31st 2018 (previous year)	6,381	922	-	-	-	7,303
at December 31st 2019 (current year)	3,652	3,327	-	7,273	472	14,724

As of 31 December 2019, the Bank's foreclosed assets based on uncollected receivables are with a total current carrying value of 14,724 thousand denars (2018: 7,303 thousand denars). Their fair value as of 31 December 2019 amounted to 36,451 thousand denars (2018: 17,187 thousand denars).

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

28 Intangible assets

A Reconciliation of the current carrying amount

in thousands denars

Cost

Balance as of January 1st 2018 (previous year)
Increase through new acquisitions
Increase through internal development
Increase through business combinations
(Disposal and write off)
(Disposal through business combinations)
(transfer to non – current assets held for sale)
Transfer from non – current assets held for sale
Balance at December 31st 2018 (previous year)

Balance as of January 1st 2019 (current year)
Increase through new acquisitions
Increase through internal development
Increase through business combinations
(Disposal and write off)
(Disposal through business combinations)
(transfer to non – current assets held for sale)
Transfer from non – current assets held for sale
Balance at December 31st 2019 (current year)

Depreciation and impairment

Balance as of January 1st 2018 (previous year)
Depreciation for the year
Impairment loss during the year
(release of impairment loss during the year)
(Disposal and write off)
Balance at December 31st 2018 (previous year)

Balance as of January 1st 2019 (current year)
Depreciation for the year
Impairment loss during the year
(release of impairment loss during the year)
(Disposal and write off)
Balance at December 31st 2019 (current year)

Current carrying value

At January 1st 2018 (previous year)
at December 31st 2018 (previous year)
at December 31st 2019 (current year)

	Internally developed software	Acquired software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in preperation	Investments in intangible assets under lease	Uncontrolled participation*	Total
Balance as of January 1st 2018 (previous year)	-	26,828	-	3,744	42,926	-	-	73,498
Increase through new acquisitions	-	-	-	1,581	-	-	-	1,581
Increase through internal development	-	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	-	-	-	-	-	-
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-
Balance at December 31st 2018 (previous year)	-	26,828	-	5,325	42,926	-	-	75,079
Balance as of January 1st 2019 (current year)	-	26,828	-	5,325	42,926	-	-	75,079
Increase through new acquisitions	-	35	-	-	966	-	-	1,001
Increase through internal development	-	-	-	-	-	-	-	-
Increase through business combinations	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	-
(Disposal through business combinations)	-	-	-	-	-	-	-	-
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-
Balance at December 31st 2019 (current year)	-	26,863	-	5,325	43,892	-	-	76,080
Balance as of January 1st 2018 (previous year)	-	24,049	-	2,990	-	-	-	27,039
Depreciation for the year	-	1,341	-	393	-	-	-	1,734
Impairment loss during the year	-	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	-	-	-	-	-
Balance at December 31st 2018 (previous year)	-	25,390	-	3,383	-	-	-	28,773
Balance as of January 1st 2019 (current year)	-	25,390	-	3,383	-	-	-	28,773
Depreciation for the year	-	871	-	298	-	-	-	1,169
Impairment loss during the year	-	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-	-
(Disposal and write off)	-	(7)	-	-	-	-	-	(7)
Balance at December 31st 2019 (current year)	-	26,254	-	3,681	-	-	-	29,935
At January 1st 2018 (previous year)	-	2,779	-	754	42,926	-	-	46,459
at December 31st 2018 (previous year)	-	1,438	-	1,942	42,926	-	-	46,306
at December 31st 2019 (current year)	-	609	-	1,644	43,892	-	-	46,145

* only for consolidated financial statements

B Accounting value of intangible assets that have ownership limitations and/or are pledged as collateral for the Bank's liabilities

<i>in thousands denars</i>	Internally developed software	Acquired software from external suppliers	Other internally developed intangible assets	Other intangible assets	Intangible assets in preparation	Investments in intangible assets under lease	Total
Current carrying amount :							
at December 31st 2018 (previous year)	-	-	-	-	-	-	-
at December 31st 2019 (current year)	-	-	-	-	-	-	-

The Bank maintains an intangible asset in preparation in a total amount of 42,926 thousand denars, in accordance with the concluded contract for procurement, implementation and adaptation of banking software. In connection with this agreement, the amount of 8,967 thousand denars is kept for procurement of intangible assets (Note 25 to the financial statements). Bank software in 2019 is not used in the way provided by the management and therefore the asset in 2019 has not been put into use.

29 Property and equipment (continues)

A Reconciliation of the current carrying amount (continues)

in thousands denars

	Land	Buildings	Transport vehicles	Furniture and office Equipment	Other equipment	Other items of property and equipment	Property and equipment in preparation	Investments in property and equipment assets under lease	Total
Cost									
Balance as of January 1st 2018 (previous year)	-	-	2,939	24,639	4,331	1,025	5,833	8,510	47,277
Increase	-	-	-	-	-	-	3,510	-	3,510
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(835)	(23)	-	-	-	(858)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	7,280	135	264	(9,343)	83	(1,581)
Balance at December 31st 2018 (previous year)	-	-	2,939	31,084	4,443	1,289	-	8,593	48,348
Balance as of January 1st 2019 (current year)	-	-	2,939	31,084	4,443	1,289	-	8,593	48,348
Increase	-	-	-	9	-	-	3,570	-	3,579
Increase through business combinations	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(2,569)	(1,429)	(233)	(23)	-	(3)	(4,257)
(Disposal through business combinations)	-	-	-	-	-	-	-	-	-
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-	-
other transfers	-	-	3,074	217	69	-	(3,395)	-	(35)
Balance at December 31st 2019 (current year)	-	-	3,444	29,881	4,279	1,266	175	8,590	47,635

At 31 December 2019 and 2018, all property, plant and equipment are owned by the Bank. The Bank has no mortgages or other encumbrances over its property, plant and equipment.

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

29 Property and equipment (continues)

A Reconciliation of the current carrying amount (continues)

Depreciation and impairment									
Balance as of January 1st 2018 (previous year)	-	-	2,893	22,568	4,277	454	-	4,032	34,224
Depreciation for the year	-	-	46	1,613	49	70	-	1,259	3,037
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	-	(784)	(23)	-	-	-	(807)
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	-	-	-	-
Balance at December 31st 2018 (previous year)	-	-	2,939	23,397	4,303	524	-	5,291	36,454
Balance as of January 1st 2019 (current year)	-	-	2,939	23,397	4,303	524	-	5,291	36,454
Depreciation for the year	-	-	624	2,092	39	93	-	1,257	4,105
Impairment loss during the year	-	-	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-	-	-
(Disposal and write off)	-	-	(2,569)	(1,415)	(233)	(21)	-	(3)	(4,241)
(transfer to non – current assets held for sale)	-	-	-	-	-	-	-	-	-
Transfer from non – current assets held for sale	-	-	-	-	-	-	-	-	-
other transfers	-	-	-	-	-	-	-	-	-
Balance at December 31st 2019 (current year)	-	-	994	24,074	4,109	596	-	6,545	36,318
Current carrying value									
At January 1st 2018 (previous year)	-	-	46	2,071	54	571	5,833	4,478	13,053
at December 31st 2018 (previous year)	-	-	-	7,687	140	765	-	3,302	11,894
at December 31st 2019 (current year)	-	-	2,450	5,807	170	670	175	2,045	11,317

B Carrying amount of the items of property, plant and equipment where there are limitations of the ownership and/or are pledged as collateral for bank liabilities

<i>in thousands denars</i>	Land	Buildings	Transport vehicles	Furniture and office Equipment	Other equipment	Other items of property and equipment	Property and equipment in preparation	Investments in property and equipment assets under lease	Total
Current carrying amount :									
at December 31st 2018 (previous year)	-	-	-	-	-	-	-	-	-
at December 31st 2019 (current year)	-	-	-	-	-	-	-	-	-

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

30 Current and deferred tax assets and liabilities

30.1 Current tax assets and current tax liabilities

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Income tax receivables (current)	1,582	1,813
Income tax liabilities (current)	-	(1,401)

30.2 Deferred tax assets and deferred tax liabilities

A Recognized deferred tax assets and deferred tax liabilities

<i>in thousands denars</i>	current year 2019			previous year 2018		
	Deferred tax assets	(Deferred tax liabilities)	Net basis	Deferred tax assets	(Deferred tax liabilities)	Net basis
Derivative assets held for risk management	-	-	-	-	-	-
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Investments in securities	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-	-	-
Other	-	-	-	-	-	-
<i>Deferred tax assets/liabilities recognized in the Income Statement</i>	-	-	-	-	-	-
Investments in financial assets available – for – sale	-	(1,805)	(1,805)	-	(970)	(970)
Cash flow risk protection	-	-	-	-	-	-
<i>Deferred tax assets/liabilities recognized in equity</i>	-	(1,805)	(1,805)	-	(970)	(970)
Total recognized deferred tax assets/ liabilities	-	(1,805)	(1,805)	-	(970)	(970)

B Unrecognized deferred tax assets

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Tax losses	-	-
Tax credits	-	-
Total unrecognized deferred tax assets	-	-

30 Current and deferred tax assets and liabilities - continues
30.2 Deferred tax assets and deferred tax liabilities - continues

V Reconciliation of the movement of deferred tax assets and tax liabilities during the year

<i>in thousands denars</i>	Recognized during the year in:			
	As at 01 January	Income statement	Equity	At 31 December
<i>previous year 2018</i>				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to banks	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available – for – sale	(673)	-	(297)	(970)
Cash flow risk protection	-	-	-	-
Total recognized deferred tax assets/ liabilities	(673)	-	(297)	(970)
<i>current year 2019</i>				
Derivative assets held for risk management	-	-	-	-
Loans and advances to banks	-	-	-	-
Loans and advances to banks	-	-	-	-
Investments in securities	-	-	-	-
Intangible assets	-	-	-	-
Property and equipment	-	-	-	-
Other receivables	-	-	-	-
Derivative liabilities held for risk management	-	-	-	-
Other liabilities	-	-	-	-
Unused tax losses and unused tax credits	-	-	-	-
Other	-	-	-	-
Investments in financial assets available – for – sale	(970)	-	(835)	(1,805)
Cash flow risk protection	-	-	-	-
Total recognized deferred tax assets/ liabilities	(970)	-	(835)	(1,805)

31 Non - current assets held for sale and group for disposal

A Non – current assets held for sale

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Intangible assets	-	-
Property and equipment	-	-
Total non – current assets held for sale	-	-

B Disposal group

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>Disposal group of assets</i>		
Financial assets	-	-
Intangible assets	-	-
Property and equipment	-	-
Investment in associates	-	-
Income tax receivables	-	-
Other assets	-	-
<i>Total disposal group of assets</i>	-	-
<i>Liabilities directly related to disposal group</i>		
Financial liabilities	-	-
Special reserve	-	-
Income tax liabilities	-	-
Other liabilities	-	-
<i>Total liabilities directly related to the disposal group</i>	-	-

V Gains / (losses) recognized from the sale of assets held for sale and disposal group

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Gains / (losses) recognized from the sale of assets held for sale and disposal group	-	-

32 Trading liabilities

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>Deposits from banks</i>		
Current accounts, demand deposits and overnight deposits	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
<i>Deposits from customers</i>		
Current accounts, demand deposits and overnight deposits	-	-
Term deposits	-	-
Other deposits	-	-
	-	-
<i>Issued debt securities</i>		
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
	-	-
<i>Other financial liabilities</i>		
<i>Trade derivatives</i>		
Contracts dependent on the interest rate change	-	-
Contracts dependent on the exchange rate change	-	-
Contracts dependent on the price of securities	-	-
Other contracts that meet the criteria of IFRS 9	-	-
	-	-
Total trading liabilities	-	-

33 Financial liabilities at fair value through profit and loss at initial recognition

<i>in thousands denars</i>			
current year 2019		previous year 2018	
Current carrying amount	Contractual value, paid at maturity	Current carrying amount	Contractual value, paid at maturity
<i>Deposits from banks</i>			
Current accounts, demand deposits and overnight deposits	-	-	-
Term deposits	-	-	-
Other deposits	-	-	-
<i>Deposits from customers</i>			
Current accounts, demand deposits and overnight deposits	-	-	-
Term deposits	-	-	-
Other deposits	-	-	-
<i>Issued debt securities</i>			
Money market instruments	-	-	-
Deposit certificates	-	-	-
Issued bonds	-	-	-
Other	-	-	-
<i>Subordinated liabilities</i>			
	-	-	-
<i>Other financial liabilities</i>			
	-	-	-
Total financial liabilities through profit and loss at initial recognition	-	-	-

34 Deposits

34.1 Deposits from banks

	<i>in thousands denars</i>			
	current year 2019		previous year 2018	
	short-term	long-term	short-term	long-term
Current accounts	-	-	-	-
Domestic banks	-	-	123	-
Foreign banks	-	-	-	-
Demand deposits	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Term deposits	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Limited deposits	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Other deposits	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Interest payable on deposits	-	-	-	-
Domestic banks	-	-	-	-
Foreign banks	-	-	-	-
Current maturity	-	-	-	-
Total deposits from banks	-	-	123	-

34 Deposits - continues

34.2 Deposits from other customers

	<i>in thousands denars</i>			
	current year 2019		previous year 2018	
	short-term	long-term	short-term	long-term
Non-financial companies				
Current accounts	237,722	-	292,380	-
Demand deposits	18	-	18	-
Term deposits	19,540	30,101	17,540	41,303
Limited deposits	-	4,500	-	-
Other deposits	-	-	-	-
Interest payable on deposits	151	-	400	-
	257,431	34,601	310,338	41,303
State				
Current accounts	-	-	-	-
Demand deposits	-	-	-	-
Term deposits	-	-	-	-
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Interest payable on deposits	-	-	-	-
	-	-	-	-
Non-profit institutions providing services to households				
Current accounts	6,253	-	4,578	-
Demand deposits	-	-	-	-
Term deposits	8,100	22,754	7,100	19,504
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Interest payable on deposits	297	-	540	-
	14,650	22,754	12,218	19,504
Financial companies, except banks				
Current accounts	455	-	751	-
Demand deposits	-	-	-	-
Term deposits	371,058	45,371	247,155	35,374
Limited deposits	-	-	-	-
Other deposits	-	-	-	-
Interest payable on deposits	1,791	-	753	-
	373,304	45,371	248,659	35,374
Households				
Current accounts	169,636	-	178,472	-
Demand deposits	2	-	1	-
Term deposits	69,281	1,008,475	99,416	854,737
Limited deposits	-	5,372	-	2,929
Other deposits	-	-	-	-
Interest payable on deposits	4,719	-	4,439	-
	243,638	1,013,847	282,328	857,666
Non-residents, except banks				
Current accounts	216,335	-	95,855	-
Demand deposits	-	-	-	-
Term deposits	215	15,372	215	-
Limited deposits	517	-	506	-
Other deposits	-	-	-	-
Interest payable on deposits	11	-	-	-
	217,078	15,372	96,576	-
Current maturity	936,085	(936,085)	641,526	(641,526)
Total due to other customers	2,042,186	195,860	1,591,645	312,321

35 Issued debt securities

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Money market instruments	-	-
Deposit certificates	-	-
Issued bonds	-	-
Other	-	-
Interest liabilities on issued securities	-	-
Total issued debt securities	-	-

36 Borrowings

A Structure of borrowings according to the type of liability and borrowers sector

	<i>in thousands denars</i>			
	current year 2019		previous year 2018	
	short-term	long-term	short-term	long-term
Banks				
<i>residents</i>				
Borrowings	-	-	18,000	-
Repo-transactions	-	-	-	-
Interest payables	-	-	12	-
<i>non-residents</i>				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-financial companies				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
State				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions providing services to households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
Financial companies, except banks				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-residents, except banks				
Non-financial companies				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
State				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Non-profit institutions providing services to households				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Financial companies, except banks				
Borrowings	-	-	-	-
Repo-transactions	-	-	-	-
Interest payables	-	-	-	-
Households				
Borrowings	-	-	-	-
Interest payables	-	-	-	-
Current maturity	-	-	-	-
Total borrowings	-	-	18,012	-

36 Borrowings - continues

B Borrowings according to the borrower

<i>in thousands denars</i>			
current year 2019		previous year 2018	
short-term	long-term	short-term	long-term
<i>Domestic sources:</i>			
-	-	18,012	-
HALK BANKA AD Skopje	-	-	-
_____	-	-	-
_____	-	-	-
_____	-	-	-
_____	-	-	-
_____	-	-	-
-	-	18,012	-
<i>Foreign sources:</i>			
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
Current maturity	-	-	-
Total borrowings	-	18,012	-

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

37 Subordinated liabilities

<i>in thousands denars</i>		
current year 2019	previous year 2018	
<i>Subordinated deposit liabilities</i>		
(specify them individually:)		
_____	_____	
_____	_____	
_____	_____	
_____	_____	
Interest payables	_____	
-	-	
<i>Subordinated credit liabilities</i>		
(specify them individually:)		
Alfa Finance Holding	61,486	61,495
_____	-	-
_____	-	-
Interest payables	139	139
61,645	61,654	
<i>Subordinated debt on securities issued</i>		
(specify them individually:)		
Alfa Bond EAD	47,703	55,346
Drushtvo za vnatreshna I nadvoreshna trgovija	1,539	-
EKSIM-Komerc Natasha I Vladimir DOO	3,078	-
Otvoren investiciski fond KB - Publikum - Balansiran	3,078	6,149
KB Publikum obvrznici OF - otvoren investiciski fond	6,154	-
ILIRIKA kesh fond- Otvoren Investiciski fond	1,937	1,935
Interest payables	63,489	63,430
-	-	
Redeemable preference shares	-	-
Total subordinated liabilities	125,134	125,084

As at 31 December 2019 the Bank has issued subordinated debt securities - corporate bond in the amount of EUR 1.000.000 and has subordinated loan in the amount of EUR 1.000.000.

Long-term debt securities (corporate bonds) are issued through a private offering in the amount of EUR 1.000.000. The maturity of the bond is 7 years from the date of registration in the Central Securities Depository and an interest rate of 7% per annum. During 2019, there was a change in bond holders as shown in the table above.

In March 2018, the Bank concluded a subordinated loan agreement with the parent company Alpha Finance Holding AD Sofia with a repayment period of 8 years from the date of transfer of funds and an interest rate of 2.95% per annum. These funds on 31.12.2019 amount to EUR 1,000,000.

Subordinated liabilities fulfill the criteria to be included in Bank's own funds.

38 Special reserve and provisions

<i>in thousands denars</i>	Special reserve for off- balance credit exposure	Provisions for potential liabilities based on litigations	Provisions for pensions and other employee benefits	Restructuring provisions	Provisions for adverse contracts	Other provisions	Total
Balance as of January 1st 2018 (previous year)	886	-	-	-	-	-	886
Additional provisions during the year	26,982	-	-	-	-	-	26,982
(used provisions during the year)	-	-	-	-	-	-	-
(release of provisions during the year)	(17,956)	-	-	-	-	-	(17,956)
Balance at December 31st 2018 (previous year)	9,912	-	-	-	-	-	9,912
Balance as of January 1st 2019 (current year)	9,912	-	-	-	-	-	9,912
Additional provisions during the year	11,376	-	-	-	-	-	11,376
(used provisions during the year)	-	-	-	-	-	-	-
(release of provisions during the year)	(17,293)	-	-	-	-	-	(17,293)
Balance at December 31st 2019 (current year)	3,995	-	-	-	-	-	3,995

39 Other liabilities

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Trade payables	3,159	2,295
Received advances	-	-
Fee and commission liabilities	129	203
Accrued expenses	-	-
Deferred income from the previous year	-	-
Short – term liabilities to employees	-	106
Short – term liabilities for employee benefits	-	-
Other		
<i>liabilities for tax and contributions</i>	123	177
<i>credit card calculation liabilities</i>	1,035	648
<i>loan calculation liabilities</i>	8,945	4,928
<i>payments from abroad</i>	308	26
<i>other calculation liabilities</i>	6,758	4,056
<i>other</i>	355	201
Total other liabilities	20,812	12,640

40. Share capital

As of 31 December 2019, total shareholders' equity of the Bank amounted to Denar 855.688 thousand (2018: Denar 855.688 thousand) and it consists of 28.742 (2018: 28.742) approved and fully paid ordinary shares. The nominal value per share is Denar 29.800 (2018: Denar 29.800). Holders of ordinary shares are entitled to receive dividends as declared from time and eligible shareholders for the equivalent of 1 ordinary share (2018: 1 ordinary share). All shares are entitled to a proportional share in the division of bankruptcy or liquidation.

40 Subscribed capital

A Subscribed capital

	<i>in denars</i>		<i>Number of issued shares</i>				<i>in thousands denars</i>	
	Nominal value per share		ordinary shares		preference shares not for sale		Total subscribed capital	
	ordinary shares	preference shares not for sale	current year 2019	previous year 2018	current year 2019	previous year 2018	current year 2019	previous year 2018
Balance as of January 1st - completely paid	29,800	-	28,742	28,742	-	-	855,688	855,688
Recorded shares during the year	-	-	-	-	-	-	-	-
Realization of share option	-	-	-	-	-	-	-	-
Division / increase of nominal value per share	-	-	-	-	-	-	-	-
Other changes during the year (specify individually):	-	-	-	-	-	-	-	-
capital adjustment based on expert findings	-	-	-	-	-	-	-	-
Balance at December 31st - completely paid	29,800	-	28,742	28,742	-	-	855,688	855,688

40 Subscribed capital - continues

B Dividends

B.1 Announced dividends and dividends paid by the Bank

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Announced dividends and paid dividends for the year	-	-

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Ordinary share dividend	-	-
Preference share dividend	-	-

B.2 Announced dividends after the balance sheet date (the liabilities for dividends are not shown in the balance sheet)

Note: Draft-decision on dividends for the year from the Bank's Supervisory Board, but until the date of issuance of the Financial Statements the dividend has not been confirmed by the Shareholders of the bank.

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Announced dividends after 31 December	-	-

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Ordinary share dividend	-	-
Preference share dividend	-	-

V Shareholders with more than 5% voting share

Shareholder's name	<i>in thousands denars</i>		<i>in %</i>	
	current year 2019	previous year 2018	current year 2019	previous year 2018
	Subscribed capital (Nominal value)	Subscribed capital (Nominal value)	Voting right	Voting right
Alfa Finance Holding, Bulgaria	842,333	842,333	98.43%	98.43%
	-	-		
	-	-		
	-	-		
	-	-		
	-	-		
Total	842,333	842,333	98.43%	98.43%

* After the day of preparation of the balance sheet no dividends were proposed by the Supervisory Board

41 Earnings per share

A Basic earnings per share

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>Net - profit attributable to holders of ordinary shares</i>		
Net - profit for the year	(17,075)	7,806
Dividends for preference shares not for sale	-	-
Changes of net-profit attributable to holders of ordinary shares (specify individually)	-	-
Net profit/(loss) attributable to holders of ordinary shares	(17,075)	7,806

	<i>Number of shares</i>	
	current year 2019	previous year 2018
<i>Weighted average number of ordinary shares</i>		
Issued ordinary shares as at 1 January	28,742	28,742
Effects from changes in the number of ordinary shares during the year (specify all events individually)	-	-
Weighted average number of ordinary shares as at 31 December	28,742	28,742
Basic earnings per share (in Denars)	(594)	272

B Diluted earnings per share

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
<i>Net - profit attributable to holders of ordinary shares (diluted)</i>		
Net profit for the year attributable to holders of ordinary shares	(17,075)	7,806
Adjustments of net-profit attributable to holders of ordinary shares about the effect of all issued potentially ordinary shares (specify individually)	-	-
Basic earnings per share (diluted)	(17,075)	7,806

	<i>Number of shares</i>	
	current year 2019	previous year 2018
<i>Weighted average number of ordinary shares (diluted)</i>		
Issued ordinary shares as at 1 January	28,742	28,742
Effects of issuing potential ordinary shares (specify all events individually)	-	-
Weighted average number of ordinary shares (diluted) as at 31 December	28,742	28,742
Basic earnings per share (diluted)	(594)	272

42. Commitments and contingencies

42.1. Commitments

Contingencies

Major part of contingent liabilities of the Bank relate to off balance sheet accounts of unused credit limits and exposure under guarantees. The amount of 25,006 thousand denars (2018: 23.150 thousand denars) represents unused limits on credit cards while the amount of 10.428 thousand denars (2018: 1.630 thousand denars) represents unused limit on approved credit exposures to legal entities. Exposure under guarantees amounted to 192.205 thousand denars (2018: 164.127 thousand denars), out of which 165.829 thousand denars (2018: 150.742 thousand denars) are uncovered, and the remaining part of 26.376 thousand denars (2018: 13.403 thousand denars) are covered guarantees.

As of 31 December 2019, the total amount of the revocable contingent liabilities is 10.428 thousand denars (2018: 1.630 thousand denars), and the amount of irrevocable contingent liabilities is 221.626 thousand denars (2018: 190.187 thousand denars)

42. Commitments and contingencies 42.1 Contingent liabilities

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Unsecured payment guarantees		
in Denar	78,593	80,750
in foreign currency	10,453	9,224
in Denar with foreign clause	10,750	1,694
Uncovered performance guarantees		
in Denar	50,330	56,624
in foreign currency	-	-
in Denar with foreign clause	15,703	2,432
Uncovered letter of credit		
in Denar	-	-
in foreign currency	-	-
in Denar with foreign clause	-	-
Unused overdraft for current accounts	3,155	2,553
Unused credit card limits	25,006	23,150
Foreclosed liabilities for crediting and unused credit limits	10,428	1,630
Issued guarantees with collateral	26,376	13,403
Covered letter of credit	-	-
Other commitments	1,260	357
Total commitments before the special reserve	232,054	191,817
(Special reserves)	(3,995)	(9,912)
Total commitments less special reserve	228,059	181,905

Litigation procedures

As of 31 December 2019, legal proceedings against the Bank amount to 65.435 thousand denars in total (2018: 29.677 thousand denars). The provision as of the balance sheet date has not been recorded because management and the professional legal advice indicates that there is no possibility of significant losses. In addition, various legal actions and claims may be asserted in the future against the Bank from litigations and claims incident to the ordinary course of business. Related risks have been analyzed as to likelihood of occurrence. Although the outcome of these matters cannot always be ascertained with precision, the Management of the Bank believes that no material liabilities are likely to occur.

Taxation

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

Capital commitments

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

42.2. Contingent assets

42 Commitments and contingencies - continues

42.2 Contingent assets

Total contingent assets

<i>in thousands denars</i>	
current year 2019	previous year 2018
-	-
-	-

43 Activities on behalf of third parties

<i>in thousands denars</i>					
current year 2019			previous year 2018		
Assets	Liabilities	Net-position	Assets	Liabilities	Net-position
Asset administration on behalf and at the expense of third parties					
Deposits in Denar	-	-	-	-	-
Deposits in foreign currencies	-	-	-	-	-
Loans in Denar	7,355	-	34,355	-	34,355
Loans in foreign currencies	-	-	-	-	-
Other receivables in Denar	404	404	404	-	404
Other receivables in foreign currencies	-	-	-	-	-
Asset management on behalf and at the expense of third parties					
Deposits in Denar	-	7,355	-	7,355	(7,355)
Deposits in foreign currencies	-	-	-	-	-
Loans in Denar	-	-	-	27,000	(27,000)
Loans in foreign currencies	-	-	-	-	-
Other receivables in Denar	-	404	-	404	(404)
Other receivables in foreign currencies	-	-	-	-	-
Custodial accounts	-	-	-	-	-
Other	-	-	-	-	-
Total	7,759	7,759	34,759	34,759	-

44. Related party transactions

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

Balances and scope with related parties and key management personnel of the Bank and its related parties as of and for the years ended 31 December 2019 and 2018 are as follows:

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

44 Related party transactions

A Balance sheet

in thousands denars

Balance at December 31st 2019 (current year)

Assets

Current accounts

Trading assets

Loans and advances

 Mortgage loans

 Consumer loans

 Financial leasing receivables

 Factoring and forfeiting receivables

 Other loans and advances

Investments in securities

(Allowance for impairment)

Other assets

Total

Liabilities

Trading liabilities

Deposits

Issued securities

Borrowings

Subordinated liabilities

Other liabilities

Total

Contingent liabilities

Issued guarantees

Issued letter of credit

Other commitments

(Special reserves)

Total

Contingent assets

Received guarantees

Other contingent assets

Total

	Parent Company	Subsidiaries	Associates	Bank's Management	Other related parties	Total
Balance at December 31st 2019 (current year)						
Assets						
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and advances						
Mortgage loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Financial leasing receivables	-	-	-	-	-	-
Factoring and forfeiting receivables	-	-	-	-	-	-
Other loans and advances	-	-	-	194	38,171	38,365
Investments in securities	-	-	-	-	-	-
(Allowance for impairment)	-	-	-	(2)	(3,235)	(3,237)
Other assets	-	-	-	-	-	-
Total	-	-	-	192	34,936	35,128
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	192	-	-	2,303	15,900	18,395
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	61,486	-	-	-	55,398	116,884
Other liabilities	-	-	-	-	-	-
Total	61,678	-	-	2,303	71,298	135,279
Contingent liabilities						
Issued guarantees	-	-	-	-	35,770	35,770
Issued letter of credit	-	-	-	-	-	-
Other commitments	-	-	-	157	134	291
(Special reserves)	-	-	-	-	(246)	(246)
Total	-	-	-	157	35,658	35,815
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

44 Related party transactions - continues

A Balance sheet - continues

in thousands denars

Balance at December 31st 2018 (previous year)

Assets

Current accounts

Trading assets

Loans and advances

Mortgage loans

Consumer loans

Financial leasing receivables

Factoring and forfeiting receivables

Other loans and advances

Investments in securities

(Allowance for impairment)

Other assets

Total

Liabilities

Trading liabilities

Deposits

Issued securities

Borrowings

Subordinated liabilities

Other liabilities

Total

Contingent liabilities

Issued guarantees

Issued letter of credit

Other commitments

(Special reserves)

Total

Contingent assets

Received guarantees

Other contingent assets

Total

	Parent Company	Subsidiaries	Associates	Bank's Management	Other related parties	Total
Balance at December 31st 2018 (previous year)						
Assets						
Current accounts	-	-	-	-	-	-
Trading assets	-	-	-	-	-	-
Loans and advances						
Mortgage loans	-	-	-	3,179	-	3,179
Consumer loans	-	-	-	999	-	999
Financial leasing receivables	-	-	-	-	-	-
Factoring and forfeiting receivables	-	-	-	-	-	-
Other loans and advances	-	-	-	298	26,641	26,939
Investments in securities	-	-	-	-	-	-
(Allowance for impairment)	-	-	-	(165)	(2,051)	(2,216)
Other assets	-	-	-	-	-	-
Total	-	-	-	4,311	24,590	28,901
Liabilities						
Trading liabilities	-	-	-	-	-	-
Deposits	11	-	-	6,038	21,843	27,892
Issued securities	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Subordinated liabilities	61,654	-	-	-	57,087	118,741
Other liabilities	-	-	-	-	-	-
Total	61,665	-	-	6,038	78,930	146,633
Contingent liabilities						
Issued guarantees	-	-	-	-	9,042	9,042
Issued letter of credit	-	-	-	-	-	-
Other commitments	-	-	-	395	-	395
(Special reserves)	-	-	-	(3)	(9)	(12)
Total	-	-	-	392	9,033	9,425
Contingent assets						
Received guarantees	-	-	-	-	-	-
Other contingent assets	-	-	-	-	-	-
Total	-	-	-	-	-	-

44 Related party transactions - continues

B Income and expenses from related party transactions

in thousands denars

Balance at December 31st 2019 (current year)

Income

Interest income	-	-	-	603	10,832	11,435
Fee and commission income	7	-	-	30	802	839
Net trading income	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Capital gain from the sale of non - current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
Total	7	-	-	633	11,634	12,274

Expenses

Interest expense	1,815	-	-	159	3,879	5,853
Fee and commission expense	-	-	-	-	-	-
Net losses from trading	-	-	-	-	-	-
Expenses from purchase of non - current assets	-	-	-	-	-	-
Allowance for impairment of financial assets, net	-	-	-	347	5,235	5,582
Other expenses	-	-	-	27	-	27
Transfers between entities	-	-	-	-	-	-
Total	1,815	-	-	533	9,114	11,462

	Parent Company	Subsidiaries	Associates	Bank's Management	Other related parties	Total
Balance at December 31st 2019 (current year)						
Income						
Interest income	-	-	-	603	10,832	11,435
Fee and commission income	7	-	-	30	802	839
Net trading income	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Capital gain from the sale of non - current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
Total	7	-	-	633	11,634	12,274
Expenses						
Interest expense	1,815	-	-	159	3,879	5,853
Fee and commission expense	-	-	-	-	-	-
Net losses from trading	-	-	-	-	-	-
Expenses from purchase of non - current assets	-	-	-	-	-	-
Allowance for impairment of financial assets, net	-	-	-	347	5,235	5,582
Other expenses	-	-	-	27	-	27
Transfers between entities	-	-	-	-	-	-
Total	1,815	-	-	533	9,114	11,462

44 Related party transactions - continues

B Income and expenses from related party transactions - continues

in thousands denars

Balance at December 31st 2018 (previous year)

Income

	Parent Company	Subsidiaries	Associates	Bank's Management	Other related parties	Total
Interest income	-	-	-	147	2,147	2,294
Fees and commission income	-	-	-	5	1,029	1,034
Net trading income	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Capital gain from the sale of non - current assets	-	-	-	-	-	-
Other income	-	-	-	-	-	-
Transfers between entities	-	-	-	-	-	-
Total	-	-	-	152	3,176	3,328

Expenses

Interest expense	1,189	-	-	56	3,895	5,140
Fees and commission expense	-	-	-	-	-	-
Net losses from trading	-	-	-	-	-	-
Expenses from purchase of non - current assets	-	-	-	-	-	-
Allowance for impairment of financial assets, net	-	-	-	158	2,060	2,218
Other expenses	-	-	-	30	-	30
Transfers between entities	-	-	-	-	-	-
Total	1,189	-	-	244	5,955	7,388

44 Related party transactions - continues

V Expenses for the Bank Management

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Short - term employee benefits	15,622	11,113
Benefits after employment	-	-
Benefits due to termination of employment	-	-
Employee payment based on shares, settled with equity instruments	-	-
Employee payment based on shares, settled in cash	-	-
Other	1,395	-
Total	17,017	11,113

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

45 Leases

A Lessor

A.1 Finance lease receivables

in thousands denars

Balance at December 31st 2019 (current year)
Current value of minimum lease payments

Total financial lease receivables	Maturity period for financial lease receivables		
	up to 1 year	From 1 to 5 years	Over 5 years
27,094	27,094	-	-
-	-	-	-
-	-	-	-
Total	27,094	27,094	-
Balance at December 31st 2018 (previous year) Current value of minimum lease payments			
30,766	30,766	-	-
-	-	-	-
-	-	-	-
Total	30,766	30,766	-

A.2 Irrevocable operating lease receivables

in thousands denars

Balance at December 31st 2019 (current year)
Current value of minimum lease payments

Total irrevocable operating lease receivables	Maturity period for irrevocable operating lease receivables		
	up to 1 year	From 1 to 5 years	Over 5 years
151	151	-	-
-	-	-	-
-	-	-	-
Total	151	151	-
Balance at December 31st 2018 (previous year) Current value of minimum lease payments			
151	151	-	-
-	-	-	-
-	-	-	-
Total	151	151	-

in thousands denars

Value of property under operational lease:
Balance at December 31st 2019 (current year)
Balance at December 31st 2018 (previous year)
Total

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

45 Leases - continues

B Lessee

B.1 Financial lease liabilities

in thousands denars

Balance at December 31st 2019 (current year)

Total

Balance at December 31st 2018 (previous year)

Total

Total financial lease liabilities	Maturity period for financial lease liabilities		
	up to 1 year	From 1 to 5 years	Over 5 years
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

45 Leases - continues

B Lessee - continues

B.1 Financial lease liabilities - continues

in thousands denars

Value of property under financial lease:

Cost

Balance as of January 1st 2018 (previous year)

additions

(disposal and write offs)

other

Balance at December 31st 2018 (previous year)

Balance as of January 1st 2019 (current year)

additions

(disposal and write offs)

other

Balance at December 31st 2019 (current year)

Accumulated depreciation and impairment

Balance as of January 1st 2018 (previous year)

depreciation for the year

impairment loss during the year

(release of impairment loss during the year)

(disposal and write offs)

other

Balance at December 31st 2018 (previous year)

Balance as of January 1st 2019 (current year)

depreciation for the year

impairment loss during the year

(release of impairment loss during the year)

(disposal and write offs)

other

Balance at December 31st 2019 (current year)

Current carrying value

At January 1st 2018 (previous year)

at December 31st 2018 (previous year)

at December 31st 2019 (current year)

	Land	Buildings	Transport vehicles	Furniture and office equipment	Other equipment	Other items of property and equipment	Total
Value of property under financial lease:							
Cost							
Balance as of January 1st 2018 (previous year)	-	-	-	-	-	-	-
additions	-	-	-	-	-	-	-
(disposal and write offs)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance at December 31st 2018 (previous year)	-	-	-	-	-	-	-
Balance as of January 1st 2019 (current year)	-	-	-	-	-	-	-
additions	-	-	-	-	-	-	-
(disposal and write offs)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance at December 31st 2019 (current year)	-	-	-	-	-	-	-
Accumulated depreciation and impairment							
Balance as of January 1st 2018 (previous year)	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal and write offs)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance at December 31st 2018 (previous year)	-	-	-	-	-	-	-
Balance as of January 1st 2019 (current year)	-	-	-	-	-	-	-
depreciation for the year	-	-	-	-	-	-	-
impairment loss during the year	-	-	-	-	-	-	-
(release of impairment loss during the year)	-	-	-	-	-	-	-
(disposal and write offs)	-	-	-	-	-	-	-
other	-	-	-	-	-	-	-
Balance at December 31st 2019 (current year)	-	-	-	-	-	-	-
Current carrying value							
At January 1st 2018 (previous year)	-	-	-	-	-	-	-
at December 31st 2018 (previous year)	-	-	-	-	-	-	-
at December 31st 2019 (current year)	-	-	-	-	-	-	-

45 Leases - continues

B Lessee - continues

B.2 Liabilities for irrevocable operating leases

во илјади денари

Balance at December 31st 2019 (current year)

Liabilities for irrevocable leases

Total

Balance at December 31st 2018 (previous year)

Liabilities for irrevocable leases

Total

Total liabilities for irrevocable operating leases	Maturity period for irrevocable operating leases		
	up to 1 year	From 1 to 5 years	Over 5 years
3,251	3,251	-	-
3,251	3,251	-	-
3,240	3,240	-	-
3,240	3,240	-	-

Capital Bank AD Skopje
Notes to the financial statements
For the year ended 31 December 2019

46 Share based payments

	<i>in thousands denars</i>	
	current year 2019	previous year 2018
Date of giving option	-	-
Date of option expiry	-	-
Price of option realization	-	-
Share price on the date the option is given	-	-
Variance	-	-
Expected dividend return	-	-
Interest rate	-	-
Fair value on the date the option is given	-	-

	current year 2019		previous year 2018	
	Number of share options	Weighted average price of share options	Number of share options	Weighted average price of share options
Balance as of January 1st	-	-	-	-
Changes during the year:				
options given to the Supervisory Board members	-	-	-	-
options given to the Board of Directors members	-	-	-	-
Other given options	-	-	-	-
Forfeited options	-	-	-	-
Realized options	-	-	-	-
Options with expired deadline	-	-	-	-
Balance at December 31st	-	-	-	-

47. Events after the reporting date

Economic Crisis Caused by Covid-19

In the period from 31 December 2019 – the date of the approval of this financial statements, as a significant event, the economic instability caused by the Covid-19 virus stands out, which has a significant impact on the Bank's operations in 2020. This state did not cause correction of the financial statements for 2019.

Based on the regulatory facilitation contained in the provisions of the Decision on Amending the Decision on Credit Risk Management (Official Gazette of RNM, No. 76 of 24.03.2020), as well as the Law Decree on the manner of changing of the contractual conditions of credit exposures with banks and savings houses (No. 45-2520 / 1 from 25.03.2020), the Bank took measures to facilitate the payments of credit users who on 29.02.2020 are classified in A, B, C category and which have the status of functional receivables, through the following activities:

Natural persons

- Consumer loans - introduction of a grace period of 6 months with monthly obligations for interest payment and other receivables. The deferred principal will be distributed on the remaining agreed term.
- Residential and mortgage loans - introduction of a grace period of 6 months with monthly obligations for interest payment and other receivables and prolongation of the term for 6 months. The postponed principal will be distributed on the remaining term.
- Credit cards - introduction of a period of 6 months in which a calculation and borrowing of the payment will be done only on the interest of the used part of the limit.
- Permitted account overdraft - extension of the due date of all limits of allowed overdrafts up to 30.09.2020 which are classified on 29.02.2020 in A, B and C regular risk category.

The bank announced the Offer of measures for facilitation, on its website. With the announcement of the offer, it is considered that the offer is submitted to all natural persons beneficiaries of credit products, joint and several debtors, on the day of the publication. Individuals who won't refuse the Bank's Offer within the stipulated period are considered to have accepted the Offer.

Legal entities:

Mitigating measures of legal entities are based on individual approach according to the financial analysis of clients based on which the Bank determines which mitigating measure fits best to the financial condition of the client. In the mitigating measures activities of point 37, paragraph 1 are included from the Decision on methodology for credit risk management.

The delivery of the Offer for the mitigating measures is given individually through electronical communication with the clients, during which the offer is considered accepted if the Bank receives written or electronical acceptance of the offer in the stipulated term.

Regarding the effects of the use of the Decree Law with which The Contractual Law is amended (regarding the determination of the legal penalty interest), The Bank estimates that it will not have a significant impact on the Bank's operations, given the fact that it did not cause a reduction in interest rates on the credit portfolio for individuals actively before the entry into force of the Decree Law.

As for the credit portfolio of legal entities, the Decree will also not have a significant impact given the fact that the interest rates of almost the entire portfolio are below the level of contractual penalty interest.

Regarding the effects of the application of the Decision (Official Gazette of RSM, No. 76) on the liquidity of the Bank, the Bank estimates that it will not jeopardize the liquidity of the Bank. Namely, by applying scenarios that provide for the absence of inflows on the basis of loan repayment, as well as outflow of funds to the largest depositors of deposits and accounts in sight, liquidity indicators are above the legally defined limits.

The management of the Bank believes that the going concern assumption is appropriate and that the Bank will continue to operate on a going concern basis.